

# INVESTMENT AND BANKING POLICY OVERVIEW

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# Purpose of the Investment and Banking Policy

- ◆ **The Policy authorizes and provides:**
  - ◆ Types of investments that the District can purchase, being guided by RCWs for investing public funds
  - ◆ Limitations on investment classes and maturities to provide for diversification within the investment portfolio
  - ◆ Which financial institutions the District can transact with
  - ◆ Certain District employees as signators for disbursement of funds and issuance of warrants
  - ◆ The Third Party Administrator to issue workers' compensation claim warrants

# Purpose of the Investment and Banking Policy

- ♦ **The Policy also provides:**
  - ♦ Performance standards, using the 3 month Treasury Bill as the market rate of return
  - ♦ Reporting standards- a Quarterly Investment Report is submitted to the Commission within 60 days of quarter end and 150 days of year end
  - ♦ The policy is reviewed on an annual basis

# Investment Objectives

- ♦ **In order of priority-**
  - **Safety:** Safety of principal
  - **Liquidity:** Cash available to meet “reasonably anticipated” cash requirements
  - **Maturity:** Purchase investments with intent to hold them until maturity
  - **Yield:** Maximize return

# Investment and Banking Policy

- ◆ **Sect. 8.0 Authorized Investments**
  - Treasury Notes & Bills
  - Agency Notes & Bills (FNMA, FHLB, etc.)
  - Commercial Paper
  - Repurchase Agreements
  - Savings Deposits
  - State Investment Pool
  - Municipal Bonds
  - Bank Bonds
  - Certificates of Deposit
  - Other

# Investment and Banking Policy

## ♦ Sect. 10.0 Diversification

<u>Investment Type</u>	<u>New Limits</u>		<u>Former Limits</u>	
	<u>Portfolio</u>	<u>Issuer</u>	<u>Portfolio</u>	<u>Issuer</u>
US Treasury Securities	100%	100%	100%	100%
State LGIP	15%	N/A	10%	N/A
Government Sponsored Agencies	30%	10%	30%	10%
Bankers Acceptances	30%	\$5 MM	30%	\$5 MM
Commercial Paper	25%	5%	25%	5%
Certificates of Deposit	75%	20%	50%	10%
Mutual and money market funds	10%	10%	10%	10%
Municipal Bonds	30%	5%		
Bank Bonds	30%	5%		

Aggregate of commercial paper and banker's acceptances not to exceed 35% of portfolio.

# Purpose of Changes

- Washington State Public Deposit Protection Commission adopted a resolution on February 18, 2009 that requires public depositories to collateralize uninsured public funds at 100% by July 1, 2009.
- Several of our depositories decided to no longer hold public funds, requiring the District to move funds into other asset classes.
- Adding general obligation bonds of municipalities outside of Washington and Bank Bonds as authorized investments will provide more flexibility and opportunity to invest District funds prudently while maximizing yield.

# Purpose of Diversification Changes

- The FDIC's Temporary Liquidity Guarantee Program (TLGP) provides a guarantee of the timely principal and interest payments on certain bank bonds, backed by the full faith and credit of the United States.
- TLGP paper has recently traded around 50 bps to comparable maturity Treasuries

# Other Changes to the Investment and Banking Policy

- ◆ Schedule No. 2-Designated Banks for District Deposits
  - ◆ Removed Washington Mutual from the list
  - ◆ Added language that authorizes any institution on the current Washington Public Deposit Protection Commission list of approved banks to be a designated bank for District deposits
- ◆ Schedule No. 4- Authorized Signators for Issuance of Warrants
  - ◆ Removed Heidi Gale from the list and changed the name of Amy Burleson to Amy Smith
- ◆ Removed a schedule regarding safe deposit boxes, as the District is no longer using safe deposit boxes

# Investment and Banking Policy

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## *Questions*