

SAN JUAN COUNTY INVESTMENT POLICY

I POLICY

- A. It is the policy of the San Juan County Treasurer to invest public funds in a manner which will provide maximum security allowing the highest rate of return while meeting the daily cash flow demands of San Juan County and political subdivisions; conforming to all state and county statutes governing the investment of public funds.
(RCW 36.29.020 and RCW 39.59.020)

II SCOPE

- A. This investment policy applies to all financial assets for which the County Treasurer's Office performs the investment function, including funds administered by county schools, districts, and agencies. (RCW 36-29.020)
- B. **FUNDS**
 - 1. General
 - 2. Capital Project
 - 3. Debt Service
 - 4. Trust and Agency
 - 5. Enterprise
 - 6. Special Revenue
 - 7. Any new fund unless specifically exempted
- C. This investment policy applies to all transactions involving the financial assets and related activity of all of the above mentioned funds.
- D. Funds of any school district, junior district or agency, not required for immediate expenditure, in the custody or control of the Treasurer, and where the governing body of such municipal corporation has not taken any action to invest such funds, may be invested by the Treasurer under the criteria established in this policy. The interest or other earnings from such investments or deposits shall be deposited in the county current expense fund and used for general county purposes. (RCW 36.29.020)

III POLICY OBJECTIVES

- A. The primary objectives of the San Juan County Treasurer's investment policy in priority order are as follows:
 - 1. **Safety**
 - a. Safety of principal is the foremost objective. Each investment transaction shall seek to first insure that capital losses are avoided.
 - 2. **Liquidity**
 - a. The investment portfolio of San Juan County shall be designed to reasonably meet county and district operating requirements; except for certain enterprise and special revenue fund investments that will normally mature within one year.

3. Yield

- a. A market rate of return is desired throughout budget economic cycles, consistent with the first two objectives, taking into account the county's investment risk constraints and the cash flow characteristics of the portfolio.

IV PRUDENT PERSON STANDARD

- A. Investments shall be made with judgement and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital and probable income to be derived.
- B. The "Prudent Person" standard shall be applied by all employees of the Office involved in the investment process. This process shall be applied in the context of managing an overall portfolio.
- C. Employees of the Office involved in the investment process and acting in accordance with this policy and exercising due diligence shall be relieved of personal responsibility for credit and market risks encountered in the performance of their duties. Timely reporting of deviations from expectations and appropriate action to control adverse developments shall be considered the standard of prudence.

V INVESTMENT AUTHORITY

- A. The Treasurer is the authorized investment officer for the county and its taxing districts. That authority may be delegated to a deputy designated as the Investment Officer acting under the direction of the Treasurer.
- B. The Treasurer will invest in authorized investments when directed by the governing body in whose name the funds are held. Length of time and amount is determined by resolution of the governing body or their authorized investment officer. Specific investment and qualified financial institution is determined by the Treasurer or deputy designated as Investment Officer. (RCW 36.29.020)

VI ETHICS AND CONFLICTS OF INTEREST

- A. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program.
- B. Officers and employees involved in the investment process shall disclose material financial interest in financial institutions that conduct business with the County, and they shall further disclose any personal financial or investment positions that could be related to the performance of the investments under the scope of the policy.(RCW 42.17.245)

VII AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

- A. No certificates of deposit shall be made except in qualified public depositories as provided in RCW 39.58. The County Treasurer will invest only with those institutions which are qualified public depositories as determined by the Public Deposit Protection Commission. (RCW 39.58.080)
- B. An annual review of the financial condition of banks, and broker/dealers authorized to do business with the Office will be conducted by the Treasurer. Authorized broker/dealers will be limited to primary dealers or other dealers who maintain sufficient liquid capital to protect the assets of customers. (SEC Rule 15c-3-1)

VIII AUTHORIZED INVESTMENTS

- A. The types of investments the Treasurer is authorized to make are limited by statute. The general investment statute is RCW 36.29.020. Rules regarding specific types of investments are set out in RCW 39.58, 39.59 and 39.60.
- B. Within the limitations and parameters defined by statute, the County Finance Committee has chosen to invest in non-negotiable Certificates of Deposit, Savings Accounts, US Treasury Notes, Bills, Strips, US Government Agencies and the Washington State Local Government Investment Pool.
- C. Other qualified investments outside the limitations and parameters listed in VIII ,above, must be approved by the County Finance Committee.
- D. San Juan County recognizes the contribution of local financial institutions to our economy and accordingly will attempt to place investments first with local financial institutions that qualify under RCW 36.29.020 offering competitive interest rates.

IX SAFEKEEPING AND DELIVERY

- A. All security transactions entered into by the Treasurer shall be conducted on a delivery versus payment (DVP) basis.
- B. Securities shall be held at the Federal Reserve Bank or trust department of a bank insured by the Federal Deposit Insurance Corporation. Certificates of Deposit will be held by the Treasurer.

X DIVERSIFICATION

- A. Due to restrictions on authorized investments by the County Finance Committee, the Treasurer will attempt to diversify the investment portfolio so no more than 65% of the portfolio will be invested in any one financial institution at one time. This limit also pertains to any district bond proceeds investment with the exception of the state pool.

XI MATURITIES

- A. To the extent possible, the Treasurer will attempt to match investments with anticipated cash flow. The Treasurer will not directly invest in instruments maturing for longer than thirty six months from the date of purchase with a maximum weighted average maturity of one and one-half years; except for enterprise or special revenue funds with approval of the county finance committee.

XII PERFORMANCE STANDARDS

- A. The investment portfolio will be designed to obtain an average rate of return during budgetary and economic cycles, consistent with the investment objectives and cash flow needs. Portfolio performance will be measured against the 6 month US Treasury bill and the Local Government Investment Pool. Actual performance will take into account the market conditions during the period under review.

XIII REPORTING

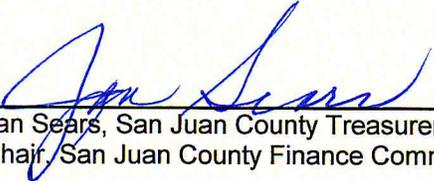
- A. The Treasurer is responsible for investment information as required to complete the Annual Financial report, and will prepare such other reports as may be required by the County Finance Committee. All investment activity is subject to review in the Annual Audit by the State of Washington, which will include compliance with policy, list of holdings, yield, and maturity.

XIII INVESTMENT POLICY ADOPTION

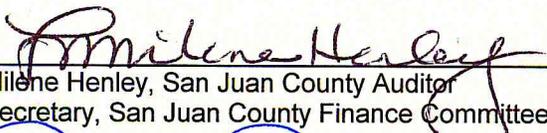
- A. This investment policy shall be adopted by vote of the County Finance Committee, and any modifications to the policy shall be similarly approved. (RCW 36.48.070).

Approved by the San Juan County Finance Committee

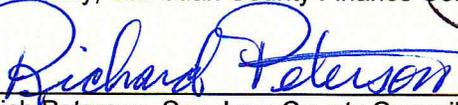
Dated 1-22-09



Jan Sears, San Juan County Treasurer
Chair, San Juan County Finance Committee



Milene Henley, San Juan County Auditor
Secretary, San Juan County Finance Committee



Rich Peterson, San Juan County Council Chair
Member, San Juan County Finance Committee