

SKAGIT COUNTY

INVESTMENT POLICY

(Revised December 9, 2015)

SKAGIT COUNTY INVESTMENT POLICY

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SKAGIT COUNTY TREASURER

INVESTMENT POLICY

I. POLICY

It is the policy of the Skagit County Treasurer to invest public funds in accordance with all federal, state and local governing statutes. The Skagit County Treasurer will invest public funds in a manner that seeks to preserve capital and ensure the protection of investment principal, allow adequate liquidity for the County and its taxing districts, and achieve the highest investment return consistent with the primary objectives of safety and liquidity.

II. SCOPE

This policy applies to all financial assets held or controlled by the Skagit County Treasurer. Currently the Skagit County Treasurer performs the treasury and investment functions for approximately 300 funds of all types. These funds are administered by school districts, port districts, hospital districts and junior taxing districts comprised of dike and drainage assessment districts, fire, cemetery, library, water, weed and sewer districts. In addition, any new fund created by a governmental entity shall apply under this policy.

In addition, the Treasurer may carry out investment functions for separate governmental authorities for which the County Treasurer is not the treasurer or ex-officio treasurer. Investments will be authorized by an inter-local agreement with those entities, pending approval by the County Commissioners.

All participants in the investment process shall seek to act reasonably as custodians of the public trust. Investment officials shall avoid any transactions that might impair public confidence in the office of the Skagit County Treasurer.

III. PRUDENCE

The Prudent Man Rule is the standard by which Skagit County makes its' investments. "Investment shall be made with the exercise of that judgment 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 their capital as well as the probable income to be derived." (RCW 43.84.061).

IV. OBJECTIVES

The primary objectives, in priority order, of investment activities shall be

Safety: Safety of principal is the foremost objective

of the investment program. Each investment shall be undertaken in a prudent manner which seeks to ensure preservation of capital in the overall portfolio. (R.C.W. 43.84.061). This objective seeks assurance that capital losses are prevented, or minimized, whether from securities default, broker/dealer default, or erosion of market value.

Liquidity: The investment portfolio shall remain sufficiently liquid to enable Skagit County and its districts to meet all operating requirements which might be reasonably anticipated. The Treasurer shall invest in accordance with the Public Funds Investment Act. (RCW 39.58)

Return on Investment: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Benchmark: The Treasurer's office will seek to secure a return on investments equal to or higher than the return on the State of Washington local government investment pool (LGIP).

V. DELEGATION OF AUTHORITY

Authority to manage the Skagit County Treasurer's Investment Program is derived from the Revised Code of Washington in RCW 36.29.

Approval of the Skagit County Treasurer's Investment Policy is given by the Skagit County Finance Committee, made up of Chairperson of the County Commissioners, Skagit County Auditor and Skagit County Treasurer by RCW 36.48.070.

The Skagit County Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls and procedures to regulate the activities of all staff in investment matters. The Treasurer shall recommend to the Finance Committee policy changes as appropriate, and shall be charged with implementing such policy, and subsequent policy changes in a timely, prudent and effective manner. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Skagit County Treasurer.

The Treasurer hereby delegates to the Assistant Treasurer the responsibility for daily oversight of investment transactions including accounting activities and internal controls.

The Treasurer hereby delegates to the Investment Officer the responsibility for managing the investment portfolio

consistent with economic, market and liquidity factors, ensuring that all necessary tasks are performed to account for and safeguard investments.

Investments shall be placed in authorized investments when directed by the governing body in whose name the funds are held. Length of time is determined by resolution of the governing body; the Treasurer or designee will determine specific investment instrument.

VI. ETHICS

The Treasurer and staff involved in the investment process shall refrain from personal activity that could conflict with the proper execution of the investment program, impair their ability to make impartial investment decisions, or give the appearance of impropriety.

Selection of investments will be based on quality, liquidity needs, need for diversification, institution limit and yield.

Bids by brokers or financial institutions may not be disclosed to other bidders until after investment is purchased. Bids accepted may be disclosed but not the successful bidder. All things being equal, investments will be rotated between bidders.

Persons involved in the investment process shall not accept gifts from institutions with which the County places investments. Occasional meals are deemed acceptable and must be reported to the Treasurer.

VII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Public Deposit Protection Commission (PDPC) must approve financial institutions for acceptance of public deposits. As a minimum, institutions are required to submit yearly financial reports to the Skagit County Treasurer. Quarterly reports will also be requested.

Quarterly reports of the PDPC will be used to track the growth or decline of net worth of financial institutions and will be taken into consideration when determining where investments are placed and in assessing a financial institution's solidity.

Broker/dealers may be selected from both the primary and secondary market. Dealers must submit a completed Skagit County broker/dealer questionnaire for review prior to consideration. Brokerage firms must be licensed and maintain an office in the State of Washington and must be certified by the Securities Exchange Commission (SEC).

Investments may not be placed outside the State of Washington.

A list of primary and secondary securities dealers will be updated yearly and approved by the County Finance Committee.

VIII. SAFEKEEPING AND CUSTODY

A signed safekeeping agreement shall be entered into with the trust department of a federally regulated financial institution. Treasury securities, agencies and bankers acceptances shall be conducted on a delivery versus payment (DVP) basis which ensures that securities are deposited at a third-party custodian simultaneously with the release of funds and shall be evidenced by a safekeeping receipt.

Banker's acceptances, commercial paper and wire-able securities purchased from federally regulated banks may be held in the trust department of that bank in the name of Skagit County.

Non-negotiable certificates of deposit (CDs) and transactions with the Washington State Local Government Investment Pool are not handled on a delivery vs. payment basis and are exempt from the DVP process. CDs are sent to and kept in the Treasurer's safe.

Some investments are monitored and settled through the Federal Reserve (Fed) system in a "book-entry" format, thus they are not specifically delivered. These book entry transactions are also monitored by safekeeping and corresponding safekeeping receipts.

IX. DIVERSIFICATION

Skagit County is committed to investing in a diversified portfolio of securities in order to reduce overall risk while attaining market average rates of return. Diversification maintains the following standards:

Issuer Specific Standard

No more than 15% of the total portfolio may be invested in any one financial institution. Banking institutions must be insured by the Federal Deposit Insurance Corp., with investment limits as follows:

National Commercial Bank	10% of bank capital
State Charter Bank	95% of bank capital
Thrift Institution	10% of bank capital

No more than 3% of the total portfolio may be invested in any one issuer of commercial paper.

No more than 65% of the total portfolio may be invested with the Washington State Local Government Investment Pool. (Resolution #R20090133-allowed to increase the investments to the State Pool beyond the total investment cap of 65% of its investment portfolio when there are no other viable alternatives. Shall remain in effect until repealed or superseded.)

No more than 10% of the total portfolio may be invested in any one treasury obligation.

Security Specific Standard

Up to 60% of the portfolio may be invested in U.S. treasuries.

Up to 50% of the portfolio may be invested in federal agency obligations, regardless of issuer.

No more than 25% of the portfolio can be invested in commercial paper (A1 or P1 only).

No more than 30% of the portfolio can be invested in certificates of deposit at financial institutions approved by the PDPC.

No more than 15% of the portfolio can be invested in bankers' acceptances (A1 or P1 only).

No more than 3% of the portfolio may be invested in registered warrants of local governmental entities.

X. MAXIMUM MATURITIES

Maintenance of adequate liquidity to meet the cash flow needs of participants is essential. Accordingly, the securities in the portfolio will be structured in a manner that ensures sufficient cash available to meet anticipated cash flow needs of portfolio participants based on historical activity and current information provided by the district. Any cash in excess of that necessary to meet the immediate needs of participants may be invested with the following maturity limitations:

Unless matched to a specific cash flow requirement, no single maturity will be purchased with a maturity date of more than 36 months from the settlement date.

A district may direct the County Treasurer to invest funds specifically designated (for capital improvements or for bond redemption purposes) out to five years if a laddering approach is used, and if written documentation is provided which states (a) acknowledgment and acceptance of the increased market risk taken the longer the maturity of an investment and (b) goals to be achieved by a laddering approach to five years.

XI. AUTHORIZED INVESTMENTS

R.C.W.s 36.29.020, 39.59.020, 39.59.030 and 43.84.080 provide authorization for the county treasurer to purchase various types of security instruments for the county and its taxing districts.

The Treasurer may invest in any instrument authorized by law for

the Treasurer of the State of Washington or any local government in the State of Washington. The following investments are some, but not all, of the permitted securities (only those most commonly used are named).

1. U.S. Treasury obligations
2. U.S. Government instrumentality obligations (which may include, but are not limited to the following:
 - Federal Home Loan Banks (FHLB)
 - Federal Farm Credit Banks (FFCB)
 - Federal National Mortgage Assoc. (Fannie Mae)
 - Student Loan Marketing Assoc. (Sallie Mae)
 - Federal Home Loan Mortgage Co. (Freddie Mac)
 - Government National Mortgage Assoc. (Ginnie Mae)
 - Others as approved by the Treasurer
3. Bankers Acceptances, bills of exchange or time drafts drawn on and accepted by a commercial bank may be purchased on the secondary market, may be foreign or domestic and limited to 6 month duration. Must be A1 or P1.
4. Certificates of Deposit: Non-negotiable CDs may be purchased from qualified public depositories within limits as regulated by the PDPC in the State of Washington.
5. Insured Money Market Funds
6. Registered Warrants of local municipalities. Interest rate on warrants will be priced at Washington State Local Government Investment Pool rate on the day of issue plus 1% not to exceed prime.
7. Commercial Paper, A1 or P1
8. Washington State Local Government Investment Pool (LGIP).

XII. ACCOUNTING METHODS:

Investments will be carried at cost. Gains or losses from investments will be credited or charged to investment income at the time of sale.

Twenty five hundred (\$2500) will be the minimum required to open a new investment fund account. Subsequently, amounts smaller than \$2500 may be added to the fund.

Smaller investments may be placed at the Local Government Investment Pool (LGIP) with interest paid monthly.

Fixed rate investments will be credited with interest at the time of maturity except for coupon items.

XIII. PORTFOLIO REVIEW:

The Treasurer and Investment Officer will routinely monitor the contents of the portfolio, the available markets and the relative values of competing instruments, and will adjust the portfolio accordingly.

XIV. INVESTMENT OF EXCESS MONIES OF MUNICIPAL CORPORATIONS

In accordance with R.C.W. 36.29.020, the Treasurer will invest any and all funds which meet the following conditions:

1. The funds belong to a municipal corporation, and
2. Are in the custody of the county treasurer, and
3. Are not required for immediate expenditure, and
4. The governing body of the municipal corporation has not provided direction as to the investment of said funds.

When all the above conditions are met, the interest or other earnings thereon shall be deposited in the current expense fund of Skagit County and may be used for general county purposes.

XV. INVESTMENT SERVICE FEE:

In accordance with R.C.W. 36.29.020, the county treasurer will deduct an investment service fee of five percent (5%) of the earnings on each investment transaction(s), not to exceed fifty dollars per transaction.

XVI. INVESTMENT POLICY ADOPTION:

The Skagit County Investment Policy will be formally adopted by the Finance Committee and updated with appropriate modifications on a yearly basis, or as amendments are needed.

SIGNATURE PAGE

The Investment Policy of Skagit County as set forth in this document has been reviewed and is hereby accepted.

SKAGIT COUNTY FINANCE COMMITTEE

*Katie Jungquist, Skagit County Treasurer
Chair*

*Jeanne Youngquist,
Skagit County Auditor*

*Lisa Janicki, Chair
Skagit County Commissioners*

*Approved 6-85, Revised 8-86, 12-87, 1-88, 6-89, 9-90, 9-91, 12-92
12-93, 6-96, 6-98, 3-02, 9-02, 3-04, 12-05, 1-14, 12-15,*

GLOSSARY OF INVESTMENT MARKET TERMS

ACCRUED INTEREST: Interest on a security accumulates from the issue date or from the most recent interest payment date to the present. The buyer of the security pays principal plus accrued interest.

ARBITRAGE: A term applied to the municipal bond market, it is the act of paying one interest rate to bond holders and investing the principal at a higher return.

ARBITRAGE REBATE: Return to the IRS of arbitrage earned as described above, using a system of calculations based on future valuing of funds involved.

AVERAGE MATURITY: A weighted average of the expiration dates for a portfolio of debt securities. An income fund's volatility can be managed by shortening or lengthening the average maturity of its' portfolio.

BANK WIRE: A computer message system linking major banks and public depositors. It is used to advise the receiving bank of some action that has occurred.

BAN: Bond Anticipation Notes are issued by states and municipalities to obtain interim financing for projects that will be funded long term through the sale of bond proceeds.

BASIS POINTS: A measure of small differences in yields, 100 basis points equal to 1%. If two bonds are quoted in yields of 1.30 and 1.10 %, there is a spread of 20 basis points between them.

BEARER BONDS: Bonds whose principal and interest are paid to the bearer - anyone in possession of the bond or coupon.

BOOK ENTRY SECURITIES: A system in which securities are not represented by engraved pieces of paper but are maintained by computerized records at the FED in the names of member banks, which in turn keep records of the securities they own as well as their customers.

BONDS: Credit instruments that contain a promise to pay a specific amount of money on a specified date: usually more than 10 years after issuance. Relationship between the bondholder and issuer is that of creditor and debtor.

BROKERS: A middleman who brings buyers and sellers together and executes their orders, charging a commission for these services. Unlike a dealer, a broker does not own or take a position in the security.

CERTIFICATE OF DEPOSIT: A time deposit with a specific maturity

evidenced by a certificate.

COUPON: (1) the annual rate of interest on the bond's face value that a bond's issuer promises to pay the bondholder. (2) A certificate attached to a bond showing interest due on a payment date.

COLLATERAL: An obligation or security attached to another to secure its performance.

CURRENT ISSUE: In Treasury bills and notes, the most recently auctioned issue. Trading is more active in current issues than in older issues.

DEBENTURE: A bond secured only by the general credit of the issuer.

DEBT SECURITY: IOU created through loan-type transactions - bank CDs, bills, bonds, commercial paper etc.

DEFAULT: Failure to pay debt interest or principal when due, or to perform other obligations required by contract.

DELIVERY: The providing of a security in an acceptable form to the agent independent of the seller. Acceptable forms can be physical securities or the transfer of book-entry securities.

DELIVERY VERSUS PAYMENT: Delivery of a security prior to release of monies.

DIVERSIFICATION: Dividing investment funds among a variety of instruments offering independent returns.

DISCOUNT SECURITIES: Non-interest bearing money market instruments issued at a discount and redeemed at maturity at full face value.

FANNIE MAE: Securities sold by the Federal National Mortgage Company.

FICO: Investment securities backed by the Federal Insurance Corporation.

FEDERAL CREDIT AGENCIES: Agencies of the Federal Government designed to supply credit to various classes of institutions and individuals.

FEDERAL DEPOSIT INSURANCE CORP.(FDIC): A federal agency that insures bank deposits: the current limit is \$100,000 per insurable fund.

FEDERAL FUNDS: Non-interest bearing deposits held by member banks at the Federal Reserve. Also refers to immediately available funds in the clearing sense.

FEDERAL HOME LOAN BANK(FHLB): Institutions that regulate and lend

to savings and loan associations.

FLOAT: The difference between credits to an account and debits to that account. Float is always positive because in the clearing of checks, the credit sometimes precedes the debit. Float adds to the money supply.

FREDDIE MAC: Securities sold by the Federal Home Loan Mortgage Company.

G.O. BONDS: General obligation bonds to which the issuer pledges as security its full faith, credit and taxing power. Most G.O. bonds are supported by unlimited taxes (the taxing authority can legally levy any tax rate necessary to pay the debt).

GINNIE MAE: Debt security issued by the Government National Mortgage Association.

GOVERNMENTS: Negotiable U.S. Treasury securities.

INFLATION: An abnormal increase in the volume of money and credit resulting in a substantial and continuing rise in the general price level.

INVESTMENT RISK: Degree of uncertainty of return on an investment.

JUNK BONDS: High-risk bonds that have low credit rating or are in default.

LIQUIDITY: The ability to convert a security into cash promptly with minimum risk of principal.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MONEY MARKET FUNDS: Financial institutions accept savings subject to withdrawal on demand and invest in short-term money market obligations.

NEGOTIABLE C.D: Large denomination (usually \$1 million) CD that can be sold but not cashed before maturity.

NOTE: Coupon issues with relatively short maturity. Municipal notes that have maturities ranging from a month to a year and pay interest only at maturity. Treasury notes are securities that have an original maturity of up to 10 years.

ORIGINAL MATURITY: Maturity at issue. A 5-year note has an original maturity at issue of 5 years: 1 year later it has a current maturity of 4 years.

PAPER: Money market instruments, commercial paper etc.

PREMIUM BOND: Bond selling above par.

PORTFOLIO: Collection of securities held by an investor.

PRIME RATE: Rate at which banks lend to their best customers.

PRINCIPAL: (1) Face amount or par value of a security. (2) One who acts as a dealer buying and selling his own account.

PROSPECTUS: A detailed statement prepared by an issuer and filed with the SEC prior to sale of the issue.

RAN: Revenue Anticipation Note. An issue by states and municipalities to finance current needs in anticipation of the future receipt of non-tax revenues.

RATINGS: An evaluation given by Moodys, Standard & Poors, Fitch and/or other rating services of a security's credit worthiness.

RECESSION: A period of reduced economic activity.

REFUND: To replace one bond issue with another, usually to extend the maturity, reduce the interest rate or consolidate several issues.

REVENUE BONDS: Bonds payable solely from the income produced by a publicly owned facility, such as a toll bridge or turnpike.

REPURCHASE AGREEMENT (REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use repos extensively to finance their positions.

REVERSE REPURCHASE AGREEMENT: Most typically, are purchase agreements initiated by the lender of funds. Reverses are used by dealers to borrow securities they have shorted.

SAFEKEEPING: A service to customers of a bank for a fee whereby securities and valuables are held in the bank's vault for protection; in the case of book-entry securities, are held and recorded in the customer's name and are inaccessible to anyone else.

SAVINGS AND LOAN ASSOCIATION: Federal or state chartered institution that accepts savings deposits and invests the bulk of the funds in mortgages.

SECONDARY MARKET: Market in which previously issued securities are traded.

SECURITIES EXCHANGE COMMISSION (SEC): - Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SETTLEMENT DATE: Date on which trade is cleared by delivery of

securities against funds. Settlement date may be the trade date or a later date.

SHOPPING: Seeking to obtain the best bid or offer by calling a number of dealer/brokers.

SKIP-DAY SETTLEMENT: Trade is settled one business day beyond what is normal.

SPREAD: Difference between bid and asked price of a security.

TAN: Tax Anticipation Note issued by state or municipality to finance current operations on future tax receipts.

TERM BONDS: Bond issue in which all bonds mature at the same time.

TIGHT MARKET: A tight market, as opposed to a thin market, is one in which volume is large, trading is active and highly competitive and spreads between bid and asking price are narrow.

TIME DEPOSIT: Interest-bearing deposit at a savings bank that has a specific maturity date.

TAX-EXEMPTS: A term applied to municipals, it refers to the fact that interest on these securities is fully exempt from income tax.

TREASURY BILL: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Bills are generally issued to mature in 3 and 6 months or 1 year.

VARIABLE CD RATE: Short-term CD that pays interest periodically on roll dates; on each roll date the coupon on the CD is adjusted to reflect current market rates.

YIELD TO SECURITY: Rate of return yielded by a debt security held to maturity when both interest payments and the investor's capital gain or loss on security are taken into account.

RESOLUTION NO.

**A RESOLUTION TO ACCEPT A REPORT OF THE TREASURER'S
ANNUAL DESIGNATION OF FINANCIAL INSTITUTIONS
QUALIFYING AS PUBLIC DEPOSITORIES FOR SKAGIT COUNTY**

Whereas, under RCW 36.48.010, the Skagit County Treasurer is required to annually, at the end of each fiscal year or at such other times as may be deemed necessary, designate one or more financial institutions in the state which are qualified public depositories as set forth by the public deposit protection commission as depository or depositories for all public funds held and required to be kept by the Treasurer; and

Whereas Katie Jungquist, the Skagit County Treasurer has designated, as shown by attachment A, the following listed banks as depositories for all public funds held by Skagit County:

Banner Bank
Bank of America
Skagit Bank
Key Bank
Wells Fargo
U. S. Bank aka U.S. Bancorp
Washington Federal Savings & Loan
Union Bank
Peoples Bank
Heritage Bank
Cashmere Valley Bank
Opus Bank
Columbia Bank
Savi Bank
Sound Community Bank
Umpqua Bank

Whereas the above listed banks are qualified public depositories as set forth by the Public Deposit Protection Commission; and

Whereas the Treasurer's designation is to be reported to the Board of Commissioners of Skagit County.

Now Therefore, be it Resolved that the Skagit County Treasurer's report to the Board of Commissioners of Skagit County, State of Washington is hereby accepted.

WITNESS OUR HANDS AND THE OFFICIAL SEAL OF OUR OFFICE THIS 7 day of December, 2015.



BOARD OF COMMISSIONERS
Skagit County, Washington

Kenneth A. Dahlstedt
Kenneth A Dahlstedt, Chair

Lisa Janicki
Lisa Janicki, Commissioner

Ron Wesen
Ron Wesen, Commissioner

Approved as to content:

Katie Jungquist 11-24-15
Katie Jungquist
Skagit County Treasurer

Approved as to Form:

Melinda Miller
Melinda Miller, Civil Deputy
Prosecuting Attorney

ATTEST:

Linda Hamme
Linda Hamme
Clerk of the Board
Skagit County Board of Commissioners

STATE OF WASHINGTON)
) ss
COUNTY OF SKAGIT)

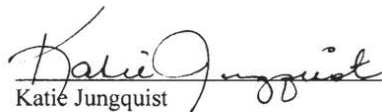
TO: Board of County Commissioners,
County of Skagit, State of Washington

I, Katie Jungquist, do hereby certify that I am qualified and County Treasurer of Skagit County, State of Washington, and

I further certify that, as required under RCW 36.48.010, I have designated the following listed banks as depositories for all public funds held. The following listed banks are qualified public depositories as set forth by the Public Deposit Protection Commission.

Banner Bank
Bank of America
Skagit Bank
Key Bank
Wells Fargo
U. S. Bank aka U.S. Bancorp
Washington Federal Savings & Loan
Union Bank
Peoples Bank
Heritage Bank
Cashmere Valley Bank
Opus Bank
Columbia Bank
Savi Bank
Sound Community Bank
Umpqua Bank

Skagit County Treasurer


Katie Jungquist

Attachment A

2. STATE OF WASHINGTON LOCAL GOVERNMENT INVESTMENT POOL (LGIP)

3. LOCAL SECONDARY & PRIMARY DEALERS

Government Perspectives

Piper Jaffray

Vining Sparks

Key Bank Investments

Morgan Stanley

Time Value Investments

RW Baird

Wells Fargo Securities