ADA COUNTY INVESTMENT POLICY

SECTION 1 – SCOPE OF THE INVESTMENT

The Investment Policy of Ada County shall apply to all operating funds, bond proceeds, and other funds accounted for in the financial statements of Ada County. Applicable law and this written Investment Policy authorize each investment made pursuant to this Investment Policy.

SECTION 2 - DELEGATION OF AUTHORITY

The County Treasurer shall deposit county funds in accordance with Idaho Title 57, Chapter l, Sections 57-101, *et seq.* and this Ada County Investment Policy. Idaho Code Section 57-127, 57-127A and 57-128, empower the County Treasurer to invest surplus or idle funds in instruments and investments permitted by Idaho Code Section 67-1210. Only the Treasurer may invest public funds and a copy of any empowering resolution shall be attached to this Investment Policy.

The Ada County Treasurer is further permitted to invest in authorized securities with primary or regional dealers. Investments are to be made with banks designated by the Board of County Commissioners as a depository in accordance with 57-128. The list of Public Depositories and transactions made by or on behalf of Ada County are public record.

SECTION 3 - OBJECTIVES OF INVESTMENT POLICY

The primary goals, in priority order, of all investment activities involving the financial assets of Ada County shall be safety, liquidity, and yield:

A. Safety: Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

1. Credit Risk
The County will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:
   - Limiting investments to the types of securities listed in Section 5 of this Investment Policy
   - Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

2. Interest Rate Risk
The County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

   - Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

- Investing a portion of the operating funds primarily in shorter-term securities and limiting the average maturity of the portfolio in accordance with this policy. (See Section 7).

B. Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or State of Idaho Local Government Investment Pool, which offer same-day liquidity for short-term funds. County departments shall, with expense vouchers in excess of $500,000, attempt to notify the Treasurer as early as possible so the Treasurer can provide adequate liquidity.

- Yield: 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 liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The majority of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:
  - Securities with declining credit may be sold early to minimize loss of principal.
  - A security swap would improve the quality, yield, or target duration in the portfolio.
  - Liquidity needs of the portfolio require that the security be sold.

SECTION 4 – STANDARD OF PRUDENCE

The Treasurer of Ada County, when investing or depositing public funds, shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use to attain the goals listed in Section 3. This standard requires that when making investment decisions, the Treasurer shall consider the role that the investment of deposit plays within the portfolio of assets of Ada County and the investment objectives stated in this policy.

SECTION 5 - INSTRUMENTS ELIGIBLE FOR INVESTMENT

Allowable investments, pursuant to Idaho Code are:

A. **U.S. Treasury Obligations:** Bonds, treasury bills, interest-bearing notes, or other obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

B. **State Idaho Bonds:** General obligation or revenue bonds of this state, or those for which the faith and credit of this state are pledged for the payment of principal and interest. Investments in these types of securities shall not exceed 20 percent of the

portfolio at time of purchase. Investments per issuer shall not exceed 10 percent of the portfolio at time of purchase.

C. **Idaho Counties, Cities, and Districts Bonds:** General obligation or revenue bonds of any county, city, metropolitan water district, municipal utility district, school district or other taxing district of this state. Investments in these types of securities shall not exceed 20 percent of the portfolio at time of purchase. Investments per issuer shall not exceed 5 percent of the portfolio at time of purchase.

D. **U.S. Federal Agency Obligations:** Notes, bonds, debentures, or other similar obligations issued by the Farm Credit System or institutions forming a part thereof under the Farm Credit Act of 1971 [U.S.C., tit. 12, sections 2001-2259] and all acts of congress amendatory thereof or supplementary thereto; in bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank act [U.S.C., tit. 12, sections 1421-1449]; in bonds, debentures and other obligations of the Federal National Mortgage Association established under the National Housing Act [U.S.C., tit. 12, sections 1701-1750g) as amended, and in the bonds of any Federal Home Loan Bank established under said act and in other obligations issued or guaranteed by agencies or instrumentalities of the government of the state of Idaho or of the United States, including the United States Small Business Administration guaranteed portion of any loan approved by an Idaho banking corporation and by the State Treasurer. Investments per issuer shall not exceed 40 percent of the portfolio at time of purchase.

E. **Idaho Public Corporations:** Bonds, notes or other similar obligations issued by public corporations of the state of Idaho including, but not limited to, the Idaho state building authority, the Idaho housing authority and the Idaho water resource board. Investments in these types of securities shall not exceed 20 percent of the portfolio at time of purchase. Investments per issuer shall not exceed 5 percent of the portfolio at time of purchase.

F. **Repurchase Agreements (Repos):** Repurchase agreements covered (collateralized) by any legal investment of the County. Repos executed with a bank organized and operating or licensed to operate in the United States under federal or state law or a securities dealer which is a registered broker/dealer, designated by the Federal Reserve Bank of New York as a primary dealer in United States government securities. Repo transactions shall be limited to maturities of not more than 90 days per transaction. Repo counterparties shall execute a Global Master Repurchase Agreement which has been approved by the Securities Industry and Financial Markets Association (SIFMA). Repo counterparties must have a rating of A-1 by Standard and Poor's Corporation, P-1 by Moody's Corporation, or F-1 by Fitch Ratings. The collateral pledged and delivered for other than overnight investments shall be marked-to-market on a weekly basis and maintained, by a custodian bank, at an amount greater than a market value of 102 percent. Investments in these types of

securities shall not exceed 30 percent of the portfolio at time of purchase. Investments per issuer shall not exceed 15 percent of the portfolio at time of purchase.

G. **State Tax Anticipation Notes:** Tax anticipation notes and registered warrants of the state of Idaho. Investments in these types of securities shall not exceed 10 percent of the portfolio at time of purchase.

H. **Local Government Tax Anticipation Notes:** Tax anticipation bonds or notes and income and revenue anticipation bonds or notes of taxing districts of the state of Idaho. Investments in these types of securities shall not exceed 20 percent of the portfolio at time of purchase. Investments per issuer shall not exceed 5 percent of the portfolio at time of purchase.

I. **Time Deposits in State Depositories:** Time deposit accounts and savings accounts in state depositories including, but not limited to, accounts on which interest or dividends are paid and upon which negotiable orders of withdrawal may be drawn, and similar transaction accounts.

J. **Time Deposits in State/Federal Savings and Loan Associations:** Time deposit accounts and savings accounts of state or federal savings and loan associations located within the geographical boundaries of the state in amounts not to exceed the insurance provided by the federal savings and loan insurance corporation including, but not limited to, accounts on which interest or dividends are paid and upon which negotiable orders of withdrawal may be drawn, and similar transaction accounts.

K. **Idaho Education Bonds:** Revenue bonds of institutions of higher education of the state of Idaho. Investments in these types of securities shall not exceed 20 percent of the portfolio at time of purchase. Investments per issuer shall not exceed 5 percent of the portfolio at time of purchase.

L. **Deposit Accounts in Credit Unions:** Share, savings and deposit accounts of state and federal credit unions located within the geographical boundaries of the state in amounts not to exceed the insurance provided by the national credit union share insurance fund and/or any other authorized deposit guaranty corporation, including, but not limited to, accounts on which interest or dividends are paid and upon which negotiable orders of withdrawal may be drawn, and similar transaction accounts.

M. **Money Market Funds:** Money market funds whose portfolios consist of any allowed investment as specified in this section. The securities held in money market portfolios must be dollar-denominated, meaning that all principal and interest payments on such a security are payable to security holders in United States dollars. Money market funds shall be registered with the Securities and Exchange Commission and have a rating of AAA by Standard and Poor's Corporation, Aaa- by Moody's Corporation, or AAA by Fitch Ratings by at least one of the three nationally recognized rating services mentioned above. Investments in these types of securities

shall not exceed 30 percent of the portfolio at time of purchase. Investments per issuer shall not exceed 10 percent of the portfolio at time of purchase.

N. **LGIP:** Idaho State Local Government Investment Pool (LGIP). May invest in the LGIP as long as their credit rating meets required standards established by the State Treasurer. Investments in the LGIP shall not exceed 70 percent of the portfolio at time of investment.

O. **DBF:** Idaho Diversified Bond Fund (DBF). May invest in the DBF as long as their credit rating meets required standards established by the State Treasurer. Investments in the DBF shall not exceed 30 percent of the portfolio at time of investment.

SECTION 6 - PROHIBITED INVESTMENT PRACTICES

Assets of Ada County shall not be invested pursuant to the following investment practices:

A. Trading of securities for speculation or the realization of short-term trading gains.

B. A contract providing for the compensation of an agent or fiduciary.

In addition to the prohibited practices above, if a third party with custody of public transaction records of Ada County fails to produce requested records within a reasonable amount of time, Ada County shall make no new investments with or through the third party.

SECTION 7 - INVESTMENT MATURITY AND CREDIT QUALITY

Operating funds must be identified and distinguished from all other funds available for investment. Operating Funds are defined as those funds which are reasonably expected to be expended during a current budget year or within 12 months of receipt.

All investments authorized in Section 5 are further subject to the following investment maturity limitation in order to manage risk:

A. The Treasurer may invest funds of Ada County that are not identified as Operating Funds in investments with maturities longer than one (1) year, but not to exceed five (5) years; provided, however, that the Treasurer may invest such funds in specific investments with maturities longer than five (5) years with the unanimous consent of the Board of Ada County Commissioners. However, all investments of Ada County shall have maturities that are consistent with the needs and use of the County. The maximum weighted average maturity of the portfolio shall not exceed 3 years.

B. At the time of purchase all acceptable financial instruments must have a credit rating of A or better by Standard and Poor's Corporation (S&P), of A2 or better by Moody's Corporation, or of A or better by Fitch Ratings. Credit ratings shall be entered into the County investment accounting system at time of purchase and monitored at least on a monthly basis. If a security's investment rating falls below the allowable ratings,

then a market/credit analysis will be performed and the appropriate hold/sell decision will be determined by the Treasurer.

C. Any deposits exceeding insurance limits will be fully collateralized by allowable government and/or agency securities held by the pledging financial institution.

SECTION 8 - DIVERSIFICATION

Where possible, it is the policy of the Ada County Treasurer to diversify its investment portfolio. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets. In establishing specific diversification strategies, the following general policies and constraints shall apply:

A. Portfolio maturities should be staggered in a way that avoids undue concentration of assets in a specific maturity sector. Maturities that provide stability of income and reasonable liquidity shall be selected.

B. Liquidity practices to ensure that the next disbursement date and payroll date are covered through maturing investments or cash on hand shall be used at all times.

C. Securities should be purchased with the intent of holding them to maturity.

SECTION 9 - SAFEKEEPING AND CUSTODY

Confirmation of all purchases or sales of securities by Ada County must be held by the Ada County Treasurer within the Ada County Treasurer's vault. If such confirmation of purchase or sale is retained in the vault, the Treasurer is authorized to leave the actual securities in the name of Ada County on account with brokers or correspondent banks.

SECTION 10 – ETHICS AND CONFLICT OF INTEREST

The Treasurer and all officers and employees of Ada County involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

SECTION 11 – INVESTMENT POLICY REVIEW

This Investment Policy shall be reviewed every two years or more frequently as appropriate.

SECTION 12 – APPROVED BROKER/DEALERS

The Treasurer shall maintain an approved list of broker/dealers. Annually, approved broker/dealers shall submit to the Treasurer their SEC Form X-17A-5, also known as a Financial and Operational Combined Uniform Single Report or "FOCUS" Report. Additionally, the broker shall submit annually the Financial Industry Regulatory Authority, Inc (FINRA) Broker Check Report to the Treasurer.

SECTION 13 – REPORTING

The Treasurer will prepare a monthly report for the Board of County Commissioners. The reports shall provide a summary of the investments (including sector/type percentages, weighted average maturity, and weighted average book yield) and a detail of the investment holdings (including par, book, and market values, S&P and Moody's ratings, CUSIP, purchase date, maturity date, book yield, rate of return and comparison t bench mark in section 15). The report shall also include the activity of the portfolio for the month; to include a listing of securities purchased, sold, called, or matured.

Upon purchase, the Treasurer shall record and maintain all investment details listed in this section in the appropriate investment and financial software.

SECTION 14 – AUDIT AND INTERNAL CONTROLS

The Treasurer's Office shall employ internal controls designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees and officers of Ada County.

The custodian/safekeeping account, investment transactions, and records shall be audited by internal auditors, independent of the Treasurer's Office, and/or by outside independent auditors with a frequency prescribed by the Board of County Commissioners.

SECTION 15 – PERFORMANCE EVALUATION

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio is designed with the objective of attaining a market rate of return throughout budgetary and economic cycles. An appropriate benchmark shall be established against which the portfolio's performance shall be compared on a regular basis. The benchmark shall be reflective of the actual securities being purchased and risks undertaken, and shall have a similar weighted average maturity as the portfolio.

Effective Date: August 12, 2014