

RESOLUTION NO. 1569

**A Resolution Identifying Investment Policies and Procedures
for Public Utility District No. 1 of Okanogan County**

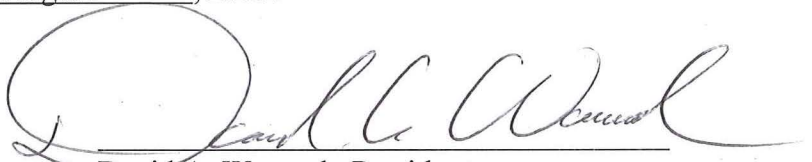
WHEREAS, it is necessary and in the best interest of the District to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy; and

WHEREAS, it is in the best interest of the District to organize and formalize investment-related activities for the District; and

WHEREAS, the goal is to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands and conforming to all Washington statutes governing the investment of public funds;

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of Public Utility District No. 1 of Okanogan County hereby adopts the attached Investment Policy to formalize District policies and procedures used to meet the District financial goals in accordance with all laws and statutes governing the investment of public funds.

Dated this 27th day of August, 2013.



David A. Womack, President



Steve Houston, Vice President

ATTEST:



Ernest J. Bolz, Secretary

APPROVED as to form:



Michael D. Howe, Legal Counsel

PUBLIC UTILITY DISTRICT NO.1 OF OKANOGAN COUNTY

INVESTMENT POLICY

1. Purpose

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities for the Public Utility District No. 1 of Okanogan County (the District).

The policy outlines investments scope, objectives, delegation of authority, reporting requirements, internal control, investment limitations, safeguarding requirements, liquidity, performance expectation, quality, and maturity.

The goal of the policy is to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands and conforming to all Washington statutes governing the investment of public funds.

2. Objective

The primary objectives, in priority order, of the District's investment activities shall be:

2.1 Legality

The District investments will be in accordance with all statutes governing the investment of public funds as well as applicable provisions of bond resolutions.

2.2 Safety

Safety of principal is the foremost objective. 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 risk including credit risk and interest rate risk.

- a. Credit Risk – The District will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:
 - Limiting investments to the safest types of securities including the State of Washington Local Government Investment Pool.
 - Pre-qualifying the financial institutions with which the District will do business as those institutions identified by the Public Deposit Protection Commission as Qualified Washington Public Depositories.
 - Diversify the investment portfolio so that potential losses on individual securities will be minimized.
- b. Interest Rate Risk – The District will minimize the risk that the market value of securities in the portfolio will fall due to changes in general 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 operating funds primarily in shorter-term securities or the Washington State Local Government Investment Pool.

2.3 Return on Investment (Yield)

Yield should become a consideration only after the basic requirements of safety and liquidity have been met. Investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

3. Prudence

The standard of prudence to be applied by investment officials shall be the "prudent investor" rule, which states "...investments shall be made with 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."

The Investment Officer, acting in accordance with written procedures and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse development.

4. Ethics and Conflicts of Interest

Officers and employees 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.

In addition, RCW 42.17A.570 requires treasurers to file the Treasurers' Annual Report to the Public Disclosure Commission between January 1 and April 15, to cover the preceding calendar year.

5. Authorized Investments

All municipal corporations in Washington State, including the District, are empowered by statute to invest in certain types of securities. Eligible investments are only those securities and deposits authorized by State statute as defined in RCW 39.58 and 39.59.

For the District, the following securities are authorized investments:

- A. Investment deposits, including certificates of deposit, with qualified public depositories as defined in RCW 39.58.
- B. Certificates, notes, or bonds of the United States, or other obligation of the United States or its agencies, or of any corporation wholly owned by the government of the United States (such as the Government National Mortgage Association).
- C. Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System. (These include, but are not limited to Federal Home Loan Bank notes and bonds, and Federal National Mortgage Association notes, bonds and guaranteed certificates of participation).

- D. Repurchase agreements for securities listed in B and C above, provided that the transaction is structured so that the District obtains control over the underlying securities and a Master Repurchase Agreement has been signed with the bank or dealer.
- E. State of Washington Investment Pool.

6. Selection of Investment Instruments

Investments shall be placed using an informal bidding procedure where rates will be received from approximately 2-4 institutions. The District may place an investment that is not the highest bidder, taking into consideration portfolio diversification.

If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, bids will be requested for instruments which meet the maturity requirement. If no specific maturity is required, a bid range in 30-day increments from 30 days to 365 will be used to determine which maturities would be most advantageous.

7. Internal Control

The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation of third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the District.

Training should be provided to staff in investments, and personnel should keep current with financial development by participating in continuing education in investment management and subscribing to financial journals and periodicals.

Controls deemed most important include: separating transaction authority from accounting and record keeping, custodial safekeeping, clear delegation of authority, specific limitations regarding securities losses and remedial action, written confirmation of telephone transactions, minimizing the number of authorized investment officials, documentation of transaction and strategies, and code of ethics standards.

8. Monthly Reporting

The Treasurer of the District shall submit a monthly investment report to the Board of Commissioners. At a minimum, this report should include type of investment, institution, date of maturity, amount of investment, and yield.

9. Investment Policy Adoption

The District's investment policy shall be adopted by a resolution of the District Commission. The policy shall be reviewed on an as-needed basis and any modifications made thereto must be approved by the District Commission.