



Investment Policy

**Adopted by the Chelan Douglas Regional Port Authority
Board of Directors on December 13th, 2023.**

Investment Policy

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I. POLICY

1.1 Policy:

It is the policy of the Chelan Douglas Regional Port Authority to invest public funds in a manner which will provide the market rate of return with the maximum security while meeting the daily cash flow demands on the Treasury and conforming to all Washington statutes governing the investment of public funds.

The purpose of this Investment Policy is to establish the investment objectives, delegation of authority, standards of prudence, eligible investments and transactions, internal controls, reporting requirements and custodial procedures necessary for the prudent management and investment of the funds of the Chelan Douglas Regional Port Authority.

II. SCOPE AND OBJECTIVES

2.1 Scope:

This investment policy applies to all financial investment assets and managed assets of the Chelan Douglas Regional Port Authority. Investment assets are accounted for in the Port Authority's Annual Financial Report.

2.2 Objectives:

The primary objectives, in priority order, of the Port Authority's investment activities shall be legality, safety, liquidity, and return:

Legality of Investments:

The Port Authority's investment holdings shall be in conformance with federal, state and other legal requirements.

Safety:

Safety of principal is the foremost objective of the Investment Policy of the Chelan Douglas Regional Port Authority. Investments of the Port Authority shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity:

The Port Authority's investment portfolio will remain sufficiently liquid to enable the Port Authority to meet all operating requirements which might be reasonably anticipated.

Return on Investment:

The Port Authority's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the Port Authority's investment risk constraints and the cash flow characteristics of the portfolio.

III. STANDARDS OF CARE

3.1 Prudence:

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 standard of prudence to be used by investment officials shall be the "prudent person" and shall be applied in the context of managing an overall portfolio. Investment officers 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 developments.

3.2 Delegation of Authority:

Management responsibility for the investment program is hereby delegated to the Director of Finance & Administration serving as the Port Authority's Treasurer, who shall establish written procedures for the operation of the investment program, consistent with the investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Director of Finance & Administration. The procedures will be periodically reviewed and updated at the direction of the Director of Finance & Administration.

3.3 Ethics and Conflict 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. Employees and investment officials shall disclose to the Chief Executive Officer any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Port Authority's portfolio.

IV. AUTHORIZED INVESTMENTS, DIVERSIFICATION, MATURITIES AND COLLATERALIZATION

4.1 Authorized Investments:

All municipal corporations in Washington State, including the Chelan Douglas Regional Port Authority, are empowered by statute to invest in the following securities: (The enabling legislation is RCW 39.58 and, as amended, RCW's 53.36, 39.58, 39.59, 39.60, 43.84.080 and 43.250). The Port Authority has chosen to limit the authorized investments to the following:

- 1) Investment deposits including certificates of deposit, with qualified public depositories.
- 2) Certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States.

3) Obligations of government-sponsored enterprises 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, Federal National Mortgage Association notes, Federal Home Loan Mortgage Corporation and Federal Farm Credit Bank bonds.)

4) Corporate notes purchased on the secondary market provided that the Director of Finance and Administration adheres with the policies and procedures of the State Investment Board regarding corporate notes.

5) Bankers' acceptances purchased on the secondary market which have at the time of investment the highest credit rating by a minimum of two recognized rating agencies.

6) Commercial Paper provided that the Director of Finance & Administration adheres with the policies and procedures of the State Investment Board regarding commercial paper (RCW 43.84.080(7)).

7) Bonds of the State of Washington and any local government in the State of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency.

8) General obligation bonds of a state other than the State of Washington and general obligation bonds of a local government of a state other than the State of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency.

9) State Investment Pool - As prescribed by the RCW code, the legislation has provided for a mechanism whereby political subdivisions may, at their option, utilize the resources of the State Treasurer (OST) to maximize the potential surplus funds while ensuring the safety of public funds. A state investment pool has been designated to meet this function.

4.2 Diversification:

The Port will diversify its investments by security type and institution. The constraints will provide for a disciplined guide in making investment decisions.

Diversification Constraints:

ISSUER TYPE	% of TOTAL PORTFOLIO
Local Government Investment Pool	100%
US Treasury Obligations	100%
Government Sponsored Enterprises (GSE's)	100%
Callable issues	up to 50%
Corporate Bonds	20%
Certificates of Deposit/Bank Deposits/Saving	75%
Obligations of the State of Washington	50%

4.3 Maturities:

The Port Authority will invest in securities with maturity dates five (5) years from the date of purchase or less.

The maximum weighted maturity (modified duration) of the total portfolio shall not exceed 3.0 years. This maximum is established to limit the portfolio to excessive price change exposure.

Liquidity funds will be held in the State Pool, bank deposits or in money market instruments maturing in six months or less.

The investment portfolio will have securities that mature between 1 day and 5 years.

Exception to 5-year-maturity maximum: The Chelan Douglas Regional Port Authority may invest in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds or where deferred payment to the Port Authority are matched to the maturity date.

V. DEALERS AND INSTITUTIONS, SAFEKEEPING AND CUSTODY, INTERNAL AND EXTERNAL CONTROL

5.1 Authorized Financial Dealers and Institutions:

The Director of Finance & Administration will limit banking transactions to designated banking relationships and will refer to the financial institutions list provided by the Public Deposit Commission of banks authorized to provide investment services (RCW 39.58.080).

In addition, the Port Authority will approve security broker/dealers by credit worthiness, and understanding of the Port Authority's requirements and policy. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15c3-1 (Uniform Net Capital Rule). No public deposit shall be made except in a qualified public depository in the State of Washington.

A current financial statement is required to be on file for each broker/dealer with which the Port Authority invests.

5.2 Safekeeping and Custody:

All security transactions entered into by the Chelan Douglas Regional Port Authority shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the Director of Finance & Administration and approved by the State Treasurer.

5.3 Internal Control:

The Director of Finance & Administration shall establish a process of periodic review by the Accounting/Finance Staff. This review will provide internal control monitoring by assuring that policies and procedures are being complied with.

5.4 External Control:

The Director of Finance & Administration may engage the services of outside professionals as necessary for the efficient management of the investment program. External service providers shall be subject to the provisions of this Investment Policy.

VI. PERFORMANCE MEASUREMENT AND REPORTING REQUIREMENTS

6.1 Performance Standards:

The Port Authority's investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the Port Authority's investment risk constraints and cash flow needs. A market benchmark may be utilized and will be established through the Director of Finance & Administration. The return shall be based on the net yield after accounting for the amortization of the discounts or premiums paid.

6.2 Reporting:

The Director of Finance & Administration shall provide the Board of Directors with consistent periodic reporting. These reports shall provide an accurate and meaningful representation of the investment portfolio, its performance versus the established benchmark, and proof of compliance with the investment policy. At a minimum these reports will be presented quarterly and such reports will include:

- Total investment portfolio yield and earnings rate.
- Percentage of the portfolio in each investment category.
- Summary of securities by investment type held at the end of the reporting period.
- Average term and yield by investment type.
- Investment yield comparison to various benchmarks.

VII. POLICY ADOPTION

7.1 Investment Policy Adoption:

The Chelan Douglas Regional Port Authority investment policy shall be adopted by resolution of the Board of Directors. The policy shall be reviewed on an annual basis and any modifications made thereto must be approved by the Board of Directors.