

**INVESTMENT POOL**  
**INFORMATION STATEMENT**



**Clark County Treasurer**

**February 22, 2013**

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## **Information Statement Dated February 22, 2013**

This Information Statement contains information regarding the Clark County Investment Pool (Pool). The Pool is an investment vehicle which has a floating Net Asset Value and an average maturity of more than 90 days. It has been established to provide Clark County (County) and any relevant municipal corporations (Participants) with assistance in the investment of and accounting for cash in excess of expenditure needs, capital funds, and bond proceeds that meet certain criteria addressed below.

Participants include, but are not limited to districts, (such as the following: school, fire, port, cemetery, drainage, road improvement, emergency management) cities, transportation agencies and other public entities who desire to participate. Participation by any Participant will be unlimited provided that bond proceeds plus other funds associated with that one Participant do not exceed 25% of the total assets of the Pool.

Investments outside the Pool are required to be coordinated with the Treasurer's Investment/Debt Manager.

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## **Purpose of Pooling**

The Clark County Treasurer invests funds collectively in order to more efficiently meet investment objectives. RCWs 36.29.020, 36.29.022, and 36.29.024 provide statutory authority for the Treasurer to operate a pooling program. The purpose of the Pool is to allow Participants to pool funds available for investments in order to achieve a potentially higher yield, while maintaining adequate diversification and liquidity. The "Prudent Investor" rule as defined by RCW 43.250.040 applies to all investments purchased on behalf of the Pool.

The Pool has been created to promote a more efficient mechanism for investing Public funds in large dollar amounts in order to take advantage of market conditions which generally results in higher yields.

Participants are provided with a convenient method of pooling their liquid cash, as well as bond proceeds and other capital and reserve resources, for temporary investment pending their expenditure. The Treasurer's Office provides record keeping, custodial, and arbitrage rebate calculation services.

The Pool seeks to provide the following benefits:

- **Preservation of Principal** – Investments are only made in instruments authorized by Washington State law, and in accordance with the Clark County Investment Policy.

Because investments are restricted to those with the highest credit ratings at the time of purchase, credit risk (the risk that an issuer of a security may default on its obligation,) is lessened. The Pool seeks to maintain, but does not guarantee, a constant Net Asset Value of \$1.00 per share.

- **Liquidity Funds** – The portfolio shall remain sufficiently liquid to enable Clark County and its Participants to have funds available to pay operating and capital expenditures on a daily basis.

Any money received from bond issues will be totally invested and investment withdrawals will typically correspond with expenditures to the exact dollar of the warrants being issued.

- **Income** - The Pool seeks to earn a market rate of return throughout budgetary and variable economic cycles consistent with preserving principal and maintaining liquidity. To further realize this objective, the County will manage the Pool's securities in a manner that results in a Net Asset Value per share of between \$0.99 and a \$1.01 while striving to have a constant Net Asset Value of a \$1.00 per share.
- **Convenience** - Provide liquidity so that Participants in the Pool have ready access to their funds to pay for operating and capital expenditures.

Participants are encouraged to indicate maturity levels through cash flow forecasting to match cash needs for expenditures, particularly for bond proceeds to assist the Treasurer's Office in managing the Pool. Fund managers should tell the Treasurer's Office of any significant deviations from previously discussed cash flow requirements.

## **Diversification**

Each Participant in the Pool will own shares in a diversified portfolio of high quality, authorized instruments. The purpose of diversification is to reduce the overall risk within the portfolio, while attaining market average rates of return. Diversification is required to guard against over concentration of funds in a specific maturity or credit sector, as well as to minimize credit exposure in specific instruments and issuers.

## **Accounting, Safekeeping, and Separate Accounts**

The Pool accounts for each Participant's investments in compliance

with governmental accounting and auditing requirements, and documents all of the accounting and safekeeping associated with the ownership of securities.

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## **Investment Policy**

Please refer to the most recently adopted Clark County Investment Policy which is available on the Clark County website at <http://www.clark.wa.gov/treasurer/documents.html>.

### **Policy**

It is the policy of the Clark County Treasurer to invest public funds in accordance with all federal and state laws and ordinances. The Clark County Treasurer will invest public funds in a manner that preserves capital, allows adequate liquidity for the County and Participants, and achieves the highest investment return consistent with the primary objectives of safety and liquidity.

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## **Investment Objectives**

The Pool is designed to:

- Purchase investments, document investment transactions, and account for all funds in accordance with Government Accounting Standards Board (GASB) accounting principles, applicable state laws, arbitrage rebate provisions of the Internal Revenue Code and relevant regulations, rulings, and procedures.
- Preserve principal.
- Provide liquidity so that Participants in the Pool have ready access to their funds to pay for operating and capital expenditures.
- Provide a prudent level of investment return that is consistent with preservation of principal and maintenance of liquidity.

The Pool may invest in any investment (security) authorized by RCW 36.29.020 and investments authorized for the Treasurer of the State of Washington by RCW 39.59.020. However, the maximum maturity of any one instrument purchased for the Pool may not exceed five (5) years to maturity unless matched to a specific cash flow requirement, and the average days to maturity of the pool may not exceed one and one-half (1.5) years.

## **Pool Management      Treasurer's Investment Strategy Committee**

The Treasurer, Deputy Treasurer, Investment/Debt Manager and Investment Officer meet frequently (usually weekly) to discuss investment strategies, economic conditions, analysis of yield curve shifts, possible Federal Reserve actions, cash flow forecasts, spreads on various investment instruments, and other relevant information relating to investments.

The current members of the Treasurer's Investment Strategy Committee include:

**Doug Lasher, County Treasurer.** Mr. Lasher has been County Treasurer since July, 1984. Mr. Lasher has a Masters in Public Administration from Lewis & Clark College in Portland, Oregon. Prior to his current position, Mr. Lasher worked in the County Auditor's Office. He is a past President of the Washington State Association of County Treasurers and on the Board of Directors for the National Association of County Treasurers and Finance Officers. He also has been recognized as a Professional Finance Officer with the Washington Finance Officers Association. Mr. Lasher has received a Public Administrator Certificate as Finance Master from the University of Missouri in St. Louis.

**John Payne, Deputy County Treasurer.** Mr. Payne has been the Deputy Treasurer since August, 1985. Mr. Payne is a graduate of the University of Maryland in College Park, Maryland. He is a Certified Public Accountant, licensed in Washington and Oregon, and a Certified Treasury Professional. Prior to his current position, Mr. Payne worked in the Auditor's Office. He has served on the Committee on Governmental Debt Management and is currently a member (Chair, 2005/2008) of the Committee on Treasury and Investment Management of the Government Finance Officers Association of the United States and Canada, and past President of the Washington Finance Officers Association (WFOA). He also holds a Professional Finance Officer designation with the WFOA.

**Larry Frueh, Investment/Debt Manager.** Mr. Frueh has been with the Treasurer's Office since March, 2009. He is a graduate of Central Washington University with a Bachelor's degree in Business Administration with an emphasis in Accounting/Finance. Prior to coming to Clark County, he worked 20 years in financial/banking sectors performing asset/liability and investment portfolio management, municipal finance activities for the nation's largest issuer plus 10 years in Information Technology supporting the treasury / tax data warehouse functions of the nation's largest software development company. He holds a Certified Public Fund Investment Manager (CPFIM) designation and in prior position with

a top tier investment banking firm held National Association of Securities Dealers licenses Series 7 (Stocks, Bonds), Series 3 (Commodities, Futures) and Series 63 (Blue Sky Laws).

**Rachel Wilson, Investment Officer.** Ms. Wilson has been the Investment Officer for the Treasurer's Office since January 2012. She is a graduate of Portland State University with a Master's of Science in Financial Analysis. She received her undergraduate degree from Washington State in Finance & Accounting. Prior to coming to the County, she worked as a financial consultant for several years. Prior to consulting, she was investment advisor in the private sector at which point she held her series 7, 66, and 63 securities licenses.

### **Delegation of Authority**

Authority to manage the Clark County Investment Program is derived from the Revised Code of Washington (RCWs) in RCW 36.29.020 which authorizes, in part, the following:

- The Treasurer may invest funds in qualifying investments when authorized by the Participants or by the County Finance Committee.
- When not already authorized by laws or ordinances, the Board of County Commissioners, Participants, or the County Finance Committee authorizes the County Treasurer to invest any surplus funds in accordance with the Clark County Investment Policy.

The Clark 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 policy changes, as appropriate, to the County Finance Committee and shall implement such changes in a timely, prudent, and effective manner. No person may engage in an investment transaction except as provided under the terms of the current Investment Policy and procedures established by the Clark County Treasurer.

The Treasurer delegates to the Deputy Treasurer the responsibility for recommending any changes, deletions, and/or additions, to policy direction, enhancement of the Investment Policy, internal control mechanisms, or modifications of procedures.

The Treasurer delegates to the Investment/Debt Manager responsibility of managing the daily investment activities performed by the Investment Officer.

The Investment/Debt Manager is also responsible for debt management activities pertaining to fiscal agent payment and account set up for payment of bonds issued involving both principal and interest. Furthermore the position reviews bond resolutions, official statements, preparation of debt related reports, and has interaction with financing team members associated with debt issuance.

The Treasurer delegates to the Investment Officer responsibility for performing all analytical assumptions for developing and implementing investment strategies consistent with economic, market, credit, and liquidity factors to assist in guiding the investment activities. This individual is also responsible for managing the investment portfolio, ensuring that all necessary tasks are performed to account for and safeguard the investments.

### **Investment Advisor**

Clark County may use an Investment Advisor, depending upon budgetary constraints, on an annual basis or based upon a multi-year contract with an annual appropriation clause. This cost will be a component of the investment fee that is assessed based upon a Participant's weighted daily average ownership of Pool shares.

The role of the Investment Advisor is to provide technical advice to the Treasurer and staff in managing the County's investment portfolio. Some of the items the Treasurer requests the Investment Advisor to review include various items such as:

- evaluating the current portfolio and investment strategy, and describing any changes which should be made;
- determining if internal controls, market analysis, credit analysis, portfolio analysis, and reporting practices are adequate;
- proposing Investment benchmarks appropriate to the type of Investment Pool operated; and
- evaluating the Investment Policy and procedures.

The Pool's current Investment Advisor is:

Davidson Fixed Income Management  
5550 S.W. Macadam Ave., Suite 110  
Portland, OR 97239

## **Intergovernmental Investment Pool Committee**

The Pool encourages participation in discussing investment strategies and objectives through periodic meetings with Participants. The Intergovernmental Investment Pool Committee's (IIPC) purpose is to provide an opportunity to share and distribute information to Participants regarding Pool strategy. The IIPC's meetings also serve as a forum to discuss investment services and to educate Participants on the operations of the Pool along with investment options available. The IIPC is composed of all Pool Participants from the relevant municipal corporations. The IIPC meets once a quarter, generally prior to the County Finance Committee meeting.

## **Clark County Finance Committee**

The Clark County Investment Policy is established by the Clark County Finance Committee consisting of the County Treasurer, the County Auditor, and the Chair of the County Board of Commissioners. This Committee meets quarterly and reviews compliance with the investment policies, strategies, and objectives, as well as the performance of County investments over the prior quarter.

## **Custodian**

All investment transactions shall be conducted on a delivery-versus-payment (DVP) basis, which ensures that securities are deposited at the third-party custodian simultaneous with the release of funds. Securities will be held in a custodial account by a third-party custodian designated by the Treasurer and evidenced by Safekeeping Receipts. The current custodian is:

Bank of New York Mellon Trust  
400 South Hope Street, Suite 400  
Los Angeles, CA 90071

Because they are not actively traded on the financial market, some investments such as Non-negotiable Certificates of Deposit, transactions with the Washington State Local Government Investment Pool, State and Local Government Series Securities, and transactions with financial institutions operating Municipal Investment Accounts are not held by a third-party custodian.

The current commercial bank for the Pool's cash balances is:

Bank of America  
805 Broadway  
Vancouver, WA 98660

## State Auditor

The Treasurer's Office is subject to an annual independent review by the Washington State Auditor of its internal controls and compliance with all state and federal laws and relevant policies and procedures, which includes confirming investment securities. However, the Washington State Auditor is not required to annually audit the Treasurer's Office. Clark County's accounting cycle is on a calendar year basis.

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## Authorized Financial Dealers and Institutions

Investment transactions will be conducted with those broker/dealers recognized by the Federal Reserve as primary dealers, non-primary dealers qualified under U.S. Securities and Exchange Commission Rule 15C3-1, the Uniform Net Capital Rule, and who are certified members of the National Association of Securities Dealers and those institutions that are qualified by the State of Washington's Public Deposit Protection Commission (RCW 39.58). The Treasurer will maintain a list of financial institutions authorized to provide investment services.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following as appropriate:

- audited financial statements;
- proof of Financial Industry Regulatory Authority (FINRA) certification;
- proof of registration with the State of Washington; and
- Broker/dealer questionnaire and certification of having read Clark County's Investment Policy.

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Treasurer. Audited financial statements will be kept on file for each financial institution and broker/dealer with whom Clark County invests.

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## Authorized and Suitable Investments

RCWs 36.29.020; 39.58; 39.59.020; 39.59.030; and 43.84.080 provide authorization for the Clark County Treasurer to purchase various types of security instruments for the County and Participants.

Certain public fund investments of the Clark County Investment Pool

shall be collateralized. In order to anticipate market changes and provide an adequate level of security for these funds, the collateralization level on repurchase agreements and reverse repurchase agreements will be 102% of market value of principal plus accrued interest. Collateral (securities pledged to secure repayment of a borrowing) are defined in RCW 39.58.050 and shall be held in the safekeeping or trust department of a bank acting as a third-party custodian. Generally this collateral consists of U.S. Treasury and Government obligations.

Authorized and suitable investments of the County Pool are listed below, however, for more specific information regarding restrictions on each specific instrument, please refer to the current Investment Policy.

- U.S. Treasury obligations
- U.S. Government Agency obligations and U.S. Government instrumentality obligations
- Banker's Acceptances
- Commercial Paper
- Non-negotiable Certificates of Deposit including Flexible Certificates of Deposit
- Repurchase Agreements
- Reverse Repurchase Agreements
- Washington State Local Government Investment Pool
- Variable Rate and Structured Notes
- Investment Deposits (such as time deposits, money market deposit accounts, and saving accounts)
- Registered Investment Companies (Mutual Funds)
- Bonds of the State of Washington and any local government in the State of Washington

Other investments authorized by law.

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## **Documentation of Market Price**

The Treasurer will follow certain procedures to document that investments are priced at a fair market value in accordance with requirements of the Clark County Investment Policy, (see Section XIV) and in accordance with requirements of the Internal Revenue Code and related rulings and regulations. This includes following practices to avoid making "prohibited payments" or receiving "imputed receipts" (as these terms are used in the applicable U.S. Treasury regulations) that improperly reduce the yield on investments.

These procedures include obtaining at least three bids or offers for all security transactions on the secondary market. The County will accept the offer which provides (a) the highest return within the maturity required; and (b) optimizes the investment objectives of the overall portfolio. When selling a security, the County will select the bid that generates the highest sale price.

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## **Investment Restrictions**

The Clark County Treasurer's Office is committed to ensuring that safety of principal is maintained as the foremost objective of the investment program. This commitment demands that preservation of principal mitigates two critical risks -- credit and market.

### **Credit Risk**

Credit risk relates to the possibility that a debt issuer (for example: Federal Home Loan Bank, Key Bank, etc.) will default by failing to repay principal and interest in a timely manner. Third party credit rating agencies rate these agencies and financial institutions based on various factors associated with their ability to meet these payments, which includes their risk associated with a potential bankruptcy. The Clark County Investment Pool only invests in securities identified in the current Investment Policy. This reduces the Pool's exposure to credit risk by diversifying the portfolio and limiting the percentage of the total pool that may be invested with any security or issuer.

### **Market Risk**

Market Risk is the risk that the value of a security will increase or decrease as a result of changes in market conditions. It is reduced by limiting the maximum maturity of any single investment to five (5) years (unless the investment is tied to a specific cash flow requirement) Likewise, the average maturity of the Pool's portfolio is one and one-half (1.5) years. Market value fluctuations occur as changes in the general level of interest rates occur based on monetary policy, fiscal policy, economic, social, and political trends of the

times. It is recognized in this Information Statement and in the Policy, that in a diversified portfolio, occasional measured losses can occur, and must be considered by the County in its overall return.

## **Diversification**

To minimize the effect a default of a security issuer would have on the Portfolio, the Treasurer maintains a diversified portfolio. Diversification of the Pool's portfolio is achieved by following these standards:

### **Issuer Specific Standards:**

- 100% of the County's total portfolio may be invested in U.S. Treasuries.
- No more than 35% of the County's total portfolio may be invested with any one Federal Agency or instrumentality issuer.
- Repurchase and reverse repurchase agreements can have no more than 20% per provider in overnight agreements and only 10% per provider if longer than 1 day.
- No more than 10% of the County's total portfolio may be invested with any one financial institution with non-negotiable Certificates of Deposit.
- No more than 30% of the County's total portfolio may be invested with financial institutions that offer both non-negotiable Certificates of Deposit and Municipal Investment Accounts.
- No more than 15% of the County's total portfolio may be invested with Qualified Mutual Funds registered with Washington State.
- No more than 5% of the County's total portfolio may be invested with any one issuer not listed above.

### **Security Specific Standards:**

- No more than 10% of the County's total portfolio can be invested in variable rate or structured notes.
- No more than 25% of the County's total portfolio can be invested in Banker's Acceptances.

- No more than 25% of the County's total portfolio can be invested in Commercial Paper. None of which will be asset-backed Commercial Paper.
- No more than 65% of the County's total portfolio can be invested in Municipal Investment Accounts or like accounts.
- No more than 40% of the County's total portfolio can be invested in non-negotiable Certificates of Deposit including Flexible Certificates of Deposits.
- No more than 100% of the county's total portfolio if overnight or 30% if maturing more than 30 days can be invested in Repurchase Agreements.
- No more than 10% of the County's total portfolio can be invested in Reverse Repurchase Agreements.
- No more than 15% of the County's total portfolio can be invested in Mutual Funds that are qualified by being registered with Washington State.
- No more than 25% of the County's total portfolio can be used for Securities Lending.
- No more than 25% of the County's total portfolio can be invested in Deposit Notes.
- No more than 20% of the County's total portfolio can be invested in bonds issued by the State of Washington and/or any local government in the State of Washington.
- No more than 65% of the County's total portfolio can be invested in Washington State Local Government Investment Pool (LGIP).

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## **General Policies on Arbitrage Rebate**

### **Tax-exempt Bond Proceeds**

The Clark County Investment Pool does qualify as an acceptable commingled fund for arbitrage purposes. The Pool will accept bond proceeds subject to arbitrage rebate. Bond proceeds are accounted for separately in investment subaccounts by fund, specific to each bond issue. Each Participant will be limited to maintaining total principal balances of all of their funds combined, to less than 25% of

total principal balances of the entire Pool if they contain any bond proceeds. Any bond proceeds that cause the total balance to exceed this 25% level will be invested outside of the County Pool for the specific fund.

Each Participant issuing bonds will be required to provide estimated cash flow schedules associated with each bond issue.

The investment fee charged to Pool Participants is not generally considered a "qualified administrative cost" for rebate purposes (in an "external commingled fund"). For Participants that have less than 10% of the total principal balance of the pool, the investment fee is a "qualified administrative cost" for purposes of computing arbitrage rebate. This means that the investment fee cannot be considered a deductible expense for purposes of computing arbitrage rebate for those entities that have more than 10% of the total principal balances of the Pool.

### **Arbitrage Calculations**

The Treasurer's Office contracts for arbitrage services to provide arbitrage calculations for the County and Participants for which it serves as ex-officio Treasurer. The Treasurer's Office will pay for one calculation annually per bond issued. Any additional calculations beyond this will be the Participant's responsibility.

### **General Policies**

To further the objective of providing Participants with a simplified method of arbitrage rebate compliance, the Pool has adopted a recommended set of practices. The Pool (as well as all investments made outside of the Pool) requires that these practices be followed to minimize the Participant's rebate compliance costs. The procedures include the following:

- A Participant may invest all bond proceeds subject to arbitrage rebate in the Pool on the same day that the bond proceeds are received by the Participant. This will enable the Pool to track the investment and expenditure of these funds. However, if a Participant owns more than 25% of the Pool, investments will be purchased in securities outside of the pool on the day the bond proceeds are received.
- A Participant shall identify all bond proceeds subject to the bond yield restrictions at the time of initial investment. A separate subaccount will be established for each bond issue.

- Federal tax law requires issuers of tax-exempt obligations to make certain rebate payments to the Federal government, or to meet certain expenditure guidelines. If the Participant expects to meet one of the expenditure exceptions, the Participant must notify the Treasurer when making its initial investment so that the Treasurer can provide information regarding the expenditure of the bond proceeds.
- If the Participant expects to make rebate payments, it should note that Federal tax law requires issuers of tax-exempt obligations to meet certain rebate payment requirements at least every five years. However, Participants need to account for their rebate liability on an annual basis. The Treasurer will provide estimates of rebate amounts at any time for the Participant, and the Treasurer will provide a Rebate Calculation Report more often than every five years if requested.
- If the Participant is eligible and has elected to pay a penalty in lieu of making rebate payments, it should notify the Treasurer prior to depositing bond proceeds.
- It is recommended that Participants not draw down the entire bond proceeds account before providing for any rebate requirement or penalty payment. It may be beneficial for Participants to set aside funds for rebate purposes.
- Participants withdrawing one or more funds completely from the Pool to reinvest outside of the Pool shall receive one dollar (\$1.00) per share, less costs associated with this transaction. To invest outside the pool a Participant must notify the Investment/Debt Manager.

Participants withdrawing one or more funds completely from the Pool, wherein the value of the shares being redeemed equals or exceeds three percent (3.00%) of the value of the total Pool Portfolio, must provide ten business days notice prior to withdrawal.

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## **Performance Standards**

Clark County's investment strategy, for investments placed within the Pool and investments placed for funds outside of the Pool, is expected to be an active investment strategy the majority of the time. An inverted curve or high price volatility are examples of circumstances that could cause the Treasurer to switch to a passive strategy. For purposes of evaluating Clark County's Investment Pool performance, a benchmark comparison index will be established for purposes of evaluating Clark County's Investment Pool performance. This benchmark index will be established with the assistance of the

Investment Advisor. The Book Value Return Indices will include the Washington State LGIP, a nationally recognized short-term mutual fund, and a customized Treasury Index. The Total Return Index will include a customized total return index.

To more fully evaluate the Pool's portfolio performance and to better monitor how the portfolio is reacting to market changes, it is useful to compare performance on a market value or "total return" basis.

### **Book Value Return**

Book Value Return measures the cost at which securities in the portfolio were originally purchased, plus interest income adjusted for realized gains or losses. This measure ignores changes in the fair market value of portfolio holdings.

### **Total Return**

Total Return measures the increase in value of the overall portfolio over a given period of time (including interest earned, realized gain and losses, and fair market value adjustment). Total return therefore evaluates fluctuations in the value of the principal, rather than simply the income produced.

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## **Valuation of Pool Shares**

The net asset value (N.A.V.) of shares in the Pool shall be calculated by the Treasurer's staff twice each month. The N.A.V. per share will be calculated on the 15<sup>th</sup> and the last day of each month, provided these dates are a business day. If one of these dates fall on a non-business day then the previous business day shall be the day the computation is made. (A share is defined as what \$1.00 invested is worth based on the market value of the portfolio holdings). The N.A.V. per share in the Pool is computed by dividing the total value of the securities and other assets of the Pool, less any liabilities, by the total outstanding shares of the Pool. For example, if the aggregate fair market value of the Pool is \$100,500,000 and the book value of the securities is \$100,000,000, the N.A.V. would be  $\$100,500,000 / \$100,000,000$ , or \$1.005 per share.

Liabilities include all accrued expenses and fees of the Pool, including fees of the Investment Advisor, Custodian, and others who provide services to the Pool. These expenses are accrued monthly.

The Pool seeks to maintain a N.A.V. per share of \$1.00 per share, but there is no assurance that the N.A.V. per share will not vary from \$1.00. Neither the Clark County government, nor the Clark County Treasurer's Office will guarantee that if an investment is made of

\$1.00 at the time of purchase, that the Participant will receive the \$1.00 back at maturity (due to changes in market values of securities).

The Treasurer will periodically monitor the relationship between the amortized cost value per share, and the N.A.V. per share, based upon available indications of market value. The market value basis N.A.V. per share in the Pool may be affected by general changes in interest rates, resulting in increases or decreases in the value of securities held by the Pool.

If the Pool's N.A.V. per share is outside the agreed upon N.A.V. operational band of \$0.99 to \$1.01, the County will sell securities to bring the N.A.V. per share back within the specified band. Should the dollar amount of realized losses exceed the amount of realized gains and interest earned in a given month, the net negative earnings will be distributed to Participants resulting in a pro-rata reduction in the fund balances of the County and Participants.

**When the N.A.V. per share operating band is exceeded in either direction and thereby causes a security or securities to be sold to bring the N.A.V. per share back within the operating band, the Investment Officer will report the following to the County Finance Committee, Treasurer's Investment Strategy Committee, and Participants:**

- N.A.V. per share originally calculated which was outside the operating band;
- Description of security or securities sold;
- Resulting:
  - N.A.V. per share after sale; and
  - Amount of realized gain or loss that will be distributed, in total, at the next distribution date.

To minimize the possible adverse effects of changes in interest rates, and to help maintain a stable N.A.V. per share of \$1.00 per share, the Pool will maintain a dollar-weighted average portfolio maturity of not more than one and one-half (1.5) years.

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## **Fair Market Value**

GASB 31 requires the reporting of fair market value at least on an annual basis. Therefore at the end of each month, and at any other times deemed appropriate by the Treasurer, the Treasurer's Office shall determine the Fair Market Value (F.M.V.) of the securities making up the Pool. F.M.V will be reported to the County and Participants each month.

F.M.V. is reported to give Participants an indication of the difference

between the carried value of their investments in the Portfolio and the actual market value.

F.M.V. monthly reports broken out by each Fund can be accessed through the Treasurer's Web Portal under the category of Investment Fair Market Value Reports in the Reports section of the Treasurer's Web Portal. Participants not having access to the Treasurer's Web Portal will have their applicable monthly reports reflect the fair market value disclosure via paper reports.

To create these monthly F.M.V. reports, the adjustment to F.M.V. is accounted for on the last day of the month. That monthly entry is then reversed on the first day of the next month since that adjustment is only valid for the day of calculation.

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## **How to Open an Account**

The Pool is an investment option available to all entities who invest, by law, through the Treasurer and those public entities who sign Investment Services Agreements with the Treasurer. To participate in the Pool, a Participant must enact an ordinance or adopt a resolution, and sign the Investment Services Agreement. Prior to investing any funds in the Pool, the Investment Services Agreement must be completed and submitted to the Treasurer. Pool Participants are allowed to have multiple accounts and subaccounts.

Participants, where the Treasurer serves as Treasurer or ex-officio Treasurer, will have funds invested in the Pool, in any amount, automatically upon distribution of such receipts to the Participant, or upon deposit by the Participant to the Treasurer's checking account on a next-day basis. Other Participants for which the Treasurer does not serve as Treasurer or ex-officio Treasurer, may either send funds via ACH or wire transfer funds to the Treasurer for investment.

To open an account please contact:

Investment/Debt Manager  
Clark County Treasurer's Office  
P.O. Box 5000  
Vancouver, WA 98666-5000  
(360) 397-2254

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## **How to Withdraw Funds**

Participants may withdraw funds on a next-day basis through the Treasurer's Web Portal. Shares in the Pool may be redeemed to cover warrants issued. The Participants who the Clark County Treasurer serves as Treasurer or ex-officio Treasurer, may redeem

Pool shares for normal expenditure purposes on a daily basis and will receive one dollar (\$1.00) per share for shares redeemed.

Those entities who are their own Treasurer will be required to give one day's written/email notice of withdrawals from the Pool. The County Treasurer may either transmit funds via ACH or wire transfer such fund to the entity's designated bank account as detailed in the Participant's Investment Services Agreement.

### **Maintaining Stability/Redemption Fee for Early Withdrawal**

All funds invested in the Pool will be immediately available to cover warrants issued by the Participants and for other regular disbursements. However, should a Participant choose to redeem Pool shares for the sole purpose of investing those funds outside the Pool, the Participant shall receive one dollar per share, less costs associated with the transaction.

Participants withdrawing one or more funds completely from the Pool, wherein the value of the shares being redeemed equals or exceeds three percent (3.00%) of the value of the total Pool Portfolio, must provide ten business days notice prior to withdrawal. Costs associated with this transaction include but are not limited to wire transfer fees, safekeeping fees, etc.

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## **Investment Fee**

Pool Participants will be charged an investment fee based on RCW 36.29.024. The average periodic investment fee is currently 6.09 basis points (0.0609%) on an annualized basis, and will be calculated based on the daily principal balance maintained in the Pool by the Participants. For example, if a Participant maintained a daily principal balance of \$1 million in the Pool in a 31 day month, and the investment fee charged was 6.09 basis points, the fund would be charged \$52.44 ( $\$1 \text{ million} \times .000609 \times 31/360$ ).

This rate is determined based upon the **actual costs** of running the Pool, is set by the Treasurer, and is reviewed annually. The rate may fluctuate due to the actual average principal balances being maintained in the Pool differing from the projected balances.

This Information Statement may not contain the most recent modification of this fee as the Statement may or may not be updated on an annual basis.

## Earnings Allocation Process

Interest is allocated based on the weighted average daily balance a Participant's fund maintains in the Pool, and is calculated using the actual number of days in the month, based on a 360 day year. The total accrued interest earned on the Pool's securities plus/minus realized gains and/or losses on securities sold before their maturity date will be remitted monthly to Pool Participants based upon Participants' weighted daily average ownership of Pool shares.

Interest will be paid based on the last calendar day of each month, and will be automatically reinvested as principal.

## Reporting

The staff of the Treasurer's Office involved with the direct investing of public funds will provide a written report to the Deputy Treasurer on a daily basis. The report documents all actions exercised on the investment portfolio. In addition, the Deputy Treasurer receives a report for review of each calculation of the N.A.V. per share. A summary activity report will be provided weekly to the Treasurer's Investment Strategy Committee indicating any trends, changes, or forecasts regarding the activity of the Pool's portfolio.

### Monthly Financial Reports

Monthly financial reports will be presented to all Participants and Fund Managers in the Clark County Investment Pool through the *Treasurer's Web Portal* and generally not in paper format. These reports (Investment Pool Report) reflect:

- total principal balances of the investment pool;
- the book value yield on such investments;
- asset allocation of types of investment securities;
- the average maturity;
- Net Asset Value (N.A.V.) per share as calculated twice monthly
- Security sales caused by operating outside the \$0.99 to \$1.01 band
- The fair market value of entire Pool;
- the performance on a **total return basis**; and

- appropriate benchmarks for comparison as recommended by the Investment Advisor.

Monthly, the Treasurer's Investment Strategy Committee and the County Finance Committee will receive a written report reflecting the complete portfolio listings.

## **Quarterly Financial Reports**

A quarterly report to the County Finance Committee will disclose the following:

- complete portfolio listings as of the end of the quarter for the entire portfolio, and for the Pool;
- the fair market value of each security compared to its book value;
- portfolio summary by type;
- interest earnings;
- portfolio summary by issuer such as Federal Home Loan Bank, Washington State LGIP, individual CD, etc;
- economic analysis;
- allocation of the entire portfolio and the Pool portfolio by maturity sectors;
- performance measurement on a total return basis, and a comparison to applicable benchmarks as recommended by the Investment Advisor; and
- the market value based **N.A.V. per share** reported for all Pool shares, at quarter end.

The Investment Advisor also will provide a quarterly independent review of compliance with the Investment Policy. The report will include, among other items, a strategy for duration of securities and recommendations of security diversification as well as performance benchmark results.

Minutes of all County Finance Committee quarterly meetings will be maintained for historical purposes, by the Secretary of the County Finance Committee (County Auditor). Minutes of the Intergovernmental Pool Advisory Committee will be maintained by the County Treasurer's Office.

## **Annual Financial Reports**

The Treasurer's staff is responsible for providing the information necessary to complete the Deposits and Investment Disclosure Notes in the Clark County Comprehensive Annual Financial Report, and will prepare any other reports as required by state law, state auditor, the Treasurer, or the County Finance Committee.

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## **Individual Portfolios Outside the Pool**

The Clark County Treasurer will invest bond proceeds for those issuers having a greater than 25% participation in the Pool, separately, in specific investment(s) in the name of the County on behalf of the Participant, for federal arbitrage tax reasons.

Individual portfolios are designed to complement investments in the Pool by providing specific investments for a portion or all of bond proceeds issued. They may be deemed appropriate for Participants with relatively lengthy project draw down schedules, or for Participants that wish to match expected construction draws more closely with investment maturities to fix earnings on some or all of their funds.

Individual portfolios may also be appropriate for the investment of debt service reserve funds, and certain funds subject to investment yield restrictions. The Treasurer will assist each Participant in evaluating the possible use of an Individual Portfolio. All costs associated with any Individual Portfolio will be charged in accordance with applicable RCWs.

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**ATTACHED HERETO AND MADE A PART OF THIS INFORMATION STATEMENT, IS THE MOST RECENTLY ADOPTED CLARK COUNTY INVESTMENT POLICY AND A SAMPLE INVESTMENT SERVICES AGREEMENT WHICH EACH PARTICIPANT IN THE POOL MUST SIGN PRIOR TO PARTICIPATION IN THE POOL.**