



Fort Worden
— PORT TOWNSEND —
A HISTORIC GATHERING PLACE

Investments and Banking

POLICY: 014

EFFECTIVE DATE:

DATE OF LAST REVIEW:

POLICY:

Fort Worden PDA's investment priorities criteria are legality first, followed by safety, then liquidity and lastly, return on investment.

This investment policy and practices shall conform to all applicable federal and Washington State regulations, and other legal requirements, including bond covenants, and prudent money management philosophy. The overall program shall be designed and managed with a degree of professionalism that is worthy of public trust.

SCOPE

Both operating and surplus funds will be invested in compliance with federal and Washington state laws and regulations, these investment policies, and written internal control procedures. Funds held and invested by trustees or fiscal agents are excluded from this policy; however, such funds are subject to regulations established by the State of Washington. Any revisions or extensions of RCW 39.59 and RCW 43 shall be assumed to be part of this investment policy immediately upon being enacted.

General Objectives

The objectives of the Fort Worden PDA investment activities, in order of priority, are as follows:

1. **Legality.** The Fort Worden PDA investments shall be in accordance with all statutes governing the investment of public funds as well as applicable provisions of bond covenants and resolutions.
2. **Safety.** Investments of the Fort Worden PDA shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The Fort Worden PDA seeks protection afforded by the Federal Deposit Insurance Corporation (FDIC) and any depository institution must also be collateralized as required by Washington state statutes and regulations. The objective is to mitigate credit risk and interest rate risk to ensure overall portfolio safety.

a) Credit Risk

The Fort Worden PDA will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers which the Fort Worden PDA will do business in accordance with “Authorized Financial Dealers and Institutions” section of this policy.
- Managing 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.

b) Interest Rate Risk

The Fort Worden PDA will minimize the interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to the 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 operating funds primarily in shorter-term securities, such as not to directly invest in securities maturing in more than 18 months from the date of purchase.
3. Liquidity. The investment portfolio will remain sufficiently liquid to enable the Fort Worden PDA to meet all operating requirements, which might be reasonably anticipated. Investment maturities shall be matched to anticipated cash flow requirements whenever possible.
 4. Return on Investment. The Fort Worden PDA’s investment portfolio shall be designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles that is consistent with the constraints imposed by its safety and legality obligations and cash flow considerations.

Delegation of Authority

The Executive Director is responsible for carrying out the policies of the Board.

For the purpose of carrying out this Investment Policy, THE Executive Director is hereby authorized to make investment decision, in strict accordance with this investment policy on behalf of the Fort Worden PDA.

All accounts established for the purpose of investing the Fort Worden PDA’s funds shall require the written authorization of the Executive Director and Board Treasurer.

No single individual, acting alone, may initiate an investment activity.

The Executive Director and/or Treasurer may delegate investment management and decision authority, via written agreement, to one or more professional investment advisors/managers that are qualified and registered with the Securities and Exchange Commission. Agents engaged in this capacity shall make investment decisions and transactions in strict accordance with this policy, federal and Washington state laws and regulations.

The daily management responsibility for the investment program is assigned to the General Manager who monitors and reviews investments for consistency with this policy.

STANDARDS OF CARE

1. Prudence. Investments will be made under the prudent investor rule, which states: *“Investments will 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 probable safety of their capital as well as the probable income to be derived.”*

The Executive Director and designated employees, acting in accordance with written procedures and this policy, and exercising due diligence, will be relieved of personal responsibility for a specific security's credit risk, market price changes, or loss of principal if securities are liquidated prior to maturity provided that these deviations and losses are reported as soon as practical and action is taken to control adverse developments.

All participants in the investment process shall seek to act responsibly as custodians of the public trust. The investment portfolio is subject to public scrutiny and evaluation. The investment program shall be designed and administered with a degree of professionalism worthy of the public trust. Designated directors and employees shall refrain from knowingly entering into transactions which might impair public confidence in the FWPDA.

2. Ethics and Conflict of Interest. Directors and employees involved in the investment process shall comply with state law and statutes and refrain from personal business activities that could conflict

with proper execution of the investment program or which could impair their ability to make impartial decisions. Also directors and employees shall disclose to the Board Chair, in writing, any material financial interest in financial institutions that conduct business within the county, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the FWPDA's portfolio, particularly with regard to the time of purchases and sales.

AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Executive Director and/or Treasurer will maintain a list of financial institutions authorized to provide investment services to the Fort Worden PDA. The list will include broker/dealers and investment advisors authorized to provide investment services in Washington and to the Fort Worden PDA.

Employees of any firm or financial institution offering securities or investments to the Fort Worden PDA are expected to be trained in the precautions appropriate to the public sector, be knowledgeable of the permissible investments and other State of Washington regulations, and be familiar with the Fort Worden's investment objectives, policies, and constraints. Dealers and investment advisers providing investment services to the Fort Worden PDA are expected to make reasonable efforts to preclude imprudent transactions involving the Fort Worden PDA's funds.

All financial institutions, broker/dealers, and investment advisers who desire to become qualified for investment transactions must supply the following information, if applicable:

- Audited financial statements demonstrating compliance with Washington State and federal capital adequacy guidelines.
- Proof of state registration.
- Certification of having read, understood and agreement to comply with the Fort Worden PDA's Investment Policy.
- Evidence of adequate insurance coverage.
- Investment advisors must be registered under the Investment Advisers Act of 1940.

Financial institutions will be reviewed on an on-going basis to ensure they are on the "Qualified

Depositories for Public Funds”.

All reviews will be done by either by the Executive Director or Board Treasurer.

SAFEKEEPING, CUSTODY AND COLLATERALIZATION

1. Safekeeping. Securities will be held in third party safekeeping with a designated custodian. The trust department of a bank may be designated as custodian for safekeeping securities purchased from that bank. The custodian will issue a safekeeping receipt to the Fort Worden PDA listing the specific instrument, selling broker/dealer, issuer, coupon, maturity, Committee on Uniform Securities Identification Procedures (CUSIP) number, purchase or sale price, transaction date, and other pertinent information.
2. Bank Deposits and Certificates of Deposits. The Fort Worden PDA may hold bank deposits or certificate of deposits at qualified banks.

Internal Controls. The Executive Director will maintain a system of written internal controls which will be reviewed by an independent auditor at least annually or upon extraordinary event, i.e., turnover of key personnel or the discovery of any inappropriate activity. The controls will be designed to prevent loss of public funds due to fraud, error, misrepresentation or imprudent action.

3. Accounting Method. The FWPDA will comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP).

SUITABLE AND AUTHORIZED INVESTMENTS

1. Authorized Investments. All investments of the Fort Worden PDA shall be made in accordance with Washington state statutes and regulations addressing investments rules and restrictions.
2. Competitive Selection of Bids or Offers. The Executive Director will endeavor to obtain at least three offers or bids prior to the purchase of certificates of deposits, and selling securities prior to their maturity and will award the transaction to the most favorable offer or bid so long as the institution/broker/dealer and investment adviser meets the requirements of this policy for doing business with the Fort Worden PDA.

If the Fort Worden PDA hires an investment adviser to provide investment management services, the adviser must provide documentation of competitive pricing execution on each transaction. The investment adviser will retain documentation and provide upon request.

3. Monitoring and Adjusting the Portfolio. The Executive Director and General Manager will routinely monitor the contents of the investment portfolio comparing the holdings to the markets, relative values of competing instruments, changes in credit quality, and benchmarks. If there are advantageous transactions, the portfolio may be adjusted accordingly.
4. Performance Evaluation. The performance of any investment made by the Fort Worden PDA will be measured against the performance of the Local Government Investment Pool.