

INVESTMENT POLICY

Washington County, Tennessee

I. PURPOSE OF INVESTMENT POLICY

The purpose of this Investment Policy is to lend guidance and direction to the Investment Committee of the Washington County Board of County Commissioners and the Washington County Trustee, who are charged with investing idle county funds (the "County Investment Portfolio"). The County Trustee is authorized by state law to invest idle county funds in accordance with guidelines established by general state law and the Board of County Commissioners as stated herein, as directed by the Investment Committee.

It is the policy of the Investment Committee that public funds will be invested in accordance with federal and state law and the primary objectives outlined below in Section III. It is further the policy of the Investment Committee to invest public funds in a manner that will provide the highest investment yield while meeting the daily and future cash flow needs of Washington County.

II. GOVERNING AUTHORITY

A. INVESTMENT COMMITTEE

Pursuant to T.C.A. § 5-8-302, the Board of County Commissioners is authorized to appoint a committee with the authority to designate the types of investments made by Washington County, the amounts of those investments and the maturity of those investments. Section 302(b) protects those commissioners serving on the Investment Committee from liability in the performance of the duties of the committee, except in cases of misfeasance or malfeasance.

B. INVESTMENT OF COUNTY FUNDS

T.C.A. § 5-8-301(a) directs all counties in the State of Tennessee to invest all idle county funds to the maximum practical extent. Counties are authorized to invest in instruments designated by state general law as "safe temporary medium." Section 301 (a) splits idle county funds into three separate categories ("Fund Categories") for the purposes of determining types of investments and restrictions on investment:

1. Idle county funds derived from bond proceeds ("Fund Category #1")
2. Idle county funds derived from sales of assets, settlements, or other infrequent and unusual occurrences ("Fund Category #2")
3. All other idle county funds ("Fund Category #3")

While T.C.A. § 5-8-301(b) directs that only those investment options described in Paragraphs 3, 5 and 6 of Section V(A) below require the approval of the county legislative body, compliance with an investment policy adopted by the county legislative body, or the approval of an investment committee, it is the policy of Washington County that any and all investments of county funds shall be reviewed, chosen and approved by the Investment Committee appointed by the Board of County Commissioners pursuant to T.C.A. § 5-8-302.

III. INVESTMENT PROCESS

A. PRIMARY OBJECTIVES & PARAMETERS (in order of importance)

1. Preservation of Principle – The foremost objective of this Policy and Investment Committee is to preserve and protect the principle of idle county funds included in the County’s Investment Portfolio. County funds shall only be invested in safe and secure investments and/or instruments that are authorized by state law and in accordance with the guidelines established by the Board of County Commissioners.
 - (a) Credit Risk - The Investment Committee shall seek to minimize credit risk to the principle of idle county funds, by limiting investments to the safest types of securities, pre-qualifying, approving and conducting business with only those financial institutions, brokers, dealers, intermediaries and/or advisers with exceptional reputations
 - (b) Interest Rate & External Market Risk – The Investment Committee shall seek to minimize the risk that the market value of securities in the County Investment Portfolio will fall due to changes in the external interest rate by avoiding the need to sell securities in the short term on the open market prior to maturity and investing funds required for near future needs in shorter term investments as authorized by state law
2. Maintenance of Liquidity – The County’s Investment Portfolio shall be managed in a manner that assures adequate funds are available to meet the intermediate and/or future operating or budget requirements or other cash flow needs of the County.

- (a) This objective may partially be accomplished by structuring the County Investment Portfolio so that investments and securities mature concurrent with anticipated future cash needs and demands
 - (b) Since all future cash needs and demands cannot be reasonably anticipated, a portion of the County Investment Portfolio shall consist of investments or securities which are very liquid (same-day liquidity)
3. Maximization of Yield – With deference to the above objectives, and after choosing an Investment Portfolio that adheres to both the County’s preservation objective and liquidity objective, the Investment Committee shall seek to obtain the best possible yield on the County’s Investments.

B. SECONDARY OBJECTIVES & PARAMETERS (no order)

1. Diversification – The Investment Committee shall seek to diversify the investments included in the County Investment Portfolio to avoid incurring unreasonable and avoidable risks to the principle of county funds, by:
- (a) Avoiding overconcentration in securities of a specific type or from a specific issuer or business sector (excluding U.S. Treasury securities)
 - (b) Investing in securities with higher credit ratings and lower credit risks
 - (c) Investing in securities with varying maturities
2. Active Portfolio Management – The Investment Committee shall seek to enhance the total yield of the County Investment Portfolio by means of active portfolio management to the extent possible in keeping with the primary objectives of Preservation of Principle and Maintenance of Liquidity and the avoidance of speculative investments or pursuit of return through unusual or extraordinary risk.
3. Pooling of Funds – Except where restricted by federal, state or local law or regulation, and except in the case of special funds designated by state general law, Washington County will consolidate and pool idle county funds to the extent necessary to maximize investment yield.

4. Maximum Maturities & Terms – The Investment Committee shall determine, to the extent possible, the anticipated future cash flow demands of Washington County and shall seek, to the extent possible, to match investments in the County Investment Portfolio to said cash flow needs. Using its discretion, the Investment Committee may set a maximum maturation term for all securities and may also adopt a limitation on the weighted average maturity limitations consistent with its investment objectives. These limits may be enumerated in the Investment Policy as it is amended from time to time and must fall within the limits imposed by the general law of the State of Tennessee.

IV. STANDARDS & RESPONSIBILITIES

A. RESPONSIBILITY

All members of the Investment Committee, the Board of County Commissioners, and all other public officers or employees engaged or involved in the investment process shall act responsibly as custodians of the public trust and shall recognize that the County Investment Portfolio is subject to public review and evaluation. The investment process and ultimate County Investment Portfolio shall be designed and managed in a professional manner worthy of the public trust.

B. PRUDENCE

The standard of prudence to be used by the members of the Investment Committee, the Board of County Commissioners and all other public officers or employees engaged in management of the investment process shall be the “Prudent Person Standard.” Persons acting in accordance with the written procedures or resolutions adopted by the Investment Committee, the Board of County Commissioners, and this Investment Policy (as amended from time to time) and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk, market changes, and/or external market factors. 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, and not for speculation, but for investment, considering the probable safety of their capital and the probable income to be derived from said investment.

C. NO ATTACHMENT OF LIABILITY

Pursuant to T.C.A. § 5-8-302(b), no liability shall attach to any member of the Investment Committee except for misfeasance or malfeasance in the performance of the duties imposed on the Committee.

D. ETHICS AND CONFLICTS OF INTEREST

Members of the Investment Committee and the Board of County Commissioners, as well as all other public officials and employees engaged in the investment process shall refrain from personal business activity and from activity that could or does conflict with proper execution and management of the investment process, or that could impair their ability to make impartial decisions regarding the same. Said parties shall disclose any material, direct or indirect interests in financial institutions or other entities or investment options with which the county does or could potentially conduct business. Said parties shall further disclose any personal financial or investment positions which may be related to the performance of the County Investment Portfolio. All other applicable restrictions and requirements of any codes of ethics or policies regarding conflicts of interest adopted by Washington County or the Board of County Commissioners are expressly incorporated herein.

V. AUTHORIZED INVESTMENTS & RESTRICTIONS (T.C.A. § 5-8-301)

A. INVESTMENTS AVAILABLE TO ALL FUND CATEGORIES

1. Bonds, notes or treasury bills of the United States or other obligations guaranteed by the U.S. or its agencies.
2. Certificates of Deposit or other evidence of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations.
 - (a) Prior to making these investments, the county shall obtain and document at least two (2) proposals from banks or other financial institutions to assure the county receives the highest and best rate of return. The County shall retain the documentation for a period of not less than three (3) years
 - (b) All such investments shall be secured by collateral in the same manner and under the same conditions as state deposits under Title 9, Chapter 4, Parts 1 and 4, or Part 5

3. Obligations of the U.S. or its agencies under a repurchase agreement for a shorter time than the maturity date of the security itself if the market value of the security itself is more than the amount of funds invested.
 - (a) Counties may invest in repurchase agreements only if the comptroller of the treasury or the comptroller's designee approves repurchase agreements as an authorized investment and if such investments are made in accordance with procedures established by the state funding board
4. The Local Government Investment Pool (established pursuant to T.C.A. Title 9, Chapter 4, Part 7), part of the State Pooled Investment Fund administered by the Tennessee Department of Treasury.
5. Bonds of the following types, but only if rated A or higher by any nationally recognized rating service:
 - (a) State Bonds, including any revenue bond issued by any agency of the State of Tennessee, institutions under the control of the State Board of Education, the Board of Trustees for the University of Tennessee, and bonds issued in the name of the state school bond authority
 - (b) Bonds of any county or municipal corporation of this state, including bonds payable from revenues, but expressly excluding bonds of any road, levee or drainage district
 - (c) Bonds of any other state or political subdivision thereof
6. Nonconvertible debt securities of the following federally sponsored enterprises that are chartered by the United States Congress; provided, that the securities are rated in the highest category by at least two (2) nationally recognized rating services:
 - (a) The federal home loan bank
 - (b) The federal national mortgage association
 - (c) The federal farm credit bank
 - (d) The federal home loan mortgage corporation
 - (e) Any other obligations that are guaranteed as to principle and interest by the United States or any of its agencies

7. The Intermediate Term Investment Fund (established pursuant to T.C.A. § 9-4-608), administered by the Tennessee Department of Treasury.

(a) Available for use by the Investment Committee for a maximum of fifteen percent (15%) of funds within Fund Category #3. *See* the Statement of Investment Policy as of February 5, 2013 for the Intermediate Term Investment Policy, Section III(F) (“fifteen percent (15%) of the participant’s operating account balance)

(b) Available for use without limit for funds falling within Fund Categories #1 and #2

(c) Minimum investment requirement of fifty thousand dollars (\$50,000)

8. Prime Commercial Paper in accordance with the following:

(a) Such paper shall be rated in the highest category by at least two (2) commercial paper rating services and have a remaining maturity of ninety (90) days or less

(b) Investment in Prime Commercial Paper is prohibited until the Investment Committee adopts written policies governing the use of such instruments, said policies being no less restrictive than those established by the state funding board to govern state investment in prime commercial paper (see attached Treasury Department Statement of Investment Policy as of April 26, 2011)

(c) Investment in Prime Commercial Paper is prohibited until first authorized by the Washington County Board of County Commissioners, acting by resolution duly adopted pursuant to T.C.A. § 5-8-301(d)(3)

B. ADDITIONAL PROVISIONS FOR FUND CATEGORY #1

1. Idle county funds that are derived from bond proceeds shall only be invested in the investment instruments listed in Section V(A) of this Investment Policy pursuant to T.C.A. § 5-8-301(a)(1).

C. ADDITIONAL PROVISIONS FOR FUND CATEGORIES #2 & #3

1. No idle funds are to be invested for a maturity of greater than two (2) years, unless the Investment Committee appointed by the county legislative body shall give its prior approval. The Investment Committee may approve investments in maturities up to five (5) years.
2. For funds falling into Fund Category #2 (T.C.A. § 5-8-301(a)(2)), the Investment Committee may approve investment in maturities of greater than five (5) years; however, any such investments shall also be approved by the comptroller of the treasury or the comptroller's designee. The individual designated to invest the funds shall submit to the director in writing the infrequent and unusual occurrence that generated idle funds under Fund Category #2.

D. ADDITIONAL PROVISIONS FOR FUND CATEGORY #3

1. Not more than twenty percent (20%) of the lowest idle fund balance in the last five (5) years or twenty percent (20%) of the idle funds available at the time of investment, whichever is less, may be invested in maturities of greater than two (2) years but not greater than five (5) years from the date of investment. As stated in Section V(C)(1), the Investment Committee is required by state law to give its prior approval before such an investment may be made.

VII. DELEGATION OF AUTHORITY

Pursuant to the duly enacted laws of the State of Tennessee, the County Trustee has the statutory responsibility and authority for the day-to-day management of Washington County's idle funds and Investment Portfolio. In light of these statutory responsibilities regarding County funds, the County Trustee is designated by state law and by the Investment Committee as the Investment Officer of the County Investment Portfolio. The County Trustee's actions will be executed in accordance with this Investment Policy and the obligations and responsibilities placed upon the County Trustee and Washington County by the duly enacted laws of Tennessee. Pursuant to T.C.A. § 5-8-301, any investment of idle county funds made by the Trustee will be completed in compliance with this Investment Policy and approved by the Investment Committee established and empowered pursuant to T.C.A. § 5-8-302 to designate the types of investments, the amounts of those investments and the maturity of those investments. The County Trustee shall establish a system of controls to regulate all transactions, the activities of subordinate officials or employees, and to ensure that the assets of Washington County are protected from loss, theft or misuse.

VIII. REPORTING

A. FREQUENCY

1. The County Trustee or designated investment officer shall prepare an investment report for the Investment Committee on at least a quarterly basis and shall prepare additional reports at more frequent intervals as requested by the Investment Committee.

B. SUBSTANCE

1. The report shall include a summary and analysis of the current County Investment Portfolio and any transactions consummated subsequent to the last report filed with the Investment Committee. This summary shall be prepared in a manner that will allow the Investment Committee to ascertain whether investment activities during the reporting period, if any, have conformed to this Investment Policy, and shall include:
 - (a) A listing of investments and securities held at the end of the reporting period, including type, maturity date, account numbers, rates, and other applicable information
 - (b) Realized and unrealized gains or losses resulting from appreciation or depreciation of the investments and securities
 - (c) Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks
 - (d) The percentage of the total Investment Portfolio each type of investment represents

C. OTHER PERFORMANCE STANDARDS

The Investment Committee may, as necessary, develop and set certain performance standards and benchmarks for the Investment Portfolio based upon average yields of the various investments and the Investment Portfolio as a whole during a period of stable market and economic conditions.

IX. AUTHORIZED INSTITUTIONS, DEPOSITORIES, BROKERS & DEALERS

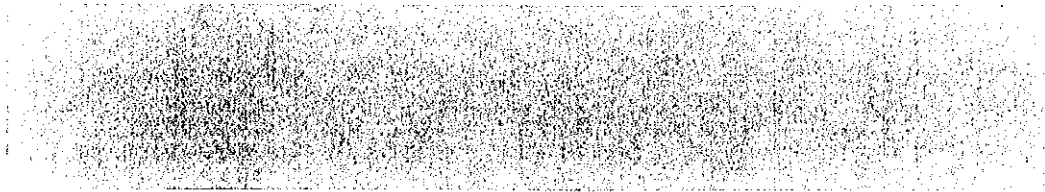
A list of authorized financial institutions and depositories, as well as approved security brokers/dealers, will be maintained by the Investment Committee after conducting the requisite due diligence regarding said parties. All parties who desire to become qualified to perform investment services or investment transactions for the county may be required to supply certain information or evidence of applicable certificate or insurance coverage as directed by the Investment Committee.

X. AMENDMENTS

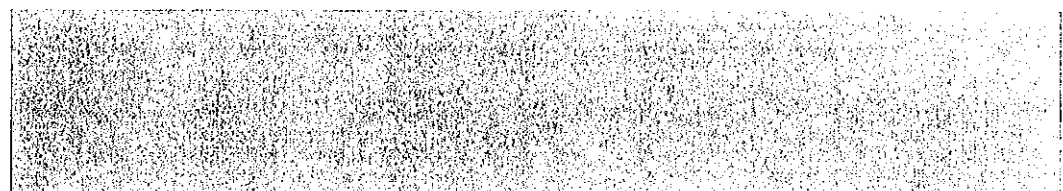
The Investment Policy shall be reviewed on a yearly basis and may be amended from time to time as directed by the Investment Committee, upon subsequent approval by the Board of County Commissioners.

XI. EFFECTIVE DATE

The Investment Policy shall take effect upon adoption by the Board of County Commissioners in regular session.



INVESTMENT POLICY



WASHINGTON COUNTY, TENNESSEE


January 7, 2016

BRETT N. MAYES
Staff Attorney

LEGAL SERVICES
Post Office Box 555
Jonesborough, TN 37659

PHONE
(623) 753-4864

WEBSITE
Washingtoncountytn.org



Thomas J. Seeley, III
County Attorney

Brett N. Mayes
Staff Attorney



Washington County, Tennessee

Post Office Box 555
Jonesborough, TN 37659

Phone (423) 753-4763
Fax (677) 726-2604

January 6, 2016

Investment Committee
Board of County Commissioners
Washington County, Tennessee

Re: *Final Proposed Investment Policy for Washington County*

Commissioners:

Enclosed please find a final proposed draft of the Washington County Investment Policy for your consideration and comments. The Legal Services Department prepared this policy in an effort to conform with statutory requirements in effect and to mirror policies in place in other Tennessee counties. The Policy has been discussed with and reviewed by the State of Tennessee's Office of the Comptroller and Treasury Department.

Each county is directed by general state law to invest all idle county funds to the maximum practical extent pursuant to T.C.A. § 5-8-301(a). The purpose of this Investment Policy is to provide guidance and direction for the Investment Committee of the Washington County Board of Commissioners in its performance of the mandate provided in Section 301(a), while also safeguarding the principal of idle county funds.

Should you have any questions, concerns, or additional needs regarding this Policy or the investment of county funds, please feel free to contact the Legal Services Department.

With regards,

A handwritten signature in black ink, appearing to read "Brett N. Mayes", is written over a horizontal line.

Brett N. Mayes
Staff Attorney

**WASHINGTON COUNTY, TENNESSEE
BOARD OF COUNTY COMMISSIONERS**

RESOLUTION No. 16-01-07

**RESOLUTION TO ADOPT AN INVESTMENT POLICY
FOR WASHINGTON COUNTY, TENNESSEE**

WHEREAS, Pursuant to T.C.A. § 5-8-301(a), each county is directed by general state law to invest all idle county funds to the maximum practical extent; and

WHEREAS, the Washington County Investment Policy provides guidance and direction for the Investment Committee of the Washington County Board of Commissioners in its performance of the mandate provided in Section 301(a), while also safeguarding the principal of idle county funds; and

WHEREAS, the Investment Committee at its January 7, 2016, meeting agreed to recommended adoption of the Investment Policy to the Board of County Commissioners; now therefore


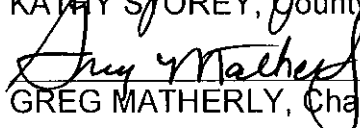
BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF WASHINGTON COUNTY, TENNESSEE THAT:

SECTION 1. The Washington County Investment Policy attached as Exhibit A to this resolution, incorporated herein by reference, is hereby adopted.

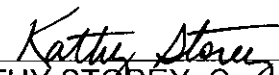
SECTION 2. This Resolution shall take effect immediately, the public welfare requiring it.

Introduced by Commissioner: *Tomita*
Seconded by Commissioner: *Hodge*
Commissioners Voting FOR Resolution: *Upon a voice vote, a two-thirds (2/3 majority of the entire membership voted to adopt the resolution.*
Commissioners Voting AGAINST Resolution: *Tester and Edens*
Commissioners NOT VOTING: *None*
Commissioners ABSENT: *Morris and Hensley*

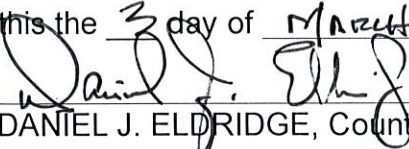
ADOPTED BY THE COUNTY LEGISLATIVE BODY, in session duly assembled, on this the 22nd day of February 2016.


KATHY STOREY, County Clerk

GREG MATHERLY, Chair of the Board

REFERRED to County Mayor this the 29 day of February 2016.


KATHY STOREY, County Clerk

APPROVED by County Mayor on this the 3 day of March 2016.



DANIEL J. ELDRIDGE, County Mayor

The County Mayor having declined to approve this Resolution, the same became effective on the ___ day of _____ 2016, pursuant to Tennessee Code Annotated § 5-6-107(b)(5).

KATHY STOREY, County Clerk

Approved as to form by County Attorney on this 25th day of February 2016.



Thomas J. Seeley III, County Attorney