

# City of Chehalis Investment Policy Update October 14, 2019

# Investment Policy Update

- ▶ Current Policy - Adopted June 1994
- ▶ Modification needed to meet current standards and practices
- ▶ References & Authority
  - ▶ Revised Code of Washington (RCW)
  - ▶ Washington Municipal Treasurer's Association Model Investment Policy
  - ▶ Washington State Auditor's Budgeting, Accounting and Reporting System (BARS) manual
  - ▶ Chehalis Municipal Code Chapter 3.12
- ▶ Primary Objectives, in priority order, are as follows (not changed):
  - **Safety** - preserve principal
  - **Liquidity** - to meet cash flow needs (operational and debt service)
  - **Return on Investment** - consider investment risk and cash flow needs.

# Highlights for Major Changes

- ▶ Added Governing Authority section
  - ▶ RCW
  - ▶ SAO BARS Manual
  - ▶ Chehalis Municipal Code 3.12
  - ▶ Washington Municipal Treasurer's Association Model Investment Policy
- ▶ Added Prudence Section
  - ▶ With Judgment and care - under circumstances then prevailing
  - ▶ Consider the probable safety of the capital and probable income to be derived
- ▶ Added List of "Prohibited Investments"
- ▶ Maximum Maturities - changed from 4 years to 5 years.
- ▶ Reporting Frequency - changed from monthly to quarterly
- ▶ Updated Diversification section

# Diversification - Updates

- ▶ Eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities:
  - ▶ Maturity - maximum 5 years
  - ▶ Issuer - Maximum % per Issuer
  - ▶ Class of securities - Maximum % of total portfolio
- ▶ Summary of changes:

Investment Instrument	Previous Policy		Updated Policy	
	Maximum % Holdings	Maximum % per Issuer	Maximum % Holdings	Maximum % per Issuer
Local Government Investment Pool*	25%	n/a	100%	n/a
Municipal Bonds	50%	n/a	30%	5%
Banker's Acceptance	20%	10%	10%	5%
Certificate of Deposit	100%	33%	20%	5%
Certificate of Deposits – Savings and Loan Association	10%	\$100,000	n/a	n/a

*\*LGIP is the most used investment tool for many small to medium size cities, and other investment performances are often compared to the LGIP rate.*

- ▶ Additional list added (page 6, 9.1)

# Other Minor Changes Made

- ▶ Added table of contents for easy reading
- ▶ Re-organized previous documents into sections, sub-sections, and section numbers
- ▶ Replaced finance manger title to finance director throughout the document
- ▶ Other formatting changes and updating the glossary

Thank you!

Questions or Comments?