Elko County
Investment Policy
Approved by BOCC 7/15/20

I. POLICY INTRODUCTION AND SCOPE

The investment function of Elko County funds is performed by the County Treasurer. It is the policy of the County to invest public funds in a manner which will provide a market rate of return commensurate with the primary objective of safety of principal, while meeting the daily cash flow demands of the County and conforming to all Nevada Revised Statutes (NRS) and County ordinances governing the investment of public funds.

Except for cash in certain restricted and special funds, Elko County will consolidate cash balances from all funds to maximize earnings. Investment income will be allocated to various funds based on their respective participation and in accordance with generally accepted accounting principles.

II. INVESTMENT OBJECTIVES

The County's available funds are to be invested in short-term and intermediate-term fixed income instruments earning a market rate of return without assuming undue risk to principal. Funds subject to this policy will be invested in compliance with NRS 355.165 to 355.177. The primary objectives of such investments shall be, in order of importance:

A. **Safety of Principal:** Safety of principal is the foremost objective of the County's investment program. Investments by the County Treasurer shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit and interest rate risk through diversification.
B. **Maintenance of Liquidity:** The County's investment portfolio will remain sufficiently liquid to enable the County to meet all operating requirements which may be reasonably anticipated.
C. **Yield:** The County's investment portfolio shall be structured with the objective of earning a market rate of return in relation to the prevailing budgetary and economic environments and taking into account the County's investment risk constraints of safety, equity and the cash flow characteristics of the portfolio.

III. STANDARDS OF CARE

1. **Prudence:** The standard of prudence to be used by investment officials shall be the "uniform prudent investor act" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures, this investment policy 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 the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

The standard of prudence to be applied to the investment of the County's assets shall be the "Prudent Person Standard" which states: *"In investing the County's monies, there shall be exercised the judgment and care under the 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."*

2. **Ethics and Conflicts of Interest:** Nevada Revised Statute 281.561 mandates that the County Treasurer file an annual Statement of Financial Disclosure form. Additionally, officers and employees involved in the investment process and the Investment Committee, if applicable, shall refrain from personal business activity that could conflict with proper execution of investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.

3. **Delegation of Authority and Investment Responsibilities:** Under authority delegated by the Board of County Commissioners, in accordance with NRS 355.175 the investment of County funds is the responsibility of the County Treasurer. This responsibility includes the authority to open accounts with financial institutions and broker/dealers, to arrange for the custody of securities and to execute such documents as may be necessary to carry out this responsibility.

   The Treasurer is also responsible for furnishing accurate, timely instructions to the safekeeping bank(s) concerning settlement of investment transactions and verifying accuracy of completed transactions. The County may utilize registered investment advisors to assist with the management of the County's investment program. Registered investment advisors are to make investments for Elko County as allowed by Nevada Revised Statutes and under the guidelines of the current investment policy.

   The County Treasurer shall be responsible for analyzing and evaluating the credit worthiness, capability and reputation of all banks, broker/dealers and registered investment advisors with which the County conducts investment transactions. Such analysis must include:
   a) For banks, a review of the annual financial statements.
   b) For broker/dealers and registered investment advisors, a review of their registration with the SEC, FINRA and the State of Nevada to the appropriateness of services provided to Elko County.
   c) Securing references from other entities, agencies and/or organizations that have a business relationship with each prospective bank, broker, dealer and/or registered investment advisor.

The investment pool will operate in accordance with the guidelines set forth in *Appendix A*. The investment pooled cash balances shall be made in accordance with all provisions of this investment policy.

IV. AUTHORIZED INVESTMENTS

1. **State of Nevada Local Government Investment Pool (LGIP):** In accordance with NRS 355.165 and 355.167, funds may be invested in LGIP which is administered by the State

Treasurer. All money in LGIP shall be held in trust in the custody of the State Treasurer. All money in the LGIP shall be deposited, invested, and reinvested in the same manner and to the same extent as if it were state money in the State Treasury.

2. **U.S. Treasuries:** Bills, notes, bonds, and debentures of the United States Treasury, the maturity date of which is not more than 7 years from the date of purchase.

3. **U.S. Federal Agencies:** Securities issued by the following agencies: Federal Farm Credit Bank, Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and the Federal Agricultural Mortgage Association. Maturities on federal agency securities must not exceed 7 years from the date of purchase. Mortgage-backed pass-through securities must not exceed 5 years weighted average life at the time of purchase. Mortgage-backed passthrough agency securities must be "AAA" rated and have an average maximum life at time of purchase of 5 years and have a final cash flow date not to exceed ten 10 years assuming a zero prepayment speed.

4. **Bankers Acceptances**: Banker's acceptances of the kind and maturities made eligible by law for rediscount with Federal Reserve Banks, and generally accepted by banks or trust companies which are members of the Federal Reserve System. Eligible bankers' acceptances may not exceed 180 days' maturity. Purchases of bankers' acceptances may not exceed 20 percent of the money available to a local government for investment as determined on the date of purchase.

5. **Commercial Paper:** Commercial Paper issued by corporations or depositories organized and operating in the United States rated by a nationally recognized rating service as "A-1", "P-1" or its equivalent or better. Maturities of Commercial Paper must not exceed 270 days and the aggregate value must not exceed 25 percent of the total portfolio as determined by the date of purchase. Not more than 5 percent of the total par value of the portfolio may be in notes, bonds and other unconditional obligations issued by any one corporation. If the rating is reduced below the rating requirements mentioned above, the investment advisor must, as soon as possible report the reduction in the rating to the governing body of the local government that purchased the investment.

6. **Money Market Mutual Funds:** Funds which are registered with the Securities and Exchange Commission are rated AAA by a nationally recognized rating service and invest in securities issued by the Federal Government or agencies of the Federal Government, master notes, bank notes or other short-term commercial paper rated by a nationally recognized rating service as "A-1", "P-1" or its equivalent or better and in repurchase agreements fully collateralized by such securities.

7. **Negotiable Certificates of Deposit:** CD's which are issued by commercial banks, insured credit unions or insured savings & loan associations. In addition, issuers must attain the following minimum ratings by at least two rating services: "B" by Thomson Bank Watch or "A-1" for deposits by Standard & Poor's or "P-1" for deposits by Moody's or comparably rated by a nationally recognized rating agency. In the absence of rating services, eligible CD's must come from issuers with an IDC rating of 150 or better.

8. **Non-Negotiable Certificates of Deposit:** CD's issued by insured commercial banks, insured credit unions or insured savings & loan associations, except certificates that are not within the limits of insurance provided by an instrumentality of the United States, unless those certificates are collateralized in the same manner as is required for uninsured deposits by a County Treasurer pursuant to NRS 356.133.

9. **Tax-Exempt Municipal Bonds:** Issuer must have a long-term rating of "A" or better from at least one nationally recognized statistical rating organizations (NRSROs). Eligible securities are bonds of this state, bonds issued by other states, bonds of any county, city, school district or other local government of this State or of other states, maximum maturity of 5 years.

10. **Bonds, notes or other obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, the International Finance Corporation or the InterAmerican Development Bank** that is denominated in United States dollars; Is a senior unsecured obligation; At the time of purchase has a remaining term to maturity of 5 years or less; and is rated by a nationally recognized rating service as "AA" or its equivalent or better, may not, in aggregate value, exceed 15 percent of the total par value of the portfolio as determined at the time of purchase.

11. **Bonds, notes or other obligations publicly issued in the United States by a foreign financial institution, corporation or government that is denominated in United States dollars;** Is a senior, unsecured, unsubordinated obligations, Is registered with the Securities and Exchange Commission in accordance with the provisions of the Securities Act of 1933, §§ 77a et seq., as amended; is publicly traded; Is purchased from a registered broker-dealer; At the time of purchase has a remaining term to maturity of 5 years or less; and is rated by a nationally recognized rating service as "AA" or its equivalent or better, except that investments pursuant to this paragraph may not, in aggregate value, exceed 10 percent of the total par value of the portfolio as determined at the time of purchase.

<u>The following investment types are allowed under NRS 355.171 through an SEC registered investment advisor that has been approved by the State of Nevada Board of Finance</u>:

12. **Corporate Bonds:** Notes, bonds issued by corporations organized in the United States are rated by a nationally recognized rating organization service as "A" or its equivalent or better. Maturities of Corporate Bonds must not exceed 5 years and the aggregate value must not exceed 25% of the total portfolios determined on the purchase date. Not more than 5% of the total par value of the portfolio may be in notes, bonds and other unconditional obligations issued by any one corporation. Corporate bonds must be purchased from a registered broker/dealer. If the rating of the issue is reduced below the rating requirements mentioned above, the investment advisor must (as soon as possible), report the reduction in the rating to the governing body of the local government that purchased the investment and the State of Nevada Board of Finance.

13. **Collateralized Mortgage Obligations:** Must have a long-term rating of "AAA" by at least one NRSROs and must not be rated less than "AA" by any NRSRO and have a maximum average

life at time of purchase of 5 years and have a final cash flow date not to exceed 10 years (assuming a zero pre-payment speed).

14. **Asset-Backed Securities:** Must have a long-term rating of "AAA" by at least one NRSROs and must not be rated less than "AA" by any NRSRO. Aggregate par value may not exceed 20 percent of total par value of the portfolio and have a maximum average life at time of purchase of 5 years and have a final cash flow date not to exceed ten years (assuming a zero pre-payment speed).

15. **Other:** Any other investments as allowable per NRS 355.165, 355.168, 355.170, 356.120 and 355.171 (including collateralized mortgage obligations that are rated by a nationally recognized rating service as "AAA" or its equivalent and asset-backed securities that are rated by a nationally recognized rating service as "AAA" or its equivalent).
    Unless the purchase is effected by the State Treasurer pursuant to his/her investment pool, corporate bonds, collateralized mortgage obligations and asset-backed securities are required to be purchased by a registered investment advisor who is registered with the Securities and Exchange Commission and approved by the State Board of Finance.

V. COLLATERIZATION OF DEPOSITS

All County money deposited with any insured state or national bank, in any insured savings and loan association, in any insured savings bank, in any insured credit union including checking accounts, savings accounts, non-negotiable certificates of deposit, time deposits or similar type accounts provided by the financial institution in excess of the amount of federal insurance will be fully collateralized in accordance with guidelines set forth in NRS 356.

VI. SECURITIES SAFEKEEPING AND CUSTODY

Securities purchased by the County Treasurer shall be delivered against payment (delivery vs. payment) and held in a custodial safekeeping account with the trust department of a third party bank insured by the Federal Deposit Insurance Corporation designated by the County Treasurer for this purpose in accordance with NRS 355.172. A custody agreement between the bank and the County Treasurer is required before execution of any transactions.

VII. MATURITY LIMITATIONS AND DIVERSIFICATION

To the extent possible, the County Treasurer will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the County Treasurer will not directly invest in securities maturing more than 7 years from the date of purchase.

The County Treasurer will diversify its investments by security type and institution. With the exception of obligations of the U.S. Government, U.S. Agencies or FDIC/NCUA insured Negotiable CD's agencies, no more than 50% if the total investment portfolio will be invested in a single security type.

VIII. REVIEW, MODIFICATION AND CONTINUING EDUCATION

The County Treasurer shall regularly review the investment process to evaluate performance, policy, procedures and compliance with NRS and County ordinances. The County Treasurer shall regularly consult with the Investment Committee regarding the investment process, including, but not limited to, review of the investment policy and portfolio components.

The County Treasurer shall be responsible for reviewing and recommending modifications to this investment policy, subject to approval by the Board of County Commissioners. However, the County Treasurer may at any time further restrict for investment the types of instruments, issuers and maturities as may be appropriate from time to time.

The County strives for professionalism and accountability in the Investment Program. In order to assure the highest possible professional standards, the personnel involved in the program shall complete at least 16 hours per year of continuing education programs or other training in cash and investment management.

APPENDIX A

The Elko County Treasurer is responsible for receiving and disbursing public funds from programs and functions that come under the jurisdiction of the Elko County Board of Commissioners and certain other related governing bodies. The Treasurer has been designated as the investment officer and as such has responsibility for these public funds pending their disbursement.

In order to improve the efficiency of the investment program, the Treasurer has established a procedure for pooling all investments. The primary objective for pooling the investments is to combine the funds available for investment to improve the cash management of funds through the identification of all idle funds thereby maximizing the interest income received by each participating fund.

The criteria established in the investment of pooled funds will be the same as the County investment policy.

This investment policy will affect the investments purchased after the date of approval and acceptance by the Board of County Commissioners, County of Elko, Nevada.

Approved: July 15, 2020

Demar Dahl, Chair

Jon Karr, Vice Chair

Rex Steninger

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