

Island County Treasurer's Investment Pool

A Local Government Investment Pool
Initiated January 1, 2019

Discussion topics to be covered:

- County treasurer is the “bank” for special purpose districts’ funds
- Authority of county treasurer to invest
- Internal investment pool vs external investment pool
- Why an external investment pool?
- Advantages of participation to special purpose districts
- Advantages to county
- Overview of investment pool structure
- Oversight of investment pool operations
- For Participants: processing investment requests and withdrawals
- For Participants: investment reporting
- Getting started

County Treasurer acts as “bank” for special purpose districts within county boundaries

[RCW 36.29](#) and [RCW 43.09.240](#)

- Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public, shall deposit such moneys collected or received by him or her with the treasurer of the local government once every twenty-four hours.
- The county treasurer shall keep all moneys belonging to the state, or to any county, in his or her own possession until disbursed according to law.
- The County Treasurer is vested with the authority to choose the specific qualified financial institution to hold public funds.
- Each district has its own assigned “fund” in the county’s financial records; some districts may have multiple funds (e.g., general fund, debt service fund, bond fund, capital fund, etc.)

Authority of County Treasurer to Invest Funds

Counties, as the local arm of state government, operate under the Revised Code of Washington (RCW) and Washington Administrative Code (WAC) statutes.

County Treasurer . . .

RCW 36.29.10(8): Shall invest all funds of the county or any special district in the treasurer's custody, not needed for immediate expenditure, in a manner consistent with appropriate statutes. If cash is needed to redeem warrants issued from any fund in the custody of the treasurer, the treasurer shall liquidate investments in an amount sufficient to cover such warrant redemptions.

RCW 36.29.20: Any municipal corporation may by action of its governing body authorize any of its funds which are not required for immediate expenditure, and which are in the custody of the county treasurer or other municipal corporation treasurer, to be invested by such treasurer.

RCW 36.29.22: Upon the request of one or several units of local government that invest their money with the county under the provisions of RCW 36.29.020, the treasurer of that county may combine those units' moneys for the purposes of investment.

Authority of County Treasurer to Administer (External) Investment Pool

Counties, as the local arm of state government, operate under the Revised Code of Washington (RCW) and Washington Administrative Code (WAC) statutes.

RCW 36.29.22: Upon the request of one or several units of local government that invest their money with the county under the provisions of RCW [36.29.020](#), the treasurer of that county may combine those units' moneys for the purposes of investment.

RCW 36.29.24: The county treasurer may deduct the amounts necessary to reimburse the treasurer's office for the actual expenses the office incurs and to repay any county funds appropriated and expended for the initial administrative costs of establishing a county investment pool provided in RCW [36.29.022](#). These funds shall be used by the county treasurer as a revolving fund to defray the cost of administering the pool without regard to budget limitations. Any credits or payments to political subdivisions shall be calculated and made in a manner which equitably reflects the differing amounts of the political subdivision's respective deposits in the county investment pool and the differing periods of time for which the amounts were placed in the county investment pool. A county investment pool must be available for investment of funds of any local government that invests its money with the county under the provisions of RCW [36.29.020](#), and a county treasurer shall follow the request from the local government to invest its funds in the pool. As used in this section "actual expenses" include only the county treasurer's direct and out-of-pocket costs and do not include indirect or loss of opportunity costs. As used in this section, "direct costs" means those costs that can be identified specifically with the administration of the county investment pool. Direct costs include: (1) Compensation of employees for the time devoted and identified specifically to administering the pool; and (2) the cost of materials, services, or equipment acquired, consumed, or expended specifically for the purpose of administering the pool.

Authorized Investments for Public Funds

Counties, as the local arm of state government, operate under the Revised Code of Washington (RCW) and Washington Administrative Code (WAC) statutes.

RCW 36.29.020: The county treasurer may invest in savings or time accounts in designated qualified public depositories, in certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States; in bankers' acceptances purchased on the secondary market, in federal home loan bank notes and bonds, federal land bank bonds and federal national mortgage association notes, debentures and guaranteed certificates of participation, or the obligations of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system or deposit such funds or any portion thereof in investment deposits as defined in RCW 39.58.010 secured by collateral in accordance with the provisions of chapters 39.58 and 39.59

Internal investment pool or external investment pool?

An **internal investment pool** holds County funds separately from special purpose district funds.

Prior to January 1, 2019, Island County had an internal investment pool consisting of overnight money held in the Washington State Treasurer's Local Government Investment Pool (LGIP), and a variety of Treasury Bonds, Federal Agency Bonds, and Municipal Bonds of Local and Other State Governments.

Special purpose districts' directed invested funds were held in the Washington LGIP, a subset of the County's LGIP account.

An **external investment pool** combines all funds managed by the County Treasurer into one "pool".

The external pool holds money market funds, Treasury Bonds, Federal Agency Bonds, Municipal Bonds, and other allowed investments, but in greater quantities and with the associated flexibility to adapt to changes in market conditions and cash requirements. The County and the districts have access to a blended portfolio including all investment types allowed by the Investment Policy. This diversity lessens concentration risk and provides stability of earnings. Each entity participates by purchasing/investing "shares" of the pool equal to a specific dollar amount as requested.

Why an external investment pool?

The external pool structure allows the County to better identify and analyze its fiduciary and investment services provided by the Treasurer's Office.

Investment pool operations are accounted for separately from the general (current expense) fund and are not subject to budgetary limitations.

County funds are participants in the investment pool in the same manner as are special purpose districts' funds.

Advantages of investment pool participation for special purpose districts

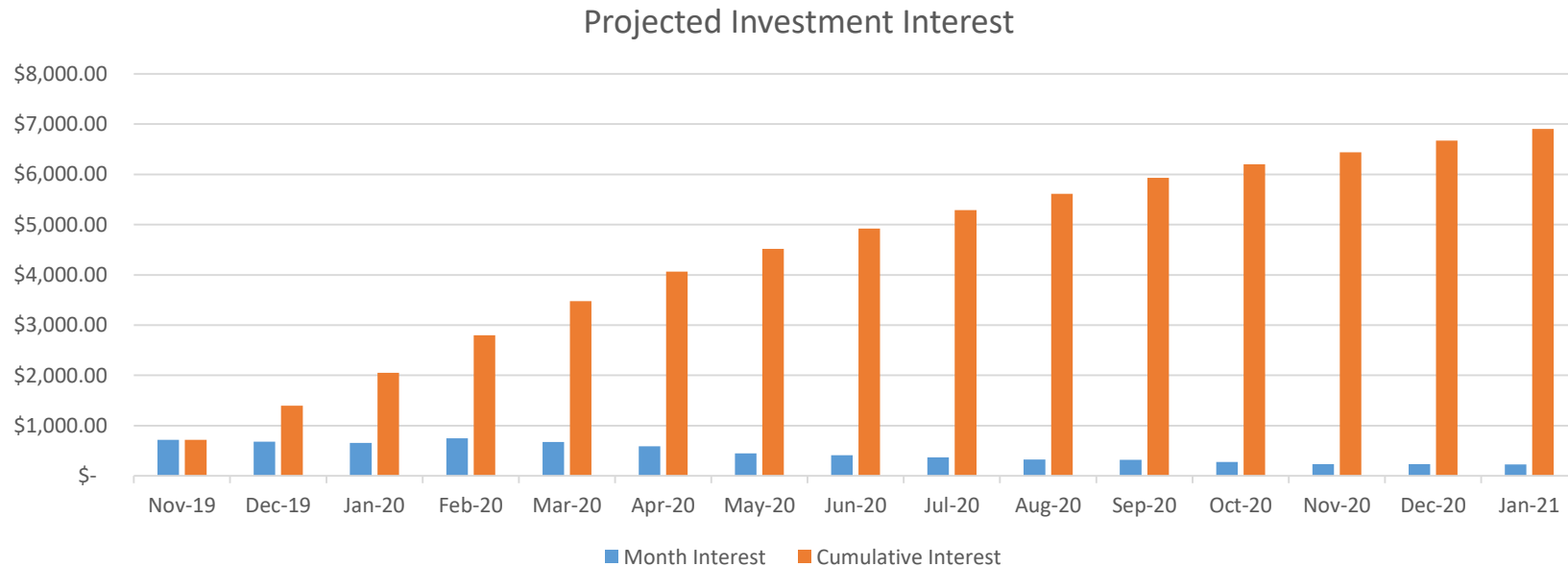
Under this arrangement, special purpose districts have the opportunity to self direct their own investments to:

- Earn interest on excess cash with the flexibility to withdraw as needed with 2 days' notice,
- Earn higher yields due to the availability of longer-term securities with greater coupon rates (dependent on market conditions),
- Reflect interest income as earned (accrued), not by actual receipt of cash,
- Realize and share in benefits of purchasing in larger quantities,
- Have greater diversification of investments, providing lower concentration risk,
- Have access to investment expertise of County staff and resources, and
- Invest excess cash on hand until needed to meet requirements, with minimal effort.

Example of investment earnings

(sample data is from an Island County special purpose district that did not invest its cash)

Using actual average monthly cash balances during the period 11/16/2019 – 1/31/2021, the graph below illustrates the monthly and cumulative investment earnings that could have been earned had the cash been invested in the Investment Pool (earnings from prior periods are not a guarantee of future performance).



Advantages to County

- This arrangement provides an opportunity to separate Investment services from the other functions of the Treasurer's Office, thereby enhancing accountability to its participants.
- An external investment pool exists as an investment trust fund at the county level. It holds the investments purchased to earn investment interest income and any gains or losses on sales. It invests excess cash not needed to meet current requirements and schedules investment maturities to meet future needs.
- The fund accrues interest payments earned on the holdings, and redistributes them to participants less a fee based on the average investment balance per month of each participant. Each of the Island County specific public funds and most of the County's special purpose districts are participants in the Investment Pool.

Overview of Investment Pool Structure (I)

Investment Objectives (in order or priority):

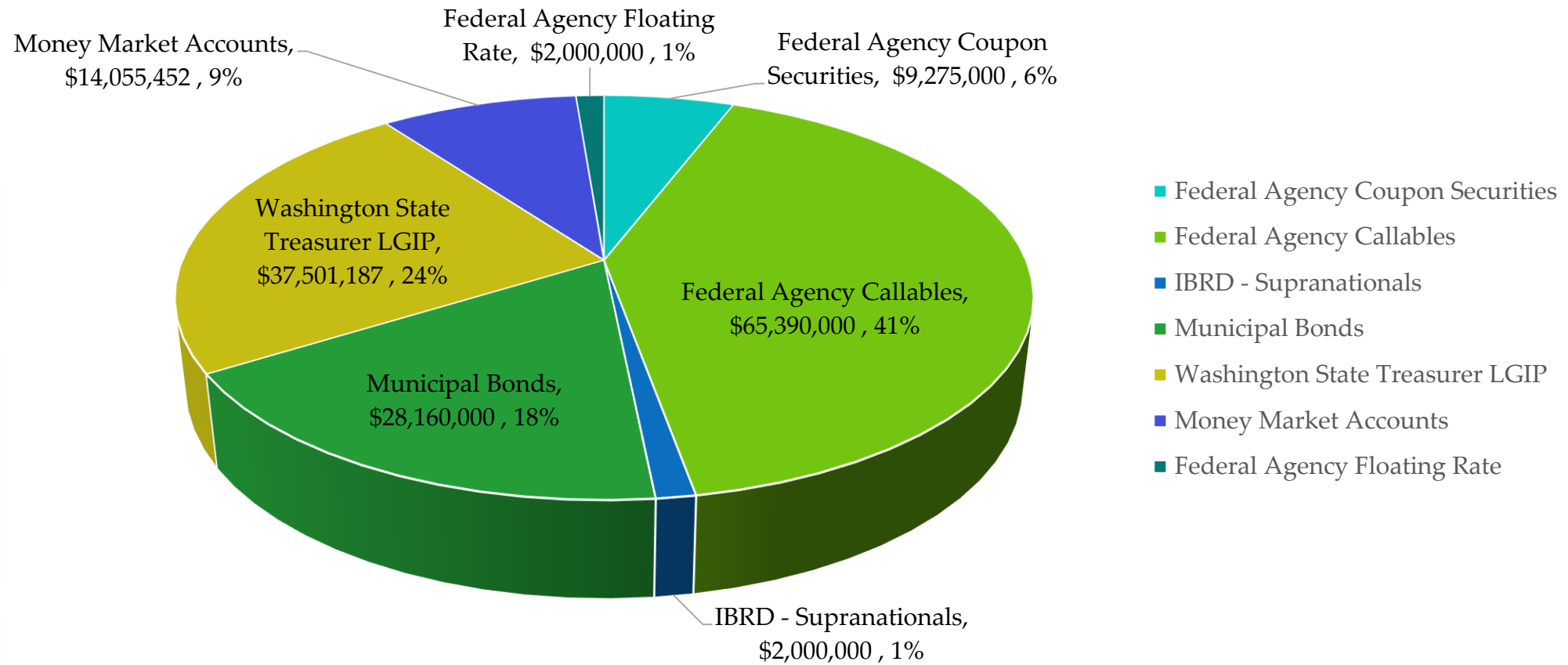
1. Safety of principal invested
2. Sufficient liquidity to meet participants' operating requirements
3. Attainment of a market-average rate of return throughout budgetary and economic cycles taking into account cash flow characteristics and in keeping with accepted financial management practices and procedures of all participants

Overview of Investment Pool Structure (II):

Investment Diversification Limitations – concentrations are limited to:

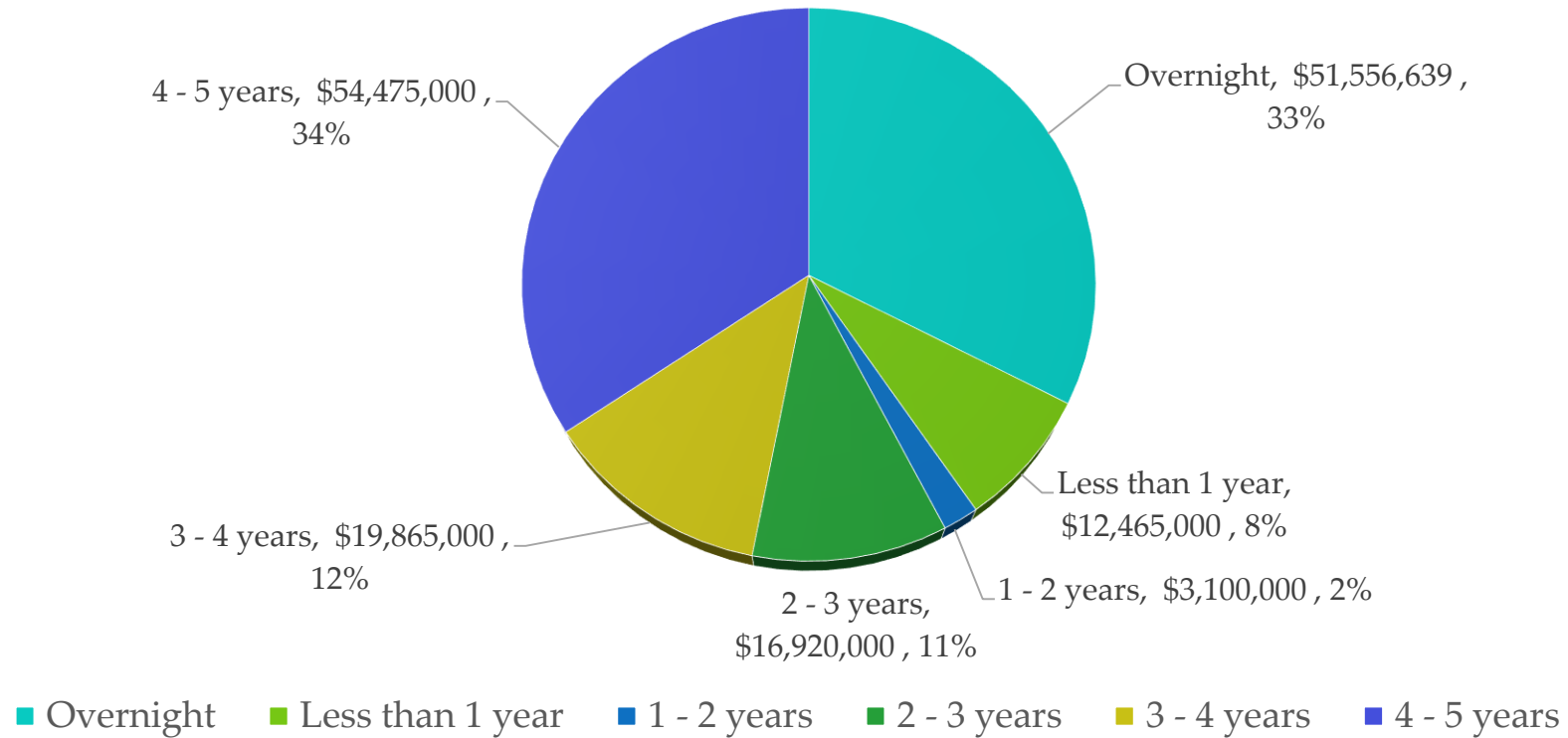
| | |
|--|------------|
| Washington State (WA) Local Government Investment Pool | 90% |
| U.S. Treasury Obligations | 90% |
| Federal Agency Securities | 90% |
| Commercial Paper | 20% |
| Certificates of Deposit | RCW limits |
| Supranationals | 10% |
| Bonds of the State of WA or any local government in the State of WA | 20% |
| Bonds of other states or local governments of a state other than the State of WA | 15% |

Portfolio Diversification as of 1.31.21



Portfolio Maturity Brackets as of 1.31.21

Based on Par Value



Oversight of Investment Pool Operations

Investment decisions are governed by the Island County Investment Policy: [Island County 2020 Re-Adopted Investment Policy.pdf \(islandcountywa.gov\)](#)

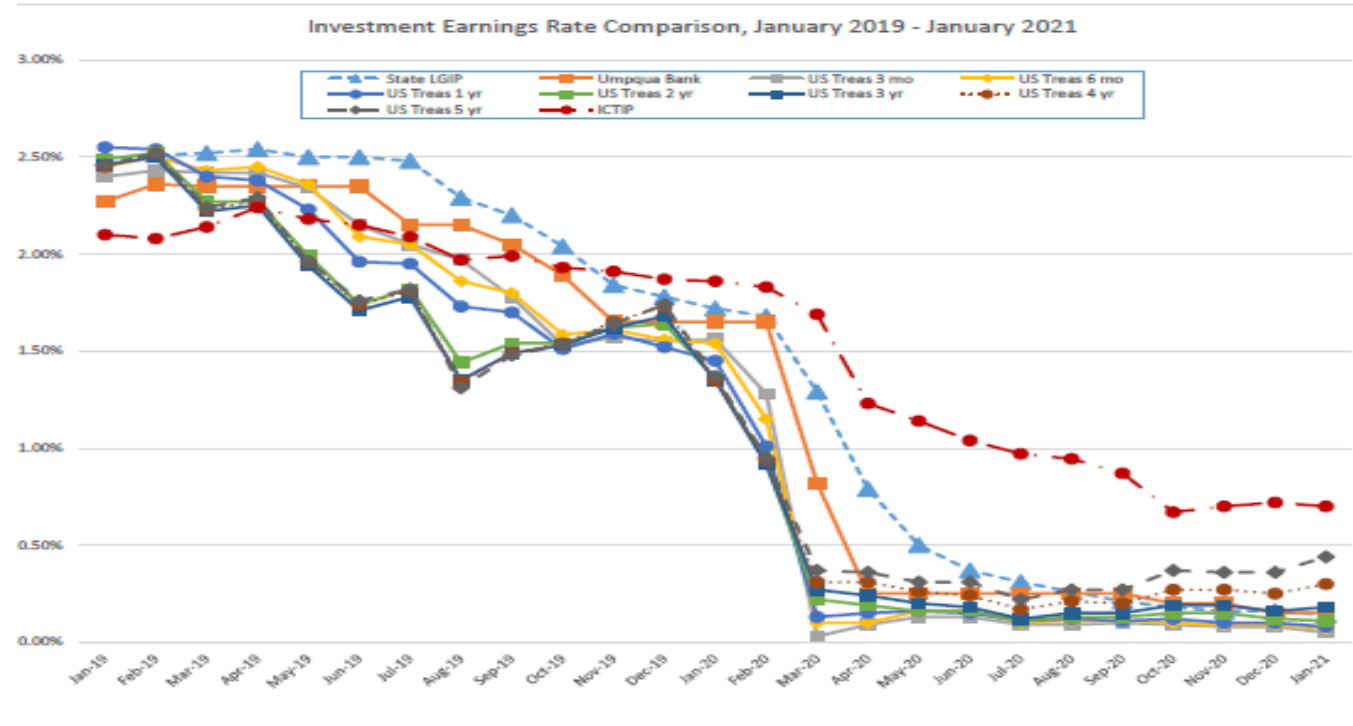
Investment Operations are overseen by the Finance Committee, which meets quarterly on the 4th Tuesday of January, April, July, and October:

- Chair – County Treasurer
- Secretary – County Auditor
- Rotating Member – Board of Island County Commissioners Chair

Finance Committee Reports are posted on the Island County website: [Treasurer \(islandcountywa.gov\)](#)

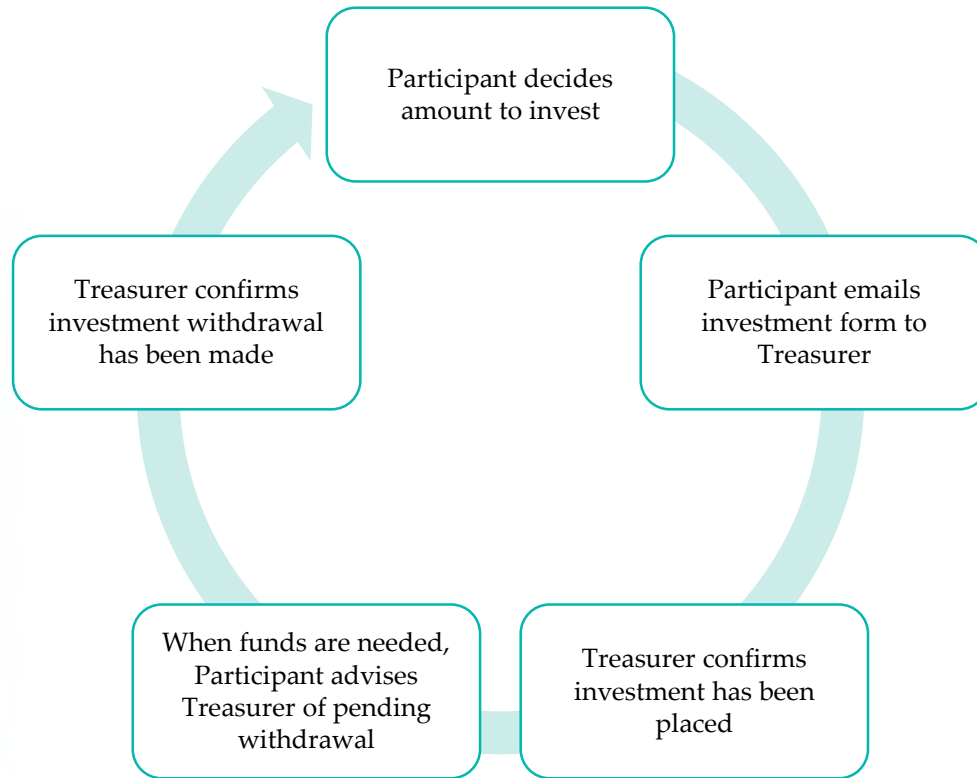
County Treasurer has authority to invest and manage funds

Comparative Yields of Typical Public Funds Investment Options as of 1.31.21*



*Past results are neither indicative of nor a guarantee of future performance, which is dependent on market conditions.

For Participants: Processing Investment Requests and Withdrawals



- Using provided sample investment request, participant emails form to Treasurer's Office
- Treasurer emails confirmation of investment purchase
- Using provided sample investment withdrawal notification and two days prior to date funds are required, participant emails Treasurer's Office
- Treasurer emails confirmation of investment withdrawal
- Funds are available for payables or other needs

For Participants: Investment Reporting You Will Receive

- Confirmation of investment request
- Confirmation of investment withdrawal
- Monthly Treasurer's Report by fund including investments purchased, withdrawn, and accrued interest earnings
- Monthly Treasurer's Report posted on website with current rate information
- Quarterly Finance Committee Report posted on website with Investment Compliance Reporting

| Description | Frequency | Provider |
|----------------------------|-----------|------------|
| Investment Request | Daily | Accountant |
| Investment Withdrawal | Daily | Accountant |
| Treasurer's Report by Fund | Monthly | Accountant |

Getting started . . .

1. Review the information posted on the Island County Treasurer's website about the Island County Treasurer's Investment Pool (ICTIP) [Treasurer Investments \(islandcountywa.gov\)](https://www.islandcountywa.gov/treasurer-investments) and download necessary forms
2. Pass resolution authorizing participation
3. Sign and return forms for participation, authorized officer, and transaction request
4. Begin earning investment interest on excess cash

Island County Treasurer's Office 360-679-7302
ICTInvestments@islandcountywa.gov

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