



## Investment Policy Statement (Short-Term Reserve Account)

Board Approved: 5-18-20

Revisions Approved by Board: NA

### Policy Recap and Compliance Requirements:

- Policy Responsibility: Director of Finance
- Changes Approved by: Board of Directors – As Recommended through Finance Committee
- Policy Review: At least annually, with updates to Board Members
- Training: N/A

## **WACOSA**

### **Investment Policy Statement (Short-Term)**

#### **Purpose**

The purpose of this statement is to establish a clear understanding between WACOSA and the Investment Manager concerning the investment policies and objectives of WACOSA. This policy outlines an overall philosophy that is specific enough to guide the Investment Manager, yet sufficiently flexible to allow for changes in the economy and securities markets.

This statement will establish policies and restrictions to be placed on the fund investments; however these are not intended to impede the Investment Manager's effort in attaining the overall objectives of the Fund. WACOSA gives the Investment Manager flexibility in investment selection and diversification for the purposes of increasing investment returns and/or reducing risk exposure. WACOSA also gives the Investment Manager responsibility to shift the Funds asset commitment among industry sectors and individual securities to pursue opportunities presented by secular changes within the capital markets.

#### **Manager Guidelines**

Investments of the Fund will be made for the sole interest and exclusive purpose of providing benefits to WACOSA. The Funds assets must be invested with the care, skill and diligence that a prudent person acting in this capacity would use and to comply with any controlling statutes governing this type of Fund, (controlling statutes are not applicable at this time for WACOSA).

#### **Investment Objectives**

Funds are to be managed to provide WACOSA with a primary emphasis on preservation of principal and current income. This short-term reserve fund will hold approximately four months of general operating expenditures based upon the approved annual budget and as stated in the Operating Reserve and Board Designation Policy unless instructed otherwise by the WACOSA Board.

#### **Investment Guidelines**

The following guidelines have been adopted for investment of the Account:

##### **PERMISSIBLE INVESTMENTS**

Although all of the following securities are approved, utilization of any security type depends upon many factors, including (but not limited to) value, supply, etc.

- Securities of the U.S. Government, its Agencies and/or Instrumentality
- Commercial Paper;
- Corporate Notes/Bonds;
- Asset-Backed Securities
- Certificates of Deposit
- Tax-Exempt and Taxable Municipal bonds

## WACOSA Investment Policy Statement (Short-Term)

### PERMISSIBLE INVESTMENTS (Continued)

- Mortgage-backed securities
- Exchange-Traded Funds
- Open-ended mutual funds that invest substantially all their assets in the asset classes listed above, such as:
  - Money Market Mutual Funds
  - Bond Mutual Funds (including international bond funds)

### MATURITY RESTRICTIONS

- Maturity dates may range from 0-3 years.
- Communication of cash flow requirements by WACOSA to the Investment Manager will be critical in establishing the portfolio in regard to maturities and duration.

### CREDIT QUALITY STANDARDS

- Commercial Paper/Money Market Instruments: Securities must be rated in the highest short-term debt category by at least two of any of the ten Nationally Recognized Statistical Rating Organizations (NRSROs). At least one rating must come from S&P, Moody's or Fitch.
- Asset-Backed Securities: Issues must have a credit rating of AAA or better by Moody's, S&P or Fitch.
- Corporate and Municipal Bonds: Securities must have an investment-grade rating of BBB or better by at least one of the following at time of purchase: Moody's, S&P or Fitch.
- Certificates of Deposit must be within the insurance limits set by the FDIC.

### ISSUER CONCENTRATION

No single security, with the exception of a security issued by the U.S. Government, its Agencies and/or Instrumentalities, shall at the time of purchase constitute more than 10% of the value of the portfolio.

### ASSET ALLOCATION

	Long Term <u>Target</u>	Allowable <u>Range</u>
Fixed Income	98%	95-100%
Cash Equivalents	2%	0%-3%

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**Investment Review**

The investment objectives and performance will be reviewed annually by the Board of Directors of WACOSA. The Investment Policy Statement will be reviewed by the Finance Committee annually. Performance Benchmarks will be presented at the annual review.

**GLOSSARY:**

**Asset-Backed Securities:** Bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies or other providers of credit.

**Commercial Paper:** Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations and other borrowers.

**Corporate Note/Bond:** Debt instrument issued by a private corporation.

**Exchange Traded Funds (ETF's):** A security that tracks an index, a commodity or a basket of assets like an index fund, but trades like a stock on an exchange. ETF's experience price changes throughout the day as they are bought and sold.

**Mortgage-Backed Securities:** Security backed by mortgages, issued by the Federal Home Loan Mortgage Corporation (FHLMC), The Federal National Mortgage Association (FNMA) and the Government National Mortgage Association (GNMA).