

**CHATHAM COUNTY PURCHASING DEPARTMENT**

**ADDENDUM NO. 1 TO BID NO. RFP13-0040-5**


**FOR: ANNUAL CONTRACT FOR INVESTMENT BROKER/DEALER SERVICES FOR CHATHAM COUNTY FINANCE DEPARTMENT**

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**NOTE:** Proposal due date and time will remain the same – 2:00 p.m., June 13, 2013  
(Local Time)

1. See attached Investment Policy, Objectives and Guidelines

**THE PROPOSER IS RESPONSIBLE FOR MAKING THE NECESSARY CHANGES AND MUST ACKNOWLEDGE RECEIPT OF ADDENDUM.**

06/04/13  
DATE

  
\_\_\_\_\_  
MARGARET H. JOYNER, PURCHASING AGENT  
CHATHAM COUNTY, GEORGIA

# CHATHAM COUNTY, GEORGIA

## INVESTMENT POLICY, OBJECTIVES & GUIDELINES

### I. General

Chatham County (hereinafter the "County") maintains investment and liquidity portfolios to provide for the operations of the County. This policy governs the investment of assets in various funds that are under the direct control of the Finance Department (hereinafter the "Department"), including the following:

- Tax Supported Funds (General, Sales Tax Funds, etc.)
- Special Assessment Funds (Street Paving, etc.)
- Special Revenue Funds
- Debt Service and Bond Proceeds
- Enterprise Funds
- Capital Project Funds
- Internal Service Funds
- Other Operating or Capital Funds that may be established

Investments of the Chatham County Employees Retirement Plan are excluded from this policy.

### II. Definitions

Authorized Financial Institutions and Dealers – An annually compiled listing of approved financial institutions and/or broker-dealers eligible to offer securities to County staff. The approval process is described herein.

CMO - A collateralized mortgage obligation, or a type of mortgage backed security that creates separate pools of pass-through rates for different classes of bondholders, with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds prospectus. Low returns are usually realized since these investments are very low risk and often backed by government securities.

Competitive Bid Process – The process whereby the County evaluates responses from authorized financial institutions and dealers before deciding on the best use of any County surplus funds for the purchase of Securities, Certificates of Deposits or other instruments having a maturity date greater than 30 days.

Department – For the purposes of this Policy shall mean the Department of Finance.

FFIEC High-Risk Security Test – The Federal Financial Institutions Examination Council (FFIEC) has derived three tests, an average life test, an average life sensitivity test, and a price sensitivity test to determine whether a derivative mortgage security is "high-risk", and thus ineligible to be held as an investment by US depository institutions.

Fiduciary – Any individual or group of individuals as defined in ERISA, Section 3 (21)(a).

Good Faith – Honest in fact and the observance of reasonable commercial standards of fair dealing.

Investment Advisor – An Investment Advisor is an individual or firm hired to advise and assist Finance Staff with the County's Investment decisions. The Advisor may provide related services such as asset allocation modeling or other work that may occasionally be needed by the County.

Investment Officer – A Department staff member employed to perform cash management and investment functions for the Finance Director.

Investment Portfolio – A portfolio of investments with average maturities or durations that match longer-term liabilities and with expected cash flows that match the attendant funding requirements. For example, this portfolio might hold securities matching the cash flow needs of large capital projects with long lead-in periods. It is expected that the investment horizon for the Investment Portfolio will change based upon changing circumstances, and cash flow requirements, but will be generally within the 1-5 year maturity range.

Liquidity Portfolio – The liquidity portfolio consists of cash, "money-market-like" funds such as OTFS Ga-Fund-1 and other investments such as short-term treasury notes or other investments with maturities that are generally less than one year. The purpose of the liquidity portfolio is to provide for operating or other near-term cash needs and to obtain a short-term market return on significant portions of operating reserves.

OTFS – GA1 – Refers to the Georgia Fund 1 managed by the State of Georgia Office of Treasury and Fiscal Services. Georgia Fund 1 is offered to counties, municipalities, public colleges and universities, boards of education, special districts, state agencies and other authorized entities as a conservative, efficient, and liquid investment alternative.

OTFS – GEAP – Refers to the Georgia Extended Asset Pool managed by the State of Georgia Office of Treasury and Fiscal Services. This is an alternative to Georgia Fund 1. The pool's objective is the prudent management of public funds designed for investors seeking taxable income higher than money market rates.

REMIC – A real estate mortgage investment conduit. A complex pool of mortgage securities created for the purpose of acquiring collateral.

Securities – Refers to marketable investment securities that meet the legal mandates of Georgia law and the requirements of this Policy.

### **III Scope and Purpose of Policy**

This Policy reflects the investment policy, objectives, and constraints of the County's Investment and Liquidity Portfolios. This investment policy applies to all funds under the control of Chatham County Board of Commissioners which are eligible to be invested, exclusive of pension obligations.

This Policy is adopted to provide a framework and establish lines of authority for both general oversight and the operational management of the County's investments. The objectives of this Policy include:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives for fund assets.
3. Offer guidance and limitations to all persons and to other contracted advisor's regarding the investment of the County's assets.

All persons or entities (whether County employees, or contracted professionals) that have responsibility for the investment of County funds are at all times bound by the requirements of this policy and by Georgia law.

#### **IV. Delegation of Authority/ Assignment of Duties**

A. Finance Director - Under the supervision of the County Manager, the Finance Director is responsible for ensuring that County investments are managed in accordance with this Policy and applicable state laws and regulations. In discharging his/her duties under this Policy, the Finance Director or designated Finance staff may directly assist in managing the County's investments.

O.C.G.A. Section 36-80-4 authorizes the County's governing body to delegate responsibility to the Finance Director for the management of the County's investment assets. The Finance Director shall have the authority to establish and implement the necessary organization structure and financial reporting and controls in order to achieve the objectives of this Policy. The Finance Director shall discharge his or her duties solely in the interest of the County. The specific responsibilities of the Finance Director relating to the investment management of fund assets include:

1. Incorporating projections and forecasts regarding the County's overall financial and cash flow needs into the investment program.
2. Determining the County's risk tolerance and investment horizon, and communicating relevant information to the appropriate parties who are engaged in administering the management and investment of County funds.
3. Evaluating the administration and performance of the investment program for adherence to policies and achievement of objectives.
4. Developing and monitoring controls and management procedures.
5. Making provision for financial audits and other reviews of the investment program.

The Finance Director may delegate administrative functions of this policy to Department staff members as follows:

1. Upon direction from the Finance Director, the Investment Officer may request quotations from authorized financial institutions and dealers, evaluate responses and make securities purchase decisions based on the desired investment time horizon, the best yield offered and the objectives of the investment policy. Security purchase decisions over \$2 million will require the prior approval of the Finance Director.
2. The Investment Officer will participate in the selection process for authorized financial institutions and dealers, and may assemble and evaluate data relevant to any request for services.
3. The Investment Officer will maintain records regarding the selection process for any security purchase.

The Finance Director shall be guided by the following principles:

1. County staff shall be assigned specific responsibilities related to investments and develop procedures to ensure that funds are invested in accordance with the objectives of this policy.
2. An Investment Advisor may be contracted, subject to the approval of the Board of Commissioners, to advise the Finance Director and Finance Staff in the overall Investment Market to safeguard the investments of the County, or other tasks as may be assigned.
3. The Finance Director shall employ safekeeping agents and custodian(s) who will directly or through agreement with a sub-custodian, collect interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales, all on behalf of the County. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the County's accounts. All security transactions, including collateral for repurchase agreements, entered into by the County shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the Finance Director or the designee and evidenced by safekeeping receipts with a written custodial agreement.
4. All expenses related to the investment management of County funds must provide good value, and must be customary, appropriate and reasonable, and may, at the option of the Finance Director, be borne by the Investment Portfolio or the Liquidity Portfolio as deemed necessary.

5. Community Interest – The Finance Director may approve investment in the local community through the placement of certificates of deposit with both local and regional financial institutions that can satisfy state-mandated collateralization requirements.

B. Investment Advisor - Under this policy the County has the option of contracting with an Investment Advisor. The County recognizes that in order to advance its objectives, it may be advantageous to engage the services of an Investment Advisor who has appropriate training and expertise and who has access to specialized information and analysis or analytical tools and systems. The role of the Investment Advisor shall be two-fold. The first and primary function is that of an Investment Advisor to the Finance Director. The second duty is that of a Consultant assisting the Finance Director in the management, operations and administration of the investment program.

An Investment Advisor may represent only the interests of the County and any other relationship(s) that might provide basis for a conflict is/are expressly prohibited. Specific responsibilities of the Investment Advisor might include:

1. Assisting the Finance Director in the development of an annual review of all aspects of the investment program.
2. Assist the Finance Director in present and future Investment opportunities.

#### V. Investment Goals & Objectives

The County staff, Investment Advisor, and authorized financial institutions and dealers shall comply with the following investment goals and objectives, in order of priority:

1. Benefit to the County: Investments shall be made solely in the interest of Chatham County, and for the exclusive purpose of providing funds for the operations of the County.
2. Safety of Principal: Each investment decision shall first consider that capital losses are to be avoided, whether from deterioration of financial fundamentals or erosion of market value due to rapidly changing interest rates or other market and non-market factors. The County's assets shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims. Investment of County's assets shall be properly diversified so as to minimize the risk of undue losses, unless under the circumstances it is clearly prudent not to do so.

3. Adequate Liquidity: The portfolios must be structured in such a manner that sufficient liquidity shall exist to pay obligations as they become due, without the requirement for unplanned liquidations of securities. The Finance Director shall establish criteria for the preparation of cash projections, matching of maturities and maintenance of reserves, all in order to maintain liquidity. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.
4. Return on Investment: Chatham County seeks market rates of return on its investments, consistent with its liquidity requirements and quality and duration/maturity constraints. The County further seeks to preserve its capital by maintaining a low volatility portfolio as it relates to price fluctuations, further modifying return objectives. Securities shall be selected and purchased for investment return and not for speculation, and investment decisions shall be in keeping with County's investment horizon. Speculative strategies and highly volatile securities will be avoided. The County prefers to acquire and hold those securities until such time as market conditions or other factors create clear opportunities for increased returns. Excessive trading without clearly demonstrable benefit to the County is prohibited.
5. Legal Compliance: County funds will at all times be invested in conformity with the laws of the State of Georgia, specifically 36-80-3, 36-80-4, 36-82-7, and 36-83-4; along with bond ordinances or covenants, this Investment Policy and the Department's written administrative procedures. Where there are policies contained in Debt Covenants and Official Statements, those provisions shall apply only to those funds, and are incorporated by reference within this policy.

## **VI. Investment Selection Process**

The County shall maintain a list of authorized financial institutions and dealers from whom it will purchase securities. The Finance Director will make a bona fide, good faith effort to ensure that the County conducts transactions with reputable banks and broker-dealers in sound financial standing.

Every three years, a list of financial institutions, broker-dealers, and potential new applicants will be evaluated by a committee consisting of the Finance Director, Assistant Finance Director, Investment Officer, and the County Purchasing Agent. The committee will select up to six (6) firms for the County's investment needs.

The selection process will include a review of the financial condition of financial institutions and broker-dealers. A current audited financial statement is required to be on file for each financial institution and broker/dealer involved in the selection process. Some preference may be awarded to firms with licensed business offices within the State of Georgia. In addition, Chatham County holds in high regard business relationships with local financial institutions that meet the standards for secure banking and financial solvency. All financial institutions and broker-dealers for investment transactions must submit proof of National Association of Security Dealers certification and a letter certifying that the entity has read the investment policy and depository contracts and agrees to abide by them. The applicant will submit references from local governments to the County for review.

The County will split approved applicants into two groups of three. An attempt will be made to show diversified representation within each group – e.g. a bank, a broker and/or other type of financial institution. When requesting quotations, the County will alternate offerings among the two groups on a rotating basis.

Once authorized by the Finance Director to request quotations, the Investment Officer will contact the authorized financial institutions and dealers to request a written quote. The Investment Officer can approve purchases up to \$2 million; the Finance Director is required to approve bids exceeding \$2 million. The winning firm will be notified. This selection shall be final without recourse.

From time to time, various government agencies announce the issue of new securities to the financial markets. Since all new issues are sold at par, the County would not realize any benefit by purchasing these securities through a competitive process. If a new issue or “To Be Announced” (“TBA”) security falls within the portfolio diversification and maturity requirements of the County, the County Finance Director, or designee may at his/her discretion place the investment with the authorized financial institution and/or dealer who initiated the contact on the investment opportunity.

The Finance Director or designee may remove, at any time, with or without just cause and without notification, any authorized financial institution and/or dealer from the list of qualified financial institutions.

**VII. Investment Guidelines**

The County requires that all assets be invested in highly rated securities, defined as securities that can be transacted quickly and efficiently, with minimal impact on market price.

The following table indicates the maximum level of investment by instrument:

| Investment Instrument  | Maximum Percentage of County Funds |
|--|------------------------------------|
| Bankers' Acceptances maturing within 270 days and eligible for purchase by the Federal Reserve | 20%                                |
| Certificates of Deposit  | 20%                                |
| OTFS – GAI (liquidity pool)  | 80%                                |
| OTFS – GEAP (intermediate pool)  | 50%                                |



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|---|------|
| US Treasury obligations   | 100% |
| Obligations of the State of Georgia and its political subdivisions  | 25%  |
| Repurchase Agreements Collateralized by US Government Securities  | 25%  |
| Collateralized Instruments offered by Approved County Depository Bank   | 100% |
| Interests or securities in no-load, open-end mutual funds as provided for in OCGA 36-82-7 (bond proceeds only)  | 100% |
| Mortgage Pass-Throughs/REMICs/CMOs/Other Mortgage-Backed Securities (other than high-risk* derivatives) issued by a US Government Agency or Instrumentality | 25%  |
| Local Community Investment opportunities  | 10%  |
| Obligations of Approved US Government Agencies  | 100% |

\* CMOs must pass the FFIEC (or surviving and mutually agreed upon equivalent) tests one and two.

Prohibited assets include, but are not limited to the following:

1. Commodities and Futures Contracts
2. Private Placements
3. Options
4. Letter Stock
5. Speculative Securities
6. Investments not specifically addressed by this statement are prohibited
7. Domestic or International Equity Securities
8. Fixed Income Mutual Funds
9. Any derivative of any instrument that does not pass the FFIEC High Risk Security Test 1 and 2 at any time using Bloomberg median pre-payment speeds

Prohibited transactions include, but are not limited to the following:

1. Short Selling
2. Margin Transactions

### **VIII. Interpretation of & Changes to this Investment Policy**

It is intended that this Policy be flexible and not unduly restrictive so as to jeopardize the professional management of the Liquidity and Investment portfolios. The Finance Director, under direction of the County Manager, shall exercise prudence in overseeing the investment program and shall construe this Policy to allow the investment program to adapt and respond to opportunities in the securities markets as well as changes in the County's financial requirements.

This Policy may be changed only by Resolution of the Board of Commissioners. The effective date of this policy is May 27, 2005.

I: investpolicy2004  
Submitted 05-27-05