DISCOVERY CLEAN WATER ALLIANCE

RESOLUTION NO. 2023 – 01

A RESOLUTION OF DISCOVERY CLEAN WATER ALLIANCE, ADOPTING THE INVESTMENT POLICY OF THE ALLIANCE; AND REPEALING RESOLUTION NO. 2019-01.

WHEREAS, the Board of Directors has determined after due consideration that it is in the best interest of the Alliance to approve the Investment Policy and repeal Resolution 2019-01, as proposed; now, therefore

BE IT RESOLVED by the Board of Directors of the Discovery Clean Water Alliance as follows:

Section 1. Investment Policy Adopted. The Investment Policy attached to this resolution is hereby approved and adopted.

Section 2. Repeal. Resolution 2019-01 is repealed.

Section 3. Effective Date. This resolution takes effect from and after its adoption.

ADOPTED by the Board of Directors of Discovery Clean Water Alliance at a regular meeting held on June 16, 2023.

DISCOVERY CLEAN WATER ALLIANCE

Chair, Board of Directors

Discovery Clean Water Alliance

Investment Policy

Resolution #2023-01

Effective: 06/16/2023

TABLE OF CONTENTS

SECTION I. POLICY

The general investment policy of the Discovery Clean Water Alliance (Alliance) is to invest funds to provide maximum security at the highest market investment return, while maintaining the ability to meet daily cash flow demands and conforming to state statutes governing the investment of public funds.

Pursuant to the Alliance Administrative Lead Agreement with Clark Regional Wastewater District (District), the District serves as the Alliance Treasurer and manages the Alliance investment program in that capacity.

SECTION II. SCOPE

This policy applies to all Alliance financial assets recorded as cash and cash equivalents or investments, which are accounted for in the Alliance Comprehensive Annual Financial Report. The amount of funds that is expected to be governed by this policy is $20,000,000 to $70,000,000.

SECTION III. GENERAL OBJECTIVES

The general objectives of Alliance investment activities, in priority order, are safety, liquidity, and yield.

Safety

Safety of principal is the foremost objective of the investment program. Investments are undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective is to mitigate credit risk and interest rate risk.

a. Credit Risk

The Alliance will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities listed in Section VII of this Investment Policy
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Alliance will do business in accordance with Section V
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized

b. Interest Rate Risk

The Alliance will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy (see section VIII)

Liquidity

The Alliance portfolio shall remain sufficiently liquid to enable the Alliance to meet all reasonably anticipated operating requirements.

Yield

The Alliance portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the Alliance's investment risk constraints and the cash flow characteristics of the portfolio.

SECTION IV. STANDARDS OF CARE

The Alliance portfolio shall be managed with due diligence, prudence and ethics.

Management—Due Diligence—Delegation

Authority to manage the investment program is delegated to the Treasurer, including, without limitation, oversight and responsibility for all transactions and investments. The Treasurer shall establish and act in accordance with written procedures for the investment program, consistent with this Policy. The procedures shall address safekeeping, delivery vs. payment, wire transfer agreements, custody agreements, collateral/depository agreements and investment-related banking and/or accounting services contracts. The procedures shall include a system of controls to regulate the activities of subordinate officers and employees of the Treasurer and identify the officers and employees who are authorized to make investments. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The Treasurer is authorized to sign an agreement with an investment advisor who will assist the Treasurer or designee with investment strategy and investment transactions.

Investment Advisor

An investment advisor selected by the Treasurer shall be registered with the Securities and Exchange Commission. The advisor will serve in a fiduciary investment role in respect to the investment program, will make investment recommendations, and will provide oversight of the investment program. The advisor may only transact business with the Treasurer's approved broker/dealer list. The advisor may only provide non-discretionary investment services, which require prior approval of all transactions by the Treasurer or designee. The investment advisor must retain all documentation and provide it to the Treasurer or designee upon request.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial 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. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Alliance.

Prudence

The Alliance portfolio of investments shall use a "prudent person" standard, which is the exercise of judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence would exercise in the management of their own affairs, that is, not for speculation but for investment, considering the general objectives established in Section III above.

The Treasurer and authorized investment officers and employees, who act in accordance with the Treasurer's written procedures and this Policy, and who exercise due diligence, shall be relieved of personal responsibility for the credit risk or market price change of an investment, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

SECTION V. TRANSACTIONAL COUNTERPARTIES

Authorized Broker/Dealers

The Treasurer shall maintain a list of financial institutions authorized to provide investment services and a list of approved security broker/dealers selected by credit worthiness. These may include "primary" dealers or regional dealers that qualify under SEC Rule 15C3-1 (uniform net capital rule). An investment advisor is authorized to transact buys and sells on behalf of the Alliance from dealers on the approved list.

Authorized Qualified Public Depositories

Funds must be placed with qualified public depositories (banks) that are currently participating in the Washington State Public Deposit Protection Commission ("PDPC") program as provided in Chapter 39.58 RCW. The Treasurer must verify a compliance/listing with the PDPC, utilizing the Washington State Treasurer's website. No public deposit may be made except as provided in Chapter 39.58 RCW.

Authorized Local Government Investment Pools

The Alliance belongs to, and is authorized to invest in, two local government investment pools. The Washington Local Government Investment Pool (LGIP) is a voluntary investment vehicle operated by the Washington State Treasurer. Over 530 local governments have participated in the LGIP since it was started in 1986 to provide safe, liquid, and competitive investment options for local governments pursuant to Chapter 43.250 RCW. The Clark County Investment Pool (CCIP) is a voluntary investment vehicle managed by the Clark County Treasurer and invests in securities that comply with RCW 36.29.020.

SECTION VI. AUTHORIZED AND SUITABLE INVESTMENTS

The Treasurer is authorized to invest in the security instruments identified in Chapters 39.58 and 39.59 RCW.

- This policy recognizes S&P Global Ratings, Moody's Investors Service and Fitch Ratings as the major Nationally Recognized Statistical Ratings Organizations (NRSRO).
- Minimum credit ratings and percentage limitations apply to the time of purchase.
- All securities must be purchased on the secondary market and may not be purchased directly from the issuer.
- Securities rated in the broad single-A category with a negative outlook may not be purchased. Portfolio holdings of corporate notes downgraded to below single A and portfolio holdings of securities rated single A with their outlooks changed to negative may not continue to be held. No additional purchases are permitted.

Allowable Investments

Allowable Investments include the following, as well as any additional investments that are authorized by Chapters 39.58 and 39.59 RCW, as may be amended:

US Treasury Obligations: Direct obligations of the United States Treasury.

US Agency Obligations: US Government Agency Obligations and US Government Sponsored Enterprises (GSEs) which may include, but are not limited to the following: Federal Farm Credit Banks Funding Corporation (FFCB), Federal Home Loan Bank (FHLB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), and Tennessee Valley Authority (TVA).

Supranational Bonds: United States dollar denominated bonds, notes or other obligations that are issued or guaranteed by supranational institutions, provided, that at the time of investment, the institution has the United States as its largest shareholder. These include: International Bank for Reconstruction and Development (IBRD or World Bank); the International Finance Corporation (IFC); the Asian Development Bank (ADB) and the Inter-American Development Bank (IADB).

Municipal Debt Obligations: General Obligation and Revenue bonds of any local government in the State of Washington and General Obligation bonds only on government issuers outside the State of Washington. At the time of investment, the bonds must have one of the three highest credit ratings of a nationally recognized rating agency.

Corporate Notes: Unsecured debt obligations purchased in accordance with the investment policies and procedures adopted by the State Investment Board. Corporate notes must be rated at least weak single A (A-) or better by all the major rating agencies that rate the note at the time of purchase for inclusion in the corporate note portfolio. The maturity must not exceed 5.5 years and the maximum duration of the corporate note portfolio cannot exceed 3 years. The percentage of corporate notes that may be purchased from any single issuer rated AA- or better by all major rating agencies that rate the note is 3% of the assets of the total portfolio. The percentage of corporate notes that may be purchased from any single issuer rated in the broad single A (A-) category from all the major rating agencies that rate the security is 2% of the total portfolio. The individual country limit of non-U.S. and non-Canadian exposure is 2% of the total portfolio. The exposure is determined by the country of domicile of the issuers of portfolio securities.

Commercial Paper: Commercial paper must be rated with the highest short-term credit rating category of any two major Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. If the commercial paper is rated by more than two major NRSROs, it must have the highest rating from all of them. Commercial paper holdings may not have maturities exceeding 270 days. Any commercial paper purchased with a maturity longer than 100 days must also have an underlying long-term senior unsecured credit rating at the time of purchase in one of the three highest rating categories of an NRSRO. The percentage of commercial paper that may be purchased from any one issuer is 3% of the market value of the total portfolio. Issuer constraints will apply to the combined holdings of corporate notes and commercial paper holdings.

Certificates of Deposit: Non-negotiable Certificates of Deposit of financial institutions, which are qualified public depositories as defined by RCW 39.58.010(2) and in accordance with the restrictions therein.

Bank Deposits and Savings Accounts: Deposits in PDPC approved banks.

Local Government Investment Pool: Investment Pool managed by the Washington State Treasury office.

Clark County Investment Pool: Investment Pool managed by the Clark County Treasurer's Office.

SECTION VII. SAFEKEEPING AND CUSTODY

All security transactions entered into by the Alliance shall be conducted on a delivery versus payment basis. Securities purchased by the Alliance, in the Alliance's account, will be confirmed before payment is released. Such securities shall be held in the Alliance's custodial bank safekeeping account. The custodial safekeeping shall be designated by the Treasurer, and all securities transactions shall be evidenced by safekeeping or confirmation receipts and statements.

The investment advisor may have view access to reconcile investment purchases, sales and investments held directly with the custodial bank.

SECTION VIII. DIVERSIFICATION

Diversification

Allowable Investments include the following and any additional investments that are authorized by Chapters 39.58 and 39.59 RCW, as may be amended.

The Treasurer will diversify Alliance investments by security type and institution. The Alliance will invest with the following diversification constraints based on the total investment of funds:

Table of Constraints on the Portfolio

Issue Type	Maximum % Holdings	Maximum % per Issuer	Ratings S&P, Moody's, or Equivalent NRSRO	Maximum Maturity
US Treasury Obligations	100%	None	N/A	5.5 years
US Agency Obligations	100%	35%	N/A	5.5 years
Supranational Agency Notes	10%	5%	AA- / Aa3	5.5 years
Municipal Bonds (GO Only outside WA)	30%	5%	A- / A3 Short Term*	5.5 years
Corporate Notes	25%	3%* for AA-, 2%* for A-, A, A+	A- / A3	5.5 years
Commercial Paper		3%*	A1/ P1 Long Term A- / A3	270 days
Certificates of Deposit	10%	10%	Deposits in PDPC approved banks	5.5 years
Bank Time Deposits/Savings	15%	10%	Deposits in PDPC approved banks	N/A
County LGIP	100%	None	N/A	N/A
State LGIP	100%	None	N/A	N/A

*Issuer constraints apply to the combined issues in corporate and commercial paper holdings.

**Short Term Ratings: Moody's - P1/MIG1/VMIG1. S&P - A-1/SP-1, Fitch F1

Note: Individual country limit of non-U.S./non-Canadian exposure is 2% of total portfolio.

Maximum Maturities

To the extent possible, the Treasurer will attempt to match the Alliance investments with anticipated cash flow requirements (i.e., capital project plan). Unless matched to a specific cash flow, the Treasurer may not directly invest in securities maturing more than 5.5 years from the date of purchase, and the average maturity of the portfolio may not exceed two and one-half years.

Bond Proceeds Funds will be invested in a manner to match expected disbursements based on projected funding schedules. The maximum maturity of any single maturity will be 5.5 years.

Total Portfolio Maturity Constraints

Maturity Constraints	**Minimum % of Total Portfolio**
Under 30 days	10%
Under 1 year	25%
Under 5.5 years	100%
Maturity Constraints	**Maximum of Total Portfolio in Years**
Weighted Average Maturity	2.5 years
Duration of Corporate Note Portfolio	3 years
Security Structure Constraint	**Maximum % of Total Portfolio**
Callable Agency Securities	25%

Strategic Allocations

The Alliance has two classifications of investment funds: Operating Funds (consisting of Liquidity and Core) and Bond Proceeds Funds.

1) Operating Funds:
   a. Liquidity funds for the operating account will be allocated to State/County LGIP, CD's, PDPC Bank Deposits and Commercial Paper.
   b. The structure of the Core Fund will be targeted to a selected market benchmark based on the risk and return objectives of the portfolio.

2) Bond Proceeds Funds: Investment of bond proceeds are restricted further and will not include corporate bonds in the dedicated bond proceed portfolio. All other allowable investments including US Treasury, US Agency and Commercial Paper may be utilized. The investments will be made in a manner to match cash flow expectations based on managed disbursement schedules. Liquidity for bond proceeds will be managed through the State/County LGIP or PDPC Bank Deposit balances.

SECTION IX. INTERNAL CONTROLS

The Alliance is subject to an annual independent review of its internal controls by the Office of State Auditor and will do its utmost to conform to the recommendations, if any, of those reviews. The Treasurer will develop specific internal controls, which will be included in the operating procedures of the Alliance.

Arbitrage rules will be applied to the earnings on bond proceeds.

SECTION X. PERFORMANCE STANDARDS

The investment portfolio will be designed to obtain an average rate of return during budgetary and economic cycles, which will be measured against the performance of the six-month U.S. Treasury bill and the LGIP. This performance standard shall take into account the Alliance investment risk constraints and cash flow needs. The Alliance investment strategy is expected to be active the majority of the time.

Additionally, a market benchmark (i.e.: 0-3 or 0-5 Treasury Index) will be applied that is appropriate for longer-term core investments based on the Alliance's risk and return profile. Return comparisons of the excess liquidity fund designated portfolio to the market benchmark will be calculated on a monthly basis. When comparing the performance of the Alliance portfolio, all fees and expenses involved with managing the portfolio shall be included in the computation of the portfolio's rate of return.

SECTION XI. REPORTING

The Treasurer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last quarter. This management summary will be prepared in a manner, which will allow the Alliance to ascertain whether investment activities during the reporting period have conformed to the investment policy.

The report should be provided to the entity's chief administrative officer, the legislative body, the investment committee and any pool participants. The report will include the following:

- Listing of individual securities held at the end of the reporting period
- Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity (in accordance with Governmental Accounting Standards Board (GASB) requirements)
- Total return of portfolio investments as compared to applicable benchmarks
- Listing of investment by maturity date
- Percentage of the total portfolio, which each type of investment represents

SECTION XII. POLICY CONSIDERATIONS

Exemption

Any investment currently held that does not meet the guidelines of this policy is exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

Periodic Review

The Treasurer shall review this Policy every two to four years. If the Treasurer desires amendments to this Policy, the Treasurer shall propose such amendments to the Board of Directors for its review.