

CLARK COUNTY STAFF REPORT

DEPARTMENT: Human Resources

DATE: December 17, 2013

REQUEST: Approve Self-Insurance Resolution,
Governing Board Bylaws and Healthcare Benefit Program
Interlocal Agreement, and authorize submission of the
Application to the State

CHECK ONE: X Consent CAO

BACKGROUND

The attached Resolution establishes a Joint Self-Insurance Healthcare Benefit Program authorizing a change from the existing fully insured PPO medical plan and Delta Dental of Washington dental plan for employees, and retirees and employees and retirees of certain participating agencies. The Resolution adopts the requirements of RCW 48.62 and Chapter 200-110 WAC for establishment and governance of public sector self-insured plans.

Self-insuring these benefits offers several advantages including lower administrative costs, avoidance of state insurance premium taxes and federal Health Reform fees, and greater control over the design of the benefits program. It has been determined that approximately \$1,000,000 per year can be saved as a result of the advantages identified. The Self-Insurance Fund will also assume the risk for claims experience, but the plan will have both a Contingency Reserve and Stop Loss Insurance to mitigate some of the risk.

In accordance with the statutes two program reserves must be established for each plan and maintained to protect the financial viability of the plan. The two reserves include an actuarially determined "Incurred but not Reported" reserve and "contingency" reserve. It is anticipated that these reserves will be fully funded by approximately the end of 2015. These reserves will be adjusted yearly as required. Once the reserves are fully funded, any savings generated by the plan will be reflected in the County's and Participating Agency's budgets.

A Governing Board will be established to oversee the operation of the program, to analyze the financial condition of the plan and to develop rates in conjunction with the County's employee benefits consultants to ensure that the financial health of the program is maintained. Further, the Benefits Manager will be responsible for the operations of the program. The Healthcare Committee, pursuant to the Memorandum of Understanding incorporated into each participating union/guild's collective bargaining agreement, and will continue to be responsible for plan design and employee contribution methods.

The attached Bylaws establish the operating procedures of the Governing Board.

The Healthcare Benefit Program Interlocal Agreement establishes the relationship between Clark County and certain agencies, and contains the requirements for participation in the program in

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accordance with WAC 200-110. It is anticipated that with State approval the self-insurance program will be effective April 1, 2014.

Through approval of these documents by the Board of Commissioners staff will submit to the Department of Enterprise Services, Risk Management Division the application for approval to self-insure the PPO medical plan and Delta Dental of Washington dental plan.

COMMUNITY OUTREACH

Community outreach is not a consideration in this matter.

BUDGET AND POLICY IMPLICATIONS

There is no budget implication because the rates for the existing fully insured plans will not change when the self-insured plans are implemented. Upon approval of the plan, the Self-Insurance Fund will be established through a Supplemental Budget action to be approved by the Board. Budget changes as a result of this program will be reflected at that time. There is no policy implication.

FISCAL IMPACTS

Yes (see attached form) No

ACTION REQUESTED

Approve the Resolution establishing a Joint Self-Insurance Health Care Benefit Program, Health Care Benefit Program Governing Board Bylaws, and Health Care Benefit Program Interlocal Agreement, and authorize application to the Department of Enterprise Services – Risk Management for State approval of the program.

DISTRIBUTION

Kathy Meyers, Benefits Manager

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Francine Reis
Human Resources Director

Approved: DEC-17, 2013 SR 271-13
CLARK COUNTY
BOARD OF COMMISSIONERS

RESOLUTION NO. 2013-12-22

ESTABLISHING A JOINT SELF-INSURANCE HEALTH CARE BENEFIT PROGRAM

WHEREAS, Clark County ("County") currently provides fully-insured group health care benefit plans for its employees and retirees and the employees and retirees of certain County-related participating agencies organized and existing under the Constitution or laws of the State of Washington; and

WHEREAS, Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal Agreement under chapter 39.34 RCW, jointly self-insure health care benefit plans and programs by any one or more of certain specified methods; and

WHEREAS, self-insuring health care benefits offers several advantages including lower administrative costs than charged by commercial carriers, greater control over design of the benefits program, easier access to plan data, improved ability to evaluate health care benefit costs and implement cost containment measures, and avoidance of state insurance premium taxes as well as federal Health Reform fees; and

WHEREAS, it appears economically feasible and practical for the parties to do so; and

WHEREAS, the Board of County Commissioners finds that establishing a self-insurance health care benefit program for County employees, COBRA participants, and certain retirees of specified County-related agencies ("Beneficiaries") will serve to further the financial interests of the County.

NOW, THEREFORE, THE BOARD OF COUNTY COMMISSIONERS RESOLVES AS FOLLOWS:

1. The Clark County Department of Human Resources (the "HR Department") is hereby authorized to submit for approval to the Washington State Office of Risk Management and associated reports required to be submitted to the Washington State Auditor a plan of management, operation and funding of a joint self-insurance health care benefits program in accordance with Chapter 48.62 RCW, the Interlocal Agreement and this Resolution.
2. The plan submitted for approval to the Washington State Office of Risk Management shall comply with all laws of the State of Washington, including but not limited to Chapter 48.62 RCW and Chapter 200-110 WAC.
3. The name of the program shall be "Clark County Health Care Benefit Program" (hereinafter "Program").
4. Establish a Governing Board as defined by the Clark County Health Care Benefit Program Governing Board Bylaws
5. By the authority of the Board of County Commissioners, and with the assistance and cooperation of the Governing Board, as defined in the Interlocal Agreement, the person responsible for the management and operation of the Program shall be the Clark County Benefits Manager ("Program Manager").
6. The financial interests of all Program administrators, including but not limited to the members of the Governing Board and any third-party administrator, are subject to the conflict of interest provisions in WAC 200-110-150.

7. A separate fund No. 5045 Health Care Self-Insurance Fund, is established to account for the employer and employee contributions for medical and dental coverage, and such other employee benefit coverage the County self-insures through the Program.
8. The Clark County Treasurer, in accordance with her/his duties under Chapter 36.29 RCW, shall be the custodian of all Program moneys, and all assets of the Program shall be invested only in accordance with RCW 48.62.111.
9. The Clark County Auditor, in accordance with her/his duties under Chapter 36.22 RCW, shall ensure the preparation and submission of accurate and timely financial reports to the Program Manager for submission with the annual report to the Washington State Office of Risk Management. The Program Manager shall submit such financial statements electronically and in the format prescribed by the state auditor's office.
10. No interfund loans or transfers from assets held against liabilities for unpaid claims and claim adjustment expenses may be made from Program assets.
11. The Program shall either:
 - a. Obtain an independent actuarial study and fund to the actuarially determined Incurred But Not Reported (IBNR) Reserve plus an additional contingency reserve covering eight (8) weeks of Program expenses.
 - b. Perform both of the following:
 - a. Establish and maintain reserves in an amount equal to eight (8) weeks of Program expenses plus an additional contingency reserve in an amount equal to at least eight (8) weeks of Program expenses; and
 - b. Maintain an aggregate stop-loss insurance policy with an attachment point set at or below one hundred and twenty-five percent (125%) of annual expected claim costs.
12. If the Program provides vision, dental or prescription drug benefits or any combination of such benefits separate from the medical plan, then the Program shall establish and maintain reserves in an amount not less than eight (8) weeks of expenses for each vision, dental or prescription drug benefits program offered, plus any additional contingency reserve recommended by the state risk manager.
13. The Program shall include mandated benefits that the state health care authority is required to provide under RCW 41.05.170 and 41.05.180.
14. The Governing Board or its designee may perform claims administration services or it may contract for claims administration services with a qualified third-party administrator. All contracts shall comply with Clark County's Purchasing Policy P-010, as hereafter amended, revised, or reenacted.
15. Whether claims administration is performed by the Governing Board, its designee or a third-party administrator, the Program must include both:
 - a. A written claims administration process which includes claims filing procedures, internal financial control mechanisms, and claim and claim adjustment expense reports; and

- b. A written claim appeal procedure that contains, as a minimum, a time limit for filing an appeal, a time limit for response, and a provision for the second-level of review.

16. Contracts with consultants/brokers, including third-party administrators, stop-loss insurance providers, and actuaries, shall be separate contracts. All such contracts shall, as applicable:

- a. Utilize an equal and open competitive solicitation process for selection based on pre-established criteria;
- b. Require a complete written description of the services to be provided, remuneration levels, contract period and expiration date;
- c. Provide for the confidentiality of the Program's information, data and other intellectual property developed or shared during the course of the contract;
- d. Provide for the Program's ownership of the information, data, and other intellectual property developed or shared during the course of the contract;
- e. For third-party administrators, provide express authorization that representatives of the Program, the state auditor, the state risk manager, or their designees, may enter the third-party administrator's premises to inspect and audit the records and performance of the third-party administrator which pertain to the Program and may obtain such records electronically;
- f. Require compliance with all applicable local, state and federal laws, including but not limited to RCW 48.30.140, 48.30.150, 48.30.155, and 48.30.157;
- g. Establish a monitoring and acceptance procedure to determine compliance with third-party administrator contract requirements;
- h. Establish indemnification provisions and set forth insurance requirements between the parties;
- i. Require that a written statement be submitted to the Program on a form provided by the state risk manager providing assurance that no conflict of interest exists prior to acceptance of the contract by the Program; and
- j. Limit compensation to transactions performed within the scope of the broker license, and include the following:
 - a. A provision that contingent commissions or other forms of compensation not specified in the contract must not be paid to the broker of record as a result of any Program insurance transactions; and
 - b. A provision which requires the broker to provide to the Program a written annual report on a form provided by the state risk manager which discloses the actual financial compensation received. The report must include verification that no undisclosed commission was received as a result of any such insurance transaction made on behalf of the Program.

17. The Governing Board will obtain an audit of claim reserving, adjusting, and payment procedures at least every three (3) years. The claims audit must be conducted by a qualified claims auditor not

affiliated with the County or the Program, its broker/consultant of record, or its third-party administrator. The review must be in writing and identify strengths, areas of improvement, findings, conclusions and recommendations. The review must be provided to the Governing Board and retained for a period of not less than six (6) years. The scope of the claims audit must include claims administration procedures listed in WAC 200-110-120(1).

18. Beneficiaries will be provided with written description of the benefits allowed under the Program. The written description shall include:
 - a. Applicable restrictions, limitations, and exclusions;
 - b. The procedure for filing a claim for benefits;
 - c. The procedure for requesting an adjudication of disputes or appeals arising from beneficiaries regarding the payment or denial of any claim for benefits;
 - d. A schedule of any direct monetary contributions toward the Program financing required by the employee; and
 - e. Absent exigent circumstances, benefits and procedures may not be amended without written notice to Beneficiaries at least thirty (30) days in advance of the effective date of the change.
19. The HR Department will electronically submit an annual report to the state risk manager together with a list of contracted consultants, including but not limited to third-party administrators, actuaries, and brokers, within one hundred and fifty (150) days after the end of the Program's fiscal year. Upon termination of the Program, the HR Department will continue to submit annual reports until all claims have been paid. Such annual report shall also include the following:
 - a. Details of changes to the Interlocal Agreement;
 - b. A list of local government agencies added to or terminated from membership in the Program.
20. Certain Program changes may require prior notice and approval in accordance with WAC 200-110-140.
21. Upon approval of Clark County's Self-Insurance Health Care Benefit Program by the state risk manager, the Program will become effective on April 1, 2014.
22. Prior to termination of the program, the Program Manager shall, with the assistance and cooperation of the Governing Board, ensure that adequate reserves exist or stop-loss insurance is in effect, or both, to settle liabilities for unpaid claims and claim adjustment expenses.
23. As applicable, actions for damages arising from the tortious conduct of Clark County or its officers, employees, or volunteers shall be filed in accordance with Chapter 4.96 RCW, and RCW 4.28.080. .
24. This Resolution shall be liberally construed to achieve its intended purposes. No provision herein is intended to contravene or limit any provision in the Revised Code of Washington. If any provision herein or application to any person or circumstance is held invalid, the remainder of this Resolution or the application of the provision to other persons or circumstances is not affected.

ADOPTED this 17 day of Dec., 2013

BOARD OF COUNTY
COMMISSIONERS
CLARK COUNTY, WASHINGTON



Steve Stuart, Chair

Tom Mielke, Commissioner

David Madore, Commissioner

**Clark County Health Care Benefit Program
Interlocal Agreement**

This Agreement is made and entered into by and between Clark County and the public entities organized and existing under the Constitution or laws of the State of Washington that are participating in the County's employee health care benefit plans, and that is a signatory to this Agreement.

RECITALS

WHEREAS, the Clark County Health Care Self-Insurance Fund is an entity to which contributions by Participating Agencies and Participating Employees are paid and through which Clark County provides one or more insured health care benefit plans or programs to Participating Employees, their covered dependents and other beneficiaries ("Beneficiaries"), on whose behalf the contributions were paid; and

WHEREAS, the County and Participating Agency has determined that it is in their best interest to jointly self-insure certain health care benefit plans and programs for Beneficiaries through a designated account, while at the same time having the County continue as the entity to which health care benefit plan or program contributions are paid and through which insured health care benefit plans and programs are provided to Beneficiaries; and

WHEREAS, it appears economically feasible and practical for the parties to this Agreement to do so; and

WHEREAS, Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal Agreement under Chapter 39.34 RCW, jointly self-insure health care benefit plans and programs, and/or jointly hire risk management services for such plans or programs by any one or more of certain specified methods; and

WHEREAS, each local entity that is a signatory hereto, as required by WAC 200-110-030, acts upon the authority of a resolution adopting this Agreement and the Health Care Benefit Program created herein;

NOW, THEREFORE, for and in consideration of all of the mutual benefits, covenants and agreements contained herein, the parties hereto agree as follows:

ARTICLE 1
DEFINITIONS

The following are definitions of terms used in this Agreement. Unless indicated otherwise, other terms are defined where they are first used. Defined terms are capitalized when used in the defined context.

- 1.1 **Agreement** means this Interlocal Agreement entered into under the authority of Chapter 39.34 RCW and as required by RCW 48.62.03(2) between Clark County and Participating Agencies.
- 1.2 **Contribution** means the amount owed by the Participating Agency and Participating Employee and when combined equals the total premium due to the insurance carrier.
- 1.3 **Effective Date** means April 1, 2014.
- 1.4 **Governing Board** means the group of individuals whose role is to oversee the operations of the Health Care Program, analyze and develop Rates and benefit coverage changes not covered under the Memorandum of Understanding for health care benefits prescribed by the Health Care Committee, for recommendation to the Board of Clark County Commissioners, where applicable, and perform other duties necessary to ensure that the needs of Participating Agencies are met and the long-term financial health of the Health Care Program is maintained. The Governing Board may delegate its responsibilities to other groups or entities at its discretion and in accordance with this Agreement.
- 1.5 **Health Care Benefit Program or Program** means the joint self-insurance program offering self-insured medical, which may include vision, prescription drug, and dental benefit options through the self-insurance fund.
- 1.6 **Health Care Benefit Service Agreement or Service Agreement** means an agreement between Clark County and a public entity participating in the County's health care benefit programs and which agreement stipulates the administrative requirements, funding, and employee eligibility associated with the Health Care Benefit Program.
- 1.7 **Health Care Committee** means a labor/management committee that is established through a Memorandum of Understanding and is a party to their respective collective bargaining agreements.
- 1.8 **Health Care Self-Insurance Fund or Fund** means a fund designated and established by this Agreement and Program policies under the authority of Chapter 48.62 RCW to receive revenue and pay expenses related to the Program. The Fund will consist of revenue accounts, expense accounts to cover the cost of administration, payment of claims and required reserves.
- 1.9 **Participating Agency** means an Agency that is also a party to this Agreement. **Participating Agency** is limited to the following Agencies: CRESA, SW Washington Behavioral Health, Southwest Washington Regional Transportation Council, Law Library, Southwest Clean Air Agency, Cemetery District 6, and Fire District 3.

- 1.10 **Participating Employee** means any eligible individual employed by a Participating Agency and for whom the Participating Agency makes payment to the Health Care Self-Insurance Fund, and any individual who may have been so employed but is subsequently laid off, terminated, or retired, excluding those eligible for Medicare. Eligibility shall be defined in the Services Agreement.
- 1.11 **Plan Year** means January 1 through December 31. The first plan year shall run April 1, 2014 through December 31, 2014.
- 1.12 **Premium** means the sum of the rates made to continue coverage for participants.
- 1.13 **Program Policies** means this Agreement, Program Governing Board Bylaws and other documents governing the operations of the Program and approved by the Governing Board.
- 1.14 **Rate** means the amount charged for each tier of coverage, (i.e. single, employee plus one, employee plus family).
- 1.15 **Resolution** means the legislative action adopted by each Agency that authorizes participation in the Program.
- 1.16 **State Risk Manager or Risk Manager** means the risk manager of the Risk Management Division within the Department of Enterprise Services.
- 1.17 **Stop-Loss Insurance or Reinsurance** means a promise by an insurance company that it will cover losses of the Program over and above an agreed-upon individual or aggregated amount, which definition shall be modified by any changes to the definition of stop-loss insurance in WAC 200-110-020.
- 1.18 **Third-Party Administrator** means the independent association, agency, entity or enterprise, which, through a contractual agreement, provides one or more of the following ongoing services to the Program; pool management or administration services; claims administration services, risk management services, or services for the design, implementation, or termination the Program.

ARTICLE 2

PURPOSE

This Agreement is entered into for the purpose of authorizing the Program created by and between Clark County and Participating Agencies to provide self-insured health care benefits to Beneficiaries. The Program shall comply with the statutory provisions found in Chapters 48.62 and 39.34 RCW and the regulatory requirements contained in Chapter 200-110 WAC applicable to joint self-insurance programs.

ARTICLE 3

PARTIES

Each party certifies that it is authorized to and will participate in the Program. The Participating Agencies are signatories to this Agreement as of the Effective Date until participation is terminated.

ARTICLE 4

DURATION OF AGREEMENT

- 4.1 This Agreement shall become effective on the Effective Date.
- 4.2 This Agreement shall have perpetual duration unless terminated as hereinafter provided.

ARTICLE 5

HEALTH CARE ACCOUNT

- 5.1 All Program Contributions will be deposited into the Health Care Self-Insurance Fund (Fund.) Such Program Contributions include but are not limited to reserve fund Contributions and Premium Contributions.
- 5.2 The Fund represents a pool of funds that is independent of all other Clark County funds. The funds deposited into the Fund are held, managed and expended only for the Program and its reasonable expenses, consistent with applicable state and federal statutes and rules governing joint self-insurance programs and self-insurance programs generally.
- 5.3 The Fund is subject to audit by the State Auditor's Office.

ARTICLE 6

GOVERNING BOARD POWERS RELATED TO THE PROGRAM

The Governing Board is provided with the powers and functions established under RCW 48.62.031 to accomplish the following:

- 6.1 Promote the economical and efficient means by which health care coverage is made available to Participating Agencies and provided to Participating Employees, and their covered dependents;
- 6.2 Protect the financial integrity of the Health Care Self-Insurance Fund through purchase of Stop-Loss Insurance or Reinsurance in such form and amount as necessary;
- 6.3 Contract for or otherwise provide legal counsel for the defense of claims and other legal services;

- 6.4 Consult with the state insurance commissioner and the State Risk Manager;
- 6.5 Obligate the Participating Agencies to pledge revenues or contribute money to secure the obligations or pay the expenses of the Program, including the establishment of a fund for coverage; and
- 6.6 Exercise all other powers and perform all other functions reasonably necessary to carry out the purposes of the Program pursuant to Chapter 48.62 RCW and Chapter 200-110 WAC.

ARTICLE 7

RESPONSIBILITIES OF THE GOVERNING BOARD

The Governing Board shall discharge its responsibilities under this Agreement as follows:

- 7.1 Provide for the management and operation of the Program;
- 7.2 Provide for health care benefit coverage options for Participating Employees, and their covered dependents not otherwise provided for by the Healthcare Committee Memorandum of Understand (MOU);
- 7.3 Determine the level of Stop-Loss Insurance or Reinsurance coverage for claims expenses above the amounts deemed appropriate for self-insurance;
- 7.4 Ensure that the Program meets required state and federal statutes and rules;
- 7.5 Recommend to the Board of Commissioners vendor contracts required to meet the responsibilities established by the Program policies, and applicable state and federal statutes and rules;
- 7.6 Maintain the balance between the Program needs of the Participating Agencies and the long-term financial integrity of the Program including setting rates, budget preparation for cost of administration and adjusting reserves;
- 7.7 Provide for services that are appropriate to meet the purposes of this Agreement; and
- 7.8 Ensure a claims audit is performed at least every three (3) years in accordance with WAC 200-110-100.

ARTICLE 8

ORGANIZATION OF THE PROGRAM

- 8.1 The Governing Board has decision authority consistent with the Program Policies, Chapter 48.62 RCW and Chapter 200-110 WAC, which authority may be delegated expressly in writing to other entities that are then subject to this Agreement and all Program Policies, as applicable.

- 8.2 The operations of the Program are managed by the Clark County Human Resources Department (the “HR Department”). The HR Department reviews and analyzes Program related matters and makes recommendations to the Governing Board regarding Rates, plan options and benefits not otherwise provided for by the Healthcare Committee MOU, in compliance with Chapter 48.62 RCW, Chapter 200-110 WAC and the Program Policies.
- 8.3 The Health Care Committee is responsible for plan design such as copays, coinsurance and deductibles as well as an employee Contribution method as authorized in the Memorandum of Understanding Regarding Healthcare Benefits.
- 8.4 The Clark County Health Care Benefit Program Governing Board Bylaws are hereby incorporated into this Agreement. In the event of conflict of terms between the Clark County Resolution No. ____, this Interlocal Agreement, and the Agreement for Benefits Administration, the order of priority shall be the Resolution, Interlocal Agreement and the Agreement for Benefits Administration.

ARTICLE 9

RESPONSIBILITIES OF THE PARTICIPATING AGENCIES

In order to participate in the Program, Participating Agencies shall:

- 9.1 Timely make all required payments, including Premiums and reserve funding, to the Program;
- 9.2 Comply with the requirements of admission or qualification as established by the Governing Board;
- 9.3 Adopt this Agreement by Resolution, agreeing to its terms and provisions;
- 9.4 Submit the Resolution and Agreement to the HR Department as the Governing Board’s designee;
- 9.5 Abide by the terms, conditions and representations set forth in the application agreement related to participation in the Program;
- 9.6 Accept and comply with the Agreement for Benefits Administration,
- 9.7 Agree to secure protected health information (“PHI”) in accordance with Chapter 70.02 RCW and the Health Insurance Portability Act (“HIPAA”) privacy and security rules, codified at 45 CFR Parts 160-164;
- 9.8 Provide such information or assistance as is necessary for the Program to meet its responsibilities under this Agreement; and
- 9.9 Cooperate with and assist the Program and any insurer of Stop-Loss Insurance or Reinsurance in all matters relating to the administration and operation of the Program and all matters relating to this Agreement.

ARTICLE 10

RESERVE FUND INVESTMENT

All reserve fund investments from the Health Care Self-Insurance Fund shall be made in a manner that is consistent with RCW 48.62.111, Chapter 39.59 RCW, WAC 200-110-090 and the Program Investment Policy.

ARTICLE 11

FINANCIAL RECORDS

- 11.1 The Governing Board shall develop a budget for each fiscal year covering the Plan Year annually. Actual Health Care Self-Insurance Fund revenues and expenditures shall be monitored monthly by the Governing Board.
- 11.2 The accounting records of the Program are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Program also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial report is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC, within one hundred and fifty (150) days of the fiscal year end. Once reviewed and approved by the Office of the State Auditor the year-end financial report is transmitted to the State Risk Manager.
- 11.3 The financial records of the Program shall be subject to audit by the Office of the State Auditor. Year-end financial reports and audit results shall be made available to interested parties. The Program shall provide financial information as required by state statute and rule to the Office of the State Risk Manager.

ARTICLE 12

PARTICIPATING AGENCY TERMINATION AND WITHDRAWAL

- 12.1 A Participating Agency must remain in good standing with the Program in accordance with the requirements of this Agreement and the Services Agreement. In the event that a Participating Agency fails to timely make any required Premium payment, it may have 30 days to cure, after which period its Services Agreement and participation in the Program may automatically be terminated without notice as shall all health coverage provided through the Program.
- 12.2 In the event that a Participating Agency fails to comply with the terms and conditions of this Agreement and the Services Agreement, its participation in the Program may be terminated in accordance with Article 21 of this Agreement.
- 12.3 The Governing Board may take action to terminate membership (upon 60 days prior notice) in the Program.

- 12.4 When a Participating Agency's eligibility in the Program is affected due to a change in government structure, the Participating Agency may re-apply for participation in the Program.
- 12.5 A Participating Agency may only withdraw its participation in the Program at the end of the Plan Year and must provide written notice to Clark County at least one-hundred and twenty (120) days in advance of the end of the Plan Year (December 31st).
- 12.6 In the event of withdrawal or non-renewal, the Program will cover any of the Participating Agency's remaining outstanding Program claim expenses incurred prior to the Participating Agency's withdrawal from or non-renewal in the Program.
- 12.7 No Participating Agency, because of withdrawal or any other reason, has any right or interest in the Health Care Self-Insurance Fund because of its nature as a rate stabilization fund. In the event any Participating Agency withdraws from the Program, its Participating Employees and their covered dependents and any Consolidated Omnibus Budget Reconciliation Act of 1985 as amended ("COBRA") participants or retirees approved by the Governing Board, shall forfeit all rights and interest in the Health Care Self-Insurance Fund.

ARTICLE 13

TERMINATION OF THE PROGRAM

- 13.1 In the event of termination, this Agreement and the Health Care Self-Insurance Fund shall continue for the purpose of paying remaining outstanding claims and expenses and fulfilling all other functions necessary to complete the business of the Program.
- 13.2 Claims run-out period shall cease twelve (12) months following termination of the Program.
- 13.3 Upon conclusion of the claims run-out period and closure of administrative requirements, the Governing Board shall distribute the remaining funds in the Health Care Self-Insurance Fund to the Clark County General Fund.

ARTICLE 14

MEETINGS, NOTICES AND COMMUNICATIONS

- 14.1 The Governing Board, or any entity performing Program business delegated thereto by the Governing Board, shall provide notice of its regular and special meetings and hold its meetings in accordance with WAC 200-110-230 and 200-110-240, and Chapter 42.30, RCW, the Open Public Meetings Act.
- 14.2 Communications with Participating Agencies may occur using mail or email.
- 14.3 Communications may come directly from the Program, Third-Party Administrator or through another vendor on behalf of the Program.

ARTICLE 15

AMENDMENTS TO THE INTERLOCAL AGREEMENT

- 15.1 The Governing Board shall review and analyze any proposed amendment to this Agreement. An amendment may be proposed for review by any party to this Agreement.
- 15.2 The Governing Board upon its discretion may take action by resolution on any amendment at any meeting of the Board.

ARTICLE 16

PROHIBITION ON ASSIGNMENT

- 16.1 No Participating Agency may assign any right or claim of interest it may have under this Agreement.
- 16.2 No creditor, assignee or third-party beneficiary of any Participating Agency shall have the right, claim or title to any party, share, interest, premium or asset of the Health Care Self-Insurance Fund or the Program.

ARTICLE 17

HEALTH CLAIM DISPUTES AND APPEALS

In the event that a dispute arises over a health claim, the procedures, adjudication requirements and administrative remedies shall be found in the Program's plan document applicable to the Program covering a claimant.

ARTICLE 18

PLAN ADMINISTRATION DISPUTES AND APPEALS

- 18.1 In the event that a dispute arises between a Participating Agency and the Program, the Participating Agency shall document the circumstances causing the dispute and submit a written request for review of the disputed circumstances to the Governing Board. Upon review of such information, the Governing Board shall attempt to resolve the dispute.
- 18.2 If the Governing Board's resolution to the dispute is deemed unsatisfactory, then alternative dispute resolution through mediation or binding arbitration, if agreed upon, shall be completed prior to litigation.

ARTICLE 19

ENFORCEMENT OF TERMS OF AGREEMENT

- 19.1 The Governing Board may enforce the terms of this Agreement.
- 19.2 In the event legal action is initiated to enforce any term or provision of this Agreement against any present or previous Participating Agency, each party shall be responsible for its own attorneys' fees and associated costs related to the relevant legal action.

ARTICLE 20

DEFAULT

- 20.1 If any Participating Agency fails to perform any term or condition of this Agreement and such failure continues for a period of thirty (30) days after the Governing Board has given the Participating Agency written notice describing such failure, the Participating Agency shall be considered in default.
- 20.2 Upon default, the Governing Board may immediately cancel the Participating Agency's participation in the Program without additional notice or exercise some other remedy otherwise provided by law.
- 20.3 The rights and remedies of the Governing Board are cumulative in nature and pursuit of any particular remedy shall not be deemed an election of remedies or a waiver of any other remedies available hereunder or otherwise available by law.

ARTICLE 21

NO WAIVERS

No waiver or forbearance of a breach of any covenant, term or condition of this Agreement shall be construed to be a waiver or forbearance of any other or subsequent breach of the same or of any other covenant, term or condition, and the acceptance of any performance hereunder, or the payment of any sum of money after the same has become due or at a time when any other default exists hereunder, shall not constitute a waiver or right to demand payment of all sums owing or a waiver of any other default then or thereafter existing.

ARTICLE 22

CONTRACT MANAGEMENT

The Program shall designate a person to whom the State Risk Manager shall forward legal process served upon the Risk Manager; Clerk of the Board of Commissioners. The Clark County Benefits Manager shall be responsible for and shall be the contact person for all communications regarding the performance of this Agreement.

ARTICLE 23

SEVERABILITY

If any provision of this Agreement or any provision of any document incorporated by reference shall be held invalid, such invalidity shall not affect the other provisions of this Agreement which can be given effect without the invalid provision, if such remainder conforms to the requirements of applicable law and the fundamental purpose of this Agreement, and to this end the provisions of this Agreement are declared to be severable.

ARTICLE 24

COUNTERPART COPIES

This Agreement may be signed in counterpart or duplicate copies and any signed counterpart or duplicate copy shall be equivalent to a signed original for all purposes.

ARTICLE 25

HEADINGS

The Article and Section headings in this Agreement are inserted for convenience only and are not intended to be used in the interpretation of the contents of the Articles and Sections they introduce.

ARTICLE 26

AGREEMENT COMPLETE

This Agreement and the documents referenced herein contain all the terms and conditions agreed to by the parties. No other understandings, oral or otherwise, regarding the subject matter of this Agreement shall be deemed to exist or to bind the parties hereto.

IN WITNESS WHEREOF, the undersigned parties have executed this Agreement.

Clark County, Washington

Participating Agency

Signature:  _____

Name: Steve Stuart

Title: Chair, Board of Commissioners

Date: Dec. 17, 2013

Signature: _____

Name (print): _____

Title: _____

Date: _____

Effective: April 1, 2014

**Clark County Health Care Benefit Program
Governing Board Bylaws**

PREAMBLE

Chapter 48.62 RCW provides that two or more local government entities may, by interlocal agreement under Chapter 39.34 RCW, jointly self-insure health care benefit plans and programs, and/or jointly hire risk management services for such plans or programs by any one or more of certain specified methods. Clark County (“County”) and certain County-related Participating Agencies have entered into such an agreement (the “Interlocal Agreement”) to jointly self-insure certain health care benefit plans and programs for Participating Employees, their covered dependents and other beneficiaries (“Beneficiaries”), on whose behalf the contributions were paid. Such Interlocal Agreement created the Clark County Health Care Benefit Program (the “Program”).

The Program is administered by a board (the “Governing Board” or “Board”) that must implement an approved plan of management and operation in accordance with the Interlocal Agreement and Clark County Resolution No. _____ (the “Resolution”). In addition to the Interlocal Agreement and the Resolution, the actions of the Board shall be governed by the terms of these Bylaws.

ARTICLE 1

Definitions

Defined terms are capitalized when used in the defined context, definitions for which are either found in the Interlocal Agreement or defined where they are first used.

ARTICLE 2

Governing Board

- 2.1 Powers and Responsibilities. The Program shall be governed by a five member board which shall have all the powers and responsibilities conferred by the Interlocal Agreement and the Resolution.
- 2.2 Governing Board Membership. The initial Board membership shall consist of individuals holding the following positions:
 - 2.2.1 Clark County Chief Civil Deputy Prosecuting Attorney
 - 2.2.2 Clark County Human Resources Director
 - 2.2.3 Clark County Finance Director
 - 2.2.4 Clark County Deputy Treasurer
 - 2.2.5 Clark County Benefits Manager (“Program Manager”)
 - 2.2.6 Clark County Budget Manager

- 2.3 Program Manager. The person responsible for the management and operation of the Program shall be the Program Manager. The Program Manager has the responsibilities conferred by the Resolution, as well as the responsibility to chair Governing Board meetings.
- 2.4 Vacancies. In the case of a vacancy on the Governing Board because a specified position has not yet been filled, the Governing Board may appoint an interim member, to participate until such time as the position has been filled.
- 2.5 Compensation. Members of the Governing Board shall be reimbursed for their expenses in accordance with the Clark County employment policies.

ARTICLE 3

Meetings

- 3.1 Time and Place of Regular Board Meetings. Regular meetings of the Board shall be at the call of the Program Manager and shall be held at such time, place, and manner to efficiently carry out the Board's duties. Board meetings shall be held in a location that provides reasonable access to the public, including the use of accessible facilities. The Program Manager shall propose an annual schedule of regular Board meetings for adoption by the Board. The Program Manager may cancel a regular Board meeting at his or her discretion, including the lack of sufficient agenda items.
- 3.2 Meeting Notice. Notice for Governing Board meetings shall be provided as follows:
 - 3.2.1 The Governing Board, or any entity performing Program business delegated thereto by the Governing Board, shall provide notice of its regular and special meetings, at a minimum, in accordance with WAC 200-110-230 and 200-110-240, and Chapter 42.30, RCW, the Open Public Meetings Act.
 - 3.2.2 Every Participating Agency shall be provided with notice of the time and place of each regular Board meeting at least ten (10) days prior to each regular meeting and twenty-four (24) hours prior to each special meeting.
 - 3.2.3 The state risk manager shall be provided with a copy of all meeting notifications, both regular and special, to Participating Agencies in the same form, manner and time as provided to Participating Agencies.
 - 3.2.4 Communications with Participating Agencies may occur using mail or email.
 - 3.2.5 In addition to mail or email notification, the Board shall publish notification of regular meetings on the Program's publicly accessible website.
 - 3.2.6 Communications may come directly from the Program, Third-Party Administrator or through another vendor on behalf of the Program.

- 3.3 Open Public Meetings. All Board meetings shall be open to the public to the extent required by the Open Public Meetings Act. The Board may hold executive sessions to consider matters enumerated in the Open Public Meetings Act or privileged matters recognized by applicable law.
- 3.4 No Conditions for Attendance. A member of the public is not required, as a condition to attendance at a meeting of the Board, to register his or her name or provide other information.
- 3.5 Meeting Agendas. The agenda for an upcoming Board meeting shall be made available to the Board and the state risk manager prior to the meeting date as required by the Open Public Meetings Act and Chapter 200-110 WAC. The agenda shall also be made available on the Program's publicly accessible website.
- 3.6 Meeting Minutes. Minutes summarizing the significant action of the Board shall be taken during the Board meeting. Meeting minutes, after approval, shall be provided to the state risk manager and Participating Agencies, and shall be posted on the Program's publicly accessible website.
- 3.7 Attendance. Board members shall inform the Program Manager with as much notice as possible if unable to attend a scheduled Board meeting. The person preparing the minutes shall record the attendance of Board members at the meeting for the minutes.

ARTICLE 4

Meeting Procedures

- 4.1 Meeting Procedures. The Governing Board shall hold its meetings in accordance with WAC 200-110-230 and 200-110-240, and the Open Public Meetings Act.
- 4.2 Quorum. Three voting members of the Board shall constitute a quorum for the transaction of Board business. No final action may be taken in the absence of a quorum. The Program Manager may declare a meeting adjourned in the absence of a quorum necessary to transact Board business.
- 4.3 Order of Business. The order of Board business shall be determined by the agenda.
- 4.4 Teleconference Permitted. A Board Member may attend a meeting in person or, by special arrangement and advance notice to the Program Manager, a Board member may attend a meeting by telephone conference call or video conference when in-person attendance is impracticable. Any Board member participating in a meeting by telephone call or video conference is deemed to be present in person at the meeting for all purposes, including, but not limited to, establishing a quorum.
- 4.5 Voting. Each Board member eligible to vote shall have one vote on matters coming before the Board. On motions, resolutions, or other matters, a voice vote may be used. At the discretion of the Program Manager, or upon request of a Board member, a roll call vote may be conducted. Votes may be taken by telephone or by proxy.

- 4.6 Public Testimony. The Board actively seeks input from the public at large, from Participating Agencies, Beneficiaries and other interested parties. Time shall be reserved for public testimony at each regular meeting. The Program Manager has authority to limit the time for public testimony.
- 4.7 Motions and Resolutions. All actions of the Board shall be expressed by motion or resolution. No motion or resolution shall have effect unless passed by the affirmative votes of a majority of the Board members present or deemed to be present and eligible to vote.
- 4.8 Representing the Board's Position on an Issue. No Member of the Board may endorse or oppose an issue purporting to represent the Board or the opinion of the Board on the issue unless the majority of the Board approve of such position.
- 4.9 Parliamentary Procedure. All rules of order not provided for in these Bylaws shall be determined in accordance with the most current edition of Robert's Rules of Order.
- 4.10 Civility. While engaged in Board duties, Board members conduct shall demonstrate civility, respect and courtesy toward each other, Participating Agencies, and the public and shall be guided by fundamental tenets of integrity and fairness.

ARTICLE 5

Public Records

- 5.1 Executive Sessions. The Governing Board may enter an executive session in accordance with chapter 42.30 RCW to consider litigation and settlement of claims when it appears that public discussion of these matters would impair the Program's ability to conduct its business effectively.
- 5.2 Public Records Disclosure. Notwithstanding any provision to the contrary contained in the Public Records Act, Chapter 42.56 RCW, in a claim or action against the state or a local government entity, no person is entitled to discover that portion of any funds or liability reserve established for purposes of satisfying a claim or cause of action, except that the reserve is discoverable in a supplemental or ancillary proceeding to enforce a judgment. All other records of the Program are subject to disclosure in accordance with Chapter 42.56 RCW.
- 5.3 Bargaining Group Access. In accordance with chapter 42.56 RCW, bargaining groups representing local government employees shall have reasonable access to information concerning the experience and performance of any health and welfare benefits program established for the benefit of such employees.

ARTICLE 6

Amendment of Bylaws

- 6.1 Amendment. The Board is expressly authorized to make, alter and repeal the Bylaws. The Bylaws may be amended upon a majority vote of the Board.
- 6.2 Notice of Amendment. Notice of amendments will be given to all Board members at least thirty (30) days prior to the vote on an amendment.

ARTICLE 7

Communication with Participating Agencies and Beneficiaries

- 7.1 Annual Membership Report. The Program shall make available to Clark County and each Participating Agency a copy of the program's annual membership report. The annual membership report shall include, at a minimum, financial information which includes the comparative balance sheet and statement of revenues, expenses and net assets. The reports shall be delivered to each Participating Agency by electronic or regular mail. Programs may meet the delivery requirement by publishing and maintaining the membership report on the Program's official web site for a minimum of three years from the date of publication.
- 7.2 Benefit and Procedure Amendments. Absent exigent circumstances, benefits and procedures may not be amended without written notice to Beneficiaries at least thirty (30) days in advance of the effective date of the change.

ARTICLE 8

Conflicts of Interest

No member of the Governing Board shall:

- 8.1 Receive directly or indirectly or be pecuniarily interested in any fee, commission, compensation, or emolument arising out of any transaction to which the Program is or is expected to be a party except for salary or other similar compensation regularly fixed and allowed for because of services regularly rendered to Clark County.
- 8.2 Receive compensation as a consultant to the Program while also acting as a member of the Governing Board or as an employee of Clark County.
- 8.3 Have any direct or indirect pecuniary interest in any loan or investment of the Program.

Exhibit A

Clark County Health Care Benefit Program

Financial Policy

Proposed accounting, depositing, and investment practices of the program

CLARK COUNTY
INVESTMENT POLICY



Proud Past, Promising Future

Clark County Finance Committee

February 11, 2013

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CLARK COUNTY INVESTMENT POLICY

I. Policy

It is the policy of the Clark County Treasurer (Treasurer) to invest public funds in accordance with all federal, state, and local governing statutes. The Treasurer will invest public funds in a manner that preserves capital and ensures the protection of investment principal, allows adequate liquidity for any relevant municipal corporations (Participants), and achieves the highest investment return consistent with the primary objectives of safety and liquidity.

II. Scope

The Clark County Investment Policy (Policy) applies to all financial assets held or controlled by the Treasurer other than trust fund assets held by third parties. This includes funds where the Treasurer is the Treasurer or ex-officio Treasurer for Participants that have signed Investment Services Agreements with the Treasurer to have this function performed on their behalf. Examples of funds include General Funds, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Debt Service Funds, Insurance Funds, Transportation Vehicle Funds, and Agency Funds. These funds are administered by Fund Managers who are authorized to act on behalf of relevant municipal corporations, as well as Clark County. In addition, any new fund created by the Participants shall comply with this policy.

Fund Managers can either request the Treasurer to invest their jurisdictions' money in the Clark County Investment Pool (Pool), or request that the Treasurer purchase a security with a specific term and amount that is held outside the Clark County Investment Pool (Pool). Operational aspects of the Pool are contained in Section XIX. Pool securities and securities invested outside the Pool are collectively referred to as the "Portfolio").

III. Prudence

The Treasurer and authorized investment officers will perform their duties in a manner consistent with the standard of a "prudent person," as defined by RCW 43.250.040.

"In investing and reinvesting moneys in the public funds investment account and in acquiring, retaining, managing, and disposing of investments..., 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 in regard to speculation but in regard to the permanent disposition of the funds considering the probable income as well as the probable safety of the capital."

Authorized investment officers acting in accordance with this policy and exercising due diligence shall be relieved of personal responsibility for credit and market risks encountered in the performance of their investment duties. Due diligence requires timely reporting of material

deviation from expectations and such other actions to control adverse developments as may be possible in consideration of the particular circumstances and within other provisions of this policy.

IV. Objective

The primary objectives, in priority order, of investment activities shall be:

- 1. Safety:** Safety of principal is the foremost objective of the Portfolio. This objective seeks assurance that principal losses are minimized, whether from securities default, broker/dealer default, or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- 2. Liquidity:** The portfolio shall remain sufficiently liquid to enable Clark County and its Participants to meet their needs for funds to pay their operating expenses and capital purchases that should be reasonably anticipated.
- 3. Return on Investment:** The portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow requirements of the Participants.

V. Delegation of Authority

Authority to manage the Clark County Investment Program is derived from the Revised Code of Washington (RCWs) in RCW 36.29.020 which delegates, in part, as follows:

- The Treasurer may invest funds in qualifying investments when authorized by the governing bodies of the relevant municipal corporations or by the County Finance Committee.
- When not already authorized by statute or the governing bodies of the relevant municipal corporations, the County Finance Committee authorizes the County Treasurer to invest any remaining funds in accordance with this investment policy.

The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls and procedures to regulate the activities of all staff in investment matters. The Treasurer shall recommend policy changes, as appropriate, to the County Finance Committee and shall be charged with implementing such policy and subsequent policy changes in a timely, prudent, and effective manner. To “ensure effective cash management of public funds,” (RCW 43.08.015) the Treasurer may designate investment officers who will have the authority to perform the duties of the Treasurer.

VI. 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 of the investment program, or that could impair their ability to make impartial investment decisions.

Employees and investment officials shall disclose annually to the Prosecuting Attorney any material financial interests in financial institutions that conduct business within the jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Clark County Investment Portfolio.

The County Finance Committee will file personal financial disclosure forms annually, with the Public Disclosure Commission consistent with the provisions of RCW 42.17.

No officer or employee of Clark County may receive, accept, take, seek, or solicit, directly or indirectly, anything of economic value as a gift, gratuity, or favor from a person if it could be reasonably expected that the gift, gratuity, or favor would influence the vote, action, or judgment of the officer or employee, or be considered as part of a reward for action or inaction. RCW 42.52.140

VII. Authorized Financial Dealers and Institutions

The Treasurer will maintain a list of broker/dealers and financial institutions authorized to provide investment services to the Treasurer and who are in compliance with Washington State and U.S. Securities and Exchange Commission. Authorized broker/dealers and financial institutions will be limited to those that meet one or more of the following:

- financial institutions approved by the Washington Public Deposit Protection Commission (RCW 39.58); or,
- primary dealers recognized by the Federal Reserve Bank; or,
- non-primary dealers qualified under U.S. Securities and Exchange Commission Rule 15C3-1 and who are a certified member of the Financial Industry Regulatory Authority.

Each authorized broker/dealer will submit annual reports, including audited financial statements, and other information as determined by the Treasurer.

Financial Institutions are those entities that provide CDs, BAs and Deposits and are approved by the Washington Public Protection Commission. We will periodically review their Financial Statements on-line.

The Treasurer will maintain quarterly Call Reports for those Financial Institutions where we have investments.

All broker/dealers who desire to become qualified bidders for investment transactions must supply the following as appropriate:

- audited financial statements,
- proof of Financial Industry Regulatory Authority (FINRA) certification,
- a signed trading authorization form,
- proof of registration with the state of Washington, and
- a completed Broker/Dealer questionnaire and certification of having read Clark County's Investment Policy.

Qualified broker/dealers and financial institutions will be reviewed and selected by the Treasurer on a routine basis. This includes a periodic review of the financial condition and registrations of qualified bidders. Current audited financial statements are required to be on file for each financial institution and broker/dealer in which the Treasurer invests.

VIII. Authorized and Suitable Investments

Eligible investments are only those securities and deposits authorized by statute (RCW 36.29.020, 36.29.022, 39.58.050, 39.59.020, 39.59.030, and 43.84.080).

The Treasurer may invest in any investment authorized by law for the treasurer of the state of Washington or any local government in the state of Washington (RCW 39.59.020). The following investments are representative (not inclusive) of the permitted securities:

1. **U.S. Treasury obligations.**
2. **U.S. Government Agency obligations, U.S. Government instrumentality obligations, or of government sponsored corporations** that may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve, which may include, but is not limited to the following:
 - Federal Farm Credit Banks (FFCB)
 - Federal Home Loan Bank (FHLB)
 - Federal Home Loan Mortgage Corporation (FHLMC)
 - Federal National Mortgage Association (FNMA)
 - Government National Mortgage Association (GNMA)
 - Export/Import Bank
 - Maritime Administration
 - Small Business Administration
3. **Banker's Acceptances** purchased on the secondary market rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs) A-1, P-1 or F-1, at the time of purchase.
4. **Commercial paper** purchased on the secondary market with the highest short-term credit rating of any two NRSROs A-1, P-1 or F-1, at the time of purchase. It must also meet the requirements of the State Investment Board (RCW 43.84.080 (7)).
5. **Non-negotiable Certificates of Deposits**

- a. Normal (term) non-negotiable Certificates of Deposits can be purchased with financial institutions qualified by the Washington Public Deposit Protection Commission,
and
 - b. Flexible Certificates of Deposits can be purchased with financial Institutions qualified by the Washington Public Depository Protection Commission which offer periodic draws of principal and interest prior to the maturity of such Certificates.
6. The Treasurer may invest in **Repurchase Agreements** only with primary dealers who have a long-term credit rating of "A" or better by two NRSROs, if the final maturity of the repurchase agreement is less than one week. The third-party custodian must also maintain an "A" long-term credit rating. If the final maturity of the repurchase agreement is longer than one week, the primary dealer and the third-party custodian must maintain an "AA" long-term credit rating or better by two NRSROs. The Treasurer must enter into a Bond Market Association (BMA) Master Repurchase Agreement and third-party custodial contract which specifies terms and conditions of the repurchase agreement.
- a) The third-party custodian will act as trustee solely on behalf, and at the direction of, the Treasurer for the safekeeping of securities.
 - b) The market value of collateral pledged must be maintained at 102% of the value of the repurchase agreement, plus accrued interest. Collateral for mortgage-backed (CMO) repurchase agreements will be priced at 105% of market value, plus accrued interest.
 - c) The only eligible collateral for repurchase agreements will be direct obligations of the U.S. Treasury and/or U.S. Government Agency obligations and/or U.S. Government instrumentality obligations.
 - d) The market value of the securities used as collateral for repurchase agreements shall be monitored daily by the Treasurer's staff and by a third-party custodian. If any deficiencies are discovered, they shall be corrected within one day. If the deficiencies are not corrected within one day, the procedures defined in the Repurchase Agreement contract will be followed to cancel the Repurchase Agreement.
 - e) The right of collateral substitution is granted provided only authorized securities are used.
7. The Treasurer may invest in **reverse repurchase agreements** with primary dealers purchased under the terms of a signed Bond Market Association (BMA) Master Repurchase Agreement. The primary dealers and the third-party custodian must meet the same credit rating criteria as described under "Repurchase Agreements." The following guidelines apply to all reverse repurchase agreements:

- a) If reverse repurchase agreements are used as an income generation strategy, the term of the reinvestment of these funds will match the term of the underlying reverse repurchase agreement.
- b) If reverse repurchase agreements are used as an emergency borrowing measure, the transaction can only occur after it has been approved by the Treasurer.
- c) Reinvestment of the proceeds from a reverse repurchase agreement shall be no longer than 14 days more or less than the term of the agreement. The reinvestment of proceeds must closely match the term of the reverse repurchase agreement.

8. Washington State Local Government Investment Pool (LGIP) the Treasurer may obtain a copy of the LGIP Investment Policy, Operations Manual, and its most recent audited annual financial statement, and will obtain monthly and quarterly reports of the LGIPs investment activity and return.

9. Municipal Investment Accounts (MIA) can be invested in with financial institutions qualified by the Washington Public Deposit Protection Commission.

10. Variable Rate and Structured Notes. The use of variable rate notes (VRNs) is considered prudent in the management of the portfolio provided the following criteria are met:

- a) The rate on the VRN resets with a frequency that produces a close tracking with money market rates.
- b) The VRN is indexed to a money market rate such as Federal Funds, the three-month Treasury Bill, or LIBOR, that correlates very highly (95% or greater) with overall changes in money market rates even under wide swings in interest rates.
- c) Any cap on the interest rate is at least 15% (1500 basis points) higher than the coupon at the time of purchase.
- d) The Treasurer will not use "exotic" derivatives such as range notes, dual index notes, inverse floating rate notes, and deleveraged notes (notes linked to a multiple of an index where the multiple is less than one), or notes linked to lagging indices, or to long-term indices.
- e) For the purposes of calculation of average daily maturity, the next reset date of VRNs will be the maturity date.

11. Deposit Notes. The Treasurer may invest in Deposit Notes if the Deposit Note is a debt instrument (promissory note) of a bank or bank holding company. The Deposit Note must be purchased on the secondary market, it must have a long-term credit rating of

"Aa" or equivalent and a short-term credit rating of "A1/P1" by at least two of the major credit rating agencies, or be insured or guaranteed by an agency of the federal government or by private issuer authorized to do business in the state of Washington, and provided that the Deposit Notes that are insured or guaranteed by a private insurer also are backed by a pool of mortgages equal to the amount of the Deposit Notes (RCW 39.60.050).

The Treasurer may not invest in "Certificates of Deposit Notes" (negotiable certificates of deposit) issued by banks located outside of the state of Washington.

12. Registered Investment Companies (Mutual Funds). Mutual Funds and Money Market Funds are an acceptable investment type subject to the arbitrage provisions of Section 148 of the federal Internal Revenue Code. If bond covenants permit investment in mutual funds, the Treasurer may invest in shares in money market mutual funds that invest exclusively in the securities specifically permitted under this investment policy and that are similarly diversified provided that the fund is rated "AAm" or "AAm-G" or better by Standard & Poor's Corporation or equivalently by other rating agencies. The fund must also be properly registered for sale in the state of Washington.

13. Registered Warrants. The Treasurer may invest in registered warrants issued by the County or the junior taxing districts within Clark County; however, these registered warrants may only be purchased with County funds separate from the Clark County Investment Pool (RCW 39.59.020).

14. Bonds. The Treasurer may invest in bonds of the state of Washington and any local government in the state of Washington which have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency or other notes or bonds issued by other states as defined in RCW 36.59.020.

15. Securities Lending. The Treasurer may select one or more firms to provide securities lending management services. Securities lending services will include, but are not limited to, the following:

- a) The Treasurer may lend securities only to primary dealers who have a long-term credit rating of "A" or better by two NRSROs. The third-party custodian must also maintain an "A" long-term credit rating.
- b) The Treasurer must enter into a written agreement with the lending agent, and must enter into the industry standard agreement with any borrower. The Treasurer must receive indemnification from the lending agent for borrower default and any losses resulting from the agent's negligence or failure to comply with written instructions from the County.
- c) All loans of securities must be supported by collateral valued at not less than 102% of market value of the securities, including accrued interest.
- d) Procedures will detail the restrictions permitted on "mismatch" of the loan and

the reinvestment of cash collateral.

- e) Provide next-day liquidity for all securities on loan as required.
- f) Provide monthly accounting, performance, compliance, management reports, and other reports as required by the treasurer.
- g) Reinvestment of proceeds of securities lending for cash collateral must be done as an investment according to the restrictions of this policy but only count against the limit on reverse repurchase agreements at fiscal year end.
- h) Collateral accepted by a securities lending agent must conform to the collateral requirements of this policy and must be equal to no less than 102%.
- i) Collateral must be held by an independent third-party custodian with whom the Treasurer has entered into a custodial agreement.
- j) All securities transactions are to be conducted on a delivery-versus-payment (DVP) basis only, and trades must have a confirmation/safekeeping receipt provided to the Treasurer.

16. Forward Delivery Agreement. A forward delivery agreement (FDA) is an investment agreement between the provider (broker), trustee (holder of the securities, safekeeping custody), and the Investor (the Treasurer) for the Participant on whose behalf the Treasurer provides services related to the FDA. Under an FDA, the provider agrees to provide certain “eligible securities” to the escrow agent for the account of the Investor at a guaranteed rate of return, and the escrow agent agrees to purchase those securities from the Investor. Because they provide a guaranteed rate of return or yield, FDAs are often used for bond proceeds and/or debt service reserve funds that are subject to yield restrictions or arbitrage rebate but may be used for any fund when the goal is to achieve a guaranteed yield. The Participant must agree to a specified “cash flow” schedule for depositing and withdrawing money from the invested fund and may be subject to a penalty for early withdrawal. The FDA is secured by the “eligible securities” which will be owned by the Treasurer as the participant’s Treasurer.

- a) Procedure - The Participant will work closely with the County in the creation of the FDA.

The following describes the process that will be followed:

- (1) define the eligible securities (which must be authorized investments under the Clark County Investment Policy),
- (2) solicit a broker (who must meet the requirements of the Clark County Investment Policy),
- (3) enter into an escrow agreement,
- (4) Participant must specify a “cash flow” schedule,
- (5) specify the securities’ purchase dates and amounts,

- (6) understand the yield quote,
- (7) describe the terms and conditions under which the FDA may be terminated prior to its originally scheduled maturity date,
- (8) describe each party's rights and obligations in the event of a default by any party,
- (9) other recommendations pursuant to legal counsel and investment/financial advisor input.

Any legal, broker, and/or trustee fees associated with executing the FDA will be the responsibility of the Participant and not the Treasurer.

In the event the Participant needs cash earlier than an investment will be maturing within the FDA dates, the Participant will notify the Treasurer immediately as to exactly how much money is needed and the date. If the Participant does not have sufficient liquidity, an analysis will be performed by the Treasurer in communication with broker to sell an investment early. Any penalty and/or fees associated with this will be the responsibility of the Participant.

When the investments mature with the FDA and are not completely used immediately for expenses, the money will be invested in the Pool.

- b) Fees - The Participant will be responsible for actual fees incurred by the Treasurer in the development and execution of the FDA. These expenses will be charged as incurred.

17. All other investments authorized by law.

IX. Collateralization, Safekeeping, and Custody

All investment securities purchased by the Treasurer or held as collateral on either deposits or investments shall be held in third-party safekeeping at a financial institution (to be designated as the "Custodian") qualified to act in this capacity. All securities held for the Treasurer account will be held free and clear of any lien and all transactions will be conducted on a delivery-versus-payment (DVP) basis. The Custodian shall issue a safekeeping receipt to the Treasurer listing the specific instrument, rate, maturity and other pertinent information. On a monthly basis, the custodian will also provide reports that list all securities held for the Treasurer, the book value of holdings, and the market value at month end. Appropriate employees in the Treasurer's Office and the representatives of the Custodian responsible for, or in any manner involved with, the safekeeping and custody process of the Portfolio shall be bonded to such a degree as to protect the Treasurer and Clark County against losses from malfeasance and misfeasance.

X. Diversification

The Pool's portfolio shall be structured to diversify investments to reduce risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific type of security. The maximum percentage of the portfolio permitted in each eligible security is as

follows:

Type of Security	Credit Standards	Maximum Percentage Permitted
U.S. Treasuries	NA	100%
Federal Agencies (Fixed Rate)	NA	100%
Federal Agencies (VRNs)	NA	10%
Banker's Acceptances	A1/P1	25%
Commercial Paper	A1/P1 and "A" or equivalent	25%
Municipal Investment Accounts		65%
Non-negotiable Certificates of Deposit		40%
Repurchase Agreements	"A" if maturity < one week, "AA" if maturity > one week	100% overnight or 30% if maturity > than 30 days
Reverse Repurchase Agreements	Same as Repo	10%
Mutual Funds Qualified Register With Washington State	Registered with the State of Washington	15%
Securities Lending	"A" or equivalent	25%
Deposit Notes	A1/P1 and "AA" or equivalent	25%
WA State Municipal Bonds	"A" or equivalent	20%
Washington State Local Government Investment Pool (LGIP)	NA	100%

The Pool's portfolio will be further diversified to limit the exposure to any one issuer. No more than 5% of the Pool's portfolio will be invested in the securities of any single issuer with the following exceptions:

Type of Security	Maximum Percentage Permitted
U.S. Government Obligations	100%
U.S. Agency Obligations	25% per issuer
Repurchase Agreement Counterparties	20% per provider overnight/ 10% per provider if > 1 day
Non-negotiable Certificates of Deposit	10%
Financial Institutions that offer both non-negotiable Certificates of Deposit and Municipal Investment Accounts	30%
Qualified Mutual Funds Register With Washington State	15%

XI. Maximum Maturities

Maintenance of adequate liquidity to meet the cash flow needs of Clark County and Participants is essential. Accordingly, securities in the portfolio will be structured in a manner that ensures sufficient cash is available to meet anticipated cash flow needs of Participants, based on historical information and any projected cash flow needs provided by Participants. Any cash in excess of that necessary to meet the anticipated needs may be invested with the following maturity limitations:

Type of Security	Maximum Maturity
Any single security (unless matched to a specific cash flow requirement)	5 years
Repurchase and Reverse Agreements	90 days
Commercial Paper	180 days
Banker's Acceptances	185 days
Forward Delivery Agreement	3 Years

The Pool is an external investment pool. The maximum weighted average maturity of the Pool cannot exceed one and one-half (1 ½) years.

XII. Internal Control

The Treasurer shall establish and monitor a set of written internal controls designed to protect Clark County and Participant's cash and cash equivalent assets and to ensure proper accounting and reporting of the investment transactions. Such internal control policy statements shall include, but not be limited to:

- The use of third-party custody and safekeeping;
- The execution of all securities transactions on a delivery versus payment basis;
- The clear delegation of investment authority;

- The separation of transaction authority from record keeping;
- The use of objective criteria in selecting financial institutions and dealers authorized to provide investment services to the county;
- The use of objective criteria in awarding investment purchases and sales to authorized financial institutions and dealers.

The Treasurer's Office is subject to an annual independent review by the Washington State Auditor of its internal controls and compliance with all state and federal statutes and relevant policies and procedures. However, the Washington State Auditor is not required to annually audit the Treasurer's Office.

XIII. Performance Standards

The Pool's objective is to obtain a market average rate of return throughout budgetary and economic cycles that corresponds with investment risk constraints and Participants' cash flow needs.

For purposes of evaluating the Pool's investment performance, the Treasurer uses the following indices:

- the Washington State LGIP;
- a customized Total Return Index (made up of 75% 0-1 Year Treasury and 25% 1-3 Year Agency).

XIV. Bond Proceeds

Clark County shall comply with all applicable sections of the Internal Revenue Code of 1986; Arbitrage-Rebate Regulations and bond covenants concerning investment of bond proceeds.

XV. Reporting

The Treasurer prepares reports on investment activity on a monthly, periodic and annual basis. Reports may also be prepared at such times as deemed appropriate by the Treasurer. A report showing the original cost (or book) value and fair value of each Participant fund's investment in the Pool will be provided as of each month end. Reports will be distributed to the various oversight committees and to the Clark County Investment Pool participants as deemed appropriate by the Treasurer and will be readily available upon request. Examples of reports are:

- investment purchases and sales;
- investment income received;
- realized and unrealized gains and losses;
- weighted average maturity of the portfolio;
- percentage of portfolio by issuer, by type of security, and by maturity sector;
- Net Asset Value (N.A.V.) per share of Pool Shares and the number of shares outstanding;

- Pool balances, stated at cost and market value;
- Pool yields;
- Pool performance on a total return basis after subtracting any relevant fees, including the Treasurer's Investment Fee, compared to established benchmarks shall be reported monthly;
- investment strategies shall be reported quarterly ; and
- a report on current economic conditions.

Examples of these reports and summaries of the information in the reports shall be provided to the Clark County Finance Committee (Finance Committee) quarterly.

Fair Market Value/Net Asset Value per share:

At the end of each month, and at any other times deemed appropriate by the Treasurer, the Treasurer's Office shall determine the Fair Market Value (F.M.V.) of the securities making up the Pool along with the Net Asset Value (N.A.V.) per share. F.M.V and the N.A.V per share will be reported to the County and Participants each month. The N.A.V. per share is determined by dividing the value of the Pool's net assets (fair market value of the Pool's assets less fair market value of the pool's liabilities) by the total number of Pool shares outstanding.

XVI. Finance Committee Membership and Purpose

By statute, the Finance Committee consists of the County Treasurer as Chair, the County Auditor as Secretary, and the Chair of the Board of County Commissioners. The committee shall approve the Policy and shall make all appropriate rules and regulations to carry out the provisions of RCW 36.48.010 through 36.48.060. The Finance Committee shall meet at least quarterly (calendar quarter) and these meetings are subject to the Open Public Meetings Act. The purpose of the Finance Committee meetings is to review compliance with the Policy, consider any proposed changes to the Policy, review the extent to which the Portfolio is meeting its investment objectives and any other matters that may appropriately come before it. Members of the Finance Committee shall adhere to RCW 42.17.245 by disclosing annually to the Public Disclosure Committee any financial interest in institutions in which public funds were invested.

XVII. Investment Advisor

The Treasurer may use an Investment Advisor, depending on budgetary constraints, on at least an annual basis. The role of the Investment Advisor is to provide technical advice to the Treasurer and staff in managing the Portfolio. Items the Treasurer may request the Investment Advisor to review include:

- evaluating the current Portfolio and investment strategy and describing any changes which should be made;
- determining if internal controls, market analysis, Portfolio analysis, and reporting practices are adequate; and
- evaluating the Investment Policy and Procedures Manual.

XVIII. Intergovernmental Investment Pool Committee

The Intergovernmental Investment Pool Committee's (IIPC) purpose is to assist in reviewing the investment strategy and the need for cash flow information from Participants. The IIPC is composed of all Participants. The IIPC generally meets once a quarter prior to the County Finance Committee meeting. Participants will be notified at least one week prior to the scheduled meeting of the date, time and location of the IIPC meeting.

XIX. Clark County Investment Pool

The Treasurer invests funds collectively in order to better meet investment objectives of the County and Participants. RCWs 36.29.020, 36.29.022, and 36.29.024 provide statutory authority for the Treasurer to operate an Investment Pool. The purpose of the Pool is to allow the County and Participants to combine funds available for investments in order to better meet their investment objectives.

All Participants must sign an Investment Services Agreement with the Treasurer to participate in the Pool.

The Pool shall operate under the following guidelines:

Purchase of Pool Shares (also known as Deposits):

Participants may invest monies in the Pool by purchasing shares by giving notice of such amounts to be invested to the Treasurer. There is no minimum or maximum amount of shares that must be purchased or dollar amount deposited. The purchase price per share shall be one dollar (\$1.00).

Management of the Pool's Net Asset Value:

It is recognized by all Participants that there can be no assurance that the Treasurer will be able to maintain a constant N.A.V. per share of one dollar (\$1.00) due to changes in the value of the Pool's investments resulting from changes in interest rates and the duration of the securities within the Pool. The Pool will be managed in a manner to maintain the N.A.V. per share within a band of \$1.01 to \$0.99. The calculation of N.A.V. per share will be done twice each month.

If the Pool's N.A.V. per share exceeds the \$1.01 or \$0.99 band in either direction, the County will sell securities to bring the N.A.V. per share back within the specified band. The County Treasurer will promptly disclose these sales to the Finance Committee and to Pool Participants. The realized gain or loss on the securities sold will be distributed to all Pool Participants as provided below.

Earnings:

Interest is distributed based on the average weighted daily balance a Participant's fund maintains in the Pool and is calculated using the actual number of days in the month based on a 360-day

year. The total accrued interest earned on the Pool securities and realized gains and losses on securities sold before their maturity date will be distributed monthly to Pool participants based upon Participants' weighted daily average (pro-rata) ownership of Pool shares. Interest will be paid based upon the last calendar day of each month and will be automatically reinvested as principal.

Should the dollar amount of realized losses exceed the amount of realized gains and interest earned in a given month, the net negative earnings will be distributed to Participants resulting in a pro-rata reduction in the fund balances for Participants.

Redemptions of Shares – to pay normal expenditures:

Participants who redeem Pool shares for normal expenditure purposes will receive one dollar (\$1.00) per share.

Redemption of Shares – to reinvest outside the Pool:

Participants withdrawing one or more funds completely from the Pool to reinvest outside of the Pool shall receive one dollar (\$1.00) per share, less costs associated with the transaction. Costs associated with this transaction include but are not limited to wire transfer fees, safekeeping fees, etc.

Participants withdrawing one or more funds completely from the Pool, wherein the value of the shares being redeemed equals or exceeds three percent (3.00%) of the value of the total Pool, must provide ten (10) business days notice prior to withdrawal.

Investment Fee – Clark County Investment Pool:

The Treasurer charges Participants an investment fee based on RCW 36.29.024. The investment fee is determined by the actual costs of managing the Pool and is set by the Treasurer. The investment fee will be calculated annually and may fluctuate due to the actual average principal balances being maintained in the Pool differing from the projected balances. This fee is expressed as a rate (e.g., 6.3 basis points) based on the projected daily principal balance of the Pool for the next twelve months. If at the end of each twelve month period the Treasurer determines that the amount of the Investment Fee collected was less than actual costs, or was greater than actual costs incurred during the prior twelve months, then the rate for the next twelve months will be increased or reduced to reflect that. The calculation of the Investment Fee, with identification of actual costs, aggregated by major expense category, as adjusted and projected Pool balance, will be provided to Participants and the Finance Committee promptly after the calculation is completed.

Investment Fee – Investments Outside the Clark County Investment Pool:

The Treasurer charges Participants an investment fee based on RCW 36.29.020. The investment fee charged for investments placed outside the Clark County Investment Pool shall equate to five percent (5.00%) of the earnings of a security with an annual maximum of fifty dollars on each investment transaction.

XX. Investment Policy Adoption

This Investment Policy shall be adopted by vote of the County Finance Committee, and any modifications to it shall be similarly approved.

Approved by the Clark County Finance Committee this ____ day of _____, 2011.

Tom Mielke
Chair, Board of the County Commissioners

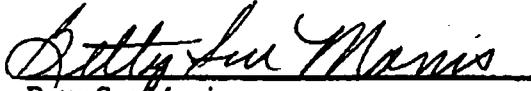
Doug Lasher
Clark County Treasurer

Greg Kimsey
Clark County Auditor

XX. Investment Policy Adoption

This Investment Policy shall be adopted by vote of the County Finance Committee, and any modifications to it shall be similarly approved.

Approved by the Clark County Finance Committee this 14 day of January, 2007.⁸



Betty Sue Morris
Chair, Board of the County Commissioners



Doug Lasher
Clark County Treasurer



Greg Kimsey
Clark County Auditor

XXI. ADDENDUM NO. 1

**ADDENDUM NO. 1
TO
CLARK COUNTY
INVESTMENT POLICY
Dated: February 26, 2009**

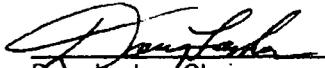
The following modifications to Clark County's Investment Policy dated January 14, 2009 are hereby approved by the undersigned members of the Clark County Finance Committee:

Section VIII. Authorized and Suitable Investments

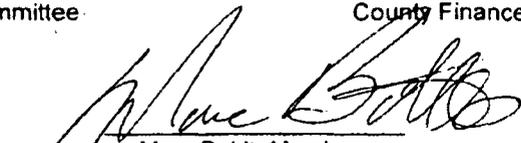
5. Non-negotiable Certificates of Deposits

- a. Normal (term) non-negotiable Certificates of Deposits can be purchased with financial institutions qualified by the Washington Public Protection Commission, and
- b. Flexible Certificates of Deposits can be purchased with financial Institutions qualified by the Washington Public Protection Commission which offer periodic draws of principal and interest prior to the maturity of such Certificates.

Addendum No. 1 to the Clark County Investment Policy dated January 14, 2008 is approved this 26th day of February, 2009.


Doug Lasher, Chair
Clark County Treasurer
County Finance Committee


Greg Kimsey, Secretary
Clark County Auditor
County Finance Committee


Marc Boldt, Member
Chair of Board of Clark County Commissioners
County Finance Committee

XXII. Amendment A

Section X. Diversification of the Clark County Investment Policy
Change “Maximum Percentage Permitted”:

To: U.S. Agency Obligations, 35% per issuer

From: U.S. Agency Obligations, 25% per issuer

Two Government-sponsored Enterprises (GSE) Fannie Mae and Freddie Mac (the largest issuers of GSE debt) are scaling back their issuance of debt by 15% (compared to 2012) in 2013 and expect to reduce an additional 15% per year in 2014 – 2018. This reduction in the available investments that the Investment Pool can purchase at any one time pushes our diversification limits. When the diversification limits were implemented more debt was being issued by multiple GSEs and the 25% was not a problem. Now, as GSEs are reducing their debt requirements, we are left with an imbalance of available investments.

We have discussed this issue with our Investment Advisor and they recommend increasing the percentage to 35% per GSE.

XXIII. Glossary

Active Management Investment Strategy: The use of investment strategies designed to increase portfolio values by exceeding market average rates of return. This can be achieved by using active portfolio management techniques such as swaps and spreads. Active management is characterized by the trading of securities prior to maturity.

Agencies: Some credit agencies (such as the Government National Mortgage Association) re owned and directed by the federal government and their debt obligations are backed by the full faith and credit of the U.S. government. Other federal agencies, referred to as government sponsored enterprises, are not guaranteed by the full faith and credit of the U.S. Government. These agencies presumably have de facto backing by the federal government and include the Federal Farm Credit Banks, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac).

Amortized Cost: The original cost of an investment with amortization of premium or accretion of discount over the life of the security. In addition, interest received from semi-annual coupon interest payments would be accrued ratably over six month periods. This amortization smoothes coupon interest payments and recognizes, ratably until the investment matures, the difference between the purchase price and, at maturity, the par value of the security.

Asked: The price at which securities are offered for sale.

Banker's Acceptances (BA): A Bankers Acceptance (BA) is a credit instrument used to finance certain types of domestic and international commercial transactions. The bank on which the BA is drawn accepts the liability and responsibility of making payment upon maturity. This liability makes the acceptance very marketable and safe.

Bid: The price a seller is requesting. (When you are selling securities, you ask for a bid). See Offer.

Bond Market Association (BMA) Master Repurchase Agreement: A standard written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

Book Value: The term book value denotes the original cost of an investment.

Book Value Return: Measures the yield at which securities in the portfolio were originally purchased adjusted for realized gains or losses.

Broker: A broker brings buyers and sellers together for a commission.

Certificate of Deposit (CD): A time deposit with a specific maturity evidenced by a certificate. Treasurers are only allowed to purchase non-negotiable CDs from financial institutions qualified by the Washington Public Deposit Protection Commission.

Collateral: Securities, evidence of deposit, or other property that a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Comprehensive Annual Financial Report (CAFR): The official annual report for Clark County. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

Coupon: (a) the annual rate of interest that an issuer of a bond promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

Credit Risk: The potential for loss due to a reduction of the issuer's financial strength. This is also known as Default Risk.

Credit Rating Definitions:

Long-term			
	Moody's	Standard & Poor's	Fitch
Highest Quality	Aaa	AAA	AAA
High Quality	Aa	AA	AA
Upper-medium-grade	A	A	A

Medium-grade	Baa	BBB	BBB
Speculative elements	Ba	BB	BB
Lack investment characteristics	B	B	B
Issues in default	Caa	CCC	CCC
Speculative in a high degree	Ca	CC	CC
Lowest rated class of bonds	C	C	C
Debt in default		D	D

Short-term (less than 365 days)			
	Moody's	Standard & Poor's	Fitch
Superior ability for repayment	P-1	A-1	F-1
Strong ability for repayment	P-2	A-2	F-2
Acceptable ability for repayment	P-3	A-3	F-3
Adequate capacity for payment		B	F-S
Doubtful capacity for payment		C	D
Issue in default		D	

Moody ratings from Aa to C may be modified by 1, 2, or 3 to show relative standing within the major rating categories. For example: Aa3.

S&P and Fitch ratings from AA to B may be modified by the (+) or (-) to show relative standing within the major rating categories. For example: AA+.

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

Debenture: A bond secured only by the general credit of the issuer.

Delivery Versus Payment: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

Derivative Security: A financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

Discount: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is

considered to be at a discount.

Discount Securities: Non-interest bearing money market instruments that are issued at a discount from par and redeemed at maturity for full face value, i.e. U.S. Treasury Bills.

Distribution: Allocation of Pool earnings to Participants' accounts.

Diversification: Dividing investment funds among a variety of securities offering independent returns. Interest income (coupon interest) plus realized gains and losses.

External Investment Pool: An arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. An investment pool that is sponsored by an individual state or local government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government.

Fair Value: The price at which a financial instrument could be exchanged between willing parties, other than in a forced or liquidation sale.

Federal Credit Agencies: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, i.e. S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

Federal Deposit Insurance Corporation (FDIC): A federal agency that insures bank deposits, currently up to \$100,000 per deposit.

Federal Funds Rate: The interest rate at which Fed funds are traded. This rate is currently pegged by the Federal Reserve and managed through open-market operations.

Federal Home Loan Banks (FHLB): The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Banks via-a-via member commercial banks.

Federal National Mortgage Association (FNMA): FNMA, was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

Federal Home Loan Mortgage Corporation (FHLMC): The FHLMC is a stockholder-owned corporation established by Congress in 1970 to provide a continuous flow of funds to mortgage lenders.

Federal Open Market Committee (FOMC): Consists of seven members of the Federal Reserve Board and 5 of the 12 Federal Reserve Bank Presidents. The President of the New York

Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

Federal Reserve System: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

Flexible non-negotiable CD: A time deposit with a specific maturity evidenced by a certificate. Treasurers are only allowed to purchase non-negotiable CDs from financial institutions qualified by the Washington Public Deposit Protection Commission. Step-up option will renew with each successive term if the certificate is automatic renewable. You may exercise the step-up option one time during the term, after the first six days. Additional deposits can be made (these additions may not exceed the original issue value) in \$500.00 or larger increments after the first six days. Withdrawals may be made in any portion or total of amount of certificate at any time after the first six days. Withdrawals are limited to X times per month.

Interest Rate Risk: The risk associated with fluctuations in market interest rates that cause a fixed-income security to increase or decrease in value.

Liquidity: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

Liquidity Risk: The risk that although an issuer may eventually make good on an obligation, cash may not be available for a period longer than an investor originally intended.

Local Government Investment Pool (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

Market Risk: The risk that affects the price of a security as a result of changes in market conditions.

Market Value: The price at which a security is trading and could presumably be purchased or sold by willing parties.

Master Repurchase Agreement: A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

Maturity: The date upon which the principal (and accrued interest) or stated value of an investment becomes due and payable.

Money Market: The market in which short-term debt instruments (bills, commercial paper, banker's acceptances, etc.) are issued and traded.

Net Asset Value (N.A.V.) per share: For purposes of the Clark County Pool, the N.A.V. per share is determined by valuing the portfolio at market value. The market value of the Portfolio's securities less associated liabilities (assets less liabilities) is then divided by the total number of shares outstanding. This method results in a fluctuating N.A.V that may be equal to, greater than or less than \$1.00.

Offer: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

Open Market Operations: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

Passive Investment Strategy: If the governing body does not wish to allocate resources or encourage the staff to seek optimizing adjustments, a buy-and-hold investment strategy would be utilized. This method may not optimize total return and could involve a sacrifice of yield.

Portfolio: Collection of securities held by an investor.

Primary Dealer: A pre-approved bank, broker/dealer or other financial institution that is able to make business deals with the U.S. Federal Reserve, such as underwriting new government debt. These dealers must meet certain liquidity and quality requirements as well as provide a valuable flow of information to the Fed about the state of the worldwide markets.

Prudent Investor Rule: An investment standard. In some states, the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state--the so-called legal list. In other states the trustee may invest in a security if it is one that would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

Public Deposit Protection Commission (PDPC): The PDPC consists of the State Treasurer, as Chairman, the Governor, and the Lieutenant Governor. The Commission is empowered to request a qualified public depository to furnish information on its public deposits and the exact status of its net worth. The Commission is further empowered to take any action deemed advisable for the protection of public funds and to establish procedures for collection or settlement of claims arising from loss.

Qualified Public Depositories: A financial institution that does not claim exemption from payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability, and which has been approved by the Public Deposit Protection Commission to hold public funds.

Rate of Return: The yield obtainable on a security based on its purchase price or its current

market price.

Repurchase Agreement (RP or Repo): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is used to increase bank reserves.

Relevant municipal corporations: Political subdivisions, junior taxing districts that are required to, or are eligible to, use the County Treasurer's investment and debt management services.

Safekeeping: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

Secondary Market: A market made for the purchase and sale of outstanding issues following the initial distribution.

Securities & Exchange Commission: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

State and Local Government Series Securities: These securities are offered by the U.S. Treasury through its Bureau of Public Debt to state and local government entities as an investment alternative to assist these issuers of tax-exempt securities in complying with yield restriction and arbitrage rebate provisions of the Internal Revenue Code.

Total Return: Measures the change in value of the overall portfolio over a given period (including market effects on price, income earned and adjustments for deposits/withdrawals). Total return enables portfolio managers to evaluate fluctuations in the value of principal rather than simply the income produced.

Treasury Bills: A discount security issued by the U.S. Treasury to finance national debt. Most bills are issued to mature in 4 weeks, three months, six months, or one year.

Treasury Bonds: An interest-bearing coupon security issued by the U.S. Treasury with initial maturities of more than ten years to finance the national debt.

Treasury Notes: An interest-bearing coupon security issued by the U.S. Treasury with initial maturities between one and ten years, to finance the national debt.

Weighted average: A proportional average in which each item's value compared to the total of all items is to be averaged is assigned a weight. These weightings determine the relative importance of each quantity on the average. Weightings are the equivalent of having many like items with the same value involved in the average. For example if an investor purchases one hundred (100) shares at a cost of one dollar and fifty cents (\$1.50) per share and twenty five (25) shares at a cost of two dollars per share, the weighted average cost of these one hundred twenty

five (125) shares is one dollar and sixty cents (\$1.60).

Yield: The earnings returned annually divided by the purchase price on an investment, expressed as an annual percentage.