

SECTION 9

INVESTMENT POLICY

- 9.1 Purpose
- 9.2 Scope
- 9.3 Objective
- 9.4 Delegation of Authority
- 9.5 Ethics and Conflicts of Interest
- 9.6 Authorized Financial Institutions
- 9.7 Authorized Investments and Collateralization Requirements
- 9.8 Safekeeping and Custody
- 9.9 Investment Policy Adoption

NAVAJO COUNTY FISCAL POLICY MANUAL

9.1 PURPOSE

It is the policy of Navajo County to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all federal and state statutes governing the investment of public funds.

9.2 SCOPE

This investment policy applies to all financial assets of Navajo County under the authority and control of the Navajo County Treasurer. These funds are accounted for in Navajo County's Annual Financial Report

Investments shall be made with judgment and care, under circumstances existing at the time the investment is made, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "prudent person rule" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments

9.3 OBJECTIVES

The primary objectives, in priority order, of Navajo County's investment activities shall be:

- A. Safety – Safety of principal is the foremost objective of the investment program. Investments of Navajo County shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Acceptable levels of risk are as follows:
 1. Credit Risk – The County limits its portfolio to investments with the top rating issued by nationally recognized statistical rating organizations.
 2. Custodial Credit Risk – County securities that are held in custody of safekeeping account must be held under the name of Navajo County or Navajo County Treasurer.
 3. Concentration Risk – The County will diversify the investment portfolio by limiting investments to avoid over-concentration in securities from a specific issues, excluding obligations issued or guaranteed by the United States of any of the senior debt of its agencies or sponsored agencies.

NAVAJO COUNTY FISCAL POLICY MANUAL

4. Interest Rate Risk – The County will purchase a combination of short, medium, and long term investments such that maturities occur evenly over time as necessary to provide the cash flow needed for operations.
- B. Liquidity – Navajo County’s investment portfolio will remain sufficiently liquid to enable Navajo County to meet all operating requirements that might be reasonably anticipated.
- C. Return on Investments – Navajo County’s investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the County’s investment risk constraints and the cash flow characteristics of its portfolio.

9.4 DELGATION OF AUTHORITY

Authority to manage Navajo County’s investments is granted to the Treasurer and derived from Arizona Revised Statute §11-491 regarding investments.

9.5 ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from conducting personal business activity that could conflict with proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

9.6 AUTHORIZED FINANCIAL INSTITUTIONS

No Navajo County deposit shall be made except in a qualified public depository as established by state laws.

9.7 AUTHORIZED INVESTMENTS AND COLLATERALIZATION REQUIREMENTS

Eligible investments and collateralization requirements are set forth in Arizona Revised Statutes §35-323.

9.8 SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by Navajo County shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

9.9 INVESTMENT POLICY ADOPTION

Navajo County’s investment policy and any modifications thereto shall be approved by the Navajo County Board of Supervisors.