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AMENDED AND RESTATED CASH AND INVESTMENTS POLICY

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I. Authority

Authority to manage the investment program is granted to the Finance Director of the Development Authority of Fulton County (the “Authority”) or his/her designee, referred to as the Investment Officer in this Policy. (Note: The Executive Director may serve as Investment Officer when the position of Finance Director is vacant or does not yet exist.) Responsibility for the operation of the investment program is hereby delegated to the Investment Officer, who shall act in accordance with the established written procedures and internal controls for the operation of the investment program consistent with the adopted Policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Investment Officer. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

II. Purpose

The objective of this Policy is to maximize interest earnings within an environment that strongly emphasizes legal compliance and safety while providing cash flow liquidity to meet the Authority’s financial obligations.

A. Scope

This Policy applies to all cash and investments, both short-term and long-term, which are managed by the Investment Officer.

B. Pooled/Cash Investment Management

Except for cash in certain restricted and specialized funds, the Authority will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based upon their respective participation and in accordance with generally accepted accounting principles (GAAP).

III. Policy

A. Objectives of Investment Activities

The primary objectives of investment activities shall be as follows:

1. Safety of principal

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

- a. *Credit risk.* The Authority will minimize credit risk, that is the risk of loss due to the failure of the security issuer or backer, by:
 - Limiting investments to the safest types of securities (primarily obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government or their agencies).
 - Requiring a credit rating of “A3” or better from Moody’s and “A-” from Standard & Poor’s.
 - Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisers with which the Authority will do business.

- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
- b. *Custodial risk.* Custodial risk, that is the risk associated with uninsured deposits, uninsured securities, or securities not registered in the Authority's name, shall be minimized by:
- Dedicated method of collateralization in alignment with State of Georgia legislation that is (i) equal to 110% of the portion of deposits not covered by FDIC or FSLIC insurance held in the Authority's name; or (ii) in accordance with the pooled method of collateralization also known as the Georgia Secure Deposit Program (see Section D, subsection 2: Collateralization).
 - In the case of the dedicated method of collateralization, securities shall be held in the Authority's name.
- c. *Interest rate risk.* The Authority will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by:
- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
 - Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.
- d. *Concentration risk.* The risk associated with a high concentration of government funds which are not diversified shall be reduced by:
- Limiting investments with any one issuer to less than 5% of the investment portfolio.
 - Investments explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This liquidity is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in instruments offering same-day liquidity for short-term funds.

3. Yield

The investment 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 liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core portion of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities should not be sold prior to maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal or to reduce any eminent risk as identified under Section A, subsection 1: Safety of Principal.
- A security swap which improves the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

B. Standards of Care

1. Prudence

The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officer(s) acting in accordance with written procedures and this Policy and exercising due diligence shall be relieved of personal responsibility of an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this Policy.

Investments shall be made with judgment and care, under circumstances then prevailing, 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 income likely to be derived.

2. Ethics and conflicts of interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Investment officials, the Authority’s employees and the Authority’s board members shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Investment officials, the Authority’s employees and the Authority’s board members shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Authority.

C. Safekeeping and Custody

1. Authorized financial dealers and institutions

A list will be maintained of financial institutions authorized to provide investment services that the Authority is actually utilizing. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness (e.g. a minimum capital requirement of \$10,000,000 and at least five (5) years of operation) that the Authority is actually utilizing. These may include “primary” dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

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

- Audited financial statements.
- Proof of National Association of Securities Dealers (NASD) certification.
- Proof of state registration.
- Certification of having read and understood and agreeing to comply with the Authority’s Policy.

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers that the Authority is actually utilizing will be conducted by the Investment Officer.

2. Internal controls

The Investment Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable

assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the Investment Officer shall establish a process for an annual independent review by an external auditor to assure compliance with regulatory policies and procedures including GAAP standards. The Executive Director or his/her designee shall provide the findings of the annual independent review to the Authority's Board upon completion of the report.

3. Delivery versus payment

All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by a third-party custodian in the Authority's name, as evidenced by safekeeping receipts.

D. Investment Types

1. Investment Types

Investments (other than bond proceeds) shall be made in instruments permitted by the State of Georgia for local governments, regulated under Georgia Code, O.C.G.A. Sec. 36-83-4. Such instruments include:

- Obligations issued by the U.S. government,
- Obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States,
- Obligations of any corporation of the U.S. government,
- Prime bankers' acceptances,
- The Georgia local government investment pool (i.e. Georgia Fund I),
- Repurchase agreements,
- Obligations of other political subdivisions of the state, and
- Obligations of this state or of other states.

In accordance with and as outlined in more detail in O.C.G.A. Sec. 36-82-7, investments made with unexpended bond proceeds shall be limited to:

- Bonds or obligations of the governmental entities and/or political subdivisions of the state,
- Bonds or obligations of the U.S. government which are fully guaranteed,
- Obligations of agencies of the U.S. government, bonds, or other obligations of public housing agencies or municipal corporations in the United States,
- Certificates of deposit of national or state banks insured by the Federal Deposit Insurance Corporation,
- Certificates of deposit of Federal Saving and Loan Associations,
- The Georgia local government investment pool (Georgia Fund I), and
- Obligations of this state or other states.

(Note: There is no intent to restrict the ability of the Authority to hold funds in deposit accounts with eligible depository institutions.)

2. Collateralization

The Authority shall require (i) pledges of collateral from depository institutions covering at least 110% of the cash/investment; or (ii) pledges of collateral from depository institutions in accordance with the Georgia Secure Deposit Program. This requirement is in accordance with O.C.G.A. Secs 36-83-5, 45-8-12, 50-17-59, 45-8-13 and

45-8-13.1. Deposit-type securities (i.e. certificates of deposit) shall be collateralized (i) at 110% of the face value; or (ii) in accordance with the Georgia Secure Deposit Program.

Other investments shall be collateralized by the actual security held in safekeeping by the primary agent designated as the third-party safekeeping agent.

3. Repurchase agreements/derivatives

Repurchase agreements shall be consistent with Government Finance Officers Association (GFOA) Recommended Practices on Repurchase Agreements. Investments in derivatives of the above instruments shall require authorization by the Authority's Board and be consistent with GFOA Recommended Practices on the "Use of Derivatives by State and Local Governments."

E. Using Georgia Fund I

The Authority will utilize the State of Georgia local government investment pool (i.e. Georgia Fund I) anytime this investment tool is deemed to be in the best interest of the Authority. Criteria used to determine the use of this investment pool will be the same as any other investment purchase.

F. Investment Parameters

1. Diversification

The investments shall be diversified by:

- Limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
- Limiting investment in securities that have higher credit risks,
- Investing in securities with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as the Georgia Fund I or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

2. Maximum maturities

To the extent possible, the Authority shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Authority will not directly invest in securities maturing more than five (5) years from the date of purchase. The Authority shall adopt weighted average maturity limitations ranging from 90 days to 5 years, consistent with the investment objectives.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the Authority's Board.

3. Investment authorization for expedited matters

Notwithstanding anything to the contrary contained herein and in furtherance of the purpose and objectives of this Policy, the Authority acknowledges that certain investment decisions may need to be made on an expedited basis in order to most effectively maximize interest earnings and address liquidity needs of the Authority. The Authority hereby authorizes the Executive Director to work in consultation with the Treasurer and the Authority's accountants to make investment decisions in between regular meetings held by the Authority's Board; provided,

however, the Treasurer or his or her designee shall provide an oral report at the next regular meeting held by the Authority's Board that includes the specific investment decision(s) and the justification for making the investment decision(s) on an expedited basis.

G. Reporting

1. Methods

The Executive Director or his or her designee shall provide a report on the Authority's investment portfolio to the Authority's Board at a minimum of once per quarter. Information provided will include a summary that provides an analysis of the status of the current investment portfolio and transactions made over the quarter. This management summary will be prepared in a manner which demonstrates that investment activities during the reporting period have conformed to the Policy. At a minimum, the report will include the following:

- Listing of individual securities held at the end of the reporting period with maturity dates,
- Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year in duration that are not intended to be held until maturity,
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks, and
- Percentage of the total portfolio which each type of investment represents.

2. Performance standards

The investment portfolio will be managed in accordance with the parameters specified within this Policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates.

3. Marking to market

The market value of the investment portfolio shall be calculated at least monthly and a statement of the market value of the portfolio shall be issued at least monthly.

Governmental Accounting Standards Board References:

- Statement No. 3, Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements
- Statement No. 28, Accounting and Financial Reporting for Securities Lending Transactions
- Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools
- Statement No. 40, Deposit and Investment Risk Disclosures