

**RESOLUTION R-2018-145  
LUZERNE COUNTY COUNCIL**

*A Resolution by the Luzerne County Council Approving a Policy Regarding Investments of  
Luzerne County Funds*

WHEREAS, Luzerne County has, from time to time, funds of such amount as to warrant short term investment to provide a revenue source for the County and increase the general fund; and

WHEREAS, Luzerne County in exercising its fiduciary responsibilities desires to safeguard the funds of the county as well as maximize returns on held funds; and

WHEREAS, Good and prudent government practices require procedures and controls for the investment of such funds as may become available from time to time for investment.

NOW, THEREFORE, BE IT RESOLVED, County Council for the County of Luzerne hereby adopts and approves the Investment Policy as attached in Exhibit A and that said Investment Policy shall continue to have effect until expressly rescinded or modified.

BE IT FURTHER RESOLVED, County Council for the County of Luzerne hereby authorizes the County Manager to invest any monies he designates as in the best interest of Luzerne County as allowed by the attached Investment Policy.

This Resolution shall become effective six days after adoption.

ADOPTED at a meeting of the Luzerne County Council held November 13, 2018.

ROLL CALL VOTE (11-0)

YES: Brominski, Haas, Houck, Kelleher, McGinley, Perry, Saidman, Schnee, SA Urban, Vough and Waitkus

LUZERNE COUNTY COUNCIL

By: Tim McGinley  
Tim McGinley, Chair

Attest: Sharon Lawrence  
Sharon Lawrence, Clerk of Council

LUZERNE COUNTY MANAGER

By: C. David Pedri  
C. David Pedri, Esq., County Manager

**COUNTY OF LUZERNE**

**Investment Policy**

# COUNTY OF LUZERNE

## Investment Policy

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### 1.0 Scope of the Policy

It is the policy of Luzerne County (“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 County and conforming to all of the Commonwealth of Pennsylvania Statutes as well as local statutes governing the investment of public funds.

This Investment Policy (“Policy”) applies to all funds under the jurisdiction of the County.

### 2.0 Objectives

Preservation of Luzerne County Funds, as well as, availability of the funds when needed are goals of the Investment Program. The program provides for a market rate of return to be earned without assuming undue risk to principal.

The primary objectives, in priority order, of Luzerne County’s Investment activities shall be:

- A. **Safety:** Safety of principal is the foremost objective of the investment program. Investments by the County shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
- B. **Liquidity:** The Luzerne County investment portfolio will remain sufficiently liquid to enable Luzerne County to meet all operating requirements which might be reasonably anticipated.
- C. **Return on Investments:** The Luzerne County investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the County’s investment risk constraints and the cash flow characteristics of the portfolio.

### 3.0 Prudence

Investments shall be made with judgment and care under circumstances then prevailing. They shall be invested with care, skill, prudence, and diligence under prevailing circumstances, including but not limited to general economic conditions and anticipated needs of Luzerne County, 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 “**prudent person**” and/or “**prudent investor**” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with this policy and written procedures who exercise due

diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, with the provision that any deviation from expectation is acknowledged and action is taken to control adverse developments.

#### **4.0 Investment Procedures**

The County shall establish written investment policies and procedures for the operation of the investment program consistent with this policy. The procedures should include reference to: safekeeping, PSA Mater Repurchase Agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the County.

#### **5.0 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 could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the County any material financial interest in financial services providers that currently, or are being considered to, conduct business with the County.

#### **6.0 Authorized Financial Dealers and Institutions**

The County Manager and/or committee will have the sole responsibility to select which financial institutions will be depositories for the County. The County Manager and/or committee will take into consideration security, size, locations, financial condition, service, fees, competitiveness, and community relations involvement when choosing depositories.

#### **7.0 Authorized Investments**

Luzerne County is empowered by statute to invest in the following types of Securities as summarized and restricted below:

##### **A. U.S. Treasury Obligations:**

United States Treasury bills, notes, bonds or any obligation or other security issued by the United States Treasury or other obligation backed by the full faith and credit of the United States.

##### **B. U.S. Federal Agencies:**

Any bond, note or other security issued by any federal government agency or instrumentality. These federal agency securities shall be direct issuances of the federal government agencies or instrumentalities.

##### **C. Repurchase Agreements:**

Repurchase agreements must be fully collateralized and meet the following requirements.

1. Include a definite termination date.
2. Be secured by a U.S. Treasury Obligation or United States Government Agency with maturities up to 30 years.
3. Meet the requirements for perfected security interest under applicable law.
4. Be established with a primary government securities dealer as defined by regulations of the Federal Reserve Bank of New York, or a depository institution doing business in the Commonwealth of Pennsylvania.

These tri-party Repurchase Agreements require the securities being pledged to the County to be held in the name of the County and to be deposited simultaneously with a third party chosen and approved by the County.

1. The market value of the securities subject to a Repurchase Agreement each day must exceed the principal value plus accrued interest of the Repurchase Agreement by at least 2%.
2. Securities must be marked to market daily and appropriate collateral adjustment made.

**D. Deposits:**

Savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions having their principle place of business in the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Company, National Credit Union Share Insurance Fund, the Pennsylvania Deposit Insurance Corporation or the Pennsylvania Savings Association Insurance Corporation to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

**E. Obligations of the Commonwealth of Pennsylvania:**

This includes any of the Commonwealth of Pennsylvania Obligations or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth or the full faith and credit of its political subdivisions.

**F. Shares of Investment Company:**

The Company must be registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in the authorized investments for county funds listed in clauses (A) through (E) and the fund is managed to a \$1.00 NAV, is AAA rated by

Moody's Investor Service or Standard & Poors Corp. and is in compliance with section 2A-7 of the SEC rules.

**G. Certificates of Deposit Inside the Commonwealth of Pennsylvania:**

Certificates of Deposit purchased from institutions having their principal place of business in the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or the Pennsylvania Deposit Insurance Corporation or the Pennsylvania Savings Association Insurance Corporation to the extent that such accounts are so insured. However, for any amounts above the insured maximum, such certificated of deposit shall be collateralized by a pledge or assignment of assets of the institution, and such collateral may include loans (including interest in pools of loans) secured by first mortgage liens on real property. Certificates of deposit purchased from commercial banks shall be limited to an amount equal to 20% of a bank's total capital and surplus. Certificates of deposit purchased from saving and loan associations or savings banks shall be limited to an amount equal to 20% of an institution's assets minus liabilities.

**H. Certificates of Deposit Outside the Commonwealth of Pennsylvania:**

Certificates of Deposit purchased from institutions having their principal place of business outside the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, and, to the extent that such accounts are so insured, for any amounts above the insured maximum provided that approved collateral as provided by law therefore shall be pledged by the depository. Certificates of deposit purchased from commercial banks shall be limited to an amount equal to twenty percent (20%) of a bank's total capital and surplus. Certificates of deposit purchased from savings and loan associates or savings banks shall be limited to an amount equal to twenty percent (20%) of an institutions assets minus liabilities.

**I. Commercial Paper:**

Commercial Paper issued by corporations, public utility, or depositories organized and operating in the United States with a short term credit rating of "A-1, P-1" or its equivalent or better. Maturities of commercial paper must not exceed 270 days. Commercial Paper must be purchased from a registered broker/dealer.

**J. Pennsylvania Local Government Investment Trust (PLGIT):**

Shares in PLGIT which is a financial service organization created by, and run by, local government officials, exclusively for Pennsylvania's municipalities, authorities, schools and other local regional government type entities can be purchased. The trust fully complies with all Commonwealth of Pennsylvania statues and regulations for the allowable investment of public funds.

**K. Invest:**

A government pool established by the State Treasurer exclusively for Pennsylvania municipalities. The Trust full complies with all Commonwealth of Pennsylvania statutes and regulations for the allowable investment of public funds.

**L. Bankers' Acceptances:**

Commercial banks issue these short-term instruments, generally from 1 to 180 days to facilitate commercial trades. Issued at a discount, pays face value at maturity. Generally, higher yielding than government securities, though slightly less than commercial paper.

**M. Negotiable Certificates of Deposit**

Issued by a nationally or state-chartered bank, a federal or state savings and loan association or a state-licensed branch of a foreign bank, generally maturities are within 7 days and 5 years (3 year maximum maturity in Act 10. Pays face value and interest at maturity or sold at a discount. Generally, higher yielding than government securities.

**N. Any investments permitted under the Commonwealth of Pennsylvania for third class Counties**

**8.0 Collateralization**

Collateralization will be required on certain types of investments: certificates of deposit, savings accounts, time deposits, checking with interest and repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be at least 102% of the market value of principal and accrued interest.

**9.0 Safekeeping and Custody**

All security transactions, including collateral for repurchase agreements, entered into by Luzerne County shall be conducted at a minimum within the confines of Act 72. Direct security transactions, including collateral for repurchase agreements, entered into by Luzerne County shall be conducted on a delivery-versus-payment basis. The Treasurer, or a third party custodian/agent acceptable to the Treasurer, shall hold such securities in physical form, or in book-entry form in the name of Luzerne County. All security transactions shall be evidenced by a written confirmation delivered by the counterparty to the County.

**10.0 Diversification**

The purpose of diversification is to reduce the overall risk within the Investment portfolio while attaining average market/benchmark rates of return. Luzerne County shall diversify its

investments by security type/issuer and institution. Diversification will prevent over concentration in an entity. With the exception of U.S. Treasury Securities, no more than 65% of Luzerne County's total investment portfolio will be invested in a single financial institution or security type.

### **11.0 Maximum Maturities**

To the extent possible, the County will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the County will not directly invest in securities maturing more than 3 years from the date of purchase. However, the County may collateralize its repurchase agreements using longer-dated investments not to exceed 5 years to maturity.

### **12.0 Performance Standards**

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with investment risk constraints and the cash flow needs.

- A. Market Yield (Benchmark): The entity's primary investment strategy shall be passive with securities being held to maturity. Under certain circumstances; however, active management may be utilized to enhance portfolio risk structure, liquidity or yield in response to certain requirements.

The County will adopt an appropriate benchmark that approximates the composition and weighted-average maturity of the County's portfolio. This basis will determine whether market yields are achieved.

### **13.0 Investment Policy Adoption**

The County's Investment Policy shall be adopted by the County. This policy shall be reviewed every two years at a minimum or as needed.

In the event any state or federal legislation or regulation should further restrict instruments or institutions authorized by this policy, such restrictions shall be deemed to be immediately incorporated in this policy.