

# Big Sky Resort Area Tax District Investment Policy Statement

April 18, 2023

## **1. PURPOSE OF INVESTMENT POLICY**

This policy establishes the investment policies, objectives, and parameters for The Big Sky Resort Area Tax District (The District) and its Operating Funds. It also defines the duties and fiduciary responsibilities of the various parties involved in the management and oversight of these funds.

## **2. INVESTMENT OBJECTIVE**

The objective of invested and cash funds are primarily for The District to:

1. Protect the principal value of tax receipts received,
2. Generate income from investments to sustain the real spending power of accrued tax receipts, and
3. Provide The District additional investment returns to offset the costs of its operations.

## **3. POLICY**

The District retains earnings from the investment of its funds. Income from investing these funds is expected to provide a portion of The District's annual operating budget. These assets are callable at any time to fund obligations of The District.

The investments of The District will be split between two investment pools: the **Operating Fund** and the **Investment Fund**. The relative weighting of these two approaches shall be determined by the staff of The District in consultation with the Board on an ongoing basis.

### **Operating Fund**

#### **Purpose and Asset Allocation**

The Operating Fund exists to generate income to help meet the funding requirements of The District and to provide supplemental sources of liquidity to those held in deposit accounts such as checking and savings. The assets in this portfolio are to be invested conservatively in instruments maturing in 12 months or less. A minimum of 40% with a target of 50% and a maximum of 60% of The District's liquid cash reserve assets are to be held in this fund at any point in time, excluding extraordinary circumstances or planned spending obligations for which a higher allocation may be prudent.

#### **Objectives and Guidelines**

The Operating Fund shall be managed by staff of The District, which may choose to engage a third party advisor for recommendations, ongoing oversight, or discretionary management within the parameters of this policy.

The following investment restrictions apply:

- All investments must be readily marketable and have daily liquid markets OR be backed by FDIC-insurance.
- All investments must have maturities of 12 months or less
- There shall be no investments in foreign-denominated securities
- Repurchase agreements must be 100% collateralized by U.S. Government Securities

### **Allowable Investments**

- FDIC-insured banking deposits
- Certificates of Deposit (CD's)
- U.S. Government Treasury Bills
- Commercial Paper rated AA or greater by a major ratings agency
- Commingled investment vehicles such as mutual funds and exchange traded funds whose underlying holdings are substantially consistent with these guidelines

The benchmark used in assessing the performance of the Operating Fund shall be the 3-month U.S. T-Bill

## **Investment Fund**

### **Purpose and Asset Allocation**

The Short-Term Fund exists to generate income and investment returns in excess of those achievable in cash investments and fixed income instruments utilized by the Operating Fund of The District. It is expected that the Short-Term Fund will engage in an investment approach assuming marginally greater duration and credit exposure than Short-Term assets. Income and returns from this Fund may be used by The District to fund its operating expenses and to boost cash and Operating Fund reserves with its earnings.

A minimum of 40% with a target of 50% and a maximum of 60% of The District's liquid cash reserve assets may be held in this Fund, excluding extraordinary circumstances or planned spending obligations for which a higher allocation may be prudent. A maximum of 10% of the Short-Term Fund may be held in cash at any point in time.

### **Objectives and Guidelines**

The Short-Term Fund shall be managed by a third-party advisor/manager (Advisor) selected by The District's Board of Directors in consultation with staff. The Advisor(s) shall acknowledge their fiduciary duty and receipt of this Policy prior to initiating management of assets.

### **Return Objectives**

The fixed income assets in the portfolio shall be managed with the objective of generating a net-of-fee return in excess of the benchmark. The benchmark used in measuring the Fund's performance shall be the ICE/BAML 1-3 Year U.S. Treasury Index.

### **Risk Tolerance**

The portfolio is expected to be managed in a prudent manner with regard to capital preservation while pursuing returns in excess of the benchmark, meeting liquidity needs and providing a steady flow of interest/income to assist in meeting the budgetary needs of The District.

## Fixed Income Guidelines and Constraints

- 1) Maintain an average credit quality rating of A/A2 as rated by either Standard and Poor's or Moody's Investors service respectively.
- 2) The portfolio shall maintain an overall duration of no greater than 2.5 years
- 3) Permitted Securities:
  - Fixed Income instruments of the U.S. Government, including T-bills, Treasury Bonds, and securities guaranteed by Government Agencies
  - Corporate bonds
  - Mortgage-backed securities
  - Asset-backed securities
  - Bank loans
  - Utility bonds
  - Commingled funds such as mutual funds and exchange-traded funds whose underlying holdings are substantially consistent with these guidelines
- 4) Diversification guidelines at time of purchase:  
Except for U.S. Government or Agency securities, no more than 10% of the Fund's value shall be held in securities of any single issuing entity
- 5) Liquidity:  
The Fund shall maintain sufficient liquidity that it may be reasonably converted to cash in 5 days in most market environments

## **4. ROLES AND RESPONSIBILITY**

### **Board of Directors**

The Board of Directors is the preeminent fiduciary for the Funds and is ultimately responsible for guidance in the investment of the Funds through the drafting, amendment, and approval of Investment Policies herein. The Board may delegate authority to fulfill the objectives defined in these Policies to an investment committee, staff, or other body as appropriate. The Board or its designee is responsible for monitoring the allocation of assets between various Funds, compliance with stated policies, and investment performance with respect to the stated objectives in this Policy. The Board or its designee may also grant exceptions to this policy from time-to-time as needed.

### **Management and Staff**

In management of The District's assets, Management will:

- Act as general administrator of the Funds and serve as the primary point of contact for Investment Advisor(s) and other parties as necessary
- Communicate and consult with the Board or its designee on matters related to the Funds
- Receive, review, and retain investment reports provided by custodians and/or Investment Advisor(s)
- Provide updates on performance of the Funds to the Board

- Implement investment decisions approved by or delegated by the Board

### **Investment Advisor**

As requested, the Investment Advisor(s) may assist the staff in certain aspects of overseeing, managing, and reporting on the Funds. Additionally, and as stipulated by the policies of each Fund, the Advisor(s) will also:

- Invest assets under their management within the guidelines of this Policy and consistent with the mandate and objectives described at the time of investment
- Seek best execution of trades in The District's accounts
- Consult periodically in reviews of this Investment Policy
- Provide written documentation of portfolio activity, portfolio valuations, performance data, and portfolio allocation no less than quarterly and as requested by the Board and Management
- Provide qualitative updates to the Board and/or Management related to changes in the Advisor's practice or firm as it may affect The District
- Communicate major changes in outlook related to markets potentially impacting The District's investment assets

### **5. Adoption and Amendment**

Adopted on this 3<sup>rd</sup> day of May, 2023



Executive Director, Big Sky Resort Area Tax District



Treasurer of the Board, Big Sky Resort Area Tax District