

**STATEMENT OF INVESTMENT POLICY**

ADOPTED ON 22 SEPTEMBER 2015 BY THE

CITY OF GRANDVIEW BOARD OF ALDERMEN

**I. CITY'S INVESTMENT PORTFOLIO COMPOSITION & MANAGEMENT GOALS**

The objective in managing the City's investment portfolio shall be to meet the following goals:

- A. **Safety** – The portfolio shall be comprised of cash equivalents, money market instruments, and fixed income of the highest credit quality. Functionally, this narrows allowable investments to those issued by the US Government or backed by a government sponsored enterprise (ie: US Agencies). Credit quality will not be compromised.
- B. **Liquidity** – The portfolio will be constructed to provide ready cash at regular intervals. Furthermore, it will consider known and reasonably anticipated operating cash requirements. Since all cash needs cannot be perfectly known in advance, all securities must have a ready after-market which will facilitate a timely and orderly conversion to cash.
- C. **Income** – The portfolio will, as a tertiary concern, maximize yield and seek consistent income commensurate with similar market indices. At no time will safety or liquidity be compromised for income.

**II. DUTIES**

Under authority of Section 2-30 of the Code of the City of Grandview, the Director of Finance is authorized to receive, have custody of, and disburse all City funds; and is designated as the investment officer of the City. Management responsibility for the investment program is hereby delegated to the Director of Finance who shall establish procedures for the operation of the investment program consistent with this policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Director of Finance. At the discretion of the Director of Finance, designated members of the Finance Department staff may assist with various investment activities. In no way is any provision of this policy intended to be in conflict with Section 30.270 of the Missouri Revised Statutes.

**A. Board of Alderman / Director of Finance**

- 1. Oversight of Investments. The Board is ultimately responsible for managing the COG's investment portfolio. On a day-to-day basis,

however, the Director of Finance oversees this process. To carry out this responsibility, the Board shall:

- (a) Review and revise this Statement of Investment Policy ("Policy") as necessary.
  - (b) Annually review the performance of the Investment Advisor with respect to the COG's investments.
2. Investment Committee. The Board is authorized to create an Investment Committee to meet primary investment responsibility. Until such Investment Committee is created, the Director of Finance shall oversee COG's Investment Advisor and is responsible for carrying out investment policies and procedures within the requirements and criteria established by this Policy.

**B. Investment Advisor**

1. Following a Request for Proposal (RFP) process, the Investment Advisor will be selected by the Board upon recommendation of Director of Finance.
2. The Board, by adoption of this Policy, requires the Investment Advisor to work in conjunction with the Director of Finance. No person may engage in an investment transaction except as provided under the terms of this Policy. The Investment Advisor shall have a system of controls in place to regulate the activities of its employees. Any reference to the Investment Advisor in this policy shall apply to all employees of the Investment Advisor who act under the authority of the Investment Advisor with respect to the COG's investment portfolio.
3. The Investment Advisor is responsible for maintaining a "dual" internal control structure. This duality is designed to ensure that the assets of the COG are protected from loss, theft or misuse, and must provide reasonable assurance that such objectives are met. The internal controls shall address the following points:
  - (a) Separation of transaction authority from accounting and record keeping;
  - (b) Clear delegation of authority to subordinate staff members;
  - (c) Written confirmation of transactions for investments and wire transfers; and
4. The Investment Advisor shall also be expected to:

- (a) Purchase and sell investments by Director of Finance's approval, within the framework of this Policy and other guidelines set by the Board.
- (b) Inform the Director of Finance of all investment transactions.
- (c) Meet with the Director of Finance on an annual basis or more often as needed to report on current portfolio status, performance, current investment policy and future prospects.
- (d) Quarterly review the COG's Investment Policy and other investment guidelines, and recommends any changes to the Director of Finance for consideration.
- (e) Provide the Director of Finance with such reports at such frequencies as may be required.
- (f) Advise the Director of Finance promptly of any event likely to adversely impact, to a significant degree, the management, professionalism, integrity, or financial position of the Investment Advisor, including but not limited to the following events:
  - (1) A loss of one or more key people;
  - (2) A significant change in investment philosophy;
  - (3) The appointment of a new portfolio manager(s) to the COG's account; or
  - (4) A change in ownership or control (whether through acquisition, disposition, spin-off, merger, consolidation, or otherwise) of the Investment Advisor.

### III. REVIEW OF INVESTMENT ADVISOR

The Director of Finance shall review the Investment Advisor's results on an ongoing basis to determine whether the Investment Advisor should be retained or replaced.

Criteria to be used by the Director of Finance for the retention or replacement of a Investment Advisor shall include: length and type of experience; historical long-term results for investments comparable to the authorized investment; investment style and suitability for COG's portfolio; and the ability of the Director of Finance to establish and maintain a satisfactory working relationship with the Investment Advisor.

### IV. ALLOWABLE INVESTMENTS, PERCENTAGES & MATURITY LIMITS

- A. **Investment Types.** The following investments are deemed eligible for the City's investment portfolio:

1. United States Treasury Securities - 100% maximum percentage allowance. The City of Grandview may invest in obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal and interest.
2. Repurchase Agreements - 100% maximum percentage allowance. The purchaser in a repurchase agreement (repo) enters into a contractual agreement to purchase Treasury and governmental agency securities while simultaneously agreeing to resell the securities at predetermined dates and prices.
3. United States Government Agency Securities - 100% maximum percentage allowance (including but not limited to):
  - 1) Federal Farm Credit Banks (FFCB)
  - 2) Federal Home Loan Banks (FHLB)
  - 3) Federal Home Loan Mortgage Corporation (FHLMC)
  - 4) Federal National Mortgage Association (FNMA)
  - 5) Small Business Administration (SBA)
  - 6) Farmers Home Administration (FMHA)
  - 7) Government National Mortgage Association (GNMA)
4. Mortgage-Backed Securities - 25% maximum percentage allowance (including but not limited to):
  - 1) Mortgage Backed pass-through securities issued by GNMA, FNMA, or FHLMC
  - 2) Collateralized Mortgage Obligations (CMOs) or Real Estate Mortgage Investment Conduit (REMIC) issued by GNMA, FNMA, or FHLMC
5. Certificates of Deposit which are federally insured so long as the combined principal and interest due from each institutions do not exceed FDIC insurance (unless appropriately collateralized by pledge of securities as required by state law). No more than 75% of outstanding investments shall consist of certificates of deposit.

- B. **Maximum Maturities.** To the extent possible, the city will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in any securities maturing more than five (5) years from the date of purchase, unless circumstances warrant other consideration, as approved by the Board of Aldermen.

Debt Service Reserve funds and other funds with longer-term investment horizons (subject to any restrictions imposed by bond documents) may be invested in securities exceeding five (5) years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of funds.

Because of the inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds, such as Local Government Investment Pools (LGIP), money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing operations.

#### V. INVESTMENT RESTRICTIONS AND PROHIBITED TRANSACTIONS

To provide for the safety and liquidity of the City's funds, the investment portfolio will be subject to the following restrictions:

1. Borrowing for investment purposes is prohibited.
2. Instruments commonly considered a "derivative" is prohibited. Derivative securities are a financial instrument which has a value or return linked to another asset or index separate from the contract or obligation itself.
3. Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on trends in the market is prohibited.
4. Diversification limits as provided herein should be adhered to as investment type, maturity, and issuer.

#### VI. SAFEKEEPING AND CUSTODY

The City's lead bank (the bank that holds majority of the City deposits) shall hold all securities in safekeeping. The lead bank shall provide an accounting of all investment funds to the Director of Finance on a monthly basis.

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

- a.) Audited financial statements;
- b.) Proof of National Association of Securities Dealers (NASD) certification;
- c.) Proof of State registration; and
- d.) Certification of having read and understood and agreeing to comply with the City's investment policy.

#### VII. STANDARD OF CARE

- A. **Prudence.** The standard of care to be used by the Investment Advisor shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. 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 probable income to be derived.

- B. **Ethics and Conflicts of Interest.** All City of Grandview Board members and employees, the Investment Advisor, and any others involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the City's portfolio or that could impair their ability to make impartial decisions. They shall further disclose to the Board any personal financial or investment positions that could be related to the performance of the investment portfolio. Employees and officials shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the City of Grandview.
- C. **Delegation of Authority.** To manage the City's investment program is derived from the Missouri constitution Article IV, Section 15. Authority and responsibility for the investment program are hereby delegated to the Director of Finance who shall act in accordance with established procedures and internal controls for the operation of the investment program consistent with the investment policy. Procedures include references to safekeeping, delivery versus payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral or depository agreements. No person may engage in any investment transaction except as provided under the terms of this policy. The Director of Finance shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

## VIII. REPORTING

- A. **Methods.** The City's Finance Director shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report shall be provided to the Director of Finance. The report shall include the following:
1. Listing of individual securities held at the end of the reporting period.
  2. Realized and unrealized gains or losses.
  3. Listing of investment by maturity date.
  4. Percentage of the total portfolio which each type of investment represents.
- B. **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 minimally equivalent to the two years US Treasury note.
- C. **Marking to Market.** The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly.

**IX. POLICY CONSIDERATION**

**Exemption.** Any investment held on the effective date of this policy that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.