

CITY OF GRANITE FALLS

RESOLUTION 2015-05

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GRANITE FALLS, WASHINGTON,  
ADOPTING A POLICY FOR INVESTMENT OF CITY FUNDS.

WHEREAS, the City Council of the City of Granite Falls desires to have city funds invested in secure depositories and to realize maximize returns on these investments; and

WHEREAS, the City Council of the City of Granite Falls desires to develop an investment policy to guide the investment of city funds to meet these objectives; and

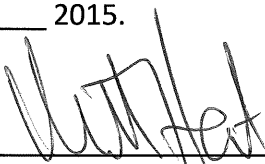
WHEREAS, an investment policy has been developed for the investment of city funds.

NOW, THEREFORE, be it resolved by the City Council of the City of Granite Falls, Washington as follows:


Section 1. Investment Policy Adopted. The policy for investment of city funds set forth in the document entitled "City of Granite Falls Investment Policy" which is attached hereto as Exhibit "A" and incorporated herein by this reference is hereby adopted as the official policy for investment of City Funds.

Section 2. Effective Date. This Resolution shall become effective immediately upon passage by the Granite Falls City Council.

Adopted this 4<sup>th</sup> day of November 2015.

  
\_\_\_\_\_  
MATTHEW HARTMAN, Mayor Pro Tem

ATTEST:

  
\_\_\_\_\_  
DARLA REESE, CMC, City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
THOM GRAAFSTRA, City Attorney

## EXHIBIT "A"

### CITY OF GRANITE FALLS

### INVESTMENT POLICY

#### **Purpose**

To establish the Official Investment Policy of the City of Granite Falls for future operations and guidance.

#### **Policy**

It is the policy of the City of Granite Falls to invest public funds in a manner consistent with the greatest safety and protection for the City's investments. This investing of funds will, while protecting the safety of the principal investment, produce the highest investment return for meeting cash flow requirements of the City and conform to all Washington State statutes, City ordinances and policies governing the investment of public funds.

All participants in the City's investment process shall act responsibly as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

#### **Scope**

This investment policy applies to the investment of available assets of all City funds under the direct management of the Investment Officer and Include:

- General Fund (Current Expense)
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Any new fund created unless specifically exempted

#### **Prudence**

The standard of prudence to be applied by the Investment Officer in managing the City's overall portfolio shall be the "Prudent Person Rule" which states:

"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."

Investment officers acting in accordance with the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

### **Objective**

The primary objectives, in priority order, of the city's investment activities shall be:

**Safety.** Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

**Liquidity.** The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

**Return on Investments.** The City's investments will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow characteristics.

### **Delegation of Authority**

The Mayor, or designee, will provide oversight responsibility for the investment program. The Mayor delegates management of the investment program to the City Treasurer who will act as the City's Investment Officer. The City Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

### **Ethics and Conflicts of Interest**

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

The investment officer shall disclose to the Mayor and City Council any material financial interest in financial institutions that conduct business with the City, and shall further disclose any large personal financial/investment positions that could be related to the performance of the City's portfolio, particularly with regard to the timing of purchases and sales.

### **Authorized Institutions**

Authorized financial institutions will be limited to those that meet one or more of the following:

- Financial institutions approved by the Washington Public Deposit Protection Commission; or
- Primary dealers recognized by the Federal Reserve Bank; or
- Non-primary dealers or institutions qualified under U.S. Securities and Exchange Commission Rule 15c3-1, the Uniform Net Capital Rule, and a certified member of the National Association of Securities Dealers.

The City Treasurer will ensure each financial institution meets the above criteria.

### **Authorized and Suitable Investments**

The City shall limit its investments to those allowed by RCW 35A.40.050, as it now exists or may hereafter be amended. In general, and by way of illustration only, and not by way of limitation, these investments include the following types of securities:

- U.S. Treasury securities maturing in less than five years;
- Short-term obligations of U. S. government agencies and instruments approved for investment purposes by the Investment Committee;
- Fully insured or collateralized certificates of deposit at commercial banks that are approved by the Washington Public Deposit Protection Commission (WPDPC) committee, such investments shall not include certificates of deposit of banks or bank branches not located in the state of Washington;
- Banker's Acceptances, purchased in the secondary market and having received the highest rating on the accepting bank's short-term obligations and the two (2) highest ratings on long-term debt by at least two (2) Nationally Recognized Statistical Ratings Organizations;
- Bonds or warrants of the State of Washington
- General obligation or utility revenue bonds of counties/cities located within Washington State; or
- The State of Washington Local Government Investment Pool (LGIP).

### **Collateralization**

The City chooses to limit collateral to the obligations of the United States Government and its agencies.

Collateral will be held by a third party with which the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.

The right of substitution is granted only upon approval of the entity.

### **Safekeeping and Custody**

All securities transactions entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a financial institution designated by the City Treasurer as primary agent to serve as a custodian acting on the City's behalf. The primary agent shall issue a safekeeping receipt to the City listing the specific instrument, rate, maturity, and all other pertinent information. All securities purchased by the City shall be properly designated as an asset of the City, and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the City Treasurer as authorized herein, or by the City Treasurer's designee.

### **Diversification**

The City will diversify its investments by security type and institution. The following schedule provides the maximum holdings in any one type of investment or with any one issuer.

<u>Type of Security</u>	<u>Maximum Holdings</u>
Certificates of Deposit	50% of Portfolio 10% per issuer 20% of Issuer's Net Worth
U.S. Treasury Notes, Bonds or Certificates	100% of Portfolio
U.S. Government Sponsored Corporations	100% of Portfolio
Bankers Acceptances	25% of Portfolio 10% per Issuer
State of Washington or Local Government Bonds	25% of Portfolio 10% per Issuer
State Investment Pool (LGIP)	100% of Portfolio

### **Maturities**

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements, holding investments to maturity whenever possible. The City will not invest in securities maturing more than five (5) years from the date of purchase.

### **Internal Control**

The Mayor, or designee, shall approve all proposed investments prior to the City Treasurer executing the investment transaction with the broker/dealer. The investment portfolio shall be reviewed quarterly.

### **Performance Standards**

The City's investment portfolio will be designed with the objective of attaining a rate of return commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

The City will use as investment yield benchmarks, the Federal Funds rate, the six-month U.S. Treasury bill rate, and the average rate of return from the LGIP as follows:

<u>Portfolio Component</u>	<u>Benchmark</u>
Certificates of Deposit	LGIP
LGIP	Federal Funds rate
Other securities	Six-Month Treasury Bill

**Reporting**

The City Treasurer shall prepare a quarterly report of investment activity and returns to be included with the Council Quarterly Financial Reports.

**Investment Policy Adoption**

The City of Granite Falls' investment policy shall be adopted by resolution of the City Council. Staff shall review the investment policy at least every two years and proposed changes will be submitted to the City Council.