

## RESOLUTION NO. 964

### A RESOLUTION ADOPTING THE CITY OF WEST BRANCH INVESTMENT POLICY

#### SECTION 1 – SCOPE OF INVESTMENT POLICY

The Investment Policy of the City of West Branch shall apply to all operating funds, bond proceeds and other funds and all investment transactions involving operating funds, bond proceeds and other funds accounted for in the financial statements of the City of West Branch. Each investment made pursuant to this Investment Policy must be authorized by applicable law and this written Investment Policy.

The investment of bond funds or sinking funds shall comply not only with this Investment Policy, but also be consistent with any applicable bond resolution.

This Investment Policy is intended to comply with Iowa Code Chapter 12B.

Upon passage and upon future amendment, if any, copies of this Investment Policy shall be delivered to all of the following:

1. The City Council of the City to which the Investment Policy appears.
2. All depository institutions or fiduciaries for public funds of the City.
3. The auditor engaged to audit any fund of the City.
4. Any fiduciary or third party assisting with or facilitating investment of the funds of the City.

#### SECTION 2 – DELEGATION OF AUTHORITY

In accordance with Section 12B.10(1), the responsibility for conducting investment transactions resides with the City Clerk of the City. Only the City Clerk and those authorized by resolution may invest public funds and a copy of any empowering resolution shall be attached to this Investment Policy.

All contracts or agreements with outside persons investing public funds, advising on the investment of public funds, directing the deposit or investment of public funds or acting in a fiduciary capacity for the City shall require the outside person to notify in writing the City Clerk within thirty days of receipt of all communication from the Auditor of the outside person or any regulatory authority of the existence of a material weakness in internal control structure of the outside person or regulatory orders or sanctions regarding the type of services being provided to the City by the outside person.

The records of investment transactions made by or on behalf of the City are public records and are the property of the City whether in the custody of the City Clerk or in the custody of a fiduciary or other third party.

The City Clerk shall establish a written system of internal controls and investment practices. The controls shall be designed to prevent losses of public funds, to document those officers and employees of the City responsible for elements of the investment management. The controls shall provide for receipt and review of the audited financial statement and related report on internal control structure of all outside persons performing any of the following for this public body:

1. Investing public funds.
2. Advising on the investment of public funds.
3. Directing the deposit or investment of public funds.
4. Acting in a fiduciary capacity for this public body.

A Bank Savings and Loan Association or Credit Union providing only depository services shall not be required to provide an audited financial statement and related report on internal control structure.

### SECTION 3 – OBJECTIVES OF INVESTMENT POLICY

The primary objectives, in order of priority, of all investment activities involving the financial assets of the City shall be the following:

1. Safety: Safety and preservation of principal in the overall portfolio is the foremost investment objective.
2. Liquidity: Maintaining the necessary liquidity to match expected liabilities is the second investment objective.
3. Return: Obtaining a reasonable return is the third investment objective.

### SECTION 4 – PRUDENCE

The City Clerk, when investing or depositing public funds, shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a person acting in a like capacity and familiar with such matters would use to attain the Section 3 investment objectives. This standard requires that when making investment decisions, the City Clerk shall consider the role the investment or deposit plays within the portfolio of assets of the City and the investment objectives stated in Section 3.

### SECTION 5 – INSTRUMENTS ELIGIBLE FOR INVESTMENT

Assets of the City may be invested in the following:

- A. Interest bearing savings accounts, interest bearing money market accounts and interest bearing checking accounts at any bank, savings and loan association or credit union in the State of Iowa. However, primary consideration will be given to any bank, savings and loan association or credit union with an operating office located within the City limit of West Branch. Each bank must be on the most recent Approved Bank List as distributed

by the Treasurer of the State of Iowa or as amended as necessary by notice inserted in the monthly mailing by the Rate Setting Committee. Each financial institution shall be properly declared as a depository by the governing body of the City. Deposits in any financial institution shall not exceed the maximum amount approved by the City Council of West Branch.

- B. Obligations of the United States government, its agencies and instrumentalities.
- C. Certificates of deposit and other evidences of deposit at federally insured Iowa depository institutions approved and secured pursuant to Chapter 12C.

All instruments eligible for investment are further qualified by all other provisions of this Investment Policy, including Section 7 investment maturity limitations and Section 8 diversification requirements.

#### SECTION 6 – PROHIBITED INVESTMENTS AND INVESTMENT PRACTICES

Assets of the City shall not be invested in the following:

- 1. Reverse repurchase agreements.
- 2. Futures and options contracts.

Assets of the City shall not be invested pursuant to the following investment practices:

- 1. Trading of securities for speculation or the realization of short-term trading gains.
- 2. Pursuant to a contract providing for the compensation of an agent or fiduciary based upon the performance of the invested assets.
- 3. If a fiduciary or other third party with custody of public investment transaction records of the City fails to produce requested records when requested by this public body within a reasonable time, the City shall make no new investment with or through the fiduciary or third party and shall not renew maturing investments with or through the fiduciary or third party.

#### SECTION 7 – INVESTMENT MATURITY LIMITATIONS

Operating Funds must be identified and distinguished from all other funds available for investment. Operating Funds are defined as those funds which are reasonably expected to be expended during a current budget year or within fifteen months of receipt.

All investments authorized in Section 5 are further subject to the following investment maturity limitations:

- 1. Operating Funds may only be invested in instruments authorized in Section 5 of this Investment Policy that mature within three hundred ninety-seven (397) days.
- 2. The City Clerk may invest funds of the City that are not identified as Operating Funds in investments with maturities longer than three hundred ninety-seven (397) days. However, all investments of the City shall have maturities that are consistent with the needs and use of the City.

## SECTION 8 – DIVERSIFICATION

Investments of the City are subject to the following diversification requirements:

Prime banker's acceptances:

1. At the times of purchase, no more than ten percent (10%) of the investment portfolio of the City shall be invested in prime bankers' acceptances, and
2. At the time of purchase, no more than five percent (5%) of the investment portfolio of the City shall be invested in the securities of a single issuer.

Commercial paper or other short-term corporate debt:

1. At the time of purchase, no more than ten percent (10%) of the investment portfolio of the City shall be in commercial paper or other short-term corporate debt,
2. At the time of purchase, no more than five (5%) of the investment portfolio of the City shall be invested in the securities of a single issuer, and
3. At the time of purchase, no more than five percent (5%) of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second-highest classification.

When possible, it is the policy of the City to diversify its investment portfolio. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. In establishing specific diversification strategies, the following general policies and constraints shall apply:

1. Portfolio maturities shall be staggered in a way that avoids undue concentration of assets in a specific maturity sector. Maturities shall be selected which provide stability of income and reasonable liquidity.
2. Liquidity practices to ensure the next disbursement date and payroll date are covered through maturing investments, marketable U.S. Treasury bills or cash on hand shall be used at all times.
3. Risks of market prices volatility shall be controlled through maturity diversification so that aggregate price losses in instruments with maturities approaching one year shall not be greater than coupon interest and investment income received from the balance of the portfolio.

## SECTION 9 – SAFEKEEPING AND CUSTODY

All invested assets of the City involving the use of a public funds custodial agreement, shall comply with all rules adopted pursuant to Section 12B.10C. All custodial agreements shall be in writing and shall contain a provision that all custodial services be provided in accordance with the laws of the State of Iowa.

SECTION 10 – ETHICS AND CONFLICT OF INTEREST

The City Clerk and all officers and employees of the City 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.

SECTION 11 – REPORTING

The City Clerk shall submit an annual investment report that summarizes recent market conditions and investment strategies employed since the last investment report. The investment report shall set out the current portfolio in terms of maturity, rates of return and other features and summarize all investment transactions that have occurred during the reporting period and compare the investment results with the budgetary expectations.

SECTION 12 – INVESTMENT POLICY REVIEW AND AMENDMENT

This Investment Policy shall be reviewed every two years or more frequently as appropriate. Notice of amendments to the Investment Policy shall be promptly given to all parties noted in Section 1.

PASSED AND APPROVED, this 19th day of December 2011.

  
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Don Kessler, Mayor

ATTEST:

  
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Matt Muckler, City Administrator/Clerk