

CITY OF CHARLOTTE

COUNCIL POLICY

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1. PURPOSE

The purpose of this policy is to establish criteria to guide administrators in investing surplus cash held by various funds so as to preserve the City’s financial assets, maximize investment returns and meet the organization’s daily cash flow needs.

2. AUTHORITY

This policy is adopted pursuant to the provisions of MCL 129.91 et seq.

3. BACKGROUND

At times the City holds cash in excess of its near-term needs. These funds are available for investing so as to generate additional income.

Public Act 20 of 1943 (MCL 129.91 et seq.) identifies the types of investments that the City may hold. It requires the City Council to adopt a resolution identifying its investment officer and authorizing the investment of surplus funds.

City Council last amended its investment policy in December 2000. Since that time, PA 20 has been amended to broaden the range of investments available to the City. This policy, then, contains specific authorization for investing in accordance with these amendments.

4. SCOPE

This investment policy applies to activities of the City related to investing the financial assets of all funds, including, but not limited to, the following:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Improvement Funds
- Enterprise Funds
- Internal Service Funds
- Trust and Agency Funds

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5. OBJECTIVES

Funds of the City will be invested in accordance with the provisions of Public Act 20 of 1943, as amended, so as to achieve the following objectives:

- **Safety.** Investments shall be made in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective of preservation of capital, speculation is prohibited. Further, to the extent feasible, investments will be made through institutions that have been evaluated in terms of their soundness as measured by accepted industry standards. When practical, investments shall be made within insured limits.
- **Liquidity.** The Investment Officer, working with the City Manager, shall ensure that funds are continuously available to meet immediate and near-term payment requirements for payroll, accounts payable and debt service. In addition, investments shall be made so as to avoid illiquid securities so as to meet unanticipated financial needs.
- **Yield.** The investment portfolio shall be designed to attain a market average rate of return throughout budgetary and economic cycles, taking into account investment risk constraints, cash flow characteristics of the portfolio and limitations on suitable investments in order to achieve safety of capital and liquidity of assets.

6. DELEGATION OF AUTHORITY.

In accordance with the provisions of the Charter, the City Treasurer is hereby designated as the Investment Officer of the City. The Treasurer shall have the responsibility for depositing City funds and carrying out investment decisions and activities in consultation with the City Manager and in conformance with the provisions and limitations of this policy, Public Act 20 of 1943 as amended and in a manner consistent with prudent practice. In the absence of the Treasurer, the duties required or authorized by this policy shall be performed by the City Manager.

7. DIVERSIFICATION.

Investments shall be diversified to the extent necessary to avoid incurring unreasonable risks to principal inherent in over-investing in specific instruments, individual financial institutions or maturities while balancing that risk against the burden of managing a

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portfolio of instruments, institutions and maturities that is more complex than is warranted in order to achieve the objectives stated herein.

8. INSTRUMENTS.

The Investment Officer may invest surplus funds in accordance with the provisions of Public Act 20 of 1943, as amended as follows:

- In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States;
- In certificates of deposit, savings accounts, money market accounts, deposit accounts or depository receipts of a financial institution provided the financial institution is an eligible institution under federal and state laws or rules. The institution must be federally or state chartered, insured by a federal agency and authorized by the Council as a repository for City funds;
- In investment pools organized under the Surplus Funds Investment Pool Act (Public Act 367 of 1982 as amended);
- In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase;
- In mutual funds registered under the investment company act of 1940 (15 USC 80z-1 to 80a-64) with authority to purchase only investment vehicles that are legal for direct investment by a public corporation; provided, however, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - The purchase of securities on a when-issued or delayed delivery basis;
 - The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities pledged;
 - The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes;
- In certificates of deposits obtained through a financial institution as provided in subsection (5) of section 1 of Public Act 20 of 1943, as amended;
- In deposit accounts of a financial institution as provided in subsection (6) of section 1 of Public Act 20 of 1943, as amended;
- In repurchase agreements consisting of bonds, securities and other obligations of the United States or an agency or instrumentality of the United States

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9. SAFEKEEPING AND CUSTODY.

All security transactions shall be conducted on a delivery-versus-payment basis. Securities will be held by a third-party custodian designated by the Investment Officer and evidenced by safekeeping receipts or held by the Investment Officer in a secure and fire-proof location in City Hall, at his or her discretion.

10. PRUDENCE.

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 financial affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived.

11. REPORTING

The Investment Officer shall provide to the City Manager and the City Council monthly not later than the second regular Council meeting of the month a report listing the various accounts and investments held by the City as of the last day of the preceding month. Each year within 90 days following the end of the fiscal year, the Investment Officer shall provide to the City Manager and the City Council a report describing the return on investments made and held during the preceding fiscal year.

12. POLICIES REPLACED.

This policy replaces and supersedes the investment policy adopted by Council on December 11, 2000 and any other investment policies or resolutions adopted by the Council.

13. EFFECTIVE DATE

This policy shall become effective upon its approval by the City Council.

14. SUNSET DATE

This policy shall sunset four years following its effective date.