

CITY OF GLADSTONE INVESTMENT POLICY

1.0 Policy: It is the policy of the City of Gladstone to invest public funds in a manner which will provide the highest investment return with maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds.

2.0 Scope: This investment policy applies to all financial assets of the City of Gladstone other than pension fund. These funds are accounted for in the City of Gladstone's General Purpose Financial Report and include:

2.1 Funds:

General Fund

Special Revenue Funds Internal Service Funds

Capital Project Funds

Enterprise Funds

Trust & Agency Funds

Debt Service Funds.

Any new fund created by the City of Gladstone, unless specifically exempted by the City Commission.

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

3.1 Standard of Prudence: The standard of prudence to be used by investment officials shall be the "**prudent person**" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and 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 fashion and appropriate action is taken to control adverse developments.

4.0 Objective: The primary objectives, in primary order, of the City of Gladstone's investment activities shall be:

4.1 Safety: Safety of principal is the foremost objective of the investment program. Investments of the City of Gladstone 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.

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

4.3 Return on Investments: The City of Gladstone's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the City of Gladstone's investment risk constraints and the cash flow characteristics of the portfolio.

5.0 Delegation of Authority: Authority to manage the City of Gladstone's investment program is derived from the following: Management responsibility for the investment program is hereby delegated to the City Treasurer, who shall establish written procedures for the operation of the investment program consistent with this investment policy and consistent with Michigan Public Act 20. The Treasurer may further delegate investing authority to a qualified Advisor who shall be deemed to be a fiduciary under the generally accepted definition. Advisors, appointed by the Treasurer, shall be required to comply with all terms and conditions of this policy and applicable statutes of the State of Michigan. Advisors shall have discretion to select brokers, dealers and other subadvisors, consistent with the terms and conditions imposed by the Treasurer, State Law and 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 City Treasurer. The City Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and service providers.

6.0 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. Employees and investment officials shall disclose to the City Manager any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City of Gladstone, particularly with regard to the time of purchases and sales.

7.0 Authorized Service Providers: The Treasurer may designate via list, or otherwise, authorized investment service providers which may include financial institutions, investment advisors, brokers or dealers. No public deposit shall be made by the Treasurer or her authorized service providers, except in a **qualified public depository** as established by state laws.

All authorized service providers must annually supply the Treasurer with audited financial statements and proof of legal standing to provide the services in question. Service providers shall be required to certify in writing that they have read the City's Investment Policy and that they agree to abide by its terms and conditions. An annual review of the financial condition and

credentials of the City's service providers will be conducted by the Treasurer. A current financial statement is required to be on file for each service provider.

8.0 Authorized & Suitable Investments: From the governing body perspective, special care must be taken to ensure that the following list of instruments includes only those allowed by law and those that local investment managers are trained and competent to handle.

The City of Gladstone is empowered by statute and this policy to invest in the following securities:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, provided the financial institution is eligible to be a depository of funds belonging to the State of Michigan. As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office in this state under the laws of this state or the United States
3. 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.
4. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
5. In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in this state and which are authorized under Michigan PA 20 as amended. It is not a requirement that mutual funds be restricted to those with a net asset value which does not fluctuate.
6. Local Government Investment Pools as authorized for investment under State Statute.

9.0 Collateralization: Collateralization will not be required.

10.0 Safekeeping and Custody: All security transactions, including collateral for repurchase agreements, entered into by the City of Gladstone shall be conducted on a **delivery-versus-payment (DVP)** basis. A third-party fiduciary custodian designated by the Treasurer and evidenced by safekeeping receipts will hold securities.

11.0 Diversification: The City of Gladstone will attempt to diversify its investments by security type and institution. With the exception of US Treasury securities and authorized pools, no more than 50% of the City of Gladstone's total investment portfolio will be invested in a single security type or with a single financial institution.

12.0 Maximum Maturities: To the extent possible, the Treasurer or her service providers shall stagger investment maturities in a manner which provides sufficient liquidity to meet the City's foreseeable spending needs. The maximum maturity of any single security shall not exceed twelve (12) years.

13.0 Internal Control: The Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

14.0 Performance Standards: The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

14.1 Market Yield (Benchmark): The City of Gladstone's investment strategy is active. Given this strategy, the basis used by the Treasurer to determine whether market yields are being achieved shall be the six-month US Treasury Bill and the average Fed Funds rate as obtained from periodicals such as the "Wall Street Journal" or "Baron's." Financial institutions such as banks with their principal office located within the corporate limits of the City of Gladstone shall be given preferential treatment in placing funds into investment instruments if the percentage yield is within 10 basis points (one tenth of one percent) of the yield on a comparable instrument offered by a Non-Gladstone institution.

15.0 Reporting: The Treasurer is charged with the responsibility of including a market report on investment activity and returns in the City of Gladstone's General Purpose Financial Report (performed by external auditors). Reports will include performance of investments made, market sector breakdown, number of transactions, interest earnings, etc. Performance will also be reported quarterly to the City Manager. The City Manager will report quarterly investment performance to the City Commission.

16.0 Investment Policy Adoption: The City of Gladstone's investment policy shall be adopted by resolution of the City of Gladstone's legislative authority. The City Commission shall review the policy annually and the Gladstone City Commission must approve any modifications made thereto.

City Commission approved June 8, 2020.

**CITY OF GLADSTONE
ACKNOWLEDGMENT OF RECEIPT**

I hereby certify that I have reviewed the City of Gladstone's Investment Policy Statement dated _____ and I agree to abide by all terms and conditions contained therein.

By: _____

Print Name: _____

Organization: _____

Title: _____

Date: _____