



GRAND RAPIDS PUBLIC UTILITIES

Service is Our Nature

Investment Policy

**GRAND RAPIDS PUBLIC UTILITIES
COMMISSION**

August 2023

Grand Rapids Public Utilities Commission (GRPUC) Investment Policy

A. Scope

This investment policy applies to all funds of the GRPUC. These funds are accounted for in the GRPUC's annual financial report and include all current funds and any other funds that may be created from time to time. All transactions involving the funds and related activity of any funds shall be administered in accordance with the provisions of this procedure and the standards of the "prudent person rule."

B. Objectives

1. Safety of principal - Investments shall be undertaken in a manner that seeks to ensure the preservation of the principal in the overall portfolio. To attain this objective only appropriate investment instruments will be purchased and insurance or collateral may be required to ensure the return of principal.
2. Liquidity - The GRPUC's investment portfolio shall be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due.
3. Return on investments - The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, considering the risk constraints, the cash flow characteristics of the portfolio, and legal restrictions for return on investments.
4. Maintaining the public's trust - The GRPUC team members who are responsible for investments shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the GRPUC, the Council or the Treasurer.

C. Investment Instruments

The GRPUC may invest in any type of security allowed by Minnesota Statutes as may be amended from time to time. The GRPUC has chosen to limit its allowable investments to those instruments listed below:

1. Bonds, notes, certificates of indebtedness, treasury bills, or other securities now or hereafter issued by the United States of America, its agencies, and allowable instrumentalities;
2. Interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits, or any other investments constituting direct obligations of any bank;

3. Certificates of deposit with federally insured institutions that are collateralized or insured in excess of the \$250,000 provided by the Federal Deposit Insurance Corporation coverage limit;
4. Collateralized repurchase agreements which conform to the requirements stated in 118A.05 sub. 2 of the statutes;
5. Investments may be made only in those savings banks, savings and loan associations the shares, or credit unions investment certificates of which are insured by the Federal Deposit Insurance Corporation.
6. Investments may be made in State and local securities in the following:
 - a) any security that is a general obligation of any state or local government with taxing powers that is rated "A" or better by a national bond rating service;
 - b) any security which is a revenue obligation of any state or local government which is rated "AA" or better by a national bond rating service;
 - c) a general obligation of the Minnesota Housing Finance Agency which is a moral obligation of the state of Minnesota and is rated "A" or better by a national bond rating agency; and
 - d) any security that is an obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to section [126C.55](#).
7. Investment products that are considered derivatives are specifically excluded from approved investments.

D. Diversification

Investments shall be diversified by:

1. Limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities and Certificates of Deposits).
2. Limiting investment in securities that have higher credit risks.
3. Investing in securities with varying maturities.
4. Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds, or overnight repurchase

agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

E. Collateralization

1. It is the policy of the GRPUC to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default.
2. Eligible collateral instruments are any investment instruments acceptable under 118A.03. The collateral must be placed in safekeeping at or before the time the GRPUC buys the investments so that it is evident that the purchase of the investment is predicated on the securing of collateral.
3. Safekeeping of Collateral
 - a) Third-party safekeeping is required for all collateral. To accomplish this, the securities must be held at one or more of the following locations:
 - 1) at a Federal Reserve Bank or its branch office;
 - 2) at another custodial facility in a trust or safekeeping department through book-entry at the Federal Reserve;
 - 3) by an escrow agent of the pledging institution; or
 - 4) by the trust department of the issuing bank
 - b) Safekeeping will be documented by an approved written agreement between the GRPUC and the governing counsel of the bank that complies with FDIC regulations. This may be in the form of a safekeeping agreement.
 - c) Substitution or exchange of securities held in safekeeping for the GRPUC can be approved exclusively by the Business Services Manager or General Manager, and only if the market value of the replacement securities is equal to or greater than the market value of the securities being replaced.

F. Safekeeping of Securities

1. Third-party safekeeping is required for all securities and commercial paper. To accomplish this, the securities must be held only at the following locations:
 - a) at a Federal Reserve Bank or its branch office;

- b) at another custodial facility, which shall be a trust or safekeeping department through book-entry at the Federal Reserve, unless physical securities are involved; or
 - c) in an insured account at a primary reporting dealer
2. Safekeeping will be documented by an approved written agreement between the GRPUC and the holder of the securities. This may be in the form of a safekeeping agreement, trust agreement, escrow agreement, or custody agreement.
 3. Original certificates of deposits will be held by the originating bank. A safekeeping receipt will be acceptable documentation.

G. Qualified Financial Institutions and Intermediaries

1. Depositories - Demand Deposits

- a) Any financial institution selected by the GRPUC shall provide normal banking services, including, but not limited to: checking accounts, wire transfers, and safekeeping services.
- b) The GRPUC will not maintain funds in any financial institution that is not a member of the FDIC system. In addition, the GRPUC will not maintain funds in any institution that does not first agree to post required collateral for funds or purchase private insurance in excess of FDIC insurable limits and in amounts acceptable to the GRPUC.
- c) To qualify as a depository, a financial institution must furnish the Business Services Manager or General Manager with copies of the latest two statements of condition which it is required to furnish to the Comptroller of Currency as the case may be. While acting as a depository, a financial institution must continue to furnish such statements to the Business Services Manager or General Manager within 45 days of the end of each quarter.
- d) Fees for banking services shall be mutually agreed to by an authorized representative of the depository bank and the Business Services Manager or General Manager on an annual basis. Fees for services shall be substantiated by a monthly account analysis.
- e) All financial institutions acting as a depository for the GRPUC must enter into a "Depository Agreement."

2. Banks, Credit Unions, and Savings and Loans - Certificates of Deposit

Any financial institution selected to be eligible for the GRPUC's competitive certificate of deposit purchase program must:

- a) provide wire transfer and certificate of deposit safekeeping services;
- b) be a member of the FDIC system and be willing and capable of posting required collateral or private insurance for funds in excess of FDIC insurable limits and in amounts required by the GRPUC; and
- c) meet at all times the financial criteria as established in the investment procedures of the GRPUC.

3. Intermediaries

Any financial intermediary selected to be eligible for the GRPUC's competitive investment program must:

- a) provide wire transfer and deposit safekeeping services;
- b) be a member of a recognized U.S. Securities and Exchange Commission Self Regulatory Organization such as the New York Stock Exchange, National Association of Securities Dealers, Municipal Securities Rule Making Council, etc.;
- c) provide an annual audit upon request;
- d) maintain an office within the State of Minnesota and be licensed to conduct business in this State; and
- e) be familiar with the GRPUC's policy and accept financial responsibility for any investment not appropriate according to the policy.

H. Authority and Management of Program

1. The following individuals are authorized to purchase and sell investments, authorize wire transfers, authorize the release of pledged collateral, and execute any documents required under this procedure:
 - a) Business Services Manager
 - b) General Manager
 - c) City Treasurer

These documents include: Wire Transfer Agreement, Depository Agreement, Safekeeping Agreement, and Custody Agreement

2. Management responsibility for the investment program is hereby delegated to the Business Services Manager or General Manager.

President

Date

Secretary

Date

Adopted Date: _____ (Resolution 09-18-23-10)

Revised Date: