

# INVESTMENT POLICY

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## Hamburg Township Livingston County, Michigan

### INVESTMENT POLICY

(CREATED: November 5, 2009; REVISED: May 15, 2018; REVISED July 2, 2019)

#### 1.0 Purpose

It is the policy of Hamburg Township to invest public funds in a manner, which will provide maximum security with the highest investment return while meeting the daily cash flow demands of the Township and conforming to all State statutes and local Ordinances governing the investment of funds.

#### 2.0 Scope

This investment policy applies to all transactions involving the financial assets and related activity of the Township except for its employee pension funds and employee deferred compensation funds that are organized and administered separately. These funds are accounted for in the annual report and include the following funds:

- ☐ General Fund
- ☐ Enterprise Fund
- ☐ Capital Improvement Fund
- ☐ Trust and Agency Fund
- ☐ Road Fund
- ☐ Police Fund
- ☐ Fire Fund
- ☐ Park Land Purchase Fund
- ☐ Drug Enforcement Fund
- ☐ Special Assessment Funds
- ☐ Any new funds created by the Township Board, unless specifically exempted by the Township board

#### 3.0 Investment Objectives

Funds of the Township will be invested in accordance with Michigan Public Act 20 of the Public Acts of 1943, as amended, and in accordance with the following objectives in order of priority.

- 3.1 **Safety** – Safety of principal is the foremost objective of the investment program.  
The primary objective of the Hamburg Township investment activities is the preservation of capital in the overall portfolio and the protection of investment principal.
- 3.2 **Diversification** – The investments shall be diversified or restricted by specific maturity dates, individual financial institution(s) or a specific class of securities as may be set forth by Board amendment to this policy and in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- 3.3 **Liquidity** – The investment portfolio will remain sufficiently liquid to enable Hamburg Township to meet operating requirements that might be reasonably anticipated. Further, it is specifically intended that an investment strategy that ensures short term (two years or less) versus longer term be followed.
- 3.4 **Return on Investment** – Subject to the foregoing constraints, Hamburg Township will strive to maximize the return on the investment portfolio. The portfolio shall be designed with the objective of obtaining a rate of return appropriate to existing budgetary and economic cycles, taking into account the investment risk constraints and cash flow characteristics of the portfolio.

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## **4.0 Investment Procedures**

The Treasurer shall establish written administrative procedures for the operation of the Township's investment program as well as internal controls which shall include clear delegation of authority to personnel responsible for investment transactions. The procedure shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties or imprudent actions by employees and officers of the Township.

## **5.0 Delegation of Authority**

Responsibility for the establishment of the Township's Investment Policy rests solely with the Township Board of Trustees.

Authority to manage the investment program related to implementation of the Township Investment Policy is derived from MCL 41.75, as amended. Management responsibility for the investment program is hereby delegated to the Township Treasurer (Investment Officer), who shall establish written procedures and internal controls for the operation of the investment program, consistent with this investment policy. No person may engage in investment transactions except as provided under the terms of this policy and the procedures established by the Investment Officer.

The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

An Investment Committee may meet on an as-needed basis, whose sole purpose shall be to advise the Treasurer on overall Banking, Depository and Investment strategy, Primary banking structure and relationship and specific investment selection and evaluation of the Township's Investment portfolio. The committee shall consist of the Director of Accounting, the Deputy Treasurer and two members of the Township's Board of Trustees.

## **6.0 Ethics and Conflict of Interest**

Officers and employees, including any officials appointed to an Investment Committee by the Township Board, 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, Investment Committee members, and investment officials shall disclose to the Township Board any material financial interest in financial institutions that conduct business with this Township and they shall disclose any large personal financial/investment positions that could be related to the performance of the Township's portfolio. Employees, Investment Committee members, and officials shall subordinate their personal investment transactions to those of the Township particularly with regard to the timing of purchases and sales.

## **7.0 Qualified Financial Dealers and Institutions**

The Township shall maintain a listing of depositories and financial institutions, which are approved by the Township Board for depository and investment services by the Board of Trustees. In addition, the list will include approved security broker/dealers, who maintain an office in the State of Michigan or who are "primary" dealers or regional dealers that qualify under Security & Exchange Commission Rule 15C3-1. No public deposit shall be made except in a qualified public depository as established by State statute.

All financial Institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply to the Treasurer and the Board, at minimum, their quarterly and annual audited financial statements for the most recent fiscal year, certification of having read the Hamburg Township investment policy and the pertinent State statutes, proof of National Association of Security Dealers certification if appropriate and proof of State registration, where applicable. In addition, they must provide schedules of rates and fees for all transaction types and investment products.

Changes in the financial condition of "Approved Financial Institutions" shall be immediately brought to the attention of the Board of Trustees with an associated recommended action for the Board's consideration.

It shall be the responsibility of the Board, Investment Committee or the Treasurer to ensure compliance with these provisions.

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## 8.0 Authorized and Suitable Instruments

All investments shall be made in strict accordance with Public Act 20 of the Public Acts of 1943, as amended, (see attachment "Investment of Surplus Funds of Political Subdivisions") and Public Act 7 of the Public Acts of 1967, as amended (see attachment "Urban Cooperation Act of 1967"). The State of Michigan does not require collateralization of all public funds, but the Township will seek collateralization of its investments that exceed the FDIC insured amount, and require collateralization of any repurchase agreements (see below).

The following investment types are specifically authorized:

- Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with MCL 129.91(2); certificates of deposit obtained through a financial institution as provided in MCL 129.91(5); or deposit accounts of a financial institution as provided in MCL 129.91(6).
- 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.
- Repurchase agreements consisting of bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States. In such cases, a Master Purchase Agreement shall be entered into only with **primary dealers** reporting to the Federal Reserve Bank of New York (or with firms that have a primary dealer within their holding company structure), or with **approved depository banks** that have executed an approved Master Repurchase Agreement with the Township. The Treasurer shall maintain a copy of the Township's approved Master Repurchase Agreement along with a list of the counterparties who have executed a Master Repurchase Agreement with the Township. All repurchase agreement investments must be collateralized.
- Bankers' acceptances of United States banks.
- 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.
- Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
  - (i) The purchase of securities on a when-issued or delayed delivery basis.
  - (ii) 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 loaned.
  - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- Obligations described herein if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- Investment pools organized under the Michigan Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.
- The investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Prior to investing in any governmental-sponsored investment pools or money market mutual funds, the Treasurer must review the potential investments for fiscal soundness and reputation and compliance with this Policy.

Except as may be determined by Board Action, all deposits and investments shall be strictly segregated by Fund type. It is understood that there are times when deposits are transferred to our accounts from an external source in a comingled form with allocation instructions. These funds should be segregated as soon as possible upon receipt.

## 9.0 Competitive Selection of Investment Instruments

- 8.1 Before the Township invests any funds, competitive proposals from qualified financial institutions shall be sought. If a specific maturity date is required, whether for cash flow purposes or for conformance to maturity guidelines, proposals shall be requested for instruments that meet the maturity required. If no specific maturity is required, an analysis will be conducted to determine which maturates would be most advantageous.

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- 8.2 Quotes will be requested from financial institutions for various options with regard to terms and instruments. The Township will accept the quotes, which provide the highest rate of return that is within the maturity term required and that comply with the parameters of the Investment Policy and particularly with regards to the safety of the investment.
- 8.3 Records indicating the quotes offered, the quotes accepted and brief explanation of the decision which was made regarding the investment, shall be kept for future review.

## 10.0 Short-Term versus Long-Term Portfolio

- 9.1 The Township shall attempt to match its investment maturities as closely as possible to its anticipated cash flow requirements. With the exception of Debt Service Funds, Capital Funds and Special Assessment Funds, it is strongly advised that all funds be invested in instruments whose maturities do not exceed two years at the time of purchase unless specifically agreed to by the Investment Committee and reported to the Board.
- 9.2 Debt Service Funds, Capital Funds, and Special Assessment Funds, may be invested in securities exceeding two years provided the maturity dates match anticipated need for the funds.

## 11.0 Investment Performance and Reporting

- 11.1 Information indicating a loss or prospective loss of capital on existing instruments and material deviations from projected investment strategies shall be reported immediately to the Board of Trustees.
- 11.2 A Comprehensive Financial Condition Report shall be developed cooperatively by the Treasurer, Director of Accounting, Chief Budget Officer and Assessor and presented to the Board of Trustees at its second Board meeting each month. The report will address each of the following in summary and in detail:
  - 11.2.1 Tab 1—Revenue & Expenditure Report; Cash Summary by Account
  - 11.2.2 Tab 2—Cash Flow Analysis; Debt Payment Schedule
  - 11.2.3 Tab 3—10-yr tax Collection Comparison; Property Tax Roll 10-year graph; Roll Distribution Chart
  - 11.2.4 Tab 4—Monthly Bank and Investment Report; Approved Financial Institutions List
  - 11.2.5 Tab 5—Five Year Forecast and Capital Reserve
- 11.3 The Township's investment operations will be reviewed as part of the annual audit.

## 12.0 Access to Financial Information

- 12.1 By resolution the Hamburg Board of Trustees has determined that the following Officers shall have the right to all financial and investment information (including on line "read only" access) from all depositories and financial institutions with whom the Township does business:
  - 12.1.1 Township Supervisor
  - 12.1.2 Township Clerk
  - 12.1.3 Township Treasurer and Deputy Treasurer
  - 12.1.4 Township Trustees (4)
  - 12.1.5 Township Director of Accounting
  - 12.1.6 Township Attorney
- 12.2 Additionally by resolution the Hamburg Board of Trustees has determined that the following employees shall have the right to all financial and investment information (including on line "read only" access) from all depositories and financial institutions with whom the Township does business for Library Accounts:
  - 12.2.1 Director of the Library
  - 12.2.2 Library Accountant

## 13.0 Safekeeping and Custody

- 13.1 All security transactions including collateral for repurchase agreements and institution deposits entered into by the Township shall be on a cash (or delivery vs. payment) basis. Securities may be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts as determined by the Treasurer.
- 13.2 A Trust Receipt from the contra-party and proof of SIPC and other insurance will be required when the transaction is covered by insurance. Non-negotiable, non-collateralized Certificates of Deposit, as in the law in the State of Michigan shall be evidenced by safekeeping receipt from the issuing bank.

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## 14.0 Prudence

- 14.1 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.

## 15.0 Effective Date

- 15.1 This policy shall become effective on November 6, 2009, the day following adoption by the Hamburg Township Board.

## 16.0 Amendment

- 16.1 This Investment Policy and its associated Investment Procedures may be amended from time to time by a majority vote of the Hamburg Township Board of Trustees.

## 17.0 Glossary

**Bankers Acceptance (BA):** A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

**Broker:** A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides.

**Callable Bond:** A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

**Certificate of Deposit:** A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs are typically negotiable.

**Collateral:** Securities or property pledged by a borrower to secure payment.

**Commercial Paper:** An unsecured promissory note with a fixed maturity of no more than 270 days. Commercial paper is normally sold at a discount from face value.

**Dealer:** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his/her own account.

**Debenture:** A bond secured only by the general credit of the issuer.

**Delivery Versus Payment:** There are two methods of delivery of securities: delivery versus payment and delivery versus receipt (also called free). Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

**Discount Securities:** Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value.

**Diversification:** Dividing investment funds among a variety of securities offering independent returns.

**Federal Deposit Insurance Corporation (FDIC):** A federal agency that insures bank and savings bank deposits.

**Federal Funds Rate:** The rate of interest at which Fed funds are traded. The Federal Reserve currently pegs this rate through open-market operations.

**Fed Wire:** A computer system linking member banks and other financial institutions to the Fed, used for making inter-bank payments of Fed funds and for making deliveries of and payments for Treasury, agency and book-entry mortgage backed securities.

**Investment Adviser's Act:** Legislation passed by Congress in 1940 that requires all investment advisers to register with the Securities and Exchange Commission. The Act is designed to protect the public from fraud or misrepresentation by investment advisers.

**Liquidity:** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value.

**Local Government Investment Pool:** A pool of funds authorized under the laws of the State that receives deposits from one or more local units and pays returns based upon each local unit's share of investment in the pool.

**Mark-to-market:** The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

**Market Value:** Current market price of a security.

**Master Repurchase Agreement:** A written contract covering all future transactions between the parties to repurchase or reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**Maturity:** The date upon which the principal or stated value of an investment becomes due and payable.

**Money Market Mutual Fund:** A mutual fund that limits its investments to some or all types of money market instruments.

**Net Asset Value:** The market value of one share of an investment company, such as a mutual fund.

**No Load Fund:** A mutual fund that does not levy a sales charge on the purchase or sale of its shares.

**NRSRO:** Nationally Recognized Statistical Rating Organizations - organizations that issue credit ratings for securities.

**Portfolio:** Collection of securities held by an investor.

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**Primary Dealer:** A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities broker/dealers, banks, and a few unregulated firms.

**Prudent Person Rule:** Standard of investing which states that 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.

**Rate of Return:** The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

**Ratings:** An evaluation of an issuer of securities by Moody's, Standard & Poor's, Fitch, or other rating services of a security's credit worthiness.

**Repurchase Agreements:** A transaction whereby a holder of securities sells securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate the buyer. Dealers use repurchase agreements extensively to finance their positions.

**Rule 2a-7 of the Investment Company Act of 1940:** Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit a 90-day average maturity on investments and maintenance of a constant net asset value of one dollar (\$1.00).

**Safekeeping:** Holding of assets (e.g., securities) by a financial institution.

**Treasury Bills:** A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Treasury Bills are issued with maturities ranging from a few days to 26 weeks.

**Treasury Bonds:** Long-term U.S. Treasury securities having initial maturities of more than ten years.

**Treasury Notes:** Intermediate term coupon bearing U.S. Treasury securities having initial maturities of from one to ten years.

**Yield:** The rate of annual income return on an investment, expressed as a percentage.

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## CERTIFICATION

I, hereby certify that I have received a copy of the Investment Policy of Hamburg Township. I have read and fully understand the State of Michigan Public Act 20 of Public Acts of 1943, as amended. I have personally read the Investment Policy, and agree to comply with the terms of the Investment Policy, and Public Act 20, regarding the investment of the Township funds. Any investment not conforming to your Investment Policy will be disclosed promptly. We also pledge to exercise due diligence in informing you of all foreseeable risks associated with financial transactions conducted with your Township.

By: Chris Rusche

10/24/22  
Date

Its: Municipal Relationship  
Manager

Consumers Credit Union  
Institution

7200 Elm Valley Dr  
Address

Kalamazoo MI 49009  
City/State/Zip

### INVESTMENT POLICY – HAMBURG TOWNSHIP

BOARD APPROVAL DATE: November 5, 2009

REVISED: May 15, 2018

REVISED: July 2, 2019

(See Attachment Page – Approved Financial Institutions)

(See Attachment “Investment of Surplus Funds of Political Subdivisions—Act 20 of 1943”)

(See Attachment “Urban Cooperation Act of 1967”)

