



Memorandum

To: Mayor Nelson and Members of the City Council

From: Daniel R. Buchholtz, MMC, Administrator, Clerk/Treasurer

Date: March 4, 2025

Subject: Investment Interest Allocation Policy

Staff is seeking Council approval of the proposed Investment Interest Allocation Policy, which establishes a clear methodology for the allocation of investment earnings among City funds.

Key elements of the policy include:

- *Proportional Allocation:* Investment earnings will be distributed to individual funds based on their respective cash and investment balances at the end of each month.
- *General Fund Administrative Fee:* A 5% allocation of total investment interest earnings will be directed to the General Fund to cover administrative costs related to investment management.
- *Restricted Funds Compliance:* Legally restricted funds, such as bond proceeds and dedicated enterprise funds, will receive direct credit for their earned interest as required by law or bond covenants.
- *Negative Balance Treatment:* Funds with negative cash balances will not receive investment interest and may be assessed an interest cost at the City's short-term borrowing rate.
- *Accountability & Reporting:* The Accountant or designee will perform monthly calculations and distributions, with allocations reported to the City Council as part of the regular financial reporting cycle.
- *Annual Review:* The policy will be reviewed annually and updated as needed to reflect changes in investment practices, legal requirements, or financial best practices.

The policy is designed to provide transparency and fairness in the management of investment earnings while ensuring financial stability and compliance with applicable regulations. If approved, the policy will take effect retroactive to January 1, 2025.

Staff recommends approval of the Investment Interest Allocation Policy as presented.

If you have any questions, please do not hesitate to contact me at 763-784-6491.