

RESOLUTION 665

CITY OF LACEY

A RESOLUTION ADOPTING AN AMENDED INVESTMENT POLICY WHICH MODIFIES THE PERCENT OF THE CITY'S INVESTMENTS WHICH MAY BE PLACED IN BANKER'S ACCEPTANCES

WHEREAS, greater flexibility to respond to investment market conditions can be achieved by the city if the restrictions upon investments in Banker's Acceptances are modified; now, therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, that the city's investment policy as last adopted by Resolution 645 be amended as set forth in that certain document entitled "City of Lacey, Investment Policy," attached hereto, and said revised policy is hereby adopted by the council as the official investment policy of the city for future operations and guidance.

PASSED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, this 28th day of June, 1990.

CITY COUNCIL

By Kay M Boyd
Mayor

Attest:

Charlotte M. Taylor
City Clerk

Approved as to form:

[Signature]
City Attorney

**CITY OF LACEY
INVESTMENT POLICY - 1990**

SCOPE:

This investment policy applies to all financial assets of the City of Lacey. These funds are accounted for in the City's annual financial report and include:

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|----|----|------------------------------|-----|-----------------------------|
| A. | 1. | Current Expense Fund | 9. | Capital Improvement Fund |
| | 2. | City Street Fund | 10. | Water Utility Fund |
| | 3. | Arterial Street Fund | 11. | Sewer Utility Fund |
| | 4. | Joint Animal Control Fund | 12. | Storm Sewer Utility Fund |
| | 5. | Lodging Tax Fund | 13. | Equipment Rental Fund |
| | 6. | Federal Shared Revenue Fund | 14. | Information Management Fund |
| | 7. | General Obligation Bond Fund | 15. | Any Fund created by the |
| | 8. | Building Improvement Fund | | City Council |

OBJECTIVE:

The financial assets of the City shall be invested in accordance with RCW 35.39.030, the policies outlined herein, and written administrative procedures. The investment portfolio of the City shall be designed to attain a market rate of return throughout budgetary and economic cycles, while preserving and protecting capital and promoting an increase in the City's tax base and employment opportunities within the City.

DELEGATION OF AUTHORITY:

Management responsibility for the investment program is hereby delegated to the Finance Director, who shall establish written procedures for the operation of the investment program, consistent with this investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

PRUDENCE:

The standard of prudence to be used by investment officials shall be the 'prudent

person' rule, which states, "Investments shall be made with judgement 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," and shall be applied in context of managing an overall portfolio. Investment officers acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviation from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

INTERNAL CONTROLS:

The Finance Director shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be available for review by the Investment Committee and by the state auditor's office. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the City.

INVESTMENT COMMITTEE:

There is hereby created an Investment Committee consisting of the City Manager, Finance Director and the City Treasurer. Members of the Investment Committee shall meet at least quarterly to determine general strategies and monitor results. The Investment Committee shall include in its deliberations such topics as: economic outlook; portfolio diversification and maturity structure; potential risks to the City's portfolio; authorized depositories; brokers and dealers; efforts and programs of financial institutions designed to increase the City's tax base and provide employment opportunities within the City; and, target rate of return on the investment portfolio.

REPORTING REQUIREMENTS:

The Finance Director shall submit quarterly an investment report that summarizes recent market conditions, economic developments and anticipated investment conditions. The report shall summarize the investment strategies employed in the most recent quarter, description of the portfolio in terms of investment securities, maturities, risk characteristics and other features. The report shall explain the quarter's total investment return, compare the return with target rate of return projections and budgetary expectations.

INSTRUMENTS:

The financial assets of the City may be invested in:

1. U.S. Treasury securities maturing in less than two years;
2. Short-term obligations of U.S. government agencies and instrumentalities approved for investment purposes by the Investment Committee;
3. Fully insured or collateralized certificates of deposits at commercial banks and savings and loan associations;
4. Banker's Acceptances, purchased from the secondary market, that have been issued by the ten (10) largest domestic banks and the twenty (20) largest international banks, provided the collateral meets the standards set by the Investment Committee;
5. Bonds or warrants of the State of Washington;
6. General obligation or utility revenue bonds of cities within Washington state; or,
7. The State of Washington Local Government Investment Pool.

QUALIFIED INSTITUTIONS AND DEALERS:

The Finance Director shall maintain a listing of financial institutions which are approved as depositories of public funds for investment purposes. The listing published by the Washington Public Deposit Protection Commission (Office of State Treasurer) shall meet this requirement. From this list, a financial institution shall be selected to provide banking services.

For brokers and dealers of government securities, the Investment Committee shall select only primary government securities dealers that report daily to the New York Federal Reserve Bank.

DIVERSIFICATION:

It is the policy of the City to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific insurer or a specific class of securities.

	<u>Max. % of Portfolio</u>
A. Diversification by Instrument:	
1. U.S. Treasury Obligations (Bills, Notes and Bonds) maturing in less than two (2) years.....	100%
2. U.S. Government Agency Securities and Instrumentalities of Government Sponsored	

	Corporations.....	100%
3.	Banker's Acceptance (BA's).....	50%
4.	Certificates of Deposits (CD's)	
	a. Commercial Banks.....	100%
	b. Savings and Loan Associations.....	10%
5.	Local Government Investment Pool.....	80%

B. Diversification by Financial Institutions:

1. Banker's Acceptance (BA's)
No more than twenty-five (25) percent of total portfolio with any one institution.
2. Certificates of Deposit (CD's) - Commercial Banks
No more than thirty-three (33) percent of total portfolio with any one institution.
3. Certificates of Deposit (CD's) - Savings and Loan Associations
No more than \$100,000 with any one institution.
4. Local Government Investment Pool - State of Washington
At least ten (10) percent of the portfolio.

C. Diversification by Tax Base and Employment Emphasis:

1. Certificates of Deposit (CD's)
No more than twenty (20) percent of total portfolio invested in financial institutions meeting City's regulations for promotion of the City's tax base and employment opportunities within the City with the investment to be at a rate not less than two (2) percent below the market rate of Certificates of Deposit at the time of the investment.

COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS:

Before the investment of any surplus funds, a competitive 'bid' process shall be conducted. If a specific maturity date is required, bids will be requested for instruments which meet the maturity requirements. If no maturity date is required, the most advantageous market trend yield will be selected after taking into account all policies and purposes of the City's Investment Policy. Records shall be kept of the bids offered, the bids accepted and provide a brief explanation of the decision which was made regarding the investment.

SAFEKEEPING AND CUSTODY:

To protect against potential fraud and embezzlement, bearer instruments shall be secured through third-party custody and safekeeping procedures provided by a

financial institution designated as primary agent. The primary agent shall issue a safekeeping receipt to the City listing the specific instrument, rate, maturity and all other pertinent information.

Deposit type securities (i.e., certificates of deposit) shall be properly collateralized as required by RCW for amounts exceeding FDIC and FSLIC coverage.

Investment officials shall be bonded to protect the City against loss due to possible embezzlement and malfeasance.

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