



Investment Policy		
Original Adoption:	12/10/2004	Reference No. FIN-001
Reviewed/Updated:	TBD	

PURPOSE:

The purpose of this investment policy is to set forth the investment and operational policies for the management of the public funds of the City of Mound.

These policies are designed to ensure the prudent management of public funds, the availability of operating funds when needed and a market sensitive return on invested funds.

OBJECTIVES:

The investment policy of the City of Mound shall be to:

1. Assure the safety of the invested funds of the City.
2. Maintain sufficient liquidity to provide adequate and timely working funds.
3. Attain the highest possible rate of return while providing necessary protection of principal consistent with City cash flow operating requirements.
4. Match the maturity of investment instruments to the monthly cash flow requirements.
5. Diversify investments as to maturity, instruments, and financial institutions where permitted under State Law.
6. Maintain a buy to hold investment philosophy with the ability to sell before maturity if the move is in the interest of the preservation of the City's portfolio integrity and preservation of capital directive.
7. Avoid investment for speculation.

AUTHORIZED INVESTMENTS:

The City Treasurer shall serve as the investment officer of the City and shall invest City funds in those investments authorized for Minnesota public sector entities under state statutes, chapters 118A.04, 118A.05, and 118A.06.

1. U.S. Government obligations (Bills, Notes, and Bonds).
2. U.S. Government Agency Securities and Instrumentalities of Government sponsored corporations.
3. Municipal bonds which are rated by a national bond rating service:
 - General Obligation of any state or local government with taxing powers which is rated A or better.
 - Revenue Bond rated "AA" or better.
 - Minnesota Housing Finance Bonds rated A or better.
4. Commercial Paper issued by U.S. Corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures 270 days or less.
5. Bankers Acceptances of US Banks eligible for purchase by the Federal Reserve System.
6. Certificates of Deposits that are fully insured by the Federal Deposit Insurance Corporation or collateralized as required by law.
7. Repurchase Agreements.
8. Local Government Investment Pool (4m Fund).
9. Money Market funds rated by at least one nationally recognized agency.

In the absence of the City Treasurer, the City Manager or the City Clerk will serve as the investment officer.

CERTIFICATES OF DEPOSIT:

Bids for certificates of deposit may be solicited orally, in writing, electronically, or in any combination of those methods.

OTHER INVESTMENTS:

All other investments selected for purchase will only be those allowed under public sector entities statutes.

SAFETY AND INVESTMENT MANAGEMENT:

The City Treasurer shall exhibit prudence and discretion in the selection and management of City investments. Safety of principal is the first priority in investing City funds. Skill and judgment shall be exercised in order that no individual or group of transactions undertaken would jeopardize the total capital sum of the overall portfolio.

LIQUIDITY AND DIVERSITY:

The total cash assets of the City shall be invested in instruments whose maturities conform to the cash flow needs of the City. The investment portfolio shall be diversified to reduce the risk of loss investment income from over-concentration of assets in a specific issue, a specific issue size, or a specific class of securities.

COLLATERALIZATION:

All City funds must be deposited in financial institutions which provide \$100,000 in governmental insurance protection. At no time, will deposits in any one institution exceed \$100,000 unless such excesses are protected by pledged securities, and will be limited to the following:

1. U.S. Treasury Bills, Notes or Bonds all of which mature within five (5) years.
2. U.S. Agency securities created by an act of Congress.
3. Repurchase Agreements, with maturities not exceeding one (1) year, secured by U.S. Government Bills, Notes or Bonds.
4. Municipal general Obligation Bonds, Rated "A" or better by Moodys, with maturities not exceeding five (5) years.

INTERNAL CONTROLS:

A system of internal controls shall be followed and 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. Controls deemed most important shall include:

1. Custodial safekeeping, when appropriate.
2. Clear delegation of authority.
3. Written confirmation of telephone transactions.
4. Limiting the number of authorized investment officials.

5. Documentation of transactions and strategies.
6. Quarterly investment reporting to the City Manger and City Council.

These controls shall be reviewed by the City's independent auditing firm.

SAFEKEEPING AND CUSTODY:

Hold all fund deposits in the appropriate accounts, and provide highly secure safekeeping of securities, to minimize risk of loss due to theft, fire, or accident.

To protect against potential fraud and embezzlement, the cash and investments of the city shall be secured through third-party custody, when appropriate. Investment officials shall be bonded.

ORDER EXECUTION AND BROKER/DEALER ASSOCIATION:

The following guidelines will be utilized.

1. Before doing business and prior to establishing an account, the City will secure a questionnaire from the specific broker/dealer which will serve to identify any potential problems of ethics and malpractice on the part of the broker/dealer.
2. Prior to doing business with any broker/dealer, the City shall receive, in writing, a statement from that broker/dealer stating that they have read the City's investment policy and will adhere to its parameters.

CITY OF MOUND

BROKER/DEALER QUESTIONNAIRE

PROPOSED VENDOR COMPANY_____

DESIGNATED CONTACT PERSON_____

BRANCH MANAGER_____

HOME OFFICE INSTITUTIONAL CONTACT_____

LOCAL ADDRESS_____

TELEPHONE_____

HOME OFFICE MAILING INFORMATION_____

TELEPHONE_____

QUALIFICATIONS:

Please provide at least five (5) references and contacts of other municipal entities that are similar to the City of Mound, which you have worked for a period longer than two (2) years.

Please provide us with you firm's most recent financial information.

Does this local representative of your firm have any current or recent legal disputes with any Public Sector entity over investment related issues?

If so, please detail _____

This shall serve as notice that the firm of _____ and the _____

representatives of said company attest that they have read and understand all of the State Investment Laws pertaining to the City of Mound, Minnesota, and agree to adhere to these guidelines and will not seek to sell the City of Mound, Minnesota, any investments which do not fall into these parameters.

Furthermore, we have read the individual investment policy of the City of Mound, Minnesota, and will adhere to its provisions above and beyond any covered by state statutes.

Finally, we will not attempt to sell any security to the City of Mound, Minnesota, which does not conform to the cash flow forecast of the City of Mound, Minnesota.

Branch Manager – Date

Broker Representative