

AN ORDINANCE OF THE CITY OF CRYSTAL LAKE PARK, MISSOURI, AMENDING CHAPTER 130, TAXATION AND FINANCE, BY ADOPTING ONE NEW ARTICLE ESTABLISHING AN INVESTMENT POLICY AND AN ASSET POLICY FOR THE CITY OF CRYSTAL LAKE PARK.

WHEREAS, the Board of Alderpersons desires to adopt an investment policy and an asset policy to comply with best-practices accounting methods and applicable law;

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF ALDERPERSONS OF THE CITY OF CRYSTAL LAKE PARK, MISSOURI, AS FOLLOWS:

Section One.

Chapter 130, Taxation and Finance, of Title I, Government Code, of the Municipal Code of the City of Crystal Lake Park is hereby amended by the adoption of a new Article V, to be known as “Investment and Asset Policies” and to read as follows:

TITLE I	GOVERNMENT CODE
CHAPTER 130	TAXATION AND FINANCE
ARTICLE VI	INVESTMENT AND ASSET POLICIES
SECTION 130.150	INVESTMENT POLICY

A. *Scope.* This policy applies to the investment of all operating funds of the City.

1. *Pooling of funds.* Except for cash in certain restricted and special funds, the City will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

2. *External management of funds.* Investment through external programs, facilities and professionals operating in a manner consistent with this policy will constitute compliance.

B. *General Objectives.*

1. *Safety.* Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to minimize credit risk and interest rate risk.

a. *Credit risk.* The City will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

(1) Prequalifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City will do business.

(2) Diversifying the portfolio so that potential losses on individual securities will be minimized.

b. *Interest rate risk.* The City will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by:

(1) Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

(2) Investing operating funds primarily in short-term securities.

2. *Liquidity.* The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is to be accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.

3. *Yield.* The investment portfolio shall be designed with the objectives of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance to the safety and liquidity objectives described above. The core of investments are to be limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

a. A security with declining credit may be sold early to minimize loss of principal;

b. A security swap intended to improve the quality, yield, or target duration;

c. Liquidity needs of the portfolio require that the security be sold.

C. *Standards Of Care.*

1. *Prudence.* The standard of care to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing

an overall portfolio.

2. *Ethics and conflicts of interest.* Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. Employee and investment officials shall disclose any material interests in financial institutions in which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officials shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the City.

3. *Delegation of authority.* Authority to manage the investment program is granted to the Mayor, with the advice and consent of the Board of Alderpersons, hereinafter referred to as investment officer and derived from the State Statutes or Constitution. Responsibility for the operation of the investment program is hereby delegated to the investment officer, who shall act in accordance with the established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery versus payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction 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.

D. *Investment Transactions--Controls.*

1. The investment officer is responsible for establishing and maintaining an internal control structure that will be reviewed annually with the City's independent auditor. The internal control structure shall be designed to ensure that the assets of the City are protected from loss, theft or misuse and to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that:

a. The cost of control should not exceed the benefits likely to be derived and;

b. The valuation of costs and benefits require estimates and judgments by management.

2. The internal controls shall address the following points:

- a. Control of collusion;
- b. Separation of transaction authority from accounting and record keeping;
- c. Custodial safekeeping;
- d. Clear delegation of authority to subordinate staff members;
- e. Written confirmation of transactions for investments and wire transfers; and
- f. Development of a wire transfer agreement.

E. *Suitable And Authorized Investments.*

1. *Investment types.* In accordance with and subject to restrictions imposed by current Statutes, the following list represents the entire range of investments that the City will consider and which shall be authorized for the investments of funds by the City.

a. *United States Treasury securities.* The City may invest in obligations of the United States Government for which the full faith and credit of the United States are pledged for the payment of principal interest.

b. *United States agency securities.* The City may invest in obligations issued or guaranteed by any agency of the United States Government.

c. *Repurchase agreements.* The City may invest in contractual agreements between the City and commercial banks or primary government securities dealers. The purchaser in a repurchase agreement (repo) enters into a contractual agreement to purchase Treasury and government agency securities while simultaneously agreeing to resell the securities at predetermined dates and prices.

d. *Collateralized public deposits.* Instruments issued by financial institutions which state that specified sums have been deposited for specified periods of time and at specified rates of interest. Such deposits are required to be backed by acceptable collateral securities as dictated by State Statute.

e. *Banker's acceptance.* Time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances. The City may invest

in bankers' acceptances issued by domestic commercial banks possessing the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation.

f. *Commercial paper.* The City may invest in commercial paper issued by domestic corporations, which has received the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation. Eligible paper is further limited to issuing corporations that have total assets in excess of five hundred million dollars (\$500,000,000.00).

2. *Investment restrictions and prohibited transactions.* To provide for the safety and liquidity of the City's funds, the investment portfolio will be subject to the following restriction:

a. Borrowing for investment purposes ("leverage") is prohibited.

(1) Instruments known as Structured Notes (e.g. inverse floaters, leveraged floaters, and equity-linked securities) are not permitted. Investment in any instrument which is commonly considered a "derivative" investment (e.g. options, futures, swaps, caps, floors, and collars) is prohibited.

(2) Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market is prohibited.

b. No more than twenty percent (20%) of the total market value of the portfolio may be invested in commercial paper at any one time.

F. *Collateralization.*

1. Collateralization will be required on two (2) types of investments: certificates of deposit and repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the market value (including accrued interest) of the collateral should be at least one hundred percent (100%).

2. For certificates of deposit, the market value of collateral must be at least one hundred percent (100%) or greater of the amount of certificates of deposits plus demand deposits with the depository, less the amount, if any, which is insured by the Federal Deposit Corporation or the National Credit Unions Share Insurance Fund.

3. All securities, which serve as collateral against the deposits of a depository institution, must be safe kept at a non-affiliated custodial facility.

Depository institutions pledging collateral against deposits must, in conjunction with the custodial agent, furnish the necessary custodial receipts within five (5) business days from the settlement date.

4. The City shall have a depository contract and pledge agreement with each safekeeping bank that will comply with the Financial Institutions, Reform, Recovery and Enforcement Act of 1989 (FIRREA). This will ensure that the City's security interest in collateral pledge to secure deposits is enforceable against the receiver of a failed financial institution.

G. *Repurchase Agreements.* The securities for which repurchase agreements will be transacted will be limited to Treasury and government agency securities that are eligible to be delivered via the Federal Reserve's Fedwirebook entry system. Securities will be delivered to the City's designated custodial agent. Funds and securities will be transferred on a delivery versus payment basis.

H. *Investment Parameters.*

1. *Maximum maturities.*

a. To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Investments in bankers' acceptances and commercial paper shall mature and become payable not more than one hundred eighty (180) days from the date of purchases. All other investments shall mature and become payable not more than three (3) years from the date of purchase.

b. Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as in bank deposits or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

c. *Reporting Methods.* The investment officer will prepare an investment report quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner that will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report shall be provided to the Board of Alderpersons.

SECTION 130.160: CAPITAL ASSET POLICY

A. *Objective.* The objective of this policy is to establish guidelines for the acquisition, accounting and disposal for and of capital assets of the City.

B. *Definition Of Responsibilities.* It is the responsibility of the City Board of Alderpersons to appoint such City staff as the Board deems necessary to accomplish the objectives of this policy, to devise such systems and procedures necessary to insure that the policy is implemented, and to conduct periodic inventories of the assets of the City and report to the Board of Alderpersons the findings of those inventories and to explain any discrepancies discovered. The Board is also responsible for such periodic reviews necessary to insure that the policies detailed are complied with in full.

C. Recognizing that governmental standards for accounting and reporting of capital assets and treatment are changed and modified from time to time by proper authority, the Board of Alderpersons may by resolution adopt current policy statements and guidance pursuant to this Section.

Section Two.

This Ordinance shall be in full force and effect from and after its passage and approval.

Passed this 12th day of October, 2009.

Bonnie Taylor, Presiding Officer

Attest:

Cathryn Terrell, City Clerk

Approved this 12th day of October, 2009.

Bonnie Taylor, Mayor

Attest:

Cathryn Terrell, City Clerk

First Reading: 10/12/09
Second Reading: 10/12/09