

**Resolution Establishing an Investment Policy**

Resolution No. 2009- 6

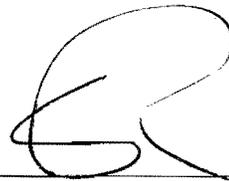
THE CITY COUNCIL AND MAYOR HAVING FOUND THAT THE CITY DOES NOT CURRENTLY HAVE A WRITTEN INVESTMENT POLICY FOR ITS FUNDS; AND

THE COUNCIL HAVING FOUND THAT IT IS PRUDENT TO ADOPT SUCH A POLICY; AND

THE COUNCIL HAVING REVIEWED AND APPROVED THE POLICY PROPOSED FOR ADOPTION BY THE FINANCE COMMITTEE;

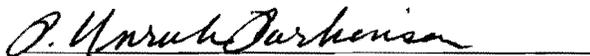
BE IT THEREFORE RESOLVED:                   The attached Investment Policy for City of St. Anthony, dated April 22, 2009 is adopted effective this date and that all future city investment activity shall be governed by this policy.

ADOPTED THIS 13<sup>th</sup> DAY OF MAY, 2009.



Garth Rose, Mayor

ATTEST:



Patty Unruh Parkinson, City Clerk



INVESTMENT POLICY FOR CITY OF ST. ANTHONY  
- April 22, 2009

I. Policy Statement:

It is the policy of the City of St. Anthony to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City while conforming to all State and Local statutes governing the investment of public funds.

II. Scope:

This investment policy applies to all financial assets of the City of St. Anthony. These funds are accounted for in the City's Comprehensive Annual Financial Report and include:

1. Funds:

- a. General Fund
- b. Special Revenue Funds
- c. Capital Project Funds
- d. Enterprise Funds

2. Pooling of Funds:

Except for cash in certain restricted and special funds, the City of St. Anthony 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.

3. Prudence:

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.

The standard of prudence to be used by investment officials shall be the "Prudent person" standard and shall be applied in the context of managing an overall portfolio.

Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for and individual security's credit risk or market price changes, provided deviations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4. Ethics and Conflict 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. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business.

III. General Objectives:

The primary objectives, in priority order, of the City investment activities shall be:

1. Safety:

Safety of principle 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 mitigate credit risk and interest rate risk.

a. Credit Risk:

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

- Limiting investments to the safest types of securities,
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
- The City will have actual ownership of securities in the City's name.

b. Interest Rate Risk:

The City of St. Anthony will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

- 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.
- Investing operating funds primarily in shorter term securities, money market mutual funds, or similar investment pools.

2. Liquidity:

The investment portfolio shall remain sufficiently liquid to meet all of the operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.

3. Yield:

The investment portfolio shall be designed with the objective 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 compared to the safety and liquidity objectives described above. The core of investments is 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 security with declining credit may be sold early to minimize loss of principle,
- A security swap would improve the quality, yield, or target duration in the portfolio,
- Liquidity needs of the portfolio require that a security be sold.

IV. Delegation of Authority:

Management responsibility for the investment program is granted to the City Treasurer, as outlined by State of Idaho and City statutes. Responsibility for the operation of the investment program is hereby delegated to the City Treasurer, who shall establish written procedures for the operation of the investment program consistent with this investment

policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the City Treasurer. The City Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

V. Safekeeping and Custody:

1. Authorized Financial Dealers and Institutions:

The treasurer will maintain a list of financial institutions authorized to provide investment services. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1. No public deposit shall be made except in a qualified depository as established by the State of Idaho Code.

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Proof of National Association of Securities Dealers (NASD) certification,
- Proof of state registration,
- Certification of having read and understood and agreeing to comply with the City of St. Anthony's investment policy.

2. Internal Controls:

The investment officer (City Treasurer) is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City of St. Anthony are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management.

3. Delivery vs. Payment:

All trades where applicable will be executed by delivery vs. payment (DBP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

VI. Suitable and Authorized Investments:

1. Investment Types:

The City of St. Anthony is empowered by State of Idaho statute 50-1013, to invest in the following types of securities and others as outlined in section 50-1013.

- a. Revenue bonds issued by the Revenue Bond Act.
- b. City coupon bonds provided for under section 50-1019, Idaho Code.
- c. Local improvement district bonds provided for under chapter 17, title 50, Idaho Code.
- d. Time deposit accounts with public depositories.
- e. Bonds, treasury bills, interest-bearing notes, or other obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- f. General obligation bonds of the State of Idaho, or those for which the faith and credit of the State are pledged for the payment of principal and interest.
- g. General obligation bonds of any county, city, metropolitan water district, municipal utility district, or other taxing district of this State.
- h. Notes, bonds, debentures, or other similar obligations issued by the Farm Credit System or institutions forming a part thereof under the Farm Credit Act of 1971 and all acts of Congress amendatory thereof or supplementary thereto as outlined in Idaho Code section 50-1013, including but not limited to the following federal agencies: Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Company, Federal National Mortgage Association.
- i. Repurchase agreements covered by any legal investment for the State of Idaho. The City of St. Anthony does require collateralization of all repurchase agreements to a level of 102% of market value of principal and accrued interest.
- j. Tax anticipation bonds or notes, income and revenue anticipation bonds or notes and registered warrants of the State of Idaho or of taxing districts of the State of Idaho.
- k. Savings accounts including, but not limited to, accounts on which interest or dividends are paid and upon which negotiable orders of withdrawal may be drawn, and similar transaction accounts.

- l. Time deposit accounts and other savings accounts of state or federal savings and loan associations located within the geographic boundaries of the state in amounts not to exceed the insurance provided by the federal savings and loan corporation, including but not limited to accounts on which interest or dividends are paid and upon which negotiable orders of withdrawal may be drawn, and similar transaction accounts.
- m. Share, savings and deposit accounts of state and federal credit unions located within the geographic boundaries of the state in amounts not to exceed the insurance provided by the national credit union share insurance fund and/or any other share guaranty corporation, including, but not limited to accounts on which interest or dividends are paid and upon which negotiable orders of withdrawal may be drawn, and similar transaction accounts.
- n. Prime banker's acceptances and prime commercial paper rated in the highest (e.g., A-1, P-1, F-1 or D-1 or higher) by a nationally recognized rating agency.
- o. Money market funds, mutual funds, or any other similar funds whose portfolios consist of any allowed investment as specified in this section.

2. Derivatives:

The City of St. Anthony allows investment in derivatives of the above instruments when approved by the City Treasurer and outside auditor. Derivatives shall not be purchased with speculation in mind and only after careful consideration of the liquidity needs of the City and the general safety of the overall portfolio.

3. Collateralization:

The City of St. Anthony, under the direction of the City Treasurer, may require full collateralization on non-negotiable certificates of deposit as allowed by Idaho State Code Section 26-806. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be (102%) of market value of principal and accrued interest.

VII: Investment Parameters:

1. Diversification

The City will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type without first adhering to exception guidelines.

2. Maximum Maturities:

To the extent possible the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific projected cash flow, the City will not directly invest in securities maturing more than (5) years from the date of purchase, without first adhering to exception guidelines.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the City Council. The City may collateralize its repurchase agreements using longer maturity dated investments.

3. Reporting:

The Treasurer shall provide to the Finance Committee periodic investment reports, which shall provide a clear picture of the status of the current investment portfolio. The Treasurer may also be requested to prepare executive summary reports that include comments on fixed income markets and economic conditions, discussions regarding restrictions on percentage of investment by categories, possible changes in the portfolio structure going forward and thoughts on investment strategies.

4. Performance Standards:

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis.

VIII: Policy Considerations:

1. Exemptions:

Any investment that does not meet the standards of this policy shall not be made.

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

2. Amendments:

This investment policy shall be adopted, originally, by resolution of the City of St. Anthony Council. Thereafter this policy shall be reviewed on an annual basis. Any changes must be submitted by the City Finance Committee and or City Council. Recommendations from Brokers will be presented to the City Council.

3. List of Attachments.

The following documents as well as any others applicable to this policy shall be kept on file in the City Treasurer's office.

- List of city personnel authorized to conduct business as outlined in the investment policy.
- Relevant investment statues and ordinances.
- Repurchase agreements and tri-party agreements.
- Collateralization agreements.
- Listing of authorized broker/dealers and financial institutions and all current financial reports associated with this list.
- Safekeeping and wire transfer agreements.
- Sample investment reports, forms and receipts.
- Methodology for calculating rate of return.

