# **Finance Section 2.30 - Investment Policy**

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## 1.0 Purpose

It is the policy of the Royal Oak Public Library to invest its funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow needs of the Library and complying with all State statutes governing the investment of public funds.

#### 2.0 Scope

This investment policy applies to all financial assets of the Royal Oak Public Library, except the financial assets of the Retirement Fund which are managed by the Royal Oak Retirement Board. The Library's financial assets are accounted for in various funds. These funds can include the General Fund, special revenue funds, debt service funds, capital project funds, enterprise funds, internal service funds, trust and agency funds, and those of any new fund type established by the City of Royal Oak on behalf of the Library.

#### 3.0 Objectives

The primary objectives of the Library's investment activities, in priority order, are:

- 3.1 Safety—Ensuring the 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.
- 3.2 Liquidity—The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Investment maturities shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures (payroll, accounts payable, etc.) as well as considering sizable blocks of anticipated revenues (tax proceeds, State revenue sharing, etc.).
- 3.3 Return on Investment—The investment portfolio shall be designed with the objective of attaining a market rate of return commensurate with the portfolio's level of investment risk and cash flow characteristics.
- 3.4 *Diversification*—The investment portfolio will be diversified by security type and institution so that potential losses on individual securities do not exceed the gains generated from the remainder of the portfolio.

# 4.0 Delegation of Authority to Make Investments

Authority to manage the Library's investment program is granted to the City Finance Director, hereinafter referred to as investment officer. This authority is derived from City Charter Chap. 3, Sec. 24. No person may engage in an investment transaction except as provided under the terms of this policy and any procedures established by the investment officer. The investment officer may designate an employee to be responsible for the day-to-day management of the portfolio, under the leadership of the investment-officer, and to act on the investment officer's behalf in the absence of 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 any subordinate official.

#### 5.0 Authorized Investments

The Royal Oak Public Library Board of Trustees, hereinafter referred to as the Library Board, as a public corporation operating under the laws of the State of Michigan, is limited to investments authorized by Act 20 of the Public Acts of 1943, as amended (MCL 129.91 to 129.96). The Library Board has approved investment in the following authorized investment instruments:

- 5.1 Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- 5.2 Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the State under a rule or law of this State or the United States.

- 5.3 Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than two hundred seventy days after the date of purchase.
- 5.4 Repurchase agreements consisting of bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- 5.5 Bankers' acceptances of United States banks.
- 5.6 Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- 5.7 Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. This mutual fund authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share. A mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
  - (i) The purchase of securities on a when-issued or delayed delivery basis.
  - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
  - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary and emergency purposes.
- 5.8 Obligations described in subsections 5.1 through 5.7 if purchased through an inter-local agreement under the Urban Cooperation Act, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- 5.9 Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.
- 5.10 The investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

It is further understood that investments of certain bond proceeds may be restricted by covenants in the bond ordinances.

#### 6.0 Authorized Financial Institutions & Broker/Dealers

Investments shall be made only through approved financial institutions and approved security broker/dealers and shall be selected to attain a market rate of return commensurate with the portfolio's level of investment risk and cash flow characteristics. The investment officer, or his/her delegate, shall be responsible for reviewing financial institutions' and broker/dealers' qualifications and deciding who is approved to conduct investment business with the Library. The investment officer, or his/her delegate, shall maintain a list of the approved financial institutions and broker/dealers. All financial institutions and broker/dealers who desire to obtain approval for conducting investment business with the Library must provide the investment officer, or his/her delegate, with evidence of their creditworthiness and qualifications for doing business in this State. This evidence includes audited financial statements, proof of National Association of Securities Dealers (NASD) certification (if applicable), proof of qualifications for doing business in Michigan, a signed agreement to comply with this investment policy (see Attachment A), and any other documents required by the investment officer, or his/her delegate.

The investment officer, or his/her delegate, shall conduct an annual review of the financial condition and qualifications of approved financial institutions and broker/dealers to determine if they should remain on the aforementioned list of approved institutions. Financial institutions and broker/dealers shall provide the investment officer, or his/her delegate, with documents necessary for the review.

#### 7.0 Safekeeping & Custody

All trades, where applicable, will be executed on a cash basis or a delivery vs. payment (DVP) basis, as determined by the investment officer or his/her delegate. It shall be the responsibility of the investment officer, or his/her delegate, to determine which securities a third party custodian shall hold. A safekeeping receipt must evidence any securities held in safekeeping by a third party custodian.

All securities shall be properly designated as assets of the Royal Oak Public Library. Securities shall be combined with the assets of the City of Royal Oak for maximum returns or shall be in the name of the Royal Oak Public Library Board of Trustees. Securities shall name the specific fund from which the instrument was purchased.

#### 8.0 Prudence

In keeping with the investment officer's and his/her delegate's fiduciary responsibilities, investments shall be made with judgment and care, under circumstances then prevailing, in a manner consistent with that which persons of prudence, discretion, and intelligence exercise in the management of their own affairs. Investments shall be made for investment purposes, not for speculative purposes, considering the probable safety of the capital as well as the probable income to be derived.

The investment officer, or his/her delegate, acting in accordance with this policy and written procedures and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

#### 9.0 Ethics & Conflicts of Interest

Officials and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or that could impair their abilities to make impartial investment decisions. Officials and employees involved in the investment process shall disclose to the Library Director, the Library Board, and City Manager, or confirm the absence thereof, any material financial interests in financial institutions or broker/dealers that conduct business within this jurisdiction. They shall further disclose, or confirm the absence thereof, any large personal financial/investment positions that could be related to the performance of this jurisdiction's portfolio. Officials and employees shall subordinate their personal investment interests to those of this Library.

### 10.0 Internal Controls

The investment officer shall establish and maintain written procedures and internal controls for the operation of the investment program that are consistent with this investment policy. The internal control structure shall be designed to provide reasonable assurance that public funds are protected from loss, theft, or misuse and that the Library complies with laws governing investment of public funds. These internal controls shall be reviewed annually by the independent auditor.

# 11.0 Reporting

The investment officer, or his/her delegate, shall prepare a monthly report of investment activity. The report shall be designed to provide a clear picture of the status of the current investment portfolio and to allow the Library Board to ascertain if the investment activities during the reporting period conform to this investment policy. The monthly reports shall be maintained by the Library Director as well as the City of Royal Oak Finance Department and shall be available for review by the general public or by Library officials. On an annual basis, the investment officer shall provide an annual report of investment activity to The Library Board.

**12.0** Adoption by the Library Board
The Library Board has adopted this investment policy.