

# TOWN OF MARCUS

## RESOLUTION 2002-04

### A RESOLUTION BY THE TOWN COUNCIL OF THE TOWN OF MARCUS ADOPTING A POLICY FOR INVESTMENT OF TOWN FUNDS

**WHEREAS**, the Town Council of the Town of Marcus deems to have town funds invested in secure depositories and maximize returns on these investments, and

**WHEREAS**, the Town Council of the Town of Marcus desires to develop an investment policy to guide the investment of town funds to meet these objectives, and

**WHEREAS**, the Marcus Town Treasurer has formulated a proposed policy for investment of Town funds, and

**WHEREAS**, the Town of Marcus investment policy has been written in accordance with Municipal Treasurers' Association of the United States and Canada Model Investment Policy,

**NOW, THEREFORE, BE IT RESOLVED** by the Council of the Town of Marcus as follows:

Section 1. The policy for investment of Town funds set forth in the document entitled "Town of Marcus Investment Policy June 2002" which is attached hereto as Exhibit A and incorporated herein by this reference as if set forth in full is hereby adopted as official policy for investment of Town funds.

Section 2. That the document entitled "Town of Marcus Investment Policy June 2002" replaces any and all previous Town of Marcus Investment Policies.

ADOPTED this 2nd day of July 2002.

TOWN OF MARCUS

\_\_\_\_\_  
Terecia F. "Fran" Bolt, Mayor

SEAL of the  
Town of Marcus

ATTEST:

\_\_\_\_\_  
Cindy A. Aldous, CMC, PFO  
Town Clerk/Treasurer

Council Approval:

Courtis\_\_\_\_\_

Jenson\_\_\_\_\_

Byington\_\_\_\_\_

DePaulo\_\_\_\_\_

Hysom\_\_\_\_\_

# TOWN OF MARCUS

## INVESTMENT POLICY

JUNE 2002

### **I. INTRODUCTION**

The purpose of this policy is to establish guidelines for the efficient and prudent management and investment of Town of Marcus funds. The goal of this policy is to allow the Town to obtain the highest possible yield on available Town cash based on prudent investment decisions and guidelines.

### **II. POLICY**

It is the policy of the Town of Marcus to invest public funds in a manner consistent with the greatest safety and protection for the Town's investments. This investing of funds will, while protecting the safety of the Town's investment, produce the highest investment return for meeting the cash flow requirements of the Town and conform to all Washington State statutes, Town ordinances and policies governing the investment of public funds.

### **III. SCOPE**

The investment policy applies to all financial assets of the Town of Marcus. These funds are accounted for in the Town's Annual Report, and include the General Fund, Special Revenue Funds, Capital Project Funds, Reserve Funds and any new funds created by the Town Council, unless specifically exempted by the Town Council.

### **IV. PRUDENCE**

The standard of prudence to be applied by the Investment Officer in managing the Town's overall portfolio 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 derived."

The investment officer, acting in accordance with the Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's risk or market price changes. Deviations from expectations shall be reported in a timely fashion and appropriate action will be taken to control adverse developments.

All participants in the investment process will seek to act responsibly as custodians of the public trust. The investment officer shall recognize that the investment portfolio is subject to public scrutiny and evaluation. In addition, the overall investment program shall be designed and administered with a degree of professionalism worthy of the public trust. The investment officer shall also refrain from any transaction that might knowingly impair public confidence in the Town's ability to govern effectively.

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#### V. OBJECTIVE

Funds of the town will be invested in conformance with the Constitution of the State of Washington, applicable statutes (Revised Code of Washington)), Town Ordinances and Resolutions, as amended, the State Budgeting, Accounting, Reporting, System (BARS) manual, and Council direction.

The primary objectives, in order of priority, of the Town of Marcus investment activities are as follows:

**Legality**: The Town's investments will be within all statutes governing the investment of public funds.

**Safety**: Investments of the Town will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To achieve this objective, some diversification may be required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

**Liquidity**: The Town's investments will remain sufficiently liquid to enable the Town to meet all operating and capital requirements that might be reasonably anticipated.

**Yield**: The Town's investments will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the Town's investment risk constraints and cash flow characteristics.

#### VI. DELEGATION OF AUTHORITY

The Town Council will annually review the overall Investment Policy as it relates to the Town's financial objectives and make any necessary modifications to the Policy. The Council will annually appoint the members of the Investment Committee and direct the Investment Committee as to the investment policies to be implemented for the next year.

The membership of the Town's Investment Committee shall include the Treasurer, Mayor and two members of the Town Council. The Committee shall meet quarterly to review the Town's current investments and provide the Treasurer with guidance on any further investment decisions. The Committee shall meet 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 Town's funds; authorized depositories, brokers and dealers; and the target rate of return on the investment portfolio.

The Town Treasurer is designated as the investment officer of the Town of Marcus. The Treasurer shall establish written procedures for the operation of the investment program consistent with this investment policy and approval by the Town Council. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except

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as provided under the terms of this policy and the procedures established by the Treasurer and approval by the Town Council. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

### **VII. ETHICS AND CONFLICTS OF INTEREST**

Officers and employees involved in the investment process shall refrain from personal business activity that may conflict with proper execution of the investment program or that be able to impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Town Council any material financial interests in financial institutions that conduct business for the Town, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Town's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the Town, particularly with regard to the time of purchases and sales.

### **VIII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

The Treasurer will maintain a list of financial institutions and security dealers authorized to provide banking and investment services to the Town. The selection of the Town's bank(s) will be made from the list of Qualified Public Depositories approved by the Washington Public Deposit Protection Commission as authorized to provide investment services. (RCW 39.58.080)

The security dealers and financial institutions may include "primary" or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule) and investment departments of local banks, any of which have been subjected to the following evaluation by the Investment Committee:

1. Financial condition, strength and capability to fulfill commitments
2. Overall reputation with other dealers and investors
3. Regulatory status of the dealer
4. Background and expertise of the individual representative

At the request of the Town, the firms performing investment services for the Town shall provide their most recent financial statements or consolidated report of condition for review.

### **IX. AUTHORIZED INVESTMENTS**

The Town of Marcus is empowered to invest in certain types of securities as detailed in RCW 35.39.030 and RCW 39.59. The Town Treasurer is authorized on behalf of the Town and in accordance with the investment decisions of the Investment Committee to invest all money in the town Treasury which, in the judgment of the Treasurer, are in excess of current Town needs. Among the authorized investments are:

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1. Investment deposits, including certificates of deposit, with qualified public depositories as defined in RCW 39.58.
2. Certificates, notes, bonds, or any other obligations of the United States, including Treasury bills and Treasury bonds. (RCW 43.84.080, 36.29.020)
3. The State of Washington Local Government Investment Pool. (RCW 43.250)

#### **X. SAFEKEEPING AND CUSTODY**

All securities transactions entered into by the Town of Marcus shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a financial institution designated by the Town Treasurer as primary agent to serve as a third-party custodian acting on the Town's behalf. The primary agent shall issue a safekeeping receipt to the Town listing the specific instrument, rate, maturity and all other pertinent information. All securities purchased by the Town shall be properly designated as an asset of the Town, and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the Treasurer as authorized herein, or by the Treasurer's designee(s).

The Town will execute third party custodial agreements with its banks or other custodial agents, which are chartered by the United States government or the State of Washington. Such agreements will include letters of authority from the Town, details as to responsibilities of each party, notification of security purchases, sales, delivery, repurchase and reverse repurchase agreements. The agreements will also include wire transfer, safekeeping and transaction costs, procedures in case of wire failure or other unforeseen mishaps, and the liability of each party.

#### **XI. DIVERSIFICATION**

The investment officer shall try to diversify Town investments by security type and institution. With the exception of U.S. Treasury securities and the State of Washington Local Government Investment Pool, no more than twenty-five percent of the Town's total investment portfolio will be invested in a single security type or with a single financial institution.

#### **XII. MATURITIES**

The Town will match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Town will not directly invest in securities maturing more than three (3) years from the date of purchase.

#### **XIII. INTERNAL CONTROLS**

The Treasurer shall establish an annual process of independent review by the State Auditor or an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

#### **XIV. PERFORMANCE STANDARDS**

The Investment Portfolio shall be designed to obtain a market average rate of return during budgetary and economic cycles, taking into

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account the Town's investment risk constraints and cash flow needs. The Town's investment strategy shall be passive. Given this strategy, the basis used by the investment officer to determine whether market yields are being achieved shall be the Washington State Local Government Investment Pool.

**XV. REPORTING**

The Treasurer shall include a report on the Town's investment activity in the Treasurer's monthly financial report to the Mayor and Town Council.

The report will include interest earnings, interest rates, the number of trades and the type of investments.

**XVI. SAVINGS CLAUSE**

In the event any state or federal legislation or regulation should further restrict instruments or institutions authorized by this policy, such restrictions shall be deemed to be immediately incorporated in this policy.

If new legislation or regulation should liberalize the permitted instruments or institutions, such changes shall be available and included in this policy only after written notification to the Town Council and their subsequent approval of said changes.

**XVII. INVESTMENT POLICY ADOPTION**

The Town of Marcus Investment Policy shall be adopted by Resolution of the Town Council. The policy shall be reviewed periodically by the Treasurer. Any modifications made to the Policy must be approved by the Town Council

GLOSSARY

**ACCRUED INTEREST:** Interest earned but not yet paid on a security since the later of the security's issue date or last record date.

**AGENCIES:** Federal agency securities.

**BASIS POINT:** A measurement of changes in prices or yields for fixed income securities. One basis point equals 1/100 of 1 percent.

**BID:** The price offered by a buyer of securities. (When you are selling securities, you ask for a bid).

**BOND:** A long-term debt security, issued by a government or corporation. Generally pays a stated rate of interest, and returns the face value at maturity.

**CERTIFICATE OF DEPOSIT (CD):** A time deposit with a specific maturity evidenced by a certificate.

**CONFIRMATION:** A document used to state and supplement in writing the terms of a transaction which have previously been agreed to verbally.

**COUPON:** (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

**DEALER:** A dealer, opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

**DELIVERY VERSUS PAYMENT:** (a) delivery versus payment is delivery of securities with an exchange of money for the securities. (b) delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

**DEPOSITORY:** An entity which accepts securities for deposit. A depository facilitates delivery and transfer between dealers by making account entries reflecting ownership instead of physically moving securities.

**DISCOUNT:** The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

**DIVERSIFICATION:** Dividing investment funds among a variety of securities offering independent returns.

**FACE VALUE:** The par value of a security. Face value is not an indication of market value.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):** A federal agency that insures bank deposits, currently up to \$100,000 per deposit.

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**FEDERAL FUNDS RATES:** The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

**GOVERNMENT SECURITIES:** Any debt obligation issued by the U.S. Government, its agencies or instrumentality's. Certain securities are backed by the government as to both principal and interest payments, such as Treasury Bonds and Ginnie Maes. Other securities such as those issued by the Federal Home Loan Mortgage Corporation (Freddie Mac) are backed by the issuing agency.

**INTEREST:** Compensation paid or to be paid for the use of money. Interest is generally expressed as an annual percentage rate.

**INTEREST RATE:** The face coupon rate of a security.

**LIQUIDITY:** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value.

**LOCAL GOVERNMENT INVESTMENT POOL (LGIP):** An investment by local governments in which their money is pooled as a method for managing local funds.

**MARKET VALUE:** The current market price of a security.

**MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.

**MONEY MARKET:** The market in which short-term debt instruments (bills, commercial paper, banker's acceptances, etc.) are issued and traded.

**OFFER:** The price asked by a seller of securities.

**PAR:** The face amount of a security.

**PORTFOLIO:** Collection of securities held by an investor.

**PRINCIPAL:** The face amount of a bond, exclusive of accrued interest and payable at maturity.

**PRUDENT PERSON RULE:** An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

**RATE OF RETURN:** The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

**SAFEKEEPING:** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

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**SECURITIES & EXCHANGE COMMISSION:** Agency created by Congress to protect investors in securities transactions by administering securities legislation.

**TREASURY BILLS:** A non-interest bearing discount security issued by the U.S. Treasury to finance national debt. Most bills are issued to mature in three months, six months, or one year, and issued in minimum denominations of \$10,000.

**TREASURY BOND:** Long-term U.S. Treasury securities having initial maturities of more than 10 years and issued in minimum denominations of \$1,000.

**TREASURY NOTES:** Intermediate term coupon bearing U.S. Treasury securities having initial maturities from one to ten years and issued in denominations ranging from \$1,000 to \$1 million or more.

**UNIFORM NET CAPITAL RULE:** SEC Rule 15C3-1 outlining capital requirements for brokers/dealers.

**YIELD:** The annual percentage return, as computed in accordance with standard industry practices, that is earned on a security.