

CITY OF CAPE GIRARDEAU

INVESTMENT POLICY

SECTION 1. SCOPE OF INVESTMENTS. The City of Cape Girardeau, Missouri, hereby establishes the following investment policy to apply to all financial assets of the City. Any and all funds currently existing or anticipated are included unless specifically excluded by the City Council or set aside in a special escrow agreement.

SECTION 2. INVESTMENT OBJECTIVES. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Investment officials shall avoid any transaction that might impair public trust. Since public trust is an important ingredient in the investment policy, all participants in the investment process shall seek to act responsibly as custodians of the public trust by eliminating all speculation.

Investment officials shall assure that funds are constantly available to meet immediate payment requirements including payroll, accounts payable, and debt service.

The investment portfolio shall be designed to attain a market average rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and the cash flow characteristics of the portfolio.

SECTION 3. DELEGATION OF AUTHORITY. Management responsibility for the investment program is hereby delegated to the director of finance, who shall establish written procedures for the operation of the investment program, consistent with this investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the director of finance. The director of finance shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

SECTION 4. PRUDENCE REQUIRED. Investment 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 the investment officials shall be the “prudent person” and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual’s security’s performance provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

SECTION 5. INTERNAL CONTROLS. The comptroller shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the investment committee and with the independent auditor. The controls shall be designed to prevent losses of City funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees.

SECTION 6. INVESTMENT INSTRUMENTS. The City of Cape Girardeau may invest its available operating and reserve funds in the following instruments:

- (a) Marketable Treasury securities of the United States.
- (b) Debt securities of the Federal Farm Credit System or any of the Banks of Cooperative, Federal Intermediate Credit Banks or Federal Land Banks.
- (c) Debt securities of the Federal Home Loan Banks (FHLB).
- (d) Debt securities of the Federal National Mortgage Association (FNMA).
- (e) Debt securities of the Student Loan Marketing Association (SLMA).
- (f) Debt securities of the Government National Mortgage Association (GNMA).
- (g) Debt securities of the Federal Home Loan Mortgage Corporation (FHLMC).
- (h) Guaranteed Loan Pool Certificates of the Small Business Administration (SBA).
- (i) Farmers Home Administration insured notes.
- (j) Repurchase agreements collateralized by securities listed above, documented by a written agreement, fully collateralized by delivery to an independent third party custodian, and are marked-to-market.
- (k) Insured or collateralized deposits or certificates of deposit of banks, savings and loan associations, and other regulated financial institutions.
- (l) Money market mutual funds whose portfolio consists of the foregoing instruments. No sales or load charges may be deducted from the fund invested in a mutual fund at the time of purchase or redemption.
- (m) Other prudent investment instruments approved prior to purchase by a two-thirds majority of the City Council.

Proceeds of bond issues may be invested as allowed in the bond indenture.

SECTION 7. INVESTMENT COMMITTEE. There is hereby created an Investment committee consisting of the finance director and at least two but not more than four other members as appointed by the City Manager. Members of the investment committee shall serve without compensation and shall meet at least semiannually to determine general strategies and monitor results. The investment committee shall include in its deliberations such topics as: portfolio diversification; maturity structure; risk assessment; and target rate of return on total portfolio. The finance director shall prepare investment portfolio performance and activity reports quarterly to be reviewed by the City Council, City Manager, and Investment Committee.

SECTION 8. RELATIONSHIPS WITH FINANCIAL INSTITUTIONS. Depositories shall be selected through a procurement process which includes issuing a formal request for proposals at least every five years. In selecting depositories, the financial strength of the institutions shall be considered.

Mutual fund advisors must be SEC-registered with a minimum of five (5) years experience

investing in public funds and an aggregate of \$1 billion of money market assets under management. No mutual fund may be purchased which charges sales or load commissions at the time of purchase or redemption.

The investment committee shall establish written procedures for the selection of financial institutions with whom transactions will be conducted. Depositories, brokers and dealers shall regularly submit their regulatory reports on financial condition to the City. Financial institutions or dealers shall agree to offer securities and transactions which comply with the limitations and prudent provisions of this investment policy.

SECTION 9. DIVERSIFICATION. Investment officials shall diversify use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Diversification strategies shall be determined and revised periodically by the investment committee for all funds.

- Liquidity shall be assured through practices ensuring that the next disbursement date and payroll date are covered through maturing investments, marketable U. S. Treasury bills, overnight delivery vs. payment repurchase agreements or money market funds.
- Market price volatility shall be controlled by matching the City's investment with anticipated cash flow requirements. The City will not directly invest in securities maturing more than seven (7) years. Debt proceeds will be invested in accordance with the Bond Indentures as established for each particular issue.
- The investment committee shall establish strategies and guidelines for the percentage of the total portfolio that may be invested in any given type of investment. The committee shall review these guidelines quarterly and evaluate the probability of market and default risk for each of the various types of investments as part of its consideration.

SECTION 10. SAFEKEEPING AND CUSTODY. To protect against potential fraud and embezzlement, investment assets shall be secured through third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. Investment officials shall be bonded to protect the public against possible embezzlement and malfeasance. Collateralized securities such as repurchase agreements shall be purchased using delivery vs. payment procedure. Unless prevailing practices or economic circumstances dictate otherwise, ownership shall be protected through third-party custodial safekeeping. Mutual funds used for investments must provide for independent custodians of their portfolios and delivery vs. payment on their portfolio securities. Safekeeping procedures shall be reviewed annually by independent auditor.

SECTION 11. ETHICS. Employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees shall disclose confidentially to the City Manager any material financial interest in financial institutions that conduct business with the City and they shall further disclose any large personal financial/investments positions that could be related to the performance of the City's portfolio. Employees shall subordinate their personal investment transactions to those of the City, particularly with regard to the timing of purchases and sales.

SECTION 12. REPORTS. The investment committee shall submit a quarterly report to the City Manager summarizing recent market conditions and their effect on the City's investment strategy. The report shall describe the portfolio in terms of description of investment held and their maturities, yields, amounts, and any other pertinent information.

Passed and adopted on the 10th day of February, 1989, by Resolution No. 441.

Amended on the 19th day of April, 1993, by Resolution No. 818.

Amended on the 15th day of November, 2010, by Resolution No. 2581.