

**CITY OF GRANT, MINNESOTA  
RESOLUTION NO. 2013-18**

**RESOLUTION ESTABLISHING THE CITY OF GRANT INVESTMENT POLICY**

**WHEREAS**, the City of Grant wishes to formalize the investment policy which shall be operated in conformance with federal, state, and other legal requirements.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GRANT, WASHINGTON COUNTY, MINNESOTA**, that it hereby adopts the following policy:

**INVESTMENT POLICY**

**Scope:**

The City of Grant wishes to pool and consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective balances, except Jasmine Avenue Improvements Fund and other funds created in the future that are held solely for security of a bond in the Debt Service Fund but are not part of the Debt Service Fund, and in accordance with generally accepted accounting principles.

This policy does not apply to employee retirement funds.

**General Objectives**

At all times, investments of the City shall be in accordance with Minnesota Statutes Chapter 118A and amendments thereto. The primary objectives of the City's investment activities shall be in the following order of priority, and are noted below under items A, B, and C:

**A. Safety**

Safety of principal is the foremost objective of the investment portfolio.

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, interest rate risk, and custodial risk.

*Credit Risk:* Credit Risk is the risk of loss due to failure of the security issuer or backer. Thus, designated depositories shall have insurance through the FDIC (Federal Insurance) or the SIPC (Securities Investor Protection Corporation). To ensure safety, it is the policy of the City that when considering an investment, all depositories under consideration be cross-checked against existing investments to make certain that funds in excess of insurance limits are not made in the same institution unless collateralized as outlined below. Furthermore, the City Council will approve all financial institutions, brokers, and advisers with which the City will do business.

*Interest Rate Risk:* Interest Rate Risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. The City will minimize Interest Rate Risk by structuring the investment portfolio so that securities will be held to maturity to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

*Custodial Risk:* The City will minimize deposit Custodial Risk, which is the risk of loss due to failure of the depository bank (or credit union), by obtaining collateral or bond for all uninsured amounts on deposit, and by obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law.

## **B. Liquidity**

The investment portfolio shall remain sufficiently liquid to meet projected disbursement requirements. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. In addition, some funds are normally held in a money market account so the city has immediate access to a limited amount of cash at any given time. Generally, investments shall have “laddered” maturities so that money becomes available on a regular schedule. Liquid funds will allow the City to meet possible cash emergencies without being penalized on investments.

## **C. Yield**

The investment portfolio shall be designed to manage the funds to maximize returns consistent with items A and B above and within the requirements set forth in this Policy. Subject to the requirements of the above objectives, the City is willing to give financial institutions and companies within the City the opportunity to bid on investments; however, the City will seek the best investment yields. The City’s normal business practice will be doing business with and making investments using only one broker and working only with the financial institution where that broker works. In addition, when investments are made, such as purchasing bank certificates of deposit, a variety of institutions (banks) will be used to spread the risk, and maximize interest yield.

## **Standards of Care**

### **A. Prudence**

The standard of prudence to be used by investment advisor shall be the “prudent professional investor”, and shall be applied in the context of managing the investments. All investment transactions shall be made in good faith with the degree of judgment and care, under the circumstances, that a professional investor of prudence, discretion and intelligence would exercise in the management of their own or others affairs. This standard of prudence shall mean that investments should be made not for speculation, and with consideration of the probable safety of the capital as well as the probable investment return derived from assets.

### **B. Ethics and Conflicts of Interest**

The Investment Advisor 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. The Investment Advisor shall disclose any material interests in financial institutions with which they conduct business. For further details, please refer to the City’s policies and ordinances.

### **C. Delegation of Authority**

Responsibility for the investment program is hereby delegated from the City Council to the Investment Advisor. Authority to conduct actual investment transactions may be delegated to the Investment Advisor, who shall act in accordance with procedures as established with this investment policy. The authorized individuals, when acting in accordance with this Policy and exercising due diligence, shall not be held responsible for losses, provided that the losses are reported immediately and that appropriate action is taken to control further losses.

## **Internal Controls**

Internal controls are designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes, or imprudent actions. Before the City invests any funds, competitive quotations from the financial institution the city does business with shall be obtained to ensure interest yields are competitive and in compliance with this investment policy. As mentioned previously if other financial institutions or companies within the city, or elsewhere, quote on investments, the city will consider those quotes as well. Verbal quotations shall be received from the broker or investment representative of the financial institution making the quote. Specific investment durations will normally be required and asked for, either for cash flow purposes or for conformance to maturity guidelines, so quotations will be requested for instruments having maturity dates that meet the required durations. Quotations will be requested from the financial institution for various options with regard to term and investment type. The

City will accept the quotation, which provides the highest rate of return within the maturity required and within the limits of this Policy.

The original investment statements from all institutions shall be sent directly to the City Offices. The Administrator/Clerk shall send copies to the Investment Advisor and Treasurer. The Investment Advisor shall be responsible for review of the statements to determine that the investments that he authorized have been made. The Treasurer shall balance the investment statements to the accounting books of the City and provide an initialed reconciliation for approval of the Administrator/Clerk. The original investment reports and reconciliations shall be retained in accordance with the Records Retention Policy.

The Administrator/Clerk will report periodically to the City Council on the total of all funds invested and the total interest received on all securities year to date. Providing copies of the latest investment reports shall satisfy this requirement.

### **Authorized Investments and Collateralization**

All City investments and deposits shall be those allowable by Minnesota Statutes Chapter 118A and amendments thereto. In accordance with MN Statutes 118A, collateralization will be required on all demand deposit accounts, including checking, savings, and money market accounts, and non-negotiable certificates of deposit in excess of federal deposit insurance.

State law defines the types of securities that a financial institution may pledge as collateral for public deposits. These securities include:

- United States Treasury Issues
- Institutional Money Market Funds that adhere to SEC rule 2a-7.
- Issues of US Government Agencies and Instrumentalities
- Obligations of State and Local Governments
- Time Deposits (Certificates of Deposits fully insured by the federal deposit insurance company or federal agency).

Since the amount a public entity has on deposit will vary from time to time, the financial institution needs sufficient amounts of pledged collateral to cover 110% of the uninsured amount on deposit during peak deposit times.

### **Diversification**

The City will attempt to diversify its investments according to type and maturity. The portfolio, however, will contain mostly short-term investments. Based on the size of the investment portfolio, and the need for cash flow, long-term investments will be rare and very limited. The City will attempt to match its investments with anticipated cash flow requirements. Extended maturities may be utilized periodically to take advantage of higher yields

### **Broker Representations**

Municipalities must obtain from their brokers certain representations regarding future

investments. Pursuant to Minnesota Statutes 118A, the City shall provide each broker with the City's investment policy, and the securities broker shall submit a certification annually to the City stating that the officer has reviewed the investment policies and objectives, as well as applicable state law, and agrees to disclose potential conflicts of interest or risk to public funds that might arise out of business transactions between the firm and the City. All financial institutions shall agree to undertake reasonable efforts to preclude imprudent transactions involving the City's funds.

The motion for adopting the foregoing resolution was acted upon by motion and seconded, and upon a vote being taken thereon, the following voted via voice:

Adopted this day of

Mayor Tom Carr  
Council Member Bohnen  
Council Member Lobin  
Council Member Huber  
Council Member Tronrud

Whereupon, said resolution was declared duly passed and adopted and signed by the Mayor and attested by the City Clerk, passed by the City Council, City of Grant, Washington County, Minnesota, on this 3rd day of December, 2013.

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Thomas Carr, Mayor

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Kim Points, City Clerk