

RESOLUTION NO. 1006

CITY OF LACEY

A RESOLUTION OF THE CITY OF LACEY, WASHINGTON, AMENDING THE OFFICIAL INVESTMENT POLICY OF THE CITY.

WHEREAS, the stewardship of public funds, their safe-keeping, legal use and proper management, is one of the most important responsibilities entrusted to the officials and managers of the City of Lacey, and

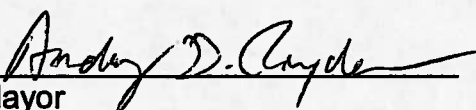
WHEREAS, the City Council adopted Resolution No. 625 on June 9, 1988 and Resolution No. 810 on July 22, 1999, which established and amended the City of Lacey's official investment policy, and

WHEREAS, updated guidance and market conditions require additions and amendments to said policy,

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, that the certain policy set forth in the document entitled "City of Lacey Investment Policy," attached hereto and made a part hereof as though fully set forth at length is hereby approved and adopted as the investment policy to be followed by the City Council and management of the City of Lacey.


PASSED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, this 13th day of February, 2014.

CITY COUNCIL



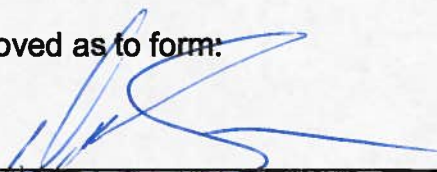
Mayor

Attest:



City Clerk

Approved as to form:



City Attorney

CITY OF LACEY INVESTMENT POLICY

1. GENERAL

- A. This policy establishes the rules by which the City of Lacey will invest public funds that will provide maximum security with the highest investment return while meeting the daily cash flow demands of the City of Lacey and conforming to all federal, state, and local statutes governing the investment of public funds.
- B. Any questions or comments should be directed to the Finance Director at (360) 438-2624.
- C. This investment policy applies to all financial assets of the City of Lacey. These funds are accounted for in the City of Lacey's Annual Financial Report and include:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Internal Service Funds
- Debt Service Funds
- Trust and Agency Funds
- Retirement/Pension Funds
- Any new fund created by the City Council, unless specifically exempted

- D. 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 care 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 an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

The investment portfolio is subject to public review and evaluation. The program shall be designed and managed with a level of professionalism that is worthy of and maintains the public trust.

E. This policy is divided into the following sections:

SECTION 1	GENERAL
SECTION 2	OBJECTIVES
SECTION 3	DELEGATION OF AUTHORITY
SECTION 4	ETHICS AND CONFLICTS OF INTEREST
SECTION 5	AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS
SECTION 6	AUTHORIZED INVESTMENTS
SECTION 7	SAFEKEEPING AND CUSTODY
SECTION 8	DIVERSIFICATION
SECTION 9	MAXIMUM MATURITIES
SECTION 10	INTERNAL CONTROLS
SECTION 11	PERFORMANCE STANDARDS
SECTION 12	REPORTING
SECTION 13	INVESTMENT POLICY ADOPTION

2. OBJECTIVES

A. The primary objectives, in priority order, of the City of Lacey's investment activities shall be:

1. **Safety:** Safety of the principal is the foremost objective of the investment program. Investments of the City of Lacey shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To obtain 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.
2. **Liquidity:** The City of Lacey's investment portfolio will remain sufficiently liquid to enable the City of Lacey to meet all operating requirements that might be reasonably anticipated.
3. **Return on Investment:** The City of Lacey's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City of Lacey's investment risk constraints and the cash flow characteristics of the portfolio.

3. DELEGATION OF AUTHORITY

A. Authority to manage the City of Lacey's investment program is derived from the following: Revised Code of Washington (RCW), Washington Municipal Treasurer's Association model investment policy, BARS manual, and Resolution No. 992. Management responsibility for the investment program is hereby delegated to the Finance Director, who shall establish procedures for the operation of the investment program consistent with this investment policy.

B. Procedures should include reference to the following: safekeeping, wire transfer agreements, custody agreements and investment related banking services

contracts. 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 Finance Director. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

4. ETHICS AND CONFLICTS OF INTEREST

- A. Officers and employees involved in the investment process shall refrain from personal business activity that may conflict with the proper execution of the investment program, or may impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Manager or Finance Director any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any personal financial/investment positions that could be related to the performance of the City of Lacey's portfolio. Investment officers shall refrain from conducting personal investment transactions with the same individuals with whom the business is conducted on behalf of the City of Lacey and shall subordinate their personal investment transactions to those of the City of Lacey, particularly with regard to the timing of purchases and sales.

5. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

- A. No public deposits shall be made except in qualified public depositories as provided in Chapter 39.58 RCW.
- B. The Finance Director will maintain a list of financial institutions authorized to provide investment services.
- C. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness. The list may include primary dealers (those who as primary government securities dealers report daily to the New York Federal Reserve Bank) or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

Secondary security dealers may be included if they meet all of the following conditions:

1. Have an office in the State of Washington and are currently conducting business with other State of Washington public entities.
 2. Have a minimum net worth of \$10 million.
 - a) A dealer will not be considered if it has two consecutive quarters of declining net worth or has one quarter with a drop in net worth of five (5) percent or more.
- D. All brokers/dealers and financial institutions who desire to do business with the City of Lacey must supply the Finance Director with the following:

- Annual audited financial statements for the last three (3) years.
- Proof of National Association of Securities Dealers certification.
 - Proof of state registration.
- Certification of having read the City of Lacey's investment policy.
- References preferably from governmental entities.

E. The Finance Director will conduct an annual review of the financial condition of firms.

6. AUTHORIZED INVESTMENTS

A. The City of Lacey is empowered to invest in the following types of securities:

- The Washington State Local Government Investment Pool (LGIP) (RCW 43.250.040).
- Savings accounts or certificates of deposit issued by Washington State Public Depositories (RCW 39.59.020).
- United States bonds (RCW 43.84.080).
- United States certificates of indebtedness (RCW 43.84.080).
- United States Treasury Bills (RCW 43.84.080).
- General obligation or utility revenue bonds or warrants of its own or of any other city or town in the state, which at the time of investment have one of the three highest credit ratings of a nationally recognized rating agency (RCW 35.39.030).
- Its own bonds or warrants of a local improvement district which are with the protection of the local improvement guaranty fund law (RCW 35.39.030).
- United States Government Agency securities and United States Government-Sponsored Corporations including but not limited to Farmers Home Administration, Federal Land Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae), Student Loan Marketing Association (Sallie Mae) (RCW 43.84.080).

B. The City of Lacey is prohibited from investing in the following types of investments.

- Corporate Stocks
- Corporate Bonds
- Foreign Government Obligations
- Futures Contracts
- Guaranteed Investment Contracts
- Investment in Commodities
- Limited Partnerships
- Negotiable Certificates of Deposit
- Real Estate

7. SAFEKEEPING AND CUSTODY

- A. To protect against potential fraud, embezzlement, or losses caused by the collapse of individual securities dealers, all investment securities purchased by the City shall be held by the City or in safekeeping by the City's custodian bank or a third party bank trust department, acting as an agent for the City under the terms of a custody or trustee agreement executed by the bank and by the City. The primary agent shall issue a safekeeping receipt to the City listing the specific instrument, rate, maturity, and other pertinent information.
- B. All security transactions entered into by the City of Lacey shall be conducted on a delivery-versus-payment (DVP) basis.
- C. Investments and safekeeping procedures are subject to annual review by the Washington State Auditor.

8. DIVERSIFICATION

- A. The City of Lacey will diversify its investments by security type and institution to reduce overall portfolio risks. With the exception of U.S. Treasury securities and authorized investment pools, no more than 50 percent of the City of Lacey's total investment portfolio will be invested in a single security type or with a single financial institution. However, 85 percent of the City of Lacey's total investment portfolio may be invested in U.S. Treasury Obligations or 100 percent of the City of Lacey's total investment portfolio may be invested in the Washington State Local Government Investment Pool.
- B. At least 15 percent of the portfolio shall be invested in overnight instruments or marketable securities which can be sold to raise cash in one day's notice.
- C. Portfolio maturities shall be staggered to avoid a concentration of assets in a specific maturity period.

9. MAXIMUM MATURITIES

- A. To the extent possible, the City of Lacey will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City of Lacey will not directly invest in securities maturing more than five (5) years from the date of purchase. However, the City of Lacey may invest in securities maturing up to twenty (20) years if they consist solely of the corpus of a perpetual operating fund or consist solely of bond reserve funds. Reserve funds may be invested in securities exceeding five (5) years if the maturity of such investments is made to coincide as nearly as practical with the expected use of the reserve funds.
- B. It is the intent of the City of Lacey to hold investments to maturity, but security exchanges may be executed to upgrade yield if it maintains cash flow requirements and the overall portfolio quality.

10. INTERNAL CONTROLS

- A. The Finance Director shall subject the investment policies and procedures to the City of Lacey's annual audit by the Washington State Auditor. This review will provide internal control by assuring compliance with policies and procedures.

11. PERFORMANCE STANDARDS

- A. The investment portfolio will be designed to obtain an average rate of return during budgetary and economic cycles, consistent with the investment objectives and cash flow needs.
- B. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates.

12. REPORTING

- A. The Finance Director shall provide the City Manager consistent periodic reporting. These reports shall provide an accurate and meaningful representation of the investment portfolio and proof of compliance with the investment policy. Quarterly reports will include:
- A listing of individual securities held at the end of the reporting period.
 - Average life and final maturity of all investments listed.
 - Coupon or discount rate.
 - Par value and amortized book value.
 - Percentage of the portfolio in each investment category.
 - Market value versus book value comparisons, which include unrealized gain or loss information.

13. INVESTMENT POLICY ADOPTION

- A. The City of Lacey's investment policy shall be adopted by resolution of the City Council. The policy shall be reviewed on an annual basis by the approving authority and the same authority must approve any modifications.