



# **City of Grand Island**

**Tuesday, March 07, 2006**

**Special/Council Session**

## **Item G15**

**#2006-75 - Approving Fiscal and Investment Policies for the City of Grand Island**

**Staff Contact: Dave Springer**

# **Council Agenda Memo**

**From:** David Springer, Finance Director

**Meeting:** March 7, 2006

**Subject:** Approving the Update of the City's Fiscal Policies and Approving Investment Policies

**Item #'s:** G-15

**Presenter(s):** David Springer, Finance Director

## **Background**

The fiscal policies for the City of Grand Island were last presented to Council in January of 1992 and approved by Resolution No.92-009. The City's outside auditors have recommended that this policy be updated and submitted to Council for review and approval. They also recommended that an investment policy be formalized by Council.

## **Discussion**

The goals and objectives as stated in the 1992 fiscal policy are still pertinent today and provided the basis for the update. There was an effort to condense language, expand the clarity, and bring the concepts up to date, while maintaining the policy substance. The intent here is for council to review the Fiscal and Investment Policies and approve as recommended or provide input to Administration to make changes as they may direct.

## **Alternatives**

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Approve the Fiscal and Investment Policies.
2. Disapprove or deny the policies.
3. Modify the Resolution to meet the wishes of the Council
4. Table the issue

## **Recommendation**

City Administration recommends that the Council approve the policies.

## **Sample Motion**

Approve the update of the City's Fiscal Policies and the Investment Policies.

# **CITY OF GRAND ISLAND**

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## **FISCAL POLICIES MANUAL**

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### **I. INTRODUCTION:**

The fiscal policies outlined in this document and the supplements are intended to be:

1. Fully consistent with the Mission and Purpose Statement for the City Of Grand Island. "Enhance the quality of life in the Grand Island Community, to recognize the vitality and diversity of our neighborhoods, and to promote development by providing effective and responsive services through vision, respect and courtesy."
2. Enhance quality of life for Grand Island citizens by providing needed services while limiting growth in government budget and size.
3. Make City government clearly and directly accountable to its citizens within the framework of inter-governmental rights and responsibilities.

Fiscal Policies are used here to mean the combined policies of Grand Island City government with respect to taxes and other fiscal resources, spending and debt management used in support of the City's public services program. The budget process is the major vehicle for determining and implementing the relevant policies. Fiscal policy applies management principles to social and economic data in meeting budgetary objectives. Its purpose is to provide guidance for good public practice in the planning and financing of public expenditures. Fiscal policy which is both realistic and consistent provides useful guidance for the long-term programming of services and facilities. It provides a set of assumptions under which budget and tax decisions should be made. While established for the best management of governmental resources, fiscal policy also helps set the parameters for governments' role in the broader economy of the community.

Policy formulation is the dual responsibility of the City Administrator, who develops policy recommendations, Mayor, and the City Council, who reviews the recommendations and establishes policy through the adoption of appropriate Ordinances and Resolutions.

The current fiscal policy is presented on the following pages under six broad policy headings: General Financial Objectives, Accounting, Auditing, and Financial Reporting Policies, Investment Policies, Capital Improvement Policies, Debt management Policies, and Communication and Disclosure Policies.

### **II. GENERAL FINANCIAL OBJECTIVES**

The City of Grand Island's general financial goals are stated as follows:

- 1) To maintain an adequate financial base for purposes of sustaining a prescribed level of services as determined by the State, Mayor, and City Council.

2) To adhere to accounting and management practices as set by the Government Finance Officers' Association (GFOA), statements issued by the Governmental Accounting Standards Board (GASB), National Council of Government Accounting (NCGA) Statements, and American Institute of Certified Public Accountants (AICPA) guidelines.

3) To have the ability to respond to local and regional economic conditions, to adjust to changes in the service requirements of our community, and to respond to changes in State and Federal priorities and funding.

4) To maintain a maximum degree of financial flexibility by ensuring that the City is in a position to respond to changes in the economy or new service challenges without an undue amount of financial stress.

5) To promote fiscal conservation and to obtain the highest credit rating possible by insuring that the City is at all times in a solid financial condition. This can be defined as:

- a. Cash Solvency - the ability to pay current bills in a timely fashion.
- b. Budgetary Solvency - the ability to balance the budget.
- c. Long-run Solvency - the ability to pay future costs.
- d. Service Level Solvency - the ability to provide needed and desired services

6) To assure taxpayers that City government is well managed by using prudent financial management practices and maintaining a sound fiscal condition.

### **III. ACCOUNTING, AUDITING AND FINANCIAL REPORTING**

The goals of the Finance Department are fully consistent with the following stated budget and accounting policies of the Grand Island City government. That is, to provide the best financial data possible to allow Administrative and the general citizenry an understanding of the complete financial circumstances surrounding public decision-making so the financial consequences of those decisions can be properly assessed and the rational allocation of City resources be enhanced.

#### **A. Accounting and Reporting Capabilities:**

The City of Grand Island's governmental accounting system must make it possible:

- to present fairly and with full disclosure the financial position and results of financial operations of the funds and account groups of the city in conformity with generally accepted accounting principles as defined by the GASB, and
- To determine and demonstrate compliance with finance-related legal and contractual requirements.

#### **B. Fund Accounting:**

The accounting system shall be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations or restrictions.

While conforming to legal requirements, only enough funds shall be established to provide for efficient operations.

**C. Fixed Assets and Long-Term Liabilities:**

Fixed assets shall be accounted for at cost or, if the cost is not practicably determinable, at estimated cost. Donated fixed assets shall be recorded at their estimated fair market value at the time received. Depreciation of general fixed assets shall be recorded in the accounts of individual funds.

**D. Basis of Accounting**

The basis of accounting will be determined to most efficiently measure financial position and operating results.

**E. Financial Reporting:**

Appropriate interim financial statements and reports of financial position, operating results, and other pertinent information shall be prepared to facilitate oversight, and where necessary or desired, for external reporting purposes.

An annual financial report covering all funds of the reporting entity will be prepared following GASB Statements and Standards set by FASB, and Government Auditing Standards set by the United States General Accounting Office.

An independent public accounting firm shall perform an annual audit and will publicly issue an opinion concerning the City's finances.

**F. Budgeting:**

The City of Grand Island shall prepare a comprehensive annual budget using the basis of accounting determined in Section II-D covering all funds for each ensuing fiscal period.

The annual General Appropriations Act, when signed into law, establishes revenue, expenditure/expense and obligation authority at the summary control level of total appropriations for all funds. The City Administrator and the Finance Director shall exercise supervision and control of all budgeted expenditures within these limits, holding expenses below appropriations or allowing over-runs in individual line-items providing that at no time shall the net expenditures exceed the total appropriation for that fund as originally authorized or amended by the Mayor and City Council.

The City Administrator may submit to the Mayor and City Council, a request for a supplemental appropriation. This additional appropriation may be based on the receipt of funds unforeseen at the time of the original budget or based upon emergency service needs required of the City.

No appropriations measure shall be submitted to or adopted by the Mayor and City Council in which estimated total expenditures, including an accrued deficit, exceed estimated total revenues, including an available surplus.

There are five appropriation types unless regulated otherwise by other statutes; Personnel costs which include all employee compensation and benefit related expenses; Operating expenses which are all expenses that are required for operations; capital expenditures for assets falling within the Capitalization threshold; Debt Service which includes all debt related payments; and fund transfers.

No obligation shall be incurred against, and no payment shall be made from, any appropriation type unless there is sufficient unencumbered balance in the appropriation and sufficient funds are or will be available to meet the obligation.

The Finance Director, after the end of each month, shall transmit to the Mayor and City Council a report depicting the financial condition of budgeted operations, including, but not limited to:

- 1) A report of actual revenues by General Fund departments compared with budgeted revenues.
- 2) A report of actual expenditures by General Fund departments compared with authorized appropriations.
- 3) A statement of Cash Position for all funds with sources and uses of funds compared to prior year and fiscal year end.
- 4) A Sales Tax Analysis report with historical monthly receipts and annual projection.

All appropriations are annual as authorized by the General Appropriations Act and the unexpended portion shall lapse at year end. Encumbrances and appropriations carried forward shall be recorded as a reservation of fund balance and the subsequent year's budget amended to provide authority to complete these transactions, as defined in NCGA, Statement No. 1.

Budgeting comparisons shall be presented in the financial statements as required by GASB and all budgetary procedures shall conform to existing State Law.

The budget shall provide for adequate maintenance of the capital plant and equipment, and for their orderly replacement.

The budget shall provide for adequate funding of the City's retirement programs.

The operating budget shall describe the major program goals to be achieved, and the services and programs to be delivered for the level of funding provided.

#### **IV. PURCHASING POLICIES:**

The City Council establishes purchasing policies as detailed in the City Code.

Through the Procurement Code, the City of Grand Island is protected by various safeguards. The Code sets requirements at certain cost levels for bidder security, payment and performance bonding. Ethics for City officials and employees are also clearly established to prevent the

acceptance of gratuities and kickbacks, as well as, preventing any City official or employee financial gains from a procurement contract.

The competitive bidding procedure for larger purchases defines any exceptions outlined by the Code and gives basic instructions to user departments for day to day purchasing.

## **V. REVENUE AND INVESTMENT POLICIES:**

Administration of Revenue and Investment Policies is the responsibility of the City Treasurer (Finance Director) and the Finance Department. The two main objectives of the Finance Director in the role of City Treasurer are the custodian of all City funds and the collector of receipts.

The goals and objectives of the Treasurer's Office include:

- To guarantee the safety of City funds by adhering to statutory requirements regarding bonding and placement of funds and maintaining a system of controls to monitor such activities.
- To maximize earnings on temporarily available funds by seeking the best available combination of safety, interest rates, and lengths of short term investments.
- To conform to the guidelines and objectives as detailed in the Investment Policy document as approved by council.

## **A. REVENUE POLICIES:**

When exercising the City's tariff and taxing powers, the City will comply with the following principles:

**1) Stability** - A diversified and stable revenue system shall be maintained to ensure fiscal health and absorb short run fluctuations in any one revenue source. Ongoing operating costs should be supported by ongoing, stable revenue sources.

a. Cash balances should be used only for one-time capital expenditures, such as capital equipment and improvements, or contingency accounts.

b. Ongoing maintenance costs should be financed through recurring operating revenues.

**2) Sufficiency** - Fees should cover the full cost of issuance, administration and enforcement.

**3) Efficiency** - A fee should be levied in a way which can be easily and inexpensively administered by the City and complied with by the taxpayer. A minimum of the revenue raised through a fee or tax should be consumed in the process of raising it.

**4) Simplicity** - Charges and levies should be readily understood by the taxpayer and the official. The amount of the charge or levy should be easily computed and verified.

**5) Equitability** - No arbitrary distinctions should be made among taxpayers or classes of taxpayers. However, distinctions will be made when the City believes that such distinctions



are appropriate and will not have a disproportionate impact on taxpayers or a class of taxpayers.

**6) Growth** - Fees, charges or levies should not be excessive, so as to either discourage reasonable economic growth or to place the City of Grand Island in a position of comparative disadvantage with other communities. Revenues from growth or development should be targeted to costs related to development or invested in improvements that will benefit future residents or make future services provision more efficient.

**7) Reliability and Continuity** - Fluctuating federal and state grants should not be used to fund ongoing programs. Grant applications to fund new service programs with State or Federal funds shall be reviewed by the City, with significant consideration given to whether locally generated funds will be required to support these programs when original funding is no longer available. A minimum of locally generated revenues will be used to replace funding for activities which are or have traditionally been the responsibilities of the Federal and State governments.

**8) Full Cost Recovery** - Where the City of Grand Island provides services on behalf of other governmental jurisdictions, the City shall establish and maintain agreements and contracts with those jurisdiction - including the Federal Government, the State of Nebraska, Hall County, joint agencies, other counties and incorporated cities, and taxing districts - to ensure the City of Grand Island is reimbursed for the full cost of those services.

**9) Maximization** - In order to maximize revenues, the City shall, to the fullest extent possible:

- a. Aggressively collect revenues.
- b. Establish all fees and use charges at levels related to recovery of full costs incurred in providing the related services.
- c. Review fees and user charges annually so as to provide for changes in rates to keep pace with changes in the costs of providing services.
- d. Charge fees for all services that benefit limited interests within the community, except for human needs services to persons with limited ability to pay.
- e. Make revenue projections for three years and revise them annually.

## **B. INVESTMENT POLICIES:**

Consistent with the Treasurers' Office stated goals and objectives, the City operates under the following general investment policies:

- 1) The City analyzes the cash flow of all funds on a regular basis to ensure maximum cash availability.

2) Market conditions and investment securities are reviewed on a regular basis to determine the maximum yield to be obtained.

3) The City will invest as much of its idle cash as possible on a continuous basis. These investments shall be in quality issues and in compliance with Council Resolutions and State Statutes regarding investment requirements.

## **VI. CAPITAL IMPROVEMENT POLICIES:**

### **A. General**

1) A Fixed Asset Inventory of the City's physical assets and their conditions shall be developed and maintained.

2) The Department Directors, in conjunction with the City Administrator, shall develop a multi-year plan for capital improvements and update it annually. The Capital Improvement Program shall identify estimated costs and funding sources for each capital project, as well as the City Administrator's relative priority, before it is submitted to the Mayor and City Council for review, modification and approval.

3) City operating budgets shall provide for adequate facility maintenance and operations. Ongoing maintenance funds shall be estimated and identified prior to making the decision to undertake capital improvements.

4) The City shall make improvements to existing facilities and adopt non-capital strategies to increase capacity prior to making recommendations for new facilities.

5) The City shall rehabilitate or replace structures which have service problems, safety concerns, or are economically inefficient to operate.

B. Financing Capital Projects is categorized as follows, with financing as noted for each category:

1) **Replacement** - Capital expenditures relating to normal replacement of worn or obsolete capital plant should be financed on a pay-as-you-go basis, with debt financing considered where appropriate.

2) **Expansion** - Capital expenditures relating to the construction of new or expanded facilities necessitated by growth should be financed primarily on a pay-as-you-go basis, but when the new improvements can be determined to benefit the overall population in the future, debt financing may be appropriate.

3) **Unusual** - Some capital expenditures for improvements enhance the quality of life in the City of Grand Island and are consistent with the City's goals but cannot be categorized as essential for the provision of basic services or maintenance of the useful life of existing facilities. Source of funding shall be determined by looking to the ultimate beneficiary of each capital improvement.

C. Prioritization of Capital Projects - Capital improvement needs are to be identified, categorized and prioritized as follows:

- 1) First Priority: Essential Basic Services.
- 2) Second Priority: Essential Maintenance of Effort Services.
- 3) Third Priority: Essential Quality of Life Services.
- 4) Fourth Priority: Desirable Basic Services.
- 5) Fifth Priority: Desirable Maintenance of Effort Services
- 6) Sixth Priority: Desirable Quality of Life Services.

## **VII. DEBT MANAGEMENT POLICIES:**

A. The following debt management policies shall be used to provide the general framework for planning and reviewing debt proposals. The City recognizes that there are no absolute rules or easy formulas that can substitute for a thorough review of all information affecting the City 's debt position. Debt decisions should be the result of deliberate consideration of all factors involved.

B. The City of Grand Island will use debt financing when it is appropriate. It shall be judged appropriate only when the following conditions exist:

- 1) When non-continuous capital improvements are desired.
- 2) When it can be determined that future citizen's will receive a benefit from the improvement.

C. The City may use short-term borrowing (Notes) to finance operating needs as a bridge between maturity dates of long term investments, but reasonable forecasting should minimize this need. However, interim financing in anticipation of a definite fixed source of revenue such as property taxes, an authorized but unsold bond issue, or a grant is acceptable. Such tax, bond or grant anticipation notes and warrants shall not:

- 1) Have maturities greater than 2 1/2 years;
- 2) Be rolled over for a period greater than one year;or
- 3) Be issued solely on the expectation that interest rates will decline from current levels.

D. Uses of Debt Financing:

- 1) Bond proceeds shall be limited to financing the costs of planning, design, land acquisition, buildings, permanent structures, attached fixtures or equipment, and infrastructures
- 2) Non-capital furnishings and supplies shall not be financed from bond proceeds.

3) Refunding bond issues designed to restructure currently outstanding debt is an acceptable use of bond proceeds.

E. Taxpayer Equity - A significant proportion of the City's property tax payers and citizens should benefit from projects financed by limited general obligation bonds. This principle of taxpayer equity shall be a primary consideration in determining the type of projects selected for financing.

F. When the City of Grand Island utilizes long-term debt financing it shall ensure that the debt is soundly financed by conservatively projecting the revenue sources that will be utilized to pay the debt.

## **VIII. COMMUNICATION AND DISCLOSURE POLICIES:**

The City of Grand Island's primary financial reporting objectives are keyed to open communication and full disclosure.

A. Financial reporting shall assist in fulfilling the City's duty to be publicly accountable and enable users to assess that accountability.

B. Financial reporting shall assist users in evaluating the operating results of the City of Grand Island for the year.

C. Financial reporting shall assist users in assessing the level of services that can be provided by the City and its ability to meet its obligations as they become due.

D. These primary objectives are divided further into six basic objectives; financial reporting shall:

1) Provide information to determine whether current-year revenues were sufficient to pay for current-year services.

2) Demonstrate whether resources were obtained and used in accordance with the City's legally adopted budget; it shall also demonstrate compliance with other finance-related legal or contractual requirements.

3) Provide information to assist users in assessing the service efforts, costs and accomplishments of the City of Grand Island.

4) Provide information about sources and uses of financial resources and how the City financed its activities and met its cash requirements.

5) Provide information necessary to determine whether the City's financial position improved or deteriorated as a result of the year's operations.

6) Disclose legal or contractual restrictions on resources and risks of potential loss of resources.

E. The City of Grand Island shall maintain good communications with bond rating agencies to inform them about the City's financial condition. Each bond prospectus shall follow the Governmental Finance Officers Association disclosure guidelines.

F. These objectives are not considered to be static. Revisions are to be expected as needs change or as requirements for additional financial reporting information emerges.

## **IX. CODE OF PROFESSIONAL ETHICS:**

A. City officials and employees are enjoined to adhere to legal, moral and professional standards of conduct in the fulfillment of their professional responsibilities.

### **1) Personal Standards --**

a. City officials and employees shall demonstrate and be dedicated to the highest ideals of honor and integrity in all public and personal relationships to merit the respect, trust and confidence of governing officials, other public officials, employees, and of the public.

b. They shall abide by approved professional practices and recommended standards.

**2) Responsibility as Public Officials** City officials and employees shall recognize and be accountable for their responsibilities as officials in the public sector.

a. They shall be sensitive and responsive to the rights of the public and its changing needs.

b. They shall strive to provide the highest quality of performance and counsel.

c. They shall exercise prudence and integrity in the management of funds in their custody and in all financial transactions.

d. They shall uphold both the letter and the spirit of the constitution, legislation and regulations governing their actions and report violations of the law to the appropriate authorities.

**3) Professional Development** The City shall emphasize and support a program of professional development. City officials and employees are expected to support programs to enhance their competence and that of their colleagues. Public officials shall promote excellence in the public service.

**4) Professional Integrity Information -** City officials and employees shall demonstrate professional integrity in the issuance and management of information.

a. They shall not knowingly sign, subscribe to, or permit the issuance of any statement or report which contains any misstatement or which omits any material fact.

b. They shall prepare and present statements and financial information pursuant to applicable law and generally accepted practices and guidelines.

c. They shall respect and protect privileged information to which they have access by virtue of their office.

d. They shall be sensitive and responsive to inquiries from the public and the media, within the framework of state or local government policy.

**5) Professional Integrity- Relationships**

a. They shall exhibit loyalty and trust in the affairs and interests of the government they serve, within the confines of this Code of Ethics.

b. They shall not knowingly be a party to or condone any illegal or improper activity.

c. They shall respect the rights, responsibilities and integrity of their colleagues and other public officials with whom they work and associate.

d. They shall manage all matters of personnel within the scope of their authority so that fairness and impartiality govern their decisions.

e. They shall promote equal employment opportunities, and in doing so, oppose any discrimination, harassment or other unfair practices.

**6) Conflict of Interest** - City officials and employees shall actively avoid the appearance of or fact of conflicting interest.

a. They shall discharge their duties without favor and shall refrain from engaging in any outside matters of financial or personal interest incompatible with the impartial and objective performance of their duties.

b. They shall not, directly or indirectly, seek or accept personal gain which would influence, or appear to influence, the conduct of their official duties.

c. They shall not use public property or resources for personal or political gain.

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# CITY OF GRAND ISLAND

## Investment Policy

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### **I. Governing Authority**

#### ***Legality***

The investment program shall be operated in conformance with federal, state, and other legal requirements.

### **II. Scope**

This policy applies to the investment of all funds, excluding the investment of employees' retirement funds.

#### ***Pooling of Funds***

Except for cash in certain restricted and special funds, the City will 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 participation and in accordance with generally accepted accounting principles.

### **III. General Objectives**

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

#### **1. Safety**

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. The objective will be to mitigate credit risk and interest rate risk.

##### **a. Credit Risk**

The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the types listed in Section VII of this Investment Policy
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City will do business in accordance with Section V
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

##### **b. Interest Rate Risk**

The City will minimize interest rate risk which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity

- Investing operating funds primarily in shorter term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio.

## **2. Liquidity**

The investment portfolio shall remain sufficiently liquid to meet reasonably anticipated operating requirements. This is accomplished by structuring the portfolio so that securities mature concurrently with anticipated cash needs and a portfolio makeup that consists largely of securities with active resale markets. Alternatively, a portion of the portfolio may be placed in money market mutual funds or other short term funds.

## **3. Yield**

The investment portfolio shall be designed with the objective of attaining a market rate of return, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap to improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

The City's cash management portfolio shall be designed with the objective of meeting or exceeding the average return on three month U.S. Treasury bills, the state investment pool, or the average rate on Fed funds. These indices are considered benchmarks for lower risk investments. The investment program shall seek to augment returns above this threshold, consistent with risk limitations identified herein.

# **IV. Standards of Care**

## **1. Prudence**

The standard of prudence to be used by investment officials shall be the "prudent person" standard. Investment officers acting in accordance with written procedures and this 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 the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

The "prudent person" standard states that, "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".

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

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business and further disclose any personal



financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

### **3. *Delegation of Authority***

Authority to manage the investment program is granted to the Finance Director or Designee and derived from City Code Section 2-34. Responsibility for the operation of the investment program is hereby delegated to the City Treasurer, who shall act in accordance with established written procedures and internal controls consistent with this investment policy. No person may engage in any investment transaction except as provided under the terms of this policy and the procedures established by the City Treasurer. The City Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

## **V. Authorized Financial Institutions, Depositories, and Broker/Dealers**

### **1. *Authorized Financial Institutions, Depositories and Broker/Dealers***

A list will be maintained of financial institutions and depositories authorized to provide investment services. All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statement demonstrating compliance with state and federal capital adequacy guidelines
- Proof of National Association of Securities Dealers (NASD) certification (not applicable to Certificate of Deposit counterparties)
- Proof of state registration
- Evidence of adequate insurance coverage

An annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the investment officer.

### **2. *Minority and Community Financial Institutions***

From time to time, the investment officer may choose to invest in instruments offered by minority and community financial institutions. In such situations, a waiver to certain parts of the criteria under Paragraph 1 may be granted. All terms and relationships will be fully disclosed and reported prior to purchase and be approved by the appropriate legislative or governing body in advance and be consistent with state or local law.

## **VI. Safekeeping and Custody**

### **1. *Delivery vs. Payment***

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

### **2. *Safekeeping***

Securities will be held by an independent third party custodian selected by the entity as

evidenced by safekeeping receipts in the City's name.

### **3. Internal Controls**

The City Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. Details of the internal controls system shall be documented in an investment procedures manual and shall be reviewed and updated annually. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

The internal controls structure shall address the following points:

- Development of a wire transfer agreement with the lead bank and third party custodian
- Control of collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers

Accordingly, the investment officer shall assure compliance with policies and procedures through the City's annual independent audit.

## **VII. Suitable and Authorized Investments**

### **1. Investment Types**

Consistent with the GFOA Policy Statement on State and Local Laws Concerning Investment Practices, the following investments will be permitted by this policy and are those defined by state and local law where applicable:

- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government;
- U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value;
- Certificates of deposit and other evidence of deposit at financial institutions,
- Bankers' acceptances
- Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1 or D-1 or higher) by a nationally recognized rating agency;
- Investment-grade obligations of state, provincial and local governments and public authorities;
- Repurchase agreements whose underlying purchased securities consist of the aforementioned instruments;
- Money market mutual funds regulated by the Securities and Exchange Commission whose portfolios consist only of dollar denominated securities; and
- Local government investment pools either state administered or developed through joint powers statutes and other intergovernmental agreement legislation.

Investments in derivatives of the above instruments shall not be entered into.

## **2. Collateralization**

Where allowed by state law and in accordance with the GFOA Recommended Practices full collateralization will be required on all demand deposit accounts, including checking accounts and non negotiable certificates of deposit.

# **VIII. Investment Parameters**

## **1. Diversification**

Investments shall be diversified by:

- Limiting investments to avoid an over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities).
- Limiting investment in securities that have higher credit risks,
- Investing in securities with varying maturities, and

For cash management funds:

- Liquidity shall be assured through practices ensuring that the next distribution date and payroll date are covered through maturing investments.
- Positions in commercial paper shall be limited in case of default.
- Risk of market price volatility shall be controlled through maturity diversification.
- The investment officer shall establish strategies and guidelines for that portion of the total portfolio that may be invested in securities other than repurchase agreements, Treasury bills or certificates of deposit. These guidelines shall be reviewed periodically.

## **2. Maximum Maturities**

To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five (5) years from the date of purchase.

## **3. Competitive Bids**

The investment office shall obtain competitive bids from at least two brokers or financial institutions on purchases of investment instruments purchased on the secondary market.

# **IX. Reporting**

The investment officer shall prepare a quarterly investment report that provides a status of the current investment portfolio. The report should be provided to the City Administrator and Mayor and include a listing of securities held at the end of the reporting period by maturity date, their rate of return, and securities pledged on their behalf.

An annual report on the investment program and investment activity should be included within the annual Financial Audit Report.

# **X. Policy Considerations**

Any investment currently held that does not meet the guidelines of this policy shall be temporarily exempted from the requirements of this policy. Investments must come in conformance with the

policy within six months of the policy's adoption or the governing body must be presented with a plan through which investments will come into conformance.

#### **XI Approval of Investment Policy**

The investment policy shall be formally approved and adopted by the governing body of the City.

RESOLUTION 2006-75

WHEREAS, on January 27, 1992, by Resolution 92-009, the City Council of the City of Grand Island approved and adopted a Fiscal Policies Manual; and

WHEREAS, the City's auditors have recommended that this policy be updated and that an investment policy be implemented as well; and

WHEREAS, such policy manuals include the following topics:

- \* General Financial Goals of the City
- \* Accounting and Budget Policies
- \* Purchasing Policies
- \* Revenue and Investment Policies
- \* Capital Improvement Policies
- \* Debt Management Policies
- \* Communication and Disclosure Policies
- \* Code of Professional Ethics
- \* Investment Parameters
- \* Suitable and Authorized Investments

WHEREAS, City administration recommends adoption of the proposed fiscal policies and investment policies.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Fiscal Policies Manual and the Investment Policy for the City of Grand Island is hereby approved and adopted; and that the city administration be responsible for implementation of the policies outlined therein.

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Adopted by the City Council of the City of Grand Island, Nebraska, March 7, 2006.

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Jay Vavricek, Mayor

Attest:

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RaNae Edwards, City Clerk

Approved as to Form	☐ _____
March 2, 2006	☐ City Attorney