



CITY OF CENTER LINE CITY POLICY
Subject- Investment Policy
Number- 230-2012-003
Original Effective Date - June 4, 2012
Most Recent Amendment - July 6, 2015

1.0 Purpose

The purpose of this investment policy is to document the city's investment objective, allowable investment vehicles, and to formally document our compliance with Michigan Compiled Laws governing allowable municipal investment vehicles.

2.0 Scope

This policy shall apply to the city finance director and treasurer's office.

3.0 Policy

3.1 The policy of the City of Center Line is to invest public funds in a manner which will create maximum safety of the funds, allow for adequate liquidity, and return as high a rate of return as possible while being in compliance with state and local law and ordinances governing the investment of public funds.

3.2 The city finance director and treasurer shall invest funds with the following priorities in mind (and in the order listed below):

3.2.1 Safety of the city's funds – Investments shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio by diversifying holdings and maturities to mitigate both credit risk and interest rate risk.

3.2.1.1 Credit Risk – The city will limit credit risk, which is the risk of loss due to the failure of the security, issuer, or backer, by (a) limiting investments to the safest types of securities, (b) pre-qualifying financial institutions with which the city will do business with via the Authorized Depositories List, (c) diversifying the portfolio so that potential losses on individual securities would be minimized, and (d) maintaining credit ratings on all holdings. The city will mitigate this risk by diversifying the city's investment portfolio. With the exception of securities backed by the full faith and credit of the United States as well as certificates of deposit, no more than 50% of the city's total investment portfolio shall be invested in a single security type or within a single financial institution.

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- 3.2.1.2 Interest Rate Risk – The city will minimize the risk that the market value of the securities in the portfolio will fall due to changes in general interest rates by structuring the portfolio to meet the cash requirements of ongoing operations, thereby mitigating the need to liquidate securities at a loss prior to maturity.
- 3.2.2 Liquidity of the city's funds – The investment portfolio shall remain sufficiently liquid to enable the city to meet operating requirements which might be reasonably anticipated.
- 3.2.3 Return on investment – The investment portfolio shall be designed with the objective of attaining the maximum market rate of return throughout budgetary and economic cycles, taking into account the city's investment risk constraints and cash flow characteristics of the portfolio.

4.0 Definition

- 4.1 Allowable Investment Vehicles shall be defined as follows:
 - 4.1.1 Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
 - 4.1.2 Certificates of deposit (CD), savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
 - 4.1.3 Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
 - 4.1.4 The United States government or federal agency obligations repurchase agreements.
 - 4.1.5 Bankers' acceptances of United States banks.
 - 4.1.6 Mutual funds comprised of investment vehicles which are legal for direct investment by local units of government in Michigan.
- 4.2 Interest Rate Risk - defined as the risk that the market value of the securities in the portfolio will fall due to changes in general interest rates.
- 4.3 Credit Risk – defined as the risk of loss due to the failure of the security, issuer, or backer of the city's funds.

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- 4.4 Authorized Depository List – defined as the list of financial institutions that has been reviewed by the finance director and treasurer and approved by the city council. The city finance director and treasurer shall evaluate potential and existing authorized depositories for both (a) eligibility to be used as a depository as defined by Michigan Public Act 20 of 1943 and for (b) financial strength based on currently available financial information typically published in annual financial audit reports and / or quarterly form 10-Q's filed with the United States Securities and Exchange Commission.

5.0 Responsibilities

The city finance director and treasurer has responsibility for ensuring compliance with this policy.

6.0 Procedures

- 6.1 The city finance director and treasurer shall reconcile all investment activity to the appropriate account(s) in the general ledger at least monthly.
- 6.2 The city finance director and treasurer shall review at least quarterly the Authorized Depository List and shall update the list with the most current financial information. If an institution is to be added to the list by vendor or treasurer request, the addition to the list must be approved by a motion of the city council.
- 6.3 Internal Controls - The city finance director and treasurer shall at least quarterly present a Cash and Investment Analysis report to the city council in order to be in compliance with Public Act 213 of 2007. The report shall consist of a listing of all cash and investment accounts and include FDIC exposure on cash accounts as well as rating information, and total rate of return for the period covered for the city's investment portfolio.

7.0 Authority

- 7.1 This policy was originally adopted by city council at a regular meeting on June 4, 2012. Certification of the most recently amended adoption of said policy is documented at the bottom of the policy.

-----**Employees are not responsible for information below this line.**-----

8.0 References

- 8.1 The following references were utilized in preparation of this policy.
- 8.1.1 Michigan Compiled Law 21.146.
- 8.1.2 Public Act 213 of 2007.
- 8.1.3 Michigan Public Act 20 of 1943, also known as Michigan Compiled Laws 129.91 through 129.97a.
- 8.1.4 Municipal finance best practices (i.e., other city practices in Michigan)

9.0 Revisions

9.1 This policy shall be reviewed every three years.

9.2 Revision history:

9.2.1 First issued June 4, 2012.

9.2.2 Reviewed and amended July 6, 2015

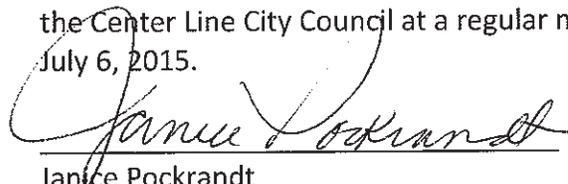
Motion by: Councilperson Chakur

Supported by: Councilperson Lapham

Ayes: 5 Nays: 0

POLICY DECLARED ADOPTED

I, Janice Pockrandt, Deputy Clerk for the City of Center Line, County of Macomb, State of Michigan, do hereby certify that the attached is an exact copy of the city policy governing the establishment of city-wide and department policies adopted by the Center Line City Council at a regular meeting thereof held on July 6, 2015.



Janice Pockrandt
Deputy Clerk
City of Center Line