

CITY OF CHELSEA WASHTENAW COUNTY

INVESTMENT POLICY

1.0 Purpose:

It is the policy of the City of Chelsea to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and complying with all state statutes and local ordinances governing the investment of public funds.

2.0 Scope:

This investment policy applies to all transactions involving the financial assets and related activity of the City of Chelsea except for its employee pension funds and its employee deferred compensation funds, which are organized and administered separately. These financial assets are accounted for in the annual financial report and include the following fund types:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Debt Service Funds
- Internal Service Funds
- Trust and Agency Funds

Any new fund created by the governing body, unless specifically exempted by the governing body.

3.0 Objectives:

Funds of the City of Chelsea will be invested in accordance with Michigan Public Act 20 of the Public Acts of 1943, as amended, and in accordance with the following objectives in order of priority.

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.

Diversification - The investments shall be diversified by specific maturity dates, individual financial institution(s) or a specific class of securities in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity - The investment portfolio will remain sufficiently liquid to meet all operating requirements, which might be reasonably anticipated.

Return of Investments - The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow characteristics of the portfolio.

4.0 Delegation of Authority:

Management responsibility for the investment program is hereby delegated to the Investment Committee, consisting of the City Treasurer, the City Manager and the Deputy Treasurer, who shall establish written procedures and internal controls for the operations of the investment program, consistent with the investment policy. No person may engage in investment transactions except as provided under the terms of this policy and the procedures established by the investment Committee. All decisions and actions of the committee shall be by majority action.

5.0 Authorized Instruments:

In accordance with Public Act 20 of the Public Acts of 1943, as amended, the surplus funds of the City of Chelsea may be invested as follows:

- a) Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States. For certificates of deposit, the following conditions apply:
 - (i) The funds are initially invested through a financial institution that is not ineligible to be a depository of surplus funds belonging to this state under section 6 of 1855 PA 105, MCL 21.146.
 - (ii) The financial institution arranges for the investment of the funds in certificates of deposit in 1 or more insured depository institutions, as defined in 12 USC 1813, or 1 or more insured credit unions, as defined in 12 USC 1752, for the account of the public corporation.
 - (ii) The full amount of the principal and any accrued interest of each certificate of deposit is insured by an agency of the United States.
 - (iii) The financial institution acts as custodian for the public corporation with respect to each certificate of deposit.
 - (iv) At the same time that the funds of the public corporation are deposited and the certificate or certificates of deposit are issued, the financial institution receives an amount of deposits from customers of other insured depository institutions or insured credit unions equal to or greater than the amount of the funds initially invested by the public corporation through the financial institution.
- c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than two standard rating services and that mature not more than 270 days after the date of purchase.
- d) Repurchase agreements consisting of instruments listed in subdivision (a) above. Repurchase agreements shall be negotiated only with dealers or financial institutions with whom the City of Chelsea has negotiated a master

repurchased agreement. Repurchase agreements must be signed with the bank or dealer and must contain provisions comparable to those outlined in the Public Security Association's model master repurchase agreement.

- e) Banker's acceptances of United States Banks.
- f) Mutual funds registered under investment company act of 1940 shall be limited to securities whose intent is to maintain a \$1.00 per share net asset value, and with authority to purchase only investment vehicles that are legal for direct investments by a public corporation.
- g) Obligations described in subdivisions a) through f) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- h) Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- i) The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

6.0 Safekeeping and Custody:

All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by the Investment Committee shall be on a cash (or delivery vs. payment) basis. Securities may be held by a third party custodian designated by the treasurer and evidenced by safekeeping receipts as determined by the Investment Committee.

7.0 Prudence:


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.

8.0 Reports:


Within 120 days of the end of the fiscal year, the Investment Committee shall prepare an annual written report to the governing body concerning the investment of the funds.

9.0 Effective Date:

This policy shall become effective on October 26, 2005, the day following adoption by the City Council of the City of Chelsea, Washtenaw County, Michigan and was amended on 06/02/2014.



JASON F. LINDAUER
CITY MAYOR



LAURA KAISER
CITY CLERK