

# CITY OF LEWES INVESTMENT POLICY

*Adopted November 10, 2014*

## **1.0 Policy**

It is the Policy of the City of Lewes (City) to invest public funds available for investment and under its control in a manner that will provide a reasonable investment return consistent with preserving and safeguarding principal while meeting the fixed operating costs and current capital projects funding needs of the City. The City shall conform to all state and local statutes governing the investment of public funds and shall amend this Policy as needed to ensure this conformity. On the date of the adoption of this investment policy ("Policy"), there are no state statutes or regulations related to the City's investments.

## **2.0 Authority**

The Mayor and City Council have the authority to adopt this Policy under Section 36(a) of the Charter of the City of Lewes.

## **3.0 Scope**

This Policy applies to funds of the City for which the City retains direct daily control and which are available for investment. Funds available for investment shall mean all liquid assets of the City in excess of funds needed to meet the City's fixed operating costs and current capital projects that are accounted for in the City's monthly Financial Reports under the following codes: 100-102-0100; 100-102-0200; 100-102-0300; 100-102-0301; 100-102-0800; 100-102-0801; 100-102-1000; 100-102-1300; 100-102-1400; 100-102-2200; 100-102-2500; 100-102-2600; 400-102-0000; 450-102-0000; 100-104-0200; 100-104-0300; 400-104-0100; 400-104-0200; 550-104-000. The Mayor and City Council may add or delete accounts and codes to this list.

## **4.0 Objectives**

The objectives of this Policy, in order of importance, are:

### **4.1 Preservation of Principal**

Preservation of principal is the foremost objective. To attain this objective, investment decisions, including decisions concerning risk management and liquidity, shall be designed and executed to minimize the risk of loss of principal. However, it is acknowledged that all investments involve a degree of risk of loss to principal. The types of investments and allocations governing investments stated in Sections 7, 8, and 9 are adopted to ensure that this risk of loss is minimized consistent with prudent investment.

### **4.2 Return on Investments**

A goal of the Policy shall be to maximize income within the constraints of Sections 7, 8, and 9.

#### 4.3 Liquidity

The City must maintain, in liquid and minimal risk accounts, prudent levels of reserves representing four to six months of normal operating expenses and funds sufficient to meet current capital projects. Accordingly, funds for reserves and current capital projects shall be invested only in the investment types stated in Sections 7.1, 7.2, and 7.3.

### **5.0 Delegation of Authority**

The Mayor and City Council delegate authority to recommend and implement investment decisions, consistent with this Policy, to the City Treasurer, in consultation with city staff, including the City Manager and Financial Officer.

#### 5.1 The Treasurer:

- (a) shall review the Policy and recommend changes to the Policy to the Mayor and City Council;
- (b) shall be charged with implementing the Policy;
- (c) may delegate his or her authority to make investments to the City Manager and/or financial advisors retained by the Mayor and City Council to assist in making investments under the Policy.

5.2 The Mayor and City Council retain full authority over all investment decisions.

### **6.0 Prudence, Ethics, and Conflicts of Interest**

All investment decisions made on behalf of the City under the Policy must comply with the following:

#### 6.1 "Prudent Person" Rule

Investment decisions will be made with the judgment and care which persons of reasonable intelligence, under circumstances prevailing at the time the investment is made, would exercise in the management of their own investments, assuming that their objectives are those shown in Section 3.0 of this Policy.

#### 6.2 Ethics and Conflict of Interest

Officials and employees authorized to make or consult on City investments shall act at all times in an ethical manner, and shall not engage in activity that could impair or be perceived to impair their ability to make impartial investment decisions. Officials and employees shall disclose to the Mayor and City Council any material interest in financial institutions with which the City has financial dealings.

### **7.0 Authorized Investment**

The Treasurer, acting through City staff and/or authorized investment advisors and financial institutions, may invest in the following types of securities:

## 7.1 Money Market Accounts

Money market accounts from financial institutions that are insured by the Federal Deposit Insurance Corporation, or to the extent not insured, collateralized by U.S. Government Securities.

## 7.2 Certificates of Deposit

Direct and secondary Certificates of Deposit from financial institutions that are insured by the Federal Deposit Insurance Corporation, or to the extent not insured, collateralized by U.S. Government Securities.

## 7.3 Federal Government Securities

7.3.1 U.S. Government Securities.

7.3.2 Obligations issued and legally guaranteed by any agency controlled by or acting as an instrumentality of the United States of America.

7.3.3 Repurchase agreements with respect to obligations mentioned in Sections 7.1 or 7.2 with banks provided that the City has possession and a perfected security interest in the collateral security that must continuously have a market value equal to one hundred three percent of the amount invested.

7.4 Obligations of the State of Delaware and the County of Sussex, Delaware, as well as of States, Counties, and Cities with a Moody's Investor Services rating of "A" or better, or an equivalent rating from other Industry recognized rating agencies.

7.5 Fixed income mutual funds or other investment vehicles.

7.6 Mutual funds or other investment vehicles invested in equities in domestic U.S. stock exchanges.

7.7 Electronically traded funds.

7.8 Mortgage-backed and asset backed securities.

## 8.0 **Authorized Allocation of City Investments between Investment Categories**

To achieve the objectives of Section 4, the percentages of the City's investments made in the authorized investments stated in Section 7 shall be limited as follows:

8.1: Investments in Money Market Savings Accounts (Section 7.1): up to 100%.

8.2: Certificate of Deposit (Section 7.2): up to 100%.

8.3: Federal Government Securities (Section 7.3): up to 100%.

8.4: Investments in certain Obligations of States, Counties, and Cities (Section 7.4): up to 100%.

8.5: Fixed income mutual funds or other investment vehicles (Section 7.5): up to 75%.

- 8.6: Mutual funds or other investment vehicles invested in equities in domestic U.S. stock exchanges (Section 7.6): up to 50%.
- 8.7: Electronically traded funds (Section 7.7): up to 50%.
- 8.8: Mortgage-backed and asset backed securities (Section 7.8): up to 50%.

## **9.0 Prohibited Investments**

Any investments other than those authorized under Section 7 and 8.

## **10.0 Collateralized, Safekeeping, and Custody**

Collateralization, safekeeping, and custody of collateral shall be required on City investments as detailed in Section 7 of this Policy.

## **11.0 Diversification**

The City will diversify its investments by types of investment, institution, and maturity dates as necessary to comply with Sections 7 and 8 of the Policy.

## **12.0 Internal Controls**

The investing activities of the City shall be reviewed annually as part of the annual audit by a Certified Public accountant to assure that compliance with investment policies and procedures is maintained. On a monthly basis, a “balances report” will be prepared by one finance person and the balances will be cross-checked with the General Ledger balanced by another finance person. Any differences will be reconciled on a monthly basis. All reports and reconciliations (if any) will be provided to the external auditors at the time of audit.

## **13.0 Reporting**

At the end of each month, the Mayor and City Council will receive a report on the status of invested funds.

## **14.0 Investment Policy Review**

The Policy will be reviewed at least once every two years by the Mayor and City Council, and any amendments to the Policy must be approved by a majority vote of City Council.