

## **MUNICIPAL ORDER 16-2019**

### **A MUNICIPAL ORDER ADOPTING AN INVESTMENT POLICY FOR THE CITY OF OWENSBORO.**

**WHEREAS**, the City maintains a variety of funds for accounting and budgetary purposes. The funds include those used to finance the general operations of the City and its proprietary activities, reserves established to insure the City against risk, and funds held by the City as an agent for other organizations. This investment policy applies to all financial assets held directly by the City and includes all cash and investments in all funds; and

**WHEREAS**, the City of Owensboro recognizes the need to revise and update its investment policy to invest funds in a manner which will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the City and conforming to all state statutes and the City regulations governing the investment of public funds; and

**WHEREAS**, the City desires to formally adopt said Investment Policy.

**NOW, THEREFORE, BE IT ORDERED BY THE CITY OF OWENSBORO,  
KENTUCKY, AS FOLLOWS:**

**Section 1.** The City of Owensboro Investment Policy is hereby adopted and shall be used by the City of Owensboro, through the Finance Department, to implement procedures and practices to maintain financial reserves. A copy of the *City of Owensboro, Kentucky Investment Policy* is attached hereto.

**Section 2.** The Board of Commissioners hereby authorizes the Mayor, City Manager and Director of Finance & Support Services to sign any and all other documents which are deemed necessary to the furtherance of the authority outlined herein.

**INTRODUCED, PUBLICLY READ, AND FINALLY APPROVED ON ONE READING,** this the 21st day of May, 2019.

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Thomas H. Watson, Mayor

ATTEST:

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Beth Cecil, City Clerk



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# City of Owensboro Kentucky

## INVESTMENT POLICY

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### I. GENERAL POLICY

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

### II. SCOPE

The City maintains a variety of funds for accounting and budgetary purposes. The funds include those used to finance the general operations of the City and its proprietary activities, reserves established to insure the City against risk, and funds held by the City as an agent for other organizations. This investment policy applies to all financial assets held directly by the City and includes all cash and investments in all funds.

Financial assets of the City held and invested by trustees or fiscal agents are excluded from these policies; however, such assets shall be invested in accordance with state laws applicable to the investment of local government funds and in accordance with the City's primary investment objectives.

### III. INVESTMENT OBJECTIVES

The City's primary investment objectives, in order of priority, are the following:

- A. **Safety.** Safety of principal is the primary objective of the City's investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
- B. **Liquidity.** The City's investment portfolio shall remain sufficiently liquid to meet all operating requirements which might be reasonably anticipated.
- C. **Return on Investment.** The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.

### IV. INVESTMENT AUTHORITY

Management responsibility for the City's investment program is hereby delegated to the Finance Director. The Finance Director shall have the authority to establish additional specific written procedures for the operation of the investment program which are consistent with this investment policy. The procedures shall include explicit delegation of

authority, if any, 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 ultimately responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and employees. The controls shall be designed to prevent and control losses of funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by officers and employees. The Finance Director, or designee, shall maintain all records related to the City's investment program.

## **V. PRUDENT PERSON RULE**

The actions of the Finance Director in the performance of his or her duties as manager of the City's funds shall be evaluated using the "prudent person" standard. Investments shall be made with judgment and care under prevailing circumstances 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 Finance Director, acting in accordance with written procedures and exercising due diligence, shall be relieved of personal responsibility for an individual security's performance, provided that deviations from expectations are reported in a timely fashion to the governing body and appropriate action is taken to control adverse developments.

## **VI. AUTHORIZED INVESTMENTS**

The funds of the City available for investment shall be invested in accordance with this policy, and all applicable state statutes, in the following types of investment instruments:

### **A. Authorized Investment Instruments.**

1. Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
2. Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including, but not limited to:
  - a. United States Treasury;
  - b. Export-Import Bank of the United States;
  - c. Farmers Home Administration;
  - d. Government National Mortgage Corporation; and
  - e. Merchant Marine Bonds.
3. Obligations of any corporation of the United States government, including, but not limited to:
  - a. Federal Home Loan Mortgage Corporation;
  - b. Federal Farm Credit Banks;
  - c. Bank for Cooperatives;
  - d. Federal Intermediate Credit Banks;

- e. Federal Land Banks;
  - f. Federal Home Loan Banks;
  - g. Federal National Mortgage Association; and
  - h. Tennessee Valley Authority.
4. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by Section 41.240(4) of the Kentucky Revised Statutes.
  5. Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities.
  6. Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a competent rating agency, as defined in section 11 of KRS 66.480.

**B. Limitations on Investment Transactions.**

1. With regard to the investments authorized in this policy, the limitations outlined in KRS 66.480 shall apply.
2. No investment authorized in this policy shall be purchased for the City on a margin basis or through the use of any similar leveraging technique.

**VII. DIVERSIFICATION OF INVESTMENTS**

The City recognizes that some level of risk is inherent in any investment transaction. Losses may be incurred due to issuer default, market price changes, or closing investments prior to maturity due to unanticipated cash flow needs. Diversification of the City's investment portfolio by institution, type of investment instrument, and term to maturity is the primary method to minimize investment risk.

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements.

**VIII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

The Finance Director shall evaluate the financial capacity and credit worthiness of financial institutions and broker/dealers prior to the replacement of the City's investments. The Finance Director shall periodically review the financial conditions and registrations of financial institutions and broker/dealers and, based on the review, make any recommendations regarding investment policy or program changes determined to be necessary.

In all cases the broker-dealer must provide proof of certification and state registration by the Financial Industry Regulatory Industry Regulatory Authority (FINRA).

## **IX. SAFEKEEPING AND CUSTODY**

To protect against potential fraud and embezzlement, investment assets shall be secured through third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. The Finance Director and any other officers or employees of the City authorized to engage in investment transactions shall be bonded in an amount established by the governing body. Collateralized securities, such as repurchase agreements, shall be purchased using the delivery versus payment procedure.

## **X. COLLATERAL**

It is the policy of the City to require that all cash and investments maintained in any financial institution named as a depository be collateralized. The collateralization level shall be at least 100% of the market value of the cash and investments.

Collateral shall be limited to the types of instruments authorized as collateral for state funds in KRS 41.240.

Collateral shall always be held by an independent third-party custodian with whom the City has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City. The right of collateral substitution is permissible subject to approval by the Finance Director.

## **XI. INVESTMENT REPORTING**

The Finance Director shall prepare and submit to the governing body a monthly report regarding the status of the City's investment program.

Investments and conformity to this investment policy will be reviewed annually by the independent auditor.

## **XII. AUDIT**

In connection with the audit of City funds conducted by an independent certified public accountant, the auditor shall conduct a review of the City's investment program, including internal controls and procedures, and the results of the review, including recommended changes, shall be included in the City's audit.

## **XIII. INVESTMENT POLICY ADOPTION**

The City's investment policy shall be adopted by order of the governing body and shall become effective on the date set forth in the order. The policy shall be reviewed annually and revised, as appropriate. Any amendments to this policy must be made by order of the governing body.

Any investment held on the date of initial adoption of this policy which does not meet the guidelines of this policy shall be exempted from its provisions. At maturity or liquidation, the monies so invested, if reinvested, shall be reinvested only in accordance with this policy. The Finance Director may take a reasonable period of time to adjust the existing portfolio to the provisions of this policy in order to avoid the premature liquidation of any current investment.