

City of North Mankato - Investment Policy

Safety: is the first investment objective. Investment options shall be considered in a manner that seeks to ensure the preservation of the principal. To obtain this objective, diversification is to be considered in the type of investment, maturity and the investment institution where the investment is located. For checking accounts and savings accounts collateral may be required. Such collateral requirements will be monitored on a monthly basis. Certificates of deposit will not be purchased beyond the FDIC limitations on insurance of said certificates.

Liquidity: is the second investment objective to be considered. The investment portfolio must remain sufficiently liquid to enable the City to meet its cash flow requirements as may be reasonably anticipated. Liquidity in the face of changing market conditions will also be a consideration in determining the term of any investment purchased. Criteria consisting of liquidity target ranges of cash and investments maturing within one year at 40% or more of portfolio, investments maturing within 1 to 3 years is 35% or less of portfolio, and investments maturing within 3 to 5 years is 25% or less of portfolio. These criteria will be periodically reviewed to determine the appropriate proportions of the portfolio invested at less than one year, one to three years and three to five years. The maximum maturity authorized for investment is five years from the date of purchase unless otherwise authorized by the City Council. The City's liquidity will be reviewed on a monthly basis to enable the City to meet all reasonably anticipated operating requirements.

The Return on the Investment: is the third investment objective. The investment portfolio should be designed with the objective of attaining a market rate of return through the budgetary and economic cycles taking into constraints of risk and cash flow characteristics of the investment portfolio.

The city's Investment policy and practices will conform to Minnesota Statutes 118A. Management of the City's investment activity is delegated to the City Administrator or designee. No person will engage in an investment transaction on behalf of the City's except as provided under the terms of this policy and the procedures established to maintain this program.

Employees and other city officials involved in the investment process shall refrain from personal business activity that could conflict with the City's investment program or could reasonably expect the public to question or doubt the ability to make impartial, objective investment decisions. Any such conflict or potential conflicts must be declared to the City Administrator as soon as such conflict or potential conflict is known. The City Council will annually approve the financial institutions or broker/dealers authorized to provide investment services. All broker/dealers providing investment services shall have a Broker Certification form properly completed annually and on file with the City.

Investment authorized and permitted by this policy are as follows:

- United States Securities including governmental bonds, notes, bills, mortgages and other securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress (e.g. U.S. Treasury bills, Federal Home Loan Bank Notes, other government backed securities, etc.).
- Minnesota Joint Powers Investment Trust agreements or contracts for shares of a Minnesota joint powers investment trust whose investments are restricted to securities authorized for investment by the City and shares of an investment company registered under the Federal Securities Act of 1940, whose shares are registered under the Federal Securities Act of 1933, as long as the investment company receives the highest credit rating and is rated in one of the two highest risk categories by at least one nationally recognized statistical rating organization and is invested in financial instruments with a final maturity of no longer than 13 months (e.g. the Minnesota Municipal Money Market (4M Fund).
- State and local government obligations including any security that is a general obligation of any state or local government with taxing powers rated "A" or is a revenue obligation of any state or local government with is rated "AA" or better by a national bond rating service.
- Commercial paper issued by a United States Corporation or their Canadian subsidiary that are rated in the highest quality category by at least two nationally recognized rating agencies. The rating of such commercial paper is referred to as "A1P1".
- Time deposits/certificate of deposits fully insured by the Federal Deposit Insurance Corporation.

Investment transactions are to be documented by the City's finance department. Investment confirmations are received from banks and/or brokers for each transaction. The finance department maintains all investment transactions on a monthly summary of cash and investments. Annual reports on composition of the investment portfolio (type, financial institution, yield, purchase and maturity dates, and amount invested) will be also be prepared.