

OSHTEMO CHARTER TOWNSHIP

INVESTMENT POLICY

1.0 Policy

It is the policy of the Charter Township of Oshtemo to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow needs of the Charter Township of Oshtemo and conforming to all state statutes and local ordinances governing the investment of public funds outlined in P.A. 20.

2.0 Scope

This investment policy applies to all financial assets of the Charter Township of Oshtemo. These funds are accounted for in the Charter Township of Oshtemo comprehensive annual financial report and include:

- 2.1.1 General Fund
- 2.1.2 Special Revenue Funds
- 2.1.3 Capital Projects Funds
- 2.1.4 Debt Service

3.0 Prudence

The standard of prudence to be applied by the investment officer will be the “prudent person” rule which states, “Investments will 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 the probable income to be derived. The prudent person rule will be applied in the context of managing the overall portfolio. Investment officers acting in accordance with written procedures and exercising due diligence will be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported to the Township Board in a timely fashion and appropriate action is taken to control adverse developments.

4.0 Objective

The primary objectives, in priority order, of the Oshtemo Charter Township's investment activities shall be:

4.1 Safety: Safety of principal is the foremost concern of the investment program. Investments of the Oshtemo Charter Township shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, Oshtemo Charter Township will diversify its investments by investing funds among a variety of securities offering independent returns and financial institutions.

4.2 Liquidity: Oshtemo Charter Township's portfolio will maintain liquid to meet all operating requirements which might be reasonably anticipated within 6 months.

4.3 Return on Investments: Oshtemo Charter Township's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with Oshtemo Charter Township's investment risk constraints and the cash flow characteristics of the portfolio, while preserving and protecting capital.

5.0 Delegation of Authority: Management responsibility for the investment program is hereby delegated to the Township Treasurer who will establish and maintain administrative procedures for the operation of the investment program consistent with this policy. Procedures will include reference to: safekeeping, wire transfer agreements, collateral/depository agreements and banking service contracts. In Treasurer's absence the Deputy will assume full responsibility unless explicit delegation of authority to the person responsible for transactions in his/her absence. No person may engage in investment transactions except as provided under terms of this policy and the procedures established by the Treasurer.

6.0 Ethics and Conflicts of Interest: Officers and employees involved in the investment process will refrain from personal business activity that could conflict with proper execution and management of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials will disclose to the Township Board any material financial interest in financial institutions that conduct business with this township and they further disclose any large personal financial investment positions that could be related to the performance of the Oshtemo Charter Township's portfolio. Employees and officers will subordinate their personal investment transactions to those of the Charter Township of Oshtemo, particularly with regard to the time of purchases and sales.

7.0 Authorized Financial Dealers and Institutions: The Treasurer will maintain a listing of financial institutions which are approved for investment purposes. The Treasurer will conduct an annual evaluation of each bank's credit worthiness to determine whether it should be on the "Qualified Institution" listing. Banks will provide an annual financial statement if requested. All financial institutions and broker/dealers who desire to become qualified bidders for

investment transactions must supply the Treasurer with their most recent audited financial statements, proof of state registration, and depository contracts if requested. Each institution must acknowledge, in writing or electronic mail, receipt of the Township's investment policy and agree to comply with its term regarding sale of securities.

8.0 Authorized & Suitable Investments: Oshtemo Charter Township is allowed to invest in accordance with Michigan Public Act 20 of the Public Acts of 1943, as amended by Public Act 1997, No. 664.

- 8.1.1 Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United State; maturing within three years.
- 8.1.2 In certificates of deposit, savings accounts, deposit accounts, or other interest bearing deposit accounts of a bank or savings and loans associations which are members of the Federal Deposit Insurance Corporation or credit union which is insured by the National Credit Union Administration, but only if the bank or savings and loan association or Credit Union is eligible to be a depository of surplus funds belonging to the State under Section 5 and 6 of Act 105 of the Public Acts of 1855, as amended and providing such banks and savings and loan associations have been approved by the Township board and whose maturities are three years or less.
- 8.1.3 Repurchase agreements will be negotiated only with dealers or financial institutions with which the Township has negotiated a Master Repurchase Agreement. Repurchase Agreements must be signed with the bank or dealer and must contain provisions similar to those outlined in the Public Security Association's model Master Repurchase Agreement.
- 8.1.4 Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367. Investment pools organized under the local government investment pool act, 1985, PA 121. Pools organized through an inner local governmental agreement under the Urban Cooperation Act of 1976, 1967 (Ex Sess) PA 7, MCL, 124.501 to 124.512.
- 8.1.5 Investments in Commercial Paper are restricted to those which have been rated at the time of purchase, within the 2 highest investment rating classifications provided by any two nationally recognized rating agencies and that matures not more than 270 days after the date of purchase. Commercial Paper held in the portfolio which subsequently received a reduced rating will be closely monitored and sold immediately if the principal invested may otherwise be jeopardized.
- 8.1.6 In bankers' acceptances of United States banks.
- 8.1.7 Mutual funds are limited to securities whose intention is to maintain a net asset value of \$1.00 per share.

9.0 Investment Pools/Mutual Funds: A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed which will answer the following general questions:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement process), and how often the securities are priced and the program audited.
- A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
- A schedule for receiving statements and portfolio listings.
- Are reserves, retained earnings, etc. utilized by the pool/fund?
- A fee schedule, and when and how is it assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

10.0 Safekeeping and Custody: All security transactions, including collateral for repurchase agreements, entered into by the (entity) shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

11.0 Diversification: Oshtemo Township's investment portfolio shall be designed with its objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Diversification strategies will be determined and revised by the Township treasurer from time to time to meet diversification objectives. Diversification of no more than 50% of General Funds monies into 1 institution, and no more than 80% into any one type of investment.

12.0 Maximum Maturities: To the extent possible, the Treasurer will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer will not directly invest in securities maturing more than three years from the date of purchase.

Reserve funds and/or capital project funds may be invested in securities exceeding one year, but not more than five years, if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

13.0 Internal Control: The Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

14.0 Performance Standards: The investment portfolio will be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs of Oshtemo Charter Township.

14.1 **Market Yield (Benchmark):** Oshtemo Charter Township investment strategy is passive. Given this strategy, the basis used by the Treasurer to determine whether market yields are being achieved shall be to identify a comparable Treasury bill rate that is commensurate with the duration of the investment within the report.

15.0**Reporting:** The Treasurer shall prepare an annual written report to the Oshtemo Township Board concerning the investment of the funds.

Schedules in the quarterly report should include the following:

- A listing of individual securities held at the end of the reporting period by authorized Investment category
- Average life and final maturity of all investments listed
- Earnings rate
- Par value, amortized book value and market value
- Percentage of the portfolio represented by each investment category
- Benchmark Comparison

16.0 **Investment Policy Adoption:** Oshtemo Charter Township's investment policy shall be adopted by resolution of the Oshtemo Charter Township's Board legislative authority. The policy shall be reviewed annually by the Treasurer and any modifications made thereto must be approved by the Township Board.

**ACKNOWLEDGMENT OF RECEIPT OF INVESTMENT POLICY
AND AGREEMENT TO COMPLY**

I have read and fully understand Act 20 PA 1943, as amended, and the Investment Policy of the Charter Township of Oshtemo.

Any investment advice or recommendation given by _____, representing _____, to the investment officer shall comply with the requirements of Act 20 PA 1943, as amended, and the Investment Policy of the Charter Township of Oshtemo. Any existing investment not conforming with the statute or the policy will be disclosed promptly.

By: _____

Title: _____

Date: _____