

City of Montrose

Resolution 289-18

Set Investment Policy

WHEREAS, the City of Montrose has determined the need to set the following Investment Policy per

SDCL 4-5-8. Investment policies for local funds determined by governing board.
Investments of public funds as defined in § 4-5-5 shall be made only after the adoption of a proper resolution by the governing board of such county, municipality, township, or school district. Such resolution shall state the investment policies to be followed by the treasurer thereof.

THE CITY OF MONTROSE, SOUTH DAKOTA

INVESTMENT POLICY

1. SCOPE

This policy applies to the investment of all funds of the City of Montrose, South Dakota. Longer-term funds, including investments of employees' retirement funds and proceeds from certain bond issues, are covered by a separate policy. Except for funds held in trust or special funds that are otherwise specifically provided for, the City of Montrose will consolidate the balances from all funds to maximize investment earnings and meet the liquidity requirements of the city subject to the primary objective of providing security of principal. Investment income will be allocated to the various funds based on their respective participation of capital in the overall portfolio in accordance with generally accepted accounting principles.

2. POLICY

Pursuant to SDCL 4-5-8 it is the policy of the City of Montrose to invest idle public funds in a manner to meet the daily cash flow demands of the city with the primary objectives, in priority order, being: a) Safety of Principal b) Liquidity and c) Return on Investments.

A) Safety of Principal

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. The objective will be to mitigate the following risks.

1. Credit Risk

The city will minimize credit risk, which is the risk of loss due to the failure of the investment issuer or backer, by limiting the portfolio to the types of investments listed in section 5. Authorized and Suitable Investments of this policy and diversifying the investment portfolio to diminish the impact of potential losses from any one type of investment or from any one individual issuer.

2. Custodial Credit Risk

The city will minimize Custodial Credit Risk for deposits, which is the risk that in the event of the failure of a depository financial institution the deposits or collateral securities that are in the possession of an outside party would not be able to be recovered, as addressed in section 6. Collateralization.

B) Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

C) Return

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of the portfolio is limited to relatively low risk investments in anticipation of earning a fair return relative to the risk being assumed.

3. DELEGATION OF AUTHORITY

Authority to manage the investment program is granted to the Finance Officer, who shall refrain from personal business activity that could impair his/her ability to make impartial decisions. The Finance Officer acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual investment's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of investments are carried out in accordance with the terms of this policy.

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.

In case of extended leave of absence, the Governing Board shall appoint a replacement Officer.

4. AUTHORIZED FINANCIAL DEALER AND INSTITUTION

The Governing Board authorizes the placement of cash resources in the following financial institutions:

- The Security State Bank
- South Dakota Public Funds Investment Trust (FIT)

Note to User: To add or remove financial institutions from this list, pass a resolution indicating the change to your investment policy.

and

Note to User: To invest in FIT the governing board must pass the required resolution, which is available from FIT.

5. AUTHORIZED AND SUITABLE INVESTMENTS

The City of Montrose is empowered by statute to invest in the following instruments:

- Interest bearing checking accounts
- Savings accounts
- Certificates of Deposit (CDs) (SDCL 9-22)
Certificates of Deposit (CDs) purchased through CDARS® (Certificate of Deposit Account Registry Service) (SDCL 4-5-6.1)*
- Local Government Investment Pool (SD FIT)

*When investing in Certificates of Deposit (CDs) public funds will be invested at the highest rate of interest possible after attempting to secure three (3) quotes.

The above listed authorized deposits will be kept in banks in South Dakota as required by SDCL 9-22-6.

6. COLLATERALIZATION

In accordance with the SDCL 4-6A and 51A-10-9 Qualified Public Depositories will furnish collateral in the sum
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equal to one hundred percent (100%) of the public deposit accounts that exceed deposit insurance. The financial institution shall submit a copy of their collateralization report to the Finance Officer.

SDCL 4-6A-3 requires that collateral be segregated by each depository in such manner as approved by the South Dakota Public Deposit Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve.

7. REPORTING

The Finance Officer shall prepare an investment report not less than quarterly, that provides a clear picture of the status of the current investments.

Note to User: If you have several different types of deposits it may make sense to show that information in a chart. Chart Templates (in excel), which allow you to plug in your specific numbers, are available from the same place you downloaded this sample policy.

8. INTEREST EARNED

The interest earned from investments shall be credited to the respective fund, except Agency funds. (SDCL 4-5-9)

Exceptions: Debt Service Fund SDCL 9-22-12 (cities) and SDCL 7-24-19 (counties) and Perpetual Care Fund SDCL 9-32-18 (cities). The interest earned from investments made with funds from these accounts shall be credited in accordance to the respective statutes.

BE IT RESOLVED the City of Montrose hereby authorizes this investment policy to take effect July 12, 2018.

Passed and Adopted this 12th day of June, 2018.

Paul Klaut
Mayor

ATTEST:

Sara Smith
Finance Officer/Treasurer