

CITY OF HILLS AND DALES, KENTUCKY
ORDINANCE 2005-5

AN ORDINANCE ESTABLISHING A WRITTEN INVESTMENT POLICY FOR
INVESTING FUNDS OF THE CITY OF HILLS AND DALES, KENTUCKY

WHEREAS, pursuant to KRS 66.480, short titled "Investment of public funds", all local governments that invest funds as allowed by the statute must establish a written investment policy; and

WHEREAS, the officers of Hills and Dales, Kentucky wish to comply with the requirement of the statute, the City of Hills and Dales adopts this investment policy.

NOW THEREFORE, BE IT ORDAINED BY THE CITY OF HILLS AND DALES, KENTUCKY THAT,

I. TITLE

This ordinance shall be known and may be cited as the "City of Hills and Dales Investment Policy."

II. GENERAL POLICY & SCOPE

It is the policy of the Hills and Dales Commission to invest public 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 Hills and Dales, Kentucky (Hills and Dales) and conforming to all state statutes and Hills and Dales regulations governing the investment of public funds.

This investment policy applies to all financial assets held directly by Hills and Dales. Financial assets of Hills and Dales 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 Hills and Dales' primary investment objectives.

III. INVESTMENT OBJECTIVES

Hills and Dales primary investment objectives, in order of priority, are the following:

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

IV. INVESTMENT AUTHORITY

Management responsibility for Hills and Dales' investment program is hereby delegated to the Hills and Dales Treasurer. The Treasurer shall be ultimately responsible for all transactions undertaken and shall establish a system of controls to prevent losses of public funds arising from fraud, error, misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by officers.

V. PRUDENT PERSON RULE

The actions of the Treasurer in the performance of his or her duties as manager of Hills and Dales' 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 Treasurer, 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 Hills and Dales Commission and appropriate action is taken to control adverse developments.

VI. AUTHORIZED INVESTMENTS

The funds of Hills and Dales available for investment shall be invested in accordance with this policy and all applicable state statutes only in the following types of investments:

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 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. Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one (1) of the three (3) highest categories by a nationally recognized rating agency.
6. Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency.
7. Commercial paper rated in the highest category by a nationally recognized rating agency.
8. Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities.
9. Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rates in one (1) of the three (3) highest categories by a nationally recognized rating agency.
10. Shares of mutual funds, each of which shall have the following characteristics:
 - a. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended.
 - b. The management company of the investment company shall have been in operation for at least five (5) years.
 - c. All of the securities in the mutual fund shall be eligible investments under this section.

B. Limitations on Investment Transactions

With regard to the investments authorized in this section, the following limitations shall apply:

1. The amount of Hills and Dales' funds invested at any one time in the categories of investments authorized in subsections A(5), A(6), A(7), and A(9) of this section shall not exceed twenty percent (20%) of the total amount of the funds invested on behalf of Hills and Dales.
2. No investment shall be purchased for Hills and Dales on a margin basis or through the use of any similar leveraging technique.

VII. **AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

All financial institutions and broker/dealers who desire to provide investment services to Hills and Dales shall supply Hills and Dales with information sufficient to adequately evaluate the institution and answer any and all inquiries posed by the Treasurer or the Commission.

VIII. **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 Treasurer and any other officers authorized to engage in

investment transactions shall be bonded in an amount established by the Hills and Dales Commission.

IX. COLLATERAL

Except as set forth in this section, it is the policy of Hills and Dales to require that all cash investments maintained in any financial institution named as a depository be collateralized. 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 Hills and Dales has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to Hills and Dales and retained by the Treasurer. The right of collateral substitution is hereby granted.

The Treasurer may invest in uncollateralized certificates of deposit only with the specific approval of the Hills and Dales Commission.

X. INVESTMENT REPORTING

The Treasurer shall prepare and submit to the Hills and Dales Commission a quarterly report regarding the status of Hills and Dales' investment program. As to each investment, the report shall include the name of the financial institution from which the investment was purchased or in which assets are deposited; the type of investment; the certificate or other reference number, if applicable; the percentage yield on an annualized basis; the purchase date, purchase price, and maturity date; and the current market value of the investment.

XI. AUDIT

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

XII. INVESTMENT POLICY ADOPTION

This ordinance shall take effect from and after its passage, signing and publication as required by law.

First Reading: 9/8/, 2005

Second Reading: 10/13/, 2005

Published on 10/29/, 2005

Adopted at the regular meeting of the City Commission held this 13th day of October, 2005.


Ralph Johanson, Mayor

ATTEST

