

RESOLUTION NO. 1338

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EDMONDS, WASHINGTON, ADOPTING THE INVESTMENT POLICY AS ATTACHED HERTO.

WHEREAS, the City Council heard a brief introduction to the City's Investment Policy at the July 14, 2015 council meeting; and

WHEREAS, the July 14, 2015 introduction focused on amending the Investment Policy to include the Snohomish County Investment Pool as an investment option for the City; now therefore,

THE CITY COUNCIL OF THE CITY OF EDMONDS, WASHINGTON, HEREBY RESOLVES AS FOLLOWS:

Section 1. ADOPT THE CITY OF EDMONDS INVESTMENT POLICY. The city council hereby adopts the following attached document:

1. City of Edmonds Investment Policy to read as set forth in **Attachment A** hereto, which is attached hereto and incorporated herein by this reference as if set forth in full.

RESOLVED this 21st day of July, 2015.


MAYOR, DAVE EARLING

ATTEST:


CITY CLERK, SCOTT PASSEY

FILED WITH THE CITY CLERK:
PASSED BY THE CITY COUNCIL:
RESOLUTION NO.

July 17, 2015
July 21, 2015
1338



CITY OF EDMONDS
INVESTMENT POLICY

Subject: Investment Policy

Original Policy Date: April 4, 2007

Amended July 21, 2015

Originating Department: Finance Division

Approved By: Scott James, Director, Finance & Information Services

1. Policy

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

2. Scope

This investment policy applies to all financial assets of the City of Edmonds. These funds are accounted for in the City's Comprehensive Annual Financial Report and include the following:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Trust and Agency Funds
- Retirement/Pension Funds

3. Prudence

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.

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4. Objective

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

- **Safety:** Safety of the principal is the foremost objective of the investment program. Investments of the City of Edmonds shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To obtain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- **Liquidity:** The City's investment portfolio will remain sufficiently liquid to enable the City of Edmonds to meet all operating requirements that might be reasonably anticipated.
- **Return on Investment:** The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.

5. Delegation of Authority

Authority to manage the City's investment program is hereby delegated to the Finance Director who will act as the City's Investment Officer and Treasurer. The Finance Director shall establish written procedures for the operation of the investment program consistent with this investment policy.

Procedures should include reference to: safekeeping, PSA master repurchase agreements, wire transfer agreements, custody agreements and investment related banking services contracts. Such

procedures shall include explicit delegation of authority 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, whom shall act as the City's Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

6. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that may conflict with the proper execution of the investment program, or may impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Council any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any personal financial/investment positions that could be related to the performance of the City's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the City of Edmonds, particularly with regard to the timing of purchases and sales.

7. Authorized Financial Dealers and Institutions

The Treasurer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposits shall be made except in qualified public depositories as provided in Chapter 39.58 RCW.

All brokers/dealers and financial institutions who desire to do business with the City of Edmonds must supply the Treasurer with the following:

- Audited financial statements
- Proof of National Association of Securities Dealers certification
- Certification of having read the City's investment policy
- Proof of state registration
- Copy of city and state business licenses

The Treasurer will conduct an annual review of the financial condition of firms. A current audited financial statement is required to be on file for each financial institution and broker/dealer with whom the City of Edmonds invests. Investment purchases from any institution or broker/dealer which does not satisfy the criteria established herein must be approved in advance by the City Council.

8. Authorized and Suitable Investments

The City of Edmonds is empowered to invest in the following types of securities:

- U.S. Government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value;
- U.S. Treasury securities maturing in less than ten (10) years;
- Fully insured or collateralized certificates of deposit, and other evidences of deposit, at qualified financial institutions that are approved by the Washington Public Deposit Protection Commission (WPDPC).
- Banker's acceptances, and commercial paper rated in the highest tier by a nationally recognized rating agency;
- Investment-grade obligations of state, local governments and public authorities located within the State of Washington;
- Local government investment pools, either state-administered or through joint powers statutes and other intergovernmental agreement legislation.

9. Collateralization

Collateralization is required on repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be (102%) of market value of principal and accrued interest.

Pursuant to state statutes (RCW 35.98) the deposit of public funds and the placement of investment deposits (i.e. time deposits, money market deposit accounts and savings deposits of public funds) will be placed only with institutions approved by the Washington Public Deposit

Protection Commission (PDPC) as eligible for deposit of public funds. The maximum amount placed with any one depository will not exceed the net worth of the institution as determined by the PDPC. In accordance with PDPD regulations, such investments are 100% collateralized.

Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. The right of substitution is granted.

10. Safekeeping and Custody

All security transactions, including collateral for repurchase agreements, entered into by the City of Edmonds shall be conducted on a delivery-versus-payment (DVP) basis. Securities purchased by the entity will be delivered against payment and held in a custodial safekeeping account. The Treasurer will designate a third party custodian and safekeeping receipts will evidence all transactions.

11. Diversification

The City of Edmonds will diversify its investments by security type and institution.

- 11.1 No more than fifty percent (50%) of the City's portfolio, at the time of purchase, shall be in any single financial institution.
- 11.2 Except that no more than seventy-five percent (75%) of the City's portfolio, at the time of purchase, shall be invested in the Washington Local Government Investment Pool, or the Snohomish County Investment Pool, and
- 11.3 No more than seventy-five percent (75%) of the City's portfolio, at the time of purchase, shall be invested in U.S. Treasury or Agency securities.

- 11.4 In calculating the City of Edmonds Investment Mix, deposits held with the City's banking institution, will be considered.

12. Maximum Maturities

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

- 12.1 At the time of investment, a minimum of thirty percent (30%) of the portfolio will be comprised of investments maturing or available within one year.
- 12.2 At the time of investment, eighty percent (80%) of the portfolio will be comprised of investments maturing or available within five (5) years and no investments shall have a maturity exceeding ten (10) years, except when compatible with a specific fund's investment needs.
- 12.3 To provide for on-going market opportunity, investment maturities should be laddered or staggered to avoid the risk resulting from overconcentration of portfolio assets in a specific maturity.
- 12.4 The average maturity of the portfolio shall not exceed three and one half (3 ½) years or forty-two months.
- 12.5 Any variance to 12.1, 12.2, 12.3 or 12.4 can be approved by City Council prior to occurrence, and if deemed in the City's best interest.

Reserve and retirement funds may be invested in securities exceeding ten (10) years if the maturity of such investments are made to coincide as nearly as practical with the expected use of the funds.

13. Internal Controls

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. Performance Standards

The investment portfolio will be designed to obtain an average rate of return during budgetary and economic cycles, consistent with the investment objectives and cash flow needs.

The City's investment strategy is to actively manage investment selection, maturity and yield to maximize earnings. Given this strategy, the basis used by the Treasurer to determine performance levels will be the six-month Treasury bill rate for non-reserve funds.

15. Reporting

The Treasurer shall provide the City Council consistent periodic reporting on a quarterly basis. These reports shall provide an accurate and meaningful representation of the investment portfolio, its performance versus the established benchmark, and proof of compliance with the investment policy. Quarterly reports will include, at a minimum, the following:

- A listing of individual securities held at the end of the reporting period.
- Average life and final maturity of all investments listed.
- Coupon, discount or earnings rate.
- Par value, amortized book value and market value.
- Percentage of the portfolio in each investment category.

16. Investment Policy Adoption

The City's investment policy shall be adopted by resolution of the City Council. The policy shall be reviewed on at least a bi-annual basis by the Mayor and/or their designee, as well as the Finance Director and any modification to the policy will be made upon approval by the City Council.