**Sample Investment Policy (Medium Municipality)**

Prepared by: \_\_\_\_\_\_\_, Finance Director Adopted by Council: Date

Effective: Date

**Objectives**

The primary objectives of the Town’s investments are, in order of priority: safety, liquidity, and yield.

To link long-term financial planning with short-term daily operations.

To maintain the Town’s stable financial position.

To ensure that Council’s adopted policies are implemented in an efficient and effective manner.

To protect the Town from an emergency fiscal crisis by ensuring the continuance of service even in the event of an unforeseen occurrence.

To secure the highest possible credit and bond ratings by meeting or exceeding the requirements of bond rating agencies through sound, conservative financial decision making.

Policy

It is the policy of the Town to preserve capital and invest public funds in a manner which provides the highest investment return with the maximum security while meeting the daily cash flow demands of the Town and conforming to all state statutes governing the investment of public funds.

The standard of prudence to be used by staff will be the "prudent person" rule. The "prudent person" concept discourages speculative transactions. It attaches primary significance to the preservation of capital and secondary importance to the generation of income and capital gains. Authorized staff, if acting in accordance with written procedures and state statutes and exercising due diligence, shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided that these deviations are reported immediately and action is taken to control adverse developments.

Safety of principal is the foremost objective of the investment program. Investments of the Town will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain 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.

The Town’s investment portfolio will remain sufficiently liquid to enable the Town to meet all operating requirements which might be reasonably anticipated through the use of structured maturities and marketable securities.

The Town’s investment portfolio will be designed with the objective of attaining a market rate of return while minimizing risk and retaining liquidity.

North Carolina General Statutes delegate management responsibility for the investment program to the Finance Director. The Finance Director will establish and maintain written procedures for the operation of the investment program consistent with this investment policy. Such procedures will 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 and approved by the Town Manager. The Finance Director will be responsible for all transactions undertaken and will establish a system of controls to regulate the activities of subordinates.

Officers and employees involved in the investment process will refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials will disclose to the Finance Director or Town Manager any material financial interests in financial institutions that conduct business within this jurisdiction, and they will further disclose any large personal financial/investment positions that could be related to the performance of the Town’s portfolio. Employees and officers will subordinate their personal investment transactions to those of the Town, particularly with regard to the time of purchase and sales.

The Finance Director will maintain a list of financial institutions authorized to provide investment services. Authorized financial institutions include banks maintaining an office in the State of North Carolina and securities brokers/dealers classified by the New York Federal Reserve as primary dealers.

The Town will invest only in securities authorized by North Carolina General Statutes pertaining to local government and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Finance Director may elect to further limit the Town’s investment security authority.

All transactions entered into by the Town will be conducted on a delivery-versus-payment basis. The Town shall utilize a third part custodial agent for book entry transactions, all of which shall be maintained in the Town’s name. The custodial agent, as designated by the Finance Director, shall be a trust department authorized to do work in NC who has an account with the Federal Reserve. Certificated securities shall be in the custody of the Finance Director or their designee.

The Town will make every effort to maintain a diversified investment portfolio according to security type and institution.

To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements. Beyond identified cash flow needs, investments will be purchased so that maturities are staggered to avoid undue concentration of assets in a single maturity range, however, the Town will not directly invest in securities maturing more than (5) years from the date of purchase. The Town may collateralize its repurchase agreements using longer-dated investments not to exceed ten (10) years to maturity.

It is the Town’s full intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars. However, economic or market conditions may change, making it in the Town’s best interest to sell or trade a security prior to maturity.

All moneys earned and collected from investments other than bond proceed earnings will be allocated monthly to various fund amounts based on the month’s average cash balance in each fund as a percentage of the entire pooled portfolio. Earnings on bond proceeds will be directly allocated to the same proceeds.

The Finance Director is charged with the responsibility of preparing a quarterly investment inventory report that includes investment types, cost, market value, maturity date, yield and average portfolio yield.

The investment officer is responsible for establishing and maintaining a system of internal controls designed to ensure that the assets of the Town are protected from loss, theft or misuse.

This investment policy applies to all financial assets in the Town’s investment portfolio, including debt proceeds.