



Request for City Council Committee Action from the Department of Finance & Property Services

Date: June 23, 2014

To: The Honorable John Quincy, Chair, Ways & Means Committee

Subject: Investment Policy & Strategy

Recommendation: Approve and Implement Investment Policy effective October 1st, 2014

Department Information

Prepared by: Bruce G. Plante III, Treasury Director, 673-3008

Approved by: _____
Kevin Carpenter, CFO, Finance & Property Services, 673-3554

Jay Stroebel, Interim City Coordinator

Presenters in Committee: Bruce G. Plante III

Supporting Information:

Review:

This policy is a collaboration of the City and its consultants, Linda Patterson and Ellwood & Associates, and has been reviewed by the City Attorney's Office.

History:

The City's current Investment Guidelines were created in 1988 and made effective in March 2001. Revisions were made in July 2012. The proposed Investment Policy is created on best practices with a strict but flexible approach to respond to changing conditions; it places emphasis on safety and public trust, more accurately states the City's investment program objectives, and better describes the City's current investment strategy.

Policy Scope:

An important objective in creating this policy was that it will apply to all cash and investments of the City with the exception of certain funds such as pensions, employee flexible health spending accounts, and employee health savings accounts (HSA) which are managed by third party administrators. This policy describes the various pools of the City's cash and the objectives and strategies of investing each pool. This policy incorporates

Government Finance Officers Association's (GFOA) best practices and requires conformance with Governmental Accounting Standards Board (GASB) standards for accounting and reporting on the City's investment portfolio. The City's Investment Policy complies with MN Statute 118A which identifies the type of instruments in which the City may invest its funds as well as related depository requirements.

Key considerations:

Improve safety of city assets by incorporating best practices:

- Defining not only credit risk considerations, but also change in interest rate considerations**
- Move to more stringent Prudent Expert test versus Prudent Person test for using external managers**
- Being explicit about Delivery Versus Payment (DVP) requirement**
- Develop supporting procedures for policy**
- Increase transparency with how we currently operate**
- Introduces training and education requirement for investment staff**
- Increased license requirement and validation for external managers**