

City of Smyrna, Georgia Investment Policy

I. Policy Statement

It is the policy of the City of Smyrna that the administration of its funds and the investment of those funds shall be managed as the highest public trust. Investments shall be made in a manner that will provide the maximum security of principal invested, employing limitations on maturities and diversification of the portfolio while meeting the daily cash flow needs of the government statutes governing the investment of public funds. Market rate of return will be secondary to safety and liquidity requirements. It is the intent of the City to be in complete compliance with all laws. The earnings from investments will be used in a manner that best serves the public trust and interests of the City.

II. Scope

This investment policy applies to all the financial assets and funds held by the City of Smyrna with the exception of pension fund assets held by a third-party custodian and/or money manager. Additionally, bond proceeds shall be invested in accordance with the requirements and restrictions outlined in bond documents. All non-restricted cash and investments will be maintained in a single cash and/or investment account allowing for the maximum use of available resources. Interest revenue will be recorded to the proper fund consistent with fund ownership in the cash and/or investment.

III. Objectives and Strategy

The following investment objectives shall be met with this policy:

- 1. Safety of Principal:** Safety of Principal is the primary objective of the City of Smyrna. Investments of the City shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio. Each transaction shall seek to ensure that capital losses are avoided, whether they are from securities defaults or erosion of market value. To obtain this goal or objective, diversification is required in order to mitigate potential losses on individual securities to not exceed the income generated from the remainder of the portfolio. The suitability of each investment decision will be made on the basis of these objectives.
- 2. Liquidity:** The City's investment portfolio will remain sufficiently liquid and structured to enable it to meet all operating requirements that might be reasonably anticipated to pay obligations as they become due.
- 3. Diversification:** Diversification of the portfolio will include diversification by maturity and market sector and will include a competitive bidding process in the selection and retention of investment advisors/managers.
- 4. Yield:** The City's investment portfolio shall be designed with the objective of attaining market rate of return throughout budgetary and economic cycles, taking into account the risk constraints and the cash flow of the portfolio.
- 5. Local Considerations:** Where possible, funds may be invested for the betterment of the local economy or that of local entities within the State. The City of Smyrna may accept a

proposal from an eligible institution that provides for a reduced rate of interest provided that such institution documents the use of deposited funds for community development projects.

IV. Legal Limitations, Responsibilities, and Authority

Funds of the City will be invested in compliance with the provisions of O.C.G.A. Section 36-83-4 and in accordance with these policies and written administrative procedures. Certain funds may have outstanding bond issues that have specific investment policies contained within the bond ordinances and official statements. Those policies will be adhered to and are not in conflict with the terms of this policy.

V. Delegation of Investment Authority

The Finance Director of the City of Smyrna, acting on behalf of the City Administrator and City Council, is designated as the Investment Officer of the City and is responsible for adhering to the investment policy and shall establish procedures for the operation of the investment management decisions and program activities. The City Administrator is responsible for considering the quality and capability of staff, investment advisors, and consultants involved in the investment management and procedures. All participants in the investment process shall seek to act responsibly as custodians of the public trust.

The Finance Director shall develop and maintain written administrative procedures for the operation of the investment program that are consistent with this investment policy. Procedures will include such references as safekeeping, collateralization, any wire transfer agreements, banking services contracts, and other investment related activities.

The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and staff.

The Finance Director shall designate a staff person as a liaison/deputy in the event circumstances require timely action and the Investment Officer is not available.

No officer or designee may engage in an investment transaction except as provided under the terms of this Policy and the internal procedures established by the Investment Officer.

VI. Limitation of Liability/Due Diligence

Finance Department personnel acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for the portfolio's credit risk or market price changes.

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 the speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

VII. Internal Controls

The Investment Officer shall establish a system of written internal controls that will be reviewed annually with the City's independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, gross employee error, and misrepresentation by third parties, or imprudent actions by employees of the City of Smyrna.

VIII. Cash Flow Forecasting

Cash flow forecasting is designed to protect and sustain the City's cash-flow requirements. Supplemental to the financial and budgetary systems, the Investment Officer will maintain a cash-flow forecasting process designed to monitor and forecast cash positions for investment purposes. Cash flow will include the historical researching and monitoring of specific cash-flow items, payables and debt service and receivables, as well as overall cash position and patterns.

IX. Authorized Investments

All investment activity is required to be in compliance with Chapter 83 of Title 36 of the Official Code of Georgia, which establishes guidelines for local government investment procedures. The City shall invest in only such investment instruments permitted by State of Georgia law for local governments which include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia, pooled investment programs of the State of Georgia, and no-load mutual funds of direct obligations of the United States. The City shall also require collateralization of such investment instruments as required by State of Georgia law.

X. Authorized Financial Dealers and Institutions

The City shall maintain a list of qualified financial institutions from which to solicit investment bids. The Finance Director or his/her designee will review the audited Financial Statements of any institution that wishes to be included on such list and make a bona fide, good faith effort to ensure that the City deals only with reputable banks and broker/dealers not in financial trouble. All financial institutions and broker /dealers for investment transactions must submit proof of National Association of Security Dealers certification and a letter certifying that the entity has read the investment policy and depository contract and agrees to abide by them. The Finance Director or his/her designee may remove, at any time, with or without just cause and without notification, any financial institution or broker/dealer from the list of qualified financial institutions.

Upon request, banks shall provide their most recent "Consolidated Report of Condition" (Call Report). At a minimum, the City shall conduct an annual evaluation of each bank's credit worthiness to determine whether it should be on the "Qualified Institution" listing.

All banks and other dealers will be provided a copy of this Investment Policy to ensure that they are familiar with the goals and objectives of the investment program.

XI. Diversification and Maturity Limitations

It is the goal of the City of Smyrna to diversify its investment portfolio. Invested funds shall be diversified to minimize risk or loss resulting from over concentration of assets in specific maturity, specific issuer, or specific asset class of securities. The Investment Officer, to the extent possible, will attempt to match investments with anticipated cash flow requirements. Matching maturities with cash flow needs or requirements will reduce the need to sell securities prior to maturity, thus reducing market risk while maintaining return.

XII. Safekeeping and Collateralization

The laws of the State of Georgia and prudent treasury management require that all purchased securities be bought on a delivery versus payment basis and be held in safekeeping by either the City of Smyrna or the designated depository.

All safekeeping arrangements shall be designated by the Investment Officer and an agreement of the terms executed in writing. Any third-party custodian shall be required to issue original safekeeping receipts to the City of Smyrna listing each specific security, rate, description, maturity, and CUSIP number. Each safekeeping receipt will clearly state that the security is held or pledged for the City of Smyrna.

All securities pledged to the City for certificates of deposit or demand deposits shall be held by an independent depository. The safekeeping bank may not be within the same holding company as the bank from which the securities are pledged.

In accordance with O.C.G.A. 45-8-12, collateralization shall be required on bank accounts and certificates of deposit over the FDIC insurance coverage and repurchase agreements.

XIII. Investment Reporting

The Investment Officer shall prepare a monthly report of cash and investments which will be distributed to the City Administrator and to the Mayor and City Council. The report will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to this investment policy. This report shall include: the individual securities held at the end of the reporting period with maturity dates; realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities; percentage of the total portfolio which each type of investment represents.

XIV. Conflicts of Interest and Ethics

The City's Investment Officer involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. The Investment Officer shall disclose any material interests in financial institutions with which he or she conducts business. He or she shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. The

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Approved Date: XXXX

Investment Officer shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

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