

**CITY OF ROMULUS  
WAYNE COUNTY  
MICHIGAN**

**INVESTMENT POLICY**

**1.0 POLICY:**

It is the policy of the City of Romulus to invest public funds in a manner which will provide the maximum security with best interest return, while meeting the daily cash flow demands of the entity and conforming to all state statues and local ordinances governing the investment of public funds.

**2.0 SCOPE:**

This investment policy applies to the investment activities of the City of Romulus except for its employee pension funds and its employee deferred compensation funds, which are organized and administered separately. These funds are accounted for in the City of Romulus's Audited Annual Financial Report and include:

- Any new fund created by the governing body; unless specifically exempted by the governing body.
- Capital Project Funds
- Debit Service Funds
- Downtown Development Authority
- Economic Development Corporation
- General Fund
- Internal Service Funds
- Special Revenue Funds
- Tax Increment Finance Authority
- Trust and Agency Funds
- Water and Sewer Funds

This investment policy also applies to the investment activities of the State of Michigan 34<sup>th</sup> District Court, except for its employee pension funds which are organized and administered separately.

This investment policy applies to all transactions involving the financial assets and related activity of all the foregoing funds.

**3.0 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.

### **3.1 PRUDENT PERSON:**

The standard of prudence to be used by investment officials shall be the "PRUDENT PERSON" and/or "PRUDENT INVESTOR" 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.

### **4.0 OBJECTIVES:**

Funds of the City of Romulus will be invested in accordance with Michigan Public Act 20 of the Public Acts of 1943, as amended, and in accordance with the following objectives in order of priority.

#### **4.1 SAFETY OF CAPITAL:**

Safety of principal is the foremost objective of the investment program. Each investment transaction shall seek to first insure that capital losses are avoided whether they are from defaults or erosion of market value.

In order to ensure that the City's investments are properly safeguarded, the credit ratings of any purposed investments shall be reviewed, where applicable, before any investment product is purchased. In addition, the Treasurer and/or the City's investment advisor will monitor the credit ratings of investments held on at least a quarterly basis.

#### **4.2 DIVERSIFICATION:**

Assets shall be diversified to eliminate the risk of loss resulting from over concentration in a specific maturity, individual financial institution(s), or a specific class of securities. Diversification strategies shall be determined and revised by the City of Romulus Treasurer or designated investment advisor from time to time to meet diversification objectives (to reduce overall portfolio risks while attaining market average rates of return).

#### **4.3 LIQUIDITY:**

The City of Romulus investment portfolio will remain sufficiently liquid to enable the City of Romulus to meet all operating requirements, which might be reasonably anticipated. Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures (payroll, debt services) as well as considering sharing blocks of anticipated revenue (taxes, state revenue sharing payments).

The City Treasurer will on a quarterly basis review the liquidity position of the City. The Treasurer will determine the maximum percentage of the City's funds to be invested. The

Treasurer or designated investment advisor shall not invest in securities with a weighted average life in excess of five years.

**4.4 RETURN ON INVESTMENT:**

The investment portfolio of the City of Romulus shall be designed in a manner to attain a rate of return throughout budgetary and economic cycles consistent with the City of Romulus investment risk constraints and cash flow requirements. The portfolio will be measured against a benchmark that reflects the duration and risk of the underlying portfolio.

**5.0 DELEGATION OF AUTHORITY:**

The Treasurer is designated as the investment officer of the City of Romulus and is responsible for investment decision and activities. The Treasurer shall develop and maintain administrative procedures for the operation of the investment program, consistent with the investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in investment transactions except as provided under the terms of this policy and the administrative procedures established by the City of Romulus Treasurer. The City of Romulus Treasurer shall also establish a system of controls to regulate the activities of subordinate officials and shall be responsible for all transactions undertaken.

The City may engage the services of an external investment manager to assist in the management of the City's investment portfolio in a manner consistent with the entity's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisers Act of 1940.

A list will be maintained of financial institutions authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by conducting a process of due diligence.

The purchase of certificates of deposit, commercial paper, bankers' acceptances, repurchase agreements, and municipal bonds shall be restricted to issuers from an approved issuer list in which there is an establishment of a formal credit review process when purchasing these particular types of investments.

**6.0 AUTHORIZED INSTRUMENTS:**

In accordance with Michigan Public Act 20 of the Public Acts of 1943, as amended, the surplus funds of the City of Romulus may be invested as follows:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 nationally recognized statistical rating organizations (NRSRO) and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a) above. Repurchase agreements shall be negotiated only with dealers or financial institutions with which the City of Romulus has negotiated a Master Repurchase Agreement. Repurchase agreements must be signed with the bank or dealer and must contain provisions comparable to those outlined in the Public Security Association's model Master Repurchase Agreements. The underlying securities that make up the repurchase agreement collateral must have a market value of at least 102% of the amount of the initial purchase.
- e. Bankers' acceptances of United States banks rated at the time of purchase within the 2 highest classifications established by not less than 2 nationally recognized statistical rating organizations (NRSRO) and that matures not more than 180 days after the date of purchase.
- f. Mutual funds registered under the investment company act of 1940 and with authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. Obligations described in subdivisions (a) through (f) if purchased through an inter-local agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- h. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- i. The investment pools organized under local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.
- j. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one nationally recognized statistical rating organizations (NRSRO).
- k. CDARS: certificates of deposit and/or cash sweep through the Certificate of Deposit Account Registry Services (CDARS).

The percentage of the overall portfolio to be invested in certificates of deposit, commercial paper, repurchase agreements, bankers' acceptances, or municipal bonds shall be limited to a maximum of 50% for each security type.

The City will also minimize the risk in placing a large portion of the portfolio with a single security issuer by limiting the exposure to 5% of the total portfolio at the time of purchase. This requirement does not apply to investments issued by the U.S. government or its agencies or instrumentalities, investments in mutual funds, and highly rated investment pools.

**7.0 ETHICS AND CONFLICT OF INTEREST:**

Officers and employees involved in the investment process shall 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 shall disclose to City Council any material financial interests in financial institutions that conduct business within their jurisdiction and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City of Romulus.

**8.0 SAFEKEEPING AND CUSTODY:**

All securities purchased by the City of Romulus under this section shall be properly designated as an asset of the City of Romulus and held in safekeeping by an independent third-party custodian bank in the City's name. No withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the Treasurer as authorized herein, or by their respective designees.

**8.1 COLLATERALIZATION FOR MICHIGAN MUNICIPALITIES:**

The State of Michigan does not require Collateralization of Public Fund's Deposit/Investments. However, Negotiable instruments transactions having a value greater than SPIC or other applicable insurance will be settled on a Delivery-vs-Payment Basis. A Trust (Safekeeping) Receipt and proof of the applicable insurance will be required. Non-Negotiable, non-collateralized Certificates of Deposits, as is the law in State of Michigan, shall be evidenced by a Safekeeping Receipt from the issuing bank.

**9.0 REPORTING:**

The Treasurer shall provide Romulus City Council and the finance department quarterly investment reports which provide a clear picture of the status of the current investment portfolio. Schedules in the quarterly report shall include the following:

- A listing of individual securities held at the end of the reporting period by authorized investment category
- Average life and final maturity of all investments listed
- Yield

- Par value and Market Value
- Percentage of the Portfolio represented by each investment category
- Credit ratings (by at least one nationally recognized statistical rating organization (NRSRO))

**11.0 EFFECTIVE DATE:**

This policy shall become effective on January 26, 2016 the day following adoption by the Romulus City Council.

**CERTIFICATION**

I hereby certify that I have received the Investment Policy of City of Romulus, MI have personally read the Investment Policy of City of Romulus, Wayne County, MI 48174 and agree with the terms of the Investment Policy regarding the buying or selling of securities. We also pledge to exercise due diligence in informing you of all foreseeable risks associated with financial transactions conducted with our firm.

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Institution

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Address

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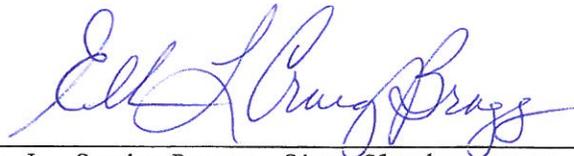
Authorized Official & Title

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Signature

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Date



1-26-2016

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Ellen L. Craig-Bragg, City Clerk  
City of Romulus

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Date



# ***CITY OF ROMULUS***

## ***RESOLUTION 16-121***

At the regular meeting of the Romulus City Council of Romulus, Michigan held at Romulus City Hall on Monday, January 25, 2016, the following resolution was offered by Councilwoman Makowski, seconded by Councilwoman Abdo:

***To approve the City of Romulus Investment Policy.***

Roll Call Vote Showing: Ayes – Abdo, Barden, Choate, Crout, Makowski, Roscoe, Wadsworth.  
Nays – None.  
Motion Carried Unanimously

I, Ellen L. Craig-Bragg, Clerk for the City of Romulus, Michigan do hereby certify the foregoing to be a true copy of a resolution duly adopted by the Romulus City Council at a regular meeting held on the 25<sup>th</sup> day of January, 2016.

Ellen L. Craig-Bragg, Clerk  
City of Romulus, Michigan