



INVESTMENT POLICY

CITY OF FOLEY, ALABAMA

April 3, 2023

Date Adopted by City Council: _____

Resolution No.: _____

INVESTMENT POLICY

PURPOSE OF POLICY

It is the policy of the City of Foley to invest City funds in a manner which will ensure maximum security with sufficient liquidity to meet daily cash flow demands while providing the highest investment return on municipal funds. The investment of all City funds is the responsibility of the City Treasurer. The Treasurer and designated Finance Department employees are authorized to invest City funds consistent with this policy. The Treasurer, in fulfilling the duties of office, shall participate in the implementation of this policy and in the obtaining of the objectives listed in this policy.

SCOPE

1. Pursuant to Code of Alabama 1975, Sec. 11-81-19 and 11-81-21 (see Exhibit A and Exhibit B, attached), this policy applies to all municipal funds of the City.
2. This policy applies to all transactions involving the financial assets and related activities of all municipal funds of the City.

INVESTMENT OBJECTIVES

When making investment decisions, the City will invest idle funds based on the following objectives, in order of priority.

1. Safety of principal is the foremost objective of the investment policy of the City. Investment transactions shall seek to avoid capital losses, whether from security defaults or erosion of market value. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the City shall diversify its portfolio to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions, or investments with similar maturities.
2. The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.
3. The investment portfolio will be designed to attain a maximum investment yield on available funds taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.

AUTHORITY, PRUDENCE, AND ETHICS

1. Management responsibility for the investment program is delegated to the Treasurer, who shall establish written procedures for the operation of the investment program consistent with this investment policy. Such procedures shall include explicit delegation of authority to persons responsible for transactions. No person shall engage in an investment transaction except as provided under the terms of this policy and the procedures established under this policy. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate investment activities of officials with responsibilities under this policy.

2. 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 rule" and shall be applied in the context of managing an overall portfolio.
3. Investment officers acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for any change in an individual security's credit risk or market price, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.
4. 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. Full disclosure shall be made by officers and employees who may have material financial interests in financial institutions that conduct business with the City, and they shall further disclose any large personal investments or financial activities that could be related to the performance of the City's portfolio.

INTERNAL CONTROLS AND REPORTING REQUIREMENTS

1. The Treasurer shall establish a system of internal controls designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the City.
2. Annually, the Treasurer shall prepare an investment report to be presented to the City Council and Mayor. The annual report will describe the investments, including the institution from which the investments were purchased, face amount, maturity date and market value, and the amount of investment earnings. The investment report will be prepared in a manner which will allow the Council to ascertain whether investment activities have conformed to the investment policy.

INSTRUMENTS, MATURITIES, AND RISKS

1. The City may invest municipal funds in accordance with Code of Alabama 1975, Title 11.
2. It is the policy of the City to diversify its investment portfolio to minimize the risk of loss resulting from over-investing funds in a specific maturity, a specific financial institution, or a specific class of security instruments. With the exception of the City's operating bank accounts and U.S. Treasury securities, no more than 50 percent of the City's investment portfolio will be invested in a single security type, or with a single financial institution.
3. Investments of the City shall be made in instruments whose maturities do not exceed three years. In order to ensure adequate liquidity without market risk, investments shall have maturity dates at or prior to the time cash is prudently projected to be required to meet disbursement needs.

OPERATING BANK ACCOUNTS

1. Bank services for operating bank accounts include day-to-day services that the City requires to conduct financial operations. This includes but is not limited to: bank accounts for deposits and withdrawals, sweep accounts, on-line banking, direct deposit for payroll, timely bank statements, local accessibility to institution, etc.
2. Operating bank accounts do not include funds available for investment, or those restricted for short or long-term borrowing.

COLLATERALIZATION, SAFEKEEPING, AND CUSTODY

1. It is the City's policy that any bank or financial institution in the State of Alabama that invests City municipal funds shall be a Qualified Public Depository certified by the Alabama State Treasurer according to the Security for Alabama Funds Enhancement Act (SAFE Program), Section 41-14A-1, et seq., Code of Alabama 1975, as amended from time to time. The Treasurer will, at least annually, obtain a list of State certified QPD's as well as a list of account balances held by each. The Deputy Finance Director or Finance Supervisor will compare the account balances to those shown on the September 30th bank statement each year.
2. All amounts of deposit made and certificate of deposits (CDs) issued in excess of amounts insured by the FDIC and FSLIC shall be collateralized with securities of the United States government, federal agencies which represent the full faith and credit of the United States, or otherwise authorized by state law. The collateral for each deposit or certificate of deposit shall have a market value equal to at least 100 percent of the excess of amounts insured by the FDIC and FSLIC.

AUTHORIZED FINANCIAL INSTITUTIONS

1. The Treasurer shall maintain a list of approved banks or financial institutions for investment purposes that have offices located in the City, in nearby cities, or another business relationship with the City.
2. Before accepting funds or engaging in investment transactions with the City, the supervising officer at each institution shall submit a certification that the officer has reviewed this policy and agrees to disclose potential conflicts or risks to public funds that might arise out of business transactions between the institution and the City. All financial institutions shall agree to undertake reasonable efforts to preclude imprudent transactions involving City funds.

POLICY CONSIDERATIONS

The investment policy shall be formally approved and adopted by resolution of the Foley City Council and reviewed annually. Any changes must be submitted by the Treasurer and approved by amending resolution of the City Council.

Exhibit A

2016 Code of Alabama

Title 11 - COUNTIES AND MUNICIPAL CORPORATIONS.

Title 3 - PROVISIONS APPLICABLE TO COUNTIES AND MUNICIPAL CORPORATIONS.

Chapter 81 - MUNICIPAL AND COUNTY BONDS.

Article 1 - General Provisions.

Section 11-81-19 - Investment of sinking funds generally; reports as to investment or deposit of sinking funds; contracts for purchase of savings certificates.

Universal Citation: [AL Code § 11-81-19 \(2016\)](#)

Section 11-81-19Investment of sinking funds generally; reports as to investment or deposit of sinking funds; contracts for purchase of savings certificates.

All sinking funds provided for the retirement of bonds shall be invested in bonds of such subdivision or in bonds of the United States or in bonds of the State of Alabama or in bonds of any county in the State of Alabama or any municipal corporation of the State of Alabama, or deposited in a bank on interest; provided, however, that the proceedings authorizing any funding or refunding bonds may prohibit the investment of the sinking fund for such bonds and require that such sinking fund shall be used exclusively in the purchase for retirement or in the redemption of such funding or refunding bonds.

All sinking funds created by resolutions or ordinance heretofore adopted must be properly set aside each year in accordance with the resolution or ordinance providing for the same and a report made thereof and filed with the clerk of the municipality or with the probate judge of the county, as the case may be, showing in detail how said sinking fund is invested or deposited.

All contracts now in effect for purchasing savings certificates under the law as it heretofore existed shall continue as legal investments.

(Acts 1927, No. 478, p. 534; Acts 1935, No. 195, p. 575; Code 1940, T. 37, §265.)

Exhibit B

2006 Alabama Code - Section 11-81-21 — Investment of funds obligation in which sinking funds may be invested.

Any municipal funds or county funds not presently needed for other purposes may be invested in any obligations in which sinking funds are now authorized to be invested, pursuant to Section 11-81-19, and in addition in any of the following:

(1) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America;

(2) Obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America:

a. Farmers Home Administration.

b. General Services Administration.

c. U. S. Maritime Administration.

d. Small Business Administration.

e. Government National Mortgage Association (GNMA).

f. U. S. Department of Housing and Urban Development (HUD).

g. Federal Housing Administration (FHA).

(3) U. S. dollar denominated deposit accounts and certificates of deposit with banks or savings associations which are qualified public depositories under Chapter 14A of Title 41.

(4) Pre-refunded public obligations, defined as follows:

Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (i) which are not callable at the option of the obligor prior to maturity or as to which irrevocable notice has been given by the obligor to call on the date specified in the notice, and (ii) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or obligations described in subdivision (1) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (iii) which fund is sufficient, as verified by an independent certified public accountant, to pay principal of and interest and redemption, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this paragraph, as appropriate, and (iv) which are rated, based on the escrow, in the highest rating category of Standard & Poor's Corporation and Moody's Investors Service, Inc., or any successors thereto.

(5) Interests, however evidenced, in any common trust fund or other collective investment fund maintained by any national or state chartered bank, trust company or savings association having trust powers, or securities of or other interests in any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, as from time to time amended, so long as all of the following requirements are met at the time of purchase and during the term of investment: (i) At least 65% of the portfolio of such common trust fund, collective investment fund or investment company or investment trust must consist of investments authorized in subdivisions (1), (2), (3), or (4) above, and (ii) the remainder of the portfolio (if any, but not more than 35%) may consist only of the following investments: (x) obligations issued or guaranteed by the following agencies: Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), including FNMA, and FHLMC participation certificates, Federal Land Banks, Central Bank for Cooperatives, Federal Intermediate Credit Banks, Student Loan Marketing Association, and Federal Home Loan Banks, (y) mortgage related securities (as that term is defined in Section 3(a) (41) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a) (41)), or (z) repurchase agreements fully collateralized by obligations, securities or investments otherwise authorized under subdivisions 5(i)-(ii), so long as the common trust fund, collective investment fund, investment company or investment trust takes possession and delivery of the collateral for any repurchase agreement either directly or through an authorized custodian. The fact that any financial institution making such investment on behalf of the municipality or county, or any affiliate of such financial institution, is providing services to the investment company or investment trust as an investment advisor, sponsor, distributor, custodian, transfer agent, registrar, or otherwise, and is receiving reasonable remuneration for such services, shall not preclude such institution from making the investment in the securities of such investment company or investment trust; provided, however, that with respect to any account for municipal funds or county funds to which fees are charged for such services, the said financial institution shall disclose (by prospectus, account statement or otherwise) to the beneficiary of such account or to any third party directing investments the basis (expressed as a percentage of asset value or otherwise) upon which the fee is calculated.

The terms "municipal funds" and "county funds" as used in this section shall include all general, special, permanent, trust and other funds, regardless of source or purpose, held or administered by any county, city or town, or by any officer or agency thereof, in the State of Alabama.

Investments of municipal funds or county funds shall be made by the officer or agency controlling their disposition. Such county, city or town, or official or agency thereof, may at any time sell such obligations purchased pursuant to this section, and the money received from such sale and the interest and profits on such investment shall be credited to the fund from which the investment was made. Any such obligation may be deposited for safekeeping with any bank, trust company or savings association organized either under the laws of the State of Alabama or of the United States.

(Acts 1943, No. 246, p. 203; Acts 1975, No. 1120, §1; Acts 1989, No. 89-655, p. 1298, §1; Acts 1990, No. 90-481, p. 708; Acts 1991, No. 91-482, p. 872, §1; Acts 1993, No. 93-340, p. 523, §1; Act 2000-748, p. 1669, §2).