

# **IOWA PUBLIC BODY MODEL INVESTMENT POLICY**

## ***SECTION 1. SCOPE OF INVESTMENT POLICY***

The Investment Policy of the **(Insert Public Agency Name)** (the **“City” or “County” or “Utility” or “Agency”**) shall apply to all operating funds, bond proceeds and other funds and all investment transactions involving operating funds, bond proceeds and other funds accounted for in the financial statements of **(the “City” or “County” or “Utility” or “Agency”)**. Each investment made pursuant to this Investment Policy must be authorized by applicable law and this written Investment Policy.

The investment of bond funds or sinking funds shall comply not only with this investment policy, but also be consistent with any applicable bond resolution.

This Investment Policy is intended to comply with Iowa Code Chapter 12B.

Upon passage and upon future amendment, if any, copies of this Investment Policy shall be delivered to all of the following:

1. The governing body or officer of **(the “City” or “County” or “Utility” or “Agency”)** to which the Investment Policy applies.
2. All depository institutions or fiduciaries for public funds of **(the “City” or “County” or “Utility” or “Agency”)**.
3. The auditor engaged to audit any fund of **(the “City” or “County” or “Utility” or “Agency”)**.
4. The State Auditor.

In addition, a copy of this Investment Policy shall be delivered to every fiduciary or third party assisting with or facilitating investment of the funds of **(the “City” or “County” or “Utility” or “Agency”)**.

## ***SECTION 2. DELEGATION OF AUTHORITY***

In accordance with Iowa Code section 12B.10(1), the responsibility for conducting investment transactions resides with the Treasurer of **(the “City” or “County” or**

**“Utility” or “Agency”**). Only the Treasurer and those authorized by resolution may invest public funds and a copy of any empowering resolution shall be attached to this Investment Policy.

All contracts or agreements with outside persons investing public funds, advising on the investment of public funds, directing the deposit or investment of public funds or acting in a fiduciary capacity for **(the “City” or “County” or “Utility” or “Agency”)**, shall require the outside person to notify **(the “City” or “County” or “Utility” or “Agency”)** in writing, within thirty days of receipt of all communication from the Auditor of the outside person or any regulatory authority, of the existence of a material weakness in internal control structure of the outside person or regulatory orders or sanctions regarding the type of services being provided to **(the “City” or “County” or “Utility” or “Agency”)** by the outside person.

The records of investment transactions made by or on behalf of **(the “City” or “County” or “Utility” or “Agency”)** are public records and are the property of **(the “City” or “County” or “Utility” or “Agency”)** whether in the custody of **(the “City” or “County” or “Utility” or “Agency”)** or in the custody of a fiduciary or other third party.

The Treasurer shall establish a written system of internal controls and investment practices. The controls shall be designed to prevent losses of public funds, to document those officers and employees of **(the “City” or “County” or “Utility” or “Agency”)** responsible for elements of the investment process and to address the capability of investment management. The controls shall provide for receipt and review of the audited financial statement and related reports on internal control structure of all outside persons performing any of the following for **(the “City” or “County” or “Utility” or “Agency”)**.

1. Investing public funds **(the “City” or “County” or “Utility” or “Agency”)**.
2. Advising on the investment of public funds **(the “City” or “County” or “Utility” or “Agency”)**.
3. Directing the deposit or investment of public funds **(the “City” or “County” or “Utility” or “Agency”)**.
4. Acting in a fiduciary capacity for **(the “City” or “County” or “Utility” or “Agency”)**.

A Bank, Savings and Loan Association or Credit Union providing only depository services shall not be required to provide an audited financial statement and related report on internal control structure.

The Treasurer of and all employees authorized to place investments shall be bonded in the amount of \$\_\_\_\_\_.

### ***SECTION 3. OBJECTIVES OF INVESTMENT POLICY***

The primary objectives, in order of priority, of all investment activities involving the financial assets of (the “City” or “County” or “Utility” or “Agency”) shall be the following:

1. **Safety:** Safety and preservation of principal in the overall portfolio is the foremost investment objective.
2. **Liquidity:** Maintaining the necessary liquidity to match expected liabilities is the second investment objective.
3. **Return:** Obtaining a reasonable return is the third investment objective.

### ***SECTION 4. PRUDENCE***

The Treasurer of (the “City” or “County” or “Utility” or “Agency”) when investing or depositing public funds, shall exercise the care, prudence and diligence under the circumstances then prevailing that a person acting in a like capacity and familiar with such matters would use to attain the Section 2 investment objectives. This standard requires that when making investment decisions, the Treasurer shall consider the role that the investment or deposit plays within the portfolio of (the “City” or “County” or “Utility” or “Agency”) assets of and the investment objectives stated in Section 2.

When investing assets of (the “City” or “County” or “Utility” or “Agency”) for a period longer than two (2) years, the Treasurer shall request competitive investment proposals for comparable credit and term investments from a minimum of three (3) investment providers.

### ***SECTION 5. INSTRUMENTS ELIGIBLE FOR INVESTMENT***

Assets of (the “City” or “County” or “Utility” or “Agency”) may be invested in the following:

- Interest bearing savings accounts, interest bearing money market accounts, and interest bearing checking accounts at any bank, savings and loan association or credit

union in the State of Iowa. Each bank must be on the most recent Approved Bank List as distributed by the Treasurer of the State of Iowa or as amended as necessary by notice inserted in the monthly mailing by the Rate Setting Committee. Each financial institution shall be properly declared as a depository by the governing body of **(the “City” or “County” or “Utility” or “Agency”)**. Deposits in any financial institution shall not exceed the amount approved by the governing body of **(the “City” or “County” or “Utility” or “Agency”)**.

- Obligations of the United States government, its agencies and instrumentalities.
- Certificates of deposit and other evidences of deposit at federally insured Iowa depository institutions approved and secured pursuant to Iowa Code chapter 12C.
- Iowa Public Agency Investment Trust (“IPAIT”).
- Prime bankers' acceptances that mature within 270 days of purchase and that are eligible for purchase by a federal reserve bank.
- Commercial paper or other short-term corporate debt that matures within 270 days of purchase and is rated within the two highest classifications, as established by at least one of the standard rating services approved by the Superintendent of Banking.<sup>1</sup>
- Repurchase agreements, provided that the underlying collateral consists of obligations of the United States government, its agencies and instrumentalities and takes delivery of the collateral either directly or through an authorized custodian.
- Insured deposits or certificates of deposits, invested pursuant to Iowa Code section 12B.10(7), in an amount above any insured portion of the public funds on deposit at a federally insured Iowa depository institution approved and secured pursuant to Iowa Code chapter 12C.
- An open-end management investment company registered with the Securities & Exchange Commission under the federal Investment Company Act of 1940, 15 U.S.C. Section 80(a) and operated in accordance with 17 C.F.R. Section 270.2a-7, whose portfolio investments are limited to those instruments individually authorized in this Section 5 of this Investment Policy.<sup>2</sup>

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<sup>1</sup> Discussion with municipal advisor of risks (including credit risk) versus benefits of investment in commercial paper is advised.

<sup>2</sup> Discussion with municipal advisor is recommended with respect to limiting investment to U.S. Government Money Market Funds as opposed to Institutional Prime and Municipal Money Market Funds. Recently adopted SEC rules require institutional prime and municipal money market funds to move from a stable net asset value of \$1.00 per share to a floating net asset value.

- Warrants or improvement certificates of a levee or drainage district.

All instruments eligible for investment are further governed by all other provisions of this Investment Policy, including Section 7 Investment Maturity Limitations and Section 8, Diversification Requirements.

#### ***SECTION 6. PROHIBITED INVESTMENTS AND INVESTMENT PRACTICES***

Assets of (the “City” or “County” or “Utility” or “Agency”) shall not be invested in the following:

1. Reverse repurchase agreements.
2. Futures and options contracts.

Assets of (the “City” or “County” or “Utility” or “Agency”) shall not be invested pursuant to the following investment practices:

1. Trading of securities for speculation or the realization of short-term trading gains.
2. Pursuant to a contract providing for the compensation of an agent or fiduciary based upon the performance of the invested assets.

If a fiduciary or other third party with custody of public investment transaction records of (the “City” or “County” or “Utility” or “Agency”) fails to produce requested records when requested by (the “City” or “County” or “Utility” or “Agency”) within a reasonable time, (the “City” or “County” or “Utility” or “Agency”) shall make no new investment with or through the fiduciary or third party and shall not renew maturing investments with or through the fiduciary or third party.

#### ***SECTION 7. INVESTMENT MATURITY LIMITATIONS***

**Operating Funds** must be identified and distinguished from all other funds available for investment. Operating Funds are defined as those funds which are reasonably expected to be expended during a current budget year or within fifteen months of receipt.

All investments authorized in Section 5 are further subject to the following investment maturity limitations:

1. Operating Funds may only be invested in instruments authorized in Section 5 of this Investment Policy that mature within three hundred ninety-seven (397) days.

2. The Treasurer may invest funds of **(the “City” or “County” or “Utility” or “Agency”)** that are not identified as Operating Funds in investments with maturities longer than three hundred ninety-seven days (397) days. However, all investments of **(the “City” or “County” or “Utility” or “Agency”)** shall have maturities that are consistent with the needs and use of **(the “City” or “County” or “Utility” or “Agency”)**.

#### ***SECTION 8. DIVERSIFICATION***

Investments of **(the “City” or “County” or “Utility” or “Agency”)** are subject to the following diversification requirements:

Prime bankers' acceptances:

1. At the time of purchase, no more than ten percent (10%) of the investment portfolio of **(the “City” or “County” or “Utility” or “Agency”)** shall be invested in prime bankers' acceptances; and
2. At the time of purchase, no more than five percent (5%) of the investment portfolio of **(the “City” or “County” or “Utility” or “Agency”)** shall be invested in the securities of a single issuer.

Commercial paper or other short-term corporate debt:

1. At the time of purchase, no more than ten percent (10%) of the investment portfolio of **(the “City” or “County” or “Utility” or “Agency”)** shall be in commercial paper or other short term corporate debt;
2. At the time of purchase, no more than five percent (5%) of the investment portfolio of **(the “City” or “County” or “Utility” or “Agency”)** shall be invested in the securities of a single issuer; and
3. At the time of purchase, no more than five percent (5%) of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification.

Where possible, it is the policy of **(the “City” or “County” or “Utility” or “Agency”)** to diversify its investment portfolio. Assets shall be diversified to eliminate the risk of loss resulting from overconcentration of assets in a specific maturity, a specific issuer, or a specific class of securities. In establishing specific diversification strategies, the following general policies and constraints shall apply:

1. Portfolio maturities shall be staggered in a way that avoid undue concentration of assets in a specific maturity sector. Maturities shall be selected which provide stability of income and reasonable liquidity.
2. Liquidity practices to ensure that the next disbursement date and payroll date are covered through maturing investments, marketable U.S. Treasury bills or cash on hand shall be used at all times.
3. Risks of market price volatility shall be controlled through maturity diversification so that aggregate price losses on Instruments with maturities approaching one year shall not be greater than coupon interest and Investment Income received from the balance of the portfolio.

### ***SECTION 9. SAFEKEEPING AND CUSTODY***

All invested assets of **(the “City” or “County” or “Utility” or “Agency”)** involving the use of a public funds custodial agreement, as defined in Iowa Code section 12B.10C, shall comply with all rules adopted pursuant to Iowa Code section 12B.10C. All custodial agreements shall be in writing and shall contain a provision that all custodial services be provided in accordance with the laws of the state of Iowa.

All invested assets of **(the “City” or “County” or “Utility” or “Agency”)** eligible for physical delivery shall be secured by having them held at a third party custodian. All purchased investments shall be held pursuant to a written third party custodial agreement requiring delivery versus payment and compliance with all rules set out in this Section 9.

### ***SECTION 10. ETHICS AND CONFLICT OF INTEREST (POLICY CONSIDERATION)***

The Treasurer and all officers and employees of **(the “City” or “County” or “Utility” or “Agency”)** 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. Any personal investments or loans in excess of \$\_\_\_\_\_ in or with any entity that **(the “City” or “County” or “Utility” or “Agency”)** has declared as a depository or with which **(the “City” or “County” or “Utility” or “Agency”)** regularly conducts investment business shall be disclosed in writing to the governing board of **(the “City” or “County” or “Utility” or “Agency”)**.

### ***SECTION 11. REPORTING***

The Treasurer shall submit **(the “City” or “County” or “Utility” or “Agency”)** an investment report that summarizes recent market conditions and investment strategies employed since the last investment report. The investment report shall set out the current portfolio in terms of maturity, rates of return and other features and summarize all investment

transactions that have occurred during the reporting period and compare the investment results with the budgetary expectations.

***SECTION 12. INVESTMENT POLICY REVIEW AND AMENDMENT***

This Investment Policy shall be reviewed every three (3) years or more frequently as appropriate. Notice of amendments to the Investment Policy shall be promptly given to all parties noted in Section 1.

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