



500 West Big Beaver
Troy, MI 48084
troymi.gov

CITY COUNCIL AGENDA ITEM



Date: January 29, 2024

To: Mark F. Miller, City Manager

From: Robert J. Bruner, Deputy City Manager
Megan E. Schubert, Assistant City Manager
Robert C. Maleszyk, Chief Financial Officer
Dee Ann Irby, Controller
Kyle Vieth, Financial Compliance Manager

Subject: City of Troy Investment Policy and Establishment of Investment Accounts

History

The current investment policy was initially approved in February, 2023. The current policy has served us well and is in compliance with Act 20 PA 1943, as amended.

Financial

We would also like to update our resolution authorizing the establishment of investment accounts at the following institutions: Comerica; Bank of America; Citizen's Bank; First Merchants Bank; Independent Bank; Fifth Third Bank; Flagstar Bank; Huntington Bank; JP Morgan Chase & Co.; Robinson Capital; UBS; Michigan Class-MBIA; Bank of NY Mellon; Morgan Stanley; and PNC Financial Services.

This policy is established in order to provide for the safety and diversification of investment accounts.

Legal Considerations

The investment policy is in compliance with Act 20 PA 1943, as amended.

Recommendation

It is recommended that City Council approve the attached investment policy and listing of approved investment institutions.

CITY OF TROY INVESTMENT POLICY
To Comply with Act 20 PA 1943, as amended

Purpose: It is the policy of the City of Troy to invest its funds in a manner which will provide a high level of security of principal while meeting the daily cash flow needs of the City and providing a reasonable rate of return along with compliance with all State statutes.

Scope: This investment policy applies to all financial assets of the City. These assets are accounted for in the various funds of the City and include the general fund, special revenue funds, debt service funds, and capital project funds (unless bond ordinances and resolutions are more restrictive), enterprise funds, internal service funds, trust and agency funds, and any new fund established by the City.

Objectives: The primary objectives, in priority order, of the City's investment activities shall be:

Safety – Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.

Diversification – The investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity – The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

Return on Investment – The investment portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Delegation of Authority to Make Investments: Authority to manage the investment program is derived from the following: City of Troy City Council's most current resolution establishing investment accounts (2023-02-023-J-7). Management responsibility for the investment program is hereby delegated to the Chief Financial Officer who shall establish written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to safekeeping, cash purchase or delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. No person may

engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Chief Financial Officer. The Chief Financial Officer shall be responsible for all transactions undertaken and shall establish a system of controls. The Investment Policy shall be reviewed and approved by the City Council annually.

List of Authorized Investments: The Chief Financial Officer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- (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 of a financial institution. Authorized depositories shall be designated by the City of Troy City Council.
- (c) Commercial paper rated at the time of purchase with the highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in (a).
- (e) Bankers' acceptances of United States banks.
- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated investment grade by not less than one standard rating service.
- (g) Investment pools through an interlocal agreement under the urban cooperation act of 1967, 1987 (Ex Sess) PA 7, MCL 124.501 to 124.512
- (h) Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- (i) The investment pools organized under the local government investment pool act, 1986 PA 121, MCL 129.141 to 129.150.

Safekeeping and Custody: All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by the Chief Financial Officer may be on a cash basis or a delivery vs. payment basis as determined by the Chief Financial Officer. Securities may be held by a third party custodian designated by the Chief Financial Officer and evidenced by safekeeping receipts as determined by the Chief Financial Officer.

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.

Internal Controls for Operations

- The Treasurer's Office maintains cash flow worksheets for its General Fund and Trust & Agency Funds. Excess cash above established thresholds are invested when beneficial and interest rates are favorable. Established thresholds are determined by the City Treasurer and the Chief Financial Officer.
- Excess cash is invested based on future cash flow projections. Funds needed for day-to-day operations are invested in a stable local government investment pool that offers daily liquidity. Funds held for future expenditures are invested in long-term instruments.
- Bank balances are tracked daily by the City Treasurer, and cash flow worksheets are updated to determine cash needs and how much money is available to invest.
- The Chief Financial Officer, City Treasurer, and/or the Controller can execute investment transactions. The Finance Department records, reconciles, and reports all investment activity.