

Policy Statement

TITLE	CODE
Investment Policy	102

REFERENCE

PERSONNEL RESPONSIBLE

EFFECTIVE DATE

Upon Adoption

POLICY

102.100 – Purpose

The purpose of this policy is to establish investment objectives and parameters for the management of the public funds of the City of Bemidji.

This investment policy is designed to:

- Safeguard City funds
- Assure availability of operating and capital funds when needed
- Ensure compliance with applicable Minnesota statutes
- Provide a competitive investment return in light of statutory restrictions

102.200 – Scope

The finance director is designated as investment officer of the City and is responsible for investment decisions and activities, under the direction of the City manager. This investment policy applies to all cash and investments held or controlled by the City. This policy does not apply to funds related to the issuance of debt where there are other indentures in effect for such funds. In addition, any future revenues which have statutory investment requirements conflicting with this policy are not subject to the provisions of this policy.

102.300 – Investment Objectives

The primary objectives of the City, in priority order, of investment activities shall be safety, liquidity and return on investment.

Safety of Principal

The foremost objective of this investment policy is to ensure the safety of the principal of public funds. Investment transactions shall be undertaken in a manner to ensure the preservation of capital in the overall portfolio. This objective also includes minimizing credit and interest rate risk.

- Credit risk – risk of loss due to failure of the security issue or backer. Credit risk will be minimized by:
 - Limiting investments to the types of securities listed under authorized investments in Minnesota Statutes, Chapter 118A
 - Diversifying the investment portfolio so the impact of potential losses from any one type of security or from any one issuer will be minimized. Insurance of collateral will be required to ensure return of principal.
- Interest rate risk – risk that the market value of securities will fall due to changes in market interest rates. Interest rate risk will be minimized by:
 - Structuring the investment portfolio so securities mature to meet cash flow needs, thereby avoiding the need to sell securities on the open market prior to maturity.
 - Investing funds primarily in shorter-term securities and limiting the average maturity of the portfolio in accordance with this policy

Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so investments mature concurrent with cash needs to meet anticipated demands.

Return on Investment

The City investment portfolio shall be designed with the objective of attaining market-average rate of return through budgetary and economic cycles, taking into consideration of the City's investment risk constraints and liquidity needs.

102.400 – Prudence

The standard of prudence to be used by investment officials shall be the “prudent investor” and shall be applied in the context of managing the overall portfolio. The Prudent Person standard states:

“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 from the investment.”

102.500 – Ethics and Conflicts of Interest

The finance director shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair one's ability to make impartial investment decisions.

102.600 – Investment Instruments & Diversification

The City of Bemidji will invest, as the market justifies, in instruments in accordance with Minnesota Statutes 118A.04. Investments of certificate of deposits in City of Bemidji financial institutions shall be based upon competitive bids. It will be the policy of the City of Bemidji to make investments which suggest diversification to avoid risk and enhance return.

102.700 - Collateral

It shall be the duty of the Finance Director to monitor deposits at each institution to insure collateral is maintained at a level of at least 110% of the deposits not covered by bonds or insurance in keeping with Minnesota Statutes 118A.03.

102.800 – Compliance

The Finance Director, in accordance with Minnesota Statutes 118A, will annually obtain broker certifications with all institutions with which the City conducts business.

APPROVED BY: City Council
DATE: June 6, 2011