INVESTMENT POLICY

1.0 POLICY

Ivins City investment policy ensures there is adequate cash on hand to meet day to day needs and pay all bills. If there are any excess funds, they shall be invested according to all applicable city and state laws, especially the Utah Money Management Act and Rules from the Utah Money Management Council. Within this framework investments will be sought that provide: 1) safety of principal, 2) liquidity, and 3) a competitive rate of return based on current market conditions.

2.0 SCOPE

This policy applies to all city money in all funds except money held in trust accounts; money in these accounts are used for bond payments and similar expenses. Any new accounting funds created will also be subject to this policy.

3.0 DELEGATION OF AUTHORITY

Authority to manage the City's investment program is derived from the Utah Code Annotated, 10-6-141 1953, as amended. The City Council and Mayor have assigned the responsibility for conducting investment transactions to the City Investment Committee consisting of the City Treasurer, City Manager, and Finance Director. The City Investment Committee, is responsible for investment decisions and activities. In the event of the unavailability of the full Committee, any two of the members are authorized to conduct the City's investment transactions.

3.1 Investment Procedures: The City Treasurer shall establish written investment procedures for the operation of the investment program consistent with this policy. A copy will be on file in the City Treasurer's office and will be reviewed and updated regularly. No person may engage in an investment transaction except as provided under the terms of this policy and the investment procedures established by the City Treasurer.

***3.2 Bonding the Treasurer*:** The City Treasurer shall be bonded according to the guideline of the Utah Money Management Council. (Rule 4)

4.0 INVESTMENT OBJECTIVES

Funds of the City will be invested in accordance with the Utah Money Management Act. The objectives of the Act and the City in order of priority are:

***4.1 Safety of Principal*:** Safety of principal/capital is the foremost objective of the investment program. Investments shall be made to ensure the preservation of capital in the overall portfolio. Investments will be diversified to spread potential investment risk.

***4.1a Investment Risks*:** There are various risks associated with investing, including but not limited to interest rate risk, credit risk, concentration of credit risk and custodial credit risk. Interest rate risk is the risk that the value of an investment will diminish with changes in the market interest rate. The City's policy for managing exposure to interest rate risk is to comply with the Utah Money Management Act. This risk cannot be completely avoided because we cannot control the market interest rate; however, this risk can be mitigated by staggering the maturity dates of investments. Credit risk, or default risk, is defined as the risk that an issuer, or other counterparty of an investment, will not fulfill its obligation to pay interest and/or principal on time. The City's policy for mitigating credit risk is to follow the Utah Money Management Act, which allows investment only in the highest quality investments as measured by the bond rating. Concentration of credit risk is the risk of loss due to the amount of money invested in a single issuer. The City's policy for mitigating the impact of this risk is to follow the Utah Money Management Council Rules, specifically rule 17 which limits the amount of money that can be invested in a single issuer as stated below (see 5.2). Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in possession of an outside party. In general, this risk can be reduced by only investing with companies that have good credit. The City's policy for managing custodial credit risk is to follow the Utah Money Management Act, which provides a list of certified investment dealers, all of which have good credit. See section 8.0 below.

***4.2 Liquidity*:** The investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated. Efforts to achieve this objective will be focused on matching the term to maturity of investments with the period of availability of funds. Recognizing the overall short-term duration of the budget year and normally anticipated cash flows, the weighted average maturity of the investment portfolio will not normally exceed two years and will most often be one year or less.

***4.3 Return on Investment*:** The investment portfolio will be designed with the objective of earning an above-the-market rate of return throughout budget years and economic cycles, taking into account investment risk, legal requirements and cash flow needs.

5.0 DIVERSIFICATION OF AUTHORIZED AND SUITABLE INVESTMENTS

The City may place public money in investments/deposits authorized by the Utah Money Management Act. Investments entered into by the City will be diversified by industry, institution, and maturity to spread potential investment risk and return among many classes of investments. We will seek to diversify investments across industry, institution and maturity length. This diversification rules do not apply to U.S. Government debt or the Utah Public Treasurer's Investment Fund.

The required diversification is as follows:

INVESTMENT INSTRUMENT	MAXIMUM IN ANY SINGLE ISSUER**
T-bills	100%
T-Notes	100%
Corporate Bonds (fixed or floating rate)	5% - 10% per Utah Money Mgt. Act
U.S. Government Agency Securities	100%
Federal Farm Credit Bank (FFCB)	50%
Federal Home Loan Bank (FHLB)	50%
Federal Home Loan Mortgage Corporation (FHLMC)	50%
Federal National Mortgage Association (FNMA)	50%
Other Obligations (revenue bonds of any county, city, or any taxing district of the State of Utah)	5%
Certificates of Deposit ~~in Utah State Depositories~~	FDIC limit
Commercial Paper	5% - 10% per Utah Money Mgt. Act

** No single issuer or guarantor (other than the United States Treasury and Federal Agencies) may represent more than the percentage listed in this table at the time of purchase of the total value of holdings of each cash manager's portfolio.

All investments shall be thoroughly considered before investing; just because an investment is legal doesn't mean it is a good investment.

5.1 Maximum Maturities:

Treasuries and Agencies no longer than 5 years.
Floating Rate Corporate Notes no longer than 3 years.
Fixed Rate Corporate Notes no longer than 15 months.

5.2 Documentation of Investments: All financial institutions with which the City invests shall provide regular statements to the City detailing all transactions, including dates, account numbers, and balances.

6.0 PRUDENT INVESTOR RULE

Investments shall be made with the exercise of that judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs. The City Treasurer, acting in accordance with the investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual investment's market price change, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

7.0 ETHICS AND CONFLICTS OF INTEREST

Those involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the City's investment program, or which could impair their ability to make impartial investment decisions. The overall program shall be designed and managed with a degree of professionalism worthy of the public trust. City employees involved in the investment of the City's money shall subordinate their personal investment transactions to those of the City. All potential conflicts of interest shall be reported to the proper supervisor immediately.

8.0 AUTHORIZED FINANCIAL DEALERS, INVESTMENT ADVISORS, AND INSTITUTIONS

Financial institutions, investment advisors, and investment broker/dealers who desire to become qualified investment service providers or qualified depositories must be certified through the State. They must meet all requirements imposed by the Utah State Department of Financial Institutions and the requirements of the Utah Money Management Council and Act (Rule 16). The Utah Money Management Council quarterly issues a list of certified dealers, certified investment advisors, and a list of qualified depositories authorized by state statute to conduct transactions with public treasurers.

***8.1 Custody & Protecting Investments*:**

All investment transactions shall be held in a third party (separate from the investment advisor or broker) safekeeping by one of these authorized institutions, as designated by the City Treasurer. Investments held in safekeeping will be evidenced by a receipt issued to the City Treasurer within 15 days of the transaction.

9.0 INTERNAL CONTROL

The City is responsible for establishing and maintaining an internal control structure designed to ensure that the funds of the City are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. Accordingly, the City shall establish written policies and procedures, to be reviewed by independent auditors annually, to safeguard the City's money. Those internal controls must include the following:

A. Separation of transaction authority from accounting and recordkeeping,

B. Third Party Custodial safekeeping of investments,

C. Written authorization forms requiring the signature of the City Treasurer and the Finance Director, or the City Manager for all wire transfers and all investment transactions.

10.0 BENCHMARKING OF PERFORMANCE

Better-than-the-market rates of return will be sought on the City's investments, consistent with the overriding objectives stated (see 4.0 above). The benchmark for rates of return on the City's portfolio will be the rate of return on the Utah Public Treasurers Fund.

11.0 REPORTING

Management reports on the City's portfolio are generated monthly and distributed to the City Manager, Finance Director, Mayor and City Council. These reports tell the status of the City's money and address any relevant concerns. The City Treasurer also provides all other reports required by Utah State law.

12.0 COLLATERALIZATION

Utah State law does <u>not</u> require the collateralization of public funds.

13.0 INVESTMENT POLICY ADOPTION

The City's investment policy shall be adopted by resolution of the City Council. The policy shall be reviewed annually by the Treasurer and Finance Director. Any changes made thereto must be approved by the City Council. This policy is effective as of August 2, 2018.

14.0 GLOSSARY

Laws and regulations referenced in this document and their location can be found below.

Utah Money Management Act:
https://treasurer.utah.gov/money-management-council/money-management-act/

Rules of the Utah Money Management Council:
https://treasurer.utah.gov/money-management-council/rules-of-the-money-management-council/

Utah Code Annotated:
https://le.utah.gov/Documents/code_const.htm