

City of Central Investment Policy

SECTION 1. PREAMBLE

In accordance with La. R.S. 33:2955(D), this Investment Policy detailing and clarifying investment objectives and procedures necessary to reach those objectives is adopted to achieve the financial objectives set forth in the Investments Objectives section of this document. The assets of the City of Central (“City”) shall be held in trust by the fiduciary (fiduciaries) designated by the City.

All funds of the City shall be managed prudently. Emphasis shall be placed on the goals of safety of principal first, liquidity second and yield third. Internal Controls shall be established for any derivatives in use to ensure that the risks inherent in derivatives are adequately managed.

All individuals and entities responsible for investing funds of the City shall operate under the “Prudent Person” rule, exercising judgment and care, under the circumstances prevailing, which people of ordinary prudence would employ in the management of their own affairs – not in regard to speculation, but as to the permanent disposition of their funds, considering both income and safety of capital.

This policy is not intended to remain static. The City’s Mayor and Financial Officer will review this policy at least annually following review of the City’s annual audit and, if deemed advisable, obtain advice from outside professionals leading to improvements in policies, procedures, and operations.

SECTION 2. INVESTMENT OBJECTIVES

This policy is intended to establish an investment policy that attempts to balance the long-term objective of maintaining the City’s assets with the goal of providing a reasonable, predictable, stable, and sustainable level of spendable revenue to support current needs.

The primary investment objective of this investment policy is to ensure that current and future obligations are adequately funded in a cost effective manner. The goals of this Investment Policy in order of priority shall be (1) safety of principal, (2) liquidity, and (3) yield.

Preservation of capital and the realization of sufficient total return to ensure the ongoing financial integrity of the City’s funds are essential. Preservation of capital encompasses two goals:

- Managing the risk of loss of principal for the fund as a whole.
- Managing the erosion of principal value through inflation.

The City shall establish internal controls for any derivatives in use to ensure that the risks inherent in derivatives are adequately managed. For purposes of this policy, “derivative” means any financial instrument created from or whose value depends on the value of one or more underlying assets or indexes of asset value.

SECTION 3. RESPONSIBILITIES

3.1 Responsibilities of the City:

The City is tasked with ensuring that the assets of the City are managed effectively and prudently for the exclusive interest of the City and in full compliance with laws and principles governing municipal investing.

The Mayor may elect to delegate investment management oversight responsibilities directly to one or more of the City’s employees or officials (“Committee”).

The City’s Financial Officer shall determine the amount of funds in each fund for investment and the proposed term for each investment.

In accordance with La. R.S. 33:2955(B), interest earned on bonds, notes or certificates, time certificates of deposit, or mutual or trust fund investments, so purchased shall be credited by the City to the fund from which the bonds, notes or certificates, time certificates of deposit, or mutual or trust fund investments were acquired.

In accordance with La. R.S. 33:2955(C), when deemed advisable by the City’s Financial Officer, the City may cash and liquidate any of the investments purchased in any fund. The proceeds of any such liquidation shall be credited to the fund from which the authorized investments were originally purchased.

3.2 Responsibilities of Investment Manager:

The investment of funds shall be managed by an investment manager selected by the Mayor (“Investment Manager”) who shall be responsible for the investment management. The Investment Manager must acknowledge in writing his/her obligations as a fiduciary responsible for the investment of the City’s assets.

The Investment Manager shall be a registered investment advisor with the Securities and Exchange Commission under the Investment Act of 1940 or bank trust departments regulated by the Federal Deposit Insurance Corporation.

The Investment Manager is tasked with the following non-exclusive responsibilities:

- The Investment Manager exercises complete investment discretion over the assets of the City and is to ensure that the assets of the City will be

managed in accordance with this policy and all local and state mandates, at all times.

- The Investment Manager shall report the status of investments to the Council semiannually.
- The Investment Manager shall review the amount of funds available for investment for each of the City's funds and the proposed term for the investment of each fund.
- In investing the City's funds, at all times, the Investment Manager shall adhere to the City's "Amended and Restated Investment Strategy."
- The Investment Manager shall be responsible for keeping the Mayor/Committee informed on all investment policy matters pertaining to the Investment Manager and the management of the City's assets, including, but not limited to:
 - a. Market and economic events;
 - b. Investment strategy;
 - c. Portfolio structure;
 - d. Ownership;
 - e. Organizational structure;
 - f. Financial condition; and
 - g. Professional staff.

SECTION 4. SECURITY GUIDELINES

The assets of the City shall be invested only in accordance with La. R.S. 33:2955(A)(1), as amended:

1. Direct U.S. Treasury obligations, the principal and interest of which are fully guaranteed by the U.S. government.
2. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies and provided such obligations are backed by the full faith and credit of the U.S., including, but not limited to the U.S. Export-Import Bank, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration Debentures, General Services Administration, Government National Mortgage Association (guaranteed mortgage-backed bonds and guaranteed pass-through obligations), U.S. Maritime Administration (guaranteed Title XI financing), and U.S. Department of Housing and Urban Development.
3. Bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by U.S. government instrumentalities, which are federally sponsored, including, but not limited to Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association, and Resolution Funding Corporation.

4. Direct security repurchase agreements of any federal book entry only securities enumerated in paragraphs (1) through (3) above. “Direct security repurchase agreement” means an agreement under which the City buys, holds for a specified time, and then sells back those securities and obligations enumerated in paragraphs (1) through (3).
5. Time certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana, savings accounts or shares of savings and loan associations and savings banks as defined by La. R.S. 6:703(16) or (17), or share accounts and share certificate accounts of federally or state-chartered credit unions issuing time certificates of deposit. For time certificates of deposit, the rate of interest at the time of investment shall not be less than fifty basis points below the prevailing market interest rate on direct obligations of the U.S. Treasury with a similar length of maturity. Funds invested in accordance with this paragraph shall not exceed at any time the amount insured by the Federal Deposit Insurance Corporation in any one banking institution, or in any one savings and loan association, or the National Credit Union Administration, unless the uninsured portion is collateralized by the pledge of securities in the manner provided in R.S. 39:1221.
6. Mutual or trust fund institutions which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the U.S. government or its agencies. Funds invested in mutual or trust fund institutions shall be limited to twenty-five percent of the monies considered available for investment. Monies shall be considered available for investment under this paragraph only when determined by the City’s Financial Officer to be in excess of the immediate cash requirements of the fund to which the monies are credited. Any money exceeding ten thousand dollars which is on demand deposit to the credit of the City, or to the credit of any fund and which is not required to meet an obligation for at least forty-five days, or any amount of money exceeding one hundred thousand dollars which is on demand to the credit of the City, or to the credit of any fund and which is not required to meet an obligation for at least fifteen days shall be construed available for investment.
7. Investment grade (A-1/P-1) commercial paper of domestic U.S. Corporations.
8. Bonds, debentures, notes, or other evidence of indebtedness issued by the state of Louisiana or any of its political subdivisions provided that all of the following conditions are met:
 - a. No political subdivision may purchase its own indebtedness.

- b. The indebtedness shall have a long-term rating of Baa3 or higher by Moody's Investors Service, a long-term rating of BBB- or higher by Standard & Poor's or a long-term rating of BBB- or higher by Fitch, Inc. or a short-term rating of M1G1 or VM1G1 by Moody's Investors Service, a short-term rating of A-1 or A-1+ by Standard & Poor's, or a short-term rating of F1 or F1+ by Fitch, Inc.
 - c. The indebtedness has a final maturity, mandatory tender, or a continuing optional tender of no more than five years, except that such five-year limitation shall not apply to either of the following: (1) funds held by a trustee, escrow agent, paying agent, or other third party custodian in connection with a bond issue, or (2) investment of funds held by either a hospital service district, a governmental 501(c)(3), or a public trust authority.
9. Bonds, debentures, notes, or other indebtedness issued by a state of the United States of America other than Louisiana or any such state's political subdivisions provided that all of the following conditions are met:
- a. The indebtedness shall have a long-term rating of A3 or higher by Moody's Investors Service, a long-term rating of A- or higher by Standard & Poor's or a long-term rating of A- or higher by Fitch, Inc., or a short-term rating of M1G1 or VM1G1 by Moody's Investors Service, a short-term rating of A-1 or A-1+ by Standard & Poor's, or a short-term rating of F1 or F1+ by Fitch, Inc.
 - b. The indebtedness has a final maturity, mandatory tender, or a continuing optional tender of no more than five years, except that such five-year limitation shall not apply to funds held by a trustee, escrow agent, paying agent, or other third-party custodian in connection with a bond issue nor to investment of funds held by either a hospital service district, a governmental 501(c)(3) organization, or a public trust authority.
 - c. Prior to purchase of any such indebtedness and at all times during which such indebtedness is owned, the City retains the services of an investment advisor registered with the United States Securities and Exchange Commission.
10. Bonds, debentures, notes, or other indebtedness issued by domestic U.S. corporations provided that all of the following conditions are met:
- a. The indebtedness shall have a long-term rating of Aa3 or higher by Moody's Investors Service, a long-term rating of AA- or higher by

Standard & Poor's, or a long-term rating of AA- or higher by Fitch, Inc.

- b. The indebtedness has a final maturity, mandatory tender, or a continuing optional tender of no more than five years.
- c. Prior to purchase of any such indebtedness and at all times during which such indebtedness is owned, the City retains the services of an investment advisor registered with the United States Securities and Exchange Commission.

At all times, the above Security Guidelines shall comply with La. R.S. 33:2955(A)(1) as written or as may be amended in the future.

Cash and cash equivalents are comprised of daily cash balances above the day-to-day needs and funds set aside for portfolio strategy reasons. Short term investments of cash and cash equivalents may be placed in:

1. Obligations of the U.S. Treasury, federal agencies, or U.S. government instrumentalities (as provided herein) with maturities of less than 2 years.
2. Time certificates of deposit, as provided herein.
3. Money market mutual funds, as provided herein.
4. The Louisiana Asset Management Pool, Inc. as provided in La. A.G. Op. 94-186.
5. Certificate of Deposit Account Registry Service as provided in La. A.G. Op. 09-0073.

The maximum maturity of any individual security is limited to 5 years.

The weighted average maturity of the portfolio shall not exceed 3 years.

SECTION 5. PROHIBITED TRANSACTIONS

Each of the following transactions is expressly prohibited:

- Any transactions not authorized by this policy;
- The purchase of securities on margin;
- Direct purchases of single family or commercial mortgages;
- The short sale of securities; and
- Investment in obligations issued or guaranteed by federal agencies or U.S. government instrumentalities which are collateralized mortgage obligations that have been stripped into interest only or principal only obligations, inverse floaters, or structured notes. For purposes of this paragraph, "structured note" means securities of U.S. government agencies, instrumentalities, or government-sponsored enterprises, which have been restructured, modified, and/or reissued by private entities.

SECTION 6. REPORTING REQUIREMENTS

The Investment Manager shall provide reports to the Mayor and City’s Financial Officer as follows:

1. Account market value and account activity report – Monthly;
2. Portfolio characteristics and interest rates update – Quarterly.
3. Portfolio characteristics, performance analysis, and market outlook – Semiannually or as requested.

The topics to be covered in the reports referenced in #3 above shall include:

- Performance for the past period; standard time periods for each report will be last quarter, year to date, latest 12 months, 3 years, and since inception. Yield will be annualized and calculated based on acquisition cost.
- Rationale for performance results, discussion of specific portfolio strategy for the quarter, portfolio characteristics, and support for market and economic assumptions.

This Investment Policy Statement was originally adopted on _____, 20____, and signed by the Mayor of Central on _____, 20___. Revisions to this policy were made and approved by the Mayor of Central on _____, 20____, _____, 20____, and July ____, 2015.

CITY OF CENTRAL

Mayor

Date

Reviewed by:

Financial Officer

Date

Investment Manager

Date