



Investment Policy

For

The City of Broken Arrow

Broken Arrow Municipal Authority

**Broken Arrow Economic Development
Authority**

CITY OF BROKEN ARROW INVESTMENT POLICY

General

Any and all references in this document to the “City” shall be understood to include all funds of the City of Broken Arrow as well as all funds of the Broken Arrow Municipal Authority and the Broken Arrow Economic Development Authority. Any and all references in the City Treasurer shall be understood to include the Finance Director whether that position is held by the same or different persons. The duties of the City Treasurer may be designated subject to oversight by the City Treasurer.

Policy

It is the policy of the City to invest all public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all federal, state, and local statutes governing the investment of public funds.

Scope

This investment policy applies to all financial assets of the City. These funds are accounted for in the City’s **Comprehensive** Annual Financial Report and include the following existing funds and are to include any funds created by the City Council in the future:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Debt Service Fund
- Trust and Agency Funds

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.

The standard of prudence to be used by investment officials shall be the “prudent person” and/or “prudent investor” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Objective

The primary objective of the City's investment activities shall be:

1. **Safety.** Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities will be minimized.
2. **Liquidity.** The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated.
3. **Yield.** The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.

Delegation of Authority

The City Treasurer has the authority to manage the City's investments. The City Treasurer shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, accounting, wire transfer agreements and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the established procedures. The City Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

Bonding of all City staff who have authority to invest City funds, make wire transfers, or who have signatory authority for depository accounts shall be required in accordance with the City Code.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose any material financial interests in financial institutions with which they conduct business, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City's portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the City. **Investment officials shall subordinate their personal investment transactions to those of the City, particularly with regard to the timing of purchases and sales.**

Authorized Financial Institutions

A list will be maintained of financial institutions authorized to provide investment services. Investments may be made only with financial institutions with offices located within the metropolitan Tulsa area. No public deposit shall be made except in a qualified public depository as established by the laws of the State of Oklahoma.

Authorized and Suitable Investments

The City Treasure is empowered by the City Council to invest in any of the securities authorized in the Oklahoma State Statutes, Title 62, Section 348.1 – 348.3.

1. Obligations of the United States government, its agencies and instrumentalities.
2. Collateralized or insured certificates of deposit and other evidence of Deposit at banks, savings banks, savings and loan associations and credit unions located in this state, or fully insured certificates of deposit at banks, savings banks, savings and loan associations and credit unions located out of state.
3. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings bank, a savings and loan association or a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed ten percent (10%) of the surplus funds of the city which may be invested pursuant to this section. Not more than one-half (1/2) of the ten percent (10%) limit shall be invested in any one financial institution specified in this paragraph.
4. Prime banker's acceptances which are eligible for purchase by the Federal Reserve System and which do not exceed 270 days' maturity. Purchases of prime banker's acceptances shall not exceed ten percent (10%) of the surplus funds of the city which may be invested pursuant to this section. Not more than one-half (1/2) of the ten percent (10%) limit shall be invested in any one commercial bank pursuant to this paragraph.
5. Prime commercial paper which shall not have a maturity that exceeds 180 days nor represent more than ten percent (10%) of the outstanding paper of an issuing corporation. Purchases of prime commercial paper shall not exceed seven and one-half percent (7 1/2%) of the surplus funds of the City which may be invested pursuant to this section.
6. Repurchase agreements that have underlying collateral consisting of those items specified in paragraphs 1 through 5 of this subsection.
7. Money market funds regulated by the Securities and Exchange Commission and whose investments consist of those items and those restrictions specified in paragraphs 1 through 6 of this subsection.

Collateralization

All deposits shall be secured as provided for in the Security for Local Public Deposits Act of the Oklahoma State Statutes 2000, Title 62, Section 517.1-517.14. All collateral pledged to secure public funds shall be valued at no more than market value. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be one hundred ten percent (110%) of market value of principal and accrued interest.

Collateral will be held by the City Treasurer or by an independent third party with which the entity has a current custodial agreement. A clearly marked evidenced of ownership (safekeeping receipt) must be supplied in either case.

The City Treasurer has the discretion to refuse any collateral.

Safekeeping and Custody

All security transactions entered into by the City shall be conducted on a delivery-versus-payment basis. Securities will be held by the City Treasurer or by a third party custodian designated by the Treasurer. Evidence of ownership is required in either case.

Diversification

The City will diversify its investments by institution. Excluding U.S. Treasury securities and authorized pools, no more than fifty percent (50%) of the City's total investment portfolio will be invested in a single financial institution.

Purchase Policy

The City Treasurer shall obtain a minimum of three quotes when purchasing an investment. The investment shall be purchased from the institution quoting the highest yield subject to the requirements of diversification noted above.

Maximum Maturities

The City will attempt to the extent possible to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than three years from date of purchase.

Reserve funds held by a Trustee bank shall be invested in securities subject to the provisions of the Trust indenture which may exceed three years if such maturity is made to coincide as nearly as practicable with the expected use of the funds.

Internal Control

An independent audit of investments made and held will be performed as part of the annual audit of the City at the close of each fiscal year.

Reporting

The City Treasurer shall provide the City Council with a quarterly investment activity report. The report shall include a listing of individual securities, earnings rate and maturity schedules.

Investment Policy Adoption

The City's investment policy shall be adopted by resolution of the City Council and Trustees of the Broken Arrow Municipal Authority and Broken Arrow Economic Development Authority. The City Treasurer shall review the policy on an annual basis and any modifications made thereto must be approved by the City Council and Trustees of the Authorities.