

INVESTMENT POLICY OF THE CITY OF MARSHALLTOWN

PURPOSE

It is the purpose of this investment policy to not only make a clear and unequivocal statement concerning policies and procedures relative to Marshalltown investments, but to be in compliance with the Code of Iowa for investment of public funds.

SECTION 1 - SCOPE OF INVESTMENT POLICY

The Investment Policy of Marshalltown shall apply to all checking and savings accounts, operating funds, bond proceeds and other funds accounted for in the financial statements of Marshalltown. Each investment made pursuant to this Investment Policy must be authorized by applicable law and this written Investment Policy.

The investment of bond funds or sinking funds shall comply not only with this investment policy, but also be consistent with any applicable bond resolution and bond covenants.

Upon passage and upon future amendment, if any, copies of this Investment Policy shall be delivered to all of the following:

1. The governing body (Council and Mayor), City Treasurer and City Administrator of Marshalltown to which the Investment Policy applies.
2. All depository institutions or fiduciaries for public funds of Marshalltown.
3. The auditor engaged to audit any fund of Marshalltown.
4. Investment Committee - Marshalltown.

In addition, a copy of this Investment Policy shall be delivered to every fiduciary or third party assisting with or facilitating investment of the funds of Marshalltown.

SECTION 2 - DELEGATION OF AUTHORITY

In accordance with Section 12B.10(1) the responsibility for conducting investment transactions resides with the City Treasurer and City Administrator of Marshalltown. Only the City Treasurer and City Administrator and others authorized by ordinance or resolution may invest public funds. A copy of any empowering ordinance or resolution shall be attached to this Investment Policy.

All contracts or agreements with outside persons investing public funds, advising on the investment of public funds, directing the deposit or investment of public funds or acting in a fiduciary capacity for Marshalltown, shall require the outside person to notify Marshalltown in writing within thirty days of receipt of any communication from the auditor of the outside person or any regulatory

authority of the existence of a material weakness in internal control structure of the outside person or regulatory orders or sanctions regarding the type of services being provided to Marshalltown by the outside person.

The records of investment transactions made by or on behalf of Marshalltown are public records and are the property of Marshalltown, whether in the custody of Marshalltown or in the custody of a fiduciary or other third party.

The City Treasurer shall establish a written system of internal controls and investment practices. The controls shall be designed to prevent losses of public funds, to document those officers and employees of Marshalltown responsible for elements of the investment process, and to address the capability of investment management. The controls shall provide for receipt and review of the audited financial statement and related report on internal control structure of all outside persons performing any of the following for this public body.

1. Investing public funds.
2. Advising on the investment of public funds.
3. Directing the deposit or investment of public funds.
4. Acting in a fiduciary capacity for this public body.

A Bank, Savings and Loan Association or Credit Union providing only depository services shall not be required to provide an audited financial statement and related report on internal control structure.

The City Treasurer and City Administrator of Marshalltown and all employees authorized to place investments shall be bonded in the amount of \$1,000,000.00.

SECTION 3 - OBJECTIVES OF INVESTMENT POLICY

The primary objectives, in order of priority, of all investment activities involving the financial assets of Marshalltown shall be the following:

1. **Safety** - Safety and preservation of principal in the overall portfolio is the foremost investment objective.
2. **Liquidity** - Maintaining the necessary liquidity to match expected liabilities is the second investment objective.
3. **Return** - Obtaining a reasonable return is the third investment objective.

SECTION 4 - PRUDENCE

The City Treasurer and City Administrator of Marshalltown, when investing or depositing public funds, shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a person acting in a like capacity and familiar with such matters would use to attain the Section 3 investment objectives. This standard requires that when making investment decisions,

the City Treasurer and City Administrator shall consider the role that the investment or deposit plays within the portfolio of assets of Marshalltown and the investment objectives stated in Section 3.

When investing operating and reserve funds, the City Treasurer and City Administrator shall request competitive bids for specified period(s) and amount(s). Operating and reserve funds do not include checking or savings funds.

SECTION 5 - INSTRUMENTS ELIGIBLE FOR INVESTMENT

Assets of Marshalltown may be invested in the following:

1. Interest bearing savings accounts, interest bearing money market accounts, and interest bearing checking accounts at any bank, savings and loan association or credit union in the State of Iowa. Each bank must be on the most recent Approved Bank List as distributed by the Treasurer of the State of Iowa, or as amended as necessary by notice inserted in the monthly mailing by the Rate Setting Committee. Each financial institution shall be properly declared as a depository by the governing body of Marshalltown.
2. Obligations of the United States Government, its agencies and instrumentalities.
3. Certificates of deposit and other evidences of deposit at federally insured depository institutions approved pursuant to Chapter 12C.
4. Iowa Public Agency Investment Trust (IPAIT) or Iowa Schools Joint Investment Trust (SJIT) as appropriate.
5. Prime bankers' acceptances that mature within 270 days of purchase and that are eligible for purchase by a federal reserve bank.
6. Commercial paper or other short-term corporate debt that matures within 270 days of purchase and that is rated within the two highest classifications, as established by at least one of the standard rating services approved by the superintendent of banking
7. Repurchase agreements, whose underlying collateral consists of obligations of the United States Government, its agencies and instrumentalities and Marshalltown takes delivery of the collateral either directly or through an authorized custodian.

All instruments eligible for investment are further qualified by all other provisions of this Investment Policy, including Section 8- Investment Maturity Limitations and Section 9 - Diversification Requirements.

Upon the departure of the City Treasurer or City Administrator from office, only the following instruments authorized as eligible for investment in Section 5 shall be authorized for investment until further action is taken by the governing body of Marshalltown.

1. Interest bearing savings accounts, interest bearing money market accounts and interest bearing checking accounts at any bank, savings and loan association or credit union in

the State of Iowa. Each bank must be on the most recent Approved Bank List as distributed by the Treasurer of the State of Iowa, or as amended as necessary by notice inserted in the monthly mailing by the Rate Setting Committee. Each financial institution shall be properly declared as a depository by the governing body of Marshalltown. Deposits in an approved financial institution shall not exceed that amount allowed by Council resolution.

2. Obligations of the United States Government, its agencies and instrumentalities.
3. Certificates of deposit and other evidences of deposit at federally insured Iowa depository institutions approved and secured pursuant to Chapter 12C.

Upon departure of the City Treasurer, an acting City Treasurer or replacement shall be appointed immediately. The City Administrator may be appointed acting City Treasurer or another person.

SECTION 6 - PROHIBITED INVESTMENTS AND INVESTMENT PRACTICES

Assets of Marshalltown shall not be invested in the following, according to Code of Iowa 12B.10 (5) and 12B.10 (9):

1. Reverse repurchase agreements.
2. Futures and options contracts.

All assets, of every kind and character, owned by the City of Marshalltown shall be owned or registered in the name of the City of Marshalltown as owner and not a third party, including an investment adviser or custodian.

Assets of Marshalltown shall not be invested pursuant to the following investment practices:

1. Trading of securities for speculation or the realization of short-term trading gains.
2. Pursuant to a contract providing for the compensation of an agent or fiduciary based upon the performance of the invested assets.
3. If a fiduciary or other third party with custody of public investment transaction records of Marshalltown fails to produce requested records when requested by this public body within a reasonable time, Marshalltown shall make no new investment with or through the fiduciary or third party and shall not renew maturing investments with or through the fiduciary or third party.
4. Contrary to existing bond covenants or investment resolutions and policy statements.

SECTION 7 – MASTER REPURCHASE AGREEMENTS

A repurchase agreement is a contractual transaction agreement between an investor and an issuing financial institution. The investor exchanges cash for temporary ownership or control of collateral securities with an agreement between the parties that on a future date, the financial institution will

repurchase the securities. A signed master repurchase agreement shall be on file with the financial institution with which repurchase transactions are made.

1. The underlying collateral shall be limited to the United States Government, agency and instrumentalities.
2. Collateral shall be marked to market daily by the custodian and shall be maintained at a value equal to or greater than the cash investment.
3. At the time of purchase, the market value of the collateral shall represent 102% of the cash investment.
4. An authorized third party custodian or safekeeping agent shall hold all securities purchased under a repurchase agreement.

SECTION 8 - INVESTMENT MATURITY LIMITATIONS

Operating funds must be identified and distinguished from all other funds available for investment. Operating funds are defined as those funds which are reasonably expected to be expended during a current budget year or within fifteen months of receipt.

All investments authorized in Section 5 are further subject to the following investment maturity limitations:

1. Operating funds may only be invested in instruments authorized in Section 5 of this Investment Policy that mature within three hundred ninety-seven (397) days.
2. The City Treasurer and City Administrator may invest funds of Marshalltown that are not identified as Operating Funds in investments with maturities longer than three hundred ninety-seven (397) days. However, all investments of Marshalltown shall have maturities that are consistent with the needs and use of Marshalltown.

SECTION 9 - DIVERSIFICATION

Investments of Marshalltown are subject to the following diversification requirements:

Prime bankers' acceptances:

1. At the time of purchase, no more than ten percent (10%) of the investment portfolio of Marshalltown shall be invested in prime bankers' acceptances, and
2. At the time of purchase, no more than five percent (5%) of the investment portfolio of Marshalltown shall be invested in the securities of a single issuer.

Commercial paper or other short-term corporate debt:

1. At the time of purchase, no more than ten percent (10%) of the investment portfolio of Marshalltown shall be in commercial paper or other short-term corporate debt.

2. At the time of purchase, no more than five percent (5%) of the investment portfolio of Marshalltown shall be invested in the securities of a single issuer, and
3. At the time of purchase, no more than five percent (5%) of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification.

Where possible, it is the policy of Marshalltown to diversify its investment portfolio. Assets shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issue, or a specific class of securities. In establishing specific diversification strategies, the following general policies and contracts shall apply:

1. Portfolio maturities shall be staggered in a way that avoids undue concentration of assets in a specific maturity sector. Maturities shall be selected which provide stability of income and reasonable liquidity.
2. Liquidity practices to ensure that the next disbursement date and payroll date are covered through maturing investments, marketable U.S. Treasury bills or cash on hand shall be used at all times.
3. Risks of market price volatility shall be controlled through maturity diversification so that aggregate price losses on Instruments with maturities approaching one year shall not be greater than coupon interest and Investment Income received from the balance of the portfolio.

SECTION 10 - COLLATERALIZATION OF CERTAIN OF MONIES

- A. Banks or Savings and Loan - Collateralization of deposits in banks or savings and loans, which deposits are in excess of the insurance of a federal agency or instrumentality, shall be collateralized pursuant to the provisions of Section 12C , Subsection 22 of the Code of Iowa, related sections, and any future amendments thereto.
- B. Credit Union - Collateralization of deposits in a credit union, which deposits are in excess of the insurance of a federal agency or instrumentality, shall be collateralized pursuant to the provisions of Iowa Code Section 12C.16, related sections, and any future amendments thereto.

SECTION 11 - SAFEKEEPING AND CUSTODY

All invested assets of Marshalltown involving the use of public funds custodial agreement as defined in Iowa Code Section 12C, shall comply with all rules adopted pursuant to Iowa Code Section 12C. All custodial agreements shall be in writing and shall contain a provision that all custodial services be provided in accordance with the laws of the State of Iowa.

All invested assets of Marshalltown eligible for physical delivery shall be secured by having them held at a third party custodian. All purchased investments shall be held pursuant to a written third party custodial agreement requiring delivery versus payment and compliance with all rules set out

in Section 10 of this Investment Policy. All items of value representing collateral required by Section 10 (A) herein shall be physically held by Marshalltown or a third party custodian.

SECTION 12 - INVESTMENT COMMITTEE

There has been established an investment committee composed of three persons, who are not City officers or employees, to be appointed by the Mayor, with Council approval, and possessing financial and investment backgrounds. The committee shall meet on a timely basis, not less than quarterly, to review the City investments and their compliance with this policy.

Appointments to the committee shall be for one year and the appointees shall serve without pay.

SECTION 13 - REPORTING

The City Treasurer shall submit monthly an investment report that summarizes recent market conditions and investment strategies employed since the last investment report. The investment report shall set out the current portfolio in terms of maturity, rates of return and other features and summarize all investment transactions that have occurred during the reporting period and compare the investment results with the budgetary expectations.

SECTION 14 - INVESTMENT POLICY REVIEW AND AMENDMENT

The Investment Policy shall be reviewed every three years or more frequently as appropriate. Notice of amendments to the Investment Policy shall be promptly given to all parties noted in Section 1.

SECTION 15 - AUDIT AND REPORTING

There shall be an annual audit performed by an independent public accounting firm or auditors of the State of Iowa. Auditing services shall include unannounced investment verifications at least once annually as established by the City Council and the auditors.

SECTION 16 - DEFERRED COMPENSATION

The Marshalltown Investment Policy shall not apply to deferred compensation held by the City of Marshalltown for individual employees.

