



Legislation Text

File #: 11-1408, **Version:** 1

Resolution to Adopt Revised Investment Policy

The City's investment policy currently in effect was adopted in 2007. After reviewing the policy with our investment advisor and various members of the Investment Policy Committee of the Association of Public Treasurers of the United States & Canada (APTUSC), some modifications are recommended. Below is a summary of the material changes to the policy.

Maximum maturity horizons amended as follows:

- U.S. Treasury Obligations extended from seven to fifteen years
- Federal Agency Securities extended from seven to ten years
- Federal Instrumentality Securities extended from seven to ten years
- Certificates of Deposit extended from three to five years
- Obligations of the State of Michigan extended from three to ten years

Portfolio restrictions amended as follows:

- Federal Instrumentality Securities limited from no restriction to a maximum of 65% of the portfolio and maximum of 30% in any one issuer
- Certificates of Deposit limited from no restriction to a maximum of 5% of the portfolio in any one issuer
- Obligations of the State of Michigan limited from no restriction to a maximum of 3% of the portfolio in any one issuer
- Prime Commercial Paper limited from a maximum of 50% of the portfolio to a maximum of 25% of the portfolio
- No more than 25% of the portfolio may be invested in securities with maturities exceeding seven years
- No more than 12.5% of the portfolio may be invested in securities with maturities exceeding eleven years
- Maximum weighted average final maturity increased from 3.5 to 6.5 years

The justification for these policy changes is twofold. First, the extension of maximum maturity horizons will allow us to structure our portfolio to be less reactive to market volatility, improve yields relative to current practices, and retain safety of principal. Second, the amended restrictions reduce the concentration risk of the portfolio by ensuring appropriate diversification and ensure that the portfolio is carefully invested with regard to maturity horizons.

It is noteworthy that the revised policy complies with Michigan law and the established public treasury standards of safety, liquidity, yield and legality. Our current policy was awarded the APTUSC Investment Policy Certificate of Excellence. A revised version of the policy was submitted to the APTUSC policy certification chair, who described it as "excellent." The revised policy remains in conformance with the requirements for certification.

Approval of the revised policy is recommended.

Prepared by: Matthew V. Horning, Treasurer

Reviewed by: Tom Crawford, CFO

Approved by: Steven D. Powers, City Administrator

Whereas, The Treasurer has reviewed the investment policy with the Chief Financial Officer, Investment Advisor and Treasury association colleagues;

Whereas, The Treasurer has identified recommended changes to the policy; and

Whereas, The resulting policy is in conformance with the Association of Public Treasurers of the United States & Canada requirements for their certificate of excellence;

RESOLVED, That City Council adopt the revised investment policy which shall replace all previous versions and becomes the operating investment policy for the City effective immediately.