

CITY OF BURLINGTON INVESTMENT POLICY 8/13/13

POLICY:

The purpose of this document is to provide guidelines for the prudent investment of the City of Burlington's funds and to outline the policies needed to maximize the efficiency of the City's cash management system.

SCOPE:

All monies entrusted to the Chief Administrative Officer as directed by the City Council shall be invested in accordance with this document.

AUTHORITY:

The Chief Administrative Officer or Assistant City Chief Administrative Officer (referenced in the remainder of this document as CAO) for the City of Burlington, in accordance with this policy, shall be authorized to invest and reinvest the funds of the City of Burlington.

INVESTMENT OBJECTIVE:

The primary objectives, in priority order, of investment activities shall be safety, maintenance of liquidity, and income.

- I. Safety** – Safety of principal is the foremost objective of the investment program. Investments of the City of Burlington shall be undertaken in a manner that seeks to ensure the preservation of capital
- II. Maintenance of Liquidity** – City of Burlington's investments will remain sufficiently liquid to enable the City to meet all operating and capital requirements, which might be reasonably anticipated.
- III. Return on investment** – City of Burlington's investments 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 cash flow needs and any applicable transaction costs or other fees.

The City's investment portfolio shall be designed with the objective of meeting all legal requirements set forth by Federal, State, and Local laws.

AUTHORIZED FINANCIAL INSTITUTIONS:

Financial institutions having offices in the city of Burlington and then Vermont Institutions shall, provided all objectives listed above are equal, be given preference when

the City of Burlington invests its funds. All financial institutions must register to do business in the State of Vermont.

ALLOWABLE INVESTMENTS:

The CAO is authorized to invest and deposit any City funds, up to five million dollars (\$5,000,000) in any of the following:

1. Certificates of Deposit
2. Money Market Accounts
3. Savings Accounts
4. Now Accounts
5. Checking Accounts
6. U.S. Treasury Bills
7. Treasury Notes or Bonds
8. Municipal and State Bonds

To invest any City funds in an option not listed above, or to invest more than a total of \$5,000,000 will require City Council approval. The CAO of the City of Burlington will make decisions regarding the types of collateralization of deposits when needed. The form of collateral may include, but not be limited to, securities of the United States of America. Securities may be held by a third party custodian designated by the CAO and evidenced by safekeeping receipts.

ETHICS AND CONFLICTS OF INTEREST:

The CAO shall avoid any transaction that might impair public confidence in the City's Council's ability to govern effectively. Officers and employees involved in the investment process shall refrain from business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Investment decisions shall follow the requirements laid out in Section 133 of the City Charter (Conflict of Interest). All investments must meet City Ordinances such as Outsourcing and Union Deterrence.

COLLATERALIZATION

Collateralization is required on accounts and deposits and repurchase agreements over the amount guaranteed by the FDIC. The collateral must be in an amount equal to the excess deposit and it may consist only of securities in which municipalities may invest.

DIVERSIFICATION OF THE INVESTMENT PORTFOLIO:

The CAO shall maintain sufficient diversification of investments such that the ability of the City of Burlington to continue to do business on an ongoing basis will not be impaired because of a liquidity crisis occurring in any one institution with which the City

of Burlington has invested. This diversification provision will be considered met if the investments are in federally-supported instruments such as TBills or TNotes.

REVIEW PROCESS:

The CAO will report investment activity at least every 6 months to the Board of Finance unless there is a request by the Board.