

**CITY OF BUCKLEY, WASHINGTON**

**ORDINANCE NO. 14-14**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF BUCKLEY, PIERCE COUNTY, WASHINGTON, AMENDING CHAPTER 3.20 BMC CONCERNING INVESTMENT OF CITY FUNDS; PROVIDING FOR SEVERABILITY; AND ESTABLISHING AN EFFECTIVE DATE.**

**WHEREAS**, The City is authorized by RCW 35.39.030 to invest city funds and to convert investments or any part thereof into cash; and

**WHEREAS**, the City currently has investment guidelines in the existing Chapter 3.20 BMC which was adopted through Ordinance #718 in 1966; however, these guidelines established very basic policies that have become outdated; and

**WHEREAS**, City staff along with the Admin and Finance Committee reviewed investment policies from other municipalities and as a result drafted amended policies for City Council consideration that provides an update to the exiting code provision; and

**WHEREAS**, the City Council concurs with the recommendation of the Committee and desires to amend Chapter 3.20 of the Buckley Municipal Code entitled “Investment of City Funds” to revise and establish new guidelines for the investment of city funds as set forth herein;

NOW THEREFORE THE CITY OF BUCKLEY, PIERCE COUNTY, DOES ORDAIN AS FOLLOWS:

**Section 1.** Chapter 3.20 entitled “Investment of Surplus Funds” is retitled “Investment of City Funds” and amended to read as follows:

**3.20.010 Delegation of authority.**

The finance director is the investment officer of the city and shall invest city funds in accordance with RCW 35A.40.050. No person may engage in an investment transaction except as provided under the terms of this policy and any procedures established by the

finance director. The finance director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The finance director is authorized to determine investable balances in each fund and is authorized to invest such monies in a manner consistent with this policy and applicable law, without prior council approval of any specific investment.

**3.20.020 Investment objectives.**

A. The primary objectives, in priority order, of the city's investment activities shall be:

1. Safety. Safety of principal is the foremost objective of the City of Buckley's investment policy. Investments of the city shall be made in a manner that seeks to ensure the preservation of the amount invested.

2. Liquidity. The city's investment portfolio will remain sufficiently liquid to enable the city to meet all reasonably anticipated operating requirements.

3. Return on Investment. 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 protection of principal and state statutes.

B. Rate speculation will not be a major criterion for the selection of an investment. All other criteria, including cash flow and maturity, take preference to rate expectations.

**3.20.030 Policy.**

It is the policy of the City of Buckley to invest public funds in a manner which safeguards and protects the principal of the city's investments, provide liquidity in meeting daily cash flow and provide the highest return possible while conforming to all Washington statutes governing the investment of public funds.

**3.20.040 Scope.**

This investment policy applies to all financial assets of the City of Buckley. These assets are accounted for in funds or fund groups as identified in the city's annual financial report and include:

- A. General fund.
- B. Special revenue funds.
- C. Debt service funds.
- D. Capital project funds.
- E. Enterprise funds (water, sewer, garbage, stormwater).
- F. Internal services funds.
- G. Trust and agency funds (including Municipal Court and Cemetery Endowment Fund).
- H. Any new fund created by council, unless specifically exempted by council.

### **3.20.050 Prudence.**

A. 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 capital as well as the probable income to be derived.

B. The standard of prudence to be used by investment officials shall be the “prudent person” and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures 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.

### **3.20.060 Investment committee.**

An investment committee will be established consisting of the finance director, city administrator and the council finance committee appointees. The committee will meet no less than quarterly and will be established to serve in a general review and advisory capacity, taking into account the city’s investment objectives, available funds and current market conditions. In addition to reviewing periodic reports from the finance director detailing, but not limited to, the following: current value of the portfolio, rate of return percentages by type and institution, term length of investments, and average rate of return, the committee will also certify the acceptability of brokers/dealers with which the city may do business.

### **3.20.070 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 which could impair their ability to make impartial investment decisions. Employees and investment officials responsible for investment transactions shall disclose to the mayor any material financial interests in financial institutions that conduct business within this jurisdiction. 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 subordinate their personal investment transactions to those of the City of Buckley, particularly with regard to the time of purchases and sales.

### **3.20.080 Authorized financial dealers and institutions.**

A. The finance director will maintain a list of financial institutions and security dealers authorized to provide investment services to the city if applicable. These may include both primary and secondary dealers that qualify under Securities and Exchange Commission Rule 15C3-I (uniform net capital rule) and investment departments of local banks who maintain an office in the state of Washington. In addition, the current financial statements for each institution will be kept on file, following a review by the city’s

investment committee to determine financial condition, strength and capability to fulfill commitments.

B. Institutional investment staffs shall be trained in precautions appropriate to state of Washington local government investment laws and required to familiarize themselves with the city's investment objectives, policies and constraints. Each institution so designated will sign an agreement stating that they have received and read a copy of this investment policy and will offer only investments as authorized under this document.

C. No public deposit shall be made except in a qualified public depository located in the state of Washington.

### **3.20.090 Authorized investment types.**

The finance director is authorized to invest city funds in accordance with Chapters 39.58 and 39.59 RCW and in accordance with the public deposit protection commission standards and reporting requirements for public depositories.

### **3.20.100 Fund investment and interest allocations.**

Investments shall be made with excess funds and the interest earnings will be distributed as follows:

(1) Funds determined by the finance director to be available for investment may be invested on an individual fund basis and may be adjusted monthly to meet cash flow purposes of individual funds or may, unless otherwise restricted by law, be commingled within one common fund called the treasury account. Funds may also be commingled into common investment portfolios.

(2) Interest earnings, derived from investments of excess and inactive funds commingled into the treasury account or common investment portfolios and attributable to the following restricted funds, shall be apportioned to each listed fund: EMS Fund 105, Fire Station Construction Bond Fund 202, Cemetery Endowment Care Fund 301, Stormwater Construction Fund 306, Water/Sewer Operations Fund 402, Solid Waste Fund 403, Sewer Construction Fund 405 and Water Construction Fund 406.

(3) After investment income attributable to the above listed restricted funds has been properly apportioned, the remainder of the investment income shall be used for the benefit of the general fund of the city.

(4) Funds derived from the sale of general obligation bonds or revenue bonds or similar instruments of indebtedness shall be invested, or used in such manner as the initiating ordinances, resolutions, or bond covenants may lawfully prescribe.

### **3.20.110 Safekeeping and custody.**

All security transactions entered into by the City of Buckley shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held in safekeeping at the city's primary bank with the exception of certificate of deposits, State of Washington Local Government Investment Pool, United States Treasury State and Local Government Series (SLGS) and mutual funds, which will be registered in the name of the city.

**3.20.120 Diversification.**

Diversification is preferred by the city to reduce overall portfolio risks while attaining market average rates of return. Diversification by institution, type of investment security and years to maturity may be employed to avoid over-concentration in any of the aforementioned areas.

**3.20.130 Maturities.**

A. To the extent possible, unless matched to a specific cash flow, the city will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the city will maintain a portfolio with an average life not to exceed ten years.

B. The city may sell securities, if deemed appropriate, to maintain liquidity. Such actions must be initiated by the investment officer, not the brokers or dealers.

C. No transaction needs to be instituted when the maturity or call of a security causes the average life of the portfolio or maximum holdings per category to exceed their limits. Any transactions after such infractions shall work toward the return to compliance.

**3.20.140 Internal control.**

The established process of independent review will be performed as required under state law by the state auditor's office. This review will provide internal control by assuring that policies and procedures are being complied with. Such review may also result in recommendations to change operating procedures to improve internal control.

**3.20.150 Performance standards.**

Given that the City of Buckley's investment strategy is passive, the city's investment portfolio will be designed to obtain a market average rate of return equal to or greater than that obtained by the State of Washington Local Government Investment Pool.

**3.20.160 Reporting.**

The finance director shall submit quarterly investment reports to the city council finance committee that summarizes the portfolio's holdings and investments by type. The reports shall summarize the portfolio's current value of the portfolio, rate of return percentages by type and institution, term length of investments, and average rate of return.

**3.20.170 Savings clause.**

A. In the event any state or federal legislation or regulation should further restrict instruments or institutions authorized by this policy, such restrictions shall be deemed to be immediately incorporated into this policy.

B. If new legislation or regulation should liberalize the permitted instruments or institutions, such changes shall be available and included in this policy only after written notification to the city council and their subsequent approval of said changes.

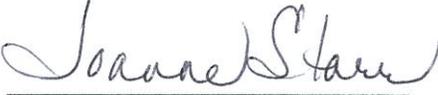
**Section 2.** This ordinance or a summary thereof consisting of the title shall be published in the official newspaper of the City, and shall take effect and be in full force five (5) days after publication.

**Section 3.** If any provision of this ordinance is held invalid, such invalidity shall not affect any other provision, or the applications thereof, which can be given effect without the invalid provision or application, and to this end the provisions of this Ordinance are to be declared severable.

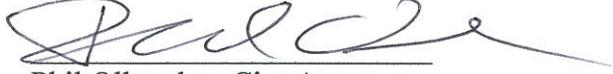
Introduced, passed, and approved this 12<sup>th</sup> day of November, 2014

  
\_\_\_\_\_  
Mayor Pat Johnson

Attest:

  
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Joanne Starr, City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Phil Olbrechts, City Attorney

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EFFECTIVE: November 24, 2014