

City of Crossville, Tennessee

Investment Policy

The purpose of this Investment Policy (“Policy”) is to establish investment objectives that reflect the conservative nature of the residents and government for the City of Crossville (“City”). This Policy shall conform with federal laws and regulations and those of the State of Tennessee, and shall apply to all funds, excluding the investment of employee’s retirement funds. The Policy is intended to operate in collaboration with the City’s yearly operating budget, capital improvement program to ensure that the City can meet economic needs which arise during the normal course of business.

I. General Objectives

The primary objectives of the investment activities, outlined in this Policy, are safety, liquidity and yield.

1. Safety – All investments shall be done in a manner intended to ensure the preservation of capital in the overall portfolio. This is to mitigate credit risk and interest rate risks associated with investments.
 - a. Credit Risk – This is the risk that a loss will occur due to failure of the issuer or backer of such investment.
 - b. Interest Rate Risk – This is also referred to as market risk, and is the risk that market interest rates will rise while the City is holding an investment.
2. Liquidity – This refers to the amount of cash or cash equivalents that can be used to meet the City’s obligations and operating requirements that can be reasonably foreseen. This can be accomplished by investing with the intention of having any such investment mature immediately before foreseeable anticipated demands (static liquidity), by investing in securities that can be easily sold in secondary markets (dynamic liquidity) or putting a funds in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.
3. Yield – The goal of the City is to get an acceptable market rate of return on its investments throughout budgetary and economic cycles. The rate will be consistent with the City’s safety and liquidity needs.

II. Standard of Care

The City shall apply the following standards of care in its investment decisions and transactions.

1. Prudence – All the Cities investment officials shall apply the standard of the “uniform prudent investor act”, and those standards are to be applied in managing an overall portfolio. Those acting on behalf of the City, that due so in conformity with written procedures and this Policy and exercise due diligence, shall be relieved of personal responsibility for credit risk or market price changes, provided that any deviations from expectations are reported timely and the liquidity and sale of securities are done in accordance with the terms of this Policy.
2. Ethics and Conflicts of Interest – All member of the City Council, employees of the City or any individual contracted by the City that is involved in the investment process shall refrain from any personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. They must disclose any material interests in financial institutions which they conduct business, in accordance with applicable laws, disclose any personal financial/investment positions that could be related to the performance of the investment portfolio, and shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.
3. Delegation of Authority – The City Council shall have ultimate fiduciary responsibility for the funds and monies of the City. The City has delegated the role of the Chief Investment Office to the Finance Director. The Finance Director shall act in accordance with the written procedures and internal controls for the operation of the investment program consistent with this investment policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director. The City may create and investment committee that would provide additional guidance to the Finance Director.

The City may seek the services of one or more independent investment advisors to aid with the investment portfolio with methods consistent with this investment policy and with the City’s investment objectives. Any advisors shall be registered under the Investment Advisors Act of 1940 and/or the United States Securities Acts of 1933 and 1934 as amended.

III. Authorized Financial Institutions, Depositories and Broker/Dealers

1. The Finance Director or his/her Designee shall decide which financial institutions and depositories are authorized or provide depository, investment, trust or safekeeping services for the City. Any such financial institution shall be qualified to provide such services and shall comply with the laws of the State of Tennessee and this policy.
2. Institutions that are eligible to provide such services with the City include:
 - a. National or state-chartered banks;
 - b. The Federal Reserve Bank
 - c. Primary government dealers as designated by the Federal Reserve Bank; and

- d. Direct issuers of securities which are permitted investments and eligible for purchase.
3. The City may require financial institutions, broker/dealers or any institution wishing to provide depository, investment, trust or safekeeping services to supply the following information upon request.
 - a. Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines.
 - b. Proof of state registration.
 - c. Certification of having read and understood and agreeing to comply with the City's investment policy.
 - d. Evidence of adequate insurance coverage.
4. All financial institutions providing services for the City will be subject to periodic reviews of their financial condition, registration and qualifications.

IV. Safekeeping and Custody

1. Delivery vs. Payment – All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible custody account prior to release of funds.
2. Safekeeping – Securities will be held by an independent third-party custodian that is selected by the City. The selected institution shall provide a copy of their most recent report on internal controls on an annual basis.
3. An Internal Controls Policy shall be documented in writing and reviewed annually. Said policy is designed to prevent the loss of public funds arising from fraud, employee error, mis-representation by third parties, unanticipated changes in financial markets or imprudent actions by employees and officers of the City.

V. Suitable and Authorized Investments

1. Consistent with the Government Finance Officers Association (GFOA) Policy Statement on State and Local Laws Concerning Investment Practices and the laws of the State of Tennessee, the investments as authorized under Tennessee Code Annotated §6-56-106 shall be permitted investments by the City.
2. Collateralization – Pursuant to Tennessee Code Annotated §6-56-110, the City shall require any bank that holds deposits of municipal funds to have collateral securing said funds as required for state deposits under Tennessee Code Annotated §9-4-1 and 4, or as provided in a collateral pool created under Tennessee Code Annotated §9-4-5.

VI. Investment Diversification & Constraints

1. Diversification – Where practicable and relative to the anticipated needs of the City, it is the policy of the City to diversify its investments in ways to avoid risks such as market and credit risks. The investments of the City may be diversified by:

- i. Avoiding a concentration of securities from a specific issuer or business sector.
- ii. Attempting to match the maturity its investments with anticipated cash flow requirements. Such maturities shall not exceed those allowed by law.
- iii. Investing a portion of the City’s portfolio in readily available funds in accounts, such as bank money markets and no-penalty certificates of deposit, that are legally collateralized to ensure liquidity and mitigate risks.

VII. Exceptions to Stated Investment Policy

Any exceptions to this policy must be approved by the City Council. Accounts existing at the time this policy is adopted, that are legal, suitable and permitted investments of the City, shall be exempt until their stated maturity. Upon maturity or liquidation all such funds of the City shall be invested as outlined in this investment policy.

VIII. Transparency

The City shall comply with any and all legal disclosure requirements of State and Federal Agencies and those associated with debt or investments of the City. Should the City determine that it meets the best interest of the public to disclose information that is not required by State or Federal Agencies, then the City may voluntarily disclose such information.

IX. Policy Consideration and Approval

1. This policy shall be reviewed on an annual basis, and any recommended changes be submitted by the Director of Finance. The City Council shall review and adopt this policy on an annual basis.

ADOPTED AND APPROVED THIS _____ DAY OF _____, 2024

Mayor

Council member

Council member

Council member

Council member

ATTEST:

City Clerk

SEAL OF THE CITY