

RESOLUTION NO. 25-22

A RESOLUTION APPROVING THE UPDATED INVESTMENT POLICY FOR THE CITY OF EARLHAM

WHEREAS, the City of Earlham has previously adopted an Investment Policy to govern the management of public funds in accordance with applicable Iowa Code provisions; and

WHEREAS, it is necessary to periodically review and update said Investment Policy to ensure compliance with current statutory requirements, including but not limited to Iowa Code Chapters 12B and 12C; and

WHEREAS, the City Council has reviewed the proposed updates to the Investment Policy, including provisions related to eligible investment instruments, prohibited investments and practices, investment maturity limitations, diversification requirements, safekeeping and custody, ethics, conflict of interest, and reporting requirements; and

WHEREAS, the updated Investment Policy reflects the City's ongoing commitment to the prudent and lawful management of public funds and ensures alignment with best practices;

BE IT FURTHER RESOLVED, by the City Council of the City of Earlham, Iowa, that:

1. The updated Investment Policy, attached hereto as Exhibit "A" and incorporated herein by reference, is hereby approved and adopted.
2. A copy of the updated Investment Policy shall be delivered to all parties specified within the policy, including the governing body (Mayor and Council), Treasurer, all depository institutions or fiduciaries holding public funds of the City of Earlham, the auditor engaged to audit any fund of the City of Earlham, the State Auditor, and any fiduciary or third party assisting with or facilitating investment of the funds of the City of Earlham.
3. This resolution shall be in full force and effect upon its passage and approval.

Passed and approved this 14th day of April, 2025.

Jeff Lillie, Mayor

ATTEST: _____

Shelley Kaster, City Clerk/Treasurer

**INVESTMENT POLICY
OF
THE CITY OF EARLHAM**

SECTION 1 – SCOPE OF INVESTMENT POLICY

The Investment Policy of the City of Earlham shall apply to all operating funds, bond proceeds and other funds and all investment transactions involving operating funds, bond proceeds and other funds accounted for in the financial statements of the City of Earlham. 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.

This Investment Policy is intended to comply with Iowa Code Chapter 12B and 12C.

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

- The governing body (Mayor and Council) and Treasurer of the City of Earlham to which the Investment Policy applies.
- All depository institutions or fiduciaries for public funds of the City of Earlham.
- The auditor engaged to audit any fund of the City of Earlham.
- The State Auditor.

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 the City of Earlham.

SECTION 2 – DELEGATION OF AUTHORITY

In accordance with Iowa Code section 12B.10(1), the responsibility for conducting investment transactions resides with the Treasurer of the City of Earlham. Only the Treasurer and those authorized by resolution may invest public funds and a copy of any empowering 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 the City of Earlham, shall require the outside person to notify the City of Earlham in writing, within thirty days of receipt of all communication from the Auditor of the outside person or any regulator 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 the City of Earlham by the outside person.

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

The 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 the City of Earlham 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 reports on internal control structure of all outside persons performing any of the following for the City of Earlham.

- Investing public funds.
- Advising on the investment of public funds.
- Directing the deposit or investment of public funds.
- Acting in a fiduciary capacity.

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 Treasurer of and all employees authorized to place investments shall be covered under the City's Faithful Performance of Duty Schedule in the amount of \$ 100,000.

SECTION 3 – OBJECTIVES OF INVESTMENT POLICY

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

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

SECTION 4 – PRUDENCE

The Treasurer of the City of Earlham when investing or depositing public funds, shall exercise the care, 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 Treasurer shall consider the role that the investment or deposit plays within the portfolio of assets of the City of Earlham and the insurance objectives stated in Section 3.

When investing assets of the City of Earlham for a period longer than two (2) years, the Treasurer shall request competitive investment proposals for comparable credit and term investments from a minimum of three (3) investment providers.

SECTION 5 – INSTRUMENTS ELIGIBLE FOR INVESTMENT

Assets of the City of Earlham shall be invested only in the following:

- 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 the City of Earlham.
- Obligations of the United States government, its agencies and instrumentalities.

- Certificates of deposit and other evidences of deposit at federally insured Iowa depository institutions approved and secured pursuant to Iowa Code chapter 12C.
- Iowa Public Agency Investment Trust (“IPAIT”).

All instruments eligible for investment are further governed by all other provisions of this Investment Policy, including Section 7 – Investment Maturity Limitations and Section 8 – Diversification Requirements.

SECTION 6 – PROHIBITED INVESTMENTS AND INVESTMENT PRACTICES

All assets of every kind and character owned by the City of Earlham shall be owned and registered in the name of the City of Earlham, and not in the name of any investment advisor, custodian, or any other third-party person or entity; provided, however, that this sentence shall not apply to any assets held now or hereafter in the Stella Hoadley Library Trust, Earlham Fire Association, or Earlham Rescue Association.

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

- Trading of securities for speculation or the realization of short-term trading gains.
- Pursuant to a contract providing for the compensation of an agent or fiduciary based upon the performance of the invested assets.
- If a fiduciary or other third party with custody of public investment transaction records of the City of Earlham fails to produce requested records when requested by this public body within a reasonable time, the City of Earlham 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.
- Contrary to existing bond covenants or investment resolution and policy statements.
- Cryptocurrency: All forms of cryptocurrency, including but not limited to Bitcoin, Ethereum, stablecoins, and other digital or virtual currencies, are strictly prohibited.

SECTION 7 – 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:

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

SECTION 8 – DIVERSIFICATION

Investments of the City of Earlham are subject to the following diversification requirements:

Prime bankers' acceptances:

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

Commercial paper or other short-term corporate debt:

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

- At the time of purchase, no more than five percent (5%) of the investment portfolio shall be invested in the securities of a single issuer; and
- 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 the City of Earlham 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 issuer, or a specific class of securities. In establishing specific diversification strategies, the following general policies and constraints shall apply:

- 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.
- 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.
- 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 9 – SAFEKEEPING AND CUSTODY

All invested assets of the City of Earlham involving the use of a public funds custodial agreement, as defined in Iowa Code section 12B.10C, shall comply with all rules adopted pursuant to Iowa Code section 12B.10C. 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 the City of Earlham 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 this Section 9.

SECTION 10 – ETHICS AND CONFLICT OF INTEREST (POLICY CONSIDERATION)

The Treasurer and all officers and employees of the City of Earlham 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. Any personal investments or loans in excess of \$25,000.00 in or with any entity that the City of Earlham regularly conducts investment business shall be disclosed in writing to the governing board (Mayor and Council).

SECTION 11 – REPORTING

The Treasurer shall submit to the City Council an investment report summarizing recent investment activity in terms of maturity, rates of return and other features regarding all investment transactions that have occurred during the reporting period.

SECTION 12 – INVESTMENT POLICY REVIEW AND AMENDMENT

This Investment Policy shall be reviewed periodically to ensure compliance with Iowa Code and alignment with best practices. Notice of amendments to the Investment Policy shall be promptly given to all parties noted in Section 1.

(Revised March 5, 2008)
(Passed and Approved March 10, 2008)
(Revised July 14, 2008)
(Passed & Approved July 14, 2008)
(Revised April 14, 2025)