

Investment Policy

#F03-02

Date of Adoption: February 12, 2003

Annually reviewed and adopted in January since 2008

LENAWEE COUNTY INVESTMENT POLICY

To comply with Act 20 PA 1943, AS AMENDED

It is the policy of Lenawee County to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow needs of the County and comply with all state statutes governing the investment of public funds.

This investment policy applies to all financial assets of the County. These assets are accounted for in the various funds of the county and include the general funds, special revenue funds, debt service funds and capital project funds, (unless bond ordinances and resolutions are more restrictive), enterprise funds, internal service funds, trust and agency funds and any new fund established by the County.

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

Safety--Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.

Diversification--The investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity--The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

Return on Investment--The investment portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Authority to manage the investment program is derived from the following: Lenawee County Board of Commissioners' most current resolution designating depositories and M.C.L. 48.40 requiring the County Treasurer to be the custodian of the County's funds. Management responsibility for the investment program is hereby delegated to the Lenawee County Treasurer who shall establish written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, cash purchase or delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral / depository agreements and banking service contracts.

No person shall engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Lenawee County Treasurer.

The Lenawee County Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of the subordinate officials.

The County of Lenawee is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

1. Bonds, securities, and other obligations of the United States.
2. Certificates of deposit, savings accounts, deposit accounts or depository receipts if a financial institution meeting all criteria as a depository of public funds contained in the state law.
3. Commercial paper rated at the time of purchase within the two (2) highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
4. In United States government of federal agency obligation repurchase agreements.
5. Bank's acceptances on United States banks.
6. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
7. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54, Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - a. The purchase of securities on a when-issued to delayed delivery basis.
 - b. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - c. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
8. Investment pools organized under the surplus funds investment pool act, 1982, A367, MCL129.11 to 129.118.
9. The investment pools organized under the local government investment pool act, 1985 PA121, MCL 129.141 to 129.150.

All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by the County shall be on a cash (or delivery vs. payment) basis. Securities may be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts as determined by the Treasurer.

Investments shall be made with judgment and care, under circumstances; prevailing, which persons prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

INVESTMENT POLICY SUMMARY

Investment funds should be allocated to competing Banks, Savings and Loans and Credit Unions who will put these funds to work in the county for their owners--the citizens of Lenawee County.

The primary concern is for the safety of the principal. Only depositories that meet the quality standards described in this policy shall be considered for investments. The highest yield consistent with the above standards shall be assured by following the competitive bidding procedures.

BIDDING PROCEDURES

The County Treasurer shall competitively bid all County of Lenawee Investments. He/She shall in all cases attempt to keep all County of Lenawee investments in financial institutions which are located within the County of Lenawee. The following procedures shall be followed:

- A. All financial institutions wanting to be on the "Bidders" list will be notified annually, in writing, by the Lenawee County Treasurer if they qualify to bid on County of Lenawee investments.
- B. Every day that investments are to be made, telephone calls will be made by the County Treasurer or his/her representative to each financial institution qualified to bid on County of Lenawee Investments detailing the amount and maturity date for each account being invested. This call is to be made no later than 11:00 a.m.
- C. At the time of the 11:00 a.m. call, mentioned in "b" above, each financial institution will notify the County Treasurer's office whether or not they wish to submit a bid on the various amounts. In lieu of this a bank may, in writing, notify the County Treasurer that they wish to be on the bidders list for a certain period of time (monthly, all year, etc) and note any special situations a special call is needed.
- D. Winning bids will be awarded by 12:00 a.m. by a telephone call to the winning bidder. Wire transfer instructions will be processed by the County Treasurer's office from the various accounts to transfer funds to the winning bidder by 2:00 p.m.

- E. Financial institutions will prepare safekeeping receipts or Certificate of Deposit for each investment made and transmit to the County of Lenawee no later than the following day as proof of purchase. (Note: bidding results by financial institutions will be available at the Treasurer’s office by telephone at any time).
- F. Bids will be awarded to the highest bidder, except where the bidder already holds a larger percentage of county funds. Tie bids will be broken in the following order:
 - 1. If all parties to the tie bid agree, the total investment will be allocated as equally as possible to all bidders. (All parties must agree to “hold” the quoted interest rate bid to use this method of tie breaking.)
 - 2. If case (1) above does not resolve the tie bid situation, an investment will be made in an overnight investment and rebid the next day.

MINIMUM BANK STANDARDS

- 1. Liquid assets, as a percentage of total assets, must be 25% or more;
Our ratio is _____%
- 2. Gross loans, as a percentage of total assets, must be 75% or less;
Our ratio is _____%
- 3. Loan loss reserves, as a percentage of gross loans, must be 1% or more;
Our ratio is _____%
- 4. Borrowed funds, as a percentage of total assets, must be 10% or less;
Our ratio is _____%
- 5. Equity capital, as a percentage of total assets, must be 7% or more;
Our ratio is _____%
- 6. Equity growth must be 8% or more;
Our ratio is _____%
- 7. Return on assets must equal .75%;
Our ratio is _____%
- 8. Equity growth must be proportionate to asset and deposit growth;
Our ratio is _____%
- 9. County funds on deposit in any one bank shall not exceed 50% of that bank’s capital, surplus and undivided profits account; 50% in your case would be \$_____.