RESOLUTION NO. 2021 - 26

RESOLUTION REGARDING AN INVESTMENT POLICY FOR THE CITY OF BRYANT

WHEREAS, The City Council of the City of Bryant desires to adopt this attached Investment Policy.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BRYANT, ARKANSAS THAT:

Section 1. The City Council of the City of Bryant hereby adopts the attached Investment Policy.

PASSED AND APPROVED this 28th day of September, 2021.

APPROVED:

Allen E. Scott, Mayor

ATTEST:

Sue Ashcraft, City Clerk

I. Safety - safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

2. Liquidity- the investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio also may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

3. Yield - the investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, considering the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. The City shall maximize interest yields while ensuring that the maturity dates coincide with projected expenditure requirements.

V. Standards of Care

I. Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures, this investment policy, and with due diligence shall be relieved of personal responsibility for an individual securit credit risk or market price changes.

The "prudent person" standard states that 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 POLICY

I. Governing Authority

The investment program shall be operated in conformance with Arkansas State Statutes and the Code of Ordinances. The City Treasurer is responsible for investing the unexpended cash in the City Treasury.

The authority governing investments for municipal governments is set forth in Arkansas State Code Title 19, Chapter 1, Subchapter 5 -Investment of Public Funds as amended by Act 619 o/2011. Further provisions for cities with real property assessed valuation in excess of$300 million is set for in Arkansas State Statute§ 19-1-505. Investment of City funds will be made only in compliance with Arkansas statutes.

An Investment Advisory Board to oversee and make recommendations regarding investment of the monies regulated by this policy is hereby created, and shall be comprised of the Mayor, the City Treasurer, and another individual within the Finance Department.

II. Purpose

The purpose of this policy is to provide guidelines for investment of operating and capital improvement funds to preserve the safety of principal, to maintain adequate cash flow, and to maximize interest earnings.

III. Scope

This policy applies to the investments of all monies held by the City that are not needed for the near-term payment of obligations. This policy does not apply to the investment of employee retirement or pension funds.

The City may consolidate cash balances from all operating funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

IV. General Objectives

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

investment, considering the probable safety of their capital as well as the probable income to be derived.

2. Ethics and Conflicts of Interest

The City Treasurer and other City elected officials and employees involved in the investment process shall refrain from personal business activities that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. No elected official or City employee involved in the investment process shall have a direct or indirect financial interest with the broker or corporation with whom they are conducting business. Elected officials or City employees involved in the investment process shall disclose any personal financial interests that could be related to the performance of the City's investment portfolio. Elected officials or City employees involved in the investment process 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 Treasurer may delegate authority for investment transactions to other City officials and employees. The Investment Advisory Board may also, by proper procurement procedures, contract for the services of an asset manager, and investment advisor, or other expert advisor(s) to invest all or a portion of City funds regulated by this policy.

The City Treasurer and her designees are authorized to: open and close accounts with financial institutions approved by the Depository Board in the name of the City; make wire transfers of funds for the City; make deposits of funds for the City; execute collateral, depository and investment agreements for the City; and take any other such actions needed to carry out their responsibilities for the depositing and investing of the City's funds as authorized by State Statutes and this policy.

VI. Authorized Financial Institutions and Brokers/Dealers

Security transactions on behalf of the City will be conducted only with financial institutions and broker/dealers who have been approved by the Depository Board and the Investment Advisory Board. A list of authorized financial institutions and broker/dealers will be maintained by the City

and provided to such asset manager or investment advisor on a mutually agreed upon basis. The financial institutions must be on the list of banks or banking institutions, maintained by the Arkansas Bank Commissioner, that are eligible to hold public funds. (Arkansas Code Annotated §19-8-107) Broker/dealers must meet or exceed the capital adequacy standards set by the Federal Reserve Bank of New York, and may include dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-I (Uniform Net Capital Rule). In addition, a broker-dealer that conducts security transactions on behalf of the City and/or performs safekeeping duties related to those securities on behalf of the City shall:

- Have offices located in the state of Arkansas.
- Be registered with the Arkansas Securities Department.
- Be a member of Financial Industries Regulatory Agency (FINRA).
- Be a member of Securities Investor Protection Corporation (SIPC).

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the Investment Advisory Board.

VII. Safekeeping and Collateralization

1. Internal Controls

The Investment Advisory Board will review and make recommendations regarding internal control policies and procedures to ensure that the assets of the City are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. Complete records of all investment transactions will be kept in the Office of the City Treasurer.

2. Delivery vs. Payment

All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities held by a third-party custodian shall be evidenced by safekeeping receipts. Bank certificates of deposit purchased from local banks shall be held in trust with the issuing bank.

3. Collateralization

Collateralization will be maintained as required by State law and procedures established by

the City Demand deposits, time deposits, and any other investments requiring collateralization shall be collateralized at a level of 102 percent of the market value of the principal and accrued interest, less the amount insured by the Federal Deposit Insurance Corporation.

VIII. Authorized Investments

I. The City will invest only in book entry securities.

2. The City may invest in any instrument or security authorized for investment by Arkansas Code Annotated § 19-1-501, and further defined in § 19-1-505, or by the Local Government Joint Investment Trust Act, Arkansas Code Annotated § 19-8-301 et seq., as they may from time to time be amended.

3. The shall not invest in derivative products, common stocks, or long-term bonds used for speculation.

IX. Investment Parameters

1. Diversification

The investments shall be diversified by:

• limiting investment concentrations in securities from a specific issuer or business sector (excluding U.S. Treasury securities),

• limiting investment in securities that have higher credit risks,

• investing in securities with varying maturities, and

• continuously investing a portion of the portfolio in readily available funds such as money market funds to ensure that appropriate liquidity is maintained to meet ongoing obligations.

2. Maximum Maturities

To the extent feasible, the shall attempt to match its investments with anticipated cash flow requirements. The City anticipates a range of maturities from ninety (90) days to five (5) years, consistent with the investment objectives.

Reserve funds, capital improvement funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds, or in

securities with active secondary or resale markets.

3. Competitive Quotes

The City Treasurer or their designee shall attempt to obtain competitive quotes from at least three brokers or financial institutions on all purchases of certificates of deposits with financial institutions.

IX. Reporting

The City Treasurer shall prepare a report to council (at least quarterly) monthly that provides the status of the current investment portfolio. The report shall include the following:

- Listing of individual securities held at the end of the reporting period.
- Realized and unrealized gains or losses resulting from appreciation or depreciation.
- Listing of investment by maturity date.
- Percentage of the total portfolio which each type of investment represents.

X. Policy Considerations

This policy shall be reviewed by the Investment Advisory Board on an annual basis. Any changes to this policy must be approved by the Investment Advisory Board.

Investment Advisory Board Minutes

Meeting date: November xx, 2024

Attendees: Mayor Chris Treat

City Treasurer Joy Black

and finance department employee, Nichole Manley

Guidelines as outlined in the Investment Policy adopted by Council by Resolution 2021-26

Goals – safety of principal, maintain adequate cash flows, and maximize interest earnings

Actions – the ARPA money received by the City in July and Sept of $2,172,096.71 was wired from Regions holding fund 010 to a new fund 007 ARPA with the Raymond James investment fund on 10/25/21.

Report Components

Individual Security Real/Unreal Gains/Losses Maturity Date % of Portfolio

$500,000 in a 1 year T bill for 2.92% yield til July, 2023

$835,500 in the Federal Farm Credit Bank 12% yield final maturity 1/12/23 continuously callable

$835,500 in the Federal Home Loan Bank 1.83% yield final maturity 9/26/24 callable quarterly

At this time this is the extent of this account and these three securities make up the entirety of the Portfolio so 23%, 38.5%, 38.5% respectively.

Unrealized gains/losses were approximately $9700 through 2021 and $39,416 through 2022, $51,580 through 2023 and $30,865.53(realized) through 9/30/24 when all investments were called and the account was reduced to $1.32.