

Adopted by the Board of Finance: September 2008
Draft Revisions by the Investment Advisory Committee 10-10-2014

CITY OF STAMFORD, CONNECTICUT

INVESTMENT POLICY

1.0 Policy Statement

It is the policy of the City of Stamford (the City) that the administration and investment of City funds shall be handled with a degree of professionalism that is worthy of the highest public trust. Investments shall be made in a manner which will provide the maximum safety for principal invested. Policy limits and diversification of the portfolio are established to protect liquidity for daily and other reasonably anticipated cash flow needs. Achieving a higher rate of return is secondary to the requirements for safety and liquidity. All investments will be made in full compliance with local ordinances, state statutes and any applicable IRS requirements.

2.0 Scope

This Investment Policy (the Policy) applies to the investment and management of all the funds under direct authority of the City of Stamford. The Policy will apply to all funds accounted for in the City's Annual Financial Report, with the exception of the City's four Pension funds.

Except for cash in certain restricted and special funds, the City will consolidate all funds. Investment income will be allocated or charged back to the various funds based on their actual balances and in accordance with generally accepted accounting principles. Interest will be calculated on a monthly basis, and credited back to all participating funds.

3.0 Prudence

3.1 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. The Director of Administration, Controller and all those delegated investment authority under this Policy, when acting in accordance with the written procedures and this Policy 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 the liquidity and the sale of securities are carried out in accordance with the terms of this Policy. The "prudent person" standard states that "Investments shall be made with the 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 their capital as well as the probable income to be derived.

4.0 Objectives

The objective of the City of Stamford investment and cash management program is to ensure the safety, liquidity and yield on the funds entrusted to it. These objectives, set by the Policy, will ensure that all funds are immediately and continuously invested at the most reasonable market rates obtainable at the time of investment. The City of Stamford will seek to attain market rates of return on its investments, consistent with constraints imposed by its primary objectives (as listed below), cash flow considerations and state laws that restrict the investment of public funds.

The primary objectives, in priority order, of the City of Stamford's investment actions shall be:

4.1 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 and protection of principal in the overall portfolio. This will be achieved by mitigating credit and interest rate risk.

- a. **Credit Risk:** The City will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:
 - Limiting investments to the safest types of securities (highest quality, creditworthy).
 - Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business.
 - Diversifying the investment portfolio by maturity and issuer so that potential losses on individual securities will be minimized.
- b. **Interest Rate Risk:** The City will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:
 - Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
 - Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

4.2 Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is assured through sufficient distribution of funds in highly liquid investments. The portfolio will be structured so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity) or investments which offer same day liquidity for shortterm funds.

4.3 Yield: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The investments authorized by this Policy are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

5.0 Delegation of Authorities

The investment authority for the City of Stamford is established by the Connecticut General Statutes. Responsibility for the investment program has been assigned to the Director of Administration by the Charter of the City of Stamford, Connecticut. The Director of Administration may engage the services of a professional cash manager to advise the City on investments in accordance with this Policy. The Director of Administration may delegate the daily investment management decisions and activities to the Controller.

The Controller will establish written procedures for the operation of the investment program, consistent with this Policy. Procedures will include safekeeping, investment transaction reports, trade documentation, master repurchase agreements and shall include specific delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Controller. The Controller shall be responsible for all transactions undertaken and shall establish a system of internal controls to regulate the activities of subordinate officials. Investment officials shall be bonded to protect the public against possible embezzlement and malfeasance.

All participants in the investment process shall seek to act responsibly as custodians of the public trust. It is the policy of the City to provide investment training through attendance at courses and seminars offered by professional organizations and associations in order to insure quality, capability and currency in investment decisions.

6.0 Ethics and Conflict of Interest

Employees who have investment authority for the City of Stamford (specifically, the Director of Administration and Controller) shall refrain from personal business activity that could impair, or create the appearance of an impairment of, their ability to make impartial investment decisions. They shall disclose, as part of the annual audit disclosure process, any material financial interests in financial institutions that conduct business with the City, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the City's portfolio. Employees shall comply with all applicable laws, regulations, professional codes of responsibilities and City policies. Employees and investment officials shall also refrain from undertaking personal investment transactions with the same individual with whom the business is conducted on behalf of the City.

7.0 Authorized and Suitable Investments

All investments shall be made in accordance with Connecticut General Statutes Sections 7-400-402. Only the following types of securities and transactions shall be eligible for use by the City:

1. U.S. Treasury bills, notes and bonds
2. Federal Agency debentures and mortgage-backed issued by the Government National Mortgage Association (GNMA).

3. Federal Instrumentality debentures, discount notes, callable and step-up securities, issued by the following only: Federal Home Loan Banks (FHLB), Federal National Mortgage Association (FNMA), Federal Farm Credit Banks (FFCB), and Federal Home Loan Mortgage Corporation (FHLMC).
4. Time Certificates of issued by a qualified public depository as defined in section 36a-330 of the General Statutes of Connecticut that are fully insured or collateralized.
5. Money Market Mutual Funds registered under the Investment Company Act of 1940 that (1) are “no-load” (meaning no commission or fee shall be charged on purchases or sales of shares); (2) maintain a constant daily net asset value per share of \$1.00; (3) limit assets of the fund to the securities described in 1, 2 and 3 above and repurchase agreements collateralized by such securities; and (4) have a maximum stated maturity and weighted average maturity in accordance with Federal Securities Regulation 2a-7. .
6. Investment Pools that (1) are “no-load” (meaning no commission or fee shall be charged on purchases or sales of shares); (2) maintain a constant daily net asset value per share of \$1.00; (3) limit assets of the fund to the securities described in 1, 2 and 3 above and repurchase agreements collateralized by such securities; and (4) have a custodian that is a bank as defined in Section 36a-2 of the General Statutes of Connecticut, or an out-of-state bank, as defined in said section, having one or more branches in Connecticut.
7. State Short-Term Investment Fund (STIF).

It is the intent of the City that the foregoing list of authorized investments be strictly interpreted. Any deviation from this list must be preapproved by the Investment Oversight Committee.

8.0 Safekeeping and Custody

The Director of Administration shall approve one or more financial institutions to provide safekeeping and custodial services for the City of Stamford. A Safekeeping Agreement shall be executed with each custodian institution prior to utilizing safekeeping services. All investment securities and collateral will be held in third-party safekeeping by the approved custodian on behalf of the City.

9.0. Diversification

Invested funds shall be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity or specific issuer. The asset allocation in the portfolio should, however, be flexible depending upon the outlook for the economy, the securities market, and the City's anticipated cash flow needs.

10.0. Maximum Maturities

To the extent possible, the City of Stamford will try to match its investments with anticipated cash flow requirements. The maximum average weighted maturity of investments exceeding 2 years shall not be more than 5 years and no more than 25% of the dollar value of those investments may exceed 5 years in duration.

11.0. Internal Controls

The Controller shall incorporate additional internal controls into the current cash management process and document them in writing. The internal control procedures will be reviewed and approved by the City's independent auditors. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees and officers of the City. The external auditors will annually review compliance with policies and procedures.

12.0. Selection of Broker/Dealers

The Director of Administration shall maintain a list of authorized broker/dealers and financial institutions which are approved for investment purposes, and it shall be the policy of the City to purchase securities only from those authorized institutions and firms. To be eligible, a firm must meet at least one of the following criteria:

1. Be recognized as a Primary Dealer by the Federal Reserve Bank of New York, or
2. Report voluntarily to the Federal Reserve Bank of New York, or
3. Qualify under Securities and Exchange (SEC) Rule 13c3-1 (Uniform Net Capital Rule).

Broker/dealers will be selected by the Director of Administration on the basis of their expertise in public cash management and their ability to provide service to the City's account. Each broker/dealer shall be required to submit and annually update a Broker/Dealer Information form which includes the firm's most recent financial statements. Broker/dealers shall also attest in writing that they have received a copy of this Investment Policy.

13.0. Competitive Transactions

Each investment transaction shall be competitively transacted with broker/dealers who have been authorized by the City. At least three broker/dealers shall be contacted for each transaction and their bid and offering prices shall be recorded. If the City is offered a security for which there is no other readily available competitive offering, quotations for comparable or alternative securities will be documented.

14.0 Investment Advisory Committee

An Investment Advisory Committee will be created to ensure sound investment practices. The committee will be comprised of two elected officials (one from the Board of Finance and one from the Board of representatives), the Director of Administration and the Controller. The Investment Oversight Committee will meet as needed. The Investment Advisory Committee will be provided with reports outlining performance, cash balances and budgetary projections no less than twice a year. The role of the committee is not to make actual investment decisions, but rather to act as an overseer of the investment program.

15.0 Performance Standards

The investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the City of Stamford's investment risk constraints and cash flow needs.

15.1 Market Yield (Performance Benchmarks): The standard benchmark for determining whether market yields are being achieved for short to intermediate-term investment portfolios will be the yields of Treasury Securities with a maturity that matches the weighted average of the portfolio and the market yields of the State Treasurer's Investment Fund (STIF).

16.0. Reporting

If an external professional cash manager is utilized, they shall prepare monthly investment reports that summarize recent market conditions, economic developments and anticipated investment conditions. The report shall summarize the investment strategies employed in the most recent period, and describe the portfolio in terms of investment securities, maturities, risk characteristics and other features. It should also include a comparison of the performance standards outlined in section 15.1. The report shall explain the period's total investment return.

17.0. Investment Policy Adoption

The City's Investment Policy shall be adopted by resolution of the City of Stamford Board of Finance. The policy shall be reviewed annually and any modifications made thereto must be approved by the Board of Finance.