

## CONWAY TOWNSHIP INVESTMENT POLICY

As required by Act 20 PA 1943, as amended

Policy No. 4

- I. **Purpose** - It is the policy of Conway Township to invest its funds in a manner which will ensure the preservation of capital, provide the highest investment return with the maximum security while meeting the daily cash flow needs of the Township and comply with all state and local statutes governing the investment of public funds.
- II. **Scope** - This investment policy applies to all financial assets of the Township. These financial assets are accounted for in the Township of Conway audited financial statements and include the general fund, road improvement fund, special revenue funds and capital project funds and any new fund established by the Township.

**Pooling of Funds:** Except for cash in certain restricted and special funds, the Township of Conway will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to various funds based on their respective participation and in accordance with generally accepted accounting principles.

- III. **General Objectives** - The primary objectives, in priority order, of the Townships 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. The objective will be to mitigate credit risk and interest rate risk.

**Credit Risk** - The Township of Conway will minimize the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the safest types of securities
- Pre-qualifying the financial institutions, with which Conway Township will do business
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

**Interest Rate Risk** - The Township of Conway 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 portfolio to meet the cash requirements of ongoing operations, thereby mitigating

the need to liquidate securities at a loss prior to maturity.

**Concentration Risk** - The Township of Conway will minimize the risk associated with placing a large portion of the investment portfolio with a single issuer by limiting the exposure of each issuer to 20% of the total portfolio.

**Custodial Credit Risk** - The Township of Conway will minimize custodial credit risk by holding the investments in the Township's name.

**Foreign Currency Risk** - The Township of Conway will only invest in the US dollar denominated investments.

**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 (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). 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.

**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. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

#### **IV. Standards of Care**

**Ethics and Conflicts of Interest-** Officers and employees involved in the investment process shall refrain from 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. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of Conway Township.

**Delegation of Authority to Make Investment** - Authority to manage the investment program is derived from the following: Conway Townships' most current resolution

designating depositories and MCL 41.76 requiring the Township Treasurer to be the custodian and the Township's funds. Management responsibility for the investment program is hereby delegated to the Conway Township Treasurer, who shall act in accordance with established 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, and collateral/depository agreement. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Conway Township Treasurer. The Conway Township Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

**Prudence** - 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, considering the probable safety of their capital as well as the probable income to be derived.

- V. Safekeeping and Custody-All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by the Conway Township Treasurer may be on a cash basis or a delivery vs. payment basis as determined by the Conway Township Treasurer. Securities may be held by a third party custodian designated by the treasurer and evidenced by safekeeping receipts as determined by the Treasurer.

#### **VI. Suitable and Authorized Investments**

**Investments** - The Conway Township Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (S); or deposit accounts of a financial institution as provided in subsection (6).
- (c) Commercial paper rated at the time of purchase within the 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.
- (d) Repurchase agreements consisting of instruments listed in subdivision (a).

- (e) Bankers' acceptances of United States banks.
- (f) 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.
- (g) Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 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 any of the following:
  - (i) The purchase of securities on a when-issued or delayed delivery basis.
  - (ii) 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.
  - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- (h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- (j) The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

## **VII. Investment Parameters**

**Diversification** - The investments shall be diversified by:

- o limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding US Treasury securities),
- o limiting investment in securities that have higher credit risks,
- o investing in securities with varying maturities, and
- o continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

**Maximum Maturities** - To the extent possible, Conway Township shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, Conway Township will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances. Conway Township shall adopt weighted average maturity limitations (which often range from 90 days to 3 years), consistent with the investment objectives.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the Board of Trustees.

## **VIII. Reporting**

**Methods** - The Conway Township Treasurer shall prepare an investment report semi-annually, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the prior twelve months. This management summary will be prepared in a manner which will allow Conway Township to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the Board of Trustees and any pool participants and will 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 by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity (in accordance with Governmental Accounting Standards Board (GASB) requirements).
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- Listing of investment by maturity date.
- Percentage of the total portfolio which each type of investment represents.

**Performance Standards** - The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis.

**Effective Date** - This policy was originally adopted on April 19, 2011 by the Conway Township Board; now as amended by the Township board on September 20, 2022, with immediate effect.

I, Elizabeth Whitt, hereby certify that this Investment Policy was approved at a regular meeting of the Conway Township Board of Trustees on September 20, 2022.

Elizabeth Whitt, Clerk

A handwritten signature in blue ink, appearing to be 'EWhitt', is written over a horizontal line.