

RESOLUTION NO. CC-2021-2

**"A RESOLUTION ADOPTING AN INVESTMENT POLICY FOR THE CITY OF STILLWATER AND ITS TRUSTS."**

WHEREAS, the City of Stillwater has established policies regarding investment of public funds by the City; and

WHEREAS, the Mayor and City Councilors intend to adopt said policy establishing general parameters for the investment of public funds that shall govern the conduct of City officials.

NOW, THEREFORE BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF STILLWATER, OKLAHOMA:

Section 1. The "City of Stillwater Investment Policy" attached hereto is hereby adopted in its entirety.

Section 2. The Investment Policy shall become effective immediately upon passage of this Resolution and shall apply to all investments of public funds.

PASSED, APPROVED AND ADOPTED this 11 day of January, 2021.

CITY OF STILLWATER, OKLAHOMA  
A Municipal Corporation



  
WILLIAM H. JOYCE, MAYOR

  
TERESA KADAVY, CITY CLERK

APPROVED AS TO FORM AND LEGALITY on this 11 day of January, 2021.

  
JOHN E. DORMAN, CITY ATTORNEY

## **INVESTMENT POLICY CITY OF STILLWATER**

### **Section 1. General Policy**

It is the policy of the City of Stillwater (the "City") to invest all public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the city and conforming to all federal, state and local statutes governing the investment of public funds.

### **Section 2. Scope**

This investment policy applies to all financial assets of the City that are accounted for in the City's Comprehensive Annual Financial Report (CAFR). This includes all legally available funds such as: General Funds, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Agency Funds, and any other fund created by the City Council unless specifically exempt. Police and Fire Pension Funds and all City contributed employee retirement funds are managed and administered through a third party administrator and are exempt from this policy. Some Trust Authorities of the City may have specific policies, which, if so, shall be attached hereto, in accordance with 62 O.S. § 72-4a.

### **Section 3. Prudence**

The standard of care to be used by investment officers shall be the statutory "prudent person" standard and shall be applied in the context of managing public funds of the City described within this Policy. The "prudent person" standard as it relates to the investing of public funds is defined as follows:

Investments shall be made with judgement 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. (See 62 O.S. § 348.3(C))

Investment officers acting in accordance with this investment policy and exercising the "prudent person" standard of care as defined herein 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 standard of care to be used by independent professional investment consultants to the City shall be the “prudent expert” standard as follows:

Funds shall be managed with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

#### **Section 4. Objective**

Given the Authorized Investments (Section 8) permitted under law, the primary objectives, in priority order, of the City's active investment program shall be:

1. **Safety** - Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities will be minimized.
2. **Liquidity** - The investment portfolio shall at all times be maintained in a structure which enables the immediate cash flow needs of the City to be met through the maturity or sale of investment securities.
3. **Yield** - The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio. Yield shall be subordinate to safety and liquidity.

#### **Section 5. Delegation of Authority**

In accordance with City Charter, the Finance Director shall maintain management responsibility of the City's investment program and shall establish written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures shall include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established thereunder. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The Finance Director is authorized to retain brokers/dealers or other professional investment consultants to provide investment services to the City consistent with this policy.

## **Section 6. Ethics and Conflicts of Interest**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with federal and state statutes, city ordinances, proper execution of the investment program, or that could impair their ability to make impartial investment decisions. Officers, employees and independent investment consultants retained by the City shall disclose to the City Manager's Office and the Finance Director any material financial interests in financial institutions with which they conduct business, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City's investment portfolio. Officers and employees shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the City. Officers and employees charged with investing City assets shall subordinate their personal investment transactions to those of the City, particularly with regard to the timing of purchases and sales.

## **Section 7. Authorized Financial Institutions**

A formal approval process will be used by the Finance Department to qualify any financial institution, broker-dealer or advisor to provide investment services for the City, and a list shall be maintained of financial institutions authorized to provide investment services. No public deposit shall be made except in a qualified public depository as established by the laws of the State of Oklahoma.

## **Section 8. Authorized and Suitable Investments**

The Finance Director is authorized by the City Council to invest in securities authorized by Oklahoma State Statutes, 62 O.S. § 348.1- 348.3.

- a. Obligations of the United States government, its agencies and instrumentalities;
- b. Collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations and credit unions located in this state, or fully insured certificates of deposit at banks, savings banks, savings and loan associations and credit unions located out of state;
- c. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings bank, a savings and loan association or a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed ten percent (10%) of the surplus funds of the city or county which may be invested pursuant to this section. Not more than one-half (1/2) of the ten percent (10%) limit shall be invested in any one financial institution specified in this paragraph;
- d. Prime bankers' acceptances which are eligible for purchase by the Federal Reserve System and which do not exceed 270 days' maturity. Purchases of prime banker's acceptances shall not exceed ten percent (10%) of the surplus funds of the city or

county which may be invested pursuant to this section. Not more than one-half (1/2) of the ten percent (10%) shall be invested in any one commercial bank pursuant to this paragraph;

- e. Prime commercial paper which shall not have a maturity that exceeds one hundred eighty (180) days nor represent more than ten percent (10%) of the outstanding paper of an issuing corporation. Purchases of prime commercial paper shall not exceed seven and one-half (7 ½%) of the surplus funds of the city or county which may be invested pursuant to this section;
- f. Repurchase agreements that have underlying collateral consisting of those items specified in paragraphs a through e of this subsection; and
- g. Money market mutual funds regulated by the Securities and Exchange Commission and which investments consist of those items and those restrictions specified in paragraphs a through f of this subsection.

To the extent practicable, the Finance Department shall use a competitive process for the investment of municipal funds. The Finance Department shall review the risk-reward for all permissible investments under specified financial metrics including, but not limited to:

- projected accounting yield
- market yield
- maturity
- average life
- coupon
- duration
- convexity
- price volatility

Sufficient documentation of the application of these metrics shall be kept on file for each investment purchase.

## **Section 9. Collateralization**

The Finance Department may invest in certain instruments when those instruments are collateralized, as evidenced by pledge of joint custody between the selling entity and the City. The custodian shall issue a custody receipt to the Finance Director identifying the security and stating that it is pledged to the City. Such collateral shall not be released to the pledgor unless deposits are withdrawn, or investments are sold, mature, or are adequately secured by other similar collateral and only after the Finance Department has evidenced its approval.

The Finance Department shall verify as appropriate and at least monthly, that the market value of collateral pledged is sufficient to cover the investment and any additional deposits at the institution with whom the investment is placed at margins not less than one hundred ten percent

(110%), less federal depository insurance, if applicable. The Finance Director shall have discretion to refuse any instrument as appropriate collateral, notwithstanding the tenets of this Investment Policy.

All collateral pledged to secure public funds shall be valued at no more than market value. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred ten percent (110%) of the market value of principal and accrued interest. The City chooses to limit acceptable instruments of collateral. This listing is more restrictive than allowed by state statute (*See* 62 O.S. § 517.5). In cases in which instruments may be authorized by state statute but not by the list below, this list shall prevail.

Acceptable collateral:

- a) U. S. Treasury Bills, Treasury Notes and Treasury Bonds
- b) General obligations of the State of Oklahoma and Oklahoma counties, municipalities and school districts, which obligations are not in default
- c) Government National Mortgage Association obligations
- d) Student Loan Marketing Association obligations
- e) Federal National Mortgage Association obligations
- f) Federal Home Loan Mortgage Corporation obligations
- g) Federal Farm Credit Bank obligations
- h) Federal Home Loan Bank obligations

Collateral shall be held in safekeeping by the Finance Director or by a designated third party custodian pursuant to a current custodial agreement with the City. Evidence of ownership (safekeeping receipt) is required in either case.

## **Section 10. Safekeeping and Custody**

All security transactions entered into by the City shall be conducted on a delivery-verses-payment (DVP) basis. Securities shall be held by the Finance Director or by a designated third party custodian pursuant to a current custodial agreement with the City. Evidence of ownership is required in either case.

## **Section 11. Diversification**

Investments shall be diversified by institution and by sector. With the exception of U.S. Treasury securities and authorized pools, no more than fifty percent (50%) of the City's total investment portfolio shall be invested in a single financial institution. Sector diversification is desired but will not be limited by a specific percentage of the total investment portfolio.

## **Section 12. Maximum Maturities**

To the extent possible, investments shall be matched with anticipated cash flow requirements. Unless matched to a specific cash flow, the City shall not directly invest in securities maturing more than ten years from the date of purchase. Long-term investments will be made in accordance with a ladder maturity schedule to enhance the portfolio's cash flow diversity.

## **Section 13. Internal Control**

All investment transactions shall be supported by written evidence such as a confirmation ticket issued by the broker/dealer. In addition, investment controls shall be reviewed on a periodic basis. The controls shall be designed to prevent loss of public funds because of fraud, error, misrepresentation or imprudent actions. An independent audit of investment activity shall be performed as part of the annual audit of the City at the close of each fiscal year.

## **Section 14. Performance Standards.**

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

## **Section 15. Reporting**

All investment transactions shall be posted to the City's general ledger accounting system and reconciled on at least a monthly basis. The Finance Department shall reconcile at least semi-annually the confirmations of investments and collateral held by a safekeeping institution to the safekeeping statements submitted by the safekeeping institutions. The Finance Department shall provide the City Council with a quarterly investment activity report.

## **Section 16. Investment Policy Adoption**

The City's investment policy shall be adopted or amended only by resolution of the City Council and Trusts. The City shall annually review the Investment Policy regarding the investment of its funds and funds under its control.

## ATTACHMENT I

### 62 O.S. § 72.4a Public trusts—Restrictions on deposits—Exceptions

Oklahoma Statutes Annotated  
Title 62. Public Finance (Refs & Annos)  
Chapter 1. State Fiscal Affairs  
Depositories

62 Okl.St. Ann. § 72.4a

#### § 72.4a. Public trusts—Restrictions on deposits—Exceptions

##### Currentness

A. To the extent that public trusts that have the state or any city, town or county as a beneficiary deposit monies in financial institutions, the public trust shall place its monies only in collateralized or insured certificates of deposit and other evidences of deposit. To the extent that public trusts that have the state as a beneficiary deposit monies in financial institutions, such trusts may act directly on their own behalf and for their own account to document, implement and administer the collateralizing of such deposits, so long as the collateralizing or pledge of assets by financial institutions is made with the same type of collateral and in the same manner and form as pledges made to secure deposits by the State Treasurer under the Security for Public Deposits Act.

B. This section shall not be applicable to proceeds or other funds, including the revenue stream, relating to bond issues which shall be invested pursuant to the indenture established for such bonds.

##### Credits

Laws 1989, c. 354, § 1, emerg. eff. June 3, 1989; Laws 1992, c. 235, § 1, eff. Sept. 1, 1992; Laws 2002, c. 140, § 1, emerg. eff. April 29, 2002.

62 Okl. St. Ann. § 72.4a, OK ST T. 62 § 72.4a

Current with enacted legislation of the Second Regular Session of the 57th Legislature (2020)

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## ATTACHMENT II

### 62 O.S. § 348.1 Authorized investments—Disposition of income

Oklahoma Statutes Annotated  
Title 62. Public Finance (Refs & Annos)  
Chapter 2. Subdivisions of State  
Investment of Funds

62 Okl.St. Ann. § 348.1

#### § 348.1. Authorized investments—Disposition of income

##### Currentness

A. Except as otherwise provided for by law, a county treasurer, when authorized by the board of county commissioners by a written investment policy, ordinance or resolution or the treasurer of any city or town, when authorized by the appropriate governing body by a written investment policy, ordinance or resolution, shall invest monies in the custody of the treasurer in:

1. Direct obligations of the United States Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of this state is pledged;

2. Collateralized or insured certificates of deposits of savings and loan associations, banks, savings banks and credit unions located in this state, when the certificates of deposit are secured by acceptable collateral as provided by law, or fully insured certificates of deposit at banks, savings banks, savings and loan associations and credit unions located out of state;

3. Savings accounts or savings certificates of savings and loan associations, banks, and credit unions, to the extent that the accounts or certificates are fully insured by the Federal Deposit Insurance Corporation;

4. Investments as authorized by Section 348.3 of this title which are fully collateralized in investments specified in paragraphs 1 through 3 of this section, and where the collateral has been deposited with a trustee or custodian bank in an irrevocable trust or escrow account established for such purposes; or

5. County, municipal or school district direct debt obligation for which an ad valorem tax may be levied or bond and revenue anticipation notes, money judgments against such county, municipality or school district ordered by a court of record or bonds or bond and revenue anticipation notes issued by a public trust for which such county, municipality or school district is a beneficiary thereof. All collateral pledged to secure public funds shall be valued at no more than market value. The income received from that investment may be placed in the general fund of the governmental subdivision to be used for general governmental operations, the sinking fund, the building fund, or the fund from which the investment was made.

B. The provisions of this section shall not apply to investments made by organizations of municipalities created for the purpose of securing benefits and services relating to insurance for Oklahoma municipalities or other political subdivisions.

**Credits**

Laws 1943, p. 144, § 1, emerg. eff. Feb. 26, 1943; Laws 1955, p. 347, H.B. 810, § 1, emerg. eff. May 23, 1955; Laws 1963, c. 49, § 1, emerg. eff. May 2, 1963; Laws 1967, c. 356, § 1, emerg. eff. May 18, 1967; Laws 1970, c. 310, § 1, emerg. eff. April 23, 1970; Laws 1971, c. 69, § 1, emerg. eff. April 12, 1971; Laws 1974, c. 120, § 1, emerg. eff. May 1, 1974; Laws 1983, c. 141, § 1, emerg. eff. May 23, 1983; Laws 1984, c. 12, § 1, eff. Nov. 1, 1984; Laws 1988, c. 319, § 13, eff. Sept. 30, 1988; Laws 1991, c. 124, § 20, eff. July 1, 1991; Laws 1992, c. 211, § 10, eff. July 1, 1992; Laws 1999, c. 327, § 3, eff. July 1, 1999; Laws 2013, c. 51, § 1, eff. Nov. 1, 2013; Laws 2014, c. 43, § 1, eff. Nov. 1, 2014.

62 Okl. St. Ann. § 348.1, OK ST T. 62 § 348.1

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## ATTACHMENT III

### 62 O.S. § 348.3 Cities and counties—Written investment policies—Authorized investments

Oklahoma Statutes Annotated  
Title 62. Public Finance (Refs & Annos)  
Chapter 2. Subdivisions of State  
Investment of Funds

62 Okl.St. Ann. § 348.3

#### § 348.3. Cities and counties—Written investment policies—Authorized investments

##### Currentness

A. In addition to the investments authorized by Section 348.1 of this title, the governing body of a city or of a county may adopt a written investment policy directing the investment of the funds of the city or county and any of its public trusts or authorities. If such a policy is adopted by the governing body, such funds shall be invested pursuant to the provisions of the policy. The written policy shall address liquidity, diversification, safety of principal, yield, maturity and quality and capability of investment management, with primary emphasis on safety and liquidity. To the extent practicable, taking into account the need to use sound investment judgment, the written investment policies shall include provision for utilization of a system of competitive bidding in the investment of municipal funds. The system shall be designed to maximize yield within each class of investment instrument, consistent with the safety of the funds invested.

B. The written investment policy may authorize the city treasurer or county treasurer to purchase and invest in any or all of the following:

1. Obligations of the United States government, its agencies and instrumentalities;
2. Collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations and credit unions located in this state, or fully insured certificates of deposit at banks, savings banks, savings and loan associations and credit unions located out of state;
3. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings bank, a savings and loan association or a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed ten percent (10%) of the surplus funds of the city or county which may be invested pursuant to this section. Not more than one-half (  $\frac{1}{2}$  ) of the ten percent (10%) limit shall be invested in any one financial institution specified in this paragraph;
4. Prime banker's acceptances which are eligible for purchase by the Federal Reserve System and which do not exceed two hundred seventy (270) days' maturity. Purchases of prime banker's acceptances shall not exceed ten percent (10%) of the surplus funds of the city or county which may be invested pursuant to this section. Not more than one-half (  $\frac{1}{2}$  ) of the ten percent (10%) limit shall be invested in any one commercial bank pursuant to this paragraph;
5. Prime commercial paper which shall not have a maturity that exceeds one hundred eighty (180) days nor represent more than ten percent (10%) of the outstanding paper of an issuing corporation. Purchases of prime commercial paper shall not exceed seven and one-half percent (  $7\frac{1}{2}\%$  ) of the surplus funds of the city or county which may be invested pursuant to this section;

6. Repurchase agreements that have underlying collateral consisting of those items specified in paragraphs 1 through 5 of this subsection; and

7. Money market funds regulated by the Securities and Exchange Commission and which investments consist of those items and those restrictions specified in paragraphs 1 through 6 of this subsection.

C. 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.

**Credits**

Laws 1987, c. 194, § 14, operative July 1, 1987; Laws 1991, c. 124, § 21, eff. July 1, 1991; Laws 1996, c. 49, § 1, eff. July 1, 1996; Laws 1996, c. 160, § 1, eff. July 1, 1996; Laws 1997, c. 132, § 1; Laws 2001, c. 43, § 1, eff. Nov. 1, 2001.

62 Okl. St. Ann. § 348.3, OK ST T. 62 § 348.3

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## ATTACHMENT IV

### 62 O.S. § 517.5 Securities and other instruments that may be accepted as collateral

Oklahoma Statutes Annotated

Title 62. Public Finance (Refs & Annos)

Chapter 3. Provisions Applicable to State and Subdivisions

Security for Local Public Deposits Act

62 Okl.St.Ann. § 517.5

#### § 517.5. Securities and other instruments that may be accepted as collateral

##### Currentness

A. For purposes of securing public deposits, the treasurer of a public entity may accept as collateral only those securities and other instruments listed below. To insure the safety of public funds, the treasurer may establish standards which restrict, or limit further, any of the types or classes of securities or instruments listed below which may be accepted. Any treasurer of a public entity may request the State Treasurer to determine the eligibility of an individual security for pledging under this section. The treasurer may select the following securities and instruments for the purpose of securing public deposits:

1. Obligations, including letters of credit of the United States Government, its agencies and instrumentalities;
2. Obligations of this state or of a county, municipality, or school district of this state or of an instrumentality of this state or a county, municipality or school district of this state;
3. General obligation bonds of any other state of the United States; and
4. A surety bond if:
  - a. subject to the terms and conditions of the bond, it is irrevocable and absolute,
  - b. the surety bond is issued by an insurance company authorized to do business in Oklahoma, and which has been approved by the State Treasurer,
  - c. the issuer of the surety bond does not provide surety bonds for any one financial institution in an amount that exceeds ten percent (10%) of the surety bond insurer's policyholders' surplus and contingency reserve, net of reinsurance, and
  - d. the claims-paying ability of the authorized insurance company is rated, at all relevant times, in the highest category by at least two nationally recognized rating agencies acceptable to the State Treasurer.

B. A financial institution may substitute different forms of collateral from time to time, provided that the collateral is acceptable to the treasurer, and meets the requirements of this section and the rules of the State Treasurer.

**Credits**

Laws 2000, c. 136, § 12, eff. July 1, 2000.

62 Okl. St. Ann. § 517.5, OK ST T. 62 § 517.5

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