

1 Introduced September 28, 2004, by  
2 Councilwoman Burkhalter, seconded by  
3 Councilwoman Livaudais (both by request of  
4 Administration)

5 **Item No. 04-09-2443**

6 **ORDINANCE NO. 3217**

7  
8 An ordinance rescinding Ordinance No. 2687 and establishing a new  
9 Investment Policy for the City of Slidell.

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11 NOW THEREFORE BE IT ORDAINED by the Slidell City Council that it does  
12 hereby establish a new Investment Policy in accordance with the provision of R.S.  
13 33:2955(D).  
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15 **INVESTMENT POLICY**

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17 **I. Governing Authority**

18 *Legality*

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20 The investment program shall be operated in conformance with federal, state, and  
21 other legal requirements.  
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24 **II. Scope**

25 This policy applies to the investment of all funds,

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27 *Pooling of Funds*

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29 Except for cash in certain restricted and special funds, The City of Slidell will  
30 consolidate cash and reserve balances from all funds to maximize investment  
31 earnings and to increase efficiencies with regard to investment pricing, safekeeping  
32 and administration. Investment income will be allocated to the various funds based on  
33 their respective participation and in accordance with generally accepted accounting  
34 principles.  
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4 **III. General Objectives**

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6 The primary objectives, in priority order, of investment activities shall be safety,  
7 liquidity, and yield:  
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9 **1. Safety**

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11 Safety of principal is the foremost objective of the investment program.  
12 Investments shall be undertaken in a manner that seeks to ensure the  
13 preservation of capital in the overall portfolio. The objective will be to mitigate  
14 credit risk and interest rate risk.  
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17 **A. Credit Risk**

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19 The City of Slidell will minimize credit risk, which is the risk of loss due to  
20 the failure of the security issuer or backer, by limiting investments to the  
21 types of securities listed.  
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23 **(1) *Investment Types:***

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25 The assets of the City of Slidell shall be invested, as provided in R.S.  
26 33:2955(A)(1), as amended, in any of the following:  
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- 28  
29 **(a)** Direct U.S. Treasury obligations, the principal and interest of  
30 which are fully guaranteed by the U.S. government.  
31  
32 **(b)** Bonds, debentures, notes or other evidence of indebtedness  
33 issued or guaranteed by federal agencies and provided such  
34 obligations are backed by the full faith and credit of the U.S.,  
35 including U.S. Export Import Bank, Farmers Home  
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4 Administration, Federal Financing Bank, Federal Housing  
5 Administration Debentures, General Services Administration,  
6 Government National Mortgage Association (guaranteed  
7 mortgage-backed bonds and guaranteed pass-through  
8 obligations), U.S. Maritime Administration (guaranteed Title XI  
9 financing), and U.S. Department of Housing and Urban  
10 Development.  
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15 **(c)** Bonds, debentures, notes, or other evidence of indebtedness  
16 issued or guaranteed by U.S. government instrumentalities,  
17 which are federally sponsored, including Federal Home Loan  
18 Bank System, Federal Home Loan Mortgage Corporation,  
19 Federal National Mortgage Association, Student Loan Marketing  
20 Association, and Resolution Funding Corporation.  
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25 **(d)** Direct security repurchase agreements of any federal bank entry  
26 only securities enumerated in paragraphs (a) through (c) above.  
27 "Direct security repurchase agreement" means an agreement  
28 under which the political subdivision buys, holds for a specified  
29 time, and then sells back those securities and obligations  
30 enumerated in paragraphs (a) through (c).  
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35 **(e)** Time certificates of deposit of state banks organized under the  
36 laws of Louisiana, or national banks having their principal offices  
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4 in the state of Louisiana, savings accounts or shares of savings  
5 and loan associations and savings banks, or share accounts and  
6 share certificates accounts of federally or state chartered credit  
7 unions issuing time certificate of deposit; provided that the rate of  
8 interest paid for time certificates of deposit shall be not less than  
9 fifty basis points below the prevailing market interest rate on  
10 direct obligations of the U.S. Treasury with a similar length of  
11 maturity. Funds invested in accordance with this paragraph shall  
12 not exceed at any time the amount insured by the Federal  
13 Deposit Insurance Corporation in any one bank, or in any one  
14 savings and loan association, or by the National Credit Union  
15 Administration in any one credit union, unless the uninsured  
16 portion is collateralized by the pledge of securities in the manner  
17 provided in R.S. 39:1221.

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27 (f) Mutual or trust fund institutions erected as Massachusetts  
28 business trusts which are registered with the Securities and  
29 Exchange Commission under the Securities Act of 1933 and the  
30 Investment Act of 1940, and which have underlying investments  
31 consisting solely of and limited to securities of the U.S.  
32 government or its agencies. Such investment in mutual funds  
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4 shall be limited to 25% of the monies considered available for  
5 investment.  
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7 Cash and cash equivalents are comprised of daily cash balances  
8 above the day-to-day needs and funds set aside for portfolio strategy  
9 reasons. Short term investments of cash and cash equivalents may be  
10 placed in:  
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- 12 • Obligations of the U.S. Treasury, federal agencies, or U.S.  
13 government instrumentalities (as provided herein) with maturities  
14 of less than 2 years.  
15
- 16 • Time certificates of deposit, as provided herein.  
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- 18 • Money market mutual funds, as provided herein.  
19
- 20 • The Louisiana Asset Management Pool, Inc. as provided in Op.  
21 Atty. Gen. 94-186.  
22

23 **PROHIBITED TRANSACTIONS**  
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25 The following transactions are expressly prohibited:  
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- 27 • Any transactions not authorized by this policy.  
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  - 29 • The purchase of securities on margin.  
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  - 31 • Direct purchases of single family or commercial mortgages.  
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  - 33 • Purchases of foreign bonds.  
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  - 35 • The short sale of securities.  
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- 4 • As provided in R.S. 33:2955(A)(1)(b)(iii) - enacted by Act No. 1126  
5 of 1995, investment in obligations issued or guaranteed by federal  
6 agencies or U.S. government instrumentalities which are  
7 collateralized mortgage obligations that have been stripped into  
8 interest only or principal only obligations, inverse floaters, or  
9 structured notes. "Structured note" means securities of U. S.  
10 government agencies, instrumentalities, or government-sponsored  
11 enterprises which have been restructured, modified, and/or  
12 reissued by private entities.

- 13 • Investment in Derivatives

14 Derivative products are financial instruments created from or whose  
15 value depends on (is derived from) the value of one or more  
16 underlying assets or indexes of asset values. Derivatives include  
17 instruments or features such as collateralized mortgage obligations  
18 (CMOs), interest-only (Ios) and principal-only (Pos) securities,  
19 forwards, futures, currency and interest rate swaps, options,  
20 floaters/inverse floaters and caps/floor/collars.

21 **(2) Collateralization**

22 Full collateralization will be required on all demand deposit accounts,  
23 including checking accounts and non-negotiable certificates of  
24 deposit. The safety of public funds is the foremost objective.  
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4 Collateralization of public deposits through the pledging of appropriate  
5 securities serves as an important safeguard for such deposits.  
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8 **(3) *Pre-qualifying***

9 A list will be maintained of financial institutions and depositories  
10 authorized to provide investment services. In addition, a list will be  
11 maintained of approved security broker/dealers selected by  
12 creditworthiness (e.g., a minimum capital requirement of \$10,000,000  
13 and at least five years of operation). These may include "primary"  
14 dealers or regional dealers that qualify under Securities and Exchange  
15 Commission (SEC) Rule 15C3-1 (uniform net capital rule).  
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21 An annual review of the financial condition and registration of all qualified  
22 financial institutions and broker/dealers will be conducted by the investment  
23 officer.  
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26 **B. Interest Rate Risk**

27 The City of Slidell will minimize interest rate risk, which is the risk that the  
28 market value of securities in the portfolio will fall due to changes in market  
29 interest rates, by:  
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- 32 • Structuring the investment portfolio so that securities mature to meet  
33 cash requirements for ongoing operations, thereby avoiding the need  
34 to sell securities on the open market prior to maturity  
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- 4 • Investing operating funds primarily in shorter-term securities, money  
5 market mutual funds, or similar investment pools and limiting the  
6 average maturity of the portfolio.  
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9 **C. Diversification**

10 The investments shall be diversified by:

- 11 • Limiting investment in securities that have higher credit risks,  
12 • Investing in securities with varying maturities, and  
13 • Continuously investing a portion of the portfolio in readily available  
14 funds to ensure that appropriate liquidity is maintained in order to  
15 meet ongoing obligations.  
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20 **2. *Liquidity***

21 The investment portfolio shall remain sufficiently liquid to meet all operating  
22 requirements that may be reasonably anticipated. This is accomplished by  
23 structuring the portfolio so that securities mature concurrent with cash needs to  
24 meet anticipated demands (static liquidity). Furthermore, since all possible cash  
25 demands cannot be anticipated, the portfolio should consist largely of securities  
26 with active secondary or resale markets (dynamic liquidity). Alternatively, a  
27 portion of the portfolio may be placed in money market mutual funds or local  
28 government investment pools that offer same-day liquidity for short-term funds.  
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4 Unless matched to a specific cash flow, the City will not directly invest in  
5 securities maturing more than five (5) years from the date of purchase. Reserve  
6 funds and other funds with longer-term investment horizons may be invested in  
7 securities exceeding five (5) years if the maturities of such investments are  
8 made to coincide as nearly as practicable with the expected use of funds.  
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12 **3. Yield**

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14 The investment portfolio shall be designed with the objective of attaining a  
15 market rate of return throughout budgetary and economic cycles, taking into  
16 account the investment risk constraints and liquidity needs. Return on  
17 investment is of secondary importance compared to the safety and liquidity  
18 objectives described above. The core of investments is limited to relatively low  
19 risk securities in anticipation of earning a fair return relative to the risk being  
20 assumed. Securities shall generally be held until maturity with the following  
21 exceptions:  
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- A security with declining credit may be sold early to minimize loss of principal.
  - A security swap would improve the quality, yield, or target duration in the portfolio.
  - Liquidity needs of the portfolio require that the security be sold.

4 **IV. Investment Officials**

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6 The standard of prudence to be used by investment officials shall be the  
7 "prudent person" standard and shall be applied in the context of managing an overall  
8 portfolio. Investment officers acting in accordance with written procedures and this  
9 investment policy and exercising due diligence shall be relieved of personal  
10 responsibility for an individual security's credit risk or market price changes, provided  
11 deviations from expectations are reported in a timely fashion and the liquidity and the  
12 sale of securities are carried out in accordance with the terms of this policy.  
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17 The "prudent person" standard states that, "Investments shall be made with  
18 judgment and care, under circumstances then prevailing, which persons of prudence,  
19 discretion and intelligence exercise in the management of their own affairs, not for  
20 speculation, but for investment, considering the probable safety of their capital as well  
21 as the probable income to be derived."  
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25 Officers and employees involved in the investment process shall refrain from  
26 personal business activity that could conflict with the proper execution and  
27 management of the investment program, or that could impair their ability to make  
28 impartial decisions. Employees and investment officials shall disclose any material  
29 interests in financial institutions with which they conduct business. They shall further  
30 disclose any personal financial/investment positions that could be related to the  
31 performance of the investment portfolio. Employees and officers shall refrain from  
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4 undertaking personal investment transactions with the same individual with whom  
5 business is conducted on behalf of The City of Slidell.  
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7 Authority to manage the investment program is granted to Director of Finance,  
8 hereinafter referred to as investment officer. Responsibility for the operation of the  
9 investment program is hereby delegated to the investment officer, who shall act in  
10 accordance with established internal controls for the operation of the investment  
11 program consistent with this investment policy. No person may engage in an  
12 investment transaction except as provided under the terms of this policy and the  
13 procedures established by the investment officer. The investment officer shall be  
14 responsible for all transactions undertaken and shall establish a system of controls to  
15 regulate the activities of subordinate officials.  
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22 *Competitive Bids*

23 The investment officer shall obtain competitive bids from at least two brokers or  
24 financial institutions on all purchases of investment instruments purchased on the  
25 secondary market  
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28 **V. Safekeeping and Custody**  
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30 **1. *Delivery vs. Payment***

31 All trades of marketable securities will be executed by delivery vs. payment  
32 (DVP) to ensure that securities are deposited in an eligible financial institution  
33 prior to the release of funds.  
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36 **2. *Safekeeping***  
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4 Securities will be held by a independent third-party custodian selected by The  
5 City of Slidell as evidenced by safekeeping receipts in The City of Slidell's  
6 name. The safekeeping institution shall annually provide a copy of their most  
7 recent report on internal controls (Statement of Auditing Standards No. 70, or  
8 SAS 70).  
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12 **3. *Internal Controls***

13 The investment officer is responsible for establishing and maintaining an  
14 internal control structure designed to ensure that the assets of The City of  
15 Slidell are protected from loss, theft or misuse. The internal control structure  
16 shall be designed to provide reasonable assurance that these objectives are  
17 met. The concept of reasonable assurance recognizes that (1) the cost of a  
18 control should not exceed the benefits likely to be derived and (2) the valuation  
19 of costs and benefits requires estimates and judgments by management.  
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21 The internal controls structure shall address the following points:  
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- 23 • Control of collusion
  - 24 • Separation of transaction authority from accounting and recordkeeping
  - 25 • Custodial safekeeping
  - 26 • Avoidance of physical delivery securities
  - 27 • Clear delegation of authority to subordinate staff members
  - 28 • Written confirmation of transactions for investments and wire transfers
  - 29 • Dual authorization of wire transfers
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- 4           • Development of a wire transfer agreement with the lead bank and third-  
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6 party custodian

7 Accordingly, the investment officer shall establish a process for an annual  
8 independent review by an external auditor to assure compliance with policies and  
9 procedures or alternatively, compliance should be assured through The City of Slidell  
10 annual independent audit.  
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14 **VI. Reporting**


15 The investment officer shall prepare an investment report at least quarterly. The  
16 report will include the following:  
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- 18           • Listing of individual securities held at the end of the reporting period.  
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20           • Listing of investment by maturity date.  
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22           • Percentage of the total portfolio which each type of investment represents.  
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24 **VII. Approval of Investment Policy**

25 The investment policy shall be formally approved and adopted by the governing body  
26 of The City of Slidell and reviewed annually by the investment officer.  
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28 **ADOPTED** this 26th day of October, 2004.  
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30   
31 Elsie Burkhalter  
32 President of the Council  
33 Councilwoman, District A  
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36 Shawn B. McManus, CMC  
37 Clerk of the Council  
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36 Ben O. Morris  
37 Mayor  
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DELIVERED	9:00 AM
	to the Mayor
10/29/04	
RECEIVED	1:00 p.m.
11/3/07	from the Mayor