

## Investment Policy

### City of Omaha, NE

#### 1.0 Purpose

The purpose of this Investment Policy (“Policy”) is to set forth the investment objectives and parameters for the management of the funds of the City of Omaha (hereinafter “City”). These policies are designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices.

#### 2.0 Scope

This investment policy applies to all financial assets of the City, except for its employees’ retirement systems which are administered by a separate Board of Trustees. These funds include:

##### 2.1 Funds

2.1.1 General Fund

2.1.2 Special Revenue Funds

2.1.3 Debt Service Funds

2.1.4 Capital Project Funds

2.1.5 Utility and Enterprise Funds

2.1.6 Internal Service Funds

2.1.7 Trust and Agency Funds

2.1.8 Any new fund created by the City, unless specifically exempted.

#### 3.0 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.

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. Investment officers acting in accordance with written procedures and the investment responsibility for an individual security’s credit risk or market price changes, provided deviations from exception are reported in a timely fashion and appropriate action is taken to control adverse developments.

#### 4.0 Objective

The primary objectives, in priority order, of the City investment activities shall be:

4.1 Safety of Principal – The foremost objective of this investment program is the safety of principal of those funds within the portfolios. Investment transactions shall seek to keep capital losses at a minimum, whether they are from securities defaults or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

4.2 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. Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same day liquidity for short term funds.

4.3 Return on Investment – 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 core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

4.3.1 A security with declining credit may be sold early to minimize loss of principal.

4.3.2 A security could be sold to improve the quality, yield, or target duration in the portfolio.

4.3.3 Liquidity needs of the portfolio require that the security be sold.

#### 5.0 Delegation of Authority

Structure and management of the responsibility for the investment program is delegated to the Finance Director who is designated as Investment Officer of the City.

5.1. Responsibilities of the Finance Director: The Finance Director has the management responsibility for investing all public funds belonging to and under the control of the City, except for its employee retirement systems, in accordance with principles of sound treasury management and in accordance with applicable laws and ordinances as outlined in this Investment Policy.

5.1.1 The Finance Director shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should be established to include safekeeping, collateral/depository agreements and banking service agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions except as provided under the terms of this policy and procedures established.

5.1.2 The Finance Director is charged with ensuring that the Investment Policy is implemented and shall be reviewed annually to ensure its consistency with respect to the overall objectives of safety, liquidity and yield, and is relevant to current laws and financial trends. The Investment Policy and proposed amendments to the Policy shall be prepared by the Finance Director. After approval by the Investment Advisory Committee and the Mayor, they shall be forwarded to the City Council for consideration and adoption.

5.2. Investment Advisory Committee: The Investment Advisory Committee was created by an Executive Order of the Mayor of the City of Omaha.

5.2.1. Committee Membership: The Investment Advisory Committee members are the Finance Director (Chairperson), the Mayor's Chief of Staff, the Treasurer, the City Attorney, or his designee, and two members of the private sector investment community, not from the same firm or organization, appointed by the Mayor.

5.2.2. Committee Purpose and Responsibilities:

5.2.2.1 To review and recommend general investment strategies for the City.

5.2.2.2 To review and recommend investment and portfolio policies which will maximize both the short term and long term yields on City investments.

5.2.2.3 To review and recommend sound and secure investment procedures consistent with applicable Federal and State laws and the Home Rule Charter of the City.

5.2.2.4 To review such practices and procedures at least twice a year and provide a written report to the Mayor recommending changes and current status of the City Investment Policy.

## 6.0 Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and Investment Officers shall disclose to the Mayor any material financial interest in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City portfolio. Employees and officers shall subordinate their personal investment transactions to those of this jurisdiction, particularly with regard to the timing of purchases and sales.

## 7.0 Authorized Financial Dealers and Institutions

The Finance Director will maintain a list of financial institutions authorized to provide investment services that are members of the FDIC with offices in Omaha, Nebraska and have executed Pledge and Security Agreements on file with the City. In addition, a list will also be maintained of approved security broker/dealers, recommended by the Investment Advisory Committee. These may include either "primary" dealers or regional dealers that qualify under SEC Rule 15c3-1 (Uniform Net Capital Rule). No public deposit shall be made except in a qualified public depository as established by state laws.

7.1 Requirements for Financial Statements and Executed Pledge and Security Agreements- Each bank and security broker/dealer who wishes to do business with the City shall be required to submit a copy of its latest audited financial statement. After a review of the financial statements and other relevant information, the City will determine whether a Pledge and Security Agreement should be executed with the institution based on the standards outlined in this Policy. The City requires that an executed Pledge and Security Agreement and a current audited financial statement be on file for each financial institution and broker/dealer in which the City invests.

## 8.0 Authorized and Suitable Investments

8.1 Investments should be made subject to the cash flow needs and such cash flows are subject to revisions as market conditions and the City's needs change. However, when invested funds are needed in whole or in part for the purpose originally intended or for more optimal investments, the Finance Director or designee may sell the investment at the then prevailing market price and place the proceeds into the proper account at the City's custodian.

8.2 The following are the investment requirements and allocation limits on security types, issuers, and maturities as established by the City. The Finance Director or designee shall have the option to further restrict investment percentages from time to time based on market conditions, risk and diversification investment strategies. The percentage allocation requirements for investment type and issuers are calculated based on the original cost of each investment versus the market value of total investments. The allocation requirements apply at the time of purchase. Non-compliance due to a decrease in investment balance does not require corrective action. Investments not listed in this Policy are prohibited.

8.2.1. United States Government Securities

8.2.1.1 Purchase Authorization - The City may invest in direct negotiable obligations, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government. Such securities will include, but not be limited to the following:

8.2.1.1.1 Cash Management Bills

8.2.1.1.2 Treasury Securities

8.2.1.1.3 Treasury Bills, Notes, and Bonds

8.2.1.1.4 Treasury Strips

8.2.1.2 Portfolio Composition - A maximum of 100% of available funds may be invested in the United States Government Securities.

8.2.1.3 Maturity Limitations- A maximum length to maturity for an investment in United States government securities is five (5) years from the date of purchase.

8.2.2. United States Government Agencies and Instrumentalities

8.2.2.1 Purchase Authorization - The City may invest in US Government Agencies and Instrumentalities rated at least "Aa" by Moody's and "AA" by Standard & Poor's. Such securities will include, but not be limited to the following:

8.2.2.1.1 Federal National Mortgage Association

8.2.2.1.2 Federal Home Loan Banks

8.2.2.1.3 Government National Mortgage Association

8.2.2.2 Portfolio Composition - A maximum of 70% of available funds may be invested in United States Agencies and Instrumentalities. Diversification of money in agencies should be such that the maximum percentage in each agency is as follows:

8.2.2.2.1 Federal Farm Credit Banks 20%

8.2.2.2.2 Federal National Mortgage Association 30%

8.2.2.2.3 Federal Home Loan Banks 40%

8.2.2.2.4 Government National Mortgage Association 30%

8.2.2.2.5 Federal Home Loan Mortgage Corp 20%

8.2.2.3 Maturity Limitations- A maximum length to maturity for an investment in United States government agencies and instrumentalities is five (5) years from the date of purchase.

8.2.3. Certificates of Deposit/Money Market

8.2.3.1 Purchase Authorization

8.2.3.2 The City may invest in certificates of deposit issued by state and national banks with a minimum of two (2) deposit receiving branches in the City that are guaranteed or insured by the Federal Deposit Insurance Corporation and have executed Pledge and Security Agreements on file with the City.

8.2.3.3 Portfolio Composition- A maximum of FDIC insurance limits for each institution unless the institution will hold collateral of the type described in paragraph (A) for the City in the event of default. Generally, no more than 10% of City assets should be held in Certificates of Deposit and no more than 10% should be held in Money Markets.

8.2.3.4 Maturity Limitations - A maximum length to maturity for an investment in Certificate of Deposit is thirty (30) months from the date of purchase.

#### 8.2.4. Repurchase Agreements

##### 8.2.4.1 Purchase Authorization

8.2.4.2 The City may invest in repurchase agreements.

8.2.4.3 Portfolio Composition - A maximum of 20% of available funds may be invested in repurchase agreements.

8.2.4.4 Maturity Limitations- A maximum length to maturity for a repurchase agreement investment is five (5) months from the date of purchase.

#### 8.2.5. Bond Mutual Funds

8.2.5.1 Purchase Authorization - The City may invest in mutual funds that maintain a minimum of 90% fixed income and cash in the portfolio at all times. The prospectus of the mutual fund must state that the average credit quality cannot drop below AA.

8.2.5.2 Portfolio Composition- A maximum of 10% of available funds may be invested in bond mutual funds.

8.2.5.3 Maturity Limitations- A maximum length to maturity for bond mutual funds is five (5) years with the average weighted maturity less than three (3) years.

#### 9.0 Collateral

9.1 The appropriate bond, insurance, or collateralization will be required on all certificates of deposit and all funds on deposit with the City's designated depository. In order to anticipate market changes and provide a level of security for all funds, securities pledged as collateral must total 105% of the total certificates face value when issued. Securities pledged as collateral will be priced at marked to market value on the first of each month (market price used must be bid price). If the market value of the pledged collateral falls below the 105% standard, additional collateral must be pledged immediately.

9.2 Acceptable collateral for certificates of deposit with the City will include any securities of U.S. Government sponsored enterprises and other agencies which are guaranteed by the full faith and credit of the U.S. Government, included but not limited to the following:

9.2.1 FDIC insurance to maximum amount guaranteed

9.2.2 U.S. Treasury Bills

9.2.3 Treasury Notes

9.2.4 U.S. Treasury Bonds

9.2.5 Zero-coupon or striped coupon U.S. Treasury Notes or Bonds maturing within two (2) years

9.2.6 Federal Farm Credit Banks securities

9.2.7 Government National Mortgage Association securities

9.2.8 City of Omaha General Obligation and Revenue Notes or Bonds (No Tax increment Financing Bonds or Loans).

9.2.9 Federal National Mortgage Association

9.2.10 Federal Home Loan Mortgage Corporation

9.2.11 Federal Home Loan Bank System

9.2.12 Small Business Administration Loans

9.2.13 Student Loan Marketing Association

9.3 The market value of all pledged securities with the exception of U.S. Treasury Bills, Notes, or Bonds and City of Omaha Bonds must be calculated by a third party, previously approved by the City, independent of the party pledging the collateral at bid prices plus 5%. The City should be furnished a statement of valuation on a monthly basis by the party calculating the market value.

9.3.1 Collateral will be held by the City Treasurer or an independent third party at a location within the State of Nebraska, if approved by the Finance Director.

9.3.2 The right of collateral substitution is granted if previously approved by the Finance Director.

10.0 Safekeeping and Custody- All security transactions, including collateral, entered

into by the City, shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by the City Treasurer and evidenced by safekeeping receipts.

11.0 Diversification - The City will diversify its investments by security type and institution. With the exception of US Treasury securities, no more than the following percentages can be invested:

11.1 Certificates of Deposit issued by commercial banks will not exceed 10% of the total investment portfolio.

11.2 No more than 25% of the total portfolio shall be invested in the issuances of any single institution other than securities issued by the US Government and its affiliated agencies.

12.0 Internal Control - The Finance Director shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures. The policies and procedures should be reviewed biennial by the City of Omaha Investment Advisory Committee.

13.0 Performance Standards - In order to assist in the evaluation of the portfolios' performance, the City will use performance benchmarks for short term and long term portfolios. The use of benchmarks will allow the City to measure its returns against other investors in the same markets.

13.1 Investment performance of funds designated as short term funds and other funds that must maintain a high degree of liquidity will be compared to the return on short term benchmarks such as the Salomon Smith Barney 3-Month Treasury Bill Index and the Salomon Smith Barney 1-Year Treasury Bill Index. Current operating funds shall have maturities of no longer than thirty (30) months and a weighted average maturity not to exceed twelve (12) months.

14.0 Reporting - The Finance Director and shall provide the City Council with a Quarterly Investment Report that summarizes but is not limited to the following:

14.1 Recent market conditions, economic developments and anticipated investment conditions.

14.2 The investment strategies employed in the most recent quarter.

14.3 A description of all securities held in investment portfolios at month-end.

- 14.4 The total rate of return for the quarter and year to date versus appropriate benchmarks.
- 14.5 Any areas of Policy concern warranting possible revisions to current or planned investment strategies. The market values presented in these reports will be consistent with accounting guidelines to the valuation of investments and the treatment of unrealized gains/losses.

On an annual basis, the Finance Director shall submit to the City Council a written report on all invested funds. The annual report shall provide all, but not limited to, the following: a complete list of all invested funds, name or type of security in which the funds are invested, the amount invested, the maturity date, earned income, the book value, the market value, the yield on each investment and a portfolio stress test analysis.

The annual report will show performance on both a book value and total rate of return basis and will compare the results to the above stated performance benchmarks.

- 15.0 Investment Policy Adoption - The City investment policy shall be adopted by Resolution of the City Council. The policy shall be reviewed on an annual basis by the Investment Advisory Committee and any modifications made thereto must be approved by the City Council.