

FLINT PUBLIC LIBRARY DISTRICT  
INVESTMENT POLICY

Section 1.       PURPOSE

The purpose of this Policy is to set forth the investment objectives and parameters for the management of public funds of The Flint Public Library. This investment policy is designed to safeguard funds on behalf of the Library, to assure the availability of operating and capital funds when needed, and provide an investment return competitive with comparable funds and financial market indices.

Section 2.       SCOPE

In accordance with Public Act 20 of 1943 as amended and MCL 129.91, this investment policy applies to all financial assets held or controlled by the Board on behalf of the Library. These assets are accounted for in the various funds of the Library and include the general fund, special revenue funds, debt service funds, capital projects funds, enterprise funds, internal service funds, trust and agency funds and any new fund established by the Library. This investment policy does not apply to any financial asset or money that is otherwise subject to a public act or bond authorizing ordinance or resolution that permits investment in fewer than all the investment options listed in this policy or imposes one or more conditions upon an investment listed in this policy.

Section 3.       INVESTMENT OBJECTIVES

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield.

A.       Safety of Principal

The foremost objective of this investment program is the safety of the principal of funds. Investment transactions shall be undertaken in a manner to ensure the preservation of capital in the overall portfolio. The objective will be to minimize credit risk and interest rate risk.

i.       Credit Risk (Custodial Credit Risk and Concentration Credit Risk)

The Library will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in Section 7 of this Investment Policy; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Library will do business in accordance with Section 7 of this Investment Policy.

The Library will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Library's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

ii.       Investment Rate Risk

The Library will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market 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 in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Library's cash requirements.

iii.       Foreign Currency Risk

The Library is not authorized to invest in investments which have this type of risk.

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B. Maintenance of Liquidity

The funds shall be managed such that they are available to meet reasonably anticipated cash flow requirements and operating requirements that may be reasonably anticipated.

C. Yield/Return on Investment

Investment portfolios 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. It is understood that return on investment is of secondary importance when compared to the safety and liquidity objectives described above.

D. Diversification

The investments will be diversified by maturity date, security type and institution(s) in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Section 4. MANAGEMENT OF INVESTMENTS

The Board hereby designates the Investment Officer as the person who shall have overall oversight of the Library investments. The Investment Officer oversees the day-to-day management of Library investments and fulfills the duties delegated to the Investment Officer pursuant to this Policy. If the Investment Officer is not the Library Director, the Investment Officer will be supervised in performing his/her duties pursuant to this policy by the Library Director and the Board Treasurer.

The Board Treasurer will work with the Investment Officer to establish internal controls and procedures to regulate the investment activities as adopted by the Board of Trustees with this policy. The Investment Officer shall be responsible for the transferring of appropriate funds to affect investment transactions, for the investment of operating funds, operating reserves funds, and bond proceeds, consistent with this policy and actions of the Board. Should the Board elect to select an outside investment advisor, such advisor or firm must be registered under the Investment Advisor's Act of 1940. No person may engage in investment transactions except as provided under the terms of this policy and the procedures adopted pursuant to this Policy.

Section 5. STANDARDS OF PRUDENCE

The standard of prudence to be used by the Investment Officer shall be the "Prudent Person" standard and shall be applied in the context of managing the overall investment program. The Prudent Person standard states:

"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 from the investment."

Section 6. ETHICS AND CONFLICTS OF INTEREST

The Board, its members and the Investment Officer shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair one's ability to make impartial investment decisions. Also, the Investment Officer shall disclose to the Board any material financial interests in Qualified Institutions that conduct business with the

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Board or the Library, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the Library's investment program.

Section 7        AUTHORIZED INSTRUMENTS.

In accordance with Public Act 20 of the Public Acts of 1943, as amended from time to time, the surplus funds of the Flint Public Library may be invested as follows:

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, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.

In addition, the Library Board by resolution may authorize its investment officer to invest the funds of the Library in certificates of deposit obtained through a financial institution accordance with all of the following conditions:

- 1)        The funds are initially invested through a financial institution that is not ineligible to be a depository of surplus funds belonging to this state under section 6 of 1855 PA 105, MCL 21.146.
- 2)        The financial institution arranges for the investment of the funds in certificates of deposit in 1 or more insured depository institutions, as defined in 12 USC 1813, or 1 or more insured credit unions, as defined in 12 USC 1752, for the account of the public corporation.
- 3)        The full amount of the principal and any accrued interest of each certificate of deposit is insured by an agency of the United States.
- 4)        The financial institution acts as custodian for the public corporation with respect to each certificate of deposit.
- 5)        At the same time that the funds of the public corporation are deposited and the certificate or certificates of deposit are issued, the financial institution receives an amount of deposits from customers of other insured depository institutions or insured credit unions equal to or greater than the amount of the funds initially invested by the public corporation through the financial institution.

C.        Commercial paper rated at the time of purchase within the two (2) highest classifications established by not less than two 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 above. Repurchase agreements must be executed by the bank or dealer, and shall be negotiated only with dealers or financial institutions with whom the Flint Public Library has negotiated a master repurchase agreement approved by the Library's legal counsel.

E.        Bankers' acceptances of United States Banks.

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F. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one (1) standard rating service.

G. Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. The authorization to invest in mutual funds is limited to investments maintaining a net asset value of \$1.00 per share. However, a mutual fund is not disqualified as a permissible investment solely by reason of the following:

- 1) The purchase of securities on a when-issued or delayed delivery basis.
- 2) 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.
- 3) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.

H. Obligations described in 5A through 5G above if purchased through an interlocal agreement under state law (Urban Cooperation Act of 1967) e.g. the MBIA Michigan CLASS program.

I. Investment pools organized under the Local Government Investment Pool Act, 1985 PA 121 and the Surplus Funds Investment Pool Act, 1982 PA 367.

Section 8. SAFEKEEPING AND CUSTODY.

All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by the Flint Public Library shall be on a cash (or delivery vs. payment) basis. Securities may be held by a third party custodian designated by the Investment Officer and evidenced by safekeeping receipts as determined by the Investment Officer.

Section 9 REPORTS.

The Investment Officer may elect to have certificates and other evidence of investments held by a financial institution and sufficient documentation and acknowledgment of investments held on behalf of the Library, provided that such documentation is provided on a quarterly basis. The Investment Officer shall provide a quarterly report to the governing body concerning the investment of funds.

Section 10. POLICY CONSIDERATIONS

A. Any investment held at the time of the implementation of this policy that meets the requirements of MCL 129.91 but does not meet the guidelines of this policy, shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

B. Amendments.  
This policy shall be reviewed from time to time. The Library Board of Trustees must adopt any changes to this policy.

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- C. The Investment Officer shall comply with all statutes related to public fund investments. Any provision of this policy that is in conflict with state law is void.

Adopted 12/6/2012

Revised \_\_\_\_\_

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CERTIFICATION OF AUTHORIZED INSTITUTION

\_\_\_\_\_ acknowledges it has read, understands and agrees to  
comply with the investment policy of the Flint Public Library District.

BY: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_