



## ADMINISTRATIVE POLICY

### *City of Wilmington*

<b>EFFECTIVE DATE:</b> <b>7/15/25</b> (Amends original policy dated 9/22/06)	<b>APPROVED BY:</b> <b>Rebecca L. Hawke</b> City Manager	<b>POLICY NUMBER:</b>
<b>SUBJECT:</b> <b><i>Investment Policy</i></b>		

### **PURPOSE**

This policy is hereby established to facilitate the preservation of capital and investment of public funds in a manner which provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all state statutes governing the investment of public funds.

### **1.0 Scope**

- 1.1 This investment policy applies to all financial assets in the City's investment portfolio including debt proceeds.
- 1.2 Except for cash in certain restricted and special funds, the City will consolidate cash from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

### **2.0 Objectives**

- 2.1 The primary objectives, in priority order, of the City's investment activities will be: safety, liquidity, yield.

a. Safety of principal is the foremost objective of the investment program. Investments of the City will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

#### Credit Risk

The City will minimize 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 6 of this policy in accordance with state statutes.

### Concentration of Credit Risk

The City will minimize concentration of credit risk by:

- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized in accordance with Section 7 of this policy.

### Interest Rate Risk

The City 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 on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with section 7 of this policy.

b. The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated through the use of structured maturities, marketable securities, and by placing a portion of the portfolio in money market funds or local government investment pools which offer same-day liquidity for short-term funds.

c. The City's investment portfolio will be designed with the objective of attaining a market rate of return while minimizing risk and retaining liquidity.

## **3.0 Standards of Care**

- 3.1 The standard of prudence to be used by staff will be the "prudent person" rule. The "prudent person" concept discourages speculative transactions. It attaches primary significance to the preservation of capital and secondary importance to the generation of income and capital gains. Authorized staff, if acting in accordance with written procedures and state statutes and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that these deviations are reported immediately and action is taken to control adverse developments.
- 3.2 North Carolina G.S. 159-25(a)6 delegates management responsibility for the investment program to the Finance Director. The Finance Director will establish and maintain written procedures for the operation of the investment program consistent with this investment policy. Such procedures will include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director. The Finance Director will be responsible for all transactions undertaken and will establish a system of controls to regulate the activities of subordinates.

- 3.3 Officers and employees involved in the investment process will 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 officials will disclose any material financial interests in financial institutions that conduct business within this jurisdiction, and they will further disclose any large personal financial/investment positions that could be related to the performance of the City's portfolio. Employees and officers will subordinate their personal investment transactions to those of the City, particularly with regard to the time of purchase and sales.

#### **4.0 Authorized Financial Institutions and Broker/Dealers**

- 4.1 The Finance Director will maintain a list of financial institutions authorized to provide investment services. Authorized financial institutions include banks and securities brokers/dealers. Institutions will be evaluated annually on credit worthiness and other criteria as determined by the Finance Director. A list of no more than eight (8) authorized institutions will be established and maintained.

#### **5.0 Safekeeping and Custody**

- 5.1 All transactions, including collateral for repurchase agreements, entered into by the City will be conducted on a delivery-versus-payment basis. Securities will be held by a contracted third party custodian designated by the Finance Director and evidenced by safekeeping receipts.

#### **6.0 Authorized Investments**

- 6.1 The City is empowered by North Carolina G.S. 159-30(c) to invest in the following types of securities:
- a. Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States.
  - b. Obligations of the Federal Financing Bank, the Federal Farm Credit Bank, the Bank for Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, the Farmers Home Administration, the United States Postal Service.
  - c. Obligations of the State of North Carolina.
  - d. Bonds and notes of any North Carolina local government or public authority.
  - e. Fully collateralized certificates of deposit issued by any bank or savings and loan organized under the laws of the State of North Carolina.
  - f. Prime quality commercial paper bearing the highest rating of at least one nationally recognized rating service and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligation.
  - g. Bankers acceptances of a commercial bank or its holding company provided that the bank or its holding company is either (i) incorporated in the State of North Carolina or (ii) has outstanding publicly held obligations bearing the highest rating of

at least one nationally recognized rating service and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligations.

h. Participating shares in a mutual fund for local government investment, provided that the investments of the fund are limited to those qualifying for investment under this subsection and that said fund is certified by the Local Government Commission.

i. Commingled investment pool established and administered by the State Treasurer.

j. Commingled investment pool established by interlocal agreement by two or more units of local government, if the investments of the pool are limited to those qualifying under G.S. 159-30.

k. Evidences of ownership of, or fractional undivided interest in, future interest and principal payments on either direct obligations of the United States government or obligations the principal of and the interest on which are guaranteed by the United States, which obligations are held by a bank or trust company organized and existing under the laws of the United States or any state in the capacity of custodian.

l. Repurchase agreements with respect to either obligations of the United States or obligations the principle of and the interest on which are guaranteed by the United States if entered into with a broker or dealer, as defined by the Securities Exchange Act of 1934, which is a dealer recognized as a primary dealer by a Federal Reserve Bank, or any commercial bank, trust company or national banking association, the deposits of which are insured by the Federal Deposit Insurance Corporation or any successor thereof.

## **7.0 Fossil Fuel Free Investing**

### **7.1 Key definitions:**

a. Fossil fuels – Natural energy sources such as coal, crude oil, and natural gas formed from the remains of ancient plants and animals. These fuels are burned to produce energy but are associated with greenhouse gas emissions and environmental impact.

b. Extraction of fossil fuels – The process of locating, drilling, and removing raw fossil fuels from the earth. This includes activities such as coal mining, oil drilling, and gas fracking.

c. Production of fossil fuels – The refining and processing of extracted fossil fuels into usable products like gasoline, diesel, or electricity. This also encompasses infrastructure and operations involved in transforming raw materials into final energy products.

7.2 The City is committed to responsible financial stewardship and climate-conscious decision-making and aims to align its investment portfolio with its sustainability goals while safeguarding the long-term interests of its residents.

- 7.3 The City's portfolio will exclude investment in commercial paper issued by companies engaged in the extraction and/or production of fossil fuels, such as coal, oil and natural gas.

## **8.0 Investment Parameters**

- 8.1 The City will diversify its investments by security type. With the exception of U.S. Treasury securities, money market funds and authorized pools, no more than 25% of the City's total investment portfolio will be invested in a single security type.
- 8.2 To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Beyond identified cash flow needs, investments will be purchased so that maturities are staggered to avoid undue concentration of assets in a single maturity range, however, the City will not directly invest in securities maturing more than (5) years from the date of purchase and the weighted average maturity of the portfolio shall never exceed one year. The City may collateralize its repurchase agreements using longer-dated investments not to exceed ten (10) years to maturity.
- 8.3 Authorized staff shall obtain competitive bids from as least two brokers or financial institutions on all purchases of investment instruments purchased on the secondary market.
- 8.4 It is the City's full intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars. However, economic or market conditions may change, making it in the City's best interest to sell or trade a security prior to maturity.

## **9.0 Reporting**

- 9.1 The Finance Director is charged with the responsibility of preparing a quarterly investment report for the Audit Committee which includes portfolio composition by investment types and invested amount and weighted average portfolio maturity and yield.

## **10.0 Approval of Investment Policy**

- 10.1 This policy and subsequent changes to this policy shall be approved by the City's Audit Committee.