



Huntsville, Alabama

305 Fountain Circle
Huntsville, AL 35801

Cover Memo

Meeting Type: City Council Regular Meeting **Meeting Date:** 1/9/2025

File ID: TMP-4970

Department: Finance

Subject:

Type of Action: Approval/Action

Introduction of an Ordinance amending Article IV, Division 1, Sec. 2-151 of the Code of Ordinances, City of Huntsville, to correct and update the investment policy of the City of Huntsville.

Ordinance No.

Finance Information:

Account Number: N/A

City Cost Amount: \$ N/A

Total Cost: \$ N/A

Special Circumstances:

Grant Funded: \$ N/A

Grant Title - CFDA or granting Agency: N/A

Resolution #: N/A

Location: (list below)

Address: N/A

District: District 1 District 2 District 3 District 4 District 5

Additional Comments:

ORDINANCE NO. 25-_____

BE IT ORDAINED by the City Council of the City of Huntsville, Alabama as follows: Article IV, Division 1, Section 2-151 of the Code of Ordinances of the City of Huntsville, Alabama, is hereby amended to read as follows:

Sec. 2-151. Investment policy.

- (a) *Generally.* It is the policy of the city to invest city funds in a manner which will ensure maximum security with sufficient liquidity to meet daily cash flow demands while providing the highest investment return on municipal funds. The investment of all city funds is the responsibility of the finance department. The director of finance and employees whom he may designate are authorized to invest city funds consistent with this policy.
- (b) *Scope.*
 - (1) Pursuant to Code of Ala. 1975, Sec. 11-81-19—11-81-21, this section applies to all municipal funds of the city.
 - (2) This section applies to all transactions involving the financial assets and related activities of all municipal funds of the city.
- (c) *Objectives.*
 - (1) Safety of principal is the foremost objective of the investment policy of the city. Investment transactions shall seek to avoid capital losses, whether they be from security defaults or erosion of market value. 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, the city shall diversify its portfolio to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions or investments with similar maturities.
 - (2) Another objective is that the city's investment portfolio will remain sufficiently liquid to enable the city to meet all operating requirements which might be reasonably anticipated. An additional objective is to attain a maximum investment yield on available funds taking into account the city's investment risk constraints and the cash flow characteristics of the portfolio.
- (d) *Authority, prudence and ethics.*
 - (1) Management responsibility for the investment program is delegated to the director of finance, who shall establish written procedures for the operation of the investment program consistent with this investment policy. Such procedures shall include explicit delegation of authority to the persons responsible for transactions. No person shall engage in an investment transaction except as provided under the terms of this section and the procedures established under this section. The director of finance shall be responsible for all transactions undertaken and shall establish a system of controls to regulate investment activities of officials with responsibilities under this section.
 - (2) Investments shall be made with judgment and care, under circumstances then prevailing, which the 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. 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 exercising due diligence shall be relieved of personal responsibility for any change in an individual security's credit risk or market price, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

- (3) 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. Full disclosure shall be made by officers and employees who may have material financial interests in financial institutions that conduct business with the city, and they shall further disclose any large personal investments or financial activities that could be related to the performance of the city's portfolio.
- (e) *Internal controls and reporting requirements.* The director of finance shall establish a system of internal control designated to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the city. Annually, the director of finance shall report on the investment program and investment activity. The report shall include a comparison of investment returns and may recommend policies and improvements that might be made in the investment program.
- (f) *Instruments, maturities and risks.*
- (1) The city may invest municipal funds in accordance with Code of Ala. 1975, Title 11.
 - (2) It is the policy of the city to diversify its investment portfolio to minimize the risk of loss resulting from over-investing funds in a specific maturity, a specific financial institution or a specific class of security instruments. With the exception of U.S. Treasury securities, no more than 50 percent of the city's investment portfolio will be invested in a single security type or with a single financial institution. Investments of the city shall be made in instruments whose maturities do not exceed five years. In order to ensure adequate liquidity without market risk, investments shall have maturity dates at or prior to the time cash is prudently projected to be required to meet disbursement needs.
- (g) *Collateralization, safekeeping and custody.*
- (1) It is the city's policy that any bank or financial institution in the State of Alabama that invest city municipal funds shall be a Qualified Public Depository certified by the Alabama State Treasurer according to the Security for Alabama Funds Enhancement Act (SAFE Act), Section 41-14A-1, et seq., Code of Alabama 1975, as amended from time to time.
 - (2) All amounts of deposit made, and certificate of deposits (CDs) issued in excess of amounts insured by the FDIC and FSLIC shall be collateralized with securities of the United States government, federal agencies which represent the full faith and credit of

the United States, or otherwise authorized by state law. The collateral for each deposit or certificate of deposit shall have a market value equal to at least 100 percent of the excess amounts insured by the FDIC and FSLIC.

- (3) It is the policy of the city to require from each authorized financial institution holding city funds a listing of securities pledged as collateral to protect the city's investment. This listing of collateral shall be provided to the city by each institution for deposits held on June 30 and December 31 of each year. All investment securities purchased by the city and all collateral on deposits of the city shall be held in a custodian account maintained by a trust department of a bank insured by the FDIC, in the Federal Reserve Bank or by the city. The trust department shall issue a safekeeping receipt to the city listing the specific instrument, rate of return, maturity date and other pertinent information.

(h) *Authorized financial institutions.*

- (1) The city finance director shall maintain the list of approved banks or financial institutions for investment purposes that have offices located in the city.
- (2) Before accepting funds or engaging in investment transactions with the city, the supervising officer at each institution shall submit a certification that the officer has reviewed this section and agrees to disclose potential conflicts or risks to public funds that might arise out of business transactions between the institution and the city. All financial institutions shall agree to undertake reasonable efforts to preclude imprudent transactions involving city funds.

Section 2. With the exception of the amendments made herein, all other portions of Article IV, Division 1, Section 2 of the Code of Ordinances, City of Huntsville, Alabama shall remain unchanged and in full force and effect.

Section 3. This ordinance shall become effective upon its adoption and approval.

ADOPTED this the 9th day of January, 2025.

President of the City Council
of the City of Huntsville, Alabama

APPROVED this the 9th day of January, 2025.

Mayor of the City of
Huntsville, Alabama