

ORDINANCE NO. 1011

AN ORDINANCE AMENDING ARTICLE 4 OF CHAPTER I OF THE EDGERTON, KANSAS MUNICIPAL CODE TO REVISE PROVISIONS PERTAINING TO INVESTMENT OF THE CITY'S IDLE FUNDS

WHEREAS, the governing body believes it is in the best interest of the city to appoint designated city officials to invest and manage the city's idle funds, and to authorize said officials to work with third party professionals in maximizing the city's earnings on said idle funds; and

WHEREAS, the governing body believes the city should have a published investment policy for the city's idle funds; and

WHEREAS, some of the provisions of Article 4 need to be revised to comport with state statutes.

NOW, THEREFORE, BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF EDGERTON, KANSAS:

SECTION 1: Article 4 of Chapter I of the Edgerton, Kansas Municipal Code is hereby amended to state the following:

ARTICLE 4. INVESTMENT OF IDLE FUNDS

1-401. PURPOSE AND GOALS. It is the purpose of this article to set forth the public policies of the city relating to the investment of public moneys, and establish procedural requirements as to investment management practices. The objective of the investment policy and program of the city shall be as follows:

- (a) The safeguarding of all public moneys shall be of the highest priority. Public money shall not be invested or managed in any matter which would jeopardize the safety of the principal;
- (b) Consistent with the requirement of safety, the objective of the investment program shall be to aggressively manage and invest all public moneys to maximize net earnings, consistent with the public responsibility to secure maximum, safe investment return possible from moneys assigned to its stewardship, to relieve demands on the property tax and to otherwise reduce the cost of public services. (Code 1984)

1-402. INVESTMENT OF IDLE FUNDS. Temporarily idle moneys of the city not currently needed may be invested consistent with Kansas law and the City's

investment policy, which shall be established and amended from time to time by the governing body.

1-403. PROCEDURES AND RESTRICTIONS. The governing body shall appoint from time to time one or more city officials to administer the City's investment program (the Authorized Officials). Such Authorized Officials shall periodically report to the governing body as to the amount of monies available for investment and the period of time such amounts will be available for investment. The Authorized Officials shall provide for an investment program either directly or through one more contracts with qualified third parties to limit the amounts invested, and schedule the maturities of investments, so that the city will, at all times, have sufficient monies available on demand deposit to assure prompt payment of all city obligations. (Code 1984)

1-404. CUSTODY AND SAFEKEEPING. Securities purchased pursuant to this article shall be under the care of the Authorized Officials appointed in §1-403 and shall be kept by such officer consistent with Kansas law. Securities in the original or receipt form shall be held in the name of the city, and their redemption, transfer, or withdrawal shall be permitted only upon the written instruction of the Authorized Officials. Securities not held in the custody of a bank or trust company shall be personally deposited by Authorized Officials in a safety deposit box in the name of the city in a bank or trust company, access to which shall be permitted only in the personal presence and under the signature of any two of the following; mayor, city clerk, city treasurer, or the president of council. (Code 1984)

1-405. SALE OR TRANSFER. If, in order to maintain sufficient monies on demand deposits in any fund as provided in section 1-403, it becomes necessary to transfer or sell any securities of such funds, the Authorized Officials may transfer said securities to any other fund or funds in which there are temporarily idle monies, or shall sell such securities, and for such purpose they shall have authority to make any necessary written direction, endorsement or assignment for and on behalf of the city. (Code 1984)

1-406. INTEREST ON TIME DEPOSITS. The city clerk shall deposit the interest earned on invested idle funds to the various city funds in an amount proportionate to the actual amount invested from each such fund, unless otherwise provided by law. (Ord. 547, Sec 1)

1-407. CITY INVESTMENT POLICY. The City's Investment Policy is as follows:

(a) SCOPE

These procedures shall apply to the investment activities of the City of Edgerton, Kansas

and the financial assets of all funds entrusted to its care.

(b) PURPOSE

The City's investment program will invest financial assets as directed by the City Administrator. In order of importance, the primary objectives of all such investments shall be the safety of principal, maintenance of adequate liquidity, and return on investment. The City Administrator may delegate his/her responsibilities under this Purpose to third-parties approved by the governing body.

(c) OBJECTIVES

The City of Edgerton recognizes that effective cash management is an integral component of good financial management. It shall be the policy of the City that funds deemed idle, based on projected cash flow, be invested in a manner that seeks to maximize their productivity until such time as they are needed for the operations of the City. The City's investment portfolio shall be designed and managed in accordance with this policy to ensure public trust and be consistent with state and local laws. Investments shall be at the highest rates obtainable at the time of the investment, within the limitations of the law and the city's prudent investment policy in accordance with the following criteria.

SAFETY: Safety of principal will be the foremost objective of the investment program for the City of Edgerton. Each investment will be made in a manner, which ensures the preservation of capital in the portfolio. The City shall diversify (where prudent judgment dictates) its investments so that reliance on any one issuer (financial institution) or investment type will not place an undue burden on the City.

LIQUIDITY: The City of Edgerton shall remain sufficiently liquid so as to meet all operating needs and expenses. The City will consider liquidity as a priority, while still recognizing the need to maximize yield. Early redemption risk shall be minimized by diversification of investment types.

RETURN ON INVESTMENT: The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints, state statutes and cash flow needs of the City. Investments shall be made at the highest rates obtainable at the time of investment, within the limitation of the law and the City's prudent investment policy.

(d) PRUDENCE

All investment officials shall use the prudent person rule when investing City funds. The rule states that "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.”

Those involved in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in the effectiveness of the government of the City of Edgerton.

Investment officers acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for a specific security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

(e) LEGAL AUTHORITY—IDLE FUNDS NOT COVERED BY K.S.A. 10-131.

1. All investments purchased under this policy shall be governed by K.S.A. 12-1675, *et seq.*, K.S.A. 12-1677(b), *et seq.* and K.S.A. 10-131, *et seq.*, as applicable.
2. With respect to the City's idle funds not covered by K.S.A. 10-131, the City shall first offer idle funds for deposit in commercial banks and savings and loans with physical locations within the city of Edgerton pursuant to KSA 12-1675:
 - (a) Savings deposits, time deposits, open accounts, certificates of deposit or time certificates of deposit with maturities of not more than two years (including certificates of deposits under the CDARS program) in banks, savings and loan associations and savings banks which have main or branch offices located within the corporate boundaries of the City, such institutions being those listed in **Attachment A** (the “Bank Deposits”); or
 - (b) Repurchase agreements with banks, savings and loan associations and savings banks, which have main or branch offices located within the corporate boundaries of the City, for direct obligations of, or obligations that are insured as to principal and interest by, the United States government or any agency thereof.
- (3) In the event banks, savings and loan associations and savings banks eligible for investments in savings deposits, time deposits, open accounts, certificates of deposit or time certificates of deposit with maturities of not more than two years cannot or will not make such investments available to the City at interest rates equal to or greater than the rate set forth in K.S.A. 12-1675a(g), the City may then invest idle

funds not covered by K.S.A. 10-131 in the following:

- (a) Direct obligations of or obligations that are insured as to principal and interest by the United States or any agency thereof, not including mortgage-backed securities, with maturities as the governing body shall determine, but not exceeding two years. Such investment transactions shall only be conducted with banks, savings and loan associations and savings banks; the federal reserve bank of Kansas City, Missouri; or with primary government securities dealers which report to the market report division of the federal reserve bank of New York, or any broker-dealer engaged in the business of selling government securities which is registered in compliance with the requirements of section 15 or 15C of the securities exchange act of 1934 and registered pursuant to K.S.A. 17-12a401, and amendments thereto;
- (b) The municipal investment pool fund established in K.S.A. 12-1677a, and amendments thereto;
- (c) Multiple municipal client investment pools managed by the trust departments of banks which have main or branch offices located in Johnson County or with trust companies incorporated under Kansas law which have contracted to provide trust services under the provisions of K.S.A. 9-2107 with banks that have main or branch offices located in Johnson County; or
- (d) General obligation municipal bonds or other general obligations issued by any municipality of the state of Kansas as defined in K.S.A. 10-1101.

(f) LEGAL AUTHORITY—BOND AND TEMPORARY NOTE PROCEEDS

Bond and note proceeds, as well as the balances in a capital improvement fund created pursuant to K.S.A 12-1,118, may be invested in accordance with K.S.A. 10-131. Permitted investments include:

1. Investments authorized by KSA 12-1675 *et seq.*
2. Municipal investment pool.
3. Direct obligations of the United States government or agency thereof.
4. Temporary notes of the City.

5. Interest-bearing time deposits in commercial banks located in Johnson County.
6. Obligations such as the Federal National Mortgage Association, Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation or other qualified obligations.
7. Money market funds investing solely in US Treasuries and Agencies.
8. Receipts evidencing ownership interest in US Treasuries and Agencies.
9. Repurchase agreements for securities described in (3) or (6).
10. Municipal bonds or other obligations issued by any Kansas municipality bearing that municipality's general obligation.
11. Bonds of any Kansas municipality that have been advance refunded and are fully secured as to payment of principal and interest by US Treasuries and Agencies.

The City will credit interest earned on bond proceeds toward the payment of principal and interest on such bonds or to pay project costs for the bond-financed project.

(g) SECURITY FOR DEPOSITS

All deposits of City monies will be secured by the bank, trust company, savings and loan, or federally chartered savings bank pursuant with KSA 9-1402 in the following manner:

1. All deposits shall carry FDIC, or
2. If deposits on-hand at any eligible depository of the City exceed the then applicable FDIC insurance limit, such depository is required to pledge collateral, including securities with a market value equal to not less than 100% of City deposits on hand (less the FDIC insurance limit per institution).
3. In addition to those methods of collateral posting described in KSA 9-1402(b) and KSA 9-1402(c), depositories may pledge eligible securities against City deposits pursuant to KSA 9-1402(d), limited to those listed below. The City may, at its sole discretion, reject any pledged securities proposed by any institution, except for those provided in subsections a and b of the below list:
 - a. A personal bond of the bank, savings and loan association or savings bank in double the amount which may be on deposit at any given time.
 - b. A corporate surety bond of some surety corporation authorized to do business in this state, which bond shall be in an amount equal to the public moneys or funds on deposit at any given time less the amount of

such public moneys or funds which is insured by the federal deposit insurance corporation or its successor and such bond shall be conditioned that such deposit shall be paid promptly on the order of the municipal corporation or quasi-municipal corporation making such deposits.

- c. Direct obligations of or obligations insured by the United States Government. (By policy, market value equal to or exceeding 100% of deposits on hand.)
- d. Bonds of any Kansas municipality or quasi-municipality that have been refunded in advance of their maturity and are fully secured by an irrevocable escrow consisting of non-callable US Treasuries and Agencies. (By policy, market value equal to or exceeding 100% of deposits on hand.)
- e. Bonds of the State of Kansas. (By policy, market value equal to or exceeding 102% of deposits on hand.)
- f. General obligation bonds of any Kansas municipality. (By policy, market value equal to or exceeding 102% of deposits on hand.)
- g. Revenue bonds of any Kansas municipality or quasi-municipality. (By policy, market value equal to or exceeding 105% of deposits on hand.)
- h. Temporary notes of any Kansas municipality or quasi-municipality. (By policy, market value equal to or exceeding 102% of deposits on hand.)

With respect to subsections c through h, the City will generally reject any security which does not carry a price on the Bloomberg Professional Service or which requires a dealer quotation to determine a price.

4. Custody of Collateral.

- a. The City may, at its sole discretion, permit the Federal Reserve Bank or the Federal Home Loan Bank of Topeka to hold such pledged securities on its behalf with joint custody receipts to be issued for all securities pledged to the City.
- b. Alternatively, the City may designate a Kansas bank or trust company not affiliated with the financial institution pledging the securities to serve as the City's third-party collateral agent.
- c. The City will use its best efforts to perfect its lien in pledged securities pursuant to the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

(h) DESIGNATION OF DEPOSITORIES AND CUSTODIANS

The City of Edgerton may deposit idle funds with depositories having offices located in the City of Edgerton as provided by K.S.A. 9-1401. Prior to any deposit with such firms, the governing body shall pass a resolution naming the banks that shall serve as

a depository of City funds. A list of qualified depositories so appointed is included as **Attachment A** to this Policy.

The City will perfect all securities, including those acquired by repurchase agreements, in its name and may use a third-party custodian, including the State Treasurer or such other custodian as appointed by the City Administrator, to hold such securities.

(i) INVESTMENT SAFEGUARDS

1. **PORTFOLIO COMPONENTS:** The City will manage its investments at the pooled cash level, using four portfolios: (1) a portfolio sized to meet the maximum typical monthly cashflow needs of the City; (2) a portfolio sized to meet the extraordinary cashflow needs of the City, including the periodic payment of debt service; (3) a portfolio related to the investment of bond proceeds and idle cash of a multiyear capital improvements fund; and (4) a portfolio intended primarily to provide investment income.
2. **ETHICS AND CONFLICT OF INTEREST:** Those involved in the investment process shall refrain from personal business activity that could conflict with the proper executions and management of the investment program, or that could impair their ability to make impartial decisions. Investment and management staff shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the City.
3. **AUDIT REVIEW:** Investment staff will prepare such reports as required for the City's external auditor to review statutory compliance and internal controls.

(j) INVESTMENT PROCEDURES

1. The City will create and review, at least once annually, a list of banks, savings and loan associations and savings banks which have main or branch offices located within the corporate boundaries of the City (the "Local Banks"). The City Administrator will seek approval by the Governing Body for any changes to the list of Local Banks.
2. The City will seek assurance from broker-dealers from which it seeks investment offers that such broker-dealers are qualified to do business in the state of Kansas (the "Qualified Dealers").
3. For any period, not to exceed two months, in which the City projects to have net new idle cash available for investment under KSA 12-1675 (the "Periodic Subscription"):

- a. The City will bid such expected amounts to all Local Banks consistent with the requirements of K.S.A. 12-1675.
- b. If one or more Local Banks are unable to completely invest the Monthly Subscription at interest rates at or exceeding the rates listed at <https://pooledmoneyinvestmentboard.com/investmentrates.html> for comparable terms, the City may invest in alternative permitted investments listed in Section (f) above.
- c. The City may issue requests for offers:
 - i. for specific investments at specific terms (for example, a two-year certificate of deposit);
 - ii. in a “proposals wanted” format, where the City identifies the terms and amounts of investments desired and responding bidders identify proposed securities matching those requirements (for example, any permitted security maturing during February and March of 2014); and
 - iii. in any other manner not inconsistent with State law or this policy that promotes open and fair competition for the City’s investments.
- d. For any investments placed through Qualified Dealers, the City will send bid specifications to no fewer than three (3) Qualified Dealers, except for US Treasuries which may be bid to two (2) or more Qualified Dealers.
- e. The City will conduct all bids for securities through Local Banks or Qualified Dealers in writing and will maintain a record of all such bids, including a list of firms to which bid specifications were sent, a list of those responding and details on bids received, accepted and rejected. The City shall maintain such records for the current and most recent fiscal years.
- f. The City will generally accept the bid for the lowest-cost/high-yielding investment but may also consider differences in final maturity for each security offered, the impacts of call provisions and credit quality of securities offered.
- g. The City will settle all securities purchases on a delivery-versus-payment (“DVP”) basis, by wiring Federal funds to its custodian on the date of settlement of such securities.
- h. Notwithstanding any other requirement herein, the City may accept unsolicited offers for investments that, in the opinion of the City Administrator or his/her designee, allow the City to meet its overall

investment objectives and might not be available if the City were to use its normal bidding process. The City Administrator or his/her designee will use his/her best efforts to ensure the pricing on such unsolicited offers is reasonable given market conditions and other similar securities in the market.

4. At any time the City has funds available for investment under KSA 10-131:
 - a. The City may issue requests for offers:
 - i. for specific investments at specific terms (for example, a two-year certificate of deposit);
 - ii. in a “proposals wanted” format, where the City identifies the terms and amounts of investments desired and responding bidders identify proposed securities matching those requirements (for example, any permitted security maturing during February and March of 2014); and
 - iii. in any other manner not inconsistent with State law or this policy that promotes open and fair competition for the City’s investments.
 - b. The City may, but is not required to, bid such or all of such amounts to Local Banks in such terms as the City determines.
 - c. For any investments placed through Qualified Dealers, the City will send bid specifications to no fewer than three (3) Qualified Dealers, except for US Treasuries which may be bid to two (2) or more Qualified Dealers.
 - d. The City will maintain a record of all such bids, including a list of firms to which bid specifications were sent, a list of those responding and details on bids received, accepted and rejected. The City shall maintain such records for the current and most recent fiscal years.
 - e. The City will settle all securities purchases on a delivery-versus-payment (“DVP”) basis, by wiring funds to its custodian on the date of settlement of such securities.
 - f. Notwithstanding any other requirement herein, the City may accept unsolicited offers for investments that, in the opinion of the City Administrator or his/her designee, allow the City to meet its overall investment objectives and might not be available if the City were to use its normal bidding process. The City Administrator or his/her designee will use his/her best efforts to ensure the pricing on such unsolicited offers is reasonable given market conditions and other similar securities in the market.

(k) DIVERSIFICATION & CREDIT QUALITY

1. The City imposes no restrictions on the amount of Bank Deposits it can hold in its investment portfolio.
2. The City imposes no restrictions on the amount of U.S. Treasury or Agency obligations (including receipts evidencing ownership in such securities) it can hold in its investment portfolio.
3. The City limits the amount of repurchase agreements it can hold to no more than 50% of its portfolio.
4. The City limits the amount of investments in the Municipal Investment Pool to no more than 30% of its portfolio, except in the months of January, February, July and August of each year (during which months the City may use the MIP to hold funds pending deposit with the State Treasurer for payments of principal and interest on its bonds).
5. The City imposes no restrictions on the amount of municipal refunding bonds with principal and interest fully secured by an irrevocable deposit of US Treasuries and Agencies it can hold in its portfolio.
6. The City limits the amount of Kansas general obligation bonds with a credit rating below "A3", "A-", or "A-" from Moody's, Standard and Poor's or Fitch, respectively, to no more than 10% of its portfolio.
7. The City limits the amount of Kansas general obligation bonds with a credit rating of "A3", "A-", or "A-" or higher from Moody's, Standard and Poor's or Fitch, respectively, to no more than 35% of its portfolio.

The above policies shall remain in full force and effect until amended at the direction of the governing body. If, after adoption of this policy, there is any conflict of this policy with Kansas' laws and/or statutes, the Kansas laws and/or statutes will dictate.

ATTACHMENT A

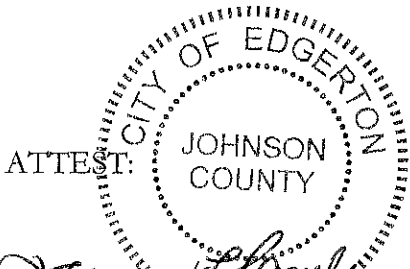
Banks, savings and loan associations and savings banks which have main or branch offices located within the corporate boundaries of the City:

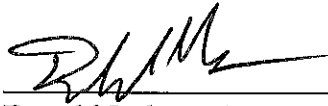
| INSTITUTION | ADDRESS | PHONE |
|-----------------------------|---------------|--------------|
| Central Bank of the Midwest | 405 E. Nelson | 913-856-1070 |

SECTION 2: Repeal. Former Article 4 of Chapter I of the Edgerton Municipal Code is hereby repealed.

SECTION 3: Effective Date. This Ordinance shall be effective after its passage, approval and publication once in the City's official paper.

ADOPTED BY THE GOVERNING BODY AND APPROVED BY THE MAYOR OF EDGERTON, KANSAS ON THE 25th DAY OF FEBRUARY, 2016.

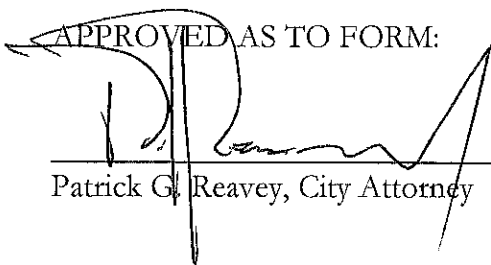




 Donald Roberts, Mayor



 Jandice Rawles, City Clerk

APPROVED AS TO FORM:


 Patrick G. Reavey, City Attorney