

## CHAPTER 27

### INVESTMENT OF FUNDS

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#### Section 27.1 Preamble

A. In accordance with R.S. 33:2955(D), the town hereby adopts this Investment Policy.

B. The town shall operate under the "prudent person" rule, exercising judgement and care, under the circumstances prevailing, which people of ordinary prudence would employ in the management of their own affairs - not in regard to speculation, but as to the permanent disposition of their funds, considering both income and safety of capital.

C. The assets of the town shall be held in trust by the fiduciary (fiduciaries) designated by the town.

D. The town will normally review this Chapter at least annually.  
(Resolution adopted 2/10/98)

#### Section 27.2 Objectives

A. The primary investment objective of the town is to ensure that the current and future obligations are adequately funded in a cost effective manner. The goals of this investment policy shall be (1) safety of principal, (2) liquidity, and (3) yield.

B. Preservation of capital and the realization of sufficient total return to ensure the ongoing financial integrity of the funds are essential. Preservation of capital encompasses two goals:

- (1) Managing the risk of principal for the fund as a whole.
- (2) Managing the erosion of principal value through inflation.

C. The town shall establish internal controls for any derivatives in use to ensure that the risks inherent in derivatives are adequately managed. For purposes of this policy, "derivative"

means any financial instrument created from or whose value depends on the value of one or more underlying assets or indexes of asset value.

### Section 27.3 Responsibility

A. The investment of funds shall be managed by the clerk, and may be accomplished by the selection of an investment manager. The selection must be approved by the mayor in accordance with the criteria established by the council. The investment manager must acknowledge in writing his obligation as a fiduciary responsible for the investment of the town's assets.

B. Prospective investment managers shall be registered investment advisors with the Securities and Exchange Commission under the Investment Act of 1940 or bank trust departments regulated by the Office of Comptroller of the Currency.  
(Resolution adopted 2/10/98)

### Section 27.4 Guidelines

A. The assets of the town may be invested, as provided in R.S. 33:2955(A)(1), in the following:

(1) Direct U.S. Treasury obligations, the principal and interest of which are fully guaranteed by the U.S. government.

(2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies and provided such obligations are backed by the full faith and credit of the U.S., including U.S. Export Import Bank, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration Debentures, General Services Administration, Government National Mortgage Association (guaranteed mortgage-backed bonds and guaranteed pass-through obligations), U.S. Maritime Administration (guaranteed Title XI financing), and U.S. Department of Housing and Urban Development.

(3) Bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by U.S. government instrumentalities, which are federally sponsored, including Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association, and Resolution Funding Corporation.

(4) Direct security repurchase agreements of any federal bank entry only securities enumerated in paragraphs (1) through (3) above. "Direct security repurchase agreement" means an agreement under which the political subdivision buy, holds for a specified time, and then sells back those securities and obligations enumerated in paragraphs (1) through (3).

(5) Time certificates of deposit of state banks organized under the laws of Louisiana, or national banks having their principal offices in the state of Louisiana, savings accounts or shares of savings and loan associations and savings banks, or share accounts and share certificates accounts of federally or state chartered credit unions issuing time certificates of deposit;

provided that the rate of interest paid for time certificates of deposit shall be not less than fifty (50) base points below the prevailing market interest rate on direct obligations of the U.S. Treasury with a similar length of maturity. Funds invested in accordance with this paragraph shall not exceed at any time the amount insured by the Federal Deposit Insurance Corporation in any one bank, or in any one savings and loan association, or by the National Credit Union Administration in any one credit union, unless the uninsured portion is collateralized by the pledge of securities in the manner provided in R.S. 39:1221.

(6) Mutual or trust fund institutions which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the U.S. government or its agencies.

(7) Funds invested in accordance with the provisions of R.S. 33:2955(A)(1)(d) shall not exceed at any time the amount insured by the Federal Deposit Insurance Corporation in any one banking institution, or in any one savings and loan association, or National Credit Union Administration, unless the uninsured portion is collateralized by the pledge of securities in the manner provided in R.S. 39:1221.

(8) Guaranteed investment contracts issued by a bank, financial institution, insurance company, or other entity having one of the two highest short-term rating categories of either Standard & Poor's Corporation or Moody's Investors Service, provided that no such investment may be made except in connection with a financing program for political subdivisions which financing program is approved by the State Bond Commission and offered by a public trust having the state as its beneficiary, provided further that no such investment shall be for a term longer than eighteen months, and provided further that any such guaranteed investment contract shall contain a provision providing that in the event the issuer of the guaranteed investment contract is at any time no longer rated in either of the two highest short-term rating categories of Standard & Poor's Corporation or Moody's Investors Service, the investing unit of local government may either be released from the guaranteed investment contract without penalty, or be entitled to require that the guaranteed investment provider collateralize the guaranteed investment contract with any bonds or other obligations which as to principal and interest constitute direct general obligations of, or are unconditionally guaranteed by, the United States of America, including obligations set forth in Subparagraphs (a) and (b) to the extent unconditionally guaranteed by the United States of America.

(9) Investment grade (A-1/P-1) commercial paper of domestic United States corporations.

B. Notes:

(1) The list of investments above is an exclusive one.

(2) Investment of funds in mutual or trust fund institutions shall be limited to twenty-five (25%) percent of the monies considered available for investment as provided by R.S. 33:2955(A)(2).

(3) The attorney general has rendered an opinion that only mutual funds created as a Massachusetts business trust are acceptable investments (Op. Atty. Gen. 880546(A)).

C. Cash and cash equivalents are comprised of daily cash balances above the day-to-day needs and funds set aside for portfolio strategy reasons. Short term investments of cash and cash equivalents may be placed in:

(1) Obligations of the U.S. Treasury, federal agencies, or U.S. government instrumentalities (as provided herein) with maturities of less than two (2) years.

(2) Time certificates of deposit, as provided herein.

(3) Money market mutual funds, as provided herein.

(4) The Louisiana Asset Management Pool, Inc. as provided in Op. Atty. Gen. 94-186. (Resolution adopted 2/10/98)

#### Section 27.5 Prohibited transactions

The following transactions are expressly prohibited:

(1) Any transactions not authorized by this policy.

(2) The purchase of securities on margin.

(3) Director purchases of single family or commercial mortgages.

(4) Purchases of foreign bonds.

(5) The short sale of securities.

(6) Investment in obligations issued or guaranteed by federal agencies or U.S. government instrumentalities which are collateralized mortgage obligations that have been stripped into interest only or principal only obligations, inverse floaters, or structured notes. "Structured note" means securities of U.S. government agencies, instrumentalities, or government-sponsored enterprises which have been restructured, modified, and/or reissued by private entities.

(Resolution adopted 2/10/98)

#### Section 27.6 Reporting requirements

A. The clerk shall provide reports to the mayor and council as follows:

(1) Monthly - including actual trade market value, investment manager account activity report, and brokerage and third party commissions.

(2) Quarterly - including portfolio characteristics and market outlook (narrative).

B. The topics in these reports shall include:

(1) Performance for the past period; standard time periods for each report will be last quarter, year to date, latest twelve (12) months, three (3) years, and since inception. Returns should be annualized and calculated on a time weighted basis for the total portfolio. All returns should include accrued interest and dividends.

(2) Rationale for performance results, discussion of specific portfolio strategy for the quarter, portfolio characteristics, and support for market and economic assumptions.

(Resolution adopted 2/10/98)

### Section 27.7 Other

A. Maturity restrictions may be set by the council based upon the town's cash flow needs.

B. If an investment manager is used:

(1) The criteria for selection may be established by the mayor and council.

(2) His performance may be measured by an index, e.g. Lehman Brothers Intermediate Government index.

(3) The funds shall be held by a custodian bank with duties and obligations as established by the mayor and council.

(4) His performance may be evaluated periodically by an investment consultant selected by the mayor and council.

(Resolution adopted 2/10/98)