

City of Benson

Statement of Investment Policy

Governing Authority

The City of Benson investment program shall be operated in conformance with all federal, state and other legal requirements, including the applicable provisions of Title 35 of the Arizona Revised Statutes (ARS).

Scope

This policy applies to the investment of all funds held by the City.

Except for cash held in certain legally restricted and special funds, the City of Benson will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, accounting and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

General Objectives

The City Benson strives to maintain the investment of all idle funds through continuously projected cash flow determinations. The objective of the City's cash management strategy is to minimize ongoing checking account balances in order to maximize the funds available for investment. Cash management and investment transactions are the responsibility of the Finance Director.

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

- **Safety.** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective is to mitigate both credit and interest rate risk.
- **Liquidity.** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Since all possible cash demands cannot be anticipated, a portion of the portfolio shall always be held in a Local Government Investment Pool (LGIP) fund which offers same or next day liquidity.
- **Yield.** The investment portfolio shall be designed with the objective of attaining a market rate of return , taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance when compared to the safety and liquidity objectives described above. Securities shall generally be held to maturity in order to attain the greatest yield possible.

Suitable and Authorized Investments

The following investment types shall be permitted by this investment policy:

- FDIC insured Certificates of Deposit placed with Commercial Banks and Savings & Loan Associations.
- The State of Arizona Local Government Investment Pool (LGIP), which are demand deposits placed with the State Treasurer's Office.
- Obligations of the United States of America and its instrumentalities.
- Fixed income securities that are guaranteed by the United States of America.

Certificates of Deposit

Certificates of deposit allow the City to select the exact amount of the investment and day of maturity. Only certificates of deposit which are federally insured or properly collateralized are purchased.

Local Government Investment Pool (LGIP)

A portion of the City's Investment portfolio may be held in one or more of the State of Arizona Local Government Investment Portfolio (LGIP). The LGIP portfolio is administrated by the State Treasurer's Office and provides a high degree of safety due to expert fund management, conservative investment criteria and investment diversification. LGIP provides the City competitive investment returns and almost instant liquidity on all deposits.

US Government and Agency Securities

As an investment alternative, a portion of the City's portfolio may be invested in short term U.S. Government, Government Agency and Government guaranteed securities. Short term is hereby defined as five years or less. All such investments will be made with the intent to hold such securities to maturity. Securities may be sold before maturity if they can be sold at a price above cost or at a price below cost if more favorable reinvestment opportunities arise.

The City of Benson strives to obtain the highest yield on investments, commensurate with safety and liquidity requirements. The city does not buy stocks; it does not speculate; it does not deal in futures or options. The primary objective of the City of Benson is **SAFETY**.