

Ord.

2017-0379

**INTRODUCED BY: LARRY COCHRAN, PARISH PRESIDENT
(DEPARTMENT OF FINANCE)**

ORDINANCE NO. 17-11-11

An ordinance adopting an investment policy for the Parish of St. Charles.

WHEREAS, Revised Statute 33:2955(D) was enacted by Act No. 374 of the 1995 regular session of the Louisiana State Legislature requiring that all political subdivisions of the State develop and adopt an investment policy; and,

WHEREAS, the Director of Finance of the Parish of St. Charles has drafted a proposed investment policy; and,

WHEREAS, the St. Charles Parish President and the Director of Legal Services of the Parish have reviewed and approved the investment policy draft, and

WHEREAS, the Council of the Parish of St. Charles has reviewed the proposed policy.
THE ST. CHARLES PARISH COUNCIL HEREBY ORDAINS:

SECTION I. That the attached Investment Policy for the Parish of St. Charles is hereby approved and accepted.

The forgoing ordinance having been submitted to a vote, the vote thereon was as follow:

YEAS: BENEDETTO, HOGAN, WILSON, CLULEE, GIBBS, WOODRUFF,
 BELLOCK, FLETCHER, FISHER-PERRIER

NAYS: NONE

ABSENT: NONE

And the ordinance was declared adopted this 27th day of November, 2017.
The provisions of this ordinance shall become effective January 1, 2018.

CHAIRMAN: Tennell Wilson

SECRETARY: [Signature]

DLVD/PARISH PRESIDENT: [Signature]

APPROVED: _____ DISAPPROVED: _____

PARISH PRESIDENT: _____

RETD/SECRETARY: [Signature]

AT: 10:45am RECD BY: [Signature]

St. Charles Parish, Louisiana

Investment Policy

In accordance with the provisions of Louisiana Revised Statutes (RS) 33:2955, the St. Charles Parish Council (the "Parish Council") hereby adopts this Investment Policy on this 27th day of November, 2017. It replaces any previously dated investment policies, guidelines or lists of authorized investments.

SCOPE

The provisions of this Investment Policy shall apply to all investable funds of St. Charles Parish, (the "Parish").

OBJECTIVES

The Parish's funds shall be invested in accordance with all applicable Parish, State and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:

- Preservation of capital and protection of investment principal (safety).
- Maintenance of sufficient liquidity to meet anticipated cash flows.
- Diversification to avoid incurring unreasonable market risks.
- Attainment of a market value rate of return.

DELEGATION OF AUTHORITY

Authority to manage the investment program of the Parish is granted to the Finance Director by Resolution Number 3964 adopted by the Parish Council on September 20, 1993. The Finance Director delegates authority to conduct investment transactions and to manage the operation of the investment portfolio to the Accounting Manager and Accountant III of the Department of Finance. No person may engage in an investment transaction except as expressly provided under the terms of this Investment Policy.

INTERNAL CONTROLS

The Finance Director shall develop written administrative procedures and internal controls, consistent with this Investment Policy, for the operation of the Parish's investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by Parish employees.

PRUDENCE

The standard of prudence to be used for managing the Parish's assets is the "prudent-man rule," RS 11:263. It requires a fiduciary "to act with the care, skill, prudence, and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims."

The Parish's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The Parish recognizes that no investment is totally without risk and that the investment activities of the Parish are a matter of public record. Accordingly, the Parish recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the Parish.

The Finance Director and authorized investment personnel acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion to the Parish Council and appropriate action is taken to control adverse developments.

ETHICS AND CONFLICTS OF INTEREST

Elected officials and employees involved in the investment process shall refrain from personal business activity which could conflict with proper execution of the Parish's investment program or that could impair or create the appearance of an impairment of their ability to make impartial investment decisions. Such employees and officials shall disclose in writing to the Parish President and Parish Attorney any material financial interests they have in financial institutions that conduct business with the Parish and they shall subordinate their personal investment transactions to those of the Parish. Also, such officials and employees shall comply with the state ethics code for public employees, RS 42:1101, et. seq.

AUTHORIZED SECURITIES AND TRANSACTIONS

All investments shall be made in accordance with Louisiana Revised Statutes: RS 33:2955, et. seq., Investment by political subdivisions; RS 39:1272, Securities purchased may be cashed; RS 39:1273, Federal bonds and debentures as security for public funds and RS 39:1242, Security for deposits. Any amendments to these sections of the Louisiana Revised Statutes will be assumed to be incorporated into this Investment Policy immediately upon the effective date of the amending act.

The Parish has further defined the eligible types of securities and transactions as follows:

1. U.S. Treasury Obligations: Direct United States Treasury obligations, the principal and interest of which are fully guaranteed by the government of the United States with a maturity date not to exceed five years from the date of settlement.
2. Federal Agency Securities: 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 United States with a maturity date not to exceed five years from the date of settlement.
3. Federal Instrumentality Securities: Bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by U.S. government instrumentalities which are federally sponsored with a maturity date not to exceed five years from the date of settlement.
4. Time Certificates of Deposit issued by any bank domiciled or having a branch office in the State of Louisiana or a thrift institution as defined in RS 6:703 or share accounts and share certificate accounts of federally or state-chartered credit unions issuing time certificates of deposit. The rate of interest paid on time certificates of deposit shall be not less than 50 basis points below the prevailing market interest rate on U.S. Treasury obligations with a similar length of maturity. Certificates of Deposit exceeding Federal Deposit Insurance Corporation coverage shall be collateralized by a pledge of securities in the manner provided in RS 39:1221. The maturity date of term deposits shall not exceed five years from the date of settlement
5. Repurchase Agreements with maturities of 180 days or less collateralized by US Treasury, Federal Agency and Federal Instrumentality securities listed in items 1, 2 and 3 above with the maturity of the collateral not exceeding 10 years. For the purpose of this section, the term "collateral" shall mean purchased securities under the terms of the Parish approved Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the transaction. Collateral shall be held by the Parish's custodian bank as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily.

Repurchase Agreements shall be entered into only with dealers who have executed a Parish approved Master Repurchase Agreement with the Parish and who are recognized as Primary Dealers by the Federal Reserve Bank of New York or have a Primary Dealer within their holding company structure.

6. Money Market Mutual Funds registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Company Act of 1940 that: 1) are "no-load" (i.e., no commission or fee shall be charged on purchases or sales of shares); 2) maintain a constant net asset value per share of \$1.00; 3) limit assets of the fund to U.S. Treasury and Federal Agency securities; and 4) maintain a maximum stated maturity and weighted average maturity in accordance with Federal Securities Regulation 2a-7. The aggregate investment of funds in Money Market Mutual Funds shall be limited to 25% of the Parish's funds available for investment.
7. Local Government Investment Pools specifically the Louisiana Asset Management Pool (LAMP), authorized under RS 33:1324 and reaffirmed in Attorney General's Opinion 94-186.
8. Investment Grade Commercial Paper of domestic United States corporations and denominated in U.S. dollars with an original maturity of 270 days or less which is rated at least A-1 by Standard and Poor's, P-1 by Moody's or F1 by Fitch at the time of purchase by each service which rates the commercial paper. Investments of funds in commercial paper shall be limited to 25% of the portfolio at the time of purchase and no more than 5% shall be invested in the commercial paper of any one issuer at the time of purchase.
9. Municipal Securities issued by any state of the United States or any state's political subdivisions provided the indebtedness has a long-term rating of at least A- by Standard and Poor's, A3 by Moody's or A- by Fitch or has a short-term rating of M1G1 or VM1G1 by Moody's, A-1 or A-1+ by Standard and Poor's, or F1 or F1+ by Fitch. The maximum maturity of such investments shall not exceed five years from the date of settlement, and the services of an investment advisor shall be retained with respect to the purchase of municipal securities. Investments in municipal securities shall not exceed 25% of the portfolio at the time of purchase, with no more than 5% held per issuer at the time of purchase. Per RS 33:2955, no political subdivision may purchase its own indebtedness.

Mortgage backed securities, collateralized mortgage obligations (CMOs), inverse floaters and structured notes are expressly prohibited from purchase under this Investment Policy.

The Parish recognizes that bond proceeds may, from time to time, be subject to the provisions of the Tax Reform Act of 1986, Federal Arbitrage Regulations, as amended. Due to the legal complexities of arbitrage law and the necessary immunization of yield levels to correspond to anticipated cash flow schedules, the reinvestment of such debt issuance or related reserve funds may, upon the advice of Bond Counsel or financial advisors, deviate from the provisions of this Investment Policy with written approval of the Finance Director.

DIVERSIFICATION

It is the intent of the Parish to diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. The asset allocation in the portfolio should, however, be flexible depending upon the outlook for the economy, the securities markets, and the Parish's anticipated cash flow needs.

The following diversification limits apply:

- Money Market Mutual Funds: 25% maximum aggregate exposure
- Commercial Paper: 25% maximum aggregate exposure, 5% limit per issuer
- Municipal Securities: 25% maximum aggregate exposure, 5% limit per issuer

PORTFOLIO MATURITIES AND LIQUIDITY

To the extent possible, investments shall be matched with anticipated cash flow requirements. The Parish will not invest in securities maturing more than five years from the date of trade settlement.

SELECTION OF BROKER/DEALERS

The Finance Director shall maintain a list of broker/dealers approved for investment purposes, and it shall be the policy of the Parish to purchase securities only from those authorized firms.

Broker/dealers will be selected by the Finance Director on the basis of their expertise in public cash management and their ability to provide services for the Parish's account.

The Parish may engage the services of investment advisory firms to assist in the management of the portfolio and an investment advisor may utilize its own list of approved broker/dealers. In this case, the list of approved firms shall be provided to the Parish on an annual basis or upon request or update.

COMPETITIVE TRANSACTIONS

Each investment transaction shall be competitively transacted with authorized broker/dealers. At least three broker/dealers shall be contacted for each transaction and their bid and offering prices shall be recorded. If the Parish is offered a security for which there is no readily available competitive offering, Parish investment personnel shall document quotations for comparable, alternative securities.

SELECTION OF BANKS

The Finance Director shall maintain a list of banks authorized to provide depository and other banking services for the Parish. To be eligible for authorization, a bank must be a member of the FDIC and must qualify as a depository of public funds in the State of Louisiana in accordance with RS 39:1220.

SAFEKEEPING AND CUSTODY

The Finance Director shall select one or more financial institutions to provide safekeeping and custodial services for the Parish. A Parish approved Safekeeping Agreement shall be executed with each custodian bank prior to utilizing that bank's safekeeping services. To be eligible for designation as the Parish's safekeeping and custodian bank, a financial institution shall qualify as a depository of public funds in the State of Louisiana. Custodian banks will be selected on the basis of their ability to provide services for the Parish's account and the competitive pricing of their safekeeping related services.

It is the intent of the Parish that ownership of all securities be perfected in the name of the Parish. All investment securities purchased by the Parish will be delivered by book entry and will be held in third-party safekeeping by a Parish approved custodian bank. All trades will be executed on a delivery versus payment basis, thereby ensuring the simultaneous release of Parish funds for purchased securities. Similarly, the payment versus delivery process ensures the simultaneous release of Parish securities for proceeds in the event of a sale of securities.

All fed wireable book entry securities shall be evidenced by a safekeeping receipt issued to the Parish by the custodian bank stating that the securities are held in the Federal Reserve system in a customer account for the custodian bank which will name the Parish as "customer."

All DTC eligible securities shall be held in the custodian bank's Depository Trust Company (DTC) participant account and the custodian bank shall issue a safekeeping receipt evidencing that the securities are held for the Parish as "customer"

The Parish's custodian will be required to furnish monthly reports of holdings and a report of monthly safekeeping activity.

PORTFOLIO PERFORMANCE

The investment and cash management portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The Finance Director shall establish a series of appropriate benchmarks against which portfolio performance shall be compared on a regular basis.

REPORTING

At least quarterly, the Director Finance shall prepare a report for the Parish President and the Parish Council on the investment earnings and performance of the Parish's investment portfolio during the past quarter.

POLICY REVISIONS

This Investment Policy shall be reviewed annually by the Finance Director. It may be amended by the Parish Council as conditions warrant.