

RESOLUTION NO. 99-37

ESTABLISHING CITY OF CARLSBAD EXCESS FUNDS INVESTMENT POLICY

WHEREAS, the City of Carlsbad routinely has certain monies that are not immediately necessary for public uses; and

WHEREAS, it is the intent of the City of Carlsbad to protect the principals of such funds, provide adequate liquidity, and maximize investment earnings thereon; and

WHEREAS, it is, therefore, desirable to establish a policy for the prudent investment of such funds.

NOW, THEREFORE, BE IT RESOLVED, by the Governing Body of the City of Carlsbad that the Investment Policy of the City of Carlsbad shall be as follows:

Section 1: Definitions

- A. Deposits: Interest-bearing account, share, share certificate, share draft, certificate of deposit or other time deposit.
- B. Excess City Funds: Sinking funds or money remaining unexpended from the proceeds of any issue of bonds or negotiable securities of the City of Carlsbad which are now or may be hereafter by law be entrusted to its care and custody and all money not immediately necessary for public uses as set forth in Section 6-10-10 F, NMSA, 1978 as amended.
- C. F.D.I.C.: Federal Deposit Insurance Corporation.
- D. F.S.L.I.C.: Federal Savings and Loan Insurance Corporation.
- E. Financial Institution: A federally insured bank, savings and loan association or credit union as provided for in Section 6-10-36 (C) and Section 6-10-36 (D), NMSA, 1978 as amended.
- F. Investment Earnings: All income received from the investment of excess City funds.
- G. Investment Officer: City Treasurer.
- H. Local Financial Institution: Those financial institutions as defined herein having their main or manned branch offices within the geographical boundaries of the municipality as set for in Section 6-10-36 (C) and Section 6-10-36 (D), 1978 as amended.

- I. Municipal Board of Finance: The Governing Body of the City of Carlsbad as provided for in Section 3-37-1A, NMSA, 1978 as amended.
- J. N.C.U.A.: National Credit Union Administration.
- K. Permitted Investments: Those securities, bonds, repurchase agreements or other financial instruments into which municipal funds may be deposited or invested pursuant to Section 6-10-10, NMSA, 1978 as amended.
- L. State Interest Rate: The rate of interest set by the State Board of Finance for public money deposited in interest-bearing accounts as provided for in Section 6-10-36 E, NMSA, 1978 as amended.

Section 2: Policy Declarations

- A. The intent of the City of Carlsbad Investment Policy is to:
 - 1. Protect the principal of excess City funds.
 - 2. Increase the efficiency of the City's cash management system.
 - 3. Maximize investment earnings through prudent investment and portfolio diversification.
 - 4. Recognize the impact of City investments on the local economy.
- B. The criteria for selecting investments in order of their importance shall be:
 - 1. Safety.
 - 2. Liquidity.
 - 3. Yield.
- C. The standard of prudence to be applied by the Investment Officer shall be the "prudent investor" rule, which is: "Investment shall be made with judgement and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercised in the management of their own affairs, not for speculation, but for investment considering the probable safety of their capital as well the probable income to be derived."

Section 3. Permitted Investments and Yield

- A. The Investment Officer shall have the authority to invest excess City funds in those financial instruments allowed by Section 6-10-1 et. seq., NMSA, 1978 as amended, including:
 - 1. Bonds or negotiable securities of the United States.
 - 2. Securities that are issued by the United States Government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States Government or agencies guaranteed by the United States Government.
 - 3. Certificates of Deposit, share certificates or share drafts.

4. Repurchase Agreements, provided interest is perfected and required collateralization is in conformance with Section 6-10-10 (A), NMSA, 1978 as amended.
- B. As required by Section 6-10-36 (e), NMSA, 1978 as amended, the rate of interest for all excess City funds deposited in financial institutions shall be no less than the rate of interest set by the State Board of Finance for such deposits.

Section 4. Diversification

- A. Excess City funds shall be distributed among local financial institutions as provided for in Section 6-10-36 (C) and Section 6-10-36 (D), NMSA, 1978 as amended.
- B. The Investment Officer will diversify the use of investment instruments to avoid risks inherent in over-investing in specific instruments, individual financial institutions or maturities.

Section 5. Liquidity

- A. The Investment Officer shall invest excess City funds in permitted investments with maturities scheduled to coincide with projected cash flow requirements.
- B. Permitted investment maturities shall be as follows:
1. At least fifty percent (50%) of excess City funds shall be in permitted investments with maturities under two (2) years.
 2. No more than fifty percent (50%) of excess City funds shall be in permitted investments with maturities in excess of two (2) years.
 3. No excess City funds shall be placed in any permitted investment with a maturity in excess of five (5) years.

Section 6. Collateralization

- A. No collateralization or security is required for the deposit of excess City funds that are insured by the F.D.I.C., the F.S.L.I.C. or N.C.U.A.
- B. Security for the deposit of excess City funds not federally insured shall be in accordance with applicable law; however the Investment Officer may, for the deposit of specific excess City funds, require a higher degree of collateralization than required by law.

Section 7. Local Investment Preference

- A. Recognizing the value of the City's investment program on the local economy, it is the policy of the City of Carlsbad to deposit or invest all excess City funds in local financial institutions, provided that:
1. Local financial institutions are qualified, willing and able to accept such funds; and
 2. Interest rates offered by local financial institutions meet or exceed those set by the State Board of Finance where applicable, or are otherwise equitable with respect to current market conditions, rates of return and maturities.
- B. Excess City funds that cannot be deposited or invested in local financial institutions shall be invested or deposited in other New Mexico financial institutions in a manner to be prescribed and approved by the Municipal Board of Finance; no such funds shall be invested or deposited in banks outside the State of New Mexico.

Section 8. Quarterly Reports

- A. The Investment Officer shall prepare a quarterly report of the status of the City's investments with such report to identify at a minimum:
1. Types of investment instruments.
 2. Performance.
 3. Maturities.
 4. Financial institutions.
 5. Collateral type and amount, if applicable.
- B. The Quarterly Report shall be contemporaneous with the General Quarterly Report to the Department of Finance and Administration.

ADOPTED AND APPROVED THIS 9TH DAY OF NOVEMBER, 1999.

GARY L. PERKOWSKI
MAYOR - signature

ATTEST:

Pearlene Bradshaw
CITY CLERK - signature