

Meridian Economic Development Corporation Investment Policy

Adopted: May 11, 2000

MERIDIAN CHARTER TOWNSHIP
ECONOMIC DEVELOPMENT CORPORATION
INVESTMENT POLICY

Purpose:

The investment policy statement of the Charter Township of Meridian Economic Development Corporation, hereafter referred to as the Meridian EDC, sets forth policies, procedures, and guidelines to guide the day-to-day administration of all Meridian EDC investment activities. The contents of this Policy are approved by the Meridian Township Economic Development Corporation Board ("The Board").

Responsibilities:

The Township Treasurer is responsible for the formulation and implementation of investment policies and executing day-to-day investment decisions. All investment decisions shall be consistent with this policy.

Treasurer's Report:

1. The Treasurer shall report to the Board on investment issues and problems.
2. The Treasurer shall implement investment decisions to be in compliance with this policy.
3. The Treasurer shall review this policy and recommend changes to the Board, when appropriate.

Policy:

It is the policy of the Meridian EDC to invest public funds in the manner which will provide the highest investment return, with the maximum security, while meeting the daily cash flow demands of the Meridian EDC and conforming to all State Statutes and Local Ordinances governing the investment of public funds.

Scope:

This investment policy applies to the activities of the Meridian EDC, except for its employee pension funds and its employee deferred compensation funds which are organized and administered separately. Meridian EDC investment activities are accounted for in the Meridian EDC's annual financial report, and include but are not limited to the following funds:

- *General Fund
- *Debt Service Funds
- *Capital Projects Funds (e.g. water and sewer funds)
- *Internal Service Funds
- *Trust and Agency Funds
- *Economic Development Corporation
- *Enterprise Funds (e.g. public works funds)
- *Special Revenue Funds

and any new funds created by the governing body, unless specifically exempted by the governing body. This investment policy applies to all transactions involving the financial assets and related activities of the aforementioned funds.

Restriction:

Subject to the restrictions noted in this investment policy, investments will be in high quality issues, with diversification, and provide a maturity schedule and marketability sufficient to meet the liquidity needs and statutory requirements of the Meridian EDC.

Restriction: (cont'd.)

- I. Maturity: A long-term goal shall be to have an average maturity portfolio of six (6) months to eighteen (18) months.
- II. Diversification: Certificate of Deposits (CD's) shall be limited to \$100,000.00 per FDIC institution, if feasible. Failing to maintain such a limit is off-set by a reasonable attempt at wide-spread utilization of institutions.
- III. Money Market: Money Market savings may not exceed the \$100,000.00 insurance limit at an institution, if feasible.
- IV. Foreign Issues: No foreign issues may be purchased.
- V. Real Estate/Mortgage Investments:
Only Government National Mortgage Association participation is permitted.
- VI. Commercial Paper: Commercial paper is permissible if it is rated within the two highest classifications established by not less than two standard rating services, and if it matures not more than 270 days after the date of purchase.

Prudence:

In all matters, the Treasurer shall be guided by Public Act 20 of 1943, as amended by Public Act 196 of 1997, and as further amended from time to time. The standard of prudence guiding investments shall be that of the "prudent person" rule: Investments shall be made with judgement 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 principal as well as the probable income to be derived.

Prudence: (cont'd.)

The prudent person rule shall also be applied in the context of managing the overall portfolio. The Treasurer and his/her agents, acting in accordance with the written procedures of this policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviation from expectations are reported to the Supervisor in a timely fashion and appropriate actions are taken to control adverse developments.

Objectives:

Funds of the Meridian EDC will be invested in accordance with Michigan Public Act 20 of 1943, as amended, and in accordance with the following objectives, procedures and policies:

1. Safety of Principal - Safety of principal is the foremost objective of the Meridian EDC. Each investment transaction shall seek first to insure that principal losses are avoided whether they be from defaults or erosion of market value.
2. Liquidity - The Meridian EDC's investment portfolio will remain sufficiently liquid to enable the Meridian EDC to meet all operating requirements which might be reasonably anticipated. Maturities shall not exceed two (2) years at the time of purchase, without the approval of the Board.
3. Return on Investment - The investment portfolio of the Meridian EDC shall be designed in a manner to attain a market rate of return throughout budgetary and economic cycles, while preserving and protecting principal.

Objectives: (cont'd.)

4. Protection of Purchasing Power - Funds held for water, sewer and capital projects shall be invested so that they can be expected to produce enough income to offset inflationary construction cost increases. However, such funds shall never be exposed to risks that would jeopardize the assets' capital value or be in conflict with state law.
5. Maintain the Public's Trust - All participants in the investment process shall seek to act responsibly as custodians of the public trust. All Meridian EDC and other investment Officers shall recognize that the investment portfolio is subject to public review and evaluation. In addition, the overall investment program shall be designed and managed with a degree of professionalism worthy of public trust.
6. Combining Funds - The Treasurer (or his/her designee) may combine money from two (2) or more funds for the purpose of making an investment. In the event of a combination of funds, the earnings of said investment shall be prorated between the funds involved based on average balances.
7. Delegation of Authority - Management responsibilities for the investment program is statutorily vested in the Treasurer. The Treasurer may delegate some management responsibility for the investment program to his/her designee. The Treasurer shall establish procedures for the operation of this policy. These procedures shall include explicit delegation of the authority to the person(s) responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this

Objectives: (cont'd.)

7. Delegation of Authority (cont'd.) - policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

Conflict of Interest and Ethics:

Officials and employees involved in the investment process, shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officers (Board Members) shall disclose to the Treasurer, any material financial interests in financial institutions that conduct business within the Meridian EDC, and they shall further disclose any material financial investment position related to the performance of the Meridian EDC's portfolio. The Treasurer shall disclose any conflicts to the Meridian EDC Board. Employees and officials of the Meridian EDC shall subordinate their personal investment transactions to those of the Meridian EDC, particularly with regards to timing of purchases and sales of similar securities.

Qualified Institutions:

- I. Overview

Financial Institutions on the list of qualified financial institutions for investment and banking service must meet the minimum criteria of Section II herein. Those financial institutions failing to meet the minimum criteria or which, in the judgement of the Treasurer, fail to offer adequate safety to the Meridian EDC, will be removed from the

Qualified Institutions: (cont'd.)

- I. Overview (cont'd.) - qualified list. Each year the Board will approve a list of potential qualified financial institutions submitted by the Treasurer.

Although a financial institution is on the qualified list, it may still be required to pledge collateral on all deposits and investments, pursuant to state laws.

The Meridian EDC will use a commercially available bank rating system to implement financial statement evaluation criteria. Bank rating criteria are calculated using publicly available financial information obtained from the release of reports of condition and income from the Federal Government. Data obtained from the bank rating service will include the factors used by regulators and bank executives to judge an institution's safety and soundness, such as:

1. Capital Adequacy,
2. Asset Quality,
3. Earnings, and
4. Liquidity

The management of the institution is also an important factor in this evaluation.

II. Minimum Criteria for Selection

The Treasurer may recommend a bank if all of the following criteria are met:

1. The financial institution must be insured by the Federal Deposit Insurance Corporation (FDIC).
2. Only financial institutions incorporated under the laws of the State of Michigan, of the United States, with offices in Michigan as approved through

Qualified Institutions: (cont'd.)

II. Minimum Criteria for Selection (cont'd.)

Public Act 20 of 1943, as amended, shall be appointed as depositories of funds for

the Meridian EDC.

3. The financial institution must meet the following financial guidelines:
 - A. Equity Capital of at least \$500 Million.
 - B. A Sheshunoff rating of at least the assets in the institutions peer group or primary capital as a percent of total assets as follows:
 - 5.5% > or = \$500 Million Total Assets
 - 7.0% > or = \$300-\$499 Million Total Assets

The Meridian EDC shall maintain a listing of financial institutions which are approved for investment purposes. Financial institutions shall provide at minimum, their quarterly and annual financial statements, if requested. The Meridian EDC shall secure an annual evaluation of each financial institution's credit worthiness to determine whether such financial institution should be on the "Qualified Institution" listing. Securities dealers not affiliated with a financial institution shall be classified as reporting dealers affiliated with the National Association of Securities Dealers member firms, unless a comprehensive credit and capitalization analysis reveals that other firms are adequate to conduct public business. Meridian EDC investment officers shall not conduct business, on behalf of the Meridian EDC, with securities dealers with whom or through whom to the officer's knowledge public entities have suffered substantial losses on investments.

Before accepting funds or engaging in investment transactions with the Meridian EDC, the supervising officer at each depository, or recognized securities broker/dealer, shall submit a certification: The document will certify that the supervising officer has reviewed, and the depository or broker/dealer will in all respects comply with, this investment policy, and agrees to disclose potential conflicts or risks to public funds that

might arise out of transactions between the firm/depository and the Meridian EDC. All financial institutions shall agree to undertake reasonable efforts to preclude imprudent transactions involving Meridian EDC funds.

It shall be further certified that any and all investment vehicles offered to the Meridian EDC shall not violate any law of the State of Michigan. In addition, the financial institution/broker agrees to supply the Treasurer or his/her designee, annual audited and interim statements upon request. Finally, the financial institution/broker agrees to comply to any requirements of the Treasurer's internal control procedures.

Investments:

In accordance with Public Act 20 of 1943, as amended, the surplus funds of the Meridian EDC may be invested as follows:

- a. Bonds, securities, or other direct obligations of the United States, or any instrumentality of the United States; which are guaranteed by the full faith and credit of the U.S. Government - as to repayment of principal and interest.
- b. In certificate of deposit savings accounts, or depository receipts of banks or savings and loan institutions, which are members of the Federal Deposit Insurance Corporation (FDIC), or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, credit union, or savings and loan association is eligible, and is, in fact, a depository of surplus funds belonging to the state of Michigan, under Sections 5 and 6 of the Public Acts of 1885, as amended, and recognized under Public Act 20 of 1943, as amended.
- c. Notwithstanding state laws that may be more liberal, in commercial paper, rated at the time of purchase within the two highest classifications established by not less

- than two standard rating services, and which mature not more than 270 days after the date of purchase. (Not more than 49 percent of any fund may be invested in commercial paper at any time.)
- d. In United States government or federal agency obligation repurchase agreements;
 - e. In banker's acceptances of United States banks;
 - f. In mutual funds composed of investment instruments which are legal for direct investment by local units of government in Michigan; provided, that the mutual fund must be limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
 - g. Investment pools through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
 - h. Investment pools organized under the surplus funds investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

Safekeeping:

All securities purchased by the Meridian EDC under this section shall be properly designated as an asset of the Meridian EDC. In situations where a brokerage firm does not have adequate SIPC (Securities Investor Protection Corp.) insurance and other customary supplemental insurances, (and evidence of which is on file in the Meridian EDC), assets will be held in safekeeping by a custodial bank or other third party custodial institution, chartered by the United States Government or the State of Michigan, and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the Treasurer as authorized herein, or by his/her designee. All transactions shall provide either the financial instrument or acceptable safekeeping receipts.

All security transactions above insurance levels, entered into by the Meridian EDC, shall be conducted on a delivery-versus-payment (DVP) basis. Again, securities if held by a custodian designated by the Meridian EDC, shall be evidenced by safekeeping receipts. Investment officials shall be bonded to protect the public against possible embezzlement and malfeasance. Safekeeping procedures shall be reviewed at least annually by an independent auditor, and in any event, as deemed necessary by the Board.

Diversification:

It is the policy of the Meridian EDC to diversify its investment portfolios. Assets held in the common cash fund and other investment funds shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, individual financial institution or a specific class of securities. Diversification strategies shall be determined and revised by the Treasurer from time to time to meet diversification objectives (to reduce overall portfolio risks while attaining market average rates of return).

Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, as well as considering sizeable blocks of anticipated revenue.

Changes on State/Federal regulations:

In the event any state or federal legislation or regulation should further restrict, or additionally permit, instruments or institutions authorized by this policy, such changes shall be deemed to be immediately incorporated in this policy.

Internal Controls:

The Treasurer shall establish a system of internal controls, which shall be documented in writing. The controls shall be designed, in addition to conforming to generally accepted accounting principles (GAAP), to minimize losses of public funds arising from fraud, employee

error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the Meridian EDC.

Performance Standards:

The investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the Meridian EDC's investment risk constraints and cash flow needs.

I. Market Yield (Benchmark) - The Meridian EDC's investment strategy is fluid. Given this strategy, the basis used by the Treasurer to determine whether market average yields are being achieved shall be a review of the U.S. economy, Michigan's economy, an assessment of information provided by the financial community, and trends set by an array of economic indicators such as rates for U.S. Treasury Bills.

Selection of Investment Instruments:

An examination will be made of offerings from financial institutions for various options with regard to terms and instruments. The Treasurer will select the instrument which provides the highest rate of return within the desired legal maturity required and within the parameters of the Meridian EDC's investment policy.

Reports:

The Treasurer shall provide a quarterly investment report summarizing recent market conditions and economic developments. This report is due 45 days after the end of the quarter and will be available at the Treasurer's office. Each quarterly report shall indicate areas of policy concern and suggested or planned revisions of investment strategies, if any.

Within 120 days of the end of the fiscal year, the Treasurer shall prepare a comprehensive

annual report on the investment program and investment activity. The annual report shall include both a 12-month and a quarterly comparison of returns and shall suggest improvements to the investment policy if needed.

Effective Date:

This policy shall become effective on April 1, 1998, the day following adoption by the Board.

CHARTER TOWNSHIP OF MERIDIAN
INGHAM COUNTY, MICHIGAN
INVESTMENT POLICY RESOLUTION

WHEREAS, it is the intent of the Charter Township of Meridian to invest the balances, which from time to time are available in the various funds of the Charter Township of Meridian, in a prudent manner; and

WHEREAS, it has been the past practice of the Charter Township of Meridian to have its Treasurer make immediate investment of available balances,

NOW, THEREFORE, BE IT RESOLVED, that the Treasurer (and/or his/her designee) be authorized and is hereby directed to invest the balances that from time to time are available in the various funds of the Charter Township of Meridian in accordance with Public Act 20 of 1943, as amended.

BE IT FURTHER RESOLVED:

- a. all investments heretofore made are hereby ratified and validated.
- b. all future investments shall be guided by the following investment policy.
- c. this policy shall become effective the day after passage of this resolution.

DATE: _____

Bruce Little, Supervisor

Mary M.G. Helmbrecht, Clerk

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