

**ORDINANCE NO. 2086**

**ORDINANCE AMENDING THE NORTHPORT MUNICIPAL CODE BY ADDING SECTION REGARDING INVESTMENT OF MUNICIPAL FUNDS**

**WHEREAS**, the City should articulate its policy for the Investment of Municipal Funds; and

**WHEREAS**, the attached addition to the Northport Municipal Code will set forth written policies to be followed by the City when investing municipal funds.

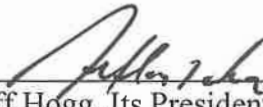
**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF NORTHPORT, ALABAMA AS FOLLOWS:**

1. The City adds Article VII Investment of Municipal Funds to Chapter 34 of the Northport Municipal Code, as set forth in Exhibit "A" which is attached hereto and incorporated by reference as if fully set out verbatim.
2. This Ordinance shall become effective immediately upon passage and publication.

**ORDAINED** this the 2<sup>nd</sup> day of August, 2021.

**CITY COUNCIL OF THE  
CITY OF NORTHPORT**

BY: \_\_\_\_\_

  
Jeff Hogg, Its President

ATTEST:




Glenda D. Webb, City Administrator

APPROVED this the 2<sup>nd</sup> day of August, 2021.



Bobby Herndon, Mayor

I hereby certify that the above and foregoing Ordinance was published on August 11, 2021, in the Northport Gazette, a newspaper of general circulation published in the City of Northport.



Glenda D. Webb, City Administrator

1st Reading: July 19, 2021  
Motion By: Hogg  
2nd Reading: August 2, 2021  
Motion By: Dykes  
Second By: Bobo  
Publication: August 11, 2021

# **EXHIBIT “A”**

## CHAPTER 34

### FINANCE

#### Article VII. Investment of Municipal Funds

##### **Sec. 34-130. Purpose.**

This article of the Code of Northport is enacted to establish the city's investment policy for municipal funds. The purpose of the policy is to establish the city's investment scope, objectives, standards of prudence to be applied in investments, delegation of authority to invest, authorized investments, authorized institutions, safekeeping requirements, internal controls, and reporting procedures.

##### **Sec. 34-131. Applicability.**

The provisions of this article as the city's investment policy shall apply to all investment transactions of the City of Northport. All financial assets of all municipal funds, including the general fund, special revenue funds, capital projects funds, enterprise funds, trust and agency funds, debt service funds, internal service funds and any new municipal funds created by the city council, unless otherwise specifically exempt, shall be administered in accordance with the provisions of this article.

##### **Sec. 34-132. Objectives.**

- (a) The primary objective of the city's investment policy as established herein is to outline the criteria for maintaining the security of invested municipal funds. Criteria for managing the city's municipal funds investment portfolio shall be in the following priority:
  - (1) The preservation of capital and the protection of investment principal.
  - (2) To maintain sufficient liquidity to meet reasonably anticipated operating expenditures and capital outlays.
  - (3) To maximize investment returns given the safety and liquidity constraints and subject to prudent investment principles.
- (b) The objective for return on investment of municipal funds should be that equaling or exceeding the average return on three-month U.S. Treasury bills or the average rate on federal funds, whichever is higher.

##### **Sec. 34-133. Prudent person rule and indemnification.**

- (a) The standard of prudence to be applied by the Finance Director and employees of the city department of finance shall be the "prudent person rule," as follows:

Investments shall be made with judgment 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 capital as well as a probable income to be derived.

- (b) The "prudent person ruling" shall be applied in the context of managing the investment of municipal funds as provided herein.
- (c) Neither the Finance Director nor city employees of the finance department, acting in accordance with this article and policies and procedures implementing the same and exercising due diligence, shall not be held personally responsible for a specific securities credit risk or market price changes, provided that these deviations are reported immediately and that appropriate action is taken to control adverse developments.

**Sec. 34.134. Ethics and conflicts of interest.**

All municipal employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which would impair their ability to make impartial investment decisions. Employees of the city finance department and elected officials shall disclose to the Finance Director any material financial interest in financial institutions that conduct business within this jurisdiction and they shall further disclose any large personal financial/investment positions that could be related to the performance of the city's investment portfolio. Employees of the city Finance Department and elected officials shall subordinate their personal investment transactions to those of the city, particularly with regard to the time of purchases and sales.

**Sec. 34-135. Investment authorization.**

The Finance Director and his designated representative is authorized to make investment decisions on behalf of the city within the perimeters of this article and subject to applicable state law and council policies. To that end, the Finance Director will be responsible for the following:

- (1) Establishing the investment strategy for municipal fund based on staff expertise and administrative cost analysis.
- (2) Develop and implement written procedures for operation of the investment program consistent with this article. Such written procedures shall include appropriate designation of employees in the department of finance responsible for investment transactions.
- (3) Establish a system of internal controls to monitor investment activities. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by employees.

**Sec. 34-136. Authorized financial dealers and institutions.**

- (a) All investments of municipal funds as provided for herein shall be made as directed by the city council pursuant to its authority in Code of Ala. 1975, § 11-43-122, and made through qualified public depositories, organized under the laws of the United States or the State of Alabama and

qualified as public depositors pursuant to Code of Ala. 1975, Ch. 14-A of tit. 41, as participating and in good standing with the State of Alabama Security for Alabama Funds Enhancement Program. First consideration shall be given to such qualified public depositors located in the city; provided, however, with the approval of the city council, by resolution duly adopted, the chief financial officer may engage in an investment transactions of municipal funds with a securities dealers classified as "primary dealer" or "secondary dealer" affiliated with New York Federal Reserve Bank.

- (b) The chief financial officer shall annually review the audited financial reports of all qualified public depositors, financial institutions and primary dealers that administer city investments.

#### **Sec. 34-137. Investments.**

- (a) Municipal funds not presently needed for other purposes may be invested in any obligations in which sinking funds are authorized to be invested pursuant to section 11-81-19 Code of Alabama, 1975, or any amendments thereto and in addition in any of the securities or obligations as set forth in section 11-81-21 Code of Alabama, 1975, or any amendments thereto.
- (b) Investment portfolios shall be held by an independent custodian. Institutions holding city investments in any common trust fund shall have insurance against fraud, embezzlement, and computer error.
- (c) The Finance Director may further restrict investments of municipal funds based upon his evaluation of the city's investment objectives and strategy.
- (d) The city's security interest in the investment securities must be perfected. To that end, the city must "take delivery" of the securities and all city investments will be acquired "delivery versus payment." Municipal funds shall not be transferred until securities are delivered.

#### **Sec. 34-138. Safe keeping and collateral.**

All investments in municipal funds as provided for herein and all financial institutions acting as a depository of municipal funds, shall be qualified public depositors organized under the laws of the United States and the State of Alabama and qualifying as public depositors pursuant to Code of Ala. 1975, tit. 41, Ch. 14-A, as participating and in good standing with the State of Alabama Security of Alabama Funds Enhancement Program.

#### **Sec. 34-139. Selection of investment instruments and institutions.**

An informal quotation process may be conducted by the Finance Director when selecting among public depositors as determined by the Finance Director. Quotes will be secured from financial institutions that are qualified as public depositors pursuant to Code of Ala. 1975, tit. 41, Ch. 14-A, that are participating in and in good standing with the Security of Alabama Funds Enhancement Program. If a specific maturity date is required for any investment instrument, quotes will be requested for approved instruments which meet the material requirements. When no specific maturity date is required, the most advantageous market yield, in the opinion of the Finance Director, will be selected. Financial institutions will be requested to quote a firm price or yield. Generally, deposits or purchases

of investment instruments will be made based upon the highest effective yield consistent with policy restrictions; however, transaction cost may be considered. In the event that two (2) financial institutions submit identical quotations, the investment will be made with the financial institution currently holding at that time the lower amount of municipal funds; provided, however, the investment of municipal bond or warrant proceeds will be considered separate from investment of other municipal funds.

**Sec. 34-140. Diversification.**

It is the policy of the city to diversify its investment portfolios. Investments shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. Diversification strategies and guidelines for the per cent of the total portfolio that may be invested in any one investment instrument shall be determined and revised periodically by the Finance Director or his designated representative.

**Sec. 34-141. Reporting.**

The Finance Director will provide a monthly investment report to the City Administrator listing the investment balance in each fund and in each financial institution and/or security dealer. Each quarter the City Council members will be provided with a similar report.