

**Policy Statement**

The Rochester Hills Public Library (RHPL) Board invests its funds in a manner that will provide the highest investment return with the maximum security, and comply with all state statutes governing the investment of public funds<sup>1</sup> while meeting the daily cash flow needs of the library.

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**Regulations**

1. **Scope** - This investment policy applies to all financial assets of RHPL. These assets are accounted for in various funds of the library that include the operating fund, plant fund, roof fund, enterprise funds, internal service funds, trust and agency funds, endowment funds or any new fund established by the library.
2. **Standard of Care - Prudence:** Investments shall be made with judgment and care, under circumstances then prevailing, that 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 the probable income to be derived.
3. **Objective** - In priority order, the primary objectives of RHPL's investment activities shall be:
  - A. **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.
  - B. **Liquidity:** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
  - C. **Return on Investment:** The investment portfolio shall be designed with the objective of obtaining a favorable rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

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P.A. 2 of 1968 Michigan Uniform Budgeting and Accounting Act, and P.A. 34 of 2001 the Revised Municipal Finance Act

## 4. Delegation of Authority

- A. Authority to manage the investment program is derived from state law<sup>2</sup>. The finance committee will make investment recommendations for approval by the board.
  - B. The treasurer shall be responsible for all transactions undertaken. No person may engage in an investment transaction except as provided under the terms of this policy and the Investment guidelines established by the finance and audit committee and approved by the board.
5. Authorized Investments - As authorized and limited by P.A. 20 of 1943, as amended, RHPL may invest in the following:
- A. Certificates of deposit, no greater in value than \$250,000 in a single banking institution in Michigan; savings accounts, deposit accounts or depository receipts of a given financial institution. The financial institution must:
    - i. Be a state or nationally chartered bank, savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government.
    - ii. Maintain a principal office or branch office located in the State of Michigan under the laws of this state or the United States.
  - B. Library operating funds will be deposited in a financial institution which maintains an office within the library's service area.
  - C. Bonds, securities or other obligations of the United States or an agency or instrumentality of the United States.
  - D. Commercial paper rated at the time of purchase within the two highest classifications by at least two rating services and with maturity not more than 270 days after the date of purchase.
  - E. Repurchase agreements of the United States or an agency or instrumentality of the United States.
  - F. Bankers' acceptances of United States bank.

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<sup>2</sup> MCL 41.76

- G. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by at least two rating services.
  - H. Mutual funds registered under Investment Company Act of 1940 composed of the investment vehicles described above. Mutual funds with a net asset value per share that may fluctuate on a periodic basis are authorized.
  - I. Obligations described in subdivisions 7.1 through 7.6 if purchased through an inter-local agreement under the urban cooperation act of 1967. 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512. (e.g. the MBIA Michigan CLASS program).
  - J. Investment pools organized under the surplus funds investment pool act, PA 1982, MCL 129.111 to 129.118.
6. Safekeeping and Custody - All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by RHPL shall be on a cash (or delivery vs. payment) basis. Securities may be held by a third party custodian designated by the library board treasurer and evidenced by safekeeping receipts as determined by the finance and audit committee.
7. Diversification - The investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
8. Maximum Maturities -The board shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a particular cash flow need, the library will not directly invest in securities that mature more than 3 years from the date of purchase.
- Funds with longer-term horizons may be invested in securities exceeding the 3-year limitation provided that maturity dates coincide, as near as possible, with the expected use of the funds.
9. Performance Standard - The investment portfolio will be managed in accordance with the standards established within this policy and should obtain a market rate of return during economic and budgetary cycles. Accordingly the benchmark used to measure portfolio performance shall be the U.S. Treasury instrument that best matches the average maturity of the RHPL portfolio. Performance measurement shall occur at least every quarter.
10. Reporting - The treasurer shall provide, at least, a quarterly investment report to the RHPL board. The report will provide the status and types of investments held in the

current investment portfolio. The report shall be prepared in such a way that will allow the board to determine whether investment activities during the reporting period have conformed to the adopted investment policy.

11. Adoption - This investment policy shall be adopted by a resolution of the board and the policy shall be reviewed annually by the treasurer and finance committee of the board. Any revision to this policy shall be brought to the board for review and adoption.

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Approved: October 13, 2014  
Rochester Hills Board of Trustees