

General Fiscal Policy and Procedures

Banking and Investment Policies

This policy is adopted by the City Council to direct the financial affairs of the City of Gulf Shores, Alabama.

Scope of Policy:

This policy applies to all funds or financial resources which are vested under the responsibility of the City Council **ONLY**. These policies do not govern funds that are managed under separate City entities and those not under the privy of the Gulf Shores City Council.

BANKING POLICIES

It is the policy of the Gulf Shores City Council to appoint depositories for the safekeeping of public funds under its discretion and control.

Designation of Depositories:

Financial Institutions which are a “Qualified Public Depository” (QPD) in the Security for Alabama Funds Enhancement (SAFE) Program as defined in Title 41, Chapter 14A, Code of Alabama 1975, and are designated as eligible depositories for funds under the discretion and control of the Gulf Shores City Council.

Banking Services

Banking services covers day to day services that the City requires to conduct financial operations. This includes but not limited to: bank accounts for deposits and withdrawals, sweep accounts, on-line banking, direct deposit for payroll, timely bank statements, local accessibility to institution, etc.

Banking Services doesn't include funds available for investment and short or long term borrowing.

Certificates of Deposit

Certificate of Deposits (CD) are purchased with funds available for investment and will be bid on an ongoing basis **as maturities become available** among financial institutions that are a QPD in the Safe Program and participate in the quoting process. The City will seek, as it is able, to maintain deposits at various institutions in amounts not in excess of FDIC limits.

INVESTMENT POLICIES

It is the policy of the Gulf Shores City Council to invest public funds in a manner, which will obtain an optimal or reasonable rate of return while meeting the cash-flow demands of expenditures approved through the budgetary process. Also, this policy is intended to ensure adherence to all State and local statutes governing the investment of funds. This policy sets forth

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the investment program for the Gulf Shores City Council and the guidelines to be followed in achieving its objective.

Designation of Investment Management:

The authority to manage the investment program is derived from State statute, local law and these investment policies. Management responsibility for the investment program, including the selection of investments, and transfer and use of such funds for the purchase or deposit therefore is hereby delegated to the Finance and Administration Director.

Ethics and Conflict of Interest:

The Finance and Administration Director and other City employees that may be involved in the investment function shall refrain from personal activity that could conflict with the proper management of the investment program, or that could impair their ability to make impartial investment decisions. The Finance and Administration Director or other City employees involved in the investment program shall disclose to the City Council any material financial interest in financial institutions that conduct business with the City and shall further disclose any personal investment positions that could be related to the performance of the City of Gulf Shores. The Finance and Administration Director and any other employee of the City that is involved in the decision process of the investment program shall comply with the Code of Alabama, 1975, Title 36, Chapter 25. All individuals involved in the decision-making process shall file Statement of Economic Interest with The Alabama Ethics Commission.

Objectives:

The objectives of the Gulf Shores City Council's investment policy are as follows: protection of the principal, proper cash flow, and optimal rate of return on investment vehicles. The City's Investment Portfolio shall be maintained, keeping all three of these objectives in mind. All investment purchase decisions shall take into considerations these three objectives in each and every decision.

1. The Protection of Principal shall be the top objective in the City's investment program. Protection of principal shall be controlled by investing in those investments that are only authorized by State and local law, which constitute some of the safest type of securities available in the market place. Most importantly, market risk on principal due to maturity dates and interest rates must be primary focus in determining the investment portfolio diversification.
2. Proper Cash Flow shall be based upon the cash needs as projected through cash management analysis and monitoring. An investment may be liquidated prior to maturity to meet unanticipated cash needs and to re-deploy resources into other investment vehicles expected to outperform the current holdings.
3. Optimal Returns on investments is the third objective once principal safeguards and projected cash needs are established. The investment portfolio shall contain those investments only authorized by State and local law. Such authorized investments shall be purchased with the highest yield available within the constraints outlined in Objective 1 and 2 outlined above.

Investment Strategies:

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The Gulf Shores City Council generally invests funds with the intent to hold to maturity. Investment portfolios shall consist of investments that are based on State and local law and are consistent with the objectives outlined above. Funds designated for immediate expenditure shall be passively invested to allow for liquidity in order to pay for upcoming obligations. Funds that are available for obligations that are not immediate should be invested on a structured laddered basis dependent on market conditions. The City's investment program shall utilize investment strategies based upon the unique characteristics of certain fund types and individual funds (i.e. operational, special, capital, debt)

Due Professional Care:

Investments shall be made with professional judgment and due care that would be exhibited by a person of prudence, discretion and intelligence under the same prevailing circumstances. Investment portfolios should be based upon income production and not speculation.

Authorized Investments:

The Gulf Shores City Council's authority to invest City funds is granted under the Code of Alabama, 1975, Title 11, Chapter 81, Section 19 and Title 11, Chapter 81, Section 21.

Maximum Maturities:

No investment shall be purchased with maturity greater than three (3) years without direct prior approval of the Gulf Shores City Council.

Credit Quality

The City will seek investments guaranteed by the federal government and deposits in accordance with the SAFE program and within the limits of FDIC insurance when available. Any investments outside of these parameters must be approved by the City Council.

Standard Operations:

The Finance and Administration Director is responsible for overseeing the daily operations in relation to the management of the City's investment portfolio. The Finance and Administration Director may assign staff members to assist in managing the overall program. With the passage of each annual fiscal year budget, the Finance and Administration Director will establish an overall annual investment strategy based upon the City's current financial position and the established fiscal plan for the upcoming year. The Finance and Administration Director, on a monthly basis, will review the status of the investment program and its portfolio and determine whether changes are required in its overall annual plan due unanticipated changes in immediate or near future cash needs.