

**City of Leavenworth, Kansas**  
**Investment Policy**  
**Approved by City Commission**  
**March 12, 2024**

**INTRODUCTION**

K.S.A. 12-1675 allows cities to invest funds that are not immediately needed for their intended purposes and, therefore, generate revenue through interest.

**PURPOSE**

This policy establishes the framework for the City's investment activities ensuring effective and conservative management of public funds. These guidelines are intended to be flexible enough to allow City Staff to function within the parameters of their responsibility and authority, yet specific enough to adequately safeguard City funds.

**SCOPE**

This Investment Policy applies to all financial assets of the City. The financial assets of all funds (except for those assets held in trust and bond fund investments) shall be administered in accordance with the provisions of this policy. Assets held in trust will be subject to the Trust Investment Policy. Bond Fund investments will be subject to the Debt Management Policy. This policy does not apply to intergovernmental revenues that contain restrictions on investment earnings.

**POLICY**

The City of Leavenworth shall invest public funds in a manner that will provide the highest return and maximum security while meeting daily cash flow demands and conforming to all applicable state and local statutes.

**PRUDENCE**

The standards to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. The prudent person standard states "Investment 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 the probable income to be derived." Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

## **OBJECTIVES**

The primary objectives, in priority order, of the City's investment activities shall be:

- A. **Safety:** Safety of principal is the foremost objective of this investment policy. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of the principal in the overall portfolio. Safety risks include credit risk (the risk of loss due to the failure of the security) and interest rate risk (the risk that the market value of securities in the portfolio will fall due to changes in market interest rates).
- B. **Liquidity:** The City's investment portfolio will remain convertible into cash with minimal loss of principal or interest to enable the City to meet all reasonably anticipated cash flow requirements sufficiently.
- C. **Yield:** The rate of return on the City's investments, while an important source of revenue, is less important than safety or liquidity. K.S.A. 12-1675(b)(2) identifies investments in which cities may participate.
- D. **Local investments:** K.S.A. 12-1675(b)(2) instructs cities to intentionally seek investment of funds with banking institutions that have main or branch offices located in the local community. These guidelines are specifically identified in the section entitled "Authorized and Suitable Investments."

## **INVESTMENT AUTHORITY**

### **City Commission:**

The City Commission holds the responsibility for approval of the Investment Policy. The Commission shall authorize the City Manager to manage the investment program according to City Ordinances, the City Resolution approving this policy, and State statutes.

### **City Manager:**

The City Manager will review any modifications to the Investment Policy and submit them to the City Commission as appropriate. The City Manager has final management responsibility for the investment program.

### **Finance Director:**

The Finance Director has direct management responsibility of the investment program. The Finance Director shall report to the City Manager on a periodic basis, as appropriate, concerning the status of the City's investment program. The Finance Director will review and receive approval from the City Manager before enacting changes in the City's investment practices.



## **ETHICS AND CONFLICTS OF INTEREST**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. All authorized investment officials shall disclose to the City Clerk any material financial interest in financial institutions that conduct business with the City.

## **AUTHORIZED FINANCIAL INSTITUTIONS**

The Finance Director will maintain a list of financial institutions from which the City may purchase investment securities and in which funds may be deposited. This list shall be reviewed and approved annually by the City Commission. All such financial institutions must supply the Finance Director with audited financial statements on a yearly basis.

## **AUTHORIZED AND SUITABLE INVESTMENTS**

In accordance with K.S.A. 12-1675(b)(2), the Finance Director is authorized to invest in the following securities:

- Direct obligations of or obligations that are insured as to principal and interest by the United States or any agency thereof
- Savings deposits, demand deposits, time deposits, open accounts, certificates of deposit, or time certificates of deposits with maturities of not more than two (2) years
- State Municipal Investment Pool
- Municipal bonds issued by any municipality of the State of Kansas
- Repurchase agreements for direct obligations of, or obligations that are insured as to principal and interest by, the United States government or any agency thereof
- Any investments made with a depository institution must be made with banks, savings and loan associations, and savings banks which have a main or branch office located in Leavenworth County or the City of Leavenworth
- Temporary notes of the City of Leavenworth

K.S.A. 12-1675(b)(2) and K.S.A.12-1675(f) also allows for Certificate of Deposit Account Registry Service (CDARS)-type programs. The CDARS and other qualifying reciprocal deposit programs allows for a participating institution to arrange for the allocation of deposits in excess of the FDIC insurance limit of \$250,000 among other participating institutions in amounts that would be eligible for FDIC coverage if:

- “(1) the Kansas participating institution has a main or branch office located in Leavenworth;
- (2) the Leavenworth bank receives reciprocal deposits from other institutions in an amount equal to the amount of funds placed by the City;
- (3) the other banks issuing certificates of deposit of the City are located throughout the United States; and

(4) each certificate of deposit issued by out-of-county banks is in an amount that is eligible for full FDIC coverage.”

When selecting a depository, the City will place investment priority on local institutions whose interest rates are equal to or greater than the investment rate as defined in K.S.A. 12-1675(a) before placing investments in the CDARS or CDARS-type programs.

The following criteria will be considered when making investment decisions:

**Collateralization:**

In order to reduce custodial credit risk (which is the risk that the City may not be able to recover its deposits in the event of the depository institution failure) collateral is required on all City investments and funds on deposit held in authorized financial institutions. Collateral is not required on investments which are covered by Federal Deposit Insurance Corporation (FDIC) and direct obligations of the U.S. government. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 100% of current value of principal and accrued interest.

Collateral may consist of the following:

- Direct obligations of, or obligations that are insured as to principal and interest by, the United States of America or any agency thereof and obligations, including but not limited to letters of credit, and securities of United States sponsored corporations which under federal law may be accepted as security for public funds; and
- Municipal bonds of the State of Kansas and political subdivisions thereof that are eligible for the deposit of public funds and approved by the State Bank Commissioner.

**Safekeeping and Custody:**

An independent third party with whom the City has a current custodial agreement will always hold collateral securities. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. Pledged collateral shall not be released until an acceptable re-pledging of collateral is made and confirmed to the Finance Director or designee in the event of a transfer of collateral. The independent external auditor shall review safekeeping procedures annually.

**Diversification:**

It is the policy of the City to diversify its investment portfolio by security type and maturity date. Assets held in the cash fund and other investment funds shall be diversified to eliminate the risk of loss that result from over concentration of assets in a specific maturity or a specific class of securities.

**Maximum Maturities:**

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not invest in securities maturing more than two (2) years from the date of purchase. However, the City may invest reserve funds in securities exceeding two (2) years if the maturities of such investments are made to coincide as nearly as possible with the expected use of the funds.

**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 City's investment risks, constraints and cash flow needs.

**Market Yield:**

The basis used by The Finance Director to determine whether market yields are being achieved shall be the 91-day U.S. Treasury Bill rate or the amount established by the State Municipal Investment Pool.

**INTERNAL CONTROL**

The Finance Director shall establish a system of written internal controls to assure compliance with state laws and this policy. The controls shall be designed to prevent the loss of public funds due to fraud, error, misrepresentation by third parties, unanticipated market changes or imprudent actions by employees or officers of the City. An annual, independent audit review shall provide internal control by assuring compliance with state laws and this policy.

**INTEREST ALLOCATION**

Interest earned on investments will be allocated according to Kansas statutes, specific fund requirements, and based on level of participation in the investments.

**REPORTING**

The Finance Director or designee shall compile monthly investment reports showing type of investment, institution, rate of interest, term, maturity date, and projected interest earnings at maturity. Interest earnings reports and collateral reports for each financial institution shall also be prepared.

**REVIEW OF POLICY**

The Finance Director shall review the policy on an annual basis with the City Manager, and any modifications must have prior approval of the City Commission.