

CITY OF PALMER, ALASKA

ORDINANCE NO. 585

AN ORDINANCE REPEALING CHAPTER 3.34 (INVESTMENT AND COLLATERALIZATION OF PUBLIC FUNDS) OF THE PALMER MUNICIPAL CODE AND ADOPTING CHAPTER 3.35 (INVESTMENT AND COLLATERALIZATION OF PUBLIC FUNDS).

THE CITY OF PALMER, ALASKA, ORDAINS:

Section 1. Classification. This ordinance shall be of a permanent nature and shall become a part of the City of Palmer Code of Ordinances.

Section 2. Severability. If any provisions of this ordinance, or any application thereof to any person or circumstance is held invalid, the remainder of this ordinance and the application to other persons or circumstances shall not be affected thereby.

Section 3. PMC Chapter 3.34, Investment and Collateralization of Public Funds is repealed.

Section 4. PMC Chapter 3.35, Investment and Collateralization of Public Funds is adopted as follows:

**Chapter 3.35
INVESTMENT AND
COLLATERALIZATION OF PUBLIC FUNDS**

Sections:

- 3.35.010 Purpose
- 3.35.015 Policy
- 3.35.020 Definitions
- 3.35.030 Authorized investments
- 3.35.040 Safekeeping and custody
- 3.35.050 Delegation of authority

3.35.010 Purpose.

This chapter is intended to govern the investment and collateralization of funds under the control of the city. This chapter does not apply to any funds controlled by a separate trust indenture.

3.35.015 Policy.

It is the policy of the city to invest public funds in a

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manner which, in order of relative importance, will preserve capital, meet the daily cash flow demands of the city, and provide a reasonable market rate of investment. All investments of city funds must conform to the city code of ordinances government the investment of public funds.

3.35.020 Definitions.

As used in this chapter:

A. "Authorized investment" is as defined in Section 3.35.030.

B. "Bank" means a state or federally chartered commercial or mutual bank, savings and loan association or credit union located in the United States and having insurance of accounts through the appropriate insuring agency of the United States.

C. "Certificate of deposit" means a non-negotiable certificate of deposit or other depository agreement issued, or to be issued, to the city by a bank.

D. "City" means City of Palmer, Alaska.

E. "Government obligations" means interest-bearing obligations of the United States, or for the payment of principal and interest on which the full faith and credit of the United States is pledged.

F. "Moody's" means Moody's Investment Service, its successors and assigns, or, if such organization shall be dissolved or liquidated or shall no longer perform the functions of a securities rating organization, any other nationally recognized securities rating organization designated by the city manager.

G. "Rated bank" means a bank:

1. Whose short term obligations are rated, at all times, A-1 or better by S&P, and P-1 or better by Moody's; or

2. Whose letters of credit secure third-party debt issues rated at least "A" by S&P or Moody's; or

3. Which is a subsidiary of a one-bank holding company, all of whose commercial paper has the highest rating given by S&P or Moody's or whose long term debt issues are rated at least "A" or its equivalent by S&P or Moody's.

H. "S&P" means Standard and Poor's Ratings Group, its successors and assigns, or, if such organization shall be dissolved or liquidated or shall no longer perform the functions of a securities rating organization, any other nationally recognized securities rating organization designated by the city manager.

3.35.030 Authorized investments.

In order to provide maximum security for the investment of city funds and to provide the greatest interest revenue consistent

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with safety, only the following investments of the city's funds will be authorized:

- A. Government obligations;
- B. Commercial paper (i) having original maturities of not more than 270 days and rated, at all times, A-1 or better by S&P, and P-1 or better by Moody's; and (ii) bearing interest at a rate at least 25 basis points (0.25%) above the rate of interest on United States Treasury obligations of the same maturity at the time of purchase;
- C. Banker's acceptances accepted by a rated bank and eligible for rediscount with, or purchase by, Federal Reserve System banks;
- D. Interest bearing obligations of a corporation, or of any state of the United States of America or any political subdivision thereof, which obligations at all times are rated at least AA by S&P or Moody's; provided that any such obligation of a corporation shall bear interest at a rate at least 25 basis points (0.25%) above the rate of interest on United States Treasury obligations of the same maturity at the time of purchase;
- E. Shares of Securities and Exchange Commission registered money market mutual funds conforming to Rule 2a-7 of the Investment Company Act of 1940 that invest primarily in direct obligations of the United States and repurchase agreements backed by those obligations, and rated in the highest category by S&P and Moody's;
- F. Certificates of deposit of any rated bank, provided that such certificates of deposit are (i) fully insured by the appropriate insuring agency of the United States; and (ii) to the extent not so insured, collateralized with Government Obligations held by a third party custodian, in an amount equal to 102% of the principal and unpaid accrued interest;
- G. Repurchase agreements with primary dealers or rated banks, collateralized with Government Obligations held by a third party custodian, in an amount equal to 102% of the principal and unpaid accrued interest;
- H. In addition to the above, the city may invest its funds pursuant to an investment agreement with an investment pool organized and operated in accordance with the Alaska Investment Pool Act (Alaska Statute Chapter 37.23, Investment Pools for Public Entities).

3.35.040, Safekeeping and custody.

All security transactions, including collateral for repurchase agreements, entered into by the city shall be conducted on a delivery-versus-payment basis. Securities shall be held in the city's name by a third party custodian designated by the city

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manager and evidenced by safekeeping receipts and statements.

3.35.050, Delegation of authority.

The city manager is authorized to appoint custodian banks and external investment managers subject to approval by the city council. The investment manager may be retained to invest city funds in lieu of city staff. The investment manager shall be registered as a financial advisor with the U.S. Securities and Exchange Commission (except for an authorized bank), must hold professional liability insurance of at least \$1,000,000 and must have experience in the management of municipal funds. The investment manager shall provide a monthly report summarizing investment activity in the portfolio.


Section 5. Publication and Effective Date. This ordinance shall become effective immediately upon its adoption. Publication shall be by making copies available to the public, and further it shall be published by being printed and included in the Palmer Municipal Code at its next regular supplementation and printing. Publication may also be made by posting a copy hereof on the City Hall bulletin board for a period of ten (10) days following its adoption. A notice of public hearing shall be given by such posting at least five (5) days before final passage.

First Reading: March 12, 2002
Public Hearing &
Second Reading: March 26, 2002

Adopted by the City Council of the City of Palmer, Alaska, this 26th day of March, 2002.



THOMAS HEALY, CITY CLERK



JIM COOPER, MAYOR