

431.2 SUBJECT: INVESTMENTS AND CASH MANAGEMENT

:1 OBJECTIVE:

Provide adequate cash flow for coverage of City's financial obligations and invest available funds in accordance with City Code Chapter 2.09, Investment of City Funds, and policy guidelines.

:2 AUTHORITY:

This procedure amended by City Council August 9, 1993, Item OO.

:3 DIRECTION:

Treasurer, as an appointed official, serves at the pleasure of the Mayor and receives direction through the Finance Director.

:4 METHOD OF OPERATION:

A Cash Management Desk Manual shall be maintained by this office to describe fully the detailed procedures of each of the operations outlined below. It shall be kept in the Assistant Treasurer's Office.

A. Cash Management

1. The Assistant Treasurer will monitor, on a daily basis, all funds deposited into and withdrawn from the various accounts maintained by the City. These accounts shall include those accounts established by the City for its own purposes, such as the City's Operating Account at its primary bank, and those accounts under the direction of the City for agencies, such as Civic Facilities Authority.

2. A daily record shall be kept of the following information for the City's primary bank account(s):

- a. Deposits.
- b. Withdrawals.
- c. Balances - Beginning and Ending, Available and Collected.
- d. Scheduled and Estimated cashflows for the day:
Wire Transfers
Security Transactions
Payroll and Other Check Clearings, and
Targeted Ending Balances, and Overnight Investments.

3. The City's overnight investments shall be confirmed with the bank on a daily basis along with the interest rate to be earned.

4. An analysis shall be made of the monthly statements provided by the bank to ensure that fees charged are in accordance with the contractual agreements and that collected balances required to maintain services are maintained and/or fees paid.

B. Wire Transfers And Account Transfers

1. As a policy to ensure the security of City funds, the wiring of

funds shall be strictly controlled and monitored daily. Control shall be maintained through segregation of duties at all times requiring at least two individuals to effect a wire via an authorized individual to originate ("make") the wire or transfer, and another authorized individual to confirm ("release") the wire.

2. The wiring of funds into, out of, and among the City accounts will be limited to selected individuals. A file of those individuals' names, signatures and authorization limitations (pension only, credit union transfers only, etc.) shall be kept on file in the Assistant Treasurer's Office.
3. A copy of each Wire Transfer form shall be kept in the Accounting Bureau for recording and in the Treasury Bureau for audit purposes.
4. The Treasury Bureau will be responsible for monitoring the wire and account transfer activity to assure that those wires it is responsible for are made in a timely fashion and in proper form according to pre-established procedures. Appropriate notations regarding the wiring of funds shall be made on the Cash Management Spreadsheet.
5. For each outgoing wire, the following procedure shall be followed:
 - a. A wire transfer or account transfer form shall be completed and signed by an authorized individual.
 - b. A wire request shall be forwarded to the Treasury Bureau to "make" or call in the wire to the City's primary bank.
 - c. A wire will not be sent unless confirmed by an authorized individual, separate and distinct from the individual making the wire. The individual confirming the wire shall initial the Transfer Request Form and note the date (by the initiating party) of the transfer. The Transfer Request Form shall be forwarded to the Accounting Bureau for recordation purposes.
 - d. A file of all executed Outgoing Wires Authorization forms shall be maintained in the Assistant Treasurer's Office.
6. For each incoming wire or account transfer, the following procedure shall be followed:
 - a. Treasury shall notify the City's primary bank of the date and expected amount of the transfer.
 - b. A notation of the amount and source shall be made on the Daily Cash Management Spreadsheet maintained by Treasury personnel.

c. The bank will notify the City when the funds are delivered into the bank.

C. Security Purchases, Sales And Maturities

1. As authorized by City Code Section 2.09, Investment of City Funds, the Finance Director or Designee, shall invest City funds in authorized investment instruments. Bond proceeds shall be invested in accordance with covenants specific to the respective bond issues. Copies of the Investment Ordinance, Policy Statement, respective Bond Ordinances, and closing documents shall be kept on file in the Finance Department. A file listing those individuals authorized to make investments for the City will be kept in the Assistant Treasurer's Office. The City's primary bank and the securities dealers with whom the City conducts business will be properly notified of those authorized individuals.

2. On a quarterly basis, those investments in certain accounts requiring a minimum balance (e.g., reserve funds) shall be marked to market and compared to cost, with any adjustment required to maintain the funds at minimum balance by using the methods as required by bond covenants.

3. For each Purchase and Sale, the following actions must be taken:
a. A Purchase or Sale form shall be completed and kept on file in the Assistant Treasurer's Office.

b. The appropriate custodial bank will be notified of the transaction.

c. The necessary notations of the transaction(s) will be made in the Cash Management Spreadsheet, as appropriate.

d. The Assistant Treasurer will make arrangements for the wiring of funds, as appropriate.

e. The maturing of investments will also be monitored and allowances made for periodic cash flows in the daily cash management of City funds.

f. A copy of each Security Transaction form and the associated third party confirmations from the dealer will be forwarded in packet form to the Accounting Bureau on a regular basis for recording to the City's books.

This completes the process necessary for each purchase and

sale.

4. For each maturity and all coupon interest to be credited to the City's account, the following actions must be taken:
 - a. A confirming call will be made or data inquiry initiated to the City's custodial bank to confirm the date and dollar amount of funds to be received, with any additional instructions issued to the bank at that time.
 - b. The necessary notations of the transaction(s) made in the Cash Management Spreadsheet, as appropriate.
 - c. Arrangements made by the Assistant Treasurer for the wiring of funds, as appropriate.
 - d. A report of maturities and coupon interest amounts compiled and forwarded to Accounting on a monthly basis. The report shall have attached to it, as appropriate, (the bank credit slips for deposit of funds to the City's accounts of the correct dollar) amounts.
5. A detailed record of investment portfolio activity will be kept by the Investment Officer. Monthly reports shall be made to the Investment Committee. Quarterly reports shall be made to the Chief Administrative Officer and the Finance Committee.
6. Any material deviations in the results of investment strategies, balance requirements, timing of transfers, etc. shall be brought to the immediate attention of the Treasurer and/or Finance Director.

D. Banking Services And Relations

1. The Assistant Treasurer shall be responsible for maintaining relationships with the various banks, savings and loans, and other financial institutions with whom the City conducts business regarding investments and cash management. Such activities may include, but not be limited to, regular and customary activities such as: custody of securities, cash management, payroll activities, and periodic less frequent activities such as: maintenance of letters of credit or special projects.
2. A Request for Proposal (RFP) for Primary Banking Services is solicited periodically from qualified financial institutions. The RFP requests proposals to quote fees for providing the following services to the City:
 - a. Maintenance and reporting on the various bank accounts maintained by the City;

- b. Custody and safekeeping for certain of the City's investments;
 - c. Account reconciliation;
 - d. Credit card processing;
 - e. Coin processing; and other services as needed.
3. Master Custody services for safekeeping of investment securities may or may not be part of services required of the Primary Banking Services Provider. Two separate provider of services may be selected to achieve desired efficiency and economics.
 4. A selection committee reviews responses, secures clarification on any issues which require explanation, and then recommends a candidate to the City Council for approval.

E. Debt Service

1. The Assistant Treasurer is responsible for administering and coordinating the City's bond indebtedness for the City's outstanding obligations. Records shall be prepared and/or maintained and separate debt files established for each issue.
2. The activities included under this topic, as described in detail in the Cash Management Desk Manual, shall be as follows:
 - a. Debt service payments shall be monitored, paid by wire or check, and confirmed, as described in detailed procedures in the Investments Desk Manual.
 - b. Payments to bond holders (on those issues for which the City acts as Registrar or Co-Registrar) registered with the City shall be monitored on a quarterly basis. Arrangements will be made for payments by check to be mailed for receipt by the bondholder on the date interest and/or principle is due. Reimbursement requests shall be filed by the City with each Trustee bank associated with the respective bond issue if the City directly paid the bond holder. Coupon destruction procedures shall also be properly documented in the Cash Management Desk Manual.
 - c. Invoices for payments due by the City to various fiscal agents associated with the City's bond issues will be reviewed for accuracy, timeliness, and conformity to bond documents. Check requests will be generated for reimbursement of the various fiscal agents associated with the bonds:

- Trustee Banks,
- Registrar Banks,
- Paying Agents, and/or
- Remarketing Agents

F. Payment Of Invoices:

1. Certain classes of invoices shall be the Treasury's responsibility. The invoice classes included under this topic, as described in the Cash Management Desk Manual, are as follows:
 - a. City Pension Fund Money Managers' Services, Performance Measurement Consultant, Actuarial Consultant and Custodial Bank(s);
 - b. Bond Counsel and other attorneys' fees for legal consultation on a variety of issues; and
 - c. Other related areas as assigned by the Finance Director.
2. Invoices shall be reviewed on a bi-weekly basis for reasonableness and accuracy and submitted for payment in accordance with established controls and procedures.

G. Pension Fund Staffing

1. Treasury staff shall provide assistance to the Trustees of the Police, Firefighters, and General Employees Pension Funds for a variety of activities, as needed. Staff support may include:
 - a. Submitting monthly reports regarding contributions and allocations of funds;
 - b. Research and reports on legislative matters as they impact the funds; and
 - c. Other qualitative research, as needed.

H. IRS Arbitrage Restrictions

Certain funds associated with selected municipal bond issues are restricted with regard to the level of earnings or yield the funds can earn. These profit (or "arbitrage") restrictions are monitored and reported on to the IRS. The Treasurer bears the responsibility of the analysis of reporting on and maintenance of the data for these funds. Proper documentation, procedures to describe the calculation process, projections, etc. are maintained in the Cash Management Desk Manual.

:5 FORMS:
None.

:6 COMMITTEE RESPONSIBILITIES:
None.

:7 REFERENCE:
City Code, Sections 2.09, 2.30, and 2.34. Procedure adopted by City Council
October 31, 1988, Item 22,A-27; amended June 14, 1993, Item 4-Q.

:8 EFFECTIVE DATE:
This procedure effective August 9, 1993.