ENROLLED ORDINANCE

NO. 2017 - 728

INTRODUCED BY COMMISSIONER(S): COMMISSIONER ANDERSON

AN ORDINANCE TO AMEND CHAPTER 117 OF THE WAYNE COUNTY CODE OF ORDNANCES, BY AMENDING SECTIONS 117-1 THROUGH 117-3 AND SECTIONS 117-7 THROUGH 117-10, AND ADDING NEW SECTIONS 117-11 THROUGH 117-14 TO PROVIDE A COMPREHENSIVE REVISION AND UPDATE OF THE COUNTY INVESTMENT POLICY ORDINANCE TO ACCOUNT FOR STRUCTURAL CHANGES IN COUNTY GOVERNMENT, REFLECT CHANGES IN STATE LAW APPLICABLE TO PUBLIC INVESTMENT, AND CONFORM THE COUNTY'S INVESTMENT PRACTICE AND PROCEDURE WITH GENERALLY ACCEPTED BEST PRACTICES.

IT IS HEREBY ORDAINED BY THE PEOPLE OF THE CHARTER COUNTY OF WAYNE:

SECTION 1: CODE OF ORDINANCES AMENDED

Chapter 117 of the Wayne County Code of Ordinances is amended to read as follows:

Sec. 117-1. - Scope of investment policy.
(a) This chapter applies to all money which belongs to or is under the control of the county, and is available for investment, not being required by law or an agreement with bondholders to be segregated and invested in a specified manner. These funds are accounted for in the annual financial report and include all of the following:

(1) Government funds, including:
   a. The general fund;
   b. Special or restricted revenue funds;
   c. Debt service funds
   d. Capital project funds

(2) Proprietary funds, including:
   a. Internal service funds
   b. Enterprise

(3) Fiduciary funds, including:
   a. Trust and agency funds unless otherwise directed by the trustee or agency; and
b. Funds placed with the county treasurer pursuant to the Local Government Investment Pool Act, Act No. 121 of the Public Acts of Michigan of 1985 (MCL 129.141 et seq., MSA 5.701(41) et seq.)

(4) Funds held to retire the general long-term obligations of the county.

(5) Any new fund created by the county commission unless specifically exempted from this chapter.

(b) This chapter does not apply to the Wayne County Employees Retirement Fund, which is separately administered pursuant to article VI of the county Charter. Health care insurance fund as well as any individual employee deferred compensation funds are excluded from this policy.

Sec. 117-2. - General objectives.
The primary objectives, in priority order, of the county treasurer's investment activities shall be

(a) Safety of principal is the foremost objective of county government. Investments shall be undertaken in a manner which seeks to ensure the preservation of principal in the overall portfolio. To attain this objective and avoid the five governmental accounting standards board (GASB) risk identified, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. Speculation is prohibited in any individual transaction.

(1) Custodial credit risk – will be minimized by holding all securities in the county's name in either third-party safekeeping account (for agencies and commercial paper) or by the issuing institution (for certificates of deposit).

(2) Interest rate risk – will be minimized by structuring the portfolio to meet the cash requirements of ongoing operation, thereby mitigating the need to liquidate securities at a loss prior to maturity.

(3) Credit risk – will be minimized by limiting investments to the safest types of securities and diversifying the portfolio so the potential losses on individual securities would be minimized and maintaining credit rating on all holdings.

(4) Concentration of credit risk – will be minimized by limiting the exposure of single security issue to the total portfolio (as indicated in section 117-14)
(5) Foreign currency risk – will be minimized by only investing in United States dollar denominated securities.

(b) Liquidity: the investment portfolio shall remain sufficiently liquid to enable the county treasurer to meet all operating requirements which might be reasonably anticipated.

(c) Return on investment: The investment portfolio shall be assigned with the objective of attaining a rate of return (as defined in section 117.11) throughout the budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow characteristics of the portfolio.

Sec. 117-3. - Delegation of authority

Authority to manage the investment program is derived from Public Act 20 of the Public Acts of 1943, as amended by Act 285 of 1988, Act of 196 of 1997 and Act 213 of 2007. Management responsibility for the investment policy is hereby delegated to the county treasurer, as required by state law, who shall be responsible for all transactions and activities undertaken and shall establish a system of controls to regulate the activities of subordinate officials, and their procedures in the absence of the treasurer. All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officers shall avoid any transaction which may impair public confidence in the ability of the government of the county to govern effectively.

Sec. 117-4. - Standard of prudence.

The standard of prudence to be used by county investment officers shall be that of the prudent person and shall be applied in the context of managing the overall portfolio. An investment officer who acts in accordance with written procedures and exercising due diligence shall be relieved of all personal liability for the credit risk or market price change of an individual security, provided that deviations from expectations are reported in a timely manner and appropriate action is taken to avert and control adverse developments.

Sec. 117-5. - Internal controls.

The county treasurer shall establish and maintain a system of internal controls, which shall be documented in writing. These internal controls shall be reviewed from time to time by the committee on audit and at the end of each fiscal year by the legislative auditor general. The controls shall be designed to prevent losses of public funds arising from employee error, misrepresentation by third parties, unanticipated changes in financial markets, or neglectful or imprudent actions by employees and investment officers. These internal controls are not deemed to be rules and regulations which require commission approval.
Sec. 117-6. - Oversight.

The committee on audit shall convene as needed from time to time to review general investment strategies and to monitor results. The committee on audit shall address such topics as the economic outlook, portfolio diversification and maturity structure, potential risks to county investments, and the target rate of return on investments. The committee shall also review and recommend to the full board of commissioners approval, rejection or amendment of rules and regulations promulgated by the treasurer to implement the policies established by this chapter.

Sec. 117-7. - Authorized investment instruments.

(a) Investments may be made in any instrument in which a county is authorized to invest public funds as authorized Public Act 20 of 1943 as amended, subject to the limitations hereinafter provided as to maturity and diversity. These instruments include all of the following with conditions as hereinafter provided.

(1) Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States. These instruments must, however:

   a. Be held in the name of the county treasurer; and
   b. Be purchased using the delivery vs. payment procedure.

(2) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2) of Public Act 20 of 1943, as amended.

(3) Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. If commercial paper is not purchased directly from issuing corporation, it must be held in safekeeping by a third party institution.

(4) United States government or federal agency obligation repurchase agreements. Such repurchase agreements must:

   a. Be secured through third party custody and safekeeping procedures; and
   b. Be purchased using the delivery vs. payment procedure.

(5) Bankers acceptances of United States banks.

(6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
Investment may also be made in Mutual Funds registered under the Investment Company Act of 1940, Title 1 of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation, whose investment policies and objectives closely match Section 3, which maintain a rating of AAA or better by a nationally recognized statistical rating agency and by policy & practices attempt to maintain a net $1.00 share value.

Obligations described in subdivisions (a) through (g) 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.

Investment pools organized under the Surplus Funds Investment Act, 1982 PA 367, MCL 129.111 to 129.118.

The investment pools organized under the local government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Sec. 117-8. - Limitations upon Maturity on Investments.
To the extent possible, Wayne County will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, Wayne County will not directly invest in securities with maturities more than three (3) years from the date of purchase (see Section 117-14)

Sec. 117-9. - Diversification of investments.
(a) The treasurer shall diversify use of investment instruments to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions, or maturities.

Wayne County will diversify its investments by security type and institution/issuer. With the exception of United States Treasury and agency securities, no more than fifty percent (50%) of the total investment portfolio will be invested in a single security type (see Section 117-14)

Sec. 117-10. - Financial services selection.
The treasurer may without further approval of the county commission enter into and execute on behalf of the county any contract with a financial institution to provide for the safekeeping or for the third party custodianship of any of the county's securities, as well as for any contracts or repurchase agreements with any corporation for the
purchase of any such securities which will be the subject of such
safekeeping or third party custodianship arrangements, on such terms and
conditions as best protect and serve the interests of the county.

SEC. 117-11. — Performance Standards
The investment portfolio shall be designed with the objective of
obtaining a rate of return throughout the budgetary and economic cycles,
commensurate with the investment risk constraints and cash flow needs
market yield (Benchmark) — Wayne County's investments strategy is
passive. Given this strategy, the basis used to determine whether market
yields are being achieved shall be to identify a comparable United
States Treasury instrument as the Benchmark which matches the portfolio
investments duration. i.e. 90 day United States Treasury Bill, 6 month
united market yield (Benchmark)

117-12- Ethics and Conflict of Interest
County financial officers and employees involved in the investment
process shall refrain from personal business activity that could
conflict with proper execution program, or which could impair their
ability to make impartial investment decisions. Employees and investment
officials shall disclose to the treasurer any material financial
interest in financial institutions that conduct business within this
jurisdiction, and shall further disclose any large personal financial
investment positions that could be related to the performance of the
county, particularly with regard to the time of purchase and sales.

SEC 117-13 — Safekeeping and Custody
It shall be the responsibility of the county treasurer to determine
which securities will be held by a third party custodian. Securities
held in safekeeping by a third party custodian shall be evidenced by a
safekeeping receipt.
<table>
<thead>
<tr>
<th>Instrument Description</th>
<th>Security Type Maximum</th>
<th>Issuer Maximum</th>
<th>Maturity Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasuries</td>
<td>100%</td>
<td>100%</td>
<td>3 years¹</td>
</tr>
<tr>
<td>U.S. Agencies &amp; Instrumentalities</td>
<td>100%</td>
<td>50%</td>
<td>3 years²</td>
</tr>
<tr>
<td>CD's Non-negotiable</td>
<td>50%</td>
<td>10%</td>
<td>2 years</td>
</tr>
<tr>
<td>CD's Negotiable</td>
<td>50%</td>
<td>10%</td>
<td>3 years</td>
</tr>
<tr>
<td>Municipal Bonds</td>
<td>50%</td>
<td>10%</td>
<td>3 years</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>50%</td>
<td>10%</td>
<td>270 days</td>
</tr>
<tr>
<td>Bankers Acceptances</td>
<td>25%</td>
<td>10%</td>
<td>184 days</td>
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<tr>
<td>Overnight Deposits³</td>
<td>100%</td>
<td>100%</td>
<td>1 day</td>
</tr>
<tr>
<td>Mutual Funds⁴</td>
<td>100%</td>
<td>100%</td>
<td>3 years</td>
</tr>
</tbody>
</table>

¹ Maturity Maximum - the three-year maximum applies to non-enterprise fund investments only. Enterprise fund reserves may be invested in securities exceeding three (3) years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

² Ibid

³ Overnight Deposits - The Treasurer may invest overnight or short term liquid assets to cover cash flow requirements in the following types of pools: Investment Pools organized under the surplus funds investment pool act of 1982, PA 367, MCL 129.111 to 129.118 or Investment Pools organized under the Urban Cooperation Act of 1967, PA, MCL 124.501 to 124.512.

⁴ Authority to Purchase Mutual Funds - The Treasurer may invest in no-load fixed income mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan, either taxable or tax-exempt. This authorization is limited to mutual funds whose intent is to maintain a net asset value of $1.00 per share.
SECTION 2: EFFECTIVE DATE

ADOPTED BY THE WAYNE COUNTY COMMISSION NOVEMBER 16, 2017.

This Ordinance is effective fifteen (15) days after its adoption by the Wayne County Commission.

(2017-75-047)