

---

Schedule 5.7  
Investment Policy

---

**MARION, HOWELL, OCEOLA & GENOA SEWER AND WATER AUTHORITY  
INVESTMENT RESOLUTION**

Dated: November 28, 2007

**1. Statement of Purpose**

WHEREAS, the Board of Marion, Howell, Oceola & Genoa (M.H.O.G.) Sewer and Water Authority, Livingston County, in exercising its fiduciary responsibilities, desires to safeguard the funds of the authority that may be invested from time to time, and

WHEREAS, Public Act 77 of 1989, MCL 41.77, requires that the authority board designate the banks or depositories for the money belonging to the authority, including the time for which the deposits shall be made and all details for carrying into effect the township given in this act, and

WHEREAS, Public Act 196 of 1997, MCL 129.91, et seq., requires authority boards in consultation with the treasurer, to adopt an investment policy.

**2. Scope of Policy**

THEREFORE BE IT RESOLVED, That this policy is applicable to all public funds belonging to M.H.O.G. Sewer and Water Authority and in the custody of the treasurer.

**3. Delegation of Authority to Make Investments**

BE IT FURTHER RESOLVED, That the Authority Treasurer is authorized to manage funds belonging to the authority, including depositing funds in approved financial institutions and administrating investments in conformance with MCL 41.77 and the policies as set forth in this resolution.

**4. Approved Depositories**

BE IT FURTHER RESOLVED, That the board will approve a "Depository Resolution" listing approved financial institutions as depositories of authority funds.

**5. Safekeeping and Custody of Deposits and Investments**

BE IT FURTHER RESOLVED, That the treasurer shall recommend financial institutions for approval for the safekeeping of authority funds based on an evaluation of the performance and solvency of the institution, as well as post performance in exercising due care and prudence in managing the custody of authority funds held in trust, if applicable. The treasurer shall periodically evaluate approved and potential financial depositories and shall make recommendations as to appropriate changes in approved depositories when warranted.

BE IT FURTHER RESOLVED, The treasurer may elect to have certificates and other evidence of investments held by a financial institution, provided that the financial institution presents to the authority treasurer sufficient instruments held on behalf of the authority.

In determining safekeeping and custody qualifications, financial institutions must document a minimum capital requirement of at least \$10,000,000 and at least five years of operation or provide to the authority an unconditional guarantee from another regulated lender (with assets of at least \$10,000,000) that the funds deposited will at all times be available for withdrawal by the authority. All financial institutions and brokers/dealers shall be pre-qualified by supplying the following:

- \*Audited financial statements,
- \*Proof of NASD certification or FDIC insurance,
- \*Certification of having read, understood and its agreement to comply with the M.H.O.G. Sewer & Water Authority investment policy.

The treasurer shall annually examine the financial condition and registrations of qualified financial institutions and brokers/dealers by obtaining annual updates of the information listed above.

## **6. Authorized Investment Instruments**

BE IT FURTHER RESOLVED, That when the treasurer's analysis of the authority's cash flow requirements reveals that surplus funds will not be required to meet current expenditures for a specific length of time, the treasurer is authorized to make prudent investments for a length of time that will provide a reasonable return on investment, yet ensure that such funds will be available when needed and will not be exposed to undue risk. The treasurer is authorized to invest authority funds in the following instruments:

- a) In bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States. in which the principal and interest is fully guaranteed by the United States.
- b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union meet all criteria as a depository of public funds contained in state law;
- c) In 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. Not more than 50% of any fund may be invested in commercial paper at any time.
- d) In United States government or federal agency obligation repurchase agreements:
- e) In bankers' acceptances of United States banks, or
- f) In mutual funds composed of investment vehicles that are legal for direct investment of local units of government in Michigan. Investments in mutual funds shall be limited to securities whose intention is to maintain a net asset value of \$1 per share.

## 7. Investment Objectives

BE IT FURTHER RESOLVED, That the objectives of this policy are foremost, to maintain safety of principal of authority funds; secondarily, to maintain a diversified investment portfolio, maintain adequate liquidity, and achieve a market rate of return on relatively safe investment instruments.

To accomplish these objectives, decisions and actions involving the authority's investment portfolio shall meet the following criteria:

**Safety:** Safety of principal is the foremost objective of M.H.O.G. Sewer and Water Authority's investment practices. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall investment portfolio. The treasurer shall minimize credit risk by investing only in the safer types of securities, pre-qualifying financial institutions, brokers/dealers, intermediaries, and advisers with whom the township will do business; and diversifying the investment portfolio so that the impact on the investment portfolio resulting from losses on individual securities will be minimized.

**Diversification:** The investments shall be diversified by avoiding overconcentration in securities from a specific issuer or business sector, excluding U.S. Treasury securities. Investments shall have varying maturities. Investment instrument selection shall avoid high credit risks and shall include use of readily available funds, such as local government investment pools or mutual funds to maintain sufficient liquidity.

**Liquidity:** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Securities shall have maturity dates concurrent with cash flow needs. Securities with active secondary or resale markets, as well as money market mutual funds offering same-day liquidity for short-term funds shall also be used to ensure liquidity. The treasurer shall minimize interest rate risk by avoiding the need to sell securities prior to maturity and investing operating funds primarily in short term-securities, money market mutual funds or similar public investment pools. Securities shall not normally be sold prior to maturity except to minimize loss of principal; to improve the quality, yield or target duration in the portfolio, or to meet liquidity needs.

**Return on Investment:** The investment portfolio shall be designed to attain a market average rate of return during budgetary and economic cycles while taking into account investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to safety and liquidity objectives. The core of investments is limited to relatively low-risk securities, and fair rate of return relative to risk is assumed.

## 8. Standard of Prudence

BE IT FURTHER RESOLVED, That the treasurer shall make such investments and only such investments as a prudent person would make in dealing with the property of another, having in view the preservation of the principal and the amount and regularity of the income to be derived.

The standard of prudence to be used shall be the "fiduciary" standard and shall be applied in context of managing an overall portfolio.

## **9. Statement of Ethics**

BE IT FURTHER RESOLVED, That the treasurer shall refrain from personal business activity that could conflict with the proper execution and management of authority investments, or that could impair the treasurer's ability to make impartial investment decisions.

## **10. Investment Activity Report**

BE IT FURTHER RESOLVED, That the treasurer shall annually provide a written report to the authority board concerning the investment of authority funds.

BE IT FURTHER RESOLVED, That the authority shall comply with all applicable statutory standards for investment of public funds as they now exist or as they may be subsequently amended. Any provision of this resolution that conflicts with applicable statutory requirements and standards is void.

## Depository Resolution

Dated: November 28, 2007

**WHEREAS**, Public Act 77 of 1989, MCL 41.77 requires that the MHOG Sewer & Water Authority Board designates the depositories for money belonging to the Authority,

**BE IT FURTHER RESOLVED**, that the MHOG Sewer & Water Authority Board approved the following financial institutions as depositories of Township Funds:

Bank of America  
Bank One  
Michigan Commerce Bank  
Charter One  
Chase Bank  
Citizens Bank  
Comerica Bank  
Fifth Third Bank  
First National Bank of Howell  
Flagstar Bank  
Key Bank  
Livingston Community Bank  
PNC Bank  
TCF Bank

**BE IT FURTHER RESOLVED**, that the Treasurer may continue to use these institutions and the subsequent successor if any experience name changes due to acquisition or merger.