

RE: INVESTMENT POLICY

Background:

The City's current investment policy, last updated in July 2011, is based on a model provided by the State Treasurer's Office. While this policy is functional, we believe that a more detailed and tailored investment strategy will better serve the City's needs. Historically, the City's investments have included Certificates of Deposit and Treasury Bills.

Analysis:

The proposed policy introduces an investment committee consisting of the Director of Finance, the City Administrator, the Assistant City Administrator, and an additional member appointed by the City Administrator. This committee will oversee and guide the investment strategy and ensure regular reporting to the City Council on investment activities.

The new policy adopts a three-pronged approach to investment:

1. **Immediate Cash Flow Needs:** Funds required for ongoing operations will remain in an interest-bearing checking account, currently yielding 80% of the 90-day T-bill rate, which has been over 4%. With anticipated drops in Federal interest rates, this rate will likely decrease.
2. **Annual Cash Requirements:** For funds needed for capital projects, we propose investing in the Missouri Securities Investment Program (MOSIP). MOSIP offers two options:
 - a. *MOSIP Liquid Series:* Provides immediate liquidity (1-2 days)
 - b. *MOSIP Term Series:* Offers terms from 60 days to 1 year
3. **Long-Term Investing:** We recommend a ladder investment strategy to mitigate interest rate risk. This involves diversifying investments across various maturity dates and reinvesting maturing securities into new, longer-term investments. Government securities will be used to ensure the safety of the City's funds. Brokers will be selected based on their responses to a "Broker/Dealer Questionnaire", and rates will be obtained from an approved list of brokers to secure the best possible returns.

Recommendation:

Staff recommends approval of this updated investment policy to enhance the safety, liquidity, and yield of the City's investible cash.

MEMO SUBMITTED BY:

Jennifer Evans | Director of Finance
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RESOLUTION NO. 2024-52

A RESOLUTION OF THE COUNCIL OF THE CITY OF NIXA ADOPTING A NEW INVESTMENT POLICY.

WHEREAS the City’s current investment policy was last updated on August 27, 2018 (Resolution No. 2018-084); and

WHEREAS City staff are recommending that the policy be updated to provide for a three-pronged approach to the City’s investments; and

WHEREAS to that end, the Council desires to adopt, in lieu of the City’s current investment policy, the new policy attached hereto as “Resolution Exhibit A.”

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF NIXA, AS FOLLOWS, THAT:

SECTION 1: The City Council hereby adopts the “Investment Policy of the City of Nixa,” attached hereto and incorporated herein by this reference as “Resolution Exhibit A.” All previously adopted resolutions or policies which relate to the same subject matter as this Resolution are hereby repealed. It is the intent of the City Council that after the effective date of this Resolution, that the “Investment Policy of the City of Nixa,” attached hereto as “Resolution Exhibit A,” shall be the solely authorized and approved investment policy of the City.

SECTION 2: This Resolution shall be in full force and effect from and after its final passage by the City Council and after its approval by the Mayor, subject to the provisions of section 3.11(g) of the City Charter.

ADOPTED BY THE COUNCIL THIS 10th DAY OF SEPTEMBER 2024.

ATTEST:

PRESIDING OFFICER

CITY CLERK

APPROVED BY THE MAYOR THIS 10th DAY OF SEPTEMBER 2024.

ATTEST:

MAYOR

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY



Investment Policy of the City of Nixa

*Supersedes:
Policy Dated: July 18, 2011*

City of Nixa, Missouri Finance Department
715 W. Mt. Vernon
Nixa, MO 65714

Table of Contents

<ul style="list-style-type: none"> I. Purpose 3 II. Policy 3 III. Scope and Applicability 3 IV. Governing Authority <ul style="list-style-type: none"> a. Enabling Legislation 3 b. Delegation of Authority 4 V. Objectives <ul style="list-style-type: none"> a. Safety 4 b. Liquidity 4 c. Yield 4 VI. Prudence 5 VII. Ethics and Conflict of Interest 5 VIII. Authorized Financial Dealers and Institutions 5 IX. Authorized Investments <ul style="list-style-type: none"> a. Missouri Securities Investment Program (MOSIP) 6 b. Treasuries, Obligations of the U.S., agencies, 6 c. Non-negotiable CDs 6 d. Prohibited investments 6 	<ul style="list-style-type: none"> X. Maximum Maturities 6 XI. Safekeeping and Custody 7 XII. Collateralization 7 XIII. Performance Standards 7 <ul style="list-style-type: none"> a. Downgraded Securities 7 XIV. Reporting and Disclosure 7 XV. Investment Strategy <ul style="list-style-type: none"> a. Buy and Hold 7 b. Segmented Portfolio 8 XVI. Internal Controls 8 XVII. Review, Approval and Adoption 8 <p style="text-align: center;">Addenda:</p> <ul style="list-style-type: none"> Glossary 9 Text of Missouri Revised Statutes 13 Text of City's Municipal Code 15 Broker/Dealer Questionnaire 16 Approved Broker/Dealer List 19 Confirmation of Policy Receipt 20
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Investment Policy

I. Purpose

The purpose of this Policy is:

- To establish investment objectives and parameters necessary to safeguard public funds entrusted to the City of Nixa,
- To articulate City Council's intent for the governance over city investments
- To communicate clear policy and strategy guidelines for city investment administration
- To demonstrate to citizens, taxpayers and voters a transparent and accountable stewardship plan.

A portion of the City's manageable cash may be invested in a laddered portfolio after assuring sufficient liquidity and safety; cyclical liquidity is kept in the Missouri Securities Investment Program (MOSIP) and the safety of operating cash is maintained in depository bank accounts.

II. Policy

It is the policy of the City of Nixa to invest public funds in a manner that, giving first regard to safety, suitability and liquidity, will maximize long-term yield in conformance with State Statutes, Federal Regulations and City Charter.

III. Scope and Applicability

The investment policy applies to all financial assets of the City of Nixa. These are accounted for in the City of Nixa's Annual Comprehensive Financial Report and include:

- General Fund
- Special Revenue Funds
- Enterprise Funds
- Any new fund created by Council, unless specifically exempted by Council.

Investments of City Funds may be made on a pooled basis across all funds, with principal and interest apportioned for the benefit of the various participating funds.

IV. Governing Authority

Enabling Legislation

All investments shall be managed in a manner responsive to the public trust, consistent with state statutes (Revised Statutes of Missouri or RSMo). Authority to manage the City's investment program is derived from RSMo 30.950.

Delegation of Authority

The City Council hereby authorizes the City Administrator or their designee, to engage in investment-related transactions pursuant to the terms of this policy without prior discrete approval from the City Council. The Investment Committee, comprised of the Director of Finance, the City Administrator, Assistant City Administrator and a member at large appointed by the City Administrator, may review and conduct oversight of transactions and monthly reporting prior to council review and approval. Management responsibility for the investment program is delegated by the City Council to the City Administrator who shall establish procedures for the operation of the investment program consistent with this investment policy.

Such procedures shall include explicit delegation of authority to persons responsible for investment transactions to provide adequate redundancy by properly trained and informed staff. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the City Administrator. The City Administrator shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Staff shall not engage in any policy-allowed investment transaction for which they cannot articulate a rationale for having done so.

Contracted Management

Any external investment manager engaged to assist in the management of the city's investment portfolio will be held to the prudent investor standard of care (see Section VI).

V. Objective

The prime objectives of this City's investment activities shall be the suitability of every investment to the financial requirements of the city, considering, in priority order:

- Safety: Safety of principal is the foremost objective of the investment program. Investments of the City of Nixa shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. Each investment transaction shall be conducted in a manner to avoid principal loss arising from security default, institution default, broker-dealer default, safekeeping fraud, or the avoidable loss on the premature sale of an investment.
- Liquidity: The City's investment portfolio will be structured to meet all expected obligations in a timely manner, to avoid premature sale of an investment at a loss of principal. This is to be achieved by comparing investment maturities with forecasted cash flows and maintaining sufficient liquidity for contingencies across all funds. A 3- to 5-year historical liquidity trend history, combining the city's main checking accounts, MOSIP, and the investment portfolio, will clearly indicate annual seasonal low cashflows.
- Yield, or Return on investment: The City's investment portfolio shall be designed with the objective of attaining as high a rate of return as prudently possible having first satisfied the objectives of Safety and Liquidity.

VI. Prudence

The standard of prudence to be used by investment officials shall be the "prudent investor rule," which, as enacted by State Statute (RSMo 456.8-804) says:

"A trustee shall administer the trust as a prudent person would, by considering the purposes, terms, distributional requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill and caution."

Investment officers acting in accordance with the written procedures and exercising due diligence shall be relieved of personal responsibility for individual security's credit risk or marketplace changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

VII. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from, or disclose, personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Administrator any material financial interests in the financial institutions to conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City's portfolio. Those engaged in the City's investment process shall subordinate their personal investment transactions to those of the City of Nixa, particularly with regard to the time of purchases and sales.

Employees and officers shall refrain from, or disclose, any personal investment transactions with the same agents with whom business is conducted on behalf of the city and shall avoid, or disclose, transactions that might impair public confidence.

Consistent with general City Policy, officers and employees involved in the investment process may not accept any valuable gift, favor or gratuity which is made on the basis of his or her position in the City's service.

VIII. Authorized Financial Dealers and Institutions

The Finance Director or designee will maintain a list of broker/dealers, which are authorized to provide investment services. To be eligible to do business with the City of Nixa, a broker/dealer must provide a Broker/Dealer Questionnaire that includes the following: audited financial statements, current securities-related licensing; proof of registration and licenses held with the Financial Industry Regulatory Authority (FINRA); proof of registration with the State of Missouri's Securities Division; provide current active municipal client references; and certification of having read the City's current investment policy. An annual review of the financial condition of qualified bidders will be conducted by the Finance Director, or his/her designee.

IX. Authorized Investments

A. The primary investment instruments expected to be utilized in the City of Nixa's Investment Portfolio are:

- Missouri Securities Investment Program (MOSIP) the public funds investment account for investment under the authority of Article VI, Section 16 of the Constitution of Missouri and Sections 70.210 to 70.320 RSMo.
- Treasuries. Certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States; or United States dollar denominated bonds, notes, or other obligations that are issued or guaranteed by supranational institutions, provided that, at the time of investment, the institution has the United States government as its largest shareholder.
- Non-negotiable Time Deposits such as CDs.

Prohibited Investments

Equities (stocks), Collateralized mortgage obligations, Money market mutual funds, Inverse Floaters, Negotiable Certificates of Deposit, Derivative Securities, either directly or through a Repurchase Agreement, Leveraging whether through a reverse repurchase agreement or otherwise, Speculations, Cryptocurrency and any investment type not expressly permitted by City Council in this policy or by State Statute are not eligible investments for the City.

X. Maximum Maturities

- Staggered maturities are to be a component of the diversified investment strategy, employed to minimize reinvestment risk due to rate fluctuations building a reasonably laddered maturity schedule.
- The average maturity of the portfolio will not exceed 2.5 years, including cash in depository accounts and the state investment pool. (For the purposes of this calculation, the maturity date of callable securities will be the final maturity date).
- The expected and final maturity of any security will not exceed 5-years at time of purchase.

XI. Safekeeping and Custody

Security transactions entered into by the City of Nixa shall be conducted on a delivery-versus-payment (DVP) basis.

Securities will be held by third party custodian designated by the Finance Director, or his/her designee, and evidenced by safekeeping reports which will be reconciled monthly to the portfolio. Third-party custodial reports shall be required monthly, to list, at a minimum, each individual security, CUSIP, purchase date, cost, market value, par value, and maturity date.

XII. Collateralization

State statute 110.010 RSMo requires that all deposits of public funds over and above federally insured amounts (including Certificates Of Deposit) be collateralized in accordance with regulations of the statute.

XIII. Performance Standards

Benchmark.

The City's cash management portfolio shall be managed using as comparison for yield of 2-Year Constant Maturity US Treasury Index. It can be expected that the city portfolio's average yield will trail the benchmark's yield in times of rising interest rates and lead the benchmark's yield in times of falling interest rates.

Downgraded Securities.

The city may, from time to time, be invested in a security whose rating is downgraded. In the event a rating drops below the minimum allowed by this policy, the Finance Director will review and recommend an appropriate plan of action to the Mayor and City Council via the City's Investment Committee. If the city utilizes an Investment Advisor, that Investment Advisor shall notify the city and recommend a plan of action within one month. The city may continue to hold a downgraded investment to maturity if a probable outcome is the eventual realization of full value, rather than a realized loss if divested prior to maturity.

XIV. Reporting

Periodic Reports

The Finance Director shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter.

XV. INVESTMENT STRATEGY

Buy and Hold.

As a strategy, the City of Nixa's investments will not be actively traded, meaning that no attempt to "buy low and sell high" or "time the market" will be made. Investments purchased with the intent of providing investment income shall be intended to be held to maturity, relying on following a prudent course of action for income rather than predicting market direction. Securities may be sold before they mature if market conditions present an opportunity for the City to capture a benefit or to avoid a risk, but

the strategy will be primarily buy-and-hold.

Portfolio Segmenting.

In keeping with the priorities of Safety, Liquidity then Yield, the first considerations of investing will be the immediate operational needs and scheduled disbursements of capital expenditures and debt service payments.

- The **Safety Segment** of the Portfolio is held primarily in the City's depository bank and will be maintained at adequate levels to ensure availability.
- The **Liquidity Segment** of the portfolio is held primarily in the MOSIP. This will allow for seasonal fluctuations of revenue inflows of Property Tax and outflows of capital projects.
- This **Yield Segment** of the portfolio is the portion of the city's cash reserves which, based on historical analysis, long-term budgetary planning or council-approved reserve policy, will not be subject to seasonal spending and can be invested comfortably long-term. This segment is invested in a laddered portfolio comprised of Agencies, Treasuries and other authorized investments.

XVI. Internal Controls

The Office of the State Auditor requires that in accordance with RSMo Section 67.287, the City of Nixa must undergo an annual audit. Investment management is to be included as part of the annual independent audit to assure compliance with this investment policy.

The City's internal controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or unanticipated changes in financial markets. Controls which the City deems important include, but are not limited to:

- Control of collusion
- Separation of functions
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Specific limitations regarding securities losses and remedial action
- Clear delegation of authority to subordinate staff members
- Written confirmation of telephone transactions
- Supervisory authority of employee actions

- Minimize the number of authorized investment officials
- Documentation of transactions and strategies

XVII. Investment Policy Review, Approval and Adoption

The City of Nixa's investment policy shall be adopted by resolution of the City Council. The policy shall be reviewed annually by the Finance Director and any modifications must be approved by the City Council, with prior review by the Investment Committee.

Addendum: Glossary

Accrued Interest – Interest earned but not yet received.

Active Investment Management – the active trading of securities, selling prior to maturity and purchasing secondary issues, in an effort to earn higher portfolio yield by the continual monitoring of financial markets, spreads and pricing opportunities of individual securities. Requires substantially more staff time than passive investing. (see also *Passive Investment Management*)

Agencies – (See *Government Sponsored Entities*) Entities chartered by Congress, such as: Fannie Mae (FNMA) Freddie Mac (FHLMC), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB). These entities carry an implicit guaranty of the federal government.

Amortization – a mathematical calculation that pays off a balance evenly while at the same time adding interest for every period.

Annual Comprehensive Financial Report (ACFR) – The independently-audited annual report for the City of Nixa. It includes entity-wide financial statements as well as financial statements for major funds and fund types, notes to the financial statements and required schedules.

Asked – The price at which securities are offered.

Bid – The price offered for securities.

Broker – A broker brings buyers and Sellers together for a commission paid by the initiator of the transaction or by both sides; he does not hold a position. In the money market, brokers are active in markets in which banks and institutional investors buy and sell bills, notes or bonds and in interdealer markets.

Bullet (Non-callable Bond) – a bond issue in which all of its outstanding principal amount may not be redeemed before maturity by the issuer, therefore assuring interest earnings through to the end maturity date.

Callable Bond – a bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer.

Certificates of Deposit (CD) – A time deposit with specific maturity and interest rate evidenced by a certificate.

Collateral – Securities, evidenced by a deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Commercial Paper – Unsecured short-term corporate obligations with maturities less than 270 days.

Coupon – (a) The annual rate of interest that a bond issuer promises to pay the bondholder as a percentage of the bond's face value.

Cryptocurrency – a digital or virtual currency that is secured by cryptography, typically decentralized networks based on blockchain technology, a decentralized ledger enforced by a network of computers. Currently prohibited because it can lose principal and is therefore unsafe. It is not legal tender, essentially a risky, anonymous, volatile foreign currency.

Custody – (Safekeeping) A service to customers rendered by banks for a fee whereby securities are held by an independent third party for protection from fraud or theft.

Dealer – A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for their own account.

Delivery versus Payment (DVP) –Delivery of securities with a simultaneous exchange of money for the securities used in conjunction with a third-party custodian to assure integrity of the exchange and to prevent fraud or misdirection, similar to an escrow process in real estate. (Delivery versus receipt is a delivery of securities with an exchange of a signed receipt for the securities.)

Discount – The difference between the cost price of a security and its value at maturity when quoted at lower than its face value. A security selling below original offering price shortly after sale is also considered to be at a discount. This can be the normal mathematically equalizing of the stated rate of an investment with prevailing market rates.

Discount Securities – Non-interest-bearing money market instruments that are issued at a discount and redeemed at maturity for full face value.

Diversification – Dividing investment funds among a variety of securities offering independent returns and credit quality.

Federal Credit Agencies – Agencies of the Federal government and guaranteed by the full faith and credit of the US Government set up to supply credit to various classes of institutions and individuals, e.g., Ginnie Mae, Sallie Mae, Tennessee Valley Authority.

Fannie Mae – The trade name for the Federal National Mortgage Association (FNMA), a U.S. GSE (government-sponsored entity).

Farmer Mac – The trade name for the Federal Agricultural Mortgage Corporation (FAMC), a GSE (government-sponsored entity).

Federal Funds Rate – The target rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Open Market Committee.

Federal Open Market Committee (FOMC) – Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member while the other presidents serve

on a rotating basis. The Committee periodically meets to set Federal Reserve funds target rate and guidelines regarding purchases and sales of Governments Securities in an open market as a means of the influencing the volume of bank credit and money supply in the economy.

Federal Reserve System – The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, DC. There are 12 Region Banks and about 5700 commercial banks that are members of the system.

Federal Deposit Insurance Corporation (FDIC) – A Federal Agency that insures bank deposits, currently capped at \$250,000 dollars per deposit.

Financial Industry Regulatory Authority, Inc. (FINRA) - a private corporation that acts as a self- regulatory organization (SRO). FINRA is the successor to the National Association of Securities Dealers, Inc. (NASD) and the member regulation, enforcement and arbitration operations of the New York Stock Exchange.

Freddie Mac – The trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a GSE (government-sponsored entity).

Ginnie Mae – the trade name for the Government National Mortgage Association (GNMA), a GSE (government-sponsored entity).

Government Sponsored Entities (GSEs) – (“Agencies”) Entities chartered by Congress, such as: Fannie Mae (FNMA) Freddie Mac (FHLMC), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB). These entities carry an implicit guaranty of the federal government.

Interest Rate Risk – the risk associated with declines or rises in interest rates that cause an investment in a fixed-income security to increase or decrease in market value.

Investment Committee – Comprised of the City Administrator, the Mayor, two council members and Finance Director. The committee is authorized to make investments of city funds, as authorized by law, and, at any time, to liquidate investments, and to engage in all such transactions without prior consent of city council, but subject to investment policy reporting requirements.

Leverage - Increasing the output compared to the input. In investments, a negative application would be multiplying the yield on investable funds by investing using borrowed funds in addition to cash on hand; the risk is that when a loss is experienced, the borrowed funds must be repaid in full, multiplying the loss to the investor.

Liquidity – A liquid asset is one that can be converted easily and rapidly into cash

Liquidity Risk – the risk that an entity (i.e. the city) may be unable to meet short term financial demands due to the inability to convert investments to cash without a loss of principal and/or interest income.

Market Risk – the risk that the value of a security will rise or decline as a result of changes

in market conditions, typically interest rates.

Market Value – The price at which a security is trading and could presumably be purchased or sold.

Maturity – the date upon which the principal of an investment is due and paid.

New Issue – An investment available at the time of issuance, and therefore not subject to the secondary market, that would involve competitive bidding or price uncertainty.

Non-callable Bond (Bullet) – a bond issue in which all of its outstanding principal amount may not be redeemed before maturity by the issuer, therefore assuring interest earnings through to the end maturity date.

Par Value – (face value) the amount of principal that must be paid at maturity.

Passive Investment Management- investing methodically, managing primarily diversification and maturities, with the intention of holding to maturity rather than seeking to make gains through market price fluctuations.

Principal - the original sum of money put into an investment at time of purchase.

Reinvestment Risk - the risk that the proceeds from the payment of principal and interest would have to be reinvested at a lower rate than the original investment. This is a risk of all investments regardless of maturity date or call feature because of the uncertainty of future interest rates. Call features increase reinvestment risk because of the added uncertainty; issuers typically call their bonds in a declining interest rate environment.

Safekeeping – A service to customers rendered by banks for a fee whereby securities and valuables of a types and descriptions are held in the bank's vaults for protection.

Secondary Market – A market made for the purchase and sale of outstanding issues following the initial distribution.

Securities and Exchange Commission – Agency created by Congress to protect investors in securities transactions by administering securities legislation.

Treasury Bills – A non-interest-bearing discount security issued by the U.S. Treasury to finance the National Debt. The above most bills are issued to mature in three months, six months, or one year.

Treasury Bond – Long-term U.S. Treasury securities having initial maturities of more than 10 years.

Treasury Notes – Intermediate term coupon bearing U.S. Treasury securities having initial maturities of from one to ten years.

Yield – the rate of annual interest income return on investment, expressed as a percentage.

Addendum – Text of Missouri Statutes (RSMo)

Governing Investments of Public Funds by Local Governments

(Intended only for easy reference for the reader – current statutes should be confirmed)

110.010. Deposits of public funds to be secured. — 1. The public funds of every county, township, city, town, village, school district of every character, road district, sewer district, fire protection district, water supply district, drainage or levee district, state hospital, state schools for the mentally deficient, Missouri School for the Deaf, Missouri School for the Blind, Missouri Training School for Boys, training school for girls, Missouri Veterans' Home, Missouri State Chest Hospital, state university, Missouri state teachers' colleges, Lincoln University, or any other political subdivision or agency of the state, that* are deposited in any banking institution acting as a legal depository of the funds under the statutes of Missouri requiring the letting and deposit of the same and the furnishing of security therefor shall be secured by the deposit of securities of the character prescribed by section [30.270](#) for the security of funds deposited by the state treasurer.

2. The securities shall, at the option of the depository banking institution, be delivered either to the fiscal officer or the governing body of the municipal corporation or other depositor of the funds, or by depositing the securities with another banking institution or safe depository as trustee satisfactory to both parties to the depository agreement. The trustee may be a bank owned or controlled by the same bank holding company as the depository banking institution.

3. The rights and duties of the several parties to the depository contract shall be the same as those of the state and the depository banking institution respectively under section [30.270](#). If a depository banking institution deposits the bonds or securities with a trustee as above provided, and the municipal corporation or other depositor of funds gives notice in writing to the trustee that there has been a breach of the depository contract and makes demand in writing on the trustee for the securities, or any part thereof, then the trustee shall forthwith surrender to the municipal corporation or other depositor of funds a sufficient amount of the securities to fully protect the depositor from loss and the trustee shall thereby be discharged of all further responsibility in respect to the securities so surrendered.

4. Pursuant to an agreement with the banking institution serving as a depository for a public entity under this section, public funds held in the custody of the depository may be invested in the obligations described in Article IV, Section 15 of the Missouri Constitution** permitted for the state treasurer, including repurchase agreements, provided the investments are authorized in an investment policy adopted by the public entity, treasurer, or other finance officer authorized to act for the public entity.

30.950. Definitions — written investment policy required — state treasurer's duty. — 1. As used in this section, the following terms shall mean:

(1) "**Derivative securities**", a financial instrument, contract or obligation which has a value or return based upon or linked to another asset or index, or both, separate from the financial instrument, contract or obligation itself;

(2) "**Governing body**", the board, body or persons in which the powers of a political subdivision as a body corporate, or otherwise, are vested;

(3) "**Leveraging**", using current assets as collateral to purchase other assets;

(4) "**Political subdivision**", any agency or unit of this state;

(5) "**Speculation**", contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market.

2. Every political subdivision of this state which is responsible for the management and investment of public funds, and which has existing authority to invest such funds in a manner other than in depository accounts at financial institutions in this state shall promulgate, formally adopt and comply with a written investment policy containing, but not be limited to, the following components:

(1) A commitment to the principles of safety, liquidity and yield, in that order, when managing public funds;

(2) A prohibition on the purchase of derivative securities, either directly or through a repurchase agreement;

(3) A prohibition on the use of leveraging whether through a reverse repurchase agreement or otherwise;

(4) A prohibition on the use of public funds for speculation;

(5) A requirement that on a regular basis the investments of the political subdivision shall be revalued to reflect prevailing market prices;

(6) A requirement that investments which are downgraded below the minimum acceptable rating levels shall be reviewed for possible sale within a reasonable time period; and

(7) A requirement that the current status and performance of the investments of the political subdivision be reported regularly to the governing body of the political subdivision.

3. The state treasurer shall prepare a model form of an investment policy reflecting the principles set forth herein which shall be made available to political subdivisions in the state. Any political subdivision which formally adopts such a model investment policy shall be deemed to be in compliance with the requirements of this section.

4. Notwithstanding any other law to the contrary, any political subdivision of the state which manages and invests public funds, but does not promulgate, formally adopt and comply with a written investment policy as described herein shall have its investment authority limited to those investments authorized by law as of January 1, 1997. Except for those political subdivisions authorized by law to place public funds in the investments authorized by Section 15, Article IV of the Constitution of Missouri, and only then if the political subdivision complies with the requirements of this section, nothing in this section shall be deemed to expand the investment authority of a political subdivision beyond that currently permitted by law.

5. Any written investment policy promulgated and adopted in accordance with this section shall be deemed a public record.

456.8-804. Prudent administration. — A trustee shall administer the trust as a prudent person would, by considering the purposes, terms, distributional requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution.

62.287 Minimum standards for municipalities - 2. Every municipality shall meet the following minimum standards within three years of August 28, 2015, by providing the following municipal services, financial services, and reports, except that the provision of subdivision (6) of this subsection shall be completed within six years:

(2) An annual audit by a certified public accountant of the finances of the municipality that includes a report on the internal controls utilized by the municipality to prevent misuse of public funds. The municipality also shall include its current procedures that show compliance with or reasonable exceptions to the recommended internal controls.

Addendum – Text of City of Nixa Revised Code

Nixa, Missouri Revised Code contains no language pertaining to investments.
This page is to confirm there are no city-level restrictions beyond state statutes.

Addendum – Broker/Dealer Questionnaire

The City of Nixa, Missouri, incorporated as a village in 1902, provides a range of municipal services, including general government, police, streets, community development, planning and zoning, code enforcement, parks and recreation, and utilities (electric, water and wastewater). Roughly 160 employees serve about 25,000 residents covering about 8.57 square miles with an annual operating budget of around \$40 million. The City's manageable cash ranges from \$30 to \$60 million of which about half is invested principally in Treasuries with remaining liquidity maintained in the Missouri Securities Investment Program (MOSIP). The City has adopted a written Investment Policy that regulates the standards and procedures used in its cash management activities. The most current policy is publicly available and should be reviewed prior to completing this form.

Firm Name: _____

Year Founded: _____

Corporate office address: _____

Telephone #s: _____

Principal, Managing Director or Partner:

Name _____

Title _____

Direct phone _____

E-mail address _____

Is your firm a broker (does not own securities being offered) _____

Is your firm a dealer (does own securities being offered)? _____

Local office address: _____

Please attach a bio or resumé of the primary and secondary representatives covering this account, including securities-related employment history, licensing, certificates, complaints, disciplinary action, arbitration, litigation:

Primary Representative:

Name _____

Title _____

Direct phone _____

E-mail address _____

Secondary Representative:

Name _____

Title _____

Direct phone _____

E-mail address _____

Provide proof of registration with State of Missouri attached NA
 Provide proof of Financial Industry Regulatory Authority (FINRA) attached NA
 Provide documentation that your firm is qualified under SEC rule 15C3-1 (Uniform Net Capital Rule) attached NA
 Provide most recent audited financials attached NA

If your firm is examined by and subject to rules and regulations of:

FDIC	<input type="checkbox"/> Yes <input type="checkbox"/> No
SEC	<input type="checkbox"/> Yes <input type="checkbox"/> No
NYSE	<input type="checkbox"/> Yes <input type="checkbox"/> No
Comptroller of Currency	<input type="checkbox"/> Yes <input type="checkbox"/> No
Federal Reserve System	<input type="checkbox"/> Yes <input type="checkbox"/> No

List three current, active, comparable, municipal client references:

Entity Name _____
 Contact _____
 Address _____
 Phone / E-mail _____
 Entity Name _____
 Contact _____
 Address _____
 Phone / E-mail _____
 Entity Name _____
 Contact _____
 Address _____
 Phone / E-mail _____

What market sectors are you and your firm currently involved? (Please feel free to provide additional information regarding specialization in any of the following market sectors).

	<u>Firm Involvement</u>	<u>Broker Involvement</u>
US Treasuries	_____	_____
US Agency	_____	_____
Bonds	_____	_____
Other	_____	_____

Please provide your normal custody and delivery process, including specific banking relationships.

What was your firm's total volume in US Government and agency securities trading last year?

Has this firm, or the representatives assigned to this account, been subject to a regulatory agency, state or federal investigation for alleged improper, disreputable, unfair or fraudulent activities related to the sale of securities or money market instruments that resulted in a suspension or censure? Yes (attached) No

Is there outstanding litigation which would materially affect your financial stability? Yes (attached) No

Do you provide any fixed income research and economic commentary? Yes (attached) No

Describe the precautions taken by your firm to protect the interests of the public when dealing with a local public entity. Attached NA

Has any client sustained a loss on a securities transaction engendered from a misunderstanding or misrepresentation of the risk characteristic of a financial instrument by your firm? Yes (attached) No

Please confirm that you are:

- (1) familiar with the Missouri Revised Statutes regarding investment of Public Funds
 - (2) have read, understand and agree to comply with the provisions of City of Nixa's current investment policy
- by signing below.

Name: _____ Signature: _____

Title: _____ Date: _____

Name: _____ Signature: _____

Title: _____ Date: _____

Name: _____ Signature: _____

Title: _____ Date: _____

Approved Broker/Dealer List

The following brokers have completed the Broker/Dealer Questionnaire and investment policy acknowledgements on file with the City:

Addendum – Acknowledgement of Receipt/Adherence to Current Policy

The City of Nixa requires an annual certification from authorized Financial Dealers and Institutions of having read the current investment policy. It is the intent of the City of Nixa to proactively contact current existing financial institutions annually, or at any change in the city's investment policy, and to maintain the current investment policy on the city's public website.

This is to acknowledge receipt of the City of Nixa's current Investment Policy adopted by City Council on xxx.

Entity name: _____

Name: _____ Title: _____

Signature: _____ Date: _____

Please sign and submit via mail or email to:

City of Nixa
PO BOX 395
Nixa, MO 65714

Current staff contact information is available on the City Website:

<https://www.nixa.com/departments/finance/>