



## Financial Policies

### I. Purpose and Objective

The City of Chamblee has a responsibility to carefully account for public funds and to manage municipal finances wisely. Sound financial policies are necessary to carry out these objectives. The City has developed financial policies and procedures to ensure that financial resources are managed in a prudent manner. In addition, Chamblee's budgeting and accounting practices conform to Generally Accepted Accounting Principles (GAAP) as announced by the Government Accounting Standards Board (GASB) and the Georgia Uniform Chart of Accounts.

Chamblee's Financial Policies are intended to enable the City of Chamblee to achieve and maintain a long-term positive financial condition through providing guidelines for planning, directing, and maintaining day-to-day financial affairs.

### II. The Budget

#### A. Preparation

The budget is the City's annual financial operating plan. The annual budget includes the operating departments of the general fund, special revenue funds, capital project funds, enterprise funds and other approved funds that may be established as needed. The budget encompasses a fiscal year that begins January 1 and ends December 31.

**B. Proposed Budget** – A proposed budget shall be prepared annually by the City Manager with participation of all City Departments consistent with provisions of the City Charter and state budget laws.

- a. The budget shall include (1) revenues, (2) personnel costs, (3) operating and maintenance supply costs, (4) general services costs, and (5) capital and other (non-capital) costs. The City shall maintain and update five-year projections of revenues and operating expenditures in the General Fund. These projections shall

- be presented to the City Council during or prior to the budget process. City Council will formally adopt the five-year projections.
- b. The City Manager may use the Bureau of Labor Statistics CPI-U (Atlanta) in determining the cost-of-living adjustment for employees.
  - c. The budget review process shall include public hearings. At the time the proposed budget is transmitted to members of the City Council by the City Manager, a copy will be made available for public inspection at City Hall and advertised in a local newspaper of general circulation. No earlier than seven days after the proposed budget is transmitted to the City Council and at least seven days in advance of budget adoption, a public hearing takes place to give the public an opportunity to comment on the proposed budget. Notice of public hearing must be advertised at least seven days in advance of the public hearing.
  - d. The City Council, prior to the first day of the fiscal year, will adopt an annual budget at a public meeting. The proposed annual budget shall be advertised at least one week prior to the meeting. The proposed budget is prepared by the City Manager and transmitted to members of the City Council for its review with sufficient time given for the City Council to address policy and fiscal issues.
2. **Adoption** – The budget shall be adopted by the approval of a budget resolution that specifies the anticipated revenues by appropriate categories, the proposed expenditure totals for each department, each non- departmental expense, and for each fund covered by the budget. The budget shall be adopted at the fund/department level, which is the legal level of budgetary control. The current year's budget may be adjusted to reflect changes in local economy, changes in priorities or service needs, receipt of unbudgeted revenues and for unanticipated expenditures. Budget revisions that alter the total expenditures of any department must be approved by the Mayor and City Council.

### **C. Balanced Budget**

The operating budget shall be balanced with anticipated revenues, including appropriated unencumbered surplus, equal to proposed expenditures. All funds within the budget shall also be balanced. The City is prohibited from balancing current expenditures through the obligation of future year's resources.

### **D. Planning**

The City's Strategic Plan as well as the Comprehensive Plan will serve as the framework for the budget proposed by the City Manager. All departments will be given an opportunity to participate in the budget process and submit funding requests to the City Manager for consideration. The end product is based on revenue anticipations and line-item expenditures within each department. All appropriations lapse at year-end with the exception of the 5-year Capital Improvement Plan, which adopts project-based budgets. Each year, a budget calendar is developed that details the dates when the budget is presented to the Mayor and Council as well as any called public meetings to discuss the proposed budget and gain citizen input.

### **E. Reporting**

Periodic financial reports will be prepared and distributed to the City Manager and Department Directors. These reports allow Department Directors to manage their budgets and enable the City Manager to monitor and control the budget. Summary financial and budgetary to actual reports should be submitted by the Finance Director to the City Council at least quarterly. A midyear review of the budget will be conducted in June of each fiscal year. During this process, the City Manager and Finance Director will provide status updates on revenue and expenditure trends, current budget performance, and capital improvement project status.

**F. Control and Accountability** — Each Department Director is responsible for ensuring that his/her department expenditures do not exceed budgeted funds. Departments cannot exceed appropriations described in the budget. Failure to achieve budgetary control will be evaluated and investigated by the City Manager.

### **G. Transfers and Amendments**

The City Manager is authorized to move funds between line items within a department's budget. Any transfers submitted by departments that are over \$10,000 must be approved by the City Manager.

## **III. Capital Budget Policies and Capital Improvement Plan**

### **A. Scope**

A capital projects plan will be developed and updated annually. A five-year Capital Improvement Program (CIP) will assist in the planning, acquisition, and financing of capital projects. A major capital project is generally defined as a non-recurring capital expenditure that has an expected useful life of more than 10 years and an estimated total cost of \$50,000 or more. Examples include parks improvements, streetscapes, computer systems, and construction or expansion of facilities.

Major capital projects will be budgeted in the Capital Projects Funds (CIF) reflecting all available resources. With the involvement of responsible departments and the Capital Projects Manager, the City Manager will prepare the capital budget annually. The City's capital budget will be formally adopted by City Council with the operating budget.

### **B. Control**

All capital expenditures must be approved as part of each department budget or in the Capital Projects Funds. Before committing to a capital improvement project, the City Manager or the Capital Project Manager must verify fund availability.

C. **Program Planning**

The capital budget provides annual funding for long-term capital projects identified in the Capital Improvement Program (CIP). During the annual budget process, each department submits its budget request including operating and capital needs. Upon review of the requests, major capital projects are placed in the capital improvements fund. Other capital outlay is placed in the department's operating budget. Capital outlay is generally defined as an individual item in excess of \$10,000 with a life expectancy of more than two years but less than 10 years

D. **Timing**

At the beginning of the fiscal year, the City Manager or Capital Project Manager will work with Department Directors to schedule the appropriate timing of capital purchases to ensure the availability of funds.

E. **Reporting**

Periodic financial reports will be provided on at least a quarterly basis to enable the City Manager to monitor and control the capital budget and to enable the Department Directors to manage their capital budgets.

**IV. Accounting, Audits, and Financial Reporting**

The City shall maintain a system of financial monitoring, control, and reporting for all operations and funds in order to provide effective means of ensuring that overall City goals and objectives are met.

A. **Accounting Records and Reporting**

The City will maintain its accounting records in accordance with state and federal laws and regulations and in a manner to facilitate an efficient audit process. The City will report its financial condition and results of operations in accordance with state regulations and Generally Accepted Accounting Principles (GAAP) described in Governmental Accounting, Auditing, and Financial Reporting (GAAFR). The City's accounts shall be kept in such a manner as to show fully the financial conditions of the City. In addition, the books shall be open to the public during business hours. Reports on the status of actual revenue inflows and expenditure outflows relative to the budget will be presented to the City Council once per quarter at a minimum.

B. **Auditing**

An independent auditor or auditing firm will annually perform the City's financial audit. The auditor must be a Certified Public Accountant (CPA) that can demonstrate that he or she has the capability to conduct the City's audit in accordance with generally accepted auditing standards. The auditor's opinions will be supplemented in the City's Annual Comprehensive Financial Report (ACFR). A copy of the audit will be sent to the State Auditor who will respond with comments regarding compliance. Results of the annual audit shall be provided to the City Council in a timely manner.

C. **Simplified Fund Structure**

The City will attempt to minimize the number of funds. Funds will be categorized in accordance with generally accepted accounting principles (GAAP) for reporting purposes.

D. **Financial Reporting**

As a part of the audit, the auditor shall assist with the preparation of the required Annual Comprehensive Financial Report (ACFR). The ACFR shall be prepared in accordance with generally accepted accounting principles. The ACFR shall be made available to the elected officials, creditors, and citizens. Additionally, the ACFR will be posted on EMMA upon completion.

Internal financial reports will be prepared that are sufficient to plan, monitor, and control the City's financial affairs. At a minimum, quarterly accounting reports are meant to transmit information regarding the financial situation of the City. These regular reports are made available to the City Council, City Manager, Department Directors, and other staff as necessary.

V. **Purchasing**

A. **Vendors**

All procurement procedures will be conducted in a fair and impartial manner with avoidance of any impropriety. All qualified vendors have access to City business. No bidder will be arbitrarily or capriciously excluded. It is the intent of the City that competition be sought to the greatest practical degree. The conditions of the contract shall be made clear in advance of the competition. Specifications shall reflect the needs of the City.

**1. Solicitation of Vendors and Submission of Bids**

When a purchase for a single good is expected to exceed \$25,000, competition is required to the extent that it exists. Each department must attempt to obtain a minimum of three quotes from different vendors. If three sources are not possible, the seeker of the quote must attempt to obtain as many quotes as possible. Each department director shall document the competitive process with records of the vendor and quotes received. When a purchase for a single good is expected to exceed \$100,000, a formal bid process is required.

Each department has full authority to determine and obtain professional and contractual services as provided for in the budget. When possible and practical, competitive quotes for professional and contractual services should be obtained. Documentation of the quotes must be retained for the

period outlined in the retention policy adopted by the City. If competitive quotes are not possible, the City Manager must be notified in writing.

## **2. Interest of City Officials in Expenditure of Public Funds**

No City of Chamblee staff with purchasing authority shall have a financial interest in any transaction with, sale to, work for, or contract of the City or any department of government or service involving the expenditure of public funds in violation of the City's "Ethics Ordinance."

## **3. Formal Bid Process**

A Request for Proposal (RFP) or a Request for Qualifications (RFQ) process should be used for procuring products and services. The RFP should specify the service, evaluation criteria, and terms and conditions required by the City. Formal bids should be advertised in the legal organ and other venues as time and advertising funds allow. The mayor shall sign all contracts on behalf of the City. Formal bids shall be posted electronically.

## **4. Award of Bids**

Bids are awarded to the most responsive and responsible bidder that best meets the needs of the City. A responsive bid is one that conforms in all material respects to the needs of the City. Responsible means a bidder who has the capability to perform the requirements.

## **5. Equal Opportunity**

The City of Chamblee will provide an equal opportunity for all businesses to participate in City contracts regardless of sex, race, color, religion, national origin, political affiliation, age, handicapped status, sexual orientation, sexual preference, or transgender status. The City will not knowingly conduct business with contractors that discriminate or permit discrimination against persons because of sex, race, color, religion, national origin, political affiliation, age, handicapped status, sexual orientation, sexual preference, or transgender status.

## **6. Ineligible Vendors**

Any person, firm, or corporation who is in debt to the City for taxes, or otherwise, will not be qualified to bid on any purchase until their lien to the City has been cleared. Any vendor who is in violation of the City Code will not be awarded a bid. No requisition will be approved for such vendors. Additionally, in contracting for goods, services (both professional and non-professional), and construction, the City has a responsibility to its citizens to ensure that those vendors it contracts with are responsible and capable. From time to time, the exercise of being

good stewards of taxpayers' resources requires the City to debar, either temporarily or permanently, a defaulting, irresponsible, or nonperforming vendor from doing business with the City.

City may debar a person, company, vendor, bidder, contractor, subcontractor on a contract or bid, or principal or owner of a company, vendor, bidder, contractor, or subcontractor on a contract or a bid from submitting a bid or proposal for any business or participating on any contract in any capacity with the City for any of the following reasons:

1. Defaults on any bid, proposal or contract with the City;
2. Providing false information;
3. Failure to cooperate in the City's monitoring of contract performance by refusing to provide information or documents required by a contract;
4. Failure to respond adequately to complaints by City representatives regarding performance or other issues;
5. Accumulation of repeated documented complaints regarding performance of a contract;
6. Failure to pay any financial obligation to the city;
7. Failure to comply with state law regarding the federal worker verification program (E-Verify) through the Illegal Immigration Reform and Enforcement Act of 2011; or
8. Debarment by any federal, state, or local government agency.

Debarment due to any of the reasons stated above will be for a fixed period of two years from the date of default. A debarred person or business may, in writing, request the City Manager to reduce or terminate the debarment period by reason of the following:

1. Discovery of new material evidence pertaining to the reason(s) for debarment;
2. Bona fide change in business ownership; or
3. Cure or elimination of all reasons for which debarment was imposed.

Expiration of debarment alone does not reinstate a persons' or business' eligibility to conduct business with the City. Before granting a person's or business' reinstatement request, the City Manager shall require, as applicable, the following:

1. Prompt and complete financial restitution to the City, including all expenses the City incurred to complete any contract on which the
2. person or business has defaulted or breached, and all interest computed on penalties or late payments;

3. Written proof of payment of other financial obligation owed to the City including any applicable penalties or late payment;
4. Elimination of current suspension or debarment by any other public entity;
5. Three references, at least one of which must be a public entity, confirming that the person or business has satisfactorily performed a similar contract within the immediately preceding two years;
6. Evidence of compliance with state law regarding the federal work authorization program (E-Verify);
7. Evidence of the person's or business' financial capacity to perform a City contract of the type it customarily would seek, including but not limited to, two years of audited financial statements or comparable business documents.

This policy shall be distributed to all present and prospective contractors and subcontractors by reference in all procurement documents (e.g., invitations to bid, Requests for Proposals, etc.), at all pre-bid, pre-proposal, or similar meetings preceding a City contract, by or through the City's website, official City publications, or by other means sufficient to enable compliance. A bidder's, vendor's, contractor's, or subcontractor's failure or refusal to apprise itself of or to understand this policy shall not excuse noncompliance with this policy.

#### **7. State Contracts**

The City is authorized to use state contracts in lieu of issuing bids to vendors or buying locally when it is to the economic advantage of the City or deemed appropriate by the City Manager. The state contract price may be used to establish the maximum price for a good or service.

#### **8. Emergency Purchases**

In cases of emergency, a contract may be awarded without competitive bidding, but the procurement shall be made with as much competition as the circumstances allow (i.e., informal quotes). An emergency is defined as a threat to life or property, or an unforeseen situation that curtails or greatly diminishes an essential service as determined by the City Manager. In the event of an emergency, the City Manager shall be contacted.

### **B. Purchasing Authority**

#### **1. Purchasing of Goods**

Each department director shall have the authority to purchase individual goods costing less than \$10,000 each as long as costs remain within the approved budget. The City Manager may approve other employees to be given purchasing authority of less than \$10,000. The City Manager shall



have the authority to purchase individual goods costing more than \$10,000 each as long as costs remain within the approved budget or as directed by council.

2. Service Agreements and Task Orders

Only the department director shall have authority to sign service agreements or task orders with approved vendors on behalf of the City costing less than \$10,000 as long as costs remain within the approved budget. The City Manager is authorized to sign service agreements and task orders with approved vendors above \$10,000 as long as cost remains within the approved budget.

3. Monitoring of Purchases

Although authority may be delegated, the ultimate responsibility rests with the City Manager. Purchases must be monitored to assure compliance with City policy.

C. **Requisitions (REQ) & Purchase Order (PO)**

A "Requisition" (REQ) cannot be issued unless sufficient funds are available in the budget. A REQ is required for any purchases. The following is the established City procedure for use of requisitions:

1. Departments must request a W9 from vendors for payment.
2. An item or service is required and sufficient funds exist in the approved budget to cover the cost of the item or service.
3. The item or service is ordered by a department.
4. The item or service is received and verified by the department.
5. The department is invoiced by a vendor for the required item or service.
6. A REQ is processed with the invoice(s) attached. The departmental purchasing authority must certify that funds are available to cover the cost of the purchase.
7. The REQ is approved by the departmental purchasing authority.
8. The invoice and REQ are reviewed and authorized by the City Manager or Finance for purchases over \$10,000.
9. All "Purchase Order" (PO) are approved by Finance.
10. Payment to the vendor is generated via check or Automatic Clearing House (ACH).

D. **Petty Cash**

Petty cash is used to make small cash disbursements for those purchases that must be made quickly and without prior notice on a contingency basis.

Each department that requests a petty cash expense account must submit monthly payment requests for replenishment.

E. **City Credit Cards**

The list of authorized persons shall be determined by the Finance Department and City Manager's office; however, authorized users will include City Manager, Deputy City Manager, Department Heads, and Business Managers. All authorized users must have a signed Credit Card Agreement, acknowledging receipt and understanding of this policy, on file with the City. A copy of the Credit Card Agreement is an attachment to this policy. The City Manager's office must notify the Finance Department of any additional authorized users.

All City credit cards are issued through the Finance Department which establish credit limits upon distribution of the credit card. Transaction limits are established to ensure compliance with state purchasing laws, maintain proper budgetary controls, and to minimize excessive use of any individual credit line. Credit limits vary per authorized individual and cannot exceed those established by the Finance Department unless authorized by the City Manager's Office. The monthly aggregate spending limit for each card must be no greater than \$5,000.00 unless otherwise documented and authorized by the Finance Director and City Manager for a specific purpose.

All persons assigned a City credit card are responsible for ensuring the safeguarding of the card, the proper use of the card, and the submission of any receipts and appropriate backup for purchases, the City Manager, Deputy City Manager, Department Heads and Business Managers are responsible for ensuring their own and their departmental employees are managing and complying with the use of City credit cards as outlined in the procurement credit card policy.

F. **Expense Reimbursements**

Receipts for City business related expenses requiring reimbursement from the City of Chamblee must be submitted to the accounting office with an expense reimbursement within 60 days of the date the expense was incurred. Each receipt shall be dated and contain a description of the service or item purchased. The appropriate departmental supervisor must approve each expense reimbursement form. Failure to submit the required documentation will result in forfeiture of the reimbursement.

In lieu of expense reimbursements, select positions with the city are eligible to receive a stipend for personal cell phones and automobile use. The eligible positions and the stipend rates are established in the budget as adopted and appropriated by City Council.

**G. Travel Expenses**

The parameters for travel-related expenses by category (transportation, lodging, mileage, etc.) are detailed in the City of Chamblee Personnel Manual.

**VI. Grants**

The purpose of this policy is to set forth an overall framework for guiding the City's use and management of grant resources. The City will aggressively pursue grant funding from federal, state and other sources, consistent with identified goals and objectives as set forth by the

Mayor and Council. Aside from entitlement grants, the City should focus its efforts on securing grants for capital improvements. This approach will allow the City to compete for projects while maintaining financial independence should future grant sources diminish.

The City will only seek grants when sufficient staff resources are available to effectively administer the program in compliance with grant requirements and successfully perform the grant scope of work. Operating departments have the primary responsibility for seeking out grant opportunities, preparing effective grant applications, and successfully managing grant programs after they have been awarded.

**A. Application and Acceptance of Grants**

City Council approval to submit an application is required for Grants over \$100,000, any grant requiring match, or when approval or resolution is a requirement of the application. A detailed staff report and a resolution (where required) should be

brought forth to City Council for Council adoption. The staff report should include the following information:

1. Project and grant details
2. Budget summary
3. Administration requirements and funding source
4. Match requirements
5. Compliance requirements
6. Grantee responsibilities
7. Maintenance and operations requirements
8. Long-term costs including staffing needs after the expiration of the grant.

In the event the application deadline does not allow the necessary lead time for council approval; and prior Council approval is not a requirement of the application; the Department Director should ensure the approval of the City Manager prior to submitting the application.

Applications for grants under \$100,000 with no matching requirements; can be submitted without City Council approval, unless required by the granting agency.

**B. Grant Administration and Compliance**

Each department must notify the City Manager and Finance Director upon acceptance of any grant awards. The City Department which applied for and received the grant is responsible for compliance with all aspects of the grant requirements including monitoring to ensure that grant activities are properly accomplished; submitting requests for reimbursement accurately and on time; and maintaining sufficient documentation to properly account for the grant activity. Any and all communication between the City and the granting agency must be forwarded to the Finance Director, at least quarterly, unless grant requirements call for more frequent reporting. The outsourcing of grant management does not relieve the responsible staff from ensuring compliance with grant requirements.

**VII. Capital Assets**

Capital assets are those defined above as having an original acquisition cost of \$10,000 or more and a useful life greater than five years, although, technology items have a useful life greater than 2 years. For the City's asset disposal purposes, these do not include Real Property. Assets may be lease-purchased through installment purchases (an agreement in which title passes to the Department) or through lease financing arrangements (an agreement in which title may or may not pass).

Each department, as necessary, will provide to the Finance Director, a list of capital assets that have no further useful life. If any department has a need for these assets, an asset transfer will be made to that department for official City use only. The Finance

Department will receive a notice of the transfer and facilitate the necessary adjustments to the fixed asset schedules.

**A. Disposal**

After the initial departmental review, the list of unusable capital assets which are ready for disposal will be forwarded to the City Manager's office for review. The City Manager or Deputy City Manager will approve or disapprove the request for disposal of capital assets items with an original value over \$50,000. Upon approval and Finance Department notification, the assets will be disposed in one of the following ways:

1. Assets may be used as trade in on new purchases.
2. Assets may be donated to another tax supported agency or a direct sale negotiated between the City and another tax supported agency.
3. Assets may be offered for sale either by public auction, or on-line auction.
4. Assets may be disposed of by the State of Georgia Department of Administrative Services Surplus Division.
5. Assets may be destroyed or taken to a recycling facility.

**B. Scrap/Surplus/Salvage Assets**

Scrap, Surplus and Salvage Assets are non-capital assets, or those which had an original acquisition cost below \$50,000. These items now have limited value and are no longer needed by the City. Department heads can decide to dispose of these assets. These items will be disposed of by the same methods as above, including recycling, but do not require the approval of the City Manager. Stolen items must be reported to Chamblee Police and a police report filed. A copy of this report must accompany the disposal record.

**C. Maintenance of Disposal Records and Procedural Forms**

The City Clerk will maintain all asset disposal records for the period as required by the retention policy adopted by the City.

**D. Transfer of Fixed Assets**

An asset transfer between departments usually represents the sale of an item by one department to another and may be treated as a new purchase. A transfer between related departments under the same control (Police and Fire, for example) may, if desired, be treated as a transfer rather than sale. That is, the asset is recorded under the new Department with original acquired date and funding amount. A fixed asset transfer form must be sent to the Finance Director for all transfers.

**VIII. Fund Balance Policy****A. Fund balance**

Fund balance is the cumulative difference between revenues and expenditures at the end of the City's fiscal year. It is also understood to be the difference between assets and liabilities on the balance sheet. The practice of conservative revenue estimates and carefully monitored expenditures may result in a fund balance. The City intends to maintain an unreserved, unassigned fund balance in the general fund of twenty-five percent of the operating budget at the end of the fiscal year. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment. The City does not budget for contingencies and therefore, must rely on the fund balance for emergency expenditures.

Prioritization of fund balance use – When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the City to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City that the committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts

In the event the fund balance falls below twenty-five percent at year end, the City Council shall adopt a plan for replenishment of the reserves within two years.

the City will replenish shortages/deficiencies using the budget strategies and described below.

- The City will reduce recurring expenditures to eliminate any structural deficit, or
- The City will increase revenues or pursue other fund sources, or
- A combination of the two options above.

Surplus fund balance – Fund balance will be considered a surplus if over 50% of the subsequent year’s budgeted expenditures and outgoing transfers. Should unassigned fund balance of the General Fund ever exceed \_50%, the City will consider such fund balance surpluses for one-time expenditures that are non-recurring in nature, and which will not require additional future expense outlays for maintenance, additional staffing or other recurring expenditures.

#### **B. Fund Balance Classifications**

In accordance with the Governmental Accounting Standards Board (GASB) Statement 54, the City recognizes the following five classifications of fund balance for financial reporting purposes:

1. Non-spendable – non-cash assets such as inventories or prepaid items.
2. Restricted – funds legally restricted for specific purposes, such as grant funds.
3. Committed – amounts that can only be used for specific purposes pursuant to a formal vote of the City Council.
4. Assigned – amounts intended to be used for specific purposes. The City Council can choose to delegate this authority.
5. Unassigned – residual spendable fund balance after subtracting all above amounts and are available for any legal purpose.

#### **C. Committed Fund Balance**

The City Council may commit fund balance by a formal vote prior to the government’s fiscal year-end for that fiscal year. Future modification or rescission of committed funds must likewise be accomplished by a formal vote of the City Council prior to fiscal year-end.

## IX. Investment Management

The City shall invest public funds in such a manner as to comply with Federal and State laws and within the authority granted by the Mayor and Council; ensure prudent money management; provide for daily cash flow requirements; and meet the objectives of this policy in the priority order of safety, liquidity, and return on investment (yield).

### A. Objectives

The City's investment philosophy sets the tone for the policies, practices, procedures and objectives that control the investment function. The investment of funds will be guided by the primary objectives of safety, liquidity, and a reasonable market rate of return, in this order of priority:

- 1. Safety** – Safety of principal is the foremost objective of the investment program. The City will undertake investments in a manner that ensures the preservation of capital in the portfolio taken as a whole. To ensure the safety of principal, the City will seek to minimize credit risk (defined as the risk of default on the part of the issuer of a security) by diversification and by investing in high quality investments.
- 2. Liquidity** – The City will maintain sufficient cash and short-term investment instruments which, together with projected revenues, will provide sufficient liquidity to meet all cash flow requirements which might be reasonably anticipated.
- 3. Return on Investment (yield)** – The City's investment portfolio will be designed with the objective to attain a market rate of return throughout economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio. Return on investment is a secondary objective.

### B. Delegation of Authority

Delegation of Authority The overall management of the investment program is the responsibility of the City Manager. Responsibility for the daily investment activities will be assigned by the City Manager. The City Manager may designate an employee or employees to assist with the management and implementation of the City's investment program.

Responsibilities to fulfill this authority include: opening accounts with banks, brokers, and dealers; arranging for the safekeeping of securities; and executing necessary documents.

A system of internal controls over investments is established and approved by the City's independent auditors. The controls are designed to prevent losses of public funds arising from fraud, error, misrepresentation by third parties, unanticipated changes in financial markets, and/or imprudent action by staff and City officials. No

person may engage in an investment transaction except as provided for under the terms of the policy.

C. **Authorized Investments**

All investment activity shall comply with Georgia law. O.C.G.A. 36-83-1 to -8 establishes guidelines for local government investment procedures. The City of Chamblee may only invest in obligations of the United States Treasury or Agencies, Banker's acceptances, repurchase agreements, the State of Georgia Local Government Investment Pool (Georgia Fund I), and certificates of deposit in national and state banks insured by the Federal Deposit Insurance Corporation (FDIC).

Deposits in excess of FDIC coverage must be collateralized by securities with a market value equal to at least 110% of the deposit or as otherwise permitted by Georgia law. Only those securities described in Georgia Code 50-17-59 can be pledged as collateral.

Eligible investments must have (or be collateralized by other eligible investments that have) a long term rating equal to or greater than Aa3 from Moody's Investors Service, AA- from Fitch Ratings, or AA- from Standard & Poor's Rating Services, or a short term rating equal to or greater than P-2 from Moody's Investors Service, F2 from Fitch Ratings, or A-2 from Standard & Poor's Rating Services.

D. **Prudence**

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Under the "prudent person" standard, investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable revenue to be gained.

The City Manager and all designees acting in accordance with 1) written procedures, 2) this investment policy, and 3) exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse development.

E. **Diversification**

The City of Chamblee agrees with the premise that diversification is an important component of portfolio security. Therefore, the City shall endeavor to maintain an adequate level of diversification among its investments. The City shall not be over invested in any one type of instrument or financial institution. No more than 25% of the total investment



portfolio shall be placed with a single issuer. This limitation shall not apply to the Local Government Investment Pool or direct obligations of the United States government.

F. **Maturities**

To achieve the aforementioned objective of adequate liquidity within the City's portfolio, the City shall attempt to match investment maturities with anticipated cash flow requirements. Unless matched to a specific cash flow, the maximum maturity of any instrument in the City's portfolio may not exceed two years from the date of acquisition by the City. In order to preserve liquidity and to lessen market risk, not more than 25% of the total portfolio may mature more than one year beyond the date of calculation unless specifically matched to a cash flow requirement. The maturity of non-negotiable time deposits may not exceed one year unless specifically matched to a cash flow requirement.

G. **Safekeeping and Custody**

All investment securities purchased by the City of Chamblee shall be delivered against payment and shall be held in a third-party safekeeping account by the trust department of a bank insured by the Federal Deposit Insurance Corporation. The City Manager, or his/her designee, shall be responsible for the selection of a financial institution for this purpose, as well as the execution of a written safekeeping agreement with the trustee.

H. **Ethics and Conflict of Interest**

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

I. **Reports on Deposits and Investments**

Investment reports will be submitted to the City Manager and shared with the City Council quarterly at a minimum. Reports should include the following: an average daily balance of investment in each investment category; a current portfolio yield for each investment type and for the portfolio as a whole; an average daily balance of uninvested collected funds; an average daily balance of uncollected funds; and a percent of available funds invested. The report shall also provide a list of investments and accrued interest as of the last day of the report.

J. **Performance Evaluation**

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs. The basis used by the City Finance Director or his/her designee to determine whether market yields are being achieved shall be to compare the city's results with the Local Government Investment Pool (i.e. Georgia Fund 1) or any other appropriate industry standard benchmark.

---

<sup>i</sup> Chamblee Georgia, Code of Ordinances, Charter and Related Subpart A, Article 3 Sec 2