

ORDINANCE NO.

FILE OF CITY COUNCIL

BILL NO. 64 - 2022

INTRODUCED BY

AUGUST 17, 2022

AN ORDINANCE

Amending Part I: Administrative Legislation, Chapter 5 Administration of Government, Article IV Financial Procedures, Section 25 Temporary investment of funds by creating new procedures relating to the investment of city funds.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF ALLENTOWN:

SECTION ONE: That sections 5-25, A – D are amended and E – H are added.

§ 5-25 **Temporary Short-term investments of funds.**

[Amended 5-21-1986 by Ord. No. 12711]

A.1. Definitions

Short term investment: a legally allowable investment of City funds into marketable securities that can be easily sold or otherwise converted to cash within twelve (12) months.

A.

In accordance with Section 507 of the Home Rule Charter, the Director of Finance, or designee, shall be is authorized to invest any available monies the City's funds, including but not limited to cash in the General Fund, enterprise funds, and other funds included in either the operating or capital budget, and bond proceeds, in instruments and securities designated as legal investments by the Commonwealth of Pennsylvania for cities of the Third Class. Such investments shall be limited to the financial products enumerated in the Act of March 25, 2016, P.L. 72, No. 10, 53 P.S. §5410.1(a) ("Act 10"). For purposes of making such investments,

any available cash balances may be combined or "pooled"; provided, however, that the interest earned on such investments shall be properly prorated among the respective funds.

B.

~~There shall be an Investment Advisory Committee composed of four members. One member shall be the Manager, Treasury and Accounting Operations, one member shall be the Council President or his/her designee and two members with substantial investment experience who shall be appointed by the Mayor with the advice and consent of Council. The initial members of the Committee shall have staggered terms of one, two and three years. Each succeeding term shall be for a period of three years. During the terms of membership on the Committee, the respective firms, if any, of the two members appointed by virtue of their substantial investment experience shall be ineligible to participate in the solicitation, placement, or receive any investments of the City of Allentown.~~

It is the investment policy of the City of Allentown that, during the 2023 fiscal year and annually thereafter, the Director of Finance shall submit to the Mayor a short-term investment strategy of the City's own funds that is designed to maximize yield, moderate risk, and match maturity dates to cash flow needs. The investment strategy shall include:

1. A monthly cash flow of at least twelve (12) periods of each pooled cash fund from which investments shall be drawn, including the amount of excess cash in each fund that are available for investment, the date of the outflow, the date of the inflow from the investment maturity, the expected revenue less expenditure for each month, the monthly resulting balance, and the total balance, both of which must be positive.
2. A laddered or non-laddered schedule of investments that includes, but is not limited to, the par amount to be invested, the term in calendar days, the maturity date of the investment, the expected rate of interest or discount, the amount of interest or full maturity amount, and the institution[s] in which the investment is to be entrusted.
3. The final effective date of the annual investment strategy. The final maturity date must be less than three-hundred sixty-five (365) days from the date of the investment strategy.
4. Investment strategy for non-pooled cash accounts, including, but not limited to, bond proceeds.

C.

~~The Investment Advisory Committee shall meet quarterly or as often as necessary to review and make recommendations of the investments, if needed, and shall provide City Council with a copy of the minutes of these meetings~~

The Director of Finance must present the annual investment strategy to the Mayor at least two (2) months before the date of the previous investment strategy's final effective date.

D.

The Investment Advisory Committee shall periodically review the investment policy for the City of Allentown.

Nothing in this chapter shall prevent the Director of Finance from reinvesting funds invested in the prior investment strategy into the current year investment strategy, and investment strategies may include overlapping maturity dates of reinvested funds.

E.

The par amount and interest of a matured investment may be held in a liquid state in a non-pooled investment account, if such account bears interest at a higher rate than the Central Treasury bank account, and if, in accordance with subsection F of this chapter, the funds can be moved without prepayment penalty through an automated clearing house into the Central Treasury bank deposit account within seven (7) business days.

F.

No pooled cash fund shall experience a negative fund balance for any period because of the investment strategy. This investment policy requires the Director of Finance to account for liquidity strategies to meet each fund's monthly expenditures in the event that the initial cash flow analysis proves to be inaccurate, or in case of emergency.

G.

After the Mayor has approved the investment strategy, the Director of Finance shall present the strategy annually to the City Council and the Controller in any appropriate public meeting at least two (2) weeks before the investments are made, or during the budget approval process for the subsequent budget year. Provided that, investments that are laddered to mature over two short-term investment periods may be made, in accordance with this chapter, prior to the public hearing. The Mayor or Director of Finance shall, upon request, inform Council of any maturities or reinvestments and their par amounts, rates, discounts, terms, and yields, that occur at any point during the fiscal year at the next public meeting after any such request.

H.

If the Director of Finance determines that due to market conditions the interest rate or interest amount realized on the Central Treasury bank account for all pooled cash will exceed the likely rate of return of the permitted investments enumerated in 53 P.S. §5401.1(a) for the ensuing year, he or she may issue an investment strategy setting forth the reasons why the funds should remain in the Central Treasury bank account. Furthermore, if the Director of Finance advises that all pooled cash should be left in an entirely liquid state to meet the cash flow needs of the City for the ensuing year, he or she may also submit an investment strategy stating the reason why the funds must be left in an entirely liquid state.

SECTION TWO: That this Ordinance will take effect ten (10) days after final passage.

SECTION THREE: That all Ordinances inconsistent with the above provisions are repealed to the extent of their inconsistency.

LEGISLATIVE TEMPLATE

- **What Department or bureau is Bill originating from? Where did the initiative for the bill originate?**

Finance

- **Summary and Facts of the Bill**

According to section 507(A) of the Home Rule Charter, the Director of Finance is authorized to invest the funds in the City's custody. According to section 507(C), the Director of Finance is also "responsible for the administration of activities that include...Investments." These responsibilities were entrusted to the Finance Director effective January 1, 1997, the effective date of the Charter.

The City's Administrative Code, under Financial Procedures, Article IV, Section 5-25, also establishes an Investment Advisory Board of one member of Council, one member of the administration, and two members of the public appointed by the Mayor. The two members of the public were investment professionals. No such committee is currently active and no members are appointed to it. The last date that this section was updated was May 21, 1986. Subsection (D) of this chapter also requires the Investment Committee to periodically review the investment policy. The City currently has no investment policy.

In preference of the current set up, the administration wishes to codify an investment policy that will require the Finance Director to submit an annual investment strategy to the Mayor for his approval. Once approved, the City Council must be notified of the strategy and given a public forum to comment on it. Council may also request updates at any public meeting. We believe this adequately expresses the legislative intent of both the HRC and the Administrative Code.

- **Purpose – Please include the following in your explanation:**
 - **What does the Bill do – what are the specific goals/tasks the bill seek to accomplish**
 - **What are the Benefits of doing this/Down-side of doing this**
 - **How does this Bill related to the City's Vision/Mission/Priorities**

Firstly, this legislation is the first codified investment policy that the City has set forth. The administration sees this as a major step towards transparency and accountability.

Secondly, the administration seeks to improve written provisions that are duplicative, no longer being administered or may no longer be the most current or best application of the laws of the City or the Commonwealth. While the oversight duties noted in the investment advisory board are worth consideration, since no such board is convened, we feel this path expresses the best way to implement the investment policy, and to ensure that the Director of Finance is not unilaterally making investment decisions for the City.

Since the chapter in question was last revised in 1986, the General Assembly also enacted Act 10 of 2016, which significantly clarified the investments that the City is permitted to participate in. By use of a local government investment trust (PLGIT) which is owned and operated by its members (PA local governments), the City does not have to use private, for profit investment fund managers to make investments under Act 10 of 2016, and it can get the most competitive rates from PLGIT.

In summary, the purpose of this legislation is to establish an investment policy, to codify the duties of the Director of Finance, and to provide oversight from the Mayor and participation from City Council.

- **Financial Impact – Please include the following in your explanation:**
 - **Cost (Initial and ongoing)**
 - **Benefits (initial and ongoing)**

None

- **Funding Sources – Please include the following in your explanation:**
 - **If transferring funds, please make sure bill gives specific accounts; if appropriating funds from a grant list the agency awarding the grant.**

None

- **Priority status/Deadlines, if any**

None

- **Why should Council unanimously support this bill?**

The administration acknowledges that this provision in the Code serves as Council's role in investment strategy, and does not want to diminish their role. However, since the committee has not convened in recent memory, we feel that a codification of the City's investment policy is more effective than an advisory board.

In the place of an advisory board, the legislation requires that the Director of Finance and or the Mayor report its annual investment strategy at a public meeting, and that it can be required, upon demand, to produce updates on the investment strategy at any public meeting.

This legislation replaces the oversight provisions of the investment advisory board, and cedes it directly to the Mayor and City Council.