

	<b>UNIFIED FIRE AUTHORITY</b> <b>ORGANIZATIONAL POLICY MANUAL</b>	
	Affiliation: Finance Division	
	Title: <b>Investment of Public Funds</b>	
	Number: <b>600 – 180</b>	
	Approved: 7/02/2024	By: Fire Chief Dominic Burchett
Last Reviewed: 07/16/2025	By: CFO Tony Hill	

**LEADERS INTENT:**

Unified Fire Authority (UFA) recognizes that it is a government entity funded by taxpayers and wishes to provide policy guidance on how its funds are managed and invested to provide maximum safety, liquidity, and return.

**POLICY:**

This policy applies to the investment of all funds. The investment program will be operated in conformance with Board guidance, governing legislation, and other legal requirements.

1.0 Pooling of Funds

1.1 Except for cash in certain restricted and special funds, UFA will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

2.0 General Objectives

The primary objectives of all investment activities shall be safety, liquidity, and return:

2.1 Safety

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk. UFA will minimize credit risk, which is the risk of loss of all or part of the investment due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities listed in Section 6.1 - Investment Types of this Policy.
- Pre-qualifying and conducting ongoing due diligence of the financial institutions, broker/dealers, intermediaries, and advisers with which UFA will do business.
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. UFA will minimize interest rate risk, which is the risk that the

market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that security maturities match cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting individual security maturity as well as the average maturity of the portfolio in accordance with this policy.

## 2.2 Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same day liquidity for short-term funds.

## 2.3 Return

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- Selling a security and reinvesting the proceeds that would improve the quality, yield, or target duration in the portfolio may be undertaken.
- Unanticipated liquidity needs of the portfolio require that the security be sold.

## 3.0 Standards of Care

### 3.1 Prudence

The standard of prudence to be used by investment officials shall be the "uniform prudent investor act" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and 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 the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

### 3.2 Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business, in accordance with applicable laws. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the UFA.

### 3.3 Delegation of Authority

3.3.1 Authority to manage the investment program is granted to the Chief Financial Officer, hereinafter referred to as investment officer. Responsibility for the operation of the investment program is hereby delegated to the investment officer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. At a minimum, procedures should include references to the following: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements.

3.3.2 No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officer. The investment officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

### 4.0 Authorized Financial Institutions, Depositories, and Broker/Dealers

4.1 A list will be maintained of financial institutions and depositories authorized to provide investment Services in accordance with the Utah Money Management Council.

### 5.0 Safekeeping and Custody

#### 5.1 Delivery vs. Payment

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible custody account prior to the release of funds.

#### 5.2 Safekeeping

Securities will be held by a [centralized] independent third-party custodian selected by UFA as with all securities held in the UFA's name. The safekeeping institution shall annually provide a copy of their most recent report on internal

controls (Statement of Auditing Standards No. 70, or SAS 70). It is acknowledged that there may be associated costs with obtaining and reviewing these reports. Such costs shall be borne by [insert appropriate party, e.g., 'the UFA' or 'the custodian'], and any fees related to this requirement shall be outlined in the custodian agreement or separately negotiated between the parties. The UFA will ensure transparency in any cost arrangements related to this provision."

### 5.3 Internal Controls

The investment officer shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed annually by the independent auditor. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, mis-representation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the UFA.

## 6.0 Suitable and Authorized Investments

### 6.1 Investment Types

Investment Types Consistent with the GFOA Policy Statement on State and Local Laws Concerning Investment Practices and other binding documents, the following investments will be permitted by this policy:

- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government.
- U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value.
- Certificates of deposit and other evidence of deposit at financial institutions,
- Bankers' acceptances.
- Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a nationally recognized rating agency.
- Obligations of state, provincial and local governments and public authorities rated A or better.
- Repurchase agreements whose underlying purchased securities consist of the aforementioned instruments.
- Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and
- Local government investment pools are either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation.
- Other investment types or asset classes as approved by the governing authority.
  - Investment in derivatives of the above instruments shall require authorization by the appropriate governing authority.

### 6.2 Collateralization

Where allowed by governing legislation and in accordance with the GFOA Recommended Practices on the Collateralization of Public Deposits, full collateralization will be required on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit. While this is a GFOA best practice, it is not currently required in the State of Utah.

### 6.3 Repurchase Agreements

Repurchase agreements shall be consistent with GFOA Recommended Practices on Repurchase Agreements.

## 7.0 Investment Diversification & Constraints

### 7.1 Diversification

It is the policy of the UFA to diversify its investment portfolios. To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all UFA funds shall be diversified by maturity, issuer, and security type. Diversification strategies shall be determined and revised periodically by the investment officer for all funds except for the employee retirement fund. In establishing specific diversification strategies, the following general policies and constraints shall apply:

- Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. Maturities selected shall provide for stability of income and reasonable liquidity.
- Liquidity shall be assured through practices ensuring that the next disbursement date and payroll date are covered through maturing investments or marketable U.S. Treasury bills.
- Positions in securities having potential default risk (e.g., commercial paper) shall be limited in size so that in case of default, the portfolio's annual investment income will exceed a loss on a single issuer's securities.
- Risks of market price volatility shall be controlled through maturity diversification and duration management.
- The investment officer shall establish strategies and guidelines for the percentage of the total portfolio that may be invested in securities other than repurchase agreements, Treasury bills or collateralized certificates of deposit. The investment officer shall conduct a quarterly review of these guidelines and evaluate the probability of market and default risk in various investment sectors as part of its considerations.

### 7.2 Maximum Maturities

To the extent possible, UFA shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, UFA will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with governing legislation.

Reserve funds and other funds with longer-term investment horizons may be segregated into a long-term “core” investment portfolio and invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the legislative body.

### 7.3 Competitive Bids

The investment officer shall obtain competitive bids from at least three brokers or financial institutions on all purchases and sales of investment instruments transacted on the secondary market.