

COMMONWEALTH OF KENTUCKY
CITY OF PROSPECT
CITY COUNCIL REGULAR MEETING
Monday, April 15, 2024, 7:00 p.m.

AGENDA

CALL TO ORDER

- Chair: Mayor Doug Farnsley

APPROVAL OF MINUTES

- Approval of Minutes of the March 18, 2024 city council meeting.

COMMENTS FROM CITIZENS

MAYOR'S REPORT

- Mayor's update on City matters.

FINANCIAL REPORTS

- Monthly financial update

COMMISSION & BOARD REPORTS

- Forestation Board

OTHER REPORTS

- Parks and Recreation Advisory Committee
- Investment Committee
- Jefferson County League of Cities
- Council Committee for reviewing and reconciling proposed versions of Ordinance No 637, Series 2024 to amend and modify the Forestation ordinance.

POLICE REPORT

UNFINISHED BUSINESS

- Second reading of Second reading of **Ordinance 635, Series 2024**, AN ORDINANCE RELATING TO THE AMENDMENT AND MODIFICATION OF CHAPTER 150, BUILDING REGULATIONS CODE OF ORDINANCES OF THE CITY OF PROSPECT. This ordinance requires builders to consult with the Forestation Board
- Second reading of **Ordinance 636, Series 2024**, AN ORDINANCE AMENDING THE BUDGET FOR THE GENERAL FUND OF THE CITY OF PROSPECT FOR THE FISCAL YEAR BEGINNING JULY 1, 2023, AND ENDING JUNE 30, 2024.

NEW BUSINESS

- **Municipal Order 2, Series 2024:** AN ORDER CONSENTING TO ADOPTION OF THE AMENDED CITY OF PROSPECT INVESTMENT POLICY DATED APRIL 9, 2024.
- Nomination of John S. Carter for appointment as Chief Administrative Officer pursuant to Chapter 31.37 of the City of Prospect Code of Ordinances.

ADJOURNMENT

Supporting documents for this meeting's agenda are archived on the city's website calendar:
<https://www.prospectky.us/>

This meeting will be conducted in part via WebEx and live-streamed to YouTube here:
https://www.youtube.com/channel/UCDMvzIGZUk_tpL2HXSagU7w
Members of the public may attend in person and see and hear all participating members at
Prospect City Hall, 9200 US Hwy 42, Prospect, Kentucky.

CITY COUNCIL REGULAR MEETING MINUTES

March 18, 2024

Attending In-Person: Mayor Doug Farnsley; Council Members John Clark, John Evans, Frank Fulcher, Don Gibson, Sara Hines, and David Holmes; City Attorney F. Chris Gorman; Police Chief Jeff Sherrard; City Clerk John S. Carter

Participating Remotely: Director of Public Works Ron Cundiff

Call to Order

Mayor Farnsley called the meeting to order at 7:01 p.m.

Special Guest

Ms. Kate Farrow introduced herself and her candidacy for the Kentucky House of Representatives, District 48, to the Mayor and Council and asked for their support.

Approval of Minutes:

Council Member Gibson moved to approve the minutes of the February 20, 2024 council meeting, seconded by Council Member Fulcher, and the motion passed unanimously.

Comments from Citizens

- None

Mayor's Report

- The mayor spoke of the many city events recently held and scheduled over the next several months to celebrate the city's 50th birthday:
 - On March 10th the initial 'Art In City Hall' closed with a dedication of the City Hall council room as an art exhibition space and a lecture by artist and curator Professor John Begley. The 2nd art exhibit 'Art of 40059' is scheduled for June 2024.
 - On March 16th the Parks and Recreation Advisory Committee sponsored a bird walk in Putney Pond Woodlands guided by Mr. Jacob Crider, an educator for the Creasey Mahan Nature Preserve.
 - On October 5th the city will hold a 50th birthday party celebrating the founding and incorporation of the City of Prospect.
 - The first event this year to be held at the John Evans Pavilion this year will be Shakespeare In the Parks production of "A Midsummer Night's Dream" on April 28th at 2:00 p.m.
 - Additional upcoming events include the Summer Concert series, a brand new 'Kids Fest', and the annual July 4th celebration and fireworks show.
- This evening the council is to consider two versions, Draft A and B, of an amended Forestation ordinance for a first reading. The mayor recommends the council give a first reading of Draft A and not Draft B.

- Mayor Farnsley awarded the 2024 Beach Craigmyle Award to long-time Forestation Chairman Lee Tucci. The mayor spoke of Mr. Tucci's long service to the city and his outstanding performance and guidance of the Forestation Board as its chairman.
 - Former Mayor Todd Eberle, Residents Mike Powers and Susan Nicholson, and Forestation Board members Linda Knox and Herb Shulhafer spoke of their admiration for Mr. Tucci's direction and stewardship of the Forestation Board. Mr. Tucci thanked the mayor and city council for their recognition and complimented all members of the Forestation Board for their many years of participation and dedication to improving Prospect's tree canopy.

Financial Reports

The City Clerk presented a synopsis of the city's finances through February 2024.

- Cash on hand totaled approximately \$3.9 million.
- Revenue for the fiscal year through February totals approximately \$3.2 million and expenditures total approximately \$2.5 million.
- The total restricted road aid fund is \$217,565.

Commission and Board Reports

On behalf of the Forestation Board, Chairperson Linda Knox reported on the Forestation's written report.

- There were seven trees provided to residents through the Canopy Tree program.
- Member Herb Shulhafer advised that any landscaping and tree planting related to the planned roundabouts along US Hwy 42 should be delayed until that project is complete.
- The board received both versions of the proposed Forestation ordinance before the council this evening and looks forward to the adoption of an amended ordinance.

Other Reports

On behalf of the Parks and Recreation Advisory Committee, Council Member Holmes presented a written report on the following:

- The final engineering stamps have been received for the Harrods Creek Stream Crossing Bridge and work is to be completed later this spring.
- On March 12th the city held a meeting with representatives of Kentuckiana Regional Planning & Development Agency [KIPDA], Kentucky Transportation Cabinet [KYTC], and OHM Advisors to identify sources of funding for the proposed Putney Pond Boardwalk project.
- The Committee has held several events in the past month and continues planning events for the remainder of the year.
 - The second nature series lecture was held on February 25th featuring Jacob Crider's discussion on native amphibians.
 - Mr. Crider led a well-attended bird walk through Putney Pond & Woodlands on March 16th.
 - The committee is organizing an 'Adopt-A-Highway' clean up along U.S. 42 scheduled for April 6th and is seeking adult volunteers.
 - There are two wildflower walks scheduled for April 7th and 21st at 1 pm in Harrods Creek Park.

- The committee has selected all the acts for the summer concert series to be held at the John Evans Pavilion. The city intends to mail a flyer to all residents once the dates and times are finalized.
- On June 22nd the city will host its first “Kid’s Fest” in Little Hunting Creek Park. This event will feature the Louisville Leopard percussion group, a magician, a balloon twister, face painting, games, and crafts.
- Regular park maintenance and invasive plant removal continue throughout the city’s parks.

Council Member Gibson updated the council on the Jefferson County League of Cities. The league did not hold a meeting last month but is sponsoring a training session for city officials on March 23rd that will focus on understanding city finances and budgets.

Police Report:

Police Chief Sherrard reported:

- The details of the written report on arrests and call responses were presented.
- The number of requested Housewatches continues to be higher than last year.

Old Business

- Council Member Evans moved for a second reading of **Ordinance 633, Series 2024**, AN ORDINANCE RELATING TO THE AMENDMENT AND MODIFICATION OF CHAPTER 37, TAXATION OF THE CODE OF ORDINANCES OF THE CITY OF PROSPECT, seconded by Council Member Fulcher. This ordinance changes the date by which the clerk is to mail real estate tax bills from August 20th to August 30th. A roll call vote was held: **Yea:** Clark, Evans, Fulcher, Gibson, Hines & Holmes. **Nay:** None. The motion passed 6 -0.
- Council Member Fulcher moved for a second reading and passage of **Ordinance 634, Series 2024**, AN ORDINANCE RELATING TO THE AMENDMENT AND MODIFICATION OF CHAPTER 32, CITY COUNCIL: RULES OF PROCEDURE OF THE CODE OF ORDINANCES OF THE CITY OF PROSPECT, seconded by Council Member Clark. This ordinance changes the dates of regularly scheduled council meetings that fall on Federal Holidays. A roll call vote was held: **Yea:** Clark, Evans, Fulcher, Gibson, Hines & Holmes. **Nay:** None. The motion passed 6 -0.
- Council Member Holmes moved for a second reading of **Ordinance 635, Series 2024**, AN ORDINANCE RELATING TO THE AMENDMENT AND MODIFICATION OF CHAPTER 32, CITY COUNCIL: RULES OF PROCEDURE OF THE CODE OF ORDINANCES OF THE CITY OF PROSPECT, seconded by Council Member Clark.
 - Council Member Holmes moved to amend Ordinance 635, 2024 by modifying language in Chapter 150.69. The city attorney opined that the modification is substantive and requires a first reading of the newly amended ordinance.
- Council Member Holmes moved for a first reading of **Ordinance 635, Series 2024**, AN ORDINANCE RELATING TO THE AMENDMENT AND MODIFICATION OF CHAPTER 32, CITY COUNCIL: RULES OF PROCEDURE OF THE CODE OF ORDINANCES OF THE CITY OF PROSPECT, as amended, seconded by Council Member Clark. A roll call vote was held: **Yea:** Clark, Evans, Gibson, Hines & Holmes. **Nay:** None. **Abstention:** Fulcher. The motion passed 6 -0

New Business

- Council Member Evans moved to approve **Municipal Order 1, Series 2024**: AN ORDER CONSENTING TO THE NOMINATION BY THE MAYOR OF HERB SHULHAFFER AND LEE TUCCI, OF THE CITY TO SERVE ON THE CITY OF PROSPECT FORESTATION BOARD AND AFFIXING TERMS OF OFFICE THERETO, seconded by Council Member Hines. A roll call vote was held: **Yea**: Clark, Evans, Fulcher, Gibson, Hines & Holmes. **Nay**: None. The motion passed 6 -0.
- Council Member Fulcher moved for a first reading of **Ordinance 636, Series 2024**, AN ORDINANCE AMENDING THE BUDGET FOR THE GENERAL FUND OF THE CITY OF PROSPECT FOR THE FISCAL YEAR BEGINNING JULY 1, 2023, AND ENDING JUNE 30, 2024, seconded by Council Member Hines. A roll call vote was held: **Yea**: Clark, Evans, Fulcher, Gibson, Hines & Holmes. **Nay**: None. The motion passed 6 -0
- No action was taken on **Ordinance No. 637, Series, 2024**, AN ORDINANCE RELATING TO THE AMENDMENT AND MODIFICATION OF CHAPTER 97: TREES AND FORESTATION OF THE CODE OF ORDINANCES OF THE CITY OF PROSPECT, for lack of motion. Members of the committee established by the council to study proposed amendments to the forestation ordinance indicated that they anticipate completing their work in advance of the May 2024 regular council meeting.

Adjournment: Council Member Evans moved to adjourn, seconded by Council Member Hines, and the motion passed unanimously. Mayor Farnsley declared the council meeting adjourned at 8:13 p.m.

Prepared by:

Approved:

John S. Carter, City Clerk

Douglass Farnsley, Mayor

This meeting was live-streamed on YouTube.

Parks & Recreation Advisory Committee Report to City Council April 15, 2024

- Parks & Recreation Programs and Events
 - The Adopt-A-Highway was a huge success. 16 volunteers collected about 30 bags of trash and enough parts to build an entire car! Thanks to Ron and the police who escorted the two groups and kept everyone safe. Another cleanup will be scheduled for later in the summer.
 - The first wildflower walk took place in Harrods Creek Park on Sunday, April 7. Although the weather was beautiful the attendance was low in part due to spring break and the recent storm. The walk was led by Jacquelyn McGrail and Carolyn Embry, assisted by Sallie Schneider. A second walk will take place in Harrods Creek Park on Sunday, April 21 at 1 pm.
 - A second bird walk is scheduled on Sunday, April 14 in Harrods Creek Park.
 - The first spring/summer event in the John E. Evans Pavilion will take place on Sunday, April 28 at 2 pm. Shakespeare in the Park will perform “A Midsummer Night’s Dream.
- Scout Update
 - We currently have two Eagle Scout candidates each building a kiosk. One has acquired materials. Hopefully at least one of the kiosks will be completed by the end of May.
- The parks were not spared during the recent storm. In addition to several trees down, the bench swing on the Blue Trail in Harrods Creek Park was damaged by a fallen tree. We are in touch with the builder to get a proposal to rebuild this popular feature.



Memo

To: Prospect City Council
From: Susan Nicholson, Chair Prospect Investment Committee
Date: April 9, 2024
RE: Investment Committee Quarterly Report

The Investment Committee Report for the April 15 City Council Meeting includes two items:

- A revised Investment Policy Statement for your consideration
- Quarterly Investment Report as of 3/31/2024

Investment Policy Statement

The Prospect City Council approved an Investment Policy Statement (IPS) in January of 2023. This IPS was adopted from a model IPS recommended by the Kentucky League of Cities. The newly formed investment committee reviewed the policy in the Fall of 2023 and had some recommendations to simplify and clarify it. The changes were submitted to KLC who revised their sample statement incorporating several of our suggestions. At its April 9, 2024 meeting the Investment Committee approved the revised IPS and is bringing it to the City Council for formal adoption. Of particular interest are Sections 4.3 Delegation of Authority and Section 11 Approval of Investment Policy where it is noted that the City Council:

- Retains ultimate fiduciary responsibility for the City's investments
- Will receive reports to assist in meeting this responsibility
- Names Designated Officials (the Mayor and the City Clerk) responsible for the operation of the investment program
- Must approve and adopt any changes to the IPS

Also of interest is that the IPS only includes investments approved by statute and limits investments in equity securities and funds to 20% of total investments.

Quarterly Report

The December quarterly report presents the investments held as of 3/31/2024 compared to 12/31/2023 and explains the changes that took place during the quarter. As you may recall, at the January Council meeting it was explained dollar cost averaging was being used to invest \$5,000 per month into an S&P 500 Investment Fund. This has begun and it's the committee's goal to continue this strategy until the S&P 500 Investment Fund reaches approximately \$225,000. With the strong stock market returns of the first quarter, this proved a profitable strategy, adding about \$1,000 to investment earnings.

I will attend the April 15th meeting and will be happy to address any questions.



Prospect Police Department

Report Summary for MARCH 2024

❖ *Arrests*

- ◆ 0

❖ *Call Response Reports*

- ◆ 0

❖ *Code Enforcement Reports*

Twenty-nine (29) permits were issued in March. Other March issues included:

- ◆ Unpermitted signs removed
- ◆ Gravel on roadway
- ◆ Trash on driveway and in yard
- ◆ Vehicles parked on the street overnight

❖ *Felony Reports*

- ◆ March 3: TBD Checks
- ◆ March 12: Theft of Identity
- ◆ March 17: TBUT from Auto
- ◆ March 19: TBD checks
- ◆ March 24: TBUT from Auto
- ◆ March 26: TBD checks
- ◆ March 28: TBUT Auto
- ◆ March 29: TBD checks
- ◆ March 28 Theft of Plate

❖ *JC3 Reports*

- ◆ March 19: Duties only

❖ *KYIBRS Non-Criminal Reports*

- ◆ 0

❖ *Misdemeanor Reports*

- ◆ March 14: Terroristic threatening

❖ *Total Assists Outside of Prospect – 0*

❖ *Total Citations / Warnings other than Arrests – 10*

❖ *Total Collisions – 9 with 1 injuries*

❖ *Total People Fingerprinted – 3*



Prospect Police Department

Monthly Report of Police Activities MARCH 2024

ACTIVITY	2024	2023
House Checks:	2866	2229
Traffic Activity		
Citations/ Warnings Issued	5	20
Non- Injury Accidents	8	5
Injury Accidents	1	2
Citizen Assists	0	1
Reports		
Misdemeanor Reports	1	0
Felony Reports	11	1
Call Responses	0	5
Miscellaneous Reports	0	0
Arrests	0	1
Calls For Service		
Dispatched Runs	98	87
Officer Initiated Runs	31	154
Burglary/ Robbery, Fire Alarms Included False Alarms	13	14
Code Enforcement Citations	0	0

**CITY OF PROSPECT
ORDINANCE NO. 635, SERIES 2024**

**AN ORDINANCE RELATING TO THE AMENDMENT AND MODIFICATION OF CHAPTER 150:
BUILDING REGULATIONS OF THE CODE OF ORDINANCES OF THE CITY OF PROSPECT**

WHEREAS, Chapter 150 establishes a code of building regulations for the City of Prospect; and

WHEREAS, the City of Prospect has been designated as a “Tree City”, and,

WHEREAS, the City of Prospect recognizes the importance of protecting its tree canopy for aesthetics and environmental reasons.

NOW, THEREFORE, BE IT ORDAINED AS FOLLOWS:

Section 1. Chapter 150 is hereby amended and modified as hereinafter set forth with old language struck through, changes, and new language being underlined and reading as follows:

REPLACEMENT TREES

Chapter 150.68 Tree Preservation Plan.

All plans submitted for a building permit in the City of Prospect shall include a section detailing whether such plans require the removal of existing live trees.

Chapter 150.69 Forestation Board Review

- a) Where removal of trees is a part of a building permit plan the City of Prospect empowers the Forestation Board to review the proposed tree replacement submission. As part of its review the Board, in consultation with the city, shall work with the permit applicant to arrive at an appropriate tree replacement plan which considers the type, location and number of replacement trees to be required for a permit to be issued. The location of replacement trees shall be within the City of Prospect.

- b) If the parties are unable to agree on a tree replacement plan the applicant may appeal to the Prospect City Council for a variance.

Section 2. This Ordinance shall take effect from and after its passage, signing, and publication as required by law.

First Reading on the 18th day of February 2024

Passed on Second Reading this ____ day of _____ 2024.

By a vote of ____ aye and ____ nay of the City Council.

APPROVED/VETOED:

ATTEST:

Douglass Farnsley
Mayor, City of Prospect

John S. Carter
City Clerk

**CITY OF PROSPECT, KENTUCKY
ORDINANCE NO. 636, SERIES 2024**

**AN ORDINANCE AMENDING THE BUDGET FOR THE GENERAL FUND OF THE CITY OF PROSPECT
FOR THE FISCAL YEAR BEGINNING JULY 1, 2023 AND ENDING JUNE 30, 2024**

BE IT ORDAINED BY THE CITY OF PROSPECT, KENTUCKY:

SECTION 1: The Budget for the General Fund of the City of Prospect for the Fiscal Year beginning July 1, 2023 and ending June 30, 2024 shall be amended as follows:

REVENUE

INCOME SOURCE	ORIGINAL BUDGET Ord. No. 630, Series 2023	AMENDED BUDGET	CHANGE
Ad Valorem Property Tax	\$1,830,000	\$1,830,000	\$0
Insurance Premium Tax	\$1,435,000	\$1,435,000	\$0
Other revenues	390,350	\$390,350	\$0
Rollover of municipal road aid	\$175,000	\$175,000	\$0
Transfer from existing reserves	\$0	\$0	\$0
TOTAL REVENUES	\$3,830,350	\$3,830,350	\$0

EXPENDITURES

	ORIGINAL BUDGET Ord. No. 630, Series 2023	AMENDED BUDGET	CHANGE
City Administration	[\$904,747]	<u>\$872,648</u>	-\$32,099
Capital Outlay	[\$9,250]	<u>\$44,050</u>	+\$34,800
Community Development	[\$49,650]	<u>\$49,205</u>	-445
Total Administration	[\$963,647]	<u>\$965,903</u>	+\$2,256

	ORIGINAL BUDGET Ord. No. 630, Series 2023	AMENDED BUDGET	CHANGE
Police Department	[\$1,055,044]	<u>\$1,025,318</u>	-\$29,726
Capital Outlay	[\$28,500]	<u>\$94,154</u>	+\$65,654
Total Police	[\$1,083,544]	<u>\$1,119,472</u>	+\$35,928

	ORIGINAL BUDGET Ord. No. 630, Series 2023	AMENDED BUDGET	CHANGE
Public Works	[\$574,404]	<u>\$564,460</u>	-\$9,944
Solid Waste	[\$788,700]	<u>\$788,775</u>	+\$75
Landscape Maintenance	[\$275,500]	<u>\$289,794</u>	+\$14,294
Parks & Tree Management	[\$71,915]	<u>\$71,132</u>	-\$783
Total Public Works	[\$1,710,519]	<u>\$1,714,161</u>	+\$3,642

	ORIGINAL BUDGET Ord. No. 630, Series 2023	AMENDED BUDGET	CHANGE
TOTAL EXPENDITURES	[\$3,757,710]	\$3,799,536	+\$41,826
UNAPPROPRIATED SURPLUS	[\$72,640]	\$30,814	-\$41,826
<u>PROJECTED ENDING BALANCE - JUNE 30, 2024</u>		[\$72,640]	\$41,826

SECTION 2: This Ordinance shall be effective from and after its passage, approval and publication as required by law.

First Reading this 18th day of March 2024

Second Reading this ____ day of _____ 2024

Passed by a vote of ___ aye and ___ nays of the City Council

APPROVED/VETOED:

ATTEST:

Douglass Farnsley
Mayor

John S. Carter
City Clerk

**CITY OF PROSPECT, KENTUCKY
MUNICIPAL ORDER NO. 2, SERIES 2024**

**AN ORDER CONSENTING TO THE ADOPTION AND IMPLEMENTATION OF
THE CITY OF PROSPECT INVESTMENT POLICY**

WHEREAS, the City Council of the City of Prospect is responsible for the city's financial interests and well-being, and;

WHEREAS, the City of Prospect has cash reserves held for future financial obligations that are not needed for daily cash flow demands; and

WHEREAS, the City Council seeks to invest the cash reserves in financial vehicles that will obtain the highest rate of return, provide sufficient liquidity and mitigate credit and interest rate risks;

NOW, THEREFORE, IT IS HEREBY ORDERED BY THE CITY COUNCIL OF THE CITY OF PROSPECT, KENTUCKY:

The City Council of the City of Prospect, Kentucky adopts and authorizes the mayor to implement the City of Prospect Investment Policy dated April 9, 2024

PASSED AND APPROVED THIS 15th day of April 2024.

Attest:

Douglass Farnsley
Mayor, City of Prospect, Kentucky

John S. Carter
City Clerk

CITY OF PROSPECT, KENTUCKY
INVESTMENT POLICY

Adopted April 9, 2024

(1) GENERAL INVESTMENT POLICY

It is the policy of the City of Prospect, Kentucky “City” to invest public funds in a manner which will provide the maximum security and highest investment of principal while meeting the daily cash flow demands on the City and conforming to both KRS 91A.060 and KRS 66.480.

(2) SCOPE

This investment policy applies to all financial assets held directly by the City. These financial assets are accounted for in the City's annual financial report.

(3) INVESTMENT OBJECTIVES

The City’s primary investment objectives, in order of priority, are the following:

3.1 Safety

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The goal is to mitigate credit risk and interest rate risk.

3.2 Liquidity

The City’s investment portfolio shall remain sufficiently liquid to enable the City to meet all operating requirements, which might be reasonably anticipated.

3.3 Return on Investment

The City’s investment portfolio shall be designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles, taking into account the City’s investment risk constraints and the cash flow characteristics of the portfolio.

(4) STANDARDS OF CARE

4.1 Prudence

The actions of the Mayor and City Clerk (hereinafter “Designated Officials”) in the performance of their duties as managers of the City’s funds shall be evaluated using the "prudent person" standard. Investments shall be made with judgment and care under prevailing circumstances 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 income to be derived. The Designated Officials, acting in accordance with written procedures, this investment policy, and exercising due diligence, shall be relieved of personal responsibility for an individual security's performance, provided that deviations from expectations are reported in a timely fashion to the city council and appropriate action is taken to control adverse developments.

4.2 Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. Disclosure shall be made to the city council. 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 any personal investment transactions with the same individual with whom business is conducted on behalf of the City.

4.3 Delegation of Authority

a) City Council

The city council will retain ultimate fiduciary responsibility for the portfolios. The city council will receive reports, name the Designated Officials, and review the investment policy making any changes necessary by adoption.

b) Mayor and City Clerk

Authority to manage the investment program is granted to the Designated Officials, the mayor and city clerk, as designated by this City policy. Responsibility for the operation of the investment program is hereby delegated to the Designated Officials who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. The Designated Officials will prepare investment reports and other special reports as may be deemed necessary. All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.

c) Investment Adviser

The City may engage the services of one or more external investment managers to assist in the management of the entity's investment portfolio in a manner consistent with the City's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this investment policy. Such managers must be registered under the Investment Advisers Act of 1940.

(5) AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKERS/DEALERS

5.1 The Designated Officials shall determine which financial institutions are authorized to provide investment services to the City by conducting a process of due diligence. These may include primary dealers or regional dealers that qualify under the Securities and Exchange Commission Rule 15C3-1. Institutions eligible to transact investment business with City may include:

- Primary government dealers as designated by the Federal Reserve Bank;
- Nationally or state-chartered banks;
- The Federal Reserve Bank;
- Direct issuers of securities eligible for purchase; and
- Kentucky League of Cities Investment Pool Plus.

5.2 Selection of financial institutions and broker/dealers authorized to engage in transactions with the City shall be at the sole discretion of the City.

5.3 All brokers/dealers who desire to become qualified for investment transactions must supply the following, as appropriate:

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines;
- Proof of state registration;
- Completed broker/dealer questionnaire (not applicable to Certificate of Deposit counterparties);
- Certification of having read and understood and agreeing to comply with the entity's investment policy; and
- Evidence of adequate insurance coverage.

5.4 All financial institutions who desire to become depositories must supply the following, as appropriate:

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines;
- Proof of state registration; and
- Evidence of adequate insurance coverage.

5.5 A periodic review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the Designated Officials.

(6) SAFEKEEPING AND CUSTODY

6.1 Delivery vs. Payment

All trades of marketable securities will be executed (cleared and settled) on a delivery vs. payment basis to ensure that securities are deposited in the entity's safekeeping institution prior to the release of funds.

6.2 Third-Party Safekeeping

Securities will be held by an independent third-party safekeeping institution selected by the City. All securities will be evidenced by safekeeping receipts in the name of the City. The safekeeping institution shall annually provide a copy of its most recent report on internal controls - Service Organization Control Reports prepared in accordance with the Statement on Standards for Attestation Engagements No. 16.

6.3 Internal Controls

Management shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the investment committee, where present, and with the independent auditor. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the City.

(7) SUITABLE AND AUTHORIZED INVESTMENTS

7.1 Investment Types and Credit Guidelines

Consistent with Kentucky laws and City policies concerning investment practices, only investments as defined by KRS 66.480, are allowed, those being:

- a) U.S. government obligations and instrumentalities including obligations subject to repurchase, if delivery of these obligations is taken directly or through an authorized custodian. KRS 66.480(1)(a).
- b) U.S. Treasury and other U.S. government obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest. KRS 66.480(1)(b).
- c) Federal Agency or U.S. government-sponsored enterprises (GSE) obligations, participations or other instruments. KRS 66.480(1)(c).
- d) CDs issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky and that are insured by the Federal Deposit Insurance Corporation or similar entity or that are collateralized by any obligations, including surety bonds, permitted by KRS 41.240. KRS 66.480(1)(d).
- e) Uncollateralized CDs issued by any bank or savings and loan having a physical presence in Kentucky rated in one of three highest categories by a competent rating agency. KRS 66.480(1)(e).
- f) Bankers' acceptances, which must be rated in one of the three highest categories by a competent rating agency. KRS 66.480(1)(f).
- g) Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a competent rating organization. KRS 66.480(1)(g).
- h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities. KRS 66.480(1)(h).
- i) Investment-grade obligations of state or local governments or instrumentality thereof rated one of three highest categories by a competent rating agency. KRS 66.480(1)(i).
- j) Shares of mutual funds and exchange traded funds as identified by KRS 66.480(1)(j).
- k) Individual equity securities if the funds are managed by a professional investment manager regulated by a federal regulatory agency and are included within the S&P 500 pursuant to KRS 66.480(1)(k).
- l) Individual high-quality corporate bonds managed by a professional investment manager pursuant to KRS 66.480(1)(l).

7.2 Credit Considerations

If the credit rating of a security is subsequently downgraded below the minimum rating level for a new investment of that security, the Designated Officials shall evaluate the downgrade on a case-by-case basis to determine if the security should be held or sold. The Designated Officials will apply the general objectives of safety, liquidity, yield, and legality to make the decision.

7.3 Collateralization

Where required by Kentucky law full collateralization will be required on all demand deposit accounts, including checking accounts and negotiable and non-negotiable certificates of deposit. Acceptable collateral for bank deposits and repurchase agreements shall include only:

- Obligations of the U.S. government, its agencies, and Government-Sponsored Entities, including mortgage-backed securities; or
- Obligations of any state, City, county, or authority rated at least in one (1) of the two (2) highest categories by two nationally recognized competent credit rating organizations.

7.4 Diversification

It is the policy of the City to diversify its investment portfolios. To eliminate the 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 City funds shall be diversified by maturity, issuer, and security type. Diversification strategies shall be determined and revised periodically by the Designated Officials and or investment committee for all funds except for the employee retirement fund.

(8) PERFORMANCE STANDARDS/EVALUATION

The City's investment management portfolio shall be designed with the levels of risk appropriate to conform to performance benchmarks while meeting cash flow demands and complying with state law.

(9) REPORTING/DISCLOSURE

The Designated Officials 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 the individual transactions executed over the last quarter. This management summary will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy.

(10) POLICY CONSIDERATIONS

10.1 Exemption

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

10.2 Amendments

This policy shall be reviewed on an annual basis. Any changes must be approved by the Designated Officials and the city council, as well as the individuals charged with maintaining internal controls.

(11) APPROVAL OF INVESTMENT POLICY

The investment policy and any modifications to that policy shall be formally approved and adopted by the city council of the City of Prospect.

Approved by Investments Committee on April 9, 2024



Susan Nicholson, Chairperson