



City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS

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Legislative File No: 2025-0444

TO: Mayor and City Council Members

FROM: Joe Snyder, Chief Financial Officer, x2534

DATE: October 20, 2025

SUBJECT: City Investment Policy Update

REQUEST:

Administration requests that City Council adopt the updated Investment Policy for the City of Rochester Hills.

BACKGROUND:

The City's Investment Policy requires any and all proposed revisions to be approved by Resolution of the City Council. The proposed revisions of our Investment Policy conform to best management practices necessary to obtain policy re-certification from the Association of Public Treasurers United States and Canada (APT US&C). The APT US&C last certified the City's Investment Policy in 2021.

The majority of revisions proposed are grammatical in nature and align the proposed Investment Policy with current practice.

Section 2.0 / Scope:

- Changed the term "Comprehensive Annual Financial Report" to "Annual Comprehensive Financial Report (ACFR)" per current practice.

Section 3.1 / Prudence:

- Add language forbidding the City from using leverage (or borrowing funds solely to invest them)
- Eliminate reference to the Prudent Person Rule and refer to the Prudent Investor Rule
 - Note:
 - The Prudent Person Rule dates from an 1830 State of Massachusetts common law and focuses primarily on the preservation of capital and avoidance of risk for each individual investment in the portfolio.
 - The Prudent Investor Rule is the modern standard adopted through the Uniform Prudent Investor Act (UPIA). In the State of Michigan this standard officially took effect on January 1, 1997. The Prudent Investor Rule focuses primarily on the portfolio as a whole including diversification, risk management, total return, and the codification of fiduciary duties.
 - The City of Rochester Hills Investment Strategy has historically and currently operates with a much higher correlation to the Prudent Investor Rule (total portfolio focus) than the somewhat outdated Prudent Person Rule (individual investment focus). This update doesn't alter the City's successful investment strategy; rather, it formally aligns the City's written policy with proven, modern practices, strengthening fiduciary oversight and ensuring the City's policy reflects the highest professional standards.

Section 7.2 / Brokers & Dealers:

- Changed the Broker/Dealer certification from National Association of Securities Dealers (NASD) certification to Financial Industry Regulatory Authority (FINRA) certification.
 - Note: In 2007, the NASD was consolidated into the FINRA.

Section 12.1 / Diversification by Instrument:

- Deleted Government Short-Term Investment Trust Funds, Money Market Funds, and Mutual Funds as these investments have not been used, are not anticipated to ever be used, and are all considered Investment Pool Accounts

Section 12.2 / Diversification by Security Issuer:

- Added “Banker’s Acceptance Issuer” diversification as this instrument was not previously included
- Renamed “Banks, Credit Unions, and Savings & Loan CD” simply as “Certificate of Deposit Issuer” for consistency
- Added “Securities & Instruments Issuer” after U.S. Government Agency for consistency
- Renamed “Individual Pool Account” to “Investment Pool Account Issuer” for consistency

Section 13.0 / Maximum Maturities:

- Added a definition of Reserve funds which are not anticipated to be needed for operational cash flow for at least five (5) years to provide greater clarity.

Section 14 / Internal Controls:

- Add language that the external auditor will establish a process for independent review “as part of the City’s annual audit process”.

Glossary:

- Added Definitions:
 - Annual Comprehensive Financial Report (ACFR)
 - Replaces Comprehensive Annual Financial Report
 - Prudent Investor Rule
 - Replaces Prudent Person Rule
- Deleted Definitions:
 - Comprehensive Annual Financial Report
 - Replaced by Annual Comprehensive Financial Report (ACFR)
 - Prudent Person Rule
 - Replaced by Prudent Investor Rule

RECOMMENDATION:

Administration recommends that City Council adopt the updated Investment Policy for the City of Rochester Hills.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
Deputy Clerk		

Contract Reviewed by City Attorney

☐ Yes

☒ N/A