

RESOLUTION NO. 2020 – 13

A RESOLUTION ADOPTING A CITY OF SALIDA INVESTMENT POLICY

WHEREAS, the City of Salida, Colorado (“City”) is a statutory city, duly organized and existing under the laws of the state of Colorado; and

WHEREAS, pursuant to C.R.S. § 31-15-302, the City by and through its City Council (“Council”), possesses the general authority, among other things, to control the finances and property of the City; and

WHEREAS, relevant City staff and the City Finance committee has been working on a city investment policy to apply to all activities of the City regarding investing the financial assets of the City, and which guides the City on items such as investment objectives, standard of care, authorized and suitable investments, reporting, and internal controls; and

WHEREAS, the City Finance Committee has reviewed and recommends approval of the draft City of Salida Investment Policy, attached hereto as Exhibit A, to clarify and direct the investment of the financial assets of the City; and

WHEREAS, the City Council wishes to adopt the Investment Policy attached hereto as Exhibit A for the City of Salida and,

WHEREAS, the City of Salida Investment Policy is attached hereto and incorporated herein as Exhibit A.

NOW, THEREFORE, IT IS RESOLVED BY THE CITY COUNCIL OF THE CITY OF SALIDA, COLORADO, THAT:

Section 1. The Salida City Council incorporates the foregoing recitals as its conclusions, facts, determinations and findings.

Section 2. Effective upon approval, the City hereby adopts the City of Salida Investment Policy, attached hereto as Exhibit A.

RESOLVED, APPROVED, AND ADOPTED this 7th day of April, 2020.



CITY OF SALIDA

By: _____

P.T. Wood, Mayor

ATTEST: _____

Erin Kelley
City Clerk/Deputy City Clerk

Exhibit A
City of Salida Investment Policy

City of Salida Investment Policy

Scope

This investment policy applies to activities of the City of Salida regarding investing the financial assets of the City.

Investment Objectives

The city's principal investment objectives, in priority order, are legal conformance, safety, liquidity, and return on investment. All investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

1. *Legal conformance*: The investment portfolio will conform to all legal and contractual requirements.
2. *Safety*: Safety of investment principal and the preservation of capital are primary objectives of the investment program. When making investment decisions, the City Administrator will seek to ensure the preservation of capital in the overall portfolio by mitigating credit risk and interest rate risk.
 - a. *Credit Risk*: The City Administrator will minimize the risk of loss of principal and/or interest due to the failure of the security issuer or backer by:
 - i. Limiting investments to the safest types of securities.
 - ii. Requiring adequate documentation from the Investment Advisor before agreeing to use an institution.
 - iii. Diversifying the investment portfolio to reduce exposure to any one security type or issuer.
 - b. *Interest Rate Risk*: The City Administrator will minimize the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by:
 - i. Whenever possible, holding investments to their stated maturity dates.
 - ii. Investing a portion of the operating funds in shorter-term securities, money market mutual funds, or local government investment pools.
3. *Liquidity*: The investment portfolio must be sufficiently liquid to meet all reasonably anticipated operating cash flow needs. This is accomplished by structuring the portfolio so that securities mature to meet cash requirements for ongoing operations. Investments shall be managed to avoid, but not prohibit, sale of securities before their maturities to meet foreseeable cashflow requirements. Since all possible cash needs cannot be anticipated, the portfolio must consist largely of securities with active secondary or resale markets.
4. *Return on Investment*: The investment portfolio will be designed with the objective of maximizing the rate of return on investment while maintaining acceptable risk levels and ensuring adequate liquidity. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. Investment pooling

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may be used to maximize investment income. Interest income, from pooling, will be distributed to the participating funds in proportion to each fund's level of contribution. The City Administrator will determine whether a security will be sold prior to maturity. The following are examples of when a security might be sold:

- a. A security with a declining credit rating may be sold early to minimize loss of principal;
- b. A security swap would improve the quality, yield, return, or maturity distribution of the portfolio;
- c. Liquidity needs of the portfolio require that the security be sold; or
- d. The City Administrator will obtain the best rate of return on investments by taking advantage of market volatility and recognizing gains on a portion of the portfolio.

Standards of Care

1. Prudence: The City Administrator has a fiduciary responsibility to protect the assets of the City and to invest funds appropriately. The standard of care to be used by City officials is the "prudent person" rule as specified by CRS 15-1-304, which reads:

"Standard for investments: In acquiring, investing, reinvesting, exchanging, retaining, selling, and managing property for the benefit of others, fiduciaries shall be required to have in mind the responsibilities which are attached to such offices and the size, nature, and needs of the estates entrusted to their care and shall exercise the judgment and care, under the circumstances then prevailing, which men of prudence, discretion, and intelligence exercise in the management of the property of another, not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income as well as the probable safety of capital. Within the limitations of the foregoing standard, fiduciaries are authorized to acquire and retain every kind of property, real, personal, and mixed, and every kind of investment, specifically including, but not by way of limitation, bonds, debentures, other corporate obligations, stocks, preferred or common, securities of any open-end or closed-end management type investment company or investment trust, and participations in common trust funds, which men of prudence, discretion, and intelligence would acquire or retain for the account of another."

The City Administrator and designees, acting within the guidelines of this investment policy and written procedures, the Municipal Code, all applicable state and federal laws and after exercising due diligence, will not be held personally liable and will be relieved of personal responsibility for an individual security's credit risk or market price changes, or for losses incurred as a result of specific investment transactions or strategies. (CRS 24-75-601.4, et seq.)

2. Ethics and Conflicts of Interest: Officers and employees involved in the investment process will refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability

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to make impartial decisions. Employees and investment officials must disclose any material interests in financial institutions with which they conduct business. They must further disclose any personal financial and investment positions that could be related to the performance of the City's investment portfolio.

3. Delegation of Authority: The Municipal Code assigns the responsibility for the collection and investment of all funds to the City Administrator, subject to direction from the Treasurer or City Council by ordinance or resolution. The City Administrator, subject to City approval, may appoint other members of the Finance Department to assist in the investment function.
 - a. Administrative Procedures
 - i. The City Administrator is responsible for all investment decisions and activities and must regulate the activities of subordinate employees for the operation of the City's investment program consistent with this investment policy.
 - ii. No person may engage in an investment transaction except as provided under the terms of this Investment Policy and the procedures established by the City Administrator.
 - b. Authorized Designees
 - i. The City Administrator will maintain a list of individuals and institutions that are authorized to transfer, purchase, sell and wire securities or funds on behalf of the City.
 - ii. This list will be provided to the securities broker or dealer or financial institution prior to the City conducting any investment transactions with the institution.
 - c. Investment Advisors
 - i. The City Administrator has the discretion to appoint one or more investment advisors, registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940, to assist in the management of all or a portion of the City's investment portfolio.
 - ii. All investments made through such investment advisors shall be within the guidelines of this Investment Policy.

Eligible Depositories

The following institutions are designated as eligible depositories for the city:

1. All banks organized or chartered under Colorado or federal law having offices in Colorado insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any successor agency, in compliance with the capital standards established by the Colorado State Banking Board, agreeing in writing to abide by all regulatory directives, reporting requirements, examination requirements, and other criteria established for the

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administration and enforcement of C.R.S. 11-10.5-101, *et seq.*, and designated as eligible public depositories by the Colorado State Banking Board; and

2. All state and federally chartered savings and loan associations having offices in Colorado that are otherwise eligible to be eligible public depositories and that desire to accept and hold public deposits in an amount in excess of the amount insured by the FDIC or its successor, and designated as eligible public depositories by the Colorado State Commissioner of Financial Services; and
3. All state and federally chartered savings and loan associations having principal offices in Colorado where the entire amount of such deposit is insured by the FDIC or its successor.

Eligible Securities Brokers/Dealers

The following are designated eligible brokers/dealers for governmental securities transactions allowed under the law:

1. Securities dealers and banks designated as reporting dealers by the Federal Reserve Bank of New York (primary dealers);
2. National and state banks with principal offices in Colorado; and
3. Securities dealers not designated reporting dealers by the Federal Reserve Bank of New York but approved by the City Administrator.

Authorized and Suitable Investments

It is the intent of the city to diversify its investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, issuer or class of securities. Diversification strategies and guidelines shall be determined and revised periodically by the City Administrator. The investments may be diversified by:

1. Limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities);
2. Limiting investment in securities that have higher credit risks;
3. Investing in securities with varying maturities; and
4. Maintaining a portion of the portfolio in readily available funds such as local government investment pools, money market funds or short term repurchase agreements to ensure that City liquidity needs are met.

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The following are eligible, legal investments for the city:

1. Any security issued by, fully guaranteed by, or for which the full credit of the United States treasury is pledged for payment and inflation indexed securities issued by the United States treasury. The period from the date of settlement of this type of security to its maturity date shall be no more than five years unless the governing body of the public entity authorizes investment for a period in excess of five years, in compliance with C.R.S. 24-75-601.1(a);
2. Any security issued by, guaranteed by, or for which the credit of the following is pledged for payment: the Federal Farm Credit Bank (FFCB); Federal Land Bank (FLB); Federal Home Loan Bank (FHLB); Federal Home Loan Mortgage Corporation (FHLMC); Federal National Mortgage Association (FNMA); Export Import Bank (EXIM); Tennessee Valley Authority (TVA); Government National Mortgage Association (GNMA); World Bank; and other entities or organizations pursuant to C.R.S. 24-75-601.1(b); provided, however, that no subordinated security may be purchased pursuant to this paragraph;
3. Any security that is a general obligation of any state of the United States, the District of Columbia, or any territorial possession of the United States or of any political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities.
 - a. No security may be purchased pursuant to this paragraph unless:

At the time of purchase, the security carries at least two credit ratings at or above "A" or its equivalent from nationally recognized statistical rating organizations if it is a general obligation of this state or of any political subdivision, institution, department, agency, instrumentality, or authority of this state or carries at least two credit ratings at or above "AA" or its equivalent from such organizations if it is a general obligation of any other governmental entity. The period from the date of settlement of this type of security to its maturity date or date of optional redemption that has been exercised as of the date the security is purchased is no more than five years unless the governing body of the public entity authorizes investment for a period in excess of five years.
4. Any security that is a revenue obligation of any state of the United States, the District of Columbia, or any territorial possession of the United States or of any political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities.
 - a. No security may be purchased pursuant to this paragraph unless, at the time of purchase, the security carries at least two credit ratings at or above "A" or its equivalent from nationally recognized statistical rating organizations if it is a revenue obligation of this state or of any political subdivision, institution, department, agency, instrumentality, or authority of this state or carries at least two credit ratings at or above "AA" or its equivalent from such organizations if it is a

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revenue obligation of any other governmental entity. The period from the date of settlement of this type of security to its maturity date or date of optional redemption that has been exercised as of the date the security is purchased shall be no more than five years.

5. Any security issued by the city or any certificate of participation or other security evidencing rights in payments to be made by the city under a lease, lease-purchase agreement, or similar arrangement;
6. Any interest in any local government investment pool organized pursuant to C.R.S. 24-75-701, *et seq.*, including the Colorado Government Liquid Asset Trust (COLOTRUST).
7. Any repurchase agreement or reverse repurchase agreement concerning any securities referred to in paragraphs 1 and 2 of this section, or any securities lending agreement in which the city lends securities in exchange for securities authorized for investment made in compliance with C.R.S. 24-75-601.1(j) and any other applicable law. Repurchase agreement collateral shall be delivered to a third-party safekeeping account (payment versus delivery). A master repurchase agreement shall be entered into with each institution with which a repurchase agreement is done;
8. Any money market fund that is registered as an investment company under the federal Investment Company Act of 1940, as amended in compliance with C.R.S. 24-75-601.1(k);
9. Any guaranteed investment contract, guaranteed interest contract, annuity contract or funding agreement within the limitations established by C.R.S. 24-75-601.1(l) and other state statute;
10. Any corporate or bank security that is denominated in United States dollars, that matures within three years from the date of settlement, that at the time of purchase carries at least two credit ratings from any of the nationally recognized statistical ratings organizations, and that is not rated below:
 - a. "A1, P1, or F1" or their equivalents by either rating used to fulfill the requirements of this subparagraph (I) if the security is a money market instrument such as commercial paper or bankers' acceptance; or
 - b. "AA- or Aa3" or their equivalents by either rating used to fulfill the requirements of this subparagraph
 - i. if the security is any other kind of security.
 - ii. At no time shall the book value of a public entity's investment in notes evidencing a debt pursuant to this paragraph (m) exceed the following:
 - c. Fifty percent of the book value of the public entity's investment portfolio unless the governing body of the public entity authorizes a greater percent of such book value;
 - d. Five percent of the book value of the public entity's investment portfolio if the notes are issued by a single corporation or bank unless the governing body of the public entity authorizes a greater percent of such book value.

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11. Any other investment vehicle authorized by state law and determined by the investment officer and/or the City Administrator to be a prudent investment.

Maturity Schedule

The City Administrator or designee shall maintain a cash flow forecast to provide a guideline for supplementing cash flow with maturing investments to meet the cash flow needs of the city. Therefore, the security maturity schedule should not exceed the cash needs of the city at any time. Investments which have a maturity schedule exceeding five (5) years from the date of purchase shall be authorized by the city council in accordance with C.R.S. 24-75-601.1(1).

Reporting

1. **Methods:** The City Administrator will prepare an investment report on at least an annual basis and will post such report on the City's website.
2. **Marking to Market:** The market value of the portfolio will be calculated at least annually and a statement of the market value will be included in the annual investment report.
3. **Delivery versus Payment:** All trades will be executed by delivery versus payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by the third-party custodian as evidenced by safekeeping receipts.

Internal Controls

The following internal controls will aid in preventing losses of city funds:

1. Custodial safekeeping;
2. Avoiding bearer-form securities;
3. Clearly delegating of authorities to subordinate staff members;
4. Confirming telephone transactions in writing/email. All investment transactions will be supported by written evidence such as a confirmation ticket issued by the broker/dealer;
5. Minimizing the number of authorized investment officials; and
6. Documenting transactions.

In addition, the city's independent auditor shall perform a review of the controls on an annual basis.

