

**RESOLUTION NO. 7  
SERIES OF 2019**

**A RESOLUTION ADOPTING REVISIONS TO THE TOWN'S  
INVESTMENT POLICY**


**WHEREAS**, the Town adopted its current investment policy on August 27, 1991; and

**WHEREAS**, the Town of wishes to continue to operate a contemporary and comprehensive treasury management program; and

**WHEREAS**, certain administrative-type changes have been recommended by the Town's auditors and financial advisors.

**NOW, THEREFORE, BE IT HEREBY RESOLVED**, that the Town Council of the Town of Carbondale, Colorado, adopts a revised Investment Policy, a copy of which is attached.

**ADOPTED AND PASSED**, this 25th day of June, 2019.

  
\_\_\_\_\_  
Dan Richardson, Mayor

ATTEST:

  
\_\_\_\_\_  
Cathy Derby, Town Clerk



TOWN OF CARBONDALE, COLORADO  
INVESTMENT POLICY

Policy

It is the policy of the Town of Carbondale to invest public funds in a manner that will provide the highest investment return with maximum security while meeting the daily cash flow demands of the Town and conforming to all state and local statutes governing the investment of public funds.

Purpose

The purpose of this investment policy is to establish the Town of Carbondale investment scope, standards of prudence, objectives, authority, eligible investments, safekeeping and custody requirements, diversification, and internal controls.

Scope

This investment policy applies to all investment activities of the Town of Carbondale. All financial assets of other funds, including funds that may be created from time to time, shall be administered in accordance with the provisions of this policy. These funds are accounted for in the Town's Annual Financial Report and include:

- General Fund
  - Special Revenue Funds
  - Enterprise Funds
  - Debt Service Funds
  - Capital Projects Funds
- Any new fund created by the town of Carbondale unless specifically exempt by the governing body

Objectives

The primary objectives of the Town of Carbondale's investment activities shall be:

- a. Preservation of capital and protection of investment principal.
- b. Maintenance of sufficient liquidity to meet anticipated cash flows.
- c. Diversification to avoid incurring unreasonable market risks.
- d. Attainment of a market rate of return.
- e. Conformance with all applicable Town policies, and State and Federal regulations.

Authority

The ultimate responsibility for the investment of the funds of the Town of Carbondale covered by this Investment Policy resides with the Town Board. The Town Board has delegated to the Town Manager and Finance Director responsibility for developing policy regarding the investment and custody of the Town's funds in compliance with the provisions in the Town Home Rule Charter Section 10-15.

The Finance Director shall develop written administrative procedures and internal controls, consistent with this Investment Policy, for the operation of the Town's investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the Town.

The Finance Director may delegate the authority to conduct investment transactions and manage the operation of the investment portfolio to other specifically authorized staff members. The Finance Director shall maintain a list of persons authorized to transact securities business for the Town. No person may engage in an investment transaction except as expressly provided under the terms of this Investment Policy.

The Town may engage the support services of outside professionals in regard to its investment program, so long as it can be clearly demonstrated that these services produce a net financial advantage or necessary financial protection of the Town's financial resources.

#### Prudence

The standard of prudence, as defined by the Colorado Revised Statutes (CRS), to be used for managing the Town's assets is the "prudent investor" rule applicable to a fiduciary, that states that a prudent investor "shall exercise the judgement and care, under 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 their capital." (CRS 15-1-304, Standard for Investments.)

The Town's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The Town recognizes that no investment is totally without risk and that the investment activities of the Town are a matter of public record.

Accordingly, the Town recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the Town.

The Finance Director and authorized investment personnel acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that the deviations from expectations are reported in a timely fashion to the Town Council and appropriate action is taken to control adverse developments.

#### Ethics and Conflicts of Interest

Elected officials and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or that could impair or create the appearance of an impairment of their ability to make impartial investment decisions. Investment officials and employees shall disclose to the Town Manager any material financial interests they have in financial institutions that conduct business with the Town, and they shall subordinate their personal investment transactions to those of the Town.

#### Internal Control

The Finance Director shall establish a system of internal controls to ensure the integrity of the investment process. The system shall be designed to prevent loss of public funds through fraud, error, misrepresentation by third parties, or imprudent actions by elected officials and employees of the Town of Carbondale.

#### Authorized Securities and Transactions

All investments shall be made in accordance with Colorado Revised Statutes as follows: CRS 11-10.5-101, et seq., Public Deposit Protection Act; CRS 11-47-101, et seq., Savings and Loan Association Public Deposit Protection Act; CRS 24-75-601, et seq., Funds — Legal Investments; CRS 24-75-603, Depositories; CRS 24-75-702, Local governments — authority to pool surplus funds. Any revisions or extensions of these sections of the CRS will be

assumed to be part of this Investment Policy immediately upon being enacted. Only the following types of securities and transactions shall be eligible for use by the Town in no particular order are:

- a. **U.S. Treasury Obligations:** Treasury Bills, Treasury Notes, Treasury Bonds, and Treasury Strips with a final maturity not exceeding five years from the date of trade settlement.
- b. **Federal Agency Securities:** Debentures and mortgage-backed securities with a stated final maturity not exceeding five years from the date of trade settlement issued by the Government National Mortgage Association (GNMA).
- c. **Federal instrumentality Securities:** Debentures, discount notes, callable, step-up, and stripped principal or coupons with a final maturity not exceeding five years from the date of trade settlement issued by the following only: Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), and Federal National Mortgage Association (FNMA).
- d. **Repurchase Agreements** with a termination date of 180' days or less collateralized by U.S. Treasury securities or Federal Instrumentality securities listed above with a final maturity not exceeding five years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the PSA Bond Market Trade Association Master Repurchase Agreement as modified by the Town's Master Repurchase Agreement Annex. The purchased securities shall have a minimum market value including accrued interest of 102 percent of the dollar value of the transaction. Collateral shall be held in the Town's third-party custodian bank as safekeeping agent, and the market value of the collateral securities shall be marked-to-the market daily.

Repurchase Agreements shall be entered into only with counterparties who have executed a Master Repurchase Agreement with the Town and who are recognized' as Primary Dealers with the Federal Reserve Bank of New York, or with firms that have a Primary Dealer within their holding company structure. Primary Dealers approved as Repurchase Agreement counterparties shall have a short-term 'credit rating of at least, A-1 or the equivalent and a long-term credit rating of at least A or the equivalent by each service that rates the firm.

- e. **Commercial Paper** with an original maturity of 270 days or less that is rated at least A,-1 by Standard & Poor's, P-1 by Moody's, or F1 by Fitch at the time of purchase by at least two services that rate the commercial paper and rated not less by all services that rate it. If the commercial paper issuer has senior debt outstanding, the senior debt must be rated at least A by Standard & Poor's, A2 by Moody's, or A by Fitch by at least two services that rate the issuer and rated not less by all services that rate it. No more than 5% of the Town's total portfolio may be invested in the commercial paper of any one issuer, and the aggregate investment in commercial paper shall not exceed 20% of the Town's total portfolio.
- f. **General Obligation Debt** with a final maturity not exceeding three years from the date of trade settlement issued by any state of the United States or any political subdivision, institution, department, agency, instrumentality, or authority of any state that is rated at least AA by Standard

& Poor's, Aa by Moody's or AA by Fitch at the time of purchase by at least two such services that rate the entity.

- g. **Revenue Obligation Debt** with a final maturity not exceeding three years from the date of trade settlement issued by any state of the United States or any political subdivision, institution, department, agency, instrumentality, or authority of any state that is rated at least AAA by Standard & Poor's, Aaa by Moody's or AAA by Fitch at the time of purchase by at least two such services that rates the entity.
- h. **Local Government Investment Pools** organized under CRS 24-75-702 that are "no-load" (no commission or fee charged on purchases or sales of shares); have a constant net asset value of \$1.00 per share; limit assets of the fund to those authorized by state statute; have a maximum stated maturity and weighted average maturity in accordance with Rule 2a-7 of the Investment Company Act of 1940; and have a rating of AAAM by Standard & Poor's, Aaa by Moody's, or AAA/V1+ by Fitch.
- i. **Money Market Funds** registered under the Investment Company Act of 1940 that are "no-load" (no commission or fee charged on purchases or sales of shares); have a constant net asset value of \$1.00 per share; limit assets of the fund to those authorized by state statute; have a maximum stated maturity and weighted average maturity in accordance with Rule 2a-7 of the Investment Company Act of 1940; and have a rating of AAAM by Standard & Poor's, Aaa by Moody's, or AAA/V1+ by Fitch.
- j. **Time Certificates of Deposit** with a maturity not exceeding one year in any FDIC insured state bank, national bank, or state or federal savings bank located in Colorado that meets the credit criteria set forth in the section of this Investment Policy, "Selection of Banks." Certificates of deposit that exceed FDIC insurance limits shall be collateralized as required by the Public Deposit Protection Act or the Savings and Loan Association Public Deposit Protection Act.

The foregoing list of authorized investments shall be strictly interpreted. Any deviation from this list shall have advance approval by the Town Council in writing.

The Town may from time to time issue bonds per the Town Home Rule Charter Section 11-1, the proceeds of which must be invested to meet specific cash flow requirements. In such circumstances and notwithstanding the paragraph immediately above, the reinvestment of debt issuance or related reserve funds may, upon the advice of Bond Counsel or financial advisors, deviate from the provisions of this Investment Policy with the written approval of the Finance Director.

#### Investment Diversification

The Town shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. Investments in any one institution may not exceed 40% of the town's portfolio. The asset allocation in the portfolio should however, be flexible depending upon the outlook for the economy, the securities market and the Town's anticipated cash flow needs. Diversification strategies and guidelines shall be determined and revised periodically.

#### Investment Maturity and Liquidity

To the extent possible, investments shall be matched with anticipated cash flow requirements and known

future liabilities. Unless matched to a specific cash flow requirement, the Town will not invest in securities maturing more than five years from the date of trade settlement. The Town shall maintain at least 15% of its total investment portfolio in investments maturing in 120 days or less. At least 10% of the portfolio shall be invested in overnight investments or securities that can be sold to raise cash on one day's notice.

#### Selection of Broker/Dealers

If the Town decides to utilize a Broker/Dealer, the Finance Director shall maintain a list of broker/dealers approved for investment purposes, and it shall be the policy of the Town to purchase securities only from those authorized firms.

To be eligible, a firm must meet at least one of the following criteria:

- a. Be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a Primary Dealer within its holding company structure, or
- b. Report voluntarily to the Federal Reserve Bank of New York, or
- c. Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

Broker/dealers will be selected by the Finance Director on the basis of their expertise in public cash management and their ability to provide service to the Town's account. Each authorized broker/dealer shall be required to submit and annually update a Town approved Broker/Dealer Information Request form that includes the firm's most recent financial statements.

The Town may purchase commercial paper from direct issuers even though they are not on the approved broker/dealer list as long as they meet the criteria outlined in the Section, "Authorized Securities and Transactions" of this Investment Policy.

#### Competitive Transactions

All investment transactions shall be conducted competitively with authorized broker/dealers. At least three broker/dealers shall be contacted for each transaction and their bid and offering prices shall be recorded. If the Town is offered a security for which there is no other readily available competitive offering, the Treasurer will document quotations for comparable or alternative securities.

#### Selection of Banks

The Finance Director shall maintain a list of FDIC insured banks approved to provide depository and other banking services for the Town. To be eligible, a bank shall, qualify as an eligible **public depository** as defined in CRS 11-10.5-103. Banks failing to meet the minimum safety criteria in the judgment of the Finance Director may be removed from the list.

#### Safekeeping and Custody

The Finance Director shall approve one or more banks to provide safekeeping and custodial services for the Town. A Town approved Safekeeping Agreement shall be executed with each custodian bank prior to utilizing that bank's safekeeping services.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. Ownership of all securities shall be perfected in the name of the Town, and sufficient evidence to title shall be consistent with current investment, banking and commercial practices.

All investment securities, except certificates of deposit, local government investment pools and money market funds purchased by the Town will be delivered by either book entry or physical delivery and will be held in third-party safekeeping by the Town's approved custodian bank, its correspondent bank or the Depository Trust Company (DTC).

All Fed wire-able book entry securities owned by the Town shall be evidenced by a safekeeping receipt or a customer confirmation issued to the Town by the custodian bank stating that the securities are held in the Federal Reserve system in a Customer Account for the custodian bank which will name the Town as "customer."

All DTC eligible securities shall be held in the custodian bank's Depository Trust Company (DTC) participant account and the custodian bank shall issue a safekeeping receipt evidencing that the securities are held for the Town as "customer."

All non-book entry (physical delivery) securities shall be held by the custodian bank's correspondent bank and the custodian bank shall issue a safekeeping receipt to the Town evidencing that the securities are held by the correspondent bank for the Town as "customer:"

The custodian bank shall furnish the Town monthly reports of security holdings and safekeeping activity.

#### Portfolio Performance

The Town's investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of the portfolio shall be compared to the average yield on the U.S. Treasury security that most closely corresponds to the portfolio's weighted average effective maturity. When comparing the performance of the Town's portfolio; all fees involved with managing the portfolio shall be included in the computation of the portfolio's rate of return net of fees.

#### Reporting

The Finance Director shall prepare quarterly an investment report listing the investments held by the Town and the market value of those investments. The report shall include a summary of investment earnings and performance results during the period.

#### Policy Revisions

This Investment Policy shall be reviewed periodically by the Finance Director and amended by the Town Council as conditions warrant.