

**RESOLUTION NO. 1558**

**A RESOLUTION OF THE GOLDEN CITY COUNCIL  
ADOPTING A REVISED INVESTMENT POLICY**

WHEREAS, under the City Charter of the City of Golden, Colorado, the City Treasurer is vested with the responsibility for management of all public funds of the City; and


WHEREAS, the City Council has appointed an investment advisory committee which has deemed the certain changes are desirable in the Investment Policy; and

WHEREAS, under the City Charter the City Council is to provide direction by resolution to the City Treasurer in depositing and investing City monies.

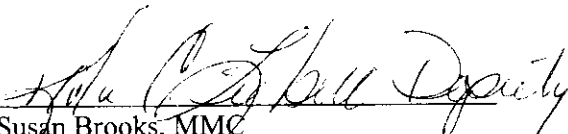
THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GOLDEN, COLORADO:

The attached investment policy, dated April 14, 2005, is hereby approved.

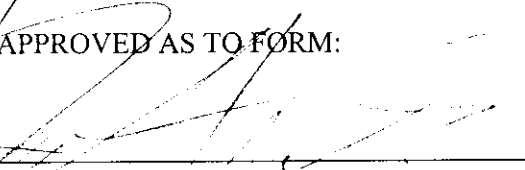
Adopted the 14<sup>th</sup> day of April, 2005.

  
\_\_\_\_\_  
Charles J. Baroch  
Mayor

ATTEST:

  
\_\_\_\_\_  
Susan Brooks, MMC  
City Clerk

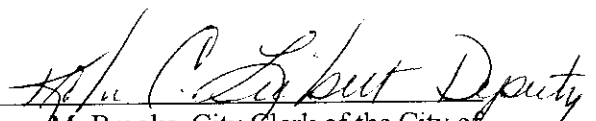
APPROVED AS TO FORM:

  
\_\_\_\_\_  
James Windholz  
City Attorney

I, Susan M. Brooks, City Clerk of the City of Golden, Colorado, do hereby certify that the foregoing is a true copy of a certain Resolution adopted by the City Council of the City of Golden, Colorado at a regular meeting thereof held on the 14th day of April, A.D., 2005.

(SEAL)

ATTEST:

  
\_\_\_\_\_  
Susan M. Brooks, City Clerk of the City of  
Golden, Colorado

**CITY OF GOLDEN**  
**Investment Policy**  
**April 14, 2005**

The City of Golden is a Colorado home rule municipality operating under its City Charter. This full-service City functions under the direction of a City Manager who is appointed by City Council. Existing Colorado State Statutes and the City's charter provide Golden with legal authority to promulgate and implement local standards for cash and investment management operations. The purpose of this Investment Policy is to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the funds of the City of Golden, Colorado. This Policy also defines the role and duties of the City of Golden's Investment Advisory Committee.

This Policy replaces all previous investment guidelines formulated by members of City staff or Resolutions concerning the investment of City funds adopted by City Council.

**SCOPE**

The provisions of this Investment Policy shall apply to all investable funds of the City of Golden, Colorado (hereinafter referred to as the City). Cemetery perpetual care funds are covered by the provisions of this Policy, with the exception of maturity limitations. Pension plan funds and deferred compensation plan funds are expressly excluded from this Investment Policy.

All cash, except for certain restricted and special accounts, shall be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average balances relative to the total pooled balance. Interest earnings shall be distributed to the individual funds on a monthly basis.

**OBJECTIVES**

City funds will be invested in accordance with this Investment Policy to achieve the following objectives, which are listed in order of priority:

- Preservation of capital and protection of investment principal.
- Maintenance of sufficient liquidity to meet the City's financial obligations.
- Diversification to avoid incurring unreasonable market risks resulting from investment overconcentration in a specific maturity sector, issuer, or class of securities. Treasury securities are excluded from this stipulation.
- Attainment of a market rate of return equal to or exceeding that of the average yield on the U.S. Treasury security which most closely corresponds to the portfolio's weighted average effective maturity.
- Conformance with all applicable City, State and Federal laws, rules and regulations.

### **DELEGATION OF AUTHORITY**

Section 7.7 of the Charter of the City of Golden charges the City Treasurer with responsibility for the investment and custody of City Funds.

The City Treasurer shall develop written administrative procedures and internal controls, consistent with this Policy, for the operation of the City'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 City.

The City Treasurer, with the approval of the City Manager, may delegate the authority to conduct investment transactions and manage the operation of the investment portfolio to specifically authorized staff members. No person may engage in an investment transaction except as expressly provided under the terms of this Investment Policy. Persons authorized to transact investment business on behalf of the City of Golden are listed in Annex I to this Investment Policy.

The City may engage the support services of advisors, consultants and 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 City's financial resources. Investment Advisors shall be registered with the Securities Exchange Commission under the Investment Advisors Act of 1940. Advisors shall be selected using the City's authorized purchasing procedures for selection of professional services. Advisors shall serve in a non-discretionary capacity, shall be subject to the provisions of this Investment Policy, and shall not, under any circumstances, take custody of any City funds or securities.

### **PRUDENCE**

The standard of prudence to be used for managing the City's assets is the "prudent investor" rule which states, "Investments shall be made with judgment and care, under circumstances then prevailing, 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" (CRS 15-1-304, Standard for Investments).

The City's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The City shall recognize that no investment is totally riskless and that the investment activities of the City are a matter of public record. Accordingly, the City recognizes that occasional measured losses are inevitable 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 City.

The City Treasurer and authorized investment personnel 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 that the deviations

from expectations are reported in a timely fashion to the City Manager 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 which could impair, or create the appearance of an impairment of their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Manager any material financial interests they have in financial institutions that conduct business with the City and they shall subordinate their personal investment transactions to those of the City. Elected officials shall comply with the City's code of ethics. Employees shall comply with the employees code of ethics promulgated by the City Manager.

### **AUTHORIZED SECURITIES AND TRANSACTIONS**

Except as specifically defined in this Investment Policy, all investments of the City shall be made in accordance with applicable laws such as Colorado Revised Statutes: 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; and CRS 24-75-603 et seq, Depositories. Any revisions or extensions of these sections of the CRS will be assumed to be part of this Investment Policy immediately upon the effective date thereof.

The City has further defined the following types of securities and transactions as eligible for use by the City:

1. U.S. Treasury Obligations: Treasury Bills, Treasury Notes, Treasury Bonds and Treasury Strips (separate trading of interest or principal) with maturities not exceeding 5 years from the date of trade settlement.
2. Federal Instrumentality Securities: Debentures, discount notes, callable securities, step-up securities and stripped principal or coupons with defined maturities not exceeding 5 years from the date of trade settlement issued by the following only: Federal National Mortgage Association (FNMA), Federal Farm Credit Banks (FFCB), Federal Home Loan Banks (FHLB) and Federal Home Loan Mortgage Corporation (FHLMC). Callable securities identified above are eligible for use by the City. Mortgage-backed securities and other derivatives are excluded from the approved securities list.
3. Corporate Debt Securities:
  - a. Bonds, notes, debentures and medium-term notes issued by U.S. corporations with remaining maturities not exceeding five years from the date of trade settlement. Such securities, at the time of purchase, must be rated at least A+ by Standard & Poor's, A1 by Moody's, or A+ by Fitch by each service that rates the issue.

- b. Commercial paper with maturities not exceeding 270 days from the date of trade settlement which is rated at least A-1+ by Standard and Poor's, P-1 by Moody's, or F-1+ by Fitch at the time of purchase by each service which rates the commercial paper. If the commercial paper issuer has senior debt outstanding, the senior debt must be rated by each service that publishes a rating on the issuer of at least A+ by Standard and Poor's, A1 by Moody's, or A+ by Fitch. Issuers must have a \$250 million program in place to be eligible for investment.

If a commercial paper issuer's ratings fall below the above-described levels and the City already owns that issuer's commercial paper, then that commercial paper may be held to maturity. However, that issuer's commercial paper is not eligible for further purchases until such time as its published ratings meet or exceed the above requirements.

4. Eligible Banker's Acceptances with original maturities not exceeding 180 days from the date of trade settlement, issued by a state or national bank which has combined capital and surplus of at least two hundred fifty million dollars, whose deposits are insured by the FDIC. Banker's Acceptances shall be rated P-1 by Moody's, A-1 by Standard & Poor's and F-1 by Fitch at the time of purchase. If the issuing bank has senior debt outstanding, it shall be rated, at the time of purchase A+ by Standard and Poor's, A1 by Moody's, or A+ by Fitch.
5. Money Market Mutual Funds registered under the Investment Company Act of 1940 which: 1) are "no-load" (i.e.: no commission fee shall be charged on purchases or sales of shares) and charge no 12b1 fees; 2) have a constant daily net asset value per share of \$1.00; 3) limit assets of the fund to securities listed in items 1, 2, 3 and 8 herein; 4) have a maximum stated maturity and weighted average maturity in accordance with Federal Securities Regulation 2a-7; and 5) have a rating of AAAM by Standard and Poor's or AAA by Moody's, or AAA/V-1+ by Fitch Investors Service.
6. Local Government Investment Pools authorized under CRS 24-75-701 et seq. which: 1) are "no-load" (ie., no commission fees shall be charged on purchases or sales of shares) and charge no 12b1 fees; 2) have a constant daily net asset value per share of \$1.00; 3) limit assets of the fund to securities listed in items 1, 2, 3, and 8 herein; 4) have a maximum stated maturity and weighted average maturity in accordance with Federal Securities Law Regulation 2a-7; and 5) have a rating of AAAM by Standard and Poor's or AAA by Moody's or AAA/V-1+ by Fitch Investors Service.
7. Time Certificates of Deposit with a maturity not exceeding five years in any state bank, national bank, or state or federal savings and loan association located in Colorado that is a member of the Federal Deposit Insurance Corporation. 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. Issuers of Time Certificates of Deposit shall have a Highline Data rating of at least 20 for the most recent reported quarter at the time of purchase.

8. Repurchase Agreements:
  - a. Repurchase Agreements with maturities of 180 days or less collateralized by U.S. Treasury securities listed in item 1 above and Federal Instrumentality Securities listed in item 2 above with the maturity of the collateral not exceeding 10 years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the City approved Master Repurchase Agreement. 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 City's custodian bank as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily.
  - b. Repurchase Agreements shall be entered into only with dealers who have executed a City approved Master Repurchase Agreement with the City and who are recognized as primary dealers with the Federal Reserve Bank of New York. Primary dealers approved as Repurchase Agreement counter-parties 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 at least one rating agency. The City Treasurer shall maintain a copy of the City's approved Master Repurchase Agreement along with a list of the broker/dealers who have an executed Master Repurchase Agreement with the City. Those firms which have an executed Master Repurchased Agreement on file with the City of Golden are provided in Annex II to this Investment Policy.

The City may utilize Tri-party Repurchase Agreements provided that the City is satisfied that it has a perfected interest in the securities used as collateral and that the City has a properly executed Tri-party Agreement with both the counterparty and custodian bank.

9. Obligations of the City of Golden: General obligation bonds, revenue bonds, or other debt securities issued by or guaranteed wholly, partially or morally by the City of Golden, Colorado, or its departments.

It is the intent of the City that the foregoing list of authorized securities be strictly interpreted. Any deviation from this list must be preapproved by the City Manager in writing and must be presented for approval at the next City Council meeting.

The City recognizes that bond proceeds may, from time to time, be subject to the provisions of the Tax Reform Act of 1986, Federal Arbitrage Regulations, as amended. Due to the legal complexities of arbitrage law and the necessary immunization of yield levels to correspond to anticipated cash flow schedules, the reinvestment of such debt issuance may, upon the advice of Bond Counsel or financial advisors, deviate from the maturity limitation provisions of this Policy with written approval of City Council.

## **PORTFOLIO MATURITIES AND LIQUIDITY**

To the extent possible, investments shall be matched with anticipated cash flow requirements. Unless matched to a specific cash flow requirement or approved by City Council, the City will not invest in securities maturing more than 5 years from the date of trade settlement. The City shall maintain at least 10% of its total portfolio in instruments maturing in 90 days or less. The weighted average maturity of the City's portfolio shall at no time exceed 2 years.

For accounting purposes, in the case of callable securities, the first call date shall be used as the maturity date if, in the opinion of the City Treasurer, there is little doubt that the security will be called on the call date. The final maturity date of the callable security shall be used in order to disclose the maximum maturity liability in the City's financial reports.

### **SELECTION OF FINANCIAL INSTITUTIONS ACTING AS BROKER/DEALERS AND BROKER/DEALERS**

The City Treasurer shall maintain a list of authorized broker/dealers and financial institutions which have been approved for investment purposes by the City's Investment Advisory Committee, and it shall be the policy of the City to purchase securities only from those authorized institutions and firms. To be eligible, a firm must meet at least one of the following criteria:

1. Be recognized as a Primary Dealer by the Federal Reserve Bank of New York;
2. Report voluntarily to the Federal Reserve Bank of New York,
3. Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

In addition, a commercial bank must be a member of the FDIC and must be approved as a public depository in the State of Colorado in order to be eligible for authorization.

Broker/dealers and other financial institutions will be reviewed by the City's Investment Advisory Committee on the basis of their expertise in public cash management and their ability to provide services for the City's account. Approved broker/dealers and the firms they represent shall be licensed to do business in the State of Colorado and as such are subject to the provisions of the Colorado Revised Statutes, including but not limited to CRS 24-75-604, et seq.

Each broker/dealer, bank or savings and loan that has been authorized by the City's Investment Advisory Committee shall be required to submit and annually update a City approved Broker/Dealer Information Request Form which includes the firm's most recent financial statements. The City Treasurer shall maintain each approved firm's most recent Broker/Dealer Information Request Form. Broker/dealers shall attest in writing that they have received a copy of this Policy. Firms currently authorized for investment purposes by the City of Golden are provided in Annex III to this Investment

Policy. The City Treasurer shall furnish updated copies of Annex III to City Council whenever changes are made.

The City 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 item 3.b. of the Authorized Securities and Transactions section of this Investment Policy.

### **COMPETITIVE TRANSACTIONS**

Each investment transaction shall be competitively transacted with broker/dealers who have been authorized by the City. At least two broker/dealers shall be contacted for each transaction and their bid and offering prices shall be recorded.

If the City is offered a security for which there is no other readily available competitive offering, then quotations on comparable or alternative securities will be recorded. When purchasing original issue instrumentality securities, no competitive offerings will be required, as all dealers in the selling group offer those securities at the same original issue price.

### **SELECTION OF BANKS AND SAVINGS AND LOANS**

The City Treasurer shall maintain a list of authorized banks and savings and loans which have been approved by the Investment Advisory Committee to provide investment clearing and other banking services for the City. Banks or savings and loans in the judgment of the City Treasurer no longer offering adequate safety to the City, will be removed from the list.

To be eligible for designation to provide banking services, a financial institution shall qualify as a depository of public funds in the State of Colorado as defined in CRS 24-75-603 et seq. as evidenced by a certificate issued by the State Banking Board and shall be an FDIC member, with all deposits in excess of FDIC coverage collateralized as required by the Colorado Public Deposit Protection Act or the Colorado Savings and Loan Association Public Deposit Protection Act.

Banks and Savings and Loans approved to provide investment clearing and other banking services, including the sale of certificates of deposit, are listed in Annex IV to this Investment Policy.

### **SAFEKEEPING AND CUSTODY**

The City Treasurer shall select one or more financial institutions to provide safekeeping and custodial services for the City. A City approved Safekeeping Agreement shall be executed with each custodian bank prior to utilizing that bank's safekeeping services.

To be eligible for designation as the City's safekeeping and custodian bank, a financial institution shall qualify as a depository of public funds in the State of Colorado as defined in CRS 24-75-603 et seq. and be a Federal Reserve member financial institution.



Custodian banks will be selected on the basis of their ability to provide services for the City's account and the competitive pricing of their safekeeping related services.

It is the intent of the City that all investment securities be perfected in the name of the City, and that all investment securities, except Time Certificates of Deposit, Money Market Mutual Funds and Local Government Investment Pools purchased by the City will be delivered by either book entry or physical delivery and will be held in third-party safekeeping by a City approved custodian bank, its correspondent bank or the Depository Trust Corporation (DTC).

All book entry securities owned by the City shall be evidenced by a safekeeping receipt or customer confirmation issued to the City 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 City 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 City evidencing that the securities are held by the correspondent bank for the City as customer. The City may utilize the services of the Depository Trust Corporation (DTC) as a depository for delivery of securities not wired through the Federal Reserve system.

Financial institutions approved to provide safekeeping and custodial services for the City are listed in Annex IV to this Investment Policy.

### **PORTFOLIO PERFORMANCE**

The performance of the investment and cash management portfolio shall be compared to the average yield on the U.S. Treasury security which most closely corresponds to the portfolio's weighted average effective maturity.

### **REPORTING**

The City Treasurer shall prepare semi-annual reports for the review of the City Council, the City Manager and the Investment Advisory Committee. The reports shall include a listing of the investments held by the City, the cost, book value and current market value of the portfolio, and the amount of interest earned to date. The City Treasurer shall also present a review of the portfolio's adherence to appropriate risk levels and a comparison between the portfolio's total return and the established investment objectives and goals. Recent market conditions, economic developments, and investment conditions shall also be reviewed.

### **INVESTMENT ADVISORY COMMITTEE**

The City of Golden maintains an Investment Advisory Committee that consists of the Mayor or a Councilperson appointed by the Mayor, the City Treasurer, the City Manager, and two financial professionals.

**Purpose of Committee.** The Investment Advisory Committee reviews and monitors the City's cash management and investment results, develops and recommends investment policies to the City Council, and assists in the selection of investment facilitators and managers.

**Selection of Financial Professionals.** The City Treasurer or designee shall solicit volunteers to serve on the Investment Advisory Committee through a public notification process. The City Treasurer shall provide recommendations of appointees to the City Council for final selection. Professionals sought are to be knowledgeable of the financial arena, with experience serving as representatives of banks or trust companies, representatives of primary government bond dealers, private sector cash managers, or finance directors or investment personnel in local governmental entities. Preference shall be given to professionals who live or work within the city limits of Golden.

**Terms.** The Mayor or the appointed Councilperson shall serve a two year term beginning in January of each even numbered year. Financial professionals shall be appointed for four year staggered terms. Reappointment of members shall be considered.

**Compensation.** Members of the Investment Advisory Committee shall serve without compensation or reimbursement for expenses incurred in attending meetings.

**Meetings.** The Investment Advisory Committee shall meet at least semiannually.

### **POLICY REVISIONS**

This Investment Policy shall be reviewed annually by the City Treasurer and the Investment Advisory Committee. This Policy may be amended by the City Council as conditions warrant. The data contained in the Annexes to this Investment Policy may be updated by the Finance Director as necessary, provided the changes in no way affect the substance or intent of this Investment Policy.

Prepared and submitted by the Investment Advisory Committee of the City of Golden.

**Annex I**

**AUTHORIZED PERSONNEL**

The following persons are hereby authorized to transact investment business on behalf of the City of Golden, Colorado:

City Treasurer/Finance Director  
Accounting Supervisor

**Annex II**

**MASTER REPURCHASE AGREEMENT**

The following firms have executed Master Repurchase Agreements on file with the City of Golden, Colorado:

**Credit Ratings**

<u>Broker/Dealer</u>	<u>Short-term / Long-term</u>	
	<u>Moody's</u>	<u>Standard &amp; Poors</u>
Banc of America Securities, LLC	P-1/Aa2	A-1/A+
Morgan Stanley	P-1/Aa3	A-1/A+

**Annex III**

**APPROVED FINANCIAL INSTITUTIONS AND BROKER/DEALERS**

The following firms have been approved for investment purposes by the City of Golden, Colorado:

Broker/Dealer  
Banc of America Securities, LLC  
Citigroup Global Markets, Inc.  
Lehman Brothers Inc.  
Merrill Lynch  
Mizuho Securities USA Inc.  
Morgan Stanley  
UBS Financial Services Inc.

**Annex IV**

**APPROVED BANKS AND SAVINGS AND LOANS**

The following banks have been approved to provide investment clearing, safekeeping and other banking services by the City of Golden, Colorado:

CoBiz Bank, NA  
UMB Bank Colorado, NA  
Wells Fargo Bank, NA