

RESOLUTION 90-44
OF THE COUNCIL OF THE CITY OF FORT COLLINS
ADOPTING A CASH MANAGEMENT AND INVESTMENT POLICY

WHEREAS, Article V, Section 11 of the Charter of the City of Fort Collins requires the cash balance of the City shall be deposited or invested in accordance with the ordinances of the City; and

WHEREAS, it is in the best interests of the City for the Financial Officer to engage in a prudent investment practice designed to protect investment principal and maximize the return on the City's investments.

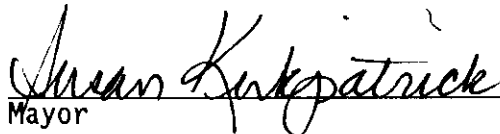
NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FORT COLLINS as follows:

Section 1. That the investment program previously adopted as Resolution 82-70 be, and the same is hereby discontinued.

Section 2. That the Financial Officer of the City of Fort Collins or his duly authorized representative be, and hereby is, authorized and empowered to invest and administer the funds of the City of Fort Collins in accordance with the Cash Management and Investment Policy of the City of Fort Collins, attached hereto as Exhibit A and made a part hereof.

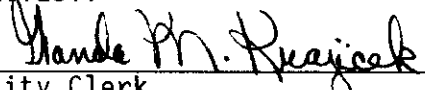
Section 3. That in order to accomplish the investments authorized herein, the Financial Officer be, and hereby is, fully authorized and empowered to transfer, convert, endorse, sell, assign, set over and deliver any and all shares of stock, bonds, debentures, notes, certificates, warrants, evidences of indebtedness or other securities now or hereafter held in the name or owned by the City of Fort Collins or its pension funds and to make, execute, and deliver under the seal of the City or otherwise any and all written instruments of assignments or transfer.

Passed and adopted at a regular meeting of the Council of the City of Fort Collins this 17th day of April, A.D. 1990.



Mayor

ATTEST:



City Clerk

Exhibit A

CITY OF FORT COLLINS, COLORADO
CASH MANAGEMENT AND INVESTMENT POLICY
April 17, 1990

The Financial Officer of the City of Fort Collins, Colorado is charged with the responsibility to invest funds of the City. Currently, these funds must be placed in investments appropriately authorized by the City of Fort Collins Ordinance No. 108, 1988. The following Investment Policy prescribes the manner in which the program authorized by that ordinance will be administered to ensure effective and sound fiscal management.

I. SCOPE

This policy shall apply to the investment of all general and special funds of the City of Fort Collins (hereinafter referred to as the "the City") over which it exercises financial control, including the City of Fort Collins Firefighters Pension and General Employees Retirement funds.

II. OBJECTIVES

The City's principal cash management and investment objectives are:

- A. Preservation of capital through the protection of investment principal.
- B. To maximize the cash available for investment.
- C. Maintenance of sufficient liquidity to meet the City's cash needs.
- D. Diversification of investments to avoid incurring unreasonable risk regarding a specific security, maturity period, or institution.
- E. To maximize the rate of return for prevailing market conditions for eligible securities.
- F. Conformance with all Federal, State and other legal requirements.

Administrative Note:

This Cash Management and Investment Policy supersedes the policy adopted by Resolution 82-70 of the Council of the City of Fort Collins, "Approving a Cash Management and Investment Program and Authorizing the Director of Finance to Administer the Program".

III. DELEGATION OF AUTHORITY

Responsibility for the collection and investment of all City funds is assigned to the Financial Officer by the Charter, subject to direction of Council by resolution. The Financial Officer may appoint other members of the Finance Department to assist in the cash management and investment functions.

The City Manager shall appoint an investment committee, consisting of the Financial Officer and at least two (2) other employees of the City knowledgeable in the area of governmental investments. The purpose of the investment committee shall be to provide advice to the Financial Officer regarding the operation of the cash management and investment program. The investment committee shall review and discuss the economic outlook for the ensuing investment period, the diversification and maturity structure of the portfolio, potential risks to the investment of City funds, and the conformance of the cash management and investment program to the adopted policies. The investment committee shall also review the actual rate of return on the portfolio as compared to the target rate of return.

The Financial Officer shall have 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 a portion of the City's assets. Such appointment shall be determined using the City's authorized purchasing procedures for selecting professional services. All investments made through such Investment Advisors shall be within the guidelines of this Investment Policy with regard to the City's assets.

A list of individuals and institutions who are authorized to purchase, sell and wire securities or funds on behalf of the City shall be maintained by the Financial Officer. Such list shall be provided to a financial institution prior to the City conducting any investment transactions with said institution.

The Financial Officer shall be responsible for all investment decisions and activities, and shall establish written administrative procedures for the operation of the City's investment program consistent with the Investment Policy. The Financial Officer and designees acting within the guidelines of this investment policy shall not be held personally liable for specific investment transactions.

IV. FINANCIAL OFFICER'S PROGRAM RESPONSIBILITIES

A. Safekeeping

1. Wireable investment securities purchased by the City will be delivered by book entry and held in third party safekeeping by a Federal Reserve member financial institution designated as the City's depository.

2. The purchase of wireable securities shall be on a delivery-versus-payment basis. Sale of wireable securities shall be on a payment-versus-delivery basis.
3. Nonwireable securities may be:
 - a. Held in safekeeping with a firm recognized as a Primary Dealer by the Federal Reserve Board of New York with the following provisions:
 - (1) The dollar value of securities held by any firm shall not exceed the firm's insurance limits for the City's account.
 - (2) Firms must supply the City with documentation supporting their insurance limits as well as the name of their insurers. Such documentation shall be maintained by the Financial Officer. (3) City staff shall monitor and update the insurance data required by this section on a quarterly basis.
 - b. Physically delivered and held in third party safekeeping by a Federal Reserve member financial institution approved by the City.

B. Reporting

On a quarterly basis, a report shall be prepared listing all of the investments held by the City, transaction summaries and performance results. The quarterly investment report shall be submitted in a timely manner to the City Manager. A summary investment report shall be published in a newspaper of local publication, or other suitable publication of general local circulation on an annual basis.

C. Performance Review

1. The Financial Officer and designated investment staff shall meet at least quarterly to review the portfolio's adherence to appropriate risk levels and to compare the portfolio's total return to the established investment objectives and goals.
2. Cash and investment performance standards, to be determined quarterly, shall include:
 - a. Optimal daily cash balance to be maintained in both the demand account and savings account.
 - b. The yield as a measure of net return to be achieved on investments.
 - c. The percentage of cash balances to be invested daily.

3. The Financial Officer shall periodically establish a benchmark yield for the City's investments which shall be equal to the average yield on the U.S. Treasury security which most closely corresponds to the portfolio's actual weighted average maturity.
4. The Financial Officer, in order to determine the actual rate of return to the City on any portion of the portfolio managed by an investment advisor, shall include all of the advisor's expenses and fees in the computation of the rate of return.

D. Investment Transactions

1. All investment transactions initiated by the City must be executed with brokers-dealers and financial institutions that have been authorized by the City. Each city-initiated transaction for publicly-traded funds must be competitively transacted with at least two authorized broker-dealers or financial institutions.
2. In order to insure that the City receives competitive pricing, a record shall be maintained for all bids and offerings initiated by the City for securities transactions.

E. The Financial Officer shall:

1. Prepare a cash budget in order to determine cash needs time horizons, and the availability of cash to invest.
2. Analyze market conditions of the various investment securities on a daily basis to determine the maximum yield obtainable.
3. Prepare investment assumptions as to market conditions, cash availability and starting mix of investment securities.
4. Prepare investment strategies or actions to be taken based upon assumptions and actions to be taken in the event of an unexpected drop in cash flow or unexpected revenues.
5. Whenever possible, pool cash from the various City Funds to enhance investment capabilities, thus maximizing investment income. Interest income will be distributed to the participating funds in proportion to each fund's level of contribution.
6. Prepare strategies that will maximize amount of cash available for investment.

F. The Financial Officer shall promulgate administrative procedures as deemed necessary.

V. 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."

VI. ELIGIBLE INVESTMENTS

- A. As a home rule City, Fort Collins may adopt a list of acceptable investment instruments differing from those outlined in CRS 24-75-601.1, "Legal Investment of Public Funds". The City Council has adopted Ordinance No. 108, 1988 of the Council of the City of Fort Collins "Providing for the Investment and Deposit of Public Funds and Moneys of the City of Fort Collins" (hereinafter referred to as "Ordinance No. 108, 1988").
- B. The following is an outline of authorized investments with certain additional qualifications. It is intended to define the administrative boundaries within which these investments will be conducted:
 1. Any securities now or hereafter designated as legal investment for municipalities in any applicable statute of the State of Colorado.
 2. Interest-bearing accounts or time certificates of deposit at state or federally-chartered savings and loan associations in Colorado which have been designated as depositories for public moneys by the State of Colorado.
 3. Interest-bearing accounts or time certificates of deposit in state or national banks doing business in Colorado which have been designated as depositories for public moneys by the State of Colorado.
 4. Obligations of the United States Government, such as treasury bills, treasury notes and treasury bonds.
 5. Obligations issued by any agency, instrumentality or public corporation of the United States.
 6. Obligations issued by or on behalf of the City.
 7. Obligations issued by or on behalf of any state of the United States, any political subdivision, agency, instrumentality or public corporation thereof having an investment grade rating from Moody's Investors Service or Standard & Poor's Corporation Investment Grade means one of the top three highest rating categories.

8. Prime-rated bankers acceptances shall have a maturity of six months or less and be issued on domestic banks or branches of foreign banks domiciled in the U.S. and operating under U.S. banking laws.
 9. Prime-rated commercial paper shall have a maturity of six months or less and be issued on U.S. corporations which are rated A-1 by Moody's, P-1 by Standard and Poor's or 1+ by Duff and Phelps, Inc.
 10. Guaranteed investment contracts of domestically-regulated insurance companies having a claims-paying ability rating of "AA" or better from Standard & Poor's Corporation and have a rating of A+ from Best Rating Services.
 11. Repurchase and reverse repurchase agreements of any marketable security described in Ordinance No. 108, 1988 which afford the City a perfected security interest in such security. Repurchase Agreements shall be collateralized at a minimum of 102 percent of the dollar value of the transaction. The transaction shall be on a delivery-versus-payment basis to the City's depository bank's account at the Federal Reserve Bank.
 12. Local government investment pools authorized under the laws of the State of Colorado.
 13. Shares in any money market fund or account, unit investment trust or open- or closed-end investment company, all of the net assets of which are invested in securities described in this section, to the extent not prohibited by Colorado Constitution Article XI, Section 2 or by the Colorado Revised Statutes. City investment in such funds or trusts shall be limited to funds and trusts which meet the following conditions:
 - a. Fund or trust shall have a stated maturity limit not exceeding one year.
 - b. The fund or trust shall be "no-load" i.e., no commission fee shall be charged on purchases or sales of shares.
 - c. The investment advisor or administrator of the fund or trust must be specifically prohibited from conducting securities transactions with its sponsoring institution.
 - d. The net asset value per share of the fund or trust shall be held constant at a certain amount (usually \$1.00 per share).
- C. In addition to those investments listed in subsection B above, pension funds may be invested as follows:
1. Equipment trust certificates;

2. Real property and loans secured by first mortgages or deeds of trust on real property; participation guarantee agreements with domestically-regulated life insurance companies;
3. Tax certificates issued by any county treasurer of Colorado upon any real property located within the State of Colorado; and
4. Common or preferred stock or debt obligations, convertible or otherwise, of private corporations organized under the laws of any state in the United States.

VII. INVESTMENT DIVERSIFICATION

It is the intent of the City to diversify the investment instruments within the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. The asset allocation in the portfolio should be flexible, depending upon the outlook for the economy and the securities markets.

VIII. INVESTMENT MATURITY AND LIQUIDITY

Eighty percent of the City's investments, excluding pension funds, shall be limited to maturities not exceeding five years. In addition, the weighted average maturity life of the total portfolio, excluding pension funds, at no time shall exceed two years. The City shall at all times maintain ten percent of its total investment portfolio in instruments maturing in 120 days or less.

IX. INVESTMENT AGREEMENT

Before any repurchase agreements shall be executed with an authorized broker-dealer or financial institution, a Master Repurchase Agreement, approved as to form and content by the City Attorney, must be signed between the City and that broker-dealer or financial institution. The Financial Officer shall maintain a file of all Master Repurchase Agreements. The purchase and sale of all deliverable securities shall be on a delivery-versus-payment basis or in case of a sale, on a payment-versus-delivery basis.

X. SALE OF INVESTMENT AT A LOSS

The City seeks an active, rather than passive, management of its portfolio assets. Assets may be sold at a loss only if the Financial Officer or designee decides, based upon sufficient analysis, that the sale of the security is in the best long-term interest of the City. Sufficient analysis shall be provided to support each investment decision in which a loss is realized. This documentation shall be kept at least two (2) years from the date of sale.

XI. SELECTION OF BANKS AND SAVINGS AND LOANS

- A. As outlined in Section 2 of Ordinance No. 108, 1988: "The City may deposit public funds and moneys in any bank or savings and loan association located in the State of Colorado as now or hereafter provided in any applicable statute of the State of Colorado or in a bank or savings and loan association located outside the State of Colorado, provided that such deposit is insured by the Federal Deposit Insurance Corporation or collateralized as provided under the laws governing deposit of public funds of the state in which such institution is located."
- B. In addition, the City shall maintain a list of authorized banks and savings and loans which meet the following criteria and are eligible to provide banking services to the City. To be eligible for authorization, a bank or savings and loan must meet the minimum credit criteria (described below) of a credit analysis provided by a commercially available bank rating service. Banks or savings and loans failing to meet the minimum criteria, or in the judgment of the Financial Officer no longer offering adequate safety to the City, will be removed from the list. Although a bank or savings and loan is on the qualified list, it will still be required to pledge collateral on all deposits and investments, pursuant to State law.
- C. The City shall utilize a commercially available bank rating service to perform a credit analysis on banks and savings and loans. The bank rating guidelines will be calculated using publicly available financial information obtained from the release of the preliminary reports of condition and reports on income from the Federal Reserve. Data obtained from the bank rating service will include factors covering the following: overall rating, liquidity policy, credit risk policy, interest rate policy, profitability and capital policy.
- D. The following are the minimum credit criteria for a bank or savings and loan:
 1. The overall credit rating must be average or above according to nationally-recognized rating firms.
 2. The credit risk and capital policy rating must be average or above, or its equivalent, regardless of the overall credit rating, and
 3. The institution must qualify as a depository of public funds in Colorado as defined in CRS 24-75-603.
- E. The Financial Officer shall maintain a file of all credit rating analysis reports performed for the City.

XII. ETHICS AND CONFLICTS OF INTEREST

City officers and employees involved in the investment process shall adhere to the rules of conduct concerning conflicts of interest as stated in Art. IV, Section 9(b) of the Charter of the City Of Fort Collins, Colorado.

XIII. POLICY REVISIONS

This Investment Policy will be reviewed periodically by the City Manager and the Financial Officer and may be amended by City Council as conditions warrant.

Prepared by: *Alan James Krcmarik* Date: *April 12, 1990*
Alan James Krcmarik
Financial Officer

Effective Date: _____