

**TOWN OF MEAD, COLORADO
RESOLUTION NO. 59-R-2020**

**A RESOLUTION OF THE TOWN OF MEAD, COLORADO, ADOPTING
CERTAIN CHANGES TO THE INVESTMENT POLICY OF THE TOWN
OF MEAD**

WHEREAS, by Ordinance No. 715, adopted July 30, 2012, the Town of Mead Board of Trustees created the Investment Advisory Committee; and

WHEREAS, by Ordinance No. 821, adopted November 14, 2016, the Town changed the name and duties of the Investment Advisory Committee to the Finance Committee to assist and advise the Board of Trustees on the development of the Town's annual budget, long-range financial planning matters, cash management, the development of Town investment policies, including periodic updates to the same, and to undertake those certain other powers and duties as set forth in Sec. 3-5-30 of the *Mead Municipal Code*; and

WHEREAS, the Town has previously adopted an investment policy ("Investment Policy") in order to address the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal and investment management of the Town's funds; and

WHEREAS, the current Investment Policy was adopted in May 2018; and

WHEREAS, the Finance Committee has recommended certain changes to the Investment Policy (the "May 2020 Investment Policy"); and

WHEREAS, a copy of the May 2020 Investment Policy is attached to this Resolution and is incorporated herein by reference; and

WHEREAS, the Board of Trustees desires to adopt the May 2020 Investment Policy; and

WHEREAS, the May 2020 Investment Policy replaces all previous investment guidelines formulated by members of the Town's staff or the Finance Committee, or Resolutions concerning the investment of Town funds adopted by the Board of Trustees, including but not limited to the Investment Policy adopted in May 2018.

NOW THEREFORE, BE IT RESOLVED by the Board of Trustees of the Town of Mead, Weld County, Colorado, that:

Section 1. The Board of Trustees hereby adopts the May 2020 Investment Policy in the form attached to this Resolution as the official investment policy to govern the investment activities of the Town with regard to investing the financial assets of all funds, with the exception of any retirement and deferred compensation funds.

Section 2. Effective Date. This resolution shall become effective immediately upon adoption.


Section 3. Repealer. All resolutions, or parts thereof, in conflict with this resolution are hereby repealed, provided that such repealer shall not repeal the repealer clauses of such resolution nor revive any resolution thereby.

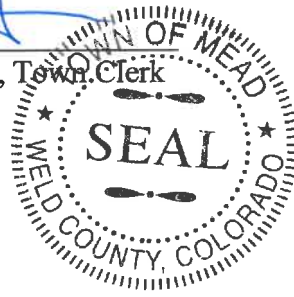
Section 4. Certification. The Town Clerk shall certify to the passage of this resolution and make not less than one copy of the adopted resolution available for inspection by the public during regular business hours.

INTRODUCED, READ, PASSED, AND ADOPTED THIS 26TH DAY OF MAY, 2020.

ATTEST:

TOWN OF MEAD

By 
Mary E. Strutt, MMC, Town Clerk



By 
Colleen G. Whitlow, Mayor

INVESTMENT POLICY

I. Purpose

The purpose of this Investment Policy (“Policy”) for the Town of Mead, Colorado is to address the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal and investment management of the Town’s funds.

This Policy replaces all previous investment guidelines formulated by members of the Town’s staff or Resolutions concerning the investment of Town funds adopted by the Board of Trustees.

II. Scope

This Policy governs the investment activities of the Town with regard to investing the financial assets of all funds, with the exception of any retirement and deferred compensation funds.

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.

III. Objectives

The primary objectives of the Town’s investment activities, in order of priority are Safety, Liquidity, and Yield.

A. Safety

Investments shall be made in a manner that seeks to ensure the preservation of principal in the overall portfolio and mitigate credit and interest rate risks.

1. **Credit Risk** – Credit risk shall be limited by restricting the credit ratings on securities that may be purchased and through diversification of investments to reduce exposure to any one security type, issuer, or account.
2. **Interest Rate Risk** – Interest rate risk shall be limited by structuring the investment portfolio such that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds in short-term securities such as investment pools.

B. Liquidity

Town funds shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This can be achieved by structuring investments and their maturities to coincide with anticipated operating costs and by maintaining a portion of Town funds in money market mutual funds or LGIPs, as defined herein, which offer same day liquidity for short-term funds, subject to the requirements and limitations of this Policy. Refer to current Fund Balance/Reserve Policy for reserve requirements.

C. Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles that consider the safety and liquidity of the investments as described above. Return on investment is of secondary importance compared to the safety and liquidity objectives listed above. Securities shall be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap that would improve the quality, yield, or target duration in the portfolio
- Liquidity needs of the portfolio require that the security be sold.

IV. Standards of Care

A. Delegation of Authority

In accordance with Section 4-2-10 of the *Mead Municipal Code* (“MMC”), the responsibility for conducting investment transactions resides with the Town Treasurer (hereinafter referred to as the “Investment Officer”). No person may engage in an investment transaction except as provided under the terms of this Policy.

B. Prudence

The standard of prudence to be used by the Investment Officer shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. An Investment Officer acting in accordance with this Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes.

The “prudent person” standard states investments shall be made with judgment and care, under circumstances 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. (C.R.S. Section 15-1-304, Standard for Investments).

C. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and officers shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Town of Mead.

V. Finance Committee

The Board of Trustees has created the Finance Committee to undertake the duties as specified in Chapter 3 of the MMC, including making recommendations to the Board on the annual budget, and developing and making recommendations to the Board regarding the Town’s investment policies (including periodic updates to this Policy). As set forth in the MMC, the Finance Committee is advisory only.

VI. Authorized Depositories and Broker/Dealers

A. Public Depositories

No public deposit of funds shall be made except in a qualified public depository authorized to do business in the State of Colorado and located within the State of Colorado. 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 C.R.S. Section 24-75-601, et seq., as amended as evidenced by a certificate issued by the State Banking Board or the State Financial Services Board and shall be an FDIC member, with all deposits in excess of FDIC coverage collateralized as required by the:

1. C.R.S. Section 11-10.5-101, et seq., as amended (the “Public Deposit Protection Act”); or
2. C.R.S. Section 11-47-101, et seq., as amended (the “Savings and Loan Association Public Deposit Protection Act”).

B. Broker/Dealers

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

- Be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a primary dealer within its holding company structure;
- Report voluntarily to the Federal Reserve Bank of New York,
- Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule) (17 C.F.R. § 240.15c3-1, as amended).

Broker/dealers will be reviewed based on their expertise in public cash management and their ability to provide services for the Town'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 C.R.S. Section 24-75-601, et seq., as amended. 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 Investment Officer shall maintain a list of authorized financial institutions approved by the Town's Finance Committee. An annual review of all qualified depositories and broker/dealers may be conducted by the Finance Committee.

VII. Authorized and Suitable Investments

All investments shall be made in accordance with Colorado Revised Statutes (C.R.S.) as follows: the Public Deposit Protection Act; C.R.S. Section 24-75-601, et seq., Funds - Legal Investments for Government Units; C.R.S. Section 24-75-701, et seq., Investment Funds - Local Government Pooling and that the investment or deposit meets the standard established in section C.R.S. Section 15-1-304. Any amendments to these sections of the C.R.S. will be assumed to be part of this Policy immediately upon effective date.

To the extent possible, the Town shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Town will not directly invest in securities maturing more than five (5) years from the settlement date or in accordance with state and local statutes and ordinance. Pursuant to C.R.S. Section 24-75-601.1(1), as amended from time to time, and subject to the limitations set forth therein, the securities listed herein shall be eligible for investment of public funds by the Town. In the event of a conflict between C.R.S. Section 24-75-601.1(1) and this Policy, the more restrictive shall control. The above-referenced Colorado Revised Statutes and this Policy authorize the following investments:

- A. U.S. Treasuries** – Any security issued by, fully guaranteed by, or for which the full credit of the United States treasury is pledged for payment allowing for 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 (5) years unless the Board of Trustees authorizes a longer maturity period.
- B. U.S. Agencies** – Any security issued by, fully guaranteed by, or for which the full credit of the following is pledged for payment: the federal farm credit bank, the federal land bank, a federal home loan bank, the federal home loan mortgage corporation, the federal national mortgage association, the export-import bank, the Tennessee valley authority, the government national mortgage association, the world bank, or an entity or organization that is not listed in this paragraph but that is created by, or the creation of which is authorized by, legislation enacted by the United States Congress and that is subject to control by the federal government that is at least as extensive as that which governs an entity or organization listed in this paragraph. The period from the date of settlement of this type of security to its maturity date shall be no more than five (5) years unless the Board of Trustees authorizes a longer maturity period.
- C. CDs / Term Bank Deposits** – Certificates of deposit and other evidences of deposit in FDIC insured financial institution. 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 period from the date of settlement of this type of security to its maturity date shall be no more than five (5) years unless the Board of Trustees authorizes a longer maturity period.
- D. Money Market Accounts:**
Any money market fund that is registered as an investment company under the federal "Investment Company Act of 1940", as amended, at the time the investing public entity invests in such fund. The money market fund must: 1) seek to maintain a constant share price; 2) charge no commission or fees on purchases or sales of shares; 3) meet the dollar-weighted average portfolio maturity requirements specified in Rule 2a-7 under the federal "Investment Company

Act of 1940", as amended, or any successor regulation under such act regulating money market funds, so long as such Rule 2a-7 is not amended to increase the dollar-weighted average portfolio maturity of a fund to a period greater than one hundred eighty (180) days; 4) limit assets of the fund to securities authorized by state statute; 5) have a maximum stated maturity and weighted average maturity as specified in Rule 2a-7 under the federal "Investment Company Act of 1940", as amended,; and 6) have a rating at the time of purchase of at least AAAM by Standard & Poor's or Aaa/MRI+ Moody's.

E. Investment Pools - Any interest in any local government investment pool organized pursuant to C.R.S. Section 24-75-701, et seq. (which local government investment pool is referred to herein as an "LGIP").

F. All Other Allowable Securities:

1. U.S. dollar denominated corporate or bank security, issued by a corporation or bank organized and operating within the United States; the debt matures within three (3) years; at the time of purchase the debt must carry at least two (2) ratings from any nationally recognized statistical ratings organizations. If the security is a money market instrument such as commercial paper or bankers' acceptance, then it must not be rated below "A1, P1, or F1"; any other type of security must not be rated below "AA- or AA3" by either of the two ratings used to fulfill the two rating requirement. The book value of the local government's investment in this type of debt shall at no time exceed 50% of the government's investment portfolio, or five percent of the book value if the debt is issued by a single corporation or bank unless the Board of Trustees authorizes a greater percent. No subordinated security may be purchased. No corporate or bank security that is not organized outside of the U.S. may be purchased unless the Board of Trustees authorizes such investment.

2. Any security that is a general or revenue obligation of any state of the United States, the District of Columbia, or any territorial possession of the United States or political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities. Securities issued by the State of Colorado or any of its political subdivisions, institutions, departments, agencies, instrumentalities, or authorities must carry at least two (2) credit ratings at or above "A" or its equivalent from nationally recognized statistical rating agencies. General or revenue obligations of any other state of the U.S., the District of Columbia, the territorial possessions of the U.S., or political subdivision, institution, department, agency, instrumentality, or authority must carry at least two (2) credit ratings at or above "AA" or its equivalent from nationally recognized statistical rating organizations. 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 (5) years unless the Board of Trustees authorizes a longer maturity period.

3. Repurchase agreements for any of the U.S. Government and agency securities listed in paragraphs one and two above, under certain conditions, including that the securities must be marketable; that the market value of such securities must be at least equal to 102% of the funds invested by the investing public entity and marked to market no less frequently than weekly; and that the title must be transferred and the securities must actually be delivered versus payment. The securities subject to repurchase agreement may have a maturity in excess of five (5) years, however the period from the settlement date of the repurchase agreement to its maturity shall be no more than five (5) years unless the Board of Trustees authorizes a longer maturity period.

4. Certificate of Deposit Account Registry Service or CDARS, in accordance with C.R.S. Section 24-75-603(4) offered by eligible Colorado financial institutions.

VIII. Investment Parameters

A. Diversification

The Town shall diversify its investments to reduce the risk of loss and balance the effect of interest rates and changes affecting different types of securities. Investments shall be diversified by:

1. Limiting investments for any one type of security of the total portfolio to avoid overconcentration in securities from a specific issuer or business sector per the table below:

Authorized Investments	Instrument	% of Portfolio Allowed	Maximum % Per Issuer
A	U.S. Treasuries	100%	100%
B	U.S. Agencies	75%	35%
C	CDs / Term Bank Deposits	50%	Current FDIC Limit
D	Money Market Accounts	50%	35%
E	Investment Pools	100%	50%
F	All Other Allowable Securities	25%	15%

2. Limiting investment in securities that have higher credit risks;
3. Investing in securities with varying maturities; and
4. Continuously investing a portion of the portfolio in readily available funds such as LGIPs, money market funds, or overnight repurchase agreements to protect the liquidity of the Town's investments.

B. Maximum Maturities

To the extent possible, the Town will attempt to match the maturity of its investments to anticipated cash flow requirements. Unless matched to a specific cash flow, the Town will not directly invest in securities maturing more than five (5) years from the date of purchase. The Town shall maintain at least 10% of its total portfolio in instruments maturing in ninety (90) days or less.

Securities shall be held until maturity unless one of the following exceptions applies:

1. The security has a declining credit and should be sold to minimize loss of principal;
2. A security swap would improve the quality or yield of the investment; and/or
3. The Town's liquidity needs outweigh the potential earnings to be lost.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. Investment in securities with longer maturities shall be approved by the Board of Trustees prior to investing.

The Town may issue bonds in accordance with state and federal law, the proceeds of which may be invested to meet specific cash flow requirements. Bond proceeds may be subject to the provisions of the Tax Reform Act of 1986 and 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 the Board of Trustees.

C. Pooling of Assets

Excess cash from all Town funds (exclusive of Pension Funds) will be pooled for investment purposes. Each fund shall share in the interest income earned by such investments in the proration that their respective balances bear to the total pooled balance. Interest earnings shall be distributed to the individual funds on a monthly basis.

IX. Reporting

A. Methods

The Investment Officer shall prepare a quarterly report for the Town Manager and Board of Trustees that provides analysis of the current investment portfolio and discussion of the transactions that were executed over the last quarter as well as information regarding gains and/or losses experienced in the portfolio and other information as deemed necessary by the Investment Officer, Town Manager or Board of Trustees.

B. Performance Standards

The investment portfolio will be managed in accordance with the factors described in this Policy. The Town's cash management portfolio shall be designed to obtain a market rate of return through budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities and cash flow requirements.

The Investment Officer shall develop a series of benchmarks reflective of the actual securities being purchased and by which the portfolio will be compared on a quarterly basis. 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. Adjustments to the portfolio will be made to reach benchmarks as necessary and benchmarks will be adjusted in reference to the current market and portfolio holdings.

C. Marking to Market

The market value of the portfolio shall be calculated monthly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed.

X. Safekeeping & Custody

A. Delivery vs. Payment

All trades of marketable securities shall be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

B. Safekeeping

Securities shall be held by a centralized and independent third-party custodian selected by the Town as evidenced by safekeeping receipts issued in the Town's name. The custodian shall provide the Town with a copy of their most recent report on internal controls on an annual basis.

C. Internal Controls

The Investment Officer is responsible for establishing and maintaining a structure of internal controls designed to ensure that the Town's assets are protected from loss, theft, or misuse. Internal Control Procedures shall be documented and reviewed annually during the Town's annual audit.

XI. Approval of Investment Policy

Any investments held by the Town at the time of this Policy's adoption that do not conform to this Policy's guidelines shall be exempt from the requirements of this Policy. Upon maturity or liquidation of such assets, the monies shall be reinvested in conformance with this Policy.

The Town's Investment Policy shall be adopted by resolution of the Board of Trustees. The Policy shall be reviewed by staff and / or the Finance Committee on a periodic basis and any modifications made must be approved by the Board of Trustees.