

**CITY COUNCIL
CITY OF BRIGHTON**

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BRIGHTON, COLORADO SETTING FORTH THE CITY OF BRIGHTON, COLORADO, INVESTMENT POLICIES; DESIGNATING THE CITY MANAGER, OR THE CITY MANAGER’S DESIGNEE, AS THE CITY OFFICIAL WITH INVESTMENT AUTHORITY AND OVERSIGHT SUBJECT TO THE AUTHORITY OF THE CITY COUNCIL; AND SETTING FORTH OTHER DETAILS RELATED THERETO.

WHEREAS, Section 13 of the **BRIGHTON CHARTER** provides:

*13.1 **Municipal Investments** The Council may, by ordinance or resolution, initiate and adopt guidelines for municipal investments as long as those guidelines comply with the following conditions:*

(A) Such guidelines are subject to any applicable limitations in the Colorado Constitution, including any requirements for voter approval; and

(B) Such guidelines are determined by Council to be in the best interest of the City.

WHEREAS, the investment policies of the City of Brighton were last revised with the adoption of Resolution 2010-08 on 1/05/2010 and the City Council finds that it is necessary to revise said investment policies and to adopt new policies as set forth in this Resolution to reflect current investment practices of the City of Brighton; and amendments to the Colorado Revised Statutes §§24-75-701, *et seq.*,

WHEREAS, the purpose of the investment policies adopted herein is to establish the City of Brighton’s official policy regarding the scope of the investment policies, the objectives of the policies, the delegation of authority in regards to making investment decisions, what the City Council considers to be appropriate standards and recommended practices as established by the Government Finance Officers Association, ethics and conflict of interest, what are suitable and authorized investments, and the parameters for those investments; and

WHEREAS, in Colorado, state statutes determine eligible public depositories which may be used for the deposit of public funds and identify securities in which public funds may be invested; and

WHEREAS, the City Council hereby finds and determines that the Investment Policies set forth herein are necessary and adoption of said Policies is in the best interest of the City.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Brighton, Colorado that in accordance with the purposes herein stated the City of Brighton's Investment Policy ("the Policy") shall be as follows:

SECTION 1. SCOPE

- A) This Investment Policy shall apply to all investment transactions of the City, except for certain employee retirement funds that are administered and managed by third party agreements and are required to comply with specific state statutes concerning such plan investments.
- B) Specifically, the scope of these policies applies to all transaction and activities in the following funds:
- General Fund
 - Special Revenue Funds
 - Debt Service Funds
 - Capital Projects Funds
 - Enterprise Funds
 - Trust and Agency Funds
 - Permanent Funds
 - Fiduciary Funds
 - Internal Service Funds
 - Any new fund created by the City Council, unless specifically exempted by the City Council.

SECTION 2. POOLED INVESTMENTS

In order to effectively make use of the City's cash resources, and pursuant to C.R.S. §§ 24-75-701, *et seq.*, the City Manager, or the Manager's designee, may pool into one investment account and account for separately all cash, except for those restricted by the Council and special accounts identified pursuant to various agreements. The investment income derived from this account shall be allocated to the various funds based upon each fund's respective participation.

SECTION 3. INVESTMENT OBJECTIVES

The City's funds shall be invested in accordance with the City Charter, Municipal Code, all applicable City policies, Colorado statutes, and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:

- Preservation of capital and protection of investment principal
- Maintenance of sufficient liquidity to meet anticipated operating needs
- Attainment of a market rate of return for investment earnings
- Diversification to avoid incurring unreasonable market risks

SECTION 4. DELEGATION OF AUTHORITY AND INTERNAL CONTROLS

The City Manager's designee and all City staff members must have a clear understanding of their authority and responsibilities to avoid inappropriate or unauthorized actions. Clear delegation of authority is essential to preserve the internal control structure that is dependent on the proper separation of duties among staff members.

In accordance with Section 2-12-10(11) of the Brighton Municipal Code and this Investment Policy Resolution, the City Council affirms the authority and responsibility of the City Manager for managing the investment program of the City of Brighton. The City Manager may delegate the authority to conduct investment transactions and manage the operation of the investment portfolio to other specifically authorized staff members and shall maintain a list of such authorized persons of the City. No person may engage in an investment transaction except as expressly provided under the terms of these policies. The City Manager, or the Manager's designee, shall carry out the City of Brighton Investment Policy in accordance with C.R.S. §§24-75-601, *et. seq.*, as amended.

The City Manager, or the Manager's designee, shall be responsible for all investment transactions undertaken by the City and shall establish and maintain written administrative procedures and a system of controls to authorize and monitor all investment activity. 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 may engage the support services of outside professionals. Such services may include portfolio management, special legal representation, third party custodial services and appraisals by independent credit rating services.

SECTION 5. PRUDENCE AND STANDARDS FOR INVESTMENT

The standard of prudence to be used for managing the City's assets is the "prudent investor" rule applicable to a fiduciary, which states that a prudent investor "shall exercise the judgment 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 City's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The City recognizes that no investment is totally free of risk and that the investment activities of the City are a matter of public record. Further, the City 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 this Policy has been followed and that the sale of a security prior to maturity is in the best long-term interest of the City.

Personnel acting in accordance with these investment policies and written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price change provided that the deviations from

expectations are reported in a timely fashion to the City Manager and Mayor and appropriate action is taken to control adverse developments.

SECTION 6. ETHICS AND CONFLICTS OF INTEREST.

The City Manager, officers and employees involved in the investment process shall refrain from personal business activities that could, in any way, conflict with or compromise the proper execution and management of the City of Brighton's investment program, or that could impair their ability to make impartial decisions. The City Manager, officers, employees and investment officials shall disclose to the City Council or City Manager, as applicable, upon occurrence, 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. These employees and officials are prohibited from undertaking personal investment transactions with the same individual with which business of the City is conducted.

SECTION 7. AUTHORIZED INVESTMENTS AND TRANSACTIONS

All investments for the City shall be made in accordance with the Colorado Revised Statutes (C.R.S.) as follows: C.R.S. 11-10.5-101, et seq., Public Deposit Protection Act; C.R.S. 24-75-601, et seq., Funds - Legal Investments; C.R.S. 24-75-603, et seq., Depositories; and C.R.S. 24-75-701 and 702, et seq., Investment Funds – Local Government Pooling. Any revisions or extensions of these sections of the C.R.S. will be assumed to be part of this Policy immediately upon being enacted. A summary of authorized investments and criteria for each can be found in the Appendix.

For the purposes of this Policy, prohibited investments shall include, but are not limited to:

- Purchases on margin or short sales.
- Derivative securities that are in effect a leveraged anticipation of future movements in interest rates or some price indices.
- Collateralized mortgage obligations due to their complexity and prepayment rate uncertainty.
- Lending securities with an agreement to buy them back after a stated period of time.
- Certificates of Deposit in out-of-state banks.

Securities held by the City that have been downgraded to a level that is below the minimum ratings required as detailed in the Appendix may be sold or held at the City's discretion. The City Manager shall notify the Council of any such downgrade and the recommended course of action. The portfolio will be brought back into compliance with these investment policies guidelines as soon as is practical.

SECTION 8. DIVERSIFICATION

It is the intent of the City to diversify the investments within its portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, corporations, or maturities. The asset allocation in the portfolio

should, however, be flexible depending upon the outlook for the economy, the securities market, and the City's anticipated cash flow needs. Specific diversification requirements are outlined in the Appendix.

SECTION 9. INVESTMENT MATURITY AND LIQUIDITY REQUIREMENTS

As a general rule, investments will be held until maturity; however, the strategic trading of securities in an attempt to improve investment return is allowed. To the extent possible, investments shall be matched to anticipated cash flow requirements, and the City Manager shall maintain sufficient liquidity in the portfolio to meet anticipated disbursements. Investments shall be limited to maturities not exceeding five years from the date of trade settlement.

SECTION 10. COMPETITIVE TRANSACTIONS

Each investment transaction shall be competitively transacted with authorized broker/dealers. Whenever possible, at least three broker/dealers or issuers 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 offering, quotations on comparable or alternative securities shall be recorded.

SECTION 11. SELECTION OF BROKER/DEALERS

The City Manager shall maintain a list of broker/dealers approved for investment purposes, and it shall be the policy of the City to purchase securities only from those authorized 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, or have a Primary Dealer within their holding company structure;
2. report voluntarily to the Federal Reserve Bank of New York; or
3. qualify under Securities and Exchange Commission (SEC) Rule 15c-3 (Uniform Net Capital Rule).

Broker/dealers will be selected by the City Manager on the basis of their expertise in public cash management and their ability to provide services for the City's account.

The City may engage the services of one or more professional investment advisory firms to assist in the management of the Portfolio. Such investment advisors may purchase and sell investment securities in accordance with this Policy and may utilize their own approved list of broker/dealers; however, it shall comply with the criteria listed above and shall be provided to the City on an annual basis.

In the event that the City does not utilize an external investment advisor, each authorized broker/dealer 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, and the City Manager shall maintain a file of these forms. Such broker/dealers must attest in writing that they have received a copy of this Policy.

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 the Colorado Revised Statutes and summarized in the Appendix herein.

SECTION 12. SAFEKEEPING AND CUSTODY

Investment securities purchased for the City will be delivered by either book entry or physical delivery and held in third party safekeeping by a Federal Reserve member financial institution designated as the City's custodian bank. The City shall approve one or more banks to provide safekeeping and custodial services for the City. To be eligible for designation, a bank shall meet the criteria described in the Selection of Depository and Custodial Banks Section of this Policy. The City shall execute a written Custody Agreement with each custodian bank, prior to utilizing that bank's safekeeping services.

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 purchased securities be perfected in the name of the City. Sufficient evidence to title shall be consistent with investment, banking, and commercial practices.

All investment securities purchased by the City will be delivered by book entry and will be held in third-party safekeeping by a City approved custodian bank, its correspondent bank or the Depository Trust Company (DTC).

SECTION 13. SELECTION OF DEPOSITORY AND CUSTODIAL BANKS

The City Manager shall maintain a list of banks approved to provide depository and other banking services for the City. To be eligible for authorization, a bank must:

- be a member of the FDIC,
- 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),
- have a Thomson Reuters Bank Insight Peer Group Rating of 30 or better (on a scale of zero to 99 with 99 being the highest quality) for the most recent reporting quarter before the time of selection, or, in the judgment of the City Manager, offer adequate safety to the City.

SECTION 14. PERFORMANCE REVIEW

The investment and cash management 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 City Manager shall periodically establish a benchmark return for the City's investments. Considerations for establishing the benchmark return shall include the maturity, liquidity, and risk structure of the City's portfolio. When comparing the performance of the City's portfolio, all fees and expenses involved with managing the portfolio should be included in the computation of the portfolio's rate of return.

SECTION 15. REPORTING REQUIREMENTS

An annual report shall be presented to the Mayor and the City Council on the investment earnings and performance results of the City's investment portfolio. The report shall include an overview of the investments held by the City, the current market value of the portfolio, and the total net return of the investments held.

Monthly reports shall be submitted to the Finance Director and will be in compliance with the Governmental Accounting Standards Board ("GASB"). These reports will include the following information:

- monthly allocation to the major asset classes
- a list of purchases and sales during the month
- a list of current issues held in the portfolio, along with the years to maturity for each
- weighted average maturity or duration in years
- credit ratings of the investments.

Quarterly reports shall include a market and economic update and total return performance calculations compared to an appropriate benchmark.

SECTION 16. AMENDMENT/REVIEW.

- A) Material amendments to this Policy shall be made by resolution, duly adopted by the City Council. Non-material amendments may be made by the City Manager, as deemed necessary and appropriate. Such amendment shall be forwarded to the City Council.
- B) This Policy shall be reviewed by the City Manager, or his designee, annually, and by the City Council at least every five years.

ADOPTED this _____ day of _____, 2017.

CITY OF BRIGHTON, COLORADO

Richard N. McLean, Mayor

ATTEST:

Natalie Hoel, City Clerk

APPROVED AS TO FORM:

Margaret R. Brubaker, City Attorney

APPENDIX

AUTHORIZED INVESTMENT SUMMARY

All investments for the City shall be made in accordance with the Colorado Revised Statutes (C.R.S.) as follows: C.R.S. 11-10.5-101, et seq., Public Deposit Protection Act; C.R.S. 24-75-601, et seq., Funds - Legal Investments; C.R.S. 24-75-603, et seq., Depositories; and C.R.S. 24-75-701 and 702, et seq., Investment Funds – Local Government Pooling. Rating requirements are those as published by Nationally Recognized Statistical Rating Organizations (NRSROs) such as Standard & Poor’s, Moody’s Investors Service, and Fitch Ratings.

The table below provides a summary of the City’s authorized investments.

Security Type	Maximum Portfolio %	Maximum Issuer %	Maturity Restrictions	Minimum Rating Requirements
U.S. Treasuries	100%	100%	5 years	N/A
U.S. Agencies and Instrumentalities	100%	100%	5 years	AA- by 2 NRSROs
Municipal Bonds of a Colorado Issuer	35%*	5%*	5 years	A- by 2 NRSROs
Municipal Bonds of a Non-Colorado Issuer	35%*	5%*	5 years	AA- by 2 NRSROs
Municipal Bonds, School District Certificates of Participation	35%*	5%*	5 years	A- by 2 NRSROs
Municipal Bonds, Short-Term	35%*	5%*	5 years	A-1 or MIG 1 by 1 NRSRO
Municipal Bonds, Pre-Refunded	35%*	5%	5 years	AA+ by 1 NRSRO
Corporate Bonds	35%	5%	3 years	AA-/Aa3 or A1/P1/F1 by 2 NRSROs
Commercial Paper	35%	5%	270 days	AA-/Aa3 or A1/P1/F1 by 2 NRSROs
Time Deposit/CD	5%	2%	1 year	30+
Negotiable CDs	35%	5%	3 Years	AA-/Aa3 or A1/P1/F1 by 2 NRSROs
Banker Acceptances	35%	5%	180 days	AA-/Aa3 or A1/P1/F1 by 2 NRSROs
Repurchase Agreements	50%	10%	180 days	N/A
Local Government Investment Pools	100%	50%	N/A	AAAm or the equivalent by 1 NRSRO
Money Market Funds	100%	50%	N/A	AAAm or the equivalent by 1 NRSRO

*The aggregate exposure to municipal bonds may not exceed 35% of the Portfolio, and no more than 5% of the Portfolio may be invested with a single issuer.

Note: The Portfolio will be limited to an aggregate exposure of 50% for the following investment types: Corporate Bonds, Commercial Paper, Negotiable Certificates of Deposit and Bankers Acceptances.