

**City of Wheat Ridge  
Investment Policy  
Adopted January 2015**

**INTENT**

The City of Wheat Ridge (City) recognizes the need to adopt an investment policy to establish parameters and guidelines for the efficient management of the City's funds and for the purchase and sale of investments. This policy applies to the investments of all funds of the City. Except for funds held in trust or special funds that are otherwise specifically provided for, the City will consolidate the balances from all funds to maximize investment earnings and meet the liquidity requirements of the City subject to the primary objective of providing security of principal.

**POLICY**

The City has established the following fiscal policy related to investments.

**Governing Authority**

The investment policy shall be operated in conformance with federal, state (CRS § 24-75-601, et seq.) and other legal requirements, including the Wheat Ridge City Charter.

**Scope**

This policy applies to the investment of all funds, excluding the investment of employees' retirement funds, police pension fund and certain restricted funds.

Except for cash in certain restricted and special funds, the City will pool cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration.

**Objectives**

It is the policy of the City to invest idle public funds in a manner to meet the daily cash flow demands of the City with the primary objectives, in priority order, being: a) Safety of Principal b) Liquidity and c) Return on Investments.

**A.) Safety of Principal**

Safety of principal is the foremost objective of the City's investment activities. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall investment portfolio. The objective will be to mitigate the following risks:

*1.) Credit Risk*

The City will minimize credit risk, which is the risk of loss due to the failure of the investment issuer or backer. As such, the City shall place reliance upon nationally recognized credit rating agencies in evaluating credit risk of obligations not issued by the U. S. government and Federal Instrumentality's (Agencies and Government Sponsored Enterprises). Credit risk shall be limited by restricting the credit ratings on securities that may be purchased and through diversification in order to reduce exposure to any one security type or issuer.

*2.) Interest Rate Risk*

The City will minimize its interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to the changes in market interest rates, by structuring the portfolio to meet the cash requirements of the City's ongoing operations, thereby mitigating the need to liquidate securities at a loss prior to maturity.

*3.) Concentration Risk*

The City will minimize concentration of credit risk, which is the risk of loss due to having a significant portion of resources invested in a single issuer, by diversifying its investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

**B.) Liquidity**

The investment portfolio shall remain sufficiently liquid to meet all of the City's operating requirements that may be reasonably anticipated. Investments shall be managed in order to avoid, although not prohibit, the sale of securities before their respective maturities to meet anticipated cash flow needs. Since all possible cash demands cannot be anticipated, the investment portfolio should contain a significant quantity of active secondary or resale markets. As such, a guideline of at least ten percent (10%) of the investment portfolio will be invested in overnight instruments, money market funds, Colorado local government pools, or in marketable securities which can be sold to raise cash within one day's notice.

**C.) Return on Investments**

The investment portfolio shall be designed and managed with the objective of attaining a market rate of return throughout interest rate cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to safety of principal and liquidity. The core investments are limited to relatively low risk securities in anticipation of earning a fair, albeit lower, return relative to the risk being assumed.

## **Delegation of Authority**

Authority to manage the investment program is granted to the City Treasurer (hereinafter referred to as Investment Officer) and derived from the following: City of Wheat Ridge Home Rule Charter. Responsibility for the operation of the investment program is hereby delegated to the Investment Officer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

The Investment Officer, after initiating a Request for Proposal process and with approval of City Council, may delegate the management of the City's portfolio to a professional money management firm. The firm must adhere to all the requirements and restrictions contained in this policy.

## **Authorized Investments**

The City's authorized investments shall consist of the following:

### **United States Treasury and Agency Obligations**

U.S. government obligations, U.S. government agency obligations, Government Sponsored Enterprises, and U.S. government instrumentality obligations that have a liquid market with a readily determinable market value

### **Corporate Debt**

Any U.S. dollar denominated corporate or bank debt issued by a corporation or bank which is organized and operated with the United States and has a net worth in excess of two hundred fifty million dollars; except that the notes evidencing the debt must mature within three years from the date of settlement and, at the time of purchase, the debt must carry at least two credit ratings from any of the nationally recognized credit agencies and must not be rated below "AA- or Aa3" by any credit rating agency.

### **Commercial Paper**

Commercial paper rated A-1, P-1, F1, or their equivalent by any nationally recognized credit rating agencies.

### **Bankers' Acceptances**

Bankers Acceptances, the issuers of which are banks organized under U.S. laws or their parent companies, are rated A-1, P-1, or their equivalent by any nationally recognized credit rating agencies.

### **Repurchase Agreements**

Repurchase Agreements and Reverse Repurchase Agreements may be done only with approved dealers with whom the City has signed a master agreement governing such transactions, and must mature within 90 days. U.S. Treasury, agency, or instrumentality securities must collateralize any such transactions, the market value of which shall be no less than 105% of the funds invested in the transaction at inception, and not less than 102% of the funds invested during its life. Securities collateralizing such transactions shall be delivered to the purchaser or their securities' custodian.

### **Bonds (General and Revenue Obligation Debt)**

-General and Revenue Obligations of this state or of any political subdivision, institution, department, agency, instrumentality, or authority of this state

-No general obligation or revenue security may be purchased pursuant to this paragraph unless, at the time of purchase, the security carries at least two credit ratings at or above "A" or its equivalent from nationally recognized statistical rating organizations.

-No security That is a general or revenue obligation of The United States, another state of the United States, the District of Columbia, or any territorial possession of the United States or of any political subdivision, institution, department, agency, instrumentality, or authority of any such governmental entities may be purchased pursuant to this paragraph unless, at the time of purchase, the security carries at least two credit ratings at or above "AA" or its equivalent from nationally recognized statistical rating organizations.

-The period from the date of settlement of these securities to the date to its maturity date is no more than five years unless the governing body authorizes a longer investment period.

### **Money Markets and Investment Pools**

Money Market Mutual Funds and Local Government Investment Pools as permitted by Colorado statute, provided that such funds are either registered with the SEC or rated AAA by any nationally recognized credit rating agency and the fund has assets of one billion dollars or more.

### **Certificates of Deposit/Bank Deposits/Savings Accounts**

Time deposit open accounts and savings accounts in insured institutions as defined by Colorado statute. For financial statement reporting purposes, these deposits are treated as cash deposits (vs. investments) but the City will adhere to the objectives outlined by this policy when making decisions related to these types of cash deposits.

Non-Negotiable Certificates of Deposit (CD) with a maturity not exceeding five years in any FDIC insured state or national bank located in Colorado that is an eligible public depository as defined in C.R.S. 11-10.5-103. Certificates of deposit that exceed FDIC insurance limits shall be collateralized as required by the Public Deposit Protection Act.

Negotiable Certificates of Deposit (NCD's) authorized under CRS 24-75-601.1 with an opinion provided by The Colorado Division of Securities, with a maturity not to exceed five years and principal investment (plus one year's accrued interest) not to exceed the FDIC insured limit at the time of purchase. Negotiable Certificates of Deposit exceeding the FDIC insured amount shall be collateralized in accordance with the Colorado Public Deposit Act

### **Interest Earnings**

Investment income will be allocated to the various funds based on the respective participation of capital in the overall investment portfolio and in accordance with generally accepted accounting principles.

### **Investment Limitations**

The City will adhere to the following investment limitations:

#### **A.) Diversification**

The City's investments shall be diversified by:

- 1.) Limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities)
- 2.) Limiting investment in securities with higher credit risks
- 3.) Investing in securities with varying maturities, and
- 4.) Continuously investing a portion of the City's investment portfolio in readily available funds such as local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet the City's ongoing obligations

The Investment Officer shall obtain competitive bids from at least two brokers or financial institutions on all purchases of investment instruments purchased on the secondary market.

#### **B.) Maturity**

To the extent possible, the City shall attempt to match its investments with anticipated cash flow needs. Unless matched to a specific cash flow, the City will not directly invest in securities with maturities of more than five (5) years from the date of purchase.

### **C.) Sale of investments prior to maturity**

Investments may be sold prior to their maturity date if the investment official determines that it is in the best interest of the City to do so. Sales shall not be made to speculate upon future market trends. It is the City's intent to purchase and hold securities until maturity; however, from time to time, it may become necessary to sell a security at a loss in order to meet cash flow requirements or to take advantage of certain exchange advantages.

### **D.) Derivatives**

Securities which derive their value from an underlying asset, group of assets, reference rate, or index value are not permitted as an authorized investment under this policy.

## **Reporting of Investments**

An annual report will be prepared by the Investment Officer or managing firm and presented to City Council in connection with the year end financial statement presentation. On a quarterly basis, a report of investment activity will be prepared by the Investment Officer and submitted to City Council.

Additionally, an Investment Advisory Committee, which will consist of the Investment Officer, the City Manager, Administrative Services Director, and a member from the community, appointed by the Investment Officer, that possesses expertise within the banking/finance industry. The Investment Officer will serve as chair of the Investment Committee and will coordinate quarterly meetings to review the status of investments and the transactions that occurred during the quarter. The Investment Advisory Committee/Investment Officer may establish strategies and guidelines for the percentage of the total portfolio that may be invested in securities other than repurchase agreements, Treasury bills or collateralized certificates of deposit. The committee shall conduct a quarterly review of these guidelines and evaluate the probability of market and default risk in various investment sectors as part of its considerations.

## **Policy Review**

The City's Investment Officer and Investment Advisory Committee will review the Investment Policy annually in concert with the preparation of the City's year-end financial statements to ensure that the City is adhering to the framework outlined in this policy and will make recommendations to revise the policy as needed. Adoption and changes to this policy will require approval by City Council.