

**RESOLUTION OF THE TOWN COUNCIL OF BASALT, COLORADO,
ADOPTING AN AMENDED INVESTMENT POLICY**

**Town of Basalt, Colorado
Resolution No. 21
Series of 2020**

RECITALS

- A. By Resolution No. 20, Series of 2020, the Town Council of the Town of Basalt adopted an investment policy to provide a guideline by which funds that are not otherwise needed to meet the cash flow demands of the Town of Basalt to be invested.
- B. Following its adoption, Town Staff identified certain additional amendments to the Investment Policy for Council's consideration, as reflected in the Investment Policy enclosed as **Exhibit A**. The Investment Policy enclosed as **Exhibit A** has been reviewed and approved by the Town's Financial Advisory Board.
- C. Town Council wishes to repeal and replace the Investment Policy approved by Resolution No. 20, Series of 2020, to adopt the Investment Policy enclosed as **Exhibit A**, and believes it is in the best interests of the Town to do so.

NOW, THEREFORE, BE IT RESOLVED by the Town Council of Town of Basalt, Colorado, that:

1. Recitals. The foregoing recitals are incorporated herein as findings of the Town Council.
2. Investment Policy. Town Council hereby approves and adopts the Investment Policy enclosed as **Exhibit A** and repeals the investment policy approved by Resolution No. 20, Series of 2020.

READ AND ADOPTED by a vote of 6 to 0 this 23rd day of June, 2020.

TOWN OF BASALT, COLORADO

By: 
William G. Kane, Mayor

ATTEST

By: 
Pamela K. Schilling, Town Clerk



EXHIBIT A



Town of Basalt Investment Policy Effective: 6/24/2020

I. Governing Authority & Purpose

1. *Purpose* - The purpose of this investment policy is to provide a guideline by which the funds that are not otherwise needed to meet the cash flow demands of the Town of Basalt can best be invested. The objective of the investment portfolio is to earn the highest return for the Town within the risk guidelines designed to provide maximum security, while maintaining sufficient liquidity to meet fluctuations in the Town's cash flow needs.
2. *Governing Authority* - The investment program shall be operated in conformance with governing legislation and other legal requirements.

II. Scope

This policy applies to the investment of all funds, excluding the investment of employees' retirement funds.

1. *Pooling of Funds* - Except for cash required to be in a separate bank/investment account and municipal bond proceeds, the Town of Basalt will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration.
2. *Investment Income* - Investment income will be allocated to the various funds based on Town Municipal Code, Council adopted policies, and in accordance with generally accepted accounting principles.

III. General Objectives

The primary objectives of investment activities shall be safety, liquidity, and return:

1. *Safety* – Safety of principal is the foremost objective of the Town's investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk by:

- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer is minimized;

- Limiting investments to the types of securities listed in Section VII of this Investment Policy;
- Structuring the investment portfolio so that security maturities match cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity;
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting individual security maturity as well as the average maturity of the portfolio in accordance with this policy.

2. *Liquidity* - The Town's investment portfolio will remain sufficiently liquid to enable the Town to meet all operating requirements which may be reasonably anticipated. A prudent reserve shall be maintained to meet unanticipated cash requirements.

3. *Return* – The Town's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the Town's investment risk constraints and the cash flow needs of the Town.

IV. Standards of Care and Assignment of Responsibility

1. *Prudence* - Investments shall be made with judgement 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. Investment officers 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 if he/she has acted in accordance with written procedures and the investment policy.

2. *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 investment officials shall disclose any material interests in financial institutions with which they conduct business, in accordance with applicable laws. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.

3. *Assignment of Responsibility* - Authority to manage the investment program is granted to the Finance Director, herein also referred to as investment officer, with the authority derived from the Town Charter and Sections 2-56 and 4-42 of the Town of Basalt Municipal Code. The Finance Director 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 Finance Director. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The Finance Director or his/her designee is authorized to execute security transactions for the Town's investment portfolio within the limitations established by this policy. Should unexpected market conditions arise, the Finance Director may approve a transaction, which would not be in accordance with the Investment Policy but is necessary to protect the safety and liquidity of the Town's investment portfolio, and is guided by Section IV.1 of this policy. Such transactions must be reported to the Town Council at their next meeting.

V. Authorized Financial Institutions, Depositories, and Broker/Dealers

1. *Authorized Financial Institutions, Depositories, and Broker/Dealers* - The Finance Director or

designee will maintain a list of authorized firms that have been approved by Town Council. This list will be reviewed annually by the Finance Department.

2. For an entity to become an authorized financial institution requires Town Council approval through a Request for Proposal process, in accordance with the Town's Procurement Policy.

VI. Safekeeping and Custody

1. *Internal Controls* - The Finance Director or designee is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the Finance Director or designee shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures.

2. *Delivery vs. Payment* – All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible custody account prior to the release of funds.

VII. Statutory Investment Guidelines (Statute: Section 24-75-601, C.R.S.)

1. *Custody of Investment Securities* - Unless otherwise stated, all investments must be held in the Town's name, or in the custody of a third party on behalf of the Town, or in a custodial account with an eligible public depository or securities firm on behalf of the Town.

2. *Maximum Maturity* - The maximum maturity date for all securities shall be no more than five years from the date of purchase unless otherwise authorized by Town Council, with exceptions noted under limitations included in Section VII of this policy. Legal Investments of Public Funds (Statute: Section 24-75-601.1, C.R.S.)

3. *Coupon Rate Fixed at Settlement* - Public funds shall not be invested in any security on which the coupon rate is not fixed from settlement until maturity, other than shares in qualified money market mutual funds, unless the coupon rate is established by reference to specified rate indices, such as the rate for a U.S. Treasury security with a maturity of one year or less, or the rate of a municipal bond index, or to the cost of funds index, or the prime rate. (Section 2475-601.1(1.3), C.R.S.)

4. *Legal Investments of Public Funds (Statute: Section 24-75-601.1 C.R.S.)*

NOTE: The Town of Basalt has declared a climate emergency, and therefore discourages investments in oil and gas companies.

- a) U.S. Treasury Bills and Notes
- b) Federal Farm Credit Bank
- c) Federal Land Bank
- d) Federal Home Loan Bank

- e) Federal Home Loan Mortgage Corporation
- f) Federal National Mortgage Association (FNMA)
- g) Export-Import Bank
- h) Government National Mortgage Association (GNMA)
- i) Obligations of any other U.S. agency if control of agency by U.S. is at least as extensive as those investments mentioned above. Security must have highest rating category of at least one recognized rating agency at time of purchase.
- j) G.O. Bonds of any state, District of Columbia, U.S. Territory, or any of their subdivisions. (This includes the State of Colorado and its related entities and Colorado Local Governments and their related entities.) Security must have one of three highest rating categories of at least one nationally recognized rating agency at time of purchase. The Colorado investments may have a maturity more than five years.
- k) Revenue Bonds of any state, the District of Columbia, a U.S. Territory, or any of their subdivisions. Security must have one of two highest rating categories of at least one nationally recognized rating agency at time of purchase.
- l) Commercial Paper. Security must have the highest rating from at least one nationally recognized rating agency at time of purchase.
- m) Any interest in any local government investment pool pursuant to Section 24-75-701, et seq., C.R.S. See below.
- n) Repurchase Agreements in securities listed in a) through i). Securities of the U.S. Government or its agencies as listed above which must have a coupon rate that is fixed from the time of settlement until its maturity and must be marketable. Market value must always be at least equal to funds invested. Title or perfected security interest in securities must be transferred to the Town or custodian. Securities must be delivered to the Town or third-party custodian or trustee for safekeeping. Collateral securities must be collateralized at no less than 102% and marked to market no less than weekly. These investments may have a maturity more than five years. A master repurchase agreement must be signed with the bank or dealer.
- o) Money Market Funds - Must be registered as investment company. Fund investment policies include seeking to maintain a constant share price. No sales or load fee can be added to the purchase or redemption price. The fund invests only in securities that have a remaining maximum maturity as specified in rule 2a-7 of the federal "Investment Company Act of 1940," as long as such rule or amendment to it does not increase the maximum remaining maturity to a period greater than three years. The fund must have assets of \$1 billion or more, or have the highest credit rating from one or more nationally recognized rating agency. If the fund has assets of less than \$1 billion or has a rating less than the highest credit rating from one or more nationally recognized rating agencies, then the fund's investments must consist only of securities listed a) through q) above; or perfected reverse repurchase agreements of less than 30 days relating to securities listed in a) through p) above; or securities not listed in a) through q) above that are tax-exempt if these do not exceed 15 percent of the investments of the fund; and the dollar-weighted average portfolio maturity of the fund meets the requirements of rule 2a-7 or amendments to it, so long as such rule or amendment to it does not increase the dollar-weighted average portfolio maturity to a period greater than 180 days.
- p) U.S. dollar-denominated corporate or bank debt. Must be issued by a corporation or bank organized and operated within the United States with a net worth in excess of \$250,000,000; the notes must mature within three years and must carry at least two credit ratings not below "AA- or Aa3" from any nationally recognized credit rating agency; the

book value of investment in this type of debt shall at no time exceed 30 percent of the book value of the Town's investment portfolio, or 5 percent of the book value of the Town's investment portfolio if the notes are issued by a single corporation or bank.

- q) A securities lending agreement using securities authorized in a) through i). Must be entered into with a qualified provider that provides and maintains collateral with a mutually agreed upon custodian. Such collateral shall be in the form of cash or securities that are authorized investments for the public entity and have a value equal to 102% of the value of the securities lent by the public entity plus accrued interest. Corporate securities collateral shall have a value equal to 105% of the value of securities. Either the custodian or the qualified provider if verified by the custodian marks to market daily the value of the collateral. If all the collateral is cash, the difference in valuation need only be resolved if the collateral is less than 100% of the value of the securities. A minimum of 20% of investments purchased with cash collateral matures or is redeemable on any business day; an instrument guaranteed by the US government that has a variable interest rate set off of a money market index readjusted every 95 days has a maturity equal to the period remaining until the next readjustment of the interest rate; instrument issued by a corporation that has a variable rate of interest set off of a money market index readjusted every 95 days has a final maturity 30 days or an unconditional put back to the issuer 95 days; the maturity of fixed rate investments or repurchase agreements does not exceed 190 days; the investment maturity or reset date is not greater than 95 days. The securities lending agreement is approved and designated by written resolution duly adopted by a majority vote of the Town Council, which resolution shall be recorded in its minutes.
- r) Time deposits – Funds may be invested in time deposits of United States banks that are fully insured by the Federal Deposit Insurance Company.

NOTE: Collateralization will be required on purchases of certificates of deposit and repurchase (and reverse) agreements. To anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of par value of principal and accrued interest. Collateral will be held by an independent third party with whom the Town has a current custodial agreement. A clearly marked evidence of ownership must be supplied to the Town and retained.

VIII. Reporting

1. *Methods* –

- a. The Finance Director shall report the audited financial report, which includes the investments held by the Town in the notes to the financial statements, on an annual basis to the Finance Advisory Board and to Town Council.
- b. The Finance Director shall report quarterly, as a part of the quarterly financial report, the investment holdings of the Town as of the end of the quarter and the percentage interest earned on each investment.

2. *Performance Standards* - The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates.

3. *Marking to Market* - The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least annually in the audited

financial report.

IX. Policy Considerations

1. *Amendments* - This policy shall be reviewed periodically by the Finance Director, and as requested by the Finance Advisory Board, the Town Manager, or Town Council. Any changes must be submitted by the Finance Director to be approved by Town Council.