

**RFQ #19-10 INVESTMENT SERVICES****THE CITY OF SMITHVILLE REQUESTS FOR QUALIFICATIONS FOR THE FOLLOWING PROFESSIONAL SERVICE:**

Sealed Proposals for Qualifications for banking services will be received by the City of Smithville, Missouri, at City Hall, 107 W. Main Street, Smithville, MO 64089, until 10:30 A.M. April 17<sup>th</sup>, 2019. The Project consists of the following:

**SCOPE OF SERVICES**

Proposals should demonstrate the experience and qualifications of the Vendor's personnel in performing the services below. The Proposal should contain no dollar costs, but should address each of the following:

1. Indicate the firm's headquarters' location as well as the nearest location(s).
2. Provide audited financial statements for the most recent fiscal year.
3. Identify the City's liquidity needs and manage unrestricted idle, surplus, and reserve cash to avoid unscheduled investment redemptions. The City adopted an investment policy in June 2018, which is attached to this RFQ as Exhibit 1.
4. Invest bond proceeds in accordance with tax compliance agreements and attempting to minimize negative arbitrage while avoiding unscheduled investment redemptions.
5. Provide portfolio accounting and regular reporting.
6. Assist City staff in the allocation of investment proceeds among the City's various funds.
7. Assist City staff in preparing quarterly investment reports.
8. Prepare investment-related schedules for the City's annual audit.
9. Prepare investment-related items for the City's CAFR.
10. Respond to internal and external inquiries on investment-related items.
11. Identify each employee anticipated to provide these services in accordance with the RFQ.
12. Provide a description of any additional services offered.

A separate, sealed envelope should contain the fee schedule for services provided in accordance with the RFQ.

## INSTRUCTIONS TO BIDDERS

1. RFQs must be addressed to the Daniel Toleikis, 107 W. Main Street, Smithville, Missouri 64089, and be received before 10:30 A.M. on the date of closing.
2. Responses and anything pertaining to the RFQ should be in a sealed envelope. It is preferred that the PROPOSAL RESPONSE FORM in this RFQ be used. All RFQs must be sealed and marked on the outer envelope by RFQ number and date of closing. The only information we will read at the closing will be the vendors, contractors, or proposers who responded. The closing is at 13:00 A.M. on the 17<sup>th</sup> day of April, 2019, at City Hall.
3. Disabled persons wishing to participate in the RFQ closing and who require a reasonable accommodation may call the City at (816) 532-3897. A forty-eight-hour notice is required.
4. Any questions regarding this RFQ should be directed to Daniel Toleikis, Finance Director, 107 W. Main Street, Smithville, Missouri 64089; (816) 532-3897.

THE CITY OF SMITHVILLE RESERVES THE RIGHT TO REJECT ANY OR ALL PROPOSALS.

A handwritten signature in dark ink, appearing to read 'D. Toleikis', is written over a horizontal line.

Finance Director

Issued: the 20<sup>th</sup> day of March, 2019

**CITY OF SMITHVILLE REQUEST FOR WRITTEN QUOTATIONS  
GENERAL INSTRUCTIONS AND CONDITIONS**

1. Written quotations, subject to the conditions listed below and any special conditions set forth in the attached specific Proposal, will be received by the City of Smithville, 107 W. Main Street, Smithville, Missouri 64089, until the closing.
2. The City reserves the right to accept or reject any and all proposals and/or alternatives and to waive technicalities, and to accept the offer that the City considers to be the most advantageous.
3. Vendors, contractors or proposers should use the forms provided for the purpose of submitting quotes and if applicable should give the unit price, extend totals, and sign the quote as required in each specific instance.
4. If applicable identify the item you will furnish by brand or manufacturer's name and catalog numbers, as applicable. Also furnish all specifications and descriptive literature.
6. The City of Smithville is exempt from payment of Missouri Sales and Use Tax in accordance with Section 144.010 et seq. R.S.MO 1969 and is exempt from payment of Federal Excise Taxes in accordance with Title 26 United States Code, Annotated.
7. The delivery date(s) or dates when work will start shall be stated in definite terms, as they will be taken into consideration when making the award.
8. The City reserves the right to cancel all or any part of any order(s) if delivery and/or service is not made or work is not started as guaranteed.
9. Any questions regarding this request may be addressed to Daniel Toleikis, Finance Director, 107 W. Main Street, Smithville, Missouri 64089, (816) 532-3897.

## **RFQ #19-10 BANKING SERVICES**

### **ARTICLE I GENERAL INFORMATION**

1. The Board of Aldermen of the City of Smithville, Missouri ("City") invites you to submit a written Statement of Qualifications to provide banking services for the City of Smithville.
2. The term "RFQ" means this Request for Qualifications; the term "Contractor", "Offeror", "Vendor", "Bidder", "Consultant" or "Proposer" refers to one who submits a proposal in response to the RFQ; and the term "Proposal" means the proposal of the Contractor, Offeror, Vendor, Bidder, or Proposer.
3. By submitting a Proposal, the Vendor agrees, to negotiate in good faith for such reasonable fees as is required to complete the project and if its proposal is accepted, to perform the Service described in this RFQ in accordance with the terms and conditions contained herein, at the prices set forth in its Proposal.
4. Note: The Vendor is presumed to accept the RFQ requirements. The Vendor must raise any questions regarding the RFQ requirements no later than three (3) days prior to the Closing Date. In addition, the Vendor must list and outline, in their Proposal, any exceptions to the RFQ requirements and Contract requirements. The timeliness, nature and number of the exceptions taken by the Vendor are among the factors that the City will consider in selecting the successful Vendor.

All provisions, instructions and conditions set forth in this RFQ apply jointly and severally to each alternative whether Vendor submits a bid for both or only one of the Alternatives set forth above.

5. Additional information and/or questions relating to this RFQ can be obtained by contacting Daniel Toleikis, Finance Director, 107 W. Main Street, Smithville, Missouri 64089; (816) 532-3897.

## **ARTICLE II PROPOSAL INSTRUCTIONS**

### **RFQ PROPOSALS - CONTENTS AND SUBMISSION**

Proposals in response to this RFQ should include the following information:

1. Name, address, and telephone number of Proposer(s).
2. A completed Proposal Form attached to this Request for Qualifications (preferred, not required). Three (3) copies of the proposal must be addressed to Daniel Toleikis, Finance Director, 107 W. Main Street, Smithville, Missouri 64089 and be received before 10:30 A.M. local time on April 17<sup>th</sup>, 2019.
3. In a separate, sealed envelope, the fee schedule for services provided in accordance with the RFQ.
4. Proposed date for commencement of services.

### **SUBMITTAL:**

Proposal submittals should include, at minimum, responses to the following:

- Qualifications of the firm as it pertains to the Scope of Services;
- Summary of other local government clients, including reference contact information.

The City is not responsible for any costs incurred in preparing or submitting a response to this RFQ.

Submittals that do not meet the requirements outlined in the RFQ may be deemed non-responsive by the City; and, the City reserves the right to waive any and all requirements in this RFQ.

Any questions regarding this RFQ should be directed to Daniel Toleikis, Finance Director, either by phone at (816) 532-3897 or email at [dtoleikis@smithvillemo.org](mailto:dtoleikis@smithvillemo.org).

### **EVALUATION:**

The selection process for requested banking services will be based on a qualification-based selection process. Each respondent will be evaluated on the following criteria:

- Qualifications and experience of the firm as a whole;
- Demonstrated ability of the firm to perform requested services; and
- Proposed cost for investment services.

During the evaluation process, the City may, at its discretion, request any one or all firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions the City may have on a firm's proposal. Not all firms may be asked to make such oral presentations.

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of Smithville, Missouri and the financial institution selected.

The City of Smithville reserves the right without prejudice to reject any or all proposals.

#### ADDENDA

All changes, additions, and/or clarifications in connection with this RFQ will be issued by the City Finance Director in the form of a written addendum. Signed acknowledgement of receipt of each addendum must be submitted with the Proposal to this RFQ. Verbal responses and/or representations shall not be binding.

#### AWARD OF THE CONTRACT

After the RFQs have been opened and duly considered, the lowest and/or best proposal to the RFQ shall be submitted to the City Board of Aldermen for formal approval. After approval by the City Board of Aldermen, the City Clerk will notify, in writing, the successful Proposer. An approved Resolution by the City Board of Aldermen shall constitute the City's official award of the RFQ. A written contract noting the terms and conditions of this RFQ will be executed before "Notice to Proceed" is given. Vendors with standardized contracts should submit them with the Proposal.

#### HOLD HARMLESS CLAUSE

The Vendor awarded the contract from this RFQ agrees to save and hold harmless the City and its agents, servants, and employees of, and from, any and all liabilities, expenses, causes of action, damages and attorney's fees resulting, or to result, from any of the Vendor's businesses or operations resulting from any act or omission of the Vendor's agents, servants or employees.

#### OFFICIALS NOT TO BENEFIT

No regular employee or elected or appointed member of the City government or their immediate family shall benefit from or be a part of and/or share any or part of this contract, or to any benefit that may arise there from without notifying the City in the Response to the RFQ that a regular employee or elected or appointed member of the City government or their immediate family may benefit under the contract. No such identified regular employee or elected or appointed member of the City government shall participate in any decision, approval, disapproval, recommendation, or preparation of any part of a contract awarded pursuant to this RFQ.

#### GRATUITIES ILLEGAL TO ANY EMPLOYEE AND FORMER EMPLOYEES

It is unlawful for any person or business to offer, give or agree to give, to any employee of the City, or former employee of the City, to solicit, demand, accept or agree to accept from another person or business, a gratuity, offer of employment or anything of pecuniary value in connection with any decision, approval, disapproval, recommendation, or preparation of any part of a contract requirement or a purchase request, influencing the content of any specification or procurement standard, rendering the advice, investigation, auditing, or in any other advisory capacity in any proceeding or application, request for ruling, determination, claim or controversy, or other particular matter, pertaining to any contract or subcontract, or to any RFQ thereof.

#### CO-PARTNERSHIP DISCLAIMER

It is mutually understood that nothing in this Request for Qualifications or subsequent contractual agreements is intended, or shall be construed, as in any way creating or establishing the

relationship or co-partners between the parties; or as constituting the contractor as an agent or representative of the City for any purpose, or in any manner whatsoever.

#### NON-DISCRIMINATION IN EMPLOYMENT

Contract for Service under this RFQ obligates the Proposer not to discriminate in employment practices. Successful Proposer must be prepared to comply in all respects with all provisions regarding non-discrimination.

#### KICKBACKS ILLEGAL IN SUBCONTRACTING

It is unlawful for any payment, gratuity or benefit to be made by, on behalf of, or solicited from, a subcontractor under a contract to the prime contractor, or higher tier subcontractor, or any person associated therewith, as an inducement for the award of a subcontract to a contract of the City. Upon showing that a subcontractor made a kickback to a prime contractor, or a higher tier subcontractor in connection with the award of a subcontract or order there under, it shall be conclusively presumed that the amount thereof was included in the price of the subcontract, or order, and ultimately borne by the City, and will be recoverable hereunder from the recipient. In addition, that amount may also be recovered from the subcontractor making such kickbacks. Recovery from one offending party shall not preclude recovery from other offending parties.

## **ARTICLE III GENERAL TERMS AND CONDITIONS**

### **OVERALL REQUIREMENTS**

Contract shall be governed by the laws of the State of Missouri. In the event of any litigation arising hereunder, venue shall be properly laid only in the State Circuit Court for Clay County, Missouri

The City shall not be obligated for any amounts in excess of the contract and/or RFQ response (bid) unless approved in advance by the City in writing.

The Contract is binding upon the parties, their partners, heirs, successors, assigns and legal representatives.

The Contractor and its subcontractors are independent contractors and are not the employees or agents of the City. Neither the Contractor nor any of its subcontractors shall represent to any person, firm, or corporation that it is an employee or agent of the City and neither shall have the right, authority or power to make or assume any obligation of any kind on behalf of the City or to bind the City in any manner.

The Contractor is prohibited from assigning, transferring, conveying, subletting, or otherwise disposing of this Contract, or any resultant agreement or its rights, title, or interest therein, or its power to execute such agreement, to any other person, company, or corporation, without the previous written approval of the City.

If provided, the Contractor shall return all keys, code cards, unused supplies, other project-related materials, and any other City property to the City upon completion of the contract.

Any contract let in response to this RFQ shall be deemed to incorporate all applicable Missouri Laws and regulations, including but not limited to those set forth in the Laws Section of this RFQ.

### **CONFIDENTIALITY**

All reports, documents and material developed or acquired by the contractor, as a direct requirement specified in the contract, shall become the property of the City. The contractor shall agree and understand that all discussions with the contractor and all information gained by the contractor as a result of the contractor's performance under the contract shall be confidential and that no reports, documentation, or material prepared as required by the contract shall be released to the public without the prior written consent of the City.

(It is preferred that the Bid Response use this Form, however, the City reserves the right to accept Bids which provide the necessary information without using this form)

**RFQ #19-10 INVESTMENT SERVICES PROPOSAL RESPONSE FORM**

I, \_\_\_\_\_, hereby representing  
(Agent Submitting RFQ)

\_\_\_\_\_, have read and reviewed the attached specifications.  
(Firm or Company)

I state the hereby offer meets or exceeds all requirements. All other required information must be attached.

\_\_\_\_\_  
Company Name

\_\_\_\_\_  
Authorized Person (Print)

\_\_\_\_\_  
Address

\_\_\_\_\_  
Signature

\_\_\_\_\_  
City/State/Zip

\_\_\_\_\_  
Title

\_\_\_\_\_  
Telephone

\_\_\_\_\_  
Date

\_\_\_\_\_  
Tax ID No.

\_\_\_\_\_  
E-Mail Address

Attach additional sheets/envelopes addressing the Scope of Services. A separate, sealed dollar cost bid should contain all pricing information relative to performing the services as described in this request for proposal.

## **EXHIBIT 1**

**Title: Investment Policy**  
**Effective Date: June 6, 2018**

### **Section 1 – Purpose**

This policy establishes guidelines for the investment of public funds in a manner which will provide maximum security with the highest investment return.

### **Section 2 – Scope**

This policy applies to all City monies identified as idle, surplus, and reserve, except for cash in any restricted funds. Funds included in the policy include (but are not limited to) the general fund, special revenue funds, and proprietary funds.

Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

### **Section 3 – Objectives**

The primary objectives of the City's investment activities shall be, in order of priority:

1. Legality – The Finance Director will invest the monies identified in Section 2 only within the legal guidelines set forth by the Constitution and Statutes of the State of Missouri.
2. Safety – Safety of principal is the foremost objective of the 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.
  - A. Credit Risk – The City will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:
    - pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business; and
    - diversifying the portfolio with respect to maturity, issuer, and security type so that potential losses on individual securities will be minimized.
  - B. Interest Rate Risk – The City will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:
    - structuring the investment portfolio so that securities mature to meet cash flow requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; and
    - investing operating funds primarily in shorter-term securities.

3. Liquidity – The City's investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in bank deposits or repurchase agreements that offer same-day liquidity for short-term funds.
4. Yield – The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:
  - a security with declining credit may be sold early to minimize loss of principal; or
  - a security swap would improve the quality, yield, or target duration in the portfolio; or
  - liquidity needs of the portfolio require that the security be sold.

#### **Section 4 – Standards of Care**

1. Prudence – All participants in the investment process shall act responsibly as custodians of the public trust. The standard of prudence to be applied 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."
2. Ethics and Conflict 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. 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 which business is conducted on behalf of the City.
3. Delegation of Authority – Authority to manage the investment program is granted to the Finance Director, hereinafter referred to as investment officer. Responsibility for the operation of the investment program is hereby delegated to the investment

officer, who shall act in accordance with the established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery versus payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. 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.

## **Section 5 – Investment Transactions**

1. Authorized Financial Dealers and Institutions – A list will be maintained of financial institutions authorized to provide investment transactions. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness as determined by the investment officer and approved by the governing body. These may include “primary” dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- audited financial statements;
- proof of National Association of Securities Dealers (NASD) certification;
- proof of state registration;
- completed broker/dealer questionnaire; and
- certification of having read and understood, and agreeing to comply with, the City’s investment policy.

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the investment officer.

2. Internal Controls – The City’s investment officer is responsible for establishing and maintaining an internal control structure that will be reviewed annually with the City’s independent auditor. The internal control structure shall be designed to ensure that the assets of the City are protected from loss, theft or misuse and to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgements by management.

The internal controls shall address the following points:

- control of collusion;

- separation of transaction authority from accounting and record keeping;
  - custodial safekeeping;
  - avoidance of physical delivery securities;
  - clear delegation of authority to subordinate staff members;
  - written confirmation of transactions for investment and wire transfers; and
  - development of a wire transfer agreement with the lead bank and third-party custodian.
3. Delivery vs. Payment – All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in eligible financial institutions prior to the release of funds. All securities shall be perfected in the name for the account of the City and shall be held by a third-party custodian as evidenced by safekeeping receipts.

## **Section 6 – Suitable and Authorized Investments**

1. Investment Types – In accordance with and subject to restrictions imposed by current statutes, the following list represents the entire range of investments that the City will consider and which shall be authorized for the investments of funds by the City.
- A. Governmental and Agency Debt – those securities issued by and or guaranteed by the Federal Government or an Agency or Instrumentality of the Federal Government.
- United States Treasury Securities – The City may invest in obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal and interest.
  - United States Agency Securities – The City may invest in obligations issued or guaranteed by any agency of the United States Government as described in Section 6-2 below.
- B. Fixed Income Investments secured by the FDIC insurance and/or Collateral.
- Repurchase Agreements – The City may invest in contractual agreements between the City and commercial banks or primary government securities dealers. The purchaser in a repurchase agreement (repo) enters into a contractual agreement to purchase U.S Treasury and government agency securities while simultaneously agreeing to resell the securities at predetermined dates and prices.
  - Collateralized Public Deposits (Certificates of Deposit) – Instruments issued by financial institutions which state that specified sums have been deposited

for specific periods of time and at specified rates of interest. The certificates of deposit are required to be backed by acceptable collateral securities as dictated by State statute.

- C. Other Fixed Income Debt Issued by Commercial Enterprises – It should be noted that investments in the following instruments require an additional level of care and prudence when undertaken by the Investment Officer. Because these investments are in commercial credits as opposed to governmental credit, or subject to the added safety of collateral, the risk of loss of principal is significantly higher for the following investments than in the four prior categories. Added financial training and education is recommended for the Investment Officer wishing to participate in and/or manage a commercial paper program. Outside professional management of your commercial paper program is highly recommended.
- Bankers Acceptances – Bills of exchange or time drafts on and accepted by a commercial bank, otherwise known as bankers' acceptances. An issuing bank must have received the highest letter and numeral ranking (i.e., A1 / P1) by at least two nationally recognized statistical rating organizations (NRSRO's). Must be issued by domestic commercial banks. Purchases of bankers' acceptances may not exceed 180 days to maturity. No more than 5% of the total market value of the portfolio may be invested in the bankers' acceptances of any one issuer and no more than 25% of the entire portfolio may be invested in banker's acceptances.
  - Commercial Paper – Commercial paper which has received the highest letter and numeral ranking (i.e., A1 / P1) by at least two nationally recognized statistical rating organizations (NRSRO's). Eligible paper is further limited to issuing corporations that have a total commercial paper program size in excess of \$250,000,000 and have long term debt ratings, if any, of "A" or better from at least one NRSRO. Purchases of commercial paper may not exceed 180 days to maturity. Approved commercial paper programs should provide some diversification by industry. Additionally, purchases of commercial paper in the industry sectors that may from time to time be subject to undue risk and potential illiquidity should be avoided. The only asset-backed commercial paper programs that are eligible for purchase are fully supported programs that provide adequate diversification by asset type (trade receivables, credit card receivables, auto loans, etc.) No securities arbitrage programs or commercial paper issued by Structured Investment Vehicles (SIV's) shall be considered. No more than 5% of the total market value of the portfolio may be invested in the commercial paper of any one issuer. No more than 25% of the entire investment portfolio may be invested in Commercial Paper. Commercial paper issuers must be subject to weekly credit reviews and daily news research and analysis and a monitoring program must be established to promulgate best practices credit monitoring.
2. Security Selection – The following list, with definitions and guidelines that should be used in purchasing the instruments, represents the entire range of United States

Agency Securities that the City will consider and which shall be authorized for the investment of funds by the City.

- A. U.S Govt. Agency Coupon and Zero Coupon Securities – Bullet coupon bonds with no embedded options with maturities of five (5) years or less.
  - B. U.S Govt. Agency Discount Notes – Purchased at a discount with maximum maturities of one (1) year.
  - C. U.S Govt. Agency Callable Securities – Restricted to securities callable at par only with final maturities of five (5) years or less.
  - D. U.S Govt. Agency Step-up Securities – The coupon rate is fixed for an initial term. At coupon date, the coupon rate rises to a new higher fixed term. Restricted to securities with final maturities of five (5) years or less.
3. Investment Restrictions and Prohibited Transactions – To provide for the safety and liquidity of the City's funds, the investment portfolio will be subject to the following restrictions:
- borrowing for investment purposes ("Leverage") is prohibited;
  - instruments known as variable rate demand notes, floaters, inverse floaters, leveraged floaters, and equity-linked securities are not permitted. Investment in any instrument, which is commonly considered a "derivative" instrument (e.g. options, futures, swaps, caps, floors, and collars), is prohibited; and
  - contracting to sell securities not yet acquired in order to purchase other securities for purpose of speculating on developments or trends in the market is prohibited.
4. Collateralization – Collateralization will be required on two types of investments: certificates of deposit and repurchase agreements. The market value (including accrued interest) of the collateral should be at least 100%.

For certificates of deposit, the market value of collateral must be at least 100% or greater of the amount of certificates of deposits plus demand deposits with the depository, less the amount, if any, which is insured by the Federal Deposit Insurance Corporation, or the National Credit Unions Share Insurance Fund.

All securities, which serve as collateral against the deposits of a depository institution, must be safekept at a non-affiliated custodial facility. Depository institutions pledging collateral against deposits must, in conjunction with the custodial agent, furnish the necessary custodial receipts with five business days from the settlement date.

The City shall have a depository contract and pledge agreement with each safekeeping bank that will comply with the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989 (FIRREA). This will ensure that the City's security

interest in collateral pledged to secure deposits is enforceable against the receiver of a failed financial institution.

5. Repurchase Agreements – These securities for which repurchase agreements will be transacted will be limited to U.S Treasury and government agency securities that are eligible to be delivered via the Federal Reserve Fedwire book entry system. Securities will be delivered to the City's designated Custodial Agent. Funds and securities will be transformed on a delivery vs. payment basis.

## **Section 7 – Investment Parameters**

1. Diversification – The investments shall be diversified to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:
  - U.S. Treasuries and securities having principal and/or interest guaranteed by the U.S. government (100%);
  - Collateralized time and demand deposits (100%);
  - U.S. Government agencies and government sponsored enterprises (no more than 70%);
  - Collateralized repurchase agreements (no more than 50%); or
  - U.S. Government agency callable securities (no more than 50%).
2. Maximum Maturities – To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Investments in repurchase agreements shall mature and become payable not more than ninety days (90) from the date of purchase. The City shall adopt weighted average maturity limitations that should not exceed three (3) years and is consistent with the investment objectives.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as in bank deposits or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

## **Section 8 – Reporting**

1. Methods – The investment officer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner that will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the governing body of the City. The report will include the following:

- listing of individual securities held at the end of the reporting period;
  - realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration (in accordance with Government Accounting Standards Board (GASB) 31 requirements) [note, this is only required annually];
  - average weighted yield to maturity of portfolio investments as compared to applicable benchmarks;
  - listing of investment by maturity date; and
  - percentage of the total portfolio which each type of investment represents.
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. A series of appropriate benchmarks may be established against which portfolio performance shall be compared on a regular basis.
  3. Marketing 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 to the governing body of the City. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed.

## **Section 9 – Policy Considerations – Exemptions**

Any investment currently held that does not meet the guidelines of this policy shall be exempt from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

## **Section 10 – Listing of Attachments**

The following documents, as applicable, are attached to this policy:

- securities acceptable as collateral to secure deposits;
- listing of authorized personnel;
- relevant investment statutes and ordinances;
- repurchase agreements and tri-party agreements;
- listing of authorized broker/dealers and financial institutions;
- safekeeping agreements;
- wire transfer agreements; or

- sample investment reports.