



FINANCE COMMITTEE

REGULAR MEETING AGENDA

June 1, 2022

5:30 PM

9900 Park Avenue

Firestone, CO 80504

1. **Call to Order & Roll Call**
2. **Pledge of Allegiance**
3. **Approval of Agenda**
4. **Discussion**
 - a. **Audit Presentation**
 - b. **Investment Policy Review**
5. **Adjournment - 6:30 pm**

**AGENDA INFORMATION
MEMORANDUM**

FIRESTONE
TOWN BOARD OF TRUSTEES



AIM#: 4.a

Discussion

Meeting Date: June 1, 2022

Initiated By: Jessica Clanton

Dept: Finance

AGENDA TITLE

Audit Presentation

SUMMARY

Eric Barnes, with Fiscal Focus Partners will be here to discuss how the audit for 12.31.21 went and answer any questions.

HISTORY AND PREVIOUS BOARD ACTION

RECOMMENDATION

ALTERNATIVES

ATTACHMENTS

None

FINANCIAL CONSIDERATIONS

**AGENDA INFORMATION
MEMORANDUM**

**FIRESTONE
TOWN BOARD OF TRUSTEES**



AIM#: 4.b

Discussion

Meeting Date: June 1, 2022

Initiated By: Jessica Clanton

Dept: Finance

AGENDA TITLE

Investment Policy Review

SUMMARY

Jessica Clanton, Finance Director, reviewed the policy and did not note any necessary changes to this Investment Policy. Morgan Stanley, our Investment Management Advisors, also reviewed the policy and confirmed that no changes are necessary at this point. You will note formatting changes so that all policies have a similar look.

HISTORY AND PREVIOUS BOARD ACTION

On January 23, 2020, the Board of Trustees approved the Investment Policy after recommendation by the Finance Committee.

RECOMMENDATION

ALTERNATIVES

ATTACHMENTS

1. FINALINVESTMENTPOLICY_2022 (clean)
2. REDLINEINVESTMENTPOLICY_2022

FINANCIAL CONSIDERATIONS

TOWN OF FIRESTONE INVESTMENT POLICY

ADOPTED JUNE 2022

The Town of Firestone (Town) understands the need to adopt an investment policy to establish parameters and guidelines for the efficient management of the Town's funds and for the purchase and sale of investments. This policy applies to the investments of all funds of the Town. Except for funds held in trust or special funds that are otherwise specifically provided for, the Town will consolidate the balances from all funds to maximize investment earnings and meet the liquidity requirements of the Town subject to the primary objective of providing security of principal amounts. This policy supersedes any and all previous investment policies adopted by the Town. The Town has established the following fiscal policy related to investments.

OBJECTIVES

It is the policy of the Town to invest idle public funds in a manner to meet the daily cash flow demands of the Town with the primary objectives, in priority order, being:

- Liquidity sufficient to meet cash flow requirements as defined by allocation of assets
 - Preservation of Principal
 - Market rate of return commensurate with risk tolerance
-
- **LIQUIDITY** - The investment portfolio shall retain sufficient liquidity to meet all of the Town's operating requirements that may be reasonably anticipated during the annual budget cycle. Investments shall be managed in order to avoid, although not prohibit, the need to sell securities in order to meet anticipated cash flow needs. Since all possible cash demands cannot be anticipated, the investment portfolio should contain a significant quantity of securities with active secondary markets. As such, 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 with one business day's notice.
 - **PRESERVATION OF PRINCIPAL** - Preservation of principal is the next objective for the Town's investment portfolio. The portfolio should be managed in a manner that seeks to ensure stability of the overall investment portfolio by mitigating the following risks:
 - **CREDIT DEFAULT RISK** - The Town will minimize credit default risk, or loss due to the failure of the investment issuer or backer. By monitoring credit risk by restricting the minimum credit ratings on securities that may be purchased and through portfolio diversification, exposure to any one security type or issuer is minimized. As such, the Town shall place reliance upon Nationally Recognized Statistical Rating Organizations (NRSRO) in evaluating credit risk of obligations not issued by the U. S. government and Federal Instrumentality's (Agencies and Government Sponsored Enterprises).
 - **INTEREST RATE RISK** - The Town will minimize its interest rate risk, by employing an asset allocation strategy for portfolio management based on the Town's liquidity needs, structuring the portfolio to: first meet the cash requirements of the Town's ongoing operations, thereby mitigating the need to liquidate securities at a loss prior to maturity. The investment portfolio will be divided into three categories, Cash (overnight liquidity), Core Operating, and Reserves.
 - Cash is available to meet daily and unforeseen liquidity needs.
 - Core Operating is invested to meet budgeted cash demands throughout the fiscal year.

- Reserves are generally not scheduled to spend and may be invested longer term.
- **CONCENTRATION RISK** - The Town will minimize concentrated credit risk, 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.
 - Issuers not described in the preceding paragraph will be limited to 5% portfolio exposure per issuer, to include all security types, i.e. commercial paper, banker's acceptance and corporate debt.
- **RETURN ON INVESTMENT** - 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 described in A. Return on investment is of secondary importance compared to liquidity and preservation of principal. Portfolio investments are limited to relatively low risk securities. Portfolio return objective is a fair, albeit lower, return relative to the risk being assumed. The portfolio return shall be measured vs. a benchmark with characteristics commensurate with the investment policy and asset allocation of the portfolio based on the Town's cash flow requirements; examples include 2 year Constant Maturity Treasury Index, ICE BAML Government and Corporate Indexes and may be blended or modified as the portfolio grows and duration increases, as authorized by the Finance Director.

DELEGATION OF AUTHORITY

Authority to oversee and manage the Town's investment program is granted to the Town's Finance Director. Responsibility for the operation of the investment portfolio may be delegated to Finance Department staff and/or investment advisor, acting in accordance with 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 vs. 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 along with the procedures established by the Finance Director. The Finance Director will be responsible for all investment transactions undertaken and shall establish a system of controls to regulate the activities of any Finance Department staff or the investment advisor.

AUTHORIZED INVESTMENTS

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

- U.S. government obligations, U.S. government agency obligations and U.S. government instrumentality obligations that have an active, liquid market.
- Any U.S. dollar denominated corporate or bank debt issued by a corporation or bank which is organized and operated with the United States with 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. At the time of purchase, the debt must carry at least two credit ratings from any of the nationally recognized credit agencies and must be rated at least "AA- or Aa3" or the equivalent by any two NRSRO credit rating agencies. Concentration in this sector is limited to 30% of the book value of the Town's

investments at the time of purchase, with no more than 5% of the book value concentrated in any single obligor regardless of investment type.

- Commercial paper rated A-1, P-1, or their equivalent by any nationally recognized credit rating agencies. Total portfolio credit exposure shall not exceed 30% of the book value of the Town's investment portfolio with no greater than 5% total portfolio exposure to any single issuer at the time of purchase.
- Securitized Certificates of Deposit, including Yankee CDs, and 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 NRSROs. Total credit exposure including Authorized Investments 2, 3, 4 and shall not exceed 50% of the Town's total portfolio value.
- Repurchase agreements and reverse repurchase agreements may be enacted with approved dealers with whom the Town 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 at least 102%. Securities collateralizing such transactions shall be held by a tri-party custodian.
- Municipal bonds can include the general obligation or revenue bonds of any 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. No security may be purchased pursuant to this paragraph unless, at the time of purchase, the security is rated in one of the three highest rating categories by any NRSRO(A3/A-or better Colorado issuers, AA3/Aa- or non-Colorado issuers)Municipal bonds shall not exceed 25% of the total par value of the Town's investment portfolio.
- Guaranteed investment contracts of domestically-regulated insurance companies having a claims-paying ability rating AAA or its equivalent by any nationally recognized credit rating agencies.
- 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 NRSRO.

INTEREST EARNINGS

Investment income will be allocated to the various funds based on the respective participation of capital in the overall investment portfolio, unless otherwise decided upon by the Finance Director.

INVESTMENT LIMITATIONS

The Town will adhere to the following investment limitations:

- **DIVERSIFICATION** - The Town's investments shall be diversified by:
 - Limit investments in securities from a specific issuer (excluding U.S. Treasury and Government Sponsored Entity (GSE) securities) to 5%.
 - Limit investment in securities to those with minimum credit ratings as follows:
 - AA3/AA- or equivalent corporate and GSE issues
 - A3/A- Colorado state and local government issues
 - To the extent possible, match maturities with cash flow requirements; assure liquidity when needed.
 - Limit portfolio sector concentration to:
 - Maximum 25% municipal securities, 5 year max maturity
 - Maximum 50% corporate issuers, 3 year max maturity
 - Maintain a portion of the Town's investment portfolio in readily available asset classes including local government investment pools (LGIPs), money market funds, overnight

repurchase agreements and marketable securities to ensure that appropriate liquidity is maintained to meet the Town's ongoing obligations.

- **MATURITY** - To the extent possible, the Town shall match its investments with anticipated cash flow needs. Unless matched to a specific cash flow, the Town will not invest in securities with maturities of more than five (5) years from the date of settlement.
- **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 Town to do so. It is the Town's intent to purchase and hold securities until maturity; however, from time to time, it may become necessary to sell a security at a gain or loss in order to meet cash flow requirements or to take advantage of certain exchange advantages for the overall enhancement of the portfolio.
- **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 unless allowed under C.R.S. § 24-75-601, et seq.

REPORTING OF INVESTMENTS

A report containing current investment activity and balances will be provided to the Town Board on a monthly basis unless another frequency (e.g., quarterly) is deemed satisfactory to the Town Board.

POLICY REVIEW

The Finance Director will review the Investment Policy annually in concert with the preparation of the Town's year-end financial statements to ensure that the Town is adhering to the framework outlined in this policy and to statutory requirements for permissible investments of public funds under C.R.S. § 24-75-601, et seq. Furthermore, the Finance Committee and Finance Director will be responsible for reviewing the Investment Policy every two years and will make recommendations for revisions to the policy as deemed appropriate. Adoption and modifications to this policy will require the approval of a simple majority vote by the entire Town Board.

ETHICS AND CONFLICTS OF INTEREST

Town officials and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the Town's investment program or that impairs their ability to make impartial investment decisions. Town officials and employees shall disclose, in accordance with state law, any substantial financial interest they have in financial institutions that conduct business with the Town. Town employees shall notify the Town Manager in writing of any such interest. Board members shall disclose any such interest in accordance with state law.

Drew Peterson, Mayor

Attest: Jessica Koenig, CMC, Town Clerk

~~BOARD OF TRUSTEES ADOPTED POLICY~~
TOWN OF FIRESTONE INVESTMENT POLICY
ADOPTED JUNE 2022

SUBJECT: ~~Investment Policy~~

ISSUE DATE

EFFECTIVE DATE

January 23, 2020

January 23, 2020

INTENT

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POLICY

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- ~~a)~~ Liquidity sufficient to meet cash flow requirements as defined by allocation of assets
 - ~~b)~~ Preservation of Principal
 - ~~c)~~ Market rate of return commensurate with risk tolerance
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- **~~Liquidity~~LIQUIDITY** - The investment portfolio shall retain sufficient liquidity to meet all of the Town's operating requirements that may be reasonably anticipated during the annual budget cycle. Investments shall be managed in order to avoid, although not prohibit, the need to sell securities in order to meet anticipated cash flow needs. Since all possible cash demands cannot be anticipated, the investment portfolio should contain a significant quantity of securities with active secondary markets. As such, 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 with one business day's notice.

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Drew Peterson, Mayor

Clerk

____ Attest: Jessica Koenig, CMC, Town