

ERBM Recreation and Park District Investment Policy

Adopted June 15, 2021 Per Resolution 2021-04

A. Statement of Purpose

The Colorado Revised Statutes § 24-75-601, *et seq.* ("Investment Statute") sets forth detailed rules governing the investment of public funds by the Eastern Rio Blanco Metropolitan Recreation and Park District ("District"). To promote the efficient and effective administration of the District's revenue, the Board of Directors ("Board") adopts this Investment Policy, which complies with the Investment Statute, and promotes the goals and purposes for which the District was formed.

The District's Investment Policy represents the financial boundaries, standards of procedure, and internal controls within which its cash management process will operate. When opportunities for investments are created through the financial planning process, the Investment Committee (Section N, below) shall approve those investments according to this Investment Policy. This Investment Policy supersedes all prior District investment policies, whether written or oral.

B. Scope

This Investment Policy applies to the cash management activities in all District financial funds; provided, however, that this Investment Policy does not apply to funds invested as part of any pension plan, full or supplemental retirement plan, or deferred compensation plan for any District employee, whether administered by the District or contractually administered by a third party. Notwithstanding the foregoing, this exception does not apply to the District's PERA Employer Pension Liability fund, which is a committed cash fund of the District for the purpose of meeting the District's future PERA funding liabilities, but is subject to amendment of purpose or amount at any time by the District Board in accordance with terms of the District's Fiscal Policies. Monies held by the Colorado State Treasurer and Rio Blanco County Treasurer during a tax collection period shall be governed by the State of Colorado and Rio Blanco County investment policies and are not subject to the provisions of this Investment Policy.

C. Investment Objectives

District funds shall be invested in accordance with all Federal, State and local laws, including but not limited to the Investment Statute; this Investment Policy; and any written administrative procedures of the District. The District's principal investment objectives are:

- Preserve District funds in the overall portfolio by avoiding investments that could involve the loss of principal, whether through default of securities or erosion of market value.
- Diversification of investments to avoid incurring unreasonable market risks.
- Maintain sufficient liquidity to enable the District to meet all reasonably anticipated requirements, projected cash flows, and anticipated liabilities.
- Invest all District funds not needed for immediate cash flow purposes to attain a market-rate of return throughout budgetary and economic cycles, taking into account the District's investment risk constraints and the cash flow characteristics of the portfolio.

ERBM Recreation and Park District Investment Policy

Adopted June 15, 2021 Per Resolution 2021-04

D. Limited Delegation of Authority

The District, through its Board, hereby delegates management of the investment program to the Investment Committee (Section N, below) and other staff as may be designated by the Board by Resolution or motion, and referred to in this Investment Policy as "other designated staff". Notwithstanding the foregoing, the Board retains the responsibility and authority to revise and amend the District's Investment Policy from time to time, as it deems appropriate in its sole discretion, and to monitor and direct the Investment Committee with respect to the District's investments, as it may deem appropriate.

E. Investment Prudence

Investments shall be made in accordance with the "prudent person standard" set forth in C.R.S. § 15-1-304; specifically, investments shall be made with reasonable financial 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 safety of principal and the attainment of market-rates of return.

The members of the Investment Committee (Section N, below) and other designated staff, acting in accordance with written procedures and exercising due prudence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectation are reported in a timely fashion, and appropriate action is taken to control adverse developments.

Persons or entities not subject to C.R.S. § 15-1-304 must adhere to the standard set forth in the Uniform Prudent Investor Act, C.R.S. § 15-1.1-101, *et seq.*

F. Ethics and Conflicts of Interest

Employees and investment officials involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair, or create the appearance of impairing, their ability to make impartial investment decisions. Employees and investment officials involved in the investment process shall disclose to the Executive Director, and the Executive Director shall disclose to the other members of the Investment Committee and the Board, any material financial interests in financial institutions that conduct business within the District's jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the District's portfolio.

In addition to the foregoing, if the District invests public moneys through a bank, brokerage firm, or other financial service firm conducting business within Colorado (or any agent thereof) that offers for sale corporate stocks, bonds, notes, debentures, or a mutual fund that contains corporate securities, the investment firm shall disclose in any research or other disclosure documents provided in support of the securities being offered to the District the disclosures required by C.R.S. § 24-75-601.1(2.5).

ERBM Recreation and Park District Investment Policy

Adopted June 15, 2021 Per Resolution 2021-04

G. Authorized Financial Dealers and Institutions

All investment transactions approved by the Investment Committee and initiated by the Executive Director or other designated staff pursuant to Section N, below, must be executed with broker/dealers and financial institutions that have been pre-authorized by the District. The Executive Director will maintain a list of approved broker/dealers and financial institutions authorized to provide investment services in the State of Colorado. This list may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule) and that meet a minimum capital requirement of \$25,000,000.

No public funds shall be deposited except in an eligible public depository as established by Colorado law.

The fact that a broker/dealer seeks to conduct securities business with the District and meets the minimum requirements above is insufficient reason to assume the District will approve such a broker/dealer for purposes of selling or buying securities. The District must satisfy itself that the broker/dealer and the individual agent with whom the District has direct day-to-day contact can demonstrate the prerequisite skill, experience, and reputation to conduct business with the District. Only broker/dealers who can clearly demonstrate this professionalism and business integrity will qualify as financial intermediaries with regard to the District's investment portfolio. Toward that end, a list of prospective broker/dealer's (or agent) qualifications must include, but should not be limited to, registration in good standing with the National Association of Securities Dealers (NASD), and registration in good standing as a registered investment advisor with the Securities and Exchange Commission (SEC).

Each financial institution and/or broker/dealer with whom the District invests may enter into a services agreement with the District in a form approved by the Board. Such services agreement may be for a one-time transaction, or may be for a series of transactions or transactions made on a continuing basis.

H. Investments of Public Funds

1. All terms used in this Section H shall have the meaning set forth in C.R.S. § 24-75-601, *et seq.*, unless the context clearly indicates otherwise.

2. Authorized and Suitable Investments. This Investment Policy permits District funds, other than retirement or pension funds, to be invested in accordance with C.R.S. § 24-75-601.1, as amended, including but not limited to:

- a) Any security issued by, fully guaranteed by, or for which the full credit of the United States Treasury is pledged for payment and, notwithstanding C.R.S. § 24-75-601.1(1.3)(a), inflation indexed securities issued by the United States Treasury. The period from the date of settlement of this type of security to its maturity date shall be

ERBM Recreation and Park District Investment Policy

Adopted June 15, 2021 Per Resolution 2021-04

no more than five years unless the Board authorizes investment for a period in excess of five years.

- b) (I) Any security issued by, fully guaranteed by, or for which the full credit of the following is pledged for payment: The federal farm credit bank, the federal land bank, a federal home loan bank, the federal home loan mortgage corporation, the federal national mortgage association, the export-import bank, the Tennessee valley authority, the government national mortgage association, the world bank, or an entity or organization that is not listed in this section (b), but that is created by, or the creation of which is authorized by, legislation enacted by the United States Congress and that is subject to control by the federal government that is at least as extensive as that which governs an entity or organization listed in this section (b). The period from the date of settlement of this type of security to its maturity date shall be no more than five years unless the Board authorizes investment for a period in excess of five years.

(II) No subordinated security may be purchased pursuant to this section (b).
- c) Any security that is a general obligation 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, provided it meets the requirements set forth in C.R.S. § 24-75-601.1(1)(d)(II).
- d) Any security that is a revenue obligation 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, provided it meets the requirements set forth in C.R.S. § 24-75-601.1(1)(e)(II).
- e) Any security of the investing public entity or any certificate of participation or other security evidencing rights in payments to be made by the investing public entity under a lease, lease-purchase agreement, or similar arrangement.
- f) Any interest in any local government investment pools organized in conformity with C.R.S. § 24-75-701, *et seq.*, which provides specific authority for pooling of local government funds. All pools doing business with the District must have and maintain a Triple-A rating from a nationally recognized independent rating agency.
- g) The purchase of any repurchase agreement concerning any securities referred to in sections (a) or (b) above, that can otherwise be purchased, provided it meets the requirements of C.R.S. § 24-75-601.1(1)(j).
- h) Any reverse repurchase agreement concerning any securities referred to in sections (a) or (b) above, that can otherwise be purchased, provided it meets the requirements of C.R.S. § 24-75-601.1(1)(j.5).

ERBM Recreation and Park District Investment Policy

Adopted June 15, 2021 Per Resolution 2021-04

- i) A securities lending agreement in which the public entity lends securities in exchange for securities authorized for investment in this section, provided it meets the requirements set forth in C.R.S. § 24-75-601.1(1)(j.7).
- j) Any money market fund registered as an investment company under the federal Investment Company Act of 1940, provided that at the time the investing public entity invests in such fund, the requirements of C.R.S. §24-75-601.1(1)(k) are met.
- k) Any guaranteed investment contract, guaranteed interest contract, annuity contract, or funding agreement that at the time of investment meets the requirements of C.R.S. § 24-75-601.1(1)(l).
- l) Any corporate or bank security that is denominated in United States dollars, that matures within three years from the date of settlement, and that at the time of purchase carries at least two credit ratings from any of the nationally recognized statistical ratings organizations, provided it meets the requirements of C.R.S. § 24-75-601.1(m).

3. Unauthorized Investments. Except as expressly provided in Section H(2)(a), above, public funds shall not be invested in a security on which the coupon rate is not fixed, or a schedule of specific fixed coupon rates is not established, from the time the security is settled until its maturity date, other than shares in qualified money market mutual funds, unless the requirements of C.R.S. § 24-75-601.1(1.3) are met.

Examples of items in which the District cannot invest in include:

- Equities – common or preferred stock of corporations;
- Certificates of Deposit in out-of-state banks;
- Real estate;
- Commodity Futures;
- Collateralized Mortgage Obligations, unless issued directly by government agencies;
- Unit investment trusts; and
- Art and other collectibles.

I. Safekeeping and Collateralization

Wire-able investment securities purchased by the District will be delivered by book-entry and held in third party safekeeping. Ownership of all securities shall be evidenced by an acceptable safekeeping receipt issued by a third-party custodian. In most instances, the safekeeping receipts will be issued by the District depository bank and will indicate that the securities are being held by the bank in the District's name.

Other types of non-book entry securities shall be evidenced by a third-party custodian safekeeping receipt and will be physically delivered and held in third-party safekeeping by a Federal Reserve member financial institution approved by the District.

The District's depository bank shall not provide safekeeping services in cases in which the depository bank is a "principal" or "counterpart" in the investment transaction itself. In such

ERBM Recreation and Park District Investment Policy

Adopted June 15, 2021 Per Resolution 2021-04

instances, safekeeping documentation similar to that in the preceding paragraph and which is acceptable to the District, must be provided by an independent third-party custodian. A Custodial Agent Agreement, executed by both the District and the third-party financial institution, shall specifically delineate the custodial role and responsibilities in these situations.

All security transactions entered into by the District shall be conducted on a delivery-versus-payment (DVP) basis.

In addition to the securities which are owned by the District, the Colorado Public Deposit Protection Act (PDPA) requires banks in Colorado which are eligible depositories of public funds to pledge eligible collateral having a market value in excess of one hundred and two (102%) percent of their aggregate uninsured deposits to secure uninsured public funds on deposit with the banks, and marked to market no less frequently than weekly.

All deposits of the District are to be placed only with commercial banks or savings and loan associations which have been designated as eligible public depositories by the Colorado Banking Board, and shall be collateralized through the state collateral pool as required by the PDPA for any amount exceeding FDIC or FSLIC coverage. The District shall keep on file the most recent Statement of Financial Position issued by such bank or savings and loan association.

J. Investment Diversification

It is the District's policy to diversify its use of investment instruments to avoid incurring unreasonable risks of loss inherent in over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The asset allocation in the portfolio should, however, be flexible depending upon the outlook for the economy, the securities market, and the District's anticipated cash flow needs.

K. Investment Maturity Scheduling

Investment maturities for operating funds shall be selected based upon the cash reserve component type of the funds, as provided in the District's approved Fiscal Policies:

- Restricted Funds – shall be invested in such financial accounts appropriate for the specific parameters of each restricted fund balance component, such as CTF and TABOR restricted funds in separate interest bearing cash accounts.
- Committed Funds – shall be invested in such financial accounts, investment vehicles, and/or other investment instruments as will prioritize the liquidity of funds over the investment yield. Such investments may include local bank cash accounts or short-term local government investment pools, such as ColoTrust Prime or ColoTrust Plus+.
- Assigned Funds – shall be invested in such financial accounts, investment vehicles, and/or other investment instruments as may be designated annually by the Board based upon the District's anticipated need for access and liquidity of such funds during the fiscal year.
- Unassigned Funds – shall be invested in such financial accounts, investment vehicles, and/or other investment instruments as will prioritize the investment yield of the funds over their liquidity. Such investments may include longer-

ERBM Recreation and Park District Investment Policy

Adopted June 15, 2021 Per Resolution 2021-04

term bonds, certificates of deposit, or local government investment pools, such as ColoTrust Edge.

Notwithstanding anything herein to the contrary, the period from a security's purchase date to its maturity date shall, in accordance with C.R.S. § 24-75-601.1, be five years or less, unless a longer maturity period is specifically authorized by the Board in writing.

L. Competitive Bidding

Except for new issues of security investments, a competitive process shall take place that ensures at least two bids for all marketable security investments for over 90 days and \$100,000.00. Additionally, the Board may, but is not required to, seek competitive bids for new issues of security investments. The District may place an investment with a local institution that is not the highest bidder, provided the bid is not more than twenty-five basis points below the highest bidder.

M. Internal Controls

The following system of internal controls is established to reasonably prevent loss of public funds through fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions of officers and employees of the District.

- The District's investment accounts shall be held in the name of the District, with the Executive Director named as the manager or administrator of such accounts, and the Administrative Services Manager, or other designated staff, as the second contact person on such accounts. The Executive Director shall supervise the Administrative Services Manager or other designated staff in managing the day-to-day operations of the portfolio, initiating investment transactions, and placing actual purchase/sell orders with institutions, in accordance with the provisions of this Investment Policy. The Administrative Services Manager shall keep accurate records and accountings of the investments held by the District, including account statements and reports, investment transactions and receipts, and decisions and recommendations of the Investment Committee.
- The Administrative Services Manager or other designated staff shall perform reconciliation for each investment account on a monthly basis and report outcomes to the Board on the Balance Sheet, the Statement of Revenues, and the Expenditures Report at the next regularly scheduled Board meeting or as requested by the Executive Director or Investment Committee. Investment portfolio performance summaries shall be reported to the Board on a quarterly basis or as requested by the Executive Director or Investment Committee.
- Cash and/or investment accounts shall be separated in the District's financial software program by financial institution and assigned unique general ledger codes for bank reconciliation, reporting, and auditing.
- The Executive Director or a member of the Investment Committee shall be notified immediately if unusual account activity is observed or flagged by a financial institution and/or investment broker, or when the Administrative

ERBM Recreation and Park District Investment Policy

Adopted June 15, 2021 Per Resolution 2021-04

Services Manager or other designated staff is unable to reconcile an investment account. The Executive Director or member of the Investment Committee shall assess and provide assistance in resolving the issue to the extent possible, and the Investment Committee shall be notified of the issue and its resolution. If the issue is not or cannot be resolved in a satisfactory manner, the Executive Director or member of the Investment Committee shall call a meeting of the Investment Committee to review the issue and determine an appropriate course of action.

N. Investment Committee; Reporting and Review

The District's Fiscal Policies establish an Investment Committee comprised of the Executive Director and two Board members appointed by the Board. Pursuant to the Fiscal Policies, the Investment Committee:

- Shall consider and may make investment decisions on behalf of the Board consistent with the Fiscal Policies, this Investment Policy, and the Colorado Revised Statutes, including the Investment Statute;
- Shall hold such fidelity bonds in such amounts as may be determined by the Board from time to time, the cost of which shall be paid by the District;
- Shall develop investment recommendations for the Board for the ensuing year; and
- Shall transact any other business related to the District's investments and investment accounts, consistent with this Investment Policy.

Meetings of the Investment Committee may be called at the request of any Investment Committee member, the Executive Director, or the Board. The Executive Director shall act as the Chair of the Investment Committee, and shall call and notify all other Investment Committee members of all meetings.

Any Investment Committee member may participate in a meeting by, or the Investment Committee may conduct the meeting through the use of, teleconference, videoconference, or any other means of communication by which all members can hear each other during the meeting. All actions of the Investment Committee shall be made by the vote of at least two members of the Investment Committee present at a meeting. Notwithstanding the foregoing, any action required or permitted to be taken at a meeting of the Investment Committee may be taken without a meeting if a consent in writing, including counterparts, setting forth the action being taken is approved by all of the Investment Committee members and retained in the Investment Committee's records.

O. Savings Clause

To the extent any portion of this Investment Policy is inconsistent with or in violation of any applicable law, that portion shall be revised to the minimum extent necessary to comply with the applicable law(s). If the provision(s) cannot be modified to comply with the applicable law(s), the provision(s) shall not be enforced and shall be severed from the Investment Policy, thereby saving the balance of the Investment Policy from becoming invalid.