

RESOLUTION NO. 2016-10

**A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF
LA PLATA COUNTY, COLORADO, UPDATING THE
LA PLATA COUNTY INVESTMENT POLICY**

WHEREAS, C.R.S. § 30-10-708 provides that the Board of County Commissioners may appoint, by written resolution, a custodian of county funds; and

WHEREAS, C.R.S. § 30-10-708 further provides that the County Treasurer shall deposit all the funds and moneys that come into his possession by virtue of his office in one or more state banks, national banks, or, in compliance with Article 47 of Title 11, C.R.S., savings and loan associations that have been approved and designated by written resolution of the Board of County Commissioners; and

WHEREAS, C.R.S. § 30-10-302 provides that the Board of County Commissioners may establish rules and regulations to govern the transaction of its business; and

WHEREAS, numerous past resolutions adopted by the Board of County Commissioners concerning the La Plata County Investment Policy, including most recently adopted Resolution No. 2015-16 adopted on April 14, 2015, states that the La Plata County Investment Policy will be reviewed, in cooperation with the La Plata County Treasurer, from time to time; and

WHEREAS, the La Plata County Treasurer has recommended that certain changes be made to the existing La Plata County Investment Policy.

**NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF
COUNTY COMMISSIONERS OF LA PLATA COUNTY, COLORADO, AS
FOLLOWS:**

1. The La Plata County Treasurer is hereby appointed as custodian of La Plata County funds.
2. The La Plata County Investment Policy attached as Exhibit A hereto is hereby adopted.
3. The La Plata County Investment Policy will be reviewed, in cooperation with the La Plata County Treasurer, from time to time as necessary or appropriate, to ensure that all County funds are invested with the priorities of legality, safety, liquidity, and yield in mind.
4. This Resolution shall supersede Resolution No. 2015-16 and all other past resolutions concerning the La Plata County Investment Policy.
5. Sections 2-761 through 2-775 of the La Plata County Code are hereby deleted in their entirety and substituted with language contained in Exhibit A hereto.


Return to BCC

**DONE AND ADOPTED IN DURANGO, LA PLATA COUNTY, COLORADO, this
14th day of June, 2016.**

Attest:

Jeanne Reynolds
Clerk to the Board

**BOARD OF COUNTY COMMISSIONERS
LA PLATA COUNTY, COLORADO**



Bradford Blake, Chair

Absent

Julie Westendorff, Vice Chair

Gwen A. Lachelt

Gwen A. Lachelt, Commissioner

LA PLATA COUNTY, COLORADO

INVESTMENT POLICY

La Plata County (the County), located in the southwestern part of Colorado, was incorporated in 1874 and its County Seat is in the City of Durango. The County operates as a statutory county with a 3-member Board of County Commissioners.

The County Treasurer (the Treasurer) is elected to a 4-year term. The Treasurer's duties include receiving and paying monies belonging to the County as well as investing the County's funds in accordance with applicable Colorado State Statutes, CRS 30-10-707 and 30-10-708.

This Investment Policy was adopted June 14, 2016 by Resolution Number 2016-10 of the Board of County Commissioners, La Plata County, Colorado. This Investment Policy replaces any previous Investment Policy or Investment Guidelines of the County.

SCOPE

The following Investment Policy addresses the methods, procedures and practices which must be exercised to ensure effective and judicious fiscal and investment management of the County's funds. This Investment Policy shall apply to the investment management of all financial assets and funds under control of the County except for retirement funds, deferred compensation funds, and debt reserve funds. This Investment Policy shall apply to trust and agency funds, although these funds are not included in general operating funds.

All cash, except for certain restricted and special accounts, shall be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of their respective average balances relative to the total pooled balance.

INVESTMENT OBJECTIVES

The County's funds shall be invested in accordance with all applicable County policies and State and Federal regulations. Funds shall be invested in a manner designed to accomplish the following objectives which are listed in priority order:

- Preservation of capital and protection of investment principal.
- Maintenance of sufficient liquidity to meet anticipated cash flow needs.
- Attainment of a market rate of return.
- Diversification to avoid incurring unreasonable risks.

DELEGATION OF AUTHORITY

Responsibility for conducting investment transactions for the County resides with the County Treasurer. The Deputy Treasurer and other authorized persons may be appointed to assist the Treasurer in performing investment management, cash management or treasury functions. Persons authorized to transact securities business for La Plata County are listed in Annex I of this Investment Policy.

The Treasurer shall establish written administrative procedures for the operation of the County's investment program consistent with this Investment Policy.

The Treasurer may engage the support services of outside professionals. Such services may include engagement of financial advisors in conjunction with debt issuance, portfolio management support, special legal representation, third party custodial services, and independent rating services.

PRUDENCE

The standard of prudence to be used for managing the County's assets is the "prudent investor" rule, which states that a prudent investor "shall exercise the judgment and care, under the circumstances then prevailing, which men of prudence, discretion, and intelligence exercise in the management of the property of another, not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income as well as the probable safety of capital." (CRS 15-1-304, Standard for Investments.)

The County's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The County recognizes that no investment is totally without risk and that the investment activities of the County are a matter of public record. Accordingly, the County recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the County.

The County Treasurer and other authorized persons acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes.

ETHICS AND CONFLICTS OF INTEREST

Elected officials and employees 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 an impairment of their ability to make impartial investment decisions. Employees involved in the investment process shall disclose to the County Treasurer any material financial interest they have in

financial institutions that conduct business with the County, and they shall subordinate their personal investment transactions to those of the County.

ELIGIBLE INVESTMENTS AND TRANSACTIONS

All investments shall be made in accordance with the Colorado Revised Statutes: CRS 30-10-708, et seq. Treasurer - Deposit of Funds in Banks and Savings and Loan Associations; CRS 11-10.5-101, et seq. Public Deposit Protection Act; CRS 11-47-101, et seq. Savings and Loan Association Public Deposit Protection Act; CRS 24-75-601, et seq. Funds - Legal Investments; CRS 24-75-603, et seq. Depositories; and CRS 24-75-701, et seq. Investment Funds - Local Government Pooling. Any revisions or extensions of these sections of the CRS will be assumed to be part of this Investment Policy immediately upon being enacted.

The Treasurer has further restricted the investment of County funds to the following types of securities and transactions:

1. U.S. Treasury Obligations: Treasury Bills, Treasury Notes, Treasury Bonds and Treasury Strips with maturities not exceeding five years from the date of trade settlement.
2. Federal Instrumentality Securities: Debentures, discount notes, callable securities, step-up securities and stripped principal or coupons with maturities not exceeding five years from the date of trade settlement issued by the following only: Federal National Mortgage Association (FNMA), Federal Farm Credit Banks (FFCB), Federal Home Loan Banks (FHLB), and Federal Home Loan Mortgage Corporation (FHLMC). Subordinated debt shall not be purchased.
3. Corporate Bonds: Bonds, notes, debentures and medium-term notes issued by corporations organized and operating within the United States. The County hereby further authorizes investments in dollar denominated securities issued by a corporation or bank that is organized and operating outside of the United States, not to exceed a portfolio allocation of 10% per country. The combined exposure to corporate bonds, commercial paper and eligible bankers acceptances shall not exceed 50% of the portfolio, with no more than 5% held in any one issuer. Subordinated debt shall not be purchased. Maximum maturities for corporate bonds shall not exceed three years from the date of trade settlement. Such securities, at the time of purchase, must be rated at least AA- or the equivalent by at least two Nationally Recognized Statistical Rating Organizations (NRSROs).
4. Prime Commercial Paper issued by U.S. companies with maturities not exceeding 270 days from the date of trade settlement, and rated at least A-1 or the equivalent at the time of purchase by at least two NRSROs. The combined exposure to corporate bonds, commercial paper and eligible bankers acceptances shall not exceed 50% of the portfolio, with no more than 5% held in any one issuer. Subordinated debt shall not be purchased.
5. Eligible Banker's Acceptances with an original maximum maturity not exceeding 180 days from the date of trade settlement, issued on domestic banks or branches of foreign banks domiciled in the U.S. and operating under U.S. banking laws. Eligible

Banker's Acceptances shall be rated A-1 or the equivalent at the time of purchase by at least two NRSROs. The combined exposure to corporate bonds, commercial paper and eligible bankers acceptances shall not exceed 50% of the portfolio, with no more than 5% held in any one issuer. Subordinated debt shall not be purchased.

6. General Obligations and Revenue Obligations of state or local governments with a maturity not exceeding five years from the date of trade settlement. General Obligations and Revenue Obligations of this state or any political subdivision of this state must be rated at the time of purchase at least A- or the equivalent by at least two NRSROs. General Obligations and Revenue Obligations of any other state or political subdivision of any other state must be rated at the time of purchase at least AA- or the equivalent by at least two NRSROs. Exposure to General Obligations and Revenue Obligations shall not exceed 30% of the portfolio with no more than 5% held in any one issuer.
7. Repurchase Agreements with a defined termination date of 180 days or less collateralized by U.S. Treasury obligations and Federal Instrumentality securities listed in items 1 and 2 above, with a maturity not exceeding 10 years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the County's approved Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the transaction. Collateral shall be held in the County's custodial bank as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily.

Repurchase Agreements shall be entered into only with dealers who have executed a Master Repurchase Agreement with the County and who are recognized as Primary Dealers with the Federal Reserve Bank of New York.

8. Local Government Investment Pools authorized under CRS 24-75-701 and CRS 24-75-702 that: 1) are "no-load" (i.e., no commission or fee shall be charged on purchases or sales of shares); 2) have a constant net asset value of \$1.00 per share; 3) limit assets of the fund to those authorized by state statute; 4) have a maximum stated maturity and weighted average maturity in accordance with Federal Securities Law Regulation 2a-7; and 5) have a rating of AAAM or the equivalent.
9. Money Market Mutual Funds registered under the Investment Company Act of 1940 that: 1) are "no-load" (i.e. no commission or fee shall be charged on purchases or sales of shares); 2) have a constant net asset value of \$1.00 per share; 3) limit assets of the fund to securities authorized in this Investment Policy; 4) have a maximum stated maturity and weighted average maturity in accordance with Federal Securities Regulation 2a-7; and 5) are rated either AAAM or the equivalent.
10. Non-negotiable Certificates of Deposit with a maturity not exceeding five years in any state bank, national bank, or state or federal savings bank located in Colorado that is a member of the Federal Deposit Insurance Corporation and is a state approved depository per CRS 24-75-603. Certificates of deposit that exceed FDIC insurance limits shall be collateralized as required by the Public Deposit Protection Act or the Savings and Loan Association Public Deposit Protection Act. In addition,

banks issuing certificates of deposit shall meet the credit criteria set forth in the section of this investment policy, "Selection Of Banks As Depositories And as Providers Of General Banking Services."

Securities that have been downgraded below minimum ratings described herein may be sold or held at the County's discretion. The portfolio will be brought back into compliance with Investment Policy guidelines as soon as is practical.

It is the intent of the Treasurer that the foregoing list of authorized securities be strictly interpreted. Any deviation from this list must be pre-approved by the Treasurer in writing.

INVESTMENT MATURITY AND LIQUIDITY

Investments shall be limited to maturities not exceeding five years from the date of trade settlement unless otherwise approved in writing by the Board of County Commissioners. It is the intent of the County to maintain at least 25% of its total investment portfolio in instruments maturing in 120 days or less.

In the case of callable securities, the first call date shall be used as the maturity date if, in the opinion of the Treasurer, there is little doubt that the security will be called on that call date. The final maturity date shall be used to disclose the maximum maturity liability in the County's financial reports.

INVESTMENT DIVERSIFICATION

It is the intent of the County to diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. The asset allocation in the portfolio should, however, be flexible depending upon the outlook for the economy, the securities market, and the County's anticipated cash flow needs. The aggregate exposure to corporate bonds, commercial paper and bankers acceptances shall not exceed 50% of the portfolio, with no more than 5% held in any one issuer. Exposure to dollar denominated securities issued by a corporation or bank that is organized and operating outside of the United States shall not exceed 10% per country with no more than 5% held in any one issuer. Investments in General Obligations and Revenue Obligations shall not exceed 30% of the portfolio with no more than 5% held in any one issuer.

COMPETITIVE TRANSACTIONS

Each investment transaction shall be competitively transacted with broker/dealers who have been authorized by the County. At least three broker/dealers shall be contacted for each transaction and their bid and offering prices shall be recorded.

SELECTION OF BROKER/DEALERS

The Treasurer shall maintain a list of authorized broker/dealers approved for investment purposes, and it shall be the policy of the County to purchase securities only from those authorized firms. Broker/dealers shall be selected by the Treasurer on the basis of their expertise in public cash management and their ability to service the County's account. To be eligible, broker/dealers must meet at least one of the following criteria:

1. Be recognized as a Primary Dealer by the Federal Reserve Bank of New York,
2. Report voluntarily to the Federal Reserve Bank of New York, or
3. Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

The County may engage the services of an investment advisory firm to assist in the management of the portfolio. Such investment advisors may utilize their own approved list of broker/dealers. Such approved brokers shall comply with the criteria listed above and the list shall be provided to the County on an annual basis or upon request.

In the event that an external investment advisor is not used in the process of recommending a particular transaction for the County's portfolio, each authorized broker/dealer shall submit and annually update a County approved broker/dealer information request form which includes the firm's most recent financial statements and which the Treasurer shall maintain on file.

The County may purchase commercial paper from direct issuers even though they are not on the approved broker/dealer list as long as they meet the criteria outlined in item 4 of the Eligible Investments and Transactions section of this Investment Policy.

SELECTION OF BANKS AS DEPOSITORIES AND AS PROVIDERS OF GENERAL BANKING SERVICES

Banks and savings banks shall be approved by written resolution by the Board of County Commissioners to provide depository and other banking services for the County. To be eligible for authorization, a bank must be a member of the FDIC, shall qualify as a depository of public funds in Colorado as defined in CRS 24-75-603 and must meet the minimum credit criteria (described below) of credit analysis provided by commercially available bank rating services. Banks failing to meet the minimum criteria, or in the judgment of the Treasurer no longer offering adequate safety to County, shall be removed from the list.

The County shall utilize a banking data service to perform credit analysis on banks seeking authorization. The Treasurer shall maintain a file of the most recent credit rating analysis reports performed for each approved financial institution. Credit analysis shall be performed at least semi-annually on all approved banks. A list of approved banks is included in Annex II.

SAFEKEEPING AND CUSTODY

The Treasurer shall approve one or more banks to provide safekeeping and custodial services for the County. A County approved Safekeeping Agreement shall be executed

with each custodian bank prior to utilizing that bank's services. Custodian banks shall be selected on the basis of their ability to provide service to the County's account and the competitive pricing of their safekeeping related services. The Treasurer shall maintain a file of the credit rating analysis reports performed for each custodian bank. Credit analysis shall be performed at least semi-annually on each of them.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. Ownership of all securities shall be perfected in the name of the County. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities purchased by the County will be delivered by book entry and will be held in third-party safekeeping by the County approved custodian bank or the Depository Trust Company (DTC).

All Fed wireable book entry securities owned by the County shall be evidenced by a safekeeping receipt or a customer confirmation issued to the County by the custodian bank stating that the securities are held in the Federal Reserve system in a Customer Account for the custodian bank which will name the County as "customer."

All DTC eligible securities shall be held in the custodian bank's Depository Trust Company (DTC) participant account and the custodian bank shall issue a safekeeping receipt evidencing that the securities are held for the County as "customer."

The authorized custodian shall provide the County with monthly reports of securities held in safekeeping and an account analysis of securities activity.

PORTFOLIO PERFORMANCE

The investment and cash management portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements.

REPORTING

An investment report shall be prepared monthly, listing the investments held by the County, the current market valuation of the investments and performance results. The report shall include a summary of investment earnings during the period.

POLICY REVISIONS

This Investment Policy shall be reviewed periodically and may be amended as conditions warrant. Annexes to this Investment Policy may be updated by the Treasurer as necessary, provided the changes in no way affect the substance or intent of this Investment Policy.

La Plata County Investment Policy
June 14, 2016

Prepared by:

/s/ _____
Allison Aichele
La Plata County Treasurer

Date

Approved by:

/s/ _____
Bradford P. Blake
La Plata Board of County Commissioners

Date

Annex I

Authorized Personnel

The following persons are authorized to transact securities business on behalf of La Plata County, Colorado:

Allison Aichele, Treasurer
Ryan Hagin, Chief Deputy Treasurer

Annex II

Approved Depositories

The following institutions have been approved as depositories and providers of general banking services by La Plata County, Colorado:

Alpine Bank
Bank of Colorado
Bank of the San Juans
The First National Bank of Durango
Vectra Bank Colorado, NA
Wells Fargo Bank, NA