RESOLUTION NO. 1
SERIES 2014

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GUNNISON, COLORADO, ADOPTING AN INVESTMENT POLICY FOR THE CITY OF GUNNISON.

WHEREAS, the City Council has determined that it would be in the best interest of the City of Gunnison to adopt an investment policy for the funds of the City of Gunnison; and

WHEREAS, the City of Gunnison Municipal Home Rule Charter identifies as a duty and function of the Director of Finance to keep and deposit all monies for funds in such manner and only in such places as the Council may determine.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GUNNISON, COLORADO, THAT:

1. The Investment Policy attached hereto and incorporated herein by reference as Exhibit "A" is hereby adopted as the Investment Policy for the City of Gunnison.

2. The Investment Policy attached hereto and incorporated herein by reference as Exhibit "A" supersedes and replaces all prior investment policies for the City of Gunnison, as well as resolutions adopting the same.

INTRODUCED, READ, PASSED AND ADOPTED by the City Council of the City of Gunnison, Colorado, this 28th day of January, 2014.

Mayor Pro Tem

(SEAL)

City Clerk

Exhibit A

CITY OF GUNNISON
INVESTMENT POLICY

POLICY

It is the policy of the City of Gunnison ("the City") to invest public funds in a manner that will provide preservation of capital, meet the daily liquidity needs of the City, diversify the City's investments, conform to all local and state statutes governing the investment of public funds, and generate market rates of return.

This Investment Policy addresses the methods, procedures and practices which must be exercised to ensure effective and judicious fiscal and investment management of the City's funds. It replaces any previous investment policy or investment procedures of the City.

This Investment Policy was adopted by the City Council of the City of Gunnison on January 28th, 2014.

SCOPE

This Investment Policy shall apply to all funds accounted for in the City's Comprehensive Annual Financial Report.

The City consolidates cash balances from all funds to maximize investment earnings, except for the cash in restricted and special funds. Investment income is allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

INVESTMENT OBJECTIVES

The City's principal investment objectives are:

- Preservation of capital and protection of investment principal.
- Maintenance of sufficient liquidity to meet anticipated cash flows.
- Attainment of a market rate of return.
- Diversification to avoid incurring unreasonable market risks.
- Conformance with all applicable City policies, State statutes and Federal regulations.

INVESTMENT ADVISORY BOARD

An Investment Advisory Board shall be appointed by City Council and shall consist of the City Finance Director, the City Manager, a representative from the City Council and two representatives from the community. The community representatives must either live within the City limits or be primarily employed by a local business within the City

limits. The community representatives shall be re-appointed every two years, at the first regular Council meeting in December of odd numbered years. The Investment Advisory Board shall meet semi-annually, during the second and fourth quarters of the year.

DELEGATION OF AUTHORITY

The Finance Director, along with guidance from the Investment Advisory Board, is vested with responsibility for managing the City's investment program and for implementing this Investment Policy. The Finance Director may delegate the authority to conduct investment transactions and to manage the operation of the investment portfolio to other specifically authorized staff members. No person may engage in an investment transaction except as expressly provided under the terms of this Investment Policy.

The Finance Director, along with the Investment Advisory Board, shall establish procedures and internal controls for the operation of the City's investment program, designed to prevent loss of public funds due to fraud, error, misrepresentation and imprudent actions.

The Finance Director, along with the Investment Advisory Board, may engage the support services of outside investment advisors with respect to its investment program, so long as it can be demonstrated that these services produce a net financial advantage or necessary financial protection of the City's financial resources.

PRUDENCE

The standard of prudence to be used for managing the City's investment program is the "prudent investor" standard applicable to a fiduciary, which states that a prudent investor "shall exercise the judgment and care, under 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." (Colorado Revised Statutes 15-1-304, Standard for Investments.)

The City's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The City recognizes that no investment is totally without risk and that its investment activities are a matter of public record. Accordingly, the City 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 City.

The Finance Director and other authorized persons acting in accordance with established procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided appropriate action is taken to control adverse developments and any deviations from expectations are reported to the City Council in the next quarterly financial report.

ETHICS AND CONFLICTS OF INTEREST

City employees and Investment Advisory Board members involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the City's investment program or that could impair or create the appearance of an impairment of their ability to make impartial investment decisions. Employees and investment advisory board members shall disclose to the Finance Director any financial interest[K1] they have in financial institutions that conduct business with the City, and they shall subordinate their personal investment transactions to those of the City.

AUTHORIZED SECURITIES AND TRANSACTIONS

All investments will be made in accordance with the Colorado Revised Statutes as follows: C.R.S. 11-10.5-101, et seq. Public Deposit Protection Act; C.R.S. 24-75-601, et. seq. Funds - Legal Investments; C.R.S. 24-75-603, Depositories; and C.R.S. 24-75-702, Local governments – authority to pool surplus funds. Any revisions or extensions of these sections of the statutes will be assumed to be part of this Investment Policy immediately upon being enacted.

This Investment Policy further restricts the investment of City funds to the following types of securities and transactions:

1. Direct obligations of the United States with a maximum maturity of five years from the settlement date, unless the governing body authorizes a longer maturity period.

2. Obligations of U.S. Government Agencies with a maximum maturity of five years from the settlement date, unless the governing body authorizes a longer maturity period. Specifically mentioned in the law are securities issued by FNMA (federal national mortgage association) "Fannie Mae"; by GNMA (government national mortgage association) "Ginnie Mae"; by FHLMC (federal home loan mortgage corporation) "Freddie Mac"; by the federal farm credit bank; by the federal land bank; by the export-import bank; by the Tennessee valley authority; and by the world bank.

3. Securities of entities or organizations not listed above, but created by, or authorized to be created by legislation of, the U.S. congress where the issuing agency is subject to control by the federal government at least as extensive as that which governs the agencies listed above. The period from the settlement date to its maturity shall be no longer than five years, unless the governing body authorizes a longer maturity period.

4. General obligations of any state of the United States, the District of Columbia, the territorial possessions of the U.S., or political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities. These securities must be rated in the highest two rating categories by two or more nationally recognized rating agencies. The period from the

settlement date to its maturity shall be no longer than three years, unless the governing body authorizes a longer maturity period.

5. Revenue obligations of any state of the United States, the District of Columbia, the territorial possessions of the U.S., or political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental agencies. These securities must be rated in the highest rating category by two or more nationally recognized rating agencies. The period from the settlement date to its maturity shall be no longer than three years.

6. The investing local government's own securities including certificates of participation and lease obligations.

7. Any interest in a local government investment pool pursuant to CRS § 24-75-701, et seq.

8. Repurchase agreements for any of the U.S. Government and agency securities listed in paragraphs one and two above, under certain conditions, including that the securities must be marketable; that the market value of such securities at all times must be at least equal to the funds invested by the investing public entity; and that the title must be transferred and the securities must actually be delivered versus payment. The securities subject to repurchase agreement may have a maturity in excess of five years, however the period from the settlement date of the repurchase agreement to its maturity shall be no longer than five years unless the governing body authorizes a longer maturity period.

9. Reverse repurchase agreements for any of the U.S. Government and agency securities listed in paragraphs one and two above, subject to several conditions, including that necessary transfer documents must be transferred to the investing public entity; cash must be received by the investing public entity in a delivery versus payment settlement; that the market value of such cash received from such reverse repurchase agreement at all times must be at least equal to the funds invested by the investing public entity; that the repurchase agreement is not greater than ninety days in maturity from the date of settlement unless the governing body authorizes a longer maturity period; that the counter-party meets the credit conditions of an issuer that would qualify under paragraph thirteen below; that the value of all securities does not exceed eighty percent of the total deposits and investments of the investing public entity; and that no securities are purchased with the proceeds of the reverse repurchase agreement that are greater in maturity than the term of the reverse repurchase agreement.

10. Securities lending agreement, subject to certain conditions, including that necessary transfer documents must be transferred to the investing public entity; securities must be received by the investing public entity in a simultaneous settlement; that the market value of such securities at all times must be at least equal to the securities lent by the investing public entity; that the counter-party meets the credit conditions of an issuer that would qualify under paragraph thirteen below; and that in the case of a local government, the securities lending

agreement shall be approved and designated by written resolution adopted by a majority vote of the governing body and recorded in its minutes.

11. Certain money market funds. Statutes impose several conditions including: registration of the fund under the federal "Investment Company Act of 1940"; that the fund seeks to maintain a constant share price; the fund charges no sale or load fees unless the governing body of the public entity authorizes such a fee at the time of purchase; the securities have maximum maturity as specified in rule 2a-7 of the federal "Investment Company Act of 1940"; the fund has assets of a certain amount; or has the highest current rating from at least one nationally recognized rating agency; and the dollar-weighted average portfolio maturity meets requirements of rule 2a-7 with additional limitations.

12. Certain guaranteed investment contracts rated in one of the two highest rating categories by two or more nationally recognized securities ratings agencies that regularly issue such ratings; with a maturity not greater than three years; contracts with a maturity of greater than three years shall only be purchased with debt, certificates of participation, or lease-purchase agreement proceeds, but no refunding proceeds.

13. U.S. dollar denominated corporate or bank security, issued by a corporation or bank organized and operating within the United States; the debt matures within three years; at the time of purchase the debt must carry at least two ratings from any nationally recognized statistical ratings organizations. If the security is a money market instrument such as commercial paper or bankers' acceptance, then it must not be rated below "A1, P1, or F1"; any other type of security must not be rated below "AA- or AA3" by either of the two ratings used to fulfill the two rating requirements. The book value of the local government's investment in this type of debt shall at no time exceed 50% of the government's investment portfolio, or five percent of the book value if the debt is issued by a single corporation or bank unless the governing body authorizes a greater percent. No subordinated security may be purchased. No corporate or bank security that is not organized outside of the U.S. may be purchased unless the governing body authorizes such investment.

The foregoing list of authorized securities and transactions shall be strictly interpreted. Any deviation from this list must be pre-approved by the City Council.

The City may, from time to time, issue bonds, the proceeds of which must be invested to meet specific cash flow requirements. In such circumstances and notwithstanding the paragraph immediately above, the reinvestment of debt issuance or related reserve funds may, upon the advice of Bond Counsel or financial advisors, deviate from the provisions of this Investment Policy with the written approval of the Finance Director.

INVESTMENT DIVERSIFICATION

The City shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Nevertheless, the asset allocation in the investment portfolio should be flexible depending upon the outlook for the economy, the securities markets and the City's anticipated cash flow needs.

INVESTMENT MATURITY AND LIQUIDITY

The investment portfolio shall remain sufficiently liquid to meet all cash requirements that may be reasonably anticipated. To the extent possible, investments shall be matched with anticipated cash flows and known future liabilities. Investments shall be limited to maturities not exceeding five years from the date of trade settlement.

SELECTION OF BROKER/DEALERS

The Finance Director shall maintain a list of broker/dealers approved for investment purposes, and it shall be the policy of the City to purchase securities only from those authorized firms.

To be eligible, a firm must meet at least one of the following criteria:

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

The Finance Director, along with the Investment Advisory Board, will select broker/dealers on the basis of their expertise in public cash management and their ability to provide service to the City's account. Each authorized broker/dealer shall be required to submit and annually update a City approved Broker/Dealer Information Request form that includes the firm's most recent financial statements.

The City 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 5 of the Authorized Securities and Transactions section of this Investment Policy.

COMPETITIVE TRANSACTIONS

All investment transactions shall be conducted competitively with authorized broker/dealers. At least three broker/dealers shall be contacted for each transaction and their bid or offering prices shall be recorded. If the City is offered a security for which there is no other readily available competitive offering, quotations for comparable or alternative securities will be documented.

SAFEKEEPING AND CUSTODY

The Finance Director, along with the Investment Advisory Board, shall approve one or more banks to provide safekeeping and custodial services for the City. A City approved safekeeping agreement shall be executed with each custodian bank. Each financial institution that holds City securities in safekeeping is known as a "custodian" bank. The City's safekeeping banks shall qualify as eligible public depositories as defined in C.R.S. 11-10.5-103.

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 City. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities, except non-negotiable Certificates of Deposit, Local Government Investment Pools and Money Market Mutual Funds, purchased by the City will be delivered by either book entry or physical delivery and will be held in third-party safekeeping by the City approved custodian bank, its correspondent bank or the Depository Trust Company (DTC).

All Fed[K2]eral wireable book entry securities shall be evidenced by a safekeeping receipt or a customer confirmation issued to the City 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 City as "customer."

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

The City's custodian will be required to furnish the City a monthly report of safekeeping activity, including a list of month-end holdings.

PERFORMANCE BENCHMARKS

The investment 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. The performance of the investment portfolio shall be compared to the average yield on the U.S. Treasury security that most closely corresponds to the investment portfolio's weighted average effective maturity. When comparing the performance of the investment portfolio, all fees involved with managing it shall be included in the computation of its rate of return net of fees.

REPORTING

The Finance Director will submit a quarterly report to the City Council and the Investment Advisory Board, listing the investments held by the City, book and market values 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 annually by the Finance Director and the Investment Advisory Board and may be amended by the City Council as conditions warrant.