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# Investments

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## INVESTMENTS

Funds not immediately needed for Town operations are invested in securities in accordance with State Statute, the Home Rule Charter, the Code and any applicable ordinances and resolutions enacted by the Town Council. The following schedule summarizes the Town of Frisco's investments as of 10/31/2011; the Town's Investment Policy is also included in this section to provide information regarding the Town's investment objectives, procedures and authorization. This Investment Policy is reviewed and updated annually, as needed.



**Town of Frisco  
Securities Held  
October 31, 2011**

CUSIP	Description	Purchase Date	Rate/Coupon	Maturity/Call Date	Current Par/Original Par	Market Price	Market Value
<b>Cash and Equivalents</b>							
	Colotrust - Plus +	9/30/2011	0.110%		4,977,464.55	100.000	4,997,464.55
	C-Safe	9/30/2011	0.070%		763,927.77	100.000	763,927.77
	Wells Fargo Savings	9/30/2011	0.200%		1,000,549.46	100.000	1,000,719.43
	Solera National Bank	9/30/2011	2.500%		1,342,794.84	100.000	1,342,794.84
	<b>Total</b>				<b>8,084,736.62</b>		<b>8,104,906.59</b>
<b>US Treasury &amp; Instrumentality</b>							
3136FR4E0	FANNIE MAE	9/28/2011	1.250%	9/28/2016	250,000.00	99.682	249,205.00
31331J6P3	FARM CREDIT NOTE	12/28/2010	2.450%	12/28/2015	500,000.00	100.512	501,752.50
	<b>Total</b>				<b>500,000.00</b>		<b>750,957.50</b>
<b>CD Investments</b>							
	Alpine Bank	1/28/2011	0.857%	1/28/2013	263,171.49	100.000	264,862.47
	FirstBank	1/30/2011	0.700%	1/30/2012	258,838.07	100.000	260,048.62
	Wells Fargo (for CDOW)	3/16/2011	0.890%	3/16/2012	2,500.00	100.000	2,506.48
	First Citizens Bank & Trust	5/18/2009	1.500%	11/23/2011	250,000.00	100.000	258,421.85
	Flatirons Bank	5/28/2009	1.800%	11/28/2010	241,589.52	100.000	244,203.46
	<b>Total</b>				<b>1,016,099.08</b>		<b>1,030,042.88</b>
<b>Grand Total</b>							<b>9,885,906.97</b>

# **TOWN OF FRISCO INVESTMENT POLICY**

## **INTRODUCTION AND SCOPE**

The Town of Frisco (“the Town”) adopted a home rule charter on August 1, 1988. The municipal government provided by this Charter is a Council-Manager government. Pursuant to the Home Rule Charter provisions and subject only to limitations imposed by the State Constitution and by this Charter, all powers shall be vested in an elective, seven-member Council (the “Council”) which shall enact local legislation, adopt budgets, determine policies and appoint the Town Manager who shall execute the laws and administer the Town government.

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 Town’s funds. This Investment Policy shall apply to the investment management of all financial assets and funds under control of the Town, except for the retirement and pension funds of the Town. All cash, except for certain restricted funds, shall be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the General Fund and to those Town accounts that have contributed to the pooled funds based on the proportion of their respective average balances relative to the total pooled balance.

This Investment Policy replaces any previous investment policy or investment procedures of the Town.

This Investment Policy complies with the various regulatory requirements under which the Town operates. It was endorsed and adopted by Resolution No. 5-32 of the Town of Frisco’s Town Council on April 26, 2005, and revised on June 26, 2007, April 28, 2009 and July 26, 2011.

## **INVESTMENT OBJECTIVES**

All funds which are held for future disbursement shall be deposited and invested by the Town in accordance with Colorado State Statutes, the Home Rule Charter, Chapter 25 “Investments” of the Code of the Town of Frisco and any ordinances and resolutions enacted by the Town Council in a manner to accomplish the following objectives:

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

## **DELEGATION OF AUTHORITY**

Under Section 25-8 of the Code of the Town of Frisco, Colorado, the Town Manager and Town Finance Director have the authority to conduct investment transactions. The Town Manager and Town Finance Director have the responsibility of administering this investment policy. Other members of the Town’s finance staff may be appointed to assist the Finance Director in the cash management, treasury or investment functions and the Finance Director will submit those staff members names in writing to the Town Manager for approval. Persons who are authorized to transact securities business for the Town are listed in Annex I of this Investment Policy. The Town Council, through the Town’s external auditors, will periodically review the compliance of the cash, treasury, and investment management practices with this Investment Policy.

The Finance Director shall establish written administrative procedures for the operation of the Town’s investment

program consistent with this Investment Policy. The Town's Finance Director 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. The Finance Director will be responsible for ensuring that sufficient liquidity exists to maintain the Town's operations in the event of adverse market conditions or claims.

The Finance Director may engage, with Town Council approval, the support services of outside professionals, so long as it can be demonstrated that these services produce a net financial advantage and necessary financial protection of the Town's resources. Such services may include engagement of financial advisors in conjunction with debt issuance, portfolio management support, special legal representation, third party custodial services, and appraisal of independent rating services.

### **PRUDENCE**

The standard of prudence to be used for managing the Town's assets is the "prudent investor" rule 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 their capital." (Colorado Revised Statutes 15-1-304, Standard for Investments.)

### **ETHICS AND CONFLICTS OF INTEREST**

Officers and employees involved in the investment process shall adhere to the Town's Code of Ethics and shall not engage in personal business activity that could conflict with proper execution of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Town Manager any material financial interest in financial institutions that conduct business with the Town, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Town's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the Town particularly with regard to the timing of purchases and sales. The Town's current Code of Ethics is on file in the Clerk's office.

### **ELIGIBLE INVESTMENTS AND TRANSACTIONS**

All investments will be made in accordance with the Colorado Revised Statutes (CRS) listed in Annex II of this Investment Policy. 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 Town Council has further restricted the investment of Town 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). To be approved, Federal Instrumentality Securities must be rated AAA by either Moody's or Standard & Poor's. The Town will not invest in any of the subordinated debentures issued by the federal instrumentality issuers.

3. Prime Commercial Paper issued by U.S. companies and denominated in U.S. currency with a maturity not exceeding 270 days from the date of purchase. Commercial Paper shall be rated in its highest rating category at the time of purchase by at least two Nationally Recognized Statistical Rating Organizations (NRSROs), and by all NRSROs that rate the obligations. If the commercial paper issuer has senior debt outstanding, the senior debt must be rated not less than A+, A1 or the equivalent by at least two NRSROs, and by all NRSROs that rate the debt. The aggregate amount of securities purchased from any one Commercial Paper issuer shall not exceed 20% of the Town's portfolio.

Any issuer whose short-term ratings are placed on negative watch list by any of the rating agencies will be put on "Hold" status. Issuers on "Hold" status will be ineligible for purchase until a final decision on ratings is made.

4. Eligible Bankers Acceptances with an original maximum maturity not exceeding 90 days, issued by FDIC insured domestic banks or branches of foreign banks domiciled in the U.S. and operating under U.S. banking laws with a minimum of \$250,000 combined capital and surplus. Banker's Acceptances shall be rated at least A1, P-1 or the equivalent at the time of purchase by at least two NRSROs and rated not less by all NRSROs that rate the instrument. If the issuing bank has senior debt outstanding, it shall be rated at the time of purchase AA, Aa2 or the equivalent by at the time of purchase by at least two NRSROs and rated not less by all NRSROs that rate the bank. The aggregate amount of Bankers Acceptances issued by any one bank shall not exceed 20% of the Town's portfolio.
5. Repurchase Agreements with a defined termination date of 180 days or less collateralized by U.S. Treasury and Federal Instrumentality securities listed in items 1 and 2 above with a maturity not exceeding 10 years. Title must transfer to the Town of Frisco or the Town must have a perfected security interest. For the purpose of this section, the term "collateral" shall mean "purchased securities" under the terms of the Town's approved Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102 percent of the dollar value of the transaction. Collateral shall be held in the Town'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 Town and who are recognized as Primary Dealers by the Federal Reserve Bank of New York or have a Primary Dealer within their holding company structure. A list of dealers who have executed a Master Repurchase Agreement with the Town is included in Annex III of this Investment Policy.

Approved counterparties to repurchase agreements shall have at least a short-term debt rating of A-1 or the equivalent and a long-term debt rating of A or the equivalent from one or more NRSROs that regularly rate such obligations.

6. Local Government Investment Pools authorized under 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 per share of \$1.00; 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 Rule 2a-7 of the Investment Company Act of 1940; and 5) have a rating of AAAM by Standard & Poor's, AAA by Moody's or AAA/V-1+ by Fitch.
7. Non-Negotiable Certificates of Deposit in FDIC insured state or national banks or savings banks that are eligible public depositories in Colorado as defined in CRS 11-10.5-103 and that meet the criteria set forth in the section of this Investment Policy, "Selection of Banks." Certificates of Deposit exceeding the FDIC insured amount shall be collateralized in accordance with the Colorado Public Deposit Protection Act.

8. 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 per share of \$1.00; 3) have a maximum stated maturity and weighted average maturity in accordance with Rule 2a-7 of the Investment Company Act of 1940; and 4) are rated either AAAM by Standard & Poor’s, AAA by Moody’s or AAA/V-1+ by Fitch.

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

The Town 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 Town shall diversify its investments 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 Town’s anticipated cash flow needs.

A minimum of 50% of the investable assets of the Town will be maintained in U.S. Treasury Obligations, Federal Instrumentality Securities, Repurchase Agreements and Local Government Investment Pools.

### **INVESTMENT MATURITY AND LIQUIDITY**

Investments shall be limited to maturities not exceeding five years from the date of trade settlement. The weighted average maturity of the total portfolio shall at no time exceed twenty-four months, and the Town shall maintain at least 10% of its total investment portfolio in instruments maturing in 60 days or less.

For purposes of calculating the portfolio’s weighted average maturity, in the case of callable securities, the first call date shall be used as the maturity date for investment purposes in this section if, in the opinion of the Finance Director, there is little doubt that the security will be called prior to maturity. If, in the opinion of the Finance Director, the callable security will go full term to maturity, then that date will be used as the final maturity. In all cases for accounting purposes, however, the final maturity date of the callable securities shall be used as the maturity of the security in order to disclose the maximum maturity liability in the Town’s financial reports.

### **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 and offering prices shall be recorded.

If the Town is offered a security for which there is no other readily available competitive offering, quotations for comparable or alternative securities shall be documented.

## **SELECTION OF BROKER/DEALERS**

The Finance Director shall maintain a list of broker/dealers approved to conduct security transactions with the Town. 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; or
1. Report voluntarily to the Federal Reserve Bank of New York; or
2. Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

Broker/dealers will be selected by the Finance Director on the basis of their expertise in public cash management and their ability to provide service to the Town's account. Each authorized broker/dealer shall be required to submit and annually update a Town approved Broker/Dealer Information Request Form which includes the firm's most recent financial statements. The Finance Director shall maintain a file of the most recent Broker/Dealer Information Forms submitted by each firm approved for investment purposes. Broker/Dealers shall also attest in writing that they have received and reviewed a copy of this Investment Policy. A list of approved Broker/Dealers is included in Annex IV of this Investment Policy.

## **SELECTION OF BANKS**

To be eligible for designation to provide depository and other banking services or for a bank's certificates of deposit to be eligible for purchase, a bank must be a member of the Federal Deposit Insurance Corporation, shall qualify as an eligible public depository in Colorado as defined in CRS 11-10.5-103.

The bank shall file annually with the town of Frisco a declaration of designation as an eligible depository under the provisions of the PDPA, in which all deposits over \$100,000 will be collateralized according to the PDPA.

Banks failing to meet this criteria, or in the judgment of the Finance Director no longer offering adequate safety to the Town, will be removed from the Town's list of authorized banks.

Periodically, the Town may add a new bank to the list of approved banks provided the bank meets the eligibility requirements described above.

A list of approved banks is included in Annex V of this Investment Policy.

## **SAFEKEEPING AND CUSTODY**

The Finance Director shall approve one or more banks to provide safekeeping and custodial services for the Town. A Town approved Safekeeping Agreement shall be executed with each custodian bank prior to utilizing that bank's safekeeping services. To be eligible for designation as the Town's safekeeping and custodian bank, a financial institution shall qualify as an eligible public depository in Colorado as defined in CRS 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 Town, and sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investments, except certificates of deposit, local government investment pools and money market funds purchased by the Town will be delivered by either book entry or physical delivery and will be held in third-party safekeeping by the Town's approved custodian bank, its correspondent bank or the Depository Trust Company (DTC).

All Fed wireable book entry securities owned by the Town shall be evidenced by a safekeeping receipt or a customer confirmation issued to the Town 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 Town 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 Town as “customer.”

All non-book entry (physical delivery) securities shall be held by the custodian bank’s correspondent bank and the custodian bank shall issue a safekeeping receipt to the Town evidencing that the securities are held by the correspondent bank for the Town as “customer.”

The Town’s custodian will be required to furnish the Town monthly reports of safekeeping activity including a list of month-end holdings.

### **PERFORMANCE BENCHMARKS**

The Town’s 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 portfolio shall be compared to the average yield on the U.S. Treasury security that most closely corresponds to the weighted average maturity of the portfolio. All fees involved with managing the portfolio should be included in the computation of the portfolio’s rate of return.

The Finance Director shall present to the Town Council, at least annually, a review of the portfolio’s adherence to appropriate risk levels and a comparison between the portfolio’s total return and the established investment objectives and goals.

## REPORTING

Monthly, the Finance Director shall prepare and submit to the Town Council a report listing the investments held by the Town and the market value of those investments. The report shall include a summary of investment earnings and performance results during the period.

## POLICY REVISIONS

This Investment Policy shall be reviewed periodically by the Finance Director and may be amended by the Town Council as conditions warrant. The data contained in the Annexes to this Investment Policy may be updated by the Finance Director as necessary with the approval the Town Manager provided the changes in no way affect the substance or intent of this Investment Policy.


Approved:

  
Michael Penny, Town Manager

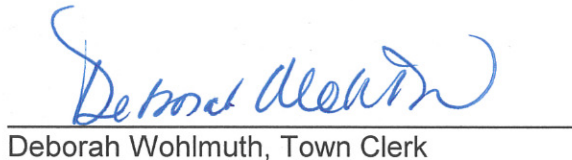
Approved as to legal form:

  
Thad Renaud, Town Attorney

Approved:

  
Bill Pelham, Mayor

Attested by:

  
Deborah Wohlmuth, Town Clerk

Date:

July 26, 2009/11

## **ANNEX I**

### Authorized Personnel

The following persons are authorized to transact investment business and wire funds for investment purposes on behalf of the Town of Frisco:

1. Town Finance Director
2. Town Manager

## **ANNEX II**

### Applicable Statutes

The following Colorado Revised Statutes are applicable to the investment operations of the Town of Frisco:

CRS 11-10.5-101, et seq.,	Public Deposit Protection Act
CRS 24-75-601, et. seq.,	Funds-Legal Investments
CRS 24-75-603,	Depositories
CRS 24-75-702,	Local Governments – authority to pool surplus funds

### **ANNEX III**

#### Master Repurchase Agreement

The following broker/dealers have an executed Master Repurchase Agreement on file with the Town of Frisco:

## **ANNEX IV**

### Approved Broker/Dealers

The following broker/dealers, as revised July 26, 2011, have been approved by the Town of Frisco:

Bank of America Securities  
Citigroup Global Markets, Inc.  
Financial Northeastern Companies  
Fundamental Capital Markets  
J.P. Morgan Securities Inc.  
Mizuho Securities USA Inc.  
Morgan Stanley  
UBS Financial Services Inc.  
Wells Fargo Bank, N.A.  
Multi-Bank Securities, Inc.

## **ANNEX V**

### Approved Depositories

The following depositories, as revised July 26, 2011, have been approved by the Town of Frisco:

Alpine Bank  
Bank of the west  
First Bank  
First Community Bank  
Mile High Banks  
Solera Bank  
US Bank  
Wells Fargo Bank  
Flatirons Bank  
First Citizens Bank  
Colorado Capital Bank  
Multi-Bank Securities

## **GLOSSARY OF TERMS**

### **Banker's Acceptance**

A banker's acceptance (BA) can be defined as a time draft drawn on and accepted by a bank to pay a specified amount of money on a specified date. The draft is a primary and unconditional liability of the accepting bank. Bankers' acceptances typically are created for international trade transactions.

### **Commercial Paper**

Commercial paper (CP) can be defined as a short-term unsecured promissory note issued for a specified dollar amount with a maturity that can be tailored to meet an investor's needs. Notes have maximum maturities of 270 days, with the majority of CP being issued in the 30-50 day range. Most CP is sold at a discount from face value although some can be interest bearing.

### **Federal Agency Securities**

Securities issued by agencies of the U.S. Government such as the Government National Mortgage Association (GNMA or Ginnie Mae), and are backed by the full faith and credit of the United States.

### **Federal Instrumentality Securities**

Securities issued by Government Sponsored Enterprises (GSEs) created by Congress to fund loans to certain groups of borrowers such as homeowners, farmers and students. GSE securities have an implied, but not explicit Federal Government guarantee.

### **Federal Farm Credit Bank (FFCB)**

The FFCB is a network of cooperatively owned lending institutions that provide credit services to farmers and farm-affiliated businesses. The Farm Credit Banks collectively issue consolidated system-wide discount notes, debentures and medium term notes. These securities do not carry direct U.S. government guarantees.

### **Federal Home Loan Bank System (FHLB)**

Created in 1932, the system consists of twelve regional banks, owned by private member institutions and regulated by the Federal Housing Finance Board. The system facilitates extension of credit through its members in order to provide access to housing and to improve the quality of communities. Obligations of the Federal Home Loan Banks do not carry direct U.S. government guarantees.

### **Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)**

FHLMC is a government-chartered corporation established in 1970 to help maintain the availability of mortgage credit for residential housing. FHLMC buys qualified mortgage loans from the financial institutions that originate them, securitizes the loans, and distributes the securities through the dealer community. FHLMC also issues discount notes, debentures and medium term notes that finance the purchase of the mortgages. These securities do not carry direct U.S. government guarantees.

### Federal National Mortgage Association (FNMA or Fannie Mae)

FNMA (Fannie Mae) is a congressionally chartered corporation, chartered in 1938. FNMA purchases conventional mortgages, pools them and sells them as mortgage-backed securities to investors on the open market. FNMA sells debentures, discount notes and medium term notes to investors to finance their purchase of conventional mortgages. These securities do not carry direct U.S. government guarantees.

### Money Market Mutual Funds (MMMFs)

MMMFs are an open-ended mutual fund, which invests only in money market investment instruments. MMMFs are sponsored by private companies and are regulated by and must be registered with the SEC. These funds fall under Investment Company Act of 1940 and they must comply with Rule 2a-7, which governs the credit quality, diversification practices, and maturities of portfolio securities.

### Repurchase Agreement (repo)

A repurchase agreement (repo or RP) is a simultaneous transaction whereby an investor purchases securities (collateral) from a bank or a dealer for cash and the bank or dealer contractually agrees to repurchase the collateral security at the same price (plus interest) at a mutually agreed-upon future date. When the repurchase agreement is executed, the parties agree to a specified interest rate, or repo rate.

### U.S. Treasury Securities (Treasuries)

Treasuries are marketable (negotiable) securities that are issued by the U.S. Treasury and carry the full faith and credit of the U.S. government. They are issued in three types – bills, notes, and bonds. Treasury bills have maturities less than one year, do not have a coupon and are purchased at a discount to par value. Treasury notes and bonds have coupons that pay semi-annual interest and have original maturities of two years or greater.

### U.S. Treasury STRIPS (Separately Traded Registered Interest and Principal Securities)

STRIPS are issued by the Treasury as zero-coupon securities and represent the principal or interest payments from selected Treasury notes and bonds. They carry the full faith and credit of the U.S. government.

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