



2Purchasing Division

ADDENDUM NO. 1

DATE: September 26, 2019
FROM: City of Grand Junction Purchasing Division
TO: All Interested Parties
RE: Banking Services RFP-4687-19-SH

Offerors responding to the above referenced solicitation are hereby instructed that the requirements have been clarified, modified, superseded and supplemented as to this date as hereinafter described.

Please make note of the following:

1. **Question:** When did the City last issue an RFP for Banking Services? Who currently provide these services to the City?
Answer: The incumbent provider is Alpine Bank.
2. **Question:** What is the motivation for issue an RFP now?
 - a) What is working well with your current services?
 - b) What is the biggest pain point with your current services?
 - c) What is most important to the City in a banking relationship?**Answer:** The City is required to re-bid all services on a regular basis. It is time to investigate what other services or technologies are available in the market.
 - a) The City has been extremely satisfied with our current services.
 - b) There is no "pain point".
 - c) An online portal is important. One where statements and transaction data (including copies of deposit slips) can be downloaded, wires/EFTs can be transmitted, and positive pay can be completed.
3. **Question:** Will the city provide Bank & analysis statements for the last 3 months for each deposit account included in the RFP? Will the City also provide account balances for the last 12 months?
Answer: Yes. Please see [Exhibit 1](#) attached to this Addendum document.
4. **Question:** What are your current fees for bank services? When & how are service fees billed and paid?
Answer: The City does not pay any fees for any of our services or products.

5. **Question:** Would the City like to receive monthly collateral receipts for Public Funds accounts?
Answer: No, oversight is already in place as banks are being governed and examined by the Colorado Division of Banking.
6. **Question:** What, if any, seasonality does the City experience in account activity and/or balances?
Answer: There are no seasonal swings or abnormalities.
7. **Question:** What ERP/Accounting system does the City use?
Answer: Tyler ERP/New World ERP.
8. **Question:** How does the City want to get bank information? Is there a preferred format (such as Excel, BAI)?
Answer: The preferred format is PDF monthly statement and CSV/Excel transaction listing.
9. **Question:** How is payroll done (in house, third party)? How often is payroll done?
Answer: Payroll is processed in house every two weeks, 26 times per year.
10. **Question:** Who will be the City contact for implementation?
Answer: This information will be determined upon award.
11. **Question:** What is the City's desired contract term?
Answer: Please see Section 3.6 of the solicitation document. No specified length of term has been defined based on the nature of the resulting contract.
12. **Question:** Would the City be willing to provide a recent analysis statement from your current bank detailing transaction volumes and services rendered? If no, please provide monthly estimates for the following:
- a. Checks Issued
 - b. Stop Payments Issued
 - c. ACH Batches Transmitted and # of ACH Items Originated
 - d. Wires Originated
 - e. Checks deposited
- Answer:** Please see Question 3 for analysis statement.
- a) 920
 - b) 1
 - c) 6 batches with a total of approximately 2,200 items
 - d) 10
 - e) 20,000 checks sent electronically. There are approximately 5,000 accounts that draft from the customer's checking/savings accounts each month
13. **Question:** What is the average consolidated balance in your accounts?
Answer: The average is \$2,000,000.
14. **Question:** Would you be open to proposals from banks that do not have branches in Grand Junction, provided a solution is proposed for local cash handling?
Answer: Yes, all banking organizations are encouraged to respond as long as they can fulfill the requirements of the RFP.

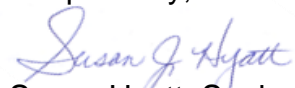
- 15. Question:** Is commercial card included in the scope of this RFP and/or would the City be open to reviewing proposals for card?
Answer: No – commercial card services are not part of this solicitation.
- 16. Question:** Is merchant processing included in the scope of this RFP?
Answer: No – merchant processing is not part of this solicitation.
- 17. Question:** Can you please provide volumes of the services that you're requesting to have quoted in the RFP? A detailed analysis statement would show those volumes if that's available to you from your current bank.
Answer: Please see Questions 3 and 12.
- 18. Question:** What are the dollar amount balances in the account(s) that should be assumed?
Answer: Please see Question 13.
- 19. Question:** Are there any specific optional services that the City would like to know more about in addition to what's quoted in the RFP?
Answer: The City of Grand Junction is open to suggestions if your agency has anything that will enhance the processes noted in the RFP.
- 20. Question:** How many Remote Deposit scanners does the City need? Single or multi-feed?
Answer: The City uses one Remote Deposit scanner.
- 21. Question:** How many items are deposited with Remote Deposit each month?
Answer: Approximately 20,000 per month electronically.
- 22. Question:** How many ACH items (one and two-day) are originated each month? Would the City need to send same-day ACH items? If so, how many each month?
Answer: The City averages approximately 80 – 100 ACH for AP and somewhere between 2,000 – 2,500 ACH for Payroll. None are same-day requirements.
- 23. Question:** How many Positive Pay exceptions does the City have on average each month?
Answer: One.
- 24. Question:** Do you have any additional data you can provide that would show the size and scope of your current banking relationship? We would like to see average balances and volumes on your checking accounts so we can provide the most accurate pricing.
Answer: Please see Questions 3, 12 and 13.
- 25. Question:** We do not have a branch in Grand Junction. We partner with an Armored Car service for cash pickups or cash deposits, will this solution work for City of Grand Junction?
Answer: Please see Question 14.
- 26. Question:** Please provide the current interest rate or earning credit rate provided on the Deposit Account.
Answer: The City of Grand Junction does not currently receive interest on the deposit account.

- 27. Question:** How many remote deposit scanning machines do you currently operate?
Answer: Please see Question 23. The City has one.
- 28. Question:** Do you currently own or lease the remote deposit scanning machine(s)?
Answer: The City owns the machine.
- 29. Question:** Could you please provide the brand, make and model information for the remote deposit scan machine(s) you currently operate?
Answer: Canon CR190i used with Check21 software.
- 30. Question:** Do you currently have an internal Investment Policy that can be shared and provided?
Answer: The City of Grand Junction Investment Policy is **attached as Exhibit 2**.
- 31. Question:** What is the average account balance??
Answer: Please see Questions 3, 12 and 13.
- 32. Question:** Do you utilize lockbox and if yes do we need to include in the proposal?
Answer: No, the City does not utilize a lock box.
- 33. Question:** How many items are processed a month?
Answer: Please see Questions 12, 21, 22 and 23.

The original solicitation for the project referenced above is amended as noted.

All other conditions of subject remain the same.

Respectfully,



Susan Hyatt, Senior Buyer
City of Grand Junction, Colorado

Exhibit 1

The following links show bank and analysis statements for the last 3 months for each deposit account included in the RFP.

1. Ambulance: <http://trimview.gjcity.org/?=soldoc/19593>
2. AP: <http://trimview.gjcity.org/?=soldoc/19594>
3. Compensation: <http://trimview.gjcity.org/?=soldoc/19595>
4. General: <http://trimview.gjcity.org/?=soldoc/19596>
5. PD Investigation: <http://trimview.gjcity.org/?=soldoc/19597>
6. Merchant: <http://trimview.gjcity.org/?=soldoc/19598>
7. Payroll: <http://trimview.gjcity.org/?=soldoc/19599>

The following link shows account balances for the last 12 months.

8. All accounts: <http://trimview.gjcity.org/?=soldoc/19600>

Exhibit 2

CITY OF GRAND JUNCTION INVESTMENT POLICY

- I. Purpose
- II. Scope
- III. General Objectives
- IV. Delegation of Authority
- V. Prudence
- VI. Ethics and Conflict of Interest
- VII. Execution, Safekeeping and Custody
 - a. Executions
 - b. Authorized Financial Dealers and Institutions
 - c. Internal Controls
 - d. Delivery -versus- Payment
- VIII. Suitable and Authorized Investments
- IX. Investment Parameters
- X. Reporting
 - a. Methods
 - b. Performance Standards
 - c. Marking to Market
- XI. Policy
 - a. Exemption
 - b. Amendments

I. PURPOSE

The purpose of this investment policy is to establish the City's official policy regarding the policy's scope, the objectives of the policy, the delegation of authority in regards to making investment decisions, what the City considers to be appropriate standards of prudence, ethics and conflict of interest, safekeeping and custody, and what are suitable and authorized investments and the parameters for those investments, and the reporting on investments and investment results. This policy will establish guidelines for the efficient management of the City's funds and for the purchase and sale of investments.

II. SCOPE

This investment policy supersedes all previous investment policies. This investment policy applies to all investment transactions of the City of Grand Junction, except for certain employee retirement funds that are administered and managed by third party agreements. These pension funds are administered under agreements with outside agencies and are required to comply with specific state statutes concerning plan investments. Specifically, the scope of this policy applies to all transaction and activities in the following funds:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Projects Funds
- Enterprise Funds
- Internal Service Funds
- Trust and Agency Funds
- Any new fund created by the Grand Junction City Council, unless specifically exempted by the Grand Junction City Council.

III. GENERAL OBJECTIVES

City funds will be invested in accordance with this Investment Policy to achieve the following objectives, listed in priority order:

1. *Safety*
Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The goal will be to mitigate credit risk and interest rate risk. As a general rule, investments will be held until maturity but the trading of securities in an attempt to improve investment return through market timing is allowed. The sale of securities prior to maturity is also allowable where the funds are needed to meet the City's cash flow needs, or where there is an identifiable potential for capital loss.
2. *Liquidity*
The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. As a target, no more than 20% of the City's portfolio should be invested in overnight investments unless the yield of longer-term investments is such that it is unattractive to purchase long-term investments. These investments include investment pools

where funds are available within 24 hours. The balance of the investment portfolio shall remain sufficiently liquid to meet all the projected cash flow needs of the City that can be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrently with the cash needs. Since all possible cash flow requirements cannot be anticipated, the portfolio shall consist of those securities with an active secondary market or resale market.

3. *Return*

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints of safety and liquidity needs. The investment portfolio of the City of Grand Junction shall be designed to include income type investments.

Securities shall not be sold prior to maturity unless (1) there is evidence of decline in the quality of the security and an early sale will minimize the loss of principal, (2) a security swap would improve the quality, yield, or target duration in the portfolio or (3) as previously noted, to meet the liquidity needs of the City.

IV. DELEGATION OF AUTHORITY

Authority to manage the investment program is granted to the Internal Services Manager hereinafter referred to as Investment Officer. Other authorized personnel include the Financial Operations Manager hereinafter referred to as the Finance Director, City Manager and any other person or position approved by the City Council.

The Investment Officer shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Investment Policy. All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures in accordance with the City of Grand Junction Charter, Article IX paragraph 72, and The Colorado Revised Statutes 24-75-601 to 605 unless superseded by this written policy. Any conflicts between this policy and the Colorado Revised Statutes shall be decided in favor of this policy. The Investment Officer shall carry out his/her responsibilities through the issuance of procedures and internal controls that are established by the Finance Director and are consistent with this policy statement to assure that the priorities of this policy statement are adhered to. The Finance Director shall establish a system of controls to authorize and monitor all investment activity.

V. PRUDENCE

Investments shall be made applying an industry standard known as the “prudent investor rule”. Under this rule, “investments shall be made with 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 probable safety of their capital as well as the probable income to be derived”.

Investment officers acting in accordance with the written procedures and this investment policy, state law and local ordinances, and exercising due diligence shall be relieved of

personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectation are reported in a timely fashion and appropriate action is taken to control and minimize losses. This action may include selling securities prior to maturity if it appears that there is a substantial risk of loss of capital and that selling a specific security can minimize that risk or to improve overall return on investment.

VI. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could, in any way, conflict with or compromise the proper execution and management of the City of Loveland's investment program, or that could impair their ability to make impartial decisions. These employees and investment officials shall disclose, upon occurrence, any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. These employees and officials are prohibited from undertaking personal investment transactions with the same individual with which business of the City is conducted.

VII. EXECUTION, SAFEKEEPING AND CUSTODY

1. Executions

The responsibility of the execution of security transactions shall rest with such qualified employees as designated by the City Manager. The selection of outside professional investment services shall be made on the basis of a competitive selection process. The competitive selection shall consider factors in addition to commissions/cost profile and the low cost provider will not necessarily be the successful competitor. Nothing in this policy shall limit the City to only one outside investment professional.

Security orders shall be placed on the basis of accepted investment practices. The Investment Officer shall approve investment firms with whom orders may be executed. A periodic review of the capital adequacy and any legal or regulatory discipline imposed on firms with whom transactions may be considered shall be conducted by the Investment Officer and the results reported to the Finance Director. The Investment Officer shall report any changes to the list of approved firms, along with the reasons for the changes, to the Finance Director.

All confirmations of authorized trades of securities will include information on (1) the date of the trade, (2) the securities par value, (3) maturity date of the security, (4) the security's interest rate, (5) the price of the security, (6) the security's yield to maturity, (7) the settlement date of the trade, (8) a description of the security purchased or sold, (9) any agency's name, (10) the amount due or received, and (11) any third party custodial information. All confirmations must be received within three (3) business days after the trade date.

2. Authorized Financial Dealer and Institution

Depositories shall be selected through the City of Grand Junction's banking service procurement process, which shall include a formal request for proposal process to be conducted every five years. In selecting depositories, the credit worthiness of all institutions solicited shall be considered, and the Finance Director shall conduct a thorough and comprehensive review of all-prospective depositories credit characteristics and financial history. References will be required of all prospective depositories.

3. Internal Controls

The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets are protected for loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met.

The concept of reasonable assurance recognizes that (1) the cost of control features should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management.

Accordingly, the Finance Director shall establish a process for annual independent review by the City's external auditor to assure compliance with policies and procedures. The annual review shall address the following points:

- Control of collusion – Collusion is a situation where two or more individuals are working in conjunction with each other to defraud the employer.
- Separation of transaction authority from accounting and recordkeeping – By separating the person who authorizes or performs the transaction from the parties who record or otherwise account for the transaction, a separation of duties is achieved and works to minimize the opportunity for collusion.
- Custodial safekeeping – Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
- Avoidance of physical delivery of securities – Book entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss is increased when securities are physically delivered. For these reasons, actual delivery should be avoided except for extraordinary circumstances, i.e. a contribution to the City made in the form of stocks.
- Clear delegation of authority to others – All staff members must have a clear understanding of their authority and responsibilities to avoid inappropriate or unauthorized actions. Clear delegation of authority is essential to preserve the internal control structure that is dependent on the proper separation of duties among staff members.
- Written confirmation for telephone transactions of investments and wire transfers – Due to the potential for error and/or improprieties arising from telephone transactions, all telephone transactions shall be documented with written confirmation and approved by the appropriate staff member. Written

communications may be via fax if on the City's letterhead and if the safekeeping institution has a list of individuals authorized to make an investment or create a wire transfer.

- Development of a wire transfer agreement with the lead bank or third party custodian – This agreement should outline the various controls, security provisions and delineate responsibilities of each party making and receiving wire transfers.

4. Delivery versus Payment

All trades, where applicable, will be executed by delivery vs. payment. This ensures that securities are deposited in the eligible financial institution prior to the release of the funds. A third party custodian as evidenced by safekeeping receipts will hold securities.

VIII. SUITABLE AND AUTHORIZED INVESTMENTS

Most City funds are scheduled for specific purposes with maturities selected to coincide as closely as possible with the periods in which monies will be spent for their intended purpose, even though new money is coming in to replace the expended funds. Since the nature of the yield curve tends to be positive (i.e. the longer the term of investment the higher the rates that are available) the City will attempt to stagger the maturity dates on investments to meet the anticipated cash flow needs based on a cash flow analysis and the available yield curve information. However, it is the intention of the City to maximize investment return within the constraints delineated in this policy and according to investment marketability and diversification. In maximizing investment return, it is anticipated that specific securities may be sold prior to maturity.

Eligible Investments:

- All investments authorized by C.R.S. 24-75-601.1 and 24-75-702 (exhibit A)
- Fully insured and/or collateralized certificates of deposit of commercial banks who have submitted a letter documenting that they are a Colorado Banking Board Eligible Public Depository
- Interest bearing advances from one city fund to any other city fund
- The following investments will be permitted by this investment policy:

1. United States Treasury and Agency Issues

Eligible Security Description:

Securities that are issued by the United States Treasury or Agencies of the United States Government for which the full faith and credit of the United States Treasury guarantees fully all principal and interest payments.

Credit Rating:

Securities which carry two credit ratings with a minimum rating of AA-/Aa3/AA- respectively from Standard & Poor's, Moody's Investor service, or Fitch. Securities qualified under Section 2a-7 will be investment eligible on the agencies' short-term credit scale, requiring a minimum rating of A1/P1/F1 from the respective rating agencies.

Maturity Risk Restriction:

At the time of purchase, securities must have a maturity of no greater than five years from the date of settlement to the maximum possible maturity date.

Diversification Limit:

Up to 100% of the total portfolio may be invested in securities purchased in United States Treasury and Agency issues.

2. Government Sponsored Enterprises (“GSE”)

Eligible Security Description:

Securities issued by federal government sponsored enterprises (“GSE”) such as, but not limited to the Federal Agricultural Mortgage Corporation, Federal Farm Credit Bank, the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation. These securities are not guaranteed by the full faith and credit of the United States Government, however, they hold an implied federal guarantee.

Credit Rating:

Must be senior debt obligations which carry two credit ratings with a minimum rating of AA-/Aa3/AA- from standard & Poor’s, Moody’s, or Fitch. Securities qualified under Section 2a-7 will be eligible for investing on the agencies’ short-term credit scale, requiring a minimum rating of A1/P1/F1 from Standard & Poor’s, Moody’s or Fitch.

Maturity Risk Restriction:

At the time of purchase, securities must have a maturity no greater than five years from the date of settlement to the maximum possible maturity date.

Diversification Limit:

Up to 75% of the portfolio may be invested in Government Sponsored Enterprises. No more than 35% of the total portfolio may be invested in the securities of any single GSE.

3. State and Local Debt Issues

Eligible Security Description:

General obligation or 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 or any such governmental entities.

Credit Rating:

Obligations which carry a minimum rating of AA-/Aa3/AA- respectively from Standard & Poor’s Moody’s or Fitch. Securities qualified under section 2s-7 will be eligible for investing on the agencies’ short-term credit scale, requirement a minimum rating of A1/P1/F1 respectively from Standard & Poor’s, Moody’s, or Fitch. If a short-term rating has not been assigned, then apply the long-term credit scale. The City may invest in its own bond, lease, or note issues, and those of its downtown development authority without a rating, consistent with existing state law.

Maturity Risk Restriction:

At the time of purchase, such securities must have a maturity no greater than five years from the date of settlement.

Diversification Limit:

Up to 50% of the portfolio may be invested in State and Local Government debt issues. No more than 10% of the total portfolio may be invested in the securities of any single government entity.

4. Corporate Securities

Eligible Security Description:

United States dollar denominated debt instruments issued by a corporation or bank which is organized and operated within the United States and has a net worth in excess of two hundred fifty million dollars.

Credit Rating:

Must be obligations which carry two credit ratings with a minimum rating of A+/A1/A+ respectively from Standard & Poor's, Moody's, or Fitch. Securities which qualify under section 2a-7 will be eligible for investing on the agencies' short-term credit scale, requiring a minimum rating of A1/P1/F1 respectively from Standard & Poor's, Moody's, or Fitch. If a 2a-7 security has no assigned short-term rating, then apply the long-term scale criteria.

Maturity Risk Restriction:

At the time of purchase such securities must have a maturity no greater than three years from the date of settlement to the maximum possible maturity date.

Diversification Limit:

Up to 25% of the portfolio may be invested in Corporate Debt, exclusive of any amount invested in GSE securities. No more than 5% of the total portfolio may be invested in the securities of any single corporation.

5. Local Government Investment Pools (LGIP)

Eligible Security Description:

Any interest in a local government investment pool organized under CRS 24-75-701 et. Seq. To be eligible for investment, a local government investment pool shall have the highest ranking or the highest letter and numerical rating provided by one or more NRSOs.

Maturity Risk Restriction:

At the time of purchase of shares in the LGIP, they must be fully redeemable on the next business day.

Diversification Limit:

Up to 100% of the portfolio may be invested in local government pools with a single pool constituting no more than 50% of the Portfolio.

6. Money Market Funds

Eligible Security Description:

Accounts that pool money from many investors, have a fund manager, and trade the fund's assets in accordance with the fund's objective. The Fund must be actively controlled by a registered investment company under the "Investment Company Act of 1940", as amended, and Securities Exchange Commission rule 2a-7 (17 CFR 270.2a-7). The fund must have assets in excess of one billion dollars, hold only securities eligible under C.R.S. section 24-75-601.1, a maximum maturity no greater than three years, and shares redeemable the next business day.

Credit Rating:

Must carry a minimum rating of AAAm/Aaa respectively from Standard & Poor's or Moody's.

Maturity Risk Restriction:

At the time of purchase, shares must be fully redeemable on the next business day.

Diversification Limit:

Up to 50% of the portfolio may be deposited in Money Market Funds. No more than 20% of the total portfolio may be invested in any single fund.

7. Repurchase and Reverse Repurchase Agreements

Eligible Security Description:

Agreements between a seller and a buyer whereby the seller agrees to repurchase the securities at an agreed upon price and usually at a stated time. Such securities subject to these agreements must have a coupon rate that is fixed from the time of settlement until its maturity date, and must be marketable. The title to or a perfected security interest in such securities, along with any necessary transfer documents, must be transferred to the investing public entity or to a custodian acting on behalf of the investing public entity. Such securities must actually be delivered to a third-party custodian or third-party trustee for safekeeping on behalf of the public entity. The collateral securities of repurchase agreements must be collateralized at no less than one hundred two percent and marked to market no less frequently than weekly. Eligible securities consist of only those referenced in this Section: 1. United States Treasury and Agency Issues and, 2. Government Sponsored Enterprises.

Credit Rating:

The counter-party must carry two credit ratings with a minimum rating of AA-/Aa3/AA- respectively from Standard & Poor's, Moody's, or Fitch. Securities qualified under Section 2a.7 will be eligible for investing on the agencies' short-term credit scale, requiring a minimum rating of A1/P1/F1 respectively from Standard & Poor's Moody's, or Fitch. If a 2a-7 qualified security has no assigned short-term rating, then apply the long-term scale criteria.

Maturity Risk Restriction:

For Repurchase Agreements, at the time of purchase such agreements must have a maturity no greater than one year from the date of settlement to the maximum possible maturity date. The forward delivery period on such securities may not exceed 60 days. For Reverse Repurchase Agreements, at the time of purchase, such agreements must have a maturity no greater than 90 days from the date of settlement to the maximum possible maturity date. Requirements for both Repurchase Agreements and Reverse Repurchase Agreements, at the time of purchase are 1) the forward delivery period on such securities may not exceed 30 days 2) securities must be fully marketable 3) City must have title to or a perfected interest in said securities 4) all required documents must be transferred to acting safekeeping agent 5) securities must be delivered versus payment into the City's safekeeping account 6) securities must be collateralized at no less than one hundred two percent and marked to market value no less frequently than weekly.

Diversification Limit:

Up to 50% of the portfolio may be invested in Repurchase Agreements and up to 20% of the portfolio may be invested in Reverse Repurchase Agreements. No more than 20% of the total portfolio may be invested in either of these agreements with any single counter-party.

8. Deposits in State or Nationally Chartered Depository Institutions

Eligible Security Description:

Such depositories must be participants in the State of Colorado Public Deposit Protection Act (PDPA) collateralization program as defined in C.R.S. Section 11-10.5-103, whereby, the bank must pledge their own securities.

Negotiable Certificates of Deposit

Authorized under C.R.S. Section 24-75.601.1 with an opinion provided by the Colorado Division of Securities: it is legal to invest public funds in Negotiable CD's at any FDIC insured bank with maturities no longer than 5 years from settlement. Negotiable CD's purchased must keep principal and interest payments under the FDIC insurance limit of \$250,000.

Up to 25% of the portfolio may be invested in Negotiable CD's.

Credit Rating:

As depositories are often unrated by nationally recognized credit rating agencies, any deposit and accrued interest above the Federal Depository Insurance Corporation (FDIC) maximum insured amount must be collateralized through the Public Deposit Protection Act. The Colorado Division of Banking and Colorado Division of Financial Services are responsible to monitor and assure adequate collateralization in reserve. For deposits above the FDIC limit and if a long-term credit rating is available from Standard & Poor's, Moody's, and Fitch, on the bank, then a minimum rating of A-/A3/A- respectively is required. If no such rating is assigned, then the bank must carry an acceptable rating from Bauer Financial.

Maturity Risk Restriction:

Demand Deposit, Savings, and Money Market accounts have no final maturity, therefore, can remain on deposit as long as the financial institution retains a Bauer financial rating of two stars for deposits fully insured by the FDIC or three stars for deposits subject to PDPA. All financial institutions must have an Adjusted Risk Based Capital (RBC) greater than eight as reported on their quarterly Call report.

Diversification Limit:

Up to 75% of the portfolio may be deposited in State of Nationally Chartered Depository institutions. No more than 30% of the total portfolio may be invested in any single type of bank instrument (Demand Deposit, Saving, Time Deposit, Money Market) at one depository.

Prohibited Investments:

- Purchases on margin or short sales -
- Derivative securities that are in effect a leveraged anticipation of future movements in interest rates or some price indices –
- Collateralized mortgage obligations due to their complexity and prepayment rate uncertainty –
- Lending securities with an agreement to buy them back after a stated period of time –
- If an eligible investment drops in its credit rating below the required level, the investment will be reviewed for possible retention or sale.

Retention of Investments that fall below required Credit Ratings for Investment:

Should a currently held investment have its credit rating reduced below the level allowed for purchase, a determination must be made to sell or retain the investment. The following actions will be followed to confirm a decision to retain the investment. Otherwise, the investment shall be sold as expeditiously as possible.

- First, an analysis shall be conducted to confirm that the investment remains consistent with the objectives of this investment policy.

- Second, should retention be determined to be the preferred action rather than realizing unacceptable losses, a report detailing those findings shall be provided to the City Manager. Accomplishing this within a reasonable timeframe following the notification of the credit rating downgrade is a goal, but not an inflexible timeline. Exceptional circumstances are within the purview of the City Manager.
- Third, the City Manager may not concur with the recommendation to retain an investment and direct the sale of the investment.
- Fourth, should the City Manager concur with the retention recommendation, the City Council shall be so informed, by communicating the City Manager's position, including the original recommendation and a copy of the report. Council may exercise its normal process to bring the matter before the Council for a Study Session, Special or Regular Meeting.
- This procedure shall apply to any subsequent reduction in the credit rating of an investment. There is no limitation on the number of times an investment may be reviewed using the retention procedures.

IX. INVESTMENT PARAMETERS

1. Diversification –

Investments should be diversified by security type and institution.

2. Maximum maturities –

Investments of the City shall be limited to maturities not to exceed five (5) years, unless specific authority is given by the Grand Junction City Council to exceed that limit. To the extent possible the City will attempt to match its investments with anticipated cash flow needs. Unless matched to a specific cash flow requirement, the City will not directly invest in securities maturing more than five (5) years from the date of settlement.

3. Pooling of City Monies –

For investment purposes, all City monies will be pooled and investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

X. REPORTING

1. Methods

The Investment Official shall prepare an investment report no less than semi-annually, including a succinct management summary that provides a clear picture of the status of the current investment portfolio and transactions made during the preceding period. This management summary will be prepared in a manner that will allow the entity to ascertain whether investment activities during the period are in conformance with this investment policy. The report shall be reviewed and verified by the Budget and Accounting division and provided to the Finance Director, the City Manager and the City Council.

The report will include the following:

- A listing of investments sold prior to maturity and the resulting gains or losses
- A listing of individual securities held at the end of the period in descending order of maturity dates and include the following:
 - The cost basis of the investments
 - The current market value of the investments
 - The current credit rating
 - Unrealized gain or loss
 - The coupon rate of interest
 - The effective yield to maturity
 - The average term of the portfolio as a whole
 - A percentage breakdown of investments by type

Additional performance indicators may be provided to supplement the above information.

2. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified with this policy. On average, the portfolio should obtain a market average rate of return on an annual basis. To measure performance, the portfolio should be compared to appropriate benchmarks on a regular basis.

XI. POLICY

1. Exemption

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy until the security matures or is liquidated. All reinvestments of these funds after the date of this policy will be required to meet the requirements of this policy.

2. Amendment

This policy shall be reviewed on an annual basis and any amendments must be approved by the City Manager.