Investment Policy
City of Grand Junction, Colorado
March 1, 2008

I. Scope

This policy applies to the investment of short-term operating funds, certain bond proceeds, and other recipients of tax or other revenues authorized by Colorado State Statue for the City of Grand Junction [City] to invest. Except for cash in certain restricted and special funds, the Finance Director or duly authorized personnel will consolidate cash balances from all funds to maximize investment earnings.

All funds will be invested 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the City of Grand Junction Charter, Article IX, paragraph 72 and the Colorado Revised Statutes 24-75-601 to 605 unless superseded by this written policy.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.

II. General Objectives

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

1. Safety - Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks the preservation of capital in the overall portfolio. The objective will be to limit credit risk and interest rate risk to a level commensurate with the risks associated with the adopted performance benchmarks.

    A. Credit Risk - The City will limit credit risk, the risk of loss due to the failure of the security issuer or backer, by diversifying the investment portfolio so that potential losses on individual securities will be minimized and by limiting investments to specified credit ratings.

    B. Interest Rate Risk - The City will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by limiting the maximum duration of the portfolio to 3.0 years.

2. Liquidity - The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in money market mutual funds or local government investment pools that offer same-day liquidity for short-term funds.

3. Yield - The investment portfolio shall be designed with the objective of attaining a market rate of return, as measured by specified benchmarks,

throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

A. A security with declining credit may be sold early to minimize loss of principal.

B. A security swap that would improve the quality, yield, or target duration in the portfolio.

C. Liquidity needs of the portfolio require that the security be sold.

III. Standards of Care

1. Prudence - The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. City personnel, acting in accordance with this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported to the City Council in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy. 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.

2. Ethics and Conflicts of Interest – The Finance Director and other authorized personnel shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. These investment officials shall disclose annually, in a written statement, 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. They shall refrain from undertaking personal investment transactions with the same individual(s) with whom business is conducted on behalf of the City.

3. Delegation of Authority - Authority to manage the investment program is granted to the Assistant Finance Director and other authorized personnel, with investment advice from a contracted registered investment advisory firm that specializes in the management of fixed-income public funds. Authorized personnel include the Finance Officer, City Manager and any other person or position approved by the City Council. No person may engage in an investment transaction except as provided under the terms of this policy. The Assistant

Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

IV. Broker Dealers, Safekeeping and Custody

1. Authorized Financial Dealers and Institutions – The City shall list financial institutions consisting of banks and other depository institutions authorized to provide depository and investment services. In addition, a list will be maintained of approved security broker/dealers consisting of "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). Both lists shall be approved by the Board of Directors at least annually.

2. Annual Review - An annual review of the financial conditions and registration of qualified financial institutions and broker/dealers will be conducted by the Investment Advisor under the direction of the City.

3. Delivery vs. Payment - All trades, where applicable, will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution simultaneous to the release of funds. Securities will be held by a third-party safekeeper or custodian as evidenced by safekeeping receipts or custodial statements.

V. Suitable and Authorized Investments

Consistent with the Colorado Revised Statutes the following investments will be permitted by this policy:

1. Authorized Issuers - The criteria for authorized investments is broken down into four sections. Each investment must comply with the provisions of each section. These sections address who can issue authorized investments, what minimum credit ratings these investments must have, what maturity or other limitations apply concerning interest rate risk, and how much of any security may be held. Subject to additional restrictions in this Part V, securities may be held that are issued by:

   A. The United States Treasury and agencies of the United States government - 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 interests payments.

   B. Government Sponsored Enterprises [G.S.E.] - Securities issued by the Federal Farm Credit Bank [FFCB], the Federal Home Loan Mortgage Corporation [FHLMC], the Federal Home Loan Bank [FHLB], the Federal National Mortgage Association [FNMA], the Federal Agricultural Mortgage Corporation [FAMC]. Any other G.S.E. shall be considered as corporate debt for the purposes of this Policy and shall be authorized under the criteria set forth in D, Corporations.

C. State & Local Governments - Taxable general or revenue obligation of any state of the United States, the City of Columbia, or any territorial possession of the United States, or, of any political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities.

D. Corporations - 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.

E. Local Government Investment Pools [LGIP] - Shares in local government investment pools organized and operated per Colorado Revised Statutes.

F. Money Market Mutual Funds - Shares of any money market fund that is registered as an investment company under the federal "Investment Company Act of 1940", as amended. At the time of purchase the money market fund must have a minimum of $1 billion in assets.

G. Repurchase Agreements - Any agreement concerning any securities referred to in paragraph A or B of this Section 1 that can otherwise be purchased under this Policy. 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. Such securities must be delivered to the public entity or 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.

H. Deposits in State or Nationally Chartered Depository Institutions - Such depositories must be participants in the State's Public Deposit Protection Act collateralization program or any deposit will be limited to 90% of the amount insured by the Federal Deposit Insurance Corporation.

I. Limitation on Derivatives - No City funds shall be invested in any security issued by entities authorized in this Section I on which the coupon rate (or a schedule of stepped fixed coupon rates) is not fixed from the time the security is settled until its maturity date, other than shares in qualified money market mutual funds or LGIP, unless the coupon rate is: (I) Established by reference to the rate on a United States treasury security with a maturity of one year or less, or to the United States dollar London Interbank offer rate of one year or less maturity, or to the cost of funds index or the prime rate as published by the federal reserve; and (II) Expressed as a positive value of the referenced index plus or minus a fixed number of basis points. (b) A municipal index may be used for the investment of bond or note accounts from issues with coupons linked to the same index. (c) For purposes of this section, "maturity date" means the last possible date, barring default, that principal can be repaid to the purchaser.

2. Credit Ratings - Securities may be purchased if at the time of purchase the securities meet the following credit quality criteria:

A. United States agencies, so long as these securities hold at least two AAA/Aaa/AAA long-term credit ratings from Standard & Poor's, Moody's or Fitch respectively and neither Standard & Poor's, Moody's or Fitch may rate this security below AAA/Aaa/AAA respectively otherwise any security below this rating shall for the purposes of this Policy be treated as Corporate debt subject to the restrictions of each paragraph D of sections 2 - 4 of this Part V.

B. Government Sponsored Enterprises [G.S.E.] - Authorization of the listed G.S.E. in paragraph B of Section 1 is predicated upon these institutions maintaining at least two AAA/Aaa/AAA long-term credit ratings from Standard & Poor's, Moody's or Fitch respectively. Should any of these credit rating agencies assign a long-term credit rating to any listed G.S.E. below AAA/Aaa, the G.S.E. shall be considered as corporate debt subject to the restrictions of each paragraph D of section 2 - 4 of this Part V.

C. State & Local Governments - At the time of purchase, such securities must carry at least two long-term credit rating of AAA/Aaa/AAA from Standard & Poor's, Moody's or Fitch respectively and neither Standard & Poor's, Moody's or Fitch may rate this security below AAA/Aaa/AAA respectively. If the AAA/Aaa/AAA credit rating was achieved via some form of third party credit enhancement, then the underlying issuer must have two long-term credit rating none of which may be below AA-/Aa3/AA- from Standard & Poor's, Moody's or Fitch respectively.

D. Corporations - At the time of purchase, all non-money market instruments must carry at least two long-term credit ratings from Standard & Poor's, Moody's or Fitch respectively and neither Standard & Poor's, Moody's nor Fitch may rate this instrument below AAA/Aaa/AAA respectively. For money market instruments, which comply with rule 2a7 at the time of purchase, such securities must carry at least two short-term credit ratings and no short-term credit rating my fall below A1+ from Standard & Poor's, P1 from Moody's, or F1+ from Fitch. Should a security's credit rating drop below these standards after purchase, the City's authorized personnel shall act as Prudent Persons, in managing the risks associated with this security, and shall immediately notify the City Council of such an event.

E. Repurchase Agreements - At the time of purchase, the counter-party to any such agreements must carry long-term credit ratings which conform to those required by paragraph D of this section 2.

E. Local Government Investment Pools [LGIP] - At the time of purchase, shares in the LGIP must be fully redeemable on the next business day.

F. Money Market Mutual Funds - At the time of purchase, shares in the money market fund must be fully redeemable on the next business day.

G. 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.

H. Deposits in State or Nationally Chartered Depository Institutions - At the time of purchase, such deposits must have a maturity no greater than three years from the date of settlement to the maximum possible maturity date. The forward delivery period on such securities may not exceed 60 days.

I. Overall Portfolio Interest Rate Risk - At no time may the City purchase any security that would cause the portfolio of the City to have a duration of greater than three years.

4 Diversification Limits - Securities may be purchased if at the time of purchase the securities meet the following diversification criteria:

A. The United States Treasury and Agencies of the United States Government - Up to 100% of the total portfolio may be invested in securities purchased under paragraphs A of this Part V.

B. Government Sponsored Enterprises [G.S.E.] - Up to 80% of the portfolio may by invested in securities purchased on paragraphs B of this Part V. No more than 50% of the total portfolio may be invested in the securities of any single G.S.E.

C. State & Local Governments - Up to 50% of the portfolio may be invested in securities purchased on paragraphs C of this Part V. No more than 10% of the total portfolio may be invested in the securities of any single governmental entity.

D. Corporations - Up to 35% of the portfolio may be invested in securities purchased on paragraphs D of this Part V. No more than 5% of the total portfolio may be invested in the securities or instruments of any single corporation.

E. Local Government Investment Pools [LGIP] - Up to 75% of the portfolio may be invested in securities purchased on paragraphs E of this Part V. No more than 25% of the total portfolio may be invested in the securities of any single LGIP.

F. Deposits in State or Nationally Chartered Depository Institutions - As depositories are often unrated by nationally recognized credit rating agencies, any deposit (inclusive of prospective accrued interest through the term of the deposit) above the maximum amount insured by an agency of the U.S. government must be collateralized through the Public Deposit Protection Act.

G. Post-Purchase Credit Provision - This section applies to all securities held in the City's portfolio. All securities shall have their credit ratings monitored in a periodic fashion. Should a security's credit rating fall below its Credit Rating criterion as specified in the relevant paragraph of this Section 2, it shall be considered as corporate debt subject to the restrictions of each paragraph D of section 2 - 4 of this Part V.

H. Overall Portfolio Credit Risk - At no time may the City purchase any security or deposit that would cause the overall portfolio of the City to have more than 25% of its holdings in unrated securities, or deposits not collateralized under the PDPA, or issues carrying credits ratings below AAA/Aaa/AAA or A1+/P1/F1+ from Standard & Poor's, Moody's or Fitch. If at the time of purchase the overall portfolio is already above this 25% maximum criterion, then no additional securities may be purchased which do not conform to these minimum standards.

3 Interest Rate Risk Restrictions - Securities may be purchased if at the time of purchase the securities meet the following credit quality criteria:

A. The United States Treasury and Agencies of the United States Government - At the time of purchase, securities must have a maturity no greater than of five years from the date of settlement to the maximum possible maturity date. The forward delivery period on such securities may not exceed 60 days.

B. Government Sponsored Enterprises [G.S.E.] - At the time of purchase, securities must have a maturity no greater than of five years from the date of settlement to the maximum possible maturity date. The forward delivery period on such securities may not exceed 60 days.

C. State & Local Governments - At the time of purchase, such securities must have a maturity no greater than of five years from the date of settlement to the maximum possible maturity date. The forward delivery period on such securities may not exceed 60 days.

D. Corporations - 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. The forward delivery period on such securities may not exceed 60 days.