

Centennial Water & Sanitation District

Investment Policy

Centennial Water and Sanitation District (the “District”) is a governmental subdivision of the State of Colorado and a body corporate with those powers of a public or quasi-municipal corporation which are authorized in compliance with C.R.S. Section 32-1-101 et. seq.

Purpose

The purpose of this Investment Policy is to establish the investment objectives, delegation of authority, standards of prudence, eligible investments and transactions, internal controls, reporting requirements, and safekeeping and custodial procedures necessary for the prudent management of District funds which are temporarily in excess of current requirements.

This Investment Policy was adopted by Resolution of the Board of Directors of the District on March 25, 2024.

Scope

The provisions of this Investment Policy shall apply to all financial assets of the District except pension, deferred compensation, other special agency funds identified specifically by Board action, and proceeds restricted by bond documents related to the issuance of bonded indebtedness. Included under the provisions of this Investment Policy are operating funds, debt service funds and capital projects funds (including proceeds from new capital money generated from bond sales), and any other funds not specifically excluded.

In order to effectively make use of the District’s cash resources, all cash, except for those restricted by the Board and special accounts identified pursuant to various agreements, shall be pooled into one investment account and accounted for separately. The investment income derived from this account shall be allocated to the various funds based upon each fund’s respective participation.

Investment Objectives

The District’s funds shall be invested in accordance with all applicable District policies and codes, Colorado statutes, and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:

- Stewardship in the protection and preservation of investment principal.
- Maintenance of sufficient liquidity to meet anticipated disbursements.
- Productive maximization of funds available for investment.
- Attainment of a market rate of return for investment earnings.

Delegation of Authority and Internal Controls

The responsibility for investment of all District funds resides with the Director of Finance and Administration who has been designated the Chief Financial Officer in the Bylaws adopted by the District’s Board of Directors. Persons authorized to transact investment business on behalf of the District are the following:

- General Manager
- Director of Finance and Administration
- Manager of Revenue and Assets
- Financial & Budgeting Analysis Manager

The General Manager, with the approval of the District Treasurer, may delegate the authority to transact investment business to additional District personnel for a period not to exceed 60 days. A list of the names of persons authorized to conduct investment transactions on behalf of the District is included as Annex I to this Investment Policy.

The Director of Finance and Administration shall establish and maintain written administrative procedures and internal controls for the operation of the District's investment program which are consistent with this Investment Policy. Authority to establish accounts necessary to facilitate the investment and safekeeping of District funds is delegated to the Director of Finance and Administration and the Treasurer, provided that the investments and delivery thereof are consistent with the Investment Policy and Procedures adopted by Resolution of the District's Board of Directors.

The District may engage the support services of outside professionals. Such services may include portfolio management, special legal representation, third party custodial services and appraisals by independent credit rating services.

Prudence and Standards for Investment

The standard of prudence to be used for managing the District'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." (CRS 15-1-304, Standard for Investments.)

The District's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The District recognizes that no investment is totally free of risk and that the investment activities of the District are a matter of public record. Further, the District 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 this Investment Policy has been followed and that the sale of a security prior to maturity is in the best long-term interest of the District.

Personnel acting in accordance with this Investment Policy and written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price change or other loss in accordance with the District's Indemnification Policy in effect at the time pursuant to the District Bylaws.

Ethics and Conflicts of Interest

Elected officials and employees involved in the investment process and outside professionals retained for portfolio management services shall refrain from personal business activity that could conflict with proper execution of the investment program, or create the appearance of an impairment of their ability to make impartial investment decisions. Employees and investment officials shall disclose to the General Manager any material financial interest they have in financial institutions that conduct business with the District, and they shall subordinate their personal investment transactions to those of the District. Employees shall comply with the District's personnel policy and practices relating to conflicts of interest.

Authorized Investments

All investments for the District shall be made in accordance with the Colorado Revised Statutes (C.R.S.) 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, et seq., Depositories; and C.R.S. 24-75-701 and 702, et seq., Investment Funds – Local Government Pooling. Any revisions or extensions of these sections of the C.R.S. will be assumed to be part of this Investment Policy immediately upon being enacted.

The following investment parameters shall apply to all of the District’s portfolios (the “Portfolio”) in the aggregate.

The ratings requirements outlined in this section are those as published by Standard & Poor’s (“S&P”), a Nationally Recognized Statistical Rating Organization (“NRSRO”). Securities purchased may be rated by Standard & Poor’s, Moody’s Investors Service, or Fitch Ratings, therefore, the ratings equivalents of those referenced by S&P are listed below:

LONG-TERM RATINGS		
Standard & Poor's	Moody’s Investors Service	Fitch Ratings
AAA	Aaa	AAA
AA+	Aa1	AA+
AA	Aa2	AA
AA-	Aa3	AA-
A+	A1	A+
A	A2	A
A-	A3	A-

SHORT-TERM RATINGS		
Standard & Poor's	Moody’s Investors Service	Fitch Ratings
A-1+	P-1	F1+
A-1	P-1	F1

POOL RATINGS		
Standard & Poor's	Moody’s Investors Service	Fitch Ratings
AAAm	Aaa	AAAmmf
AAAf	Aaa-bf	AAAf

Only the following types of securities and transactions shall be eligible for use by the District:

1. U.S. Treasury Obligations: Treasury Bills, Treasury Notes, Treasury Bonds and U.S Treasury Strips or those securities for which the full faith and credit of the United States are pledged for the payment of principal and interest with maturities not exceeding five years from the date of trade settlement. 100 percent of the Portfolio may be invested in U.S. Treasury Obligations.
2. Federal Agency and Instrumentality Securities: Any security issued by, fully guaranteed by, or for which the full credit of the following is pledged for payment: The federal farm credit bank, the federal land bank, a federal home loan bank, the federal home loan mortgage corporation, the federal national mortgage association, the export-import bank, the Tennessee Valley Authority, the government national mortgage association, the world bank, or an entity or organization that is not listed in this paragraph but that is created by, or the creation of which is authorized by, legislation enacted by the United States congress and that is subject

to control by the federal government that is at least as extensive as that which governs an entity or organization listed in this paragraph. Such securities must be rated at least AA- or the equivalent at the time of purchase by at least two NRSROs and have a final maturity not exceeding five years from the date of trade settlement. Subordinated debt shall not be purchased. 100 percent of the Portfolio may be invested in Federal Agency and Instrumentality Securities, but the District shall limit investments in a single issuer to 35 percent of the Portfolio.

3. Repurchase Agreements with maturities of 90 days or less collateralized by U.S. Treasury Securities listed in 1 above or Federal Agency and Instrumentality Securities listed in 2 above with maturities not exceeding ten years.

The collateral shall have a minimum market value (including accrued interest) of 102 percent of the dollar value of the transaction.

Collateral shall be held by the District's custodian 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 broker/dealers recognized as a primary dealer by the Federal Reserve Bank of New York, or with firms that have a primary dealer within their holding company structure, who have executed an approved Master Repurchase Agreement with the District. Approved Repurchase Agreement counterparties shall have a short-term credit rating of at least A-1 or the equivalent and a long-term credit rating of at least A or the equivalent by each NRSRO that rates the firm, at the time of purchase. 100 percent of the Portfolio may be invested in repurchase agreements but the District shall limit investments with a single counterparty to 35 percent of the Portfolio.

4. Commercial Paper issued by any corporation or bank organized and operating within the United States and with an original maturity of 270 days or less from date of trade settlement. Such securities shall be dollar-denominated and rated at least A-1 or the equivalent at the time of purchase by at least two NRSROs that rate the commercial paper. The District shall limit investments in Commercial Paper to no more than 35 percent of the total Portfolio and 5 percent per issuer.
5. Corporate Debt with a maturity not exceeding three years from the date of trade settlement, issued by any corporation or bank organized and operating within the United States. Such securities shall be dollar-denominated and rated at least AA- or the equivalent at the time of purchase by at least two NRSROs. The District shall limit investments in Corporate Debt to no more than 35 percent of the total Portfolio and 5 percent per issuer.
6. General Obligations and Revenue Obligations of state or local governments with a final maturity not exceeding five years from the date of trade settlement. Such obligations of Colorado (or any political subdivision, institution, department, agency, instrumentality, or authority of the state) shall be rated at least A- or the equivalent at the time of purchase by at least two NRSROs. Such obligations of any other governmental entity shall be rated at least AA- or the equivalent at the time of purchase by at least two NRSROs.

The District shall limit investments in General and Revenue Obligations to no more than 35 percent of the total Portfolio and 5 percent per issuer.

7. Bankers Acceptances with maturities not exceeding 180 days from the date of trade settlement, issued by FDIC insured state or national banks. Bankers Acceptances shall be rated at least A-1 or the equivalent at the time of purchase by at least two NRSROs. The District shall limit investments in Eligible Bankers Acceptances to no more than 35 percent of the total Portfolio and 5 percent per issuer.
8. Local Government Investment Pools (“LGIP”) organized pursuant to the provisions of Article 75, Title 24, Part 7 of C.R.S. 100 percent of the Portfolio may only be invested in LGIPs that have policies which seek to maintain stable net asset value and a maximum weighted average maturity of 60 days. The Board shall approve the use of specific local government investment pools.
9. Money Market Mutual Funds registered under the Investment Company Act of 1940 that are "no-load" (i.e. no commission or fee shall be charged on purchases or sales of shares); seek a constant daily net asset value per share of \$1.00; have a maximum stated maturity and weighted average maturity in accordance with Rule 2a-7 of the Investment Company Act of 1940; and have a rating of AA+ or the equivalent by any NRSRO. Board approval shall be required for the use of specific Money Market Funds except for those offered by a commercial bank at which the District maintains accounts for which approval is automatically granted if it meets the above requirements. 100 percent of the Portfolio may be invested in money market mutual funds.
10. Negotiable Certificates of Deposit (“Negotiable CDs”) with a maturity not exceeding three years from the date of trade settlement and issued by any bank organized and operating within the United States. Negotiable CDs must be dollar-denominated and must, at the time of purchase, have either a) a long-term rating of at least AA- or the equivalent by at least two NRSROs, or b) short-term ratings of at least A-1 or the equivalent by at least two NRSROs. The District shall limit investments in Negotiable CDs to no more than 35 percent of the total Portfolio and 5 percent per issuer.

The foregoing list of authorized securities and transactions shall be strictly interpreted. Securities held by the District that have been downgraded to a level that is below the minimum ratings described herein may be sold or held at the District’s discretion. The Director of Finance and Administration shall notify the Board of any such downgrade and the recommended course of action. The Portfolio will be brought back into compliance with Investment Policy guidelines as soon as is practical.

Investment Diversification

It is the intent of the District to diversify the investments within its Portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, corporations, or maturities. The asset allocation in the Portfolio should, however, be flexible depending upon the outlook for the economy, the securities market, and the District’s anticipated cash flow needs. The District will limit the combined total of investments in Commercial Paper, Bankers Acceptances, Corporate Debt and Negotiable CDs to 50% of the Portfolio.

Investment Maturity and Liquidity Requirements

To the extent possible, investments shall be matched to anticipated cash flow requirements. The Director of Finance and Administration shall maintain sufficient liquidity in the Portfolio to meet anticipated disbursements. Investments shall be limited to maturities not exceeding five years from the date of trade settlement.

Competitive Transactions

Each investment transaction shall be competitively transacted with authorized broker/dealers. Whenever possible, at least three broker/dealers or issuers shall be contacted for each transaction and their bid and offering prices shall be recorded.

If the District is offered a security for which there is no other readily available offering, quotations on comparable or alternative securities shall be recorded.

Selection of Depository and Custodial Banks

The Board shall approve and the Director of Finance and Administration shall maintain a list (included as Annex II to this Investment Policy) of commercial banks approved to provide depository, custodial and other banking services for the District. To be considered eligible, a bank must be a member of the FDIC; must qualify as a depository of public funds in the State of Colorado, as defined in C.R.S. 24-75-603 as evidenced by a Certificate issued by the State Banking Board, and shall collateralize all deposits in excess of FDIC coverage as required by the Colorado Public Deposit Protection Act.

Selection of Broker/Dealers

It shall be the policy of the District to purchase securities only from authorized broker/dealers. To be eligible, a firm must meet at least one of the following criteria:

Broker/Dealer 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
2. Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

If the District does not engage the services of a professional investment advisory firm to assist in the management of the District's portfolio, broker/dealers will be selected by the Director of Finance and Administration as follows:.

1. Consideration will be given to Colorado domiciled broker/dealers, however selection will ultimately be on the basis of their expertise in public cash management and their ability to provide timely, economical and efficient services and transaction processing for the District's account.
2. If selected directly by the Director of Finance and Administration, approved broker/dealer representatives and the firm they represent shall be licensed to do business in the State of Colorado and as such are subject to the provisions of the Colorado Revised Statutes, including but not limited to CRS 24-75-601.
3. If the District engages the services of a professional investment advisory firm to assist in the management of the District's Portfolio and to purchase and sell investment securities in accordance with this Policy the Director of Finance and Administration may authorize the investment advisory firm to utilize their own approved list of broker/dealers. Such approved broker/dealer list shall comply with the Broker/Dealer Criteria listed above and shall be provided to the District as requested.
4. If selected directly by the Director of Finance and Administration each authorized broker/dealer shall be required to submit and annually update a District approved Broker/Dealer Information Request form, including the firm's most recent financial statements, and which the Director of Finance and Administration shall maintain on file.

5. In the event that an external professional investment advisory firm is not used in the process of recommending a particular transaction for the District's Portfolio, authorized broker/dealers shall attest in writing that they have received a copy of this policy.

The District may purchase Commercial Paper from direct issuers even though they are not on the approved list of broker/dealers as long as they meet the criteria outlined in Item 4 of the Authorized Investments section of this Investment Policy.

Safekeeping and Custody

Investment securities purchased for the District will be delivered by book entry or physical delivery and held in third party safekeeping by a Federal Reserve member financial institution designated as the District's custodian bank. To be eligible for designation, a bank shall meet the criteria described in the Selection of Depository and Custodial Banks Section of this Investment Policy. The District shall execute a written Safekeeping Agreement with each custodian bank, prior to utilizing that bank's safekeeping services.

Custodian banks will be selected on the basis of their ability to provide services for the District's account and the competitive pricing of their safekeeping related services.

It is the intent of the District that all purchased securities be perfected in the name of the District. Sufficient evidence to title shall be consistent with modern investment, banking, and commercial practices.

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

All fed wireable book entry securities owned by the District shall be evidenced by a safekeeping receipt, issued to the District by the custodian bank stating that the securities are held in the Federal Reserve system in a "customer account" for the custodian bank which names the District as "customer."

All non-fed wireable securities shall be held by the custodian bank's correspondent bank or the bank's participant account with the Depository Trust Company (DTC) and the custodian bank shall issue a safekeeping receipt to the District evidencing that the securities are held by the correspondent bank or the DTC for the District.

Reporting Requirements

The Director of Finance and Administration shall cause to be prepared for the District Treasurer and any other Board member who may request said report a monthly investment report listing the investments held by the District and their current market values. The report shall include a summary of investment earnings and performance results during the period.

Performance Review

The Director of Finance and Administration shall cause to be presented to the District Board, at least quarterly, a review of the Portfolio's adherence to appropriate risk levels and a comparison between the Portfolio's performance and the established investment objectives and goals.

The Portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the District's risk constraints, cash flow characteristics, and state and local laws, ordinances or resolutions that restrict investments. The performance of certain portfolios shall be compared to a total return index that meets the duration objectives of each particular portfolio.

Policy Revisions

This Investment Policy will be reviewed annually by the District Board of Directors and may be amended by the Board of Directors as conditions warrant. The data contained in the Annexes to this document may be updated by the Director of Finance and Administration as necessary, provided the changes in no way affect the substance or intent of this Investment Policy.

Annex I

Authorized Personnel

The following District personnel are authorized to conduct investment transactions on behalf of the Centennial Water and Sanitation District. The maximum dollar amount authorized for funds transfer between authorized district accounts is provided for each position.

>\$15,000,000	General Manager or Treasurer of the District
Up to \$15,000,000	Director, Finance and Administration or General Manager
Up to \$ 7,500,000	Revenue and Asset Manager
Up to \$ 5,000,000	Financial & Budgeting Analysis Manager

Annex II

Approved Depository and Custodial Banks

The following banks are approved to provide Depository and Custodial banking services for the Centennial Water and Sanitation District:

Wells Fargo Bank, N.A.
Principal Custody Solutions

Annex III

Approved Broker/Dealers

The District has engaged the services of PFM Asset Management LLC (“PFMAM”), a professional investment advisory firm to assist in the management of the District’s portfolio. As such PFMAM may purchase and sell investment securities in accordance with this Policy and may utilize its own approved list of broker/dealers. Such approved broker/dealer list shall comply with the Broker/Dealer Criteria listed under Selection of Broker/Dealers.

Lists and internal files to be maintained: (not as Annex items)

- District approved Master Repurchase Agreement(s).
- List of approved Local Government Investment Pools.
- List of approved Money Market Mutual Funds.
- Most recent Broker/Dealer Information Forms for approved broker/dealers.