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Prepared by: Dennis Bockenstedt, Finance Director, 410 E. Washington St. 52240, (319)356-5053

Resolution No. 21-128

Resolution adopting the Investment Policy for the City of Iowa City and rescinding Resolution No. 18-219.

Whereas, during the conduct of municipal affairs, the Finance Director of the City of Iowa City invests certain funds of the City,

Whereas, the existing Investment Policy was approved in Resolution No. 18-219,

Whereas, it is necessary to amend the existing Investment Policy for the Finance Director while conducting official City business to comply with State of Iowa law, and

Whereas, the City Manager has formulated an Investment Policy for investing all funds, which is attached to this resolution and by this reference made a part hereof.

Now, therefore, be it resolved by the City Council of the City of Iowa City, Iowa, that the attached Investment Policy be adopted as the official Investment Policy of the City of Iowa City and that Resolution No. 18-219 is rescinded.

Passed and approved this 18th day of May, 2021.

Bruce Teague
Mayor

Approved by

Attest: Kellie K. Fruehling
City Clerk

City Attorney's Office – 05/11/2021

It was moved by Thomas and seconded by Taylor the Resolution be adopted, and upon roll call there were:

Ayes:	Nays:	Absent:	
X			Bergus
X			Mims
X			Salih
X			Taylor
X			Teague
X			Thomas
X			Weiner

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City of Iowa City, Iowa
Investment Policy

City Council Adoption Date: May 18, 2021
Next Review Date: May 18, 2024

SECTION 1. SCOPE OF INVESTMENT POLICY

The Investment Policy of the City of Iowa City shall apply to all operating funds, bond proceeds and other funds and all investment transactions involving operating funds, bond proceeds and other funds accounted for in the financial statements of the City. Each investment made pursuant to this Investment Policy must be authorized by applicable law and this written Investment Policy.

The investment of bond funds or sinking funds shall comply not only with this investment policy, but also be consistent with any applicable bond resolution.

This Investment Policy is intended to comply with Iowa Code Chapters 12B and 12C which govern the investment of public funds.

Upon passage and upon future amendment, if any, copies of this Investment Policy shall be delivered to all of the following:

1. The governing body or officer of the City to which the Investment Policy applies.

2. All depository institutions or fiduciaries for public funds of the City

3. The auditor engaged to audit any fund of the City.

4. All fiduciary or third parties assisting with or facilitating investment of the funds of the City.

SECTION 2. DELEGATION OF AUTHORITY

In accordance with Iowa Code section 12B.10(1), the responsibility for conducting investment transactions resides with the Finance Director of the City. Only the Finance Director and those authorized by resolution may invest public funds, and a copy of any empowering resolution shall be attached to this Investment Policy.

The Finance Director shall establish a written system of internal controls and investment practices. The controls shall be designed to prevent losses of public funds, to document those officers and employees of City responsible for elements of the investment process and to address the capability of investment management.

The Finance Director and all employees authorized to place investments shall be bonded in the amount of a minimum of $1,000,000.

The City may contract for investing public funds, advising on the investment of public funds, directing the deposit or investment of public funds, or an acting fiduciary regarding the management of public funds, to outside persons, agencies, or institutions under the following conditions:

1. All contracts or agreements shall require the outside person or entity to notify the City in writing, within thirty days of receipt of all communication from their Auditor, of the existence of a material weakness in their internal control structure regarding the type of services being provided to the City by the outside person.

2. The contract or agreement shall provide for receipt and review of the audited financial statements and related reports on internal control structure of the outside person or entity.

3. The records of investment transactions made by or on behalf of the City are public records and will be the property of the City whether in the custody of the City or in the custody of a fiduciary or other third party.

4. A minimum of a $1,000,000 Errors & Omissions insurance policy will be maintained at all times and proof of such policy will be provided to the City.

5. All conflicts of interest or third-party agreements regarding recommended investment purchases, investment practices, and usage of outside vendors to perform related functions or services must be disclosed to the City.

6. The requirements for broker/dealers listed in Section 11 of this policy must also be met.

SECTION 3. OBJECTIVES OF INVESTMENT POLICY

The primary objectives, in order of priority, of all investment activities involving the financial assets of City shall be the following:

1. **Safety:** Safety and preservation of principal in the overall portfolio is the foremost investment objective.
2. **Liquidity:** Maintaining the necessary liquidity to match expected liabilities is the second investment objective.
3. **Return:** Obtaining a reasonable return is the third investment objective. In investing public funds, the City's cash management portfolio shall be designed with the objective of regularly exceeding the average return on the six-month U.S. Treasury bill. This index is considered a benchmark for the riskless investment transactions and therefore comprises a minimum standard for the portfolio's rate of return. The investment program shall seek to augment returns above this threshold, consistent with risk limitations identified herein and prudent investment principles. The City will diversify its investments to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.

SECTION 4. PRUDENCE

A. The Finance Director and other authorized staff of the City, when investing or depositing public funds, shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a person acting in a like capacity and familiar with such matters would use to attain the City's investment objectives. 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. Investment officers acting in accordance with written procedures and 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 in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

B. The Finance Director and other authorized staff shall utilize competitive bidding for investments where it is prudent to achieve a greater rate of return so long as it does not conflict with the investment objectives stated below. A request for competitive investment proposals should include a request for comparable credit and term investments from a minimum of two investment providers.

SECTION 5. INSTRUMENTS ELIGIBLE FOR INVESTMENT

Assets of City may be invested in the following:

- Interest bearing savings accounts, interest bearing money market accounts, and interest bearing checking accounts at any bank, savings and loan association or credit union in the State of Iowa. Each bank must be on the most recent Approved Bank List as distributed by the Treasurer of the State of Iowa or as amended as necessary by notice inserted in the monthly mailing by the Rate Setting Committee. Each financial institution shall be properly declared as a depository by the governing body of City. Deposits in any financial institution shall not exceed the amount approved by the governing body of the City.

- Obligations of the United States government, its agencies and instrumentalities.

- Certificates of deposit and other evidences of deposit at federally insured Iowa depository institutions approved and secured pursuant to Iowa Code chapter 12C.

- Iowa Public Agency Investment Trust ("IPAIT").

- Prime bankers' acceptances that mature within 270 days of purchase and that are eligible for purchase by a federal reserve bank.

- Commercial paper or other short-term corporate debt that matures within 270 days of purchase and is rated within the highest classification, as established by at least one of the standard rating services approved by the Superintendent of Banking.

• Repurchase agreements, provided that the underlying collateral consists of obligations of the United States government, its agencies and instrumentalities and takes delivery of the collateral either directly or through an authorized custodian.

• An open-end management investment company registered with the Securities & Exchange Commission under the federal Investment Company Act of 1940, 15 U.S.C. Section 80(a), and operated in accordance with 17 C.F.R. Section 270.2a-7, whose portfolio investments are limited to those instruments individually authorized in this Section 5 of this Investment Policy.

• Warrants or improvement certificates of a levee or drainage district.

• Government sponsored investment pools that meet the requirements of Code of Iowa 12B.10 (5) (a) and must contain only the types of investments allowed by this policy.

All instruments eligible for investment are further governed by all other provisions of this Investment Policy, including Section 7 Investment Maturity Limitations and Section 8, Diversification.

SECTION 6. PROHIBITED INVESTMENTS AND INVESTMENT PRACTICES

Assets of City shall not be invested in the following:

1. Reverse repurchase agreements.

2. Futures and options contracts.

Assets of City shall not be invested pursuant to the following investment practices:

1. Trading of securities for speculation or the realization of short-term trading gains.

2. Pursuant to a contract providing for the compensation of an agent or fiduciary based upon the performance of the invested assets.

3. Investments not meeting the minimum rate of return set by the State Treasurer of Iowa for Time Deposits

If a fiduciary or other third party with custody of public investment transaction records of City fails to produce requested records when requested by City within a reasonable time, the City shall make no new investment with or through the fiduciary or third party and shall not renew maturing investments with or through the fiduciary or third party.

SECTION 7. INVESTMENT MATURITY LIMITATIONS

Operating Funds must be identified and distinguished from all other funds available for investment. Operating Funds are defined as those funds which are reasonably expected to be expended during a current budget year or within fifteen months of receipt.

All investments authorized in Section 5 are further subject to the following investment maturity limitations:

1. Operating Funds may be invested in instruments authorized in Section 5 of this Investment Policy that mature within three hundred ninety-seven (397) days. When the City has or expects to accrue in the current budget year an amount of funds that exceeds operating funds by at least thirty-three (33) percent, it may invest amounts exceeding thirty-three (33) percent of operating funds in certificates of deposit in eligible depository institutions which mature within sixty-three (63) months or less provided that the City invests an amount reasonably expected to be expended during the current budget year or within fifteen months of receipt in investments .

2. The Finance Director may invest funds of the City that are not identified as Operating Funds in investments with maturities longer than three hundred ninety-seven days (397) days. However, all investments of City shall have maturities that are consistent with the needs and use of the City

SECTION 8. DIVERSIFICATION

Investments of City are subject to the following diversification requirements:

Prime bankers' acceptances:

1. At the time of purchase, no more than ten percent (10%) of the investment portfolio of City shall be invested in prime bankers' acceptances; and

2. At the time of purchase, no more than five percent (5%) of the investment portfolio of City shall be invested in the securities of a single issuer.

Commercial paper or other short-term corporate debt:

1. At the time of purchase, no more than ten percent (10%) of the investment portfolio of City shall be in commercial paper or other short term corporate debt.

2. At the time of purchase, no more than five percent (5%) of the investment portfolio of City shall be invested in the securities of a single issuer.

Where possible, it is the policy of City to diversify its investment portfolio. Assets shall be diversified to eliminate the risk of loss resulting from overconcentration of assets in a specific maturity, a specific issuer, or a specific class of securities. In establishing specific diversification strategies, the following general policies and constraints shall apply:

1. Portfolio maturities shall be staggered in a way that avoids undue concentration of assets in a specific maturity sector. Maturities shall be selected which provide stability of income and reasonable liquidity.

2. Liquidity practices to ensure that the next disbursement date and payroll date are covered through maturing investments, marketable U.S. Treasury bills or cash on hand shall be used at all times.

3. Risks of market price volatility shall be controlled through maturity diversification so that aggregate price losses on Instruments with maturities approaching one year shall not be greater than coupon interest and Investment Income received from the balance of the portfolio.

SECTION 9. STATE OF IOWA SINKING FUND

Section 12C.25 of the Code of Iowa created the state sinking fund to protect public funds on deposit in Iowa banks, savings associations, and credit unions. This is in addition to Iowa Code Section 12C.22(2) which requires Iowa banks to pledge collateral for public deposits equal to or in excess of the total amount by which the public funds deposits in the bank exceeds the total capital of the bank.

Section 12C.23A describes the procedures that the State Treasurer of Iowa would implement if a bank were closed. The following are the levels of protection in order:

> The Federal Depository Insurance Corporation (FDIC) insures all public deposits up to a predetermined level and is backed by the full faith and credit of the United States government.
>
> Secondly, assets of the closed bank are liquidated to cover losses.
>
> Next, monies in the state sinking fund are distributed to entities that had deposits with the closed bank.
>
> If the balance in the sinking fund is inadequate to pay the entire loss, then the State Treasurer shall obtain the additional amount needed by making an assessment against other banks whose public funds deposits exceed deposit insurance coverage.

SECTION 10. SAFEKEEPING AND CUSTODY

All invested assets of City involving the use of a public funds custodial agreement, as defined in Iowa Code section 12B.10C, shall comply with all rules adopted pursuant to Iowa Code section 12B.10C. All custodial agreements shall be in writing.

All invested assets of City eligible for physical delivery shall be secured by having them held at a third-party custodian. All purchased investments shall be held pursuant to a written third-party custodial agreement requiring delivery versus payment and compliance with all rules set out in this Section.

SECTION 11. AUTHORIZED FINANCIAL DEALERS

The Finance Director will maintain a list of qualified security broker/dealers who are authorized to provide investment services in the State of Iowa. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule).

All broker/dealers who desire to become approved bidders for investment transactions must provide the Finance Director with the following:

- The firm's most recent audited annual financial statements
- Proof of the firm's designation by the Federal Reserve Bank of New York as a primary securities dealer or proof of FDIC coverage
- Proof of sales licenses for individuals servicing the City's account
- Proof of the firm's State of Iowa securities sales license

The broker/dealers must comply with the above requirements by a deadline established by the Finance Director in order to continue to have the opportunity to conduct business with the City. The Finance Director may create additional registration or application requirements if deemed necessary, but they must be applied equally to all broker/dealers.

The Finance Director will monitor the creditworthiness of the broker/dealers on an ongoing basis as information becomes publicly available. Broker/dealers shall not be compensated based on investment performance

SECTION 12. ETHICS AND CONFLICT OF INTEREST

Employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees shall disclose any material financial interests in financial institutions with which they conduct business, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio

SECTION 13. REPORTING

The Senior Accountant-Revenue shall submit an investment report quarterly to the Finance Director, the City Manager, and the City Council. The report will report investments by fund, institution and maturity date and will also include the activity of investments purchased and redeemed during the quarter. The report will include the average rate of return over the past quarter and compare the return against appropriate benchmarks as determined by the Finance Director.

SECTION 14. INVESTMENT POLICY REVIEW AND AMENDMENT

This Investment Policy shall be reviewed every three (3) years or more frequently as appropriate. Notice of amendments to the Investment Policy shall be promptly given to all parties noted in Section 1.

GLOSSARY

ACCRUED INTEREST: The accumulated interest payable on a security since the last interest payment made by the issuer.

AGENCY: A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U. S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of a federal agency is the Government National Mortgage Association (GNMA). An example of an FSA is the Federal National Mortgage Association (FNMA).

AMORTIZATION: The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BASIS POINT: A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g., "1/4" of 1 percent is equal to 25 basis points.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investment.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BOOK ENTRY: An electronic system of accountability, custody, transfer, and settlement of securities. Book-entry systems allow rapid and accurate transfers of securities with simultaneous cash settlement.

BOOK VALUE: The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

BROKER/DEALER: A broker/dealer brings buyers and sellers together for a commission.

CALLABLE BOND: A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CALL PRICE: The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CDs are typically negotiable.

CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SERVICE (CDARS): A program with an approved depository that removes the need for collateral by providing full FDIC insurance for certificates of deposit.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERLIZED MORTGAGE OBLIGATION (CMO): Mortgage backed bond that separates mortgage pools into different maturity classes called tranches. CMO's are issued by Federal National Mortgage Corp. and Federal National Mortgage Association and are usually backed with a government guarantee and have an AAA bond rating. Planned Amortization Class CMOs (PAC) have stable prepayment schedules that do not react unfavorably in wide market swings.

COMMERCIAL PAPER: An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

CREDIT QUALITY: The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

CREDIT RISK: The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CURRENT YIELD (CURRENT RETURN): A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

CUSTODIAN: A custodian or custodian bank is a financial institution that holds customers' securities for safekeeping to prevent them from being stolen or lost. The custodian may hold stocks or other assets in electronic or physical form.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor; or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U. S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

DURATION: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables; term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

FAIR VALUE: The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&Ls, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to $250,000 per deposit.

FEDERAL FARM CREDIT BANK (FFCB): The FFCB Funding Corporation, established by Congress, currently utilizes a selling group of 30 banks and securities dealers that may offer Farm Credit Debt Securities. The Funding Corporation selling group distributes these Farm Credit Debt Securities on a worldwide basis to all types of investors, including commercial banks, states, municipalities, pension and money-market funds, insurance companies, investment advisers, corporations, foreign banks and governments, and other investors.

FEDERAL FUNDS (Fed Funds): Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBS is to liquefy the housing related assets of its members who must purchase stock in their district bank.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC): Established to help maintain the availability of mortgage credit for residential housing. Participation is in the conventional loan market.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA, was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D. C., 12 regional banks and about 5,700 commercial banks that are members of the system.

FIDUCIARY: Person, company, or association holding assets in trust of a beneficiary.

FUTURES CONTRACT: Agreement to buy or sell a specific amount of a commodity or financial instrument at a particular price on a stipulated future date.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA OR GINNIE MAE): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U. S. Government. Ginnie Mae securities are backed by the FHA, VA or FmHA mortgages. The term "pass-through" is often used to describe Ginnie Maes.

INVERTED YIELD CURVE: A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

INVESTMENT-GRADE OBLIGATIONS: An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

INVESTMENT POOL: Institutional units that are organized financial arrangements, excluding pension funds, that consolidate Other Financial Intermediaries investor funds for the purpose of acquiring financial assets. Investors usually purchase shares representing fixed proportions of the fund.

IPAIT (IOWA PUBLIC AGENCY INVESTMENT TRUST): The Iowa Public Agency Investment Trust ("IPAIT" or "Trust") is a professionally managed common law trust created with the objective of providing Iowa cities, counties, city utilities, and other eligible participants (the "Participants") with a convenient method for investing their funds in a manner that focuses on safety of principal and liquidity for operating funds, while maximizing current income consistent with those parameters. IPAIT has been established under Iowa law pursuant to Iowa Code Chapter 28E and Sections 331.555 and 384.21, which authorize Iowa cities, counties, city utilities, and other eligible participants to jointly invest monies pursuant to a joint investment agreement.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

MARK-TO-MARKET: The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

MARKET RISK: The risk that the value of a security will rise or decline as a result of changes in market conditions.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase---reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPTION: Right to buy or sell property that is granted in exchange for an agreed upon sum. If the right is not exercised after a specified period, the option expires and the option buyer forfeits the money.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state---the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity.

REINVESTMENT RISK: The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SPECULATION: Assumption of risk in anticipation of gain but recognizing a higher than average possibility of loss.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, etc.) and corporations which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

SWAP: Trading one asset for another.

TOTAL RETURN: The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period.

(Price Appreciation) + (Dividends Paid) + (Capital Gains) = Total Return

TREASURY BILLS: A non-interest bearing discount security issued by the U. S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U. S. Treasury securities issued as direct obligations of the U. S. Government and having initial maturities of more than ten years.

TREASURY NOTES: Medium-term coupon-bearing U. S. Treasury securities issued as direct obligations of the U. S. Government and having initial maturities from two to ten years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

VOLATILITY: A degree of fluctuation in the price and valuation of securities.

WEIGHTED AVERAGE MATURITY (WAM): The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

WHEN ISSUED (WI): A conditional transaction in which an authorized new security has not been issued. All "when issued" transactions are settled when the actual security is issued.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

YIELD CURVE: A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

YIELD-TO-CALL (YTC): The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

YIELD-TO-MATURITY: The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

ZERO-COUPON SECURITIES: Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

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Prepared by: Dennis Bockenstedt, Finance Director, 410 E. Washington St., Iowa City IA 52240 (319)356-5053

Resolution No. 17-50

RESOLUTION DESIGNATING THE AUTHORIZED OFFICERS OR EMPLOYEES TO CONDUCT BUSINESS WITH AUTHORIZED BANKING INSTITUTIONS.

WHEREAS, the City is authorized through its investment policy to conduct business with all of the banks listed on the City of Iowa City's resolution naming depositories that offer competitive rates and satisfactory service; and

WHEREAS, the City utilizes these authorized banks in order to conduct its daily financial and investment banking business;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF IOWA CITY, IOWA:

That the following individuals, listed below, are officers or employees of the City and are hereby authorized to conduct banking business with the authorized banks including opening accounts, signing and endorsing checks, transferring funds, maintaining safety deposit boxes, withdrawals, and all other necessary and ordinary banking transactions.

List of officers or employees authorized to conduct banking business:

Geoff Fruin, City Manager
Ashley Monroe, Assistant City Manager
Dennis Bockenstedt, Director of Finance

Passed and approved this 21st day of February, 2017

Mayor

Deputy
City Clerk

Approved by

2-10-17
City Attorney's Office

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It was moved by Mims and seconded by Botchway the Resolution be adopted, and upon roll call there were:

AYES:	NAYS:	ABSENT:	ABSTAIN:	
X				Botchway
X				Cole
X				Dickens
X				Mims
X				Taylor
X				Thomas
X				Throgmorton