STATEMENT OF CASH MANAGEMENT & INVESTMENT POLICY

EFFECTIVE 09/05/2023

PURPOSE

The purpose of this policy statement is to set forth the investment and operational policies for the management of the public funds held by the City of Gillette. This policy replaces in its entirety the current investment policy contained in Resolution #2780. This policy statement has been adopted by, and can only be amended by, the Mayor & Council.

The policies contained herein are designed to ensure the prudent management of public funds, the availability of those funds when needed, an investment return competitive with those of comparable funds and financial market indexes, and compliance with all federal, state, and local laws and regulations governing the investment of public funds.

A copy of this policy statement will be provided to all investment dealers and investment managers doing business with the City of Gillette and to other interested parties upon request. Receipt of this policy, including confirmation that persons dealing directly with the City of Gillette's accounts have reviewed it, will be required prior to any organization providing investment services to the City of Gillette.

SCOPE

This policy applies to all activities with regards to managing and investing the financial assets of the City of Gillette. This policy pertains to the financial assets of all funds including the General Fund, Special Revenue Funds, Capital Project Funds, Internal Service Funds, and Enterprise Funds.

Except for cash in certain restricted and special funds, the City of Gillette consolidates all cash balances from all funds into one central set of accounts. Each fund's participation in this cash pool is denoted by its equity-in-pooled-cash account. Investment income is allocated to the various funds based upon the average monthly balance of each fund's account. Use of this pooling-of-funds method of accounting allows the City of Gillette to manage its cash more efficiently and to maximize its investment earnings.

OBJECTIVES

The primary objectives, in priority order, of City of Gillette's 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 to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

   Credit risk is the risk of loss due to the failure of the security issuer or backer. The City of Gillette will minimize credit risk by:

   - Limiting investments to securities allowed under Wyoming Statute;
   - Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisers with which the City of Gillette will do business; and
   - Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

   Interest rate risk is the risk that the market value of the securities in the portfolio will fall due to changes in the general interest rates. The City of Gillette will attempt to minimize interest rate risk by:

   - Structuring the investment portfolio so that securities invested from operating funds mature to meet cash requirements for ongoing operations, thereby minimizing the need to sell securities on the open market prior to maturity; and
   - Investing operating funds primarily in shorter-term maturities, money market funds, or similar investment pools. Recommend periods of five years or less.

2. **Liquidity:** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This will be accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. In addition, since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets.

3. **Yield:** The City of Gillette investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the City of Gillette's investment risk constraints and the cash flow characteristics of the portfolio. Return on investment is of least importance compared to the safety and liquidity objectives described above. The core of investments is 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 declining credit security may be sold early to minimize the loss of principal;
   - a security may be sold to maximize gain, when appropriate;
   - a security swap may be appropriate to improve the quality, yield, or target duration in the portfolio; or
   - a security may be sold based upon liquidity demands of the portfolio.

AUTHORITY

Management responsibility for the investment program and for ensuring compliance with this policy is hereby delegated to the Finance Director. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of procedures and internal controls for the operation of the investment program consistent with this policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director.

The Finance Director shall establish written statements of investment policy procedures for the operation of the investment program consistent with this policy. Such procedures shall include explicit delegation of authority for persons responsible for investment and cash management transactions. The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City of Gillette are protected from 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 the cost of control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

The Finance Director may delegate investment transactions to a qualified investment advisor to become the City of Gillette's money manager provided that said advisor meets standard industry qualifications.

ETHICS & CONFLICTS OF INTEREST

The Finance Director and other employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. The Finance Director and other employees involved in the investment process shall disclose to the City Administrator any material financial interests in financial institutions with which they conduct business. They shall further disclose any large personal financial/investment positions that could be related to the performance of the City of Gillette's portfolio. The Finance Director and other employees involved in the investment process shall subordinate their personal investment transactions to those of the City of Gillette and shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City of Gillette.

W.S. 9-13-101 through W.S. 9-13-109 stipulates additional ethics requirements for public officials, public members, and public employees.

PRUDENCE

The general investment policies of the City of Gillette will be guided by the "prudent person" standard. Those with investment responsibility for public funds are fiduciaries and, as such, shall exercise the 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.

The standard of prudence shall be applied in the context of managing the overall portfolio. Investment officers, 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 significant deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Finance Director will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security brokers/dealers that maintain an office within the State of Wyoming. These may include "primary" dealers or regional dealers that qualify under Security and Exchange Commission's Uniform Net Capital Rule (Rule 15C3-1).

All financial institutions and brokers/dealers that wish to become qualified bidders for investment transactions must supply a copy of the latest audited financial statements, proof of Financial Industry Regulatory Authority (“FINRA”) certification, proof of state registration, and certification of having read, understood, and agree to comply with the City of Gillette’s Cash Management and Investment Policy. An annual review of the financial condition and registration of qualified financial institutions and broker/dealers may be conducted by the Finance Director.

The Finance Director will only deposit City of Gillette funds in commercial banks that are authorized under the laws of the State of Wyoming, and that are approved as depositories by the Mayor and Council. This restriction does not apply to the purchase of U.S. Government obligations, U.S. Government agency obligations, or U.S. Government instrumentality obligations from commercial banks and savings and loan associations. Selection of the *primary* depository shall be performed by competitive process.

Financial institutions, which serve as depositories of City of Gillette funds, shall comply with all prevailing provisions of Wyoming statutes and shall meet the established criteria for overall financial strength, adequate capitalization, appropriate liquidity, and proper collateralization to reasonably ensure the safety and availability of such deposits. To monitor and assess the overall financial strength of current and potential depositories, the City of Gillette will utilize third-party rating agencies.

Qualified investment advisors assisting the City of Gillette in the management of its overall portfolio may purchase and sell investment securities in accordance with this policy and may utilize their own approved list of broker/dealers and security issuers; however, the list shall fully comply with the criteria maintained in this policy.

AUTHORIZED AND SUITABLE INVESTMENTS

Authorized investments for Wyoming municipalities are stipulated in Wyoming State Statutes. Although the following lists of authorized and prohibited investments for the City of Gillette is slightly more restrictive than what is allowed under state law, it is in full compliance with W.S. 9-1-416 and W.S. 9-4-831.

The Finance Director is authorized to invest in the following:

- United States treasury bills, notes or bonds, including stripped principal or interest obligations of such issuances, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States.
- Bonds, notes, debentures, or any other obligations or securities issued by or guaranteed by any federal government agency or instrumentality, including but not limited to the following to the extent that they remain federal government agencies or instrumentalities, federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation and government national mortgage association. All federal agency securities shall be direct issuances of federal agencies or instrumentalities;
- Repurchase agreements involving securities which are authorized investments under W.S. 9-4-831, paragraphs (i) and (ii). The securities may be held in a custodial arrangement with a member bank of the federal reserve system or in a segregated account at a federal reserve system bank. The repurchase agreement must provide for daily valuation and have a minimum excess market price reserve of one hundred two percent (102%) of the investment;
- In accordance with W.S. 9-4-803 with respect to the state and W.S. 9-4-817 with respect to local governments, deposits in financial institutions located within the state of Wyoming which offer federal deposit insurance corporation insurance on deposits in the institutions;
- Mortgage backed securities that are obligations of or guaranteed or insured issues of the United States, its agencies, instrumentalities or organizations created by an act of congress excluding those defined as high risk. High risk mortgage backed securities are defined as any security which meets either of the following criteria:

  a. Is rated V-6 or higher by Fitch Investors Service or at an equivalent rating by another nationally recognized rating service; or

  b. Is defined as a high-risk mortgage security under Section III of the Supervisory Policy Concerning Selection of Securities Dealers and Unsuitable Investment Practices, as amended by the Federal Financial Institutions Examination Council as created under 12 U.S.C. 3301, et seq., or its successor.
- In bankers acceptances of the United States banks eligible for purchase by the federal reserve system with a final maturity of 1-year or less;
- In a guaranteed investment contract if issued and guaranteed by a United States commercial bank or United States insurance company. The credit quality of the issuer and guarantor shall be the highest category of either A.M. Best, Moody’s or Standard and Poor’s rating service. The contract shall provide the governmental entity a nonpenalized right of withdrawal of the investment if the credit quality of the investment is downgraded;
- A commingled fund of eligible securities listed in this section if the securities are held through a trust department of a bank authorized to do business in this state or through a trust company authorized to do business in this state with total capital of at least ten million dollars ($10,000,000.00) or which has an unconditional guarantee with respect to those securities from an entity with total capital of at least one hundred million dollars ($100,000,000.00);

- Certificates of deposit of a savings and loan association, federal savings bank, or a bank authorized to do business in the State of Wyoming, with a final maturity of 1-year or less, to the extent that they are fully insured by the federal deposit insurance corporation, or:

  a. Secured by a pledge of assets and the bank, federal savings bank, or savings and loan association is otherwise authorized as a depository as prescribed by law; or

  b. The bank, federal savings bank, or savings and loan association is otherwise authorized as a depository as prescribed by law and:

    i. In lieu of a pledge of assets securing a certificate of deposit, a selected bank, savings and loan association, or federal savings bank simultaneously shall arrange for the deposit of the public funds in certificates of deposit in one (1) or more banks, savings and loan associations, or federal savings banks wherever located in the United States, for the account of the public funds depositor;

    ii. At the same time the public funds are deposited and the certificates of deposit are issued for the benefit of the public funds depositor, the selected bank, savings and loan association, or federal savings bank shall receive an amount of deposits from customers of other banks, savings and loan associations, or federal savings banks equal to the amount of the public funds initially placed by the public funds depositor;

    iii. Each certificate of deposit shall be insured by the federal deposit insurance corporation; and

    iv. The selected bank, savings and loan association, or federal savings bank shall act as custodian for the public funds depositor with respect to the certificates of deposit issued for the public funds depositor's account.

- Corporate Bonds: Non-levered investment grade corporate bonds through a separate account arrangement and such account must satisfy the following requirements:

  A. For investment in non-levered corporate bonds through a separate account arrangement:

     i. Must be through an investment management agreement with an SEC registered investment advisor or a bank exempt from registration (the "investment manager" for purposes of this section);

     ii. Investment manager must agree in writing to act in a fiduciary capacity with regards to the assets of the account;

     iii. The account must be diversified by issuer, with no more than 2% of account assets invested with a single issuer, with an exception made for obligations issued or guaranteed by the U.S. government, U.S. agencies or U.S. government-sponsored corporations;

     iv. The effective duration of the account can be no greater than the duration of the Barclays U.S. Aggregate Bond Index by more than 0.5 years; and

     v. Only SEC registered securities are allowed for purchase.

     vi. Corporate Bonds must be rated AA- or better by one Nationally Recognized Statistical Rating Organization (NRSRO).

vii. The maximum allocation of corporate bonds to any portfolio shall be 25%.

viii. The maximum maturity of any corporate bond shall be five years from the date of purchase.

- Shares of a diversified money market fund are authorized except that no entity of Wyoming government shall at any time own more than ten percent (10%) of the fund's net assets or shares outstanding. Investments under this subsection are limited to a diversified money market fund which seeks to maintain a stable share value of one dollar ($1.00), is registered under the Securities Act of 1933 and Investment Company Act of 1940, as amended, and has qualified under state registration requirements, if any, to sell shares in the state and follows all additional requirements as stated in subsection (g) of Wyoming Statute 9-4-831. The fund must be rated in the highest category by one Nationally Recognized Statistical Rating Organization (NRSRO).
- Local investment pools as authorized under Wyoming Statute 9-1-416: Upon request by any county, municipality, school district or any other local governmental entity, and as provided in W.S. 9-3-503 (1), the state treasurer shall invest funds of one (1) or more of those entities on a pooled basis in the same manner as the State treasurer makes short term investments of state funds.
- Commercial paper of corporations organized and existing under the laws of any state of the United States, provided that at the time of purchase, the commercial paper shall: have a maturity of not more than two hundred (270) days; have a maximium allocation of to any portfolio of 10% and be rated by Moody's as P-1 or by Standard & Poor's as A-1+ or equivalent ratings.

PROHIBITED INVESTMENTS

The Finance Director is currently prohibited from investing in the following:

- Purchases on margins or short sales.
- Derivative securities that are, in effect, a leveraged bet on future movements of interest rates or some price index.

COLLATERALIZATION

The provisions of W.S. 9-4-821 require that banks and savings and loan institutions collateralize all deposits of public funds. As collateral for the City's cash deposits and time deposits, the City of Gillette will accept U.S. Treasury Bills, Notes, and Bonds with a maturity not to exceed five years beyond the due date of the investment the security is covering. In order to anticipate market changes and provide a level of security for all funds, the collateralization level for certificate of deposits over the FDIC limit will be 102% of the market value of principle and accrued interest. The City will also accept as collateral U. S. government agency mortgage-backed pass through certificates with the collateralization level for these securities at 105% of the market value of principle and accrued interest.

Collateral will always be held by a third party. A clearly marked evidence of ownership (safekeeping receipt) approved by the state of Wyoming will be supplied to the City of Gillette and retained.

SAFEKEEPING AND CUSTODY

Pledged collateral that are instruments of the United States Government and its agencies will be safe kept by the Federal Reserve Bank. Other acceptable collateral that cannot be held by the Federal Reserve shall be held by a non-affiliated, independent, third party with whom the City of Gillette has a current custodial agreement. Clearly marked evidence of ownership (safekeeping receipt) will be supplied to the City of Gillette and retained. The right of collateral substitution upon prior notification and acceptance by the City is granted. All security transactions shall be conducted on a delivery-versus-payment (DVP) basis.

All securities must be held by a separate outside independent third-party custodian designated by the Finance Director in the name of the City of Gillette and evidenced by supporting safekeeping records as determined by the Finance Director.

DIVERSIFICATION

Diversification of investments reduces overall portfolio risks while attaining market average rates of return. The City of Gillette will diversify its investments by security type and institution. With the exception of U.S. Government securities, certificates of deposit, and authorized local government investment pools, no more than 25% of the City of Gillette's total investment portfolio will be invested in a single security type. To provide assurance that the City of Gillette will be able to continue financial operations without interruption and dependent upon interest rates, satisfaction with services, and practicality, the City of Gillette may utilize more than one financial institution as its depository.

The City of Gillette will minimize the risk in placing a large portion of the portfolio with a single security issuer by limiting the exposure to 5% of the total portfolio at the time of purchase. This requirement does not apply to U.S. Government securities and authorized local government investment pools.

If the credit rating of a security is subsequently downgraded below the minimum rating level for a new investment of that security, the Finance Director shall evaluate the downgrade on a case-by-case basis in order to determine if the security should be held or sold by applying the general objectives of safety, liquidity, yield, and legality to make the decision.

MAXIMUM MATURITIES

To the extent possible, the City of Gillette will attempt to match its investments with anticipated cash flow requirements. Subject to the maximum maturities for specific securities in the section above titled Authorized and Suitable Investments or matched to a specific cash flow, the City of Gillette will not directly invest operating funds in securities maturing more than ten (10) years from the date of purchase. Reserve funds and other funds with longer-term investment horizons should be invested in securities to coincide as nearly as practicable with the expected use of funds. The intent to invest securities with maturities greater than ten (10) years shall be approved by the Finance Director. This requirement applies to all investments except for mortgage backed securities. Mortgage backed securities will be limited to a weighted average life ("WAL") of five (5) years.

Because of the inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio shall be continuously invested in readily available funds such as demand accounts, local government investment pools or money market funds, to ensure that appropriate liquidity is maintained to meet ongoing obligations.

Any percentage limits, maturity length, rating requirements, or other investment parameters will be calculated and/or elevated based on the original cost of each investment at the time of purchase, based on the settlement date, of the security in determining compliance with these investment guidelines.

PERFORMANCE STANDARDS

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. The Finance Director will establish a series of appropriate benchmarks which portfolio performance shall be compared on a regular basis.

REPORTING

The Financial Institution shall provide monthly investment reports that provide a clear picture of the status of the City's current investment portfolio. The monthly report will allow the City of Gillette to ascertain whether investment activities during the reporting period have conformed to the investment policy. Information contained within the monthly report shall include the following:

- A listing of the individual securities held at the end of the reporting period by authorized investment category.
- Term and maturity date of all investments listed.
- Par value, amortized book value, and market value of all investments listed.

POLICY CONSIDERATIONS

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

This Statement of Cash Management and Investment Policy shall be adopted by resolution of the City of Gillette Mayor and Council. The Finance Director and City Administrator will review this policy annually. Any modifications made to this policy must be approved by resolution of the Mayor and Council.

STATEMENT OF CASH MANAGEMENT & INVESTMENT POLICY

GLOSSARY

Accrued Interest – 1) Interest that is due on a bond or other fixed income security since the last interest payment was made. This often occurs for bonds purchased on the secondary market, since bonds usually pay interest every six months, but the interest is accrued by the bondholders on a day-to-day basis. When a bond is sold, the buyer pays the seller the market price plus the accrued interest, for which the buyer will be reimbursed when the issuer pays next pays interest. Accrued interest is calculated on a 30-day month/360-day year for corporate bonds and municipal bonds, and on actual-calendar-days for Government bonds. Income bonds and bonds in default trade without accrued interest. When calculating accrued interest on a bond that is being sold, it is conventional to consider the time period from the most recent payment up to, but not including, the date on which the bond sale is settled. 2) Interest that a company owes, a current liability on the balance sheet.

Agency – 1) Name for the arrangement where an agent intermediates between buyers and sellers and charges a commission for his participation. The agent buys and sells for the account of the client, but the client assumes all risk. 2) More generally, the relationship between a principal and an agent.

Asked Price - The lowest price that any investor or dealer has declared that he/she will sell a given security or commodity for. For over-the-counter stocks, the ask is the best quoted price at which a Market Maker is willing to sell a stock. For mutual funds, the ask is the net asset value plus any sales charges. also called or asking price or offering price or ask.

Average Weighted Maturity - The length of time until the average security in a fund will mature or be redeemed by its issuer. It indicates a fixed income fund's sensitivity to interest rate changes: longer average weighted maturity implies greater volatility in response to interest rate changes.

Banker's Acceptance - A short-term credit investment which is created by a non-financial firm and whose payment is guaranteed by a bank. Often used in importing and exporting, and as a money market fund investment.

Basis Point - One hundredth of a percentage point (0.01%). Basis points are often used to measure changes in or differences between yields on fixed income securities, since these often change by very small amounts.

Bear Market - A prolonged period in which investment prices fall, accompanied by widespread pessimism. If the period of falling stock prices is short and immediately follows a period of rising stock prices, it is instead called a correction. Bear markets usually occur when the economy is in a recession and unemployment is high, or when inflation is rising quickly. The most famous bear market in U.S. history was the Great Depression of the 1930s. The term "bear" has been used in a financial context since at least the early 18th century. While its origins are unclear, the term may have originated from traders who sold bear skins with the expectations that prices would fall in the future. opposite of bull market.

Benchmark - A standard, used for comparison. For example, the Nasdaq may be used as a benchmark against which the performance of a technology stock is compared. There are specific benchmarks for fixed income securities applicable to the City's portfolios.

Bid - The highest price any buyer is willing to pay for a given security at a given time; also called bid price. Quoted bid is a maximum price that a market maker will pay for a security.

Bond - A debt instrument issued for a period of more than one year with the purpose of raising capital by borrowing. The Federal government, states, cities, corporations, and many other types of institutions sell bonds. Generally, a bond is a promise to repay the principal along with interest (coupons) on a specified date (maturity). Some bonds do not pay interest, but all bonds require a repayment of principal. When an investor buys a bond, he/she becomes a creditor of the issuer. However, the buyer does not gain any kind of ownership rights to the issuer, unlike in the case of equities. On the hand, a bond holder has a greater claim on an issuer's income than a shareholder in the case of financial distress (this is true for all creditors). Bonds are often divided into different categories based on tax status, credit quality, issuer type, maturity and secured/unsecured (and there are several other ways to classify bonds as well). U.S. Treasury bonds are generally considered the safest unsecured bonds, since the possibility of the Treasury defaulting on payments is almost zero. The yield from a bond is made up of three components: coupon interest, capital gains and interest on interest (if a bond pays no coupon interest, the only yield will be capital gains). A bond might be sold at above or below par (the amount paid out at maturity), but the market price will approach par value as the bond approaches maturity. A riskier bond has to provide a higher payout to compensate for that additional risk. Some bonds are tax-exempt, and these are typically issued by municipal, county or state governments, whose interest payments are not subject to federal income tax, and sometimes also state or local income tax.

Book Value – 1) A company's common stock equity as it appears on a balance sheet, equal to total assets minus liabilities, preferred stock, and intangible assets such as goodwill. This is how much the company would have left over in assets if it went out of business immediately. Since companies are usually expected to grow and generate more profits in the future, market capitalization is higher than book value for most companies. Since book value is a more accurate measure of valuation for companies which aren't growing quickly, book value is of more interest to value investors than growth investors. 2) The value of an asset as it appears on a balance sheet, equal to cost minus accumulated depreciation.

Broker - An individual or firm which acts as an intermediary between a buyer and seller, usually charging a commission. For securities and most other products, a license is required.

Bull Market -A prolonged period in which investment prices rise faster than their historical average. Bull markets can happen as a result of an economic recovery, an economic boom, or investor psychology. The longest and most famous bull market is the one that began in the early 1990s in which the U.S. equity markets grew at their fastest pace ever. opposite of bear market.

Callable Bond - Bond which the issuer has the right to redeem prior to its maturity date, under certain conditions. When issued, the bond will explain when it can be redeemed and what the price will be. In most cases, the price will be slightly above the par value for the bond and will increase the earlier the bond is called. A company will often call a bond if it is paying a higher coupon than the current market interest rates. Basically, the company can reissue the same bonds at a lower interest rate, saving them some amount on all the coupon payments; this process is called "refunding." Unfortunately, these are also the same circumstances in which the bonds have the highest price; interest rates have decreased since the bonds were issued, increasing the price. In many cases, the company will have the right to call the bonds at a lower price than the market price. If a bond is called, the bondholder will be notified by mail and have no choice in the matter. The bond will stop paying interest shortly after the bond is called, so there is no reason to hold on to it. Companies also typically advertise in major financial publications to notify bondholders. Generally, callable bonds will carry something called call protection. This means that there is some period of time during which the bond cannot be called. also called redeemable bond. opposite of irredeemable bond or non-callable bond.

Call Price - The price, specified at issuance, at which a bond or preferred stock can be redeemed by the issuer. also called redemption price.

Certificate of Deposit - CD. Short- or medium-term, interest-bearing, FDIC-insured debt instrument offered by banks and savings and loans. CDs offer higher rates of return than most comparable investments, in exchange for tying up invested money for the duration of the certificate's maturity. Money removed before maturity is subject to a penalty. CDs are low risk, low return investments, and are also known as "time deposits", because the account holder has agreed to keep the money in the account for a specified amount of time, anywhere from three months to six years.

Collateral - Assets pledged by a borrower to secure a loan or other credit, and subject to seizure in the event of default. also called security.

Commercial Paper - An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory. Maturities typically range from 2 to 270 days. Commercial paper is available in a wide range of denominations, can be either discounted or interest-bearing, and usually have a limited or nonexistent secondary market. Commercial paper is usually issued by companies with high credit ratings, meaning that the investment is almost always relatively low risk.

Convexity - A volatility measure for bonds used in conjunction with modified duration in order to measure how the bond's price will change as interest rates change. It is equal to the negative of the second derivative of the bond's price relative to its yield, divided by its price. For example, since a non-callable bond's duration usually increases as interest rates decrease, its convexity is positive.

Coupon – 1) The interest rate on a fixed income security, determined upon issuance, and expressed as a percentage of par. 2) The term for each interest payment made to the bondholder.

Credit Rating - A published ranking, based on detailed financial analysis by a credit bureau, of one's financial history, specifically as it relates to one's ability to meet debt obligations. The highest rating is usually AAA, and the lowest is D.Fixed income securities are assigned credit ratings.

Credit Risk - The possibility that a bond issuer will default, by failing to repay principal and interest in a timely manner. Bonds issued by the federal government, for the most part, are immune from default (if the government needs money it can just print more). Bonds issued by corporations are more likely to be defaulted on, since companies often go bankrupt. Municipalities occasionally default as well, although it is much less common. also called default risk.

Current Yield - The annual rate of return on an investment, expressed as a percentage. also called yield.

Dealer - An individual or entity, such as a securities firm, when it acts as a principal and stands ready to buy and sell for its own account. More generally, an individual or entity which buys and sells products and holds an inventory.

Debenture - Unsecured debt backed only by the integrity of the borrower, not by collateral, and documented by an agreement called an indenture. One example is an unsecured bond.

Delivery vs. Payment - The delivery of securities in exchange for an asset, usually money. One of two methods for the delivery of securities, the other being delivery vs. receipt.

Derivative - A financial instrument whose characteristics and value depend upon the characteristics and value of an underlier, typically a commodity, bond, equity or currency. Examples of derivatives include futures and options. Advanced investors sometimes purchase or sell derivatives to manage the risk associated with the underlying security, to protect against fluctuations in value, or to profit from periods of inactivity or decline. These techniques can be quite complicated and quite risky.

Discount – 1) The amount by which a bond's par exceeds its market price. 2) The amount by which the Net Asset Value per share of a closed-end fund's holdings exceeds its market price. 3) Anything selling below its normal price. opposite of premium. 4) In the case of a convertible security, the difference between the gross proceeds received on sale and the convertible's price. This difference occurs whenever the market expects that the convertible security will be redeemed before the next coupon date, and so investors will receive accrued interest.

Diversification - A portfolio strategy designed to reduce exposure to risk by combining a variety of investments, such as stocks, bonds, and real estate, which are unlikely to all move in the same direction. The goal of diversification is to reduce the risk in a portfolio. Volatility is limited by the fact that not all asset classes or industries or individual companies move up and down in value at the same time or at the same rate. Diversification reduces both the upside and downside potential and allows for more consistent performance under a wide range of economic conditions.

FDIC - Federal Deposit Insurance Corporation. A federal agency that insures deposits in member banks and thrifts up to $100,000.

Federal funds - Funds deposited by commercial banks at Federal Reserve Banks. Designed to enable banks temporarily short of their reserve requirement to borrow reserves from banks having excess reserves.

Federal Funds Rate - The interest rate that banks charge each other for the use of Federal funds. It changes daily and is a sensitive indicator of general interest rate trends. The Federal funds rate is one of the two interest rates controlled by the Fed. While the Fed can't directly affect this rate, it effectively controls it in the way it buys and sells Treasuries to banks. This is the rate that reaches individual investors, though the changes usually aren't felt for a period of time.

Federal Home Loan Mortgage Corporation - FHLMC or Freddie Mac. Government-chartered corporation which buys qualified mortgage loans from the financial institutions that originate them, securitizes the loans, and distributes the securities through the dealer community. The securities are not backed by the U.S. Government. The market value of these securities prior to maturity is not guaranteed and will fluctuate.

Federal National Mortgage Association - FNMA or Fannie Mae. A congressionally chartered corporation which buys mortgages on the secondary market, pools them and sells them as mortgage-backed securities to investors on the open market. Monthly principal and interest payments are guaranteed by FNMA but not by the U.S. Government.

Federal Open Market Committee – FOMC. A 12-member committee which sets credit and interest rate policies for the Federal Reserve System. This committee consists of 7 members of the Board of Governors, and 5 of the 12 Federal Reserve Bank Presidents. This group, headed by the Chairman of the Federal Reserve Board, sets interest rates either directly (by changing the discount rate) or through the use of open market operations (by buying and selling government securities which affects the federal funds rate). The discount rate is the rate at which the Federal Reserve Bank charges member banks for overnight loans. The Fed actually controls this rate directly, but it tends to have little impact on the activities of banks because these funds are available elsewhere. This rate is set during the FOMC meetings by the regional banks and the Federal Reserve Board. The federal funds rate is the interest rate at which banks loan excess reserves to each other. While the Fed can't directly affect this rate, it effectively controls it through the way it buys and sells Treasuries to banks. There are 8 scheduled FOMC meetings during the course of each year. However, when circumstances dictate, the Fed can make inter-meeting rate changes.

Federal Reserve Bank - One of 12 regional banks established to maintain reserves, issue bank notes, and lend money to member banks. The Federal Reserve Banks are also responsible for supervising member banks in their areas, and are involved in the setting of national monetary policy.

Federal Reserve System - The central banking system of the U.S., comprised of the Federal Reserve Board, the 12 Federal Reserve Banks, and the national and state member banks. Its primary purpose is to regulate the flow of money and credit in the country. The Federal Reserve was established in 1913 to maintain a sound and stable banking system throughout the United States and to promote a strong economy. The Board of Governors is made up of 7 members that are appointed to 14-year terms by the President and approved by the Senate. Almost all U.S. banks are a part of the Federal Reserve System, which requires that those banks maintain a certain percentage of their assets deposited with the regional Federal Reserve Bank. These "reserve requirements" are set by the Board of Governors and by changing the requirements, the Federal Reserve System can greatly impact the amount of money supply in the economy. The Federal Reserve System has several functions. First, it serves as a bank for banks: many transactions between banks are processed through the Federal Reserve System. Financial institutions are also able to borrow money through the Federal Reserve, but only after attempting to find credit elsewhere; the Federal Reserve System provides credit only when it cannot be found in the markets or in cases of emergency. Second, the Federal Reserve System acts as the government's bank. The tax system processes incoming and outgoing payments through a Federal Reserve checking account. The Federal Reserve also buys and sells government securities. The Fed even issues the U.S. currency, although the actual production of the currency is handled elsewhere. Third, the Federal Reserve System acts as a regulatory agency. The Fed polices the banking industry to make sure that things run smoothly and that the rights of consumers are protected.

Government National Mortgage Association - GNMA or Ginnie Mae. A government-owned agency which buys mortgages from lending institutions, securitizes them, and then sells them to investors. Because the payments to investors are guaranteed by the full faith and credit of the U.S. Government, they return slightly less interest than other mortgage-backed securities.

Government Securities - Securities issued by a government to raise the funds necessary to pay for its expenses.

Grade - A quality rating, such as for a commodity.

Guaranteed Investment Contract - GIC. Debt instrument issued by an insurance company, usually in a large denomination, and often bought for retirement plans. The interest rate paid is guaranteed, but the principal is not. also called guaranteed interest contract.

Interest Rate Risk - The possibility of a reduction in the value of a security, especially a bond, resulting from a rise in interest rates. This risk can be reduced by diversifying the durations of the fixed-income investments that are held at a given time.

Investment Company Act of 1940 - A set of Federal laws which regulate the registration and activities of investment companies, enforced by the SEC.

Liquidity - The ability of an asset to be converted into cash quickly and without any price discount.

Margin – 1) Using money borrowed from a broker/dealer to purchase securities; here also called buying on margin; 2) The amount of equity required for an investment in securities purchased on credit; 3) The face value of a loan minus the value of the pledged collateral.

Market Price - A security's last reported sale price (if on an exchange) or its current bid and ask prices (if over-the-counter); i.e. the price as determined dynamically by buyers and sellers in an open market. also called market value.

Market Risk - Risk which is common to an entire class of assets or liabilities. The value of investments may decline over a given time period simply because of economic changes or other events that impact large portions of the market. Asset allocation and diversification can protect against market risk because different portions of the market tend to underperform at different times. also called systematic risk.

Market Value - A security's last reported sale price (if on an exchange) or its current bid and ask prices (if over-the-counter); i.e. the price as determined dynamically by buyers and sellers in an open market. also called market price.

Money Market Fund - An open-end mutual fund which invests only in money markets. These funds invest in short term (one day to one year) debt obligations such as Treasury bills, certificates of deposit, and commercial paper. The main goal is the preservation of principal, accompanied by modest dividends. The fund's net asset value remains a constant $1 per share to simplify accounting, but the interest rate does fluctuate. Money market funds are very liquid investments, and therefore are often used by financial institutions to store money that is not currently invested. Unlike bank accounts and money market accounts, money market mutual funds are not FDIC insured, but the risk is extremely low (only those funds administered by banks are FDIC-insured, but some others may be privately insured). Although money market mutual funds are among the safest types of mutual funds, it still is possible for money market funds to fail, but it is unlikely. In fact, the biggest risk involved in investing in money market funds is the risk that inflation will outpace the funds' returns, thereby eroding the purchasing power of the investor's money .

Municipal Bond - Bond issued by a state, city, or local government. Municipalities issue bonds to raise capital for their day-to-day activities and for specific projects that they might be undertaking (usually pertaining to development of local infrastructure such as roads, sewerage, hospitals etc). interest on municipal bonds are generally exempt from federal tax. In the case that the bond is bought by a resident of the state that issued the bond, the interest payments are also exempt from state tax. Interest payments are further exempt from local tax if they are bought by residents of the locality that issued the bond. Capital gains however are taxable. Given the tax-savings they offer, municipal bonds are often bought by people who have large tax burdens. Yields on municipal bonds are often lower than corporate or Treasury bonds with comparable maturities, because of the important advantage of not being taxed at the federal level. In general, municipal bonds are considered safer than corporate bonds, since a municipality is far less likely to go bankrupt than a company. Some municipal bonds can also be insured by outside agencies. These companies will promise to pay the interest and principal if the issuer defaults. Both issuers and bondholders can carry this insurance, though a bondholder would need to have a large stake to get the coverage. There are two common types of municipal bonds: general obligation and revenue. General Obligation (GO) bonds are unsecured municipal bonds that are simply backed by the full faith and credit of the municipality. Generally, these bonds have maturities of at least 10 years and are paid off with funds from taxes or other fees. Revenue bonds are used to fund projects that will eventually create revenue directly, such as a toll road or lease payments for a new building. The revenues from the projects are used to pay off the bonds. In some cases the issuer is not obligated to pay interest unless a certain amount of revenue is generated. Municipal bonds usually come in $5,000 par values and usually require a minimum investment of $25,000 in order to get the best price. also called muni.

Mutual fund - An open-ended fund operated by an investment company which raises money from shareholders and invests in a group of assets, in accordance with a stated set of objectives. Mutual funds raise money by selling shares of the fund to the public, much like any other type of company can sell stock in itself to the public. Mutual funds then take the money they receive from the sale of their shares (along with any money made from previous investments) and use it to purchase various investment vehicles, such as stocks, bonds and money market instruments. In return for the money they give to the fund when purchasing shares, shareholders receive an equity position in the fund and, in effect, in each of its underlying securities. For most mutual funds, shareholders are free to sell their shares at any time, although the price of a share in a mutual fund will fluctuate daily, depending upon the performance of the securities held by the fund. Benefits of mutual funds include diversification and professional money management. Mutual funds offer choice, liquidity, and convenience, but charge fees and often require a minimum investment. A closed-end fund is often incorrectly referred to as a mutual fund, but is actually an investment trust. There are many types of mutual funds, including aggressive growth fund, asset allocation fund, balanced fund, blend fund, bond fund, capital appreciation fund, clone fund, closed fund, crossover fund, equity fund, fund of funds, global fund, growth fund, growth and income fund, hedge fund, income fund, index fund, international fund, money market fund, municipal bond fund, prime rate fund, regional fund, sector fund, specialty fund, stock fund, and tax-free bond fund.

No-load Fund - A mutual fund which doesn't impose a sales or redemption charge, selling and redeeming its shares at net asset value. opposite of load fund.

Note – 1) A short-term debt security, usually with a maturity of five years or less; 2) A legal document that obligates a borrower to repay a mortgage loan at a specified interest rate during a specified period of time or on demand; here also called promissory note.

Offer - The lowest price that any investor or dealer has declared that he/she will sell a given security or commodity for. For over-the-counter stocks, the offer is the best quoted price at which a Market Maker is willing to sell a stock. For mutual funds, the offer is the net asset value plus any sales charges. also called asked price or asking price or offering price or ask.

Par - The nominal dollar amount assigned to a security by the issuer. For an equity security, par is usually a very small amount that bears no relationship to its market price, except for preferred stock, in which case par is used to calculate dividend payments. For a debt security, par is the amount repaid to the investor when the bond matures (usually, corporate bonds have a par value of $1000, municipal bonds $5000, and federal bonds $10,000). In the secondary market, a bond's price fluctuates with interest rates. If interest rates are higher than the coupon rate on a bond, the bond will be sold below par (at a "discount"). If interest rates have fallen, the price will be sold above par. here also called face value or par value.

Pool - Group of related financial instruments, such as mortgages, combined for resale to investors on a secondary market. also called mortgage pool.

Portfolio - A collection of investments all owned by the same individual or organization. These investments often include stocks, which are investments in individual businesses; bonds, which are investments in debt that are designed to earn interest; and mutual funds, which are essentially pools of money from many investors that are invested by professionals or according to indices.

Premium – 1) The amount by which a bond or stock sells above its par value. 2) The amount by which a closed-end fund's market price exceeds the value of its holdings. 3) An additional cost above the normal cost. 4) The amount that the buyer of an option pays to the seller. 5) A regular periodic payment for an insurance policy, here also called insurance premium. 6) The amount by which the first trading of an IPO exceeds its offering price. opposite of discount.

Primary Dealer - A designation given by the Federal Reserve System to commercial banks or broker/dealers who meet specific criteria, including capital requirements and participation in Treasury auctions.

Prime Rate - The interest rate that commercial banks charge their most creditworthy borrowers, such as large corporations. The prime rate is a lagging indicator. also called prime.

Prudent Man Rule - The fundamental principle for professional money management, stated by Judge Samuel Putnum in 1830: "Those with responsibility to invest money for others should act with prudence, discretion, intelligence, and regard for the safety of capital as well as income." Some states which don't have specific legal lists require fiduciaries to uphold the Prudent Investor Act. also called Prudent Investor Act (Rule).

Rate of Return - The annual rate of return on an investment, expressed as a percentage of the total amount invested. also called return.

Reinvestment Risk - The risk resulting from the fact that interest or dividends earned from an investment may not be able to be reinvested in such a way that they earn the same rate of return as the invested funds that generated them. For example, falling interest rates may prevent bond coupon payments from earning the same rate of return as the original bond.

Repurchase agreement - A contract in which the seller of securities, such as Treasury Bills, agrees to buy them back at a specified time and price. also called repo or buyback.

Reverse Repurchase Agreement - A purchase of securities with an agreement to resell them at a higher price at a specific future date. This is a way to borrow money and allow the securities to be held as collateral. Reverse repos occur most often in government securities, and often also in other securities that are highly valued and thus considered a good source of collateral.

Risk - The quantifiable likelihood of loss or less-than-expected returns. Examples: currency risk, inflation risk, principal risk, country risk, economic risk, mortgage risk, liquidity risk, market risk, opportunity risk, income risk, interest rate risk, prepayment risk, credit risk, unsystematic risk, call risk, business risk, counterparty risk, purchasing-power risk, event risk.

Sales Fee - A fee charged by a broker or agent for his/her service in facilitating a transaction, such as the buying or selling of securities or real estate. In the case of securities trading, brokers can be split into two broad categories depending on the sales fees they charge. Discount brokers charge relatively low sales fees, but provide no services beyond executing trades. Full service brokers charge higher sales fees, but provide research and investment advisory services. also called commission.

Secondary Market - A market in which an investor purchases a security from another investor rather than the issuer, subsequent to the original issuance in the primary market. also called aftermarket.

Securities and Exchange Commission - SEC. The primary federal regulatory agency for the securities industry, whose responsibility is to promote full disclosure and to protect investors against fraudulent and manipulative practices in the securities markets. The securities and Exchange Commission enforces, among other acts, the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939, the Investment Company Act of 1940 and the Investment Advisers Act. The supervision of dealers is delegated to the self-regulatory bodies of the exchanges. The securities and Exchange Commission is an independent, quasi-judiciary agency. It has five commissioners, each appointed for a five year term that is staggered so that one new commissioner is being replaced every year. No more than three members of the commission can be of a single political party. The securities and Exchange Commission is comprised of four basic divisions. The Division of Corporate Finance is in charge of making sure all publicly traded companies disclose the required financial information to investors. The Division of Market Regulation oversees all legislation involving brokers and brokerage firms. The Division of Investment Management regulates the mutual fund and investment advisor industries. And the Division of Enforcement enforces the securities legislation and investigates possible violations.

Security – 1) An investment instrument, other than an insurance policy or fixed annuity, issued by a corporation, government, or other organization which offers evidence of debt or equity. The official definition, from the Securities Exchange Act of 1934, is: "Any note, stock, treasury stock, bond, debenture, certificate of interest or participation in any profit-sharing agreement or in any oil, gas, or other mineral royalty or lease, any collateral trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit, for a security, any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or in general, any instrument commonly known as a 'security'; or any certificate of interest or participation in, temporary or interim certificate for, receipt for, or warrant or right to subscribe to or purchase, any of the foregoing; but shall not include currency or any note, draft, bill of exchange, or banker's acceptance which has a maturity at the time of issuance of not exceeding nine months, exclusive of days of grace, or any renewal thereof the maturity of which is likewise limited."; 2) Property which is pledged as collateral for a loan.

Serial Bond - A set of bonds issued at the same time but having different maturity dates. also called installment bond.

Term Bond - Bonds of the same issue all maturing at the same time.

Total Return - The return on an investment, including income from dividends and interest, as well as appreciation or depreciation in the price of the security, over a given time period, usually a year.

Net Capital Ratio - SEC requirement that all broker/dealers maintain a ratio of no more than 15:1 between indebtedness and liquid assets. Indebtedness includes money owed to the firm, margin loans, and commitments to purchase securities. Liquid assets include cash and assets which are easily converted to cash. The purpose of this rule is to make sure that the broker/dealer will be able to maintain its operations and not adversely affect the capital markets even if it suffers a large amount of bad debt. called net capital rule.

U.S. Treasury Bill - A negotiable debt obligation issued by the U.S. government and backed by its full faith and credit, having a maturity of one year or less. U.S. Treasury Bills are exempt from state and local taxes. These securities do not pay a coupon rate of interest, and the interest earned is estimated by taking the difference between the price paid and the par value of the bond, and calculating that rate of return on an annual basis. Treasury Bills are considered the safest securities available to the U.S. investor, and so the yield on these securities are considered the risk-free rate of return. also called Bill or T-Bill or Treasury Bill.

U.S. Treasury Bond - A negotiable, coupon-bearing debt obligation issued by the U.S. government and backed by its full faith and credit, having a maturity of more than 7 years. Interest is paid semi-annually. U.S. Treasury Bonds are exempt from state and local taxes. These securities have the longest maturity of any bond issued by the U.S. Treasury, from 10 to 30 years. The 30-year bond is also called the "long bond." Denominations range from $1000 to $1 million. U.S. Treasury Bonds pay interest every 6 months at a fixed coupon rate. These bonds are not callable, but some older U.S. Treasury Bonds available on the secondary market are callable within five years of the maturity date. also called Treasury bond or T-bond.

U.S. Treasury Note - A negotiable debt obligation issued by the U.S. government and backed by its full faith and credit, having a maturity of between 1 and 10 years. U.S. Treasury Notes are safe investments and are actively traded in the secondary market. also called Treasury Note.

Volatility - The relative rate at which the price of a security moves up and down. Volatility is found by calculating the annualized standard deviation of daily change in price. If the price of a stock moves up and down rapidly over short time periods, it has high volatility. If the price almost never changes, it has low volatility.

Yield – 1) The annual rate of return on an investment, expressed as a percentage; 2) For bonds and notes, the coupon rate divided by the market price. This is not an accurate measure of total return, since it does not factor in capital gains; 3) For securities, the annual dividends divided by the purchase price. This is not an accurate measure of total return, since it does not factor in capital gains. here, also called dividend yield or current yield.

Yield Curve - A curve that shows the relationship between yields and maturity dates for a set of similar bonds, usually Treasuries, at a given point in time.

Yield to Call - Yield that would be realized on a callable bond in the event that the bond was redeemed by the issuer on the next available call date.

Yield to Maturity - Yield that would be realized on a bond or other fixed income security if the bond was held until the maturity date. It is greater than the current yield if the bond is selling at a discount and less than the current yield if the bond is selling at a premium.

Zero-Coupon Bond - A bond which pays no coupons, is sold at a deep discount to its face value, and matures at its face value. A zero-coupon bond has the important advantage of being free of reinvestment risk, though the downside is that there is no opportunity to enjoy the effects of a rise in market interest rates. Also, such bonds tend to be very sensitive to changes in interest rates, since there are no coupon payments to reduce the impact of interest rate changes. In addition, markets for zero-coupon bonds are relatively illiquid. Under U.S. tax law, the imputed interest on a zero-coupon bond is taxable as it accrues, even though there is no cash flow.

Reference: http://investorwords.com/

STATEMENT OF CASH MANAGEMENT & INVESTMENT POLICY CERTIFICATION OF HAVING READ, UNDERSTOOD, AND AGREEMENT TO COMPLY

The City of Gillette's Cash Management and Investment Policy states,

> "…All financial institutions and brokers/dealers that wish to become qualified bidders for investment transactions must supply a copy of the latest audited financial statements, proof of National Association of Securities Dealers certification, proof of state registration, and certification of having read, understood, and agreeing to compliance with the City of Gillette Cash Management and Investment Policy. An annual review of the financial condition and registration of qualified financial institutions and broker/dealers may be conducted by the Finance Director..."

Please review the attached policy, sign the statement below, and return this page to City of Gillette, Finance Director, P.O. Box 3003, Gillette, Wyoming 82717-3003.

I, ________________________________ , certify that I have read, understood, and agree to comply with the City of Gillette's Cash Management & Investment Policy of September 5, 2023 and will only allow the City's investment officers to conduct transactions that strictly conform to this policy.

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Company Name

__________________________	__________________________	__________________________
Authorized Signature	**Title**	**Date**