CITY OF BLACKFOOT
INVESTMENT POLICY
Adopted by Resolution 3/5/2019

I. SCOPE

This investment policy applies to financial assets of the City of Blackfoot. These funds are accounted for in the City's annual audit. All monies entrusted to the Treasurer shall be invested in accordance with Idaho Code 50-1013.

The policy shall not apply to investments held by trustees of debt service reserves nor shall it apply to investments held by the trustees of the City, if any. These funds shall be invested in accordance with current bond indentures or contractual provisions of the program.

II. INVESTMENT OBJECTIVES

The primary investment objectives of the City of Blackfoot are as follows:

Safety
Safety of principal is the foremost objective of the investment program. The portfolio shall be diversified to ensure that potential losses on the individual securities do not exceed the income generated from the remainder of the portfolio. Interest and credit rate risks will be monitored by the Treasurer and by the Investment Manager.

Liquidity
An adequate percentage of the portfolio shall be maintained in liquid short-term securities, which can be converted to cash, if necessary, to meet disbursement requirements. No investment shall be made in any security, which at the time of the investment has a remaining term in excess of five years unless the Council has granted express authority to make that investment.

Yield
Yield should become a consideration only after the basic requirements of safety and liquidity have been met. The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints, IRS arbitrage rebate requirements, the cash flow characteristics of the portfolio and State statutes, local laws, ordinances or resolutions that restrict investments. The City's approach is to buy investments with the intention of holding the investment to maturity.

III. STANDARDS OF CARE

PRUDENCE
The Mayor, Treasurer, and Investment Manager(s) will invest public funds in the context of the "prudent-person rule," which states that one who manages investment funds makes decisions that are careful and secure, mirroring the same investments that a prudent person seeking a reasonable income would make.

The Mayor, Treasurer, and Investment Manager(s) shall adhere to and be evaluated according to the forecasted "prudent-person rule" in the performance of his/her duties as the manager of public funds.

Additionally, Investment Officers acting in accordance with written procedures and the 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 appropriate action is taken to control adverse developments.

ETHICS AND CONFLICTS OF INTEREST
The Treasurer shall avoid any transaction that might impair public confidence in the City's ability to govern effectively. Officers and employees involved in the investment process shall refrain from business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Mayor and Council any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial investment positions that could be related to the performance of the City's portfolio.

DELEGATION OF AUTHORITY
The responsibility for oversight of the investment program rests with the Treasurer, as delegated by the Mayor and the City Council. The Treasurer will be responsible for establishing a system of internal controls and standard operating procedures to regulate the investment activities of all parties involved.

IV. INVESTMENT PROCEDURES

The City Treasurer and the Mayor will select an Investment Manager(s) to create a diversified portfolio, under the guidelines outlined within this policy. The Mayor and Treasurer will meet with the investment manager on a quarterly basis to review the portfolio.

Investment procedures as established by the Treasurer for the operation of the investment program shall be consistent with this policy. The procedures include: the safekeeping of PSA repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Procedures shall include explicit delegation of authority to persons responsible for investment transactions.

The City of Blackfoot will consolidate cash balances from all funds to maximize investment earnings, except for funds classified as special or restricted use. Investment income will be allocated back to the respective funds according to its participation.

DIVERSIFICATION
It is the policy of the City to diversify its investment portfolio to avoid incurring unreasonable and avoidable risks or loss resulting from over-concentration of assets in a specific maturity, specific insurer, or specific class of securities, with the exception of U.S. Treasury Securities and authorized pools, concentrations to any single investment will not exceed 5% of the investable assets of the City.

INTERNAL CONTROL
The City shall continue to require an annual independent audit of the financial statements. During

the course of the audit, the auditor shall perform reviews of the Treasury's internal controls. This review will test compliance and adequacy of the policies and procedures.

PERFORMANCE STANDARDS

The investment program shall seek to augment income with returns consistent with risk limitations identified herein and prudent investment principles. The current Federal Funds Rate and inflation will be used to benchmark performance as well as market returns of similar duration, type, and quality.

REPORTING

The Treasurer shall provide such reports as may be required by law, resolution, ordinance, or as may be required by the Mayor or City Council. In addition, the Treasurer shall provide such reports as may be reasonably requested by departments, boards, or commissions for which the Treasurer is investing funds.

TRAINING

The Treasurer shall attend at least one training session within twelve months after being appointed, and at least annually thereafter. The training session should be sponsored by a professional organization, such as, but not limited to: Idaho City Clerks, Treasurers, and Finance Officers Association (ICCTFOA), Association of Public Treasurers of the United States & Canada (APT), or Government Finance Officers Association (GFOA). Training must include some of the following components: investment controls, security risks, strategy risks, market risks, and compliance with Federal, State and local laws.

INVESTMENT POLICY ADOPTION

The City of Blackfoot's Investment Policy shall be adopted by resolution of the City Council. The City Treasurer shall review the policy annually. Any modifications made thereto must be approved by the City Council.

V. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Treasurer will maintain a list of financial institutions authorized to provide investment services. These institutions must be authorized to provide investment services in the State of Idaho. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1. No public deposit shall be made except in a qualified public depository as authorized by laws of the State of Idaho (see I.C. 57-110).

In selecting financial institutions for deposits or investment of City funds, the Treasurer shall consider the creditworthiness and ROI performance of selected institutions. The Treasurer shall continue to monitor said institutions by reviewing financial statements, credit characteristics, financial history, and ROI performance throughout the period in which City funds are deposited or invested. This report will be presented to the City Council annually.

A copy of the City's Investment Policy shall be provided to each approved financial institution or broker/dealer with whom the City conducts business with. The Treasurer shall maintain a signed agreement from each, agreeing to abide by the City's Investment Policy.

SAFEKEEPING AND CUSTODY

All security transactions, including collateral agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis. A third-party custodian designated by the

Treasurer will hold securities.

Repurchase agreements may be entered into on a safekeeping basis only if a master agreement with the bank or trust department providing the safekeeping is first obtained and it very clearly establishes that the bank/trust is acting as third-party agent for the Treasurer, not the financial institution arranging the repurchase agreements. Such third-party safekeeping arrangements will be documented with a signed agreement between the Treasurer and that the financial institution does not have access to them under any circumstances.

All securities owned by the City will be held by a third party except the collateral for time deposits in banks and savings and loans. Collateral for time deposits in banks should be held in the City's name in the bank's Trust Department, or alternately in the Federal Reserve Bank. Collateral for time deposits in savings and loans is held by the Federal Home Loan Bank or an approved Agent of Depository.

VI. AUTHORIZED AND SUITABLE INVESTMENTS

Legal investments for the City are as follows (I.C. 50-1013) and shall be in U.S. dollar denominations:

A. Revenue bonds issued pursuant to the Revenue Bond Act.
B. City coupon bonds provided for under section 50-1019, Idaho Code.
C. Local improvement district bonds provided under Chapter 17, Title 50, Idaho Code.
D. Time deposit accounts with public depositories.
E. Bonds, treasury bills, interest-bearing notes, or other obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principle and interest.
F. General obligation bonds of this state, or those for which the faith and credit of the United States are pledged for the payment of principle and interest.
G. General obligation bonds of any county, city, metropolitan water district, municipal utility district, school district, or other taxing district of this state.
H. Notes, bonds, debentures, or other similar obligations issued by the Farm Credit System or institutions forming a part thereof under the Farm Credit Act of 1971 (V.S.C., Title 12, sections 2001-2259) and all Acts of Congress amendatory thereof or supplementary thereto; in bonds or debentures of the Federal Home Loan Bank Act (U.S.C., Title 12, Sections 1421-1449); in bonds, debentures, and other obligations of the Federal National Mortgage Association established under the National Housing Act (U.S.C., Title 12, Sections 1701- 1750g)as amended, and in the bonds of any federal home loan bank established under said act and in other obligations of agencies and instrumentalities of the state of Idaho or the United States.
I. Bonds, notes, or other similar obligations issued by public corporations of the state of Idaho including, but not limited to, the Idaho state building authority, the Idaho housing authority, and the Idaho water resource board, but such investment shall not extend beyond seven (7) days.
J. Repurchase agreements covered by any legal investment for the state of Idaho.
K. Tax anticipation bonds or notes, income and revenue anticipation bonds or notes and registered warrants of the state of Idaho or of taxing districts of the state of Idaho.
L. Savings account including, but not limited to, accounts on which interest or dividends are paid and upon which negotiable orders of withdrawal may be drawn and similar

transaction accounts.

M. Time deposit accounts and other savings accounts of state or federal savings and loan associations located within the geographical boundaries of the state in amounts not to exceed the insurance provided by the federal savings and loan corporation, including but not limited to accounts on which interest or dividends are paid and upon which negotiable orders of withdrawal may be drawn, and similar transaction accounts.
N. Share, savings, and deposit accounts of state and federal credit unions located within the geographical boundaries of the state in amounts not to exceed the insurance provided by the national credit union share insurance fund and/or any other authorized share guaranty corporation, including, but not limited to, accounts on which interest or dividends are paid and upon which negotiable orders of withdrawal may be drawn, and similar transaction accounts.
O. Prime banker's acceptances.
P. Prime commercial paper.
Q. Money market funds, mutual funds, or any other similar funds whose portfolios consist of any allowed instrument as specified in this section.

MASTER REPURCHASE AGREEMENT

If the City chooses to have a Master Repurchase Agreement, The Treasurer shall have on file a copy of the Master Repurchase Agreement, signed by both parties, prior to any repurchase agreements with a bank or dealer.

COLLATERALIZATION

Collateralization will be required on two types of investments:

(1) Certificates of deposits.
(2) Repurchase agreements.

Reverse repurchase agreement investments must have Council approval. Any bank or savings and loan doing business with the City must provide dedicated collateral for any deposits it holds in excess of $100,000 insured by The Federal Depository Insurance Corporation or Federal Savings & Loan Insurance Corporation. The collateralization process requires securities that serve as collateral are placed in a safekeeping account. The collateral must consist only of the following securities: U.S. Treasury Bills, Notes, Bonds and federal agency securities, and/or the government-guaranteed portion of certain government securities. Collateral will be marked to market on the day of the transaction or otherwise protected against price deterioration with over-collateralization of a minimum of 105%. Collateral will always be held by an independent third party with whom the City has a current custodial agreement. A clearly marked evidence of ownership, safekeeping receipt, must be supplied to the City and retained by the Treasurer.

CITY OF BLACKFOOT
INVESTMENT GLOSSARY

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.
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.
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 investments.
BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.
BROKER: A broker brings buyers and sellers together for a commission.
CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large- denomination CD's are typically negotiable.
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.
COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for the City of Jerome, includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.
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 RISK: The risk of loss due to the failure of the security or backer.
Credit risk will be mitigated by:

- Limiting investments to the types of securities authorized by this policy.
- Using pre-qualified financial institutions.
- Diversifying the investment portfolio.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.
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 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.
FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, 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 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 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 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.
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-throughs" is often used to describe Ginnie Maes.
INTEREST RATE RISK: The risk that the market value of the portfolio securities will fall due to an increase in general interest rates:
Interest rate risk will be mitigated by:

- Structuring the City's portfolio so that securities mature to meet the City's cash demands for ongoing operations, thereby precluding the need to sell securities on the open market prior to their maturity.
- Investing primarily in shorter-term securities.

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.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

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 agreement 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.

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.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

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 on a bond the current income return.

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.

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.
SEC RULE 15C3-1: See Uniform Net Capital Rule.
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 10 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 10 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.
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.