

ORDINANCE Nº. 2209-2023

AN ORDINANCE REPEALING AND REPLACING THE CITY INVESTMENT POLICY, REPEALING CHAPTER 3.24 OF THE CITY CODE AND REPLACING THE SAME WITH A NEW CHAPTER 3.24

BE IT ORDAINED by the governing body, that is, the City Commission of the City of Clovis, New Mexico:

SECTION ONE. RECITALS: The City of Clovis originally adopted the City Investment Policy in 1988, with subsequent changes and amendments. The City wishes to adopt an updated, more effective City Investment Policy. In order to adopt a new City Investment Policy, the City must repeal the current City Investment Policy in Chapter 3.24 of the Clovis City Code and replace the same with a new Chapter 3.24.

SECTION TWO. AMENDMENT OF EXISTING CODE SECTION. The following chapter of the Clovis City Code is hereby repealed in its entirety:

Chapter 3.24 City Investment Policy

SECTION THREE. ADDITION OF NEW CODE SECTION. The following code section is hereby created and shall be incorporated in Chapter 3.24 of the Clovis City Code:

Chapter 3.24 – City Investment Policy

3.24.010 Statement of Purpose/Statutory Authority

The intent of the Investment Policy of the City of Clovis, New Mexico (“City”) is to define the parameters within which funds are to be managed. In methods, procedures and practices, the policy formalizes the framework for the City investment activities that must be exercised to ensure effective and judicious fiscal and investment management of the

City funds. The guidelines are intended to be broad enough to allow the Investment Officer to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

The investment program shall be operated in conformance with federal, state, and other legal requirements, including Specific statutory authority of the Investment Officer of the City concerning the investment of public funds, with the advice and consent of the Investment Committee, can be found in New Mexico Statutes Annotated 1978 §§ 6-10-10; 6-10-10.1.

The Investment Policy shall be reviewed at least every two years.

3.24.020 Definitions

Investment Officer	The finance director and/or third-party entities authorized by the City Commission to invest monies on behalf of the City.
Investment Officer	City Finance Director or other identified City official with the purpose of investing and managing City funds.
Custodian	A specialized financial institution, approved by the State Board of Finance, responsible for the safekeeping of assets. The assets may be in electronic or physical form. Some additional responsibilities may include facilitating securities settlements and the collection of income on assets held in safekeeping.

Duration	A measure of the price sensitivity of an underlying security, or portfolio, to changes in interest rates.												
DVP	Delivery Versus Payment, a method of securities settlement where securities are simultaneously exchanged for payment.												
Fiscal Agent Bank	A bank or savings and loan association designated by the City acting on behalf of the City. Fiscal agent bank functions include the collection of all monies received by the City and the management of CITY's checking account. Monies held at the Fiscal Agent Bank are managed to a target balance after payment of checks, warrants, ACH volume and wire transfers processed by the City.												
Investment Grade Ratings	<p>Issuer ratings within any of the following rating agency ranges:</p> <table border="1"> <thead> <tr> <th>RATING AGENCY</th> <th>LONG-TERM</th> <th>SHORT-TERM</th> </tr> </thead> <tbody> <tr> <td>Standard & Poor's</td> <td>A to AAA</td> <td>A-1 or Better</td> </tr> <tr> <td>Fitch</td> <td>A to AAA</td> <td>F1 or Better</td> </tr> <tr> <td>Moody's</td> <td>A2 to Aaa</td> <td>P-1</td> </tr> </tbody> </table>	RATING AGENCY	LONG-TERM	SHORT-TERM	Standard & Poor's	A to AAA	A-1 or Better	Fitch	A to AAA	F1 or Better	Moody's	A2 to Aaa	P-1
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Standard & Poor's	A to AAA	A-1 or Better											
Fitch	A to AAA	F1 or Better											
Moody's	A2 to Aaa	P-1											
Maturity Date	The date on which the principal amount of a debt instrument becomes due and is repaid to the investor, along with all remaining interest.												
WAM	Weighted Average Maturity. For a given portfolio, the average maturity of investment holdings weighted by the relative size of each position.												

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3.24.030 Identification of Funds

This Investment Policy applies to activities of the City with regard to investing the financial assets of all funds including the assets of the city's general funds, special revenue funds, capital project funds, enterprise funds, and agency funds. All funds are subject to regulations established by the State of New Mexico.

Except for funds in certain restricted and special funds, the City commingles its funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

3.24.040 Objectives

The funds will be invested in a manner that is in conformance with federal, state, and other legal requirements.

The Investment Committee and Investment Officer will observe the following priorities in making investment decisions, in the order described:

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 goal will be to mitigate credit risk and interest rate risk;

2. **Liquidity** — The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated; and

3. **Return** — The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints of safety and liquidity needs.

The funds shall be invested with the objective of preserving a stable net asset value (NAV) of \$1.00 per share.

3.24.050 Standards of Care

A. Delegation of Authority and Responsibilities

1. Governing Body

The City Commission will retain ultimate fiduciary responsibility for the portfolios. The City Commission will appoint an Investment Committee, receive monthly reports and designate an Investment Officer.

2. Investment Officer

Authority to manage the investment program is granted to the Finance Director hereinafter referred to as Investment Officer as designated by the City of Clovis.

Responsibility for the operation of the investment program is hereby delegated to the Investment Officer who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Investment Policy.

All participants in the investment process shall seek to act responsibly as custodians of the public trust. No Investment Officer or designee may engage in an investment

transaction except as provided under the terms of this policy and supporting procedures.

3. Investment Adviser

The City may engage the services of one or more external investment managers to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. Such managers must be registered under the Investment Advisers Act of 1940. The Investment Advisor agrees to meet with the Investment Officer and Investment Committee quarterly; and agrees to be bound by the dictates of this Policy. Such meetings shall address the Investment Advisor's views on developments within the national/local economies, the securities and interest rate markets and the potential effects of these developments on investment and deposit strategy, portfolio maturities, potential amendments to this Policy and other fiscal matters.

B. Ethics and Conflict of Interest

The Investment Committee and Investment Officer shall adhere to standards of conduct as follows:

- The Governmental Conduct Act, NMSA §§10-16-1 through 10-16-18;
- The Gift Act, NMSA 1978 §§10-16B-1 through 10-16B-4; and
- The Procurement Code, NMSA 1978 §§13-1-28 through 13-1-199.

The Investment Officer and employees involved in the investment process shall refrain from personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose any material interests in

financial institutions with which they conduct business as required by the Governmental Conduct Act. Disclosure shall be made to the governing body. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and the Investment Officer shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the City.

C. Prudence

The Investment Committee and Investment Officer shall perform investment duties in a manner consistent with this Investment Policy and the standard of a prudent investor¹ in light of the purposes, terms, distribution requirements, and other circumstances then prevailing as to the assets entrusted to them.

In the process of investing funds, the Investment Committee and Investment Officer shall exercise reasonable care, skill, diligence and prudence considering investments not in isolation, but in the context of the portfolio as a whole and as part of an overall investment strategy. That strategy shall incorporate the risk and return objectives articulated in this Investment Policy.

The Investment Committee and Investment Officer, acting in accordance with New Mexico Statutes, written procedures, this Investment Policy, and exercising due diligence, shall be relieved of personal liability for an individual security's credit risk or market price changes,

¹ Uniform Prudent Investor Act; NMSA 1978, §§45-7-601 through 45-7-612

provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

3.24.060 Controls

A. Custody

All investment securities purchased by the Investment Officer, held as collateral on repurchase agreements and bank deposits or held as collateral on securities lending arrangements, shall be held in third-party safekeeping at a financial institution qualified to act in this capacity.

All securities held will be free and clear of any lien and all transactions will be conducted in compliance with NMSA 1978, §6-10-10(O), which requires same-day transfer of funds with the settlement of securities.

The Custodian will provide reports that list all transactions that occurred during the month and all securities held at month-end including the book and market value of holdings.

The representatives of the Custodian responsible for, or in any manner involved with, the safekeeping and custody process shall be bonded in amounts required by the State Board of Finance under a custody agreement to protect from losses due to malfeasance and misfeasance.

B. Approved Broker-Dealers and Counterparties

To ensure the proper separation of duties from the investment functions, the Investment Officer shall maintain a list of broker-dealers and counterparties approved to provide

investment services to the City of Clovis. Eligible broker-dealers will need to meet all of the following conditions:

- The broker-dealer and its representatives must be registered pursuant to the New Mexico Uniform Securities Act²;
- The broker-dealer must be registered with the Financial Industry Regulatory Authority (FINRA);
- All broker-dealer representatives who have direct contact with securities trading between the City and the firm must have a FINRA Series 7 License, or equivalent certification;
- The broker-dealer representatives must have a minimum of five (5) years of continuous employment history involving fixed income securities, with exceptions permitted for sales and trading assistants acting in temporary administrative capacities; and
- Counterparties must operate under the terms of a securities lending or repurchase agreement.

The Broker-Dealer list will be submitted to the Investment Committee for recommendation and will be approved by the City Commission.

C. Competitive Transactions

The Investment Officer will conduct all securities transactions in a fair, open and transparent competitive process:

² New Mexico Uniform Securities Act, NMSA 1978, §§58-13C-101 through 58-13C-701 (2009) and NMAC 12.11.2

- All securities transactions shall be executed at the highest bid or lowest offer to City, subject to diversification constraints;
- Every effort to obtain at least three bids or offers on a specific security will be conducted. If unobtainable, documentation of comparable securities accompanied by current market levels will be retained, to provide evidence of price transparency and trade execution at competitive levels.
- Offers or bids for securities may be received from approved broker-dealers or direct issuers by any of the following means:
 - By phone; or
 - By e-mail or other form of electronic communication; or
 - Through an electronic trading platform; or
 - Directly from issuers of eligible investments.

D. Internal Controls

The Investment Officer will maintain sufficient internal controls to protect against the loss of public funds arising from negligence, theft, or misuse. These controls will require the Investment Officer to:

- Communicate regularly with the Investment Committee regarding investment activities, including any significant changes in market value or credit quality of investment positions;
- Require monthly reconciliation of internal investment accounting and reporting to all external statements provided by the custodian and other financial institutions;

- Monitor compliance with applicable state statutes;
- Require Delivery Versus Payment security settlement except for physical securities;
- Maintain clear delegation of investment authority;
- Ensure the separation of investing authority from cash activities and recordkeeping;
- Require the use of approved objective criteria in selecting broker-dealers and financial institutions authorized to provide investment services to the City;
- Maintain documentation on investment procedures;
- Report violations of this policy to the Investment Committee in a timely manner;
- Require the use of city-approved objective criteria in awarding investment purchases and sales to authorized financial institutions and broker-dealers;
- Ensure assets are valued by marking holdings to current market prices, thereby representing the full liquidation value of the invested funds;

E. External Controls

- The City will retain all records related to investment activities pursuant to state law. As prescribed by the Audit Act³, the State Auditor or designated independent auditor will review the investment activities of the City to

³ Audit Act, NMSA 1978, §§12-6-1 to-14.

determine the compliance of those activities with this Investment Policy and state statutes.

- The market value of all funds held by the custodian will be calculated monthly and provided to the City Commission.

F. The Investment Committee

The City Commission shall establish the Investment Committee, an advisory committee to review investment reporting, budgetary compliance and any other matters of the City Commissions choosing.

1. Membership

The Investment Committee will be comprised of five (5) voting members, the Mayor (chairman), the Mayor Pro-Tem (vice-chairman), two (2) City Commissioners and one (1) member who is a resident of the City of Clovis and who is a current or retired financial advisor or a retired banker. These positions will be approved by the City Commission. The two (2) City Commission members shall be appointed in staggered terms for two-year terms.

The City Manager, Finance Director and Investment Advisor (if retained by the City) shall serve as ex-officio, non-voting members.

2. Responsibilities

The Investment Committee will be charged with the following responsibilities:

- Establishing and continually update the investment policy;

- Monitoring investment activities to ensure that proper controls are in place to guarantee the integrity and security of the City of Clovis' investment portfolio, including the inspection of each and every investment at each committee meeting;
- At least two members of the committee, one of whom shall be either the Mayor or a Commissioner, shall be required to sign and approve all investment transfer authorizations involving investments in excess of one hundred thousand dollars;
- Establishing procedures and requirements for the withdrawal of funds from the local government investment pool;
- Assuring current state laws and policies of the city commission are being adhered to by the Investment Officer;
- Reviewing monthly investment transactions made during the previous quarter by the Investment Officer;
- Approving written investment procedures;
- Meeting to deliberate on such topics as economic outlook, portfolio diversification and maturity structure, potential risks and the target rate of return on the investment portfolio;
- Authorizing and approving depositories, brokers and dealers;
- Reviewing and providing comments to the city commission on the budget and budget procedures.

3. Meetings

The Investment Committee shall meet quarterly on the Wednesday before the second commission meeting of the month, and at such other times as are necessary from time to time to approve investments and to carry out the responsibilities of the committee listed above, and to review reports to be presented to the City Commission. The City Manager shall be responsible for scheduling all meetings as prescribed herein, and insuring notification of all voting committee members.

3.24.070 Eligible and Ineligible Investments

A. Eligible Investments

Eligible Investments are only those securities and deposits specifically authorized by statute. Consistent with NMSA 1978, §§6-10-10 and 6-10-10.1, the Investment Officer may invest in the following:

- Cash at Banks, Savings and Loan Associations, or Credit Unions whose deposits are insured by an agency of the United States and are certified or designated as eligible to receive public money on deposit in New Mexico;
- Securities issued by the United States government;
- Securities issued or guaranteed by United States government agencies, government sponsored enterprises (GSEs), or instrumentalities including mortgage obligations;
- Repurchase Agreements, subject to restrictions contained in Section VII, paragraph C of this Investment Policy;
- Securities Lending Arrangements;
- Local Government Investment Pool.

B. Ineligible Investments

To provide for the safety and liquidity of funds, the Investment Officer is specifically prohibited from investing in:

Short Sales

- Whole Loan Mortgage Obligations
- Reverse Repurchase Agreements, except under a securities lending arrangement
- Inverse Floating Rate Notes
- Equity Securities
- Options, Swaps and or other Derivatives

C. Repurchase Agreements

Repurchase Agreements are subject to additional restrictions:

- Transactions will be conducted only with currently approved dealers and counterparties included on the broker-dealer list, the Fiscal Agent Bank, or the master custodial bank, operating under the terms of a master repurchase agreement or securities lending arrangement;
- Each approved repo counterparty must have a net worth in excess of five-hundred million dollars (\$500,000,000);
- The maximum term of any repurchase agreement will be one (1) year; and
- Tri-Party Repurchase Agreement transactions may be entered into with a contracted custodial bank for this purpose, as long as all securities meet the requirements within this policy.

Securities accepted as collateral for repurchase agreements will be subject to the following additional restrictions:

- Securities placed as collateral for repurchase agreements, with a final maturity less than 10 years, will be priced at 102% of market value, plus accrued income;
- Securities placed as collateral for repurchase agreements, with a final maturity of ten (10) years or greater, will be priced at 103% of market value, plus accrued income;
- Agency mortgage-backed securities placed as collateral for term repurchase agreements with a maturity longer than seven (7) days will be priced at 105% of market value, plus accrued income;
- Term repurchase agreements with a maturity date that is longer than seven (7) days are required to have daily pricing of collateral; and
- Only treasury and agency securities, including agency mortgage-backed obligations, will be utilized as collateral for repurchase agreements.

3.24.080 Investment Parameters

To provide for the safety and liquidity of funds, the investment of the funds will be subject to the restrictions listed below. These represent minimum investment restrictions under this Investment Policy and there may be separate procedures containing additional, more

restrictive limitations for certain investment instruments. All restrictions are based on current market value.

- The City shall maintain a minimum of three months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements;
- The maximum percent of callable securities in the portfolio shall be 15%;
- The maximum stated final maturity of individual securities in the portfolio shall be five years, except as otherwise stated in this policy;
- Liquidity funds will be held in instruments maturing one year and shorter;
- Longer term funds will be defined as the funds in excess of liquidity requirements. The investments in this portion of the portfolio will have maturities between 1 day and 5 years and will be only invested in higher quality and liquid securities;

Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time subsequent to the purchase of a particular issuer or investment type may be exceeded at a point in time subsequent to the purchase of a particular security. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made.

A. Diversification

- GSEs or government-guaranteed investments rated AA or higher with final maturities shorter than thirty (30) days will be excluded from diversification limits;
- Collateralized bank deposits secured by approved City rating agency GSE letters of credit (LOCs) qualify as credit substitutions, and will therefore be viewed as obligations of the collateral issuer/GSE;
- Issuer limits for collateralized bank deposits include certificate of deposit (CD) exposure in aggregate.

Otherwise, the following diversification limits shall apply to the investment portfolio:

Allowable Securities	Diversification Limits	Further Limitations
US Treasury Obligations	100%	
US Agency/GSE Obligations > 30 days Primary Issuers— <i>FNMA, FHLMC, FFCB, FHLB</i> Secondary Issuers— <i>All Other Agencies/GSEs > 30 days</i>	100%	Per Primary Issuer: 33% Per Secondary Issuer: 5% Except TVA: 10%
US Agency Issued Mortgage-Backed Securities	25%	
Bank Deposits—Collateralized A1+ or F1+—1 Day	100%	Per Issuer: 50%

A1 or P1 or F1—1 Day	100%	25%
A1 or P1 or F1—2 Days +	25%	5%
A2 or P2 or F2	10%	2.5%
Bank Deposits (GSE Approved LOC)		
A2 or P2 or F2—1 Day	50%	25%
Municipal Securities	15%	Per Issuer: 5%
Pre-refunded 100% escrowed with US Government related securities	15%	
Repurchase Agreements (Business Days)	100%	Per Counterparty: 50%
A1+ or F1+—1 Day	100%	25%
A1 or P1 or F1—1 Day	100%	10%
A1 or P1 or F1—2-5 Days	10%	5%
A1 or P1 or F1—6 Days +	10%	5%
A2 or P2 or F2—1 Day		
Variable Rate Obligations	35%	Per Issuer:
US Treasury		100%
US Government Agency/GSEs		33%
All Other		5%

Limited/Illiquid Securities <i>(In Aggregate)</i>	10%	Nonmarketable securities with maturities greater than 5 business days.
Local Government Investment Pool	100%	

B. Maturity Restrictions

Total Portfolio Maturity Constraints:

	Maximum % of Total Portfolio
Under 30 days	100%
Under 1 year	50%
Under 5 years	25%

Exception to 5-year maturity maximum: Reserve or Capital Improvement Project monies may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

C. Portfolio Duration

The Investment Officer will manage within the weighted average maturity (WAM) required by the rating agency. The appropriate performance benchmark will be reflective of its

short-term investment objective. The benchmark will be reviewed by the Investment Committee for recommendation and will be approved by the City Commission annually.

D. Credit Quality

The following issuer credit rating limits shall apply:

Investment Type	Credit	
	Short-Term	Long-Term
US Treasury Obligations	N/A	N/A
US Agency Obligations	N/A	N/A
US Agency Issued Mortgage-Backed Securities	N/A	N/A
Bank Deposits—Collateralized	See Above	
Municipal Securities	A1 or MIG1 or F1	A/A2
Repurchase Agreements	See Above	
Variable Rate Obligations US Treasury and Agency/GSE All other	A1 or P1 or F1	A/A2
Limited/Illiquid Securities	A1 or P1 or F1	A/A2
Local Government Investment Pool	N/A	N/A

3.24.090 Reporting

The Investment Officer shall prepare a monthly investment report for the City Commission. For purposes of reporting, the report may be combined with the reports of other assets under the management of the Investment Officer pursuant to the Investment Policy.

An executive summary will be prepared in a manner that will allow the City Commission to ascertain whether investment activities during the reporting period are in compliance with this Investment Policy and New Mexico statutes.

The Investment Officer will submit and present the monthly investment report to the City Commission and will post the report on the City's website and otherwise make it available to the public.

A. Specific Reporting Requirements:

The report will include, at a minimum, the following:

- An asset listing showing par value, cost, market value, type of investment, issuer, and interest rate of securities held;
- The total market value and amortized cost of all pool assets and the average 30-day yield, as of month-end;
- WAM to Reset and WAM to Final of the investment portfolio compared to the maximums allowable per the appropriate rating agency;
- Average portfolio credit quality;

- Total rate of return for the last one (1) month, three (3) months, and twelve (12) months with applicable approved benchmark returns for the same periods;
- Sensitivity analysis on a quarterly basis;
- Transaction listing for the reporting period;
- A report of primary issues purchased and secondary issues purchased or sold;
- Transaction summaries for the reporting period and fiscal-year-to-date that include trade volumes, distributions by type of investment and counterparty; and
- Investment compliance review.

B. Performance Standards

- The investment portfolio will be structured to obtain a market average rate of return taking into account investment risk constraints and cash flow needs.
- The investment portfolio will be compared to an approved benchmark that appropriately models an expected risk and return profile.

C. Quarterly Reporting

On a quarterly basis, the Investment Officer shall prepare a quarterly investment report that describes the investment strategy for the investment portfolio employed during the past quarter and the strategy planned for the next quarter. Information will be reported to the Investment Committee.

D. Annual Reporting

At the next regular City Commission meeting after June 30 of each year, the Investment Officer shall present an annual investment report on the investment portfolio that describes the investment strategy employed during the past fiscal year and the strategy planned for the next fiscal year. The report shall include annual comparisons of the portfolio's return to the performance benchmark for the preceding fiscal year.

PASSED, APPROVED AND ADOPTED this 7th day of December, 2023.

CITY OF CLOVIS, NEW MEXICO

By: _____
Michael Morris, Mayor

(S E A L)

ATTEST:

City Clerk