

RESOLUTION NO. 18-02

BOARD OF DIRECTORS  
GARFIELD COUNTY FEDERAL MINERAL LEASE DISTRICT  
GARFIELD COUNTY, COLORADO

RESOLUTION AMENDING THE INVESTMENT POLICY OF THE GARFIELD COUNTY  
FEDERAL MINERAL LEASE DISTRICT.

- A. WHEREAS, the Garfield County Federal Mineral Lease District (“the District”) is an independent public body politic and corporate and a public instrumentality under the Federal Mineral Lease District Act, C.R.S. § 30-20-1301, *et seq.*, (2017) (“the Act”); and
- B. WHEREAS, the District conducts its affairs through its board of directors (“District Board”), whose powers are defined by statute, §§ 30-20-1305.5, 30-20-1306, and 30-20-1307, C.R.S. (2017); and
- C. WHEREAS, on April 10, 2013, the District Board passed Resolution No. 13-02 Adopting the Investment Policy of the Garfield County Federal Mineral Lease District, becoming the first FML District in the state to do so; and
- D. WHEREAS, §30-20-1307(6) C.R.S. (2017) requires that the District Board review the Investment Policy annually, and also requires certain inclusions in the policy, namely:
  - 1. An acknowledgment of the board of director's fiduciary responsibility with respect to oversight of the district's investment policy;
  - 2. Performance benchmarks for all investments and for all investment advisors who may be hired by the board of directors;
  - 3. A requirement for the preparation and publication of annual financial statements that must include, at minimum, information regarding starting balances, contributions, investment income, and losses, if any, and any investment fees incurred;
  - 4. Careful consideration of investment fees or other brokerage costs which might reduce investment returns;
  - 5. A requirement that the board of directors annually review the investments and annually set appropriations to be included in the trust fund; and
- E. WHEREAS, §30-20-1307(5)(c) C.R.S. (2017) expanded the range of lawful investments available to the District Board to include any investment in which the board of trustees of the public employees’ retirement association may invest the funds of the association pursuant to §24-51-206 C.R.S. (2017); and

- F. WHEREAS, in conducting its annual review of its Investment Policy in compliance with §§30-20-1307(5) and (6) C.R.S. (2017), the District Board finds certain amendments to the Investment Policy are required; and
- G. WHEREAS, investment maximizes the long-term benefit of all funding the District receives, because return on investment benefits future Grantees; and
- H. WHEREAS, the Investment Policy is a prudent, transparent, and sound financial practice, guiding the District Board in exercise of its fiduciary duties.

NOW, THEREFORE, BE IT RESOLVED as follows

- 1. The Investment Policy of the Garfield County Federal Mineral Lease District, as amended, and attached as Exhibit A, and which by this reference is incorporated herein as if fully set forth anew, is hereby ADOPTED.

DONE THIS 8<sup>th</sup> day of August, 2018, at Glenwood Springs, Colorado.

Voting:

Director Rippy:     aye  
Director Samson:   aye  
Director Schmela:   aye

BOARD OF DIRECTORS GARFIELD COUNTY  
FEDERAL MINERAL LEASE DISTRICT

By:   
\_\_\_\_\_  
President

ATTEST:   
\_\_\_\_\_  
Secretary



Garfield County  
**Federal Mineral Lease District**  
----- Established 2011 -----

**INVESTMENT POLICY  
OF THE  
GARFIELD COUNTY FEDERAL MINERAL LEASE DISTRICT  
AS AMENDED AUGUST 8, 2018**

TABLE OF CONTENTS

I.	THE DISTRICT AND ITS FUNDING.....	1
II.	INVESTMENT OBJECTIVES.....	1
III.	AUTHORITY BY RESOLUTION ONLY.....	2
IV.	PRUDENCE.....	3
V.	ETHICS AND CONFLICTS OF INTEREST.....	3
VI.	ELIGIBLE INVESTMENTS AND TRANSACTIONS.....	4
VII.	INVESTMENT DIVERSIFICATION.....	4
VIII.	INVESTMENT MATURITY AND LIQUIDITY.....	5
IX.	SELECTION OF BANKS AND SAVINGS AND LOANS AS DEPOSITORIES AND AS PROVIDERS OF GENERAL BANKING SERVICES.....	5
X.	SAFEKEEPING AND CUSTODY.....	6
XI.	PERFORMANCE AND REPORTING.....	6
XII.	POLICY REVISIONS.....	6
	APPENDIX I - Approved Depositories and Custodian Banks.....	8
	APPENDIX II - Government Finance Officers Association Code of Professional Ethics.....	9

## I. THE DISTRICT AND ITS FUNDING

The Garfield County Federal Mineral Lease District ("District") is an independent public body charged by the Colorado General Assembly with distributing financial resources it receives from the development of natural resources on federal lands within Garfield County, Colorado, to communities impacted by those activities. In doing so, the District exercises an essential public function, to alleviate social, economic, and public finance impacts resulting from federal mineral leasing activities.

The Federal Mineral Lease District Act, § 30-20-1301 *et seq*, C.R.S. ("the Act"), directs the District to maximize the long-term benefit of all funding it receives and to exercise sound financial practices to achieve this mandate. The District operates two grant cycles annually, the administration of which results in funds that have been received by the District but, for numerous reasons, not yet distributed to Grantees. Investment of a reasonable portion of those funds is a sound financial practice consistent with the Act's legislative intent.

Investment applies to those funds, if any, not yet distributed to Grantees, funds being saved in support of long-term projects as contemplated by the Act, and a portion of unspent administrative funds ("Surplus Funds"). Prudent investment of Surplus Funds, if any, is a sound financial practice because return on investment maximizes long-term benefit to future grantees. Investment is expressly authorized under § 30-20-1307(5) C.R.S.

Investment is a means to an end, not an end in itself. Investment is merely the best financial management practice of Surplus Funds. The first mission of the District remains distribution of funding consistent with the Act.

This Investment Policy was first adopted on April 10, 2013 and replaces any previous investment policy or investment procedures of the District.

## II. INVESTMENT OBJECTIVES

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

1. Safety of Funds: 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 in the following ways:
  - a) Credit Risk: the District will minimize credit risk, the risk of loss due to the failure of the security issuer, by:
    - i) Limiting investments to those listed in Section VI, Eligible Investments and Transactions,

- ii) Pre-qualifying the financial institutions with which the District does business, and
    - iii) Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
  - b) Interest Rate Risk: The District will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by:
    - i) Structuring the investment portfolio so that securities mature sufficiently close to cash requirements for ongoing operations, thereby minimizing the potential need to sell securities on the open market prior to maturity, and
    - ii) Investing operating funds primarily in short- to intermediate-term securities, approved local government investment pools, approved money market mutual funds, and repurchase agreements.
2. Liquidity of Funds: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. To ensure that adequate funds are available to pay the District's projected financial obligations, investments will be purchased or deposits made that reasonably match the anticipated cash disbursements of the District.
- Since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets so that the potential for a realized loss, if an early liquidation of a security is necessary, will be minimized.
3. Yield: The District's portfolio shall earn a competitive market rate of return on available funds throughout budgetary and economic cycles.

### III. AUTHORITY BY RESOLUTION ONLY

All investment decisions shall be made by resolution of the Garfield County Federal Mineral Lease District Board of Directors ("District Board"). All such resolutions shall include limited, express authority to one or more Directors or member(s) of the District professional staff to take only those steps necessary, and within a specified time period, to ensure the investment decision made by the Board is carried out.

#### IV. PRUDENCE

The Board shall make investments in a manner that complies with the Uniform Prudent Investor Act § 15-1.1-101 *et seq.*, C.R.S. The standard of prudence to be used for managing the District's assets is the "Prudent Investor Rule," which states that a prudent investor "shall exercise the judgment and care, under circumstances then prevailing, which men of prudence, discretion, and intelligence exercise in the management of the property of another, not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income as well as the probable safety of their capital." See § 15-1-304, C.R.S., Standard for Investments.

The Board is a fiduciary of District funds, with fiduciary responsibility with respect to oversight of this investment policy. The District's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The District recognizes that no investment is totally without risk and that the investment activities of the District are a matter of public record. Accordingly, the District recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the District.

Assets may be sold at a loss only if a majority of the Board believes that the sale of the security is in the best long-term interest of the District. In the event an investment is sold at a loss, the Board shall indicate the reasons for the sale at the time the resolution concerning the investment decision is adopted.

The Board may engage the services of investment advisors, the selection of whom must be made following an open and competitive process. The Board shall carefully consider investment fees or other brokerage costs, which might reduce investment returns, and shall establish performance benchmarks for all investment advisors it may hire, and for all investments.

#### V. ETHICS AND CONFLICTS OF INTEREST

The Board and individual Directors shall comply with applicable provisions of § 24-18-101 *et seq.*, C.R.S., Code of Ethics.

The District adheres to the Government Finance Officers Association's "Code of Professional Ethics" a copy of which is included in Appendix II.

## VI. ELIGIBLE INVESTMENTS AND TRANSACTIONS

District Funds not otherwise invested shall whenever possible be deposited in interest bearing demand deposit accounts, and consistent with the terms of this section.

All investments shall be made in accordance with the Colorado Revised Statutes (C.R.S.): §§ 30-20-1307 (5) and (6) C.R.S. Board of Directors – Powers and Duties (concerning invested funds and investment policy); § 10.5-101 *et seq.*, C.R.S., Public Deposit Protection Act; § 11-10.5-101 *et seq.*, C.R.S., Public Deposit Protection Act; § 30-10-708 C.R.S., Deposit of funds in banks and savings and loan associations; § 11-47-101 *et seq.*, C.R.S., Savings and Loan Association Public Deposit Protection Act; § 24-75-601 *et seq.*, C.R.S., Funds - Legal Investments; § 24-75-603 C.R.S., Depositories; and § 24-75-701 *et seq.*, C.R.S., Local Governments - Local Government Pooling. Any revisions or extensions of these sections of the C.R.S. will be assumed to be part of this Investment Policy immediately upon being enacted.

The District further restricts the investment of Surplus Funds to the following types of securities and transactions:

1. Time Certificates of Deposit or savings accounts in state or national banks or in state or federally chartered savings banks, which are state-approved depositories per § 24-75-603 *et seq.*, C.R.S. (as evidenced by a certificate issued by the State Banking Board), are insured by the FDIC, and have a maximum maturity of 18 months. Certificates of Deposit, which exceed the FDIC insured amount, shall be collateralized in accordance with the Colorado Public Deposit Protection Act. Certificates of deposit must comply with § 30-10-708 (1) C.R.S.

The District shall purchase Certificates of Deposit only from financial institutions that meet the credit criteria set forth in the section of this Investment Policy, "Selection of Banks and Savings and Loans as Depositories and as Providers of General Banking Services."

2. Local Government Investment Pools authorized under § 24-75-701 C.R.S. and § 30-10-708(4) C.R.S., which: 1) are "no-load" (i.e., no commission fees shall be charged on purchases or sales of shares); 2) maintain a constant daily net asset value of \$1.00 per share; 3) limit assets of the fund to those securities authorized by state statute; 4) have a maximum stated maturity and weighted average maturity in accordance with Rule 2a-7 of the Investment Company Act of 1940; and 5) have a rating of AAAM or the equivalent by a NRSRO.

The foregoing list of authorized securities shall be strictly interpreted.<sup>1</sup> Any deviation from this list must be pre-approved by resolution of the District Board.

---

<sup>1</sup> The Board is aware § 30-20-1307(5)(C) C.R.S. allows the Board the same investment options available to the board of trustees of the public employees' retirement association pursuant to § 24-51-206 C.R.S.



## **VII. INVESTMENT DIVERSIFICATION**

As stated in Section I. above, the first mission of the District remains distribution of funding consistent with the Act, not investment as an end in itself.

It is the intent of the District to diversify investments, if any, within the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, or maturities. The asset allocation in the portfolio should, however, be flexible depending upon the outlook for the economy, the securities market, and the District's anticipated cash flow needs.

District Funds not otherwise invested shall whenever possible be deposited in interest bearing demand deposit accounts, and Surplus Funds, if any, shall be invested, consistent with Section VI. above, only in the following:

- Time Certificates of Deposit
- Local Government Investment Pools

## **VIII. INVESTMENT MATURITY AND LIQUIDITY**

The investment portfolio shall remain sufficiently liquid to meet all cash requirements that may be reasonably anticipated. To the extent possible, investments shall be matched with anticipated cash flows and known future liabilities.

## **IX. SELECTION OF BANKS AND SAVINGS AND LOANS AS DEPOSITORY AND AS PROVIDERS OF GENERAL BANKING SERVICES**

Banks and savings and loans shall be approved by written resolution by the District Board to provide depository and other banking services for the District. To be eligible for authorization, a bank or savings and loan shall be a member of the Federal Deposit Insurance Corporation, shall qualify as a depository of public funds in Colorado as defined in § 24-75-603 C.R.S., and shall meet the minimum credit criteria of credit analysis provided by a commercially available bank rating service, or any other similar, reasonable means. Banks failing to meet the minimum criteria, or in the judgment of the Board no longer offering adequate safety to the District, will be removed from the District's list of authorized banks. A list of approved banks and savings and loans is included in Appendix I.

## **X. SAFEKEEPING AND CUSTODY**

The District Board shall consider one or more financial institutions to provide safekeeping and custodial services for the District. Custodian banks shall be selected on the basis of their ability to provide service to the District's accounts and the competitive pricing of their safekeeping related services. A District-approved Safekeeping Agreement shall be executed with each custodian bank prior to utilizing that bank's safekeeping services. To be eligible for designation as the District's safekeeping and custodian bank, the institution shall qualify as a depository of public funds in the State of Colorado as defined in § 24-75-603 *et seq.*, C.R.S., and be a Federal Reserve member financial institution.

## **XI. PERFORMANCE AND REPORTING**

The District's portfolio shall strive to achieve a market value rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements.

The performance of the investment program will be reviewed at Regular Meetings of the District Board no less frequently than quarterly, and as needed.

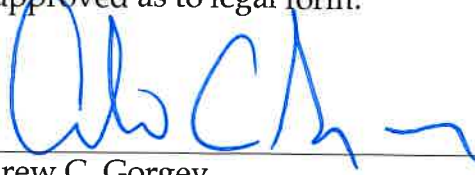
Accounting and reporting on the District's investment portfolio shall conform to Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB) recommended practices.

The preparation and publication of the District's annual financial statements shall include, at minimum, information regarding starting balances, contributions (annual appropriations), investment income, and losses, if any, and any investment fees incurred.

## **XII. POLICY REVISIONS**

This Investment Policy shall be reviewed at the Annual Meeting and may be amended as conditions warrant. Appendices to this Investment Policy may be updated as necessary, provided the changes in no way affect the substance or intent of this Investment Policy.

Prepared by and approved as to legal form:



---

Andrew C. Gorgey  
General Counsel  
Garfield County Federal Mineral Lease District

Approved:



---

Gregg P. Rippey, President  
Garfield County Federal Mineral Lease District  
Board of Directors

Date: August 8, 2018

First Adopted: April 10, 2013  
Amended: August 8, 2018

## **Appendix I**

### **Approved Depositories and Custodian Banks**

The following depositories have been approved by the Garfield County Federal Mineral Lease District.

Alpine Bank  
ANB Bank  
Bank of Colorado  
FirstBank of Colorado  
U.S. Bank, N.A.  
Vectra Bank Colorado, N.A.  
Wells Fargo, N.A.

## Appendix II

### GOVERNMENT FINANCE OFFICERS ASSOCIATION CODE OF PROFESSIONAL ETHICS

The Government Finance Officers Association of the United States and Canada is a professional organization of public officials united to enhance and promote the professional management of governmental financial resources by identifying, developing, and advancing fiscal strategies, policies and practices for the public benefit.

To further these objectives, all government finance officers are enjoined to adhere to legal, moral and professional standards of conduct in the fulfillment of their professional responsibilities. Standards of professional conduct as set forth in this code are promulgated in order to enhance the performance of all persons engaged in public finance.

**I. *Personal Standards.*** *Government finance officers shall demonstrate and be dedicated to the highest ideals of honor and integrity in all public and personal relationships to merit the respect, trust and confidence of governing officials, other public officials, employees, and the public.*

- They shall devote their time, skills and energies to their office both independently and in cooperation with other professionals.
- They shall abide by approved professional practices and recommended standards.

**II. *Responsibility as Public Officials.*** *Government finance officers shall recognize and be accountable for their responsibilities as officials in the public sector.*

- They shall be sensitive and responsive to the rights of the public and its changing needs.
- They shall strive to provide the highest quality of performance and counsel.
- They shall exercise prudence and integrity in the management of funds in their custody and in all financial transactions.
- They shall uphold both the letter and the spirit of the constitution, legislation and regulations governing their actions and report violations of the law to the appropriate authorities.

**III. *Professional Development.*** *Government finance officers shall be responsible for maintaining their own competence, for enhancing the competence of their colleagues, and for providing encouragement to those seeking to enter the field of government finance. Finance officers shall promote excellence in the public service.*

IV. Professional Integrity – Information. Government finance officers shall demonstrate professional integrity in the issuance and management of information.

- They shall not knowingly sign, subscribe to, or permit the issuance of any statement or report which contains any misstatement or which omits any material fact.
- They shall prepare and present statements and financial information pursuant to applicable law and generally accepted practices and guidelines.
- They shall respect and protect privileged information to which they have access by virtue of their office.
- They shall be sensitive and responsive to inquiries from the public and the media, within the framework of state or local government policy.

V. Professional Integrity – Relationships. Government finance officers shall act with honor, integrity and virtue in all professional relationships.

- They shall exhibit loyalty and trust in the affairs and interests of the government they serve, within the confines of this Code of Ethics.
- They shall not knowingly be a party to or condone any illegal or improper activity.
- They shall respect the rights, responsibilities and integrity of their colleagues and other public officials with whom they work and associate.
- They shall manage all matters of personnel within the scope of their authority so that fairness and impartiality govern their decisions.
- They shall promote equal employment opportunities and, in doing so, oppose any discrimination, harassment, or other unfair practices.

VI. Conflict of Interest. Government finance officers shall actively avoid the appearance of or the fact of conflicting interests.

- They shall discharge their duties without favor and shall refrain from engaging in any outside matters of financial or personal interest incompatible with the impartial and objective performance of their duties.
- They shall not, directly or indirectly, seek or accept personal gain which would influence, or appear to influence, the conduct of their official duties.
- They shall not use public property or resources for personal or political gain.