



## CITY OF WESTON FINANCIAL POLICIES

The financial policies as outlined herein are the basis of the daily operations of the City of Weston. The policies establish objectives and provide guidelines and specific rules necessary in accomplishing the City's operating and capital programs.

### **OPERATING POLICIES:**

- Maintain the Indian Trace and Bonaventure Development Districts for the purpose of providing water management and rights-of-way services, debt service payments and capital projects.
- Pay for all current operating expenditures with current revenues. The City will avoid balancing current operating expenditures with borrowed revenues.
- Provide for adequate maintenance of capital, plant and equipment and for their orderly replacement.
- Monitor budget-to-actual activity at the Department level in the General Fund and at the Fund level in all other funds.
- Prepare monthly reports comparing actual revenues and expenditures with budgeted amounts by no later than the 15th day of the following month.
- Develop multi-year business plans every three to five years to model operating conditions into the future and whenever practical use them as bases for future annual operating budgets.

### **CAPITAL IMPROVEMENT POLICIES:**

- Develop multi-year business plans every three to five years for capital improvements, update them annually as necessary and whenever practical use them as bases for future annual capital budgets.
- Limit pre-funding of capital projects to those where annual contributions are limited to less than \$100,000.

### **REVENUE POLICIES:**

- Maintain a diversified and stable revenue system to shelter the City from unforeseeable short-run fluctuations in any one revenue source.
- Estimate annual revenues by an objective and conservative analytical process.
- Project revenues for the next year, update projections and re-examine each existing and potential revenue source annually.
- Recalculate the full costs of activities supported by user fees annually and make appropriate adjustments.

### **UNASSIGNED FUND BALANCE POLICIES:**

- Maintain a designated General Fund Balance called Credit Reserve at a minimum of 20% of that year's annual non-capital expenditures to maintain the Aaa credit rating from Moody's and the AAA credit rating from Standard and Poor's.
- Use Disaster Management Fund Balance for natural or man-made disasters and Unassigned General Fund Balance for economic downturns as authorized by City Commission Resolution.
- Maintain designated General Fund Balance called Infrastructure Reserve for pre-funding of future capital projects where annual contributions required are less than \$100,000.



- Carry over any and all fund balance not specifically restricted at the end of each fiscal year as Unassigned Fund Balance and report them in the annual budget and annual comprehensive financial report in accordance with Generally Accepted Accounting Principles.

#### **ACCOUNTING, AUDITING AND FINANCIAL REPORTING POLICIES:**

- Maintain the highest standard of accounting practices in conformity with Generally Accepted Accounting Principles.
- Present a summary of financial activity by major types of funds in regular monthly and annual financial reports.
- Retain a public accounting firm specializing in auditing local governments to perform the City's annual audit and publicly issue an opinion on the City's compliance with accounting principles, internal controls, and rules of Auditor General of the State of Florida.

#### **CAPITAL ASSETS POLICIES:**

- The City will comply with the standards established by Governmental Accounting Standards Board Statement 34 and all subsequent pronouncements set forth by the Governmental Accounting Standards Board or its successor organization regarding Fixed Asset Accounting.
- Capitalize all individual assets and infrastructures with a cost of \$5,000 or more and an estimated useful life of three years or more.
- Account for assets and infrastructure meeting the minimum dollar and life thresholds in the following categories: land, buildings, improvements, equipment, infrastructure, construction in progress.
- Only assets or infrastructure with a value over \$5,000 will be budgeted as a capital item in the budget. Short lived assets which do not meet the capital asset threshold will be budgeted as operational materials and supplies.
- Governmental Accounting Standards Board Statement 34 requires governments to depreciate capital assets with a defined estimated life. The City will use the straight line depreciation method, there will be no depreciation on land or other assets with an indefinite life, construction in progress will not be subject to depreciation until the project is completed and depreciation will not be calculated on the salvage value.

#### **DEBT POLICIES:**

- This Debt Management Policy (the "Policy") shall provide the framework for direct debt origination and issuance activities of the City of Weston (the "City"), the Bonaventure Development District (the "BDD") and the Indian Trace Development District (the "ITDD"). The Policy includes, but is not limited to, bonds, notes, bank loans, lines of credit, and capital lease agreements originated ONLY by the City, the BDD or the ITDD. This Policy does not apply to interfund borrowing or operating leases and does not cover indirect debt such as debt originated by any other overlapping jurisdiction or governmental agency.

#### **OBJECTIVE**

The debt goals of the City, the BDD and the ITDD are to maintain or improve its bond ratings, to fund infrastructure improvements that add value to the residents and businesses, to spread the cost of those improvements over the life of the asset, to allocate those costs to those who will benefit from

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the infrastructure over its useful life, to provide interest and debt service savings to residents and businesses whenever possible and to provide for the safety of life and property in response to a disaster event. The City currently has an uninsured credit rating of Aaa from Moody's and AAA from Standard and Poor's. The BDD and the ITDD currently have no credit rating.

#### DEBT PURPOSE and ANALYSIS LIMITS

The City, the BDD and the ITDD will, from time to time, originate debt. Debt origination should be limited to investments in assets either by purchase, replacement or improvement; refunding of outstanding debt; or temporary financial stress caused by a disaster event. Debt originated for the purpose of investing in assets will be in accordance with the Adopted Capital Improvement and Maintenance Plans and will be further limited to assets not covered by any reserves committed to infrastructure assets.

Prior to originating any new debt, an analysis shall be performed to evaluate the impact of new debt. Any new debt shall meet the following criteria prior to origination or issuance:

- Total projected debt (including new debt) per capita ratio below \$2,000;
- Total projected debt (including new debt) less than 2% of the City real property just (market) value as calculated by the Broward County Property Appraiser's Office;
- Total projected annual debt service (including new debt service) less than 12% of total projected recurring operating expenditures (capital expenditures, existing debt service and other nonrecurring expenditures not included);
- Pledged projected revenue coverage ratio of greater than 1.20x projected related annual debt service.

#### DEBT STRUCTURE LIMITS

Any debt originated by the City, the BDD or the ITDD shall meet the following criteria:

- Debt originated for asset investment:
  - The maximum maturity term shall be the lesser of:
    - The economic useful life of the asset as determined by the completion of a study or evaluation performed by a qualified person or firm;
    - Thirty years.
  - The principal and interest payments shall be structured such that the periodic debt service shall be equal payments or equal principal payments with declining interest payments at the City's sole discretion.
  - The interest rate shall be structured as a constant fixed rate.
  - Optional redemption features such as "calls" shall be allowed ONLY at the option of the issuer.
- Debt originated to refund or refinance outstanding debt:
  - The maximum maturity term shall be the weighted average maturity term of the outstanding debt being refunded at that time.
  - The principal and interest payments shall be structured such that the periodic debt service shall be equal payments or equal principal payments with declining interest payments at the City's sole discretion.
  - The interest rate shall be structured as a constant fixed rate.



- Optional redemption features such as “calls” shall be allowed ONLY at the option of the issuer.
- Lines of credit drawn upon as a result of temporary financial distress caused by a disaster event:
  - The Mayor or designee must declare a state of emergency to draw on the line of credit.
  - The maximum maturity term shall be 12 months.
  - The City’s investments shall be the only collateral pledged.

#### MONITORING and REPORTING

The City will review its debt composition annually in conjunction with its Comprehensive Annual Financial Report or as needed such as when considering new debt origination.

The City will, at a minimum, comply with all continuing disclosure requirements as contained within any applicable federal, state or local laws or as stated by any applicable agencies.

The Assistant City Manager/Chief Financial Officer will be responsible for continuing disclosure.

#### **INVESTMENT POLICIES:**

This Investment Policy shall provide the framework for the investment activities of the City of Weston and establish an operational guideline for its investment staff to follow. The Policy applies to the City’s short-term and long-term funds, but does not include bond proceeds which may be subject to restrictive covenants.

#### INVESTMENT OBJECTIVES

Except where specifically prohibited by law, the City may consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with Generally Accepted Accounting Principles.

The primary objectives, in order of priority, for investment activities shall be safety, liquidity, and yield:

- Safety
  - Safety of principal is the foremost investment objective. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the investment portfolio. The preservation of capital will be accomplished through the mitigation of exposure to interest rate risk and credit risk.
    - Interest Rate Risk
      - The City will minimize the interest rate risk, which is the risk that the value of the securities in the investment portfolio will fall due to changes in interest rates, by:



- Structuring the portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities prior to maturity
  - Investing operating funds in primarily short-term securities, money market mutual funds, or similar investment pools and limiting the weighted average maturity (Macaulay duration) of the portfolio
  - Limiting the price sensitivity (modified or effective duration) of the investments in the portfolio
- Credit Risk
    - The City shall limit credit risk, the risk of loss due to default by the issuer, securities broker/dealer, or financial institution, by:
      - Limiting investments to investment-grade securities as rated by Moody's, Standard & Poor's, Fitch, or any other nationally recognized rating agency in the United States
      - Pre-qualifying financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business
      - Diversifying the investment portfolio to reduce the impact of potential losses from any one type of security, or any individual issuer or backer

#### LIQUIDITY

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. By maintaining liquidity, the portfolio will inherently reinforce the safety of principal requirement. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (*static liquidity*). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist primarily of securities with an active secondary or resale market (*dynamic liquidity*). Alternatively, a portion of the portfolio may be placed in money market mutual funds or similar investment pools which offer same-day liquidity for short-term funds. To facilitate this, the portfolio may be partitioned into a Short-term Portfolio and a Long-term Portfolio with the Short-term Portfolio focusing on cash equivalent or other investments with maturities of less than one (1) year and the Long-term Portfolio focusing on higher-yielding investments having maturities of greater than one (1) year.

#### YIELD

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 and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of the portfolio is limited to relatively low risk securities in anticipation of earning a fair return relative to the level of risk being assumed. Securities shall generally be held until maturity with the following exceptions:



- A security with declining credit or a downgrade below the rating requirements stated later in this policy may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that a security be sold.

#### PERFORMANCE STANDARDS

The investment portfolio will seek to maximize returns with an emphasis on minimizing risk. As such, the Investment Officer, as defined below, will provide as a proxy the yield and duration on a basket of over one hundred (100) randomly selected credit union institutions, all of which are non-profit and tax-exempt. These institutions do not trade securities frequently and hold preservation of capital as a top priority. The Investment Officer will provide quartile breakdowns of the 12-month rolling average of yields and durations as a comparative tool to the City's investment portfolio risk-return characteristics.

#### PRUDENCE AND ETHICAL STANDARDS

- Prudence  
Investment officials shall use the "prudent person" standard which shall be applied in the context of managing the overall portfolio. Investment officials must act as a prudent man or woman would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. If an individual security is not understood by the investment staff, then it will not be purchased for the portfolio.
- Ethics and Conflicts of Interest  
The City Commission, City Manager, Assistant City Manager/CFO, Treasurer, and any other investment officials involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Officials shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.
- Delegation of Authority  
The Investment Officer is hereby delegated the responsibility for the operation of the investment program, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Investment Policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Investment Officer.



## AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES AND BROKER/DEALERS

Any financial institution or broker/dealers approved or authorized by the City Commission must be chartered in the State of Florida and/or approved by the Federal Reserve Bank. These entities may include “primary” dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). No depository will operate without at least \$100 million in collateral or insurance coverage on the City’s accounts. All investment firms must possess institutional trading operations and access to institutional pricing; no retail-only investment firms will be selected. The Investment Officer may recommend other institutions or broker/dealers to the City Manager for review and possible approval by the City Commission.

## SAFEKEEPING AND CUSTODY

- Delivery vs. Payment  
All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.
- Safekeeping  
Securities will be held by an independent third-party custodian selected by the City as evidenced by safekeeping receipts in the City’s name or held in street name on the City’s behalf. The safekeeping institution shall annually provide a copy of their most recent reports on internal controls upon request. No custodian will operate without at least \$100 million in collateral or insurance coverage on the City’s accounts.
- Internal Controls  
The Investment Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure shall provide reasonable assurance that these objectives are met while at the same time recognizing that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the Investment Officer shall provide a copy of the internal controls for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Development of a wire transfer agreement with the lead bank and third-party custodian



## SUITABLE AND AUTHORIZED INVESTMENTS

The City is highly risk averse in its investment strategy and as such will not purchase any individual security rated lower than the third highest tier (e.g., A-rated) by at least one nationally recognized rating agency in the United States (e.g., Moody's, S&P, Fitch's). U.S. Treasury obligations which carry the full faith and credit of the United States Government, U.S. Government agency obligations, U.S. Government instrumentality obligations, or any other debt instrument which carries the full faith and credit of the United States Government or the Federal Deposit Insurance Corporation are exempt from the previously stated rating requirement. In addition, the City will only purchase securities with book yields exceeding the maturity-equivalent Municipal AAA yield, adjusted on a tax equivalent basis. Consistent with the GFOA Policy Statement on State and Local Laws Concerning Investment Practices, the following investments will be permitted by this Policy and are those defined by state and local law where applicable:

- U.S. Treasury obligations which carry the full faith and credit of the United States Government and are considered to be the most secure instruments available.
- U.S. Government agency and instrumentality obligations that have a liquid market with a readily determinable market value.
- Obligations of state and local governments, including their agencies and authorities, either directly or indirectly.
- Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1) by a nationally recognized rating agency.
- Repurchase agreements collateralized by U.S. Treasury or Government agency and instrumentality securities.
- Money market mutual funds regulated by the Securities and Exchange Commission rated in the highest tier by a nationally recognized rating agency and whose portfolios consist of only dollar denominated securities.
- Demand deposit accounts, interest bearing time deposits, money market accounts or savings accounts in qualified public depositories, including negotiable certificates of deposit, as defined in s. 280.02, Florida Statutes.
- Obligations of any corporate institution (excluding life and casualty insurance companies).

Mortgage-backed Securities (MBS), Collateralized Mortgage Obligations (CMO's) or Asset-backed Securities (ABS) containing fixed- or adjustable-rate mortgages or assets issued by any U.S. Government agency or instrumentality or any corporate institution (excluding life and casualty insurance companies).

This Policy does not provide authorization for investment in derivative contracts as defined by the Governmental Accounting Standards Board (GASB), which defers to the Federal Accounting Standards Board (FASB) on its definition of a derivative security. The FASB definition of a derivative security, as provided in Statement 133, Paragraph 6-7, is provided in the Appendix preceding the Policy glossary. The Policy also does not provide authorization for the purchase of private placement or 144A securities as defined by the Securities and Exchange Commission (SEC).



## MATURITY REQUIREMENTS

To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly or indirectly invest in securities maturing more than ten (10) years from the date of purchase and additionally will limit any securities not rated in the highest tier (e.g., AAA or Aaa) to maturities of less than five (5) years from the date of purchase. U.S. Treasury obligations which carry the full faith and credit of the United States Government, U.S. Government agency obligations, U.S. Government instrumentality obligations, or any other debt instrument which carries the full faith and credit of the United States Government or the Federal Deposit Insurance Corporation are exempt from the previously stated maturity restriction.

Reserve funds or other funds within a long-term investment portfolio may have longer-term investment horizons; and as such, may be invested in securities with a maturity exceeding ten (10) years so long as the investment amount and maturity does not exceed the expected use of funds. These investments must not negatively impact the liquidity requirements outlined in the policy.

## RISK DIVERSIFICATION

There are risks inherent in investing; however, every investment portfolio should include a specific diversification strategy to eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities. The investments shall be diversified by:

- Limiting investments to avoid over-concentration in securities from a specific issuer or of a specific type
- Staggering investment maturities to avoid undue concentration in a specific maturity sector
- Limiting the duration (price sensitivity and maturity) of the investment portfolio
- Investing in only high-grade securities with low credit risk
- Maintaining a portion of the portfolio in readily available funds such as state investment pools, money market mutual funds, or overnight repurchase agreements



## PORTFOLIO COMPOSITION

The investment portfolio shall be composed only of securities approved in this Investment Policy. The portfolio shall be limited to no more than 5% of its total assets valued at cost in any one security issuer and no more than 50% of its total assets valued at cost in any one security type. U.S. Treasury obligations which carry the full faith and credit of the United States Government, U.S. Government agency obligations, U.S. Government instrumentality obligations, or any other debt instrument which carries the full faith and credit of the United States Government or the Federal Deposit Insurance Corporation and cash-equivalent investments, such as the ones below, are exempt from the issuer restriction.

<b>Asset Type (Paragraph VII. Identifier)</b>	<b>Maximum %</b>
Cash-equivalent Investments	<b>50%</b>
Money Market Mutual Funds (f)	
Deposits in Qualified Public Depositories (g)	
Highly Liquid Investments	<b>50%</b>
U.S. Treasury Obligations (a), U.S. Agency	
Commercial Paper (d)	
Repurchase Agreements (e)	
High-grade Investments	<b>30%</b>
State and Local Debt Obligations (c)	
Corporate Obligations (h)	



### COMPETITIVE BID REQUIREMENTS

The Investment Officer shall determine the appropriate maturity, issuer, type, and any other security characteristics based on the cash flow needs of the City and market conditions near the time of purchase. After analysis, the Investment Officer shall obtain competitive bids and offers from multiple broker/dealers or financial institutions on all suitable instruments available to be purchased in the secondary market. Where feasible, the Investment Officer will attempt to find identical or similar securities across multiple dealer inventories to achieve a fair and competitive price for the City. All bids and offers shall be submitted in writing (via letter, e-mail, or fax) and any information pertaining to these transactions will be available for public record in accordance with Ch. 119, Florida Statutes, Public Records Law.

### REPORTING

The Investment Officer shall prepare a quarterly investment report and make all investment statements available to provide an analysis of the status of the current investment portfolio and transactions made over the last quarter. The report shall be provided to the City Commission and the City Manager and be available to the public. The report and/or investment statements shall include the following:

- Listing of individual securities held at the end of the reporting period as well as portfolio activity during the period
- Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities with weighted average maturities (Macaulay duration) of over one year that are not intended to be held until maturity (in accordance with GASB)
- Average weighted yield-to-maturity of portfolio as compared to applicable benchmarks
- Listing of investment by maturity date
- Weighted average maturity (Macaulay duration) of the portfolio
- Weight, in percentage terms, of each security type within the portfolio
- Price sensitivity (modified or effective duration) of the portfolio

Any material changes in the value or risk of the portfolio will be reported to the City Manager and the City Commission in a timely manner.

### CONTINUING EDUCATION

In accordance with S. 218.415(14), Florida Statutes, the Investment Officer and all other officials responsible for making investment decisions shall annually complete a minimum of eight (8) hours of continuing education in subjects or courses of study related to investment practices and products.



## APPENDIX to Debt Management Policy

### Derivative Instruments

- A derivative instrument is a financial instrument or other contract with all three of the following characteristics:
  - It has (1) one or more **underlying** and (2) one or more **notional amounts** or **payment provisions** or both. Those terms determine the amount of the settlement or settlements, and, in some cases, whether or not a settlement is required.
  - It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
  - Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.
- Underlying, notional amount, and payment provision.
  - **An underlying** is a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, or other variable. An underlying may be a price or rate of an asset or liability but is not the asset or liability itself.
  - **A notional amount** is a number of currency units, shares, bushels, pounds, or other units specified in the contract. The settlement of a derivative instrument with a notional amount is determined by interaction of that notional amount with the underlying. The interaction may be simple multiplication, or it may involve a formula with leverage factors or other constants.
  - **A payment provision** specifies a fixed or determinable settlement to be made if the underlying behaves in a specified manner.



## **GLOSSARY to Debt Management Policy**

### **Adjustable-Rate Mortgage (ARM)**

A mortgage that features predetermined adjustments of the loan interest rate at regular intervals based on an established index. The interest rate is adjusted at each interval to a rate equivalent to the index value plus a predetermined spread, or margin, over the index, usually subject to per-interval and to life-of-loan interest rate and/or payment rate caps.

### **Agency Securities**

A U.S. government-issued security that was not issued by the Treasury Department but that may be backed by the full faith and credit of the United States depending upon the issuing agency.

### **Asset-backed Security**

A security that is collateralized by loans, leases, receivables, or installment contracts on personal property.

### **Benchmark**

The performance of a predetermined set of securities, used for comparison purposes. Such sets may be based on published indexes or may be customized to suit an investment strategy.

#### **Performance Benchmark**

The benchmark stated in the manager's contract for performance measurement.

#### **Latitude Benchmark**

The benchmark that is more comparative to the manager's mix of securities.

### **Collateralized Mortgage Obligation (CMO)**

A security backed by a pool of pass-through rates, structured so that there are several classes of bondholders with varying maturities, called tranches. The principal payments from the underlying pool of pass-through securities are used to retire the bonds on a priority basis as specified in the prospectus.

### **Corporate Bonds**

Debt obligations issued by corporations.

### **Custodian**

A bank, agent, trust company, or other organization responsible for safeguarding financial assets.

### **Duration**

The measure of the sensitivity of a fixed income asset or portfolio. Duration can be measured in years or percentage price change.

#### **Macaulay Duration**

A measure of the weighted-average term to maturity of the cash flows of a fixed income asset or portfolio.

#### **Modified or effective duration**

A common gauge of the price sensitivity of a fixed income asset or portfolio to a change in interest rates.



### **Federal Instrumentality**

Government sponsored enterprise whose obligations, although not obligations of the government, carry an implied guarantee of the U.S. Government.

### **Long-term Portfolio**

Those funds not established for the Short-term Portfolio that are managed in a long-term strategy

### **Portfolio**

A collection of financial investments.

### **Private Placement**

The sale of a bond or other security directly to a limited number of investors. For example, sale of stocks, bonds, or other investments directly to an institutional investor like an insurance company, avoiding the need for SEC registration if the securities are purchased for investment as opposed to resale.

### **Ratings**

An evaluation of credit quality of a company's debt issue. Investors and analysts use ratings to assess the risk characteristics of an investment. Ratings can also be an evaluation a country's creditworthiness or ability to repay, taking into consideration its estimated percentage default rate and political risk. The City utilizes the following rating agencies: Moody's, S&P, and Fitch Investors Service.

**AAA or Aaa rating** - the best quality companies, reliable and stable; judged to be of the highest quality, with minimal credit risk

**AA or Aa rating** - quality companies, a bit higher risk than AAA; judged to be of high quality and are subject to very low credit risk

**A rating** - considered upper-medium grade companies and are subject to low credit risk

### **Sector**

Used to characterize a group of securities which are similar with respect to maturity, type, rating, industry, and/or coupon.

### **Short-term Portfolio**

Funds primarily managed for anticipated short-term cash flow needs.

### **Treasury Securities**

Securities issued by the US Department of the Treasury.