

Salida Regional Library Investment Policy

I. SCOPE: This investment policy applies to activities of the Southern Chaffee County Regional Library District (Salida Regional Library) with regard to investing the financial assets of the Library District.

II. OBJECTIVES: Funds of the Library District will be invested in accordance with this policy and Colorado Revised Statutes (C.R.S.) § 24-75-601. The Library District's investment portfolio shall be managed in a manner to maximize return throughout budgetary and economic cycles while preserving and protecting capital in the overall portfolio. Investments shall be based on statutory constraints. The primary investment criteria in priority sequence are safety, liquidity, and yield.

A. Safety of Funds: Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

1. Credit Risk: The District will minimize credit risk, the risk of loss due to the failure of the security issuer, by:
 - Limiting deposits to approved depositories per Section VII, as well as keeping deposits within FDIC limits and minimizing deposits in COLOTrust, an approved local government investment pool.
 - Limiting investments to federally guaranteed securities.
 - Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
2. 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:
 - 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
 - Investing operating funds primarily in short- to intermediate-term securities, approved local government investment pools and approved money market mutual funds.

B. 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 security is necessary, will be minimized.

A core of stable funds available for investing in longer-term securities may be identified through cash flow analysis. Although the market value of these longer-term securities may fluctuate significantly, the fluctuation will not affect the liquidity of the portfolio since they can be held to maturity in all but extreme circumstances.

C. Yield: The District's portfolio shall earn a competitive market rate of return on available funds throughout budgetary and economic cycles. In meeting this objective, the investment committee will take into account the District's investment risk constraints and cash flow needs.

III. DELEGATION OF AUTHORITY: The Library District's Board of Trustees shall be responsible for investment policy and decisions. An Investment Committee shall be composed of two trustees and the Library Director. The Library Director and either of the District's two investment committee members are authorized to make and execute decisions as needed, in accord with District investment policy, regarding library investments.

IV. PRUDENCE:

A. The standard of prudence to be applied shall be the "prudent investor" rule, which states, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The prudent investor rule shall be applied in the context of managing the overall portfolio.

B. The Library Director and members of the investment committee, acting in accordance with this policy and exercising due diligence, shall not be personally responsible for a specific security's credit risk or market price changes.

V. MONITORING AND ADJUSTING THE PORTFOLIO: The contents of the portfolio shall be presented to the Board of Trustees for review monthly as part of the financial report.

VI. SHORT AND LONG TERM PORTFOLIO DIVERSIFICATION:

A. All investments will be considered short-term (less than one year) or long-term (one to five years). Duration should be chosen to meet the objectives for cash flows set forth in the budget.

B. All investments will be made in accordance with the Colorado Revised Statutes, which include the following: § 30-10-708 C.R.S., Deposit of funds in banks and savings and loan associations; § 11-10.5-101 C.R.S., et. seq. Public Deposit Protection Act; § 24-75-601 C.R.S., et. seq. Funds – Legal Investments; § 24-75- 603 C.R.S., Depositories; and § 24-75-702 C.R.S.,

Local governments – authority to pool surplus funds. Any revisions or extensions of these sections of the statutes will be considered to be part of this Investment Policy immediately upon the effective date following enactment.

C. Short-term investment maturities for all funds shall be scheduled to coincide with projected cash flow needs. No long-term investments shall exceed 5 years without approval by the Board of Trustees of the Library District.

VII. QUALIFIED DEPOSITORIES AND FINANCIAL INSTITUTIONS: The Library District shall work from the State listing of Banking Institutions approved as depositories for its public funds which are qualified under § 24-75-603 C.R.S., are federally insured and which collateralize deposits according to the Public Deposit Protection Act.

The Salida Regional Library **Investment Policy** was adopted and approved by the Salida Regional Library Board of Trustees on December 1, 2015, reviewed February 28, 2016 and Feb. 28, 2017, February 27, 2018, reviewed February 26, 2019, February 25, 2020.