RESOLUTION NO. 1487

A RESOLUTION OF THE CITY OF DES MOINES, WASHINGTON, related to municipal finance and adopting an Investment Policy for the City of Des Moines.

WHEREAS, the City of Des Moines is committed to the prudent management of public funds, ensuring their safety, liquidity, and yield in accordance with applicable laws and best practices, and

WHEREAS, RCW 35A.40.050 and RCW 39.59 authorize cities to invest public funds in a manner that prioritizes the safety of principal, provides sufficient liquidity to meet operational needs, and achieves a reasonable return, and

WHEREAS, the City Council recognizes the need to periodically review and update its investment policy to reflect current financial conditions, regulatory requirements, and industry standards, and

WHEREAS, the Finance Department has reviewed the existing investment policy and recommends the adoption of a new policy to enhance the management of the City's investment portfolio; now therefore,

THE CITY COUNCIL OF THE CITY OF DES MOINES RESOLVES AS FOLLOWS:

Sec. 1. The findings expressed in the recitals to this Resolution are hereby affirmed by the City Council, supporting the acts taken herein.

Sec. 2. The City Council adopts the City of Des Moines Investment Policy which is attached to this resolution as Attachment "A".

Sec. 3. The Finance Director or their designee is authorized and directed to implement the provisions of the Investment Policy, including the execution of necessary documents and the establishment of procedures to ensure compliance with the policy.

Sec. 4. The Finance Director shall provide the City Council with periodic reports on the performance and status of the City's investment portfolio, as outlined in the Investment Policy.

Sec. 5. This resolution will take effect and be in full force on passage and signatures.

PASSED BY the City Council of the City of Des Moines, Washington this 10th day of July, 2025 and signed in authentication thereof this 10th day of July, 2025.

MAYOR

APPROVED AS TO FORM:

/s/ Tim George
City Attorney

ATTEST:

City Clerk

City of Des Moines
Investment Policy

Policy Approval Date: July 10, 2025
Authorized by: Resolution No. 1487

Supersedes:
Policy Dated: September 14, 1995
Authorized by: Ordinance No. 1144

City of Des Moines
21630 11th Avenue S, Suite A, Des Moines, WA 98198

Table of Contents

I. Purpose 3
II. Policy 3
III. Scope 3
IV. Authority to Invest 4
V. Objectives 4
VI. Prudence 5
VII. Ethics and Conflict of Interest 5
VIII. Authorized Financial Dealers and Institutions 5
IX. Authorized Investments 6
X. Prohibited investments 7
XI. Diversification 8
XII. Maximum Maturities 8
XIII. Downgraded Securities 8
XIV. Collateralization 8
XV. Safekeeping and Custody 9
XVI. Internal Controls 9
XVII. Performance Standards 9
XVIII. Reporting and Disclosure 9
XIX. Investment Strategy 10
XX. Review, Approval and Adoption 10

XXI. Addenda:

a. Glossary 11
b. Washington Statutes (RCWs) 17
c. City of Des Moines' Municipal Code 22
d. Broker/Dealer Questionnaire 23
e. Approved Broker/Dealer List 26
f. Annual Confirmation 27

I. PURPOSE

The purpose of this policy is:

- To establish investment objectives and parameters necessary to safeguard public funds entrusted to the City of Des Moines.
- To articulate City Council's intent for the governance over the City of Des Moines' investments.
- To communicate clear policy and strategy guidelines for the City of Des Moines' investment administration.
- To demonstrate to citizens, taxpayers and voters a transparent and accountable stewardship plan.

II. POLICY

It is the policy of the City of Des Moines to invest public funds in a manner that, giving first regard to safety, suitability and liquidity, will maximize long-term yield in conformance with State Statutes and Federal regulations, and city municipal code.

III. SCOPE

This investment policy applies to all financial assets of the City of Des Moines. These funds are reported in the City's Annual Financial Statements and include:

- General Fund;
- Special Revenue Funds;
- Capital Project Funds;
- Enterprise Funds;
- Internal Service Funds;
- Debt Service Funds (Unless prohibited by Bond indentures); and
- Any new fund created by City ordinance, unless specifically exempted by City Council.

Bond covenants which are more restrictive than this policy, those funds shall be invested in full compliance with those bond covenant restrictions.

Investments of City funds may be made on a pooled basis across all funds, with principal and interest apportioned for the benefit of the various participating funds or for the benefit of the general fund. (RCW 35.39.034)

IV. AUTHORITY TO INVEST

- **Enabling Legislation**. All investments shall be managed in a manner responsive to the public trust, consistent with state statutes (Revised Code of Washington (RCW). Authority to manage the City's investment program is derived from RCW sections 35A.40.050, 35.39.032, 36.29.020 and from the City of Des Moines Municipal Code (DMMC) sections 2.44, 3.16 and 12.40.140(2).
- **Delegation of Authority**. This policy provides for accountability and transparency to the City Council, who authorizes the Finance Director or their designee, to engage in investment-related transactions within this policy without prior approval. Management responsibility for the investment program is delegated by the City Manager to the Finance Director, who shall establish procedures for investment activities and a system of controls consistent with this investment policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director. The Finance Director shall be responsible for all transactions undertaken.
- **Training**. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions to provide adequate redundancy by properly trained and informed staff. All staff engaging in investment transactions shall attend public investment training, which may include staff training by a qualified Finance Director. Staff shall not engage in any allowable investment transaction for which they cannot articulate a rationale for having done so.
- **Contracted Management**. Any external investment manager engaged to assist in the management of the city's investment portfolio will be held to the prudent investor standard of care (RCW 11.100.020).

V. OBJECTIVES

The prime objectives of this City's investment activities shall be the suitability of every investment to the financial requirements of the City, considering, in priority order:

- **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 principal in the overall portfolio. Each investment transaction shall be conducted in a manner to avoid principal loss arising from security default, institution default, broker-dealer default, safekeeping fraud, or the avoidable loss on the premature sale of an investment.
- **Liquidity:** The investment portfolio will be structured to meet all expected obligations in a timely manner, to avoid premature sale of an investment at a loss of principal. This is to be achieved by comparing investment maturities with forecasted cash flows and maintaining sufficient liquidity for contingencies across all funds. A 3 to 5-year historical liquidity trend history, combining the City's main

checking account, LGIP, and the investment portfolio, will clearly indicate seasonal low cashflows.

- **Yield or Return on Investment:** The investment portfolio shall be designed with the objective of attaining as high a rate of return as prudently possible having first satisfied the objectives of Safety and Liquidity.

VI. PRUDENCE

The standard of prudence to be used by investment officials shall be the "prudent investor standard" which, as enacted by State Statute (RCW 11.100.020), says:

1) A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution.

2) A trustee's investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust."

Investment officers acting in accordance with the written procedures and exercising due diligence shall be relieved of personal responsibility for individual security's credit risk or marketplace changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

VII. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from, or disclose, personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and officers shall disclose to the City Manager any material financial interests in the financial institutions to conduct business with in this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City's portfolio. Employees and officers shall subordinate their personal interests to those of the City of Des Moines, particularly with regard to the time of purchases and sales.

The intent of "disclosure" an employee is unlikely to personally own a controlling interest in a security that becomes the best investment for the city such as a highly rated Microsoft or Coca-Cola medium-term note and should not have to sell their personal position in order to serve the city.

Employees and officers shall refrain from, or disclose any personal investment transactions with the same agents with whom business is conducted on behalf of the city and shall avoid, or disclose, transactions that might impair public confidence.

Consistent with general City Policy, officers and employees involved in the investment process may not accept any valuable gift, favor or gratuity which is made on the basis of his or her position in the City's service.

VIII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Finance Director or his/her designee will maintain a list of broker/dealers, which are authorized to provide investment services. To be eligible to do business with city, a broker/dealer must provide a Broker/Dealer Questionnaire that includes the following: audited financial statements, current securities-related licensing; proof of registration and licenses held with the Financial Industry Regulatory Authority (FINRA); proof of registration with the State of Washington Securities Division; provide current active municipal client references; and certification of having read the City's current investment policy. An annual review of the financial condition of qualified brokers will be conducted by the Finance Director, or his/her designee.

Banking services, depository accounts and certificates of deposit, as required by state law, (RCW 39.58), may be contracted only with those institutions approved by the Washington Public Deposit Protection Commission (PDPC)

IX. AUTHORIZED INVESTMENTS

State statutes permit local governments in the state of Washington only the specific investments permitted by state law, limited to the following:

A. The primary investment instruments expected to be utilized in the City of Des Moines' Investment Portfolio are:

- State of Washington Local Government Investment Pool (LGIP), the public funds investment account for investment and reinvestment by the state treasurer. RCW 43.250.040
- Treasuries. Certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States; or United States dollar denominated bonds, notes, or other obligations that are issued or guaranteed by supranational institutions, provided that, at the time of investment, the institution has the United States government as its largest shareholder; RCW 39.59.040 (4).
- Agencies. U.S. Government Agency obligations and U.S. Government Sponsored Enterprises (GSE's), which may include Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), Tennessee Valley Authority (TVA) or the obligations of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system; RCW 39.59.040 (5)

B. The following secondary investment instruments are not expected to be routinely utilized in the City's Investment Portfolio but are also authorized by State Statute and should be disclosed and explained on monthly reporting:

- Corporate notes purchased on the secondary market; with a minimum credit quality rating of upper medium investment grade - at least A by Standard and Poor's, A2 by Moody's, or A by Fitch - on the date of purchase. RCW 39.59.040 (8) and Washington State Investment Board Policy No. 2.05.500.
- Bonds of the State of Washington and any local government in the State of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency.
- General obligation bonds of a state other than the State of Washington and general obligation bonds of a local government of a state other than the State of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency.
- Supranationals – Certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any U.S. dollar denominated bonds, notes, or other obligations that are issued or guaranteed by supranational institutions, provided that, at the time of investment, the institution has the United States government as its largest shareholder.
- Commercial Paper, purchased in the secondary market, provided that the policy adheres to the investment policies and procedures adopted by the Washington State Investment Board.
- Non-negotiable Certificates of Deposit of financial institutions which are qualified public depositories as defined by RCW 39.59 and in accordance with the restrictions therein.

X. PROHIBITED INVESTMENTS

Equities (stocks), Collateralized mortgage obligations, Money market mutual funds, Inverse Floaters, Negotiable Certificates of Deposit, Reverse Repurchase Agreements, Cryptocurrency and any investment type not expressly permitted by City Council in this policy are not eligible investments for the city.

XI. DIVERSIFICATION

Investments in securities shall not exceed the following percentages of the portfolio at time of purchase:

State Local Government Investment Pool	100%
Treasury Securities	100%
Government Sponsored Agency Securities	100%, (40% per issuer)
Corporate notes	15%, lesser of 5% or $1 million per issuer

Commercial Paper	15%, lesser of 5% or $1 million per issuer
Same-State/Local Securities	15%, lesser of 5% or $1 million per issuer
Certificates of deposit	10%, lesser of 5% or $1 million per issuer
Other-State/Local Securities	5%, lesser of 5% or $1 million per issuer
Same-county local government issuer	only by city council resolution

Staggered maturities are to be a component of the diversified investment strategy, employed to minimize reinvestment risk due to rate fluctuations building a reasonably laddered maturity schedule.

XII. MAXIMUM MATURITIES

- The average maturity of the portfolio will not exceed 3.5 years, including cash in depository accounts and the state investment pool. (For the purposes of this calculation, the maturity date of callable securities will be the final maturity date).
- The expected and final maturity of any security will not exceed 5-years; however, up to 10% of the portfolio may be invested in securities with maturities of up to seven (7) years and the rationale will be disclosed on the next monthly investment report.

XIII. SAFEKEEPING AND CUSTODY

Security transactions entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis.

Securities will be held by third party custodian designated by the Finance Director, or his/her designee, and evidenced by safekeeping reports which will be reconciled monthly to the portfolio. Third-party custodial reports shall be required monthly, to list, at a minimum, each individual security, CUSIP, purchase date, cost, market value, par value, and maturity date.

XIV. COLLATERALIZATION

State statute (RCW 39.58) requires that all deposits of public funds be made with qualified public depositaries, protected through the actions of the Public Deposit Protection Commission (PDPC), comprised of the State Treasurer, Governor and Lieutenant Governor. State law requires that all deposits of public funds over and above federally insured amounts (including Certificates of Deposit) be collateralized in accordance with regulations of the PDPC. All collateral is regulated by the PDPC. The PDPC ensures public funds deposited in banks are protected should a financial institution become insolvent. The names of authorized public depositaries may be found at: https://tre.wa.gov/pdpc-banks/

XV. PERFORMANCE STANDARDS/BENCHMARK

The investment portfolio is expected to provide similar returns to the benchmark over interest rate cycles, but may underperform or outperform in certain periods. The City's cash management portfolio shall be managed using a comparison object of the yield of LGIP, the Washington State Treasurer-administered local government investment pool, which is typically the next investment choice for available cash if not invested for longer. The City portfolio will have a longer average maturity than the 60- to 90-day average portfolio of the benchmark so it will be less volatile. This means it can be expected that the city's portfolio average yield will trail the benchmark's yield in times of rising interest rates and lead the benchmark's yield in times of falling interest rates.

XVI. DOWNGRADED SECURITIES

The City may, from time to time, be invested in a security whose rating is downgraded. In the event a rating drops below the minimum allowed by this policy, the Finance Director will review and recommend an appropriate plan of action to the City Manager and the City Council. If the City utilizes an Investment Advisor, that Investment Advisor shall notify the Finance Director and recommend a plan of action within one month. The City may continue to hold a downgraded investment to maturity if a probable outcome is the eventual realization of full value, rather than a realized loss if divested prior to maturity.

XVII. REPORTING

Monthly Reports.

The Finance Director shall make a monthly report of all investment transactions to the City Council. (RCW 35.39.032)

Quarterly Reports.

The Finance Director shall prepare a quarterly investment report to City Manager and City Council that provides a summary of the current investment portfolio and that the individual transactions executed to show holdings and activities during the reporting period conform to the investment policy. The report should include the following:

- An asset listing showing par value, cost and market value, type of investment, issuer, days to maturity and interest rate of each security;
- Average days to maturity of the portfolio;
- Maturity distribution of the portfolio and distribution by type of investment.
- Credit quality of portfolio holdings; and,
- Average weighted yield to maturity of portfolio on investments
- Performance comparison to benchmark

XVIII. INVESTMENT STRATEGY

Buy and Hold.
As a strategy, the City of Des Moines investments, will not be actively traded, meaning no attempt to "buy low" and "sell high" or "time the market" will be made. Investments purchased with the intent of providing investment income shall be intended to be held to maturity, relying on following a prudent course of action for income rather than predicting market direction. Securities may be sold before they mature if market conditions present an opportunity for the City to capture a benefit or to avoid a risk but the strategy will be primarily buy-and-hold.

Portfolio Segmenting.
In keeping with the priorities of Safety, Liquidity then Yield, the first considerations of investing will be the immediate operational needs and scheduled disbursements of capital expenditures and debt service payments.

- The city will utilize its depository bank and the State LGIP to maintain adequate levels for the **Safety Segment** and the **Liquidity Segment** of the Portfolio. This will allow for seasonal fluctuations, primarily the April/October inflows of property tax and outflows of capital projects and will maintain adequate levels to ensure availability.
- The **Yield Segment** of the portfolio is the portion of the city's cash reserves which, based on historical analysis, long-term budgeting, planning or council-approved reserve policy, will not be subject to seasonal spending and can be invested comfortably long-term. This segment is invested in a laddered portfolio comprised of Agencies, Treasuries and other authorized investments.

XIX. INTERNAL CONTROLS

The Office of the State Auditor requires that in accordance with Revised Code of Washington 43.09.260, the City of Des Moines must undergo annual financial examinations performed by State Examiners. Investment management is to be included as part of the annual independent audit to assure compliance with this investment policy.

The City Manager designates the Finance Director as responsible for internal controls, which shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or unanticipated changes in financial markets. Controls which the City deems important include, but are not limited to:

- Control of collusion
- Separation of functions
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Avoidance of bearer-form securities
- Specific limitations regarding securities losses and remedial action
- Clear delegation of authority to subordinate staff members

- Written confirmation of telephone transactions
- Supervisory authority of employee actions
- Minimize the number of authorized investment officials
- Documentation of transactions and strategies

XX. INVESTMENT POLICY REVIEW, APPROVAL AND ADOPTION

This investment policy shall be adopted by resolution of the City Council. The policy shall be reviewed annually by the Finance Director and any significant modifications must be approved by resolution.

XXI. ADDENDUM

A. Glossary

Accrued Interest – Interest earned but not received.

Active Investment Management – The active trading of securities, selling prior to maturity and purchasing secondary issues, in an effort to earn higher portfolio yield by the continual monitoring of financial markets, spreads and pricing opportunities of individual securities. Requires substantially more staff time than passive investing. (See also Passive Investment Management)

Agency – A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally Sponsored Agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee

Agencies – (See Government Sponsored Entities) Entities charted by Congress, such as Fannie Mae (FNMA), Freddie Mac (FHLMC), Federal Home Loan Bank (FHLB) Federal Farm Credit (FFCB).

Amortization – In portfolio accounting, periodic charges made against interest income on premium bonds in anticipation of receipt of the call price at call or of par value at maturity.

Annual Financial Report – The independently-audited annual report for the City of Des Moines. The City reports financial activity in accordance with the Cash Basis Budgeting, Accounting and Reporting System (BARS) Manual prescribed by the Washington State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

Average Maturity - A weighted average of the expiration dates for a portfolio of debt securities. An income fund's volatility can be managed by shortening or lengthening the average maturity of its portfolio.

Bid – The price offered for securities.

Bond – A long-term debt security, or IOU, issued by a government or corporation that generally pays a stated rate of interest and returns the face value on the maturity date.

Book Value - The amount at which an asset is carried on the books of the owner. The book value of an asset does not necessarily have a significant relationship to market value.

Broker - A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides; he does not hold a position. In the money market, brokers are active in the markets in which banks and institutional investors buy and sell bills, notes or bonds and in interdealer markets.

Bullet (Non-callable) – An investment in which all of its outstanding principal amount may not be redeemed before maturity by the issuer, therefore assuring interest earnings through to the end maturity date.

Callable – An investment in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer.

Certificates of Deposit – Certificates issued against funds deposited in a bank for a specified period of time that earns interest at a specified rate of return.

Collateral – Securities, evidenced by a deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public moneys.

Commercial Paper – An unsecured short-term promise to repay a fixed amount on a certain future date. Commercial paper usually matures from 2 to 270 days and is traded on a discount basis. This debt instrument, issued by banks, companies and other borrowers, uses only their credit ratings to back the security.

Coupon – The annual rate of interest that a bond's issuer promised to pay the bondholder as a percentage of the bond's face value.

Credit Quality - The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit Risk - The risk that another party to an investment transaction will not fulfill its obligations. Credit risk can be associated with the issuer of a security, a financial institution holding the entity's deposit, or a third-party holding securities or collateral. Credit risk exposure can be affected by a concentration of deposits or investments in any one investment type or with any one party.

Cryptocurrency – A digital currency verified by a decentralized system using cryptography, outside a centralized government or authority; a foreign currency with no country.

Custodian –An independent third party (usually bank or trust company) that holds securities in safekeeping as an agent for the city or agency.

Custody (Safekeeping) – A service to customers rendered by banks for a fee whereby securities are held by an independent third-party for protection from fraud and theft.

Dealer - A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

Delivery versus Payment (DVP) – Delivery of securities with a simultaneous exchange of money for the securities used in conjunction with a third-party custodian to assure integrity of the exchange and to prevent fraud or misdirection, similar to an escrow process in real estate. Delivery vs. receipt is delivery of securities with an exchange of a signed receipt for the securities.

Depository bank - A bank used as the point of deposit for cash receipts.

Depository Insurance - Insurance on deposits with financial institutions. For purposes of this policy statement, depository insurance includes: a) Federal depository insurance funds, such as those maintained by the Federal Deposit Insurance Corporation (FDIC) AND Federal Savings and Loan Insurance Corporation (FSLIC); and b) Public Deposit Protection Commission.

Discount – The difference between the cost price of the security and its value at maturity when quoted at lower than its face value. A security selling below original offering price shortly after the sale is considered to be at a discount. This can be the normal mathematically equalizing of the stated rate of an investment with prevailing market rates.

Discount Securities – Non-interest-bearing money market instruments that are issued at a discount and redeemed at maturity for full face value.

Diversification - Dividing investment funds among a variety of securities and institutions so as to minimize market risk.

Fannie Mae – The trade name for the Federal National Mortgage Association (FNMA), A U.S. GSE (government-sponsored entity).

Farmer Mac – The trade name for the Federal Agricultural Mortgage Corporation (FAMC), A U.S. GSE (government-sponsored entity).

Federal Credit Securities – Agencies of the Federal government and guaranteed by the full faith and credit of the U.S. Government set up to supply credit to various

classes of institutions and individuals, e.g., Ginnie Mae, Sallie Mae, Tennessee Valley Authority.

Federal Deposit Insurance Corp (FDIC) - A Federal Agency that insures bank deposits. The current limit is up to $250,000 per depository account.

Federal Farm Credit Bank (FFCB) – The Farm Credit System is a nationwide network of borrower-owned lending institutions and specialized service organizations. Established by Congress in 1916 as the authority for certain predecessor entities, the System is the oldest of the Government-sponsored enterprises. Throughout its long history, the fundamental purpose of the System has remained the same: To provide American agriculture with sound and dependable credit at competitive interest rates. Currently, there are three Farm Credit Banks and one Agricultural Credit Bank providing funds and support services to approximately 78 locally owned Farm Credit Associations and numerous cooperatives nationwide. Approximately 40 percent of the real estate and non-real estate credit needs of U.S. agriculture are met by the System.

Federal Funds Rate – The target rate of interest at which Federal funds are traded. This rate is currently pegged by the Federal Open Market Committee.

Federal Home Loan Bank (FHLB) – Created by the Federal Home Loan Bank Act of 1932 to increase the amount of funds available for lending institutions who provide mortgages and similar loan agreements to individuals. Having served its original objectives well, the FHLB system now primarily focuses on increasing the amount of loanable funds available for affordable housing and community development projects. It continues to have a material impact on housing and development financing offering funds to member institutions at rates that are usually lower than commercially competitive prices. The 11 banks of the FHLB Bank System are owned by over 7,300 regulated financial institutions from all 50 states, U.S. possessions, and territories.

Federal National Mortgage Association (FNMA - Fannie Mae) -Like GNMA, was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a Federal corporation working under the auspices of the Department of Housing and Urban Development, HUD. It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

Federal Open Market Committee (FOMC) – Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member while the other presidents serve on a rotating basis. The Committee periodically meets to ser Federal Reserve funds target rate and guidelines regarding purchases and sales of Government Securities in an open market as a means of the influencing the volume of bank credit and money supply in the economy.

Federal Reserve System – The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C. There are 12 Regional Banks and about 5,700 commercial banks that are members of the system.

Financial Industry Regulatory Authority (FINRA) – A self-regulatory organization authorized to regulate U.S. stockbrokers and broker-dealer firms. Brokers must be registered with FINRA in order to execute trades on behalf of their clients.

Freddie Mac – The trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a GSE (government-sponsored entity). Is a stockholder-owned, government-sponsored enterprise chartered by Congress in 1970 to keep money flowing to mortgage lenders in support of homeownership and rental housing for middle income Americans. FHLMC purchases, guarantees and securitizes mortgages to form mortgage-backed securities. The mortgage-backed securities that it issues tend to be very liquid and carry a credit rating close to that of U.S. Treasuries.

Ginnie Mae – The trade name for the Government National Mortgage Association (GNMA), a GSE (government-sponsored entity).

Government Sponsored Entities (GSEs) -Entities chartered by Congress, such as: Fannie Mae (FNMA), Freddie Mac (FHLMC), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB). These entities carry an implicit guaranty of the federal government.

Interest Rate Risk – The risk associated with declines or rises in interest rate that cause an investment in a fixed-income security to increase or decrease in market value.

Liquidity - Refers to the ease and speed with which an asset can be converted into cash without a substantial loss in value.

Liquidity Risk – The risk that an entity (i.e. the city) may be unable to meet short-term financial demands due to the inability to convert investments to cash without a loss of principal and/or interest income.

Loss - The excess of the cost or book value of an asset over selling price.

Local Government Investment Pool (LGIP) - The aggregate of all funds from political subdivisions that are placed in the custody of the Washington State Treasurer for investment and reinvestment.

Market Risk - The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value. The risk that the market value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement will decline.

Market Value - The price at which a security is trading and could presumably be purchased or sold.

Maturity – The time when a security becomes due and at which time the principal and interest or final coupon payment is paid to the investor.

Nationally Recognized Statistical Rating Organization (NRSRO) - A credit rating agency that issues credit ratings that the U. S Securities and Exchange Commission permits other financial firms to use for certain regulatory purposes (i.e. Fitch, Moody's S&P).

New Issue – An investment available at the time of issuance, and therefore not subject to the secondary market that would involve competitive bidding or price uncertainty.

Non-callable Bond (Bullet) – A bond issue in which all of its outstanding principal amount may not be redeemed before maturity by the issuer, therefore assuring interest earnings through to the end maturity date.

Par Value - The nominal or face value of a debt security; that is, the value that must be paid at maturity.

Passive Investment Management – Investing methodically, managing primarily diversification and maturities, with the intention of holding to maturity rather than seeking to make gains through market price fluctuations.

Portfolio - Collection of securities held by an investor.

Premium - The amount by which a bond sells above its par value.

Principal – The original sum of money put into an investment at the time of purchase, on which interest is charged or earned.

Prudence - The ability to govern and discipline oneself by the use of reason. Shrewdness in the management of affairs. Able to use skill and good judgment in the use of resources.

Public Fund Interest-bearing Investment Accounts - Bank accounts with Qualified Public Depositories which pay a rate of interest on the balance maintained. Used in diversifying the investment portfolio and most commonly used as part of a liquidity portfolio.

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

Safekeeping - A service to customers rendered by banks for a fee whereby all securities and valuables of all types and descriptions are held in the bank's vaults for protection, or in the case of book entry securities, are held and recorded in the customer's name and are inaccessible to anyone else.

Secondary Market – A market made for the purchase and sale of outstanding issues following the initial distribution.

SEC Rule 15C3-1 - Also known as the Net Capital Rule, requires broker-dealers to maintain more than a dollar of highly liquid assets for each dollar of liabilities. The rule ensures that broker-dealers have sufficient liquid assets to pay all liabilities to customers. It is a key financial responsibility requirement for broker-dealers.

Securities and Exchange Commission (SEC) - A U.S. government agency that oversees securities transactions, activities of financial professionals and mutual fund trading to prevent fraud and intentional deception. The SEC consists of five commissioners who serve staggered five-year terms. No more than three of the commissioners may belong to the same political party.

Settlement Date - The day on which payment is due for a securities purchase. For stocks and mutual funds bought through an investment dealer, settlement is normally five business days after the trade date. Bonds and options normally settle one business day after the trade date mutual fund shares purchased directly by mail or wire settle on the day payment is received.

Supranational Institution (SUPRA) – An international organization, or union, whereby member states transcend national boundaries or interests to share in the decision making and vote on issues pertaining to the wider grouping. It is formed by two or more central governments through international treaties. The purpose for creating a supranational is to promote economic development for the member countries. The International Bank for Reconstruction and Development (World Bank), the Inter-American Development Bank (IADB), IFC (International Finance Corporation) and ADB (Asian Development Bank) are examples of supra's.

Third-party Safekeeping - A safekeeping arrangement whereby the investor has full control over the securities being held and the dealer or bank investment department has no access to the securities being held.

Time Deposit - Interest-bearing deposit at a savings institution that has a specific maturity.

Treasury Bills (commonly called "T-Bills) - Treasury bills are short-term debt obligations of the U.S. Government. They offer maximum safety of principal since they are backed by the full faith and credit of the United States Government. T-Bills are sold in three, six, nine, and twelve-month bills. Because treasury bills are considered "risk-free," these instruments generally yield the lowest returns in the major money market instruments.

Treasury Notes and Bonds - While T-Bills are sold at a discount rate that establishes the yield to maturity, all other marketable treasury obligations are coupon issued. These include Treasury Notes with maturities from one to ten years and Treasury Bonds with maturities of 10-30 years. The instruments are typically held by banks and savings and loan associations. Since Bills, Notes and Bonds are general obligations of the U.S. Government, and since the Federal Government has the lowest credit risk of all participants in the money market, its obligations generally offer a lower yield to the investor than do other securities of comparable maturities.

Underlying Securities – Future securities transferred, the object of a repurchase agreement.

Vendor - A business or individual who provides a service or product at a cost.

Yield - The rate at which an investment pays out interest or dividend income, expressed in percentage terms and calculated by dividing the amount paid by the price of the security and annualizing the result.

B. **Washington Statutes (RCW),** governing Investments of Public Funds by Local Governments
   - **RCW 11.100.020 - Management of trust assets by fiduciary.**
   - **RCW 35.39.030 - Excess or inactive funds—Investment.**
   - **RCW 35.39.032 - Approval of legislative authority—Delegation of authority—Reports.**
   - **RCW 35.39.034 - Investment by individual fund or commingling of funds—Investment in United States securities—Validation.**
   - **RCW 39.58.020 - Public funds—Protection against loss.**
   - **RCW 39.58.030 - Public deposit protection commission—State finance committee constitutes—Proceedings.**
   - **RCW 39.58.050 - Collateral for deposits—Segregation—Eligible securities.**
   - **RCW 39.59.010 - Definitions.**
   - **RCW 39.59.020 - Authorized investments—Local government authority.**
   - **RCW 39.59.040 - Authorized investments—Bonds, warrants, certificates, and other investments.**
   - **RCW 43.250.040 - Authority of official to place funds in the public funds investment account—Investment of funds by state treasurer--Degree of judgment and care required.**

C. City of Des Moines Municipal Code (DMMC)
   - DMMC 2.44.020(7) – Code of Ethics
   - DMMC 3.51.010 – Special Revenue Funds – General Provisions
   - DMMC 12.40.140 – Transportation Impact Fees

D. Broker/Dealer Questionnaire

The City of Des Moines, WA, incorporated in 1959, provides a full range of municipal services, including public safety, road improvements, parks and recreation, judicial administration, community development, planning and zoning, code enforcement and municipal services such as surface water utility and a public marina. There are approximately 160 employees to serve about 32,700 residents with an annual operating budget of around $50 million. The City's manageable cash ranges from $70 to $80 million of which $26 million is invested with federal agencies, with the remaining liquidity maintained in the Washington State Treasurer's Local Government Investment Pool (LGIP). The City has adopted a written Investment Policy that regulates the standards and procedures used in its cash management activities. The most current policy is publicly available and should be reviewed prior to completing this form.

Firm Name: _____
Year Founded: _____
Corporate office address: _____
_____
Telephone #s: _____
_____

Principal, Managing Director or Partner:
Name _____
Title _____
Direct phone _____
E-mail address _____
Is your firm a broker (does not own securities being offered) _____
Is your firm a dealer (does own securities being offered)? _____

Local office address: _____
_____

Please attach a bio or resumé of the primary and secondary representatives covering this account, including securities-related employment history, licensing, certificates, complaints, disciplinary action, arbitration, litigation:

Primary Representative:
Name _____
Title _____
Direct phone _____
E-mail address _____

Secondary Representative:
Name _____
Title _____
Direct phone _____
E-mail address _____

Provide proof of registration with State of Washington □ attached □ NA
Provide proof of Financial Industry Regulatory Authority (FINRA) □ attached □ NA
Provide documentation that your firm is qualified under SEC rule 15C3-1
(Uniform Net Capital Rule) □ attached □ NA
Provide most recent audited financials □ attached □ NA

Is your firm is examined by and subject to rules and regulations of:

FDIC □ Yes □ No
SEC □ Yes □ No
NYSE □ Yes □ No
Comptroller of Currency □ Yes □ No
Federal Reserve System □ Yes □ No

List three current, active, comparable, municipal client references:
Entity Name _____
Contact _____
Address _____
Phone / E-mail _____
Entity Name _____
Contact _____
Address _____
Phone / E-mail _____
Entity Name _____
Contact _____
Address _____
Phone / E-mail _____

What market sectors are you and your firm currently involved? (Please feel free to provide additional information regarding specialization in any of the following market sectors).

Firm Involvement Broker Involvement

US Treasuries _____ _____
US Agency Bonds_____ _____

Washington State Bonds _____ _____
Municipal Bonds _____ _____
Corporate Bonds_____ _____

Commercial Paper _____ _____

Other _____ _____
_____ _____

Please provide your normal custody and delivery process, including specific banking relationships.

What was your firm's total volume in US Government and agency securities trading last year?

Has this firm, or the representatives assigned to this account, been subject to a regulatory agency, state or federal investigation for alleged improper, disreputable, unfair or fraudulent activities related to the sale of securities or money market instruments that resulted in a suspension or censure? □ Yes (attached) □ No

Is there outstanding litigation which would materially affect your financial stability? □ Yes (attached) □ No

Do you provide any fixed income research and economic commentary? □ Yes (attached) □ No

Describe the precautions taken by your firm to protect the interests of the public when
dealing with a local public entity. □ Attached □ NA

Has any client sustained a loss on a securities transaction engendered from a misunderstanding or misrepresentation of the risk characteristic of a financial instrument by your firm? □ Yes (attached) □ No

Please confirm that you:

(1) are familiar with the Revised Code of Washington (RCW) Sections 39.59.010 et al.

(2) have read, understand and agree to comply with the provisions of the City of Des Moines' current investment policy

by signing below.

Name: _____ Signature: _____
Title: _____ Date: _____

Name: _____ Signature: _____
Title: _____ Date: _____

Name: _____ Signature: _____
Title: _____ Date: _____

E. Approved Broker/Dealer List

The following brokers have completed BDQs and investment policy acknowledgements on file with the City of Des Moines:

Corporate Name, City, State

Name, Local Officer City, State

Corporate Name, City, State

Name, Local Officer City, State

Corporate Name, City, State

Name, Local Officer City, State

Corporate Name, City, State

Name, Local Officer City, State

F. Acknowledgement of Receipt/Adherence to Current Policy

City requires an annual certification from authorized Financial Dealers and Institutions of having read the current investment policy. It is the intent of the City to pro-actively contact current existing financial institutions annually, or at any change in the investment policy, and to maintain the current investment policy on the City's public website.

This is to acknowledge receipt of the City's current Investment Policy adopted by the Des Moines City Council on _____ , 2025.

Entity name: _____

Name: _____ Title: _____

Signature: _____ Date: _____

Please sign and submit via mail or email to:

City of Des Moines
21630 11th Avenue S., Suite A
Des Moines, WA 98198

Current staff contact information is available on the City of Des Moines website:
https://www.desmoineswa.gov/