City of St. Louis, MO
Treasurer's Office

Public Funds Investment Policy

Adopted October 31, 2013

Tishaura O. Jones,
Treasurer

PUBLIC FUNDS INVESTMENT POLICY

I. PURPOSE

The purpose of this Public Funds Investment Policy (herein referred to as "Policy") is to outline the standards applicable to the investment of public funds of the City of St. Louis, Missouri ("City") and to describe the investments permitted.

II. SCOPE OF INVESTMENT POLICY

This policy applies to all financial assets of the City as accounted for in the City's Comprehensive Annual Financial Report. These funds include:

- General Fund;
- Special Revenue Funds;
- Capital Project Funds;
- Debt Service Funds;
- Internal Service Funds;
- Enterprise Funds (Airport and Water);
- Trust and Agency Funds; and
- Proceeds of the issuance of bonds or lease purchase agreements

This section does not apply to the City's pension funds. Any new fund created by the Board of Aldermen, or any of the City's agencies, unless specifically exempted by law, shall be presumed to be within the scope of this section.

III. DELEGATION OF SCOPE AND AUTHORITY

Authority to manage the City's investment program is derived from 95.530 R.S.Mo. 1995, as amended (the "Act"). In accordance with the Act, management responsibility for the investment program is hereby delegated to the Treasurer, who shall establish written procedures for the operation of the investment program consistent with this Policy. The procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Treasurer.

As provided in the Act, the Treasurer serves as the chief investment and cash management officer of the City and, as such, acts as the sole investment authority on any investments of public funds derived from proceeds of the issuance of bonds or lease purchase agreements. The Treasurer's responsibilities and duties are separate and distinct from any other office of the City and are governed as directed by the Act and judicial decisions.

As provided in the Act, the Mayor, Comptroller, and Treasurer shall constitute the funds committee (the "Funds Committee") and the Treasurer, by virtue of the office shall serve as its Chairperson.

IV. OBJECTIVES

Subject to the legal restrictions on investments imposed by Missouri State Statute, the Charter of the City of St. Louis, and City Ordinances, the City's primary objectives in its investment activities, in order of priority, shall be safety, liquidity, and yield.

A. Safety

Preservation of principal is the foremost objective of the City's investment program. Investments of the City 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 City will minimize credit risk of loss due to the failure of the security issuer or backer, by:

(i) Pre-qualifying the custodial or depository institutions, broker/dealers, intermediaries, and advisors with which the City will do business;

(ii) Diversifying its portfolios so that potential losses on individual securities will be minimized; and

(iii) Establishing and maintaining a standard of quality of authorized eligible investments.

(2) Interest Rate Risk

The City will minimize the risk that the market value of securities in its portfolios will fall due to changes in the general interest rates, by structuring its investment portfolios so that securities mature to meet cash requirements for scheduled disbursements or ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

B. Liquidity

The City's investment portfolio shall remain sufficiently liquid to meet all operating requirements and disbursement schedules that may be reasonably anticipated. This shall be accomplished by structuring its investment portfolios 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 largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in bank deposits or repurchase agreements that offer same-day liquidity for short-term funds.

(1) General Funds

General Funds are funds of the City not required for immediate disbursements. These funds are available for transfer from the City's custodial or financial institution to the operating fund for City expenses and costs.

Investments for the General Funds shall be structured in a manner to enable the City to meet anticipated expenditures as well as reasonable unanticipated expenditures.

(2) Bond Funds

Bond Funds are proceeds or temporary notes for which the City is issuer and are not otherwise directed for investment by the trustee for the bond or note transaction pursuant to the resolution, indenture, tax compliance agreement or any other document for which bond or note proceeds are subject ("Bond Documents").

Bond Funds may be invested in securities provided in this Policy or in securities permitted under the applicable Bond Documents.

Bond Funds shall be held in separate depository accounts and investment portfolios and will not be commingles with other investments or funds of the City.

Bond Funds may generally be invested consistent with the provisions of this Policy without yield restriction. The City's investment managers shall monitor Bond Fund accounts with respect to the transaction generating such funds.

A portion of the Bond Fund investments may be continuously invested in readily available funds such as in bank deposits or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

C. Yield

The City's 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 objectives stated above. The investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

(1) A security with declining credit may be sold early to minimize loss of principal.
(2) A security may be sold if such sale, couples with a purchase of another security in a similar amount, would improve the quality, yield, or target duration in the portfolio.
(3) A security may be sold if liquidity needs of a portfolio require that the security be sold.

D. Local Economic Benefit

While satisfying the objectives of safety, liquidity and yield, the City shall seek to place investments with financial institutions that demonstrate a strong record of investing in, and supporting the local economy through the institutions' lending practices.

E. Social Policy

While satisfying the objectives of safety, liquidity and yield, investment decisions should further the City's social policies established by ordinance or resolution of the Board of Aldermen.

V. STANDARD OF CARE

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Under the prudent person standard, investments shall be made with judgment and care, under the circumstances the 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. Investment managers acting in accordance with written procedures and this Policy, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion to the Treasurer and appropriate action is taken to control adverse developments in accordance with the terms of this Policy.

VI. ETHICS AND CONFLICTS OF INTEREST

The City's investment program shall be designed and managed with a level of professionalism worthy of the public trust. Officers and employees involved in the investment process shall refrain from person business activity that could conflict with the proper execution and management of the investment program, or that could impair the ability to make impartial investment decisions.

Employees and investment officials shall disclose any material interests in financial institutions that conduct, or wish to conduct, business with the City. All persons authorized to place or approve investments shall not personally, or through a relative,

maintain any accounts, interests or dealings with any firm with which the City places investments, except for savings accounts, checking accounts, money market accounts or similar accounts that are offered on a publicly-announced or non-negotiable basis to the general public. All persons authorized to place or approve investments shall disclose any kinship relations with employees of firms with which the City places investments, as well as any accounts, interests or dealings with those firms.

All persons authorized to place or approve investments shall report quarterly to the Treasurer any meals, entertainment or gifts received from any person employed by a firm with which the City places investments or any firm seeking to conduct similar business with the City. The report shall describe the person providing the meal, entertainment or gift, the time it was made, the location at which it was made, any topics discussed, the reason for the activity and the estimated cost.

VII. INTERNAL CONTROLS

The Treasurer shall establish a system of internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal controls shall be designed to provide reasonable assurance that these objectives are met. Reasonable assurance recognizes that (1) the cost of a control should not exceed the anticipated benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by the Treasurer. Accordingly, the Treasurer shall establish a process for an annual independent review by an external auditor to assure compliance with this Policy and the procedures set by the Treasurer.

The internal controls shall address the following:

(i) Control of collusion;

(ii) Separation of transaction authority from accounting and record keeping;

(iii) Custodial safekeeping;

(iv) Avoidance of bearer or physical delivery securities;

(v) Clear delegation of authority to staff members;

(vi) Written or electronic confirmation of transactions for investments and wire transfers; and

(vii) Development of a wire transfer agreement with the custodial or depository institution.

VIII. AUTHORIZED FINANCIAL DEALERS AND LISTED INSTITUTIONS

Pursuant to the Act, the Funds Committee of the City shall annually select financial institutions, which have their principal place of business in the Missouri, for the deposit of City funds. The Funds Committee shall select those financial institutions that, in their opinion, will be the most commensurate with the safety of City funds. In order to assist the Funds Committee, the Treasurer shall employ a formal, competitive procurement process for selecting financial institutions for the deposit of City funds, as well as for selecting broker/dealers for the purchase of securities and for other banking-related services.

A. Listed Institutions

The Funds Committee shall periodically select and approve one or more financial institutions for the deposit and safekeeping of the City's funds ("Listed Institutions"). The City prefers to invest its funds locally when the terms from such institutions are comparable to those available from out-of-state institutions. The City shall select those financial institutions that, in its opinion, will be the most commensurate with the safety of City funds. The Treasurer shall employ a formal, competitive procurement process for selecting financial institutions for the deposit and safekeeping of City funds and other banking-related services. Any financial institution seeking to qualify as an authorized institution shall supply the City the requested information as shall be determined by the Investment Manager. Any financial institution seeking to qualify as a Listed Institution shall supply the Treasurer, on behalf of the Funds Committee, the information requested by the Treasurer as a part of the review process described above. The requested information shall be determined by the Treasurer. All financial institutions applying to the Funds Committee to become a Listed Institution are also required to participate in the City's annual lending study as provided in Chapter 5/12 of the Revised Code of the City of St. Louis, as amended.

B. Broker/Dealers

Investments will be made through banks or securities dealers who have been approved by the City. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). Such securities dealers and banks shall have been subjected to an appropriate investigation by the Treasurer, on behalf of the Funds Committee, which shall include, among other things, a review of the firm's financial statements and the background of the sales representatives. All authorized broker/dealers must be fully licensed and registered NASD Broker/Dealers or exempt banks. Criteria used to select securities dealers will include:

(i) Proof of National Association of Securities Dealers (NASD) certification

(ii) Proof of state registration

(iii) Financial strength and capital adequacy of the firm

(iv) Services provided by the firm

(v) Research services available

(vi) Resume, reputation, and qualifications of sales representative

(vii) Due diligence and firm references

(viii) State government expertise

Trades executed by an external investment manager shall not be executed with that investment manager's own firm or with any division of such firm or any subsidiary, either partially or wholly affiliated.

IX. SUITABLE AND AUTHORIZED INVESTEMENTS

A. Investment Types

In accordance with and subject to restrictions imposed by the Missouri Constitution, the laws of the State of Missouri and specifically, the provisions of the Act, the following list represents the entire range of investments that the City will consider and which shall be authorized for the investments of funds ("Suitable Investments").

(1) Collateralized Public Deposits

The City may invest in instruments issued by financial institutions which state that specified sums have been deposited for specific periods of time and at specified rates of interest ("Certificates of Deposit").

(i) All Certificates of Deposit purchased shall be insured by the FDIC, or to the extent that such Certificate of Deposit purchased is in excess of the limit of the FDIC insurance, such certificate of deposit shall be collateralized by approved securities set forth in Section X below.

(ii) The maximum maturity of a deposit will be five (5) years.

(iii) A financial institution will be eligible to receive total collateralized deposits of City funds, including Certificates of Deposit and demand deposit accounts, in an amount not to exceed 10% of such institution's equity capital.

(2) United States Treasury and Federal Agency Securities

The City may invest in United States Treasury and Agency securities with final maturities of five years or less.

(i) Treasury and Agency securities must be purchased through approved broker/dealers.

(ii) Agency securities include those specific obligations (referenced in Section IX C. below) issued or guaranteed by any agency or instrumentality of the United States Government.

(3) Commercial Paper

The City may invest in commercial paper which has received the highest letter and numeral ranking issued by at least two nationally recognized statistical rating agencies.

(i) Eligible paper is further limited to issuing corporations that have a total commercial paper program size in excess of $250,000,000 and or a short term rating of A1, P1 or F1.

(ii) Purchases of commercial paper may not exceed 180 days to maturity

(iii) Approved commercial paper programs should provide some diversification by industry. Additionally, purchases or commercial paper in industry sectors that may from time to time be subject to undue risk and potential illiquidity should be avoided.

(iv) The only asset-backed commercial paper programs that are eligible for purchase are fully supported programs that provide adequate diversification by asset type (trade receivables, credit card receivables, auto loans, etc.). No securities arbitrage programs or commercial paper issued by Structured Investment Vehicles (SIV's) shall be considered.

(v) No more than 5% of the total market value of the portfolio may be invested in the commercial paper of any one issuer.

(4) Bankers' Acceptances

The City may invest in bills of exchange or time drafts on an accepted known as bankers' acceptances.

(i) An issuing bank shall have received the highest rating by at least two nationally recognized statistical rating agencies.

(ii) Eligible bankers' acceptances are further limited to banks organized and operating in the United States.

(iii) Purchases of bankers' acceptances may not exceed 180 days to maturity.

(iv) No more than 5% of the total market value of bankers' acceptances of any one issuer.

(5) Repurchase Agreements

The City may invest in contractual agreements between the City and commercial banks or primary government securities dealers to purchase U.S. Treasury and government agency securities while simultaneously agreeing to resell the securities as predetermined dates and prices ("Repurchase Agreements").

(i) Repurchase Agreements may be entered into for periods of 90 days or less, which may include overnight and open repurchase agreements.

(ii) Repurchase Agreements shall be collateralized by approved securities as set forth in Section X below.

(iii) The market value of all repurchase agreement collateral will be reviewed daily to determine collateral adequacy.

(iv) No more than 40% of the total market value of the portfolio may be invested in repurchase agreements with any one provider.

In determining approved securities, the Treasurer may rely on any information or designation maintained and approved by the Treasurer of the State of Missouri.

(6) Local Government Investment Pools

The City, as authorized by Ordinance 69683 as approved by the Board of Aldermen and signed by the Mayor, may enter into an agreement with the Missouri Securities Investment Program Intergovernmental Cooperation Agreement. This agreement allows the City to participate in the Missouri Securities Investment Pool ("MOSIP").

B. Repurchase Agreements

Subject to the provisions included in this Policy, the City may enter into Repurchase Agreements with any Listed Institution, and subject to the following:

(i) Repurchase transactions will be executed only with Primary Dealers or financial institutions located in the State of Missouri that qualify under SEC Rule 15C3-1 (Uniform Net Capital Rule) with whole the City has

executed a Master Repurchase Agreement. In addition, local financial institutions, with which there is a Master Repurchase Agreement, may be used for late-in-the-day transactions or regular cash account sweeps.

(ii) Securities for which Repurchase Agreements will be transacted will be limited to U.S. Treasury securities and securities of any government instrumentality that are eligible to be delivered via the Federal Reserve's Fedwire book entry system.

(iii) Securities will be delivered to the City's designated custodian. Funds and securities will be transferred on a delivery vs. payment basis.

C. Security Selection

The following list represents the entire range of U.S. Agency Securities that the City will consider and which shall be authorized for the investment of funds. Additionally, the following definitions and guidelines should be used in purchasing instruments:

(i) U.S. Government Agency Coupon and Zero Coupon Securities. Bullet coupon bonds with no embedded options (with the exceptions of embedded put and call options) with final maturities of five (5) years or less.

(ii) U.S. Government Agency Discount Notes. Purchased at a discount with maximum maturities of one (1) year or less.

(iii) U.S. Government Agency Callable Securities. Restricted to securities callable at par or above with a final maturity of five (5) years or less.

(iv) U.S. Government Agency Step-Up Securities. The coupon rate is fixed for an initial term. At coupon date(s), the coupon rate rises to a new, higher fixed term. Restricted to securities with a final maturity of five (5) years or less.

(v) Floating Rate Securities. The coupon rate is tied directly to only one index. This is restricted to coupons with no interim caps that reset at least quarterly and with final maturities of five (5) years or less. Securities for which the coupon note is a multiple or fraction of index or that floats at a rate inversely related to the index will not be permitted.

(vi) U.S. Government Mortgage Backed Securities. Restricted to securities

(vii) with stated final maturities of five (5) years or less.

D. Investment Restrictions and Prohibited Transactions

To provide for the safety and liquidity of the City's funds, its investment portfolios will be subject to the following restrictions:

(i) Borrowing for investment purposes ("Leverage") is prohibited.

(ii) Investment in instruments known as structured noted (e.g. inverse floaters, leveraged floaters, and equity-linked securities) and any instrument which is commonly considered a "derivative" instrument (e.g. options, futures, swaps, caps, floors, and collars), or is described in Section XI is prohibited.

(iii) Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market in prohibited.

(iv) Reverse repurchase agreements are prohibited.

(v) Securities lending shall be prohibited.

E. Delivery vs. Payment

All purchases of securities shall be conducted on a delivery-versus-payment to ensure that securities are deposited in eligible financial institutions prior to the release of funds. All securities shall be perfected in the name or for the account of the City and shall be held by a third-party custodian approved by the Treasurer as evidences by safekeeping receipts.

F. Best Execution

All purchases and sales of investments for the City will be executed in a manner that provides the best economic advantage to the City at the time and circumstances of the investment considering the City's objectives including Local Economic Benefit and Social Policy as provided in this Policy.

X. COLLATERALIZATION

Collateralization will be required on (1) Repurchase Agreements, (2) Certificates of Deposit and (3) deposits with Listed Institutions. All securities which serve as collateral must be Suitable and Authorized Investments and must be held in safekeeping at a non-affiliated custodial facility with whom the City has a current custodial agreement and that has been designated by the Treasurer and the Funds Committee as eligible to serve in such capacity. Clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. The right of collateral substitution may be granted as provided in the Act.

The City shall have a depository contract and pledge agreement with each safekeeping bank that will comply with the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989 (FIRREA). This is intended to ensure that the City's security interest in collateral pledged to secure deposits is enforceable against the receiver of a failed financial institution.

The market value of any collateral shall be measured monthly or more frequently if determined by the Treasurer. In the event the market value of the collateral no longer satisfies the collateralization level required, then the repurchase agreement provider or depository, as appropriate, shall provide additional collateral within two business days to satisfy the required level. The maturity of the pledged collateral shall not exceed the maximum specified in Section IX below.

A. Repurchase Agreements

In order to anticipate potential market changes and provide a level of security for all funds, the collateralization level shall be 103% of the amount of the repurchase agreement and shall be listed on the market value of principal and accrued of the pledged collateral.

B. Certificates of Deposit and Deposits with Listed Institutions

In order to anticipate potential market changes and provide a level of security for all funds, the collateralization level shall be 103% of the amount of the time deposits and demand deposits with any depository (less the amount, if any, which is subject to federal deposit insurance) and shall be based on the market value of principal and accrued interest of the pledged collateral. Pursuant to the Act, acceptable collateral for time certificates of deposit and deposits with Listed Institutions shall consist of U.S. Treasury obligations, other interest-bearing securities guaranteed as to principal and interest by the U.S. or an agency or instrumentality of the U.S. (and approved by the State Treasurer) bonds of the State of Missouri or bonds of the City. Bonds of the state or the City shall be rated in one of the three0highest ratings categories by Moody's Investors Service, Standard & Poor's Corporation or Fitch Ratings Service. The par value of the collateral shall at least equal the amount of the deposit.

In lieu of or in addition to collateral set forth above, a depository institution may provide a surety bond issued by an insurance company licensed in Missouri whose claims-paying ability is rated "AA" or better from at least two (2) nationally recognized statistical rating agencies; or an irrevocable standby letter of credit issued by a Federal Home Loan Bank possessing the highest rating issued by at least two (2) nationally recognized rating agencies. The face amount of the surety bond shall be at least equal to the portion of the deposit, including accrued interest, to be secured by the surety bond.

XI. DERIVATIVES

A derivative is a financial instrument created from, or whose value depends on the value of, one or more underlying assets or indexes of asset values. The term derivatives, or derivative products, includes collateralized mortgage obligations (CMO's), interest only securities, (IO's), principal only securities (PO's), futures, currency and interest rate swaps, options, floaters, inverse floaters, caps, collars, and floors. Derivative products with any of the following characteristics shall not be permitted investments of the City:

- Highly leveraged products;
- Instruments subject to high price volatility;

- Products that are difficult to value;
- Products requiring sophistication or special knowledge to manage;
- Instruments with extremely illiquid markets or for which no secondary market exists; and
- Products that represent private agreements between the City and the counterparty

In particular, the City has determined that (1) CMO's with a stated maturity in excess of three (3) years, regardless of the expected average life or maturity, (2) IO's, (3) PO's, and (4) inverse floaters with a stated maturity of more than two years are not permitted investments under this Policy.

XII. MAXIMUM MATURITIES

To the extent possible, the City shall attempt to match its investments with its anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities or make a time deposit with a stated maturity of more than five (5) years from the date of purchase. The average maturity for collateral provided to the City for deposits or in connection with a repurchase agreement shall not exceed five (5) years without the written approval of the Treasurer. In connection with any outstanding bond issue, debt service reserve funds may be invested to a maximum maturity equal to the final maturity of the bond issue. In all events and to the extent permitted by law, funds pledged to a bond issue shall be invested as provided in the documents for the bonds. Nonetheless, the investment authority for funds derived from or pledged to any bond issue rests with the Treasurer and not with the trustee, if any, for the bonds.

XIII. DIVERSIFICATION

In order to reduce overall portfolio risks while attaining market average rates of returns, the City shall diversify its investments by security type, institution (issuer) and maturity. Diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type shall be:

Investment Type	Maximum Percentage of Portfolio	Maximum Maturity
U.S. Treasury Securities	100%	5 years
U.S. Government Instrumentality Obligations	100%	5 years
Obligations of the State of Missouri	25%	5 years
Collateralized Certificates of Deposit	50%	5 years
Collateralized repurchase agreements	25%	90 days
Commercial Paper	25%	180 days
Banker's Acceptance	25%	180 days

XIV. PERFORMANCE BENCHMARK

The investment portfolio as maintained is invested to provide funds as needed as specified by the direction of the various departments of the City. A series of appropriate benchmarks may be established against which portfolio performance shall be compared on a regular basis.

XV. REPORTING

The Treasurer shall provide the Funds Committee quarterly investment reports which provide a clear and accurate picture of the current status of the investment portfolio. The Treasurer's report should include comments on the fixed income markets and economic conditions and other matters as the Treasurer deems necessary. The quarterly report shall also contain schedules that provide the following:

(i) A listing of individual securities held at the end of the reporting period

(ii) For each individual security listed, the report shall include: coupon, yield, par value, amortized book value and market value;

(iii) Percentage of the portfolio represented by each investment category;

(iv) For any time certificated of deposit, deposits with Listed Institutions or any repurchase agreements, a listing of the collateral pledged to such investments; and

(v) Additional information related to the portfolio as the Treasurer deems necessary.

XVI. ADOPTION OF POLICY

This policy shall be reviewed annually by the Funds Committee and any changes shall be approved by a unanimous vote of the Funds Committee. The Funds Committee of the City of St. Louis, Missouri, hereby unanimously adopts this Policy pertaining to investment of City Funds this 31st day of October, 2013.

CERTIFICATION

I HEREBY CERTIFY, that the foregoing is true and a correct copy of the City of St. Louis, Missouri Public Funds Investment Policy was presented to, and duly adopted unanimously by the Funds Committee of the City of St. Louis, Missouri, this 31st day of October, 2013.

Tishaura O. Jones
Treasurer