

## AGENDA

DES MOINES CITY COUNCIL  
FINANCE COMMITTEE  
City Council Chambers  
21630 11th Avenue S, Suite C.  
Des Moines, Washington  
Thursday, April 3, 2025 - 4:00 PM

**Finance Committee:** Chair Matt Mahoney; Vice Chair Jeremy Nutting; JC Harris

### CALL TO ORDER

### AGENDA

- Item 1. APPROVAL OF THE FEBRUARY 06, 2025 MEETING MINUTES  
[February 06, 2025 Finance Committee Draft Minutes](#)
- Item 2. GFOA BUDGET AWARD
- Item 3. GENERAL FUND REPORT - FEBRUARY 2025  
[General Fund Report - February 2025](#)
- Item 4. GENERAL FUND FINANCIAL FORECAST & LAND USE REVENUE ANALYSIS - FCS GROUP  
[Long-Range Financial Plan and Development Impact Analysis](#)
- Item 5. INVESTMENT POLICY  
[Draft City of Des Moines Investment Policy](#)
- Item 6. ARPA UPDATE  
[ARPA Update](#)

### ADJOURNMENT

**MINUTES**

**DES MOINES CITY COUNCIL  
FINANCE COMMITTEE  
City Council Chambers  
VIA ZOOM**

**Thursday, February 6, 2025 - 4:00 PM**

**CALL TO ORDER**

Chair Matt Mahoney called the meeting to order at 4:00 p.m.

**ROLL CALL**

**Finance Committee:**

Chair Matt Mahoney; Vice Chair Jeremy Nutting; JC Harris via Phone

**Staff Present:**

City Manager Katherine Caffrey; Assistant City Attorney Matt Hutchins;  
Finance Director Jeff Friend; Deputy City Clerk Sara Lee

**AGENDA**

**APPROVAL OF THE DECEMBER 05, 2024 MEETING MINUTES**

**Motion** made by JC Harris to approve the December 5, 2024 Finance Committee Minutes as presented; Seconded by Chair Matt Mahoney. Motion Passed 3-0

**2025 WORK PLAN**

- Finance Director Jeff Friend presented information on the 2025 Work Plan.

**GENERAL FUND REPORT – DECEMBER 2024**

- Finance Director Jeff Friend presented information on the December 2024 General Fund Report.

**ONE-TIME TAX DISCUSSION**

- Finance Director Jeff Friend gave a presentation on One-Time Tax.

**ADJOURNMENT**

Meeting adjourned at 4:37 p.m.

**General Fund Report – February 2025**

General Fund Summary of Sources and Uses	February 2025			2025 YTD Budget vs Actual		2025 Remaining Budget
	Adopted Budget	YTD Budget	YTD Actual	Amount	Percentage	
<b>Operating Revenues</b>						
Property Tax	\$ 5,790,457	\$ 88,076	\$ 53,330	\$ (34,746)	-39%	\$ 5,737,127
Utility Tax	4,310,000	718,333	783,681	65,348	9%	3,526,319
Sales Tax	4,400,000	733,333	719,354	(13,979)	-2%	3,680,646
B+O Tax	2,365,000	254,167	392,466	138,299	54%	1,972,534
Franchise Fees	2,088,000	348,000	321,434	(26,566)	-8%	1,766,566
Criminal Justice Tax	1,400,000	233,333	210,543	(22,790)	-10%	1,189,457
Gambling Tax	25,000	4,167	4,285	118	3%	20,715
Leasehold Tax	240,000	50,838	53,283	2,445	5%	186,717
<b>Taxes Subtotal</b>	<b>\$ 20,618,457</b>	<b>\$ 2,430,247</b>	<b>\$ 2,538,378</b>	<b>\$ 108,130</b>	<b>4%</b>	<b>\$ 18,080,079</b>
Business Licenses and Permits	410,000	130,932	160,754	29,822	23%	249,246
Other Licenses and Permits	15,500	2,583	4,587	2,004	78%	10,913
Intergovernmental (Grants, etc.)	910,519	151,753	176,761	25,008	16%	733,758
Charges for Services:						
General Government Services	175,618	29,270	15	(29,254)	-100%	175,603
Court	112,800	18,800	18,471	(329)	-2%	94,329
Public Safety	86,400	14,400	14,243	(157)	-1%	72,157
Culture and Recreation	476,150	79,358	51,820	(27,539)	-35%	424,331
Red Light Running Infractions	1,100,000	183,333	153,684	(29,649)	-16%	946,316
Other fees and penalties	101,000	16,833	11,590	(5,243)	-31%	89,410
<b>Fees/Charges/Fines Subtotal</b>	<b>\$ 3,387,987</b>	<b>\$ 627,263</b>	<b>\$ 591,925</b>	<b>\$ (35,338)</b>	<b>-6%</b>	<b>\$ 2,796,063</b>
Interest Income	56,000	9,333	17,760	8,427	90%	38,240
Rentals and Leases	458,300	76,383	73,060	(3,323)	-4%	385,240
Contributions and Donations	2,500	417	3,768	3,352	804%	(1,268)
Miscellaneous	757,400	11,233	5,436	(5,797)	-52%	751,964
Interfund Charges	1,473,558	237,260	237,260	0	0%	1,236,298
<b>Other Revenues Subtotal</b>	<b>\$ 2,747,758</b>	<b>\$ 334,626</b>	<b>\$ 337,285</b>	<b>\$ 2,658</b>	<b>1%</b>	<b>\$ 2,410,473</b>
<b>Total Operating Revenues</b>	<b>\$ 26,754,202</b>	<b>\$ 3,392,137</b>	<b>\$ 3,467,587</b>	<b>\$ 75,450</b>	<b>2%</b>	<b>\$ 23,286,615</b>
<b>Operating Expenditures</b>						
City Council	\$ 119,696	\$ 14,908	\$ 9,735	(5,173)	-35%	109,961
City Manager's Office/Administration	1,317,108	188,938	363,517	174,579	92%	953,591
City Clerk	707,046	96,100	305,120	209,020	218%	401,926
Human Resources	279,665	39,246	17,516	(21,730)	-55%	262,149
Finance	1,306,317	167,630	196,135	28,506	17%	1,110,182
Information Technology Services	1,332,120	188,925	259,132	70,207	37%	1,072,988
Legal	1,015,611	130,397	116,148	(14,249)	-11%	899,463
Municipal Court	1,706,115	219,471	174,190	(45,281)	-21%	1,531,925
Public Safety - Business Office	1,020,310	170,052	145,433	(24,618)	-14%	874,877
Police	13,063,031	1,655,281	1,675,249	19,968	1%	11,387,782
Planning and Building (Tax-based)	431,611	54,810	71,836	17,026	31%	359,775
Building and Parks Maintenance	1,955,252	253,557	227,285	(26,271)	-10%	1,727,967
Community Events and Services	1,860,093	254,452	311,848	57,395	23%	1,548,245
Transfers Out						
Fund 114 (American Rescue Plan Act Fund)	-	-	8,075	8,075	#DIV/0!	(8,075)
<b>Total Operating Expenditures</b>	<b>\$ 26,113,975</b>	<b>\$ 3,433,767</b>	<b>\$ 3,881,220</b>	<b>\$ 447,454</b>	<b>13%</b>	<b>\$ 22,232,755</b>
<b>Total Operating Income (Loss)</b>	<b>\$ 640,227</b>	<b>\$ (41,630)</b>	<b>\$ (413,634)</b>	<b>\$ (372,004)</b>		

\*\*February is month 2 of 12 =16.67%

**Footnotes**

- 1) City Manager's Office: Expenditures are over budget primarily due to costs related to staff turnover. Also, annual memberships were billed to the City in January.
- 2) City Clerk: Expenditures are over budget primarily due to 2024 Election costs that were budgeted for 2024 but paid in 2025 (\$59K). Also annual voter registration services (\$107K) were billed to the City in February.

**SALES TAX SUMMARY**  
**March 2025 (January 2025 Sales)**

NAICS	CONSTRUCTION	24 TOTAL	24 YTD	25 YTD	YTD % Diff
236	Construction of Buildings	347,585	89,372	108,364	21.2%
237	Heavy & Civil Construction	57,120	9,756	32,371	231.8%
238	Specialty Trade Contractors	371,885	72,711	87,149	19.9%
<b>TOTAL CONSTRUCTION</b>		<b>\$ 776,590</b>	<b>\$ 171,840</b>	<b>\$ 227,884</b>	
<i>Overall Construction Change from Previous Year</i>				<b>\$ 56,045</b>	<b>32.6%</b>
NAICS	MANUFACTURING	24 TOTAL	24 YTD	25 YTD	YTD % Diff
311	Food Manufacturing	757	178	232	30.4%
312	Beverage & Tobacco Products	2,229	461	702	52.1%
313	Textile Mills	200	69	68	-2.8%
314	Textile Product Mills	175	58	44	-23.9%
315	Apparel Manufacturing	320	86	134	56.7%
316	Leather & Allied Products	434	110	130	18.4%
321	Wood Product Manufacturing	6,365	3,558	268	-92.5%
322	Paper Manufacturing	289	51	71	40.4%
323	Printing & Related Support	4,907	1,171	3,528	201.3%
324	Petroleum & Coal Products	80	1	9	531.1%
325	Chemical Manufacturing	1,367	346	275	-20.6%
326	Plastic & Rubber Products	289	97	17	-82.3%
327	Nonmetallic Mineral Products	4,459	1,178	670	-43.2%
331	Primary Metal Manufacturing	68	-	-	-
332	Fabricated Metal Mfg Products	1,863	234	426	81.9%
333	Machinery Manufacturing	730	298	238	-20.3%
334	Computer & Electronic Products	2,730	688	296	-56.9%
335	Electric Equipment, Appliances	1,637	172	40	-77.0%
336	Transportation Equipment Mfg	15,676	2,860	5,728	100.3%
337	Furniture & Related Products	4,249	1,222	297	-75.7%
339	Miscellaneous Manufacturing	4,278	1,616	1,202	-25.6%
<b>TOTAL MANUFACTURING</b>		<b>\$ 53,099</b>	<b>\$ 14,455</b>	<b>\$ 14,375</b>	
<i>Overall Manufacturing Change from Previous Year</i>				<b>(\$80)</b>	<b>-0.6%</b>
NAICS	TRANSPORTATION & WAREHOUSING	24 TOTAL	24 YTD	25 YTD	YTD % Diff
481	Air Transportation	-	-	-	-
482	Rail Transportation	2	1	1	-40.7%
483	Water Transportation	-	-	0	-
484	Truck Transportation	6,412	1,575	1,278	-18.8%
485	Transit and Ground Passengers	-	-	-	-
487	Scenic and Sightseeing Trans	-	-	-	-
488	Transportation Support	3,486	353	616	74.3%
491	Postal Services	106	27	23	-15.8%
492	Couriers & Messengers	32,317	6,713	9,692	44.4%
493	Warehousing & Storage	371	229	63	-72.6%
<b>TOTAL TRANSP &amp; WHSING</b>		<b>\$ 42,694</b>	<b>\$ 8,899</b>	<b>\$ 11,673</b>	
<i>Overall Transportation Change from Previous Year</i>				<b>\$2,774</b>	<b>31.2%</b>
NAICS	WHOLESALE TRADE	24 TOTAL	24 YTD	25 YTD	YTD % Diff
423	Whls Trade-Durable Goods	135,627	38,483	45,060	17.1%
424	Whls Trade-Nondurable Goods	54,807	15,725	15,790	0.4%
425	Wholesale Electronic Markets	1,370	190	303	59.3%
<b>WHOLESALE TRADE TOTAL</b>		<b>\$ 191,805</b>	<b>\$ 54,399</b>	<b>\$ 61,153</b>	
<i>Overall Wholesale Change from Previous Year</i>				<b>\$6,755</b>	<b>12.4%</b>

NAICS	AUTOMOTIVE	24 TOTAL	24 YTD	25 YTD	YTD % Diff
441	Motor Vehicle & Parts Dealer	\$ 207,679	\$ 49,473	\$ 37,391	-24.4%
447	Gasoline Stations	-	-	-	-
<b>TOTAL AUTOMOTIVE</b>		<b>\$ 207,679</b>	<b>\$ 49,473</b>	<b>\$ 37,391</b>	
<i>Overall Automotive Change from Previous Year</i>				<b>(\$12,082)</b>	<b>-24.4%</b>
NAICS	RETAIL TRADE	24 TOTAL	24 YTD	25 YTD	YTD % Diff
442	Furniture & Home Furnishings	\$ -	\$ -	\$ -	-
443	Electronics & Appliances	-	-	-	-
444	Building Material & Garden	56,297	11,944	14,536	21.7%
445	Food & Beverage Stores	184,284	44,440	43,591	-1.9%
446	Health & Personal Care	-	-	-	-
448	Clothing & Accessories	-	-	-	-
449	Furniture, Home Furnishings, Electronics, and Appliances	153,056	44,412	39,500	-11.1%
451	Sporting Goods, Hobby, Books	-	-	-	-
452	General Merchandise Stores	-	-	-	-
453	Miscellaneous Store Retailers	-	-	-	-
454	Nonstore Retailers	-	-	-	-
455	General Merchandise Retailers	63,701	16,746	18,851	12.6%
456	Health and Personal Care Retailers	58,173	17,060	13,347	-21.8%
457	Gasoline Stations and Fuel Dealers	60,038	14,695	16,740	13.9%
458	Clothing, Clothing Accessories, Shoe and Jewelry Retailers	50,849	14,949	16,054	7.4%
459	Sporting Goods, Hobby, Musical Instrument, Book and Misc	675,052	180,710	188,939	4.8%
<b>TOTAL RETAIL TRADE</b>		<b>\$ 1,301,450</b>	<b>\$ 344,956</b>	<b>\$ 351,558</b>	
<i>Overall General Retail Change from Previous Year</i>				<b>\$6,602</b>	<b>1.9%</b>
NAICS	SERVICES	24 TOTAL	24 YTD	25 YTD	YTD % Diff
51*	Information	\$ 215,632	\$ 62,249	\$ 52,397	-15.8%
52*	Finance & Insurance	23,268	6,034	5,888	-2.4%
53*	Real Estate, Rental, Leasing	66,452	12,431	12,995	4.5%
541	Professional, Scientific, Tech	86,028	19,123	32,706	71.0%
551	Company Management	1,684	143	261	82.2%
56*	Admin, Supp, Remed Svcs	262,602	68,384	68,590	0.3%
611	Educational Services	18,506	4,323	3,805	-12.0%
62*	Health Care Social Assistance	7,133	1,131	2,021	78.7%
71*	Arts & Entertainment	35,015	6,819	8,430	23.6%
72*	Accommodation & Food Svcs	429,659	93,594	96,554	3.2%
81*	Other Services	161,162	35,387	44,573	26.0%
92*	Public Administration	840	214	757	254.5%
<b>TOTAL SERVICES</b>		<b>\$ 1,307,978</b>	<b>\$ 309,830</b>	<b>\$ 328,977</b>	
<i>Overall Services Change from Previous Year</i>				<b>\$19,147</b>	<b>6.2%</b>
NAICS	MISCELLANEOUS	24 TOTAL	24 YTD	25 YTD	YTD % Diff
000	Unknown	\$ -	\$ -	\$ -	-
111-115	Agriculture, Forestry, Fishing	701	112	135	20.5%
211-221	Mining & Utilities	11,564	167	75	-56.0%
999	Unclassifiable Establishments	139,910	28,600	27,986	-2.1%
<b>MISCELLANEOUS TOTAL</b>		<b>\$ 152,175</b>	<b>\$ 28,878</b>	<b>\$ 28,196</b>	
<i>Overall Miscellaneous Change from Previous Year</i>				<b>(\$683)</b>	<b>-2.4%</b>
<b>GRAND TOTALS</b>		<b>\$ 4,033,471</b>	<b>\$ 982,729</b>	<b>\$ 1,061,207</b>	
<i>Grand Total Change from Previous Year to Date</i>				<b>\$78,478</b>	<b>7.99%</b>

**MEMORANDUM**

**DATE:** March 26, 2025  
**TO:** Finance Committee  
**FROM:** Katherine Caffrey, City Manager  
**SUBJECT:** Long-Range Financial Plan and Development Impact Analysis

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At the January 23, 2025 Economic Development Committee meeting, Staff discussed the potential of conducting a long-range financial plan for the City. The Committee was supportive of the concept, so staff proceeded with developing a scope of work with a consultant. Staff provided an update to the Economic Development Committee at the March 27, 2025 meeting. Staff are now providing an update to the Finance Committee. If the Committee is supportive, then staff will bring the item to the City Council for consideration and approval at the April 10, 2025 meeting.

A Long-Range Financial Plan and Development Impact Analysis will assess the City's financial health, and provide strategic fiscal recommendations. Part of the overall Plan will include a "Development Options Analysis." Staff has identified the firm FCS Group to provide these services. Additional detail is provided below.

The project consists of two major components:

1. Long-Range Financial Plan:

- Conduct budget assessments to analyze historical revenue and expenditure trends.
- Develop a 10-year financial forecast incorporating three scenarios with varying revenue and expenditure assumptions.
- Identify revenue enhancement strategies, including potential tax adjustments and cost-saving measures.
- Deliver a comprehensive financial report with policy recommendations.
- Conduct presentations and discussions with City staff and the City Council.

2. Development Options Analysis:

This analysis will model potential general fund revenue generated by various development types. The analysis will include potential recurring revenue and one-time revenue from new development.

- Assess up to four development types and their fiscal impact.
- Identify revenue sources from new developments, including property taxes, impact fees, and sales tax.
- Estimate service costs associated with each development type.
- Develop a fiscal impact model to help the city evaluate future development decisions. This is a model developed in Excel, and can be used by staff in the future to analyze potential projects.

Key Takeaways

- The City's financial condition will be evaluated, identifying risks and opportunities for improvement.

- A custom financial model will enable long-term fiscal planning and decision-making.
- Policy recommendations will focus on sustainable revenue growth and cost management strategies.
- The City will receive detailed analysis on the financial impacts from potential development types.

The FCS Group has experience and familiarity with the City of Des Moines' finances, and specializes in financial planning and analysis for public sector entities. Additionally, FCS has done this work for other communities in Washington. The contract is \$68,650, and Staff recommends Fund 105 pay for the Development Options Analysis (\$23,120) and the General Fund pay for the financial plan (\$43,730). FCS estimates the work can be completed within six months.

At the Finance Committee meeting, Staff will discuss the proposal with the committee and receive any feedback prior to taking the contract before the City Council for consideration at the April 10 City Council meeting.

# City of Des Moines Investment Policy

Policy Approval Date:  
Authorized by: Resolution No.

DRAFT

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

City of Des Moines  
21630 11<sup>th</sup> Avenue S, Suite A, Des Moines, WA 98198



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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 lesser of 15% or \$10 million of the portfolio, at the time of investment, will be comprised of investments in the LGIP and/or maturing within six months.
- 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 depositories, 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 depositories 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 ladder 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.

DRAFT

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 chartered 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 set Federal Reserve funds target rate and guidelines regarding purchases and sales of Government Securities in an open market as a means of 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: \_\_\_\_\_

DRAFT

**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

DRAFT



**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 **February , 2025.**

Entity name: \_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Please sign and submit via mail or email to:

City of Des Moines  
21630 11<sup>th</sup> 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/>

**Chapter 3.12  
INVESTMENT POLICY**

Sections

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**3.12.010 Scope.**

This investment policy applies to all financial assets of the city of Des Moines. These funds are accounted for in the city's Comprehensive Annual Financial Report and include:

(1) General Funds.

Fund 001 General fund

(2) Special Revenue Funds.

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The Des Moines Municipal Code is current through Ordinance 1813, passed December 12, 2024.

Fund 101 Street fund

Fund 102 Arterial street fund

Fund 103 Park fund

Fund 104 Revenue stabilization fund

Fund 105 Airport defense fund

(3) Debt Service Funds.

Fund 203 LTGO bond – public works

Fund 204 GO bond – police facility

Fund 205 LTGO bond – council/court

Fund 206 GO bond – library/park

Fund 207 LTGO bond – DT project

Fund 211 GO bond – new police facility

(4) Capital Projects Funds.

Fund 315 Police facility construction fund

Fund 350 Municipal capital improvement fund

(5) Enterprise Funds.

Fund 401 Marina revenue fund

Fund 402 Marina bond and interest fund

Fund 403 Marina repair and replacement fund

Fund 404 Marina depreciation and improvement fund

Fund 450 Surface water management fund

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The Des Moines Municipal Code is current through Ordinance 1813, passed December 12, 2024.

Fund 451 Surface water management capital fund

(6) Internal Service Funds.

Fund 500 Equipment rental operations fund

Fund 501 Equipment rental replacement fund

Fund 510 Computer equipment operations fund

Fund 511 Computer equipment replacement fund

Fund 515 Facility repair and replacement fund

(7) Trust Funds.

Fund 520 Self insurance trust fund

Fund 530 Unemployment trust fund

[Ord. 1144 § 4, 1995.]

**3.12.020 Prudence.**

(1) Investments are made with judgment and care, under circumstances then prevailing, that 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.

(2) The standard of prudence used by investment officials is the “prudent person rule” and it is applied in the context of managing an overall portfolio. Investment officers acting according to written procedures and exercising due diligence are 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 and appropriate action is taken to control adverse developments. [Ord. 1144 § 5, 1995.]

**3.12.030 Objective.**

The following primary objectives, in descending order of priority, of the city of Des Moines’ investment activities are:

(1) Safety. Safety of principal is the foremost investment objective of the city of Des Moines. Investments of the city of Des Moines are undertaken in such a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this satisfaction, diversification is required so portfolio losses on individual securities do not exceed the income generated from the remainder of the portfolio.

(2) Liquidity. The city of Des Moines' investment portfolio shall remain sufficiently liquid to enable the city of Des Moines to meet all operating requirements that might be reasonably anticipated.

(3) Return on Investment. The city of Des Moines' investment portfolio is designed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, taking into account the city of Des Moines' investment risk constraints and the cash flow characteristics of the portfolio. [Ord. 1144 § 6, 1995.]

**3.12.040 Delegation of authority.**

Management responsibility for the investment program is delegated to the finance director, who shall establish written procedures for the operation of the investment program, consistent with this investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person shall 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 is responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. [Ord. 1144 § 7, 1995.]

**3.12.050 Ethics and conflicts of interest.**

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with the proper execution of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the city manager any material financial interest in financial institutions that conduct business within this jurisdiction, and they shall further disclose all large personal financial or investment positions that could be related to the performance of the city of Des Moines' portfolio. Employees and officers shall subordinate their personal investment transactions to those of the city of Des Moines, particularly regarding the time of purchases and sales. [Ord. 1144 § 8, 1995.]

**3.12.060 Authorized financial dealers and institutions.**

(1) The finance director shall maintain a list of financial institutions, as required by the Public Deposit Commission, authorized to provide investment services (RCW 39.58.080 as presently constituted or as may be subsequently amended). In addition, a list shall also be maintained of approved security broker/dealers selected by credit worthiness, who maintain an office in the state of Washington. These may include "primary" dealers or regional dealers that qualify under Security and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit is made except in a qualified public depository in the state of Washington.

(2) A current financial statement is required to be on file for each financial institution and broker/dealer in which the city of Des Moines invests. [Ord. 1144 § 9, 1995.]

**3.12.070 Authorized investments.**

All municipal corporations in the state of Washington, including the city of Des Moines, are empowered by RCW 36.29.020 and limited by RCW 39.58.080, both as presently constituted or as may be subsequently amended, to

invest in the following types of securities:

- (1) Investment deposits, including certificates of deposits, with qualified public depositories as defined by chapter 39.58 RCW as presently constituted or as may be subsequently amended.
- (2) Certificates, notes or bonds of the United States, or other obligations of the United States or its agencies, or a corporation wholly owned by the government of the United States (such as the Government National Mortgage Association).
- (3) Obligations of government sponsored organizations that are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System. These include, but are not limited to, Federal Home Loan notes and bonds, Federal Farm Credit bank consolidated notes and bonds, Federal National Mortgage Association notes, debentures, and guaranteed certificates of participation.
- (4) Bankers acceptances purchased on the secondary market.
- (5) Repurchase agreements for the securities listed in 2, 3, and 4 above, except that the transaction is structured so that the city of Des Moines obtains control of the underlying securities and a master repurchase agreement has been signed with the bank or dealer.
- (6) Washington State Investment Pool. [Ord. 1144 § 10, 1995.]

**3.12.080 Safekeeping and custody.**

All security transactions, including collateral for repurchase agreements, entered into by the city of Des Moines are conducted on a delivery-versus-payment (DVP) basis. Securities are held by a third party custodian designated by the finance director. [Ord. 1144 § 11, 1995.]

**3.12.090 Diversification.**

The city of Des Moines shall diversify its investments by security type and financial institution. With the exception of the United States Treasury securities and the State Investment Pool, no more than 25 percent of the city of Des Moines' total investment portfolio is invested in a single security type or with a single financial institution. [Ord. 1144 § 12, 1995.]

**3.12.100 Maturities.**

- (1) To the extent possible, the city of Des Moines shall match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow the city of Des Moines shall directly invest in securities maturing more than 18 months from the date of purchase. However, the city of Des Moines may collateralize its repurchase agreements using longer-dated investments.
- (2) Reserve or capital improvement funds may be invested in securities exceeding 18 months if the maturity of such investments are made to coincide as nearly as practicable with the expected use or need of the funds.

[Ord. 1144 § 13, 1995.]

**3.12.110 Internal control.**

The finance director shall establish a process of independent review by an external auditor. This review shall provide internal control by assuring compliance with appropriate policies and procedures. Such a review may also result in recommendations to change operating procedures to improve internal controls. [Ord. 1144 § 14, 1995.]

**3.12.120 Performance standards.**

(1) The city of Des Moines' investment portfolio is designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the city of Des Moines' investment risk constraints and cash flow needs.

(2) The basis used by the finance director to determine whether market yields are being achieved is the six-month United States Treasury Bill and the average Federal Funds Rate. [Ord. 1144 § 15, 1995.]

**3.12.130 Reporting.**

The finance director is charged with the responsibility of submitting a report on investment activity and the returns each quarter to the city manager and the city council. [Ord. 1144 § 16, 1995.]

**3.12.140 Investment policy review and amendment.**

(1) The investment policy is reviewed on an annual basis by the city council.

(2) No amendment to this chapter shall be made without first holding a public hearing. Notice for such hearing shall be consistent with DMMC 17.44.030.

(3) This chapter may only be amended by a two-thirds majority vote of the entire city council. [Ord. 1144 § 17, 1995.]

**3.12.150 General provisions.**

(1) Identity and Accounting. Except as otherwise provided in this chapter, each fund has a separate accounting and identity from other monetary resources of the city.

(2) Sources of Moneys. Except as otherwise provided in this chapter, each fund receives moneys as part of the annual budget process of the city council.

(3) Expenditures from Funds. Except as otherwise provided in this chapter, expenditures from each fund are authorized by motion of the city council for purposes and uses consistent with law.

(4) Transfers from Funds. Except as otherwise provided in this chapter, excess moneys in a fund may be transferred by motion of the city council to another city fund that the city council, in its discretion, deems

appropriate.

(5) Annual Carryover. Except as otherwise provided in this chapter, moneys that have been deposited in each fund are maintained and carried forward at the end of each budget year, including interest from investment earnings of the funds and excluding authorized expenditures. [Ord. 1144 § 18, 1995.]



ARPA Update

Program #	Projects	Allocated	2021	2022	2023	2024	2025	Remaining
1	Finance Budgeting Software	35,000	2,070	31,958	972	-	-	0
2	SR3	75,000	75,000	-	-	-	-	-
3	Human Resources Recruitment	14,400	-	14,400	-	-	-	-
5	Emergency Management Comp Plan	8,000	8,000	-	-	-	-	-
6	People Movers	42,237	-	-	42,237	-	-	(0)
8	Marina Infrastructure	556,600	38,020	106,000	374,094	38,486	-	(0)
9	Food Trucks - Limited Term	50,000	-	-	32,609	14,130	3,261	(0)
11	Tenant Eviction Resources	250,000	-	250,000	-	-	-	0
12	Human Services Committee Enhancement	75,000	-	75,000	-	-	-	0
13	ADA Compliance Program	11,064	-	11,064	-	-	-	(0)
14	Additional Traffic Calming	19,727	-	-	19,531	195	-	0
15	Metro Transit	250,000	129,726	120,274	-	-	-	-
16	Small Business Grants	495,000	-	495,000	-	-	-	0
17	EATS Program	80,471	25,000	55,471	-	-	-	0
18	Municipal Court	550,000	50,000	250,000	250,000	-	-	-
20	SCORE	515,656	119,521	111,150	19,329	265,656	-	(0)
21	Non-Profit Hiring Assistance (Mental Health Support)/Crime Analyst	393,957	-	69,833	104,919	219,205	-	(0)
22	Redondo Space Lease	63,000	-	32,437	30,563	-	-	(0)
23	Police Officers	830,000	-	266,743	259,705	303,552	-	(0)
24	Police Vehicles	255,486	-	182,917	72,568	-	-	0
25	Nonprofit Foundation	74,596	-	35,500	39,096	-	-	(0)
26	Body Cams and Program Consultant	91,925	83,744	8,181	-	-	-	0
27	Evidence Van	37,733	-	37,733	-	-	-	0
28	Field House Play Equipment	105,000	-	-	-	105,000	-	-
29	Parks Program Support	1,000,000	467,000	500,000	33,000	-	-	-
30	ARPA Administration Support	90,557	-	90,557	-	-	-	0
31	Workforce training scholarships	125,000	-	125,000	-	-	-	0
33	Utility Voucher Fund	70,050	-	46,744	23,305	-	-	0
35	Passenger Ferry	45,631	-	-	45,631	-	-	-
36	Arts Commission	50,000	-	-	50,000	-	-	-
37	2024 General Fund Support	2,488,789	-	-	-	2,488,789	-	(0)
38	Police/Police Support Overtime	200,000	-	-	-	200,000	-	-
39	Senior Center Roof	80,000	-	-	-	-	-	80,000
<b>Total ARPA funds</b>		<b>9,029,879</b>	<b>998,081</b>	<b>2,915,964</b>	<b>1,397,560</b>	<b>3,635,014</b>	<b>3,261</b>	<b>80,000</b>