

**Ames Public Library Board of Trustees**  
**Agenda – September 15, 2022**  
**Dale H. Ross Board Room, 515 Douglas Avenue**

**Call to Order** 7:00 p.m.

**Consent Agenda (Action Item)**

(All items listed under the consent agenda will be enacted by one motion. There will be no separate discussion of these items unless a request is made prior to the time the Board votes.)

- 1) Resolution approving donations
- 2) Motion approving minutes of the regular meeting August 18, 2022
- 3) Motion approving payment of claims 8/1/22 – 8/31/22

**Public Forum**

Members of the public who wish to address the Board will be given the opportunity at this time. (Please complete a blue card and hand it to the recording secretary prior to the Call to Order.)

**Activity Reports**

- 4) Assistant City Manager - Schildroth
- 5) Administration – Schofer
- 6) APLFF – Thorbs-Weber/Torres III
- 7) Director’s Evaluation Committee – Christy/Johnson/Thorbs-Weber

**Board Education**

- 8) Virtual Library Tour - Schofer

**Policy Review**

- 9) Public Participation (Action)
- 10) Investments (Discussion)

**Trustee Comments**

**Adjournment**

**Next regular meeting: Thursday, October 20, 2022**  
**Ames Public Library: We Connect You to the World of Ideas**

**Website: [www.amespubliclibrary.org](http://www.amespubliclibrary.org) | E-mail: [libraryboard@amespubliclibrary.org](mailto:libraryboard@amespubliclibrary.org)**

Please note that this Agenda may be changed up to 24 hours before the meeting time as provided by Section 21.4(2), Code of Iowa.

**Donations**

**BOARD OF TRUSTEES  
AMES PUBLIC LIBRARY  
SEPTEMBER 15, 2022**

Be it resolved that the Board of Trustees, Ames Public Library, accepts the following donations:

- 1) Darrell & Beth Christianson in memory of Todd Drennan..... \$20.00

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Carolyn Myers, President

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Jon Christy, Secretary

**Ames Public Library Board of Trustees  
Minutes of the Regular Meeting  
August 18, 2022**

The Ames Public Library (APL) Board of Trustees met in regular session on Thursday, August 18, 2022, in the Dale H. Ross Board Room with Christy, Johnson, Kluesner, Marcu, Mitchell-Conway, Myers, Reynolds, Thorbs-Weber and Torres III in attendance. Director Schofer, and citizen Ridby were also in attendance.

**Call to Order:** President Myers called the meeting to order at 7:01 p.m.

**Consent Agenda:**

**Moved by Thorbs-Weber, seconded by Torres III, to approve the consent agenda as follows:**

1. Motion approving minutes of the regular meeting July 21, 2022
2. Motion approving payment of claims 7/1/22 – 7/31/22

**Vote on Motion: 8-0 (Myers abstained). Approved unanimously.**

**Public Forum:** None

**Activity Reports:**

Assistant City Manager: Schildroth was unable to attend.

Administrative Staff Report: Schofer gave a report to the Board.

- The summer reading program is winding down. The prizes were a hit. In total 164 babies and toddlers logged 77,982 minutes, 1,553 children logged 1,546,015 minutes, 297 teens logged 432,660 minutes, and 920 adults logged 1,417,231 minutes. That is a total of 2,934 participants logging 3,473,888 minutes or 57,898 hours which is an average of 1,184 minutes or almost 20 hours per person!
- Terrific Tuesdays were popular; they had 250 individuals at the reptile program.
- Summer meals are ending tomorrow. We have been serving on average 75 children per day.
- Coming up programmatically
  - We are partners for the Cyclone Welcome Weekend: Camp Iowa State. We shared a slide, sent postcards to be shared on campus, and are part of the Chamber's effort with Business Bingo. Students signing up for library cards can get a gift from our swag bag. Schofer did some door knocking with a crew of City of Ames staff and Iowa State University folks to give students a heads up on the increased fines and towing.
  - We have Voter Registration Day with League of Women Voters on September 20<sup>th</sup> and a program with them on the decline in local media.
  - The Library will be a satellite voting site on Saturday, October 29 and Saturday, November 5 in addition to election day on Tuesday, November 8<sup>th</sup>.

- There will be an adult program in September for Suicide Prevention Month
- The youth team is adding some afterschool programming partly in anticipation of shifted school schedules including a chess club and other activities.
- The Programming Team discussed the need to check in on the Strategic Plan to be more intentional when planning programming. One area identified was the need for more on Civil Engagement such as how to run for office, how to be on a board, etc. We are making good progress but it's good to project for this year into next. We are still mindful of our capacity; there is no shortage of ideas or opportunities, but there is a shortage of staff time and capacity.
- Schofer had a conversation with Assistant City Manager Schildroth and the Human Resources Director, Jorgenson. Schofer will be meeting monthly with City Manager Schainker starting in September, and will be discussing staffing needs and budget impact. Schofer is hoping to get the 20-hour Library Assistant bumped to 40-hours this year through budget adjustments, and to see if we can get two additional staff added into next year's budget. All FTE adjustments need to go through City Council.
- Staff News –
  - Mize a long-term Library Aide is retiring August 25th after 35years.
  - A new Adult Services Intern started this week.
  - The new I.T. Systems Administrator, Cook, will be starting Sept 6.

APLFF Report: Thorbs-Weber gave a report to the Board.

- 83 people had registered for Pub Fiction as of the last meeting. Schofer believed 130 was the final total. Munn Photography took pictures that Schofer will share. Prizes will be announced soon.
- The July book sale went well. The next book sale will be in November.
- They are searching for a Development Director. The position is posted to share with anyone interested.

**Board Education:** Schofer introduced the Shine app which is available for all Ames Public Library staff and Board members to use free of charge.

**Policy Review:**

Display and Exhibit Policy: Schofer introduced the policy. The recommended changes include clarifying the various display and exhibit spaces, guidelines, and purposes.

**Moved by Marcu, seconded by Reynolds, to approve the changes to the Display and Exhibit policy as presented.**

**Vote on Motion: 8-0 (Myers abstained). Approved unanimously.  
Resolution No. 2022-L028 adopted.**

Public Participation: Schofer introduced the policy. This policy will be reviewed by the managers. It has been used during previous Board meetings. No changes are expected. It will be brought back next month for action.

**Trustee Comments:**

- Kluesner - appreciates all the work on Display & Exhibit policy.
- Torres III – thinks the Shine app is really cool. He has used Calm and is interesting in trying Shine out.
- Reynolds – volunteered at Pub Fiction; it was really fun and she recommends it to others.
- Christy – thank you to Schofer and Johannes.
- Myers – thank you to Schofer for communicating with the public with issues.
- Marcu - no comment
- Mitchell-Conway – is interested in discussing research opportunities.
- Johnson – seconds what Torres III said and he’s happy the Library is taking mental health seriously.
- Thorbs-Weber – would be interested in collecting programming data not for research but for financial evaluation.

**Adjournment:**

**Moved by Johnson, seconded by Thorbs-Weber, to adjourn at 7:52 p.m.**

**Vote on Motion: 8-0 (Myers abstained). Approved unanimously.**

The next regular meeting will be on Thursday, September 15, 2022, at 7:00 p.m. in the Dale H. Ross Board Room.

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Melissa Johannes, Library Secretary

Jon Christy, Board Secretary

**Library Claims**  
**August 1, 2022 to August 31, 2022**

<b>Administration</b>			
PAYROLL SUMMARY	PERMANENT SALARIES/WAGES	\$	38,897.10
PAYROLL SUMMARY	DENTAL INSURANCE	\$	433.88
PAYROLL SUMMARY	IPERS DISABILITY	\$	178.92
PAYROLL SUMMARY	LIFE INSURANCE	\$	56.93
PAYROLL SUMMARY	HEALTH INSURANCE	\$	7,542.52
PAYROLL SUMMARY	MEDICARE FICA	\$	552.26
PAYROLL SUMMARY	FICA	\$	2,361.43
PAYROLL SUMMARY	IPERS	\$	3,671.90
PAYROLL SUMMARY	WORKERS COMPENSATION	\$	137.90
JUNE LONG DISTANCE	CITY LONG DISTANCE	\$	12.24
JUNE 2022 EQUIPMENT CHRGS	FLEET MAINTENANCE	\$	246.92
MAY 2022 EQUIPMENT CHRGS	FLEET MAINTENANCE	\$	329.70
JUNE 2022 EQUIPMENT CHRGS	FLEET REPLACEMENT	\$	2,219.00
MAY 2022 EQUIPMENT CHRGS	FLEET REPLACEMENT	\$	2,219.00
TRANSFER TO IT	TECHNOLOGY REPLACEMENT	\$	50,000.00
OXEN TECHNOLOGY	OUTSIDE PROFESSIONAL SVCS	\$	3,078.75
JUNE 2022 POSTAGE	POSTAGE/FREIGHT	\$	3.02
UNITED PARCEL SERVICE	POSTAGE/FREIGHT	\$	40.14
BANK OF AMERICA	CONFERENCES	\$	552.57
SCHOFER, SHEILA	CONFERENCES	\$	92.26
ONESOURCE	RECRUITING COSTS	\$	70.00
CITY OF AMES UTILITIES	ELECTRIC SERVICE	\$	9,433.83
CENTURYLINK	OUTSIDE PHONE SERVICE	\$	287.45
VERIZON WIRELESS	OUTSIDE PHONE SERVICE	\$	225.79
IA COMMUNICATIONS NETWORK	OUTSIDE PHONE SERVICE	\$	1,038.30
METRONET FIBERNET LLC	OUTSIDE PHONE SERVICE	\$	268.73
CITY OF AMES UTILITIES	WATER/SANITARY SEWER	\$	451.73
ASPEN WASTE SYSTEM OF IOW	WASTE DISPOSAL	\$	364.90
ALLIANT ENERGY/IPL	NATURAL GAS	\$	321.50
ACI MECHANICAL INC	MAINTENANCE CONTRACTS	\$	1,008.00
WOODMAN CONTROLS COMPANY	EQUIPMENT REPAIRS	\$	11,694.89
BANK OF AMERICA	TECHNOLOGY MAINT/SUPPORT	\$	771.47
WOODMAN CONTROLS COMPANY	TECHNOLOGY MAINT/SUPPORT	\$	24,481.00
PREMIER OFFICE EQUIPMENT	RENTALS/LEASES	\$	742.71
XEROX GOVERNMENT SYSTEMS	RENTALS/LEASES	\$	516.00
ABM JANITORIAL NORTH CENT	NON-CITY SERVICE	\$	5,164.70
CITY LAUNDERING COMPANY	NON-CITY SERVICE	\$	156.08
PREMIER OFFICE EQUIPMENT	OFFICE SUPPLIES	\$	294.90
BANK OF AMERICA	OFFICE SUPPLIES	\$	44.99
STAPLES BUSINESS ADVANTAG	OFFICE SUPPLIES	\$	2,406.97

**Library Claims**  
**August 1, 2022 to August 31, 2022**

BANK OF AMERICA	MINOR COMPUTER EQUIPMENT	\$	73.12
ADVANCED WORKSTATIONS IN	MINOR COMPUTER EQUIPMENT	\$	8,006.00
CENT IA DISTRIBUTING INC	CLEANING SUPPLIES	\$	544.00
BANK OF AMERICA	CLEANING SUPPLIES	\$	97.98
BANK OF AMERICA	MINOR EQUIPMENT/TOOLS	\$	702.86
<b>Total Administration</b>		<b>\$</b>	<b>181,794.34</b>
<b>Resource Services</b>			
PAYROLL SUMMARY	PERMANENT SALARIES/WAGES	\$	28,051.24
PAYROLL SUMMARY	DENTAL INSURANCE	\$	279.50
PAYROLL SUMMARY	IPERS DISABILITY	\$	120.00
PAYROLL SUMMARY	LIFE INSURANCE	\$	51.98
PAYROLL SUMMARY	HEALTH INSURANCE	\$	5,624.38
PAYROLL SUMMARY	MEDICARE FICA	\$	385.40
PAYROLL SUMMARY	FICA	\$	1,648.00
PAYROLL SUMMARY	IPERS	\$	2,648.06
PAYROLL SUMMARY	WORKERS COMPENSATION	\$	33.66
BAKER & TAYLOR INC	LICENSES/PERMITS	\$	990.00
OCLC INC	LICENSES/PERMITS	\$	34,585.06
BAKER & TAYLOR INC	EQUIPMENT PARTS/SUPPLIES	\$	538.18
CRYSTAL CLEAR WATER	EQUIPMENT PARTS/SUPPLIES	\$	44.95
DEMCO INC	EQUIPMENT PARTS/SUPPLIES	\$	657.17
MIDWEST TAPE	EQUIPMENT PARTS/SUPPLIES	\$	151.59
BANK OF AMERICA	EQUIPMENT PARTS/SUPPLIES	\$	(49.80)
NEWSBANK	ELECTRONIC COLLECTION	\$	8,641.00
PROQUEST LLC	ELECTRONIC COLLECTION	\$	2,550.10
MIDWEST TAPE	ELECTRONIC COLLECTION	\$	7,854.61
GALE GROUP	ELECTRONIC COLLECTION	\$	13,569.51
TUMBLEWEED PRESS INC	ELECTRONIC COLLECTION	\$	450.00
OVERDRIVE	ELECTRONIC COLLECTION	\$	6,648.70
BIBLIOTHECA LLC	ELECTRONIC COLLECTION	\$	2,250.00
KANOPY LLC	ELECTRONIC COLLECTION	\$	1,060.00
MOMETRIX MEDIA LLC	ELECTRONIC COLLECTION	\$	1,949.50
BANK OF AMERICA	SPECIAL PJCT COLLECTIONS	\$	22.80
WEST MUSIC COMPANY INC	SPECIAL PJCT COLLECTIONS	\$	1,641.30
USA TODAY	PERIODICALS	\$	133.86
BOOKPAGE	PERIODICALS	\$	972.00
BAKER & TAYLOR INC	YOUTH COLLECTION	\$	1,985.41
INGRAM LIBRARY SERVICES	YOUTH COLLECTION	\$	1,570.24
AMAZON	YOUTH COLLECTION	\$	465.01
MIDWEST TAPE	YOUTH COLLECTION	\$	994.54
PENWORTHY COMPANY	YOUTH COLLECTION	\$	353.20

**Library Claims**  
**August 1, 2022 to August 31, 2022**

CAVENDISH SQUARE	YOUTH COLLECTION	\$	201.48
FINDAWAY WORLD LLC	YOUTH COLLECTION	\$	52.24
AMAZON	AUDIO-VISUAL COLLECTION	\$	335.10
MIDWEST TAPE	AUDIO-VISUAL COLLECTION	\$	5,825.31
BAKER & TAYLOR INC	ADULT PRINT COLLECTION	\$	9,880.85
INGRAM LIBRARY SERVICES	ADULT PRINT COLLECTION	\$	2,094.57
AMAZON	ADULT PRINT COLLECTION	\$	1,893.72
BANK OF AMERICA	ADULT PRINT COLLECTION	\$	319.14
LIB REFUND CHKS DONATED	REFUNDS	\$	123.35
NUNNIKHOVEN, HEATHER J	REFUNDS	\$	14.99
LUETH, LUCAS	REFUNDS	\$	22.24
DOHRMAN, LINDSEY	REFUNDS	\$	5.99
GIBSON, BRIANNA	REFUNDS	\$	27.99
VERASH, KENDRA	REFUNDS	\$	27.99
SCHUELE, CHELSEA	REFUNDS	\$	12.99
STEPHENSON, AMY	REFUNDS	\$	19.99
<b>Total Resource Services</b>		<b>\$</b>	<b>149,729.09</b>

<b>Youth Services</b>			
PAYROLL SUMMARY	PERMANENT SALARIES/WAGES	\$	41,253.89
PAYROLL SUMMARY	DENTAL INSURANCE	\$	326.46
PAYROLL SUMMARY	IPERS DISABILITY	\$	128.11
PAYROLL SUMMARY	LIFE INSURANCE	\$	74.27
PAYROLL SUMMARY	HEALTH INSURANCE	\$	6,401.08
PAYROLL SUMMARY	MEDICARE FICA	\$	568.94
PAYROLL SUMMARY	FICA	\$	2,432.80
PAYROLL SUMMARY	IPERS	\$	3,894.36
PAYROLL SUMMARY	WORKERS COMPENSATION	\$	49.48
JUNE LONG DISTANCE	CITY LONG DISTANCE	\$	0.90
BANK OF AMERICA	CONFERENCES	\$	399.00
ONESOURCE	RECRUITING COSTS	\$	70.00
JULY 2022 PRINTING CHRGS	RECRUITING COSTS	\$	6.60
BANK OF AMERICA	SPECIAL PROJECT SUPPLIES	\$	14.18
<b>Total Youth Services</b>		<b>\$</b>	<b>55,620.07</b>

<b>Adult Services</b>			
CORRECTION TO EL/OBJECT	PERMANENT SALARIES/WAGES	\$	142.48
PAYROLL SUMMARY	PERMANENT SALARIES/WAGES	\$	32,906.36
REV GRP #4740	PERMANENT SALARIES/WAGES	\$	(142.48)
ACCRUE 6/16-6/30 WAGES	TEMPORARY SALARIES/WAGES	\$	142.48
CORRECTION TO EL/OBJECT	TEMPORARY SALARIES/WAGES	\$	(142.48)
PAYROLL SUMMARY	DENTAL INSURANCE	\$	168.82
PAYROLL SUMMARY	IPERS DISABILITY	\$	117.77



**Library Claims**  
**August 1, 2022 to August 31, 2022**

PAYROLL SUMMARY	LIFE INSURANCE	\$	54.46
PAYROLL SUMMARY	HEALTH INSURANCE	\$	3,183.06
ACCRUE 6/16-6/30 WAGES	MEDICARE FICA	\$	2.07
PAYROLL SUMMARY	MEDICARE FICA	\$	471.32
REV GRP #4740	MEDICARE FICA	\$	(2.07)
ACCRUE 6/16-6/30 WAGES	FICA	\$	8.83
PAYROLL SUMMARY	FICA	\$	2,015.35
REV GRP #4740	FICA	\$	(8.83)
PAYROLL SUMMARY	IPERS	\$	3,106.39
PAYROLL SUMMARY	WORKERS COMPENSATION	\$	39.48
JUNE LONG DISTANCE	CITY LONG DISTANCE	\$	12.77
JUNE 2022 POSTAGE	POSTAGE/FREIGHT	\$	0.73
BANK OF AMERICA	TRAINING	\$	250.00
BANK OF AMERICA	RECRUITING COSTS	\$	1,090.27
ONESOURCE	RECRUITING COSTS	\$	215.30
<b>Total Adult Services</b>		<b>\$</b>	<b>43,632.08</b>
<b>Customer Account Services</b>			
ACCRUE 6/16-6/30 WAGES	PERMANENT SALARIES/WAGES	\$	263.32
PAYROLL SUMMARY	PERMANENT SALARIES/WAGES	\$	48,843.68
REV GRP #4740	PERMANENT SALARIES/WAGES	\$	(263.32)
ACCRUE 6/16-6/30 WAGES	TEMPORARY SALARIES/WAGES	\$	6,117.61
PAYROLL SUMMARY	TEMPORARY SALARIES/WAGES	\$	13,486.07
REV GRP #4740	TEMPORARY SALARIES/WAGES	\$	(6,117.61)
IPERS REFUND	PAYROLL ADJUSTMENT	\$	(657.76)
PAYROLL SUMMARY	DENTAL INSURANCE	\$	294.64
PAYROLL SUMMARY	IPERS DISABILITY	\$	190.40
PAYROLL SUMMARY	LIFE INSURANCE	\$	91.60
PAYROLL SUMMARY	HEALTH INSURANCE	\$	5,265.66
ACCRUE 6/16-6/30 WAGES	MEDICARE FICA	\$	92.52
PAYROLL SUMMARY	MEDICARE FICA	\$	878.70
REV GRP #4740	MEDICARE FICA	\$	(92.52)
ACCRUE 6/16-6/30 WAGES	FICA	\$	395.62
PAYROLL SUMMARY	FICA	\$	3,757.10
REV GRP #4740	FICA	\$	(395.62)
PAYROLL SUMMARY	IPERS	\$	5,803.29
IPERS REFUND	IPERS	\$	(987.18)
PAYROLL SUMMARY	WORKERS COMPENSATION	\$	156.42
JUNE LONG DISTANCE	CITY LONG DISTANCE	\$	10.14
AUTOMATED MERCHANT SYSTEM	OUTSIDE PROFESSIONAL SVCS	\$	97.81
JUNE 2022 POSTAGE	POSTAGE/FREIGHT	\$	764.08
PETERS, TERESE	TRAVEL/MEETINGS	\$	4.68

**Library Claims**  
**August 1, 2022 to August 31, 2022**

NEAL, JESSIE	TRAVEL/MEETINGS	\$	9.36
WINGERT, LAUREN	TRAVEL/MEETINGS	\$	18.72
ONESOURCE	RECRUITING COSTS	\$	175.00
UNIQUE MANAGEMENT SERVICE	NON-CITY SERVICE	\$	78.80
BANK OF AMERICA	FOOD	\$	40.06

<b>Total Customer Account Services</b>		<b>\$</b>	<b>78,321.27</b>
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<b>Total:</b>		<b>\$</b>	<b>509,096.85</b>
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<b>Carolyn Myers, President</b>	<b>Jon Christy, Secretary</b>	Date
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# Public Participation Policy

Section: Administration

Approved: 12/18/2003

Reviewed: 8/20/2009, 3/19/2015, 9/17/2017, 9/15/2022,

Revised: 12/21/2006, 10/20/2011, 10/15/2020

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The Ames Public Library Board of Trustees encourages community members to share their views. The Board agenda includes time at each meeting for comments. In order for the Board to fulfill its obligation to complete the scheduled agenda and conduct library business in an effective and efficient manner, a maximum of 30 minutes of public participation will be permitted. Comments from community members will not change the scheduled meeting agenda.

## Visitors

All visitors are required to sign in. Community members wishing to speak must complete a card with their full name and address. The card shall be given to the recording secretary prior to the call to order. Community members wishing to speak at an electronic meeting shall use the chat feature to submit their full name and address. Those who have indicated a desire to speak will be recognized in the order in which they signed in.

Each speaker is given a maximum of three (3) minutes to share their views with the Board. If several community members wish to speak, the presiding officer will determine how much time each will be allotted until the total public participation time of 30 minutes is used. The rules may be suspended at the presiding officer's discretion.

No person may speak more than once per meeting. All remarks shall be addressed to the Board of Trustees as a body and not to any Trustee specifically. Public comments must be relevant to the operation of the Library. The presiding officer shall rule on the relevancy of public comments. Behavior that is abusive, personal, impertinent, irrelevant, loud, threatening, slanderous or profane shall not be allowed. Persons not following this policy may be asked to leave the meeting.

If a community member wishes to share additional comments, or did not have the opportunity to speak due to time constraints, they may put their comments in writing. All communication with the Library Director or Board of Trustees is public information.

## Trustees

The presiding officer recognizes each registered speaker. The presiding officer introduces each speaker and keeps track of time. The trustees listen and may ask questions.

## References

[Iowa Code Section 21](#), Open Meetings Law

## **Public Participation Policy**

**BOARD OF TRUSTEES  
AMES PUBLIC LIBRARY  
SEPTEMBER 15, 2022**

Be it resolved that the Board of Trustees, Ames Public Library, approves the review of the Public Participation Policy without changes.

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Carolyn Myers, President

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Jon Christy, Secretary



# Investments Policy

Section: Administration

Approved: 12/16/1999

Reviewed: 5/19/2005, 3/9/2006, 7/16/2009, 11/17/2011, 2/19/2015, 10/23/2017, 10/15/2020

Revised: 4/20/2006

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The Ames Public Library Board of Trustees has authority over and controls the expenditure of private funds given to the City of Ames for the use of the Ames Public Library. In accordance with [Section 12B.10 \(1\)](#) of the Code of Iowa, the responsibility for conducting investment transactions resides with the City Treasurer. The City Treasurer, under the general direction of the City Council, shall be responsible for all transactions undertaken and shall establish a system of controls to regulate activities. The Ames Public Library Board of Trustees hereby adopts the City of Ames Investment Policy as its investment policy.

City of Ames  
**Investment Policy**



- ◆ Caring People
- ◆ Quality Programs
- ◆ Exceptional Service

Revised April 2007

## TABLE OF CONTENTS

	Page
Purpose.....	1
Policy.....	1
Scope.....	1
Objectives .....	2
Standards of Care .....	3
Investment Authority and Responsibility.....	4
Investment Procedures .....	5
Authorized Financial Dealers and Institutions .....	5
Suitability.....	6
Authorized Investments.....	6
Prohibited Investments and Investment Practices.....	7
Master Repurchase Agreements.....	8
Investment Pools.....	8
Safekeeping and Custody .....	9
Collateral/Security for Deposit of Public Funds .....	10
Diversification.....	10
Maximum Maturities .....	11
Reporting.....	11
Policy Consideration.....	12
Appendix .....	13
Glossary .....	13
Broker/Dealer Questionnaire & Certification.....	21

# CITY OF AMES, IOWA INVESTMENT POLICY

## 1.0 PURPOSE

The purpose of this investment policy is to set investment objectives, policies, establish guidelines, and define responsibilities for the investment of funds for the City of Ames.

## 2.0 POLICY

The policy of the City of Ames is to invest all funds in a manner that will provide the highest investment return while maintaining maximum security and meeting cash flow demands. This policy is intended to comply with the Code of Iowa for investment of public funds.

This policy is static and general in nature; it defines authorized investments and guides the investment decisions and security selection process. The City's Investment Policy will be regularly reviewed and adjusted to create a portfolio that is suitable for the City given current conditions.

## 3.0 SCOPE

This investment policy applies to all funds and investment transactions of the City. These funds are accounted for in the Comprehensive Annual Financial Report, which includes the following:

- 3.1 General Fund
- 3.2 Special Revenue Funds
- 3.3 Capital Projects Funds (includes restricted bond proceeds)
- 3.4 Enterprise Funds (includes restricted sinking funds)
- 3.5 Trust and Agency Funds
- 3.6 Internal Service Funds
- 3.7 Any new fund created by the City of Ames, unless specifically exempted

The restricted sinking funds and bond proceeds are invested in compliance with this investment policy and applicable bond resolutions.

Individual employee retirement funds and deferred compensation are excluded from this policy.

### 3.8 Pooling of Funds

Except for cash in certain restricted and special funds, the City of Ames will consolidate cash balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds



based on their respective participation and in accordance with generally accepted accounting principles.

#### **4.0 OBJECTIVES**

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

##### **4.1 Safety**

With safety being the foremost objective, care must be taken to ensure the preservation of capital and the protection of principal. The objective will be to mitigate credit risk and interest rate risk by following the guidelines listed below.

##### **a. Credit Risk**

The City of Ames will minimize credit risk (the risk of loss due to the failure of the security issuer or backer) by:

- Limiting investments to those addressed in Section 10.0 of this investment policy.
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with whom the City will do business.
- Diversifying the investment portfolio by agency and issuer so that potential losses on individual securities can be minimized.
- Holding a minimum of 5% of the total portfolio in highly marketable short-term treasuries, checking with interest, government pooled account, or a combination of all three.

##### **b. Interest Rate Risk**

The City of Ames will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for operations, thereby avoiding the need to sell securities in the open market prior to maturity.
- Purchasing investments with the intent to hold until maturity.
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy (see Section 17.1).

##### **4.2 Liquidity**

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the

portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

#### 4.3 Yield

The portfolio shall be designed to obtain a reasonable rate of return throughout budgetary and economic cycles. The return on investments is to be accorded secondary importance compared to the safety and liquidity objectives described above. The core of investments will focus on relatively low risk securities with an expectation of earning a reasonable return relative to the risk being assumed. Securities shall not be sold prior to maturity, with the following exceptions:

- A security with declining value may be sold early to minimize loss of principal.
- A security may be exchanged to improve the quality, yield, or target duration in the portfolio.
- A security may be sold in order to satisfy liquidity requirements.

When selling a security prior to maturity, the City Treasurer must be prepared to justify the reasons and explain any gains or losses.

It is important to remember that compliance with the policy does not measure return, but rather manages risk. Policy compliance does not provide a benchmark to meet or exceed, but is a model to follow. The City will benchmark its portfolio performance to the appropriate "treasuries constant maturity" rate based on portfolio maturities of the investment plan.

## 5.0 **STANDARDS OF CARE**

### 5.1 Prudence

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. Investment officers acting in accordance with written procedures and this investment 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 and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

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

5.2 Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City of Ames.

The City investment program shall be managed in a professional and prudent manner worthy of the public trust and review.

**6.0 INVESTMENT AUTHORITY AND RESPONSIBILITY**

6.1 Authority

In accordance with Section 12B.10(1) of the Code of Iowa, the responsibility for conducting investment transactions resides with the City Treasurer. The City Treasurer, under the general direction of the City Council, shall be responsible for all transactions undertaken and shall establish a system of controls to regulate activities.

The Code of Iowa Section 12B.10B requires the City governing body to adopt a written investment policy and distribute copies to the following:

- The governing body or officer of the City of Ames to which the policy applies.
- All depository institutions or fiduciaries for public funds of the City of Ames.
- The external auditor engaged to audit any fund of the City of Ames.

6.2 Responsibility Assigned

The City Treasurer shall invest all funds for the City in accordance with the investment policy. In the absence of the City Treasurer, authority is delegated first to the Director of Finance, and then to the Assistant City Manager with supervision responsibility over the Finance Department. All designees shall act in accordance with the established policies and internal controls set forth in the investment policy.

**7.0 INVESTMENT PROCEDURES**

The City Treasurer shall establish written investment procedures consistent with this investment policy for the operation of the investment program. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, internal controls,

collateral/depository agreements, daily cash flow review, basis for awarding bids, authorized personnel, and portfolio inventory.

The procedures document is intended to provide guidance for staff and to provide continuity in the event of an interruption of service of the City Treasurer.

## **8.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

### **8.1 Selection Process**

A list of financial institutions authorized to provide investment services to the City of Ames will be maintained. In accordance with the Code of Iowa, this list will state the maximum authorized deposit amount allowed in each institution and must be approved by City Council.

In addition, a list of broker/dealers will be maintained. This list may include both primary and regional dealers. Dealers will be approved by the City Treasurer and the Director of Finance based on the following:

- Creditworthiness
- License to conduct business in Iowa
- Qualification under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule)

### **8.2 Financial Institutions and Broker/Dealers**

All financial institutions and broker/dealers who desire to conduct business with the City of Ames shall supply the City with the following:

- Audited financial statements, provided annually
- Trading resolutions
- Proof of state registration, if applicable
- Completed broker/dealer questionnaire
- Copy of the broker's license for the individuals servicing the account
- Resume of individual servicing the account
- Any pending legal or regulatory sanctions
- Certification of having read and understood and agreeing to comply with the City of Ames investment policy
- Evidence of adequate insurance coverage

An annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the City Treasurer.

## **9.0 SUITABILITY**

Suitability, not simply return, is the standard for selecting investments for the portfolio. The City Treasurer shall review the following when selecting investments for the City:

- Sufficient liquidity to meet current obligations

- Appropriate level of market risk
- Diversified portfolio
- Legal investments
- Market rate of return

## 10.0 AUTHORIZED INVESTMENTS (Code of Iowa, Section 12.B10(5))

### 10.1 Permitted investments

- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States Government and are considered to be the most secure instruments available.
- U.S. Government agency and instrumentality obligations that have a liquid market with a readily determinable market value.
- Certificates of deposit and other evidences of deposit at federally insured depository institutions approved pursuant to Chapter 12C, Code of Iowa.
- Certificate of Deposit Account Registry Service (CDARS) deposited with an authorized financial institution pursuant to Chapter 12B.10 (7), Code of Iowa.
- Prime bankers' acceptances that mature within two hundred seventy (270) days and that are eligible for purchase by a federal reserve bank, provided that at the time of purchase, no more than ten percent of the investment portfolio shall be in investments authorized by this paragraph and that at the time of purchase, no more than five percent of the investment portfolio shall be invested in the securities of a single issuer.
- Commercial paper or other short-term corporate debt that matures within 270 days and that is rated within the two highest classifications, as established by at least one of the standard rating services approved by the superintendent of banking by rule adopted pursuant to Chapter 17A, Code of Iowa, provided that at the time of purchase, no more than five percent of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification, and provided further that at the time of purchase, no more than ten percent of the investment portfolio shall be in investments authorized by this paragraph, and that at the time of purchase, no more than five percent of the investment portfolio shall be invested in the securities of a single issuer.
- Repurchase agreements whose underlying collateral consists of the investments in obligations of the United States Government, its agencies and instrumentalities, if the political subdivision takes delivery of the collateral either directly or through an authorized custodian. Repurchase agreements do not include reverse agreements.
- An open-end management investment company registered with the Federal Securities and Exchange Commission under the Federal Investment Company Act of 1940, 15 U.S.C. Section 80(a), and

- operated in accordance with 17 C.F.R. Section 270.2a-7 (more commonly referred to as “constant dollar money market funds”).
- A joint investment trust organized pursuant to Chapter 2E, Code of Iowa, prior to and existing in good standing on the effective date of this act or a joint investment trust organized pursuant to Chapter 28E, Code of Iowa, after April 28, 1992, provided that the joint investment trust shall either be rated within the two highest classifications by at least one of the standard rating services approved by the Superintendent of Banking by rule adopted pursuant to Chapter 17A, Code of Iowa, and operated in accordance with 17 C.F.R. Section 270.2A-7, or be registered with the Federal Securities and Exchange Commission under the Federal Investment Company Act of 1940, 15 U.S.C. Section 80(a), and operated in accordance with 17 C.F.R. Section 270.2a-7. The manager or investment advisor of the joint investment trust shall be registered with the Federal Securities and Exchange Commission under the Investment Advisor Act of 1940, 15 U.S.C. Section 80(b).
- Warrants or improvement certificates of a levee or drainage district.

The City Treasurer is not required to invest in all the investment options authorized in this policy. Selection will be based on cash flow characteristics, exposure to market risk, rate of return, the technical ability of the staff responsible for administering the program, and the availability of time and tools for staff to engage in conservative, but effective, management.

## 11.0 PROHIBITED INVESTMENTS AND INVESTMENT PRACTICES

Assets of the City shall not be invested in the following, according to Code of Iowa 12B.10 (5) and 12B.10 (9):

- Reverse repurchase agreements
- Futures and options contracts

Assets of the City shall not be invested pursuant to the following investment practices:

- Trading of securities strictly for speculation or the realization of short-term trading gains.
- A contract providing for the compensation of an agent or fiduciary based upon the performance of the invested assets.
- If a fiduciary or other third party with custody of public investment transaction records of the City fails to produce records within a reasonable time, when requested by the City, the City shall make no new investments with or through the fiduciary or third party and shall not renew maturing investments with or through the fiduciary or third party.

## 12.0 MASTER REPURCHASE AGREEMENTS

A repurchase agreement is a contractual transaction agreement between an investor and an issuing financial institution. The investor exchanges cash for temporary ownership or control of collateral securities with an agreement between the parties that on a future date, the financial institution will repurchase the securities. A signed master repurchase agreement shall be on file with the financial institution with which repurchase transactions are made.

The master repurchase agreement must include the following provisions:

- The underlying collateral shall be limited to the United States Government, agency and instrumentalities.
- Collateral shall be marked to market daily by the custodian and shall be maintained at a value equal to or greater than the cash investment.
- At the time of purchase, the market value of the collateral shall represent 102% of the cash investment.
- An authorized third party custodian or safekeeping agent shall hold all securities purchased under a repurchase agreement.
- A seller of repurchase securities shall not be entitled or authorized to substitute collateral, except as authorized by the City Treasurer.
- Retail repurchase agreements and reverse agreements shall not be authorized for purchase.

## 13.0 INVESTMENT POOLS

Government sponsored investment pools are sources for short-term cash management. A thorough investigation of the pool is required prior to investing, and on a continual basis. Before investing in these pools, the following issues must be reviewed:

- The pool must meet the requirements of Code of Iowa 12.B10 (5) (a).
- The pool must provide a written statement of policy and objectives.
- A questionnaire should be developed that will address the following general topics:
  - A description of eligible investment securities, and a written statement of investment policy and objectives.
  - A description of interest calculations and how it is distributed, and how gains and losses are treated.
  - A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
  - A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
  - A schedule for receiving statements and portfolio listings.
  - A description of how reserves, retained earnings, etc. are utilized by the pool.
  - A model of the fee schedule, and when and how it is assessed.

- A description of eligibility and/or acceptance of bond proceeds.
- The pool must contain only the types of investment allowed by this policy.

## 14.0 SAFEKEEPING AND CUSTODY

### 14.1 Delivery vs. Payment

All trades of marketable securities, where applicable, will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by a third party custodian as evidenced by safekeeping receipts.

### 14.2 Bonding

City investment officials shall be bonded to protect loss of public funds against possible embezzlement and/or malfeasance.

### 14.3 Internal Controls

The City Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City of Ames are protected from loss, theft, or misuse.

The internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Delivery versus payment
- Clear delegation of authority
- Confirmation of transactions for investments and wire transfers

Review of compliance with the internal policy and related procedures shall be a part of the annual audit process conducted by the City's independent auditors.

## 15.0 COLLATERAL/SECURITY FOR DEPOSIT OF PUBLIC FUNDS

### 15.1 Commercial Banks and Savings and Loans

The City shall make deposits only with commercial banks and savings and loans that comply with Section 12C of the Code of Iowa, "Deposit of Public Funds", and Section 12C, Subsection 22 of the Code of Iowa, "Required Collateral."

### 15.2 Credit Unions

Before a deposit of public funds is made with a credit union in excess of the amount federally insured, the public officer shall obtain security for the deposit by one or more of the following:

- Surety bond of a surety company approved by the United States Treasury and authorized to do business in the State of Iowa and shall be an amount equal to the public funds on deposit at any time.



- Deposit, maintain, pledge, and assign for the benefit of the public entity. The securities shall be approved by the public officer, the market value of which is not less than 110% of the total deposits of the funds on deposit for that public entity in the credit union. These securities shall be deposited with the Federal Reserve Bank, the Federal Home Loan Bank of Des Moines, Iowa, or the U. S. Central Credit Union.
- Irrevocable letter of credit issued by the National Credit Union Administration naming the City of Ames as beneficiary.
- Withdrawal or exchange of the securities may be done only with the written approval of the appropriate public officer.

## 16.0 DIVERSIFICATION

The purpose of diversification is to reduce overall portfolio risk while attaining market rates of return and to enable the City of Ames to meet all anticipated cash requirements.

The investments shall be diversified by:

- Limiting investments to avoid over-concentration in securities of a specific issuer (excluding treasury bills).
- Limiting investment in securities that have higher credit risks.
- Limiting certificates of deposit to the amount approved by City Council for each financial institution in accordance with the Code of Iowa.
- Investing in securities with varying maturities.
- Investing a minimum of 5% of the total portfolio in highly marketable short-term treasuries, checking accounts with interest, government pooled account, or a combination of all three.

## 17.0 MAXIMUM MATURITIES

To the extent possible, the City of Ames will attempt to match its investments with anticipated cash flow requirements.

### 17.1 Operating Funds

Operating funds are those funds that can be reasonably expended during a current budget year or within fifteen months of receipt. These funds may only be invested in instruments that mature within three hundred ninety-seven (397) days or less. Operating funds must be identified and distinguished from all other funds available for investment. (Section 12B.10A, Code of Iowa)

### 17.2 Non-Operating Funds

Reserve funds for debt service, and funds being accumulated for capital improvements on a pay-as-you-go basis that are not required for operations may be invested for longer than three hundred ninety-seven (397) days (Section 12B.10A(3), Code of Iowa). These maturities shall

coincide as nearly as possible with the anticipated need. The City of Ames will keep these investments for a duration not to exceed seven (7) years.

## **18.0 REPORTING**

### **18.1 Methods**

The City Treasurer shall prepare an investment report quarterly for the City Council. This report will include the following:

- List of individual securities held at the end of the reporting period further broken down by issuer, purchase date, maturity date, coupon rate, par value, market value, book value, and yield to maturity.
- A report summarizing the portfolio by type, the percentage of the total portfolio which each type of investment represents, par value, market value, book value, term, days to maturity, year-to-date earnings and effective rate of return.

### **18.2 Performance Standards**

The market value is calculated monthly and reported to the City Council quarterly. The portfolio is benchmarked to the applicable treasuries constant maturities rate as reported by the Federal Reserve.

## **19.0 POLICY CONSIDERATION**

### **19.1 Exemption**

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy as long as it was in compliance with State of Iowa law and the City's investment policy in effect at the time of purchase. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

### **19.2 Amendments**

This policy shall be reviewed annually to ensure consistency to overall objectives of safety, liquidity, yield, compliance to current law, and economic trends.

19.3 This investment policy is required by Code of Iowa, Section 12B.10B and approved by City Council.

## APPENDIX

**ACCRUED INTEREST:** The accumulated interest payable on a security since the last interest payment made by the issuer.

**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. An example of a federal agency is the Government National Mortgage Association (GNMA). An example of an FSA is the Federal National Mortgage Association (FNMA).

**AMORTIZATION:** The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

**ASKED:** The price at which securities are offered.

**BANKERS' ACCEPTANCE (BA):** A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

**BASIS POINT:** A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g., "1/4" of 1 percent is equal to 25 basis points.

**BENCHMARK:** A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investment.

**BID:** The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

**BOOK ENTRY:** An electronic system of accountability, custody, transfer, and settlement of securities. Book-entry systems allow rapid and accurate transfers of securities with simultaneous cash settlement.

**BOOK VALUE:** The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

**BROKER:** A broker brings buyers and sellers together for a commission.

**CALLABLE BOND:** A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

**CALL PRICE:** The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

**CERTIFICATE OF DEPOSIT (CD):** A time deposit with a specific maturity evidenced by a certificate. Large-denomination CDs are typically negotiable.

**CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SERVICE (CDARS):** A program with an approved depository that removes the need for collateral by providing full FDIC insurance for certificates of deposit.

**COLLATERAL:** Securities, evidence of 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 monies.

**COLLATERIALIZED MORTGAGE OBLIGATION (CMO):** Mortgage backed bond that separates mortgage pools into different maturity classes called tranches. CMO's are issued by Federal National Mortgage Corp. and Federal National Mortgage Association and are usually backed with a government guarantee and have an AAA bond rating. Planned Amortization Class CMOs (PAC) have stable prepayment schedules that do not react unfavorably in wide market swings.

**COMMERCIAL PAPER:** An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR):** The official annual report for the entity. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

**COUPON:** (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

**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 to an investor that an issuer will default in the payment of interest and/or principal on a security.

**CURRENT YIELD (CURRENT RETURN):** A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

**DEBENTURE:** A bond secured only by the general credit of the issuer.

**DELIVERY VERSUS PAYMENT:** There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

**DERIVATIVES:** (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor; or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

**DISCOUNT:** The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

**DISCOUNT SECURITIES:** Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U. S. Treasury Bills.

**DIVERSIFICATION:** Dividing investment funds among a variety of securities offering independent returns.

**DURATION:** A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables; term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

**FAIR VALUE:** The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**FEDERAL CREDIT AGENCIES:** Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&Ls, small business firms, students, farmers, farm cooperatives, and exporters.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):** A federal agency that insures bank deposits, currently up to \$100,000 per deposit.

**FEDERAL FUNDS (Fed Funds):** Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

**FEDERAL FUNDS RATE:** The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

**FEDERAL HOME LOAN BANKS (FHLB):** Government sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBS is to liquefy the housing related assets of its members who must purchase stock in their district bank.

**FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC):** Established to help maintain the availability of mortgage credit for residential housing. Participation is in the conventional loan market.

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA):** FNMA, 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 guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

**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., 12 regional banks and about 5,700 commercial banks that are members of the system.

**FIDUCIARY:** Person, company, or association holding assets in trust of a beneficiary.

**FUTURES CONTRACT:** Agreement to buy or sell a specific amount of a commodity or financial instrument at a particular price on a stipulated future date.

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA OR GINNIE MAE):** Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U. S. Government. Ginnie Mae securities are backed by the FHA, VA or FmHA mortgages. The term "pass-through" is often used to describe Ginnie Maes.

**INVERTED YIELD CURVE:** A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

**INVESTMENT-GRADE OBLIGATIONS:** An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

**INVESTMENT POLICY:** A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

**LIQUIDITY:** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

**LOCAL GOVERNMENT INVESTMENT POOL (LGIP):** The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

**MARK-TO-MARKET:** The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

**MARKET RISK:** The risk that the value of a security will rise or decline as a result of changes in market conditions.

**MARKET VALUE:** The price at which a security is trading and could presumably be purchased or sold.

**MASTER REPURCHASE AGREEMENT:** A written contract covering all future transactions between the parties to repurchase---reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.

**MONEY MARKET:** The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

**OFFER:** The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

**OPEN MARKET OPERATIONS:** Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales

have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

**OPTION:** Right to buy or sell property that is granted in exchange for an agreed upon sum. If the right is not exercised after a specified period, the option expires and the option buyer forfeits the money.

**PORTFOLIO:** Collection of securities held by an investor.

**PRIMARY DEALER:** A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

**PRUDENT PERSON RULE:** An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state---the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

**QUALIFIED PUBLIC DEPOSITORIES:** 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.

**RATE OF RETURN:** The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity.

**REINVESTMENT RISK:** The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

**REPURCHASE AGREEMENT (RP OR REPO):** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

**SAFEKEEPING:** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

**SEC RULE 15C3-1:** See Uniform Net Capital Rule.



**SECONDARY MARKET:** A market made for the purchase and sale of outstanding issues following the initial distribution.

**SECURITIES & EXCHANGE COMMISSION:** Agency created by Congress to protect investors in securities transactions by administering securities legislation.

**SPECULATION:** Assumption of risk in anticipation of gain but recognizing a higher than average possibility of loss.

**STRUCTURED NOTES:** Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and corporations which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

**SWAP:** Trading one asset for another.

**TOTAL RETURN:** The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period.

$$(\text{Price Appreciation}) + (\text{Dividends Paid}) + (\text{Capital Gains}) = \text{Total Return}$$

**TREASURY BILLS:** A non-interest bearing discount security issued by the U. S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

**TREASURY BONDS:** Long-term coupon-bearing U. S. Treasury securities issued as direct obligations of the U. S. Government and having initial maturities of more than ten years.

**TREASURY NOTES:** Medium-term coupon-bearing U. S. Treasury securities issued as direct obligations of the U. S. Government and having initial maturities from two to ten years.

**UNIFORM NET CAPITAL RULE:** Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

**VOLATILITY:** A degree of fluctuation in the price and valuation of securities.

**WEIGHTED AVERAGE MATURITY (WAM):** The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered

money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

**WHEN ISSUED (WI):** A conditional transaction in which an authorized new security has not been issued. All “when issued” transactions are settled when the actual security is issued.

**YIELD:** The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

**YIELD CURVE:** A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

**YIELD-TO-CALL (YTC):** The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

**YIELD-TO-MATURITY:** The rate of return yielded by a debt security held to maturity when both interest payments and the investor’s potential capital gain or loss are included in the calculation of return.

**ZERO-COUPON SECURITIES:** Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.



**BROKER/DEALER QUESTIONNAIRE AND CERTIFICATION**

1. Name of Firm \_\_\_\_\_

2. Local Address	National Headquarters
_____	_____
_____	_____
_____	_____

3. Local Telephone Number(s), Toll-Free Number(s)  
\_\_\_\_\_

4. Primary Representative/Manager/Partner-in-Charge

Name _____	Name _____
Title _____	Title _____

5. Is the firm a primary or regional dealer in U. S. Government Securities, as designated by the Federal Reserve of New York, qualifying under S.E.C. Uniform Net Capital Rule 15c3-1?

Primary    \_\_\_\_ Yes    \_\_\_\_ No                  Regional    \_\_\_\_ Yes    \_\_\_\_ No

If yes, how long has the firm been a primary dealer?                  \_\_\_\_\_ years  
If yes, how long has the firm been a regional dealer?                  \_\_\_\_\_ years

6. Is the firm a commercial bank or an NASD member affiliate of a bank chartered under the laws of one of the United States?

\_\_\_\_\_ Yes                  Chartered under laws of the state of \_\_\_\_\_  
\_\_\_\_\_ No

If yes, are the bank customers' deposits insured by the Federal Deposit Insurance Corporation?  
\_\_\_\_\_ Yes    \_\_\_\_\_ No

7. Place an "X" by each regulatory agency that your firm is examined by and/or subject to its rules and regulations.

\_\_\_\_\_ FDIC    \_\_\_\_\_ SEC    \_\_\_\_\_ NYSE    \_\_\_\_\_ Comptroller of Currency  
\_\_\_\_\_ Federal Reserve System

\_\_\_\_\_ Other (Example: State Regulatory Agency) Multistate firms please note: It is not necessary to include regulatory agencies which do not have jurisdiction over your firm's activities in Local Government Jurisdiction.

8. Is the firm licensed to sell securities in the state of Iowa?

\_\_\_\_\_ Yes    \_\_\_\_\_ No

9. Is/Are the person(s) designated to service the City's account licensed to sell securities in the state of Iowa?

\_\_\_\_\_ Yes    \_\_\_\_\_ No

10. Is the firm a member of the Federal Reserve System? \_\_\_\_\_ Yes    \_\_\_\_\_ No

11. What was the firm's approximate total retail volume in U. S. Treasury and Agency securities last year?

Firm wide    \$ \_\_\_\_\_    # of Transactions    \_\_\_\_\_

Local Office    \$ \_\_\_\_\_    # of Transactions    \_\_\_\_\_

12. Identify personnel who will be trading with or quoting prices of securities to our government.

Name \_\_\_\_\_    Title \_\_\_\_\_

Name \_\_\_\_\_    Title \_\_\_\_\_

13. Fully disclose the method in which you would be compensated for your services.

14. Please identify the firm's most directly comparable public sector clients in our geographical area.

Entity \_\_\_\_\_    Contact Person \_\_\_\_\_  
Telephone # \_\_\_\_\_    Client since \_\_\_\_\_

Entity \_\_\_\_\_    Contact Person \_\_\_\_\_  
Telephone # \_\_\_\_\_    Client since \_\_\_\_\_

15. Place an "X" in the block next to each of the instruments set forth below in which you make an active market (both buy and sell).

<input type="checkbox"/> T-Bills	<input type="checkbox"/> T Notes/Bonds
<input type="checkbox"/> BA	<input type="checkbox"/> Commercial Paper
<input type="checkbox"/> Bank CDs	<input type="checkbox"/> S & L CDs
<input type="checkbox"/> GNMA's	<input type="checkbox"/> FHLMC's
<input type="checkbox"/> Other Federal Agencies (Please Specify) _____	
<input type="checkbox"/> Instrumentalities (Please Specify) _____	

16. Does your firm specialize in any of the instruments listed above? If so, please specify which ones.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

17. Have any of your public sector clients ever reported to the firm, its officers or employees, that they sustained a loss (in a single year) exceeding ten percent of original purchase price on any individual security purchased through the firm?

Explain \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

18. Has the firm ever been subject to a regulatory or state/federal agency investigation for alleged improper, fraudulent, disreputable, or unfair activities related to the sale of securities?

Explain \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

19. Who audits the fiduciary systems of the firm's custody and delivery processes?

\_\_\_\_\_

20. Has the firm consistently complied with the Federal Reserve's Capital Adequacy Standard?  Yes  No

21. By what factor (1.5x, 2x, etc.) does the firm presently exceed the Capital Adequacy Standard's measure of risk? \_\_\_\_\_

22. Has the firm's capital position ever fallen short of the Capital Adequacy Standard?  Yes  No

23. What portfolio information do you require from your clients?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

24. What reports, confirmations, documents and audit trail will we receive?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

25. Approximately how many and what percentage of the firm's transactions failed last month?

\_\_\_\_\_ # transactions          \_\_\_\_\_ %

Last year?

\_\_\_\_\_ # transactions          \_\_\_\_\_ %

26. Describe the precautions taken by the firm to protect the interest of the public when dealing with governmental agencies as investors.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

27. Please supply the following:

- A. The firm's most recent audited annual financial report and most recent quarterly report.
- B. Proof of the firm's designation by the Federal Reserve Bank of New York as a "primary securities dealer" OR Proof of FDIC coverage.
- C. Proof of individual's (assigned to service the City's account) State of Iowa securities sales license.
- D. Proof of the firm's State of Iowa securities sales license.

CERTIFICATION

*I hereby certify that sales personnel assigned to the City of Ames, Iowa account have received and read a copy of the City's Investment Policy. For each transaction, we pledge to exercise due diligence in disclosing all information necessary for each party to agree to the details of the transaction. When recommending a transaction, we will have reasonable grounds for believing the transaction is suitable based upon information available from the issuer and based upon the facts disclosed by the City of Ames, Iowa, or otherwise known about such customer. We have implemented investment procedures and a system of controls designed to preclude imprudent investment activities arising out of transactions conducted between our firm and the City of Ames, Iowa. I attest to the accuracy of our responses to the questionnaire.*

Signed \_\_\_\_\_ Date \_\_\_\_\_

Title \_\_\_\_\_