



**Audit and Investment Commission**  
**August 10, 2021 | 7:30 a.m.**  
**Ash North and South Conference Room (first floor)**  
**Woodbury City Hall | 8301 Valley Creek Road**

**Agenda**

1. Call to Order/Roll Call
2. Approval of Minutes
  - A. Audit and Investment Commission meeting: June 28, 2021
3. Review of Investment Policy Council Directive
4. Presentation of Investment Portfolio Performance Reports
5. Adjournment

*Next meeting of the Audit and Investment Commission is scheduled for Thursday, November 4.*

**City of Woodbury**  
**Audit and Investment Commission Minutes**

**June 28, 2021**

Pursuant to due call and notice thereof, a meeting of the Audit and Investment Commission was held at Woodbury City Hall, 8301 Valley Creek Road, on the 28<sup>th</sup> day of June, 2021.

**Item 1: Call to Order**

Chair Blake Darsow called the meeting to order at 7:30 a.m.

**Roll Call**

Upon roll call, the following members of the Audit and Investment Commission were present: Heidi Conrad, Blake Darsow, Jeanine Kuwik, John Lehman, Andrew Naylor and Rick Osborn.

Absent: Ross Dahlin

Others present: Judy Afdahl, Controller; Karl Batalden, Community Development Coordinator; Angela Gorall, Assistant City Administrator; Clint Gridley, City Administrator; Matt Mayer, CPA, Auditor, BerganKDV; and Roxy Nowicki, Recording Secretary. Kim Wilson, Council Member, was in attendance via Microsoft Teams.

**Item 2: Approval of Minutes – May 4, 2021**

Moved by member Osborn, seconded by member Lehman to approve the May 4, 2021 minutes.

*Voting in favor: All present*

*Voting Against: None*

*Absent: Ross Dahlin*

**Item 3: Update on Parks and Trails Replacement Fund Council Directive**

Ms. Gorall referenced the memo that was provided in the agenda packet regarding the Parks and Trails Replacement Fund Council Directive. Council directed staff to change it from a council directive to an administrative directive. No further action is needed from the Commission at this point. The biggest difference between the two is a council directive has to go before Council for formal approval, and an administrative directive can be approved by the City Administrator. Gorall noted that Council requested a few years of Fund implementation and then for the directive to be revisited for possible conversion to a Council Directive.

**Item 4: Second Review of Proposed Housing and Redevelopment Authority (HRA) Fund Policy**

Mr. Batalden stated that at the May Audit and Investment Commission meeting, the draft HRA directive regarding the HRA fund was reviewed by the Commission. As stated previously, one of the deliverables of the 2021 Housing Action Plan was to adopt this policy prior to the September budget workshop. Some minor technical changes were made and this policy will be brought to the HRA board at the July 14 meeting. Mr. Batalden also stated that as a reminder, the Mayor and Council Members serve as the chair and board members of the HRA, but technically the HRA is a separate unit of government.

Mr. Batalden continued by stating that the changes are noted in the staff memo and in the strikethrough HRA Fund Policy.

Moved by member Osborn, seconded by member Conrad to recommend the HRA Board adopt the HRA Fund Policy.

*Voting in favor: All present*

*Voting Against: None*

*Absent: Ross Dahlin*

**Item 5: City of Woodbury Audit Results – Presentation by Matt Mayer, CPA of BerganKDV**

Chair Darsow thanked Auditor Mayer for being at the meeting to present the audit results.

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**Independent Auditor's Report:** Auditor Mayer thanked the commission members for the invitation. He stated the audit is represented by three different documents – the Comprehensive Annual Financial Report, which is the official financial statement of the City, a Communications Letter and a Compliance Report. These have all been summarized into a PowerPoint presentation which was handed out to Commission members.

Auditor Mayer stated the responsibility for financial reporting rests with management of the City; he commended Judy Afdahl and her team for another fantastic year – books were very cleanly closed and the audit went very smoothly.

BerganKDV's role as auditor is to test, examine, and give an opinion on the financial statements. This is done through an independent auditor's report – it was an "unmodified opinion" which is the best they can offer. This means the numbers are materially accurate and a true picture of the City's financial performance for the year. Another report, the Minnesota Legal Compliance Audit, tests the City on various statutes, looks at conflicts of interest with members of management or the Council, makes sure that contract and bidding is done on a competitive basis and all the investments are according to statutes. There were no findings. Auditor Mayer also stated there were no material weaknesses when it came to internal controls (the policies, processes, procedures that are in place to ensure accurate financial reporting).

Auditor Mayer continued by stating that 2020 was an unusual year. The Federal Government provided \$5 million CARES funding to the City. When significant (more than \$750,000) Federal funding is received, a single audit is required. This audit is not so much a financial audit as it is a compliance audit – to make sure all the agreements that were entered into associated with the grant were met and that the spending of the grant was done in accordance with the rules associated with the grant. Again, there were no issues or findings.

Auditor Mayor then stated that the Comprehensive Annual Financial Report is an award winning document that gets submitted to a national organization to be evaluated. This document is critiqued for accuracy, transparency and completeness. The City has received this award since 2001. It is not mandated the City prepare this report; therefore, it shows the desire for full transparency.

*General Fund Budget* - Auditor Mayer stated the General Fund is the main operating fund of the City. The Commission members and Council should look at what was established for the budget, how the City administration executed that in relation to the budget, and was the City's financial position at the end of the year in line with the fund balance policies. The original budget for the General Fund called for \$35 million in revenue, about \$37 million in spending and net transfers in from other funds (basically payments from the utility funds for their administrative services) - so the budget was balanced to start the year in 2020. During the year, that budget was formally amended by the Council. Revenue was increased to about \$40.8 million. Council did not make significant adjustments to the expenditure side; they bumped it up about \$1 million, so the final authorizations of \$38.3 million for spending in the General Fund. Net transfers out were budgeted at \$4.6 million, most of that is management of fund balance levels and transfers out to the capital improvement fund.

Revenue for the year was \$41 million, \$192,000 better than anticipated. Charges for services (recreation fees) was down for the year. Intergovernmental revenue was also down slightly with some grant dollars being rolled over into the next year. Taxes were slightly over budget; licenses and permit activity was also a little bit of a conservative budget.

Expenditures for the year were under budget by approximately \$2.8 million. Most of the departments did a very nice job. Parks and Recreation was significantly under budget with suspension of operations in 2020. As a result, they came in under budget by about \$1.8 million. Transfers were made in line with the final budget guidance. The fund balance increased for the year by \$927,000.

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*General Fund – Fund Balance* - Auditor Mayer continued with his presentation reviewing the five-year history of the fund balance. There were some fairly significant increases the last couple of years, which was a conscious decision by Council and Administration.

He then went on to talk about the City's financial health as measured by fund balance in relation to the City's fund balance policy. The City's fund balance policy states that you want to have 30 percent of next year's budgeted expenditures in fund balance at the end of each fiscal year. At the end of 2020, that number was slightly higher than that; there was about \$2.7 million over and above that threshold that Administration decided to maintain within the fund balance as an additional contingency fund because of the unknown of 2020. For 2019 and 2020, the numbers are slightly out of the trend when it comes to that 30 percent level.

Mr. Gridley stated that when Covid hit in March of 2020, the unknowns were huge. Rather than take some typical sweeps to the capital fund, it was decided to keep the cash handy. Staff decided not to transfer funds out of the General Fund and to hold the cash to prepare for the unknown.

Member Kuwik asked if there would be more CARES money. Mr. Gridley stated the City did receive another \$6 million from the American Rescue Plan (ARP). This has already been dedicated to the Water and Sewer Enterprise Funds since there is a big water treatment plant project coming.

After some discussion, Auditor Mayer continued by stating that 30 percent is the goal and for 2016-2018, total fund balance was approximately 37 percent. The reason for that is that 30 percent is the base, there is another seven or eight percent over and above that that is committed fund balance for work compensated absences as well as the stabilization fund; most of it is compensated absences.

Member Naylor asked if the extra seven percent that is added in covers the entire potential liability. Ms. Afdahl stated that it is 50 percent of the compensated absences, with another 2.5 percent set aside for emergencies.

Mr. Gridley stated the State Auditor's recommended fund balance range is 35 percent to 50 percent, so this is within that range. Member Naylor asked if the City plans on maintaining 45 percent now. Mr. Gridley stated that the City does not plan on maintaining that.

*General Fund Revenues* – Revenues in the General Fund was up approximately 14.5 percent. The intergovernmental revenue went from \$1.6 million in 2019 to \$6.9 million in 2020. The \$5 million CARES money was the main reason for that. Typically 70 percent of the revenue has been the property tax base for the City.

*General Fund Expenditures* – Auditor Mayer stated that expenditures look like a fairly significant increase; however, most of the growth and outflows are transfers out to other funds. If you take out the transfers, actual expenditures in the General Fund are only up approximately four percent year over year, despite all the challenges during the year.

Allocation of those amounts is fairly consistent from year to year when it comes to General Government, Public Safety, Public Works, Community Development, and Parks and Recreation. The main transfer out was approximately \$6 million into the Capital Improvement Fund, which is there to take on major projects for the City.

*General Fund Expenditures by Function* – Auditor Mayer continued stating spending allocation is very consistent from year to year.

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*Debt Service Obligations* – Auditor Mayer stated that after a big pay off in 2021, the debt service obligations of the City moving forward are going to fall to only about \$5 million a year. That is a comfortable place to be – about \$100 per capita.

Mr. Gridley stated that there are some big projects ahead

1. The Central Park project - hoping to do a bonding for this project.
2. Future Water Treatment Plant – distribution of 3M monies is not sufficient – there will be a big bond issuance for this.
3. Future improvement to the Public Safety Building – this may be a future debt.
4. Washington County may be selling the City the County Service Center. The City has the right of first refusal for that property.
5. Gold Line project will not involve any debt.
6. Major project next year – Royal Oaks total street reconstruction - \$20 million. There is enough in reserves for this project.

Auditor Mayer continued with his presentation, moving on to the Enterprise Funds.

*Enterprise Funds - HealthEast Sports Center (HSC)* – Auditor Mayer stated that revenue took a significant hit during the year. HSC management did a nice job in addressing those shortfalls in revenue and the expenses were paired back as well. There was an operating loss in HealthEast for the year, but if depreciation expense is factored out, this fund actually did perform positively in cash flow operations. Also not included is the non-operating revenue lease from Summit Orthopedics and the cell towers.

Member Lehman asked if things were beginning to perform better in 2021. Mr. Gridley stated the first quarter is going to look rough, second quarter is healing, and hopefully fourth quarter it will be back to normal. He also stated that, excluding depreciation, the fact that HSC did not lose money was a good thing.

*Street Lighting Operation* – Auditor Mayer stated this was an unremarkable year – 2 percent increase in revenue, 2.8 percent increase in expenses. The structure of the fund is well established.

*Water and Sewer Utility* – Auditor Mayer stated that one of the expenses in this fund is actually a transfer out to support Finance, Administration, and HR associated with the utility. All of those expenses are in the General Fund. This fund actually transfers approximately \$1 million from this fund back to the General Fund to help restore some of those costs. Operating income without depreciation is actually growing and has been increasing the last several years. 2020 was a relatively dry year, not to the drought levels that we are experiencing in 2021, but it was dryer than the last couple of years. When that happens, people use more water to water their lawns, and, as a result, the revenue goes up. Revenue was up and expenses were also up during the year. Operating income without depreciation factored in went from \$2.3 million to almost \$3 million. This fund is self-supporting when it comes to renewal and replacement of capital projects.

*Storm Water* – Auditor Mayer stated that was a minor increase in revenue and expenses were up for the year, generating sufficient operations to cover operating costs from a cash flow standpoint and covering portions of depreciation.

*Eagle Valley Golf Course* – Auditor Mayer stated this was a record year for the golf course. Rounds were up approximately 13 percent year over year; as a result revenue was up approximately 13 percent. Nice operating income for the year which covered the depreciation. Management has done an excellent job the last couple of years.

*Tax Capacity, Levy and Rates* – The growth of the tax capacity of the City over the last five years has been steady. The total property tax levy of the City has grown nominally over the last five years. The tax capacity rate has actually gone down the last five years.

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*Government Funds Revenue* - Auditor Mayer stated a typical city in the peer group collected \$1,100 from its citizens from property taxes, special assessments, etc. Woodbury collected a little over \$1,000. When it comes to the property tax levy, Woodbury is in line with other cities in the peer group - \$495 compared to \$512. When it comes to intergovernmental revenue, a typical city gets approximately \$200 per capita and Woodbury gets approximately \$90. Woodbury is much more special assessment heavy.

*Expenditures per Capita* - Auditor Mayer continued with Expenditures per Capita. Expenditures are broken into three categories:

1. Current spending which is the everyday operating cost of running the City (Woodbury is right in line with the state average; the state average was \$733 and Woodbury was \$729).
2. Capital, which is infrastructure purchases (very consistent - Woodbury was at \$459, while the state average was \$358).
3. Debt service (Woodbury is on a pay as you go basis using resources that are available. Woodbury's debt service obligation for 2019 was \$95 per capita and the typical city was \$116.)

Mr. Gridley stated that he really appreciates the work of the Audit and Investment Commission and the Parks and Natural Resources Commission continuing the "pay as you go" philosophy regarding the franchise fee to create another line of revenue for the aging infrastructure of the parks and trails systems. Woodbury has always been very cautious about debt – it does need to be issued from time to time.

Mr. Gridley also stated that in addition to the pandemic, the Finance Director retired and Administration was consolidated with Finance. Angela Gorall and Judy Afdahl stepped into new roles, and the building was under construction. Mr. Gridley thanked Judy and her team for all their hard work in getting this kind of a result in a crazy year.

### **Item 6: Questions and Review of Audit Materials**

Following Auditor Mayer's presentation, Chair Darsow asked if there were any questions. Hearing none, he then thanked Mr. Mayer and the City on another clean audit.

### **Item 7: Adjournment**

Moved by member Osborn, seconded by member Conrad to adjourn the meeting.

The meeting adjourned at 8:25 a.m.

**City of Woodbury, Minnesota  
Audit and Investment Commission**

**August 10, 2021**

**To: City of Woodbury Audit and Investment Commission**  
**From: Angela Gorall, Assistant City Administrator**  
**Subject: Review of Investment Policy Council Directive**

**Summary**

The City transitioned to Ehlers Investment Advisory Services in February of 2021 after the retirement of the Finance Director. One of the services provide by Ehlers is to assist the City in establishing investment objectives, consistent with our risk tolerance, financial needs and goals and Investment Policy. Ehlers has been actively handling the investment function for almost six months and is ready to make recommendations for updates to the Investment Policy.

Ryan Miles, a Senior Investment Advisor with Ehlers will be present at the Audit and Investment Commission meeting to present the recommended changes to the Investment Policy. He will also be providing Ehlers' history and relationship with the City, as well as providing alternatives to the current quarterly investment reports that the commission receives.

**Recommendation**

Staff recommends the Commission review the Council Directive and provide staff with comments and recommended changes to present to the City Council.

**Fiscal Implications**

Ehlers' recommended changes to the Investment Policy are intended to respect the existing objectives of the policy in the stated priority order while trying to maximize the rate of return on the City's investment portfolio within policy.

**Policy**

City of Woodbury Ordinance-Division 3 Audit and Investment Commission, Section 2-3.75.- Purpose and responsibilities. (8) Review the city's investment policy, portfolio and practices as outlined in the city's investment policy.

**Public Process**

The Investment Policy was last reviewed and updated in April of 2018.

**Background**


The City transitioned to Ehlers Investment Advisory Services in February of 2021 after the retirement of the Finance Director. The Finance Director had been spending approximately 25% of his time on this one area of responsibility, along with more minimal time from other

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staff. It is a significant body of work requiring notable research and analysis if being done independently. Therefore, after a thorough evaluation and analysis of existing staff capabilities and capacity, as well as consideration of what is in the best interest of the City and its taxpayers, it was determined to contract for independent investment advisory services from Ehlers to lead the management of the City's investment portfolio.

Written By: Judy Afdahl, Controller  
Angela Gorall, Assistant City Administrator  
Approved Through: Clinton P. Gridley, City Administrator  
Attachment: 1. Draft Updated Council Directive: Investment Policy  
2. Performance Reports



  <b>Council Directive</b>	<b>Adopted: 11-13-85</b> <b>Revised: 4-4-18, 9-26-12,</b> <b>7-18-07, 3-31-04, 5-22-02,</b> <b>2-11-96, 11-13-85</b>	<b>Number: CD-FIN-5.3</b>
	<b>Mayor:</b>	<b>City Administrator:</b>
	<b>For: Finance</b>	
	<b>Subject: Investment Policy</b>	

**Purpose**

The purpose of this policy is to establish the guidelines for the investment of all public funds of the City of Woodbury. This policy is designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return commensurate with the City's investment risk constraints and cash flow characteristics of the portfolio. **It is the city's policy that available funds be invested to the maximum extent possible, at the highest rates obtainable at the time of investment, in conformance with the legal and administrative guidelines outlined herein.**

**Investment Policy**

**Scope**

This policy applies to all financial assets of the City of Woodbury. While separate investment funds are created to accommodate reporting on the municipal advisor rules and the investments with the State Board of Investment, individual investments are purchased using a pooled approach for efficiency and maximum investment opportunity. The City's funds are defined in the City's Comprehensive Annual Financial Report and include the General fund, Special Revenue funds, Debt Service funds, Capital Project funds, Enterprise funds, Internal Service, ~~Trust and Agency funds~~ and any new funds created by the City.

**Ethics and Conflicts of Interest**

**Officers and employees involved in the investment process shall refrain from personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. Disclosure shall be made to the City Clerk. 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 any personal investment transactions with the same individual with whom business is conducted on behalf of the City.**

**Objective**

The City has determined that its funds shall be invested based on the following four objectives, listed in priority order:

**Safety of principal.** Safety of principal is the foremost objective of the City. Investments shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio.

**Liquidity.** The portfolio will remain sufficiently liquid to enable the City to meet all operating and capital requirements that might reasonably be anticipated. **Investment portfolios will be structured so that securities mature concurrent with cash needs to meet anticipated demands. Alternatively, a portion of any portfolio may be placed in money market mutual funds or local government investment pools authorized and permissible under state statutes which offer same-day liquidity for short term funds.**

**Return.** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary cycles, taking into account investment risk and liquidity needs. **Return on investment is of secondary importance compared to the safety and liquidity objectives described above. Securities shall generally be held until maturity with the following exceptions.**

- **A security with declining credit quality may be sold prior to maturity to minimize loss of principal.**
- **Liquidity needs of the City require a security or securities are sold prior to maturity.**
- **A security swap would improve the safety and yield of the overall portfolio.**

**Purchasing Power.** Recognizing that the bond investment options for public entities only allow investment growth around the rate of inflation, the intent of this objective is not only to preserve capital but also to seek enhancement of the portfolio's purchasing power over the long-run. To this end, the portfolio will include equity investments that track the returns of the Standards & Poor's 500 Index.

### Standards of Care

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

~~Investment officers acting in accordance with the written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility or 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.~~ **Investments shall be made with judgment and care— under circumstances then prevailing— which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.**

**The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures, the investment policy, in compliance with Minnesota statutes 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 appropriate action is taken to control adverse developments.

Everyone participating in the investment process must seek to act responsibly as custodians of the public trust. Investment officials must avoid any transaction that might impair public confidence in the city's ability to govern effectively.

### **Delegation of Investment Authority**

The City Council authorizes the controller to designate depositories and make all investments for the city in accordance with Minnesota Statute 118A.02. The budget manager will be authorized to act during the controller's absence only upon prior notification of the city administrator. The controller is authorized, as allowed under State Statute, to designate depositories, broker – dealers, investment advisors, and safekeeping agents for City Funds.

The City may utilize SEC-registered investment advisory/management firms (External Investment Managers) to invest segments of the investment portfolio. The External Investment Manager will operate within the constraints of this investment policy and executed Investment Advisory Agreement. The External Investment Manager shall have discretion over the assigned segment of the investment portfolio. All External Investment Managers shall purchase and sell securities in accordance with Minnesota Statute 118A, this investment policy statement, and the Investment Advisory Agreement. External Investment Managers must be registered under the Investment Advisers Act of 1940 and be licensed and registered to do business in Minnesota and registered as an investment advisor through IARD (Investment Advisor Registration Depository) in Minnesota.

~~The Finance Director/Treasurer is designated as the Investment Officer of the City and is responsible for investment management decisions and activities. The Finance Director shall develop and maintain written administrative procedures for the operation of the investment program, consistent with this policy. The written procedures shall include a bidding process, monitoring diversification and risk as well as a system of controls to regulate the activities of subordinate officials. Investment transactions are limited to active phone conversation only. No transactions shall be conducted through voice mail, fax or e-mail. The Finance Director is authorized, as allowed under State Statute, to designate depositories, broker – dealers, and safekeeping agents for City Funds.~~

The investment transactions with the State Board of Investment will be conducted in accordance with the contribution and withdrawal procedures outlined in the fund prospectus. All transactions with State Board of Investment must be approved by the city administrator or designee prior to execution.

### **Authorized Financial Dealers and Institutions**

If the City chooses to engage an investment advisor, that investment advisor may choose to utilize any broker-dealer that it deems prudent. Qualified investment advisors assisting the City in the management of its overall investment portfolio may purchase and sell investment securities in accordance with this investment policy and may utilize their own approved list of broker-dealers and security issuers; however, the list shall fully comply with the criteria maintained in this policy. The purchase of non-government individual securities shall be restricted to the City's and/or the investment advisor's approved issuer list.

If the City chooses not to engage an investment advisor, the City will maintain a list of financial institutions authorized to provide investment services to the City. Prior to any investment transactions with the City, all broker/dealers who desire to become qualified bidders for investment transactions must supply the treasurer with audited financial statements, proof of National Association of Security Dealers certification, proof of Minnesota registration, a certificate of insurance for excess SIPC coverage, and completion of the broker notification and certification form required by Minnesota Statutes 118A.

The Minnesota State Board of Investment and the League of MN Cities Minnesota Municipal Money Market Fund (4M Fund) are authorized financial institutions.

### Authorized Investments

The City is authorized, under State Law Chapter 118A, to invest in the following securities:

1. ~~U.S. Treasury Obligations (bills, notes, bonds)~~
2. ~~U.S. Government Agency and Federally Sponsored Agency Securities, excluding mortgage backed securities that fail the "FFEIC" test. Callable agency securities, excluding new issues with call dates of less than three months, are authorized. Step up agency securities are authorized investments.~~
3. ~~In any security which is a) General obligations of the State of Minnesota or any of its municipalities, or b) a general obligation of any other state or any of its municipalities, or c) a general obligation of the Minnesota housing finance agency, or d) a general obligation of a housing finance agency of any other state that is a moral obligation of the state, or e) a revenue or general obligation of any agency or authority of the State of Minnesota other than the Minnesota housing finance agency. Investments under b), c), or d) must be rated A or better by a national rating agency. Investments under e) must be rated AA or better by a national rating agency.~~
4. ~~Commercial Paper issued by U.S. corporations or their Canadian subsidiaries that is Tier 1 (must be rated by 2 of 3 national rating agencies) and matures in 270 days or less.~~
5. ~~Certificates of Deposit provided it is guaranteed by the FDIC, or is backed by collateral as required M.S. 118A.~~
6. ~~Repurchase agreements or Reverse Repurchase agreements provided they are fully collateralized at 102 percent of market value by securities described in 1 or 2 above.~~
7. ~~Mutual Funds provided they only invest in 1 or 2 above and whose investments have final maturities of 180 months or less.~~
8. ~~Guaranteed Investment Contracts provided they meet the requirements of M.S. 118A.~~
9. ~~Local Government Investment Pools the City currently uses the 4M Fund, sponsored by the League of Minnesota cities as a source for short term, liquid investments at a competitive rate of return. This fund, or any other local government pool specifically authorized by the City Council, is authorized investment for City funds.~~
10. ~~Minnesota State Board of Investment Minnesota Non-Retirement Equity Fund.~~

**Authorized Investments and Scope**

The city will invest only in instruments permitted by Minnesota Statute 118A and at the discretion of the Controller following the guidelines below when selecting investments:

<b>Investment Instrument</b>	<b>Maximum %</b>	<b>Constraints in addition to statutory constraints</b>
United States Treasury Obligations	100%	None
Federal Agency Securities	75%	No more than 30% of any one agency.
Federal Agency Mortgage- Backed Securities (MBS)	75%	No more than 30% of any one agency.
Bankers Acceptances	30%	No more than 5% in any issue. Highest short-term rating by at least two nationally recognized rating agencies.
Certificates of Deposit (CDs)	30%	None, if fully collateralized.
Commercial Paper	30%	Must be rated in the highest quality category by at least two nationally recognized rating agencies. No more than 5% in any one issuer.
Equity Investments including Index Mutual Funds	15%	Only by investing with the Minnesota State Board of Investments
Municipal Bonds	50%	Limited to general obligation and utility revenue obligations. General obligation bonds must be rated "A" or better by a national bond rating service, and revenue obligation bonds must be rated "AA" or better by a national bond rating service. No more than 5% in any one issuer.
Money Market Funds, including the 4M Fund	100%	Under ordinary market conditions limited to 50%, but if, and only if, unusual conditions merit it, 100% of portfolio could be held short-term.
Repurchase Agreements	30%	No more than 5% in any one issuer. Underlying collateral must have a market value of at least 102% of the amount of the initial purchase.
Guaranteed Investment Contracts	50%	None, provided they meet the requirements of M.S. 118A.

These instruments are further defined in the Appendix. Any percentage limits, rating requirements, or other investment parameters and constraints listed in the above guidelines will be calculated and/or evaluated based on the original cost of each investment at the time of purchase, based on the settlement date, of the security in determining compliance with these investment guidelines.

### **Bond Securities Safekeeping and Custody**

The City will minimize deposit custodial credit risk, which is the risk of loss due to the failure of the depository bank, by holding all securities in segregated account for the City's benefits at a third party trustee as safekeeping agent. The investment dealer or bank in which the security is purchased shall deliver all securities on the delivery versus payment method to the designated third party. Delivery versus payment is a way of controlling risk to which securities market participants are exposed. Delivery of securities (i.e. the change in their ownership) is done simultaneously with payment. This means that neither the buyer nor the seller is exposed to the risk that the other will default. **The city will maintain a record of all investment activity.**

### **Speculative Investments Not Allowed**

The city will not purchase investments that, at the time of investment, cannot be held to maturity. The city will also not invest in securities, other than money-market mutual funds or equity-based investments invested through the State Board of Investment, without a fixed maturity date and fixed interest or discount rate. This does not mean that an investment cannot be sold prior to maturity.

### **Bond Securities Investment Parameters**

~~The City's investments shall be diversified as to specific maturity and issuer in order to minimize risk to the portfolio. Investments should be purchased to match expected cash flow needs, minimizing the market risk associated with the early sale of investments. Investments beyond two years should be related to debt payments, or other known expenditures. Up to thirty percent (30 percent) of the portfolio exclusive of the funds with the State Board of Investment may be invested beyond five years with twenty percent (20 percent) of the portfolio limited to ten years in maturity and an additional ten percent (10 percent) of the portfolio limited to fifteen years in maturity. Securities with a maturity of more than five years shall be fixed term securities and not securities whose term can be extended by changes in market conditions, i.e., mortgage backed securities. No more than 50 percent of the portfolio should be invested in any one security issuer, with the exception of U.S. Treasury obligations, which could represent one hundred percent (100 percent) of the portfolio. Commercial paper is limited to twenty percent (20 percent) of the portfolio and no more than two and one-half percent (2.5 percent) of the portfolio should be invested in any one commercial paper issuer.~~

Once the amounts invested reach the investment parameter limitations, no other funds may be invested beyond the investment parameter limitation; however the ~~finance director~~ **controller** is authorized to manage the funds previously invested under this section even if the total exceeds the investment parameter limitation.

### **Equity Investment Parameters**

The amount invested in the Minnesota State Board of Investment – Minnesota Non-Retirement Equity Fund is limited to fifteen percent (15 percent) of the total portfolio. Equity investments are targeted for long-term capital plans, compensated absence reserves/liabilities or other long-term obligations established by applicable accounting standards. Long-term capital costs for purposes of this policy are defined as expenses to be incurred more than fifteen years into the future from the date of purchase.

Once the amounts invested reach the investment parameter limitations, no other funds may be invested beyond the investment parameter limitation; however the ~~finance director~~ **controller**/city administrator are authorized to manage the funds previously invested under this section even if the total exceeds the investment parameter limitation.

### **Internal Controls**

The Controller shall establish a system of internal controls designed to prevent losses of City funds arising from fraud, misrepresentation by third parties, unanticipated changes in financial markets, employee error or imprudent actions by employees.

Internal controls shall address:

- Separation of transaction authority from accounting and record keeping.
- Clear delegation of authority to subordinate staff members.
- Confirmation of transactions for investments and wire transfers.
- Development of a wire transfer agreement with the lead bank and third-party custodian.
- Investment and interest earnings will be recorded in the City's accounting records based on generally accepted government accounting procedures.
- A periodic summary of all investment transactions will be prepared by the Controller for review by the City Audit and Investment Commission.
- Each year, as part of the annual audit by an external auditing firm, there will be an independent review. This review will provide internal control by assuring compliance with this policy

### **Reporting and Review**

The City's investment policy shall be adopted by resolution by the City Council. The City's investments and investment practices shall be reported to the City Council and reviewed at least annually with the Audit and Investment Commission. The annual information reported to the Audit and Investment Commission shall include summaries of investments by security type and investment maturity. The report shall also include a detailed list of investments as of the reporting date and the rate of return earned for the year. **The management summary shall be prepared in a manner that will allow the City Audit and Investment Commission to determine if investment activities during the reporting period conform to this Investment Policy.** The Audit and Investment Commission shall report on its review, and make any recommendations they feel appropriate, to the City Council.

### **Performance Standards**

The investment portfolio should achieve a market average rate of return during a period of stable interest rates. Appropriate benchmarks will be established against which portfolio

performance is compared annually. The benchmarks should be chosen to reflect the actual securities purchased and have a similar weighted average maturity and credit profile as the portfolio or appropriate portions of the portfolio.

### **Statutory Authority**

Specific investment parameters for the investment of public funds by the City are found in Minnesota Statutes Chapters 118A.

### **Adoption and Approval**

By resolution, the Investment Policy shall be formally approved and adopted by the City Council and reviewed as needed.

### **List of Appendices**

- APPENDIX A- Glossary



## Glossary

**Accrued interest** - the accumulated interest due on a bond as of 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.

**Average Life** - the average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

**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.

**Bid** - the indicated price at which a buyer is willing to purchase a security or commodity.

**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.

**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.

**Call Risk** - the risk to a bondholder that a bond may be redeemed prior to maturity.

**Cash Sale/Purchase** - a transaction that calls for delivery and payment of securities on the same day that the transaction is initiated.

**Collateralization** - process by which a borrower pledges securities, property or other deposits for the purpose of securing the repayment of a loan and/or security.

**Commercial Paper** - an unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

**Coupon Rate** - the annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate".

**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.

**Delivery Verses Payment (DVP)** - a type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

**Derivative Security** - financial instrument created from or whose value depends upon, one or more underlying assets or indexes of asset values.

**Discount** - the amount by which the par value of a security exceeds the price paid for the security.

**Diversification** - a process of investing assets among a range of security types by sector, maturity, and quality rating.

**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.

**Equity Investment** - generally refers to the buying and holding of shares of stock on a stock exchange in anticipation of income from dividends and capital gains.

**Equity Fund** - An equity fund is a mutual fund that invests principally in stocks. It can be actively or passively (index fund) managed. Equity funds are also known as stock funds.

**FDIC** - Federal Deposit Insurance Corporation - Federal insurance program guaranteeing funds up to \$250,000 per individual/corporation investing at a bank.

**Federal Funds (Fed Funds)** - funds placed in Federal Reserve Banks by depository institutions that are 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** - interest rate charged by one institution lending funds to the other.

**Government Bonds** - an obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market.

**Interest Rate** - see "Coupon rate".

**Interest Rate Risk** - the risk associated with declines or rises in interest rates that cause an investment in a fixed-income security to increase or decrease in value.

**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 Company Act of 1940** - federal legislation that sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations, for example.

**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.

**Local Government Investment Pool (LGIP)** - an investment by local governments in which their money is pooled as a method for managing local funds. LGIPs offer an option for managing cash reserves and minimizing principal risk.

**Liquidity** - an asset that can be converted easily and quickly into cash.

**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** - current market price of a security.

**Money Market Mutual Fund** - mutual funds that invest in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, banker's acceptances, repos, and Fed funds).

**Mutual fund** - an investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following SEC disclosure guidelines:

- report standardized performance calculations;
- disseminate timely and accurate information regarding the fund's holdings, performance, management, and general investment policy;
- have the funds investment policies and activities supervised by a board of trustees, which are independent of the advisor, administrator, or other vendor of the fund;
- maintain the daily liquidity of the funds shares;
- value their portfolios on a daily basis;
- have all individuals who sell SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD); and
- have an investment policy governed by a prospectus that is updated and filed by the SEC
- annually.

**Mutual Fund Statistical services** - companies that track and rate mutual funds.

**National Association of Securities Dealers (NASD)** - a self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

**Net Asset Value** - the market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets, which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. 
$$[\text{Total assets}] - [\text{Liabilities}] \div [\text{Number of shares outstanding}]$$

**No-Load Fund** - a mutual fund that does not levy a sales charge on the purchase of its shares.

**Nominal yield** - the stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon", "coupon rate", or "interest rate".

**Offer** - an indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "ask price".

**Par** - face value or principal value of a bond typically \$1,000 per bond

**Positive Yield Curve** - a chart formation that illustrates short-term securities having lower yields than long-term securities. Also known as a normal yield curve.

**Premium** - the amount by which the price paid for a security exceeds the security's par value

**Prime Rate** - a preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

**Principal** - the face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

**Prospectus** - a legal document that must be provided to any prospective purchaser of a new securities offering registered with the Securities and Exchange Commission. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

**Prudent Person Rule** - an investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

**Purchasing Power** - is the value of a currency expressed in terms of the amount of goods and services that one unit of money can buy. Purchasing power is important because, all else being equal, inflation decreases the amount of goods and services you would be able to purchase.

**Rate of Return** – is the gain or loss on an investment over a specified time period, expressed as a percentage of the investment's cost. Gains on investments are defined as income plus any capital gains realized on the sale of the investment.

**Regular-Way Delivery** - securities settlement that calls for delivery and payment on the third business day following the trade date (T + 3); T + 1 payment basis is being considered. Mutual funds are settled on a same-day basis; government securities are settled on the next business day.

**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 (Repo or RP)** - an agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price to the second party on demand or at a specified later date.

**Reverse Repurchase Agreement (Reverse Repo)** - an agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified later date.

**Rule 2a-7 of the Investment Company Act** - applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 60-day average maturity on investments.

**Serial bond** - a bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

**Sinking Fund** - money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

**Standard and Poor's 500 Index** - The Standard & Poor's 500 Index (S&P 500) is an index of stocks issued by 500 large companies with specific market capitalization thresholds. It is seen as a leading indicator of U.S. equities and a reflection of the performance of the large-cap universe.

**Term Bond** - bonds comprising a large part or all of a particular issue, which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

**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. [Price Appreciation] + [Dividends Paid] + [Capital Gains] = Total Return

**Treasury Bills** - short-term U.S. government non interest-bearing debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000. Auctions of three and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

**Treasury Notes** - intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from \$1000 to \$1 million or more.

**Treasury Bonds** - long-term U.S. government debt securities with maturities of 10 years or longer and issued in minimum denominations of \$1000. Currently, the longest outstanding maturity for such securities is 30 years.

**Volatility** - a degree of fluctuation in the price and valuation of securities.

**"Volatility Risk" rating** - a rating system to clearly indicate the level of volatility and other noncredit risks associated with securities and certain bond funds. The ratings for bond funds range

from those that have extremely low sensitivity to changing market conditions and offer the greatest stability of the returns ("aaa" by Standard & Poor's; "V-1" by Fitch) to those that are highly sensitive with currently identifiable market volatility risk ("ccc" by Standard & Poor's, "V-10" by Fitch).

**Weighted Average Maturity (WAM)** - the average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for rated money market mutual funds may not exceed 60 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 current rate of return on an investment security generally expressed as a percentage of the security's current price.

**Yield-to-Call (YTC)** - 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.

**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-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.

**Adopted by the Woodbury City Council:** November 13, 1985, February 11, 1996  
May 22, 2002 – Resolution No. 02-122; March 31, 2004 – Resolution No. 04-76;  
July 18, 2007 – Resolution No. 07-155; September 26, 2012 – Resolution No. 12-144;  
April 4, 2018 – Resolution No 18-.

**CITY OF WOODBURY, MN**  
**INVESTMENT FUNDS**  
**PORTFOLIO PERFORMANCE MEASURES AS OF JUNE 30, 2021**

SECURITY TYPES AS A PERCENTAGE OF THE TOTAL PORTFOLIO

	June 30, 2021 Par/Shares	Percent of Total	March 31, 2021 Par/Shares	Percent of Total	Dec. 31, 2020 Par/Shares	Percent of Total
Negotiable Certificates of Deposit	\$ 11,657,000	6.32%	\$ 12,154,000	6.86%	\$ 15,112,000	8.18%
U.S. Treasury	13,000,000	7.05%	13,000,000	7.33%	23,000,000	12.46%
Federal Home Loan Mortgage Corporation	43,850,000	23.79%	43,850,000	24.73%	48,350,000	26.19%
Federal National Mortgage Association	9,000,000	4.88%	14,000,000	7.90%	14,000,000	7.58%
Federal Home Loan Bank	23,535,000	12.77%	11,000,000	6.20%	17,250,000	9.34%
Federal Farm Credit Bank	20,839,000	11.31%	20,839,000	11.75%	31,339,000	16.97%
Federal Agricultural Mortgage Corporation	1,000,000	0.54%	1,000,000	0.56%	3,000,000	1.62%
Agency/CMBS	4,300,000	2.33%	4,300,000	2.43%	-	-
General Obligation Municipal Bonds	21,895,000	11.88%	9,075,000	5.12%	6,250,000	3.39%
Commercial Paper	8,000,000	4.34%	7,000,000	3.95%	-	-
Money Market Accounts	23,072,249	12.52%	37,583,231	21.20%	23,013,295	12.46%
CorTrust Bank Demand Deposit Account	4,170,074	2.26%	3,497,171	1.97%	3,319,583	1.80%
<b>TOTAL</b>	<b>\$ 184,318,323</b>	<b>100.00%</b>	<b>\$ 177,298,402</b>	<b>100.00%</b>	<b>\$ 184,633,878</b>	<b>100.00%</b>

	June 30 2021	March 31 2021	Dec. 31 2020	Sept. 30 2020	June 30 2020	March 31 2020
SECURITIES ONLY - CURRENT YIELD	1.19%	1.27%	1.20%	1.19%	1.66%	1.99%
ENTIRE PORTFOLIO - CURRENT YIELD	1.18%	1.22%	1.05%	1.10%	1.49%	1.94%
BUDGET TARGET - RATE OF RETURN	1.00%	0.85%	2.00%	1.50%	1.00%	0.50%
2-YEAR AGENCY BOND YIELD	0.24%	0.14%	0.14%	0.14%	0.20%	0.35%
3-YEAR AGENCY BOND YIELD	0.45%	0.24%	0.20%	0.23%	0.25%	0.41%
3-YEAR AGENCY / 1-YEAR CALL BOND YIELD	0.51%	0.33%	0.26%	0.30%	0.40%	0.88%
5-YEAR AGENCY BOND YIELD	0.87%	0.90%	0.43%	0.40%	0.47%	0.64%
5-YEAR AGENCY / 1-YEAR CALL BOND YIELD	0.90%	1.04%	0.50%	0.52%	0.72%	1.08%
10-YEAR AGENCY / 3-MONTH CALL BOND YIELD	2.05%	2.09%	1.24%	1.20%	1.39%	2.00%
15-YEAR AGENCY / 3-MONTH CALL BOND YIELD	2.49%	2.54%	1.81%	1.69%	1.80%	2.50%
MERRILL LYNCH 1 - 5 YEAR AGENCY INDEX BENCHMARK	NA	NA	3.35%	3.18%	2.90%	2.42%
EFFECTIVE DURATION	1.89	2.59	1.70	1.60	1.20	1.20
MERRILL LYNCH 1 - 5 YEAR AGENCY INDEX EFFECTIVE DURATION	NA	NA	2.31	1.97	2.09	1.95
WEIGHTED AVERAGE MATURITY IN YEARS	2.40	2.68	3.90	4.00	4.30	4.20
<u>MONEY MARKET FUND / DEMAND DEPOSIT ACCOUNT YIELDS</u>						
FIRST AMERICAN GOVERNMENT OBLIGATIONS FUND	0.03%	0.03%	0.03%	0.03%	0.30%	0.37%
MINNESOTA MUNICIPAL MONEY MARKET PLUS FUND	0.03%	0.05%	0.05%	0.05%	0.10%	0.14%
CORTRUST BANK DEMAND DEPOSIT ACCOUNT	0.55%	0.52%	0.59%	0.60%	0.66%	0.61%

	June 30, 2021 Security Maturity Date	March 31, 2021 Security Maturity Date	December 31, 2020 Security Maturity Date			
	Par/Shares	Percent of Total	Par/Shares	Percent of Total	Par/Shares	Percent of Total
Less than One Year	\$ 38,898,000	24.8%	\$ 30,005,000	22.0%	\$ 41,197,000	26.0%
Between One and Two Years	19,338,000	12.3%	12,145,000	8.9%	22,051,000	13.9%
Between Two and Three Years	14,013,000	8.9%	17,102,000	12.6%	15,737,000	9.9%
Between Three and Four Years	18,151,000	11.6%	16,334,000	12.0%	12,736,000	8.0%
Between Four and Five Years	19,030,000	12.1%	14,240,000	10.5%	18,988,000	12.0%
Between Five and Ten Years	39,646,000	25.2%	38,392,000	28.2%	37,092,000	23.4%
Between Ten and Fifteen Years	8,000,000	5.1%	8,000,000	5.9%	10,500,000	6.6%
<b>TOTAL</b>	<b>\$ 157,076,000</b>	<b>100.0%</b>	<b>\$ 136,218,000</b>	<b>100.0%</b>	<b>\$ 158,301,000</b>	<b>100.0%</b>

MATURITY DISTRIBUTION EXCLUDING MONEY MARKET AND DEMAND DEPOSIT ACCOUNTS

**CITY OF WOODBURY, MN**  
**INVESTMENT FUNDS - DEBT SERVICE**  
**PORTFOLIO PERFORMANCE MEASURES AS OF JUNE 30, 2021**

SECURITY TYPES AS A PERCENTAGE OF THE TOTAL PORTFOLIO

	June 30, 2021 Par/Shares	Percent of Total	March 31, 2021 Par/Shares	Percent of Total	Dec. 31, 2020 Par/Shares	Percent of Total
Negotiable Certificates of Deposit	\$ 2,544,000	52.60%	\$ 2,744,000	60.07%	\$ 3,297,000	25.06%
U.S. Treasury	-	-	-	-	1,000,000	7.60%
Federal Home Loan Mortgage Corporation	825,000	17.06%	825,000	18.06%	750,000	5.70%
Federal National Mortgage Association	200,000	4.14%	200,000	4.38%	200,000	1.52%
Federal Loan Home Bank	-	-	-	-	2,500,000	19.01%
Federal Farm Credit Bank	-	-	-	-	1,075,000	8.17%
General Obligation Municipal Bonds	505,000	10.44%	505,000	11.05%	-	-
Money Market Accounts	762,130	15.76%	294,352	6.44%	4,332,191	32.93%
<b>TOTAL</b>	<b>\$ 4,836,130</b>	<b>100.00%</b>	<b>\$ 4,568,352</b>	<b>100.00%</b>	<b>\$ 13,154,191</b>	<b>100.00%</b>

	June 30 2021	March 31 2021	December 31 2020	September 30 2020
SECURITIES ONLY - CURRENT YIELD	1.89%	1.91%	0.82%	1.15%
ENTIRE PORTFOLIO - CURRENT YIELD	1.74%	1.77%	0.57%	1.14%
BUDGET TARGET - RATE OF RETURN	0.50%	0.50%	1.80%	1.35%
6-MONTH DISCOUNT NOTE YIELD	0.04%	0.04%	0.06%	0.06%
1-YEAR AGENCY BOND YIELD	0.12%	0.06%	0.09%	0.10%
2-YEAR AGENCY BOND YIELD	0.24%	0.14%	0.14%	0.14%
ESTIMATED WEIGHTED AVERAGE MATURITY IN YEARS	1.52	2.70	1.56	2.38

MONEY MARKET FUND ACCOUNT YIELDS

FIRST AMERICAN GOVERNMENT OBLIGATIONS FUND	0.03%	0.03%	0.03%	0.03%
MINNESOTA MUNICIPAL MONEY MARKET PLUS FUND	0.03%	0.05%	0.05%	0.05%

	June 30, 2021		March 31, 2021		December 31, 2020	
	Security Maturity Date Par/Shares	Percent of Total	Security Maturity Date Par/Shares	Percent of Total	Security Maturity Date Par/Shares	Percent of Total
Less than One Year	\$ 1,808,000	44.4%	\$ 1,512,000	35.4%	\$ 5,060,000	57.4%
Between One and Two Years	992,000	24.3%	1,488,000	34.8%	994,000	11.3%
Between Two and Three Years	-	-	-	-	494,000	5.6%
Between Three and Four Years	750,000	18.4%	750,000	17.5%	-	-
Between Four and Five Years	524,000	12.9%	449,000	10.5%	1,199,000	13.6%
Over Five Years	-	-	75,000	1.8%	1,075,000	12.2%
	<b>\$ 4,074,000</b>	<b>100.0%</b>	<b>\$ 4,274,000</b>	<b>100.0%</b>	<b>\$ 8,822,000</b>	<b>100.0%</b>



**CITY OF WOODBURY, MN**  
**INVESTMENT FUNDS - STATE BOARD OF INVESTMENT (SBI)**  
**PORTFOLIO PERFORMANCE MEASURES AS OF JUNE 30, 2021**

	June 30, 2021 Market Value	March 31, 2021 Market Value	Dec. 31, 2020 Market Value	Sept. 30, 2020 Market Value	June 30, 2020 Market Value
MN SBI Non-Retirement Equity Fund	\$ 5,199,261	\$ 4,790,312	\$ 4,511,174	\$ 4,022,981	\$ 3,692,910
TOTAL	\$ 5,199,261	\$ 4,790,312	\$ 4,511,174	\$ 4,022,981	\$ 3,692,910

TOTAL RETURN ASSUMING DIVIDENDS ARE REINVESTED IN THE INDEX

	June 30 2021	March 31 2021	December 31 2020	September 30 2020	June 30 2020
Total Return	15.25%	6.19%	18.40%	5.58%	-3.08%
Total Return Benchmark Index	14.40%	6.20%	19.39%	5.57%	-3.09%

INVESTMENT AUTHORITY CALCULATION - SBI MAXIMUM IS 15% OF THE TOTAL PORTFOLIO BALANCE

	June 30 2021	March 31 2021	December 31 2020	September 30 2020	June 30 2020
General Fund - Compensated Absences Liability	\$ 675,000	\$ 675,000	\$ 675,000	\$ 675,000	\$ 675,000
Capital Improvement Fund - LT Capital Funds	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Water/Sewer Utility Fund - LT Capital Funds	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Fire Relief Pension Fund - LT Reserves	150,000	150,000	150,000	150,000	150,000
Risk Management Fund - LT Reserves	175,000	175,000	175,000	175,000	175,000
Original Investment Total	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Total Portfolio Balance - Market Value	\$ 5,199,261	\$ 4,790,312	\$ 4,511,174	\$ 4,022,981	\$ 3,692,910
Total Portfolio Balance - Bonds, Money Market and Demand Account	\$ 194,353,714	\$ 186,657,066	\$ 202,299,243	\$ 189,273,765	\$ 175,284,212
Percentage Invested with SBI Compared to the Total Portfolio Balance	2.68%	2.57%	2.23%	2.13%	2.11%

# Quarterly Investment Summary

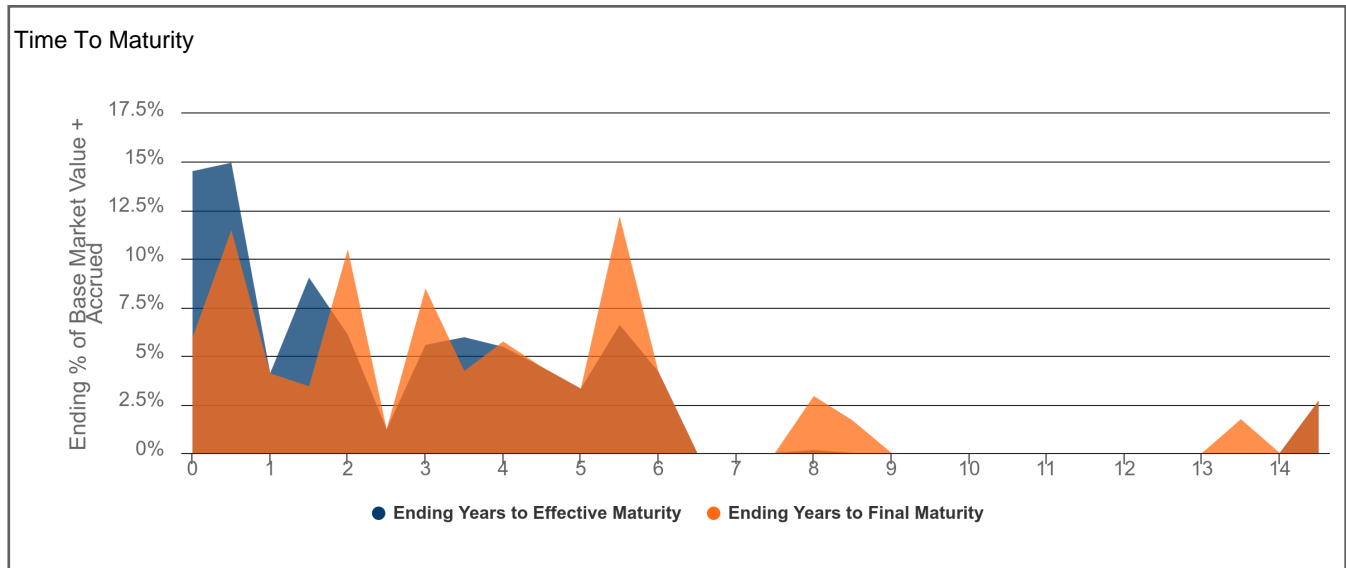
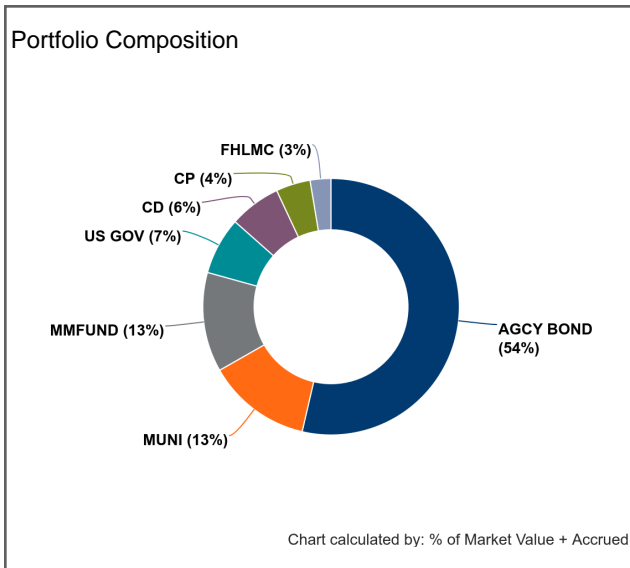
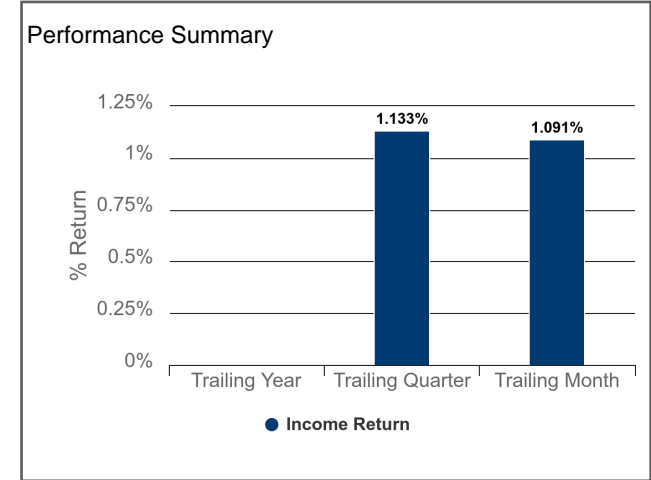
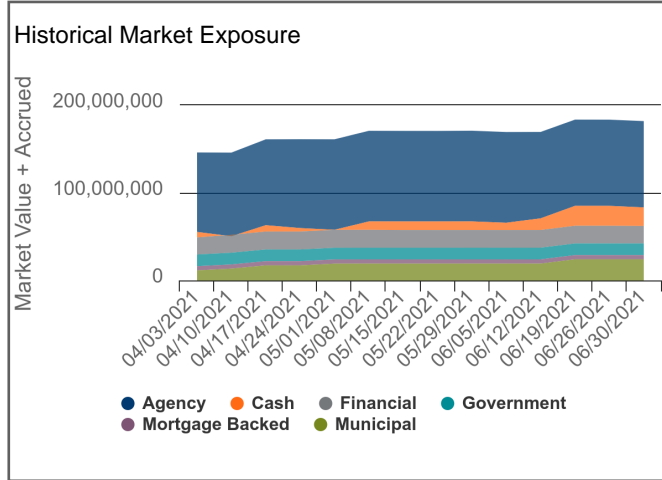
04/01/2021 - 06/30/2021

Woodbury (251978)

Dated: 07/21/2021

Portfolio Summary	
	<i>Portfolio</i>
Client	City of Woodbury
Custodian	US Bank
Source Account	12520000
Market Value	181,377,355.46
Net Unrealized Gain/Loss	573,542.89
Market Value + Accrued	181,912,862.91
Current Yield	1.20%
Book Yield	1.04%
Duration	1.89
S&P Rating	AA
Moody's Rating	Aa1

Footnote: 1



1: \* Weighted by: Market Value + Accrued, except Book Yield by Base Book Value + Accrued.

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