

DATE: May 10, 2019
TO: Michael O. Geisel, City Administrator
FROM: Vickie Hass, City Clerk *nh*
SUBJECT: Finance and Administration Policies



Administrative Assistant Colin Kinkade was tasked with the project of updating Finance and Administration policies to accurately reflect the current operations, practices, procedures, and workplace environment of the City of Chesterfield. All proposed changes are in accordance with notes from former Community Services & Economic Development Director Libbey Tucker. Additional consultation was provided for certain policies by appropriate department heads.

Recommend Eliminations:

- FA #3 **Promotional Advertisement Space**
Policy not necessary – handled as a management function.
- FA #4 **Sale of Historic Calendars**
Policy not necessary – handled as a management function.
- FA #19 **Funeral Leave**
Policy not necessary - addressed in the Personnel Manual.
- FA #28 **CCDC Request Regarding Future Funding Contribution Tied to Business License Fees**
Policy not necessary - CCDC no longer in existence.
- FA #31 **City Council Committees**
Policy not necessary - addressed in City Code.
- FA #33 **Public Displays of Arts/Artifacts on City Property**
Policy not necessary – function of management and City Council.
- FA #34 **Marriage Between Employees/Hiring Related Employees**
Policy not necessary - addressed in the Personnel Manual.
- FA #37 **President Pro Tem Selection**
Policy not necessary – addressed in City Code.

Recommend Revisions:

- FA #12 **Legal Requirements for Notices:** Instead of other notices/advertisements being placed in the Chesterfield Journal, they will now be placed in the St. Louis Countian.
- FA #14 **Investment Policy:** All references to the Director of Finance and Administration have been replaced by Finance Director.
- FA #18 **Flowers/Contributions:** The Central Services account number has been corrected from 001-036-5255 to 001-036-5225.

- FA #41 **Recruitment & Equal Employment Opportunity Plan:** The Statement of Policy section has been revised. Prohibition of discrimination/harassment has been expanded to encompass even more characteristics of persons that are protected by law. The Promotions section has been incorporated into the Hiring Process section. All references to the Director of Finance & Administration have been replaced with the Finance Director.
- FA #42 **Neighborhood Improvement District Policy (NID):** The *Armstrong Teasdale LLP* notation has been moved to the first page.
- FA #47 **Communications Policy:** All references to the Community Services & Economic Development Director have been eliminated and replaced with the City Administrator; the ultimate decision on all organizational communications rests with the City Administrator.
- FA #48 **Sponsorship Expenditures:** Instead of referencing Policy 20, "Sponsorship Expenditures" now references Policy 8 to accurately reflect the changed order of the Contributions Program Policy.

No Action Required – Informational Purposes Only

The following Finance and Administration policies have already been removed from the F&A section and incorporated into the City Council section of the Policy Manual by previous direction of Council.

- FA #1 Use of City Letterhead or Name or Logo by Citizen Board/Commission/Task Force (moved to CC #4)
- FA #2 Officers Terms for Citizen Boards/Commissions/Committees (moved to CC #3)
- FA #6 Non-Residents Serving on Citizens Committees (moved to CC #7)
- FA #8 Citizen Committees – Ward Representation (moved to CC #5)
- FA #9 Citizen Committees – Designated Projects (moved to CC #6)
- FA #11 Minutes of Individual Boards/Commissions/Committees/Task Forces (combined with FA #16, #21, #35 and moved to CC #1)
- FA #13 Mayor's Use of City Vehicles (moved to CC #17)
- FA #16 Membership – Statutory/Non-Statutory Committees (combined with FA #11, #21, #35 and moved to CC #1)
- FA #17 Letters to Representatives (moved to CC #22)
- FA #21 Funding for Boards/Commissions (combined with FA #11, #16, #35 and moved to CC #1)
- FA #22 Line of Succession (moved to CC #23)
- FA #23 Starting Time for Council Meetings (moved to CC #11)
- FA #27 Council Liaisons to Citizen Committees (moved to CC #8)
- FA #32 Handling of Questions from Audience During City Council Meetings (moved to CC #10)
- FA #35 Historical Commission Membership (combined with FA #11, #16, #21 and moved to CC #1)
- FA #38 Executive Session (moved to CC #14)

Action Recommended

These policies should be presented to the Finance and Administration Committee for consideration. Should F&A concur with Staff's recommendation, it should vote to authorize Staff to submit these policies to City Council for approval.

CITY OF CHESTERFIELD
POLICY STATEMENT

Existing Policy
Recommend Elimination

*FINANCE AND ADMINISTRATION	NO.	003
SUBJECT Promotional Advertisement Space	INDEX	FA
DATE ISSUED 8/20/90	DATE REVISED	

POLICY

The City of Chesterfield will only consider the purchase of advertisement space in publications prepared or sponsored by organizations located within the City limits of Chesterfield. The Finance and Administration Committee is authorized to decide this issue, on behalf of the City Council. Approval of such ads shall require at least three (3) votes from members of this Committee and be subject to the availability of budgeted funds.

RECOMMENDED BY:

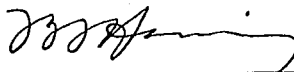


Department Head/Council Committee (if applicable)

3/5/99

Date

APPROVED BY:



City Administrator

3/8/1999

Date

City Council (if applicable)

Date

CITY OF CHESTERFIELD
POLICY STATEMENT

Existing Policy
Recommend Elimination

*FINANCE AND ADMINISTRATION

NO. 004

SUBJECT Sale of Historical Calendars

INDEX FA

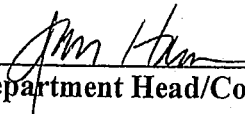
DATE 9/4/90
ISSUED.

DATE
REVISED

POLICY

Historical calendars can be sold by the City, on behalf of the Historical Committee. The City Council will review and approve similar requests by other Committees on an individual basis.

RECOMMENDED BY:

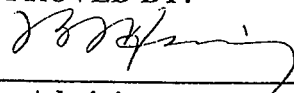


Department Head/Council Committee (if applicable)

3/5/99

Date

APPROVED BY:



City Administrator

3/5/99

Date

City Council (if applicable)

Date

CITY OF CHESTERFIELD
POLICY STATEMENT

Existing Policy
Recommend Elimination

*FINANCE AND ADMINISTRATION

NO. 019

SUBJECT Funeral Leave

INDEX FA

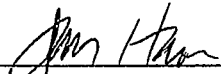
DATE 4/16/97
ISSUED

DATE
REVISED

POLICY

The City Administrator is authorized to grant funeral leave as circumstances warrant or to extend the list covered individuals as he deems appropriate. He is required to report to the Finance and Administration Committee any exceptions granted on an annual basis.

RECOMMENDED BY:



Department Head/Council Committee (if applicable)

3/5/99

Date

APPROVED BY:



City Administrator

3/5/99

Date

City Council (if applicable)

Date

CITY OF CHESTERFIELD
POLICY STATEMENT

Existing Policy
Recommend Elimination

FINANCE AND ADMINISTRATION

NO. 028

SUBJECT CCDC Request Regarding Future
Funding Contribution Tied To Business
License Fees

INDEX FA


DATE
ISSUED 8/16/1999

DATE
REVISED

POLICY

The CCDC annual appropriation comes from General Fund revenues and funding for the CCDC is included in the five-year budget.

RECOMMENDED BY:

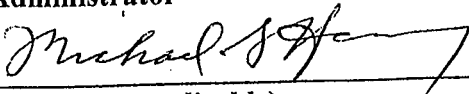


Department Head/Council Committee (if applicable)

9/7/99

Date

APPROVED BY:

City Administrator


City Council (if applicable)

Date
8/16/99

Date

CITY OF CHESTERFIELD
POLICY STATEMENT

Existing Policy
Recommend Elimination

FINANCE AND ADMINISTRATION

NO. 031

SUBJECT City Council Committees

INDEX FA

DATE

DATE

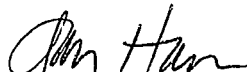
ISSUED 8/16/1999

REVISED

POLICY

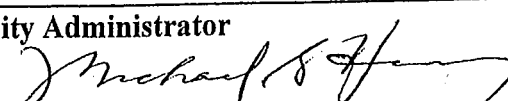
Each Ward will be represented by a Chairperson on one of the four Council Committees.

RECOMMENDED BY:


Department Head/Council Committee (if applicable)

9/7/99
Date

APPROVED BY:

City Administrator

City Council (if applicable)

Date
8/16/99
Date

CITY OF CHESTERFIELD
POLICY STATEMENT

Existing Policy
Recommend Elimination

FINANCE AND ADMINISTRATION

NO. 033

SUBJECT Public Displays of Arts/Artifacts on
City Property

INDEX FA

DATE

DATE

ISSUED 10/18/1999

REVISED

POLICY

Public displays of arts/artifacts are embraced/encouraged on City property and within City-owned buildings.

RECOMMENDED BY:



Department Head/Council Committee (if applicable)

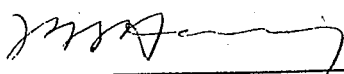
10/20/99

Date

APPROVED BY:

City Administrator

Date



City Council (if applicable)

10/18/99

Date

CITY OF CHESTERFIELD
POLICY STATEMENT

*Existing Policy
Recommend Elimination*

FINANCE AND ADMINISTRATION

NO. 034

SUBJECT Marriage between Employees/Hiring
Related Employees

INDEX FA

DATE
ISSUED February 7, 2000

DATE
REVISED

POLICY

The marriage of two employees or hiring of related employees will no longer require one of the employees to leave employment with the City. However, should employees within the same department/division decide to marry and/or should a supervisor and a subordinate, in the same department, decide to marry, one of the employees will be required to either secure a reassignment to another department, assuming another job would be available, or he/she must leave employment with the City.

Even though the marriage of employees or hiring of related employees is no longer prohibited, employees could be subject to disciplinary action, if their marriage/divorce/relationship becomes disruptive to the work environment.

RECOMMENDED BY:



Department Head/Council Committee (if applicable)

5/11/00

Date

APPROVED BY:



City Administrator

5/11/00

Date

City Council (if applicable)

Date

CITY OF CHESTERFIELD
POLICY STATEMENT

Existing Policy
Recommend Elimination

FINANCE AND ADMINISTRATION

NO. 37

SUBJECT President Pro Tem Selection

INDEX FA

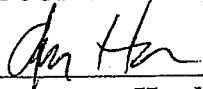
DATE
ISSUED 3/18/02

DATE
REVISED

POLICY

The selection of the President Pro Tem will be by written ballot and the ballots will be counted and read up front in the public session.

RECOMMENDED BY:




Department Head/Council Committee (if applicable)

3/19/02

Date

APPROVED BY:

City Administrator


City Council (if applicable)

Date
3/18/02

Date

CITY OF CHESTERFIELD
POLICY STATEMENT

Existing Policy
To be Replaced

*FINANCE AND ADMINISTRATION

NO. 012

SUBJECT Legal Requirements for Notices

INDEX FA

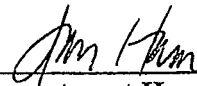
DATE 10/5/92
ISSUED

DATE
REVISED

POLICY

Legal requirements for notices are to be placed in the St. Louis Countian. Notices for bids are to be placed in the Business Journal. Other notices/advertisements are to be placed in the Chesterfield Journal.

RECOMMENDED BY:

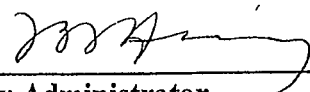


Department Head/Council Committee (if applicable)

3/5/99

Date

APPROVED BY:



City Administrator

3/5/99

Date

City Council (if applicable)

Date

**CITY OF CHESTERFIELD
POLICY STATEMENT**

*Recommended
Replacement*

FINANCE AND ADMINISTRATION		NO.	
SUBJECT	Legal Requirements for Notices	INDEX	FA
DATE ISSUED	10/5/92	DATE REVISED	

POLICY:

Legal requirements for notices are to be placed in the St. Louis Countian. Notices for bids are to be placed in the Business Journal. Other notices/advertisements are to be placed in the St. Louis Countian.

RECOMMENDED BY:

Department Head/Director/Council Committee (if applicable)

Date

APPROVED BY:

City Administrator

Date

City Council (if applicable)

Date

CITY OF CHESTERFIELD
POLICY STATEMENT

*Existing Policy
To be Replaced*

*FINANCE AND ADMINISTRATION

NO. 014

SUBJECT Investment Policy

INDEX FA

DATE 12/21/92
ISSUED

DATE 10/7/02
REVISED

POLICY

I. Scope

This investment policy applies to all short-term operating funds of the City of Chesterfield.

A. These funds are accounted for in the City's Comprehensive Annual Financial Report and include:

1. General Fund
2. Special Revenue Funds
3. Debt Service Funds
4. Capital Projects Funds
5. Trust and Agency Funds

B. Longer-term funds, including the City's retirement fund, are excluded.

C. Pooling of Funds – Except for cash in certain restricted and special funds, the City of Chesterfield will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to various funds based on their respective participation and in accordance with generally accepted accounting principles.

II. General Objectives

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

1. Safety – Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

- a. Credit Risk – The City of Chesterfield will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:
 - o Limiting investments to the safest types of securities

- Pre-qualifying the financial institutions, broker/dealers, intermediaries and advisers with which the City will do business
 - Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
- b. Interest Rate Risk – The City will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by:
- Structuring the portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
 - Investing operating funds primarily in shorter-term securities, money market funds, or similar pools.
2. Liquidity – The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accommodated 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). A portion of the portfolio also may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.
3. Yield – The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:
- A security with declining credit may be sold early to minimize loss of principal.
 - A security swap would improve the quality, yield, or target duration in the portfolio.
 - Liquidity needs of the portfolio require that the security be sold.

III. Standards of Care

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 sales 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 intelligences exercise in the management of their own affairs, not for speculation, but for investment, considering the probably safety of their capital as well as the probable income to be derived.

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 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.

3. Delegation of Authority - Authority to manage the City's investment program is derived from the Missouri Constitution Article IV, Section 15. Responsibility for the investment program is hereby delegated to the Director of Finance and Administration, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to safekeeping, delivery versus payment, investment accounting, repurchase agreements, wire transfer agreements and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Director of Finance and Administration. The Director of Finance and Administration shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

IV. Safekeeping and Custody

1. Authorized Financial Dealers and Institutions - A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness (e.g., a minimum capital requirement of \$10,000,00 and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Security and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following, as appropriate:

- Audited financial statements
- Proof of National Association of Securities Dealers (NASD) certification
- Proof of State registration
- Completed broker/dealer questionnaire
- Certification of having read and understood and agreeing to comply with the City's investment policy

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the Director of Finance and Administration.

2. Internal Controls – The Director of Finance and Administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the Director of Finance and Administration shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Development of a wire transfer agreement with the lead bank and third-party custodian

3. Delivery vs. Payment – All trades 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-part custodian as evidenced by safekeeping receipts.

V. Authorized & Suitable Investments

1. Investment Types – The following investments will be permitted by this policy and are those defined by state and local laws, where applicable:
- U.S. government obligations, U.S. government agency obligations and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value;
 - Certificates of deposit and other evidences of deposit at financial institutions;
 - Repurchase agreements whose underlying purchased securities consist of the foregoing;
 - Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and
 - Local government investment pools, either state-administered or through joint powers statutes and other intergovernmental agreement legislation.

Investment in derivatives of the above instruments shall require authorization by the City Council.

2. Collateralization – Full collateralization will be required for on non-negotiable certificates of deposit.

3. Repurchase Agreements – The Director of Finance and Administration shall exercise special caution in selecting and evaluating the creditworthiness of parties with whom repurchase transactions are conducted and shall be able to identify the parties acting as principals to the transaction. Safekeeping shall be performed by a third-party custodian. Duties of the custodian (either direct or tri-party) shall be outlined in a written agreement. The purchased securities associated with the repurchase agreement should have a market value in excess of the value of the repurchase agreement (called margin, "haircut," or over securitization). Market valuing the purchased securities regularly during the term of the repurchase agreement shall be a mandatory practice in order to ensure the purchased securities maintain sufficient market value. A master repurchase agreements shall be employed, subject to appropriate legal and technical review.

VI. Investment Parameters

1. Diversification – The investments shall be diversified by:
 - Limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities);
 - Limiting investments in securities that have higher credit risks;
 - Investing in securities with varying maturities, and
 - Continuously investing a portion of the portfolio in readily available funds, such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

2. Maximum Maturities – To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in security maturing more than five (5) years from the date of purchase, unless circumstances warrant other consideration, as approved by the City Administrator. The City shall adopt a weighted average maturity limitation consistent with the investment objective.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the City Council.

Because of the inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds, such as LGIPs, money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing operations.

VII. Reporting

1. Methods – The Director of Finance and Administration shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report shall be provided to the City Council. The report shall include the following:

- Listing of individual securities held at the end of the reporting period.
- Realized and unrealized gains or losses resulting from appreciation or duration that are not intended to be held until maturity.
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- Listing of investment by maturity date.
- Percentage of the total portfolio which each type of investment represents

2. Performance Standards -

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis.

3. Marking to Market – The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly.

VIII. Policy Considerations

1. Exemption – Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

2. Amendments – This policy shall be reviewed by the Director of Finance and Administration on an annual basis. Any changes must be approved by the City Council.

Appendix 1: Glossary of Cash Management Terms

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 federal agency is the Government National Mortgage Association (GNMA). An example of a 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 which 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.

Convexity - A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

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 Versus 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.

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 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 - Interest rate charged by one institution lending federal funds to the other.

Government Securities - 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. See "Treasury Bills, Notes and Bonds."

Interest Rate - See "Coupon Rate."

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

Internal Controls - An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

Control of collusion - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.

Separation of transaction authority from accounting and record keeping - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.

Custodial safekeeping - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.

Avoidance of physical delivery securities - Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.

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Local Government Investment Pool (LGIP) - An investment by local governments in which their money is pooled as a method for managing local funds.

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.

Maturity - The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity."

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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 Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sell SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus which is updated and filed by the SEC annually.

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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. (See below.)
$$\frac{(\text{Total assets}) - (\text{Liabilities})}{(\text{Number of shares outstanding})}$$

No Load Fund - A mutual fund which 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.

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 SEC. 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.

Regular Way Delivery - Securities settlement that calls for delivery and payment on the third business day following the trade date (T+3); payment on a T+1 basis is currently under consideration. 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 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 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 90-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).

Safekeeping - Holding of assets (e.g., securities) by a financial institution.

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.

Swap - Trading one asset for another.

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 \$1,000 to \$1 million or more.

Treasury Bonds - Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of \$1,000. Currently, the longest outstanding maturity for such securities is 30 years.

Uniform Net Capital Rule - SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

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 non-credit 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 S&P; "V-1" by Fitch) to those that are highly sensitive with currently identifiable market volatility risk ("ccc-" by S&P, "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 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 current rate of return on an investment security generally expressed as a percentage of the security's current price.

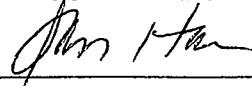
Yield-to-call (YTC) - The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date. **Yield Curve** - A graphic representation that depicts the relationship at a given point in time between yields and

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.

RECOMMENDED BY:



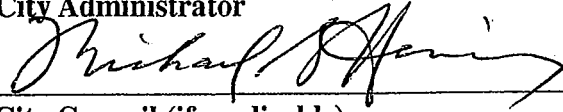
Department Head/Council Committee (if applicable)

10/8/02

Date

APPROVED BY:

City Administrator



City Council (if applicable)

Date

10/8/02

Date

**CITY OF CHESTERFIELD
POLICY STATEMENT**

*Recommended
Replacement*

FINANCE AND ADMINISTRATION	NO.		
SUBJECT Investment Policy	INDEX		FA
DATE	DATE	10/7/02	
ISSUED 12/21/92	REVISED		

POLICY:

I. Scope

This investment policy applies to all short-term operating funds of the City of Chesterfield.

A. These funds are accounted for in the City's Comprehensive Annual Financial Report and include:

1. General Fund
2. Special Revenue Fund
3. Debt Service Funds
4. Capital Projects Funds
5. Trust and Agency Funds

B. Longer-term funds, including the City's retirement fund, are excluded.

C. Pooling of Funds — Except for cash in certain restricted and special funds, the City of Chesterfield will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to various funds based on their respective participation and in accordance with generally accepted accounting principles.

II. General Objectives

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

1. Safety — Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

- a. Credit Risk — The City of Chesterfield will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:
 - o Limiting investments to the safest types of securities
 - o Pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business
 - o Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

- b. Interest Rate Risk — The City will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by:
 - o Structuring the portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
 - o Investing operating funds primarily in shorter-term securities, money market funds, or similar pools.

2. Liquidity — The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accommodated 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). A portion of the portfolio also may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

3. Yield — The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:
 - o A security with declining credit may be sold early to minimize loss of principal.
 - o A security swap would improve the quality, yield, or target duration in the portfolio.
 - o Liquidity needs of the portfolio require that the security be sold.

III. Standards of Care

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 sales 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 intelligences exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

2. 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 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.
3. Delegation of Authority — Authority to manage the City's investment program is derived from the Missouri Constitution Article IV, Section 15. Responsibility for the investment program is hereby delegated to the Finance Director, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to safekeeping, delivery versus payment, investment accounting, repurchase agreements, wire transfer agreements and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

IV. Safekeeping and Custody

1. Authorized Financial Dealers and Institutions — A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness (e.g., a minimum capital requirement of \$10,000,00 and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Security and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following, as appropriate:

- Audited financial statements
- Proof of National Association of Securities Dealers (NASD) certification
- Proof of State registration
- Completed broker/dealer questionnaire
- Certification of having read and understood and agreeing to comply with the City's investment policy

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the Finance Director.

2. Internal Controls — The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the Finance Director shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control and collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members

- Written confirmation of transactions for investments and wire transfers
 - Development of a wire transfer agreement with the lead bank and third-party custodian
3. Delivery vs. Payment — All trades 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-part custodian as evidenced by safekeeping receipts.

V. Authorized & Suitable Investments

1. Investment Types — The following investments will be permitted by this policy and are those defined by state and local laws, where applicable:
- U.S. Government obligations, U.S. Government agency obligations and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value;
 - Certificates of deposit and other evidences of deposit at financial institutions;
 - Repurchase agreements whose underlying purchased securities consist of the foregoing;
 - Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and
 - Local government investment pools, either state-administered or through joint powers statutes and other intergovernmental agreement legislation.

Investment in derivatives of the above instruments shall require authorization by the City Council.

2. Collateralization — Full collateralization will be required for non-negotiable certificates of deposit.
3. Repurchase Agreements—The Finance Director shall exercise special caution in selecting and evaluating the creditworthiness of parties with whom repurchase transactions are conducted and shall be able to identify the parties acting as principals to the transaction. Safekeeping shall be performed by a third-party custodian. Duties of the custodian (either direct or triparty) shall be outlined in a written agreement. The purchased securities associated with the repurchase agreement should have a market value in excess of the value of the repurchase agreement (called margin, "haircut," or over securitization). Market valuing the purchased securities regularly during the term of the repurchase agreement shall be a mandatory practice in order to ensure the

purchased securities maintain sufficient market value. A master repurchase agreements shall be employed, subject to appropriate legal and technical review.

VI. Investment Parameters

1. Diversification—The investments shall be diversified by:
 - Limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities);
 - Limiting investments in securities that have higher credit risks;
 - Investing in securities with varying maturities, and
 - Continuously investing a portion of the portfolio in readily available funds, such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.
2. Maximum Maturities — To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in security maturing more than five (5) years from the date of purchase, unless circumstances warrant other consideration, as approved by the City Administrator. The City shall adopt a weighted average maturity limitation consistent with the investment objective.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the City Council.

Because of the inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds, such as LGIPs, money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing operations.

VII. Reporting

1. Methods — The Finance Director shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment

policy. The report shall be provided to the City Council. The report shall include the following:

- Listing of individual securities held at the end of the reporting period
 - Realized and unrealized gains or losses resulting from appreciation or duration that are not intended to be held until maturity
 - Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks
 - Listing of investment by maturity date
 - Percentage of the total portfolio which case type of investment represents
2. Performance Standards — The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis.
3. Marking to Market — The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly.

VIII. Policy Considerations

1. Exemption — Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.
2. Amendments — This policy shall be reviewed by the Finance Director on an annual basis. Any changes must be approved by the City Council.

Appendix 1: Glossary of Cash Management Terms

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 federal agency is the Government National Mortgage Association (GNMA). An example of a 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 which 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.

Convexity - A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

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 Versus 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.

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 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 - Interest rate charged by one institution lending federal funds to the other.

Government Securities - 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. See "Treasury Bills, Notes and Bonds."

Interest Rate - See "Coupon Rate."

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

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This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below.) $[(\text{Total assets}) - (\text{Liabilities})]/(\text{Number of shares outstanding})$

No Load Fund - A mutual fund which 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.

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 SEC. 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.

Regular Way Delivery - Securities settlement that calls for delivery and payment on the third business day following the trade date (T+3); payment on a T+1 basis is currently under consideration. 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 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 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 90-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).

Safekeeping - Holding of assets (e.g., securities) by a financial institution.

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.

Swap - Trading one asset for another.

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 \$1,000 to \$1 million or more.

Treasury Bonds - Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of \$1,000. Currently, the longest outstanding maturity for such securities is 30 years.

Uniform Net Capital Rule - SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

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 non-credit 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 S&P; "V-1" by Fitch) to those that are highly sensitive with currently identifiable market volatility risk ("ccc-" by S&P, "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 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 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 an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date. **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.

RECOMMENDED BY:

Department Head/Director/Council Committee (if applicable)

Date

APPROVED BY:

City Administrator

Date

City Council (if applicable)

Date

CITY OF CHESTERFIELD
POLICY STATEMENT

Existing Policy
To be Replaced

FINANCE AND ADMINISTRATION

NO. 18

SUBJECT Flowers/Contributions

INDEX FA

DATE 6/19/95
ISSUED

DATE 11/26/12
REVISED

POLICY

The City of Chesterfield will purchase flowers in the amount of \$50 PLUS delivery or send \$50 memorial contribution on behalf of the City and all its officials, employees, and reserve officers when an immediate family member of the official, employee, reserve officer or spouse of same passes away. Immediate family is defined as parents, spouse, children, siblings, or grandparents, including any great, step or in-law relationships and any relative permanently residing in the same home as the official, employee, or reserve officers. Flowers will also be sent to hospitalized officials, employees, or reserve officers or their immediate family at the discretion of the management in such instances.

All flowers or contributions will be coordinated by the Employee Services Administrator and charged to the Central Services account 001-036-5255.

RECOMMENDED BY:

Lilley Tucker 11/26/12
Department Head, Director or Council Committee (if applicable) Date

APPROVED BY:

Michael J. ... 11/26/12
City Administrator Date

City Council (if applicable)

Date

**CITY OF CHESTERFIELD
POLICY STATEMENT**

*Recommended
Replacement*

FINANCE AND ADMINISTRATION **NO.**
SUBJECT **Flowers/Contributions** **INDEX** **FA**
DATE **DATE** **11/26/12**
ISSUED **6/19/95** **REVISED**

POLICY:

The City of Chesterfield will purchase flowers in the amount of \$50 PLUS delivery or send \$50 memorial contribution on behalf of the City and all its officials, employees, and reserve officers when an immediate family member of the official, employee, reserve officer or spouse of same passes away. Immediate family is defined as parents, spouse, children, siblings, or grandparents, including any great, step or in-law relationships and any relative permanently residing in the same home as the official, employee, or reserve officers. Flowers will also be sent to hospitalized officials, employees, or reserve officers or their immediate family at the discretion of the management in such instances.

All flowers or contributions will be coordinated by the Employee Services Administrator and charged to the Central Services account 001-036-5225.

RECOMMENDED BY:

Lilber Tucker
Department Head/Director/Council Committee (if applicable)

11/26/12
Date

APPROVED BY:

City Administrator

Date

City Council (if applicable)

Date

CITY OF CHESTERFIELD
POLICY STATEMENT

*Existing Policy
To be Replaced*

FINANCE AND ADMINISTRATION	NO.	41
SUBJECT RECRUITMENT & EQUAL EMPLOYMENT OPPORTUNITY PLAN	INDEX	FA
DATE ISSUED	DATE REVISED	10/7/02

STATEMENT OF POLICY

It is the policy of the City of Chesterfield ("the City") to provide equal opportunity in employment to all qualified employees and applicants. To this end, the City will recruit, hire and promote for all positions in the City without regard to race, color, religion, national origin, disability, age or sex.

The City is also aware of the special employment problems of qualified individuals with disabilities and all veterans and its personnel policies shall support the needs of these persons.

Pursuant to these policies, the City will base its employment decisions solely upon an individual's qualifications for the position being filled and will make promotion decisions only on an individual's qualifications as related to the requirements of the position being considered.

These policies will also ensure that all employment related matters, such as compensation, benefits, transfers, dismissals, City sponsored training, education, social and recreational programs will be administered and provided without regard to race, color, religion, national origin, disability, age or sex.

STATEMENT OF RESPONSIBILITY

The Director of Finance & Administration (the "Director") shall be responsible for overseeing the implementation of the Equal Employment Opportunity Policy (the "Policy"). The Director may issue instructions to clarify or facilitate implementation and enforcement of this Policy. If there is a violation of the Policy by an employee, the Director shall notify the appropriate Department Head who shall take disciplinary action as appropriate. The Director is accountable to the City Administrator for all aspects of this Policy. In addition to overseeing the Policy, the Director shall have the following responsibilities:

- A. Coordinate overall compliance with the City's Equal Employment Opportunity Policy.
- B. Evaluate the job requirements and hiring criteria for all positions in the City to ensure that no discriminatory practices exist.
- C. Review the requirements for promotions for all positions and the qualification of employees in each position to ensure that members of the protected classes are given equal opportunity for advancement and promotion.
- D. Prepare and file the required Equal Employment Opportunity (EEO) reports.
- E. Serve as liaison between the City and other equal opportunity enforcement agencies, such as minority and women's organizations.
- F. Ensure that EEO posters are properly displayed, that facilities are desegregated and in fact accessible to all employees, and ensure that minority, female and persons with disabilities and veterans are encouraged to participate in all City education, training, recreational and social activities.
- G. Receive, investigate, and attempt conciliation of complaints of discrimination filed by employees or applicants as outlined in the COMPLAINT PROCEDURE section of this Policy.

COMMUNICATION OF POLICY

In order to adequately disseminate the City's Policy of equal opportunity in employment, the City will:

- 1) have the policy publicized in available media,
- 2) conduct meetings with all Department Heads to explain the intent of the Policy and individual responsibility for effective implementation: where advisable schedule meetings with other employees to discuss the Policy and explain individual employee responsibilities,
- 3) ensure that the Policy is thoroughly discussed in both employee orientation and training programs,
- 4) provide Department Heads and supervisors and all employees engaged in recruiting, hiring, discharging or in any other means or manner controlling or affecting terms or conditions of employment with a copy of the City's

Policy. The City will continue to post EEO posters in conspicuous places in the City.

RECRUITMENT

The City will select employees on the basis of their qualifications, abilities and potential without regard to race, color, religion, sex, disability, age or national origin.

Qualifications as evidenced by education, training, experience, skill and potential shall continue to be the determining criteria.

The City will review its employment practices to assure it is providing for the employment and advancement of qualified individuals with disabilities. Based upon the findings of such reviews, the City will undertake appropriate outreach and positive recruitment activities.

The City agrees to identify itself as an Equal Employment Employer in all employment advertising. Job examinations shall be used only to measure knowledge, skills and abilities necessary to perform specifically defined job-related functions.

HIRING PROCESS

Any individual contacting the City in person for employment will be authorized to file an application *if vacancies exist at that time*. Employment applications submitted by such persons will be reviewed by the City and will be either acted upon or held in the file for consideration for other appropriate positions as may become available or for further evidence of qualifications.

Qualifications for Employment

The City will continue to review its current job qualifications, including all mental and physical qualifications, to ensure that they are validly related to the requirements of the job. In addition, all employees involved in interviewing applicants shall be trained to evaluate the applicant's ability and potential to perform the job for which the applicant has applied. Also, employees shall know the job requirements as defined in the City's job descriptions so that selection will be based primarily on relevant, objective standards.

PROMOTIONS

All job openings shall be posted at City Hall and on all designated City bulletin boards for a minimum of five (5) days. No employee shall be discouraged or prevented from applying for any vacancy for which he/she is qualified.

Education, past work experience and experience gained in employment with the City shall be considered when evaluating an employee's qualifications for promotion.

Department Heads and supervisors shall encourage all employees (who have increased their skills and job potential) to apply and compete for promotions.

TRAINING AND EVALUATION

The City will identify through internal announcement any new or proposed training programs and will encourage all employees to participate in training programs in which the City is engaged.

All such training and educational programs will be conducted in a manner to assure that qualified candidates are given an equal opportunity to participate.

Employees will be advanced and promoted at all levels solely on the basis of the individual's performance, achievements, ability and potential.

The City will appraise all employees, including minority group, female, disabled and veteran employees, who appear to have potential for advancement into supervisory and management positions.

COMPENSATION AND EMPLOYEE BENEFITS

All employee benefits and compensation programs are administered without regard to race, religion, color, sex, age, national origin or disability. Any compensation paid to qualified disabled workers, disabled veterans or veterans of the Vietnam era shall not be reduced because of any disability income, pension or other benefit the employee or applicant receives from another source.

COMPLAINT PROCEDURE

Any employee who wants to submit a complaint alleging discrimination relative to salary, benefits, hiring, promotion, termination, discipline or any other term or condition of employment should use the complaint procedure as set forth in this Section:

- A. Any complaint alleging discrimination relative to any term or condition of employment should be submitted to the Director of Finance & Administration, 690 Chesterfield Parkway West, Chesterfield, MO 63017.

- B. Any such complaint should be filed in writing and include the name, address and telephone number of the person filing it, and including specific facts upon which the claimed discrimination is based.
- C. Any complaints should be filed within ten (10) calendar days after the occurrence of the facts giving rise to any alleged discrimination.
- D. A prompt investigation shall follow the filing of any complaint. The investigation shall be informal, provided however; any interested person shall be provided the opportunity to submit evidence relevant to the complaint.
- E. The Director of Finance & Administration shall issue a written determination following the investigation, as to the merits of the complaint and the proposed resolution, if any. The written determination shall be issued within thirty (30) calendar days after filing of the complaint unless both parties agree to an extension.
- F. If the complainant is dissatisfied with the written determination or recommended resolution of the complaint, a request for reconsideration may be filed with the City Administrator within ten (10) calendar days following receipt of the determination issued by the Director of Finance & Administration.
- G. Upon filing of any request for reconsideration, the City Administrator shall issue a written determination as to the merits of the complaint and the proposed resolution, if any, within twenty (20) calendar days of the filing of the request for reconsideration. The City Administrator's determination shall be final.

No employee shall be subject to disciplinary action, reduction of employment status or benefits, discrimination in employment, promotion, wages or transfer as a result of filing a complaint under this Policy.

FACILITIES AND ACTIVITIES

All City facilities are maintained and will continue to be maintained on a non-segregated basis without regard to race, color, religion, age, national origin or disability and shall be accessible as soon as practicable to all City workers with disabilities on a nondiscriminatory basis, as are City sponsored employee recreational or social activities, The City will continue its interest in community, and industry programs designed to promote equal opportunity for all employees.

RECOMMENDED BY:

Jim Han
Department Head/Council Committee (if applicable)

10/15/02
Date

APPROVED BY:

City Administrator
Michael St. James
City Council (if applicable)

Date
10/7/02
Date

**CITY OF CHESTERFIELD
POLICY STATEMENT**

*Recommended
Replacement*

FINANCE AND ADMINISTRATION		NO.	
SUBJECT	Recruitment & Equal Employment Opportunity Plan	INDEX	FA
DATE ISSUED	10/7/02	DATE REVISED	

STATEMENT OF POLICY:

The City of Chesterfield ("the City") provides equal employment opportunity to all employees and applicants and prohibits discrimination and harassment of any type without regard to race, color, religion, age, sex, national origin, disability status, genetics, protected veteran status, sexual orientation, gender identity or expression, or any other characteristics protected by federal, state, or local laws. The City complies with applicable federal, state, and local nondiscrimination requirements at every location in which the City operates and/or has facilities. The Equal Employment Opportunity Policy applies to all terms and conditions of employment including but not limited to the following: recruiting; hiring; placement; promotion; termination; layoff; recall; transfer; leaves of absence; compensation; and City sponsored training, education, social, and recreational programs.

Pursuant to these policies, the City will base its employment decisions solely upon an individual's qualifications for the position being filled. Likewise, the City will make promotion decisions only on an individual's previous performance and qualifications as related to the requirements of the position being considered.

The City's personnel policies shall support the needs of persons with qualified disabilities and protected veteran status; the City will reasonably accommodate qualified individuals so that they can perform the essential functions of a job unless doing so causes a direct threat to these individuals or others in the workplace and the threat cannot be eliminated by reasonable accommodation or if the accommodation creates an undue hardship to the City.

The Equal Employment Opportunity Policy ensures that all terms and conditions related to employment matters (such as recruiting, hiring, placement, training, promotion, termination, etc.) will be administered solely based on an individual's qualifications and provided without regard to any characteristics protected by law including but not limited to race, color, religion, age, sex, national origin,

disability status, genetics, protected veteran status, sexual orientation, gender identity or expression, etc.

STATEMENT OF RESPONSIBILITY

The Finance Director (the "Director") shall be responsible for overseeing the implementation of the Equal Employment Opportunity Policy (the "Policy"). The Director may issue instructions to clarify or facilitate implementation and enforcement of this Policy. If there is a violation of the Policy by an employee, the Director shall notify the appropriate Department Head who shall take disciplinary action as appropriate. The Director is accountable to the City Administrator for all aspects of this Policy. In addition to overseeing the Policy, the Director shall have the following responsibilities:

- A. Coordinate overall compliance with the City's Equal Employment Opportunity Policy
- B. Evaluate the job requirements and hiring criteria for all positions in the City to ensure no discriminatory practices exist.
- C. Review the requirements for promotions for all positions and the qualification of employees in each position to ensure that members of the protected classes are given equal opportunity for advancement and promotion.
- D. Prepare and file the required Equal Employment Opportunity (EEO) reports.
- E. Serve as liaison between the City and other equal opportunity enforcement agencies, such as minority and women's organizations.
- F. Ensure that EEO posters are properly displayed, that facilities are desegregated and in fact accessible to all employees, and ensure that minority, female and persons with disabilities and veterans are encouraged to participate in all City education, training, recreational and social activities.
- G. Receive, investigate, and attempt conciliation of complaints of discrimination filed by employees or applicants as outlined in the COMPLAINT PROCEDURE section of this Policy.

COMMUNICATION OF POLICY

In order to adequately determine the City's Policy of equal opportunity in employment, the City will:

- 1) Have the policy publicized in available media.
- 2) Conduct meetings with all Department Heads to explain the intent of the Policy and individual responsibility for effective implementation: where advisable schedule meetings with other employees to discuss the Policy and explain individual employee responsibilities,
- 3) Ensure that the Policy is thoroughly discussed in both employee orientation and training programs,
- 4) Provide Department Heads and supervisors and all employees engaged in recruiting, hiring, discharging or in any other means or manner controlling or affecting terms or conditions of employment with a copy of the City's Policy. The City will post EEO posters in conspicuous places in the City.

RECRUITMENT

The City will select employees on the basis of their qualifications, abilities and potential without regard to race, color, religion, age, sex, national origin, disability status, genetics, protected veteran status, sexual orientation, gender identity or expression, or any other characteristic protected by federal, state, or local laws.

Qualifications as evidenced by education, training, experience, skill, and potential shall continue to be the determining criteria.

The City will review its employment practices to assure it is providing for the employment and advancement of qualified individuals with disabilities. Based upon the findings of such reviews, the City will undertake appropriate outreach and positive recruitment activities.

The City agrees to identify itself as an Equal Employment Employer in all employment advertising. Job examinations shall be used only to measure knowledge, skills and abilities necessary to perform specifically defined job-related functions.

HIRING PROCESS

All job openings shall be posted at City Hall and on all designated City bulletin boards for a minimum of five (5) days.

Any individual contacting the City in person for employment will be authorized to file an application *if vacancies exist at that time*. Employment applications submitted by such persons will be reviewed by the City and will be either acted upon or held in the file for consideration for other appropriate positions as may become available or for further evidence of qualifications.

No employee shall be discouraged or prevented from applying for any vacancy for which he/she is qualified. Education, past work experience and experience gained in employment with the City shall be considered when evaluating an employee's qualifications for promotion. Department Heads and supervisors shall encourage all employees (who have increased their skills and job potential) to apply and compete for promotions.

QUALIFICATIONS FOR EMPLOYMENT

The City will continue to review its current job qualifications, including all mental and physical qualifications, to ensure that they are validly related to the requirements of the job. In addition, all employees involved in interviewing applicants shall be trained to evaluate the applicant's ability and potential to perform the job for which the applicant has applied. Also, employees shall know the job requirements as defined in the City's job descriptions so that selection will be based primarily on relevant, objective standards.

TRAINING AND EVALUATION

The City will identify through internal announcement any new or proposed training programs and will encourage all employees to participate in training programs in which the City is engaged.

All such training and educational programs will be conducted in a manner to assure that qualified candidates are given an equal opportunity to participate.

Employees will be advanced and promoted at all levels solely on the basis of the individual's performance, achievements, ability and potential.

The City will appraise all employees, including minority group, female, disabled and veteran employees, who appear to have potential for advancement into supervisory and management positions.

COMPENSATION AND EMPLOYEE BENEFITS

All employee benefits and compensation programs are administered without regard to race, color, religion, age, sex, national origin, disability status, genetics, protected veteran status, sexual orientation, gender identity or expression, or any other characteristics protected by federal, state, or local laws. Any compensation paid to qualified disabled workers, disabled veterans or veterans of the Vietnam era shall not be reduced because of any disability income, pension or other benefit the employee or applicant receives from another source.

COMPLAINT PROCEDURE

Any employee who wants to submit a complaint alleging discrimination relative to salary, benefits, hiring, promotion, termination, discipline or any other term or condition of employment should use the complaint procedure as set forth in this Section:

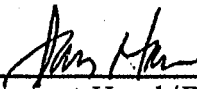
- A. Any complaint alleging discrimination relative to any term or condition of employment should be submitted to the Finance Director, 690 Chesterfield Parkway West, Chesterfield, MO 63017.
- B. Any such complaint should be filed in writing and include the name, address and telephone number of the person filing it, and including specific facts upon which the claimed discrimination is based.
- C. Any complaints should be filed within ten (10) calendar days after the occurrence of the facts giving rise to any alleged discrimination.
- D. A prompt investigation shall follow the filing of any complaint. The investigation shall be informal, provided however; any interested person shall be provided the opportunity to submit evidence relevant to the complaint.
- E. The Finance Director shall issue a written determination following the investigation, as to the merits of the complaint and the proposed resolution, if any. The written determination shall be issued within thirty (30) calendar days after filing of the complaint unless both parties agree to an extension.
- F. If the complainant is dissatisfied with the written determination or recommended resolution of the complaint, a request for reconsideration may be filed with the City Administrator within ten (10) calendar days following receipt of the determination issued by the Finance Director.
- G. Upon filing of any request for reconsideration, the City Administrator shall issue a written determination as to the merits of the complaint and the proposed resolution, if any, within twenty (20) calendar days of the filing of the request for reconsideration. The City Administrator's determination shall be final.

No employee shall be subject to disciplinary action, reduction of employment status or benefits, discrimination in employment, promotion, wages or transfer as a result of filing a complaint under this Policy.

FACILITIES AND ACTIVITIES


All City facilities are maintained and will continue to be maintained on a non-segregated basis without regard to race, color, religion, age, national origin or disability and shall be accessible as soon as practicable to all City workers with disabilities on a nondiscriminatory basis, as are City sponsored employee recreational or social activities, The City will continue its interest in community and industry programs designed to promote equal opportunity for all employees.

RECOMMENDED BY:



Department Head/Director/Council Committee (if applicable) Date

APPROVED BY:

City Administrator Date


City Council (if applicable) Date

CITY OF CHESTERFIELD
POLICY STATEMENT

*Existing Policy
To be Replaced*

FINANCE AND ADMINISTRATION

NO. 42

SUBJECT NEIGHBORHOOD IMPROVEMENT
DISTRICT POLICY (NID)

INDEX FA

DATE 8/1/2005
ISSUED

DATE 1/3/2008
REVISED

POLICY

Policy is attached.

RECOMMENDED BY:

Don Kelle

Department Head/Council Committee (if applicable)

1/7/08

Date

APPROVED BY:

Michael J. ...

City Administrator

1/9/08

Date

City Council (if applicable)

Date

**CITY OF CHESTERFIELD, MISSOURI
NEIGHBORHOOD IMPROVEMENT DISTRICT
POLICY**

INTRODUCTION

One of the more serious issues facing the City of Chesterfield today is how to finance local infrastructure improvements primarily in subdivisions that existed prior to incorporation and improvements owned by the subdivision. Improvements to streets, storm water systems and subdivision amenities are critical to the quality of life of the residents of the City. Unfortunately, these infrastructure projects tend to be expensive and are overly burdensome for some residents. The issue becomes even more challenging when the infrastructure improvements benefit a specific geographic area or subdivision.

In most states, units of local governments (both cities and counties) can issue general obligation bonds backed by the "full faith and credit" of the governmental unit. These bonds are issued and the debt retired through assessments, special fees or taxes, levied against the real property that benefits from the improvements. Prior to 1991, Missouri had no provisions in place for this type of funding. Therefore, when faced with a specific improvement project, Missouri cities and counties had few options. One option was to consider the issuance of a general obligation bond issue, subject to a vote of the entire city or county. Another was use the authority granted under the subdivision indenture to impose special assessments, the revenues from which would be used to finance the improvements. The primary drawback to the assessment process was that the cumbersome, inflexible nature of the subdivision indentures made assessments difficult to enact and enforce. Subdivisions could also establish a special benefit district or a special tax district, but those had added costs, as well. The result was often that the subdivision and the municipality would simply ignore the situation. None of these options offered a practical alternative to resolve the problem.

The City Council is aware of the need to develop a structure that would enable improvements to be made to streets, stormwater systems and other subdivision amenities. At the same time, the City Council is concerned about maintaining its current strong financial rating. The City Council believes that the formation of Neighborhood Improvement Districts can provide an excellent opportunity for citizens to examine the particular needs of their communities or subdivisions and to structure a plan to address their needs. The City Council believes that it is important that local residents have the ability to avail themselves of those lawful opportunities which enable them to improve their quality of life. Further, the City Council is willing and able to partner with residents to make the necessary improvements in a way that is suitable to the residents and the city alike.

THE MISSOURI NEIGHBORHOOD IMPROVEMENT DISTRICT ACT

The Missouri Neighborhood Improvement District Act, Sections 67.453 to 67.475 of the Revised Statutes of Missouri, also known as the NID Act, was designed to provide a practical, flexible, and responsive tool to finance public infrastructure in response to citizen needs. Simply

Armstrong Teasdale LLP

NID Policy

Dated April 29, 2005

Revised to reference F&A Committee 1-3-08

defined, a Neighborhood Improvement District, or NID, is a geographically defined area within which certain public improvements are financed by the local governmental entity (either city or county) through the issuance of general obligation bonds. These general obligation bonds are in turn retired through special assessments imposed on the owners of real property within the NID area.

Therefore the basic premise of NID financing is that only those who benefit from the financed improvements pay for those improvements.

FORMATION OF A NEIGHBORHOOD IMPROVEMENT DISTRICT

In Missouri, Neighborhood Improvement Districts can be formed in one of two ways: through the initiative petition process in which a petition is signed by at least two-thirds of the owners of record of real property within the proposed district area; or through an election submitted to all qualified voters residing within the proposed district area. Passage of the NID issue requires a four-seventh majority if the election is conducted at a general municipal election day, primary or general elections and two-thirds at all other elections. On all other election days, a two-thirds majority is required for passage.

The NID Act outlines the structure of and formation process for NIDs. These can be very complex, even to those experienced in governmental affairs. The NID Act places very specific requirements on City officials planning to implement NID. While some may believe that the passage of the ballot issuance or the submission of the petition is the major hurdle in the formation of a NID, it represents the first step in what can be a complicated and potentially costly process.

PROJECTS ELIGIBLE FOR NID FINANCING

The NID Act has defined the range of projects which are eligible for Neighborhood Improvement District financing. Under the Act, to "improve" a project is to "construct, reconstruct, maintain, restore, replace, renew, repair, install, equip, extend, or to otherwise perform any work which will provide a new public facility or enhance, extend or restore the value or utility of an existing public facility." Further, an "improvement" includes "any one or more public facilities or improvements which confer a benefit on property within a definable area and may include or consist of a reimprovement of a prior improvement" including but not limited to projects:

(a) to acquire property or interests in property when necessary or desirable for any purpose authorized by sections 67.453 to 67.475;

(b) to open, widen, extend and otherwise to improve streets, paving and other surfacing, gutters, curbs, sidewalks, crosswalks, driveway entrances and structures, drainage works incidental thereto, and service connections from sewer, water, gas and other utility mains, conduits or pipes;

- (c) to improve main and lateral storm water drains and sanitary sewer systems, and appurtenances thereto;
- (d) to improve street lights and street lighting systems;
- (e) to improve waterworks systems;
- (f) to improve parks, playgrounds and recreational facilities;
- (g) to improve any street or other facility by landscaping, planting of trees, shrubs, and other plants;
- (h) to improve dikes, levees and other flood control works, gates, lift stations, bridges and streets appurtenant thereto;
- (i) to improve vehicle and pedestrian bridges, overpasses and tunnels;
- (j) to improve retaining walls and area walls on public ways or land abutting thereon;
- (k) to improve property for off-street parking facilities including construction and equipment of buildings thereon;
- (l) to acquire or improve any other public facilities or improvements deemed necessary by the governing body of the city or county; and
- (m) to improve public safety.

COSTS THAT CAN BE PAID WITH NID FINANCING

The NID Act identifies the costs that can be paid for through a Neighborhood Improvement District. Eligible costs include:

“... all costs incurred in connection with an improvement, including, but not limited to, costs incurred for the preparation of preliminary reports, the preparation of plans and specifications, the preparation and publication of notices of hearings, resolutions, ordinances and other proceedings, fees and expenses of consultants, interest accrued on borrowed money during the period of construction, underwriting costs and other costs incurred in connection with the issuance of bonds or notes, establishment of reasonably required reserve funds for bonds or notes, the cost of land, materials, labor and other lawful expenses incurred in planning, acquiring and doing any improvement, reasonable construction contingencies, and work done or services performed

by the city or county in the administration and supervision of the improvement...”

FINANCING NEIGHBORHOOD IMPROVEMENT DISTRICTS

Neighborhood Improvement Districts can be financed in several ways, however the most common means is through the issuance of “debt” by the City, which is usually in the form of a general obligation bond. Because these bonds are designated as “Neighborhood Improvement District Bonds,” they generally carry relatively low interest rates when compared to conventional bank financing.

Once a NID is established, the City may issue temporary notes or may authorize a local bank or other financial institution to issue temporary notes which may then be refunded by issuing the NID bonds or general obligation bonds. This allows for projects to be linked together (also called “pooling”) creating a larger single bond which further reduces issuance costs and allows projects to begin construction while the final financing structure is developed.

These bonds are repaid through an annual assessment on all real property within the NID. The special assessment is included in the annual property tax bill for residents so only one payment is required per year. Failure to pay the special NID assessment is handled in the same manner as failure to pay property taxes. Failure to pay property taxes may result in the sale of the real property by the City at a tax sale. Further, the IRS has determined that special assessments cannot be deducted from a property owner’s income taxes, as can real and personal property taxes.

COMPLEXITIES ASSOCIATED WITH BOND ISSUES

Bond issues, including those issued for Neighborhood Improvement Districts, create an obligation for the issuing agency, the City, which pledges its “full faith and credit” to secure the bonds. This means that should a default occur and repayment of the principal and interest on the bonds not occur as scheduled, the City of Chesterfield has pledged to make the delinquent payments. Therefore, the legal and financial structure of these bond issues is of critical importance both to ensure that the project is financially viable and, should a default occur, that sufficient protection is in place to minimize the potential for losses.

Correctly structuring and marketing general obligation bonds requires professional advice and expertise. First, bond counsel must be retained. Bond counsel serves several purposes including structuring the issue, drafting the documents, certifying its tax-exempt status and other related actions. A trustee must be retained. A trustee is the paying agent for the issuance. It is the trustee who certifies that sufficient funds are available to meet debt service obligations. In some instances, an underwriter is retained to “market” the bonds. To “market” bonds is to determine the bond interest rates and supply potential customers to purchase the bonds. The bonds and various disclosure documents must be printed in large quantities by a qualified printer. In certain instances, a financial advisor is retained to provide independent financial analysis of the project to ascertain risk. The costs incurred in completing these and other related tasks are called the costs of issuance. These costs are added to the obligation and are part of the overall issuance. Therefore, bond issues can become expensive to develop.

However, one must consider the fact that interest rates for government backed securities, including those issued for NIDs, will carry an interest rate substantially lower than the interest rates normally available to individuals because the City's pledge of its full faith and credit makes the obligations virtually risk free.

Therefore, in considering whether to pursue a Neighborhood Improvement Project, one must weigh the costs of complying with the "red tape" normally associated with government financing with the substantially lower interest rate offered by using government backed securities.

IMPACT OF SIZE OF PROJECT

Given that the most appropriate means of financing neighborhood improvement projects is through the issuance of bonds, it is important that projects be large enough to justify the costs associated with the issuance. It makes very little sense to use bond financing for a small project if the costs of issuance add appreciably to the project. The bond market generally favors larger issues over smaller issues and there are distinct cost savings for larger issues when compared to smaller issues. Therefore, the City recommends that subdivisions consider the following when deciding whether to pursue a NID project:

Projects with total costs below \$300,000 will face some difficulty seeking Neighborhood Improvement District financing. The administrative costs and the costs of issuance are such that including projects of this size in the NID program will cause issuance and sale problems for the entire program. There are some additional considerations to make for projects between \$300,000 and \$500,000. It is possible that projects of this size can be "pooled", or joined, to one another to form a larger bond issue, but this will require significant coordination between construction and completion schedules. Projects greater than \$500,000 are more feasible than other smaller projects, although the aspect of "pooling" of these issues is still a very important consideration. Projects of \$1.0 million or greater are typically sustainable as "stand alone" bond issuances.

Although the City has recommended the following considerations, it is willing to consider any project that leads to the improvement of local subdivisions. To encourage the NID process for existing streets, stormwater systems and other subdivision improvements, the City desires to provide assistance to its residents by evaluating potential NID projects and determining such project's feasibility.

SPECIAL REQUIREMENTS TO ESTABLISH A NID

In addition to the requirements for financing, the NID Act requires that the area seeking to be designated as a NID to operate in a readily-defined area. Generally, this requires that a metes and bounds survey of the NID area be completed and that a specific legal description be developed for the district. To assist in this process, the City will help identify and retain an

acceptable land surveyor who will complete the survey in a reasonable period of time and at a reasonable cost.

The NID Act also requires that the total costs for the proposed project be certified. However, properly determining these costs can be a cumbersome and expensive activity for property owners who are not familiar with the process. An incorrect cost estimate could cost the subdivision flexibility later, so the City is willing to prepare the cost estimates for the NID project and verify that they comply with the requirements of the NID Act.

Because these projects involve public improvements, all projects must include the payment of prevailing wage rates and must comply with the normal bidding and procurement policies of the City. The City is experienced in these matters and will incur the costs associated with the preparing and soliciting bids.

The City views itself as a partner in these proceedings, and is therefore willing to facilitate the formation and administration of NIDs. As a result, in addition to the items listed above, the City will also incur the initial legal expenses necessary to work with the subdivision trustees to prepare a proper petition and to ensure that the NID process has been properly initiated. The City begins by providing its residents with a form of the pre-application petition necessary to begin the formation process (see **Appendix A**).

LENGTH OF FORMATION PROCESS

Because each Neighborhood Improvement District must be judged on its own strengths and merits, it is not possible to establish a “normal” time frame for establishment. It is important to understand that a NID is a “quasi-public” structure that requires that the City Council complete several administrative and legislative steps. However, the City Council is committed to considering and approving all feasible NID projects.

HOW TO INITIATE THE FORMATION PROCESS

Given the fact that there are several “up-front” costs required to comply with the NID Act to form a Neighborhood Improvement District, and that these up-front costs may be substantial, the City Council would like to provide some assistance during the initiation process to verify that the proposed projects are being properly defined and that they have been structured in a way that is economically feasible. City Council has developed a “pre-application” which will be used to enable the City to perform an initial evaluation of all NID proposals. The Pre-Application is designed to help residents conceptualize the project and identify the means of making it most-productive. After an initial review and evaluation, it will then go through the formal review process.

Pre-Application

The Pre-Application contains the following elements, all of which are essential to its evaluation:

1. The name of the proposed Neighborhood Improvement District and the principals involved in the project. “Principals” include the local contact

person, the subdivision attorney, the subdivision engineer, the subdivision trustees and any other individual that will be involved in the project.

2. A Narrative Description of the proposed project. This narrative should include a statement of the problem and the prior steps that the subdivision has taken in attempting to solve the problem. If any sanctions have been imposed by other governmental agencies, such as the Health Department, those should be listed as well. The narrative should also include a general description of the area, including the major roads which service the subdivision, the character of the subdivision, in particular, an assessment of whether the area growing, declining, or unchanged; the number of single family homes, businesses, or other dwelling units in the subdivision and the utility companies which serve the area, particularly water company and the sanitary sewer company. Finally, the narrative should describe any steps that the subdivision has taken to secure financing for this project and the status of such requests.
3. If available, a metes and bounds survey of the proposed district. If this is not available, a copy of the recorded plat from the Recorder of Deeds office will suffice, which the City will help obtain. If this is not available, an aerial of the proposed area should be provided, which the City is also able to assist in securing through either commercial firms or the St. Louis County Assessor's Office.
4. A list, by street address and mailing address, of all persons residing within the boundaries of the proposed district. Such list can be obtained from the City.
5. A list, by street address, of all current owners of real property located within the boundaries of the proposed district. Such list can be obtained from the City.
6. A Preliminary Construction Estimate prepared and sealed by an engineer registered by the State of Missouri for the proposed construction project. The City has experience in obtaining bids for such estimates and is willing to assist as necessary. Because NID projects are public works projects, they are subject to the prevailing wage statutes of the state, and the City is able to advise as to whether the bids comply with the law.
7. A petition, which at a minimum, includes the signatures of at least 70% of the qualified voters residing within the proposed district;

-OR-

A petition, which at a minimum, includes the signatures of at least 70% of the owners of real property located within the proposed district. The City can help obtain names and addresses of those eligible to sign the petition.

8. A record of the current annual subdivision assessments, if any, the uses established for these assessments, a record of payments for each lot or property owner for the past three (3) years, and what proposed maintenance schedule will be established to ensure that one the improvement has been made that it is adequately maintained. To the extent that it is necessary, the City is able to assist in making these determinations.

Six copies of this Pre-Application should be submitted to the City Council as follows:

City Council of the City of Chesterfield
690 Chesterfield Parkway West
Chesterfield, Missouri 63017-0760
ATTN: Finance & Administration Committee

After receipt, the City Administrator will cause a formal review of the application by all appropriate City Staff and/or City consultants and will, following said review, forward those applications considered to be complete to the City's Finance and Administration Committee. During this process, the Committee will also verify the accuracy of the property tax payment records on all properties within the proposed NID.

Throughout the evaluation process, the Finance and Administration Committee will be committed to reviewing and revising the proposal as necessary to help meet the needs of the subdivision and the City. To the extent that portions of the proposal are not sufficient to satisfy the requirements of the NID Act, the City will discuss potential revisions with the subdivision and attempt to reach agreement on any issues of concern.

After the review of the Pre-Application is completed, the Finance & Administration Committee will complete a written evaluation of the proposed project. This evaluation will include a recommendation on whether to include the project in the Neighborhood Improvement District Program for the City. The evaluation will be submitted to the applicant and after comments have been received, will be presented to the City Council for their action.

Formal Application

Once the Pre-Application review process is complete and the proposal is forwarded to the City Council for approval, it will be included in the NID program and the formal development of a NID Proposal will be started. Costs incurred during the formal application process are also reimbursable under the NID Act. The formal proposal should include all statutory requirements including, but not limited to:

1. The completion of a metes and bounds survey and the development of a project legal description;
2. The development and certification of costs associated with the project. This is to include construction costs (developed through a formal bidding process); the costs of issuance of the bonds to finance the project; the

administrative costs for the project; and any other allowable costs deemed necessary and appropriate for the successful operation of the NID; and

3. The completion and submission of a petition which complies with the statutory requirements of section 67.457 RSMO.

-OR-

The conduct of an election which complies with the statutory requirements of section 67.457 RSMO.

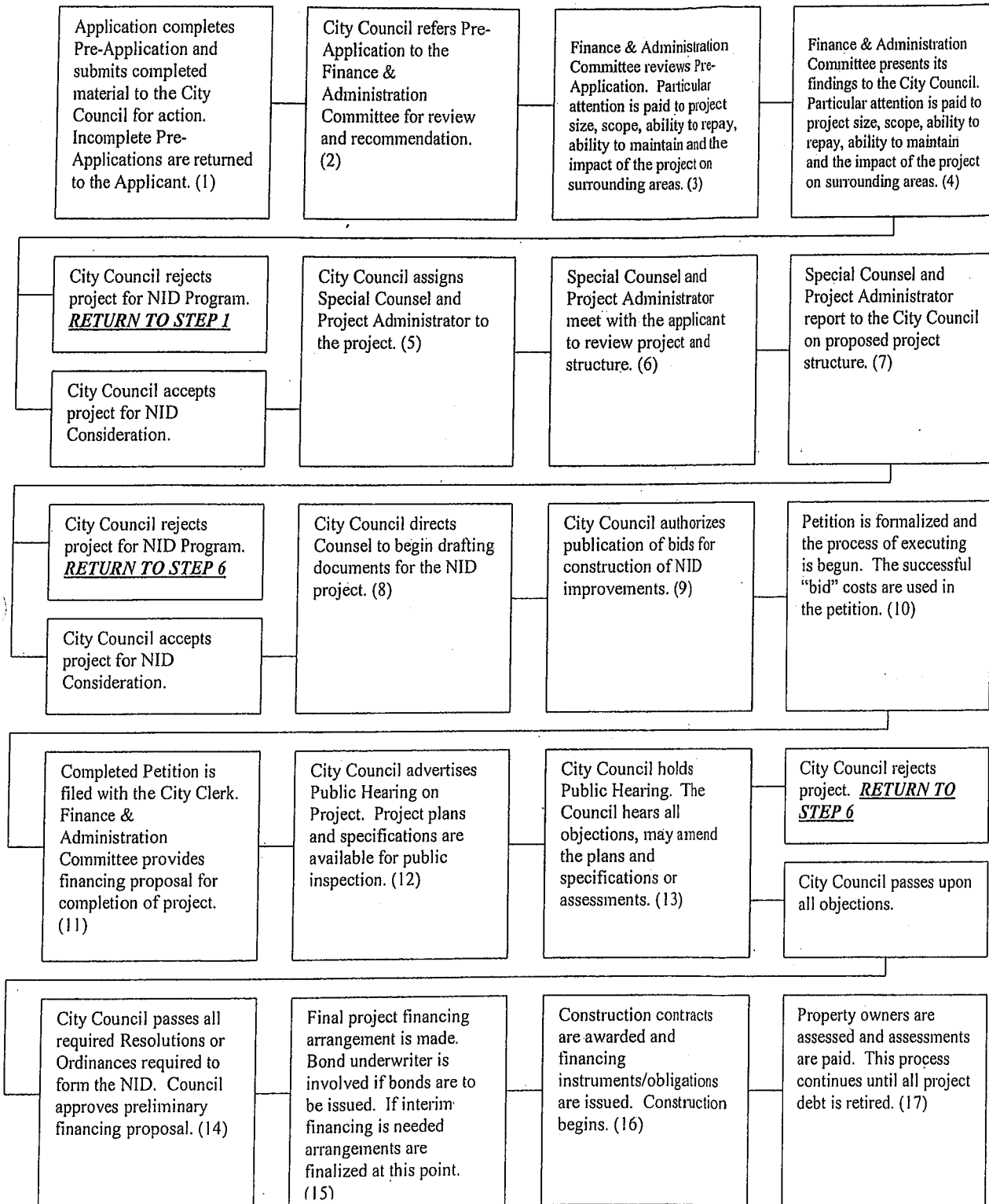
As with the Pre-Application, to the extent that the subdivision requires assistance with any of the elements of the formal application process, City staff is available to help.

FOR ADDITIONAL INFORMATION

For additional information, contact:

Assistant City Administrator for
Community Services & Economic Development
690 Chesterfield Parkway West
Chesterfield, Missouri 63017-0760
636-537-6721

FORMATION OF A NEIGHBORHOOD IMPROVEMENT DISTRICT



**APPENDIX A
FORM OF PRE-APPLICATION**

(Attached hereto.)

**PRE-APPLICATION FOR
NEIGHBORHOOD IMPROVEMENT DISTRICT**

1. Name of Proposed District: _____
- (a) Principals for the proposed project include:
Contact person: _____
Subdivision attorney: _____
Subdivision engineer: _____
Subdivision trustees: _____
2. Narrative Description of the Proposed Project:
 - (a) [Description of project.]
 - (b) [Project location.]
 - (c) [Description of project, need for NID, and private financing.]
 - (d) [Identification of utility companies serving area.]
3. [Legal description, plat map or aerial map] for the proposed District are attached as **Exhibit A.**
4. [List of residents.]
5. [List of property owners.]
6. The estimated cost of the proposed Improvements is \$_____. The final cost of such Improvements assessed against the property within the District shall not exceed such estimated cost by more than 25%. The Preliminary Construction Estimate is attached hereto as **Exhibit B.**
7. A petition signed by at least 70% of the [qualified voters residing within the proposed district/owners of real property located within the proposed district] is attached as **Exhibit C.**
8. [Describe current assessment method.]
9. [Describe who will maintain improvements for proposed NID project.]

EXHIBIT A
Legal Description

(Attached hereto.)

EXHIBIT B
Preliminary Construction Estimate

(Attached hereto.)

EXHIBIT C
Petition of Property Owners/Qualified Voters

Parcel Number

Owner/Qualified Voter

**CITY OF CHESTERFIELD
POLICY STATEMENT**

*Recommended
Replacement*

FINANCE AND ADMINISTRATION	NO.		
SUBJECT	Neighborhood Improvement District Policy (NID)	INDEX	FA
DATE ISSUED	8/1/05	DATE REVISED	1/3/08

POLICY:

Policy is attached.

Armstrong Teasdale LLP
NID Policy
Dated April 29, 2005
Revised to reference F&A Committee 1-3-08

RECOMMENDED BY:

Department Head/Director/Council Committee (if applicable)

Date

APPROVED BY:

City Administrator

Date

1/9/08

City Council (if applicable)

Date

CITY OF CHESTERFIELD, MISSOURI
NEIGHBORHOOD IMPROVEMENT DISTRICT
POLICY

INTRODUCTION

One of the more serious issues facing the City of Chesterfield today is how to finance local infrastructure improvements primarily in subdivisions that existed prior to incorporation and improvements owned by the subdivision. Improvements to streets, storm water systems and subdivision amenities are critical to the quality of life of the residents of the City. Unfortunately, these infrastructure projects tend to be expensive and are overly burdensome for some residents. The issue becomes even more challenging when the infrastructure improvements benefit a specific geographic area or subdivision.

In most states, units of local governments (both cities and counties) can issue general obligation bonds backed by the "full faith and credit" of the governmental unit. These bonds are issued and the debt retired through assessments, special fees or taxes, levied against the real property that benefits from the improvements. Prior to 1991, Missouri had no provisions in place for this type of funding. Therefore, when faced with a specific improvement project, Missouri cities and counties had few options. One option was to consider the issuance of a general obligation bond issue, subject to a vote of the entire city or county. Another was use the authority granted under the subdivision indenture to impose special assessments, the revenues from which would be used to finance the improvements. The primary drawback to the assessment process was that the cumbersome, inflexible nature of the subdivision indentures made assessments difficult to enact and enforce. Subdivisions could also establish a special benefit district or a special tax district, but those had added costs, as well. The result was often that the subdivision and the municipality would simply ignore the situation. None of these options offered a practical alternative to resolve the problem.

The City Council is aware of the need to develop a structure that would enable improvements to be made to streets, stormwater systems and other subdivision amenities. At the same time, the City Council is concerned about maintaining its current strong financial rating. The City Council believes that the formation of Neighborhood Improvement Districts can provide an excellent opportunity for citizens to examine the particular needs of their communities or subdivisions and to structure a plan to address their

needs. The City Council believes that it is important that local residents have the ability to avail themselves of those lawful opportunities which enable them to improve their quality of life. Further, the City Council is willing and able to partner with residents to make the necessary improvements in a way that is suitable to the residents and the city alike.

THE MISSOURI NEIGHBORHOOD IMPROVEMENT DISTRICT ACT

The Missouri Neighborhood Improvement District Act, Sections 67.453 to 67.475 of the Revised Statutes of Missouri, also known as the NID Act, was designed to provide a practical, flexible, and responsive tool to finance public infrastructure in response to citizen needs. Simply defined, a Neighborhood Improvement District, or NID, is a geographically defined area within which certain public improvements are financed by the local governmental entity (either city or county) through the issuance of general obligation bonds. These general obligation bonds are in turn retired through special assessments imposed on the owners of real property within the NID area.

Therefore, the basic premise of NID financing is that only those who benefit from the financed improvements pay for those improvements.

FORMATION OF A NEIGHBORHOOD IMPROVEMENT DISTRICT

In Missouri, Neighborhood Improvement Districts can be formed in one of two ways: through the initiative petition process in which a petition is signed by at least two-thirds of the owners of record of real property within the proposed district area; or through an election submitted to all qualified voters residing within the proposed district area. Passage of the NID issue requires a four-seventh majority if the election is conducted at a general municipal election day, primary or general elections and two-thirds at all other elections. On all other election days, a two-thirds majority is required for passage.

The NID Act outlines the structure of and formation process for NIDs. These can be very complex, even to those experienced in governmental affairs. The NID Act places very specific requirements on City officials planning to implement NID. While some may believe that the passage of the ballot issuance or the submission of the petition is the major hurdle in the formation of a NID, it represents the first step in what can be a complicated and potentially costly process.

PROJECTS ELIGIBLE FOR NID FINANCING

The NID Act has defined the range of projects which are eligible for Neighborhood Improvement District financing. Under the Act, to "improve" a project is to "construct, reconstruct, maintain, restore, replace, renew, repair, install, equip, extend, or to otherwise perform any work which will provide a new public facility or enhance, extend or restore the value or utility of an existing public facility." Further, an "improvement" includes "any one or more public facilities or improvements which confer a benefit on property within a definable area and may include or consist of a reimprovement of a prior improvement" including but not limited to projects:

- A. to acquire property or interests in property when necessary or desirable for any purpose authorized by sections 67.453 to 67.475;
- B. to open, widen, extend and otherwise to improve streets, paving and other surfacing, gutters, curbs, sidewalks, crosswalks, driveway entrances and structures, drainage works incidental thereto, and service connections from sewer, water, gas and other utility mains, conduits or pipes;
- C. to open, widen, extend and otherwise to improve streets, paving and other surfacing, gutters, curbs, sidewalks, crosswalks, driveway entrances and structures, drainage works incidental thereto, and service connections from sewer, water, gas and other utility mains, conduits or pipes;
- D. to improve street lights and street lighting systems;
- E. to improve waterworks systems;
- F. to improve parks, playgrounds and recreational facilities;
- G. to improve any street or other facility by landscaping, planting of trees, shrubs, and other plants;
- H. to improve dikes, levees, and other flood control works, gates, lift stations, bridges and streets appurtenant thereto;

- I. to improve vehicle and pedestrian bridges, overpasses and tunnels;
- J. to improve retaining walls and area walls on public ways or land abutting thereon;
- K. to improve property for off-street parking facilities including construction and equipment of buildings thereon;
- L. to acquire or improve any other public facilities or improvements deemed necessary by the governing body of the city or county; and
- M. to improve public safety.

COSTS THAT CAN BE PAID WITH NID FINANCING

The NID Act identifies the costs that can be paid through a Neighborhood improvement District. Eligible costs include:

“... all costs incurred in connection with an improvement, including, but not limited to, costs incurred for the preparation of preliminary reports, the preparation of plans and specifications. the preparation and publication of notices of hearings, resolutions, ordinances and other proceedings. fees and expenses of consultants, interest accrued on borrowed money during the period of construction, underwriting costs and other costs incurred in connection with the issuance of bonds or notes, establishment of reasonably required reserve funds for bonds or notes, the cost of land, materials, labor and other lawful expenses incurred in planning, acquiring and doing any improvement, reasonable construction contingencies. and work done or services performed by the city or county in the administration and supervision of the improvement...”

FINANCING NEIGHBORHOOD IMPROVEMENT DISTRICTS

Neighborhood Improvement Districts can be financed in several ways, however the most common means is through the issuance of "debt" by the City, which is usually in the form of a general obligation bond. Because these bonds are designated as "Neighborhood Improvement District Bonds," they generally carry relatively low interest rates when compared to conventional bank financing.

Once a NID is established, the City may issue temporary notes or may authorize a local bank or other financial institution to issue temporary notes which may then be refunded by issuing the NID bonds or general obligation bonds. This allows for projects to be linked together (also called "pooling") creating a larger single bond which further reduces issuance costs and allows projects to begin construction while the final financing structure is developed.

These bonds are repaid through an annual assessment on all real property within the NID. The special assessment is included in the annual property tax bill for residents so only one payment is required per year. Failure to pay the special NID assessment is handled in the same manner as failure to pay property taxes. Failure to pay property taxes may result in the sale of the real property by the City at a tax sale. Further, the IRS has determined that special assessments cannot be deducted from a property owner's income taxes, as can real and personal property taxes.

COMPLEXITIES ASSOCIATED WITH BOND ISSUES

Bond issues, including those issued for Neighborhood Improvement Districts, create an obligation for the issuing agency, the City, which pledges its "full faith and credit" to secure the bonds. This means that should a default occur and repayment of the principal and interest on the bonds not occur as scheduled, the City of Chesterfield has pledged to make the delinquent payments. Therefore, the legal and financial structure of these bond issues is of critical importance both to ensure that the project is financially viable and, should a default occur, that sufficient protection is in place to minimize the potential for losses.

Correctly structuring and marketing general obligation bonds requires professional advice and expertise. First, bond counsel must be retained. Bond counsel serves several purposes including structuring the issue, drafting the documents, certifying its tax-exempt status and other related actions. A trustee must be retained. A trustee is the paying agent for the issuance. It is the trustee

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Therefore, in considering whether to pursue a Neighborhood Improvement Project, one must weigh the costs of complying with the "red tape" normally associated with government financing with the substantially lower interest rate offered by using government backed securities.

IMPACT OF SIZE OF PROJECT

Given that the most appropriate means of financing neighborhood improvement projects is through the issuance of bonds, it is important that projects be large enough to justify the costs associated with the issuance. It makes very little sense to use bond financing for a small project if the costs of issuance add appreciably to the project. The bond market generally favors larger issues over smaller issues and there are distinct cost savings for larger issues when compared to smaller issues. Therefore, the City recommends that subdivisions consider the following when deciding whether to pursue a NID project:

Projects with total costs below \$300,000 will face some difficulty seeking Neighborhood Improvement District financing. The administrative costs and the costs of issuance are such that including projects of this size in the NID program will cause issuance and sale problems for the entire program. There are some additional considerations to make for projects between \$300,000 and \$500,000. It is possible that projects of this size

can be "pooled", or joined, to one another to form a larger bond issue, but this will require significant coordination between construction and completion schedules. Projects greater than \$500,000 are more feasible than other smaller projects, although the aspect of "pooling" of these issues is still a very important consideration. Projects of \$1.0 million or greater are typically sustainable as "stand alone" bond issuances.

Although the City has recommended the following considerations, it is willing to consider any project that leads to the improvement of local subdivisions. To encourage the NID process for existing streets, stormwater systems and other subdivision improvements, the City desires to provide assistance to its residents by evaluating potential NID projects and determining such project's feasibility.

SPECIAL REQUIREMENTS TO ESTABLISH A NID

In addition to the requirements for financing, the NID Act requires that the area seeking to be designated as a NID to operate in a readily-defined area. Generally, this requires that a metes and bounds survey of the NID area be completed and that a specific legal description be developed for the district. To assist in this process, the City will help identify and retain an acceptable land surveyor who will complete the survey in a reasonable period of time and at a reasonable cost.

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Because these projects involve public improvements, all projects must include the payment of prevailing wage rates and must comply with the normal bidding and procurement policies of the City. The City is experienced in these matters and will incur the costs associated with the preparing and soliciting bids.

The City views itself as a partner in these proceedings, and is therefore willing to facilitate the formation and administration of NIDs. As a result, in addition to the items listed above, the City will also incur the initial legal expenses necessary to work with the subdivision trustees to prepare a proper petition and

to ensure that the NID process has been properly initiated. The City begins by providing its residents with a form of the pre-application petition necessary to begin the formation process (see **Appendix A**).

LENGTH OF FORMATION PROCESS

Because each Neighborhood Improvement District must be judged on its own strengths and merits, it is not possible to establish a "normal" time frame for establishment. It is important to understand that a NID is a "quasi-public" structure that requires that the City Council complete several administrative and legislative steps. However, the City Council is committed to considering and approving all feasible NID projects.

HOW TO INITIATE THE FORMATION PROCESS

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Pre Application

The Pre-Application contains the following elements, all of which are essential to its evaluation:

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2. A Narrative Description of the proposed project. This narrative should include a statement of the problem and the prior steps that the subdivision has taken in attempting to solve the problem. If any sanctions have been imposed by other governmental agencies, such as the Health Department, those

should be listed as well. The narrative should also include a general description of the area, including the major roads which service the subdivision, the character of the subdivision, in particular, an assessment of whether the area growing, declining, or unchanged; the number of single family homes, businesses, or other dwelling units in the subdivision and the utility companies which serve the area, particularly water company and the sanitary sewer company Finally, the narrative should describe any steps that the subdivision has taken to secure financing for this project and the status of such requests.

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-OR-

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City Council of the City of
Chesterfield 690 Chesterfield
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After the review of the Pre-Application is completed, the Finance & Administration Committee will complete a written evaluation of the proposed project. This evaluation will include a recommendation on whether to include the project in the Neighborhood Improvement District Program for the City. The evaluation will be submitted to the applicant and after comments have been received, will be presented to the City Council for their action.

Formal Application

Once the Pre-Application review process is complete and the proposal is forwarded to the City Council for approval, it will be included in the NID program and the formal development of a NID Proposal will be started. Costs incurred during the formal application process are also reimbursable under the NID Act. The formal proposal should include all statutory requirements including, but not limited to:

1. The completion of a metes and bounds survey and the development of a project legal description;
2. The development and certification of costs associated with the project. This is to include construction costs (developed through a formal bidding process); the costs of issuance of the bonds to finance the project; the administrative costs for the project; and any other allowable costs deemed necessary and appropriate for the successful operation of the NID; and
3. The completion and submission of a petition which complies with the statutory requirements of section 67.457 RSMO.

-OR-

The conduct of an election which complies with the statutory requirements of section 67.457 RSMO.

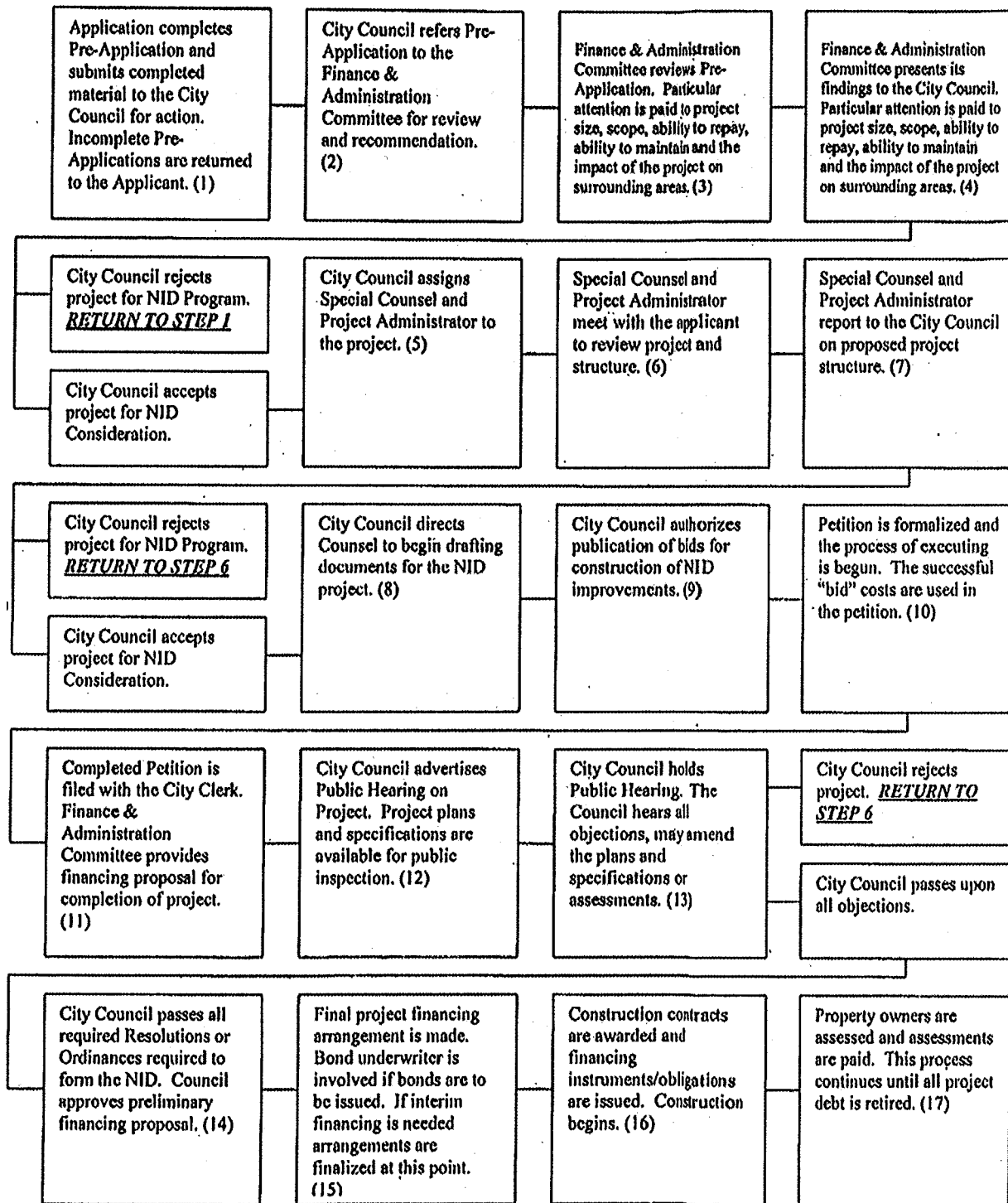
As with the Pre-Application, to the extent that the subdivision requires assistance with any of the elements of the formal application process, City staff is available to help.

FOR ADDITIONAL INFORMATION

For additional information, contact:

Finance Director
690 Chesterfield Parkway West
Chesterfield, Missouri 63017-0760
636-537-4726

FORMATION OF A NEIGHBORHOOD IMPROVEMENT DISTRICT



Armstrong Teasdale LLP
 D Policy
 Dated April 29, 2005
 Revised to reference F&A Committee 1-3-07

**APPENDIX A
FORM OF PRE-APPLICATION**

(Attached hereto.)

A-1

**PRE-APPLICATION FOR
NEIGHBORHOOD IMPROVEMENT DISTRICT**

1. Name of Proposed District: _____
 - (a) Principals for the proposed project include:
Contact person: _____
Subdivision attorney: _____
Subdivision engineer: _____
Subdivision trustees: _____
2. Narrative Description of the Proposed Project:
 - (a) [Description of project.]
 - (b) [Project location.]
 - (c) [Description of project, need for NID, and private financing.]
 - (d) [Identification of utility companies serving area.]
3. [Legal description, plat map or aerial map] for the proposed District are attached as **Exhibit A**.
4. [List of residents.]
5. [List of property owners.]
6. The estimated cost of the proposed Improvements is \$_____. The final cost of such Improvements assessed against the property within the District shall not exceed such estimated cost by more than 25%. The Preliminary Construction Estimate is attached hereto as **Exhibit B**.
7. A petition signed by at least 70% of the [qualified voters residing within the proposed district/owners of real property located within the proposed district] is attached as **Exhibit C**.
8. [Describe current assessment method.]
9. [Describe who will maintain improvements for proposed NID project.]

EXHIBIT A
Legal Description

(Attached hereto.)

A-3

EXHIBIT B
Preliminary Construction Estimate

(Attached hereto.)

A-4

EXHIBIT C
Petition of Property Owners/Qualified Voters

Parcel Number Owner/Qualified Voter

A-5

POLICY STATEMENT

*Existing Policy
To be Replaced*

FINANCE AND ADMINISTRATION	NO.	47
SUBJECT: Communications Policy	INDEX:	FA
DATE ISSUED: 4-10-15	DATE REVISED:	

POLICY

This policy is to outline organizational communication procedures within the City of Chesterfield to include communication with the City's elected officials, the public, the media and internally.

The ultimate decision on all organizational communications rest with the City Administrator. The Community Services & Economic Development Director has responsibility for managing the day-to-day communications and public relations efforts of the City and may delegate certain responsibilities to the Communications Specialist. All matters relating to Police business should be directed to the Police Media Relations Officer or the Chief of Police.

Media Relations

It is the responsibility of the Community Services & Economic Development Director (CSED) to see that a current media relations contact group is maintained for regional media and for West County media outlets. The person in this position shall act as the liaison to the media, handling incoming requests for inquiries and interviews. The CSED provides or directs the media to appropriate information sources for stories and assists in preparing messaging as requested. Persons on the City's Management Team who have been contacted directly by the media for an article should ensure the City Administrator is aware of this contact and the information that was provided.

As directed by the City Administrator, the CSED will serve as the spokesperson for the City on most city-wide issues unless another Management Team member has more knowledge on the subject matter and can address the inquiry or provide the interview.

Elected Officials, if/when contacted by the media, can choose to respond directly as they deem necessary/appropriate. Elected Officials are urged to share the nature/substance of each contact with the City Administrator to ensure internal coordination and common responses. Should Elected Officials have any questions or want/need additional information before responding, they are urged to contact the City Administrator or the appropriate member of the Management Team who has the most knowledge/expertise regarding the topic area.

The CSED or his/her designee will have final responsibility for media releases being sent to the relevant media outlets and posting them on the City's web site, e-mail the release to the web-mail group requesting to receive this information and send to or post on other mediums of communications as necessary.

The CSED will assist with crisis situation communications as necessary which fall outside the area of Police responsibility.

Communications with Elected Officials and City Committees/Commissions

Members of the Management Team may communicate directly with Elected Officials regarding City business and, for anything other than general inquiries, should make the City Administrator aware of this communication.

Members of the Management Team and/or the staff liaisons to the City Council Committees and City Volunteer Committees may communicate directly with these respective groups regarding City business and as it relates to their respective Committee/Commissions/Task Forces.

It is important to keep City Councilmembers informed of any major projects or initiatives underway within City operations. A weekly e-mail newsletter is sent each Monday to all Councilmembers and City Staff with updates on meetings and events for the coming week.

Communicating with the Public

At the directive of the City Administrator, all inquiries by the public and/or residents should be addressed within 24 hours or the next business day. If an inquiry will take a longer amount of time to gather the information or requires a Sunshine Law request, this should be acknowledged to the requestor as soon as possible, providing the amount of anticipated time to respond to the inquiry.

As required by Missouri State Statute, all meetings held by City Council, Council Committees, and statutory Committees are public and shall be posted with at least 24 hours advance notice of the agenda. Meeting dates and times are available on the City's web site and also in weekly e-mail communications.

The Customer Service staff is the City's front-line of communications for resident and customer inquiries, whether in person or via phone. They should be as knowledgeable as possible on a variety of subjects and events regarding City operations. Should the inquiry require a more in-depth response, CSRs are to send the inquiry to the appropriate staff person within the department to handle the inquiry. The City's Planner of the Day (POD) staff shall answer inquiries related to planning and development.

All inquiries from the media coming in through the City's main number of 636-537-4000 should be sent to the CSED or Communications Specialist for further handling.

The City shall publish *The Chesterfield Citizen* newsletter in print and electronic form four times annually and mail to all residents and businesses within the City of Chesterfield. Residents may sign up to receive a variety of e-mail communications through the City's web mail service or follow the City, the Parks Division, the Chesterfield Amphitheater or the Police Department on a variety of social media platforms, including but not limited to Facebook and Twitter.

The City's web site is meant to provide as much information as possible to the residents and businesses of Chesterfield. Each division shall have a staff member responsible for updating their respective content, with editing rights for the entire site resting with the IT Manager and the CSED. Staff should check the site frequently to ensure the content is current.

In the event that a road closure or other construction will impact a neighborhood long-term, the residents will be notified by mail through the Public Service Department. Prior to construction season in the spring, residents impacted by planned construction work are sent a packet of information explaining the construction project, a plan showing where the work will take place, and a hold harmless agreement if they have an in ground irrigation system. Additionally, approximately a week before construction begins, a letter is placed on a step stake at each house affected, notifying them of a meeting on the street to explain the work schedule and what to expect during construction. Residents can also refer to the City's web site, which has weekly updates and the progress of the work.

Missouri River Flood-Watch and other emergency communications regarding potential flood or high-water events shall be administered through the Director of Public Services with assistance from the CSED as requested. Residents and business persons may sign up to receive this information via e-mail through the City's web site, or as otherwise requested.

Service Requests/Work Orders

The City shall maintain a Work Order Database in which all requests for services are entered, including the date, time, name, address, phone number and/or e-mail, the nature of the problem and the status of the response. Customer Service Staff and Public Services Staff shall have access to this database for which to enter and respond to the request. Each Department should regularly monitor all Request for Actions (RFAs) to ensure a timely and appropriate response.

Internal Communications

City staff will be provided information on meetings and events weekly via an e-newsletter; a monthly employee newsletter, *City Scope*; provided hard-copies of the quarterly *Citizen* newsletter and receive updates via e-mail on topics of timely interest including, but not limited to emergency situations, adverse weather, and road closures. Supervisors are responsible for disseminating e-mail communications to those employees who do not have regular e-mail access to the City's e-mail system. City Hall staff may also be alerted by the paging feature on the desk phones in an emergency event involving the City Hall facility.

RECOMMENDED BY:

Department Head/Council Committee (if applicable)

Date

APPROVED BY:

Michael J. Spring

City Administrator

4/14/15

Date

City Council (if applicable)

Date

**CITY OF CHESTERFIELD
POLICY STATEMENT**

*Recommended
Replacement*

FINANCE AND ADMINISTRATION	NO.		
SUBJECT	Communications Policy	INDEX	FA
DATE ISSUED	4/10/15	DATE REVISED	

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RECOMMENDED BY:

Department Head/Director/Council Committee (if applicable)

Date

APPROVED BY:

City Administrator

Date

4/14/15

City Council (if applicable)

Date

CITY OF CHESTERFIELD
POLICY STATEMENT

Existing Policy
To be Replaced

FINANCE AND ADMINISTRATION

No. 48

SUBJECT: SPONSORSHIP EXPENDITURES

INDEX: F&A

DATE ISSUED: 9-19-2016

DATE REVISED:

POLICY:

Any request for an event sponsorship expenditure not individually itemized and authorized by the City's Budget shall be reviewed and approved by the full City Council. These are requests made outside of the Community Contributions Program (Policy 20). Examples include sponsorship of Chamber of Commerce events or events of other local not-for-profit organizations.

RECOMMENDED BY:

Libby Tucker
Department Head/Director/Council Committee (if applicable)

9/19/16
Date

APPROVED BY:

City Administrator
[Signature]
City Council (if applicable)

Date
9/19/2016
Date

**CITY OF CHESTERFIELD
POLICY STATEMENT**

*Recommended
Replacement*

FINANCE AND ADMINISTRATION	NO.		
SUBJECT Sponsorship Expenditures	INDEX		FA
DATE ISSUED 9/19/16	DATE REVISED		

POLICY:

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RECOMMENDED BY:

Department Head/Director/Council Committee (if applicable)

Date

APPROVED BY:

City Administrator

Date

City Council (if applicable)

Date

9/19/2016