

City of Charlotte Investment Broker/Dealer Questionnaire

The City of Charlotte (City) is soliciting qualifications from firms who are interested and qualified to represent investment products to the City. The City maintains a portfolio that ranges from \$2.3 - \$2.8 billion and is largely comprised of U.S. Treasury and Agency obligations and Local Government Investment Pools. The City's investment program is administered in compliance with North Carolina General Statute 159-30. In addition, the City has a written Investment Policy, which regulates the standards and procedures used in its cash management activities. A copy of the most recent Investment Policy is attached as an appendix to this document (Appendix A). The City requires broker/dealers to acknowledge, in writing, that they have received and read the City's Investment Policy. It is the intent of the City to limit the number of approved broker/dealers to no more than seven per year to accomplish all services outlined in the Investment Policy. In requesting information from broker/dealers the City wants to:

- Provide a process for the selection of broker/dealers for the City;
- Ensure that the broker/dealers representing investment products to the City understand and are able to work within the constraints of the City's investment policies, goals, and objectives and the state statutes that govern North Carolina local government investments;
- Ensure that the broker/dealers selected to represent investment products to the City are qualified professionals with experience in public funds investing; and
- Ensure that the broker/dealers and firms selected have good reputations.

The purpose of this questionnaire is to provide minimum requirements, solicit qualifications and gain adequate information from which the City may evaluate the broker/dealer products and services as they compare to other providers and as they pertain to the needs of the City. It is the intent of the City to approve brokers for a term of five (5) years and to distribute the questionnaire every fifth year. The City of Charlotte reserves the right to discontinue services with any broker/dealer, with 30 day written notice, in the event the broker/dealer exhibits repeated occurrences of undesirable processing practices, which include, but are not limited to:

- The charging of previously undisclosed fees, or fees which were otherwise unforeseen by the City;
- Excessive transaction downgrades (other than those attributable to City employee actions and/or data entry errors); and
- Failure to adequately monitor City's transaction quality.

All proposals will be screened and evaluated by an evaluation committee. A proposer may be asked to attend a virtual or in-person interview at any time during the evaluation process. Any invitation for a presentation will be solely for the purpose of clarifying proposals received from each qualifying proposer and will not represent any decision on the part of the evaluation committee as to the selection of a successful proposer. Criteria used in selecting authorized brokers/dealers will include but are not limited to material litigation against the firm, regulatory

status of the dealer, completed packet, overall reputation, background and expertise with public funds, overall financial condition of the firm, and failure rate for transactions. Preference may be given to broker/dealers with a physical presence in North Carolina. The City reserves the right to use all pertinent information from this process or obtained from other sources that might affect the City's judgment as to the appropriateness of selection of broker/dealers.

The City will notify broker/dealers of their approval in writing. No transactions will be conducted with a non-approved broker/dealer, and no broker/dealer is approved until all paperwork required by both parties has been executed. All securities will be delivered against payment to the third-party custodian named by the City.

This questionnaire does not commit the City to pay for any direct and/or indirect costs incurred in the preparation and presentation of a response.

1. Name of Firm: _____
2. Headquarters Address: _____
3. Branch Address: _____
4. Is your firm a subsidiary of another firm? Y/N If so, what firm? _____
5. Does your firm participate in the S.I.P.C. insurance program? If not, explain why.

6. Is your firm an inventory dealer? Y/N _____
7. Is your firm a primary dealer in US Government Securities? Y/N _____
8. What was your firm's total volume in US Government Securities trading last year?
 - a. Firmwide: \$ _____ Number of transactions: _____
 - b. Branch: \$ _____ Number of transactions: _____
9. Which instruments are traded regularly by the local desk?
☐ Treasury Notes/Bonds ☐ T-bills ☐ Commercial Paper ☐ Bank CDs
☐ Agencies (please specify) _____
☐ Other (please specify): _____
10. Primary Account Representative
 - a. Name: _____
 - b. Title: _____
 - c. Telephone Number: _____
 - d. CRD Number: _____
11. Secondary Account Representative
 - a. Name: _____
 - b. Title: _____
 - c. Telephone Number: _____
 - d. CRD Number: _____

Please attach resumes and FINRA reports for each representative.

12. Are the firm and the account representative registered with the North Carolina State Securities Commission? Y/N If so, for how long? _____
13. How long has the primary account representative been an institutional governmental securities broker at the firm? _____
14. How long has the primary account representative been an institutional fixed income broker? _____
15. What portfolio information do you require from your clients?

16. How many and what percentage of your transactions failed last month? Last year?

17. Please enclose a complete schedule of fees and charges for various transactions.
18. Please identify 3 of your most directly comparable public sector clients:
- | | Entity | Contact Name | Contact Phone Number | Client Since |
|----|--------|--------------|----------------------|--------------|
| 1. | _____ | _____ | _____ | _____ |
| 2. | _____ | _____ | _____ | _____ |
| 3. | _____ | _____ | _____ | _____ |
19. Have any of your clients ever claimed that they sustained a loss on a securities transaction arising from a misunderstanding or misrepresentation of the risk characteristics of the instrument? Y/N If so, explain.

20. Have any of your public sector clients ever reported to your firm, its officers or employees, orally or in writing, that they sustained a loss (in a single year) exceeding 10 percent of original purchase price on any individual security purchased through your firm? Y/N If so, explain. _____
21. Has your firm ever been subject to a regulatory or state/federal agency investigation for alleged improper, fraudulent, disreputable or unfair activities related to the sale of securities? Y/N Have any of your employees ever been so investigated? Y/N If so, explain. _____
22. Has a public sector client ever claimed, in writing, that your firm was responsible for investment losses? Y/N If so, explain. _____
23. Please explain your normal custody and delivery process. Who audits these fiduciary systems? _____
- _____

In order to be considered for placement on the City's approved Broker/Dealer list, the following information is required:

1. Current Audited Financial Statements
2. Proof of National Association of Securities Dealers (NASD) Certification, unless the institution is a bank.
3. Certification that the business has reviewed and read the City's Investment Policy and North Carolina General Statutes related to investments of the City.

CERTIFICATION I hereby certify that I have personally read the latest investment policies and objectives of the City of Charlotte and the State statutes pertaining to the investments of the City. I have implemented reasonable procedures and a system of controls designed to preclude imprudent investment activities arising out of transactions conducted between our firm and the City. All sales personnel will be routinely informed of the City's investment objectives, horizon, outlook, strategies and risk constraints whenever we are so advised. We pledge to exercise due diligence in informing the City of all foreseeable risks associated with financial transactions conducted with our firm. I attest to the accuracy of our responses to your questionnaire.

SIGNED _____ TITLE _____
DATE _____

NOTE: Completion of Questionnaire is only part of the City of Charlotte's Certification process and DOES NOT guarantee that the applicant will be approved to do business with the City.

Please return the completed questionnaire to the City's Investment Manager and Cash Manager by May 23, 2025:

Sandy Ryland, Investment Manager
Sandy.Ryland@charlottenc.gov

Liza Steiner, Cash Manager
Liza.Steiner@charlottenc.gov

Appendix A

Cash Management and Investment Policies and Practices

1. All deposits of the city will be made in designated official depositories and secured as required by North Carolina state statutes. The city may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. The city may establish time deposit accounts such as Negotiable Order of Withdrawal (NOW) and SuperNOW accounts, money market accounts, and certificates of deposit
2. The restricted cash and cash equivalents/investments are restricted pursuant to bond covenants and other financing agreements. All restricted money market funds of the enterprise funds are considered cash or cash equivalents. The remaining amount of restricted assets is considered investments.

City Investment Policy

1. City investments will be managed and maintained in accordance with all applicable Federal and State laws, City Ordinances and other regulatory requirements, specifically NCGS 159-25(a)(6); NCGS 159-30; NCGS 159-31; and NCGS 36C, Article 9 (Uniform Prudent Investor Act).

Standards of Care

- i. Except for cash in certain restricted and special funds, and bond proceeds, the city will consolidate cash and reserve balances from all funds to maximize investment earnings and increase efficiencies around investment pricing and administration.
- ii. Investment income from pooled cash investments will be allocated monthly to participating funds based upon the average cash balance of each fund as a percentage of the total pooled portfolio.
- iii. Unspent debt proceeds will not be commingled with other monies and will be invested separately. Earnings on unspent debt proceeds will be treated as additional proceeds.
- iv. Quarterly reviews will be conducted that will assess the current total holdings across all funds, including cash positions, portfolios, mark to market valuations, credit quality for each security, and any additional compliance issues.
- v. All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible custody account

prior to the release of funds. This type of settlement process is used to minimize custodial credit risk.

- vi. All securities in the city's name will be held by an independent third-party trust custodian selected by the city. In September of each year, the safekeeping institution will be required to provide a copy of its most recent Statement of Auditing Standards (SAS) No. 70 as well as its disaster recovery and cyber security plans to Finance – Treasury for review by the Investment Committee.
- vii. Where allowed by North Carolina General Statute Chapters 159-30 and 31 and in accordance with the GFOA Recommended Practices on the Collateralization of Public Deposits, full collateralization will be required on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit.
- viii. The primary objectives of investment activities are safety, liquidity, and return, in that order.
 - (1) Safety - 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 will minimize credit risk, which is the risk of loss of all or part of the investment due to the failure of the security issuer or backer, by:
 - (i) Limiting investments to the types of securities listed in Investment Policy;
 - (ii) Pre-qualifying and conducting ongoing due diligence of the financial institutions, broker/dealers, and intermediaries with which the City will do business; and
 - (iii) Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.
 - (b) Interest Rate Risk – The city will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by:
 - (i) Structuring the investment portfolio so that security maturities match cash flow requirements for ongoing operations, thereby, avoiding the need to sell securities on the open market prior to maturity; and
 - (ii) Investing operating funds primarily in shorter-term securities (0-5 years), money market mutual funds, or similar investment pools in accordance with the Investment Policy.
 - (2) Liquidity – The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

The portfolio will be structured so that securities mature concurrent with cash needs to meet anticipated demands. Since all possible cash flow demands cannot be anticipated, the portfolio should have an amount determined by the internal investment guidelines placed in money market mutual funds or other such accounts which offer same-day liquidity for short-term funds.

- (3) Return – The investment portfolio shall be designed with the objective of regularly meeting or exceeding the average of the 6-month T-bill, 12-month T-bill and the 2-year Treasury rates. These indicators are considered benchmarks for lower risk investment transactions and approximate the city's weighted average maturity (WAM) under normal market conditions.

Return on investment is of tertiary importance compared to the safety and liquidity objectives described in this section. Core investments will be limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. It is the city's intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal. However, if economic or market conditions change making it in the city's best interest to sell or trade a security before maturity, that action may be taken. Selling or trading a security may be done under the following circumstances:

- (a) A security with declining credit may be sold early to minimize loss of principal;
- (b) A security may be sold if reinvesting the proceeds in an alternative security would improve the quality, yield, or target duration in the portfolio;
- (c) Unanticipated liquidity needs of the portfolio require that the security be sold.

2. Suitable and Authorized Investments

- i. US Treasuries and Agencies – Investments of this type will be limited to a five-year maturity.
- ii. Government Sponsored Enterprises (GSEs) –The following GSEs may be purchased: FNMA, FHLB, FHLMC, and FFCB. There is no maximum in these securities because of the implied backing of the U.S. Government. Investments of this type will be limited to a five-year maturity.
- iii. Commercial Paper –A maximum of twenty-five percent of the portfolio may be invested in commercial paper with the appropriate A1(S&P)/P1(Moodys)/F1(Fitch) ratings. At least two of these ratings must be in place, and the issue cannot be rated below the highest category by any nationally recognized ratings service that rates the particular obligation. The maximum amount that may be invested in any one issuer is \$20,000,000.
- iv. North Carolina Capital Management Trust (NCCMT) –The City may invest in the government and term portfolios at NCCMT. These money market

funds are to be used primarily to meet liquidity requirements as well as in interest rate environments that will yield increased returns. There is no maximum investment in these funds because of the liquidity provided by these accounts and the diversification of investments made by the NCCMT

- v. Certificates of Deposit – No maximum as all certificates of deposit are 100% collateralized.
3. Investments, except for North Carolina Capital Management Trust (NCCMT) and Firefighters' Retirement System Fund, are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a Securities and Exchange Commission registered money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost. Investments with an original maturity of three months or less are considered cash equivalents.