Addendum documents can also be viewed at
http://highlandsranch.org
or
http://intranet.highlandsranch.org/default.aspx

- New Colorado Local Government Investment Pool Initiative
- Fire and Emergency decision matrix
- Verizon Cell Sites
New Colorado
Local Government Investment Pool Initiative

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Gene Andrist, Senior Client Manager
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February 2017

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303-467-1114

Preliminary – For Discussion Purposes Only
Agenda

- New Colorado Local Government Pool Initiative
- Term Portfolio Information
- Liquid Portfolio Information
- Program Implementation/Governance
- PFM Asset Management LLC’s Experience with LGIPs
- Contact Information
- Disclosures
Colorado Local Government Pool Initiative
New Local Government Investment Pool Initiative

- In 2011, Colorado local government officials were seeking to diversify their liquidity alternatives. In response, PFMAM launched a new share class of the PFM Funds Prime Series, a AAAm rated money market fund*. The new share class was designed specifically for Colorado local government investors and has been marketed under the Colorado Statewide Investment Program (“CSIP”).

- In July 2016, in response to SEC money market reform initiatives, the Board of Trustees of PFM Funds voted to convert the PFM Funds Prime Series - Colorado Investors Class, to a government money market fund (effective October 3, 2016 the fund was converted to PFM Funds Government Select Series – Colorado Investors Class*). This conversion maintained a liquid investment option for Colorado governments, though yields declined after the transition was completed (due to only investing in Federal agencies, U.S. Treasuries and repurchase agreements).

- In discussing liquidity management with clients throughout the state, we realized that there is an opportunity to create a new local government investment pool (“LGIP”) with new features that could be beneficial to governments throughout the state. These new Liquid and TERM Portfolios seek to foster greater diversification and enhance yield – two key investment goals of many local governments in Colorado.

*Please see Disclosure for Standard & Poor’s Fund Ratings and PFM Funds.
New Local Government Investment Pool Initiative

- In the current low interest rate environment, many local governments are looking for new investment alternatives.

- In response, PFMAM has been engaged by two Colorado local governments to assist in forming a new local government investment pool with the following elements:
  
  - **A Term Portfolio**
    - High credit quality portfolio
    - Structured to be rated AAAf by Fitch Ratings*
    - Typical maturities range from 60 days to 365 days

  - **A Liquid Portfolio**
    - High credit quality, structured to be rated AAAm by Standard & Poor’s*
    - Will operate as a “prime” liquid LGIP (similar to the existing LGIPs in Colorado)
    - Seeks to maintain $1.00 per share net asset value

*Expected ratings. Please see Standard & Poor’s Fund Ratings and Fitch Ratings Disclosure
Term Portfolio Information
The TERM Portfolio would offer a fixed-rate, fixed-term investment option for securities with maturities ranging between 60 days and 365 days for Colorado investors.

Investment requirements will comply with the Colorado Revised Statutes and the permitted investments as outlined in the Indenture of Trust.

The TERM Portfolio will be a separate portfolio of investments

- The TERM portfolio will have a goal of a $1.00 per share net asset value invested at time of maturity, however, like any fixed income investment, the value may fluctuate prior to maturity

- TERM securities are invested by PFMAM’s portfolio managers so that the TERM portfolio closely matches investor maturity requirements

- No out-of-pocket costs to investors: (all TERM investments are shown net of administrative and investment advisor fees)

- Funds flow through an investor’s Liquid Portfolio at investment and maturity; investors choose when to reinvest maturities
Many governments in Colorado hold operating fund balances in excess of their daily liquidity requirements. Surplus liquid assets can be invested more effectively in longer term securities. This is where the TERM Portfolio may be beneficial.
Debt Service Fund Example

- A TERM Portfolio may benefit a debt service fund because the payment schedule is defined (payments in June and December) which allows for the allocation of a fixed term investment.

Illustrative Debt Service Fund Balance

$ in Millions

<table>
<thead>
<tr>
<th>Jan-16</th>
<th>Feb-16</th>
<th>Mar-16</th>
<th>Apr-16</th>
<th>May-16</th>
<th>Jun-16</th>
<th>Jul-16</th>
<th>Aug-16</th>
<th>Sep-16</th>
<th>Oct-16</th>
<th>Nov-16</th>
<th>Dec-16</th>
</tr>
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<tbody>
<tr>
<td>$</td>
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<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

TERM Investments | Liquid Investments

FOR ILLUSTRATIVE PURPOSES ONLY
The above yields are indicative of the current market environment. However, they do not reflect the specific yields of any investment recommended by PFMAM.
Prime Daily Liquid LGIP: Source: Colotrust.com, CSAFE.org. The Prime Daily Liquid LGIP reflects the range of yield between the existing LGIPs in Colorado (as of 2/6/17).
TERM Yields: Source: Gross yields of PLGIT LGIP (minus an illustrative expense ratio of 0.12%). As of 2/6/17.
Liquid Portfolio Information
Liquidity Portfolio Details

Liquid Portfolio

- **Investment Objective:** Seek to earn the interest income consistent with preserving principal and maintaining liquidity, and to maintain a stable $1.00 net asset value (“NAV”).
- The liquid portfolio may invest in a broad array of securities compliant with Colorado Revised Statutes (24-75-601 et. seq.) and the Indenture of Trust.
- The portfolio may be invested in U.S. Treasuries, federal agencies, commercial paper, negotiable certificates of deposit and repurchase agreements (similar to the existing Colorado LGIPs).
- The liquid portfolio will be structured to comply with GASB Statement 79.
Program Implementation/Governance
Proposed Implementation Timeline/Governance

**February 2017** – Discuss new LGIP with prospective members of the Board of Trustees (“Trustees”)
- Meetings setup with Colorado local government officials

**February 2017** – Initial Signatory Local Governments identified
- Weld County, City of Fort Morgan, Highlands Ranch Metropolitan District
  Centennial Water & Sanitation District

**February 2017** - Governing board documents finalized
- Key documents: Indenture of Trust, By Laws and Resolution

**March 2017** – Additional Board members appointed
- Signatory Local Governments adopt resolutions on behalf of their entities
- Initial Board of Trustees meeting scheduled
  - Custodian, legal counsel and auditor are selected
  - Investment Advisory and Administrator contract reviewed/signed
- Initial governing board members appoint up to seven more Trustees

**April 2017** – Initial deposits received
Governing Documents

• **Indenture of Trust**
  - Serves as the operative document under which the Trust is created.
  - Among other items, defines the legal structure, trust operations, permitted investments, role of the investment adviser, administrator and custodian, limitations of liability, records and reporting requirements, structure of the Board of Trustees and other matters fundamental to the structure of the Trust.

• **By-Laws**
  - Serves as a document which defines the processes and procedures for operating the Trust.
  - Key issues addressed include office location, powers and duties of the Trustees, actions of the Participants, meeting requirements, voting procedures, open records and amendment procedures.

• **Resolution**
  - This is the document which each Local Government must approve and adopt, thereby joining the Colorado Local Government Investment Pool as a Participant.
PFMAM’s Experience with LGIPs
Managing public funds since 1980

- SEC-registered investment advisor
- 240 professionals in 41 offices and locations nationwide¹

Company culture based on:

- High ethical standards
- Fiduciary duty to our clients
- Compliance and transparency
- Stewardship of public resources

Specialties

- Liquid asset management
- High-grade short and intermediate fixed income
- Operating funds, capital reserves, and bond proceeds

Culture of risk management

- Extensive focus on credit research
- Avoided defaulted credits, SIVs, subprime mortgages, CDOs, auction-rate securities during credit crisis

¹. PFM Group offices as of 12/31/16.
2. PFMAM assets as of 12/31/16.
A National Leader in Pooled Asset Management

- Worked with Standard & Poor’s to provide first rating of a local government investment pool in 1989.
- PFMAM provides investment advisory and/or administrative services to 17 pooled investment vehicles (LGIPs, and a SEC-registered money market fund) with total assets of $21.9 billion*. Of the local government investment pools in which PFMAM manages, eight include TERM portfolios.

* As of 12/31/16

- States where PFM manages/administers LGIPs
- States where PFM has provided advisory services to LGIPs and State Treasurer pools
The CSIP website (www.csipinvest.com) is a portal through which investors can:

- Execute liquid portfolio transactions in an online environment
- Manage multiple accounts
- Access program documents
- Transfer funds via wire or ACH
- Learn about optional services
Employee numbers as of 12/31/16. Some groups overlap in function.
Contact Information

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PFM Asset Management LLC may provide clients with credit-related research, analysis and opinions (referred to collectively as “Credit Analysis”). Credit Analysis is a statement of opinion as of the date of its publication only, and does not represent a recommendation to buy, sell or hold any securities. The Credit Analysis is only one factor that PFM considers when making investment recommendations for a client and the Credit Analysis does not address the suitability of any security for any particular purpose or client. PFM cannot guarantee the accuracy, completeness or timeliness of any Credit Analysis it provides. While PFM has obtained information from sources it believes to be reliable, PFM has not performed any independent verification of the information it receives. The Credit Analysis should not be relied upon to make investment decisions and is not a substitute for the skill, judgment and experience of the user, its management or employees. PFM shall not be liable to any party for any direct or indirect losses in connection with its use. PFM’s Credit Analysis may not be reproduced or distributed without prior written permission.
PFM Funds-Prime Series, Colorado Investors Class

CSIP is the marketing name used to describe the PFM Funds, Prime Series - Colorado Investors Class of shares. The information herein is not an offer to sell, or to solicit an offer to purchase, any securities by anyone in any jurisdiction in which such offer or solicitation is not authorized, or in which PFMAM or the person making such offer is not qualified to do so, or to anyone to whom it is unlawful to make such an offer or solicitation, or to anyone in any jurisdiction outside the United States. Investors should consider the investment objectives, risks, charges and expenses before investing in the Fund. This and other information about the Fund is available in the current PFM Funds, Prime Series Prospectus, which should be read carefully before investing. Investments in the Fund are offered only by means of the current Prospectus, copies of which are available online at www.csipinvest.com or by sending a request to the Fund’s Distributor at: Colorado Statewide Investment Program c/o PFM Fund Distributors, Inc., One Keystone Plaza, Suite 300, North Front & Market Streets, Harrisburg, PA 17101.

An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of investments at $1.00 per share, it is possible to lose money by investing in the Fund. PFM Fund Distributors, Inc., a registered member of the Financial Industry Regulatory Authority (FINRA) (www.finra.org) and Securities Investor Protection Corporation (SIPC) (www.sipc.org), serves as the Fund’s Distributor. PFM Fund Distributors, Inc. is a wholly owned subsidiary of PFM Asset Management LLC.
Disclosures

Standard & Poor’s Fund Ratings
Standard & Poor's fund ratings are based on analysis of credit quality, market price exposure, and management. According to Standard and Poor's rating criteria, the AAAm rating signifies excellent safety of investment principal and a superior capacity to maintain a $1.00 per share net asset value. However, it should be understood that these ratings are not a "market" rating nor a recommendation to buy, hold or sell the securities. For a full description on rating methodology, visit Standard & Poor's website (www.standardandpoors.com/ratings/funds-main/en/us).

Fitch Ratings
Fund Credit Quality Ratings, denoted with a “f” suffix, are an opinion as to the overall credit profile and vulnerability to losses as a result of defaults within a fixed-income fund or portfolio. The ratings are based on the actual and prospective credit quality of the underlying portfolio holdings. Fund Credit Quality Ratings have an element of rating momentum embedded and, therefore, also address the likelihood that a portfolio maintains a given credit quality over time. Fund Credit Quality Ratings are not comparable to traditional credit ratings. The ratings only measure the aggregate credit risk of a portfolio and do not measure expected risk of default for a fund itself as a fund generally cannot default. Fund Credit Quality Ratings may be accompanied by Fund Market Risk Sensitivity Ratings, subject to market relevance or regulatory demand. AAAf Fund Credit Quality Ratings indicate the highest underlying credit quality. The assets are expected to maintain a weighted average rating factor (WARF) in line with a AAAf. For a full description on rating methodology, visit Fitch Ratings website https://www.fitchratings.com/site/definitions/fundratings.
<table>
<thead>
<tr>
<th>Level of Service</th>
<th>Status Quo</th>
<th>Master Plan – Current Formula (1)/ Level Mill Levy (2)</th>
<th>Master Plan – Two Partners</th>
<th>Highlands Ranch Fire &amp; Emergency</th>
<th>South Metro</th>
</tr>
</thead>
<tbody>
<tr>
<td># of ALS Units in HR</td>
<td>6 including station 16</td>
<td>8 including station 16</td>
<td>8 including station 16</td>
<td>7</td>
<td>?</td>
</tr>
<tr>
<td>High Quality Service</td>
<td>Innovative – training/equipment</td>
<td>Innovative – training/equipment</td>
<td>Innovative – training/equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td># Staff/Engine</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>4 on ladders</td>
</tr>
<tr>
<td>Highlands Ranch Control</td>
<td>Review committee</td>
<td>Review committee</td>
<td>Review committee</td>
<td>Board control</td>
<td></td>
</tr>
<tr>
<td>Cost to homeowner</td>
<td>$207 on $400,000 (6.514 mil)</td>
<td>1. $251 on $400,000 (7.897 mil) 2. $296 on $400,000 (9.308 mil)</td>
<td>$332 on $400,000 (10.414 mil)</td>
<td>$310 on $400,000 (9.744 mil)</td>
<td>$295 on $400,000 (9.25 mil)</td>
</tr>
<tr>
<td>Action to change</td>
<td>None</td>
<td>1. None 2. Possible election for additional mill</td>
<td>Election for additional mill</td>
<td>12 month notice; negotiate station 16 and dispatch</td>
<td>1. Election to include and mill increase 2. Election to increase mill 3. Election to increase mill</td>
</tr>
<tr>
<td>New Capital</td>
<td>One fire station ($4.4 million)</td>
<td>One fire station ($4.4 million)</td>
<td>One fire station ($4.4 million)</td>
<td>Two fire stations ($9.5 million)</td>
<td>Who pays?</td>
</tr>
<tr>
<td>Pros</td>
<td>Lower cost 1. and 2. Improve response time 1. Less cost</td>
<td>Improve response time</td>
<td>Control</td>
<td>Improve response time Sustainability Accreditation No need for assistance</td>
<td></td>
</tr>
<tr>
<td>Cons</td>
<td>Loss of partner would increase mil Possible worse response time Ability to recruit</td>
<td>Loss of partner would increase mil Sustainable? Ability to recruit</td>
<td>Additional fire staff Sustainable?</td>
<td>If Election fails for inclusion will be forced to contract</td>
<td></td>
</tr>
</tbody>
</table>
Verizon Cell Site