



## **POLICY AND PROCEDURE**

**SUBJECT: INVESTMENT POLICY AND GUIDELINES**

**DATE: February 19, 2020**

**NUMBER:**

### **OVERVIEW**

In accordance with Section 2-214 of the City of Riviera Beach (the “City”) Charter, the Director of Finance of Administrative Services (the “Director”) is authorized to act as the City’s Treasurer with the responsibility of depositing all monies received by the City and investing funds in securities authorized by the state. All persons involved in the investment of public funds in the City’s Finance and Administrative Services Department (“Finance”) are required to comply with the City Charter’s provisions relating to the investment of public funds.

### **PURPOSE**

The purpose of this Investment Policy and Guidelines document (the “Policy”) is to establish cash management and investment guidelines for the City. This policy has been prepared in accordance with Florida Statutes Section 218.415.

### **POLICY**

The Finance Department is responsible for the management of daily receipt and investment of cash and related accounting operations. The Finance Director is the Chief Investment Officer of the City and investments may be directed by the Finance Director, or designee, or outside professional fund managers, in accordance with this Policy. It is the policy of the Finance Director to invest all funds under Finance’s control in a prudent manner that provides the highest return on investments using authorized instruments while meeting the City’s daily cash flow demands.

### **SCOPE OF POLICY**

This Policy applies to all investments within Finance and made on behalf of the Director, with the exception of the City’s pension trust funds, which are administered separately, investment of principal, interest, reserve, construction, capitalized interest, redemption or escrow accounts created by ordinance or resolution pursuant to the issuance of bonds where the investments are held by an authorized depository, and funds received and held in specific accounts in compliance with Federal or State grant awards.

### **INVESTMENT OBJECTIVES**

The primary objectives in the investment of City funds under control of the Finance Department are to ensure the safety of principal, while managing liquidity requirements for debt service and other financial obligations of the City, and providing the highest investment return using authorized investment instruments.

**A. Safety** - Safety of principal is the foremost objective of the investment program. City investments



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shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To attain this objective, diversification is required to ensure that the Finance Director prudently manages market, interest rate and credit risks. Each investment purchase shall be limited to those defined as eligible in this Policy. Investments shall seek to keep capital losses to a minimum, whether they are from securities defaults or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the funds.

From time to time, securities may be purchased at a premium or traded for other securities to improve yield, maturity or credit risk. For these transactions, a loss may be incurred for accounting purposes to achieve optimal investment return, provided that the yield has been increased, maturity has been reduced or lengthened, or the quality of investment has been improved with respect to the replacement security.

- B. Liquidity** - The investment portfolio shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements in an orderly manner. Periodic cash flow analyses shall be completed in order to ensure that the investments are positioned to provide sufficient liquidity.
- C. Return on Investments** - The investment portfolio shall be invested 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 least importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

### **DELEGATION OF AUTHORITY**

The management responsibility for all City funds in the investment program and investment transactions is delegated to the Finance Director who shall establish written procedures for the operation of the investment portfolio and a system of internal accounting and administrative controls to regulate the activities of employees. The City shall employ investment managers to assist in investing, monitoring, or advising on the City's investments. Such investment managers must be registered under the Investment Advisors Act of 1940.

### **STANDARDS OF PRUDENCE**

To accomplish the objectives of the Finance Department, all authorized persons engaged in the investment process will perform their duties responsibly in accordance with the following standards:



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### A. Prudent Person

The standard of prudence to be used by City staff shall be the “Prudent Person” standard and shall be applied in the context of managing the overall investment program. The Finance Director acting in accordance with written procedures and this Policy and exercising due diligence shall be relieved of any personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectation are reported to the City Manager in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this Policy. The Prudent Person standard is as follows:

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

### B. Prudent Expert

While the standard of prudence to be used by the City’s staff is the Prudent Person standard, any person or firm hired or retained to invest, monitor, or advise concerning these assets shall be held to the higher standard of “Prudent Expert”. The standard shall be that in investing and reinvesting moneys and in acquiring, retaining, managing, and disposing of investments of these funds, the contractor shall exercise: the judgment, care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims by diversifying the investments of the funds, so as to minimize the risk, considering the probable income as well as the probable safety of their capital.

### **ETHICS AND CONFLICTS OF INTEREST**

City staff involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Also, staff involved in the investment process shall disclose to the City any material financial interests in financial institutions that conduct business with the City, and they shall further disclose any material personal financial and investment positions that could be related to the performance of the City’s investment program.



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### OPERATIONAL GUIDELINES

#### **A. Governmental Fund Accounting**

The City's financial record-keeping system is operated and maintained on a fund accounting basis. A fund is an independent fiscal accounting entity with a separate set of accounting records to record cash and investment activities.

#### **B. Competitive Selection of Investment Instruments**

After the Finance Director or the investment manager has determined the approximate maturity date based on cash flow needs and market conditions and has analyzed and selected one or more optimal types of investments, a minimum of three (3) authorized investment institutions or dealers must be contacted and asked to provide bids/offers on securities in questions. Bids will be held in confidence until the bid/offer deemed to best meet the investment objectives is determined and selected.

However, if obtaining bids/offers are not feasible and appropriate, securities may be purchased utilizing the comparison to current market price method on an exception basis. Acceptable current market price providers include, but are not limited to the following:

1. Telerate Information System
2. Bloomberg Information Systems
3. Wall Street Journal or a comparable nationally recognized financial publication providing daily market pricing
4. Daily market pricing provided by the City's custodian or their correspondent institutions

Examples of when this method may be used include the following:

1. When time constraints due to unusual circumstances preclude the use of the competitive bidding process
2. When no active market exists for the issue being traded due to the age or depth of the issue
3. When a security is unique to a single dealer, for example, a private placement
4. When the transaction involves new issues or issues in the "when issued" market

Overnight sweep repurchase agreements will not be bid, but may be placed with the City's depository bank relating to the demand account for which the repurchase agreement was purchased.



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### **C. Sale of Securities**

The Finance Director may sell a security prior to maturity at such price that the Finance Director shall deem advisable including at, above or below the purchase price of the security when in the determination of the Finance Director that the sale of the security is necessary to: (1) ensure sufficient amount of money on hand when the balance of cash in the City treasury has for any reason become less than the amount necessary for immediate use; (2) enhance the overall portfolio yield; (3) minimize further erosion and loss of investment principal; or (4) minimize the City's exposure to market and credit risks.

### **D. Internal Controls and Operational Procedures**

The Finance Director shall establish a system of internal controls and operational procedures that are in writing and made a part of the City's operational procedures. The internal controls should be designed to prevent loss of funds, which might arise from fraud, employee error, and misrepresentation by third parties, or imprudent actions by staff. The written procedures should include reference to safekeeping, bonding, repurchase agreements, and separation of transaction authority from accounting and recordkeeping, wire transfer agreements, banking service contracts and collateral/depository agreements. No person may engage in an investment transaction except as authorized under the terms of this Policy.

Independent auditors as a normal part of the annual financial audit to the City shall conduct a review of the system of internal controls to ensure compliance with policies and procedures.

## **MATURITY AND LIQUIDITY REQUIREMENTS**

### **A. Operating Funds**

To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of current operating funds shall have maturities of no longer than twenty-four (24) months ("Short-Term Portfolio").

### **B. Core Funds**

Investments of reserves, capital funds, and other non-operating funds ("Long-Term Portfolio") shall have a term appropriate to the need for funds, but in no event shall exceed five (5) years and the average duration of the portfolio as a whole may not exceed three (3) years.

## **AUTHORIZED BROKER/ DEALERS AND QUALIFIED INSTITUTIONS**

Authorized City staff and investment managers shall only purchase securities from financial institutions that are qualified as "Public Depositories" by the Treasurer or the Chief Financial Officer of the State of Florida, from direct issuers of commercial paper and Bankers' Acceptances or institutions designated as



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“Primary Securities Dealers” by the Federal Reserve Bank of New York. Public Depositories may provide the services of a securities dealer through a Section 20 subsidiary of the financial institution.

Authorized City staff and investment managers shall only enter into repurchase agreements with financial institutions that are qualified Public Depositories by the Treasurer or the Chief Financial Officer of the State of Florida and Primary Securities Dealers as designated by the Federal Reserve Bank of New York.

For the investment of debt proceeds, financial institutions shall be selected pursuant to the debt covenants created by ordinance or resolution pursuant to the issuance of bonds.

### **AUTHORIZED INVESTMENT INSTRUMENTS AND PORTFOLIO COMPOSITION**

Investments should be made subject to the cash flow needs and such cash flows are subject to revisions as market conditions and the needs of the City change. However, when the invested funds are needed in whole or in part for the purpose originally intended or for more optimal investments, the Finance Director in conjunction with its investment managers may sell the investment at the then-prevailing market price and place the proceeds into the proper account held by the City’s custodian.

The Finance Director has authorized the following types of investments, instrument requirements and allocation limits on security types, issuers, and maturities. For the purpose of complying with allocation limits, available funds for investment do not include balances invested in the overnight sweep investment. The Finance Director or designee shall have the option to further restrict investment percentages from time to time based on market conditions, risk and diversification investment strategies. The percentage allocation requirements for investment types and issuers are calculated based on the market value of each investment. Investments not listed in this Policy are prohibited.

The allocation limits and security types do not apply to the investment of debt proceeds. These investments shall be governed by the debt covenant created by ordinance or resolution pursuant to the issuance of bonds.



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Security Type		Minimum Rating Requirement	Maturity Limits	Maximum Allocation Limit	Maximum Issuer Limit
(A)	Florida PRIME	AAA	N/A	25%	N/A
(B)	United States Government Securities	N/A	5 Years	100%	N/A
(C)	United States Government Agencies (full faith and credit of the United States Government)	N/A	5 Years	50%	25%
(D)	Federal Instrumentalities (United States Government Sponsored Enterprises (“GSE”) which are non-full faith and credit).*	N/A	5 Years	80%	50%
(E)	Mortgage-Backed Securities (MBS) *	N/A	5 Years	30%	20%
(F)	Non-Negotiable Interest Bearing Time Deposits or Savings Accounts	N/A	1 Years	25%	15%
(G)	Repurchase Agreements	N/A	90 Days	50%	25%
(H)	Commercial Paper***	A-1 S&P and P-1 Moody’s	270 Days	30%	10%
(I)	Corporate Notes***	Single “A” category by any two NRSROs**	3 Years	30%	10%
(J)	Asset Backed Securities***	Triple “AAA” rating by any two NRSROs**	3 Years	15%	5%
(K)	Bankers’ Acceptances	Highest rating by two NRSROs**	180 Days	25%	5%
(L)	State and/or Local Government Taxable and/or Tax-Exempt Debt	Double “AA” category by any two NRSROs**	5 Years	20%	N/A
(M)	Registered Investment Companies (Money Market Mutual Funds)	AAA	N/A	75%	25%
(N)	Registered Investment Companies (Mutual Funds)	AAA	N/A	40%	20%
(O)	Intergovernmental Investment Pool	AAA	N/A	50%	N/A

\*The combined maximum amount of available funds invested in Federal Instrumentalities and mortgage-backed securities will not exceed fifty percent (50%).

\*\*National Recognized Statistical Rating Organization (NRSRO) at the time of purchase.

\*\*\*The maximum amount of corporate investments will not exceed forty percent (40%). Therefore, the combination of Section (H) Commercial Paper, Section (I) Corporate Notes and Section (J) Asset Backed Securities shall not exceed forty percent (40%).



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### A. Florida PRIME

#### 1. Investment Authorization

Investment in Florida PRIME is authorized provided that the stated objectives are met which include: to provide a short-term, very liquid, high quality investment vehicle to participating local governments, to purchase securities consistent with Section 215.47, Florida Statutes and to operate the pool as a “2a7-like” fund using the U.S. Securities and Exchange Commission’s (SEC) investment requirements for 2a-7.

#### 2. Portfolio Composition

Maximum of 25% of Available Funds

#### 3. Rating Requirement

Rating of “AAA” by Standard & Poor’s or equivalent by accredited ratings agencies.

#### 4. Due Diligence Requirements

Thorough review is required prior to investing and on a continual basis by the Finance Director or the City’s investment manager that will cover the major aspects of the Florida PRIME’s Investment Policy requirements.

### B. United States Government Securities

#### 1. Purchase Authorization

Invest in negotiable direct obligations, or obligations the principal and interest of which are unconditionally guaranteed by the U. S. Government. Such securities will include, but not be limited to the following:

- a) Cash Management Bills
- b) Treasury Securities – State and Local Government Series (“SLGS”)
- c) Treasury Bills
- d) Treasury Notes
- e) Treasury Bonds
- f) Treasury Strips

#### 2. Portfolio Composition

Maximum of 100% of Available Funds





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### 3. Maturity Limitations

Maximum length to maturity of any direct investment in the U. S. Government Securities is five (5) years from the date of purchase.

## **C. United States Government Agencies**

### 1. Purchase Authorization

Invest in bonds, debentures or notes which may be subject to call, issued or guaranteed as to principal and interest by U.S. Government Agencies, provided such obligations are backed by the full faith and credit of the U. S. Government. Such securities will include, but not be limited to the following:

- a) Government National Mortgage Association (GNMA)
  - 1) GNMA guaranteed mortgage-backed bonds
  - 2) GNMA guaranteed pass-through obligations
- b) United States Export – Import Bank
  - 1) Direct obligations or fully guaranteed certificates of beneficial ownership
- c) Farmer Home Administration -
  - 1) Certificates of beneficial ownership
- d) Federal Financing Bank
  - 1) Discount notes, notes and bonds
- e) Federal Housing Administration Debentures
- f) General Services Administration
- g) United States Maritime Administration Guaranteed
  - 1) Title XI Financing
- h) New Communities Debentures
  - 1) United States Government guaranteed debentures
- i) United States Public Housing Notes and Bonds
  - 1) United States Government guaranteed public housing notes and bonds



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- j) United States Department of Housing and Urban Development
  - 1) Project notes and local authority bonds
  - 2) Portfolio Composition
    - Maximum of 50% of Available Funds
  - 3) Limits on Individual Issuers
    - Maximum of 25% of available funds
  - 4) Maturity Limitations

Maximum length to maturity for an investment in any U. S. Government Agency security is five (5) years from the date of purchase.

#### D. Federal Instrumentalities

##### 1. Purchase Authorization

Invest in bonds, debentures or notes which may be subject to call, issued or guaranteed as to principal and interest by Federal Instrumentalities (United States Government sponsored agencies), which are non-full faith and credit agencies limited to the following:

- a) Federal Farm Credit Bank (FFCB)
- b) Federal Home Loan Banks (FHLB)
- c) Federal National Mortgage Association (FNMA)
- d) Federal Home Loan Mortgage Corporation (Freddie-Mac) including Federal-Home Loan Mortgage Corporation participation certificates
- ~~e) Student Loan Marketing Association (Sallie-Mae)~~

##### 2. Portfolio Composition

Maximum of 80% of Available Funds

##### 3. Limits on Individual Issuers

Maximum of 50% of Available Funds may be invested in individual Federal Instrumentalities.

##### 4. Maturity Limitations

Maximum length to maturity for an investment in any Federal Instrumentality security is five (5) years from the date of purchase.



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### **E. Mortgage-Backed Securities (MBS)**

#### 1. Investment Authorization

Invest in mortgage-backed securities (MBS) which are based on mortgages that are guaranteed by a government agency for payment of principal and a guarantee of timely payment.

#### 2. Portfolio Composition

Maximum of 30% of available funds may be invested in MBS. The combined total of available funds invested in Federal Agencies and MBS cannot exceed 80%.

#### 3. Limits of Individual Issuers

Maximum of 20% of available funds may be invested with any one MBS.

### **F. Interest Bearing Time Certificates of Deposit or Saving Accounts**

#### 1. Purchase Authorization

Invest in non-negotiable interest bearing time certificates of deposit or savings accounts in banks organized under the laws of this state and/or in national banks organized under the laws of the U.S. and doing business and situated in the State of Florida, provided that any such deposits are secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes. Additionally, the bank shall not be listed with any recognized credit watch information service.

#### 2. Portfolio Composition

Maximum of 25% of Available Funds

#### 3. Limits on Individual Issuers

A maximum of 15% of Available Funds may be deposited with any one issuer.

#### 4. Maturity Limitations

Maximum maturity on any certificate of deposit shall be no greater than one (1) year from the date of purchase.

### **G. Repurchase Agreements**

#### 1. Purchase Authorization

a) Invest in repurchase agreements composed of only those investments based on the requirements set forth by the City's Master Repurchase Agreement. All firms are required



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- to sign the Master Repurchase Agreement prior to the execution of a repurchase agreement transaction.
- b) A third party custodian with whom the City has a current custodial agreement shall hold the collateral for all repurchase agreements with a term longer than one (1) business day. A clearly marked receipt that shows evidence of ownership must be supplied to and retained by the Finance Director.
  - c) Securities authorized for collateral are negotiable direct obligations of the U. S. Government, Government Agencies, and Federal Instrumentalities with maturities under five (5) years and must have a market value for the principal and accrued interest of 102 percent of the value and for the term of the repurchase agreement. Immaterial short-term deviations from 102 percent requirement are permissible only upon the approval of the Finance Director.
    - 1. Portfolio Composition

Maximum of 50% of Available Funds may be invested in repurchase agreements excluding one (1) business day agreements and overnight sweep agreements.
    - 2. Limits on Individual Issuers

Maximum of 25% of Available Funds may be invested with any one institution excluding one (1) business day agreements and overnight sweep agreements.
    - 3. Limits on Maturities

Maximum length to maturity of any repurchase agreement is 90 days from the date of purchase.
    - 4. Performance Calculation

Overnight sweep investments for the purpose of calculating investment performance will be excluded from the calculation.

### **H. Commercial Paper**

#### 1. Purchase Authorization

Invest in commercial paper of any U.S. company that is rated, at the time of purchase, "Prime-1" by Moody's and "A-1" by Standard & Poor's (prime commercial paper) or the equivalent by accredited rating agencies.

#### 2. Portfolio Composition



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Maximum of 30% of Available Funds may be directly invested in prime commercial paper. The maximum amount of corporate investments will not exceed forty percent (40%). Therefore, the combination of Section (H) Commercial Paper, Section (I) Corporate Notes and Section (J) Asset Backed Securities shall not exceed forty percent (40%).

#### 3. Limits on Individual Issuers

Maximum of 10% of Available Funds may be invested with any one issuer.

#### 4. Maturity Limitations

Maximum length to maturity for prime commercial paper shall be 270 days from the date of purchase.

### I. Corporate Notes

#### 1. Purchase Authorization

Invest in corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, of "A" by Moody's and a long term debt rating of "A" by Standard & Poor's or the equivalent by accredited ratings agencies.

#### 2. Portfolio Composition

Maximum of 30% of Available Funds may be directly invested in corporate notes. The maximum amount of corporate investments will not exceed forty percent (40%). Therefore, the combination of Section (H) Commercial Paper, Section (I) Corporate Notes and Section (J) Asset Backed Securities shall not exceed forty percent (40%).

#### 3. Limits on Individual Issuers

Maximum of 10% of Available Funds may be invested with any one issuer.

#### 4. Maturity Limitations

Maximum length to maturity for corporate notes shall be three (3) years from the date of purchase.

### J. Asset-Backed Securities (ABS)

#### 1. Purchase Authorization

Invest in ABS which are bonds or notes backed by financial assets. ABS shall have a long term debt rating, at the time of purchase, of "AAA" by Moody's and a long term debt rating of "AAA" by Standard & Poor's or the equivalent by accredited ratings agencies.



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### 2. Portfolio Composition

Maximum of 15% of available funds may be invested in ABS. The maximum amount of corporate investments will not exceed forty percent (40%). Therefore, the combination of Section (H) Commercial Paper, Section (I) Corporate Notes and Section (J) Asset Backed Securities shall not exceed forty percent (40%).

### 3. Limits of Individual Issuers

Maximum of 5% of available funds may be invested with any one ABS.

### 4. Maturity Requirements

Maximum length to maturity for corporate notes shall be three (3) years from the settlement date of purchase.

## **K. Bankers' Acceptances**

### 1. Purchase Authorization

Invest in Bankers' Acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, at the time of purchase, the short-term paper is rated, at a minimum, "P-1" by Moody's Investors Services and "A-1" Standard & Poor's or the equivalent by accredited ratings agencies

### 2. Portfolio Composition

Maximum of 25% of Available Funds may be directly invested in Bankers' Acceptances.

### 3. Limits on Individual Issuers

Maximum of 5% of Available Funds may be invested with any one issuer.

### 4. Maturity Limitations

Maximum length to maturity for Bankers' Acceptances shall be 180 days from date of purchase.

## **State and/or Local Government Taxable and/or Tax-Exempt Debt**

### 1. Purchase Authorization

Invest in state and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least "AA" by Moody's and "AA" by Standard & Poor's for long-term debt, or rated at least "MIG-1" by Moody's and "SP-1" by Standard & Poor's for short-term debt or the equivalent by accredited ratings agencies.



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#### 2. Portfolio Composition

Maximum of 20% of Available Funds

#### 3. Maturity Limitations

Maximum length to maturity for an investment in any state or local government debt security is three (3) years from the date of purchase.

### **L. Registered Investment Companies (Money Market Mutual Funds)**

#### 1. Investment Authorization

Invest in shares in open-end and no-load money market mutual funds provided such funds are registered under the Federal Investment Company Act of 1940 and operate in accordance with 17 C.F.R. § 270.2a-7, which stipulates that money market mutual funds must have an average weighted maturity of 90 days or less. The prospectus of such funds must indicate that the share value shall not fluctuate.

#### 2. Portfolio Composition

Maximum of 75% of Available Funds

#### 3. Limits of Individual Issuers

Maximum of 25% of Available Funds may be invested with any one money market mutual fund.

#### 4. Rating Requirements

Minimum rating of "AAA" by Standard & Poor's or the equivalent by accredited ratings agencies

#### 5. Due Diligence Requirements

A thorough investigation of any money market mutual fund is required prior to investing and on a continual basis. There shall be a questionnaire developed by the Finance Director in conjunction with the City's investment managers that will contain a list of due diligence considerations that deal with the major aspects of any investment pool or fund. A current prospectus must be obtained prior to investing.

### **M. Registered Investment Companies (Mutual Funds)**

#### 1. Investment Authorization

Invest in shares in open-end and no-load mutual funds, with fluctuating net asset values, provided such funds are registered under the Federal Investment Company Act of 1940.



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The prospectus of such funds must indicate that the mutual fund's average duration is maintained at three (3) years or less and the mutual fund invest exclusively in investment instruments as authorized by this policy.

#### **2. Portfolio Composition**

Maximum of 40% of Available Funds

#### **3. Limits of Individual Issuers**

Maximum of 20% of Available Funds may be invested with any one mutual fund.

#### **4. Rating Requirements**

Mutual funds shall be rated "AAA by Standard & Poor's or the equivalent by accredited ratings agencies

#### **5. Due Diligence Requirements**

A thorough investigation of any mutual fund is required prior to investing and on a continual basis. There shall be a questionnaire developed by the Finance Director in conjunction with the City's investment managers that will contain a list of due diligence considerations that deal with the major aspects of any investment mutual fund. A current prospectus must be obtained prior to investing.

### **N. Intergovernmental Investment Pool**

#### **1. Investment Authorization**

Intergovernmental investment pools that are authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes.

#### **2. Portfolio Composition**

Maximum of 50% of Available Funds

#### **3. Due Diligence Requirements**

A thorough investigation of any pool fund is required prior to investing and on a continual basis. There shall be a questionnaire developed by the Finance Director in conjunction with the City's investment managers that will contain a list of due diligence considerations that deal with the major aspects of any investment pool or fund. A current prospectus must be obtained prior to investing.





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### **DERIVATIVES AND REVERSE REPURCHASE AGREEMENTS**

Investment in any derivative products or the use of reverse repurchase agreements requires specific City Council approval prior to their use. If the City Council approves the use of derivative products, the Finance Director shall develop sufficient understanding of the derivative products and have the expertise to manage them. A “derivative” is defined as a financial instrument, the value of which depends on, or is derived from, the value of one or more underlying assets or indices or asset values. If the City Council approves the use of reverse repurchase agreements or other forms of leverage, the investment shall be limited to transactions in which the proceeds are intended to provide liquidity and for which the Finance Director has sufficient resources and expertise to manage them.

### **THIRD-PARTY CUSTODIAL AGREEMENTS**

All securities, with the exception of certificates of deposits, shall be held with a third party custodian and all securities purchased by, and all collateral obtained by the City should be properly designated as an asset of the City. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the U.S. which has a branch or principal place of business in the State of Florida as defined in Section 658.12, Florida Statutes, or by a national association organized and existing under the laws of the U. S., which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits will be placed in the provider’s safekeeping department for the term of the deposit.

The Finance Director, upon approval of the City Council, will execute on behalf of the City, third party custodial agreement(s) with its bank(s) and depository institution(s). Such agreements may include letters of authority from the City, details as to the responsibilities of each party, method of notification of security purchases, sales, and delivery, procedures related to repurchase agreements and wire transfers, safekeeping and transaction costs, procedures in case of wire failure or other unforeseen mishaps and describing the liability of each party.

The custodian shall accept transaction instructions only from those persons who have been duly authorized by the City and which authorization has been provided, in writing, to the custodian. No withdrawal of securities, in whole or in part, shall be made from safekeeping, shall be permitted unless by such a duly authorized person. The custodian shall provide the Finance Director with monthly statements that provide detailed information on the securities held by the custodian. Security transactions between authorized investment institutions and dealers and the custodian involving the purchase or sale of securities by transfer of money or securities must be made on a “delivery vs. payment” basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. Securities held as collateral shall be held free and clear of any liens.



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### **PERFORMANCE MEASUREMENTS**

In order to assist in the evaluation of the portfolios' performance, the City will use nationally recognized performance benchmarks for the Short-Term and Long-Term portfolios. The use of benchmarks will allow the City to measure its returns against other investors in the same markets. Performance calculations will not include any balances invested in the overnight sweep accounts.

- A. Investment performance of the Short-term Portfolio will be compared to a nationally recognized Money Market Fund Index, such as the Standard and Poor's Governmental Investment Pool Index/Government. This index will be used as a benchmark as compared to the portfolios' net book value rate of return for current operating funds.
- B. Investment performance of the Long-Term Portfolio will be compared to the Merrill Lynch's 1-3 Year United States Treasury Index or an equivalent index comprised of U. S. Treasury or Government securities. The appropriate index will have a duration and asset mix that approximates the portfolio and will be utilized as a benchmark to be compared to the portfolio's total rate of return.

### **PERIODIC REVIEW**

An annual independent audit and review of the City's books and records will be performed to evaluate the nature of overall portfolio investment activities and to verify invested funds. The independent audit review will also examine procedures and written guidelines and established internal control mechanisms to ensure compliance with the objectives of this Policy.

### **REPORTING**

#### **A. Monthly Reports:**

The Finance Director shall provide the City Manager with a monthly investment report, which includes a listing of the holdings in the portfolio at cost and market value.

#### **B. Annual Reports:**

1. The Assistant Finance Director shall complete a cash flow analysis to determine the acceptable allocation and balances of the operating and core funds as defined in the *Maturity and Liquidity Requirements* Section above and prepare a report for presentation to the Finance Director for review.
2. The Finance Director and/or the City's investment managers shall provide the City Manager with an annual performance investment reports. Once reviewed by the City Manager the reports shall be submitted to the City Council. Schedules in the quarterly performance reports should include but not be limited to the following:



## **POLICY AND PROCEDURE**

**SUBJECT: INVESTMENT POLICY AND GUIDELINES**

- a) Listing of individual securities held at the end of the reporting period
  - b) Percentage of Available Funds represented by each investment type
  - c) Performance comparisons against benchmarks
  - d) Average life or duration and final maturity of all investments
  - e) Par value, original cost and market value
3. The Finance Director and/or the City's investment managers shall prepare and submit to the City Council a written report on all Available Funds. This report shall provide all, but not limited to, the following: a complete list of all invested funds, name or type of security in which the funds are invested, the amount invested, the maturity date, income earned, the book value, the market value and the yield on each investment.

The annual report will show performance on both a book value rate of return and a total rate of return basis and will compare the results to the above-stated performance benchmarks. All investments shall be reported at fair value per GASB standards. Investment reports shall be available to the public.

### **CONTINUING EDUCATION**

The Finance Director, or designee (s), shall each annually complete eight (8) hours of continuing education in subjects or courses of study related to investment practices and products.

### **INVESTMENT POLICY ADOPTION**

This Investment policy shall be adopted by City resolution. The Finance Director shall review the policy annually and the City Council shall approve any modification made thereto.

References: Section 2.214, City of Riviera Beach City Charter  
Section 218.415, Florida Statutes  
Federal Investment Company Act of 1940



**POLICY AND PROCEDURE**

**SUBJECT: INVESTMENT POLICY AND GUIDELINES**

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**Departmental Sponsor:** Finance and Administrative Services Department

**Policy Review Date:**

**Departments Affected:** All

**APPROVED AND ADOPTED:  
RESOLUTION NO.**