



CITY OF RIVIERA BEACH – MEMORANDUM

TO: HON. MAYOR, CHAIRPERSON AND CITY COUNCIL

THROUGH: JONATHAN EVANS, CITY MANAGER, MPA, MBA, ICMA-CM

FROM: RANDY M. SHERMAN, CPA, CGFO, CTP
DIRECTOR OF FINANCE AND ADMINISTRATIVE SERVICES

SUBJECT: **PRESENTATION ON THE CITY'S INVESTMENT PORTFOLIO**

DATE: FEBRUARY 19, 2020

CC: GENERAL PUBLIC

Background:

In accordance with Florida Statute 218.415, *Local government investment policies*, investment activity by a unit of local government must be consistent with a written investment plan adopted by the governing body, or in the absence of an adopted policy, investment activity must be conducted in accordance with Florida Statute 218.415 (17). Any such unit of local government shall have an investment policy for any public funds in excess of the amounts needed to meet current expenses as provided in subsections (1)-(16), or shall meet the alternative investment guidelines contained in subsection (17), *Authorized Investments: No Written Investment Policy*. Such written policies shall be structured to place the highest priority on the safety of principal and liquidity of funds. The optimization of investment returns shall be secondary to the requirements for safety and liquidity. Each unit of local government shall adopt policies that are commensurate with the nature and size of the public funds within its custody.

Under Section 2-214 of the City of Riviera Beach (the "City") Charter, the Director of Finance (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.



The City's most recent Investment Policy was adopted on March 16, 2016. The purpose of this Investment Policy and Guidelines document (the "Policy") is to establish cash management and investment guidelines for the City. This policy was prepared in accordance with Florida Statute 218.415.

Under the Policy, Finance is responsible for the management of daily receipt and investment of cash and related accounting operations. The Director is the Chief Investment Officer of the City, and investments may be directed by the Director, or designee, or outside professional fund managers, in accordance with this Policy. It is the policy of the Director to invest 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.

The 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.

The primary objectives in the investment of City funds under control of Finance 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 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 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.

The Policy stipulates that 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. On November 28, 2017, the City entered into a professional services contract with PFM Asset Management LLC, to provide investment management services. Finance publishes a Treasurer's Report on a quarterly basis; however, a presentation as to the compliance with the Policy and investment results has never been made to the Mayor and Council.

Citywide Goal:

Enhance Government Stewardship

Budget/Fiscal Impact:

No fiscal impact.

Recommendation(s):

Staff is recommending that the Mayor and Council agree to a presentation by representatives from PFM Asset Management that will address investment



composition, investment strategy, Policy compliance, and investment results as of September 30, 2019.

Attachment(s):

1. Draft Treasurer's Report-September 30, 2019
2. RIVIERA 4Q19 QPR Board Book Final