



POLICY AND PROCEDURE

SUBJECT: INVESTMENT POLICY

DATE: October 2, 2013

NUMBER:

PURPOSE

The purpose of this policy is to set forth the investment objectives and parameters for the management of public funds of the City of Riviera Beach, Florida (hereinafter “the City”). This policy is designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed and an investment return competitive with comparable funds and financial market indices.

SCOPE

In accordance with Section 218.415, Florida Statutes, this investment policy applies to the investment of cash and investment balances of the following funds:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Projects Funds
- Enterprise Funds
- Internal Service Funds
- Trust and Agency Funds

This policy does not apply to the 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. Funds received and held in specific accounts in compliance with Federal or State grant awards are excluded from this policy. Additionally, this policy does not apply to funds not under investment control of the City, such as, the Police, Firefighters and the General Employees Pension Funds. Cash and investment balances as defined in this Section are entirely known as “Available Fund”.

INVESTMENT OBJECTIVES

Safety of Principal

The foremost objective of this investment program is the safety of the principal of the funds of the City. Investment transactions 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 any of the following occurs with respect to the replacement security:



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- A. The yield has been increased, or
- B. The maturity has been reduced or lengthened, or
- C. The quality of the investment has been improved.

Maintenance of Liquidity

The second highest priority is liquidity of funds. The funds shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements in an orderly manner. Periodical cash flow analyses will be completed in order to ensure that the investments are positioned to provide sufficient liquidity.

Return on Investment

The third highest priority is income. Funds 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 Director of Finance and Administrative Services. The Director of Finance and Administrative Services 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

The standard of prudence to be used by City's staff shall be the "Prudent Person" standard and shall be applied in the context of managing the overall investment program. The Director of Finance and Administrative Services acting in accordance with written procedures and this investment 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.



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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

The City's 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, employees 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.

INTERNAL CONTROLS AND INVESTMENT PROCEDURES

The Director of Finance and Administrative Services 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 losses of funds, which might arise from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees. 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.

CONTINUING EDUCATION

The Director of Finance and Administrative Services and appropriate staff designated by the Director of Finance and Administrative Services shall each annually complete 8 hours of continuing education in subjects or courses of study related to investment practices and products.

AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS

Authorized City staff and investment managers shall only purchase securities from Financial Institutions, which 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



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institutions designated as “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.

MATURITY AND LIQUIDITY REQUIREMENTS

Each year a cash flow analysis will be completed to determine the acceptable allocation and balances for each of the following funds. The Assistant Director of Finance will be responsible for the cash flow analysis, which will be presented to the Director of Finance and Administrative Services for review.

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”).

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.

COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

After the Director of Finance and Administrative Services 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:

- A. Telerate Information System
- B. Bloomberg Information Systems



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- C. Wall Street Journal or a comparable nationally recognized financial publication providing daily market pricing
- D. Daily market pricing provided by the City’s custodian or their correspondent institutions

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

- A. When time constraints due to unusual circumstances preclude the use of the competitive bidding process
- B. When no active market exists for the issue being traded due to the age or depth of the issue
- C. When a security is unique to a single dealer, for example, a private placement
- D. 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.

AUTHORIZED INVESTMENTS 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 City’s needs change. However, when the invested funds are needed in whole or in part for the purpose originally intended or for more optimal investments, the Director of Finance and Administrative Services in conjunction with the investment managers may sell the investment at the then-prevailing market price and place the proceeds into the proper account at the City’s custodian.

The following are the investment instrument requirements and allocation limits on security types, issuers, and maturities, as established by the City. For the purpose of complying with allocation limits, the term “Available Funds” is defined as Section II of this policy and not including balances invested in the overnight sweep investment. The Director of Finance and Administrative Services 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.



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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.

	<u>Security Type</u>	<u>Minimum Rating Requirement</u>	<u>Maturity Limits</u>	<u>Maximum Allocation Limit</u>	<u>Maximum Issuer Limit</u>
(A)	<u>Florida PRIME</u>	<u>AAAm</u>	<u>N/A</u>	<u>50%</u>	<u>N/A</u>
(B)	<u>United States Government Securities</u>	<u>N/A</u>	<u>5 Years</u>	<u>100%</u>	<u>N/A</u>
(C)	<u>United States Government Agencies (full faith and credit of the United States Government)</u>	<u>N/A</u>	<u>5 Years</u>	<u>50%</u>	<u>25%</u>
(D)	<u>Federal Instrumentalities (United States Government Sponsored Enterprises ("GSE") which are non-full faith and credit).*</u>	<u>N/A</u>	<u>5 Years</u>	<u>50%</u>	<u>40%</u>
(E)	<u>Mortgage-Backed Securities (MBS) *</u>	<u>N/A</u>	<u>5 Years</u>	<u>30%</u>	<u>20%</u>
(F)	<u>Non-Negotiable Interest Bearing Time Deposits or Savings Accounts</u>	<u>N/A</u>	<u>1 Years</u>	<u>25%</u>	<u>15%</u>
(G)	<u>Repurchase Agreements</u>	<u>N/A</u>	<u>90 Days</u>	<u>50%</u>	<u>25%</u>
(H)	<u>Commercial Paper***</u>	<u>A-1 S&P and P-1 Moody's</u>	<u>270 Days</u>	<u>35%</u>	<u>10%</u>
(I)	<u>Corporate Notes***</u>	<u>Single "A" category by any two NRSROs**</u>	<u>3 Years</u>	<u>35%</u>	<u>10%</u>
(J)	<u>Asset Backed Securities***</u>	<u>Triple "AAA" rating by any two NRSROs**</u>	<u>3 Years</u>	<u>15%</u>	<u>5%</u>
(K)	<u>Bankers' Acceptances</u>	<u>Highest rating by two NRSROs**</u>	<u>180 Days</u>	<u>25%</u>	<u>5%</u>
(L)	<u>State and/or Local Government Taxable and/or Tax-Exempt Debt</u>	<u>Double "AA" category by any two NRSROs**</u>	<u>5 Years</u>	<u>20%</u>	<u>N/A</u>
(M)	<u>Registered Investment Companies (Money Market Mutual Funds)</u>	<u>AAAm</u>	<u>N/A</u>	<u>75%</u>	<u>25%</u>
(N)	<u>Registered Investment Companies (Mutual Funds)</u>	<u>AAAf</u>	<u>N/A</u>	<u>40%</u>	<u>20%</u>
(O)	<u>Intergovernmental Investment Pool</u>	<u>AAA</u>	<u>N/A</u>	<u>30%</u>	<u>N/A</u>

*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. ~~The Florida Local Government Surplus Funds Trust Fund, as administered by the Florida State Board of Administration (“SBA”)~~ Florida PRIME

1. Investment Authorization

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~~2.~~ Invest in ~~the SBA~~ Florida PRIME provided the stated objectives of ~~the SBA~~ Florida PRIME are followed 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 Securities and Exchange Council investment requirements for 2a-7.

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~~3.~~ Portfolio Composition

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4. A maximum of ~~50~~ 25% of available funds may be invested in the SBA.

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3. Rating Requirement

~~5.~~ ~~The SBA~~ Florida Prime shall be rated “AAAm” or “AAAm-G” by Standard & Poor’s, or the equivalent by another rating agency.

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~~6.~~ Due Diligence Requirements

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~~7.~~ 5. A thorough review of ~~the SBA~~ Florida Prime is required prior to investing, and on a continual basis. There shall be a ~~questionnaire review developed~~ by the Director of Finance and Administrative Services or the investment manager that will ~~contain a list of questions that~~ covers the major aspects of the ~~SBA’s~~ Florida PRIME Investment Policy requirements.

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B. United States Government Securities

1. Purchase Authorization

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

- Cash Management Bills
- Treasury Securities – State and Local Government Series (“SLGS”)
- Treasury Bills
- Treasury Notes
- Treasury Bonds
- Treasury Strips

2. Portfolio Composition

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A maximum of 100% of Available Funds may be invested in the United States Government Securities.

3. Maturity Limitations

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The maximum length to maturity of any direct investment in the United States Government Securities is five (5) years from the date of purchase.

C. United States Government Agencies

1. Purchase Authorization

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

- Government National Mortgage Association (GNMA)
 - GNMA guaranteed mortgage-backed bonds
 - GNMA guaranteed pass-through obligations
- United States Export – Import Bank
 - Direct obligations or fully guaranteed certificates of beneficial ownership
- Farmer Home Administration
 - Certificates of beneficial ownership
- Federal Financing Bank
 - Discount notes, notes and bonds
- Federal Housing Administration Debentures
- General Services Administration
- United States Maritime Administration Guaranteed
 - Title XI Financing
- New Communities Debentures
 - United States Government guaranteed debentures
- United States Public Housing Notes and Bonds
 - United States Government guaranteed public housing notes and bonds
- United States Department of Housing and Urban Development
 - Project notes and local authority bonds

2. Portfolio Composition

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A maximum of 50% of Available Funds may be invested in United States Government Agencies.

3. Limits on Individual Issuers

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A maximum of 25% of available funds may be invested in individual United States Government Agencies.

4. Maturity Limitations

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The maximum length to maturity for an investment in any United States Government Agency security is five (5) years from the date of purchase.

D. Federal Instrumentalities

1. Purchase Authorization

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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:

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

2. Portfolio Composition

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A maximum of 80% of Available Funds may be invested in Federal Instrumentalities.

3. Limits on Individual Issuers

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

4. Maturity Limitations

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The 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

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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

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A maximum of 30% of available funds may be invested in MBS. The combined total of available funds invested in Federal Agencies and Mortgage Backed Securities cannot be more than 80%.

3. Limits of Individual Issuers

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A 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

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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 United States 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

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A maximum of 25% of Available Funds may be invested in non-negotiable interest bearing time certificates of deposit or savings accounts.

3. Limits on Individual Issuers

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

4. Maturity Limitations

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

G. Repurchase Agreements



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1. Purchase Authorization

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- 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 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
- c. shows evidence of ownership must be supplied to the Director of Finance and Administrative Services and retained.
- d. Securities authorized for collateral are negotiable direct obligations of the United States 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 Director of Finance and Administrative Services.

2. Portfolio Composition

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A maximum of 50% of Available Funds may be invested in repurchase agreements excluding one (1) business day agreements and overnight sweep agreements.

3. Limits on Individual Issuers

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A maximum of 25% of Available Funds may be invested with any one institution excluding one (1) business day agreements and overnight sweep agreements.

4. Limits on Maturities

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The maximum length to maturity of any repurchase agreement is 90 days from the date of purchase.

5. Performance Calculation

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

H. Commercial Paper



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1. Purchase Authorization

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Invest in commercial paper of any United States 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 another nationally recognized rating agency. 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%).

2. Portfolio Composition

A maximum of ~~25~~30% of Available Funds may be directly invested in prime commercial paper.

3. Limits on Individual Issuers

A maximum of ~~5~~10% of Available Funds may be invested with any one issuer.

4. Maturity Limitations

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

I. Corporate Notes

1. Purchase Authorization

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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 "AA" by Standard & Poor's or the equivalent by another nationally recognized rating agency. 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%).

2. Portfolio Composition

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A maximum of ~~15~~30% of Available Funds may be directly invested in corporate notes.

3. Limits on Individual Issuers

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A maximum of ~~5~~10% of Available Funds may be invested with any one issuer.

4. Maturity Limitations

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The 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

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Invest in asset-backed securities (ABS) which are bonds or notes backed by financial assets. ABS shall have a long term debt rating, at the time of purchase, of "Aa" by Moody's and a long term debt rating of "AA" by Standard & Poor's or the equivalent by another nationally recognized rating agency.

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2. Portfolio Composition

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A maximum of 15% of available funds may be invested in ABS.

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3. Limits of Individual Issuers

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

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4. Maturity Requirements

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

J.K. Bankers' Acceptances

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1. Purchase Authorization

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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 or 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 another nationally recognized rating agency.

2. Portfolio Composition

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

3. Limits on Individual Issuers

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

4. Maturity Limitations

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

K.L. State and/or Local Government Taxable and/or Tax-Exempt Debt

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1. Purchase Authorization

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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 another nationally recognized rating agency.

2. Portfolio Composition

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A maximum of 20% of Available Funds may be invested in taxable and tax-exempt debts.

3. Maturity Limitations

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A 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.M. Registered Investment Companies (Money Market Mutual Funds)

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1. Investment Authorization

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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



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maturity of 90 days or less. The prospectus of such funds must indicate that the share value shall not fluctuate.

2. Portfolio Composition

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A maximum of 75% of Available Funds may be invested in money market mutual funds.

3. Limits of Individual Issuers

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

4. Rating Requirements

The money market mutual funds shall be rated, at a minimum, "AAAm" or "AAAm-G" by Standard & Poor's or the equivalent by another nationally recognized rating agency.

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 Director of Finance and Administrative Services in conjunction with the 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.N. Registered Investment Companies (Mutual Funds)

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1. Investment Authorization

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

2. Portfolio Composition

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A maximum of 40% of Available Funds may be invested in mutual funds.

3. Limits of Individual Issuers

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

4. Rating Requirements

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Mutual funds shall be rated “AAA” by Standard & Poor’s or an equivalent rating by another nationally recognized rating agency.

5. Due Diligence Requirements

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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 Director of Finance and Administrative Services in conjunction with the 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.O. Intergovernmental Investment Pool

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1. Investment Authorization

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

2. Portfolio Composition

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A maximum of ~~40~~30% of Available Funds may be invested in intergovernmental investment pools.

3. Due Diligence Requirements

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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 Director of Finance and Administrative Services in conjunction with the 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.

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 Director of Finance and Administrative Services shall develop sufficient understanding of the derivative



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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 Director of Finance and Administrative Services has sufficient resources and expertise to manage them.

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. A nationally recognized Money Market Fund Index, such as the Standard and Poor’s Governmental Investment Pool Index/Government will be used as a benchmark as compared to the portfolios’ net book value rate of return for current operating funds (short-term portfolio).
- 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.

REPORTING

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

The Director of Finance and Administrative Services and/or 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:

- A listing of individual securities held at the end of the reporting period
- Percentage of Available Funds represented by each investment type
- Performance comparisons against benchmarks
- Average life or duration and final maturity of all investments
- Par value, original cost and market value

On an annual basis, the Director of Finance and Administrative Services or investment managers shall prepare and submit to the City Council a written report on all Available Funds. The annual 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.



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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.

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 United States 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 United States, 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 Director of Finance and Administrative Services, 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, 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 of Riviera Beach 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 Director of Finance and Administrative Services with monthly statements that provide detail 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.

INVESTMENT POLICY ADOPTION

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

APPROVED AND ADOPTED BY THE CITY COUNCIL ON _____.



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SUBJECT: INVESTMENT POLICY

Departmental Sponsor: Finance

Policy Review Date:

References:

Departments Affected: All

Approve by: