

# **CITY OF MAITLAND, FLORIDA**



## **INVESTMENT POLICY**

**Finance Department  
Revised February 2003**

**CITY OF MAITLAND  
INVESTMENT POLICY  
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# **City of Maitland, Florida Investment Policy**

## **I. Introduction**

It is the policy of the City of Maitland (the "City") to invest public funds in a manner which will provide maximum safety of capital, while meeting the daily cash flow demands of the City, providing the highest return on investment, and conforming to all State statutes and City ordinances governing the investment of public funds.

## **II. Scope of Investment Policy**

This investment policy applies to all funds held by the City on behalf of the citizenship of Maitland in excess of those required to meet current expenses, with the exception of:

- A. Pension Fund assets, and
- B. Funds whose uses are restricted by debt covenants or legal, regulatory or other constraints.

## **III. Prudence and Ethical Standards**

The standard of prudence to be applied by the Investment Officer shall be the "Prudent Person" rule, which states: "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 derived." The "Prudent Person" rule shall be applied in the context of managing the overall portfolio.

The Investment Officer acting in accordance with the written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

The Investment Officer and other staff involved in the investment process shall refrain from personal business activity that could conflict with State Statutes, City Ordinances or the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. The Investment Officer shall disclose to the City Council any material financial interests he/she has in financial institutions that conduct business with the City, and he/she shall further disclose any material personal financial/investment positions that could be related to the performance of the City's investment portfolio. The Investment Officer shall subordinate his/her personal investment transactions to those of the City, particularly with regard to the timing of purchases and sales.

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### **IV. Investment Objectives**

The primary objectives, in priority order, of the City's investment activities shall be:

- A. **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To obtain that objective, investments shall be entered into with every effort to prevent capital losses, whether from securities default, theft, or the impact of adverse market conditions.
- B. **Liquidity:** The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.
- C. **Return on Investments:** The City's investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

### **V. Delegation of Authority**

- A. Authority to manage the City's investment program is derived from City Code Section 2-3 *Investment of public funds; withdrawals; maintenance of records*. Management responsibility is hereby delegated to the Finance Manager, who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the investment activities of the City.
- B. The Investment Officer shall establish written investment policy procedures for the operation of the investment program consistent with this policy. The procedures should include reference to: safekeeping, repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer.

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### **VI. Authorized Investment Institutions and Dealers**

The Investment Officer will maintain a list of financial institutions authorized to provide investment services. All financial institutions and brokers/dealers who desire to become qualified bidders for investment transactions must supply the Investment Officer with the following (as appropriate):

- A. Audited Financial Statements
- B. Proof of National Association of Security Dealers Certification
- C. Proof of State of Florida Registration
- D. Certification of having read the City's investment policy

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Investment Officer. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the entity invests.

Except for externally managed funds, the following restrictions apply to all financial institutions and securities dealers:

- A. Securities Purchases and Sales - The Investment Officer shall purchase securities from financial institutions which are qualified as public depositories by the Treasurer of the State of Florida or from securities dealers that are members of the New York Stock Exchange having a physical presence in Florida and having a minimum regulatory capital in excess of fifty million dollars (\$50,000,000) or primary securities dealers as designated by the Federal Reserve Bank of New York.

### **VII. Performance Standards**

The City seeks to optimize return on investments within the constraints of safety and liquidity. The investment portfolio will be designed with the objective of obtaining a total return on investment in excess of the twelve-month treasury average or other appropriate benchmarks.

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### **VIII. Authorized Investments**

The City is empowered by Florida Statutes to invest in the following types of securities:

- A. The Florida Local Government Surplus Funds Trust (administered by the State Board of Administration and commonly referred to as "SBA")
- B. Direct obligations of the United States Treasury
- C. Interest-bearing time deposits (Certificates of Deposit or "CD's") or savings accounts in Qualified Public Depositories as defined in Florida Statutes 280.02
- D. Obligations of Federal agencies and instrumentalities, including the:
  - 1. Federal Farm Credit Bank (FFCB)
  - 2. Federal Home Loan Mortgage Corp. (FHLMC)
  - 3. Federal Home Loan Bank (FHLB) or its district banks
  - 4. Government National Mortgage Association (GNMA)
  - 5. Federal National Mortgage Association (FNMA)
- E. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency
- F. All other investment vehicles are prohibited

### **IX. Investment Maturity**

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 five (5) years. Investments of bond reserves, construction funds and other non-operating funds shall have a term appropriate to the need for funds in accordance with debt covenants, but no longer than ten (10) years.

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### X. Portfolio Composition

Prudent investing necessitates that a portfolio be diversified. Assets held shall be diversified to control the risk of loss resulting from over-concentration of assets in a specific maturity, issuer, instruments, dealer, or bank through which these instruments are bought and sold. Portfolio diversification shall be achieved by the following general guidelines:

- Limiting investments to avoid over-concentration in securities from a specific issuer or business sector;
- Limiting investments in securities that have higher credit risk;
- Investing in securities with varying maturities; and
- Continuously investing a portion of the portfolio in readily available funds such as the SBA or money market funds to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

The following maximum limits, by instrument are hereby established:

<b>Investment</b>	<b>Maximum</b>
Local Government Surplus Funds Trust Fund ("SBA")	75 %
Direct Obligations of the U.S. Government	75 %
Money Market, CD's and Savings Accounts	75 %
Other U.S. Government Obligations / Agencies	50 %

Policy exceptions to the investment composition may result from the receipt and reinvestment of interest and principal or substantive changes in fair value of investments. If the portfolio is re-balanced within 30 days following each fiscal quarter end, no additional action needs to be taken.

The City Manager has the authority to grant other exceptions to portfolio composition limits, subject to the following conditions:

- A. The Investment Officer shall provide written documentation of the variance and the recommended investment strategy regarding such variance.
- B. The recommendation to grant an exception to the Investment Policy by the City Manager is subject to review and recommendation to City Council for approval by the Fiscal Advisory Board at the next regularly scheduled meeting (following notification of the variance).
- C. Exceptions to the Investment Policy reviewed the Fiscal Advisory Board, which continue to exist, must be reviewed and recommended to Council for approval by the Board at each regularly scheduled monthly meeting.

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### **XI. Third-party Custodial Agreements**

All investment securities purchased, except Certificates of Deposit, shall be held in safekeeping at an institution designated by the Investment Officer. The institution shall issue a safekeeping receipt to the City listing the specific instrument, par value, rate, maturity and any other pertinent information. In addition, the safekeeping institution shall send a report on at least a quarterly basis listing all securities held in each safekeeping account.

Certificates of Deposits issued by a local bank may be held in safekeeping at the issuing institution. The institution shall issue a copy of the Certificate of Deposit, safekeeping receipt, or other confirmation of the purchase, which is satisfactory to the Investment Officer, to be kept on file indicating the amount, interest rate, issue date and maturity date of the Certificate of Deposit.

### **XII. Internal Controls**

The following system of Internal Controls is designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the City.

The Investment Officer is authorized to accept on behalf of the City, bank trust receipts or confirmations in return for investment of funds. Such receipt or confirmation shall be considered as evidence of actual delivery of the obligations or securities. Any receipt or confirmation shall fully describe the various obligations or securities held, together with the specific number of each obligation or security held, and that they are held for the City in the City's name. The actual obligations or securities, whether in book-entry or physical form, on which trust receipts or confirmations are issued, may be held by a bank depository chartered by the United States Government or the State of Florida.

All transfers of funds for investment purposes are to be processed through the City's general fund checking account. This includes all purchases and sales of investments.

All telephone transactions are to have written confirmations sent via fax to the Investment Officer within 8 business hours of the transaction.

Any security or obligation not held in trust for the City must be held in a local bank's safe deposit box in the name of the City, or maintained in the City's safe in City Hall. All investment activity shall be documented by the Investment Officer. Accounting transactions and entries shall be processed in a timely manner by Accounting personnel, other than the Investment Officer, and reflected in the next available quarterly financial statement. All bank account reconciliations will be performed by Accounting personnel, other than the Investment Officer.

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Investment documents and transactions are to be maintained in files which are available and accessible to internal and external auditors. It is anticipated review of selected investment transactions will be performed by the external auditors as part of their regular annual audit.

### **XIII. Reporting**

The Investment Officer shall generate a summary of investment holdings is to be included in the City's quarterly financial report. Schedules in the quarterly report include the following:

- A. A listing of individual securities held at the end of the reporting period by authorized investment category.
- B. Maturity date of investments
- C. Coupon, discount or earnings rate
- D. Par value, amortized book value and fair value (as appropriate)
- E. Percentage of the portfolio represented by each investment category

The Investment Officer shall provide other such reports and information as deemed reasonable, upon request, from other internal and external sources.

### **XIV. Investment Officer**

The Finance Manager is designated as the Investment Officer of the City and is responsible for investment decisions and activities, under the direction of the City Manager and Assistant City Manager. The day-to-day administration of the cash management program is handled by the Investment Officer. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures so established. The City may appoint an outside money manager as "Agent" for the City's cash reserves.

### **XV. Continuing Education**

A minimum of eight hours of continuing education shall be completed during each fiscal year by the staff member(s) directly responsible for directing the investment decisions pertaining to those funds subject to the scope of this policy. The City Manager shall determine the nature of the continuing education and the staff member(s) who are subject to this requirement.

### **XVI. Bid Requirements**

Based on the approximate maturity date, cash flow needs and market condition, the Investment Officer shall analyze and select one or more optimal types of investments, and competitively bid the security in question when feasible and appropriate. The bid deemed to best meet the investment objectives specified in Section IV will be selected.

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### **XVII. Money Managers**

- A. The City may utilize an outside money manager to invest up to 25% of the portfolio.
- B. The money manager must be a securities dealer that is a member of the New York Stock Exchange having a physical presence in Florida and having a minimum regulatory capital in excess of fifty million dollars (\$50,000,000), or a primary securities dealer as designated by the Federal Reserve Bank of New York, or a bank having trust powers or a trust company which is chartered by the United States Government or the State of Florida.
- C. The City shall select the money manager based upon qualifications and fees using an request for proposal process.
- D. Any money manager selected will be required to enter into a money management agreement with the City, as approved by the City Council.

### **XIX. Policy Adoption and Review**

The City's investment policy shall be adopted by resolution of the City Council. The City Manager shall review these policies periodically and any modifications made thereto must be approved by the City Council.

## City of Maitland, Florida - Investment Policy

### Glossary

**Agencies:** Federal agency securities and/or government sponsored enterprises.

**Bid:** The price offered by a buyer of securities.

**Book Value:** The value at which a security is carried on the inventory lists or other financial records. The book value may differ significantly from the security's current value in the market.

**Broker:** A broker brings buyers and sellers together for a commission.

**Certificate of Deposit:** A time deposit with a specific maturity evidenced by a certificate.

**Collateral:** Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**Coupon:** The annual rate of interest that a bond issuer promises to pay the bond holder on the bond's face value. Also, a certificate attached to a bond evidencing interest due on a payment date.

**Credit Risk:** The risk to an investor that an issuer may default in the payment of interest and / or principal on a security.

**Current Expenses:** Expenses to meet known cash needs and anticipated cash flow requirements for the short-term.

**Dealer:** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

**Discount:** The amount by which the par value of a security exceeds the price paid for the security.

**Diversification:** A process of investing assets among a range of security types by sector, maturity and quality rating.

**Fair Value:** The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**Liquidity:** The ability of an asset to be converted into cash quickly and without any price discount.

**Mark to market:** The process whereby the book value or collateral value of a security is adjusted to reflect its current fair (market) value.

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**Maturity:** The date on which payment of a financial obligation is due.

**Money Manager:** An external entity (individual or organization) responsible for a portion of or the entire financial portfolio of an individual or other entity. A money manager receives payment in exchange for choosing and monitoring appropriate investments for the client.

**National Association of Securities Dealers:** A self-regulatory organization of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

**Portfolio:** Collection of securities held by an investor.

**Principal:** The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

**Prudent Person Rule:** An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

**Qualified Public Depository:** Financial institutions which comply with the requirements of Florida Statutes and have been designated as a qualified public depository by the State Treasurer. Qualified public depositories are required to pledge collateral to the State Treasurer with a fair value equal to at least 50% of the average daily balance of all government deposits in excess of any federal deposit insurance. In the event of a default by a qualified public depository, all claims for government deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool.

**Return on Investments:** The annual return on an investment, expressed as a percentage of the total amount invested.

**Safekeeping:** Holding of assets by a financial institution.

**Twelve-month Treasury Average:** An index based on the 12 month average of the monthly average yields of U.S. Treasury securities adjusted to a constant maturity of one year.