

ORDINANCE NO. 110-08-157

AN ORDINANCE OF THE CITY COMMISSION OF THE CITY OF LAUDERHILL APPROVING AN AMENDMENT TO UPDATE THE CITY'S CURRENT INVESTMENT POLICY; PROVIDING FOR AN EFFECTIVE DATE (REQUESTED BY CITY MANAGER, CHARLES FARANDA)

BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF LAUDERHILL, FLORIDA:

SECTION 1. The amendment to update the City's current Investment Policy, a copy of which is attached hereto and incorporated herein, is hereby approved.

SECTION 2. All ordinances or parts of ordinances, all resolutions or parts of resolutions in conflict herewith be and the same are hereby repealed as to the extent of such conflict.

SECTION 3. This Ordinance shall take effect immediately upon its adoption and passage.

DATED this 14th day of September, 2011.

PASSED on first reading this 29th day of August, 2011.

PASSED AND ADOPTED on second reading this 14th day of September, 2011.



PRESIDING OFFICER

ATTEST:


CITY CLERK

MOTION
SECOND

FIRST READING

Benson

Bates

SECOND READING

Bates

Thurston

M. BATES
H. BENSON
H. BERGER
K. THURSTON
R. KAPLAN

Yes

Yes

Yes

Yes

Yes

Yes

Yes

Yes

Yes

Yes

CITY OF LAUDERHILL
COMMISSION MEETING

Agenda Request

Indicate with an (x) this type of request:

☒ **ORDINANCE**
☐ **RESOLUTION**
☐ **OTHER**

Meeting Date:

August 29, 2011

Request Action: To approve an Ordinance to update the City's current Investment Policy.

Need: A review of the current Investment Policy and Investment Plan has resulted in staff recommending changes to the current Investment Policy.

Summary Explanation/ Background: Based on a recent review of our current portfolio and policy, staff is requesting that the Commission amend the City's Investment Policy which was last updated on February 8, 2010. The amendment recommends benchmarks more consistent with current economic conditions and enables the option of outside investment management. By Ordinance, the City adopts an Investment Policy, which is the framework by which staff develops its Investment Plan. Attached you will find the current Investment Plan that details the general framework by which staff invests the City's excess funds. Our current plan was developed by staff with the assistance of professionals such as our Financial Advisors, Dunlap and Associates and L. Earl Denney, CFA Integrity Fixed Income Management, LLC, who is an advisor with the Florida Government Finance Officers Association (FGFOA).

Attachments:

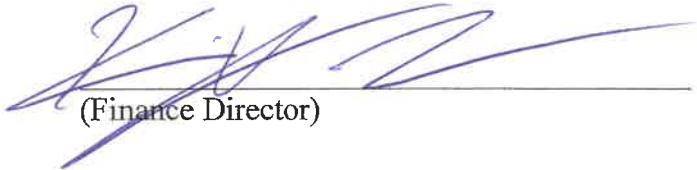
Current Investment Policy
Draft Investment Plan

Cost Summary/ Fiscal Impact: None

Recommended By:

(Assistant Finance Director)

Approved By:



(Finance Director)

(This agenda request is to be displayed with the Agenda announcement on the City's website)

CITY OF LAUDERHILL
COMMISSION MEETING

Agenda Request

Approved By:



(City Manager)

(This agenda request is to be displayed with the Agenda announcement on the City's website)

CITY OF Lauderdale
STATEMENT OF INVESTMENT POLICY

Proposed: August 22, 2011

- I. Objective:** To document the investment policy for the City of Lauderdale (the City) operating funds, reserve funds, and restricted funds.
- II. Scope:** The purpose of this investment policy is to establish objectives and standards of care and to define suitable/authorized investment instruments and investment guidelines for each investment program. This policy pertains to funds in excess of those required to meet short-term expenses. It does not pertain to pension funds, trust funds or bond funds where there are other existing policies or indentures in effect.
- III. Authority:** Finance Director and Section 218.415 Florida Statute. To enhance the effectiveness of the City staff in managing these funds, outside investment managers may be hired.
- IV. Investment Objectives:**
 - A. Preservation of Principal and Safety- The foremost objective of this investment program is the preservation of the principal. The objective will be to manage credit risk and interest rate risk for each specific investment program.
 - B. Liquidity - The portfolio shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements in an orderly manner. The portfolio has been broken down into three separate investment programs based on anticipated liquidity needs and each program will have specific guidelines to meet that program's liquidity needs.
 - C. Return on investment/ yield - All investments will be made striving to maximize portfolio return, consistent with the stated quality, safety and liquidity restrictions of each program. Yield shall be the primary source of investment returns. Investment returns shall be secondary to the requirements for quality, safety and liquidity.
- V. Authorized Investments:**
 - A. The Local Government Surplus Funds Trust Fund, as created by Section 218.405, Florida Statutes or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01. Florida Statutes;
 - B. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;

- C. Negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States Government at the then prevailing market price for such securities;
- D. Savings accounts and certificates of deposit in state-certified qualified public depositories, as defined in Section 280.02, Florida Statutes;
- E. Securities issues [issued] by federal agencies and instrumentalities.
- F. Lauderdale Loan Consortium. This investment may not exceed (amount) total at any time, and may be made only if all loans held by this consortium are one hundred (100) percent guaranteed by escrowed grant monies or federal government guarantees.
- G. Prime commercial paper of a United States corporation, finance company or banking institution if such commercial paper is rated at least "P-1" by Moody's or at least "A-1" by Standard & Poor's and if such commercial paper is stated to mature in not more than 270 days;
- H. Bonds or other debt securities issued or guaranteed by a corporation organized under the laws of the United States or the District of Columbia, provided the corporation has an investment grade rating or by a national rating service (NRS);
- I. Regulated bond mutual funds;
- J. Investment grade obligations of state and local governments and public authorities; and

VI. Specific Program Investment Objectives and Guidelines:

- A. *Operating Account:* The main objectives for the Operating Account are safety of principal and adequate liquidity. These funds are designated for immediate City expenses. Therefore, the investments in the Operating Account will be limited to demand deposits, money market funds and other short term securities of the adequate liquidity. Up to fifty (50%) percent of the Operating Account may be invested in corporate bonds with a minimum rating of investment grade by a national rating service (NRS). In addition, corporate holdings will be well diversified with a target position of two (2%) percent or less in any corporate issuer.
- B. *Reserves Account:* The main objectives for the Reserves Account are safety of principal and liquidity. These funds are designated for emergency purposes, such as natural disasters. The liquidity needs of the Reserves Account are more unpredictable and, as such, investments will be limited to securities with maturities not to exceed (maximum maturity). Up to fifty (50%) percent of the Reserves Account may be invested in corporate bonds with a minimum rating of investment grade by a national rating service (NRS). In addition, corporate holdings will be well diversified with a target position of two (2) percent or less invested in any one corporate issuer.

- C. *Restricted Account*: The main objectives of the Restricted Account are safety of principal and higher yields typically available in intermediate to longer-term securities. These funds are designated for known longer-term obligations related to debt payments of the City. The liquidity needs of the Restricted Account are more clearly defined and allow for the portfolio to take advantage of higher yields by being able to closely match projected cash flow needs to the maturity structure of the portfolio. Up to fifty (50%) percent of the Restricted Account may be invested in corporate bonds with a minimum rating of investment grade by a national rating service (NRS). In addition, corporate holdings will be well diversified with a target position of two (2) percent or less invested in any one corporate issuer.

VII. Risk and Diversification:

Adequate diversification of the portfolio will be necessary to minimize market volatility risk, liquidity risk and default risk. Diversification will come in the form of investing in different security types, and in different financial institutions. It is the policy of the City of Lauderdale to diversify its investment portfolios so as to protect against issuer defaults, market price changes, technical complications leading to temporary lack of liquidity, or other risks resulting from an over concentration of assets in a specific maturity, a specific issuer, a specific geographical distribution, or a specific class of securities. Up to one hundred (100%) percent may be invested in the authorized investment in subsection V. except for the corporate bond portion, which is limited to fifty (50%). The fifty percent corporate allocation is intended to limit new commitments and is not intended to force the sale of existing holdings. No new commitments to corporate bonds shall be made when this will cause the value of the corporate bonds plus the value of future obligations to exceed fifty (50%) of the current value of the total portfolio. The following strategies will be reviewed periodically by staff and presented to the City Commission for updates or changes, as needed.

Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism worthy of the public trust.

VIII. Prudence:

- A. *Prudence standard applied to the portfolio* - The standard of prudence shall be applied in the context of managing the portfolio. Those individuals acting in accordance with 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 fashion and appropriate action is taken to control adverse developments.
- B. *Prudent expert standard* - While the standard of prudence to be used by individuals who are officers or employees 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 monies and in acquiring, retaining, managing, and disposing of investments of these

funds, the individuals 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 of material losses, unless under the circumstances it is clearly prudent not to do so, and not in regard to speculation but in regard to the permanent disposition of similar funds, considering the probable income as well as the probable safety of their capital.

X. Ethics:

The prudent person rule is in effect, which states as follows, "Investments should 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."

XI. Performance Benchmarks:

Investment performance benchmarks should be consistent with the quality, safety and liquidity restrictions utilized to evaluate portfolio performance. These benchmarks will allow the City to compare to other investors in similar markets.

Based on the investment and maturity parameters for each investment program, the City shall establish specific performance benchmarks. These benchmarks are as follows:

Operating Account: Merrill Lynch 0-1 year Treasury Notes and Bonds (G0QA)
Reserves Account: Merrill Lynch US 1 Year Treasury Note Index (GC03)
Restricted Account: Merrill Lynch US 1 to 10 Year Treasury Index (G502)

XII. Authorized Institutions:

Brokers/Dealers

The City may utilize dealers designated as "Primary Securities Dealers" by the Federal Reserve Bank of New York, for direct purchases and sales of securities. The City may also utilize non-primary securities (regional) dealers doing business in the State of Florida. Both the firm and the dealer for non-primary dealers must have been engaged in the business of effecting transactions in U.S. Government and agency obligations for at least five (5) consecutive years. The firm must have capital of no less than \$10,000,000. Both primary and non-primary dealers must qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

XIII. Security Selection Process

After the Finance Director or the City's financial advisor 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) qualified banks and/or approved broker/dealers must be contacted and asked to provide bids/offers on investments in question. Bids will be held in confidence until the bid deemed to best meet the investment objectives is determined and selected.

However, if obtaining bids/offers are not feasible and appropriate, investments 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:

- A. Telerate Information System
- B. Bloomberg Information System
- C. Wall Street Journal or a comparable nationally recognized financial publications 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:

- 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, private placement.
- D. When the transaction involves a new issues or issues in the "when issued" market.

Overnight sweep investments 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.

XIV. Investment Transaction Authority

The City Manager has designated the Finance Director as the individual responsible for managing the City's investments. For internally managed assets, the Finance Director discusses investments with upcoming maturities with the City's financial advisor if there is a question as to new maturity target dates, portfolio reallocation, or type of investment vehicle to be used. Based on these discussions, the Finance Director completes an "Investment Transaction Authorization" for each investment transaction. The City Manager then reviews and approves the Investment Transaction Authorization in excess of \$2,000,000. The fully executed Investment Transaction Authorization contains all information pertinent to the investment and contains the approval signatures of the Finance Director. The authorized investment transaction is executed. Funds related to each investment are transferred according to authorized funds transfer procedures and limits established under the provisions of the City's agreement with its main depository bank.

XV. External Investment Manager

Purpose

The purpose of this section is to set forth the policy and objectives governing the City's use of external investment managers. The outside investment manager for the City is required to adhere to all of the principals as set forth by the City Investment Policy concerning purpose, scope, objectives, prudence, internal controls, safekeeping and custody, debt service and bond covenants requirements, diversification, liquidity, credit risk, market risk and reporting requirements. Outside investment managers will be required to seek best execution on all trades.

Monitoring and Adjusting the Portfolio

The external investment manager will monitor the contents of the portfolio, the available markets and the relative values of competing securities and will adjust the portfolio accordingly.

XVI. Safekeeping and Collateralization:

All cash, assets, and investment securities purchased by the City of Lauderdale or held as collateral on investments shall be delivered versus the payment of funds and held in safekeeping by a qualified bank, or some other financial institution designated as custodian. The custodian will be selected by the City. The custodian will not be utilized to buy or sell investments for the City. All securities held as collateral will be held free and clear of any lien, and also shall be held by a third party custodian. The investments held by the custodian must be reconciled monthly to the City's general ledger.

All securities purchased by the City will be held by a third party custodian and no withdrawal of such securities may be made by anyone except the City Manager or the Finance Director.

The City Manager or Finance Director will execute all third party custodial agreements with the City's banks and public depositories. Such an agreement will include letters of authority from the City Manager or Finance Director as to the responsibilities of each party, notification of security purchases, sale, delivery, safekeeping and transaction agreements and wire transfers, safekeeping and transaction costs, and - procedures in the event of wire failure.

Any funds invested in a certificate of deposit from a qualified public depository may be collateralized by any of the securities listed in Sections 280.13 and 280.14 of the Florida Statutes. The list of qualified depositories, agreeing to the provisions in Chapter 136 of the Florida Statutes, is available upon request from the Department of Insurance and Treasurer of the State of Florida.

This section does not apply to the Local Government Surplus Funds Trust Fund.

XVII. Internal Controls

Funds may be transferred via telephone request from authorized city personnel. A letter of authorization signed by the finance director and city manager (or their authorized representative) which allows fund transfers between city accounts at specified institutions shall be on file at each institution where securities are kept. The Federal Reserve Bank shall have the authorization signed by the finance director to directly wire funds into the primary operation account of the

city. Purchases and sales made at primary dealers shall be made via telephone instructions from an authorized finance department representative and be confirmed in writing by the finance director and city manager (or their authorized representative).

XVIII. State Investments

The financial director and city manager, in making any investment of surplus funds, shall initially seek out investments through financial institutions domiciled in the state and shall make investments through such institutions unless a better return on investment with similar or better security of investment is offered by an out-of-state institution.

XIX. Reports:

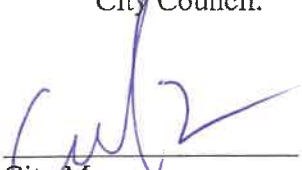
An annual report which lists securities by class/type, book value, market value and income earned will be available for review in the finance department. A portfolio summary which lists all securities held will be produced monthly.

XX. Independent Audit:

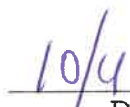
The independent public accounting firm retained to conduct the annual audit of the City of Lauderdale is directed to evaluate the system of controls relating to the investment of assets. Procedures should be performed by the accountants to provide reasonable assurance that investment officials have acted in accordance with the Investment Policy. The audit procedures shall include, but not be limited to, surprise audits of custodial and safekeeping systems. To the extent allowed by professional standards, the auditor may rely on work performed by other independent public accountants or internal auditors.

XXI. Policy:

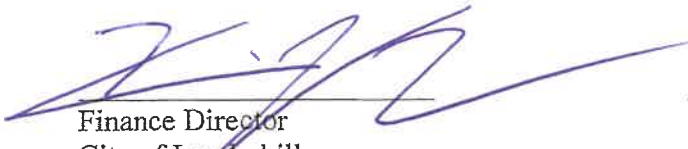
- A. *Exemption* – Any investment held by the City on the date of adoption of this policy which does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be invested only as provided by this policy.
- B. *Amendment* – This policy shall be reviewed at least annually by the City Manager and the Finance Director who may recommend any policy changes or revisions for adoption by City Council.



City Manager
City of Lauderdale



Date



Finance Director
City of Lauderdale



Date

Memo

Date: 8/22/2011

To: Charles "Chuck" Faranda, City Manager

From: Kennie Hobbs, Jr., Director 

CC: Desorae Giles-Smith, Assistant City Manager
Sean Henderson, Assistant Director

Re: Investment Policy and Plan

Attached please find the current Investment Policy and Investment Plan of the City, which was last updated by the City Commission during Fiscal Year 2009. As stated in Sec19-1(b), our primary objective when investing the City's excess funds is to ensure safety of capital, then liquidity and lastly investment return or yield.

During this time of financial uncertainty, our first and foremost goal is to preserve capital. This is currently being achieved by depositing the City's excess funds in Public Depositories. As such, these institutions are required to collateralize their deposits, thus providing a guarantee that funds will be available upon request. In fact, the use of Public Depositories provides more protection than FDIC accounts because there is no limit as to the amount that is protected. For example, banks such as Suntrust Bank, Bank Atlantic, and TD Bank are qualified depositories while City County Credit Union is not.

Next, liquidity, which is our ability to have access to cash to meet the City's needs when it's needed, is our next focus. To ensure that we have sufficient funds available to carry out the daily operations of the City, staff performs a monthly cash flow analysis. The analysis projects our need for cash to address known expenditures such as, payroll, operating expenditures and capital project expenditures. To ensure accuracy, projections are updated on a weekly basis and adjustments are made to make sure that we have adequate liquidity.

Lastly, return on investment or yield. Investment performance benchmarks should be established and consistent with the quality, safety and liquidity restrictions utilized to evaluate portfolio performance. These benchmarks will allow the City to compare to other investors in similar markets.

Based on the investment and maturity parameters for each investment program, the City shall establish specific performance benchmarks. These benchmarks are as follows:

Operating Account:	Merrill Lynch 0-1 year Treasury Notes and Bonds (G0QA)
Reserves Account:	Merrill Lynch US 1 Year Treasury Note Index (GC03)
Restricted Account:	Merrill Lynch US 1 to 10 Year Treasury Index (G502)

These benchmarks coincide with the anticipated holding period and anticipated return based on current market conditions.

In summary, the goal of our Investment Policy and Plan is to identify a strategy and investment tools and vehicles that staff and its hired professionals can use to address varying changes in the market. More specifically, the attached plan outlines what should be done when interest rates start to decline, what to do when interest rates start to rise and what to do if rates are stagnant. In addition, the Plan defines acceptable investment maturities, duration and indexes in accordance with the Commission's stated policy goals.

ARTICLE I. IN GENERAL

Sec. 19-1. Investment policy.

~~(a) Scope. This policy pertains to funds in excess of those required to meet short term expenses. It does not pertain to pension, trust or bond funds where there are other existing policies or indentures in effect.~~

I. Objective:

To document the investment policy for the City of Lauderhill (the City) operating funds, reserve funds, and restricted funds.

~~(b) Investment objectives. Safety of capital is the primary objective. Adequate liquidity to meet the city's obligations is the secondary objective. After these objectives are assured, maximum investment return will be attempted.~~

II. Scope:

The purpose of this investment policy is to establish objectives and standards of care and to define suitable/authorized investment instruments and investment guidelines for each investment program. This policy pertains to funds in excess of those required to meet short-term expenses. It does not pertain to pension funds, trust funds or bond funds where there are other existing policies or indentures in effect.

~~(c) Performance measurement. The fixed income portion will, at all times, attempt to equal or exceed the rate paid by the state board of administration local government investment pool (SBA). During times of falling interest rates the goal is to exceed the SBA rate by fifty (50) basis points fifty one hundredths (0.50) percent. The equity portion will attempt to exceed the SBA rate by two hundred (200) basis points two (2.00) percent during every rolling three year period.~~

III. Authority: Finance Director and Section 218.415 Florida Statute. To enhance the effectiveness of the City staff in managing these funds, outside investment managers may be hired.

~~(d) Ethics. The prudent person rule is in effect, which states as follows, "Investments should 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."~~

IV. Investment Objectives:

A. Preservation of Principal and Safety- The foremost objective of this investment program is the preservation of the principal. The objective will be to manage credit risk and interest rate risk for each specific investment program.

B. Liquidity - The portfolio shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements in an orderly manner. The portfolio has been broken down into three separate investment programs based on anticipated liquidity needs and each program will have specific guidelines to meet that program's liquidity needs.

C. Return on investment/ yield - All investments will be made striving to maximize portfolio return, consistent with the stated quality, safety and liquidity restrictions of each program. Yield shall be the primary source of investment returns. Investment returns shall be secondary to the requirements for quality, safety and liquidity.

~~(e) Authorized investments. The following investments may be purchased at prevailing market prices:-~~

~~(1) Local government surplus funds trust fund, or any intergovernmental investment pool authorized through the Florida Interlocal Cooperation Act.-~~

~~(2) S.E.C. registered money market funds with the highest credit quality rating from a nationally recognized rating company.-~~

~~(3) Savings accounts and certificates of deposit (CD's) in state-certified qualified public depositories.-~~

~~(4) Direct obligations of the U.S. Treasury.-~~

~~(5) Securities issues [issued] by federal agencies and instrumentalities.-~~

~~(6) Lauderhill Loan Consortium. Lauderhill Real Estate Portfolio. This investment may not exceed _____ (\$60,000.00) four million dollars (\$4,000,000) total at any time.-~~

~~(7) Investment maturities shall be matched to anticipated cash flow requirements. Common stocks rated in one (1) of the top three (3) investment categories by a major rating service may be purchased. Common stocks included in the Dow Jones Average or Standard and Poor's 500 may also be purchased.-~~

~~(8) Listed option contracts may be bought and sold to effect these transactions. The use of these contracts will be limited to making future commitments which will not exceed a ten-percent allocation to stocks. Outstanding contracts will be considered defeased when a similar contract on the same underlying stock completely eliminates the risk of loss associated with that outstanding contract. Defeased contracts will not be counted when calculating the maximum allocation to stocks.-~~

~~(9) Option contracts may not be used to increase the risk of loss to the total portfolio beyond that which may be experienced by a ten-percent allocation to common stocks.-~~

V. Authorized Investments:

A. The Local Government Surplus Funds Trust Fund, as created by Section 218.405, Florida Statutes or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01. Florida Statutes;

B. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;

C. Negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States Government at the then prevailing market price for such securities;

D. Savings accounts and certificates of deposit in state-certified qualified public depositories, as defined in Section 280.02, Florida Statutes;

E. Securities issues [issued] by federal agencies and instrumentalities.

F. Lauderhill Loan Consortium. Lauderhill Real Estate Portfolio This investment may not exceed (4,000,000) total at any time.

G. Prime commercial paper of a United States corporation, finance company or banking institution if such commercial paper is rated at least "P-1" by Moody's or at least "A-1" by Standard & Poor's and if such commercial paper is stated to mature in not more than 270 days;

the laws of the United States or the District of Columbia, provided the corporation has an investment grade rating or by a national rating service (NRS);

I. Regulated bond mutual funds;

J. Investment grade obligations of state and local governments and public authorities.

~~(f) *Maturity and liquidity requirements.* Adequate liquidity shall be maintained to ensure the ability to meet daily obligations. The following maturity requirements (expressed as a percentage of the total portfolio value) shall not be exceeded:-
Greater than ten (10) years: Up to fifteen (15) percent in authorized investments. greater than five (5) years: Up to twenty five (25) percent in authorized investments.-
Greater than three (3) years: Up to fifty (50) percent in authorized investments.-
The weighted average maturity of the total portfolio shall not exceed four (4) years. The maturity limitations in this subsection apply to new purchases only and are not intended to force the sale of existing investments.-~~

VI. Specific Program Investment Objectives and Guidelines:

A. *Operating Account:* The main objectives for the Operating Account are safety of principal and adequate liquidity. These funds are designated for immediate City expenses. Therefore, the investments in the Operating Account will be limited to demand deposits, money market funds and other short term securities of the adequate liquidity. Up to fifty (50%) percent of the Operating Account may be invested in corporate bonds with a minimum rating of investment grade by a national rating service (NRS). In addition, corporate holdings will be well diversified with a target position of two (2%) percent or less in any corporate issuer.

B. *Reserves Account:* The main objectives for the Reserves Account are safety of principal and liquidity. These funds are designated for emergency purposes, such as natural disasters. The liquidity needs of the Reserves Account are more unpredictable and, as such, investments will be limited to securities with maturities not to exceed (maximum maturity). Up to fifty (50%) percent of the Reserves Account may be invested in corporate bonds with a minimum rating of investment grade by a national rating service (NRS). In addition, corporate holdings will be well diversified with a target position of two (2) percent or less invested in any one corporate issuer.

C. *Restricted Account:* The main objectives of the Restricted Account are safety of principal and higher yields typically available in intermediate to longer-term securities. These funds are designated for known longer-term obligations related to debt payments of the City. The liquidity needs of the Restricted Account are more clearly defined and allow for the portfolio to take advantage of higher yields by being able to closely match projected cash flow needs to the maturity structure of the portfolio. Up to fifty (50%) percent of the Restricted Account may be invested in corporate bonds with a minimum rating of investment grade by a national rating service (NRS). In addition, corporate holdings will be well diversified with a target position of two (2) percent or less invested in any one corporate issuer.

~~(10) percent and the Lauderhill Real Estate Portfolio is limited to four million dollars. The ten percent equity allocation is intended to limit new commitments and is not intended to force the sale of existing holdings. No new commitments to equities shall be made when this will cause the value of stocks plus the value of future obligations to exceed ten (10) percent of the current value of the total portfolio.~~

VII. Risk and Diversification:

Adequate diversification of the portfolio will be necessary to minimize market volatility risk, liquidity risk and default risk. Diversification will come in the form of investing in different security types, and in different financial institutions. It is the policy of the City of Lauderhill to diversify its investment portfolios so as to protect against issuer defaults, market price changes, technical complications leading to temporary lack of liquidity, or other risks resulting from an over concentration of assets in a specific maturity, a specific issuer, a specific geographical distribution, or a specific class of securities. Up to one hundred (100%) percent may be invested in the authorized investment in subsection V. except for the corporate bond portion, which is limited to fifty (50%). The fifty percent corporate allocation is intended to limit new commitments and is not intended to force the sale of existing holdings. No new commitments to corporate bonds shall be made when this will cause the value of the corporate bonds plus the value of future obligations to exceed fifty (50%) of the current value of the total portfolio. The following strategies will be reviewed periodically by the City of Lauderhill or any committee so established by the City.

~~(h) Risk and diversification. The philosophy of this investment policy is to keep ninety (90) percent of the total portfolio in low risk investments such as U.S. Treasury obligations that are diversified by purchase date and maturity date. The remaining ten (10) percent may be invested in high risk investments such as common stocks, if authorized in subsection (e).~~

VIII. Prudence:

A. Prudence standard applied to the portfolio - The standard of prudence shall be applied in the context of managing the portfolio. Those individuals acting in accordance with 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 fashion and appropriate action is taken to control adverse developments.

B. Prudent expert standard - While the standard of prudence to be used by individuals who are officers or employees 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 monies and in acquiring, retaining, managing, and disposing of investments of these funds, the individuals 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 of material losses, unless under the circumstances it is clearly prudent not to do so, and not in regard to speculation but in regard to the permanent disposition of similar funds, considering the probable income as well as the probable safety of their capital.

~~(i) Authorized investment institutions and dealers. Funds may be placed with qualified~~

~~Treasury Securities, or directly from the U.S. Treasury through the Treasury Direct Program.~~

X. Ethics:

The prudent person rule is in effect, which states as follows, "Investments should 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."

~~(f) Thirty [third] party custodial agreements. Securities may be held in street name in an account in the name of the city at the primary dealer where the security was purchased, provided the total value of the account is insured and a monthly account statement evidencing all holdings is sent to the city by the dealer. Securities may also be held in a treasury direct account in the name of the city.~~

XI. Performance Benchmarks:

Investment performance benchmarks should be consistent with the quality, safety and liquidity restrictions utilized to evaluate portfolio performance. These benchmarks will allow the City to compare to other investors in similar markets.

Based on the investment and maturity parameters for each investment program, the City shall establish specific performance benchmarks. These benchmarks are as follows:

Operating Account: Merrill Lynch 0-1 year Treasury Notes and Bonds (G0QA)

Reserves Account: Merrill Lynch US 1 Year Treasury Note Index (GC03)

Restricted Account: Merrill Lynch US 1 to 10 Year Treasury Index (G502)

~~(k) Master repurchase agreements. Repurchase agreements are prohibited.~~

XII. Authorized Institutions:

Brokers/Dealers

The City may utilize dealers designated as "Primary Securities Dealers" by the Federal Reserve Bank of New York, for direct purchases and sales of securities. The City may also utilize non-primary securities (regional) dealers doing business in the State of Florida. Both the firm and the dealer for non-primary dealers must have been engaged in the business of effecting transactions in U.S. Government and agency obligations for at least five (5) consecutive years. The firm must have capital of no less than \$10,000,000. Both primary and non-primary dealers must qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

~~(l) Bid requirement. Three (3) primary dealers must be contacted for each placement when this is feasible and appropriate.~~

~~(m) Internal controls. Funds may be transferred via telephone request from authorized city personnel. A letter of authorization signed by the finance director and city manager (or their authorized representative) which allows fund transfers between city accounts at specified institutions shall be on file at each institution where securities are kept. The Federal Reserve Bank shall have authorization signed by the finance director to directly wire funds into the primary operating account of the city. Purchases and sales made at primary dealers shall be made via telephone instructions from an authorized finance department representative and be confirmed in writing by the finance director and city manager (or their authorized representative).~~

After the Finance Director or the City's financial advisor 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) qualified banks and/or approved broker/dealers must be contacted and asked to provide bids/offers on investments in question. Bids will be held in confidence until the bid deemed to best meet the investment objectives is determined and selected.

However, if obtaining bids/offers are not feasible and appropriate, investments 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:

- A. Telerate Information System
- B. Bloomberg Information System
- C. Wall Street Journal or a comparable nationally recognized financial publications 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:

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

Overnight sweep investments 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.

~~(n) State investments. The financial director and city manager, in making any investment of surplus funds, shall initially seek out investments through financial institutions domiciled in the state and shall make investments through such institutions unless a better return on investment with similar or better security of investment is offered by an out-of-state institution.~~

XIV. Investment Transaction Authority

The City Manager has designated the Finance Director as the individual responsible for managing the City's investments. For internally managed assets, the Finance Director discusses investments with upcoming maturities with the City's financial advisor if there is a question as to new maturity target dates, portfolio reallocation, or type of investment vehicle to be used. Based on these discussions, the Finance Director completes an "Investment Transaction Authorization" for each investment transaction. The City Manager then reviews and approves the Investment Transaction Authorization. The fully executed Investment Transaction Authorization contains all information pertinent to the investment and contains the approval signatures of the Finance Director. The authorized investment transaction is executed. Funds related to each investment are transferred according to authorized funds transfer procedures and limits established under the provisions of the City's agreement with its main depository bank.

~~(e) Reports. An annual report which lists securities by class/type, book value, market value and income earned will be available for review in the finance department. A portfolio summary which lists all securities held will be produced monthly.~~

XV. External Investment Manager

Purpose

The purpose of this section is to set forth the policy and objectives governing the City's use of external investment managers. The outside investment manager for the City is required to adhere to all of the principals as set forth by the City Investment Policy concerning purpose, scope, objectives, prudence, internal controls, safekeeping and custody, debt service and bond covenants requirements, diversification, liquidity, credit risk, market risk and reporting requirements. Outside investment managers will be required to seek best execution on all trades.

Monitoring and Adjusting the Portfolio

The external investment manager will monitor the contents of the portfolio, the available markets and the relative values of competing securities and will adjust the portfolio accordingly.

XVI. Safekeeping and Collateralization:

All cash, assets, and investment securities purchased by the City of Lauderhill or held as collateral on investments shall be delivered versus the payment of funds and held in safekeeping by a qualified bank, or some other financial institution designated as custodian. The custodian will be selected by the City. The custodian will not be utilized to buy or sell investments for the City. All securities held as collateral will be held free and clear of any lien, and also shall be held by a third party custodian. The investments held by the custodian must be reconciled monthly to the City's general ledger.

All securities purchased by the City will be held by a third party custodian and no withdrawal of such securities may be made by anyone except the City Manager or the Finance Director.

The City Manager or Finance Director will execute all third party custodial agreements with the City's banks and public depositories. Such an agreement will include letters of authority from the City Manager or Finance Director as to the responsibilities of each party, notification of security purchases, sale, delivery, safekeeping and transaction agreements and wire transfers, safekeeping and transaction costs, and - procedures in the event of wire failure.

Any funds invested in a certificate of deposit from a qualified public depository may be collateralized by any of the securities listed in Sections 280.13 and 280.14 of the Florida Statutes. The list of qualified depositories, agreeing to the provisions in Chapter 136 of the Florida Statutes, is available upon request from the Department of Insurance and Treasurer of the State of Florida.

This section does not apply to the Local Government Surplus Funds Trust Fund.

XVII. Internal Controls

Funds may be transferred via telephone request from authorized city personnel. A letter of authorization signed by the finance director and city manager (or their authorized representative) which allows fund transfers between city accounts at specified institutions shall be on file at each institution where securities are kept. The Federal Reserve Bank shall have the authorization signed by the finance director to directly wire funds into the primary operation account of the city. Purchases and sales made at primary dealers shall be made via telephone instructions from an authorized finance department representative and be confirmed in writing by the finance director and city manager (or their authorized representative).

XVIII. State Investments

The financial director and city manager, in making any investment of surplus funds, shall initially seek out investments through financial institutions domiciled in the state and shall make investments through such institutions unless a better return on investment with similar or better security of investment is offered by an out-of-state institution.

XIX. Reports:

An annual report which lists securities by class/type, book value, market value and income earned will be available for review in the finance department. A portfolio summary which lists all securities held will be produced monthly.

XX. Independent Audit:

The independent public accounting firm retained to conduct the annual audit of the City of Lauderhill is directed to evaluate the system of controls relating to the investment of assets. Procedures should be performed by the accountants to provide reasonable assurance that investment officials have acted in accordance with the Investment Policy. The audit procedures shall include, but not be limited to, surprise audits of custodial and safekeeping systems. To the extent allowed by professional standards, the auditor may rely on work performed by other independent public accountants or internal auditors.

XXI. Policy:

A. Exemption – Any investment held by the City on the date of adoption of this policy which does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be invested only as provided by this policy.

B. Amendment – This policy shall be reviewed at least annually by the City Manager and the Finance Director who may recommend any policy changes or revisions for adoption by City Council.

(Ord. No. 80-114, §§ 1, 2, 6-9-80; Ord. No. 90-208, § 1, 1-14-91; Ord. No. 93-142, § 1, 5-24-93; Ord. No. 950-153, § 1, 9-26-95; Ord. No. 960-132, § 21, 8-26-96; Ord. No. 980-11-184, § 1, 12-14-98)
Sec. 19-2. Reserved