

Investment Policy

City of Cooper City, Florida



CITY OF
Cooper City
Someplace Special

Adopted by Commission December 18, 2018

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Investment Policy

City of Cooper City, Florida

I. PURPOSE

The purpose of this investment policy (hereinafter "Policy") is to set forth the investment objectives and parameters for the management of public funds of City of Cooper City, Florida (hereinafter "City"). This Policy is intended to provide the Director of Finance or Investment Manager sufficient latitude to effectively manage the City's financial assets so as to protect the City's principal investment, provide sufficient liquidity for operational needs and maximize the return on investments within an acceptable exposure to risk. In addition, this Policy is designed to safeguard the City's funds, ensure the availability of operating and capital funds when needed, and provide for an investment return competitive with comparable funds and financial market indices. In an effort to accomplish the aforementioned, this Policy identifies various portfolio parameters addressing investment instruments, issuer diversification, maturity constraints, investment ratings, and liquidity.

II. SCOPE

In accordance with Section 218.415, Florida Statutes, this Policy applies to all funds held or controlled by the City in excess of those required to meet current expenses. "Current expenses" means known cash needs and anticipated cash flow requirements for the short term. "Short Term" means a maximum of six (6) months of operation.

This Policy does not apply to the City's funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds. Additionally, this Policy does not apply to funds not under investment control of the City, such as, the Police, Firefighters, Managerial and the General Employee's Pension Funds.

Cash and investment balances in excess of those required to meet current expenses for the short term are referenced in this Policy as "Available Funds".

III. INVESTMENT OBJECTIVES

Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Each investment transaction shall be entered into with every effort to prevent capital losses, whether they are from securities defaults, theft, or the impact of adverse market conditions. The City's objective is to maintain sufficient liquidity to enable the City to meet operating requirements, which might be reasonably anticipated. It is the intent of this Policy, and it shall be so construed notwithstanding anything to the contrary, to place the highest priority on the safety of principal and liquidity of funds. The optimization of investment returns shall be secondary to the safety of principal and liquidity of funds. The City will strive to maximize the return on the portfolio (subject to the objectives of preserving the safety of capital and liquidity of funds) and will avoid assuming unreasonable investment risk. The City will employ mechanisms to reduce risks by diversifying its investments between specific security types and individual financial institutions. Funds of the City will be invested

in accordance with Florida law, City of Cooper City's local law, this Policy, and written administrative procedures.

Safety of Principal The first of the two foremost objectives of this investment program is the safety of the principal of those funds within the portfolios. Investment transactions shall seek to keep capital losses at 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 portfolios.

Maintenance of Liquidity The second of the two foremost objectives of this investment program is maintenance of liquidity.

The portfolios shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements. Periodic cash flow analyses will be completed in order to ensure that the portfolios are positioned to provide sufficient liquidity.

Return on Investment Portfolios shall be designed 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. However, return is attempted through active management where the Investment Manager utilizes a total return strategy (which includes both realized and unrealized gains and losses in the portfolios). This total return strategy seeks to increase the value of the portfolio through reinvestment of income and capital gains. The core of investments shall be focused on being limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. An Investment Manager may trade to recognize a loss from time to time to achieve a perceived relative value based on the trade's potential to enhance the total return of the portfolios.

IV. DELEGATION OF AUTHORITY

The responsibility for providing oversight in regards to the management of the investment program resides with the Director of Finance, who shall be the City investment official, and who from time to time report to the City Manager. The day to day management responsibility for all City funds in the long-term core investment program and investment transactions may be delegated to the City's Investment Manager, who has been afforded discretionary authority in executing investment transactions, in accordance with the terms of this Policy. Any such delegation shall be approved by Resolution of the City Commission. However, in no way shall any such delegation of authority diminish the responsibility of the Director of Finance to provide oversight for the City's investment program and report any deviations from the provisions of the Policy to the City Manager. The City's Director of Finance will further be responsible for the transferring of appropriate funds to affect investment transactions as recommended by the City's Investment Manager or for the long-term core investment program. In employing an Investment Manager to manage the City's investment long-term portfolio, such Investment Manager or firm must be registered under the Investment Advisors Act of 1940.

No person may engage in an investment transaction of Available Funds (to which this Policy applies) except as provided under the terms of this Policy and the procedures so established, except in the extraordinary circumstances where specifically requested in writing by the Director of Finance (which shall detail the extraordinary circumstances) and where authorized in writing in advance by the City Manager after the written recommendation of the Investment Manager. Positions authorized as investment signatories for the City of Cooper City are the Mayor, City Manager, and Director of Finance. The Director of Finance, Assistant Finance Director, and Accountant are authorized to initiate or approve a wire transfer transaction in accordance with applicable policies and procedures.

V. STANDARDS OF PRUDENCE

The standard of prudence to be used by the City shall be the "Prudent Person" standard and shall be applied in the context of managing the overall investment program. The City investment official acting in accordance with written procedures and this Investment Policy and exercising due diligence shall be relieved of 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" rule states the following:

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.

Any firm or any person who is not a City officer, official, or employee that is retained to invest, monitor, or advise concerning the investment of Available Funds under this Policy (herein, the "Investment Manager") shall exercise the higher standard of prudence known as the "Prudent Expert", or such increased degree of care and prudence as may be otherwise set forth in the retention agreement. The "Prudent Expert" 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.

The "Prudent Person" rule will be applied in the context of managing the overall portfolio. The Director of Finance, acting in accordance with the written procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported immediately and that appropriate action is taken to control adverse developments.

VI. ETHICS AND CONFLICTS OF INTEREST

- A. City Officers, Officials, and Employees are subject to the requirements of Part III, Chapter 112, Florida Statutes, concerning the "Code of Ethics for Public Officers and Employees. Investment Managers, involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the City's investment program, or which could impair their ability to make impartial investment decisions.
- B. Investment Managers involved in the investment process shall disclose to the City Manager and City Commission in writing any material interests in financial institutions that conduct business with the City, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the City's investment program. "Material interest in financial institutions" means direct or indirect ownership of more than 5 percent of the total assets or capital stock of any financial institution. "Material personal financial/investment positions" means a financial or investment position in excess of percent of the Net Worth of the Director of Finance or the Net Assets of the Investment Manager, as appropriate. Appearances of conflict and conflicts of under this provision B may only be waived by the City Commission, and the City Commission may attach conditions and requirements for any such waiver
- C. The Investment Manager shall also disclose in writing to the City Manager any instances where the Investment Manager may provide any services for any financial institution, fund, portfolio, trust, business entity, or not for profit entity in which or for which an investment is being considered, including how such Manager is compensated for such services. The Investment Manager shall to the best of its knowledge, also make similar disclosures to the City Manager when its parent, affiliates, or subsidiaries are providing such services.

The City is aware that the Investment Manager does advise and manage other funds and investments. The City Manager may waive appearances of conflicts or conflicts under this provision C. The City Manager may establish conditions and requirements for any such waiver. The City Commission may also waive appearances of conflict and conflicts under this provision C, and may attach conditions and requirements for any such waiver

VII. INTERNAL CONTROLS AND INVESTMENT PROCEDURES

The Director of Finance or designee shall establish a system of internal controls and operational procedures that are in writing and made a part of the City's finances 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/custodial, repurchase agreements, separation of transaction authority from accounting and recordkeeping, wire transfer agreements, banking service contracts, collateral/depository agreements, and "delivery-vs payment" procedures. No person may engage in an investment transaction except as authorized under the terms of this Policy. Employees or contractors involved in the investment process shall adhere to the Internal Control Policy of the City.

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.

VIII. CONTINUING EDUCATION

The Director of Finance or designee shall annually complete 8 hours of continuing education in subjects or course of study related to investment practices and products.

IX. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS

The Director of Finance or designee shall only purchase securities from Qualified Institutions and investment institutions that are designated as Primary Dealers by the Federal Reserve Bank of New York. The Director of Finance shall only enter into repurchase agreements with financial institutions that are Qualified Institutions and Primary Dealers as designated by the Federal Reserve Bank of New York. The Director of Finance shall maintain a list of financial institutions and broker/dealers that are approved for investment purposes ("Qualified Institutions"). Only firms meeting the following requirements will be eligible to serve as Qualified Institutions:

- 1) Regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule);
- 2) Capital of no less than \$10,000,000;
- 3) Registered as a dealer under the Securities Exchange Act of 1934;
- 4) Member of the Financial Industry Regulatory Authority, Inc. (FINRA);
- 5) Registered to sell securities in Florida;
- 6) The firm and assigned broker have been engaged in the business of effecting transactions in U.S. government and agency obligations for at least five (5) consecutive years.
- 7) Public depositories qualified by the Treasurer of the State of Florida, in accordance with Chapter 280, Florida Statutes.

The City's Investment Manager shall utilize and maintain its own list of approved primary and non-primary dealers.

All brokers, dealers and other financial institutions deemed to be Qualified Institutions shall be provided with current copies of the City's Investment Policy.

X. MATURITY AND LIQUIDITY REQUIREMENTS

To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements.

A. Maturity Guidelines

Securities purchased by or on behalf of the City shall have a final maturity of five (5) years or less from the date of settlement. The overall weighted average duration of principal return for portfolios shall be less than three (3) years. The maturities of the underlying securities of a repurchase agreement will follow the requirements of the Securities

Industry and Financial Markets Association (SIFMA) Master Repurchase Agreement.

B. Liquidity Requirements

The investment portfolio shall be structured in such a manner as to provide sufficient liquidity to pay obligations as they become due.

(1) The Director of Finance or designee shall determine the approximate amount of funds required to meet the current expenses of the City.

(2) All funds in the depository bank may be "swept" each night into a fully collateralized repurchase agreement or money market fund. In order to have an available source of funds to meet unexpected cash requirements, a minimum of two months operating expenses will be invested within an overnight investment vehicle such as a "AAAm" rated money market fund or open market securities rated in the two highest rating categories by a NRSRO, and maturity of 60 days or less.

(3) The amount of City funds in excess of those required to meet current expenses, reduced by the two (2) month reserve calculated in subsection (1) above, will be available for investment according to the guidelines incorporated within this Policy.

XI. RISK AND DIVERSIFICATION

Assets held shall be diversified to control risks resulting from over concentration of assets in a specific maturity, issuer, instruments, dealer, or bank through which these instruments are bought and sold. The Director of Finance shall determine diversification strategies within the established guidelines.

XII. MASTER AND REPURCHASE AGREEMENT

The Director of Finance or designee will require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Securities Industry and Financial Markets Association (SIFMA) Master Repurchase Agreement. All repurchase agreement transactions will adhere to requirements of the SIFMA Master Repurchase Agreement.

XIII. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

After the Director of Finance and/or the City's 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) qualified banks and/or approved broker/dealers must be contacted and asked to provide bids/offers on securities in question. To the greatest extent allowable by law, 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, securities may be purchased/sold utilizing the comparison to current market price method on an exception basis. Acceptable current market price providers include, but are not limited to:

- A. Tradeweb;
- B. Bloomberg Information Systems;
- C. Wall Street Journal or a comparable nationally recognized financial publication providing daily market pricing; or,
- 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, a private placement; or
- D. When the transaction involves new issues or issues in the "when issued" market.

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

XIV. AUTHORIZED INVESTMENTS 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/or the City's Investment Manager may sell the investment at the then-prevailing market price and place the proceeds into the proper account with the City's custodian.

The following are the investment requirements and allocation limits on security types, issuers, and maturities as established by the City. Diversification strategies within the established guidelines shall be reviewed and revised periodically as necessary by the Director of Finance and/or the City's Investment Manager. The City shall have the option to further restrict investment percentages from time to time based on market conditions, risk and diversification investment strategies. The percentage allocations requirements for investment types and issuers are calculated based on the original cost of each investment, at the time of purchase. Investments not listed in this Policy are prohibited unless specifically approved by the City Commission by Resolution. The following requirements do not apply to funds derived from the sale of debt.

Portfolio Composition and Asset Allocation (excludes Bond Funds and Pension Plans)			
Authorized Investment Description	Maximum Portfolio Allocation	Maximum Maturity	Issuer Limit
State Board of Administration (SBA) A-LGIP	50%		
United States Government Securities	100%	10 Years	
United States Government Agencies	50%	10 Years	
Federal Instrumentalities	60%	10 Years	30%
Interest-bearing Time Deposit, Savings Accounts, or Money Market Accounts	40%		10%
Repurchase Agreements	20%	90 Days	10%
Commercial Paper	20%	270 Days	5%
Corporate Notes	15%	3 Years	5%
Bankers' Acceptances	20%	180 Days	5%
State and/or Local Government Taxable and/or Tax-Exempt Debt	25%	10 Years	10%
Registered Investment Companies (Money Market Mutual Funds)	50%		25%
Intergovernmental Investment Pool	20%		

XV. DERIVATIVES AND REVERSE REPURCHASE AGREEMENTS

The City may not invest in investment products that include the use of derivatives. 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. Reverse repurchase agreements are not permitted by this Policy.

XVI. PERFORMANCE MEASUREMENTS

In order to assist in the evaluation of the portfolios' performance, the City will use performance benchmarks for 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.

A. The short-term investment portfolio shall be designed with the annual objective of exceeding the return of the Standard & Poor's GIP Index Government 30-Day Gross of Fees Yield. Investments of current operating funds shall have maturities of no longer than twelve (12) months.

B. The long-term investment portfolio shall be designed with the annual objective of exceeding the return of the Bank of America Merrill Lynch 1-3 Year Treasury/Agency Index compared to the portfolio's total rate of return. The Bank of America Merrill Lynch 1-3 Year Treasury/Agency Index represents all U.S. Treasury/Agency securities maturing over one year, but less than three years. This maturity range is an appropriate benchmark based on the objectives of the City. Investments of core funds shall have a term appropriate to the need for funds, but in no event shall exceed five (5) years.

XVII. REPORTING

- A. The City's Investment Manager shall provide quarterly investment reports on the City's short-term and long-term core investments to the Director of Finance, Mayor, City Manager, and City Commission . Schedules in the quarterly report should include the following:
1. A listing of individual securities held at the end of the reporting period
 2. Percentage of Available Funds represented by each investment type
 3. Coupon, discount or earning rate
 4. Average life or duration and final maturity of all investments
 5. Par value and market value
- B. Annual Investment Report On an annual basis, the City's Investment Manager shall submit to the Director of Finance, City Manager, and City Commission a written report on the long-term core investment 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, earned income, the book value, the market value and the yield on each investment. The annual report will show performance on both a book value and 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 Government Accounting Standards Board (GASB) standards. In addition, the annual report shall provide all disclosures as required by GASB Statement 40, *Deposit and Investment Risk Disclosures*. Investment reports shall be available to the public.
- C. Review of Quarterly and Annual Investment Reports. It is primarily the responsibility of the Director of Finance to perform a thorough review of all investment reports provided by the Investment Manager to ensure compliance with the terms of this Policy, as well as evaluate performance of the Investment Manager against the established performance benchmark. As soon as discovered, the Director of Finance must communicate in writing, any violations of this Policy's provisions or failure of the Investment Manager to meet the minimum performance benchmark, to the City Manager. Violations shall also be reported to the City Commission with the quarterly and annual reports provided to the City Commission.
- D. The Investment Manager's annual report shall also include a review of this Policy. Should such a review result in proposed strategic changes to the existing terms of this Policy (i.e. maximum asset allocation percentages-sector, subsector, issuer), based on existing financial market conditions, such proposed revisions will be presented to the City Commission for formal approval by Resolution.

XVIII. THIRD PARTY CUSTODIAL AGREEMENTS

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, and held as required by subsection 218.415 (18), Florida Statutes, as amended. 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 custodian shall accept transaction instructions only from those persons who have been duly authorized by the Director of Finance 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. Monthly, the custodian shall provide the Director of Finance and/or the City's Investment Manager with detail information on the securities held by the custodian. Security transactions between a broker/dealer 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. Only after receiving written authorization from the Director of Finance shall authorized securities be delivered "free". Securities held as collateral shall be held free and clear of any liens.

XIX. RESERVATIONS OF AUTHORITY

The authority to issue and/or revise this Policy is reserved for the City Commission.

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Bank	Interest Rate
TD Bank	0.0082%
FMIVT 0-2	Inv. Acc.
FMIVT 1-3	Inv. Acc.
FMIVT HQ	Inv. Acc.
BOA 3553	0
CNB	0.0164%
SBA 121941	0.0080%
SBA 121943	0.0080%
Synovus	0.0127%
Centennial	0.0115%

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KSexton@flicities.com	(805) 701-3628	FMIVT 0-2	Inv. Acc.
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