

## Exhibit A

Procedure # 2010-01

Effective Date: July 15, 2010 - Resolution 10-43  
(Amends Resolution 95-30)

### CITY OF EUSTIS FINANCE DEPARTMENT POLICY AND PROCEDURES

**SUBJECT:** Investment Policy (F.S. 218.415)

**POLICY:** The City of Eustis may from time to time invest surplus public funds in order to maximize interest earnings within a minimum amount of investment risk and a high degree of investment safety in accordance with the procedures and investments authorized in Florida Statutes Chapter 218.415.

**PROCEDURE:** The City of Eustis may from time to time invest those surplus public funds in any of the authorized instruments as is provided for in F.S. 218.415, as may be amended from time to time.

**Scope:** In accordance with FS 218.415 the investment policy shall apply to all financial assets under the control of the City of Eustis in excess of those required to meet current obligations. The investment policy shall not apply to pension funds, including those funds in chapters 175 and 185, or funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds.

**Investment Objectives:** Investment objectives shall include:

**Safety of Principal** – The foremost objective of this investment program is the safety of the principal of those funds within the portfolio. Investment transactions shall seek to be consistent with the other investment objectives, which are to keep capital losses at a minimum, whether they are from securities defaults or erosion of market value.

**Maintenance of Liquidity** – The portfolio shall be managed in such a manner that funds are available to meet reasonable anticipated cash flow requirements in an orderly manner. A laddering of securities will be maintained to assist in providing liquidity.

**Return on Investment** – It is the intention of the city to be conservative in the investment of our monetary funds. The idea is to maximize earnings with secure investments which have the ability to be liquidated if necessary. Return on investment is of least importance compared to safety and liquidity.

- a.) Funds designated for immediate use will be held in the cash management account.
- b.) Funds designated as short term in nature shall be available for investments which are less than 1 year
- c.) Funds designated as long term in nature shall be available for investments which exceed 1 year.

**Performance Measurement:** The standard rate as set forth for the interest on checking in the Cash Management program shall be the minimum earnings expected. Interest rates earned outside the cash management program shall seek a minimum of 25 bases points above the previous monthly rate paid in the Cash Management Program.

**Prudence and Ethical Standards:** The finance department will explore the alternatives offered in conjunction with the recommendations offered by the current consultant. Finance will look at the immediate and future needs of the funds being invested and determine the appropriate length and interest earnings available. The City has adopted the Prudent Person Rule, which states that: "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."

**Listing of Authorized Investments and Portfolio Composition:** Investments authorized under this policy are to include the following or as may be amended by changes to the above Florida Statutes. Any investment authorized by the City will be performed with sufficient knowledge and understanding to know the risk associated with the investment. In no case shall the City invest in derivative products, which are financial instruments deriving their value from another financial instrument.

The investments authorized are pursuant to FS 218-415(16):

- (a) The Local Government Surplus Funds Trust, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in s.163.01.
- (b) Security and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- (c) Interest bearing time deposits or savings accounts in qualified public depositories, as defined in s. 280.02.
- (d) Certificates of Deposit in state-certified public depositories, as defined in s. 280.02.
- (e) Direct obligations of the U.S. Treasury.
- (f) Federal agencies and instrumentalities.
- (g) Certificate of Deposit Account Registry Service (CDARS)

Nothing herein contained shall be interpreted or construed to abrogate any specific provision contained in any bond Ordinance or Resolution of the City relating to the investment of bond proceeds temporarily available in specific funds or accounts, or the use of other procedures as directed by the City Commission in accordance with law.

The portfolio shall be limited to investments falling into the above classifications. Diversification of the portfolio under (e) and (f) above will strive to purchase securities having an estimated average life of 5 to 7 years even though the stated life extends beyond the 7 years. Timing of the sale will be determined by the advice of our trust officer or investments provider. While some government backed investments may carry a long face life, the average life of the investments will carry the 5 year average. The investment will also be monitored to ensure the best resale of any remaining values.

Care shall be taken that investments other than CDAR's, CD's, Qualified Money Market accounts and U.S. Treasuries shall not exceed 50% of the portfolio.



### **Portfolio Limitations on Federal Agencies and Instrumentalities**

The total portion of these investments cannot exceed 50% of entire portfolio and are limited as follows:

Government National Mortgage Association (GNMA's) shall be in no more than 30% of the portfolio since they are pools of mortgages specifically guaranteed by the full faith and credit of the U.S. Government.

Federal Home Loan Banks (FHLB) shall not exceed 25% of the portfolio. They carry an implicit not explicit guarantee of the U.S. Government and are owned specifically by community banks, thrifts, commercial banks, credit unions, community development financial institutions and insurance companies that are continually monitored by the Federal Housing Finance Agency (FHFA).

Federal Farm Credit shall not exceed 10% of the portfolio. This is a federally chartered network of cooperatives that led to the agricultural and rural America with Federal oversight by the Farm Credit administration, and is the oldest government-sponsored enterprise.

Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) shall not exceed 5% of the portfolio. These carry an implicit not explicit, guarantee of the U.S. Government. They are pools of mortgage bought and sold by a stockholder-owned corporations operating under congressional charter to increase availability and affordability of homeownership for low, moderate and middle income Americans.

**Risk and Diversification:** The City shall strive to diversify and spread the risk among the list of authorized investments avoiding over concentration of assets in a specific maturity, issuer, and instruments as provided under portfolio limitations.

**Maturity and Liquidity Standard:** The investment portfolio will be structured to provide sufficient liquidity to pay obligations as they come due. The portfolio will consist of:

- a.) Cash Management account, which will be available to pay current expenses and payroll obligations of the City.
- b.) Short Term investment, which will maintain a laddered maturity of 1 year or less. Likely increments would be 3, 6, 9 and 12 months.
- c.) Long Term Investments, extend more than one year. The average length of time for a maturity should not exceed 5 to 7 year window and must be liquid in the event cash needs.

The investment advisor will be utilized to assist in determining the length to hold various securities based on the current economic climate and any projections which may be available.

Every effort will be made to match investment maturities with known cash needs and anticipated cash flow requirements.

**Authorized Investment Institutions and Dealers:** The City is authorized to use the services of any institution or dealer providing the services which meet the immediate needs of the city as well as the most cost effective. Currently the City utilizes staff and our investment advisor to make the determination of which products to purchase.

Purchased securities will be from financial institutions, and limited to purchase as described above in Listing of Authorized Investments.

**Bid Requirements:** Each transaction shall be shopped for the best available yield to the City. Utilization of at least 3 different sources is preferable when possible. Bidding of products is not required unless the investment advisor feels the process will garner higher yields not provided through shopping with different brokers.

**Third-Party Custodial Agreements:** The City utilizes the services of a custodian to hold the assets designated as Long-Term. All securities are purchased and held by this institution as authorized by the City of Eustis. Certificate of Deposits are not required to be serviced by the custodian.

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 FS 658.12, 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 and other negotiable instruments will be placed in the provider's safekeeping department for the term of the deposit.

**Master Repurchase Agreement:** Utilization of Master Repurchase Agreement shall require adherence to the City of Eustis Investment Policy and Procedure along with strict compliance with the agreement. All approved institutions and dealers (if any) transacting repurchase agreements will be required to execute and perform as stated in the Master Repurchase Agreement.

**Internal Controls:** All Short-Term and Long-Term investments will be authorized and signed by the Finance Director and City Manager. Other authorized signers will include the Mayor and the Vice Mayor in the event the City Manager or Finance Director is not available. Each investment authorized will be in the form as included in Exhibit A-1 attached. Each investment authorized will require the completion and return to the City the Investment Acknowledgement as included in Exhibit A-2.

The investment policy shall provide for review of such controls by independent auditors as part of any financial audit periodically required of the City. Such internal controls shall include, but not limited to requiring a signed investment authorization including two signatures by authorized personnel, a completed investment acknowledgement and a memorandum summarizing the recommendation. Whenever possible, the recommending memorandum should include the recommendation of the investment consultant.

**Continuing Education:** The Finance Director is required to complete 8 hours of continuing professional education in subjects or courses of study related to investment practices and products. This requirement shall be renewed annually.



**Sale of Securities:** The Finance Director is authorized to sell securities at such time it is deemed necessary to meet current obligations. Additionally, if improved financial position can be gained from the sale of a security the city is authorized to sell such security prior to the maturity of the issue.

**Reporting of Transactions and Quarterly Reports:** Upon completion of any investment transaction, the City Commission will be advised of each transaction by forwarding to them a copy of the recommendation memorandum, Investment Authorization and the Investment Acknowledgement.

A quarterly report will be provided to the City Commission during the month following the quarters ending in the months of March, June, September and December. Additional reports may be provided at the request of the City Commission as well as the summary disclosed in the memorandum of transactions.

The report will include a listing of individual investments held; the maturity date of each investment, the interest rate, percentage of each investment in the portfolio compared to the entire portfolio and will include the cost of the investment and the current market value.

Signed this 5<sup>th</sup> day of August, 2010 upon approval of Resolution 10-43 by the Eustis City Commission.



Karen LeHeup-Smith  
Mayor/ Commissioner



Paul A. Berg  
City Manager



Jim R. Myers, Jr. CMC, CGFM  
Finance Director

Exhibit A-1

City of Eustis  
Investment Authorization

Authorization # \_\_\_\_\_

Depository Name: \_\_\_\_\_

Account Name: \_\_\_\_\_

**City Investment Policy:**

The City of Eustis may from time to time invest surplus public funds in order to maximize interest earnings within a minimum amount of investment risk and a high degree of investment safety in accordance with the procedures and investments authorized in Florida Statutes Chapter 166.261 and Chapter 218.415(16).

**Procedure:**

The City of Eustis may from time to time invest those surplus public funds in any of the authorized instruments as is provided for in F.S. 166.261 and F.S. 218.415(16), as may be amended from time to time.

Nothing herein contained shall be interpreted or construed to abrogate any specific provisions contained in any bond ordinance or resolution of the city relating to the investment of bond proceeds temporarily available in specific funds or account, or the use of other procedures as directed by the City Commission in accordance with law.

Any purchase, sale, investment or reinvestment made under this policy shall require the approval of the City Manager and the Finance Director. Authorized city officials eligible to sign the authorization include the Mayor or Vice-Mayor and the City Manager, and the Finance Director or their designee in their absence.

**Investment Objective:**

To provide for the investment of surplus City of Eustis funds which are in excess of the cash-flow needs of the immediate fiscal year. To invest in those instruments as are authorized by F.S. 166.261 and F.S. 218.415(16), as may be authorized in accordance with the above procedure from time to time. To invest with the highest degree of safety, and to provide for a high rate of interest return based on that degree of safety. To provide for a one to five year laddered or structured maturity.

**Authorized Investments:**

**Other Instructions:**

Upon completion of any transaction purchasing or selling of any investment security outside of the cash management program a memorandum describing the transaction along with various options will be presented to the commission at the next available meeting. A listing of investments shall be provided to include a description of security, maturity dates, amount invested and interest rates.

Authorized this \_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Jim R. Myers, Jr., CMC, CGFM, Finance Director

\_\_\_\_\_  
Paul A. Berg, City Manager

**Exhibit A-2**

**City of Eustis  
Investment Acknowledgement**

Investments authorized under the City policy are to include the following or as may be amended by changes to Florida Statutes 218.415(16).

- (a) The Local Government Surplus Funds Trust, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in s.163.01.
- (b) Security and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- (c) Interest bearing time deposits or savings accounts in qualified public depositories, as defined in s. 280.02.
- (d) Certificates of Deposit in state-certified public depositories, as defined in FS. 280.02.
- (e) Direct obligations of the U.S. Treasury.
- (f) Federal agencies and instrumentalities.
- (g) Certificate of Deposit Account Registry Service (CDARS)

Nothing herein contained shall be interpreted or construed to abrogate any specific provision contained in any bond ordinance or resolution of the city relating to the investment of bond proceeds temporarily available in specific funds or accounts, or the use of other procedures as directed by the City Commission in accordance with law.

Any purchase, sale, investment or reinvestment made under this policy shall require the approval of the City Manager and the Finance Director. The Mayor and Vice Mayor may also be authorized signers in the event that the City Manager or Finance Director are not available.

Certification:

This is to certify that the investments authorized under Authorization 20\_\_-\_\_ meets the investment requirements as listed above in item \_\_\_\_\_. That \_\_\_\_\_, is a state-certified public depository and that at such time it ceases to be will notify the City of Eustis immediately. Be it further certified that the authorization transaction was completed on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

Date: \_\_\_\_\_

Signature: \_\_\_\_\_  
Investment Officer