



Town of _____

Micanopy

Florida

January 13, 202

Agenda Item: Adoption of Investment Policy for the Town of Micanopy

Recommended Action: Approve Resolution No. 2026-01, adopting an Investment Policy for the Town of Micanopy.

Summary:

The Town currently invests public funds primarily in bank accounts and certificates of deposit. While these practices are conservative, the Town does not have a formal investment policy to guide decision-making, ensure continuity across administrations, and provide clear oversight by the Town Commission.

The proposed Investment Policy establishes:

- Clear legal authority under Florida Statutes
- Conservative, clearly defined investment options
- Safeguards to protect public funds regardless of future staffing changes
- Transparency and reporting requirements for Commission oversight

Adoption of this policy aligns the Town with best practices for Florida municipalities and strengthens fiscal governance.

Fiscal Impact: None.

Plain-Language Explanation

This Investment Policy is intentionally conservative. It does not seek to maximize returns at the expense of safety. Instead, it prioritizes:

1. Protecting taxpayer and utility ratepayer funds
2. Ensuring funds are available when needed
3. Earning a reasonable return consistent with low risk

The policy also assumes that future Town Administrators may have different levels of financial experience. For that reason, it includes:

706 NE Cholokka Blvd.
PO Box 137, Micanopy, FL 32667-0137
(352) 466-3121 Town Hall (352) 466-4912 Fax
townhall@micanopytown.com

- Strict limits on allowable investments
- Short maturity caps
- Prohibitions on complex or speculative products
- Required reporting and documentation

In short, this policy is designed to protect the Town not just today, but years into the future.

Stress-Test Scenarios (Real-World Examples)

Scenario 1: Rapid Interest Rate Increases

If interest rates rise quickly, the Town's laddered, short-term investments mature regularly, allowing reinvestment at higher rates. The Town avoids being locked into long, low-yield instruments.

Scenario 2: Rapid Interest Rate Decreases

If rates fall, the Town's funds remain safe and liquid. While yields decline, the policy prevents yield-chasing into higher-risk products.

Scenario 3: Bank Failure

Because deposits are either fully FDIC-insured or backed by the U.S. government, the Town's principal remains protected. Diversification limits reduce exposure to any single institution.

Scenario 4: Staff Turnover or Inexperience

Clear rules, prohibited actions, checklists, and reporting requirements prevent imprudent decisions regardless of staff experience.

Scenario 5: Unexpected Capital Need

Daily liquidity and short maturities ensure funds are available without penalties or forced sales.



Town of Micanopy Investment Policy

1. Purpose and Scope

The purpose of this Investment Policy is to establish guidelines for the prudent investment of public funds of the Town of Micanopy, Florida ("Town"). The objectives of this Policy are to ensure the safety of principal, maintain adequate liquidity to meet operational needs, and achieve a reasonable rate of return on investments in compliance with Florida law.

This Policy applies to all Town funds that are not otherwise restricted by law, grant agreement, bond covenant, or trust agreement. Pension funds and other funds governed by separate policies or statutory requirements are excluded unless specifically authorized by the Town Commission.

2. Governing Authority

This Policy is adopted pursuant to the authority granted under Chapter 218, Florida Statutes, including Section 218.415, which governs the investment of surplus public funds. All investments shall be made in accordance with applicable state laws, Town ordinances, and resolutions.

3. Investment Objectives and Performance Measurement

The Town's investment activities shall be guided by the following objectives, listed in order of priority:

1. **Safety of Principal** – Preservation of capital is the foremost objective. Investments shall be undertaken in a manner that minimizes risk to principal.
2. **Liquidity** – The investment portfolio shall be structured to ensure the availability of funds to meet all reasonably anticipated cash flow requirements.
3. **Yield** – The portfolio shall be designed to attain a market rate of return consistent with the first two objectives.

The Investment Officer shall periodically measure and evaluate the investment portfolio's performance to ensure compliance with the objectives of **safety of principal, liquidity, and return on investment**, in that order of priority.



Investment performance shall be measured using a **total rate of return** calculation that includes realized income and unrealized gains or losses, and shall be evaluated in relation to appropriate **market benchmarks** that reflect the portfolio's authorized investments and maturity structure.

The primary benchmark for the portfolio shall be a **short-term, high-quality fixed income index**, such as the 90-Day U.S. Treasury Bill, Florida PRIME, or another benchmark approved by the governing body. Secondary benchmarks may be used for specific funds or longer-duration portfolios, as appropriate.

4. Standards of Care

The standard of care to be used by investment officials shall be the "prudent person" standard, as defined in Section 218.415, Florida Statutes. Investment officials acting in accordance with this Policy and exercising due diligence shall be relieved of personal responsibility for individual investment decisions, provided deviations from expectations are reported and appropriate action is taken.

5. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with the proper execution of the investment program or impair their ability to make impartial investment decisions. Disclosure of any material financial interest in financial institutions with which the Town conducts business shall be made in accordance with Florida law.

6. Delegation of Authority

The Town Commission delegates authority to the Town Administrator or designee to manage the Town's investment program, subject to the safeguards and limitations outlined in this Policy. The Town Administrator is authorized to invest surplus funds only in authorized investment types and in accordance with maturity, diversification, and reporting requirements contained herein.

The Town Administrator shall complete eight (8) hours of continuing education annually in subjects or courses of study related to investment practices and products.

The Town Administrator shall not delegate discretionary investment authority to any third party unless expressly authorized by the Town Commission.



7. Funds and Accounting

Town funds shall be clearly accounted for and reported by fund type. General Fund and Utility Fund monies shall be invested and tracked separately, or accounted for in a manner that clearly allocates principal and earned interest to the appropriate fund. Interest earnings shall be credited to the originating fund unless otherwise directed by the Town Commission.

8. Authorized Financial Institutions and Dealers

The Town shall conduct investment transactions only with financial institutions that are:

- Qualified Public Depositories (QPDs) in the State of Florida, or
- Federally insured financial institutions eligible to receive public funds, or
- Custodial institutions acting on behalf of the Town through authorized programs permitted under Florida law.

The Town Administrator shall maintain a list of authorized institutions and may exclude institutions as deemed necessary to protect the Town's interests.

9. Authorized Investments

Consistent with Section 218.415, Florida Statutes, the following investments are authorized:

- Demand deposit accounts and savings accounts insured by the Federal Deposit Insurance Corporation (FDIC)
- Certificates of deposit insured by the FDIC
- Obligations of the United States Treasury
- Obligations of federal agencies and instrumentalities
- FDIC-insured multi-bank deposit programs administered through a qualified public depository, where funds are allocated among multiple FDIC-insured institutions to provide full insurance coverage

The Town shall not invest in equities, corporate bonds, derivatives, or other speculative investment products.



10. Maturity and Liquidity Requirements

Investments shall be structured to maintain sufficient liquidity to meet anticipated cash flow needs. Unless otherwise authorized by the Town Commission:

- No individual investment shall exceed a final maturity of three (3) years from the date of purchase.
 - Investments with maturities greater than one (1) year shall be limited to obligations of the United States Treasury or federal agencies.
 - Investment maturities shall be staggered (laddered) to reduce interest rate risk and provide ongoing liquidity.
-

11. Diversification

The investment portfolio shall be diversified to the extent practicable to reduce the risk of loss resulting from over-concentration in a single investment type, maturity range, or institution. Unless otherwise approved by the Town Commission:

- No more than fifty percent (50%) of the total portfolio may be invested with any single financial institution, excluding U.S. Treasury obligations.
 - No more than seventy-five percent (75%) of the portfolio may be invested in any one investment category.
-

12. Safekeeping and Custody

All securities shall be held by a third-party custodian designated by the Town. Securities shall be held in the Town's name or in a custodial account clearly identifying the Town as the beneficial owner. Investment officials shall not personally hold or deliver securities.

13. Internal Controls

The Town Administrator shall establish and maintain written internal controls to prevent loss of public funds arising from fraud, employee error, misrepresentation, or imprudent actions. These controls shall be reviewed periodically and updated as necessary.



14. Reporting and Review

The Town Administrator shall provide written investment reports to the Town Commission at least quarterly. Reports shall include, at a minimum:

- Investment balances by fund (General Fund and Utility Fund)
- Maturity dates
- Investment type
- Interest earned during the reporting period
- Compliance with this Policy

Any deviation from this Policy shall be reported promptly to the Town Commission, along with corrective action taken.

The investment program and this Policy shall be reviewed annually.

15. Policy Adoption and Amendments

This Investment Policy shall be adopted by resolution of the Town Commission of the Town of Micanopy. Any amendments to this Policy shall require Town Commission approval.

16. Mandatory Safeguards and Prohibited Actions

To protect the Town from imprudent investment activity and ensure continuity across administrations, the following safeguards apply:

- The use of leverage, derivatives, structured notes, inverse floaters, or similar complex investment products is expressly prohibited.
 - The Town shall not invest in equities, corporate bonds, privately placed securities, or instruments not specifically authorized by this Policy.
 - Investment decisions shall not be based solely on yield considerations.
 - Any investment not explicitly authorized by this Policy is prohibited.
 - This Policy shall be provided to all incoming Town Administrators and Finance personnel as part of transition and onboarding materials.
-



17. Investment Decisions

The Town Administrator shall analyze and select one or more optimal types of investment and competitively bid the security in question when feasible and appropriate. Except as otherwise required by law, the bid deemed to best meet the investment objectives specified in subsection (2) must be selected.

Notwithstanding any other law, when deciding whether to invest and when investing public funds, the Town must make decisions based solely on pecuniary factors and may not subordinate the interests of the people of this state to other objectives, including sacrificing investment return or undertaking additional investment risk to promote any nonpecuniary factor. The weight given to any pecuniary factor must appropriately reflect a prudent assessment of its impact on risk or returns.

The term “pecuniary factor” means a factor that the governing body of the unit of local government, or in the absence of the existence of a governing body, the respective principal officer of the unit of local government, prudently determines is expected to have a material effect on the risk or returns of an investment based on appropriate investment horizons consistent with applicable investment objectives and funding policy. The term does not include the consideration of the furtherance of any social, political, or ideological interests.

18. Investment Decision Checklist (Mandatory)

Prior to executing any investment transaction, the Town Administrator (or designee) shall complete and retain the following checklist in the Town’s financial records:

1. Funds identified (General Fund or Utility Fund)
2. Investment type is explicitly authorized by the Investment Policy
3. Maturity complies with policy limits
4. Liquidity needs for the next 24 months reviewed
5. Investment does not exceed diversification limits
6. FDIC insurance or U.S. government backing confirmed
7. Interest allocation methodology confirmed
8. Transaction documented for next quarterly report

Completion of this checklist is required for audit and internal-control purposes.

19. Dual Review and Documentation Requirement



Town of _____
Micanopy
Florida

To further safeguard public funds:

- Any new investment relationship or investment vehicle (excluding renewals or rollovers of existing authorized investments) shall require written acknowledgement by both the Town Administrator and the Mayor.
- All approved institutions and dealers transacting repurchase agreements shall execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.
- Documentation shall be retained demonstrating compliance with the Investment Policy.

This requirement is intended to provide continuity and institutional oversight regardless of staff turnover.

Adopted by the Town Commission of the Town of Micanopy on: _____

Resolution No.: _____



Town of _____

Micanopy

Florida

RESOLUTION NO. 2026-01

A RESOLUTION OF THE TOWN COMMISSION OF THE TOWN OF MICANOPY, FLORIDA, ADOPTING AN INVESTMENT POLICY FOR THE MANAGEMENT OF PUBLIC FUNDS; PROVIDING FOR IMPLEMENTATION; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Town Commission of the Town of Micanopy is responsible for the prudent management of public funds; and

WHEREAS, Section 218.415, Florida Statutes, authorizes local governments to invest surplus public funds in accordance with a written investment policy; and

WHEREAS, the Town Commission finds that adoption of a formal Investment Policy promotes transparency, accountability, and continuity in financial management;

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COMMISSION OF THE TOWN OF MICANOPY, FLORIDA:

Section 1. The Investment Policy attached hereto and incorporated herein by reference is hereby adopted.

Section 2. The Town Administrator is authorized and directed to implement the Investment Policy in accordance with Florida law and the provisions of the Policy.

Section 3. This Resolution shall become effective immediately upon adoption.

ADOPTED this ___ day of _____, 20.

By:

Attest:

Jiana Williams, Mayor

Patty Polk, Deputy Clerk