

**CITY OF PLANT CITY, FLORIDA  
INVESTMENT POLICY  
JANUARY 25, 2016**

I. **Scope**

This Investment Policy applies to all funds, excluding deferred compensation and other employee benefit plans, if any, held by or for the benefit of the City of Plant City, Florida (the City). This investment policy shall not apply to pension funds, including those funds in Florida Statutes chapters 175 and 185. Nor shall this investment policy apply to funds related to the issuance of debt where there may be other definitions for permitted investments in effect for such debt proceeds, however, absent such other controlling documents this policy shall apply to such funds.

II. **Investment Objectives**

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

- A. **Safety** – Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks the preservation of capital in the overall portfolio. The objective will be to limit credit risk and interest rate risk to a level commensurate with the risks associated with prudent investment practices and performance benchmarks, if applicable.
1. **Credit Risk** – The City will limit credit risk, the risk of loss due to the failure of the security issuer or backer, by diversifying the investment portfolio so that potential losses on individual securities will be minimized and by limiting investments to specified minimum credit ratings, if applicable.
  2. **Interest Rate Risk** – The City will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by limiting the maximum maturity of the overall portfolio to five years.
- B. **Liquidity** – The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity), local government investment pools, or money market mutual funds that offer same-day liquidity for short-term funds, or other short term investments that mature within six months.

- C. **Yield** – The investment portfolio shall be designed with the objective of attaining a market rate of return, as measured by specified benchmarks, throughout budgetary and economic cycles, taking into account the objective of safety of principal, investment risk constraints, and liquidity needs. Return on investment is of secondary importance compared to the safety, liquidity, and transparency objectives. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:
1. A security with declining credit may be sold early to minimize loss of principal.
  2. A security swap that would improve the quality, yield, or target duration in the portfolio.
  3. Liquidity needs of the portfolio require that the security be sold.
  4. The sale results in a positive return to the City of its principal invested and gain, with a decision to reinvest in another permitted investment.
  5. The sale will produce a positive total return for the portfolio.
- D. **Transparency** – The City shall operate its portfolio in a transparent manner, making its periodic reports both available for public inspection and designed in a manner which communicates clearly and fully information about the portfolio, including market pricing, adjusted book value, yields, maturity dates, portfolio composition, and CUSIPs of various securities.

### III. Standards of Care

- A. **Prudence** – The standard of prudence to be used by investment officials shall be the Prudent Person Rule and shall be applied in the context of managing an overall portfolio. City personnel, acting in accordance with 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 expectations are reported to the City Manager in a timely fashion by the Chief Financial Officer or designee, and the liquidity and the sale of securities are carried out in accordance with the terms of this policy. The City Manager shall report any material events to the City Commission. The Prudent Person Rule 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."

Investment advisors hired by the City shall comply with the Prudent Person Rule. Portfolio managers acting in accordance with written procedures and exercising due diligence under a City approved agreement shall be relieved of personal responsibility for the performance of an individual security provided that deviations from expectations are reported in a timely fashion, to the Chief Financial Officer or designee, and appropriate action is taken to control adverse developments.

- B. Ethics and Conflicts of Interest** – The Chief Financial Officer and other authorized personnel shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. These investment officials shall disclose to the City Manager annually, in a written statement, any material interests in, or financial transactions with, financial institutions with which they conduct business with the City of Plant City. They shall further disclose any personal or control in financial/investment positions that could be related to the performance of the City’s investment portfolio. They shall refrain from undertaking personal investment transactions with the same individual(s) with whom business is conducted on behalf of the City.
- C. Delegation of Authority** – Authority to manage the investment program is granted to the Chief Financial Officer, and other authorized personnel designated in writing by the Chief Financial Officer. The City may seek professional advice and therefore may contract with a federally registered investment advisory firm that specializes in public funds fixed income management. This engagement would be set forth in a separate Investment Advisory Agreement approved by the Chief Financial Officer. No person may engage in an investment transaction except as provided under the terms of this policy. The Chief Financial Officer shall be responsible for all transactions undertaken and shall establish a system of controls and operational procedures to regulate the activities of any other authorized personnel.
- D. Bid Policy** – After the Chief Financial Officer or authorized personnel have determined the approximate maturity date based on cash flow needs and market conditions, and has analyzed and selected one or more optimal types of investment, a minimum of three (3) banks and/or dealers must be contacted and asked to provide bids on the securities in question as determined under Section III C and Section IV. Bids will be held in confidence until the best bid deemed to meet the investment objectives is determined and awarded. If the maturing investment is a certificate of deposit, then of the contacts made, one shall be the present holder of the funds subject to the portfolio diversification requirements in this policy. Due to the cost of safekeeping, one business day repurchase agreements and overnight sweep repurchase agreements will not be bid, but may be placed with the depository bank relating to the demand account for which the repurchase agreement was purchased

#### **IV. Broker Dealers, Safekeeping and Custody**

- A. Authorized Investment Institutions and Dealers** - The Chief Financial Officer shall only purchase securities from financial institutions which are qualified as public depositories as follows:
1. Qualified public depositories in accordance with Chapter 280, Florida Statutes.
  2. A primary or regional broker dealer that qualifies under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule); and Securities Investors Protection Corporation (SIPC), and that provide the City with:
    - (a) an annual financial statement, and most recent quarterly statement,
    - (b) regulatory history through either Comptroller of Currency, or FINRA, and a statement of any pending lawsuits or regulatory fines affecting the firm.
- B. Annual Review** – An annual review of the qualified financial institutions and broker/dealers will be conducted by the Chief Financial Officer or designee. The distribution of trading of various securities among the approved broker/dealers of securities which at the time of purchase had maturities greater than seven days shall be reported annually to the City Manager, who may at his or her discretion report to the City Commission.
- C. Delivery vs. Payment** – Securities transactions between a broker-dealer and the safekeeping agent or custodian involving purchase or sale of securities by transfer of money or securities must be made under the delivery versus payment method to ensure that funds or securities are not released until the custodian has the security or money, as appropriate, in hand at the conclusion of the transaction.
- D. Safekeeping, Custody & Perfection of Interest** – Securities shall be held with a third party; and all securities purchased by, and all collateral obtained by the City should be properly designated as an asset of the City. No withdrawal of securities, in whole or in part, shall be made from safekeeping or custody, except by the Chief Financial Officer or another authorized staff member of the City. The Chief Financial Officer may execute a Third-Party Custodial Safekeeping Agreement with a commercial bank having trust powers or a trust company which is chartered by the United States Government or the State of Florida. All securities purchased and /or collateral obtained by the City shall be properly designated as an asset of the City and held in safekeeping by the trust department or trust company.

The Third Party Custodial Safekeeping Agreement shall include letters of authority from the City which detail responsibilities of each party, notification of security purchases, sales, delivery, repurchase agreements, wire transfers, safekeeping and transactions costs, procedures in case of wire failure, or other unforeseen mishaps including liability of each party.

## V. Authorized Investments

This investment policy shall be authorized by the City Commission. Investments not listed in the investment policy are prohibited.

The investment portfolio shall be structured in such manner as to provide sufficient liquidity to pay obligations as they come due. To that end, the investment policy should direct that, to the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash-flow requirements.

Prior to conducting transactions as authorized by this policy, the Chief Financial Officer shall determine the approximate maturity date based on cash-flow needs and market conditions, analyze and select one or more optimal types of investment, and competitively bid or arrange a competitive bidding process, of the security in question when feasible and appropriate. Except as otherwise required by law, the bid deemed to best meet the investment objectives shall be selected.

Consistent with Section 218.415, Florida Statutes, the following investments will be permitted by this policy:

The criteria for authorized investments are broken down into four sections. Each investment must comply with the provisions of each section at the time of purchase; (a) authorized investment types, (b) minimum credit ratings for these investments, (c) maximum maturities and interest rate risk, and (d) portfolio composition with maximum percentage permitted for each investment type and specific investment issuer.

### A. Investment Types – Permitted or authorized investments include:

1. **United States Treasury Securities** – Securities that are issued by the United States Treasury.
2. **Agency Securities – Agencies** those for which the full faith and credit of the United States government guarantees fully all principal and interests payments. These include:
  - Government National Mortgage Association
  - United States Export – Import Bank
  - Farmers Home Administration
  - Federal Housing Bank
  - Federal Housing Administration
  - General Services Administration
  - United States Maritime Administration
  - New Communities Department
  - United States Public Housing Notes and Bonds
  - United States Department of Housing and Urban Development
3. **Government Sponsored Enterprises (GSE)** – Securities issued by the Federal Farm Credit Bank (FFCB), the Federal Home Loan Mortgage Corporation (FHLMC), the Federal Home Loan Bank (FHLB) or its district

banks, and the Federal National Mortgage Association (FNMA). Any other GSE shall be considered as corporate debt for the purposes of this Policy and shall be authorized under the criteria set forth in 5, Corporations.

4. **State & Local Governments** – General or revenue obligation of any state of the United States, the District of Columbia, or any territorial possession of the United States, or, of any political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities.
5. **Corporations** – United States dollar denominated debt instruments issued by a corporation or bank which is organized and operated within the United States.
6. **Commercial Paper** - Investments in commercial paper of any United States company that is rated, at time of purchase, "P-1" by Moody's and/or "A-1" by Standard and Poor's ( highest grade commercial paper), or an equivalent rating by a nationally recognized rating organization. If issues are dual rated and the rating is "split-rated, the lower rating will be used for qualifying. Preference should be given to issues with backup lines of credit to support their commercial paper programs. These lines of credit are in place to guard against the unlikely event that the issuer is unable to redeem or rollover a maturing security.
7. **Bank Deposit or Certificates of Deposit** – Non-negotiable interest-bearing time certificates of deposit or savings/checking accounts in banks or savings associations organized under the laws of the state and/or national banks or savings associations organized under the laws of the United States, provided the deposits are secured by the Florida Security of Public Deposits Act, Chapter 280, Florida Statutes, and provided that the institution is not recognized on a credit watch information service list.
8. **Local Government Investment Pools** – Shares in local government investment pools organized under Chapter 163, Part I, Florida Statutes.
9. **Florida Prime** – Shares in the pool organized under Chapter 218, Part IV, Florida Statutes.
10. **Money Market Mutual Funds** – Shares of any money market fund that is registered as an investment company under the federal "Investment Company Act of 1940", as amended, which stipulates that a money market fund must have an average weighted maturity of 60 days or less.
11. **Repurchase Agreements** – Securities referred to in paragraph 1 or 2 of this Section A (Authorized Issuers) and that can otherwise be purchased under this Policy may be subject to a Repurchase Agreement. Such securities subject to this agreement must have a coupon rate that is fixed from the time of settlement until its maturity date, and must be marketable. Such securities must be delivered to the City or to a third-party custodian or third-party trustee for

safekeeping on behalf of the City of Plant City. The collateral securities of any repurchase agreement must be collateralized at no less than 102% and marked to market no less frequently than weekly. 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. Repurchase agreements shall only be entered into with primary securities dealers and financial institutions which are state qualified public depositories.

12. **Limitation on Derivatives** – The City may invest in investment products that include the use of derivatives (e.g. interest rate swap agreements) as long as the Chief Financial Officer develops sufficient understanding of the derivative products, has the expertise to manage them, and the use of such derivatives is approved by the City Commission. The term “derivative” means 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.

No City funds shall be invested in any security issued by entities authorized in this Section A (Authorized Issuers) on which the coupon rate (or a schedule of stepped fixed coupon rates) is not fixed from the time the security is settled until its maturity date, other than shares in qualified money market mutual funds or local government investment pool, unless the coupon rate is: (I) Established by reference to the rate on a United States treasury security with a maturity of one year or less, or to the United States dollar London Interbank Offered Rate (LIBOR) of one year or less maturity, or to the cost of funds index or the prime rate as published by the federal reserve; and (II) Expressed as a positive value of the referenced index plus or minus a fixed number of basis points. (b) A municipal index may be used for the investment of bond or note accounts from issues with coupons linked to the same index. (III) For purposes of this section, "maturity date" means the last possible date, barring default, that principal can be repaid to the purchaser.

- B. **Credit Ratings** – Securities may be purchased if at the time of purchase the securities meet the following minimum credit quality criteria:

1. **United States Treasury Securities** – Ratings are not required for U.S. Treasury securities.
2. **Agency Securities** - Agencies backed by the full faith and credit of the United States government, such as Government National Mortgage Association (GNMA), such securities must carry a credit rating of A or higher from Standard & Poor’s, Moody’s, or Fitch.
3. **Government Sponsored Enterprises (GSE)** – Authorization of the listed GSE in paragraph 2 of Section A (Authorized Investments) is predicated upon these institutions maintaining a credit rating of A or higher from Standard & Poor’s, Moody’s or Fitch.

4. **State & Local Governments** – At the time of purchase, such securities must carry a credit rating of A or higher from Standard & Poor’s, Moody’s, or Fitch.
5. **Corporations** – At the time of purchase, all non-money market instruments must carry a credit rating of A or higher from Standard & Poor’s, Moody’s, or Fitch.
6. **Commercial Paper** – At the time of purchase, securities must carry a credit rating of A-1 from Standard & Poor’s, and/or P-1 from Moody’s, or an equivalent rating by a nationally recognized rating organization.
7. **Banks Deposit or Certificate of Deposit** – At the time of purchase, the qualified public depositories (QPD) must comply with Chapter 280.16 Florida Statutes. Such deposits in QPDs must be collateralized according to the statutory requirements.
8. **Local Government Investment Pools** – At the time of purchase, local government investment pool must carry the highest rating from Standard & Poor’s, Moody’s, or Fitch.
9. **Florida Prime** – At the time of purchase, the state pool must carry the highest rating from Standard & Poor’s, Moody’s, or Fitch.
10. **Money Market Mutual Funds** – At the time of purchase, money market fund must carry the highest rating from Standard & Poor’s, Moody’s, or Fitch.
11. **Repurchase Agreements** – At the time of purchase the counter-party to any such agreements must carry short-term credit ratings which conform to those required by paragraph 4 of this section B (Credit Ratings).

Should a security’s credit rating drop below these standards after purchase, the City’s authorized personnel shall act as Prudent Persons, in managing the risks associated with this security, and shall immediately notify the City Manager of such an event with a recommendation from the Chief Financial Officer.

C. **Maturity Limitations & Interest Rate Risk**– Securities may be purchased if at the time of purchase the securities meet the following credit quality criteria:

1. The **United States Treasury Securities** backed by the full faith and credit of the United States *government* – At the time of purchase, securities should generally have a maturity no greater than five years from the date of settlement to the maximum expected final maturity date based on a reasonable prepayment assumption at the time of settlement.
2. **Agency Securities** - At the time of purchase, agencies should generally have a maturity no greater than five years from the date of settlement to the maximum expected final maturity date based on a reasonable prepayment assumption at the time of settlement

3. **Government Sponsored Enterprises (G.S.E.)** – At the time of purchase, securities must have a maturity no greater than five years from the date of settlement to the maximum possible maturity date. (The forward delivery period on such securities may not exceed 60 days).
4. **State & Local Governments** – At the time of purchase, such securities must have a maturity no greater than five years from the date of settlement to the maximum possible maturity date.
5. **Corporations** – At the time of purchase, such securities must have a maturity no greater than five years from the date of settlement to the maximum possible maturity date.
6. **Commercial Paper** - The maximum length to maturity for commercial paper shall be 270 days from date of purchase.
7. **Banks Deposit or Certificate of Deposit** – At the time of purchase, such securities must have a maturity no greater than three years from the date of settlement to the maximum possible maturity date.
8. **Local Government Investment Pools** – At the time of purchase, shares in the local government investment pool must be fully redeemable on the next business day.
9. **Florida Prime** – At the time of purchase, shares in the SBA pool must be fully redeemable on the next business day.
10. **Money Market Mutual Funds** – At the time of purchase, shares in the money market fund must be fully redeemable on the next business day.
11. **Repurchase Agreements** – For repurchase agreements, at the time of purchase such agreements must have a maturity no greater than 180 days from the date of settlement.

**Overall Portfolio Interest Rate Risk** – At no time may the City purchase any security that would cause the portfolio of the City to have average maturity greater than five years. At least 25% of the portfolio must mature within one year, known as short term. Securities greater than one year shall be the core portion of the portfolio.

- D. Portfolio Composition** - Chapter 281.415 (8) Florida Statutes states that the investment policy shall provide for appropriate diversification of the investment portfolio. The Chief Financial Officer or designee shall have the option to further restrict or increase investment percentages from time-to-time based on market conditions. Any changes to the following percentage schedule compared to the total portfolio must be in writing:

Maximum      Individual

<u>Type of Instrument</u>	<u>(%)</u>	<u>Issue (%)</u>
1. United States Treasury	100	100
2. United States Agency	75	25
3. Government Sponsored Enterprises (GSE)	50	25
4. State & Local Government	25	10
5. Corporations	25	5
6. Commercial Paper	25	5
7. Bank Deposit (checking/savings)	50	25
7a. Certificate of Deposit	25	5
8. Local Government Investment Pools	50	25
9. Florida Prime	25	25
10. Money Market Mutual Funds	25	25
11. Repurchase Agreements	25	10

## **VI. Internal Controls**

The Chief Financial Officer shall establish and monitor a set of internal controls which shall be in writing and made a part of the City's 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 of the City. Such internal controls shall include but not be limited to the following:

- A. All securities purchased or sold will be transferred only under the delivery versus payment (DVP) method to insure that funds or securities are not released until all criteria relating to the specific transaction are met.
- B. The Chief Financial Officer is authorized to accept on behalf of and in the name of the City bank trust receipts or confirmation as evidence of actual delivery of the obligations or securities in return for investment of funds.
- C. Trust receipts or confirmations shall fully describe the various obligations or securities held. The receipt or confirmations shall state that the investment is held in the name of the City of Plant City.
- D. The actual obligations or securities whether in book-entry or physical form on which trust receipts or confirmations are issued must be held by a third-party custodial bank or/and institution or a designated correspondent bank which has a correspondent relationship to the City's third-party custodian.
- E. Other internal controls such as:

1. Written documentation of telephone transactions.
  2. Adequate separation of duties.
  3. Custodial safekeeping.
  4. Supervisory control of employee actions and operations review.
  5. Interim reporting.
- F. All daily investment activity is coordinated by the Chief Financial Officer, or other authorized City staff designated by the Chief Financial Officer.

## VII. Reporting and Investment Performance

- A. **Methods** – The Chief Financial Officer shall provide the City Manager an investment report at least quarterly, including a management summary that provides a summary of the investment portfolio and a listing of the transactions made over the last quarter. This management summary will be prepared in a manner that will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy regarding:

1. Authorized Investment Types
2. Credit Ratings
3. Maturity Limitations
4. Portfolio Composition

This investment report shall include a list of securities in the portfolio by class or type, book value, income earned, and market value as of the report date. Such reports shall be available to the public.

- B. **Performance Standards** – The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio will seek to obtain a market average rate of return. The benchmark for the short term portion of the portfolio shall be the 60-Day Treasury Bill. The two-year Treasury Note can be used as a benchmark for the core portion of the investment portfolio.
- C. **Auditing** – The annual audit of the City’s financial records by the City’s external auditors shall include a review of the investment activity for the year, and for compliance with this investment policy parameters per Section V, and a review of internal controls and operational procedures related to the investment of City funds.

## VIII. Policy Considerations & Implementation

- A. **Exemption** – Any investment currently held that 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 reinvested only as provided by this policy.

- B. Continuing Education** – Chapter 281.415 (14) Florida Statutes states that the investment policy shall provide for the local government’s officials responsible for making investment decisions to obtain continuing education. The Chief Financial Officer and any other authorized staff members designated by the Chief Financial Officer must annually complete eight hours of continuing education in subjects or courses of study related to investment practices and products.
- C. Indemnification** – The Chief Financial Officer and other employees authorized to invest City funds shall be personally indemnified in the event of investment loss provided investments are made in full compliance with these policies.
- D. Amendments** – The Chief Financial Officer shall review this policy annually. Any changes must be approved by the City Commission.