

CITY OF PORT ST. LUCIE, FLORIDA

INVESTMENT POLICY

May 12, 2014

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## CITY OF PORT ST. LUCIE, FLORIDA

### INVESTMENT POLICY

#### 1. Scope

The Investment Policy applies to all investment activity of the City of Port St. Lucie and shall include all available funds in excess of the amounts needed to meet short-term expenses, but shall not apply to the Municipal Police Officers' Retirement Trust Fund, the Prudential Pension Trust Fund, the 401(a) Retirement Trust Fund, the OPEB Trust Fund, and funds related to the issuance of debt where there are other existing policies or indentures in effect.

#### 2. Investment Objectives

It is the policy of the City of Port St. Lucie to invest its funds in a manner which will place the highest priority on the preservation of principal and safety of liquidity with the optimization of investment returns being a secondary consideration.

#### 3. Performance Measurement

The City Treasurer shall seek to optimize return on investments within the constraints of safety and liquidity by the identification of an appropriate benchmark against which to compare the portfolio's performance. The one year Treasury yield is considered a benchmark for riskless investment transactions and, therefore, comprises a minimum standard for the operating portfolio's rate of return.

#### 4. Prudence and Ethical Standards

Employees involved in the investment process shall not engage in personal business activity that could conflict with the proper administration of the investment program. Investments shall be made with judgement and care, under circumstances then prevailing, which a person of prudence, discretion and intelligence exercises in the management of their own affairs, not for speculation, but for investment, considering the safety of principal as well as the probable income derived. Investment officials acting in accordance with written procedures and this Investment Policy and exercising due diligence shall be

relieved of personal liability 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.

5. Authorized Investments

The City shall limit investments under the guidelines of these policies to:

- a. Negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, and which carry the full faith and credit of, the United States Government and its agencies. Investments in this category would include but not be limited to the following: United States Treasury Bills, Notes and Bonds, and securities issued by the Small Business Administration, Government National Mortgage Association (Ginnie Mae), Veterans Administration and Federal Housing Administration.
- b. United States Agency and Instrumentality obligations including but not limited to the following issuers: Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal Agriculture Mortgage Corporation (Farmer Mac).
- c. Interest bearing savings accounts, money market accounts, certificates of deposit, money market certificates or time deposits constituting direct obligations of any bank or savings and loan association certified as a Qualified Public Depository (QPD) by the State of Florida.
- d. Repurchase agreements collateralized by U.S. Treasury Bills or Notes.
- e. State of Florida Local Government Surplus Funds Trust Fund, organized under Chapter 218, Part. IV, F.S.
- f. Local government investment pool shares in local government investment pools organized under Chapter 163, Part I, F.S.
- g. Money market mutual fund shares of any money market fund registered as an investment company under the federal "Investment Company Act of 1940", as amended.

6. Maturity and Liquidity Requirements

To the extent possible, investment maturity will be matched with anticipated cash flow requirements. Investments will remain sufficiently liquid to enable the City to meet all needs for cash which might reasonably be anticipated. The maximum fixed maturity of any investment within the City’s portfolio will be limited to 5 years.

7. Portfolio Composition; Risk and Diversification

Investments of the City, under the guidelines of these policies, shall be diversified to control the risk of loss resulting from overconcentration of investments in a specific maturity, issuer, instrument, dealer or bank through which instruments are bought and sold.

The following limits are hereby established to serve as guidelines for diversification by instrument: (Within these instrument limits, the City’s goal is to maintain no more than 20% in any one non-governmental institution.)

State of Florida Local Government Surplus Funds Trust Fund	5%
Local Government Investment Pools	20%
Repurchase Agreements	30%
QPD Certificates of Deposit	35%
QPD Money Market / Savings Accounts	90%
Money Market Mutual Funds	50%
United States Agencies and Instrumentalities	90%
United States Treasury Bills/Notes	90%

8. Authorized Investment Institutions and Dealers

The City shall maintain a list of Council approved financial institutions which are qualified as public depositories by the Treasurer of the State of Florida, in accordance with Chapter 280 of the State Statutes, to provide depository and investment services. The list will also include Council approved security broker/dealers consisting of “primary” dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). In addition, the list will also include Council approved local government investment pool entities organized under Chapter 163, Part I, F.S. and Council approved money market mutual funds registered as investment companies under the federal “Investment Company Act of 1940”, as amended.

9. Third-Party Custodial Agreements

All investment securities purchased, except Certificates of Deposits, shall be held in safekeeping at an institution designated by the City Treasurer. All such safe-kept securities purchased or sold will be transferred under the “delivery-versus-payment” (DVP) method. Certificates of Deposit issued by a local bank may be held in safekeeping at that institution.

Collateral for public deposits is controlled by the State of Florida through Chapter 280 of the Florida Statutes. The City shall not be under any obligation to secure additional collateral beyond the provisions set forth in Chapter 280, except in the case of Repurchase Agreements. Collateral requirements for Repurchase Agreements will be contained in a Master Repurchase Agreement, executed between the City and the bank.

10. Master Repurchase Agreement

The City may enter into Repurchase Agreements conforming to the model agreement developed by the Security Industry and Financial Markets Association (SIFMA). Repurchase Agreements will be collateralized by obligations of the United States Government pledged to the City with market values, exclusive of accrued interest, at least equal to 103 percent of the purchase price. The collateral is to be held by a third-party safekeeping custodian as agreed to by the City and the repurchase agreement provider.

11. Bid Requirement

When purchasing securities, the City Treasurer shall select the security which provides the highest investment yield within the parameters of these policies given the investment maturity, security type, current objectives, and needs of the City’s portfolio. These selections shall be made utilizing competitive offerings, when feasible and appropriate, or by comparison to the current market price as indicated by one of the market pricing resources available to the City. When selling specific securities, the City shall accept the highest bid price from amongst a minimum of three qualified bidders.

12. Internal Controls

In addition to certain existing written operating procedures and internal controls, the City Treasurer will establish a system of internal controls, which will be documented in writing and designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by City employees and officers.

13. Reporting

The City Treasurer shall annually, or more frequently, submit a report to the City Council which shall include securities by class or type, book value, income earned, and market value. In addition to the existing daily, monthly, and annual reporting of activity of the City's portfolio, the City Treasurer shall generate and provide other such reports and information as deemed reasonable, upon request, from other internal and external sources.

14. Continuing Education

The City Treasurer and officials responsible for making investment decisions must annually complete 8 hours of continuing education in subjects or courses of study related to investment practices and products.

15. Investment Committee

The City shall maintain an Investment Committee composed of the City Manager (or his designee), the City Treasurer, the Office of Management and Budget (OMB) Director, and any other City staff members as deemed appropriate and appointed by the City Manager. The Investment Committee shall meet at least quarterly to review investment activities, assist in analyzing appropriate investment options, annually review the Investment Policy and recommend changes, and provide general oversight of the overall investment activities.

# City of Port St. Lucie, Florida

Council Approved Financial Institutions  
(In accordance with Investment Policy section 8)

May 12, 2014

## Florida Qualified Public Depositories (QPDs)

Approved institutions include any bank identified by the Florida Department of Financial Services as an active Qualified Public Depository.

## Broker / Dealers

SunTrust Robinson Humphrey  
RBC Capital Markets  
Raymond James (fka Morgan Keegan)  
Vining Sparks  
FTN Financial  
Morgan Stanley Smith Barney