

TOWN OF GOLDEN BEACH, FLORIDA

RESOLUTION NO. 1939.08

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF GOLDEN BEACH, FLORIDA, ADOPTING A TOWN OF GOLDEN BEACH INVESTMENT POLICY; PROVIDING FOR CONFLICT; PROVIDING FOR SEVERABILITY; AND PROVIDING FOR AN EFFECTIVE DATE.

**WHEREAS**, the Town collects and retains revenues and funds for its capital operations and reserves; and

**WHEREAS**, from time to time, the Town needs to invest said monies in a manner that protects public assets, but at the same time provides for a reasonable return on investment; and

**WHEREAS**, the Town desires to adopt an investment policy pursuant to Section 218.415, Florida Statutes, which authorizes any unit of local government to conduct investment and reinvestment activity outside the statutory framework, provided such activity is consistent with a written investment plan adopted by the governing body; and

**WHEREAS**, it is the desire of the Town Council and in the best interest and welfare of the residents of the Town of Golden Beach that a written investment plan be adopted on behalf of the Town.

**NOW THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF GOLDEN BEACH, FLORIDA, AS FOLLOWS:**

**Section 1. Recitals Adopted.** The foregoing findings are incorporated herein by reference and made a part hereof.

**Section 2. Adoption of Policy.** The Town of Golden Beach Investment Policy, attached hereto as Exhibit "A" and effective August 26, 2008 is hereby found to be consistent and in conformance with the requirements of Section 218.415, Florida Statutes, and is hereby adopted as a written investment plan for the conduct of investment activity of surplus public funds.

**Section 3. Conflict.** All resolutions or parts of resolutions in conflict with this Resolution are hereby repealed to the extent of such conflict.

**Section 4. Severability.** If any word, sentence, clause, phrase, or provision of this resolution, for any reason, is held to be unconstitutional, void, or invalid, the validity of the remainder of this resolution shall not be affected thereby.

**Section 5. Effective Date.** This resolution shall take effect immediately upon its passage.

The Motion to adopt the foregoing Resolution was offered by Councilmember Bernstein, seconded by Councilmember Lusskin and on roll call the following vote ensued:

Mayor Glenn Singer	<u>Aye</u>
Vice Mayor Amy Rojas	<u>Aye</u>
Councilmember Ben Einstein	<u>Absent</u>
Councilmember Judy Lusskin	<u>Aye</u>
Councilmember Ken Bernstein	<u>Aye</u>

PASSED AND ADOPTED by the Town Council of the Town of Golden Beach, Florida, this 26<sup>th</sup> day of August, 2008.

ATTEST:

  
\_\_\_\_\_  
MAYOR GLENN SINGER

  
ELIZABETH SEWELL  
TOWN CLERK

APPROVED AS TO FORM  
AND LEGAL SUFFICIENCY:

  
\_\_\_\_\_  
STEPHEN J. HELFMAN  
TOWN ATTORNEY

**EXHIBIT "A"**  
**Town of Golden Beach**  
**Investment Policy**

**Effective Date: August 26, 2008**

**I. SCOPE**

This policy applies to the investment of all monies of the Town of Golden Beach (the "Town"), both short and long-term, with the exception of Town pension funds or any other monies invested under separate ordinance, resolution, policy, or agreement.

1. **Pooling of Funds.** Except for cash in certain restricted and special funds, the Town will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation in each investment pool and in accordance with generally accepted accounting principles.

**II. GENERAL OBJECTIVES**

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

1. **Safety.** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
  - a. **Credit Risk.** The Town will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:
    - limiting investments to the safest types of securities;
    - pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Town will do business; and
    - diversifying the investment portfolio so that potential losses on individual securities will be minimized.
  - b. **Interest Rate Risk.** The Town will minimize the risk that change in the market value of securities in the portfolio caused by changes in general interest rates will result in any losses, by:
    - structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; and
    - investing operating funds primarily in shorter-term securities,

money market mutual funds, or similar investment pools.

2. **Liquidity.** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This will be accomplished by structuring the portfolio so that securities mature concurrent with cash needs for anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portion of the portfolio not invested in cash-equivalent investments and not otherwise matched to specific cash flow requirements should be laddered appropriately providing for relatively even quarterly maturities out to the five year maturity limitation provided for in section IV. The portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio should also be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.
  
3. **Yield.** The investment portfolio shall be designed with the objective of attaining a market rate of return (using as a benchmark the 2 Year Treasury constant maturity Index as reported by the Federal Reserve) throughout budgetary and economic cycles, taking into account investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments should be 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:
  - Liquidity needs of the portfolio require that the security be sold.
  - A security with declining credit may be sold early to minimize loss of principal.
  - A security swap would improve the quality, yield, or target duration in the portfolio.

### III. STANDARDS OF CARE

1. **Prudence.** The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The Investments Administrator, or other employee of the Town, 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 expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

Investments shall 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.

If and to the extent any derivative products authorized under section IV are used, the Investments Administrator shall have developed sufficient understanding and expertise in managing the instruments in question and have researched available investment options and determined that the derivative products to be used are appropriate and cost effective for the strategic portfolio management goals to be addressed. The Investments Administrator will comply with the policies, procedures and other requirements provided for in the Town's Derivatives Policy, including but not limited to:

- obtaining authorization from Golden Beach Town Council prior to entering into each derivative transaction;
- quantifying all risks associated with any proposed transactions;
- limiting participation in any swap transaction to counterparties with credit ratings of AA- or better; and
- reporting annually on the financial performance of existing derivative transactions.

2. **Ethics and Conflicts of Interest.** Officers and employees involved in the investment process 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. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the Town.
3. **Delegation of Authority.** Authority to manage the investment program is granted to the Town Mayor (hereinafter referred to as the "Investments Administrator"), after consultation with the Finance Director and the Town Manager. Responsibility for the operation of the investment program is granted to the Investments Administrator, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. To manage the investments program, the Investments Administrator may enter into agreements with financial dealers and institutions, and is authorized to appoint personnel in the Finance Department to invest Town funds in accordance with this policy and to initiate or validate wire transfers as required. In no event will anyone other than the Investments Administrator enter into written or verbal agreements or contracts, relating to investments or banking services with financial institutions or dealers, without the express written consent of the Investments Administrator.

4. **Continuing Education.** Town investment personnel shall annually complete at least 8 hours of continuing education in subjects or courses of study related to investment practices and products.

5. **Business Procedures**

a. **Authorized Financial Dealers and Institutions.** A list will be maintained of financial institutions authorized to provide investment services. Each broker/dealer must comply with the Securities and Exchange Commission's Rule 15c3-1 regarding net capital requirements for brokers or dealers. The Town will utilize only those financial institutions who meet the following criteria :

- (1) broker/dealer institutions designated as "Primary Dealers" by the Federal Reserve Bank of New York.
- (2) banking institutions that maintain a local office in the State of Florida and are broker/dealers in U.S. Government securities.
- (3) Other broker/dealers in U.S. Government securities, approved by the Investments Administrator, who meet the other requirements of this section.

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following, as applicable:

- Audited financial statements
- Proof of National Association of Securities Dealers (NASD) certification
- Proof of state registration
- Completed broker/dealer questionnaire, included as Attachment 2
- Certification of having read and understood and agreeing to comply with the Town's investment policy, using firm's letterhead, signed by an authorized representative of the firm.
- Proof of Qualified Public Depository (if applicable)

These standards are understood to be a continuing requirement for all dealers and institutions. Dealers and institutions conducting business with the Town of Golden Beach are hereby required under this policy to immediately notify the Town upon failure to retain the above listed standards. An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the Investments Administrator or his designee.

From time to time, the Investments Administrator may choose to invest in instruments offered by community financial institutions or other banking institutions within the State of Florida. In such

situations, a waiver to the criteria under Paragraph 1 may be granted. All terms and relationships will be consistent with state or local law including designation of the institution as a Qualified Public Depository under Florida Statutes, Chapter 280.

- b. Internal Controls.** The Investments Administrator is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits require estimates and judgments by management.

Accordingly, the Investments Administrator shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion
  - Separation of transaction authority from accounting and recordkeeping
  - Custodial safekeeping
  - Avoidance of physical delivery securities
  - Clear delegation of authority to subordinate staff members
  - Written confirmation of transactions for investments and wire transfers
  - Development of a wire transfer agreement with the lead bank
- c. Delivery vs. Payment.** All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Safekeeping receipts or other evidence of ownership will be audited on a semi-annual basis with a variance report issued to the Investments Administrator.

#### IV. SUITABLE AND AUTHORIZED INVESTMENTS

1. **Investment Types.** Consistent with the Governmental Finance Officers' Association (GFOA) Policy Statement on State and Local Laws Concerning Investment Practices, and/or Chapter 218.415 of the Florida Statutes, the following investments will be permitted by this policy:

- U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value;

- Securities whose timely payment of principal and interest are fully guaranteed by the U.S. government;
  - Certificates of deposit and other evidences of deposit at financial institutions, bankers' acceptances, and commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a nationally recognized rating agency;
  - Investment-grade obligations of state and local governments and public authorities;
  - Repurchase agreements whose underlying purchased securities consist of the foregoing;
  - Guaranteed Investment Contracts (GIC's) which are collateralized by the foregoing;
  - Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and
  - Local government investment pools (LGIPs) either state-administered or through joint powers statutes and other intergovernmental agreement legislation;
  - High grade corporate debt consisting of U.S. dollar denominated debt obligations of domestic or foreign corporations, or foreign sovereignties issued in the
  - U.S. or in foreign markets. This shall include, but not be limited to corporate notes and bonds, medium term notes, Eurodollar notes and bonds, Yankee notes and bonds, and asset backed securities, including mortgage backed securities. Any such investments in this category shall be rated investment grade or better by at least two nationally recognized rating agencies, one of which shall be Moody's or Standard & Poor's; and
  - Any other qualified investment permitted under Florida Statutes then in effect.
2. **Competitive Bid.** When appropriate, the Town will attempt to obtain three (3) competitive bids from qualified Dealers and Institutions prior to awarding an investment. The competitive bids may be verbal or written quotes. The investment will be awarded to the bidder who provides the greatest effective yield (best bid) on the investment. Where multiple maturities are bid, the Town reserves the right to either award the investment to the bidder which provides the best bid in aggregate for all maturities, or the Town may award bids by individual maturity. Any tie bid will be awarded to the financial institution which submits the earlier bid.
3. **Repurchase Agreements.** Repurchase agreements shall be consistent with GFOA Recommended Practices on Repurchase Agreements. The Town will utilize the basic form of the Master Repurchase Agreement, recommended by The Bond Market Association, when investing funds in repurchase agreements with financial institutions. However, the Investments Administrator is authorized to amend the form of the Master Repurchase Agreement as required to achieve specific investment goals and objectives.



4. **Use of Mutual Funds and Managed Investments.** The Investments Administrator may purchase mutual funds and other managed investments either directly or through an investment manager or advisor, provided that the investments in any such mutual fund shall be materially consistent with the allowable investments provided for in this investment policy. The Investments Administrator shall monitor the composition and value of the investments in any such fund to ensure that, in combination with other investments, the other limitations of this investment policy are complied with.
  
5. **Securities Lending.** The Investment Administrator is authorized to participate in one or more securities lending programs. Securities from the Town's portfolio may be made available to any such program, provided that participation therein will not restrict the Town's ability to sell such securities as the Investment Administrator deems appropriate. Any such securities lending program will require that lent securities be collateralized at 102%, and that collateral be valued daily. The Town may participate in a securities lending program through an agent or manager, acting on behalf of the Town. The agents or managers of such lending programs will maintain current credit analyses of the borrowers to whom they lend, and a list of the participating borrowers will be submitted for approval by the Town. The agent or manager of any lending program shall indemnify the Town for any losses arising from a borrower's failure to perform.
  
6. **Derivatives.** The Town is authorized to utilize derivative instruments, including interest rate swaps, for the limited purpose of meeting strategic investment portfolio goals such as hedging the portfolio's exposure to interest rate risk. In order to insure that these derivative instruments are utilized only for these purposes, such derivative instruments shall be appropriately matched against existing or maturing assets. The notional amount and remaining term to maturity of all derivative transactions related to the investment portfolio shall at all times be less than or equal to a like par value and remaining term to maturity of otherwise permitted investment instruments either existing or contemplated at the maturity of existing investments. Any such derivative instruments and the related investment assets shall be maintained in complementary interest rate modes (fixed or variable).
  
7. **Investment Parameters**
  - a. **Diversification.** The investments shall be diversified by:
    - limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities and U.S. agency obligations),
    - limiting the portion of total investments in any single security,
    - limiting the portion of any single security purchased to maximize

- the liquidity of the Town's investments,
- limiting investment in securities that have higher credit risks,
- investing in securities with varying maturities, and
- continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIP's), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

Investments are subject to the numerical limitations included in Attachment 1.

- b. **Maximum Maturities.** To the extent possible, the Town shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Town will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances. The Town shall adopt weighted average maturity limitations consistent with the investment objectives.

Reserve funds and non-operating funds (example: Motor Pool Depreciation Reserve, Electric & Water Meter Deposits) with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of funds.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as LGIPs, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

## V. REPORTING

1. **Methods.** The Investments Administrator shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner, which will allow the Town to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report will be available to the Town Manager and Town Council upon request. The report will include the following:

- Listing of individual securities held at the end of the reporting period
- Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity

- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks
  - Listing of investment by maturity date
  - Percentage of the total portfolio by type of investment
2. **Performance Standards.** The investment portfolio will be managed in accordance with the parameters specified within this policy.
  3. **Marking to Market.** The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly.

## VI. POLICY CONSIDERATIONS

1. **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.
2. **Amendments.** This policy shall be reviewed on an annual basis. Any changes must be approved by the Investments Administrator; the Town's Internal Auditor, and the Town Council.

## VII. LIST OF ATTACHMENTS

The following documents are attached to this policy:

- Attachment 1 - Schedule of Investment Type Limitations (based on market value)
- Attachment 2 - Broker Questionnaire

ATTACHMENT 1

**SCHEDULE OF INVESTMENT TYPE LIMITATIONS**

(Market Value)

Type of Security	% of Total Maximum
U.S. Government Obligations	100%
Local Government Investment Pools	100%
Certificates of Deposit	80%
Federal Agency & Instrumentality Obligations	100%
Collateralized Repurchase Agreements	15%
Other Investment Pools (rated "A" or better)	10%
Mutual Funds	10%
State and Local Government Obligations	5%
Bankers Acceptance	5%
Commercial Paper	5%
High Grade Corporate Debt	5%
Money Market Mutual Funds	10%

Maturity Limitations	% of Total Maximum
≤ 1 Year	100%
> 1 - 3 Years	75%
> 3 - 5 Years	50%
> 5 Years	0%*

\* Unless matched to a specific cash flow or fund as provided for in section IV.7.b

Other Limitations	% of Total Maximum
Portion of Individual Issue Purchased	50%
Portion of Fixed-Income Portfolio in a Single Security	15%

“Maximums” are not to exceed percentages within the investment category

ATTACHMENT 2

BROKER/DEALER QUESTIONNAIRE

Name of Firm: \_\_\_\_\_

(parent company also, if applicable)

Address: \_\_\_\_\_ Phone: (\_\_\_\_) \_\_\_\_\_

Account Representative: \_\_\_\_\_ Title: \_\_\_\_\_

Backup Representative: \_\_\_\_\_ Title: \_\_\_\_\_

***Please answer each question below on your firm letterhead and attach to this form.***

Do you have a state office of the firm for brokerage or other services? If so, please state the address and nature of the office.

Has the representative been given clearance by the firm to be the sole representative for this account? If so, by whom?

How long has the direct representative been an institutional governmental securities broker at the firm?

How long has the representative been an institutional fixed-income broker at this and other firms?

Does the firm have primary dealer status with the federal reserve? If yes, for how long?

Are the firm and the account representative registered with the state securities commission? If so, since what date?

What are your delivery instructions? Please describe fully.

Signature of Authorized Officer

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