

RESOLUTION NO. 2008-021

A RESOLUTION OF THE TOWN OF LOXAHATCHEE GROVES, FLORIDA, PROVIDING FOR THE ADOPTION OF THE TOWN'S INVESTMENT POLICY FOR PUBLIC FUNDS; PROVIDING FOR SEVERABILITY; PROVIDING FOR CONFLICTS; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the Town Council for the Town of Loxahatchee Groves has determined that it is in the best interests of the residents of Loxahatchee Groves to adopt an Investment Policy for the investment of public funds; and

WHEREAS, City Administration has prepared an Investment Policy consistent with the requirements of section 218.415, Florida Statutes;

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF LOXAHATCHEE GROVES, FLORIDA, AS FOLLOWS:

Section 1. The foregoing "WHEREAS" clauses are hereby ratified and confirmed as being true and correct, and are hereby made a specific part of this Resolution.

Section 2 The Town Council adopts the following Town of Loxahatchee Groves Investment Policy for public funds:

Investment policy. Funds of the city may be invested in accordance with the Investment Policy of the Town ("Policy"), as follows:

- (a) Scope - There is hereby created the Town of Loxahatchee Grove's Investment Policy, which shall provide exclusive authorization, regulation, guidance and requirements pertaining to the investment activities of Loxahatchee Grove. These policies shall pertain only to those funds in excess of those required to meet the current expenses to be paid within sixty (60) days. This policy shall not pertain to pension and bond funds where there are other policies or indenture requirements in effect.
- (b) 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 of Loxahatchee Groves will minimize credit risk, the risk of loss due to the failure of the security insurer or backer, by:

- (i) Limiting investments to the safest types of securities.
- (ii) Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors which the Town of Loxahatchee Groves will do business
- (iii) Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

b. Interest Rate Risk. The Town of Loxahatchee Groves will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

- (i) 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.
- (ii) 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 is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in money market mutual funds or local government investment pools that 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 throughout budgetary and economic cycles, taking into account the 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 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:

a. A security with declining credit may be sold early to minimize loss of principal.

- b. A security swap would improve the quality, yield, or target duration in the portfolio.
- c. Liquidity needs of the portfolio require that the security be sold.
- d. Direction of the Town Council.

(c) 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. Investment officers 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.

- (2) Ethics and Conflicts of Interest. The Members of the Town Council, contract employees, 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 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 whom business is conducted on behalf of the Town of Loxahatchee Groves.
- (3) Delegation of Authority. Authority to manage the investment program is granted to the Town Manager, hereinafter referred to as the “investment officer.” Responsibility for the operation of the investment program is hereby delegated to the investment officer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officer. The investment officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

(d) Safekeeping and Custody

- (1) Authorized Financial Dealers and Institutions. A list will be maintained of financial institutions authorized under Chapter 280, Florida Statutes authorized to provide investment services. The Town of Loxahatchee Groves may purchase or sell securities through the broker/dealer of its Town authorized financial institution. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness (e.g., a minimum capital requirement of \$10,000,000 and at least five years of operations). These may include “primary” dealers or regional dealers that qualify under the Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). Annual reports may be required from each broker/dealer to ensure its status and minimum capital requirement.
- (2) Internal Controls. The investment officer is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the Town of Loxahatchee Groves 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 requires estimates and judgments by management.
- (3) 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 release of funds. Securities will be held by a third-party custodian as evidenced by safekeeping receipts.

(e) Suitable and Authorized Investments

- (1) Investment Types. The Town of Loxahatchee Groves’ eligible investments shall be as follows:
 - a. The Local Government Surplus Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in s. 163.01.
 - b. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency (e.g., A-1, P-1, F-1, or D-1).
 - c. Interest-bearing time deposits or savings accounts in qualified public depositories as defined in s. 280.02.
 - d. Direct obligations of the United States Treasury.
 - e. Federal agencies and instrumentalities.

- f. Repurchase agreements whose underlying purchased securities consist of the foregoing.
 - g. Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.
 - h. Government-backed derivatives; all other derivatives are prohibited.
 - i. Other investments that may be authorized by the Town Council.
- (2) Collateralization. Where allowed by Florida law, full collateralization will be required on non-negotiable certificates of deposit.
- (3) Repurchase Agreements. The investment policy shall require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Master Repurchase Agreement. All repurchase agreements shall adhere to the requirements of the Master Repurchase Agreement.

(f) Investment Parameters

- (1) Diversification. The investments shall be diversified by:
- a. Limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
 - b. Limiting investment in securities that have higher credit risks,
 - c. Investing in securities with varying maturities, and
 - d. Continuously investing a portion of the portfolio in readily available funds such as local government investment pools, money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.
- (2) Maximum Maturities. To the extent possible, the Town of Loxahatchee Groves shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Town of Loxahatchee Groves will not directly invest in securities maturing more than five (5) years from the date of purchase. The

Town of Loxahatchee Groves shall adopt weighted average maturity limitations (which often range from 90 days to 3 years), consistent with the investment objectives.

Reserve funds and other funds with longer-term investments horizons may be invested in securities exceeding five (5) years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the Town Council.

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 local government investment pools, money market funds, or overnight repurchase agreements to ensure appropriate liquidity is maintained to meet ongoing obligations.

(g) Reporting

- (1) Methods. The investment officer shall prepare an investment report at least monthly. The report will be prepared in a manner that will document the investment activities during the reporting period have conformed to the investment policy and will include references to alternative market rates of return.
- (2) Performance Standards. The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates.
- (3) Marking to Market. The market value of the portfolio shall be calculated at least quarterly.

(h) Other Matters

- (1) Bid Requirements. The investment 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 (investments in excess of \$1,000,000) the security in question when feasible and appropriate. Except as otherwise required by law, the bid deemed to best meet the investment objectives must be selected.
- (2) Continuing Education. The investment officer 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.
- (3) Annual Audit. The investment portfolio and procedures shall be reviewed and reported on by the independent auditors as part of their annual examination.

Section 3. Severability. If any clause, section, or other part or application of this Ordinance shall be held by any court of competent jurisdiction to be unconstitutional or invalid, such unconstitutional or invalid part or application shall be considered as eliminated and so not effecting the validity of the remaining portions or applications remaining in full force and effect.

Section 4. Conflicts. All Ordinances or parts of Ordinances, Resolutions or parts of Resolutions in conflict herewith are to the extent of such conflicts hereby repealed.

Section 5. Effective Date. This Ordinance shall take effective immediately upon its passage.

ADOPTED by the Town Council of the **TOWN OF LOXAHATCHEE GROVES, FLORIDA**, this 5th day of August, 2008.

ATTEST:

Matthew Lyman
TOWN CLERK

TOWN OF LOXAHATCHEE GROVES,
FLORIDA

David Browning
Mayor David Browning

APPROVED AS TO LEGAL FORM:

DNT
Office of the Town Attorney

Marge Herzog
Vice Mayor Marge Herzog

[Signature]
Council Member

[Signature]
Council Member

[Signature]
Council Member

DNT:js

H:\2007\070240.LOX\RESO 2008\Reso 2008-021 (Investment Policy).doc

STATE OF FLORIDA
COUNTY OF Palm Beach

I HEREBY CERTIFY that the above and foregoing is a true and correct copy of:
Resolution 2008-021
as recorded in the Office of the Town Clerk.

WITNESS my hand and official seal this 5th day of August, A.D. 2008.

TOWN OF Loxahatchee Groves
BY: Matthew Lyman