CITY OF WINTER PARK, FLORIDA
INVESTMENT POLICY
Adopted October 22, 2002

I. SCOPE

This investment policy will apply to funds under the control of the City in excess of those required to meet current expenses. This investment policy does not apply to pension funds or funds related to debt instruments where there are other policies or indentures in effect for such funds.

II. INVESTMENT OBJECTIVES

The following investment objectives will be applied in the management of the City's funds.

A. The primary objective of the investment activities is the preservation of capital in the portfolio of City funds.

B. The investment strategy will provide sufficient liquidity to meet the City's operating, payroll and capital requirements that may be reasonably anticipated.

C. In investing public funds, the investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles.

III. PRUDENCE AND ETHICAL STANDARDS

The City staff shall use the "prudent person" standard in the management of the overall investment portfolio.

The Finance Director, or persons performing the investment functions, acting as a "prudent person" in accordance with these written policies and procedures, and exercising due diligence, shall not be responsible for an individual security's credit risk or market price changes provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

The "prudent person" standard is herewith understood to mean the following:

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.

City staff 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 shall disclose any material interest 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 shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

IV. INVESTMENT PERFORMANCE AND REPORTING

A portfolio report shall be provided each quarter to the City Manager and City Commission. The report shall include securities in the portfolio by class or type, book value, income earned, and market value as of the report date and comparisons to the one year Treasury Bill and Florida Local Government Surplus Funds Trust Fund (SBA) rates. Such reports shall be available to the public.

V. DELEGATION OF AUTHORITY

Responsibility for the administration of the investment program is hereby delegated to the Finance Director, who shall establish investment procedures based on these policies. The Finance Director shall be responsible for the implementation of internal controls and monitoring the activities of subordinate staff. The Finance Director must annually complete eight hours of continuing education in subjects or courses of study related to investment practices and products.

VI. AUTHORIZED INSTRUMENTS

The Finance Director or appropriate staff shall purchase or sell investment securities at prevailing market rates. Authorized investments are listed in an ordinance. Investments not listed in that ordinance are prohibited.

VII. INVESTMENT MATURITY AND LIQUIDITY

A. To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of current operating funds shall have maturities of no longer than twelve (12) months. Investments of bond reserves, construction funds and other non-operating funds shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed ten (10) years. In the case of mortgage securities or securities with periodic principal repayments the definition of maturity will be the average life of the security using Bloomberg (or equivalent) dealer consensus forecasts of principal prepayments. The maturities of the underlying securities of a repurchase agreement will follow the requirements of the Master Repurchase Agreement.

B. Investments do not necessarily have to be made for the same length of time that the funds are available. The basic criteria for considerations for investments are listed below:

   1. Keep maturities short in a period of constantly rising interest rates based on treasury bill auctions or the daily Federal Funds rate.

2. Keep maturities short in a period of an inverted treasury yield curve (short-term rates are higher than the long-term rates).

3. Maturities should be lengthened when the treasury yield curve is normal and is expected to remain whole. The yield curve is normal when short-term rates are lower than long-term rates.

4. Maturities should be lengthened when interest rates are expected to fall based on economic reports taken as a whole.

5. The yield curves of the market should be analyzed for significant breaks in yields over various maturity dates. The points at which the yield curve breaks are the points at which there are significant marginal declines in yields for incremental changes in maturity dates. Investments should be made at these breaks in the yield curve so that yields will be maximized.

VIII. BID POLICY

After the Finance Director or staff has 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, the security in question shall, when feasible and appropriate be competitively bid. It is not necessary to obtain competitive bids to purchase newly created securities that will be issued at par value. Except as otherwise required by law, the bid deemed to best meet the investment objectives specified in section II above must be selected.

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.

IX. RISK AND INVESTIGATION

Assets shall be diversified to control the risk of loss resulting from over-concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which these instruments are bought and sold. Diversification strategies within the established guidelines shall be reviewed and revised periodically as necessary by the appropriate management staff.

X. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Finance Director shall only purchase securities from financial institutions which are qualified as public depositories by the Treasurer of the State of Florida, or by Section 20 subsidiaries of such public depositories, or from securities dealers that are members of the National Association of Securities Dealers having a physical presence in Florida and having minimum regulatory capital in excess of fifty million dollars ($50,000,000) or primary securities dealers as designated by the Federal Reserve Bank of New York.

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

- Audited financial statements
- Proof of National Association of Securities Dealers (NASD) certification
- Proof of state registration
- Certification of having read and understood and agreeing to comply with the City's investment policy

XI. THIRD PARTY CUSTODIAL AGREEMENTS

The Finance Director may execute a Third-party Custodial Safekeeping Agreement with a depository chartered by the United States Government or the State of Florida. Securities should be held with the Third-party Custodian, 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, except by an authorized staff member of the City. Securities transactions between a financial institution or broker/dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

The Third-Party Custodial Safekeeping Agreement shall include letters of authority from the City detailing the 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.

XII. MASTER REPURCHASE AGREEMENT

Repurchase agreements shall only be entered into with primary securities dealers and financial institutions, which are state qualified public depositories. The Finance Director will require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Master Repurchase Agreement. The Finance Director will require the City's Master Repurchase Agreement to be executed prior to any repurchase transactions. All repurchase agreement transactions will adhere to requirements of the Master Repurchase Agreement.

XIII. INTERNAL CONTROLS

The Finance Director shall establish and monitor an internal control structure designed to protect the City's funds from loss, theft or misuse and ensure proper accounting and reporting of the securities transactions. The internal control structure is 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 benefit likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the Finance Director 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, at a minimum:

A. Separation of transaction authority from accounting and recordkeeping
B. Custodial safekeeping
C. Avoidance of physical delivery securities
D. Delegation of authority
E. Written confirmation of transactions for investments and wire transfers
F. Development of a wire transfer agreement with the lead bank and third-party custodian

XIV. PORTFOLIO COMPOSITION

The following are the guidelines for investments and limits on security issues, issuers, and maturities as established by the City. The City Manager or the City Manager's designee shall have the option to further restrict or increase investment percentages from time to time based on market conditions. Any changes to the established portfolio composition must be in writing from the City Manager directed to the Finance Director. Purchases of investments based on bond covenant requirements shall not be included in the portfolio's composition calculations.

A. Florida Local Government Surplus Trust Fund (SBA)

1. Investment Authorization

   The Finance Director may invest in the SBA

2. Portfolio Composition
   a maximum of 80% of the portfolio may be invested in the SBA, however, bond proceeds may be temporarily deposited in the SBA until alternative investments have been purchased and are not part of this calculation.

B. United States Government Securities

1. Investment Authorization

   The Finance Director may invest in negotiable direct obligations or obligations, the principal and interest of which are unconditionally guaranteed by the United States Government. Such securities will include, but not be limit to the following:

   Cash Management Bills
   Treasury Securities - State and Local Government Series (SLGS)
   Treasury Bills
   Treasury Notes
   Treasury Bonds
   Treasury Strips

2. Portfolio Composition

   A maximum of 100% of the portfolio may be invested in United States Government Securities

3. Maturity Limitations

   The maximum length of maturity of any direct investment in government securities is ten (10) years, except for the underlying securities of repurchase agreements.

C. United States Government Agencies (full faith and credit of the United States Government)

1. Investment Authorization

   The Finance Director may invest in United States Federal Agency securities that include obligations of the following:

   United States Export-Import Bank - Direct obligations or fully guaranteed certificates of beneficial ownership
   Farmers Home Administration - Certificates of beneficial ownership
   Federal Financing Bank - Discount notes, notes and bonds
   Federal Housing Administration Debentures
   General Services Administration Participation Certificates
   Government National Mortgage Association (GNMA)
      GNMA - guaranteed mortgage -backed bonds
      GNMA - guaranteed pass-through obligations
   United States Maritime Administration Guaranteed Title XI Financing
   New Communities Debentures - United States Government guaranteed debentures
   United States Public Housing Notes and Bonds
   United States Government guaranteed public housing notes and bonds
   United States Department of Housing and Urban Development - Project notes and local authority bonds

2. Portfolio Composition

   A maximum of 80% of the portfolio may be invested in United States Federal Agencies.

3. Limits on Individual Issuers

   A maximum of 30% of the portfolio may be invested in any one issuer.

4. Maturity Limitations

   The maximum length to maturity of any direct investment in United States Federal Agencies shall be 10 years or less, except for the underlying securities of repurchase agreements. In the case of mortgage securities or securities with periodic principal repayments the definition of maturity will be the average life of the security using Bloomberg (or equivalent) dealer consensus forecasts of principal prepayments.

D. Federal Instrumentalities (United States Government Agencies which are non-full faith and credit)

1. Investment Authorization

   The Finance Director may invest in Federal Instrumentalities, which include obligations of the following:

   Federal Farm Credit Bank (FFCB)
   Federal Home Loan Bank or its district banks (FHLB)
   Federal National Mortgage Association (FNMA)
   Federal Home Loan Mortgage Corporation (Freddie-Macs) including Federal Home Loan Mortgage Corporation participation certificates
   Student Loan Marketing Association (Sallie-Mae)

2. Portfolio composition

   A maximum of 80% of the portfolio may be invested in Federal Instrumentalities.

3. Limits on Individual Issuers

   A maximum of 30% of the portfolio may be invested in any one issuer.

4. Maturity Limitations

   The maximum length of maturity for an investment in any Federal Instrumentality is ten (10) years.

E. Non-Negotiable Interest Bearing Time Certificates of Deposit

1. Investment Authorization

   The Finance Director may invest in non-negotiable interest bearing time certificates of deposit or savings accounts in banks or savings association organized under the law of this state and/or in national banks organized under the laws of the United States and doing business and situated in this state, provided than any such deposits are secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes and provided that the bank or savings association is not listed with any recognized credit watch information service.

2. Portfolio Composition

A maximum of 30% of the portfolio may be invested in non-negotiable interest bearing time certificates of deposit or savings accounts.

3. Limits on Individual Issuers

A maximum of 10% of the portfolio may be deposited with any one issuer. The amount invested in non-negotiable interest bearing time certificates of deposit of any one issuer may not exceed Federal Depository Insurance Corporation limits.

4. Maturity Limitations

The maximum maturity of any certificate shall be no greater than one (1) year from the time of purchase.

F. Repurchase Agreements

1. Investment Authorization

The Finance Director may invest in repurchase agreements based on the requirements set forth by the City's Master Repurchase Agreement. All firms with whom the City enters into repurchase agreements will have in place and executed a Master Repurchase Agreement with the Finance Director. The use of reverse repurchase agreements or other forms of leverage shall be prohibited.

A third party custodian shall hold collateral for all repurchase agreements with a term longer than one (1) business day.

Securities authorized for collateral are negotiable direct obligations of the United States Government and Federal Instrumentalities with maturities under five (5) years and must have a mark-to-market value of 102 percent during the term of the repurchase agreement. Immaterial short-term deviations from the 102 percent requirement are permissible only upon the approval of the City Manager or Finance Director.

2. Portfolio Composition

A maximum of 20% of the portfolio may be invested in repurchase agreements with the exception of one (1) business day agreements and overnight sweep agreements.

3. Limits on Individual Sellers

A maximum of 5% of the portfolio may be invested with any one institution or dealer with the exception of one (1) business day agreements and overnight sweep agreements.

4. Maturity Limitations

The original maturity of the security must be 180 days or less.

G. Banker’s Acceptances

1. Investment Authorization

The Finance Director may invest in Bankers’ Acceptances which are inventory-based and issued by a domestic bank which has an unsecured, uninsured and unguaranteed obligation rating of a least “Prime-1" and “a” by Moody’s Investors Service and ranked in the top fifty (50) United States banks in terms of total assets by the American Banker’s yearly report.

2. Portfolio Composition

A maximum of 5% of the portfolio may be directly invested in Bankers’ Acceptances

3. Limits on Individual Issuers

A maximum of 2.5% of the portfolio may be invested with any one issuer.

4. Maturity Limitations

The maximum length to maturity for Banker’s Acceptances shall be 180 days.

H. Commercial Paper

1. Investment Authorization

The Finance Director may invest in commercial paper of any United States company provided that such notes are the highest traded, i.e.,“Prime-1" by Moody’s and “A-1" by Standard & Poor’s (prime commercial paper). If backed by a letter of credit (LOC), the long-term debt of the LOC provider must be rated at least “a” by at least two nationally recognized rating agencies. The LOC provider must be ranked in the top fifty (50) United States banks in terms of total assets by the American Banker’s yearly report.

2. Portfolio Composition

A maximum of 5% of the portfolio may be directly invested in prime commercial paper.

3. Limits on Individual Issuers

A maximum of 2.5% of the portfolio may be invested with any one issuer.

4. Maturity Limitations

The maximum length to maturity for prime commercial paper shall be 270 days.

I. State and Local Government Taxable and/or Tax-Exempt Debt

1. Investment Authorization

The Finance Director may invest in debt obligations of cities, counties and states of other taxing authorities. These may be taxable or tax-exempt and may be general obligations or revenue bonds. Short-term debt must be rated at least MIG-2 by Moody's and SP-2 by Standard & Poor's. Long-term debt must be rated at least "Aa" by Moody's and "AA" by Standard & Poor's.

2. Portfolio Composition

A maximum of 10% of the portfolio may be invested in taxable and tax-exempt debts.

3. Limits on Individual Issuers

A maximum of 5% of the portfolio may be invested with any one issuer.

4. Maturity Limitations

The maximum length to maturity for an investment in any state of local government debt security is three (3) years.

J. Registered Investment Companies (Money Market Mutual Funds)

1. Investment Authorization

The Finance Director may invest in fixed income mutual funds, either taxable or tax-exempt. The securities within the mutual fund shall include only instrument types authorized in Sections B, C, D, F and I.

2. Portfolio Composition

A maximum of 40% of the portfolio may be invested in fixed income mutual funds.

3. Limits of Individual Issuers

A maximum of 20% of the portfolio may be invested with any one fund.

4. Maturity Limitations

The average length to maturity of instruments in the fund shall be one year or less

K. Intergovernmental Investment Pools

1. Investment Authorization

   The Finance Director may invest in intergovernmental investment pools.

2. Portfolio Composition

   A maximum of 25% of the portfolio may be invested in intergovernmental investment pools.

XV. INVESTMENT MANAGERS

A. The Finance Director may utilize an outside investment manager to invest a portion of or the entire portfolio.

B. Investment managers must be registered under the Investment Company Act of 1940.

C. The City shall select the investment manager based upon qualifications and fees using the RFP process. At least three proposals must be solicited.

D. Any investment manager selected will be required to enter into an investment advisory agreement with the City, which would require the manager to adhere to the portfolio composition limitations established by Section XIV of this policy. The portfolio managed by the manager would stand alone for purposes of calculating percentages under Section XIV.

XVI. POLICY REVIEW AND AMENDMENT

A. The City Manager shall periodically review these policies in their entirety.

B. This policy may be amended in writing from time to time by the City Manager with approval of the City Commission.