

RESOLUTION NO. 2023-02

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NEW PORT RICHEY, FLORIDA AUTHORIZING INVESTMENT OF SURPLUS FUNDS, AS PROVIDED HEREIN.

WHEREAS, Section 218.415 Florida Statutes authorizes the investment of surplus funds held by the City in accordance with an adopted investment policy; and

WHEREAS, it is in the best interest of the citizens of the City of New Port Richey to invest surplus funds in a manner that will provide liquidity, preserve capital, and yield the highest possible return consistent with appropriate safeguards for the handling of public funds; and

WHEREAS, the City Council hereby finds that the investment policy approved hereby meets the requirements of Florida law; and

WHEREAS, the City Council hereby finds that this Resolution is in the best interests of the health, safety and welfare of the citizens of the City.

NOW, THEREFORE, BE IT RESOLVED by the City Council of New Port Richey, Florida, that the New Port Richey Investment Policy attached hereto and incorporated herein as Exhibit "A" is hereby approved and adopted as the City's investment policy in accordance with Section 218.415 Florida Statutes.

IT IS FURTHER RESOLVED that the City's Finance Director is authorized to invest the City's surplus funds in accordance with the adopted Investment Policy.

IT IS FURTHER RESOLVED that this Resolution supersedes any prior resolution or investment policy adopted by the City.

DONE AND RESOLVED on the 15th day of November, 2022.

ATTEST:

Judy Meyers, CMC, City Clerk

Rob Marlowe, Mayor

Approved as to form:

Timothy P. Driscoll, City Attorney

CITY OF NEW PORT RICHEY, FLORIDA



INVESTMENT POLICY

NOVEMBER 15, 2022

CITY OF NEW PORT RICHEY, FLORIDA

INVESTMENT POLICY

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I. POLICY

It is the policy of the City of New Port Richey (City) to manage and invest public funds in a manner that preserves principal over time while maintaining liquidity and generating income to meet the City's projected cash needs and conforming to all state statutes governing the investment of public funds.

II. SCOPE

This investment policy applies to all funds held by or for the benefit of the City, in excess of those required to meet current expenditures. These policies were adopted using Chapter 218, Florida Statutes. The investment policy shall not apply to pension funds, including those funds in Chapter 175 and 185; trust funds; or funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds. The investment plan funds are disclosed in detail in the City's quarterly investment reports and annual financial report and include:

- A. General Fund
- B. Special Revenue Funds
- C. Capital Projects Fund
- D. Enterprise Funds
- E. Internal Service Fund
- F. Any new fund created by the City, unless specifically exempted by City Council.

III. INVESTMENT OBJECTIVES

The City shall strive to achieve with each investment opportunity, the following objectives, in **ORDER OF PRIORITY**:

1. **SAFETY** - Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner which seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk. To attain this objective, diversification is required in order that potential losses of individual securities do not exceed the income generated from the remainder of the portfolio.
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 concurrently with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio also may be placed in money market funds or local government investment pools, which offer same-day liquidity for short-term funds.
3. **INVESTMENT INCOME** - 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 **SAFETY** and **LIQUIDITY** objectives. The City and/or outside investment manager will strive to maximize the return on the portfolio but will avoid assuming unreasonable investment risk. Return on investments is of secondary importance compared to the safety and liquidity objectives. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed

IV. INVESTMENT PERFORMANCE AND REPORTING

The City's investment strategy is passive. Given this strategy, the basis used by the Finance Director to determine whether market yields are being achieved shall be the six-month US Treasury Bill and the Average Fed Funds rate.

An analysis of the investment portfolio will be prepared by the Finance Director and presented to City Council on a quarterly basis. The report shall include information relating to transactions, income earned, market values, performance, and adherence to policy.

V. PRUDENCE AND ETHICAL STANDARDS

The standard of prudence to be used by investment officials shall be the "Prudent Person," and will be applied in the context of managing the overall portfolio. The Prudent Investor Rule States:

"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" (F.S. 218.415(4))

The City deems that those employees authorized to conduct the City's investment activities will perform within the course and scope of their employment, and act prudently, without speculation and in the best interest of the City. The investment officials, acting in accordance with written procedures, 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 appropriate action is taken to control adverse developments.

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 to the City Manager 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 portfolio.

VI. AUTHORIZED INVESTMENTS

Authorized instruments for investment may be invested and reinvested in any surplus public fund in their City's control or possession by resolution. The authorized instruments for investment are as follows:

- A. The Local Government Surplus Funds Trust Fund, the State Investment Pool administered by the State Board of Administration (SBA), or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01. This would include the Florida Local Government Investment Trust, administered by the Florida Association of Court Clerks and Comptrollers and the Florida Association of Counties (FLGIT), Florida Municipal Investment Trust, administered by the Florida League of Cities, Inc. (FMIvt), and others.

- B. Security and Exchange Commission registered money 2a-7 market funds with the highest credit quality rating from nationally recognized rating agency.
- C. Non-negotiable interest-bearing time certificates of deposit, or savings accounts in qualified public depositories as defined s. 280 Florida Statutes.
- D. Negotiable direct obligations of, or obligations, the principal and interest of which are unconditionally guaranteed by the United States Government. Such securities will include, but not be limited to, the following:
1. Treasury Bills
 2. Treasury Notes
 3. Treasury Bonds
- E. Bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by United States agencies provided such obligations are backed by the full faith and credit of the United States Government. Such securities will include, but not be limited to, the following:
- Government National Mortgage Association (GNMA)
 - Farmers Home Administration (FmHA)
 - Small Business Association (SBA)
 - General Services Administration (GSA)
 - Federal Housing Administration (FHA)
 - Housing & Urban Development (HUD)
- F. Bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by United States Government agencies (Federal Instrumentalities) which are not full-faith and credit agencies limited to the following:
1. Federal National Mortgage Association (FNMA)
 2. Federal Farm Credit Bank (FFCB)
 3. Federal Home Loan Bank or its district banks (FHLB)
 4. Federal Home Loan Mortgage Corporation (FHLMC)
 5. Student Loan Marketing Association (SLMA)
 6. Tennessee Valley Authority (TVA)
- G. Repurchase agreements (the underlying securities for purchase and subsequent sale) for any of the investments authorized above in items D, E and F.
- H. Any other investment authorized by Florida Statute 218.415 and by resolution of the City Council.

VII. MATURITY AND LIQUIDITY REQUIREMENTS

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 one (1) year. Investment 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 shall not exceed five (5) years, unless specifically required by the terms of the bond documents.

VIII. PORTFOLIO COMPOSITION AND RISK DIVERSIFICATION

The investment policy establishes guidelines for investments and limits on security issues, issuers, and maturities. These will be reviewed periodically to correspond with the economic conditions or changes in the City's liquidity requirements.

is the policy of the City of New Port Richey to diversify its investment portfolio. Assets held shall be diversified to control risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific instrument and/or class of instruments. This will be accomplished by limiting investments to avoid over concentration from a specific issuer or business sector, limiting investments 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 the State Board, demand and savings accounts, money market funds and overnight repurchase agreements, to ensure that the appropriate liquidity is maintained in order to meet ongoing obligations.

Portfolio composition and diversification is covered below.

Type of Security	Minimum Holdings	Maximum Holdings	Maturity Limits	Limits on Individual Issuers
A. Local Government Investment Pools (LGIPs):				
Local Government Surplus Funds Trust Fund (SBA)	None	50%	Open	N/A
Florida Local Government Investment Trust (FLGIT)	None	50%	Open	N/A
Florida Municipal Investment Trust (FMIvT)	None	25%	5 yrs	N/A
Other Authorized LGIP's	None	50%	Open	N/A
B. Securities and Exchange Commission registered money 2a-7 market funds	None	50%	Open	N/A
C. Non-negotiable CD's	None	20%	1 yr	\$100,000
D. U.S Treasury obligations	20%	75%	5 yrs	10%
E. Federal Credit Agencies	20%	75%	5 yrs	10%
F. Government Sponsored Enterprise Debt Securities	None	75%	5 yrs	N/A
G. Repurchase Agreements	None	25%	180 days	N/A

IX. DELEGATION OF AUTHORITY

Responsibility for this Policy is vested with City Council. Management responsibility for the implementation and administration of the investment program is hereby delegated to the Finance Director, who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

The Finance Director shall establish written investment procedures for the operation of the investment program consistent with this policy. The procedures should include reference to safekeeping, repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director.

X. AUTHORIZED INVESTMENT INSTITUTIONS AND BROKERS/DEALERS

The City shall only purchase securities from financial institutions which have offices located within the State of Florida and are qualified as public depositories by the Treasurer of the State of Florida or from primary securities brokers/dealers designated by the Federal Reserve Bank of New York.

An annual review of the qualified financial institutions and broker/dealers shall be conducted by the Finance Director.

If at any time the City is appropriately notified of any threat to the integrity of the investment portfolio, proper security measures may be suggested and implemented, and the City shall have the option to further restrict investment in selected instruments, to conform to the then-present market conditions.

XI. THIRD PARTY CUSTODIAL AGREEMENTS

The City, through the Finance Director, will execute a Third-Party Custodial Safekeeping Agreement with a commercial bank's trust department which is separately chartered by the United States Government or the State of Florida or a securities firm properly registered with the New York Stock Exchange and complying with all regulations of the U. S. Securities and Exchange Commission. An independent third-party custodian provides the strongest assurance and control that the securities have been properly segregated on behalf of the local jurisdiction. The Finance Director should ensure the structure of this affiliation is such that the two entities are fully independent of each other, that controls are adequate, and that the City's security interest in the assets is not lost.

The Third-party Custodial Safekeeping Agreement shall include letters of authority from the City, details as to the responsibilities of each party, method(s) of notification of security purchases, sales, and delivery, procedures related to repurchase agreements, wire transfers, safekeeping and transaction costs, and procedures in case of wire failure or other unforeseen mishaps, including liability of each party.

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 third-party custodial bank Trust Department or other third-party financial institution and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except as designated in the Internal Control Policy. All security transactions between authorized security dealers/brokers, financial institutions and the custodian involving purchases or sales of securities by transfer of money or securities must be made on a "delivery vs. payment" (DVP) basis. Simultaneous with the release of City funds to purchase a security, there will be a delivery of the securities purchased. Accordingly, for any sale of securities, there will be a simultaneous transfer of money to the City before the release of the securities. This policy ensures that the City neither transfers money nor securities before receiving the other portion of the transaction. Rather, both transfers will happen simultaneously through the custodial bank authorized to conduct transactions for the City.

Certificates of deposit and other time deposits do not need to be placed with a third-party custodian, since they are collateralized through Chapter 280 of the Florida Statutes. The SBA, FLGIT, FMIvT, and other LGIPs are exempt from collateralization and third-party agreements.

XII. MASTER REPURCHASE AGREEMENTS

Repurchase Agreements will be conducted through and negotiated only with primary securities brokers/dealers or Qualified Public Depository financial institutions. A written Master Repurchase Agreement will be negotiated with any institutions with which the City through Finance Director and City Manager enters into a specific repurchase agreement. 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.

XIII. BID REQUIREMENT

After the Finance Director or his designee determines the approximate maturity date based on the cash-flow needs and market conditions and has analyzed and selected one or more optimal types of investments, the security in question shall, when feasible and appropriate, be competitively bid. The bid which best meets the investment objectives specified in paragraph III herein shall be the bid selected by the City.

XIV. INTERNAL CONTROLS

The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse. The internal control's structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of controls does not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. In this regard, the Finance Director will develop and regularly update standard investment internal control procedures.

The internal controls shall address the following points:

- Control of collusion
- Fraud, misrepresentation by third parties, and imprudent actions by City employees
- Separation of transaction authority from accounting and record-keeping
- 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 and third-party custodian.

The internal controls stated herein shall be reviewed on an annual basis by an independent auditor as part of the annual financial audit.

XV. CONTINUING EDUCATION

Periodic training and educational opportunities will be provided and made available concerning investments and related subjects for appropriate investment personnel. Such personnel must complete no less than 8 hours of continuing education in subjects or courses of study related to investment practices and products.

XVI. REPORTING

The Finance Director shall prepare a quarterly investment report for submission to the City Council which will include a management summary and provide an analysis of the status of the current investment portfolio and transactions made over the past quarter. This management summary will be prepared in a manner that will allow the City to ascertain whether investment activities during the period have conformed to the investment policy. The report should include:

- Listing of individual securities held at the end of the reporting period by class or type, book value, and market value as of the date of the report.
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- Listing of investments by maturity date
- percentage of the total portfolio that each type of investment represents.
- Income earned by the portfolio
- Provide a list of securities held at year-end as a supplemental schedule in the Comprehensive Annual Financial Report.