

**RESOLUTION No. 46-2008**

**A RESOLUTION OF THE TOWN COUNCIL FOR THE TOWN OF MALABAR ADOPTING A POLICY FOR THE INVESTMENT PROCEDURES OF THE TOWN OF MALABAR AS PROVIDED FOR IN SECTION 218.415 F. S.; PROVIDING FOR PREEXISTING CONTRACTS, PREEMPTION AND AN EFFECTIVE DATE.**

**WHEREAS**, the Town of Malabar , both now and in the past, has public funds in excess of the amounts needed to meet current expenses, and

**WHEREAS**, interest income from such revenue has enhanced the Town's financial position in the past and is expected to provide additional revenue in the future, and

**WHEREAS**, Florida State Statute 218.415 requires that certain investment activity by a unit of local government be consistent with a written investment plan, and

**WHEREAS**, authorized investments identified in Florida State Statute 218.415 (16) are in the best interest of the Town of Malabar and its Citizens,

**NOW, THEREFORE BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF MALABAR, FLORIDA:**

**Section 1. INVESTMENT POLICY ADOPTED**

The Investment Policy attached hereto is hereby adopted by the Town Council. The Policy may be amended from time to time by Resolution.

**Section 2. PREEXISTING CONTRACT**

Any public funds subject to a contract or agreement existing on October 1, 2000 may not be invested contrary to such contract or agreement

**Section 3. PREEMPTION**

Any provision of any special act, municipal charter, or other law which prohibits or restricts the Town of Malabar from complying with Florida State Statute 218.415 or any rules adopted under the Statute is void to the extend of the conflict.

**Section 4. EFFECTIVE DATE**

This Resolution shall take effect immediately upon approval by the Town Council and signature by the Mayor.

This Resolution was moved for adoption by Council Member Borton and

was seconded by Council Member Dezman and, upon being put to a vote, the vote was as follow:

Council Member Nancy Borton	<u>Aye</u>
Council Member Brian Vail	<u>Aye</u>
Council Member Steve Rivet	<u>Aye</u>
Council Member Jeffrey (Jeff) McKnight	<u>Aye</u>
Council Member Patricia (Pat) Dezman	<u>Aye</u>

This Resolution was then declared duly passed and adopted this 1st day of December, 2008.

Thomas Eschenberg  
Mayor Tom Eschenberg

ATTEST:

Debby Franklin  
Debby K. Franklin  
Town Clerk/Treasurer

(Seal)

Approved as to form and content:

Karl Bohne  
Karl W. Bohne, Jr., Town Attorney



**PROCEDURE NUMBER: 2008-\_\_\_\_\_**

**SUBJECT TITLE: INVESTMENT POLICY**

**EFFECTIVE DATE: 12/02/2008**

**DISTRIBUTION: TOWN CLERK, TOWN ADMINISTRATOR, TOWN ACCOUNTANT**

**RESCINDS: N/A**

**POLICY:**

It is the policy of the Town of Malabar, Florida to invest excess or surplus funds in a manner that will ensure the safety of principal while meeting daily cash flow demands. The optimization of investment income shall be secondary to the requirements of safety and liquidity.

**STATUTORY AUTHORITY**

The investment of local government surplus or excess funds is provided for in Florida State Statute 218.415.

**SCOPE**

This investment policy applies to all public funds of the Town of Malabar in excess of those required to meet current expenses, excluding Pension Funds. These funds are accounted for in the Town's Comprehensive Annual Financial Report and include the General Fund, Debt Service Fund, Capital Projects Fund, Special Revenue Funds, and Enterprise Funds. Cash balances from all funds are consolidated to maximize investment earnings. Investment income is allocated to each fund based on the fund's respective participation and in accordance with generally accepted accounting principles.

**AUTHORIZED PERSONS**

The Town's Treasurer is responsible for the operation of the investment program. The Treasurer or designee of the Treasurer and/or Town Administrator is authorized to invest surplus public funds of the Town in accordance with this policy and Florida State Statute 218.415. Any employee(s) engaging in an investment transaction must adhere to this policy and other applicable regulations.

**PRUDENCE AND ETHICAL STANDARDS**

The Town of Malabar hereby adopts the Prudent Person Rule, which states that: "Investments should be made with judgment and care, under circumstances 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 from the investment."

Investment officers acting in accordance with written procedures and this investment policy while exercising due diligence shall be relieved of personal responsibility for an individual investment'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.

Employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the Town's investments, or which could impair their ability to make impartial decisions. Employees and investment officials shall disclose any personal financial or investment interests that could affect the performance of Town investments.

### **INTERNAL CONTROLS**

The Treasurer shall establish written internal controls and operational procedures regarding investments, addressing the following points at minimum:

1. Control of collusion
2. Separation of transaction authority from accounting and record keeping
3. Custodial safekeeping
4. Avoidance of physical delivery securities
5. Clear delegation of authority
6. Written confirmation of investment transactions and wire transfers

The Town's independent, external certified public accountants conducting audits of the Town pursuant to section 218.39 shall report, as part of the audit, whether or not the Town has complied with section 218.415.

### **INVESTMENT OBJECTIVES**

The investment portfolio shall be structured, to the extent possible; to match investment maturities with known cash needs and anticipated cash flow requirements. Investments will be diversified to the extent practicable to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank. When investment funds are needed, in whole or in part, for the purposes originally intended or for more optimal investments, investments may be redeemed at market price and the proceeds placed into the proper account for immediate use or investment.

The primary objectives, in order of importance, of the Town of Malabar's investments are:

1. **Safety of Capital** – Safety is the primary objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital. To attain this objective, appropriate diversification strategies are established to offset potential losses due to credit risk and interest rate risk.
  - a. Credit Risk – The risk of loss due to the failure of the issuer or backer will be minimized by:
    - Limiting participation to the safest types of investments
    - Diversification such that potential losses on individual investments are minimized
    - Pre-qualifying financial institutions, brokers/dealers, intermediaries, and advisers
  - b. Interest Rate Risk – The risk of loss due to interest rate changes will be minimized by:
    - Structuring investments so that maturities meet cash requirements
    - Investing operating funds in shorter-term investments
2. **Maturity and Liquidity of Funds** – The investment portfolio shall be structured in such a manner to provide sufficient liquidity to pay obligations as they come due. An attempt will be made to match investment maturities with known cash needs and anticipated cash-flow requirements.

3. **Investment Income** – Investments will be designed with the objective of attaining a rate of return comparable to that of the market, taking into account the safety of principal and the liquidity of the investments.

### **AUTHORIZED INVESTMENTS**

In accordance with Florida State Statute 218.415, the Town's investment policy is adopted by resolution and permits the following investments as approved by Council:

1. The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in s. 163.01.
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in s. 280.02.
4. Direct obligations of the U.S. Treasury
5. Federal agencies and instrumentalities
6. Securities of, or other interests in, any open-end or close-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.
7. Other investments authorized by law or by ordinance for a county or a municipality.
8. Other investments authorized by law or by resolution for a school district or a special district.

### **ADDITIONAL AUTHORIZED DEPOSITS**

In addition to the Authorized Investments above the Town may deposit any portion of surplus funds in its control or possession in accordance with the following conditions:

1. The funds are initially deposited in a qualified public depository, as defined by section 280.02, selected by the Town.
2. The selected depository arranges for the deposit of the funds in certificates of deposit in one or more federally insured banks or savings and loan associations, wherever located, for the account of the Town.
3. The full amount of the principal and accrued interest of each certificate of deposit is insured by the Federal Deposit Insurance Corporation.
4. The selected depository acts as custodian for the Town with respect to such certificates of deposit issued for its account.
5. The same time the Town's funds are deposited and the certificates of deposit are issued, the selected depository receives an amount of deposits from customers of other federally insured financial institutions, wherever located, equal to or greater than the amount of the funds initially invested by the Town through the selected depository.

### **PROHIBITED INVESTMENTS AND INVESTMENT PRACTICES**

The following actions are prohibited:

1. Purchases of margins or short sales

2. Purchases of derivative securities that are, in effect, a leveraged bet on future movements of interest rates, or some price index
3. Purchases of collateralized mortgage obligations due to their complexity and prepayment rate uncertainty.
4. Lending securities with an agreement to buy them back after a stated period of time (reverse repurchase agreements from the perspective of the public body).

#### **AUTHORIZED FINANCIAL INSTITUTIONS AND BROKERS/DEALERS**

The following institutions are authorized to provide investment services to the Town of Malabar:

1. Financial institutions qualified as public depositories in the State of Florida.
2. Entities providing intergovernmental investment pools authorized per Florida State Statute 163.01.
3. Security Brokers/Dealers selected by credit worthiness and authorized to provide investment services in the State of Florida.

#### **BID REQUIREMENT**

The Town of Malabar shall analyze and select one or more optimal types of investment, and the security will be obtained through competitive bidding when feasible and appropriate, with emphasis on the local community lending institutions when feasible and appropriate.

#### **THIRD-PARTY CUSTODIAL AGREEMENTS**

Securities shall be held with a third party. All securities purchased by and all collateral obtained by the Town of Malabar must be properly designated as an asset of the Town. Only an authorized staff member of the Town of Malabar may make withdrawals of securities, in whole or in part. Securities transactions between a broker/dealer and 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.

#### **AUTHORIZED INVESTMENTS**

The Town may invest or reinvest any surplus public funds in their control or possession in:

- i. The Local Government Surplus Trust Fund, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Florida State Statute 163.01.
- ii. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency and shall be invested to provide sufficient liquidity to pay obligations as they come due.
- iii. Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Florida State Statute 280.02 and shall be invested to provide sufficient liquidity to pay obligations as they come due.
- iv. Direct obligations of the U.S. Treasury

#### **MASTER REPURCHASE AGREEMENT**

All authorized institutions/dealers involved in repurchase agreement transactions on behalf of the Town of Malabar are required to execute and perform these transactions according to a Master Repurchase Agreement.

#### **CONTINUING EDUCATION**

The Town of Malabar shall provide for the continuing education of the Town's officials responsible for making investment decisions. Such officials must annually complete 8 hours of

continuing education in subjects or courses of study related to investment practices and products.

**REPORTING & PERFORMANCE MEASUREMENT**

The Town Accountant shall prepare, at semi-annually, an Investment Report outlining the Town's holdings, excluding Pension Funds. The report will include, at minimum, a listing of individual investments held and the investments' respective maturities, yield, and percentage of total portfolio. The report will be provided to the Town Administrator, Town Treasurer, and the Town Council. Additionally, the Public Depositor Annual Report will be prepared at year-end. Such reports shall be available to the public.