

## INVESTMENT ADVISORY AGREEMENT

THIS AGREEMENT, entered into as of the 1<sup>st</sup> day of June in the year of 2005, by and between City of Fort Lauderdale, a Florida municipality (hereinafter "City"), and PFM ASSET MANAGEMENT LLC, a Delaware limited liability company registered to transact business in the State of Florida, with an office in Orlando, Florida, (hereinafter "PFM" or the "Investment Advisor").

### WITNESSETH

**WHEREAS**, the City has funds available for investment purposes (the "Initial Funds") for which it intends to conduct an investment program; and

**WHEREAS**, the City desires to avail itself of the experience, sources of information, advice, assistance and facilities available to PFM; to have PFM undertake certain duties and responsibilities; and to perform certain services as investment advisor on behalf of the City, as provided herein; and

**WHEREAS**, PFM is willing to provide such services on the terms and conditions hereinafter set forth;

**NOW, THEREFORE**, in consideration of the premises and mutual covenants herein contained, it is agreed as follows:

#### **1. SERVICES OF ADVISOR.**

PFM will provide investment management of the Initial Funds and such other funds as the City may from time to time assign by written notice to PFM (collectively the "Managed Funds") in strict accordance with the written investment objectives, policies and restrictions of the City and in strict compliance with applicable laws and ordinances. The City's Investment Policy is attached hereto as Exhibit A and, as attached and as may be amended unilaterally by the City from time to time with written notice to PFM, is incorporated herein. In connection therewith, PFM will provide investment research and supervision of the City's Managed Funds investments and conduct a continuous discretionary investment program, evaluation and, when appropriate, sale and reinvestment of the City's Managed Funds assets. PFM shall continuously monitor investment opportunities and evaluate investments of the City's Funds. PFM shall furnish the City with statistical information and reports with respect to investments of the Managed Funds. PFM shall place all orders for the purchase, sale, or exchange of portfolio securities for the City's account with brokers or dealers recommended by PFM and/or the City, and to that end PFM is authorized as agent of the City to give instructions to the depository designated by

the City as its custodian as to deliveries of securities and payments of cash for the account of the City. In connection with the selection of such brokers and dealers and the placing of such orders, PFM is directed to seek for the City the most favorable execution and price, the determination of which may take into account, subject to any applicable laws, rules and regulations, whether statistical, research and other information or services have been or will be furnished to PFM by such brokers and dealers. The depository designated by the City shall have custody of cash, assets and securities of the City. PFM shall not take possession of or act as custodian for the cash, securities or other assets in the Managed Funds and shall have no responsibility in connection therewith. Authorized investments shall include only those investments which are currently authorized by the State of Florida, the City's investment policy, bond covenants and as supplemented by such other written instructions as may from time to time be provided by the City to PFM. PFM shall be entitled to rely upon the City's written advice with respect to anticipated drawdowns of Managed Funds. PFM will observe the instructions of the City with respect to broker/dealers who are approved to execute transactions involving the City's Managed Funds and in the absence of such instructions will engage broker/dealers, which PFM reasonably believes to be reputable, qualified and financially sound. The City may modify its investment objectives, policies, and restrictions applicable to the City's Managed Funds at any time by providing written notice to PFM.

## 2. COMPENSATION.

(a) For services provided by PFM pursuant to this Agreement, the City shall pay PFM an annual fee, in monthly installments, based on the daily net assets under management at an annual rate according to the fees presented on the table below:

<u>Average Assets Under Management</u>	<u>Fees (in Basis Points)</u>
\$0.00 - \$52,500,000	8 Basis Points
\$52,500,001 - \$62,500,000	6 Basis Points
\$62,500,001 - \$72,500,000	6 Basis Points
\$72,500,001 - \$82,500,000	5 Basis Points
\$82,500,001 - \$92,500,000	5 Basis Points
\$92,500,001 - \$102,500,000	4 Basis Points

(b) PFM will bill the City monthly for service performed under this Agreement, said bill to include a statement indicating the basis upon which the fee was calculated. The City shall pay to PFM the amount payable pursuant to this Agreement in accordance with the Florida Prompt Payment Act.

(c) If and to the extent that the City shall request PFM to render services other than those to be rendered by PFM hereunder, such additional services shall be compensated separately on terms to be agreed upon between PFM and the City.

### **3. EXPENSES.**

(a) PFM shall furnish at its own expense all necessary administrative services, office space, equipment, clerical personnel, telephone and other communication facilities, investment advisory facilities, and executive and supervisory personnel for managing the investments.

(b) Except as expressly provided otherwise herein, the City shall pay all of its own expenses including, without limitation, taxes, commissions, fees and expenses of the City's independent auditors and legal counsel, if any, brokerage and other expenses connected with the execution of portfolio security transactions, insurance premiums, fees and expenses of the custodian of the Managed Funds including safekeeping of funds and securities and the keeping of books and accounts.

### **4. RESPONSIBILITY OF PFM.**

PFM hereby represents that PFM is, and this Agreement is conditioned upon PFM being at all times, a registered investment adviser under the Investment Advisers Act of 1940. PFM shall immediately notify the City if at any time during the term of this Agreement it is not so registered or if its registration is suspended revoked, proposed to be revoked, or otherwise impaired. PFM shall at all times during the term of this Agreement be registered to transact business in the State of Florida. PFM shall be held to the standard of "prudent expert," as provided in the City's Investment Policy. PFM agrees to perform its duties and responsibilities under this Agreement as a prudent expert.

### **5. CONFLICT OF INTEREST.**

The City understands that PFM performs investment advisory services for various other clients which may include investment companies and/or commingled trust funds. The City agrees that PFM may give advice or take action with respect to any of its other clients which may differ from advice given or the timing or nature of action taken with respect to the City's Managed Funds accounts, so long as it is the policy of PFM, to the extent practical, to allocate investment opportunities to this account over a period of time on a fair and equitable basis relative to other clients. PFM shall not have any obligation to purchase, sell or exchange any security for the City's Managed Funds solely by reason of the fact that PFM, its principals, affiliates, or employees may purchase, sell or exchange such security for the account of any other client or for itself or its own accounts.

### **6. TERM.**

This agreement shall be for the period beginning June 1, 2005, through May 31, 2010. The contract may be renewed by the City for three additional one-year periods at the annual anniversary and, if needed, 90 days beyond the expiration date of the final renewal period. The City may terminate this Agreement immediately upon notice by certified mail, return receipt requested, in the event of any

material breach of its terms by PFM. This Agreement may be terminated by the City for any reason or no reason on not less than thirty (30) days' written notice to PFM. PFM may terminate this Agreement immediately upon notice by certified mail, return receipt requested, in the event of any material breach of its terms by the City, or at any time after one year upon thirty (30) days' written notice.

#### **7. SUSPENSIONS, COMPLAINTS.**

PFM shall promptly notify the City in writing of any complaints or disciplinary actions filed by the Securities and Exchange Commission of the United States, the New York Stock Exchange, the American Stock Exchange, the National Association of Securities Dealers, any Attorney General or any regulatory agency or authority of any state of the United States, any department or agency or authority of the Government of the United States, or any governmental agency or authority regulating securities of any country in which PFM is doing business, against PFM, or against any investment professional employed by PFM who has performed any service with respect to the City's account in the 24 preceding months.

#### **8. INDEPENDENT CONTRACTOR.**

PFM and PFM's employees, officers and representatives, shall not be deemed to be employees, partners, servants and/or joint ventures of the City by virtue of this Agreement or any actions or services rendered under this Agreement. Except as described in Paragraph 1, PFM and PFM's employees, officers and representatives, shall not be deemed to be agents of the City by virtue of this Agreement or any actions or services rendered under this Agreement. PFM shall at all times operate as an independent contractor.

#### **9. BOOKS.**

PFM shall maintain appropriate records of all its activities hereunder. PFM shall provide the City with a monthly statement showing deposits, withdrawals, purchases and sales (or maturities) of investments, earnings received, and the value of assets held on the last business day of the month. The statement shall be in the format and manner that is mutually agreed upon by PFM and the City. Subject to certain statutory exemptions, records made or received by the City in connection with this Agreement and records made or received by PFM in connection with this Agreement are public records subject to public inspection and copying. The City's determination of whether any or no exemption applies shall be final.

#### **10. PFM'S DISCLOSURE STATEMENT.**

PFM warrants that it has delivered to the City, at least five business days prior to the execution of this Agreement, PFM's current Securities and Exchange Commission Form ADV, Part II (PFM's

disclosure statement). The City acknowledges receipt of such disclosure statement at least five business days prior to the execution of this Agreement.

## **11. INSURANCE.**

PFM shall maintain during the term of this Agreement and during the term of any extension or renewal of this Agreement and provide to the City a certificate of commercial general liability insurance with a reputable insurance company authorized to issue insurance policies in the State of Florida, subject to approval by the City's risk manager, in an amount not less than \$1,000,000 combined single limit for bodily injury and property damage, including coverage for personal injury, broad form property damage, premises-operations, products-completed operations, contractual liability, independent contractors, and coverage for the liability assumed by PFM under the indemnification provision of this Agreement in accordance with the City of Fort Lauderdale's Risk Management Manual.

PFM shall maintain during the term of this Agreement and during the term of any extension or renewal of this Agreement and provide to the City a certificate of professional liability insurance with a reputable insurance company authorized to issue insurance policies in the State of Florida, subject to approval by the City's risk manager, in an amount not less than \$3,000,000 with defense costs in addition to limits, including errors and omissions coverage and coverage for the liability assumed by PFM under the indemnification provision of this Agreement.

PFM shall maintain during the term of this Agreement and during the term of any extension or renewal of this Agreement and provide to the City a certificate of comprehensive or business automobile liability insurance with a reputable insurance company authorized to issue insurance policies in the State of Florida, subject to approval by the City's risk manager, with limits of not less than \$500,000 per occurrence combined single limit for bodily injury and property damage including coverage for owned, hired, and non-owned vehicles and/or equipment as applicable.

PFM shall maintain during the term of this Agreement and during the term of any extension or renewal of this Agreement and provide to the City a certificate of worker's compensation insurance, including employer's liability, with a reputable insurance company authorized to issue insurance policies in the State of Florida, subject to approval by the City of Fort Lauderdale's risk manager, with a limit of \$500,000 employer's liability, in compliance with all state and federal laws, and in accordance with the City of Fort Lauderdale's Risk Management Manual.

PFM shall maintain during the term of this Agreement and during the term of any extension or renewal of this Agreement and provide to the City a certificate of crime and fidelity insurance with a reputable insurance company authorized to issue insurance policies in the State of Florida, subject to approval by the City's risk manager, in an amount not less than \$3,000,000.

The commercial general liability insurance policy, the professional liability policy, the business automobile liability insurance, and the crime and fidelity insurance policy shall name the City of Fort Lauderdale, a Florida municipality, as an additional insured. In addition, the crime and fidelity insurance policy shall name the City of Fort Lauderdale, a Florida municipality, as loss payee. PFM shall provide to the City at least thirty (30) days' written notice by registered mail, return receipt requested, addressed to the City of Fort Lauderdale's risk manager, prior to cancellation or modification of any required insurance.

## **12. INDEMNIFICATION**

In addition to any other available remedies at law or in equity, PFM shall be liable to the City for damages in the amount of any diminution of the City's assets managed by PFM as the result of PFM's or PFM's employee's or agent's negligence, willful misconduct, or breach of this Agreement, and PFM shall be liable to the City for the amount of the City's costs and attorney fees to recover such damages. The City acknowledges that PFM has not guaranteed or represented that the Managed Funds will achieve any specified level of performance and that the value of the City's assets managed by PFM as well as the investment returns thereon will fluctuate in response to changes in interest rates and general market conditions.

PFM shall protect and defend, at PFM's expense, counsel being subject to the City's approval, and indemnify and hold harmless the City and the City's officers, employees, and agents, from and against any and all losses, penalties, damages, costs, charges, judgments, including awards of attorney fees, and other expenses or liabilities of every kind, as determined by any court of competent jurisdiction, and against settlements up to the amount of advisory fees paid by the City to PFM, arising directly or indirectly out of the work agreed to or performed by PFM or arising directly or indirectly out of PFM's or PFM's employee's or agent's negligence, willful misconduct, or breach of this Agreement.

## **13. MODIFICATION.**

This Agreement shall not be changed or modified in whole or in part except by an instrument in writing signed by both parties hereto, or their respective successors or assigns.

**14. SUCCESSORS AND ASSIGNS.**

The provisions of this Agreement shall be binding on PFM and its respective successors and assigns, provided, however, that the rights and obligations of PFM shall not be assigned to any person or entity without the prior written consent of the City.

**15. APPLICABLE LAW; VENUE.**

This Agreement shall be construed, enforced, and administered according to the laws of the State of Florida. PFM and the City agree that, should a disagreement arise as to the terms or enforcement of any provision of this Agreement, each party will in good faith attempt to resolve said disagreement prior to filing a lawsuit. Venue for any lawsuit by either party against the other party or otherwise arising out of this Agreement, and for any other legal proceeding, shall be in Broward County, Florida. In the event of federal jurisdiction, venue for any lawsuit by either party against the other party or otherwise arising out of this Agreement shall be in the Southern District of Florida.

**16. SEVERABILITY.**

In the event any one or more of the provisions contained in this Agreement is held invalid, illegal, or unenforceable by a court of competent jurisdiction, the remainder of this Agreement not having been held by a court of competent jurisdiction to be invalid, illegal, or unenforceable, shall remain in full force and effect.

**17. NO WAIVER**

No failure or delay by either party in exercising any power or right under this Agreement shall operate as a waiver thereof. No waiver by either party of any provision of this Agreement shall operate as a subsequent waiver of the same provision or a waiver of any other provision of this Agreement.

**18. FACSIMILE SIGNATURE**

A facsimile signature of either signatory or facsimile signatures of both signatories to this Agreement shall operate as and have the validity of an original signature or original signatures.

**19. NOTICE**

All notices and other communications shall be by certified U.S. mail, return receipt requested, or by hand delivery, or by facsimile transmission, addressed as follows:

Steven Alexander, CTP, CGFO  
PFM ASSET MANAGEMENT LLC  
300 South Orange Ave, Suite 1170  
Orlando, Florida  
Fax: 407- 648-1328

City of Fort Lauderdale  
Attn: Director of Finance  
100 North Andrews Avenue  
Fort Lauderdale, Florida 33301  
Fax: 954-828-5168

Either party may notify the other party in writing of a change of address.

**20. CONTRACT DOCUMENTS**

In the event of conflict among the contract documents, which include this Agreement, the City's Request for Proposals No. 552-9110 and any addenda thereto, and PFM's response to Request for Proposals No. 552-9110, the order of priority is (a) this Agreement, (b) the City's Request for Proposals No. 552-9110 and any addenda thereto, and (c) PFM's response to Request for Proposals No. 552-9110.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed by their authorized representatives as of the date set forth in the first paragraph of this Agreement.

Witnesses:

**PFM ASSET MANAGEMENT LLC**

JOHN GRADY  
Print Name:

By: [Signature]  
Steven Alexander, CTP, CGFO  
Title: Managing Director

Rebecca Dole  
Print Name:

JENNIFER BERRIER  
Print Name:  
Daniel Hess  
Print Name:

By: [Signature]  
Print Name: MARTY MARGOLIS  
Title: Chief Compliance Officer

(Seal)

STATE OF Florida  
COUNTY OF Orange

The foregoing Investment Advisory Agreement was acknowledged before me this 13<sup>th</sup> day of June, 2005, by Steven Alexander, as Managing Director, and Marty Margolis, as Chief Compliance Officer, for PFM Asset Management LLC, a Delaware limited liability company registered to transact business in the State of Florida.



Dorrena B. Davis  
Signature of Notary Public - State of Florida  
Dorrena B. Davis  
Print, Type or Stamp Commissioned Name of Notary Public

Personally Known  or Produced Identification \_\_\_\_\_

Type of Identification Produced \_\_\_\_\_

CITY OF FORT LAUDERDALE

By: [Signature]

Title: Director of Procurement

Approved as to form:

[Signature]  
Assistant City Attorney

# INVESTMENT POLICY

REVISION EFFECTIVE - OCTOBER 1, 2000



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# **Investment Policy**

## **City of Fort Lauderdale, Florida**

### **I. PURPOSE**

The purpose of this policy is to set forth the investment objectives and parameters for the management of public funds of the City of Fort Lauderdale, Florida (hereinafter "City"). These policies are designed to safeguard the City's funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices.

### **II. SCOPE**

In accordance with Section 218.415, Florida Statutes, this investment policy applies to all cash and investments held or controlled by the City and shall be identified as "general operating funds" of the City with the exception of the City's Pension Funds, Deferred Compensation & Section 401(a) Plans, and funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds. Additionally, any future revenues, which have statutory investment requirements conflicting with this Investment Policy and funds held by state agencies (e.g., Department of Revenue), are not subject to the provisions of this policy.

### **III. INVESTMENT OBJECTIVES**

#### Safety of Principal

The foremost objective of this investment program is the safety of the principal of those funds within the portfolios. Investment transactions shall seek to keep capital losses at a minimum, whether they are from securities defaults or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

From time to time, securities may be traded for other similar securities to improve yield, maturity or credit risk. For these transactions, a loss may be incurred for accounting purposes, provided any of the following occurs with respect to the replacement security:

- A. Yield has been increased, or
- B. Maturity has been reduced, or
- C. Quality of the investment has been improved.

#### Maintenance of Liquidity

The portfolios shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements in an orderly manner. Periodical cash flow analyses will be completed in order to ensure that the portfolios are positioned to provide sufficient liquidity.

#### Return on Investment

Investment portfolios 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 least importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

### **IV. DELEGATION OF AUTHORITY**

In accordance with the City's Administrative Policies, the responsibility for providing oversight and direction in regard to the management of the investment program resides with the City's Director of Finance. The management responsibility for all City funds in the investment program and investment transactions is delegated to the City's Treasurer. The Director of Finance shall establish written procedures for the operation of the investment portfolio and a system of internal accounting and administrative controls to regulate the activities of employees. The City may employ an Investment Manager to assist in managing some of the City's portfolios. Such Investment Manager must be registered under the Investment Advisors Act of 1940.

### **V. STANDARDS OF 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 the overall investment program. 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 expectation are reported to the Director of Finance in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy. The "Prudent Person" rule states 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 from the investment.

While the standard of prudence to be used by investment officials who are officers or employees is the "Prudent Person" standard, any person or firm hired or retained to invest, monitor, or advise concerning these assets shall be held to the higher standard of "Prudent Expert". The standard shall be that in investing and reinvesting moneys and in acquiring, retaining, managing, and disposing of investments of these funds, the contractor shall exercise: the judgment, care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims by diversifying the investments of the funds, so as to minimize the risk, considering the probable income as well as the probable safety of their capital.

## **VI. ETHICS AND CONFLICTS OF INTEREST**

Employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Also, employees involved in the investment process shall disclose to the Investment Committee any material financial interests in financial institutions that conduct business with the City, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the City's investment program.

## **VII. INTERNAL CONTROLS AND INVESTMENT PROCEDURES**

The Director of Finance shall establish a system of internal controls and operational procedures that are in writing and made a part of the City's operational procedures. The internal controls should be designed to prevent losses of funds, which might arise from fraud, employee error, and misrepresentation, by third parties, or imprudent actions by employees. The written procedures should include reference to safekeeping, repurchase agreements, separation of transaction authority from accounting and recordkeeping, wire transfer agreements, banking service contracts, collateral/depository agreements, and "delivery-vs-payment" procedures. No person may engage in an investment transaction except as authorized under the terms of this policy.

Independent auditors as a normal part of the annual financial audit to the City shall conduct a review of the system of internal controls to ensure compliance with policies and procedures.

## **VIII. CONTINUING EDUCATION**

The Director of Finance, Treasurer, and appropriate staff shall annually complete 8 hours of continuing education in subjects or courses of study related to investment practices and products.

## **IX. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS**

Authorized City staff and Investment Advisors shall only purchase securities from the following financial and investment institutions

Investments purchased by the City may only be entities:

### **A. Certificates of Deposit or Savings Accounts**

These investments may only be purchased from public depositories qualified by the Treasurer of the State of Florida, in accordance with Chapter 280, Florida Statutes.

### **B. Overnight Repurchase Agreement**

Collateral for the City's "Sweep Accounts" shall be held at City's depository bank which must be a State Qualified Public Depository.

C. All Other Investments

For purchases and sales of securities by the City, only dealers designated as “Primary Securities Dealers” by the Federal Reserve Bank of New York or from direct issuers of commercial paper and bankers’ acceptances will be utilized. Due to time limitations, practicality, and general business constraints, the number of broker relationships that can be managed on a regular basis are limited. In most cases, normal investment activity will be limited to no more than three dealer relationships, from which bids will be solicited for each investment transaction. Each Dealer’s representative will be required to complete the “City’s Investment Firm Certification Form” prior to the City conducting any business with the Dealer or its representative (not including the City’s Investment Advisor’s dealer relationships). The City’s Investment Advisor will be responsible for operating within the guidelines of the policy and will maintain more than three dealer relationships.

**X. 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.

A. Maturity Guidelines

Securities purchased by or on behalf of the City shall have a final maturity of ten (10) years or less from the date of purchase. The overall weighted average duration of principal return for the portfolio shall be less than three (3) years. The maturities of the underlying securities of a repurchase agreement will follow the requirements of the Master Repurchase Agreement.

B. Liquidity Requirements

In order to meet the day-to-day expenditure needs of the City, \$3,000,000 will be the targeted cash balance in the City’s depository bank. All funds in the depository bank will be “swept” each night into a fully collateralized repurchase agreement account. In order to have an available source of funds to meet unexpected cash requirements, a minimum of \$10,000,000 will be invested with the Florida Local Government Surplus Funds Trust Fund (“SBA”). The balance of the City’s funds will be available for investment according to the guidelines incorporated within this policy.

**XI. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS**

After the Treasurer or the Investment Advisor 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 investments, a minimum of three (3) qualified banks and/or approved broker/dealers must be contacted and asked to provide bids/offers on securities in questions. Bids will be held in confidence until the bid deemed to best meet the investment objectives is determined and selected.

However, if obtaining bids/offers are not feasible and appropriate, securities may be purchased utilizing the comparison to current market price method on an exception basis. Acceptable current market price providers include, but are not limited to:

- A. Telerate Information System
- B. Bloomberg Information Systems
- C. Wall Street Journal or a comparable nationally recognized financial publication providing daily market pricing
- D. Daily market pricing provided by the City's custodian or their correspondent institutions

The Treasurer or the Investment Advisor shall utilize the competitive bid process to select the securities to be purchased or sold. Selection by comparison to a current market price, as indicated above, shall only be utilized when, in judgment of the Treasurer or the Investment Advisor, competitive bidding would inhibit the selection process.

Examples of when this method may be used include:

- A. When time constraints due to unusual circumstances preclude the use of the competitive bidding process
- B. When no active market exists for the issue being traded due to the age or depth of the issue
- C. When a security is unique to a single dealer, for example, a private placement
- D. When the transaction involves new issues or issues in the "when issued" market

Overnight sweep repurchase agreements will not be bid, but may be placed with the City's depository bank relating to the demand account for which the repurchase agreement was purchased.

## **XII. AUTHORIZED INVESTMENTS AND PORTFOLIO COMPOSITION**

Investments should be made subject to the cash flow needs and such cash flows are subject to revisions as market conditions and the City's needs change. However, when the invested funds are needed in whole or in part for the purpose originally intended or for more optimal investments, the Treasurer may sell the investment at the then-prevailing market price and place the proceeds into the proper account at the City's custodian.

The following are the investment requirements and allocation limits on security types, issuers, and maturities as established by the City. Diversification strategies within the established guidelines shall be reviewed and revised periodically as necessary by the Investment Committee. The Investment Committee, Director of Finance, Treasurer or the Treasurer's designee shall have the option to further restrict investment percentages from time to time based on market conditions, risk and diversification investment strategies. The percentage allocations requirements for investment types and issuers are calculated based on the original cost of each investment. Investments not listed in this policy are prohibited.

A. The Florida Local Government Surplus Funds Trust Fund (“SBA”)

1. Investment Authorization

The Treasurer may invest in the SBA.

2. Portfolio Composition

A maximum of 100% of available funds may be invested in the SBA.

B. United States Government Securities

1. Purchase Authorization

The Treasurer 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 limited 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 available funds may be invested in the United States Government Securities with the exception of Treasury Strips are limited to 10% of available funds.

3. Maturity Limitations

The maximum length to maturity of any direct investment in the United States Government Securities is ten (10) years from the date of purchase.

C. United States Government Agencies

1. Purchase Authorization

The Treasurer may invest in bonds, debentures, notes or callables issued or guaranteed by the United States Governments 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:

- United States Export – Import Bank
  - Direct obligations or fully guaranteed certificates of beneficial ownership
- Farmer Home Administration
  - Certificates of beneficial ownership
- Federal Financing Bank
  - Discount notes, notes and bonds
- Federal Housing Administration Debentures
- Government National Mortgage Association (GNMA)
  - GNMA guaranteed mortgage-backed bonds
  - GNMA guaranteed pass-through obligations
- General Services Administration
- 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 50% of available funds may be invested in United States Government agencies.

3. Limits on Individual Issuers

A maximum of 10% of available funds may be invested in individual United States Government agencies.

4. Maturity Limitations

The maximum length to maturity for an investment in any United States Government agency security is ten (10) years from the date of purchase.

D. Federal Instrumentalities (United States Government sponsored agencies)

1. Purchase Authorization

The Treasurer may invest in bonds, debentures, notes or callables issued or guaranteed by United States Government sponsored agencies (Federal Instrumentalities) which are non-full faith and credit agencies limited to the following:

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

2. Portfolio Composition

A maximum of 100% of available funds may be invested in Federal Instrumentalities.

3. Limits on Individual Issuers

A maximum of 25% of available funds may be invested in any one issuer.

4. Maturity Limitations

The maximum length to maturity for an investment in any Federal Instrumentality security is ten (10) years from the date of purchase.

E. Interest Bearing Time Deposit or Saving Accounts

1. Purchase Authorization

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

2. Portfolio Composition

A maximum of 10% of available funds may be invested in non-negotiable interest bearing time certificates of deposit.

3. Limits on Individual Issuers

A maximum of 10% of available funds may be deposited with any one issuer.

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

F. Repurchase Agreements

1. Purchase Authorization

a. The Treasurer may invest in repurchase agreements composed of only those investments authorized in Section XII.B, C, and D. All firms are required to sign the City's Master Repurchase Agreement prior to the execution of a repurchase agreement transaction.

b. A third party custodian with whom the City has a current custodial agreement shall hold the collateral for all repurchase agreements with a term longer than one (1) business day. A clearly marked receipt that shows evidence of ownership must be supplied to the Treasurer and retained.

- c. Securities authorized for collateral must have maturities under ten (10) years and with market value for the principal and accrued interest of 102 percent of the value and for the term of the repurchase agreement. Immaterial short-term deviations from 102 percent requirement are permissible only upon the approval of the Treasurer.
- d. The overnight sweep arrangement shall adhere to the agreement between the City and the City's depository bank.

2. Portfolio Composition

A maximum of 20% of available funds may be invested in repurchase agreements excluding one (1) business day agreements and overnight sweep agreements.

3. Limits on Individual Issuers

A maximum of 10% of available funds may be invested with any one institution excluding one (1) business day agreements and overnight sweep agreements.

4. Limits on Maturities

The maximum length to maturity of any repurchase agreement is 90 days from the date of purchase.

G. Commercial Paper

1. Purchase Authorization

The Treasurer may invest in commercial paper of any United States company that is rated, at the time of purchase, "Prime-1" by Moody's and "A-1" by Standard & Poor's (prime commercial paper). If the commercial paper is backed by a letter of credit ("LOC"), the long-term debt of the LOC provider must be rated "A" or better by at least two nationally recognized rating agencies.

2. Portfolio Composition

A maximum of 25% of available funds may be directly invested in prime commercial paper.

3. Limits on Individual Issuers

A maximum of 5% of available funds may be invested with any one issuer.

4. Maturity Limitations

The maximum length to maturity for prime commercial paper shall be 180 days from the date of purchase.

H. Corporate Notes

1. Purchase Authorization

The Treasurer may invest in corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum "Aa" by Moody's and a minimum long term debt rating of "AA" by Standard & Poor's.

2. Portfolio Composition

A maximum of 25% of available funds may be directly invested in corporate notes.

3. Limits on Individual Issuers

A maximum of 5% of available funds may be invested with any one issuer.

4. Maturity Limitations

The maximum length to maturity for corporate notes shall be (10) ten years from the date of purchase.

I. Bankers' Acceptances

1. Purchase Authorization

The Treasurer may invest in Bankers' acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, at the time of purchase, the short-term paper is rated, at a minimum, "P-1" by Moody's Investors Services and "A-1" Standard & Poor's.

2. Portfolio Composition

A maximum of 10% of available funds may be directly invested in Bankers' acceptances

3. Limits on Individual Issuers

A maximum of 5% of available funds may be invested with any one issuer.

4. Maturity Limitations

The maximum length to maturity for Bankers' acceptances shall be 180 days from the date of purchase.

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

**1. Purchase Authorization**

The Treasurer may invest in state and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least "Aa" by Moody's and "AA" by Standard & Poor's for long-term debt, or rated at least "MIG-2" by Moody's and "SP-2" by Standard & Poor's for short-term debt.

**2. Portfolio Composition**

A maximum of 25% of available funds may be invested in taxable and tax-exempt General Obligation bonds.

A maximum of 10% of available funds may be invested in taxable and tax-exempt Revenue and Excise tax bonds of the various municipalities of the State of Florida, provided none of such securities have been in default within five (5) years prior to the date of purchase.

**3. Maturity Limitations**

A maximum length to maturity for an investment in any state or local government debt security is ten (10) years from the date of purchase.

**K. City of Fort Lauderdale Debt Obligations**

**1. Investment Authorization**

City of Fort Lauderdale obligations, general obligations, revenue bonds, excise tax bonds or internal fund debt obligations.

**2. Portfolio Composition and Maturity Limitations**

Composition is based upon financial debt management requirements and internal fund asset and liabilities matching structuring requirements.

**L. Registered Investment Companies (Money Market Mutual Funds)**

**1. Investment Authorization**

The Treasurer may invest in shares in open-end, no-load provided such funds are registered under the Federal Investment Company Act of 1940 and operate in accordance with 17 C.F.R. § 270.2a-7, which stipulates that money market funds must have an average weighted maturity of 90 days or less. In addition, the share value of the money market funds must equal to \$1.00.

**2. Portfolio Composition**

A maximum of 20% of available funds may be invested in money market funds.

3. Limits of Individual Issuers

A maximum of 10% of available funds may be invested with any one money market fund.

4. Rating Requirements

The money market funds shall be rated "AAm" or "AAm-G" or better by Standard & Poor's, or the equivalent by another rating agency.

5. Due Diligence Requirements

A thorough review of any money market fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed by the Treasurer that will contain a list of questions that covers the major aspects of any investment pool/fund.

M. Intergovernmental Investment Pool

1. Investment Authorization

The Treasurer may invest in intergovernmental investment pools that are authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes and provided that said funds contain no derivatives.

2. Portfolio Composition

A maximum of 25% of available funds may be invested in intergovernmental investment pools.

3. Due Diligence Requirements

A thorough review of any investment pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed by the Treasurer that will contain a list of questions that covers the major aspects of any investment pool/fund.

**XIII. DERIVATIVES AND REVERSE REPURCHASE AGREEMENTS**

The City may invest in investment products that include the use of derivatives as long as the dollar amount invested by the investment product is minuscule to the total dollar amount invested by the investment product. The Treasurer shall develop sufficient understanding of the derivative products and have the expertise to manage them. A "derivative" is defined as a financial instrument the value of which depends on, or is derived from, the value of one or more underlying assets or indices or asset values. If the Finance Director approves the use of reverse repurchase agreements or other forms of leverage, the investment shall be limited to transactions in which the proceeds are intended to provide liquidity and for which the Treasurer has sufficient resources and expertise to manage them.

#### **XIV. PERFORMANCE MEASUREMENTS**

In order to assist in the evaluation of the portfolios' performance, the City will use performance benchmarks for short-term and long-term portfolios. The use of benchmarks will allow the City to measure its returns against other investors in the same markets.

- A. The short-term investment portfolio shall be designed with the annual objective of exceeding the weighted average return (net book value rate of return) of the Florida Local Government Surplus Funds Trust Fund (SBA).
- B. The long-term investment portfolio shall be designed with the annual objective of exceeding the return of the Merrill Lynch 1-3 Year Treasury Index compared to the portfolio's total rate of return. The Merrill Lynch 1-3 Year Treasury Index represents all U.S. Treasury securities maturing over one year, but less than three years. This maturity range is an appropriate benchmark based on the objectives of the City.

#### **XV. REPORTING**

- A. Treasurer and/or Investment Advisor shall provide the Director of Finance with quarterly investment reports. Schedules in the quarterly report should include the following:

- 1. A listing of individual securities held at the end of the reporting period
- 2. Percentage of available funds represented by each investment type
- 3. Coupon, discount or earning rate
- 4. Average life or duration and final maturity of all investments
- 5. Par value, and market value

- B. Annual Investment Report

On an annual basis, the Treasurer shall prepare and submit to the City Commission a written report on all invested funds. The annual report shall provide all, but not limited to, the following: a complete list of all invested funds, name or type of security in which the funds are invested, the amount invested, the maturity date, earned income, the book value, the market value and the yield on each investment. The annual report will show performance on both a book value and total rate of return basis and will compare the results to the above-stated performance benchmarks. All investments shall be reported at fair value per GASB standards. Investment reports shall be available to the public.

- C. Investment Committee

The City shall have an investment committee comprised of the Director of Finance, an Assistant City Manager, and a Department Head appointed by the City Manager. The Treasurer shall report to this committee as often as requested. Reports shall be prepared and distributed to the committee quarterly.

**XVI. THIRD-PARTY CUSTODIAL AGREEMENTS**

Securities, with the exception of certificates of deposits, shall be held with a third party custodian; and all securities purchase by, and all collateral obtained by, the City should be properly designated as an asset of the City. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida as defined in Section 658.12, Florida Statutes, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

The custodian shall accept transaction instructions only from those persons who have been duly authorized by the Director of Finance and which authorization has been provided, in writing, to the custodian. No withdrawal of securities, in whole or in part, shall be made from safekeeping, shall be permitted unless by such a duly authorized person.

The custodian shall provide the Treasurer with safekeeping receipts that provide detail information on the securities held by the custodian. In addition, the custodian shall report at least quarterly and the Treasurer shall verify the reports. Security transactions between a broker/dealer and the custodian involving the 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. Only after receiving written authorization from the Director of Finance shall the City Treasurer be authorized to deliver securities "free". Securities held as collateral shall be held free and clear of any liens.

**XVII. INVESTMENT POLICY ADOPTION**

The investment policy shall be adopted by City ordinance. The Director of Finance, Treasurer, and the Investment Committee shall review the policy annually and the City Commission shall approve any modification made thereto.

**APPROVED AND ADOPTED BY THE CITY COMMISSION ON \_\_\_\_\_.**

\_\_\_\_\_  
City Mayor

\_\_\_\_\_  
City Manager

\_\_\_\_\_  
City Clerk