

1. Discussion Objective:

Work Session Date: Sept 3, 2013

Review the Investment Policy prepared by the Audit Committee for the Town.

2. Submitter of Information:

- Council
- Town Staff
- Town Attorney

3. Estimated Time for this item:

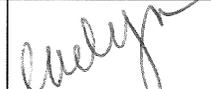
20 Minutes

5. Background:

The Town's Audit Committee has developed a comprehensive investment policy for the Town. The Town Attorney has met with the committee on numerous occasions to insure that the new policy will comply with State Statutes and be appropriate for the Town.

Attachments:

Draft Investment Policy

Town Manager	Town Attorney	Finance Director	Public Works Director	Community Development Director	Parks & Recreation Director	Town Clerk
						

TOWN OF FORT MYERS BEACH INVESTMENT POLICY

I. PURPOSE

The purpose of this policy is to set forth the investment objectives and guidelines for the management of public funds for the Town of Fort Myers Beach, Florida (Town). This policy is designed to ensure the prudent management of the Town's public funds, the availability of operating and capital funds as needed, and an investment return that is competitive with comparable funds and commensurate with financial market indices and conditions.

II. SCOPE

This investment policy applies to the investment of public funds, which includes cash balances in all of the Town's operating and capital funds, in excess of the amounts needed to meet current expenses. This Investment Policy shall not apply if in conflict with other existing policies or indentures in effect for funds related to the issuance of debt.

III. INVESTMENT OBJECTIVES

All investments shall satisfy the investment objectives of safety of capital as the primary objective, followed by liquidity of funds, and appropriate investment income, in that order. The mitigation of credit risk and interest rate risk are the primary parameters insuring safety of capital. Such investments shall be accomplished in a manner that maximizes total return as a viable and material revenue source for all operating and capital funds.

IV. PERFORMANCE MEASUREMENT

The Town's investment portfolio shall be designed with the objective of regularly meeting or exceeding the average rate of return on three-month U.S. Treasury bills for the calendar quarter immediately preceding the reporting required by this policy. The investment program shall seek to provide returns that exceed this index, consistent with risk limitations identified herein and prudent investment principles. The actual performance of the portfolio may vary due to changes in interest rates or market conditions.

V. PRUDENCE AND ETHICAL STANDARDS

The standard used by the Town manager and other Town employees and officials associated with the investment process shall be the "Prudent Person Rule" and shall be applied in the context of managing the overall investment program. The Prudent Person rule is as follows:

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.

Employees involved in the Town's investment program shall refrain from personal business activity that could conflict with proper execution of the investment program, or impair their ability to make impartial investment decisions. Employees shall subordinate their personal investment transactions to those of the Town, particularly with regard to the timing of purchases and sales.

VI. LISTING OF AUTHORIZED INVESTMENTS

Investments in the following are hereby authorized:

A. The Florida Local Government Surplus Funds Trust Fund ("SBA") or any other intergovernmental pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01, Florida Statutes.

B. Direct obligations of the U.S. Treasury, limited to Treasury Bills.

C. Interest bearing time deposits and savings accounts in a qualified public depository as defined in Section 280.02, Florida Statutes.

D. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Investments in equity securities and other investment products not specifically authorized by this policy are expressly prohibited.

VII. MATURITY AND LIQUIDITY REQUIREMENTS

Investments acquired under this Investment Policy shall be managed to maintain liquidity for meeting the Town's cash needs and to limit potential market risk in periods of rising interest rates. Investments will be made in interest bearing securities in accordance with known or anticipated cash needs and based on cash flow projections that enable the Town to meet current expense and debt service payments.

VIII. PORTFOLIO COMPOSITION

Prudent investing necessitates that the Town's investment portfolio be diversified as to instruments and dealers. The following maximum limits are guidelines established for diversification by investment type:

<u>Security Type</u>	<u>Portfolio Limitation</u>
Intergovernmental Pools	75 percent
U.S. Treasuries	100 percent
Certificates of Deposit	50 percent
Money Market Funds	100 percent

IX. RISK AND DIVERSIFICATION

It is the policy of the Town to diversify its investment portfolios. To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all Town funds shall be diversified by maturity, issuer, and class of security. Diversification strategies shall be determined and revised periodically by the Town Manager in consultation with the Finance Director for all funds.

X. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS

Authorized investment institutions are public depositories qualified by the Treasurer of the State of Florida in accordance with Chapter 280, Florida Statutes and Qualified Public Depositories that provide the services of a securities dealer through a Section 20 (Glass-Steagall Act) subsidiary of the financial institution.

XI. BID REQUIREMENT

Whenever feasible and appropriate, the Town shall solicit competitive bids for a selected type of investment.

XII. RESPONSIBILITY AND INTERNAL CONTROLS

A. Administration and implementation of this Investment Policy shall be the responsibility of the Town Manager in consultation with the Finance Director.

B. The Finance Director shall be responsible for the Town's comprehensive cash management program. The comprehensive cash management program shall include cash flow analysis in order to identify the availability of capital for investment, including the collection of accounts receivable in a timely manner, vendor payments in accordance with invoice terms, and prudent investment of available cash.

C. The Finance Director shall establish written procedures for cash management and shall develop and update, on a periodic basis, a cash forecast for operating and capital funds. This cash forecast will provide the information essential to properly determine investment maturities to meet required disbursement of funds.

D. The Town Manager shall have the responsibility and authority to make investment transactions. The Town Manager, in consultation with the Finance Director, is authorized to buy and sell investment products in accordance with this policy.

E. Certain signatory responsibilities are shared by officials of the Town. All funds transferred between the Town's operating and capital accounts and designated investment funds require two authorized signatures. Authorized signatories are the Town Manager, Mayor and Vice Mayor.

F. The Finance Director shall establish a system of internal controls that are designed to prevent and detect losses of funds from theft, fraud, employee error, misrepresentation by third parties, or imprudent actions by Town employees.

XIII. CONTINUING EDUCATION

Either the Town Manager or the Finance Director must complete no less than eight (8) hours of continuing education annually in subjects and courses of study related to investment practices and products.

XIV. REPORTING

The Finance Director shall provide the Town Manager with a quarterly investment report that includes a listing of holdings in the portfolio with information on cost and current market value. Such report shall be submitted not later than the last day of the month following the end of the reported period. This report shall then be promptly forwarded to the Town Council.

The quarterly report shall include, at a minimum, the following schedules:

- A. A listing of individual investments held at the end of the period, separated into short-term and long-term maturities.
- B. Acquisition and maturity dates.
- C. Average quarterly earning rate, as compared to the average quarterly T-bill rate.
- D. Book value "cost" and market value.
- E. Transfers of funds into and out of investments.
- F. Income earned.