

**CITY OF MARCO ISLAND
ORDINANCE NO. 02- 19**

**AN ORDINANCE TO ADOPT AN INVESTMENT POLICY FOR
THE CITY OF MARCO ISLAND, FLORIDA; PROVIDING FOR
INCORPORATION, CONFLICT AND SEVERABILITY; AND
PROVIDING AN EFFECTIVE DATE.**

WHEREAS, Article VIII of the State Constitution and Chapter 166 of the Florida Statutes provide that municipalities shall have the governmental, corporate, and proprietary powers to enable them to conduct municipal government, perform municipal functions, and render municipal services, and exercise any power for municipal purposes except when expressly prohibited by law; and

WHEREAS, Section 1.01 of the Marco Island City Charter empowers the City to adopt, amend, or repeal ordinances, resolutions, and codes as may be required for the good governing of the City; and

WHEREAS, goal of the City of Marco Island is to adopt an investment policy to insure the safety of all funds entrusted to the City, while making available those funds for the payment of all necessary obligations of the City, and providing for the investment of all funds not immediately required in interest bearing securities; and

WHEREAS, Florida Statutes §218.415, Local Government Investment Policies, establish the requirements for municipal investment policies; and

WHEREAS, the safety of the principal invested shall always be the primary concern of the City of Marco Island; and

WHEREAS, the management of monies, in order to ensure adequate cash availability and market total return on short term investments, is a primary goal of the City of Marco Island; and

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Marco Island, Florida that:

Section 1. Purpose and Intent.

The intent and purpose of this ordinance to adopt the attached investment policy (Exhibit "A") of the City of Marco Island, which provides for an active cash management policy to be pursued by the City in order to maximize investment return as a viable and material revenue source consistent with providing adequate cash availability.

Section 2. Incorporation, Conflict and Severability

(1) It is the intention of the City Council and it is hereby ordained that the provisions of this ordinance shall become and be made a part of the Code of Ordinances of the City of Marco Island, Florida, and that the sections of this ordinance may be renumbered or relettered and that the word "ordinance" may be changed to "section," "article," or other appropriate word.

(2) All sections or parts of sections of the Code of Laws and Ordinances of Collier County, Florida, all Collier County Ordinances or parts of ordinances and all Collier County Resolutions or parts of resolutions made applicable by the City Charter in conflict herewith are hereby repealed to the extent of such conflict.


(3) If any word, phrase, clause, subsection, or section of this ordinance is for any reason held unconstitutional or invalid by a court of competent jurisdiction, the invalidity thereof shall not affect the validity of any remaining portions of the ordinance.

Section 3. Effective Date.

This ordinance shall take effect immediately upon adoption by the Marco Island City Council.

Passed in open and regular session of the City Council of the City of Marco Island, Florida, this 3rd day of June 2002.

Attest:


A. William Moss
City Manager/City Clerk

CITY OF MARCO ISLAND, FLORIDA

by: 
E. Glenn Tucker, Chairman

Approved as to form and
legal sufficiency:

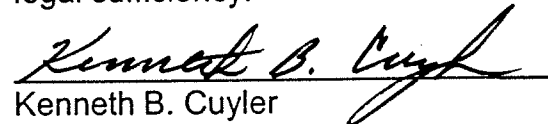

Kenneth B. Cuyler
City Attorney

EXHIBIT "A"

INVESTMENT POLICY

I. INTRODUCTION:

A. GOAL.

The goal of the City of Marco Island Investment Policy shall be to ensure the safety of all funds entrusted to the City (SAFETY), the availability of those funds for the payment of all necessary obligations of the City (LIQUIDITY), and to provide for the investment of all funds, not immediately required, in interest-bearing securities (RETURN). The highest investment priority will be safety of principal, followed by liquidity and return, in that order.

The City shall maintain a comprehensive cash management program in order to maximize total return as a viable and material revenue source to all operating and capital funds. The cash management program will include collection of accounts receivable on a timely basis, vendor payment in accordance with invoice terms and State law, and prudent investment of its available cash.

B. SCOPE.

This Investment Policy of the City of Marco Island shall include those funds in excess of those required to meet short-term expenses and any new funds created. This Investment Policy shall also include those funds which may be created by Bond Ordinances to include, but not limited to, the Revenue Fund, the Sinking Fund, Reserve Accounts and the Bond Amortization Fund. These accounts will be called "Bond Trust Accounts" for the remainder of this document. It will not pertain to Pension or Trust Funds where there are other existing policies or indentures in effect.

C. AMENDMENTS.

This policy may be amended from time to time as the City Council may so desire, or as State law may require.

II. RESPONSIBILITY:

A. PURPOSE.

The purpose of this section is to establish an Investment Officer for the City of Marco Island and define the authority of the Investment Officer.

B. RESPONSIBILITY AND DESIGNATION.

The Director of Finance is the City's Investment Officer and is responsible for the City's comprehensive cash management program, including the administration of these investment policies. The Investment Officer shall maintain timely, accurate and systematic records of all securities, maturities and earnings. The Investment Officer must annually complete eight (8) hours of continuing education in subjects and courses of study related to investment practices and products.

The Investment Officer shall be responsible for establishing written procedures for cash management and for the development and updating on the periodic basis of a cash forecast for the City. This cash forecast will provide information essential to properly structure investment maturities to meet required disbursement of funds. The Investment Officer is also responsible for developing and maintaining expertise in the areas of market evaluation and economic forecasting. Professional training and outside experts will be used as appropriate to meet the overall policy goal of maximizing interest earnings within the constraints of portfolio safety and liquidity.

Responsibility and authority for investment transactions resides with the Investment Officer. The Investment Officer is fully authorized to buy and sell investments in accordance with the goals and objectives of the City's investment strategy. 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 officers shall disclose 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 investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of their entity.

Certain signatory responsibilities are shared by bonded officials for the purpose of providing continuity of the City's investment program in the absence of the Investment Officer. Positions authorized, including the Investment Officer, are:

City Manager
Finance Director
Deputy City Clerk

C. BONDING REQUIREMENTS.

Each of the above authorized positions designated to serve as the Investment Officer or designee in the absence of the City's Investment Officer shall be bonded employees. All participants in the investment process shall act responsibly as custodians of the public trust and the investments should 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.

III. STATUTORY GUIDELINES:

SECTION 218.415 FLORIDA STATE STATUTES
Local Government Investment Policies
Attached as Appendix A.

IV. INVESTMENT OBJECTIVES:

All investments are required to satisfy the Investment Objectives of safety of capital, liquidity of funds, and investment income, in that order of importance. The objective will be to mitigate credit risk and interest rate risk. The investments purchased under the provisions of this Investment Policy shall be managed to maintain liquidity for meeting the City's needs for cash and to limit potential market risks in periods of rising interest rates which depress the market value of securities. Investments will be made in accordance with known/anticipated cash needs and cash-flow requirements enabling The City to meet day to day liquidity demands in addition to debt service payments and sinking fund deposits on the Bond Trust Accounts.

As a general guideline, the City of Marco Island cash management portfolio shall be designed with the objective of meeting, over the course of full market cycles, the average return of three-month U.S. Treasury Bill, or the average rate of Federal Funds, whichever is higher. These indices are considered benchmarks for riskless investment transactions and therefore comprise a standard for the portfolio's rate of return. The investment program shall seek to augment rates of return above this level. In a diversified portfolio, measured losses are inevitable and must be

considered within the context of the overall portfolio.

The investment performance of the City of Marco Island Bond Trust Accounts portfolio shall have the objective of meeting or exceeding the average return of Governments, U.S. Treasury, Intermediate-Term Bonds or the average return of Governments, Federal Agencies, Intermediate Term Bonds or a combination of both. The Bond Trust Accounts are limited by law on the earnings allowed by arbitrage regulations. These regulations will take precedence over the indices when making a portfolio comparison.

Active portfolio management includes the practice of selling securities prior to maturity, using the proceeds to purchase other securities. Such transactions are called "swaps" and are performed for a variety of valid reasons. One reason such a "swap" is performed is to take advantage of the difference in relative yield between different types of securities and varying maturities. "Swap analysis" is the responsibility of the City Investment Officer and the decision to execute the "swap rests with him/her.

V. SAFEKEEPING AND CUSTODY:

A. AUTHORIZED FINANCIAL DEALER AND INSTITUTION.

The City of Marco Island will authorize broker/dealers to provide investment services to the City only after the following information has been provided:

1. Proof of State registration
2. Proof of National Association of Securities Dealers (NASD) certification or, if a dealer bank, certification from the Office of Comptroller of Currency.
3. Certification of having read the City of Marco Island's Investment Policy, with specific understanding of portfolio risk constraints and investment trading requirements.
4. References from other municipal Investment Officers.

B. ELIGIBLE INVESTMENTS.

All securities shall be purchased on a delivery-VS-payment basis through a third-party safekeeping account. The City shall authorize the release of its funds only after it has received notification from the safekeeping bank that a purchased security has been received in the City's safekeeping account. This notification may be oral, but shall be followed up in writing with the original safekeeping receipt within twenty-four hours. All securities will be required to have a favorable volatility rating from a nationally recognized rating agency prior to purchase. The following are a

list of permitted investments:

1. Direct obligations of the U.S. Treasury: Treasury Bills, Notes and Bonds

PORTFOLIO ALLOCATION: Up to 100% of the total cash investments of the portfolio may be invested in this class of investment.

2. Securities backed by the full faith and credit of the United States government: Government National Mortgage Association (GNMA), GNMA ARMs, GNMA PCs, Small Business Administration (SBA) loans or pools.

PORTFOLIO ALLOCATION: Up to 35% of the total cash and investment of the portfolio may be invested in GNMA securities; up to 10% of the total cash and investments of the portfolio may be invested in SBA loans or pools.

3. Securities backed by Federal Agencies: Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Institutions (FHLB), Student Loan Marketing Association (SLMA), Federal Farm Credit Institutions (FFCB), Federal Housing Administration (FHA), Step-Ups, Short-Term Floating Rate Notes and other similar instruments issued by above agencies.

PORTFOLIO ALLOCATION: Up to 75% of the total cash investments of the portfolio may be invested in this class of investment; however, no more than 50% of the portfolio may be invested with any one agency.

4. Agency-Issued Mortgage-Backed Securities: FNMA, FNMA ARMs, FHLMC, FHLMC ARMs, FNMA or FHLMC Collateralized Mortgage Obligations (CMOs) or Private Issue CMOs backed by Agency MBS. All CMOs must qualify at purchase as appropriate non "high risk" investments under proposed or enacted regulatory guidelines and must meet the Federal Financial Institution Examination Council (FFIEC) test.

PORTFOLIO ALLOCATION: Up to 35% of the total cash and investments of the portfolio may be invested in this class of securities.

5. Repurchase agreements made in compliance with Florida State Statutes. A Master Repurchase Agreement will be executed with each counterparty detailing the requirements of all authorized institutions/dealers involved in repurchase agreement transactions on behalf of the City. Repurchase collateral shall be perfected and delivered to an unaffiliated third-party safekeeping account. Repurchase agreements shall be collateralized at a minimum of 101 percent of the purchase price

of the repurchase agreement. Collateral shall be marked-to-market at least weekly by the Investment Officer or designee. Counterparty to the repurchase agreement will be required to immediately provide additional collateral to cure any deficiency. Collateral must be securities which this policy would allow for direct purchase by the City.

PORTFOLIO ALLOCATION: Up to 50% of the total cash and investments of the portfolio may be invested in this class of securities.

6. Non-negotiable interest-bearing time certificates of deposit in State or Federal banks or State or Federal savings and loan associations as permitted and/or prescribed by State or Federal law. Collateral are required by State law shall be held through an agreement with an independent, third-party custodian and any CDs held shall be federally insured.

PORTFOLIO ALLOCATION: Up to 35% of the total cash and investments of the portfolio may be invested in this class of securities.

7. Negotiable interest-bearing time certificates of deposit issued by institutions whose long-term debt is rated at time of purchase at least "A" or equivalent by Standard & Poor's or Moody's Rating Service or who are approved as a Certified Public Depository by the State of Florida. Collateral as required by State law shall be held through an agreement with an independent, third-party custodian and any CDs held shall be federally insured.

PORTFOLIO ALLOCATION: Up to 35% of the total cash and investments of the portfolio may be invested in this class of securities.

8. Bankers acceptances which are issued by domestic institutions whose long-term debt is rated at time of purchase at least "A" or equivalent by Standard & Poor's or Moody's Rating Service.

PORTFOLIO ALLOCATION: Up to 25% of the total cash and investments of the portfolio may be invested in this class of securities; however, no more than \$1,000,000 in principal may be invested with any individual institution.

9. Prime commercial paper, which is commercial paper which has received a Standard & Poor's rating at time of purchase of at least "A-1" and /or Moody's rating at time of purchase of "Prime-1".

PORTFOLIO ALLOCATION: Up to 25% of the total cash and investments of the portfolio may be invested in this class of securities; however, no more than \$1,000,000 may be invested with any individual corporation.

10. State and/or local government taxable and tax-exempt debt, general obligation and/or revenue bonds rated at time of purchase at least "A" by Standard & Poor's or Moody's.

PORTFOLIO ALLOCATION: Up to 25% of the total cash and investments of the portfolio may be invested in this class of securities.

11. Dollar denominated money market mutual funds registered with the United States Securities and Exchange Commission. The City will be required to receive a mutual fund prospectus prior to purchasing mutual fund shares. Only mutual funds investing exclusively in short-and intermediate-term instruments are permitted.

PORTFOLIO ALLOCATION: Up to 25% of the total cash and investments of the portfolio may be invested in this class of securities.

12. Fixed-income mutual funds comprised of only those securities which would be eligible for direct purchase under provisions of this policy; and, where the average weighted maturity of the portfolio of such fund is no greater than five years. Such funds must be registered with the Securities and Exchange Commission. The City will be required to receive a mutual fund prospectus prior to purchasing shares.

PORTFOLIO ALLOCATION: Up to 25% of the total cash and investments of the portfolio may be invested in this class of securities.

13. Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in ss.163.01

PORTFOLIO ALLOCATION: Up to 100% of the total cash and investments of the portfolio may be invested in this class of securities.

VI. ALLOCATION OF ASSETS.

Diversification of investments as to investment type and term to maturity serve to reduce both market risk and interest rate uncertainty. The City shall maintain prudent diversification of investments as to both issuer and term as outlined in this policy in the previous section. In the Cash Management Portfolio the City should limit their maximum final stated maturities to five years. The Bond Trust Accounts investment maturities should not exceed the stated final maturity of the bond issue as stated in the bond indentures. Deviation from the maturity restrictions are allowed only when specific circumstances warrant. To the extent possible, the City

will attempt to match its investments with anticipated cash flow requirements.

VII. HIGHEST YIELD REQUIREMENTS.

The City's funds shall be invested in instruments or accounts that yield the highest possible rate of return while providing the desired maturity schedule, level of liquidity, and necessary protection of principal as required by these policies and State law.

VIII. BIDDING REQUIREMENTS.

As prescribed by State Statutes, the City shall solicit bids prior to the purchase or sale of any investment instrument. For each such investment transaction, a minimum of three phone bids will be obtained, with bid documentation maintained on file. It is the Investment Officer's responsibility to determine prudent maturity and liquidity, and to assess the potential for market gains or losses caused by fluctuating interest rates during the term of the investment.

IX. POOLING OF ASSETS.

To maximize the effective investment of assets, all General Cash Management Funds needed for general obligations of the City should be pooled onto one account for investment purposes. All Bond Trust Accounts will be kept separate from General Cash Management Funds and are pooled according to type of account and Fund. The income derived from these accounts will be distributed to the various funds based on their average balances on a periodic basis.

X. REPORTING.

The Investment Officer shall submit annually to the City Council and City Manager, an investment report outlining the City's investment transactions for the preceding year and describing the investment position of the City as of the date of the report. Market values will be obtained from a reputable and independent source and disclosed to the City Council and City Manager at least monthly in a written report. This report will include the market value, book value and unrealized gain or loss of the securities in the portfolio. Earnings on investments shall be compared to benchmark indicators to indicate relative portfolio performance.

XI. INTERNAL CONTROLS.

The Investment Officer 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 structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. State and local laws require an annual audit of the financial records of the City. That audit will include a review of all investment activity for the year to review compliance with these investment procedures. Included in the audit review will also be a review of internal controls as pertains to investment of the City funds and appropriate investment documentation. Annual audit procedures will also include verification of collateral held by the City for both bank deposits in excess of F.D.I.C. insurance and repurchase agreement transactions.

XII. INDEMNITY.

The Investment Officer and Employees involved in the investment process shall not be liable for any error in judgment or any act or omission performed or omitted to be performed in good faith and without negligence so long as the investments are made in full compliance with these policies.