

**Children's Services Council of Leon County (CSC Leon)**  
**Investment Workgroup Meeting**

Monday, September 26, 2022, 9:00 am ET

Via Zoom

*Members of the public can view the meeting via live stream on this YouTube channel:*

<https://www.youtube.com/channel/UCc74A9evhLxbHlrH63-clbQ>.

**AGENDA**

- I. Call to Order
- II. Roll Call
- III. Approval of Agenda
- IV. General Public Comment
- V. Workplan Development
  - a. Goal Statement
  - b. Discussion of reviewed investment and reserve policies
  - c. Schedule of Activities
- VI. General Public Comment
- VII. Next Meeting Date
- VIII. Next Meeting Agenda
- IX. Workgroup Member Comments
- X. Adjournment

**Prepared April 15**

Note: property appraiser projecting a 6-8% growth rate next year (County is doing 7%, City is doing 6%); for all other annual projections, assuming a 4% growth

Looking at valuations of 1 year, 3 year, 5 year and 10 year

Assuming 95% collection rate

Suggestion: Capping reserve after year 4 and only investing 1% instead of the 5% currently so we do not exceed 25%

# CSC Leon Budget Forecast for Investment Potential

Prepared April 15

Fiscal Year	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33
Valuation	25,520,613,998	26,541,438,558	27,603,096,101	28,707,219,945	29,855,508,743	31,049,729,092
0.375 Ad Valorem at 95%	9,091,719	9,455,387	9,833,603	10,226,947	10,636,025	11,061,466
Projected Annual Increase	349,681.49	363,668.75	378,215.50	393,344.12	409,077.88	425,441.00
Annual Reserves	454,586	472,769	491,680	511,347	531,801	553,073
Rolling Reserves	2,827,514.76	3,300,284.13	3,791,964.28	4,303,311.64	4,835,112.88	5,388,186.18
% of op budget	31%	35%	39%	42%	45%	49%
0.375 Ad Valorem at 95%	9,091,719	9,455,387	9,833,603	10,226,947	10,636,025	11,061,466
Projected Annual Increase	349,681.49	363,668.75	378,215.50	393,344.12	409,077.88	425,441.00
Annual Reserves	90,917	94,554	98,336	102,269	106,360	110,615
Rolling Reserves	2,114,164.52	2,208,718.39	2,307,054.42	2,409,323.89	2,515,684.14	2,626,298.80
% of op budget	23%	23%	23%	24%	24%	24%
0.4375 Ad Valorem at 95%	10,607,005	11,031,285	11,472,537	11,931,438	12,408,696	12,905,044
Projected Annual Increase	407,961.74	424,280.21	441,251.42	458,901.47	477,257.53	496,347.83
Annual Reserves	530,350	551,564	573,627	596,572	620,435	645,252
Rolling Reserves	3,298,767.22	3,850,331.49	4,423,958.33	5,020,530.24	5,640,965.03	6,286,217.21
0.5 Ad Valorem at 95%	12,122,292	12,607,183	13,111,471	13,635,929	14,181,367	14,748,621
Projected Annual Increase	466,241.99	484,891.67	504,287.33	524,458.83	545,437.18	567,254.67
Annual Reserves	606,115	630,359	655,574	681,796	709,068	737,431
Rolling Reserves	3,770,019.67	4,400,378.84	5,055,952.37	5,737,748.85	6,446,817.18	7,184,248.25
Note: property appraiser projec						
Looking at valuations of 1 year,						
Assuming 95% collection rate						
Suggestion: Capping reserve aft						

# **Board of County Commissioners**

## **Leon County, Florida**

### **Policy No. 07-2**

Title:	Reserves
Date Adopted:	September 16, 2008
Effective Date:	September 16, 2008
Reference:	N/A
Policy Superseded:	Policy No. 07-2, "Reserves", adopted July 10, 2007; Policy No. 99-3, "Use of Contingency Reserves", adopted November 23, 1999; Policy No. 94-11, "Contingency Reserves and Mid-Fiscal Year Funding Requests from Outside Agencies," September 1994

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It shall be the policy of the Board of County Commissioners of Leon County, Florida, that:

Policy No. 07-2, "Reserves", adopted by the Board of County Commissioners on July 10, 2007, is hereby superseded, and a revised policy is hereby adopted in its place, to wit:

#### **1. Emergency Reserves**

- a. The general revenue emergency reserves will be maintained at an amount not to be less than 3% and to not exceed 8% of projected general fund and fine and forfeitures fund operating expenditures for the ensuing fiscal year.
- b. A Catastrophe Reserve will be maintained at 2% of the general fund and fine and forfeiture fund operating expenditures for the ensuing fiscal year. The Catastrophe Reserve will provide immediate cash flow for staff overtime, equipment, contractual support and materials/supplies in the event of a natural disaster.

In the event of a declared local state of emergency, the County Administrator is authorized to utilize the Catastrophe Reserve to pay Leon County solid waste and Leon County building/growth fees for eligible residents for the purpose of debris removal and home restoration/reconstruction. To be eligible, residents must demonstrate that all other means (including, but not limited to: FEMA Individual Assistance, property insurance) have been exhausted prior to seeking County assistance.

- c. The reserve for contingency is separate from the reserve for cash balances.
- d. Annually the Board will determine an appropriate amount of reserve for contingency to be appropriated as part of the annual budget. Any funds not included in the budget under this category will be included as part of the unreserved fund balance.

## **2. Reserve for Cash Balances**

- a. The County will maintain an annual unappropriated reserve for cash balance at a level sufficient to maintain adequate cash flow and to eliminate the need for short-term borrowing.
- b. The unappropriated fund balance shall be no less than 10% and no greater than 20% of projected general fund and fine and forfeiture fund operating expenditures.
- c. The reserve for cash balance shall be separate from the emergency reserves.
- d. All major funds will retain sufficient cash balances to eliminate the need for short-term borrowing.

## **3. Utilization of Fund Balance**

- a. As part of the annual budget process, a determination will be made of the minimum and maximum amounts of fund balance available based on the requirements set forth in Sections 1 and 2.
- b. Funds in excess of the minimums established can be utilized to support one time capital project funding and /or other one-time expenditures to address unforeseen revenue shortfalls.

## **4. Budgeted Contingency Reserve**

Budgeted Reserve for Contingency reserves, are established to provide the following:

- a. Funding for authorized mid-year increases to adopted levels of service.
- b. Funding for unexpected increases in the cost of providing existing levels of service.
- c. Temporary and nonrecurring funding for unexpected projects.
- d. Funding of a local match for public or private grants.
- e. Funding to offset losses in revenue caused by actions of other governmental bodies.
- f. Funding to accommodate unexpected program mandates from other governmental bodies.

## **5. Procedures**

- a. The County Administrator is authorized to develop forms and procedures to be used by outside agencies or individuals or County agencies in submitting their requests for use of contingency reserves.
- b. County agencies, including County departments and Constitutional Officers, requesting additional funding from the Board shall first submit their requests in writing to the County Administrator for full review and evaluation.
- c. After evaluation, all requests will be brought to the Board for consideration at a regularly scheduled meeting.
- d. Requests for use of reserves for contingency may be approved only by the Board of County Commissioners.

- e. The County's budget will be amended at such time the County Commission, by majority vote, authorizes reserves for contingency. All requests to the County Commission for the use of any reserves for contingency shall be accompanied by a "contingency statement" prepared by OMB showing the year-to-date activity on the reserves account as well as the current account balance and the net effect on the account of approving the use of reserves.

## **6. Evaluation Criteria**

- a. The Board will use the procedures and evaluation criteria set forth in this policy. The evaluation of funding requests shall include, but not be limited to the following:
  - ▶ consistency with other Board policy;
  - ▶ the urgency of the request;
  - ▶ the scope of services to be provided;
  - ▶ the short-term and long-term fiscal impact of the request;
  - ▶ a review of alternative methods of funding or providing the services,
  - ▶ a review for duplication of services with other agencies;
  - ▶ a review of efforts to secure non-County funding;
  - ▶ a discussion of why funding was not sought during the normal budget cycle; and
  - ▶ a review of the impact of not funding or delaying funding to the next fiscal year.

## **7. Exceptions**

- a. This policy is not intended to limit regular mid-year salary adjustment transfers from the salary adjustment contingency account, which is reviewed separately by the Board of County Commissioners on an annual basis.

# **Board of County Commissioners Leon County, Florida**

## **Policy No. 17 – 4**

Title: Leon County Investment Policy

Date Adopted: July 9, 2019

Effective Date: July 9, 2019

Reference: Florida Statutes Section 218.415, Ordinance 02-18

Policy Superseded: Policy No. 02-12, adopted September 17, 2002, Policy No. 02-12, revised January 11, 2005; revised September 2, 2008; revised September 14, 2010; revised October 11, 2011; revised February 25, 2014; Policy No. 17-4 “Leon County Investment Policy”, adopted July 11, 2017

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It shall be the policy of the Board of County Commissioners of Leon County, Florida, that Policy No. 17-4, “Leon County Investment Policy”, adopted on July 11, 2017, is hereby amended and a revised policy is hereby adopted in its place, to wit:

### **I. SCOPE**

This Policy was adopted using Florida Statutes Section 218.415 as a guideline and applies to all funds held by the County in excess of those required to meet current expenses.

### **II. INVESTMENT OBJECTIVES**

The primary objectives of all investment activities for the County should be safety of principal, maintenance of adequate liquidity, and finally, return maximization.

- A. Safety of Principal. This is the foremost investment objective. Investment transactions should seek to keep capital losses to a minimum, whether the result of security defaults or erosion of market value. This is best insured by establishing minimum acceptable credit ratings, limiting overall portfolio duration, setting maximum exposures by sector, defining appropriate levels of diversification, and limiting exceptions.
- B. Maintenance of Liquidity. To meet the day-to-day operating needs of the County and to provide the ready cash to meet unforeseen temporary cash requirements, a liquidity base of approximately at least two months of anticipated disbursements will be kept in relatively short term investments. These would include investments in government pools with daily liquidity such as the Local Government Surplus Trust Fund and money market investments.
- C. Return Maximization. Return is of least importance compared to the safety and liquidity objectives above. Investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

### **III. STANDARDS OF CARE**

- A. Standards of Prudence. The "Prudent Person" Rule shall be applied in the management of the overall investment portfolio. The "Prudent Person" Rule states: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The Clerk and Finance Department employees performing the investment functions, acting as a "prudent person" in accordance with established procedures and this Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that appropriate monitoring efforts are performed.
- B. Ethical Standards. Officers, employees and external investment advisors of the Clerk's Office who are involved in the investment process shall refrain from personal business activity that could conflict with State Statutes, County ordinances, proper management of the investment portfolio or which could impair their ability to make impartial investment decisions. Investment officials and employees, including members of the Investment Oversight Committee, shall disclose any material financial interests in any investment firms, or financial institutions that conduct business with the County and shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the County.
- C. Limits of Liability. Other than by an action of the County, the County shall provide for the defense and indemnification of any Committee member who is made a party to any suit or proceeding, or against whom a claim is asserted by reason of their actions taken within the scope of their service as an appointed member of this committee. Such indemnity shall extend to judgments, fines, and amounts paid in settlement of such claim suit, or proceeding, including any appeal thereof. This protection shall extend only to members who have acted in good faith and in a manner reasonably believed to be in, or not opposed to, the best interest of the County.

### **IV. AUTHORITY**

Responsibility for the administration of the investment program is vested in the Clerk of the Circuit Court (Clerk), as provided in Section 28.33, Florida Statutes. The Clerk shall exercise this authority to invest surplus funds in accordance with Section 218.415, Florida Statutes. The Clerk hereby delegates the day-to-day responsibility for the administration of the investment program to the Finance Director. The Finance Director shall maintain an Investment Procedures and Internal Controls Manual based on this Policy.



**V. INVESTMENT OVERSIGHT COMMITTEE**

The Board is responsible for setting guidelines for the investment of the portfolio through the adoption of this Investment Policy. The Board recognizes that there is an expertise required both for setting the guidelines and the review of performance, which may exceed the technical background of individual commissioners and has, therefore, created the Investment Oversight Committee. This Committee is charged with the responsibility to review this Policy on a regular basis and to recommend changes. The Clerk will provide sufficiently detailed reports to the Committee in order for the Committee to review portfolio performance. The Committee will establish portfolio benchmarks in order to judge the performance of the portfolio with respect to the market and other portfolios of similar size and limitations. The Committee will provide the Board a report as of the close of the fiscal year recapping the performance of the portfolio and any external managers. The Board or the Committee may request additional meetings to discuss issues of concern or direction.

**VI. PROCUREMENT OF EXTERNAL INVESTMENT MANAGERS**

The County may utilize external investment managers to assist with management of the portfolio. External management may be employed in situations where, due to limitations in the areas of staff time or expertise, such outside resources would be in a better position to overcome such limitations. Securities purchased by the external manager on behalf of the County, and other investments held by the fund, must be in compliance with the constraints identified by this Policy. The average duration of the funds managed by any one external manager on behalf of the County as part of the portfolio shall not exceed three years.

The Clerk in her capacity as Chief Financial Officer of Leon County oversees the selection of external managers through a competitive selection process (an RFP). The RFP committee will include county and clerk staff along with investment experts from other governments or the community. In making this selection, consideration will be given to past investment performance, fees, assets under management, experience of the firm and the individuals managing portfolios of similar size, complexity and investment restrictions. Upon selection of an external manager, the Clerk will execute a contract with the firm. External managers will be evaluated and retained based upon their investment performance.

**VII. THIRD-PARTY CUSTODIAL AGREEMENTS**

The Clerk will execute a Third Party Custodial Safekeeping Agreement with a depository chartered by the United States Government or the State of Florida. All securities purchased, and/or collateral obtained by the Clerk shall be properly designated as an asset of the County and held in an account separate from other assets held by the depository. No withdrawal of such securities, in whole or in part, shall be made from safekeeping except by authorized staff. The Clerk will enter into a formal agreement with an institution of such size and expertise as is necessary to provide the services needed to protect and secure the investment assets of the County.

Securities transactions between a broker-dealer and the 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.

The Third Party Custodial Safekeeping Agreement shall include letters of authority from the Clerk and details as to responsibilities of each party. These responsibilities include notification of security transactions, repurchase agreements, wire transfers, safekeeping and transactions costs, procedures in case of wire failure and other unforeseen mishaps, including the liability of each party.

#### **VIII. INTERNAL CONTROLS**

The Treasury Manager shall establish and monitor a set of written internal controls designed to protect the County's funds and ensure proper accounting and reporting of the securities transactions. 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. All daily investment activity is performed by the Treasury Manager under supervision of the Finance Director.

Pursuant to Section 218.415 (13), Florida Statutes, independent auditors as a normal part of the annual financial audit to the County shall conduct a review of the system of internal controls to ensure compliance with policies and procedures.

#### **IX. CONTINUING EDUCATION**

The Clerk staff responsible for making investment decisions must annually complete eight hours of continuing education in subjects or courses of study related to investment practices and products.

#### **X. POLICY REVIEW AND AMENDMENT**

This Policy shall be reviewed annually by the Investment Oversight Committee and any recommended changes will be presented to the Board of County Commissioners for adoption.

#### **XI. AUDITS**

Certified public accountants conducting audits of units of local government pursuant to Section 218.39, Florida Statutes shall report, as part of the audit, whether or not the local government has complied with Section 218.415, Florida Statutes.

**XII. MASTER REPURCHASE AGREEMENT**

The County will require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions will adhere to requirements of the Master Repurchase Agreement.

**XIII. INVESTMENT PERFORMANCE AND REPORTING**

A quarterly investment report shall be prepared by the Finance Office and provided to the County Administrator and the Investment Oversight Committee. The report shall include an analysis of the portfolio by sector, maturity, yield, as well as its overall performance during that period with sufficient detail for a comprehensive review of investment activity and performance.

An annual report will be presented to the Board of County Commissioners ("Board"), which shall include securities in the portfolio by sector, book value, income earned, market value and yield. Investment performance shall measure risk characteristics, portfolio size, sector allocations, and year-to-date earnings to an appropriate benchmark.

The County Administrator shall be notified immediately of deviations from currently approved investment policies. In the event of a ratings agency downgrade to below the A or better requirement, a written notification and investment plan from the external manager must be submitted to the County Administrator. A forced or immediate sale of the downgraded asset is not required.

**XIV. RISK DIVERSIFICATION AND PORTFOLIO COMPOSITION**

The County recognizes that investment risks can result from issuer defaults, market price changes, change in credit ratings, reinvestment of principal and interest, or various technical complications leading to temporary illiquidity. For purposes of this Policy, the top nationally recognized statistical ratings organizations (NRSROs) for all credit-sensitive securities are Moody's, Standard and Poor's, and Fitch. Portfolio diversification and maturity limitations are employed as primary methods of controlling risk. Market value shall be the basis for determining portfolio percentages and compliance with this Policy.

The average range of duration for the County's overall portfolio, inclusive of internally and externally managed investments, is defined as 0.5 years to 2.5 years. Unusual market or economic conditions may mandate moving the portfolio outside of this range. The Investment Oversight Committee will be convened and will approve any portfolio duration outside of the range specified above.

**XV. AUTHORIZED INVESTMENTS**

This section lists the authorized investments for the internal and external county portfolios. Details of key limitations on authorized investments are provided in Exhibit A. Investments not listed in this policy are prohibited.

Internal Investment Portfolio

- A. The Local Government Surplus Trust Fund (Florida Prime), Florida Treasury Special Purpose Investment Account (SPIA), or any intergovernmental investment pools authorized pursuant to the Florida Interlocal Cooperation Act of 1969 as provided in Section 163.01 Florida Statutes.
- B. Investments may be made in SEC qualified constant net asset value fixed income money market mutual funds rated AAAM or AAAG comprised of only those investment instruments as authorized in this Policy, provided that such funds do not allow derivatives.
- C. Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Section 280.02 Florida Statutes. This includes, but is not limited to, time deposit accounts, demand deposit accounts, and non-negotiable certificates of deposit.

External Investment Portfolio

- D. Direct obligations of the United States Treasury. Investments may be made in negotiable direct obligations or obligations the principal and interest of which are unconditionally guaranteed by the United States Government.
- E. Federal Agencies and Instrumentalities. United States Government Agencies and sponsored agencies which are non-full faith and credit.
- F. Corporate Debt Securities. Investments may be made in securities issued by any U.S. corporation provided that such instrument is rated A or better by at least two NRSROs.
- G. Municipal Bonds. Investments may be made in securities issued by governmental entities or territorial boundaries of the United States provided that such instrument is rated A or better by at least two NRSROs.
- H. Mortgage-Backed Securities (MBS). Only agency collateralized (FNMA, FHLMC and GNMA) MBS, including collateralized mortgage obligations (CMOs), may be purchased.
- I. Asset-Backed Securities (ABS). Only ABS collateralized by traditional consumer receivables such as automobile, equipment, utility, and credit card loans may be purchased. The minimum credit rating for ABS must be AAA by at least two NRSRO at the time of purchase.
- J. Commercial Mortgage-Backed Securities (CMBS). Only agency collateralized CMBS may be purchased.

- K. Repurchase Agreements. Investments whose underlying purchased securities consist of United States Treasury, Federal Agencies and/or Instrumentalities and based on the requirements set forth in the Clerk's Master Repurchase Agreement.
- L. Banker's Acceptances. Investments may be made in bankers' acceptances which are inventory based and issued by a bank, which has at the time of purchase, an unsecured, uninsured and un-guaranteed obligation rating of at least "Prime-1" and "A" by Moody's and "A-1" and "A" by Standard & Poor's.
- M. Commercial Paper. Investments may be made in commercial paper of any United States company, which is rated at the time of purchase, "Prime-1" by Moody's and "A-1" by Standard & Poor's (prime commercial paper). Asset backed commercial paper is prohibited.

## **XVI. SUMMARY OF KEY LIMITATIONS ON AUTHORIZED INVESTMENTS**

The detail guidelines for investments and limits on security issues, issuers, maturities, and credit quality as established by the Clerk are provided in **Exhibit A**. The Clerk or the Clerk's designee (Finance Director) shall have the option to further restrict or increase investment percentages from time to time based on market conditions. Exceeding percentage limits due to changes in portfolio balance will not require liquidation of any asset but will restrict further investing. Any changes to the portfolio composition guidelines or limits must be in writing from the Finance Director, directed to the appropriate parties and discussed at each quarterly Investment Oversight Committee meeting.

### Additional Portfolio Limitations

- A. The limits for the Internally Managed portfolio apply to the combined internal and external portfolios.
- B. The External Manager's limits apply to external portfolio.
- C. The maximum combined portfolio allocation to MBS, CMBS and ABS securities is 45% at time of purchase.
- D. The maximum combined portfolio allocation to corporate debt and municipal securities is 45% at time of purchase.
- E. Portfolio securities may be purchased in either fixed or floating-rate form.
- F. All investments must be denominated in U.S. Dollars.
- G. Investments rated BBB and below are not permitted at the time of purchase. The lower rating shall apply in instances of split-rated securities.

**EXHIBIT A**

<b>IP Section</b>	<b>Authorized</b>	<b>Security Type</b>	<b>Portfolio Sector Maximum</b>	<b>Per Issuer Maximum</b>	<b>Further Limited By</b>	<b>Maximum Maturity/ WAL Limit</b>	<b>Quality Minimum</b>
XVI.A.	IM	State of Florida Treasury Special Purpose Investment Account (SPIA);	100%	NA	NA	NA	NA
XVI. A.	IM	Local Government Surplus Funds Trust Fund (Prime) FL Local Government Investment Trust (FLGIT)	20% each Pool	NA	NA	NA	NA
XVI. A	IM	FL Municipal Investment Trust (FMIVT)	15% each Pool	NA	NA	NA	NA
XIV. B.	IM	Constant Net Asset Value Money Market Mutual Funds	100%	NA	NA	NA	SEC-qualified, must hold investments allowed by this Policy
XVI. C.	IM	Financial Deposit Instruments	30%	NA	NA	2-Year Mat; 1 Year Avg Maturity	Florida Security for Public Dep. Act
XVI. D.	EM	United States Government Securities	100%	NA	NA	10-Year Maturity	NA
XVI. E.	EM	United States Federal Agencies (full faith and credit)	100%	20.0%	NA	5-Year Maturity	NA
XVI. E.	EM	Federal Instrumentalities (Non-full full faith and credit)	45%	15.0%	NA	5-Year Maturity	NA
XVI. F.	EM	Corporate Debt Securities	25%	3.0%	NA	5-Year Maturity	A3/A- by 2 NRSRO
XVI. G.	EM	Municipal Bonds	35%	3.0%	NA	5-Year Maturity	A3/A- by 2 NRSRO
XVI. H.	EM	Mortgage-Backed Securities (MBS), including CMOs	35%	15.0%	3.0% per CUSIP	5-Year WAL	Agency only
XVI. I.	EM	Asset-Backed Securities (ABS)	10%	3.0%	NA	5-Year WAL	Aaa/AAA by 2 NRSRO
XVI. J.	EM	Commercial Mortgage-Backed Securities (CMBS)	8%	3.0%	NA	5-Year WAL	Agency only
XVI. K.	EM	Repurchase Agreements	15%, if longer than 1-Day	5.0%	NA	60-Days	Requires Master Repo Agreement
XVI. L.	EM	Bankers' Acceptances	15%	5.0%	No ABCP	270-Days	A1/P1 by 2 NRSRO
XVI. M.	EM	Commercial Paper	20%	5.0%	No ABCP	270-Days	A1/P1 by 2 NRSRO

EM. External Managers where limits apply to external portfolio.

IM. Internal Management where limits apply to combined internal and external portfolios.

WAL. Weighted Average Life.

The maximum combined portfolio allocation to MBS, CMBS and ABS securities is 45% at time of purchase.

The maximum combined portfolio allocation to corporate debt and municipal securities is 45% at time of purchase.

Portfolio securities may be purchased in either fixed or floating-rate form.

**CITY OF TALLAHASSEE**  
**NON-PENSION INVESTMENT POLICY**

*(Commission Policy 234)*

*Approved June 16, 2021*

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# CITY OF TALLAHASSEE

## NON-PENSION INVESTMENT POLICY (the “Policy”)

### INTRODUCTION

#### 234.01 AUTHORITY

In accordance with Section 51 of the City Charter, the responsibility for administering the investment program of the City resides with the Treasurer-Clerk (or his designee). It shall be the Treasurer-Clerk's responsibility to ensure the proper management, internal controls, safekeeping, and recording of all investment assets held or controlled by the City. No person may engage in any investment transaction with City funds or funds held in a Trust relationship by or for the City, except as authorized by the Treasurer-Clerk. This Policy is promulgated pursuant to and consistent with the provisions of Section 218.415, Florida Statutes, and Chapter 51, City of Tallahassee Charter.

Section 65 of the City Charter created the Sinking Fund Commission. The three appointed members (non-City Commissioners) of the Sinking Fund Commission are, by this Policy, designated as the Investment Advisory Committee of the City. As their responsibilities relate to the assets covered by this Policy, it shall be the duty and responsibility of the Investment Advisory Committee to:

- Confirm the Treasurer-Clerk's decision to utilize external investment management and approve specific manager guidelines on a case-by-case basis, in accordance with Section 234.107 *External Management* of the Core Portfolio.
- Approve the lists of authorized dealers, brokers, and issuers referenced in Section 234.104 *Dealer, Manager and Financial Institution Selection* of the Core Portfolio, as well as any additions to such lists.
- As recommended by the Treasurer-Clerk, approve the designation of a portfolio as a Specialized Portfolio under Section 234.201 of this Policy, and approve the guidelines of each Specialized Portfolio.
- Immediately notify the Treasurer-Clerk in the event any information comes to their attention that may have an adverse effect upon the security or marketability of any of the investments purchased under the provisions of this Policy.
- Recommend any amendments to this Policy to the City Commission.
- Review the City's Non-Pension Portfolio activity and performance for compliance with this Policy, advising City investment staff as to recommendations relative to said Portfolio activity/performance, and informing the City Commission of unaddressed concerns with the management of the City's non-pension assets.

#### 234.02 SCOPE AND PURPOSE

All non-pension financial assets held or controlled by the City, unless otherwise restricted that require separate investing, shall be invested under the guidelines as set forth in this Policy.

#### 234.03 OBJECTIVES

The foremost objective is the preservation of capital. The second objective of the Portfolio is to provide sufficient liquidity to meet the budgeted operating and capital needs of the government, and to meet other cash requirements as might reasonably be expected. The third objective of the portfolio is to maximize return within the risk levels established by the safety and liquidity objectives.

#### 234.04 PRUDENCE AND ETHICAL STANDARDS

The standard of prudence to be used by the Treasurer-Clerk and his designee(s) shall be the Prudent Person Rule, which states: “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.” The Treasurer-Clerk and his designee(s), acting in accordance with established policies and procedures and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to minimize adverse developments. The Prudent Person Rule shall be applied in the context of managing all assets invested under this Policy.

Officers and employees of the City who are involved in the investment process shall refrain from personal business activity which could conflict with State Statutes, City Ordinances, or proper management of the City's investment program, or which could impair their ability to make impartial investment decisions. Investment officials and employees, including members of the Investment Advisory Committee, shall disclose to the City Commission any material financial interests in any investment firms or financial institutions that conduct business with the City and shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

Limits of Liability - City of Tallahassee Resolution 86-R-1454, passed and adopted by the City Commission on November 25, 1986, provides for the defense and indemnification of any committee member who is made a party to any suit or proceeding, other than by an action of the City, or against whom a claim is asserted, by reason of their actions taken within the scope of their service as an appointed member of this committee. Such indemnity shall extend to judgments, fines, and amounts paid in settlement of any such claim, suit, or proceeding, including any appeal thereof. This protection shall extend only to members who have acted in good faith and in a manner that they reasonably believe to be in, or not opposed to, the best interest of the City of Tallahassee.

## **234.05 SAFEKEEPING AND CUSTODY**

### **Collateral**

Collateral for public deposits is regulated by the State of Florida through Florida Statutes, Chapter 280. The City shall not be under any obligation to secure additional collateral beyond the provisions set forth in Chapter 280, except in the case of Repurchase Agreements. Collateral requirements for Repurchase Agreements will be contained in the Master Repurchase Agreement as required under Section 234.108(I) of this Policy.

### **Custody**

All securities purchased by the City under this Policy, except Certificates of Deposits, shall be properly designated as assets of the City of Tallahassee and shall be protected through a third-party custody agreement. The City shall enter into a formal agreement with an institution of such size and expertise as is necessary to provide the services needed to protect and secure the investment assets of the City.

Certificates of Deposit may be held in safekeeping at the issuing financial institution or may be held in physical custody by the City. The Investment Procedures and Internal Controls shall provide for proper authority and security for both of these custody situations.

### **Delivery Versus Payment and “Free” Delivery**

Under normal circumstances, all securities under this Policy shall be purchased using the "delivery versus payment (DVP)" process. The Investment Procedures and Internal Controls shall provide for appropriate authorization and security if it is ever necessary to carry out security transactions on a "free" delivery basis.

## **234.06 REPORTING**

The Treasurer-Clerk's Office shall generate investment reports for internal management purposes on a periodic basis, but not less frequently than quarterly. Quarterly investment reports shall be prepared and submitted to the Investment Advisory Committee members, with information sufficient to provide for a comprehensive review of investment activity, performance and compliance metrics for the quarter. The information submitted shall include, at a minimum, a

listing of the securities in each portfolio by type, book value and market value. The quarterly report shall be reviewed in detail by the Investment Advisory Committee.

For the purpose of calculating and reporting portfolio percentages as set forth in this Policy, such percentages will be based on the market value of the individual securities and/or categories versus the total par value of the related portfolio. The Treasurer-Clerk's Office shall provide the Department of Administration and Professional Services timely transaction data as necessary to record and document investment activity.

The Treasurer-Clerk's Office shall provide, to the external and internal auditors and to the Department of Administration and Professional Services, such annual reports as are requested for the purpose of developing and supporting the Annual Financial Statements of the City.

#### **234.07 INTERNAL CONTROLS**

The Treasurer-Clerk shall establish, and document in writing, a system of internal controls to ensure that the financial assets of the City are properly safeguarded, managed, and accounted for. These internal control procedures shall address, at a minimum:

- Segregation of duties
- Delegation of authority
- Proper design and maintenance of documentation and records
- Controlling access to assets
- Reconciling and reporting

As required by Florida Statute 218.415(13), the internal controls shall be reviewed, at least annually, by the City's external auditors, as part of the required financial audit.

#### **234.08 CONTINUING EDUCATION**

A minimum of eight hours of continuing education shall be completed during each fiscal year by the staff member(s) directly responsible for making the investment decisions under the scope of this policy. The Treasurer-Clerk shall determine the staff member(s) who is subject to this requirement.

#### **234.09 POST PURCHASE COMPLIANCE**

From time to time, investments that were within the guidelines of this Policy at the time of purchase may subsequently fall outside the Policy guidelines. Such investments shall be exempted from the terms of this Policy; however, the Treasurer-Clerk shall use discretion in determining whether to retain or dispose of the investments. At maturity or liquidation, the proceeds of securities so invested shall be reinvested only as provided for in this Policy.

#### **234.10 EFFECTIVE DATE**

This Policy shall become effective immediately upon its adoption by the Sinking Fund Commission.

### **CORE PORTFOLIO**

#### **234.101 PORTFOLIO MANAGEMENT**

The Core Portfolio consists of an internally managed account and any externally managed accounts. The internally managed account is the staff directed portion of the City's non-pension funds and is typically managed to a shorter duration than the externally managed accounts. The externally managed account is managed by outside money managers and may have a longer duration and other characteristics designed to provide additional diversification. The internally managed portfolio will be actively managed, but will be structured, at the time of each purchase, so that, if required, all securities could be held to maturity.

## **234.102 RISK AND DIVERSIFICATION**

The City recognizes that investment risks can result from issuer defaults, market price changes, changes in credit rating, reinvestment of principal or interest, or various technical complications leading to temporary illiquidity. Portfolio diversification, credit quality and maturity limitations are employed as the primary methods of controlling risk. Market value shall be the basis for determining portfolio percentages as required for the Portfolio.

### **Credit Ratings**

For the purpose of this Policy, the “top nationally-recognized rating agencies” for corporate securities are Moody’s Investors Service, Standard & Poor’s, Fitch Ratings and DBRS Morningstar. For corporate securities, one of the two required ratings shall be from Moody’s Investors Service, Standard & Poor’s, or Fitch Ratings.

The “top nationally-recognized rating agencies” for municipal securities are Moody’s Investors Service, Standard & Poor’s, and Fitch Ratings. The ratings assigned for a municipal security must be the underlying rating of the security and not an insured rating.

### **Maturity and Liquidity**

The City has established maturity limitations for each investment category identified as an authorized investment for the City in Section 234.109 *Authorized Investments*. The Treasurer-Clerk or designee shall determine the approximate amount of funds required to meet the day-to-day expenditure needs of the City. The intent shall be for all amounts to be fully invested; however, any funds in the custodial account not otherwise invested will be “swept” overnight into a money market fund that is registered under the Investment Company Act of 1940.

## **234.103 PERFORMANCE MEASUREMENT**

The internally managed account shall use the Bloomberg Barclay’s Government/Credit 1-3 Year Ex Baa Total Return Index as its performance benchmark. Each externally managed account will be measured against an agreed upon benchmark with the external manager.

## **234.104 DEALER, MANAGER AND FINANCIAL INSTITUTION SELECTION**

The Treasurer-Clerk shall maintain a list of brokers authorized to conduct business with the City. This list shall be reviewed and approved annually by the Investment Advisory Committee.

Before engaging in investment transactions with a broker/dealer, the Treasurer-Clerk shall have received from said firm a signed Certification Form (Attachment “A”) attesting that the individual responsible for the City’s account with that firm has reviewed the City’s Investment Policy and that they agree to undertake reasonable efforts to preclude imprudent transactions involving City funds.

## **234.105 SECURITY SELECTION PROCESS**

When purchasing or selling securities, the Treasurer-Clerk or his designee(s) shall select the security which provides the highest rate of return within the parameters and given the current objectives and needs of the City’s Portfolio. For most situations, the City shall utilize the competitive bid process. Selection by comparison to a current market shall be utilized when, in the judgment of the investment staff, competitive bidding would inhibit the selection process.

## **234.106 DERIVATIVE SECURITIES**

Derivative securities are defined by Florida Statutes, Chapter 218.415, as “a financial instrument the value of which depends on, or is derived from the value of one or more underlying assets, index, or asset values.” Utilizing this definition, investment in derivative securities in this Portfolio is limited to investments with the following characteristics, except as specifically provided elsewhere in this Policy:

- Must have a stated final maturity date at purchase of not longer than 5 years; and
- Must mature at par value.

The securities of the issuer must be authorized investments of the City as defined for this Portfolio. Any security that creates artificial volatility as compared to the underlying security, or to the market for a similar security, is prohibited. Specifically, the use of inverse floating rate notes, reverse repurchase agreements and any other forms of leverage is prohibited.

## **234.107 EXTERNAL MANAGEMENT**

The City may utilize external investment managers, on both a separate account and commingled basis, to assist with management of the Portfolio, when determined by the Treasurer-Clerk to be the City's best interest to do so. External management may be provided through the utilization of government-sponsored pools, fixed income money market funds, mutual funds, commingled accounts or separate accounts.

The average effective duration of the funds managed by any one external manager on behalf of the City, as part of the Portfolio, shall not exceed 6 years. Separate guidelines will be negotiated with each external manager. These guidelines will also be reviewed and approved by the Investment Advisory Committee.

## **234.108 SECURITIES LENDING**

The City may engage in securities lending activities with its operating portfolio. The City will agree with the provider on guidelines for the investment of the cash collateral that results from this activity. These guidelines will provide for short-term investments that are focused on liquidity and capital preservation.

## **234.109 AUTHORIZED INVESTMENTS**

### **I. Internally Managed Account**

#### **A. United States Government-Backed Securities**

Bonds, debentures, notes or callables issued or guaranteed by the United States Government or its agencies, provided such obligations are backed by the full faith and credit of the United States Government. This includes adjustable and fixed rate asset-backed and mortgage-backed securities. Such securities will include, but not be limited to the following:

- Treasury Bills, Notes, and Bonds
- United States Export – Import Bank
  - Direct obligations or fully guaranteed certificates of beneficial ownership
- Farmer Home Administration obligations
- Federal Housing Administration Debentures
- Government National Mortgage Association (GNMA)
  - GNMA guaranteed mortgage-backed bonds
  - GNMA guaranteed pass-through obligations
- United States Maritime Administration Guaranteed Title XI Financing
- Small Business Administration
  - United States Government guaranteed loan pools
- United States Department of Housing and Urban Development
  - Project notes and local authority bonds

#### **B. United States Agencies and Sponsored Enterprises (Federal Instrumentalities)**

Bonds, debentures, notes or callables issued by United States Government sponsored agencies (Federal Instrumentalities), which are non-full faith and credit agencies. These are limited to the following:

- Federal Farm Credit Bank (FFCB)
- Federal Home Loan Bank (FHLB)
- Federal National Mortgage Association (FNMA)
- Federal Home Loan Mortgage Corporation (Freddie-Macs) including Federal Home Loan Mortgage Corporation participation certificate
- Tennessee Valley Authority (TVA)

**C. Corporate Fixed Income Securities**

Includes both taxable and tax exempt coupon bonds and notes, medium-term notes, discount notes, and variable-rate securities, issued by any corporation in the United States or a dollar-denominated security issued in the United States by a foreign corporation (Yankee Bonds) with operations in the United States.

**D. Municipal Fixed Income Securities**

Includes both taxable and tax exempt general obligation and/or revenue bonds - coupon bonds and notes, medium-term notes, discount notes, and variable-rate securities, issued by any state or local government in the United States.

**E. Commercial Paper**

Both taxable and tax exempt, issued in the United States by any corporation. If the commercial paper is backed by a letter of credit ("LOC"), the long-term debt of the LOC provider must be rated "AA" or better by at least two nationally recognized rating agencies.

**F. Banker's Acceptance**

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.

**G. Non-Negotiable Certificates of Deposit**

Issued by Florida Qualified Public Depositories as identified by the State Treasurer's office, in accordance with Florida Statutes Chapter 280.

**H. Mortgage-Backed Securities**

Federal National Mortgage Association, (FNMA,) and Federal Home Loan Mortgage Corporation (FHLMC) pass-through mortgage securities, including adjustable-rate mortgages (ARMs). Sub-prime, Alt-A and other non-first lien mortgage securities are prohibited.

**I. Repurchase Agreements**

Purchased only from dealers included on a list developed by the City Treasurer-Clerk, and approved and amended, from time to time as necessary, by the Investment Advisory Committee. Any firm through whom the City transacts repurchase agreements must have on file with the City a fully executed copy of the City's Master Repurchase Agreement. Repurchase Agreements shall be collateralized only by securities of the United States Government, United States government Agencies, and Federal Instrumentalities.

**J. Stripped U.S. Treasury, Agency or Instrumentality Fixed Rate Securities**

Any stripped securities purchased must be the actual Treasury securities. No trust receipts or other third-party (trademark) programs representing stripped securities are acceptable for purchase as part of the Internally Managed Account. Both the principal-only (PO) and interest-only (IO) portions of any stripped securities are authorized for purchase as part of the Portfolio. Purchase of IO strips is limited to non-callable securities.

**K. Guaranteed Investment Contracts (GICs)**

GICs only with insurance companies rated in the highest category by AM Best Rating System/or a comparable nationally recognized rating service.

**II. Externally Managed Accounts**

**A. Government-Sponsored Pools**

1. The following intergovernmental investment pools, and other fixed-income pools that may be created from time to time that invest in investment grade securities, authorized pursuant to (a) the Florida Interlocal Cooperation Act, as provided in Florida Statutes, Chapter 163.01, (b) Investment of Local Government Surplus funds, as provide in Florida Statutes, Chapter 218.40, and (c) Investment of

Certain Funds, Chapter 17.61, may be utilized for investment by the Portfolio, these include, but are not limited to:

- a.State of Florida Special Purpose Investment Account (SPIA)
- b. State of Florida PRIME Fund (SBA)
- c. Florida League of Cities
  - FMIvT High Quality 0-2 Year Bond Fund
  - FMIvT High Quality 1-3 Year Bond Fund
  - FMIvT High Quality Broad Market Bond Fund
- d. Florida Association of Counties
  - Florida Trust Day-to-Day Fund
  - Florida Trust Intermediate Fund
- e. Florida Cooperative Liquid Asset Securities System (FLCLASS)

**B. Other External Fixed-Income Managers**

This category would include fixed-income mutual funds and other outside firms that would manage funds both on a separate account basis and in commingled funds. For money market mutual funds, the Portfolio can only invest in the securities of or other interests in, open-end and close-end management type investment companies or investment trusts registered under the Investment Company Act of 1940 and having the highest quality rating from a nationally-recognized rating agency.

The maximum percentage of the Core Portfolio that may be invested in a commingled fund which invests in corporate securities with a long-term rating below investment grade shall be 5%. Individual accounts for below investment grade debt shall not be permitted.

Any funds or managers to be utilized pursuant to this category will be recommended by the Treasurer-Clerk and approved by the Investment Advisory Committee on a case-by-case basis.

The table below presents the above approved investments by security type, with the limits on amounts to be invested in these various security types, as well as the maximum exposure to each issuer and issuance of debt by that issuer. The table further outlines minimum credit quality, maximum average effective duration and the maximum maturity for each of these securities. For a commingled account or a separate account managed by an external party, the minimum credit quality applies to the overall portfolio rather than an individual security. All of these constraints must be met at the time of each security purchase.

Security Type		Min/Max Internally Managed Account Percentage+	Maximum Per Issuer Total/ Percentage	Maximum Per Issue Total/ Percentage	Minimum Credit Quality*	Maximum Average Effective Duration	Maximum Maturity
U.S. Government Backed		Min - 20%					
	Treasuries	Max - 100%	100%	N/A	AAA/Aaa	3.5	7 Years
	Fixed Rate Mortgages	Max - 20%	20%	5%	AAA/Aaa	N/A	15 Years
	Adjustable Rate Mortgages^	Max - 15%	15%	5%	AAA/Aaa	N/A	30 Years
	Asset Backed^	Max - 10%	10%	5%	AAA/Aaa	3.5	25 Years
	Stripped U.S. Treasuries - Fixed Rate	Max - 5%	5%	5%	AAA/Aaa	3.5	3 Years
Agencies							
	Agencies	Max - 40%	20%	N/A	AA+/Aa1	3.5	7 Years
Corporates							
	Corporates	Max - 35%	5%	10%	A/A2	2.5	5 Years
Commercial Paper							
	Commercial Paper	Max - 40%	5%	N/A	P2/A2/F2	N/A	270 Days
Municipals							
	Municipals	Max - 30%	5%	20%	A/A2	2.5	5 Years
Mortgage- Backed							
	Fixed Rate Mortgages	Max - 15%	15%	5%	AA+/Aa1	N/A	15 Years
	Adjustable Rate Mortgages^	Max - 10%	10%	N/A	AA+/Aa1	N/A	30 Years
Guaranteed Investment Contracts		Max - 5%					
	GICs Fixed	Max - 5%	5%	N/A	AMB-1+/aaa	N/A	1 Year
	GICs Variable	Max - 5%	5%	N/A	AMB-1+/aaa	N/A	5 Years
Other Investments							
	Banker's Acceptance	Max - 10%	5%	N/A	P1/A1/F1	N/A	270 Days
	Non-Negotiable CD's	Max - 20%	5%	N/A	FQPD	1 Yr Avg Mat	2 Years
	Repurchase Agreements	Max - 20%	5%	N/A	N/A	60 Days Total	180 Days
		Percentage of Core Portfolio	Maximum Per Mandate		Minimum Average Credit	Max Effective Duration	
Externally Managed #		Max - 80%					
	Government Sponsored Pools - Daily Liquidity	Max - 80%	50%	N/A	AA/Aa2	3.0	N/A
	Government Sponsored Pools - Non-Daily Liquidity	Max - 50%	20%	N/A	AA/Aa2	3.0	N/A
	Externally Managed Accounts - Investment Grade	Max - 60%	25%	N/A	A/A2	6.0	N/A
	Externally Managed - Below Investment Grade	Max - 5%	5%	N/A	B+/B1	5.0	N/A

+ For Internally managed funds, the min/max levels apply to the Internally managed portion of the Core Portfolio.

\* - Minimum ratings from two of the top nationally recognized rating agencies. For municipal securities, only one rating is required. AMB is A.M. Best. FQPD is a list of Florida Qualified Public Depositories maintained by the Florida Department of Financial Services.

^ - Max of 20% of the internally managed account may be invested in adjustable rate mortgage and asset-backed securities.

# For Externally managed funds, the maximum levels apply to the entire Core Portfolio.



## **SPECIALIZED PORTFOLIOS**

### **234.201 SCOPE AND PURPOSE**

Specialized Portfolios are portfolios containing investments that, for various reasons, fall outside the parameters established to govern the Core Portfolio, Section 234.101 of this Policy. Reasons for these exceptions may be: the funds are governed under specific legal constraints (such as bond covenants, trust agreements) that define their investment parameters; or, the securities come to the City as gifts, in lieu of debts owed the City, or in conjunction with unique agreements the City might enter into. Specialized Portfolios may be added from time to time; however, establishment of such portfolios shall be approved by the Investment Advisory Committee.

### **234.202 OBJECTIVES**

Criteria will be established individually for each Specialized Portfolio and will be specific to that portfolio. These criteria will include, at a minimum, the objectives, a definition of authorized investments, and performance evaluation criteria.

## INVESTMENT FIRM CERTIFICATION FORM

As an authorized representative of the undersigned firm, I hereby certify that said firm has in place reasonable procedures to monitor the activities of employees of this firm engaged in transactions between our firm and the City of Tallahassee. All sales personnel of this firm dealing with the City of Tallahassee have been informed and will be routinely informed of the City's investment objectives, policies, risk constraints and other pertinent factors, whenever we are so informed. This firm further pledges due diligence in informing the City of foreseeable risks associated with financial transactions connected with this firm.

\_\_\_\_\_  
(Firm Name)  
Authorized Representative

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Name - Printed)

\_\_\_\_\_  
(Date)

As account representative for the City of Tallahassee on behalf of the above referenced firm, I hereby certify that I have personally read and understand the investment policies of the City of Tallahassee, in such form as said policies were provided to me. I agree to use my best efforts to comply with the City's written policies and will not knowingly enter into any transaction with the City which appears to be in violation of the City's written policies.

Account Representative

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Name - Printed)

\_\_\_\_\_  
(Date)