RESOLUTION NO. 6-15

A RESOLUTION ADOPTING AN INVESTMENT POLICY IN ACCORDANCE WITH FLORIDA STATUTE §218.415, as amended; RESCINDING ALL RESOLUTIONS IN CONFLICT HEREWITH AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the Utilities Commission, City of New Smyrna Beach, Florida, has the full and exclusive authority over the management over its financial affairs; and,

WHEREAS, the Utilities Commission, City of New Smyrna Beach, Florida, is a political subdivision in the State of Florida in which compliance with specific Florida Statutes apply; and,

WHEREAS, the Utilities Commission, City of New Smyrna Beach, Florida, has complied with Florida Statute §218.415, as amended, by adopting an investment policy by October 1, 1995 and developing written internal controls by January 1, 1996, or following alternative guidelines as prescribed by stated statute, and now wishes to amend said policy.

NOW, THEREFORE, BE IT RESOLVED BY THE UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA AS FOLLOWS:

SECTION 1.0 POLICY. The Utilities Commission, City of New Smyrna Beach, Florida, referred hereafter as Commission, elects to amend its investment policy and maintain written internal controls as prescribed by Florida Statute §218.415. It is the policy of the Commission to invest public funds in a prudent and ethical manner which will provide the highest priority on the safety of principal while meeting the daily cash flow demands of the entity and conforming to all state and local statutes, and Revenue Certificate resolutions governing the investment of public funds under the control of the Commission.

SECTION 2.0 SCOPE. This investment policy applies to all cash and investments under the control of the Commission. These cash and investments serve to pay operation and maintenance expenses, plant expansion costs and equipment purchases, decommissioning costs, debt service costs, and meter deposits refunds. Revenue Certificate proceeds and debt service sinking and reserve funds may be further limited or expanded by their respective Revenue Certificate resolutions or covenants and shall not be considered to be in conflict with the investment policy. Cash and investments not under control of the Commission consists of amounts escrowed for advance refunding or defeasance of debt, and the Compensating Balance Account, and accordingly are not covered under this investment policy.

SECTION 3.0 PRUDENCE. The "Prudent Person Rule" is adopted as the standard to be used in the management of the overall investment portfolio which states that: "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."

SECTION 4.0 OBJECTIVE. The primary objectives, in priority order, of the Commission's investment activities shall be:

a. Safety: Safety of principal is the foremost objective of the investment program. Investments of the Commission shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Each investment transaction shall be entered into with every effort to prevent capital losses, whether they be from securities defaults, theft, or the impact of adverse market conditions.

b. Maturity and Liquidity: The investment portfolio shall be structured in such manner as to provide sufficient liquidity to pay obligations as they come due. To that end, to the extent possible, the
investment policy is to match investment maturities with known cash needs and anticipated cash-flow requirements.

c. Return on Investments: The Commission's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economical cycles, commensurate with the Commission investment risk constraints and cash flow characteristics of the portfolio.

SECTION 5.0 AUTHORITY. The authority to manage the business and affairs of the Commission is derived from §85.503 Laws of Florida and as set forth in Section 214 of the Charter of the City of New Smyrna Beach. Management responsibility for the investment program is hereby delegated to the Director of Finance, who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to: safekeeping, The Bond Market Association (TMBA) repurchase agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under terms of this policy and the procedures established by the Director of Finance. The Director of Finance shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

SECTION 6.0 ETHICS AND CONFLICTS OF INTEREST. Utilities Commission Commissioners and Staff involved in making investment decisions shall consider personal business activity that conflict with and could impair the ability to make impartial investment decisions and be recused from such decision-making authority.

SECTION 7.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS. The Director of Finance will maintain a list of financial institutions authorized to provide investment services. In addition, a limited list based on the number of dealers that can be dealt with practically will also be maintained of approved security dealers selected by credit worthiness who are authorized to provide investment services in the State of Florida. The selection of these dealers will be evaluated based on criteria developed by the Director of Finance through written internal control procedures. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule). No public deposits or repurchase agreement transactions shall be made except in a qualified public depository as established by the laws of the State of Florida.

All financial institutions and dealers who desire to become qualified bidders for investment transactions must supply the Director of Finance with the following:

1. Audited Financial Statements
2. Proof of National Association of Security Dealers certification
3. Trading Resolution
4. Proof of Florida registration
5. Dealer questionnaire
6. Certification of having read this investment policy and depository contracts

An annual review of the financial condition and regulations of qualified bidders will be conducted by the Director of Finance. A current audited financial statement is required to be on file for each financial institution and dealer in which the Commission invests.

SECTION 8.0 AUTHORIZED AND SUITABLE INVESTMENTS. The Commission is empowered by Statute and Resolution 28-78 to invest in the following types of securities.

a. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in §163.01.

b. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
c. Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Florida Statutes §280.02.
d. Direct obligations of the United States Treasury.
e. Federal agencies and instrumentalities.
f. Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. §§80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.
g. Other investments authorized by law or by ordinance for a county or a municipality including:
   a. Obligations of the Federal Home Loan Mortgage Corporation (including participation certificates)
   b. Obligations of the Federal Farm Credit Banks
   c. Obligations of the Federal Home Loan Bank or its district banks.
   d. Obligations guaranteed by the Government National Mortgage Association
   e. Obligations of the Federal National Mortgage Association (including participation and mortgage pass through certificates which are guaranteed by the Federal National Mortgage Association)
   f. Securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. §§80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to United States Government obligations and to repurchase agreements fully collateralized by such United States Government obligations and provided such investment company or investment trust take delivery of such collateral either directly or through an authorized custodian. (Mutual Funds)
h. In addition to the above, the following types of investments are authorized by the passage of this investment policy by Resolution of the Commission:
   b. State and or local government taxable and tax exempt debt, general obligation and/or revenue 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 Standard & Poor's for short-term debt.
   c. Money market funds rated "Aam" or "Aam-G" or better by Standard & Poor's Corporation.
   d. Banker's Acceptances which are inventory-based and issued by a domestic bank which has an unsecured, uninsured and unguaranteed obligation rating of at least "Prime-1" and 
"A" by Moody's Investor Service and 
"A-1" and "A" by Standard & Poor's Corporation and ranked in the top fifty United States banks in terms of total assets by the American Banker's yearly report.
   e. Bond's, debentures, notes or other evidence of indebtedness issued or guaranteed by the United States agencies, provided such obligations are backed by the full faith and credit of the United States Government.

Without specific Commission approval, the Commission will not invest in derivative investment products.

SECTION 9.0 COLLATERALIZATION SAFEKEEPING AND CUSTODY. Collateral for public deposits is controlled by the State of Florida through Chapter 280 of the Florida Statutes. The Commission shall not be under any obligation to secure additional collateral beyond the provision 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, executed between the Commission and the broker/dealer or bank. All security transactions, including collateral for repurchase agreements, entered
into by the Commission shall be conducted on a delivery-versus payment basis. If it is ever determined to be necessary to perform security transactions on a "free delivery basis" or to have securities held by the broker/dealer for a temporary period, the approval of the Director of Finance must be secured prior thereto and the reason documented in writing. Securities will be held by a third party custodian designated by the Director of Finance and evidenced by safekeeping receipts specifying the instrument type, par value, interest rate, maturity and any other pertinent information. Additionally, periodic reporting from the custodian will be required and shall be verified by the Director of Finance's office. No withdrawal of such securities, in whole or part, shall be made from safekeeping except by the Director of Finance or written instructions approved by the Director of Finance by his designee. Non-negotiable Certificate of Deposits issued by a local bank may be held in safekeeping at that institution. The institution shall issue a copy of the Certificate of Deposit, a safekeeping receipt, or some other confirmation of the purchase which is satisfactory to the Director of Finance, to be kept in a Safe Deposit Box.

SECTION 10.0 MASTER REPURCHASE AGREEMENT. The Director of Finance 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.

SECTION 11.0 BID REQUIREMENTS. Purchases and sales of securities initiated by the Commission should generally be accompanied by price quotes from a minimum of (3) three separate broker/dealers to ensure the acquisition of market based prices. Documentation will be retained for all bids, with the winning bid clearly identified. The Director of Finance must determine the approximate maturity date based on cash-flow needs and market conditions, analyze and select one or more optimal types of investment, and competitively bid the security in question when feasible and appropriate. Except as otherwise required by law, the bid deemed to best meet the investment objectives specified in subsection (4) must be selected.

In certain circumstances where a broker/dealer informs the Commission that a potential purchase or sale must be completed within minutes of notification, the competitive bidding policy maybe waived, provided the Director of Finance specifically approves such individual transactions prior to execution.

Periodically, various government agencies announce the issue of new securities to the financial markets. Since all new issues are generally sold at par, the Commission would not realize any benefit by purchasing these securities through the competitive bid process. In the case of new issues of "to be announced" (TBA) securities, the competitive bidding process need not apply.

Certificate of deposits will be subject to bid requirements involving all "qualified public depositories" accessible by the Commission.

In all cases, the Commission reserves the right to reject all bids if better investing alternatives exist at the time of planned purchase.

SECTION 12.0 DIVERSIFICATION, RISK AND PORTFOLIO COMPOSITION. Assets held shall be diversified to control the risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which these instruments are bought or sold. Diversification strategies within the established guidelines shall be reviewed and revised periodically as necessary by the appropriate management staff.

These following limits are hereby established to serve as guidelines for diversification by instrument. These percentages represent the ratio of investment type to total cash and investments. These guidelines may be revised by the Director of Finance for specific circumstances:

| Repurchase Agreements or Overnights | 100% |
| Non-negotiable Certificate of Deposits | 75% |
| United States Treasury Bills/Notes/Bonds | 75% |
| Other United States Government Agencies | 25% |
Local Government Surplus Funds Trust Fund 75%
Commercial Paper 25%
Bankers Acceptances 25%
State and Local Bonds 50%
Mutual and Money Market Funds 25%
Obligations Guaranteed by the full faith and credit of the United States Government. 50%

With the exception of Repurchase Agreements, Overnights, and Non-negotiable Certificate of Deposits, no more than 25% of the entire portfolio may be placed with anyone bank, savings and loan or broker/dealer unless specifically authorized by the Commission.

SECTION 13.0 MAXIMUM MATURITIES. To the extent possible, the Commission will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Commission will not directly invest in securities maturing more than 1 Year from date of purchase for funds earmarked for operation and maintenance expenses, debt service sinking funds, and annually budgeted plant expansion cost and equipment purchases. Construction Funds will not be invested in securities maturing more than five years from the date of purchase. However, the Commission may collateralize its repurchase agreements using longer-dated investments not to exceed five years to maturity. Debt service reserve funds may not be invested in securities maturing more than 25 years from the date of purchase as prescribed by Resolution 28-78. All other funds not earmarked for general or specific disbursement can be invested without restriction on maturity at the discretion of the Director of Finance. Under no circumstances will investments knowingly be made that would require early redemption of such investments to meet a shortage of cash flow requirements.

SECTION 14.0 INTERNAL CONTROL. The Director of Finance shall establish a written system of internal controls. A process of independent review by an external auditor will be performed annually. The controls will be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of entity. This review will provide internal control by assuring compliance with policies and procedures.

SECTION 15.0 PERFORMANCE STANDARDS. The Investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

Market Yield (Benchmark): The Commission's investment strategy is passive. Given this strategy, the basis used by the Director of Finance to determine whether market yields are being achieved shall be the three month Treasury Bill for funds earmarked for operation and maintenance, and debt service sinking funds, six month Treasury Bill for funds earmarked for plant expansion and equipment purchases.

SECTION 16.0 REPORTING. The Director of Finance is charged with the responsibility of including a market report on investment activity and returns in the Commission's Financial Report. Reports will include a minimum of the security name, stated interest rate, annual interest rate yield, principal amount, interest income earned to date, any unrealized gain or loss, and any gain or loss on sale of securities. A summary report in aggregate of the portfolio will also be provided showing total interest income earned, total principal, total unrealized gain or loss, realized gain or loss, and a comparison of actual yields versus benchmark yields.

SECTION 17.0 INVESTMENT POLICY REVIEW. The policy shall be reviewed annually by the Director of Finance and any modifications made thereto must be approved by resolution by the Commission.

SECTION 18.0 CONTINUING EDUCATION.—Director of Finance or Chief Financial Officer shall annually complete eight (8) hours of continuing education in subjects or courses of study related to investment practices and products.
SECTION 19.0 **AUDITS.**—Certified public accountants conducting audits of units of local government pursuant to §218.39 shall report, as part of the audit, whether or not the Commission has complied with this Resolution.

SECTION 20.0 If any section, subsection, sentence, clause, phrase, or portion of this Resolution is held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct and independent provision and such holding shall not affect the validity of the remaining portions thereof.

SECTION 21.0 All Resolutions in conflict herewith are hereby rescinded and superseded.

SECTION 22.0 This Resolution shall take effect immediately upon adoption.

THE ABOVE AND FOREGOING RESOLUTION was introduced at a **regular** meeting of the Utilities Commission, City of New Smyrna Beach, Florida, held on **December 21**, 2015, by Commissioner **Holcomb**, who moved its adoption, which motion was seconded by Commissioner **Davis**, and upon roll call vote of the Commission was as follows:

**CHAIRMAN**

**VICE CHAIRMAN**

**SECY-TREAS.**

**ASST. SECY-TREAS.**

**COMMISSIONER**

**APPROVED:**

**ATTEST:**

**CHAIRMAN**

**SECRETARY-TREASURER**

**SEAL**

**APPROVED AS TO FORM AND CORRECTNESS:**

Utilities Commission Attorney