

**CITY OF MARATHON, FLORIDA
RESOLUTION 2004-112**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
MARATHON, FLORIDA, ADOPTING AN INVESTMENT POLICY
GOVERNING THE INVESTMENT MANAGEMENT OF THE CITY'S
PUBLIC FUNDS**

WHEREAS it is fiscally prudent for the City of Marathon (the "City") to adopt a policy outlining procedures for the management of investments of the City's public funds that are in excess of the amount needed to meet current obligations; and

WHEREAS, the primary objectives of investment activities shall be safety of principal, liquidity of funds, and maximizing investment income; and

WHEREAS, the City's investment portfolio shall be structured to provide sufficient liquidity to pay obligations as they come due; and

WHEREAS, the investment activities of the City will be monitored and controlled in accordance with Florida Statutes and generally accepted accounting principles.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MARATHON, FLORIDA, THAT:

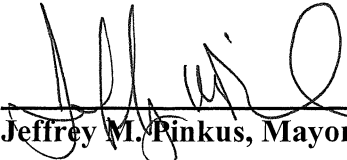
Section 1. The above recitals are true and correct and are incorporated herein by this reference.

Section 2. The City Council of the City of Marathon, Florida adopts the Investment Policy, a copy of which is attached as Exhibit "A," together with such non-material changes as may be acceptable to the City Manager and approved as to form and legality by the City Attorney.

Section 3. This resolution shall take effect immediately upon its adoption.

PASSED AND APPROVED by the City Council of the City of Marathon, Florida, this 28th day of September, 2004.

THE CITY OF MARATHON, FLORIDA



Jeffrey M. Pinkus, Mayor

AYES: Bartus, Bull, Mearns, Miller, Pinkus
NOES: None
ABSENT: None
ABSTAIN: None

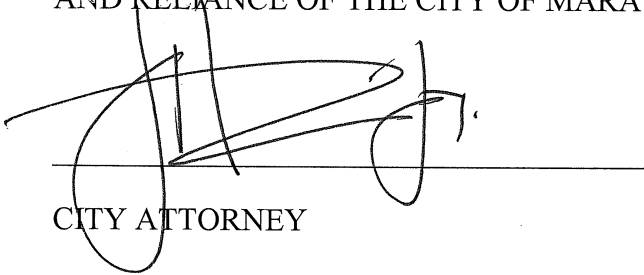
ATTEST:



Cindy L. Ecklund
City Clerk

(City Seal)

APPROVED AS TO FORM AND LEGALITY FOR THE USE
AND RELIANCE OF THE CITY OF MARATHON, FLORIDA ONLY:



CITY ATTORNEY

INVESTMENT POLICY CITY OF MARATHON

I. PURPOSE

The purpose of this statement is to set forth the policy and objectives governing the investment management of the City of Marathon's public funds that are in excess of the amounts needed to meet current expenses. This investment policy places the highest priority on the safety and liquidity of funds.

II. SCOPE

This investment policy applies to all the investment activity of the City, except for its employees' pension funds, which are organized and administered separately, or for funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds.

Funds included:

- ◆ General Fund
- ◆ Special Revenue Funds
- ◆ Enterprise Funds
- ◆ Debt Service Funds
- ◆ Any new funds created by the governing body unless specifically exempt.

III. OBJECTIVES

The primary objectives, in priority of order, of investment activities shall be safety of principal, liquidity of funds, and maximizing investment income.

A. Safety

Safety of principal is the foremost objective of investment activities. Investments shall be undertaken in a manner that seeks to insure preservation of capital in the overall portfolio. All other investment objectives are secondary to the safety of principal. The objective will be to mitigate credit risk and interest rate risk.

1. **Credit risk.** Credit risk, the risk of loss due to the failure of the security issuer or backer, will be minimized by:
 - a. limiting investments to the safest types of securities,
 - b. pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business,
 - c. diversifying the investment portfolio so that potential losses on individual securities will not place an undue financial burden on the City, and
 - d. monitoring all of the City's investments to anticipate and respond appropriately to changing market conditions.

2. **Interest Rate Risk.** The City will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:
- a. structuring the investment portfolio so that the securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and
 - b. investing operating funds primarily in short-term securities, money market mutual funds, or similar investment pools unless it is anticipated that long-term securities can be held to maturity without jeopardizing the liquidity requirements.

B. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that the securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. Portions of the portfolio may be placed in interest-bearing checking/savings accounts with qualified public depositories, Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, or local government investment pools which offer same-day or next-day liquidity for short-term funds.

C. Investment Income

Without compromising safety and liquidity, the highest possible total return should be obtained on the City's funds. Income will include interest/dividends received as well as any realized or unrealized gains and losses of principal of the underlying security.

IV. PERFORMANCE MEASUREMENTS

The investment income objective is to regularly exceed the average rate of return on three month U. S. Treasury Bills, or the average rate on Federal Funds, whichever is higher. These indices are considered benchmarks for risk-free investment transactions and therefore comprise a minimum standard for the portfolio's rate of return. The investment program may seek to augment returns above this threshold, consistent with risk limitations identified herein and prudent investment principles.

V. PRUDENCE AND ETHICAL STANDARDS

A. Prudence

The standard of prudence to be used shall be the "prudent person rule", 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 the investment, considering the probable safety of their capital as well as the probable income to be derived from the investment.

The Chief Financial Officer, or other persons performing the investment functions, acting in accordance with written 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 immediately and that appropriate action is taken to control adverse developments.

B. Ethical Standards

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 officials shall disclose any material interest 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 the City.

VI. AUTHORIZED INVESTMENTS

The City may invest and reinvest pursuant to Florida State Statute 218.415, in accordance within the objectives stated in subsection III, in the following:

- ◆ Interest-bearing checking or savings accounts in qualified public depositories as defined in Florida State Statute 280.02
- ◆ Interest-bearing time deposits in qualified public depositories as defined in Florida State Statute 280.02.
- ◆ The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Florida State Statute 163.01.
- ◆ Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- ◆ Direct obligations of the United States Treasury.
- ◆ Federal agencies and instrumentalities.
- ◆ Securities of, or interest 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. sections 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.

- ◆ Other investments authorized by law or by ordinance by the City.

VII. MATURITY AND LIQUIDITY REQUIREMENTS

The City’s investment portfolio shall be structured to provide sufficient liquidity to pay obligations as they come due. Furthermore, to the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than three years from the date of purchase.

VIII. PORTFOLIO COMPOSITION

1. The following are the limits for investments and limits on security issues and maturities in the portfolio. The Chief Financial Officer has the option to further restrict investment in selected instruments, to conform to the present market conditions.

<u>Authorized Investments</u>	<u>Maturity Range</u>	<u>Maximum %</u>
Interest-bearing checking or savings accounts	N/A	100%
Interest-bearing time deposits	3 years	50%
The Local Government Surplus Funds Trust Fund /intergovernmental investment pool	N/A	80%
Securities and Exchange Commission registered money market funds	N/A	50%
Direct obligations of the United States Treasury	5 years	80%
Federal agencies and instrumentalities	5 years	80%
Open-end or closed-end management-type investments/trusts	5 years	10%
Repurchase agreements fully collateralized with securities authorized by this policy	3 years	50%

IX. RISK AND DIVERSIFICATION

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 and sold. Diversification strategies shall be reviewed and revised periodically as deemed necessary by the Chief Financial Officer.

X. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS

A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security brokers/dealers selected by creditworthiness.

XI. THIRD-PARTY CUSTODIAL AGREEMENTS

All securities purchased by the City shall be properly designated as an asset of the City and shall be held in safekeeping with a third-party custodial institution. The third-party custodian will be required to designate all securities held as assets of the City. No withdrawal of securities, in whole or in part, shall be made from safekeeping, except by the Chief Financial Officer, or his/her respective designees. 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.

XII. BID REQUIREMENT

An appropriate maturity date will be determined for each investment based on cash-flow needs and market conditions. Based on these considerations, the Chief Financial Officer will analyze and select one or more optimal types of investments 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 III must be selected.

XIII. INTERNAL CONTROLS

The Chief Financial Officer shall establish a system of internal controls designed to prevent losses of funds, which might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the City. Such internal controls shall be in writing and made a part of the City's operating procedures and shall be reviewed by independent auditors during the course of periodic financial audits as may be required of the City.

XIV. CONTINUING EDUCATION

The Chief Financial Officer shall complete eight (8) hours of continuing education annually in subjects or courses related to investment practices and products.

XV. INVESTMENT REPORTING

The Chief Financial Officer shall prepare a semi-annual investment report, which shall include securities in the portfolio by class and type, book value, income earned, and market value as of the report date. The report will be provided to the legislative and governing body of the City. The report shall be available to the public.

XVI. SECURITIES; DISPOSITION

A. Every security purchased on behalf of the City must be properly earmarked and:

1. If registered with the issuer or its agents, must be immediately placed for safekeeping in a location that protects the City's interest in the security;
2. If in book entry form, must be held for the credit of the governing body by a depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida as defined in Florida Statute Section 658.12, or by a national association organized and existing under the laws of the United States which is authorized to accept and exercise trusts and which is doing business in the State of Florida, and must be kept in the depository in an account separate and apart from the assets of the financial institution; or
3. If physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault.

B. The City may also receive bank trust receipts in return for investment of surplus funds in securities. Any trust receipts received must enumerate the various securities held, together with the specific number of each security held. The actual securities on which the trust receipts are issued may be held by any bank depository chartered by the Federal Government, the State of Florida, or any other state as defined in Florida State Statute 658.12, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida.

XVII. SALE OF SECURITIES

When invested funds are needed in whole or in part for the purposes originally intended or for more optimal investments, the Chief Financial Officer may sell such investments at the then-prevailing market price and place the proceeds into the proper account or fund.

XIX. POLICY CONSIDERATIONS

1. Exemptions

Any investment held prior to the adoption of this policy that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

2. Amendments

This policy shall be reviewed on an annual basis. The City Council must approve any changes, as well as the individual(s) charged with maintaining internal controls.

XX. Delegation of Authority

The Finance Director is the Chief Financial Officer of the City and is responsible for investment decisions and activities. The City may retain a Registered Investment Advisory Firm to assist in the investment management process. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established hereunder.

Authorized signatories are the Chief Financial Officer, the City Manager and the City Mayor. These individuals are also authorized to initiate wire transfers for the City.