Legislation Details (With Text)

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Title:	A Resolution Of The City Commission Of The City Of Hollywood, Florida, Repealing The Investment Policy Adopted In 1994 And Adopting A New Investment Policy Pursuant To Section 38.76(D)(9) Of The City Code Of Ordinances.				
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Attachments:	1. Resolution to Adopt New Investment Policy.pdf, 2. Memo to accompany Resolution to Adopt new Investment Policy.pdf, 3. Investment Policy Hollywood 2020 DK-SB.pdf, 4. Hollywood Invest Policy 052113.pdf				

Date	Ver.	Action By	Action	Result
9/16/2020	1	Regular City Commission Meeting	adopted as amended	Pass

A Resolution Of The City Commission Of The City Of Hollywood, Florida, Repealing The Investment Policy Adopted In 1994 And Adopting A New Investment Policy Pursuant To Section 38.76(D)(9) Of The City Code Of Ordinances.

Financial Management & Administration

Staff Recommends: Approval of the Attached Resolution.

Explanation:
The Investment Policy of the City of Hollywood is primarily from September of 1994 and most recently had a minor revision in March of 2013. Since that time there have been changes in the market conditions, in investment vehicles, and in the needs of the City in regards to its Investment Policy.

The Resolution would repeal the previous Investment Policy and adopt a new Investment Policy in its place. A memo accompanies the Resolution providing a summary and explanation of the more significant additions, deletions and revisions included in the new Investment Policy as contrasted to the previous Investment Policy.

These additions, deletions and revisions include:

1. Expanding Section III, Investment Objectives, to add information on the safety of principal, especially as related to interest rate risk and credit risk, adding discussion of static and dynamic liquidity, short-term and long-term yielding investments, and the holding of securities until maturity along with exceptions to that guideline.

2. Expanding Section IV, Delegation of Authority, to further specify the responsibilities of the Director of Financial Services, the City Treasurer, and designating the City Treasurer as the Investment Officer unless otherwise determined by the City Manager and the Director.

3. Reducing Section V, Standards of Prudence, by removing unnecessary and redundant language.

4. Expanding Section VI, Ethics and Conflicts of Interest, by adding language to prohibit employees involved with investing the City's funds from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

5. Expanding Section VII by adding language regarding the reconciling of the City's general depositor account and custodial statements by competent accounting staff excluding the Investment Officer, to provide for separation of duties and improved transparency.
6. Revising Section XII, Authorized Investments and Portfolio Composition, by:

   (A) Updating the sections on United States Government Securities, United States Government Agencies, and Federal Instrumentalities (United States Government Sponsored Enterprises) to add or remove investment vehicles as some from the previous policy no longer exist, and by reducing the maximum percentage of the portfolio composition which may be comprised of each type of investment in order to promote diversification, further by increasing the maximum length to maturity of such investments from three years to five years in order to provide better opportunities for higher yield, while still providing for safety of principal.
   (B) Revising the section on Interest Bearing Certificates of Deposit, Demand Deposit Accounts, Savings Accounts, NOW Checking Accounts to reduce the maximum percentage of the portfolio composition which may be comprised of each type of investment from 100% to 75% in order to promote diversification and slightly increase the maximum percentage that may be deposited with any one financial institution from 15% to 20%, as the previous maximums were so low as to cause the use of unnecessary multiple investment institutions. The maximum maturity on any of these investment vehicles is increased from three to five years.
   (C) Added a section allowing investment in municipal bonds, as these are among the safest investment vehicles available and offer the City another opportunity for further diversification.
   (D) Removed the investment vehicle language for mutual funds. Mutual funds involve paying a fee for a fund manager to invest in U. S. Government Agencies

which the Investment Officer can invest in and also use an investment manager, so they involve unnecessary fees. Furthermore, fund managers are not required to hold investments until maturity. Other participants in the fund may desire their investments terminated and funds returned to them, so there is a loss of control with mutual funds in that they may result in losses as the mutual funds manager sells early to provide liquidity to other investors. In general, mutual funds require extra fees along with a loss of control on the part of the City.

(E) Revised the language governing investments in the Florida Local Government Surplus Funds Trust Fund (Florida Prime/SBA) by reducing the maximum percentage of the portfolio allowed to be invested in this vehicle from 100% to 20% to further provide for and encourage portfolio diversification.

7. Adding Section XVIII on the Municipal Advisor Rule to govern who will sign forms related to brokers and dealers who execute investment trades for the City without being in the role of a Municipal Advisor, with the accompanying fiduciary responsibility that role requires.

8. Adding Section XVIV on Risk Diversification to provide language supporting a diversification strategy to eliminate risk of loss resulting from the over-concentration of assets in specific maturities, issuers or class of securities.

In addition, there were revisions to formatting and other minor revisions such as eliminating references to no longer available market price providers like Telerate and minor revisions to the Glossary.

Fiscal Impact:
Revising the Investment Policy in and of itself will not have a fiscal impact on the City. The new policy is the first step in providing opportunities for the City to obtain increased return on investment while still prioritizing safety of the City's principal and maintenance of liquidity as well as eliminating an investment vehicle which has more fees and offers less control of the City's investments than other investments. The objective is to have an Investment Policy which is current and provides an improved opportunity for the City to yield results while maintaining its safety and liquidity goals.

Recommended for inclusion on the agenda by:
David E. Keller, Interim Director, Financial Services Department
Adam Reichbach, Assistant City Manager for Finance and Administration