RESOLUTION NO. 23-

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF FORT LAUDERDALE, FLORIDA, AMENDING THE INVESTMENT POLICY FOR THE CITY OF FORT LAUDERDALE, FLORIDA, AND PROVIDING FOR RESCISSION OF CONFLICTING RESOLUTION PROVISIONS AND AN EFFECTIVE DATE.

WHEREAS, pursuant to Resolution No. 00-115, adopted on September 6, 2000, the City Commission adopted an Investment Policy; and

WHEREAS, the City Manager and the Director of Finance have proposed amending the City's Investment Policy as set forth in Commission Agenda Memo No. 23-0692;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF FORT LAUDERDALE, FLORIDA:

SECTION 1. That the amendments to the City's Investment Policy set forth in Commission Agenda Memo No. 23-0692 are approved, and Exhibit 2 to Commission Memo No. 23-0692, a copy of which is attached hereto and incorporated herein, is adopted as the Investment Policy for the City of Fort Lauderdale, Florida.

SECTION 2. That all resolutions or parts of resolutions in conflict herewith or in conflict with Exhibit 2 to Commission Agenda Memo No. 23-0692, be and the same are hereby rescinded to the extent of such conflict.

SECTION 3. That this Resolution shall be in effect immediately upon its adoption.

ADOPTED this the ____ day of _____________, 2023.

____
Mayor
DEAN J. TRANTALIS

ATTEST:

____
City Clerk
DAVID R. SOLOMAN

Dean J. Trantalis _____

John C. Herbst _____

APPROVED AS TO FORM
AND CORRECTNESS:

Steven Glassman _____

Pamela Beasley-Pittman _____

Warren Sturman _____

____
Interim City Attorney
D'WAYNE M. SPENCE

INVESTMENT POLICY
FOR THE
CITY OF FORT LAUDERDALE, FLORIDA

Approved on: September 19, 2023

Table of Contents

Investment Policy
City of Fort Lauderdale, Florida

I. PURPOSE

The purpose of this Investment Policy (hereinafter "Policy") is to set forth the investment objectives and parameters for the management of public funds of the City of Fort Lauderdale, Florida (hereinafter "City"). These policies are designed to safeguard the City's funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices.

II. SCOPE

In accordance with Section 218.415, Florida Statutes, this Policy applies to all cash and investments held or controlled by the City and shall be identified as "general operating funds" of the City with the exception of funds needed to meet current expenses, the City's Pension Funds including those funds in chapters 175 and 185, Other Post Employment Benefit Funds (OPEB), Deferred Compensation & Section 401(a) Plans, Cemetery System Trust Funds, and funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds. Additionally, any future revenues, which have statutory investment requirements conflicting with this Investment Policy and funds held by state agencies (e.g., Department of Revenue), are not subject to the provisions of this Policy. The general operating funds, which are characterized as: funds in excess of those needed for the purpose of meeting operational and reserve expenses, are governed by this Policy.

III. INVESTMENT OBJECTIVES

A. Safety of Principal
The foremost objective of this investment program is the safety of the principal of those funds within the portfolios. Investment transactions shall seek to keep capital losses at a minimum, whether they are from securities defaults or erosion of market value. To attain this objective, the City will maintain a diversified portfolio so that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

B. Maintenance of Liquidity
The portfolios shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements in an orderly manner. Periodic cash flow analyses will be performed in order to ensure that the portfolio is positioned to provide sufficient liquidity.

C. Return on Investment
Investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives as described above. The porfolios will be managed using a total return strategy (which includes both realized and unrealized gains and losses in the portfolio). This total return strategy seeks to increase the value of the portfolio through reinvestment of income and capital gains. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Despite this, the Finance Staff or Investment Advisor may trade to recognize loss from time to time to achieve a perceived relative value based on its potential to enhance the total return of the portfolio.

IV. DELEGATION OF AUTHORITY

In accordance with the City's Administrative Policies, the responsibility for providing oversight and direction in regard to the management of the investment program resides with the City's Director of Finance. The management responsibility for all City funds in the investment program and investment transactions is delegated to the City's Treasurer. The Director of Finance shall establish written procedures for the operation of the investment portfolio and a system of internal accounting and administrative controls to regulate the activities of employees. The City may engage up to four (4) Investment Managers to assist in managing the City's portfolio. The City may also engage an Investment Advisor to oversee the activities of the City's Investment Managers. Such Investment Manager(s) and Investment Advisor must be registered with the SEC under the Investment Advisors Act of 1940.

V. STANDARDS OF PRUDENCE

The standard of prudence to be used by investment officials shall be the "Prudent Person" standard and shall be applied in the context of managing the overall investment program. Investment officers acting in accordance with written 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 deviations from expectation are reported to the Director of Finance in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this Policy. The "Prudent Person" rule states the following:

> "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 from the investment." 218.415(4) F.S.

While the standard of prudence to be used by investment officials who are officers or employees is the "Prudent Person" standard, any person or firm hired or retained to invest, monitor, or advise concerning these assets shall be held to the higher standard of "Prudent Expert". The standard shall be that in investing and reinvesting moneys and in acquiring, retaining, managing, and disposing of investments of these funds, the contractor shall exercise: the judgment, care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims by diversifying the investments of the funds, so as to minimize the risk, considering the probable income as well as the probable safety of their capital.

VI. ETHICS AND CONFLICTS OF INTEREST

Employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Also, employees involved in the investment process shall disclose any material financial interests in financial institutions that conduct business with the City, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the City's investment program.

VII. INTERNAL CONTROLS AND INVESTMENT PROCEDURES

The Director of Finance shall establish a system of internal controls and operational procedures that are in writing and made a part of the City's operational procedures. 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 custodial agreements, 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.

Independent auditors as a normal part of the annual financial audit to the City shall conduct a review of the system of internal controls to ensure compliance with policies and procedures.

VIII. CONTINUING EDUCATION

The Director of Finance, Deputy Director of Finance, Treasurer, and appropriate staff shall annually complete 8 hours of continuing education in subjects or courses of study related to investment practices and products, pursuant to Section 218.415(14) F.S.

IX. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS

Authorized City staff and Investment Manager(s) shall only purchase securities from the following financial and investment institutions:

A. Certificates of Deposit or Savings Accounts-
These investments may only be purchased from public depositories qualified by the Treasurer of the State of Florida, in accordance with Chapter 280, Florida Statutes.

B. Overnight Repurchase Agreement-
Collateral for the City's "Sweep Accounts" shall be held at City's depository bank which must be a State Qualified Public Depository (QPD).

C. Qualified Institutions for All Other Investments

1. Primary dealers as defined by the Federal Reserve Bank of New York; or
2. Large regional and money market center banks ranked 1-10 in total capital nationally as rated by the Federal Deposit Insurance Corporation, and Qualified Public Depositories, as defined in Section 280.02, Florida Statutes; or
3. Smaller regional broker-dealers based in the State of Florida meeting the following criteria:
    a) Must comply with the SEC mandated Minimum Net Capital Rule 15c3-1;
    b) Must provide their most recent Financial and Operational Combined Uniform Single (FOCUS) report showing a minimum net capital of $10 million on either line 3750 or line 3760 of the Report;
    c) Must have been in continuous business operations for the five (5) years preceding the date of application to be a broker-dealer that is a qualified institution; and

d) If a banking institution, must be a Qualified Public Depository, as defined in Section 280.02, Florida Statutes.

Qualified Institutions must have the ability to confirm trades through an electronic trading platform and must complete a broker agreement prior to initial trade. An annual review of -dealers will be conducted at the end of each fiscal year. A list containing a maximum of fifteen (15) approved broker-dealers selected on creditworthiness will be maintained annually.

X. MATURITY AND LIQUIDITY REQUIREMENTS

To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements.

A. Maturity Guidelines
Securities purchased by or on behalf of the City shall have a final maturity of five and a half (5.50) years or less from the date of purchase. The overall weighted average duration of principal return for the portfolio shall be less than three (3) years. The maturities of the underlying securities of a repurchase agreement will follow the requirements of the Master Repurchase Agreement.

B. Liquidity Requirements
Investment maturities will match known cash needs and anticipated cash flow requirements.

XI. RISK AND DIVERSIFICATION

Assets held shall be diversified to control risks resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which these instruments are bought and sold. Diversification strategies within the established guidelines will be reviewed and revised periodically, as deemed necessary by the appropriate management staff.

XII. MASTER REPURCHASE AGREEMENTS

The Director of Finance will require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Securities Industry and Financial Markets Association (SIFMA) Master Repurchase Agreement. All repurchase agreement transactions will adhere to requirements of the SIFMA Master Repurchase Agreement.

XIII. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

After the Treasurer or the Investment Manager(s) has determined the approximate maturity date based on cash flow needs and market conditions and has analyzed and selected one or more optimal types of investments, all transactions shall be competitive bid, either electronic or manually with a minimum of three (3) qualified banks and/or approved broker/dealers must be contacted and asked to provide bids/offers on securities in question. Bids will be held in confidence until the bid deemed to best meet the investment objectives is determined and selected.

Securities may be purchased utilizing the comparison to current market price method if the current market price is verified through a real-time financial market data provider.

Overnight sweep repurchase agreements will not be bid, but may be placed with the City's depository bank relating to the demand account for which the repurchase agreement was purchased.

XIV AUTHORIZED INVESTMENTS AND PORTFOLIO COMPOSITION

Investments should be made subject to the cash flow needs and such cash flows are subject to revisions as market conditions and the City's needs change. However, when the invested funds are needed in whole or in part for the purpose originally intended or for more optimal investments, the investments may be sold at the then-prevailing market price and place the proceeds into the proper account at the City's custodian.

The following are the investment requirements and the maximum allocation limits on security types, issuers, and maturities as established by the City. The Director of Finance shall have the option to further restrict investment percentages from time to time based on market conditions, risk, and diversification investment strategies. The percentage allocation requirements for investment types and issuers are calculated based on the original cost of each investment at the time of purchase. Investments not listed in this Policy are prohibited.

These investment guidelines apply to all funds governed by this Policy.

<table>
<tr><th>Sector</th><th>Sector Maximum (%)</th><th>Per Issuer Maximum (%)</th><th>Minimum Ratings Requirement[1]</th><th>Maximum Maturity</th></tr>
<tr><td>U.S. Treasury</td><td rowspan="3">100%</td><td>100%</td><td rowspan="3">N/A</td><td rowspan="3">5.50 Years
(5.50 year avg. life[4]
for GNMA)</td></tr>
<tr><td>GNMA</td><td>40%</td></tr>
<tr><td>Other U.S. Government Guaranteed (e.g. AID, GTC)</td><td>10%</td></tr>
<tr><td>Federal Agency/GSE:
FNMA, FHLMC, FHLB, FFCB</td><td rowspan="2">100%</td><td>40%[4]</td><td rowspan="2">N/A</td><td rowspan="2">5.50 Years</td></tr>
<tr><td>Federal Agency/GSE
other than those above</td><td>10%</td></tr>
<tr><td>Supranationals
where U.S. is a shareholder and voting member</td><td>10%</td><td>5%</td><td>Highest ST or Highest LT Rating Categories
(A-1/P-1, AAA-/Aaa3, or equivalent)</td><td>5.50 Years</td></tr>
<tr><td>Corporates</td><td>50%[2]</td><td>5%[3]</td><td>Highest ST or Three Highest LT Rating Categories
(A-1/P-1, A-/A3 or equivalent)</td><td>5.50 Years</td></tr>
<tr><td>Municipals</td><td>25%</td><td>5%</td><td>Highest ST or Three Highest LT Rating Categories
(SP-1/MIG 1, A-/A3, or equivalent)</td><td>5.50 Years</td></tr>
<tr><td>Agency Mortgage-Backed Securities (MBS)</td><td>30%</td><td>40%[4]</td><td>N/A</td><td>5.50 Years
Avg. Life[5]</td></tr>
<tr><td>Non-Negotiable Certificate of Deposit and Savings Accounts</td><td>50%</td><td>None, if fully collateralized</td><td>None, if fully collateralized.</td><td>1 Year</td></tr>
<tr><td>Commercial Paper (CP)</td><td>35%[2]</td><td>5%[3]</td><td>Highest ST Rating Category
(A-1/P-1, or equivalent)</td><td>270 Days</td></tr>
<tr><td>Money Market Funds (MMFs)</td><td>50%</td><td>25%</td><td>Highest Fund Rating by all NRSROs who rate the fund
(AAAm/Aaa-mf, or equivalent)</td><td>N/A</td></tr>
</table>

Sector	Sector Maximum (%)	Per Issuer Maximum (%)	Minimum Ratings Requirement[1]	Maximum Maturity
Intergovernmental Pools (LGIPs)	50%[6]	25%	Highest Fund Quality and Volatility Rating Categories by all NRSROs, if rated (AAAm/AAAf, S1, or equivalent)	N/A
Florida Local Government Surplus Funds Trust Funds ("Florida Prime")	25%[6]	N/A	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)	N/A

Notes:

[1] Rating by at least one Nationally Recognized Statistical Ratings Organization ("NRSRO"), unless otherwise noted. ST=Short-term; LT=Long-term.

[2] Maximum allocation to all corporate and bank credit instruments is 50% combined.

[3] Maximum across all permitted investment sectors (excluding Treasuries, U.S. Federal Agencies, Agency MBS, Non-Negotiable CD's, Savings Accounts, Repos, Money Market Funds, Mutual Funds, LGIPs, and Florida Prime) is 5% combined per issuer.

[4] Maximum exposure to any one Federal agency, including the combined holdings of Agency debt and Agency MBS, is 40%.

[5] The maturity limit for MBS and ABS is based on the expected average life at time of purchase, measured using Bloomberg or other industry standard methods.

[6] Maximum exposure to Florida Prime and Intergovernmental Pools is a combined 50%.

* Federal National Mortgage Association (FNMA); Federal Home Loan Mortgage Corporation (FHLMC); Federal Home Loan Bank or its District banks (FHLB); Federal Farm Credit Bank (FFCB).

1. **U.S. Treasury & Government Guaranteed -** U.S. Treasury obligations, and obligations the principal and interest of which are backed or guaranteed by the full faith and credit of the U.S. Government.

2. **Federal Agency/GSE -** Debt obligations, participations or other instruments issued or fully guaranteed by any U.S. Federal agency, instrumentality or government-sponsored enterprise (GSE).

3. **Supranationals –** U.S. dollar denominated debt obligations of a multilateral organization of governments where U.S. is a shareholder and voting member.

4. **Corporates –** U.S. dollar denominated corporate notes, bonds or other debt obligations issued or guaranteed by a domestic corporation, financial institution, non-profit, or other entity.

5. **Municipals –** Obligations, including both taxable and tax-exempt, issued or guaranteed by any State, territory or possession of the United States, political subdivision, public corporation, authority, agency board, instrumentality or other unit of local government of any State or territory.

6. **Agency Mortgage Backed Securities -** Mortgage-backed securities (MBS), backed by residential, multi-family or commercial mortgages, that are issued or fully guaranteed as to principal and interest by a U.S. Federal agency or government sponsored enterprise, including but not limited to pass-throughs, collateralized mortgage obligations (CMOs) and REMICs.

7. **Non-Negotiable Certificate of Deposit and Savings Accounts -** Non-negotiable interest bearing time certificates of deposit, or savings accounts in banks organized under the laws of this state or in national banks organized under the laws of the United States and doing business in this state, provided that any such deposits are secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.

8. **Commercial Paper –** U.S. dollar denominated commercial paper issued or guaranteed by a domestic corporation, company, financial institution, trust or other entity, including both unsecured debt and asset-backed programs.

9. **Repurchase Agreements -** Repurchase agreements (Repo or RP) that meet the following requirements:
   a. Must be governed by a written SIFMA Master Repurchase Agreement which specifies securities eligible for purchase and resale, and which provides the unconditional right to liquidate the underlying securities should the Counterparty default or fail to provide full timely repayment.
   b. Counterparty must be a Federal Reserve Bank, a Primary Dealer as designated by the Federal Reserve Bank of New York, or a nationally chartered commercial bank.
   c. Securities underlying repurchase agreements must be delivered to a third party custodian under a written custodial agreement and may be of deliverable or tri-party form. Securities must be held in the City's custodial account or in a separate account in the name of the City.
   d. Acceptable underlying securities include only securities that are direct obligations of, or that are fully guaranteed by, the United States or any agency of the United States, or U.S. Agency-backed mortgage related securities.
   e. Underlying securities must have an aggregate current market value of at least 102% (or 100% if the counterparty is a Federal Reserve Bank) of the purchase price plus current accrued price differential at the close of each business day.
   f. Final term of the agreement must be 1 year or less.

10. **Money Market Funds -** Shares in open-end and no-load money market mutual funds, provided such funds are registered under the Investment Company Act of 1940 and operate in accordance with Rule 2a-7.

    A thorough investigation of any money market fund is required prior to investing, and on an annual basis. Attachment A is a questionnaire that contains a list of questions, to be answered prior to investing, that cover the major aspects of any investment pool/fund. A current prospectus must be obtained.

11. **Local Government Investment Pools –** State, local government or privately-sponsored investment pools that are authorized pursuant to state law.

    A thorough investigation of any intergovernmental investment pool is required prior to investing, and on an annual basis. Attachment A is a questionnaire that contains a list of questions, to be answered prior to investing, that cover the major aspects of any investment pool/fund. A current prospectus must be obtained.

12. **The Florida Local Government Surplus Funds Trust Funds ("Florida Prime")** A thorough investigation of the Florida Prime is required prior to investing, and on an annual basis. Attachment A is a questionnaire that contains a list of questions, to be answered prior to investing, that cover the major aspects of any investment pool/fund. A current prospectus or portfolio report must be obtained.

General Investment and Portfolio Limits

1. General investment limitations:
   a. Investments must be denominated in U.S. dollars and issued for legal sale in U.S. markets.
   b. Minimum ratings are based on the highest rating by any one Nationally Recognized Statistical Ratings Organization ("NRSRO"), unless otherwise specified.
   c. All limits and rating requirements apply at time of purchase.
   d. Should a security fall below the minimum credit rating requirement for purchase, the Investment Advisor will notify the Director of Finance.
   e. The maximum maturity (or average life for MBS/ABS) of any investment is 5.50 years. Maturity and average life are measured from settlement date. The final maturity date can be based on any mandatory call, put, pre-refunding date, or other mandatory redemption date.
2. General portfolio limitations:
   a. The maximum effective duration of the aggregate portfolio is 3 years.
3. Investment in the following are permitted, provided they meet all other policy requirements:
   a. Callable, step-up callable, called, pre-refunded, putable and extendable securities, as long as the effective final maturity meets the maturity limits for the sector
   b. Variable-rate and floating-rate securities
   c. Subordinated, secured and covered debt, if it meets the ratings requirements for the sector
   d. Zero coupon issues and strips, excluding agency mortgage-backed Interest-only structures (I/Os) Treasury TIPS
4. The following are **NOT PERMITTED** investments, unless specifically authorized by statute and with prior approval of the governing body**:**
   a. Trading for speculation
   b. Derivatives
   c. Mortgage-backed interest-only structures (I/Os)
   d. Inverse or leveraged floating-rate and variable-rate instruments
   e. Currency, equity, index and event-linked notes (e.g. range notes), or other structures that could return less than par at maturity
   f. Private placements and direct loans, except as may be legally permitted by Rule 144A or commercial paper issued under a 4(2) exemption from registration
   g. Convertible, high yield, and non-U.S. dollar denominated debt
   h. Short sales
   i. Use of leverage
   j. Futures and options
   k. Mutual funds, other than fixed-income mutual funds and ETFs, and money market funds
   l. Equities, commodities, currencies and hard assets

XV. DERIVATIVES AND REVERSE REPURCHASE AGREEMENTS

"Investment in any derivative products or the use of reverse repurchase agreements is prohibited, unless otherwise stated in Section XIV. Authorized Investments and Portfolio Composition. A "derivative" is defined as a financial instrument the value of which depends on, or is derived from, the value of one or more underlying assets or indices or asset values. For example this includes, but is not limited to, the following: Options, Forward Contracts, Futures, Stripped Mortgage-Backed Securities, Structured Notes and Swaps.

XVI. PERFORMANCE MEASUREMENTS

In order to assist in the evaluation of the portfolios' performance, the City will use performance benchmarks for short-term and long-term portfolios. The use of benchmarks will allow the City to measure its returns against other investors in the same markets.

A. Funds designated as short-term funds and other funds that must maintain a high degree of liquidity will be compared to the S&P Rated GIP All Index 30-Day Gross of Fees Yield.

B. The long-term investment portfolio shall be designed with the annual objective of exceeding the return of the ICE BAML1-5 Year Treasury Index compared to the portfolio's total rate of return. The ICE BAML1-5 Year Treasury Index represents all U.S. Treasury securities maturing over one year, but less than five years. This maturity range is an appropriate benchmark based on the objectives of the City.

C. Other indices may be used from time to time to measure the portfolio performance.

XVII. REPORTING

A. The Investment Advisor shall provide the City with quarterly investment reports , the quarterly report shall include the following:

i. A listing of individual securities held at the end of the reporting period
ii. Percentage of available funds represented by each investment type
iii. Coupon, discount or earning rate
iv. Average life or duration and final maturity of all investments
v. Par value and market value
vi. Rate of return as compared to benchmarks

B. Annual Investment Report

On an annual basis, the Investment Advisor shall prepare and submit to the City Commission a written report on all invested funds. The annual report shall provide all, but not limited to, the following: a complete list of all invested funds, name or type of security in which the funds are invested, the amount invested, the maturity date, earned income, the book value, the market value and the yield on each investment. The annual report will show performance on both a book value and total rate of return basis and will compare the results to the above-stated performance benchmarks. All investments shall be reported at fair value per Governmental Accounting Standards Board (GASB). Investment reports shall be available to the public.

C. Monitoring and Compliance

The City Auditor will monitor and ensure compliance with this Policy.

XVIII. THIRD-PARTY CUSTODIAL AGREEMENTS

Securities, with the exception of certificates of deposits, shall be held with a third party custodian; and all securities purchase by, and all collateral obtained by the City should be properly designated as an asset of the City. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank 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 Section 658.12, Florida Statutes, 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. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

The custodian shall accept transaction instructions only from those persons who have been duly authorized by the Director of Finance and which authorization has been provided, in writing, to the custodian. No withdrawal of securities, in whole or in part, shall be made from safekeeping, shall be permitted unless by such a duly authorized person.

The custodian shall provide the Finance Department with safekeeping receipts that provide detail information on the securities held by the custodian. In addition, the custodian shall report at least quarterly and the Finance Department shall verify the reports. Security transactions between a broker/dealer and the custodian involving the 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. Only after receiving written authorization from the Director of Finance shall the City be authorized to deliver securities "free". Securities held as collateral shall be held free and clear of any liens.

XIX. INVESTMENT POLICY ADOPTION

The Policy shall be adopted by Resolution. The Director of Finance will review the Policy annually for modifications and make recommendations to the City Manager. The City Commission shall approve any necessary modifications.

APPROVED AND ADOPTED BY THE CITY COMMISSION ON ____________________.

ATTACHMENT A

Accrued Interest. Interest earned but which has not yet been paid or received.

Agency. See "Federal Agency Securities."

Ask Price. Price at which a broker/dealer offers to sell a security to an investor. Also known as “offered price.”

Asset Backed Securities (ABS). A fixed-income security backed by notes or receivables against assets other than real estate. Generally issued by special purpose companies that “own” the assets and issue the ABS. Examples include securities backed by auto loans, credit card receivables, home equity loans, manufactured housing loans, farm equipment loans and aircraft leases.

Average Life. The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

Bankers' Acceptance (BA's). A draft or bill of exchange drawn upon and accepted by a bank. Frequently used to finance shipping of international goods. Used as a short-term credit instrument, bankers' acceptances are traded at a discount from face value as a money market instrument in the secondary market on the basis of the credit quality of the guaranteeing bank.

Basis Point. One hundredth of one percent, or 0.01%. Thus 1% equals 100 basis points.

Bearer Security. A security whose ownership is determined by the holder of the physical security. Typically, there is no registration on the issuer’s books. Title to bearer securities is transferred by delivery of the physical security or certificate. Also known as “physical securities.”

Benchmark Bills: In November 1999, FNMA introduced its Benchmark Bills program, a short-term debt securities issuance program to supplement its existing discount note program. The program includes a schedule of larger, weekly issues in three- and sixth-month maturities and biweekly issues in one-year for Benchmark Bills. Each issue is brought to market via a Dutch (single price) auction. FNMA conducts a weekly auction for each Benchmark Bill maturity and accepts both competitive and non-competitive bids through a web based auction system. This program is in addition to the variety of other discount note maturities, with rates posted on a daily basis, which FNMA offers. FNMA's Benchmark Bills are unsecured general obligations that are issued in book-entry form through the Federal Reserve Banks. There are no periodic payments of interest on Benchmark Bills, which are sold at a discount from the principal amount and payable at par at maturity. Issues under the Benchmark program constitute the same credit standing as other FNMA discount notes; they simply add organization and liquidity to the short-term Agency discount note market.

Benchmark Notes/Bonds: Benchmark Notes and Bonds are a series of FNMA “bullet” maturities (non-callable) issued according to a pre-announced calendar. Under its Benchmark Notes/Bonds program, 2, 3, 5, 10 and 30-year maturities are issued each quarter. Each Benchmark Notes new issue has a minimum size of $4 billion, 30-year new issues having a minimum size of $1 billion, with reopenings based on investor demand to further enhance liquidity. The amount of non-callable issuance has allowed FNMA to build a yield curve in Benchmark Notes and Bonds in maturities ranging from 2 to 30 years. The liquidity emanating from these large size issues has facilitated favorable financing opportunities through the development of a liquid overnight and term repo market. Issues under the Benchmark program constitute the same credit standing as other FNMA issues; they simply add organization and liquidity to the intermediate- and long-term Agency market.

Benchmark. A market index used as a comparative basis for measuring the performance of an investment portfolio. A performance benchmark should represent a close correlation to investment guidelines, risk tolerance and duration of the actual portfolio's investments.

Bid Price. Price at which a broker/dealer offers to purchase a security from an investor.

Bond Market Association (BMA). The bond market trade association representing the largest securities markets in the world. In addition to publishing a Master Repurchase Agreement, widely accepted as the industry standard document for Repurchase Agreements, the BMA also recommends bond market closures and early closes due to holidays.

Bond. Financial obligation for which the issuer promises to pay the bondholder (the purchaser or owner of the bond) a specified stream of future cash flows, including periodic interest payments and a principal repayment.

Book Entry Securities. Securities that are recorded in a customer's account electronically through one of the financial markets electronic delivery and custody systems, such as the Fed Securities wire, DTC and PTC (as opposed to bearer or physical securities). The trend is toward a certificate-free society in order to cut down on paperwork and to diminish investors' concerns about the certificates themselves. The vast majority of securities are now book entry securities.

Book Value. The value at which a debt security is reflected on the holder's records at any point in time. Book value is also called "amortized cost" as it represents the original cost of an investment adjusted for amortization of premium or accretion of discount. Also called "carrying value." Book value can vary over time as an investment approaches maturity and differs from "market value" in that it is not affected by changes in market interest rates.

Broker/Dealer. A person or firm transacting securities business with customers. A "broker" acts as an agent between buyers and sellers, and receives a commission for these services. A "dealer" buys and sells financial assets from its own portfolio. A dealer takes risk by owning inventory of securities, whereas a broker merely matches up buyers and sellers. See also "Primary Dealer."

Bullet Notes/Bonds. Notes or bonds that have a single maturity date and are non-callable.

Call Date. Date at which a call option may be or is exercised.

Call Option. The right, but not the obligation, of an issuer of a security to redeem a security at a specified value and at a specified date or dates prior to its stated maturity date. Most fixed-income calls are a par, but can be at any previously established price. Securities issued with a call provision typically carry a higher yield than similar securities issued without a call feature. There are three primary types of call options (1) European - one-time calls, (2) Bermudan - periodically on a predetermined schedule (quarterly, semi-annual, annual), and (3) American - continuously callable at any time on or after the call date. There is usually a notice period of at least 5 business days prior to a call date.

Callable Bonds/Notes. Securities, which contain an imbedded call option giving the issuer, has the right to redeem the securities prior to maturity at a predetermined price and time.

Certificate of Deposit (CD). Bank obligation issued by a financial institution generally offering a fixed rate of return (coupon) for a specified period of time (maturity). Can be as long as 10 years to maturity, but most CDs purchased by public agencies are one year and under.

Collateral. Investment securities or other property that a borrower pledges to secure repayment of a loan, secure deposits of public monies, or provide security for a repurchase agreement.

Collateralization. Process by which a borrower pledges securities, property, or other deposits for securing the repayment of a loan and/or security.

Collateralized Mortgage Obligation (CMO). A security that pools together mortgages and separates them into short, medium, and long-term positions (called tranches). Tranches are set up to pay different rates of interest depending upon their maturity. Interest payments are usually paid monthly. In "plain vanilla" CMOs, principal is not paid on a tranche until all shorter tranches have been paid off. This system provides interest and principal in a more predictable manner. A single pool of mortgages can be carved up into numerous tranches each with its own payment and risk characteristics.

Commercial Paper. Short term unsecured promissory note issued by a company or financial institution. Issued at a discount and matures for par or face value. Usually a maximum maturity of 270 days, and given a short-term debt rating by one or more Nationally Recognized Statistical Rating Organization (NRSRO).

Convexity. A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

Corporate Note. A debt instrument issued by a corporation with a maturity of greater than one year and less than ten years.

Counterparty. The other party in a two party financial transaction. "Counterparty risk" refers to the risk that the other party to a transaction will fail in its related obligations. For example, the bank or broker/dealer in a repurchase agreement.

Coupon Rate. Annual rate of interest on a debt security, expressed as a percentage of the bond's face value.

Current Yield. Annual rate of return on a bond based on its price. Calculated as (coupon rate / price), but does <u>not</u> accurately reflect a bond's true yield level.

Custody. Safekeeping services offered by a bank, financial institution or trust company, referred to as the "custodian." Service normally includes the holding and reporting of the customer's securities, the collection and disbursement of income, securities settlement and market values.

Dealer. A dealer acts as a principal in all transactions, buying and selling for his own account.

Delivery vs. Payment (DVP). Settlement procedure in which securities are delivered versus payment of cash, but only after cash has been received. Most security transactions, including those through the Fed Securities Wire system and Depository Trust Company (DTC), are done DVP as a protection for both the buyer and seller of securities.

Depository Trust Company (DTC). A firm through which members can use a computer to arrange for securities to be delivered to other members without physical delivery of certificates. A member of the Federal Reserve System and owned mostly by the New York Stock Exchange, the Depository Trust Company uses computerized debit and credit entries. Most corporate securities, commercial paper, CDs and BAs clear through DTC.

Derivatives. For hedging purposes, common derivatives are options, futures, swaps and swaptions. All Collateralized Mortgage Obligations ("CMOs") are derivatives. (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

Derivative Security. Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

Designated Bond. Farm Credit Designated Bonds are high credit quality, liquid, non-callable and callable securities. New issues of Designated Bonds are $1 billion or larger for non-callable securities and $500 million or larger for callable securities. Reopens of existing Designated Bond issues are generally a minimum of $100 million. Designated Bonds generally have a two to ten year original maturity and are offered through a syndicate of two to six Bond Dealers. Callable Designated Bonds will contain one-time only "European" redemption features.

Discount Notes. Unsecured general obligations issued by Federal Agencies at a discount. Discount notes mature at par and can range in maturity from overnight to one year. There are very large primary (new issue) and secondary markets.

Discount Rate. Rate charged by the system of Federal Reserve Banks on overnight loans to member banks. Changes to this rate are administered by the Federal Reserve and closely mirror changes to the “fed funds rate.”

Discount Securities. Non-interest bearing money market instruments that are issued at discount and redeemed at maturity for full face value. Examples include U.S Treasury Bills, Federal Agency Discount Notes, Bankers' Acceptances and Commercial Paper.

Discount. The amount by which a bond or other financial instrument sells below its face value. See also "Premium."

Diversification. A method of reducing risk by investing in a variety of assets.

Dollar Price. A bond’s cost expressed as a percentage of its face value. For example, a bond quoted at a dollar price of 95 ½, would have a principal cost of $955 per $1,000 of face value.

Duration. The weighted average maturity of a security’s or portfolio’s cash flows, where the present values of the cash flows serve as the weights. The greater the duration of a security/portfolio, the greater its percentage price volatility with respect to changes in interest rates. Used as a measure of risk and a key tool for managing a portfolio versus a benchmark and for hedging risk. There are also different kinds of duration used for different purposes (e.g. MacAuley Duration, Modified Duration).

Fannie Mae. See "Federal National Mortgage Association."

Fed Money Wire. A computerized communications system that connects the Federal Reserve System with its member banks, certain U. S. Treasury offices, and the Washington D.C. office of the Commodity Credit Corporation. The Fed Money Wire is the book entry system used to transfer cash balances between banks for themselves and for customer accounts.

Fed Securities Wire. A computerized communications system that facilitates book entry transfer of securities between banks, brokers and customer accounts. Used primary for settlement of U.S. Treasury and Federal Agency securities.

Fed. See "Federal Reserve System."

Federal Agency Security. A debt instrument issued by one of the federal agencies. Federal agencies are considered second in credit quality and liquidity only to U.S. Treasuries.

Federal Agency. Government sponsored/owned entity created by the U.S. Congress, generally for the purpose of acting as a financial intermediary by borrowing in the marketplace and directing proceeds to specific areas of the economy considered to otherwise have restricted access to credit markets. The largest Federal Agencies are GNMA, FNMA, FHLMC, FHLB, FFCB, SLMA, and TVA.

Federal Deposit Insurance Corporation (FDIC). The insurance coverage of public unit accounts depends upon the type of deposit and the location of the insured depository institution. All time and savings deposits owned by a public unit and held by the same official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to $250,000. Separately, all demand deposits owned by a public unit and held by the same official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to $250,000. For the purpose of these rules (Deposit Insurance for Accounts Held by Government Depositors), the term 'savings deposits' includes NOW accounts and money market deposit accounts but does not include interest-bearing demand deposit accounts (which will be permitted after July 21, 2011) The term 'demand deposits' means deposits payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal.

For the period from December 31, 2010 through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) provides separate and unlimited deposit insurance coverage for accounts that meet the definition of a 'non-interest bearing transaction account.' This unlimited coverage for such accounts is separate from the $250,000 coverage provided for other types of accounts. Also, beginning on July 21, 2011, the Dodd-Frank Act provides that insured depository institutions will be permitted to pay interest on demand deposit accounts.

Federal Farm Credit Bank (FFCB). A Government Sponsored Enterprise (GS) system that is a network of cooperatively-owned lending institutions that provides credit services to farmers, agricultural cooperatives and rural utilities. The FFCBs act as financial intermediaries that borrow money in the capital markets and use the proceeds to make loans and provide other assistance to farmers and farm-affiliated businesses. Consists of the consolidated operations of the Banks for Cooperatives, Federal Intermediate Credit Banks, and Federal Land Banks. Frequent issuer of discount notes, agency notes and callable agency securities. FFCB debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and agricultural industry. Also issues notes under its "designated note" program.

Federal Funds (Fed Funds). Funds placed in Federal Reserve Banks by depository institutions in excess of current reserve requirements, and frequently loaned or borrowed on an overnight basis between depository institutions.

Federal Funds Rate (Fed Funds Rate). The interest rate charged by a depository institution lending Federal Funds to another depository institution. The Federal Reserve influences this rate by establishing a "target" Fed Funds rate associated with the Fed's management of monetary policy.

Federal Home Loan Bank System (FHLB). A Government Sponsored Enterprise (GSE) system, consisting of wholesale banks (currently twelve district banks) owned by their member banks, which provides correspondent banking services and credit to various financial institutions, financed by the issuance of securities. The principal purpose of the FHLB is to add liquidity to the mortgage markets. Although FHLB does not directly fund mortgages, it provides a stable supply of credit to thrift institutions that make new mortgage loans. FHLB debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes and callable agency securities. Also issues notes under its "global note" and "TAP" programs.

Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac"). A government sponsored public corporation (GSE) that provides stability and assistance to the secondary market for home mortgages by purchasing first mortgages and participation interests financed by the sale of debt and guaranteed mortgage-backed securities. FHLMC debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes, callable agency securities and MBS. Also issues notes under its “reference note” program.

Federal National Mortgage Association (FNMA or "Fannie Mae"). A government sponsored public corporation (GSE) that provides liquidity to the residential mortgage market by purchasing mortgage loans from lenders, financed by the issuance of debt securities and MBS (pools of mortgages packaged together as a security). FNMA debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes, callable agency securities and MBS. Also issues notes under its “benchmark note” program.

Federal Reserve Bank. One of the 12 distinct banks of the Federal Reserve System.

Federal Reserve System (The Fed). The independent central bank system of the United States that establishes and conducts the nation's monetary policy. This is accomplished in three major ways: (1) raising or lowering bank reserve requirements, (2) raising or lowering the target Fed Funds Rate and Discount Rate, and (3) in open market operations by buying and selling government securities. The Federal Reserve System is made up of twelve Federal Reserve District Banks, their branches, and many national and state banks throughout the nation. It is headed by the seven member Board of Governors known as the “Federal Reserve Board” and headed by its Chairman.

Fiscal Agent/Paying Agent. A bank or trust company that acts, under a trust agreement with a corporation or municipality, in the capacity of general treasurer. The agent performs such duties as making coupon payments, paying rents, redeeming bonds, and handling taxes relating to the issuance of bonds.

Fitch Investors Service, Inc. One of several “Nationally Recognized Statistical Rating Organization” (NRSRO) that provide credit ratings on corporate and municipal debt issues.

Floating Rate Security (FRN or “floater”). A bond with an interest rate that is adjusted according to changes in an interest rate or index. Differs from variable-rate debt in that the changes to the rate take place immediately when the index changes, rather on a predetermined schedule. See also “Variable Rate Security.”

Freddie Mac. See "Federal Home Loan Mortgage Corporation".

Ginnie Mae. See "Government National Mortgage Association".

Global Notes: Notes designed to qualify for immediate trading in both the domestic U.S. capital market and in foreign markets around the globe. Usually large issues that are sold to investors worldwide and therefore have excellent liquidity. Despite their global sales, global notes sold in the U.S. top U.S. investors are typically denominated in U.S. dollars.

Government National Mortgage Association (GNMA or "Ginnie Mae"). A government-owned corporation within the Department of Housing and Urban Development (HUD). Today, Ginnie Mae securities are the only mortgage-backed securities that offer the full faith and credit guaranty of the United States government. It acquires, packages, and resells mortgages and mortgage purchase commitments in the form of mortgage-backed securities and is the largest issuer of mortgage pass-through securities. **Government Securities.** An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, Bonds, and SLGS."

Government Sponsored Enterprise (GSE). Privately owned entity subject to federal regulation and supervision, created by the U.S. Congress to reduce the cost of capital for certain borrowing sectors of the economy such as students, farmers, and homeowners. GSEs carry the implicit backing of the U.S. Government, but they are not direct obligations of the U.S. Government. For this reason, these securities will offer a yield premium over Treasuries. Some consider GSEs to be stealth recipients of corporate welfare. Examples of GSEs include: FHLB, FHLMC, and FNMA.

Government Sponsored Enterprise Security. A security issued by a Government Sponsored Enterprise. Considered Federal Agency Securities.

Index. A compilation of statistical data that tracks changes in the economy or in financial markets.

Interest-Only (IO) STRIP. A security based solely on the interest payments from the bond. After the principal has been repaid, interest payments stop and the value of the security falls to nothing. Therefore, IOs are considered risky investments. Usually associated with mortgage-backed securities.

Internal Controls. An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1. the cost of a control should not exceed the benefits likely to be derived and 2. the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

1. **Control of collusion** - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.

2. **Separation of transaction authority from accounting and record keeping** - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.

3. **Custodial safekeeping** - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.

4. **Avoidance of physical delivery securities** - Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.

5. **Clear delegation of authority to subordinate staff members** - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.

6. **Written confirmation of transactions for investments and wire transfers** - Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.

7. **Development of a wire transfer agreement with the lead bank and third-party custodian** - The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

Inverse Floater. A floating rate security structured in such a way that it reacts inversely to the direction of interest rates. Considered risky as their value moves in the opposite direction of normal fixed-income investments and whose interest rate can fall to zero.

Investment Advisor. A company that provides professional advice managing portfolios, investment recommendations and/or research in exchange for a management fee.

Investment Adviser Act of 1940. Federal legislation that sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Investment Manager A company that actively manages fixed income portfolios which include operating funds, capital reserves, insurance reserves, proceeds from the sale of bonds and other funds.

Investment Grade. Bonds considered suitable for preservation of invested capital; bonds rated a minimum of Baa3 by Moody's, BBB- by Standard & Poor's, or BBB- by Fitch. Although "BBB" rated bonds are considered investment grade, most public agencies cannot invest in securities rated below "A."

Liquidity. Relative ease of converting an asset into cash without significant loss of value. Also, a relative measure of cash and near-cash items in a portfolio of assets. Also, a term describing the marketability of a money market security correlating to the narrowness of the spread between the bid and ask prices.

Local Government Investment Pool (LGIP). An investment by local governments in which their money is pooled as a method for managing local funds, (i.e., Florida PRIME).

Long-Term Core Investment Program. Funds that are not needed within a one-year period.

Market Value. The fair market value of a security or commodity. The price at which a willing buyer would pay for a security.

Mark-to-market. Adjusting the value of an asset to its market value, reflecting in the process unrealized gains or losses.

Master Repurchase Agreement. A widely accepted standard agreement form published by the Bond Market Association (BMA) that is used to govern and document Repurchase Agreements and protect the interest of parties in a repo transaction.

Maturity Date. Date on which principal payment of a financial obligation is to be paid.

Medium Term Notes (MTNs). Used frequently to refer to corporate notes of medium maturity (5-years and under). Technically, any debt security issued by a corporate or depository institution with maturities from 1 to 10 years and issued under an MTN shelf registration. Usually issued in smaller issues with varying coupons and maturities, and underwritten by a variety of broker/dealers (as opposed to large corporate deals issued and underwritten all at once in large size and with a fixed coupon and maturity).

Money Market. The market in which short-term debt instruments (bills, commercial paper, bankers' acceptance, etc.) are issued and traded.

Money Market Mutual Fund (MMF). A type of mutual fund that invests solely in money market instruments, such as Treasury bills, commercial paper, bankers' acceptances, and repurchase agreements. Money market mutual funds are registered with the SEC under the Investment Company Act of 1940 and are subject "rule 2a-7" which significantly limits average maturity and credit quality of holdings. MMFs are managed to maintain a stable net asset value (NAV) of $1.00. Many MMFs carry ratings by a NRSRO.

Moody's Investors Service. One of several NRSROs that provide credit ratings on corporate and municipal debt issues.

Mortgage Backed Securities (MBS). Mortgage-backed securities represent an ownership interest in a pool of mortgage loans made by financial institutions, such as savings and loans, commercial banks, or mortgage companies, to finance the borrower's purchase of a home or other real estate. The majority of MBS are issued and/or guaranteed by GNMA, FNMA and FHLMC. There are a variety of MBS structures, some of which can be very risky and complicated. All MBS have reinvestment risk as actual principal and interest payments are dependent on the payment of the underlying mortgages which can be prepaid by mortgage holders to refinance and lower rates or simply because the underlying property was sold.

Mortgage Pass-Through Securities. A pool of residential mortgage loans with the monthly interest and principal distributed to investors on a pro-rata basis. Largest issuer is GNMA.

Municipal Note/Bond. A debt instrument issued by a state or local government unit or public agency. The vast majority of municipals are exempt from state and federal income tax, although some non-qualified issues are taxable.

Mutual Fund. Portfolio of securities professionally managed by a registered investment company that issues shares to investors. Many different types of mutual funds exist (bond, equity, money fund); all except money market funds operate on a variable net asset value (NAV).

National Association of Securities Dealers (NASD). Organization of brokers and dealers who trade securities in the United States, supervised by the SEC, and which provides regulatory exams for industry participants.

Negotiable Certificate of Deposit (Negotiable CD). Large denomination CDs ($100,000 and larger) that are issued in bearer form and can be traded in the secondary market.

Net Asset Value. The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below.)

[(Total assets) - (Liabilities)]/(Number of shares outstanding)

NRSRO. A "Nationally Recognized Statistical Rating Organization." A designated rating organization that the SEC has deemed a strong national presence in the U.S. NRSROs provide credit ratings on corporate and bank debt issues. Only ratings of a NRSRO may be used for the regulatory purposes of rating. Includes Moody's, S&P, Fitch and Duff & Phelps.

Offered Price. See also "Ask Price."

Open Market Operations. Federal Reserve monetary policy tactic entailing the purchase or sale of government securities in the open market by the Federal Reserve System from and to primary dealers in order to influence the money supply, credit conditions, and interest rates.

Par Value. Face value, stated value or maturity value of a security.

Physical Delivery. Delivery of readily available underlying assets at contract maturity.

Portfolio. Collection of securities and investments held by an investor.

Premium. The amount by which a bond or other financial instrument sells above its face value. See also "Discount."

Primary Dealer. Any of a group of designated government securities dealers designated by to the Federal Reserve Bank of New York. Primary dealers can buy and sell government securities directly with the Fed. Primary dealers also submit daily reports of market activity and security positions held to the Fed and are subject to its informal oversight. Primary dealers are considered the largest players in the U.S. Treasury securities market.

Prime Paper. Commercial paper of high quality. Highest rated paper is A-1+/A-1 by S&P and P-1 by Moody's.

Principal. Face value of a financial instrument on which interest accrues. May be less than par value if some principal has been repaid or retired. For a transaction, principal is par value times price and includes any premium or discount.

Prudent Investor Standard. Standard that requires that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. More stringent than the "prudent person" standard as it implies a level of knowledge commensurate with the responsibility at hand.

Qualified Public Depository - Per Florida Statute 280, means any bank, saving bank or savings association that:

1. Is organized and exists under the laws of the United States, the laws of this state or any other state or territory of the United States;

2. Has its principal place of business in this state or has a branch office in this state which is authorized under the laws of this state or of the United States to receive deposits in this state.,

3. Has deposit insurance under the provision of the Federal Deposit Insurance Act, as amended, 12 U.S.C. ss.1811 seq.

4. Meets all requirements of F.S. 280

5. Has been designed by the Treasurer as a qualified public depository.

Range Note. A type of structured note that accrues interest daily at a set coupon rate that is tied to an index. Most range notes have two coupon levels; a higher accrual rate for the period the index is within a designated range, the lower accrual rate for the period that the index falls outside the designated range. This lower rate may be zero and may result in zero earnings.

Rate of Return. Amount of income received from an investment, expressed as a percentage of the amount invested.

Realized Gains (Losses). The difference between the sale price of an investment and its book value. Gains/losses are "realized" when the security is actual sold, as compared to "unrealized" gains/losses which are based on current market value. See "Unrealized Gains (Losses)."

Reference Bills: FHLMC's short-term debt program created to supplement its existing discount note program by offering issues from one month through one year, auctioned on a weekly or on an alternating four-week basis (depending upon maturity) offered in sizeable volumes ($1 billion and up) on a cycle of regular, standardized issuance. Globally sponsored and distributed, Reference Bill issues are intended to encourage active trading and market-making and facilitate the development of a term repo market. The program was designed to offer predictable supply, pricing transparency and liquidity, thereby providing alternatives to Treasury bills. FHLMC's Reference Bills are unsecured general corporate obligations. This program supplements the corporation's existing discount note program. Issues under the Reference program constitute the same credit standing as other FHLMC discount notes; they simply add organization and liquidity to the short-term Agency discount note market.

Reference Notes: FHLMC's intermediate-term debt program with issuances of 2, 3, 5, 10 and 30-year maturities. Initial issuances range from $2 - $6 billion with reopenings ranging $1 - $4 billion. The notes are high-quality bullet structures securities that pay interest semiannually. Issues under the Reference program constitute the same credit standing as other FHLMC notes; they simply add organization and liquidity to the intermediate- and long-term Agency market.

Repurchase Agreement (Repo). A short-term investment vehicle where an investor agrees to buy securities from a counterparty and simultaneously agrees to resell the securities back to the counterparty at an agreed upon time and for an agreed upon price. The difference between the purchase price and the sale price represents interest earned on the agreement. In effect, it represents a collateralized loan to the investor, where the securities are the collateral. Can be DVP, where securities are delivered to the investor's custodial bank, or "tri-party" where the securities are delivered to a third party intermediary. Any type of security can be used as "collateral," but only some types provide the investor with special bankruptcy protection under the law. Repos should be undertaken only when an appropriate BMA approved master repurchase agreement is in place.

Reverse Repurchase Agreement (Reverse Repo). A repo from the point of view of the original seller of securities. Used by dealers to finance their inventory of securities by essentially borrowing at short-term rates. Can also be used to leverage a portfolio and in this sense, can be considered risky if used improperly.

Safekeeping. Service offered for a fee, usually by financial institutions, for the holding of securities and other valuables. Safekeeping is a component of custody services.

Secondary Market. Markets for the purchase and sale of any previously issued financial instrument.

Securities Lending. An arrangement between and investor and a custody bank that allows the custody bank to "loan" the investors investment holdings, reinvest the proceeds in permitted investments, and shares any profits with the investor. Should be governed by a securities lending agreement. Can increase the risk of a portfolio in that the investor takes on the default risk on the reinvestment at the discretion of the custodian.

Sinking Fund. A separate accumulation of cash or investments (including earnings on investments) in a fund in accordance with the terms of a trust agreement or indenture, funded by periodic deposits by the issuer (or other entity responsible for debt service), for the purpose of assuring timely availability of moneys for payment of debt service. Usually used in connection with term bonds.

Spread. The difference between the price of a security and similar maturity Treasury investments, expressed in percentage terms or basis points. A spread can also be the absolute difference in yield between two securities. The securities can be in different markets or within the same securities market between different credits, sectors, or other relevant factors.

Standard & Poor's. One of several NRSROs that provide credit ratings on corporate and municipal debt issues.

STRIPS (Separate Trading of Registered Interest and Principal of Securities). Acronym applied to Treasury securities that have had their coupons and principal repayments separated into individual zero-coupon Treasury securities. The same technique and "strips" description can be applied to non-Treasury securities (e.g. FNMA strips).

Structured Notes. Notes that have imbedded into their structure options such as step-up coupons or derivative-based returns.

Swap. Trading one asset for another.

TAP Notes: Federal Agency notes issued under the FHLB TAP program. Launched in 6/99 as a refinement to the FHLB bullet bond auction process. In a break from the FHLB's traditional practice of bringing numerous small issues to market with similar maturities, the TAP Issue Program uses the four most common maturities and reopens them up regularly through a competitive auction. These maturities (2, 3, 5 and 10 year) will remain open for the calendar quarter, after which they will be closed and a new series of TAP issues will be opened to replace them. This reduces the number of separate bullet bonds issued, but generates enhanced awareness and liquidity in the marketplace through increased issue size and secondary market volume.

Tennessee Valley Authority (TVA). A wholly owned corporation of the United States government that was established in 1933 to develop the resources of the Tennessee Valley region in order to strengthen the regional and national economy and the national defense. Power operations are separated from non-power operations. TVA securities represent obligations of TVA, payable solely from TVA's net power proceeds, and are neither obligations of nor guaranteed by the United States. TVA is currently authorized to issue debt up to $30 billion. Under this authorization, TVA may also obtain advances from the Treasury of up to $150 million. Frequent issuer of discount notes, agency notes and callable agency securities.

Total Return. Investment performance measured over a period of time that includes coupon interest, interest on interest, and both realized and unrealized gains or losses. Total return includes, therefore, any market value appreciation/depreciation on investments held at period end.

Treasuries. Collective term used to describe debt instruments backed by the U.S. Government and issued through the U.S. Department of the Treasury. Includes Treasury bills, Treasury notes, Treasury Inflation-Protected Securities (TIPS) and Treasury bonds. Also a benchmark term used as a basis by which the yields of non-Treasury securities are compared (e.g., "trading at 50 basis points over Treasuries").

Treasury Bills (T-Bills). Short-term direct obligations of the United States Government issued with an original term of one year or less. Treasury bills, or T-bills, are sold in terms ranging from a few days to 52 weeks. Bills are typically sold at a discount from the par amount (also called face value). For instance, you might pay $990 for a $1,000 bill. When the bill matures, you would be paid $1,000. The difference between the purchase price and face value is interest. It is possible for a bill auction to result in a price equal to par, which means that Treasury will issue and redeem the securities at par value.

Treasury Bonds. Long-term interest-bearing debt securities backed by the U.S. Government. issued Treasury bonds pay a fixed rate of interest every six months until they mature and are issued in a term of 30 years.

Treasury Inflation-Protected Securities (TIPS) Provide protection against inflation. The principal of a TIPS increases with inflation and decreases with deflation, as measured by the Consumer Price Index. When a TIPS matures, you are paid the adjusted principal or original principal, whichever is greater. TIPS pay interest twice a year, at a fixed rate. The rate is applied to the adjusted principal; so, like the principal, interest payments rise with inflation and fall with deflation.

Treasury Notes. Intermediate interest-bearing debt securities backed by the U.S. Government and issued with maturities ranging from one to ten years by the U.S. Department of the Treasury. Treasury Notes, earn a fixed rate of interest every six months until maturity. Notes are issued in terms of 2, 3, 5, 7, and 10 years.

Trustee. A bank designated by an issuer of securities as the custodian of funds and official representative of bondholders. Trustees are appointed to insure compliance with the bond documents and to represent bondholders in enforcing their contract with the issuer.

Uniform Net Capital Rule. SEC regulation 15C3-1 that outlines the minimum net capital ratio (ratio of indebtedness to net liquid capital) of member firms and non-member broker/dealers.

Unrealized Gains (Losses). The difference between the market value of an investment and its book value. Gains/losses are “realized” when the security is actual sold, as compared to “unrealized” gains/losses which are based on current market value. See also “Realized Gains (Losses).”

Variable-Rate Security. A bond that bears interest at a rate that varies over time based on a specified schedule of adjustment (e.g., daily, weekly, monthly, semi-annually or annually). See also “Floating Rate Note.”

Weighted Average Maturity Average Maturity. The average maturity of all securities and investments of a portfolio, determined by multiplying the par or principal value of each security or investment by its maturity (days or years), summing the products, and dividing the sum by the total principal value of the portfolio. A simple measure of risk of a fixed-income portfolio.

Weighted Average Maturity to Call. The average maturity of all securities and investments of a portfolio, adjusted to substitute the first call date per security for maturity date for those securities with call provisions.

Yield Curve. A graphic depiction of yields on like securities in relation to remaining maturities spread over a time line. The traditional yield curve depicts yields on Treasuries, although yield curves exist for Federal Agencies and various credit quality corporates as well. Yield curves can be positively sloped (normal) where longer-term investments have higher yields, or “inverted” (uncommon) where longer-term investments have lower yields than shorter ones.

Yield to Call (YTC). Same as “Yield to Maturity,” except the return is measured to the first call date rather than the maturity date. Yield to call and be significantly higher or lower than a security’s yield to maturity.

Yield to Maturity (YTM). Calculated return on an investment, assuming all cash flows from the security are reinvested at the same original yield. Can be higher or lower than the coupon rate depending on market rates and whether the security was purchased at a premium or discount. There are different conventions for calculating YTM for various types of securities.

Yield. There are numerous methods of yield determination. In this glossary, see also "Current Yield,” "Yield Curve," "Yield to Call" and "Yield to Maturity."

Attachment B
<u>Investment Pool/Fund Questionnaire</u>

General Fund/Pool Information:

1. Does the fund/pool attempt to maintain a stable net asset value or floating net asset value?
2. How is interest distributed, and how are gains and losses treated?
3. How often are statements and portfolio holdings distributed?
4. Is the fund/pool eligible for bond proceeds and/or will it accept such proceeds?

Oversight:

1. What are the fund/pool ratings by the Nationally Recognized Statistical Rating Organizations such as S&P, Moody's, Fitch, Kroll, etc.?
2. What are the eligible investment securities? Is there a written statement of investment policy and objectives?
3. How are the securities safeguarded (including the settlement processes)? How often are the securities priced? How often is the fund/pool audited?
4. Is there any additional oversight outside of the Board of Trustees?

Fund/Pool Statistics:

1. What is the current sector allocation of the fund/pool?
2. What is the fee schedule, and how and when is it assessed?

Liquidity:

1. Does the fund/pool follow GASB 79?
2. Does the fund/pool have any liquidity fees? If so, describe the terms.
3. Does the fund/pool have redemption gates? If so, describe them.

Investor Requirements:

1. Who may invest in the program, how often, and what size deposits and withdrawals are allowed?
2. Is there a limit regarding investor concentration? If so, what is it?