RESOLUTION NO. 12-127

RESOLUTION OF THE MAYOR AND THE CITY COUNCIL OF THE CITY OF HIALEAH, FLORIDA APPROVING A REVISED INVESTMENT POLICY FOR SURPLUS FUNDS IN THE FORM ATTACHED HERETO AND MADE A PART HEREOF AS EXHIBIT '1".

WHEREAS, section 218.415, Florida Statutes requires local governments to have an investment policy for any public funds in excess of the amounts needed to meet current expenses; and

WHEREAS, pursuant to Hialeah, Fla., Resolution 06-44 (Apr. 26, 2006), the City approved an investment policy for surplus fund accounts; and

WHEREAS, the City of Hialeah finds that the adoption of this revised investment policy is in the best interest of the City and in compliance with the directives of state law relating to local government investment policies.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND THE CITY COUNCIL OF THE CITY OF HIALEAH, FLORIDA, THAT:

Section 1: The Mayor and the City Council of the City of Hialeah, Florida hereby approve a revised Investment Policy for Surplus Funds, in the form attached hereto and made a part hereof as Exhibit "1".

PASSED AND ADOPTED this 13 day of November, 2012.

Isis Garcia-Martinez
Council President

Attest:

Approved on this 15 day of Nov, 2012.

Marbelys Rubio, Acting City Clerk

Mayor Carlos Hernandez

Approved as to form and legal sufficiency:

William M. Grodnick, City Attorney

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Resolution was adopted by a unanimous vote with Councilmembers, Caragol, Casals-Muñoz, Cue-Fuente, Garcia-Martinez, Gonzalez, Hernandez and Lozano voting "Yes".

ITEM # 9.

NOV 13 2012

CITY OF HIALEAH
CITY ATTORNEY'S OFFICE

MEMORANDUM

TO: Mayor Carlos Hernandez, and
Members of the Hialeah City Council

FROM: William M. Grodnick, City Attorney WMG

DATE: October 30, 2012

RE: Revised Investment Policy for Surplus Fund Accounts

Upon review of the City's Investment Policy for Surplus Funds, the Investment Committee, consisting of the OMB Director, Finance Director and the City Clerk, proposed the following changes:

1. Securities shall be limited to investment grade securities (the four highest rating categories of investments). Junk bonds or bonds rated below BBB are prohibited.

2. The maximum maturity dates for corporate fixed income securities are extended from 5 to 10 years, with the total average maturity of no more than 7 years.

3. Maximum portfolio percentage for corporate and municipal fixed income securities shall be no more than 40% of the portfolio and corporate fixed income securities rated below A shall be limited to no more than 25% of any particular pool of investments.

4. Eliminate that the requirement for the Investment Committee to meet monthly.

The purpose of the revisions is to provide for greater maturities and diversification of low-risk investments and wider range of investment grade securities to produce a higher interest or yield on such investments. The City does not desire to lose purchasing power of money, which is now earning a fractional investment return of .001 % when the inflation is in excess of 2%. The City's objective is to provide an investment policy, without sacrificing safety, to keep pace with inflation, to the extent of the limitations imposed by state law. In any event, at this juncture, the City's surplus fund account is in the Water & Sewers Department.

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RESOLUTION NO. _____

RESOLUTION OF THE MAYOR AND THE CITY COUNCIL OF THE CITY OF HIALEAH, FLORIDA APPROVING A REVISED INVESTMENT POLICY FOR SURPLUS FUNDS IN THE FORM ATTACHED HERETO AND MADE A PART HEREOF AS EXHIBIT '1".

WHEREAS, section 218.415, Florida Statutes requires local governments to have an investment policy for any public funds in excess of the amounts needed to meet current expenses; and

WHEREAS, pursuant to Hialeah, Fla., Resolution 06-44 (Apr. 26, 2006), the City approved an investment policy for surplus fund accounts; and

WHEREAS, the City of Hialeah finds that the adoption of this revised investment policy is in the best interest of the City and in compliance with the directives of state law relating to local government investment policies.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND THE CITY COUNCIL OF THE CITY OF HIALEAH, FLORIDA, THAT:

Section 1: The Mayor and the City Council of the City of Hialeah, Florida hereby approve a revised Investment Policy for Surplus Funds, in the form attached hereto and made a part hereof as Exhibit "1".

PASSED AND ADOPTED this ____ day of _____, 2012.

_____
Isis Garcia-Martinez
Council President

Attest:

Approved on this ____ day of _____, 2012.

_____
Marbelys Rubio, Acting City Clerk

_____
Mayor Carlos Hernandez

Approved as to form and legal sufficiency:
William Grodnick
William M. Grodnick, City Attorney

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City of Hialeah, Florida

INVESTMENT POLICY - SURPLUS FUNDS

SCOPE

This investment policy applies to all financial assets and transactions involving surplus funds held by the City of Hialeah other than pension fund assets, or other funds that are held by a third party custodian and are outside of the scope of this investment policy. All funds and investments are accounted for in the City's Annual Financial Report and include:

1. General Fund.
2. Special Revenue Funds.
3. Capital Improvements Funds.
4. Enterprise Funds.
5. Debt Service Funds.
6. Internal Service Funds.
7. New funds created by the City, not specifically exempted from this policy.

SCOPE AND PURPOSE

All financial assets held or controlled by the City, not otherwise classified as restricted assets by the Investment Committee, shall be invested under the guidelines as herein set forth. No person may engage in any investment transaction with funds held in a trust relationship by the City, except as authorized by the Investment Committee. The policies and procedures herein are intended to provide sufficient funds and operating flexibility to respond to changing market and economic conditions and to effectively manage the assets so as to maximum the expected return on assets within an acceptable exposure to investment risk. There are times when risks of specific investments may temporarily increase such that the City may be required to operate under a more restrictive policy. In such cases, the Investment Committee is authorized to approve more restrictive policies. Additionally, at times, exceptions to the policy may need to be made, on a case-by-case basis, and with the approval of the Investment Committee.

OBJECTIVES

The objectives of the City's investment program will vary according to each of the investment portfolio's objectives that are described by the Investment Committee. The City holdings shall be generally diversified relative to a board market standard and both market and nonmarket risk shall be monitored and acted upon to avoid or minimize potential losses. Short-term holdings of the City shall be of high quality and ready marketability with maturities diversified appropriately with respect to the current operating expenses and expected cash flow obligations of the City's portfolios. The City's portfolio's investment objectives, risk constraints and permitted investments.

Exhibit "1"

CREATION OF INVESTMENT COMMITTEE; DUTIES AND RESPONSIBILITIES

The OMB Director, with the approval of the Mayor, will establish an Investment Committee for the purposes of formulating alternative investment strategies and short-range direction within the guidelines herein set forth and for monitoring the performance and structure of the City's investment portfolio. Members of the Committee shall include the Finance Director, OMB Director and City Clerk, and may include other members as may be designated by the Mayor.

The OMB Director shall designate a member of the Committee to provide, upon request, current market information, an updated portfolio listing and analysis. The Committee or quorum thereof, shall meet monthly, or as often as deemed necessary, under the given conditions, to review, discuss, and affirm or alter the current investment strategy and perform various other functions as herein provided. The OMB Director shall establish and monitor internal and procedural controls designed to protect the city's assets and ensure proper accounting and reporting. Such controls shall include "delivery vs. payment" procedures and trust receipt documentation.

Internal controls will encompass, at a minimum, the following issues:

A. Separation of authority including transaction authority from accounting and record keeping.
B. Custodial safekeeping.
C. Avoidance of bearer-form or non-wireable securities.
D. Delegation of authority to staff members.
E. Written confirmation of telephone transaction.
F. Documentation of investment transactions by investment officials.

The OMB Director and all other members of the Investment Committee that may be responsible for making investment decisions must bi-annually complete eight (8) hours of continuing education in subjects or courses of study related to investment practices and products. Periodic training and education will be provided to Investment Committee members through courses and seminars offered by Government Finance Officers Associations, Municipal Treasurers Associations, Trustee Associations, approved colleges and universities and/or other qualified and pertinent organizations.

The Investment Committee activities shall include, but not be limited to, review and establishment of strategies; review and establishment of written investment procedures; review of applicable ratings services such as Moody's and S&P; review and approval of source documentation regarding issuers, institutions and broker/dealers, and any other functions defined herein.

The Mayor shall review and approve all investment decisions prior to implementation.

It is the responsibility of the Investment Committee to supervise and administer the investment program, including, but not limited to, the following:

1. Supervise and coordinate the activities of qualified investment management firms, dealers, brokers, issuers, custodians, consultants and other investment advisers in maintaining consistency with this investment policy and other policies established by the Mayor and/or City Council.

2. Provide advice and assistance in the administration and operation of the City's investment program and policies.

3. Establish accounting systems and procedures for the safekeeping, disposal of and recording of all investment assets held or controlled by the city including the establishment of appropriate internal controls as required.

4. Assist the design, development, operation, review and evaluation of the City's investment program for compliance with this policy. Advise the Mayor as to recommendations relative to amendments to this policy. Inform the Mayor of unaddressed concerns with the City's investment program.

5. Immediately notify the City's if any information that may have a severe and adverse effect on the City's investment program under this policy.

6. Coordinate with the City's professional advisors in designing investments portfolios to meet the needs of the City and in establishing appropriate levels of investment risk and liquidity for meeting current and projected obligations of the City's investment portfolios.

Permitted investments of bond proceeds are usually set forth in the bond documents. Investments strategies or vehicles commonly utilized for the investment of bond proceeds may differ from those of other City funds.

PRUDENCE

The standard of prudence to be applied by professional investment advisers, money managers or other qualified parties or individuals with contracted investment responsibilities with the City shall be by "prudent person", which provides that the investments of the City's investment program shall be made with the judgment and care under the circumstances then prevailing that persons of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of the invested funds considering the probable income, total return and probable safety of these funds. Managers shall adhere to the fiduciary standards set forth in the Employee Retirement Income Security Act of 1974 at 29 U.S.C. § 1104(a)(1)(A) through (C). Individuals, acting according to established procedures and exercising due diligence shall be relieved of personal responsibility for individual security's credit risk or market price changes, provided deviations from

expectations are reported in a timely fashion and appropriate action is taken to minimize any investment losses.

Any individual who is 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. The Investment Committee shall have a written policy that addresses the disclosure of potential conflict-of-interests that shall be submitted to the Mayor upon request. The Investment Committee shall also disclose to the Mayor any material financial/investment position or finding that may be contrary to this policy or otherwise related to the performance of the City's portfolios. Any adverse findings of the United States Department of Labor and/or the Securities and Exchange Commission regarding the Investment Committee or its financial activities shall be brought to the immediate attention of the Mayor.

Before engaging in any investment transactions on behalf of the City an investment manager, if so engaged, shall have submitted to the Investment Committee a signed certification from a duly authorized representative attesting that the individuals responsible for the City's account have reviewed this investment policy and that they agree to undertake reasonable efforts to preclude imprudent transactions involving the assets of the City.

INVESTMENT PERFORMANCE AND REPORTING

Performance of the portfolio will be reported periodically and submitted to the OMB Director for review. These reports should include current market value, investment details and other material characteristics of the portfolio. In addition, a designee of the OMB Director will report to the other members of the Investment Committee about the current economic outlook and market. At the conclusion of each fiscal year or calendar year, the OMB Director shall prepare an annual report of the performance of the investments and submit such report to the City Council.

INVESTMENT MATURITY AND LIQUIDITY

The City will make every attempt to match its investments with anticipated cash flow requirements.

RISK AND DIVERSIFICATION

It is the policy of the City of Hialeah to diversify its investment portfolio. Assets held shall be diversified to control the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific instrument and/or class of instruments and dealers through whom these instruments are bought or sold.

The Investment Committee shall determine the approximate maturity dates desired, select one or more investment instruments and competitively bid the security when feasible and appropriate. Except as otherwise required by law, the most economically advantageous bid must be selected.

Diversification strategies within the established guidelines shall be reviewed and revised periodically as necessary by the appropriate management staff and the Investment Committee.

CRITERIA FOR SELECTION OF FINANCIAL INTERMEDIARIES AND ISSUERS

Certificates of Deposit shall be purchased only from financial institutions that qualify under Florida Statutes. Other securities shall be purchased only through financial institutions that provide the service of a securities dealer, primary dealers, and regional broker dealers. These institutions, dealers and issuers must meet a minimum capital requirement of $10,000,000 and agree to comply with the SEC rule 15C3-1. Uniform Net Capital Requirements. They must also agree to immediately notify the City if the event of material adverse events affecting their capital adequacy. Prior to being added to the list of approved broker/dealers, the OMB Director; or designee, must receive a signed Certification Form, attesting that the individuals responsible for the City's account have reviewed the Investment Policy and they agree to undertake reasonable efforts to preclude imprudent investment transactions involving the City's funds.

Provisions for addition to, or deletion from the approved broker/dealer list will be based on the following criteria:

1. Changes to the State statutes governing municipal investment activities.
2. Perceived financial difficulties.
3. Consistent lack of competitiveness of investment offerings to the City of Hialeah.
4. Lack of experience of familiarity of the assigned account representative with respect to providing investment services to municipal institutional accounts.
5. By request of the institutions or broker/dealer.
6. When deemed in the best interest of the City of Hialeah.

If the City should elect to have funds in the City's bank accounts "swept" into an "overnight repo", which collateralized the City's funds for the night, to protect both parties, the City shall require utilization of a Master Repurchase Agreement.

BID REQUIREMENTS

When purchasing or selling securities, the Investment Committee shall select the security which provides the highest rate of return within the parameters of this policy, given the current objectives and needs of the City's portfolio. In most situations, the City shall

utilize the competitive bid process when feasible and appropriate, to select the securities to be purchased or sold. Selection by comparison to a current market price shall be utilized when, in the judgment of the Investment Committee, competitive bidding would inhibit the selection process such as when:

1. When a dealer brings to the City an unsolicited swap or proposal.
2. When time constraints due to individual circumstances preclude the use of competitive bidding.
3. When a security is unique to a particular dealer.
4. When the transaction involves new issues at par.
5. When infeasible or inappropriate.

AUTHORIZED INVESTMENTS

In an effort to accomplish the objectives of the City's portfolios, this policy identifies various authorized instruments, issuer diversification, maturity constraints, investment ratings and liquidity parameters. The investments authorized within each portfolio shall be identified in the Informational Statements.

A. Repurchase agreements and reverse repurchase agreements. Fully collateralized repurchase and reverse-repurchase agreements are permissible investments provided that the following conditions are met:

1. The City has executed a Master Repurchase Agreement with either a primary dealer, as defined by the Federal Reserve, or a bank or savings and loan domiciled in this state, and certified as a qualified depository, as defined in section 280.02, Florida Statutes.
2. The agreement has a defined termination date and is secured by the obligations described in this investment policy.
3. Requires that the securities being purchased by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with the third party selected and approved by the City.

B. Direct obligations of the United States Treasury including Bills, Notes, Bonds and various forms of Treasury zero-coupon securities. Any direct obligation of the United States Government having principal and interest unconditionally guaranteed by the United States Government having a stated final maturity of 30 years and less.

C. Any authorized investments purchased by or through the State Board of Administration or the Office of the State Treasurer and held on behalf of the Trust in a commingled pool or separate account are permitted. The Investment Committee may elect, within its discretion, to avail the City of investments in the State Board of Administration of Florida's Local Government Investment Pool and the Florida League of Cities Investment Pool.

D. Commercial paper issued in the United States by any corporation, provided that such instrument carries a rating of "A1/P1" or (or comparable rating) as provided by two of the top nationally recognized statistical rating organizations (NRSRO); and that the corporation's long term debt, if any, is rated at least "A1/A+" of the LOC provider must be rated at least "AA" (or a comparable rating) by at least two of the nationally recognized statistical rating organizations publishing ratings for financial institutions. The maximum maturity shall not exceed 270 days from the time of purchase.

E. Banker's Acceptances issued within the United States by institutions with a long-term rating of at least "AA" or short-term debt rating of PI (or comparable ratings), as provided by one nationally recognized statistical rating organization. Exceptions to the above may be approved by the Investment Committee from time to time and reported to the Mayor. The invested account of a Manager may own no more than five percent of the portfolio in banker's acceptances issued by any individual depository institution at one time. Maximum maturity shall not exceed 270 days from the time of purchase.

F. Nonnegotiable Certificates of Deposit issued by Florida Qualified Public Depositories as identified by the State Treasurer's office. Certificates of Deposit shall be purchased only from institutions that qualify under section 280.02, Florida Statutes, as qualified public depositories.

G. Obligations of any United States Government sponsored agency (GSE), which principal and interest carry the implied full faith and credit of the United States Government and which principal and interest are unconditionally guaranteed by the issuing agency. Typical issuing names are, but not limited to, the Federal Home Loan Mortgage (FHLMC), Tennessee Valley Authority (TVA), Federal National Mortgage Association (FNMA), Federal Home Loan Banks (FHLB), Federal Farm Credit Bank (FFCB) and Student Loan Marketing Association (SLMA).

H. Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Florida Statutes § 280.02.

I. Mortgage obligations guaranteed by the United States Government and sponsored agencies and/or instrumentalities including, but not limited to, the Government National Mortgage Association, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation. Mortgage-backed securities, including mortgage-pass through securities and Collateralized Mortgage Obligations (CMO) issued, guaranteed or backed by an agency or instrumentality of the Federal Government or other mortgage securities including CMOs rated AAA or equivalent by a nationally recognized statistical rating organization. The more volatile derivative mortgage securities, such as interest only, principal only, residuals and inverse floaters, are prohibited.

J. Corporate Fixed Income Securities issued by any corporation in the United States with an Investment Grade rating of BBB or better by two NRSROs subject to the following limitations: (1) The portfolio may own no more than $5 million of such instruments issued by any one corporation at one time. In no event shall the City own an amount greater than 5% of a total issue. (2) The maximum portfolio percentage for corporate and

municipal fixed income securities shall be 40% of the total portfolio. (3) The maximum maturity at purchase shall be 10 years. The total average maturity for all corporate fixed income securities held at one time shall not exceed 7 years. (4) Corporate Fixed Income Securities rated below a rating of A is limited to 25% of any particular pool. (5) Junk bonds, or bonds rated below BBB are prohibited.

K. Asset-backed securities issued in the United States. The duration shall not exceed 10 years, based upon a reasonable and supportable prepayment assumption. The security-shall be rated Investment Grade at a minimum, Baa3 by Moody's, BBB by S&P or BBB by Fitch, or if rated such by two of these three rating companies, an equivalent minimum rating by a NRSRO.

L. Securities of state, municipal and county governments or their public agencies, which are rated in the four highest rating categories, or Investment Grade (AAA/Aa, AA/Aa, A or BBB/Baa), or by a nationally recognized statistical rating organization.

M. Guaranteed Investment Contracts (GICs) issued by insurance companies rated in the highest category by AM Best Rating System and maintaining claims paying ability of AA/Aa by a NRSRO.

N. Investment Agreements with other financial institutions. If collateralized, the collateral securing the investment agreement shall be limited to those securities authorized for purchase by this investment policy. The invested account of a Manager may own, at one time, no more than $10 million in investment agreements from any one financial institution.

DIVERSIFICATION

It is the policy of the City to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling. No more than 55% of the overall portfolio may be deposited in a single bank, except in the case of money center banks, for which the limit is 75%. No more than 55% of the overall portfolio may be invested in cooperative investment programs and no more than 25% of the overall portfolio may be invested in the securities of a single issuer, except the U.S. Treasury.

BANK AND DEALER SELECTION

Repurchase and reverse repurchase agreements shall be negotiated with firms approved according to this policy. For broker/dealers of other investment instruments, the Investment Committee shall utilize primary dealers and such other reputable and recognized dealers as may be recommended by the Investment Committee.

THIRD-PARTY CUSTODIAL AGREEMENTS

All securities purchased by the City under this section shall be properly designated as an asset of the City of Hialeah and held in safekeeping by a third-party custodial bank or other third party custodial institution, chartered by the United States Government or the State of Florida, and no withdrawal of such securities, in whole or in part, shall be made from safekeeping, except by the people authorized by this policy. An independent third party custodian provides the strongest assurance and control that the securities have been

properly segregated on behalf of the local jurisdiction.

DELIVERY VS PAYMENT

All investment transactions are being performed on a Delivery vs. Payment basis (DVP), whereby delivery of and payment for the security are simultaneous. Settlement shall occur at the third party custodian as designated by the City prior to completion of the trade. Trades settled on a DVP basis minimize settlement risk and maximize accountability of the transaction; to maintain the City's ownership interest in the security.

POLICY, REPORTING, REVIEW AND AMENDMENTS

The City Council shall approve the City's investment policy and the Investment Committee shall review the investment policy annually and recommend changes to the City Council only if needed or desired. If investment conditions dictate a need for a modification of the Investment Policy prior to this annual review, the OMB Director may submit such changes to the Mayor for approval. The Investment Policy shall be reviewed by the City's independent certified public accountants as part of any financial audit, including schedules reflecting holdings in the City portfolio and year-to-date returns on investment compared to the targeted yields. All investments will be adjusted annually, as fiscal year end, to reflect the then current market value of the securities. The results of the adjustments will be incorporated into the financial records of the City. A statement of compliance with section 218.415, Florida Statutes, shall be included in the Comprehensive Annual Financial Report, which is copied to the State of Florida Office of the Auditor General.

EFFECTIVE DATE

This investment policy shall become effective upon the effective date of the resolution approving the investment policy.

RESOLUTION NO. 06-44

RESOLUTION OF THE MAYOR AND THE CITY COUNCIL OF THE CITY OF HIALEAH, FLORIDA APPROVING AN INVESTMENT POLICY FOR SURPLUS FUNDS IN THE FORM ATTACHED HERETO AND MADE A PART HEREOF AS EXHIBIT '1"; AUTHORIZING THE CREATION OF AN INVESTMENT COMMITTEE COMPRISING OF THE OMB DIRECTOR, FINANCE DIRECTOR AND CITY CLERK TO MAKE INVESTMENT DECISIONS AND STRATEGY AND AUTHORIZING THE OMB DIRECTOR TO REPORT IN WRITING ANNUALLY TO THE CITY COUNCIL ON THE PERFORMANCE OF SUCH INVESTMENTS.

WHEREAS, section 218.415, Florida Statutes requires local governments to have an investment policy for any public funds in excess of the amounts needed to meet current expenses; and

WHEREAS, the City of Hialeah finds that the adoption of this investment policy is in the best interest of the City and in furtherance of the directives of state law relating to local government investment policies.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND THE CITY COUNCIL OF THE CITY OF HIALEAH, FLORIDA, THAT:

Section 1: The Mayor and the City Council of the City of Hialeah, Florida hereby approve an Investment Policy for Surplus Funds, in the form attached hereto and made a part hereof as Exhibit "1".

Section 2: The Mayor and the City Council of the City of Hialeah, Florida hereby authorize the creation of an Investment Committee, comprising of the OMB Director, Finance Director and City Clerk, to make investment decisions and strategy and

authorize the OMB Director to report in writing annually to the City Council on the performance of such investments.

PASSED AND ADOPTED this 25th day of April, 2006.

Esteban Bovo
Council President

Approved on this 26 day of April, 2006.

Attest:

Rafael E. Granado, City Clerk

Mayor Julio Robaina

Approved as to form and legal sufficiency:

William Grodnick

William M. Grodnick, City Attorney

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Resolution was adopted by a unanimous vote with Councilmembers Bovo, Caragol, E. Gonzalez, L. Gonzalez, Hernandez, Miel and Yedra voting "Yes".