



CITY COMMISSION POLICY MANUAL

Non-Pension Investment Policy (the “Policy”)

Department:
City Treasurer-Clerk's Office

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INTRODUCTION

234.01 AUTHORITY

In accordance with Section 51 of the City Charter, the responsibility for administering the investment program of the City resides with the Treasurer-Clerk (or his designee). It shall be the Treasurer-Clerk's responsibility to ensure the proper management, internal controls, safekeeping, and recording of all investment assets held or controlled by the City. No person may engage in any investment transaction with City funds or funds held in a Trust relationship by or for the City, except as authorized by the Treasurer-Clerk. This Policy is promulgated pursuant to and consistent with the provisions of Section 218.415, Florida Statutes, and Chapter 51, City of Tallahassee Charter.

Section 65 of the City Charter created the Sinking Fund Commission. The three appointed members (non-City Commissioners) of the Sinking Fund Commission are, by this Policy, designated as the Investment Advisory Committee of the City. As their responsibilities relate to the assets covered by this Policy, it shall be the duty and responsibility of the Investment Advisory Committee to:

- Confirm the Treasurer-Clerk's decision to utilize external investment management and approve specific manager guidelines on a case-by-case basis, in accordance with Section 234.107 External Management of the Core Portfolio.
- Approve the lists of authorized dealers, brokers, and issuers referenced in Section 234.104 Dealer, Manager and Financial Institution Selection of the Core Portfolio, as well as any additions to such lists.
- As recommended by the Treasurer-Clerk, approve the designation of a portfolio as a Specialized Portfolio under Section 234.201 of this Policy, and approve the guidelines of each Specialized Portfolio.
- Immediately notify the Treasurer-Clerk in the event any information comes to their attention that may have an adverse effect upon the security or marketability of any of the investments purchased under the provisions of this Policy.
- Recommend any amendments to this Policy to the City Commission.
- Review the City's Non-Pension Portfolio activity and performance for compliance with this Policy, advising City investment staff as to recommendations relative to said Portfolio activity/performance, and informing the City Commission of unaddressed concerns with the management of the City's non-pension assets.

234.02 SCOPE AND PURPOSE

All non-pension financial assets held or controlled by the City, unless otherwise restricted that require separate investing, shall be invested under the guidelines as set forth in this Policy.

234.03 OBJECTIVES:

The foremost objective is the preservation of capital. The second objective of the Portfolio is to provide sufficient liquidity to meet the budgeted operating and capital needs of the government, and to meet other cash requirements as might reasonably be expected. The

third objective of the portfolio is to maximize return within the risk levels established by the safety and liquidity objectives.

234.04 PRUDENCE AND ETHICAL STANDARDS:

The standard of prudence to be used by the Treasurer-Clerk and his designee(s) shall be the Prudent Person Rule, which states: "Investments should be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment." The Treasurer-Clerk and his designee(s), acting in accordance with established policies and 4 procedures and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to minimize adverse developments. The Prudent Person Rule shall be applied in the context of managing all assets invested under this Policy.

Consistent with F.S. § 218.415(24) investment decisions must be based solely on pecuniary factors and may not subordinate pecuniary interests to other objectives, including sacrificing investment return or undertaking additional investment risk to promote any nonpecuniary factor. The weight given to any pecuniary factor must appropriately reflect a prudent assessment of its impact on risk or returns. A "pecuniary factor" means a factor that the officers and employees of the City who are involved in the investment process prudently determine is expected to have a material effect on the risk or returns of an investment based on appropriate investment horizons consistent with applicable investment objectives and funding policy. The term does not include the consideration of the furtherance of any social, political, or ideological interests.

Officers and employees of the City who are involved in the investment process shall refrain from personal business activity which could conflict with State Statutes, City Ordinances, or proper management of the City's investment program, or which could impair their ability to make impartial investment decisions. Investment officials and employees, including members of the Investment Advisory Committee, shall disclose to the City Commission any material financial interests in any investment firms or financial institutions that conduct business with the City and shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

Limits of Liability - City of Tallahassee Resolution 86-R-1454, passed and adopted by the City Commission on November 25, 1986, provides for the defense and indemnification of any committee member who is made a party to any suit or proceeding, other than by an action of the City, or against whom a claim is asserted, by reason of their actions taken within the scope of their service as an appointed member of this committee. Such indemnity shall extend to judgments, fines, and amounts paid in settlement of any such claim, suit, or proceeding, including any appeal thereof. This protection shall extend only to members who have acted in good faith and in a manner that they reasonably believe to be in, or not opposed to, the best interest of the City of Tallahassee.

234.05 SAFEKEEPING AND CUSTODY:

1. Collateral

Collateral for public deposits is regulated by the State of Florida through Florida Statutes, Chapter 280. The City shall not be under any obligation to secure additional collateral beyond the provisions set forth in Chapter 280, except in the case of Repurchase Agreements. Collateral requirements for Repurchase Agreements will be contained in the Master Repurchase Agreement as required under Section 234.108(1) of this Policy.

2. Custody

All securities purchased by the City under this Policy, except Certificates of Deposits, shall be properly designated as assets of the City of Tallahassee and shall be protected through a thirdparty custody agreement. The City shall enter into a formal agreement with an institution of such size and expertise as is necessary to provide the services needed to protect and secure the investment assets of the City. Certificates of Deposit may be held in safekeeping at the issuing financial institution or may be held in physical custody by the City. The Investment Procedures and Internal Controls shall provide for proper authority and security for both of these custody situations.

3. Delivery Versus Payment and "Free"

Delivery Under normal circumstances, all securities under this Policy shall be purchased using the "delivery versus payment (DVP)" process. The Investment Procedures and Internal Controls shall provide for appropriate authorization and security if it is ever necessary to carry out security transactions on a "free" delivery basis.

4. Qualified Public Depository

Unless a specific exemption applies, funds deposited in a bank or savings association by the City must be deposited in a bank or savings association that has been designated as a qualified public depository (QPD) under the Florida Security for Public Deposits Act. F.S., Chapter 280-a-O-+.-

234.06 REPORTING:

The Investment Consultant shall generate investment reports for internal management purposes on a periodic basis, but not less frequently than quarterly. Quarterly investment reports shall be prepared and submitted to the Investment Advisory Committee members, with information sufficient to provide for a comprehensive review of investment activity, performance, and compliance metrics for the quarter. The information submitted shall include a summary of the type of securities held along with market values of all assets. The quarterly report shall be reviewed in detail by the Investment Advisory Committee. For the purpose of calculating and reporting portfolio percentages as set forth in this Policy, such percentages will be based on the market value of the individual securities and/or categories.

The Treasurer-Clerk's Office shall provide the Department of Administration and Professional Services timely transaction data as necessary to record and document investment activity. The Treasurer-Clerk's Office shall provide, to the external and internal auditors and to the Department of Administration and Professional Services, such annual

reports as are requested for the purpose of developing and supporting the Annual Financial Statements of the City.

234.07 INTERNAL CONTROLS:

The Treasurer-Clerk shall establish, and document in writing, a system of internal controls to ensure that the financial assets of the City are properly safeguarded, managed, and accounted for. These internal control procedures shall address, at a minimum:

- Segregation of duties
- Delegation of authority
- Proper design and maintenance of documentation and records
- Controlling access to assets
- Reconciling and reporting

As required by Florida Statute 218.415(13), the internal controls shall be reviewed, at least annually, by the City's external auditors, as part of the required financial audit.

234.08 CONTINUING EDUCATION:

A minimum of eight hours of continuing education shall be completed during each fiscal year by the staff member(s) directly responsible for making the investment decisions under the scope of this policy. The Treasurer-Clerk shall determine the staff member(s) who is subject to this requirement.

234.09 POST PURCHASE COMPLIANCE:

From time to time, investments that were within the guidelines of this Policy at the time of purchase may subsequently fall outside the Policy guidelines. Such investments shall be exempted from the terms of this Policy; however, the Treasurer-Clerk shall use discretion in determining whether to retain or dispose of the investments. At maturity or liquidation, the proceeds of securities so invested shall be reinvested only as provided for in this Policy.

234.10 EFFECTIVE DATE:

This Policy shall become effective immediately upon its adoption by the Sinking Fund Commission.

CORE PORTFOLIO

234.101 PORTFOLIO MANAGEMENT

The Core Portfolio consists of an internally managed account and any externally managed accounts. The internally managed account is the staff directed portion of the City's non-pension funds and is typically managed to a shorter duration than the externally managed accounts. The externally managed account is managed by outside money managers and may have a longer duration, and other characteristics designed to provide additional diversification. The internally managed portfolio will be actively managed, but will be structured, at the time of each purchase, so that, if required, all securities could be held to maturity.

234.102 RISK AND DIVERSIFICATION

The City recognizes that investment risks can result from issuer defaults, market price changes, changes in credit rating, reinvestment of principal or interest, or various technical complications leading to temporary illiquidity. Portfolio diversification, credit quality and maturity limitations are employed as the primary methods of controlling risk. Market value shall be the basis for determining portfolio percentages as required for the Portfolio.

Credit Ratings

For this Policy, the "top nationally recognized rating agencies" for corporate securities are Moody's Investors Service, Standard & Poor's, Fitch Ratings and DBRS Morningstar. For corporate securities, one of the two required ratings shall be from Moody's Investors Service, Standard & Poor's, or Fitch Ratings.

The "top nationally recognized rating agencies" for municipal securities are Moody's Investors Service, Standard & Poor's, and Fitch Ratings. The ratings assigned for a municipal security must be the underlying rating of the security and not an insured rating.

Maturity and Liquidity

The City has established maturity limitations for each investment category identified as an authorized investment for the City in Section 234.109 Authorized Investments. The Treasurer-Clerk or designee shall determine the approximate amount of funds required to meet the day-to-day expenditure needs of the City. The intent shall be for all amounts to be fully invested; however, any funds in the custodial account not otherwise invested will be "swept" overnight into a money market fund that is registered under the Investment Company Act of 1940.

234.103 PERFORMANCE MEASUREMENT

The internally managed account shall use the Bloomberg Barclay's Government/Credit 1-3 Year Ex Baa Total Return Index as its performance benchmark. Each externally managed account will be measured against an agreed upon benchmark with the external manager.

234.104 DEALER, MANAGER AND FINANCIAL INSTITUTION SELECTION

The Treasurer-Clerk shall maintain a list of brokers authorized to conduct business with the City. This list shall be reviewed and approved annually by the Investment Advisory Committee. Before engaging in investment transactions with a broker/dealer, the Treasurer-Clerk shall have received from said firm a signed Certification Form (Attachment "A") attesting that the individual responsible for the City's account with that firm has reviewed the City's Investment Policy and that they agree to undertake reasonable efforts to preclude imprudent transactions involving City funds.

234.105 SECURITY SELECTION PROCESS

When purchasing or selling securities, the Treasurer-Clerk or his designee(s) shall select the security which provides the highest rate of return within the parameters and given the current objectives and needs of the City's Portfolio and section 215.855, Florida Statutes. For most situations, the City shall utilize the competitive bid process. Selection by comparison to a current market shall be utilized when, in the judgment of the investment staff, competitive bidding would inhibit the selection process.

234.106 DERIVATIVE SECURITIES

Derivative securities are defined by Florida Statutes, Chapter 218.415, as "a financial instrument the value of which depends on, or is derived from, the value of one or more underlying assets, index, or asset values." Utilizing this definition, investment in derivative securities in this Portfolio is limited to investments with the following characteristics, except as specifically provided elsewhere in this Policy:

Must have a stated final maturity date at purchase of not longer than 5 years; and Must mature at par value.

The securities of the issuer must be authorized investments of the City as defined for this Portfolio. Any security that creates artificial volatility as compared to the underlying security, or to the market for a similar security, is prohibited. Specifically, the use of inverse floating rate notes, reverse repurchase agreements and any other forms of leverage is prohibited.

234.107 EXTERNAL MANAGEMENT

The City may utilize external investment managers, on both a separate account and commingled basis, to assist with management of the Portfolio, when determined by the Treasurer-Clerk in consultation with the Portfolio's Investment Consultant to be the City's best interest to do so. External management may be provided through the utilization of government-sponsored pools, fixed income money market funds, mutual funds, commingled accounts, or separate accounts.

The combined average effective duration of the funds managed by the external managers on behalf of the City, as part of the Portfolio, shall not exceed 6 years. Separate guidelines will be negotiated with each external manager. These guidelines will also be reviewed and approved by the Investment Consultant and then the Investment Advisory Committee.

Any contract with an external investment manager, that is executed, amended, or renewed on or after July 1, 2023, must require that any written communication made by the investment manager to a company in which the manager invests public funds include a disclaimer in a conspicuous place if the communication:

- discusses social, political, or ideological interests,
- subordinates the interests of the company's shareholders to the interests of another entity; or
- advocates for an entity other than the company's shareholders.

The disclaimer must state: "The views and opinions expressed in this communication are those of the sender and do not reflect the views and opinions of the people of the state of Florida."

Failure to comply with this requirement, pursuant to sections 215.855 and 218.415 Florida Statutes, will result in the disqualification of a prospective investment manager or the termination of an existing investment manager contract.

234.108 SECURITIES LENDING

The City may engage in securities lending activities with its operating portfolio. The City will agree with the provider on guidelines for the investment of the cash collateral that results from this activity. These guidelines will provide for short-term investments that are focused on liquidity and capital preservation.

234.109 AUTHORIZED INVESTMENTS

I. Internally Managed Account

A. United States Government-Backed Securities

Bonds, debentures, notes or callables issued or guaranteed by the United States Government or its agencies, provided such obligations are backed by the full faith and credit of the United States Government. This includes adjustable and fixed rate asset backed and mortgage-backed securities. Such securities will include, but not be limited to the following:

- i. Treasury Bills, Notes, and Bonds
- ii. United States Export - Import Bank
- iii. Direct obligations or fully guaranteed certificates of beneficial ownership
- iv. Farmer Home Administration obligations
- v. Federal Housing Administration Debentures
- vi. Government National Mortgage Association (GNMA)
- vii. GNMA guaranteed mortgage-backed bonds
- viii. GNMA guaranteed pass-through obligations
- ix. United States Maritime Administration Guaranteed Title XI Financing
- x. Small Business Administration
- xi. United States Government guaranteed loan pools
- xii. United States Department of Housing and Urban Development

xiii. Project notes and local authority bonds

B. United States Agencies and Sponsored Enterprises (Federal Instrumentalities)

Bonds, debentures, notes or callables issued by United States Government sponsored agencies (Federal Instrumentalities), which are non-full faith and credit agencies. These are limited to the following:

- i. Federal Farm Credit Bank (FFCB)
- ii. Federal Home Loan Bank (FHLB)
- iii. Federal National Mortgage Association (FNMA)
- iv. Federal Home Loan Mortgage Corporation (Freddie-Macs) including
- v. Federal Home Loan Mortgage Corporation participation certificate
- vi. Tennessee Valley Authority (TVA)

C. Corporate Fixed Income Securities

Includes both taxable and tax-exempt coupon bonds and notes, medium-term notes, discount notes, and variable-rate securities, issued by any corporation in the United States or a dollar-denominated security issued in the United States by a foreign corporation (Yankee Bonds) with operations in the United States.

D. Municipal Fixed Income Securities

Includes both taxable and tax-exempt general obligation and/or revenue bonds coupon bonds and notes, medium-term notes, discount notes, and variable-rate securities, issued by any state or local government in the United States.

E. Commercial Paper

Both taxable and tax exempt, issued in the United States by any corporation. If the commercial paper is backed by a letter of credit ("LOC"), the long-term debt of the LOC provider must be rated "AA" or better by at least two nationally recognized rating agencies.

F. Banker's Acceptance

Issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System.

G. Non-Negotiable Certificates of Deposit

Issued by Florida Qualified Public Depositories as identified by the State Treasurer's office, in accordance with Florida Statutes Chapter 280.

H. Mortgage-Backed Securities

Federal National Mortgage Association, (FNMA,) and Federal Home Loan Mortgage Corporation (FHLMC) pass-through mortgage securities, including adjustable-rate mortgages (ARMs). Sub-prime, Alt-A and other non-first lien mortgage securities are prohibited.

I. Repurchase Agreements

Purchased only from dealers included on a list developed by the City Treasurer-Clerk, and approved and amended, from time to time as

necessary, by the Investment Advisory Committee. Any firm through whom the City transacts repurchase agreements must have on file with the City a fully executed copy of the City's Master Repurchase Agreement. Repurchase Agreements shall be collateralized only by securities of the United States Government, United States government Agencies, and Federal Instrumentalities.

J. Stripped U.S. Treasury, Agency or Instrumentality Fixed Rate Securities

Any stripped securities purchased must be the actual Treasury securities. No trust receipts or other third-party (trademark) programs representing stripped securities are acceptable for purchase as part of the Internally Managed Account. Both the principal-only (PO) and interest-only (IO) portions of any stripped securities are authorized for purchase as part of the Portfolio. Purchase of IO strips is limited to non-callable securities.

K. Guaranteed Investment Contracts (GICs)

GICs only with insurance companies rated in the highest category by AM Best Rating System/or a comparable nationally recognized rating service.

II. Externally Managed Accounts

A. Government-Sponsored Pools

- i. The following intergovernmental investment pools, and other fixed-income pools that may be created from time to time that invest in investment grade securities, authorized pursuant to (a) the Florida Interlocal Cooperation Act, as provided in Florida Statutes, Chapter 163.01, (b) Investment of Local Government Surplus funds, as provide in Florida Statutes, Chapter 218.40, and (c) Investment of Certain Funds, Chapter 17.61, may be utilized for investment by the Portfolio, these include, but are not limited to:
 - a. State of Florida Special Purpose Investment Account (SPIA)
 - b. State of Florida PRIME Fund (SBA)
 - c. Florida League of Cities
 - FMIvT High Quality 0-2 Year Bond Fund
 - FMIvT High Quality 1-3 Year Bond Fund
 - FMIvT High Quality Broad Market Bond Fund
 - d. Florida Association of Counties
 - Florida Trust Day-to-Day Fund
 - Florida Trust Intermediate Fund
 - e. Florida Cooperative Liquid Asset Securities System (FLCLASS)

B. Other External Fixed-Income Managers

This category would include fixed-income mutual funds and other outside firms that would manage funds both on a separate account basis and in commingled funds. For money market mutual funds, the Portfolio can only invest in the securities of or other interests in, open-end and close-end management type investment companies or investment trusts registered under the Investment Company Act of 1940 and having the highest quality rating from a nationally recognized rating agency.

The maximum percentage of the Core Portfolio that may be invested in a commingled fund which invests in corporate securities with a long-term rating below investment grade shall be 5%. Individual accounts for below investment grade debt shall not be permitted.

Any funds or managers to be utilized pursuant to this category will be recommended by the Treasurer-Clerk and approved by the Investment Advisory Committee on a case-by-case basis.

The table below presents the above approved investments by security type, with the limits on amounts to be invested in these various security types, as well as the maximum exposure to each issuer and issuance of debt by that issuer.

Security Type	Min/Max Internally Managed Account Percentage+	Maximum Per Issuer Total/ Percentage	Maximum Per Issue Total/ Percentage	Minimum Credit Quality*	Maximum Average Effective Duration	Maximum Maturity
U.S. Government Backed	Min -20%					
Treasuries	Max-100%	100%	N/A	AA+/Aaa	3.5	7 Years
Mortgages (including both Adjustable and Fixed)	Max-35%	35%	5%	AA+/Aaa	N/A	15 Years
Asset Backed* Stripped U.S. Treasuries	Max-10%	10%	5%	AA+/Aaa	3.5	25 Years
Fixed Rate	Max-5%	5%	5%	AA+/Aaa	3.5	3 Years
Agencies						
Agencies	Max-40%	20%	N/A	AA+/Aa1	3.5	7 Years
Corporates						
Corporates	Max-35%	5%	10%	A/A2	2.5	5 Years
Commercial Paper						
Commercial Paper	Max-40%	5%	N/A	P2/A2/F2	N/A	270 Days
Municipals						
Municipals	Max-30%	5%	20%	A/A2	2.5	5 Years
Mortgage-Backed						
Mortgages (Fixed and Adjustable Rate)	Max-25%	15%	5%	AA+/Aa1	N/A	15 Years
Guaranteed Investment Contract	Max-5%					
GICs Fixed	Max-5%	5%	N/A	AMB-1+/aaa	N/A	1 Year
GICs Variable	Max-5%	5%	N/A	AMB-1+/aaa	N/A	5 Year
Other Investments						
Banker's Acceptance	Max-10%	5%	N/A	P1/A1/F1	N/A	270 Days

Non-Negotiable CD's	Max-20%	5%	N/A	FQPD	1Yr Ave Mat	2 Years
Repurchase Agreements	Max-20%	5%	N/A	N/A	60 Days Total	180 Days

The below table outlines minimum credit quality, maximum average effective duration and the maximum maturity for each of these securities. For a commingled account or a separate account managed by an external party, the minimum credit quality applies to the overall portfolio rather than an individual security. All of these constraints must be met at the time of each security purchase.

	Percentage of Core Portfolio	Maximum Per Mandate		Minimum Average Credit	Max Effective Duration	
Externally Managed #	Max – 80%				6.0	
Government Sponsored Pools – Daily Liquidity	Max- 80%	50%	N/A	AA/Aa2		N/A
Government Sponsored Pools – Non-Daily Liquidity	Max –50%	20%	N/A	AA+/Aaa		N/A
Externally Managed Accounts – Investment Grade	Max-60%	25%	N/A	A/A2		N/A
Externally Managed Below Investment Grade	Max-5%	5%	N/A	B+/B1		N/A

+ For Internally managed funds, the min/max levels apply to the Internally managed portion of the Core Portfolio.

* - Minimum ratings from two of the top nationally recognized rating agencies. For municipal securities, only one rating is required.

AMB is A.M. Best. FQPD is a list of Florida Qualified Public Depositories maintained by the Florida Department of Financial Services.

" - Maximum of 30% of the internally managed account may be invested in adjustable-rate mortgage and asset-backed securities; this limitation excludes government-backed securities.

For Externally managed funds, the maximum levels apply to the entire Core Portfolio.

SPECIALIZED PORTFOLIOS

234.201 SCOPED AND PURPOSE

Specialized Portfolios are portfolios containing investments that, for various reasons, fall outside the parameters established to govern the Core Portfolio, Section 234.101 of this Policy. Reasons for these exceptions may be: the funds are governed under specific legal constraints (such as bond covenants, trust agreements) that define their investment parameters; or the securities come to the City as gifts, in lieu of debts owed the City, or in conjunction with unique agreements the City might enter. Specialized Portfolios may be added from time to time; however, establishment of such portfolios shall be approved by the Investment Advisory Committee.

234.202 OBJECTIVES

Criteria will be established individually for each Specialized Portfolio and will be specific to that portfolio. These criteria will include, at a minimum, the objectives, a definition of authorized investments, and performance evaluation criteria.

INVESTMENT FIRM CERTIFICATION FORM

As an authorized representative of the undersigned firm, I hereby certify that said firm has in place reasonable procedures to monitor the activities of employees of this firm engaged in transactions between our firm and the City of Tallahassee. All sales personnel of this firm dealing with the City of Tallahassee have been informed and will be routinely informed of the City's investment objectives, policies, risk constraints and other pertinent factors, whenever we are so informed. This firm further pledges due diligence in informing the City of foreseeable risks associated with financial transactions connected with this firm.

(Firm Name)

Authorized Representative

(Signature)

(Title)

(Name - Printed)

(Date)

As account representative for the City of Tallahassee on behalf of the above referenced firm, I hereby certify that I have personally read and understand the investment policies of the City of Tallahassee, in such form as said policies were provided to me. I agree to use my best efforts to comply with the City's written policies and will not knowingly enter into any transaction with the City which appears to be in violation of the City's written policies.

Authorized Representative

(Signature)

(Title)

(Name - Printed)

(Date)