



INVESTMENT POLICY

Table of Contents

I.	Introduction.....	1
II.	Scope of Investment Policy	1
III.	Investment Objectives.....	2
IV.	Delegation of Authority; Reporting Requirements.....	3
V.	Prudent and Ethical Standards	5
VI.	Portfolio Management	5
VII.	Asset Allocation Directives	8
VIII.	Authorized Transactions	9
IX.	Authorized Investment Instruments.....	11
X.	Reverse Repurchase Agreements.....	17
XI.	Approved Broker/Dealers and Financial Intermediaries	18
XII.	Bid Requirements.....	19
XIII.	Internal Control Directives	19
XIV.	Continuing Education	20
XV.	Investment Policy Statement Review and Modification.....	20
XVI.	Effective Date	20

CITY OF ORLANDO INVESTMENT POLICY

I. Introduction

The City of Orlando Investment Policy within the context of the City's Investment Ordinance is intended to set forth the framework within which the City's investment activities will be conducted. The Investment Policy establishes parameters for investment activity which may be further restricted by the Finance Committee, Investment Committee (as established herein) and the Chief Financial Officer, in order of authority. The Investment Policy provides both minimums and maximums to limit risk and ensure a broadly diversified portfolio.

In establishing this Investment Policy, the City Council recognizes the traditional relationship between risk and return and acknowledges that all investments, whether they are for one day or years, involve a variety of risks related to maturity, credit, market and other factors. Additionally, some investments involve intermediaries (counter-parties) whose performance (or failure to perform) may affect the value or liquidity of the underlying investment.

When choosing between alternative investments, staff should structure the portfolio based on an understanding of the variety of risks and the basic principle of diversification (imposed by this policy) on the structure of the portfolio. With adoption of this Investment Policy, the City recognizes that total return portfolio management may necessitate the sale of securities at a loss in order to reduce portfolio risk (with the intent to avoid a material reduction in return) or to achieve a greater overall return (with the intent to avoid a material increase in risk) than could have been obtained if the original position had been held.

This Investment Policy and the actions of staff and Third Party Managers will be guided by the standard of care expected of a "Prudent Person". The Prudent Person Rule states that, "Investments should be made with judgment and care, under the 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 Investment Policy provides that the City will utilize a) internal management for shorter-term investments and b) Third-Party Managers to manage longer-term investments or specialty investment areas. The policy framework has been developed to permit the subsequent consideration (by separate City Council action) of the inclusion of Specialty Risk sub-portfolios which are to be managed by Third-Party Managers. These exposures will provide for further diversification of the Aggregate Investment Portfolio while providing correlation and other investment advantages.

The changes to the policy are a continuation of the City's commitment with regard to its financial affairs. It is the intent to at all times make sure that the investments of the City are being managed in a prudent and effective manner, thus giving the City the best opportunity to take advantage of all market environments and generate the best risk adjusted returns that fit within the scope of this Policy Statement, while maintaining liquidity and preserving capital.

II. Scope of Investment Policy

This Investment Policy shall apply to all funds held by the City on behalf of the citizenship of the City of Orlando with the exception of:

- A. Pension or similar trust fund assets.
- B. Funds whose uses are restricted by debt covenants, prior contracts or legal, regulatory or other constraints.

III. Investment Objectives

The following define the objectives, in order of priority, for the investment of the City's funds which are subject to the scope of this Investment Policy:

A. Safety of Capital

To ensure safety of capital by:

1. Establishing minimally acceptable credit ratings and limiting any exception thereto.
2. Limiting the portfolio duration and the duration of individual holdings.
3. Setting maximum exposure by market sector as well as individual holdings.
4. Requiring a minimum investment in a basket of securities either fully guaranteed by the U.S. Government or issued by an Agency or Instrumentality of the U.S. Government.
5. Defining authorized transactions and delegated authority levels.
6. Establishing, at a minimum, two segregated portfolios, the Liquidity and Active Portfolios, in order to diversify the City's credit, interest rate and management risks.
7. Requiring Third Party Managers to acknowledge in writing their compliance with the Investment Policy Statement as it currently exists or as modified in the future.

B. Liquidity of Funds

To provide liquidity in order to fund projected operating expenses by:

1. Creating and maintaining a separately managed Liquidity Portfolio; and
2. Investing in securities which are traded in a reasonably liquid market in order that funding may be provided for unanticipated expenditures.

C. Investment Return

To provide a reasonable return on the City's investable assets given the diversification and the level of risk taken in the portfolio, and achieve a rate of return on the aggregate City portfolio commensurate with exceeding the established benchmarks.

IV. Delegation of Authority; Reporting Requirements

A. Finance Committee

1. The policies and procedures which govern the Finance Committee are defined in the General Administration Policy and Procedure Manual, Section 401.3 and are hereby incorporated, by reference, into the City's Investment Policy. The following authority is granted to the Finance Committee under Section 401.3:
 - a. To establish policies - long-range (five to ten year) directional guidelines, limitations and/or goals, which define a general framework within which strategies and target benchmarks will be established.
 - b. To establish strategies - short or intermediate term (one to three year) guidelines within established policies.
 - c. To establish target benchmarks - within the policies and strategies and giving consideration to the changing market circumstances.
2. Also, the Finance Committee acts on behalf of City Council in:
 - a. Interpreting and enforcing the policies set forth in this document;
 - b. Setting policy which further restricts those contained herein; and
 - c. Approving Third Party Managers and investment funds which, in the judgment of the Finance Committee, are substantially in compliance with the policies set forth in this document and which do not require prior approval by City Council.
3. Resolution of matters shall be referred to City Council if such matters are outside the scope of, or if a majority of the Committee deems such matter to be outside the scope of, the authority delegated to the Finance Committee.
4. In accordance with the General Administration Policy and Procedures Manual, Section 401.3, the minutes of each Finance Committee Meeting shall be provided to the City Council.

B. Investment Committee

1. An Investment Committee, as hereby established, shall report periodically to the Finance Committee. The Investment Committee will be chaired by the Chief Financial Officer and be comprised of, at minimum, the Deputy Chief Financial Officer, Treasurer, Controller, and Budget Division Manager as voting members. The Chief Financial Officer shall have the authority to appoint additional members to the committee as well as designate individuals to serve on the committee in the event any of the positions named in this policy is vacant.
2. The Investment Committee, at their discretion, may utilize the services of an investment consultant to assist in executing their charged responsibilities, such as:

establishing Investment/Asset Allocation Strategies and Policy, hiring of third party managers, and monitoring of the portfolio.

3. The Investment Committee shall be charged with:
 - a. Formulating Investment and Asset Allocation Strategies within the framework of this Investment Policy and within those policies which, from time to time, may be promulgated by the Finance Committee;
 - b. Establishing appropriate investment procedures and controls;
 - c. Establishing rate of return objectives, appropriate benchmarks and performance measurement methodology for each portfolio; and
 - d. Monitoring the risk and performance of each portfolio and the performance of the respective managers.
4. The Investment Committee shall have the authority to set policy which further restricts that established by the City's Investment Policy as same may have been further restricted by the Finance Committee.
5. The Investment Committee shall meet at least quarterly or more often as deemed appropriate.
6. A summary of investment holdings, performance reports and Investment Committee minutes will be prepared for the Committee and provided to the Finance Committee on at least a quarterly basis.
7. Resolution of matters shall be referred to the Finance Committee if such matters are outside the scope of, or if a majority of the Investment Committee deems such matter to be outside the scope of, the authority delegated to the Investment Committee.

C. Staff Members

1. The Chief Financial Officer, and/or other staff as may be designated by the Chief Financial Officer, shall have the authority to execute trades and to otherwise conduct business within the scope of the City's Investment Policy.
2. The Chief Financial Officer shall have the authority to further restrict the authority delegated to any staff member.
3. Staff, through the Treasurer, shall report to the Investment Committee with regard to material issues, open items and/or exceptions related to the scope of this Investment Policy and actions taken.
4. Staff shall prepare and distribute month-end reports to the Investment Committee which, at a minimum, include:

- a. Investment Holdings Reports which shall, at a minimum detail:
 - (1) holdings by class of security;
 - (2) income earned;
 - (3) book value, market value, and portfolio reallocations;
 - (4) compliance with the Investment Policy; and
 - (5) compliance by third party managers with their individual parameters
- b. Performance Measurement Reports for the City's Aggregate Investment Portfolio, as well as for each separate portfolio, sub-portfolio, respective third-party manager and Specialty Risk portfolios, as and if appropriate.
- c. Each Third Party Manager will report on their individual portfolio characteristics, which will be reviewed by City staff.

The investment consultant is expected to provide monthly performance reports reflecting the current allocation versus target, and the performance of each third party manager and total fund composite relative to established benchmarks.

V. Prudent and Ethical Standards

- A. Those staff members, and any third party service providers, who have been delegated authority to conduct City business under this Investment Policy shall be required to act in accordance with the provisions of the "Prudent Person Rule", as is defined on page 1 herein, as well as in the compliance with the City's Ethics Policy as recited in the City of Orlando's Ethics Manual.
- B. Each employee, authorized to conduct investment activities for the City, is deemed by the City Council, through adoption of this Investment Policy and any amendment hereto, to be performing within the course and scope of his or her employment.

VI. Portfolio Management

- A. Aggregate Investment Portfolio
 - 1. The Aggregate Investment Portfolio shall be managed on a total return basis consistent with the directives and objectives established by this Investment Policy.
 - 2. Performance Measurement for the Aggregate Portfolio is to achieve a rate of return over the established benchmarks for a rolling three year period.
 - 3. All calculations and measures of compliance and performance shall be based upon the market value of individual securities and portfolios. Investment in (e), (f), (g), (h), (i), and (j) listed below will be Externally Managed and will require the prior approval of City Council. The Aggregate Investment Portfolio shall be invested within the following parameters:

- a. No less than 10% of the Aggregate Investment Portfolio shall be used to establish the City's Liquidity Portfolio (See Part B of this Section).
 - b. The average duration shall not exceed the duration of the benchmark index by more than 30%. As a measure of interest rate sensitivity of individual securities and of the portfolio(s), the calculation methodology to be used will be the effective duration.
 - c. No less than 30% of the Aggregate Investment Portfolio shall be invested in a combination of U.S. Government and Agency Debt Obligations and in securities issued by Federal Instrumentality Debt Obligations, as each term is defined in Section IX. Of this 30%, no less than 10% of the Aggregate Investment Portfolio shall be invested in U.S. Government and Agency Debt Obligations.
 - d. No more than 60% of the Aggregate Investment Portfolio shall be invested in High Grade Corporate Debt, as defined in Section IX. C.
 - e. No more than 35% of the Aggregate Investment Portfolio shall be invested in Mortgage Backed Securities.
 - f. No more than 30% of the Aggregate Investment Portfolio shall be separately managed as Specialty Risk Externally Managed Funds, requiring specific Council approval (Section IX.J.2.).
 - g. No more than 10% of the Aggregate Investment Portfolio shall be invested in securities with a long term debt rating below Investment Grade, specifically below Baa by Moody's, BBB- by S&P or BBB- by Fitch.
 - h. No more than 10% of the Aggregate Investment Portfolio shall be invested in Investment Grade securities denominated in non-U.S. currency.
 - i. No more than 10% of the Aggregate Investment Portfolio shall be invested in Emerging Markets Securities.
 - j. No more than 10% of the Aggregate Investment Portfolio shall be invested in non-U.S. dollar, non-hedged securities.
4. Policy Exception: Deviations from the limits defined in items 2(b) through 2(j) above shall be permitted if:
- a. The manager believes it is in the best interest of the portfolio to hold the security.
 - b. The portfolio is re-balanced and compliance is reestablished no less frequently than 30 days following each fiscal quarter end.

5. Authority to Grant Exception(s) to policy limits.

A Third Party Manager may hold securities which are outside of these policy guidelines or the Third Party Manager's specific investment guidelines separately approved by City Council, subject to conditions only as follows:

- In aggregate, the value of all securities, which constitute a variance to this policy, shall not exceed 2% of the Aggregate Investment Portfolio based on market value;
- The investment represents no more than 4% of a manager's portfolio and the overall investment in the security across all managers' portfolios does not exceed 2% of the Aggregate Investment Portfolio based on market value;
- Securities held outside the investment guidelines at the request of the money manager shall be brought to the Investment Committee on a regular basis for review.
- The Investment Committee has the authority to direct the manager to sell any security held in their account that is listed as an exception if it is in the best interest of the Operating Portfolio.
- Exceptions to the Investment Policy will be presented to the Finance Committee at each regularly scheduled quarterly meeting.

B. Liquidity Portfolio

1. As part of the Aggregate Investment Portfolio, staff shall create a Liquidity Portfolio which, at a minimum, has the following characteristics:
 - a. The funds allocated to the Liquidity Portfolio shall not be less than 10% of the average of the month-end balance for the Aggregate Investment Portfolio over the preceding fiscal year.
 - (1) The allocation shall be established, i.e., funds added to or removed from the Liquidity Portfolio, on or before December 31 each year.
 - (2) The allocation percentage shall be based upon market value of the investments in the Liquidity Portfolio in relation to the total market value of all investments subject to the scope of this Policy.
 - b. The Liquidity Portfolio shall be managed with primary emphasis on matching investment maturities with known cash needs and funding anticipated cash flow requirements and secondary emphasis on fulfilling the Investment Objectives contained in this Policy.
 - c. The average duration of the Liquidity Portfolio shall not exceed 1.25 years.
 - d. The maximum duration of any single holding in the Liquidity Portfolio shall

not exceed 3.00 years.

2. The Performance expectation for the Liquidity Portfolio is to achieve a rate of return that exceeds the six month Treasury Bill Index, measured quarterly, over a rolling three year period.
3. The Finance Committee and/or the Investment Committee shall have the authority to create one or more "sub-portfolios" of the Liquidity Portfolio if such action is deemed in the best interest of the City. The characteristics and management style associated with each "sub-portfolio" must comply with this Policy. In addition, when combined, each "sub-portfolio" must comply with the Policy requirements of the Liquidity Portfolio.

C. Active Portfolio

1. Those funds not required to establish the Liquidity Portfolio shall be used to establish the Active Portfolio. Third party managers and Treasury staff will direct the investment activities of the Active Portfolio. The Active Portfolio shall be managed with primary importance placed on fulfilling the Investment Objectives contained in this Policy and then in order to enhance the long-term performance and to provide diversification for the Aggregate Investment Portfolio. The duration of the Active Portfolio shall be within +/- 30% of its benchmark index.
2. The Performance expectation for the Active Portfolio is to achieve a rate of return that exceeds the Barclays U.S. Aggregate Index, measured quarterly, over a rolling three year period.
3. The Finance Committee and/or the Investment Committee shall have the authority to create one or more "sub-portfolios" of the Active Portfolio if such action is deemed in the best interest of the City. The characteristics and management style associated with each "sub-portfolio" must comply with this Policy. In addition, when combined, each "sub-portfolio" must comply with the Policy requirements of the Active Portfolio.

VII. Asset Allocation Directives

The portfolio shall be invested only in those instruments specifically designated as Authorized Investment Instruments. Within the exposure limits set for each instrument, the Investment Committee or staff shall have the authority to weight the portfolio(s) as to its type or duration as deem appropriate. Exposure percentages shall be based upon market value and shall include cash, investments managed by the City's staff and investments managed by outside managers. Staff shall maintain a schedule, on a manager and portfolio basis, to help ensure compliance with Investment Policy constraints. Securities held under a repurchase agreement and the specific assets underlying a mutual fund or money market fund shall not be included when determining compliance with the exposure limits to a particular asset type, except as noted below, though compliance with exposure limits to repurchase agreements, mutual funds, and/or money market funds as an asset type must be maintained. Mutual funds invested substantially in U.S. Treasuries may be used to meet the minimum requirement for investment in Treasury securities.

VIII. Authorized Transactions

Staff shall have the authority to execute trades on Authorized Investment Instruments in any of the following forms:

A. Cash Settlement

An agreement which obligates the City to buy or sell on the same day as the trade is executed.

B. Regular Settlement

An agreement which obligates the City to buy or sell on a date, other than the trade date, which is normal and customary for the specific security.

C. Short Sales

An agreement which obligates the City to sell a security which is not currently held in its portfolio. The following shall apply to short sales:

1. Short sales are authorized only on Treasury Securities which are otherwise Authorized Investment Instruments.
2. The transaction must settle in no more than 5 business days from the trade date.
3. Short positions must be identifiable as a hedge position against a particular holding, group of holdings or portfolio whose characteristics are effectively, though not necessarily perfectly, hedged by the short position.

D. Futures Contract

An agreement which obligates the City to either buy or sell the underlying security on a specified date, or within a specified time, in the future. Long and short futures positions are authorized. The following shall apply to Futures Contracts:

1. The Futures Contract must be traded on a recognized exchange; and
2. The Futures Contract must be for a term not to exceed 12 months; and either
 - a. The Futures Contract must be on a cash security which is otherwise an Authorized Investment Instrument; or
 - b. The Futures Contract must be on an interest rate index to which exposure could otherwise be achieved through the purchase of an Authorized Investment Instrument or by an Authorized Transaction; and
3. Short positions must be identifiable as a hedge position against a particular holding, group of holdings or portfolio whose characteristics are effectively, though not necessarily perfectly, hedged by the short position.

E. Forward Agreements

An agreement, including those on "When-Issued" (WI) Treasuries, and "To Be Announced" (TBA) Mortgage Backed Securities, which obligates the City to either buy or sell the underlying security on a specified date, or within a specified time, in the future to a counterparty. Long and short positions are authorized. The following shall apply to Forward Agreements:

1. The counterparty must be an Approved Broker; and
2. The Forward Agreement cannot exceed six months; and either
 - a. The Forward Agreement must be on a cash security which is otherwise an Authorized Investment Instrument; or
 - b. The Forward Agreement must be on an interest rate index to which exposure could otherwise be achieved through the purchase of an Authorized Investment Instrument or Authorized Transaction; and
3. Short positions must be identifiable as a hedge position against a particular holding, group of holdings or portfolio whose characteristics are effectively, though not necessarily perfectly, hedged by the short position.

F. Interest Rate Swap Agreements

An agreement between the City and a counterparty to pay/receive a fixed interest rate payment in exchange for variable rate payment over a specified term. The following shall apply to Interest Rate Swap Agreements:

1. The counterparty must be an Approved Broker; and
2. The Swap Agreement cannot exceed three years; and
3. The Swap Agreement must be on an interest rate index to which exposure could otherwise be achieved through the purchase of an Authorized Investment Instrument or Authorized Transaction; and
4. Swap positions must alter the interest rate exposure to a particular holding, group of holdings or portfolio.

G. Option Contracts

An agreement which gives the City the right, though not the obligation (a long option position) to buy (call) or sell (put) the underlying security; or an agreement which obligates the City, at the option of the counterparty, (a short option position) to buy (put) or sell (call) the underlying security. The following shall apply to Option Contracts:

1. The Option Contract must be traded on a recognized exchange; and
2. The Option Contract must be for a term not to exceed 12 months; and either

- a. The Option Contract must be on a cash security which is otherwise an Authorized Investment Instrument; or
 - b. The Option Contract must be on a futures contract which is otherwise an Authorized Transaction; or
 - c. The Option Contract must be on an interest rate index to which exposure could otherwise be achieved through the purchase of an Authorized Investment Instrument or Authorized Transaction; and
3. Short call positions must be identifiable as written against a particular holding, group of holdings or portfolio whose characteristics are substantially similar to the position against which it is written.

IX. Authorized Investment Instruments

The following classes of securities are deemed suitable for investment by the City. The securities listed below may be purchased up to the limits and subject to standards defined for each asset type.

A. U.S. Government and Agency Debt Obligations

Definition: Debt obligations of the U.S. Government or its agencies whose interest payment and principal repayment is backed by the full faith and credit of the U.S. Government or of a U.S. Government agency.

Duration: Individual security duration will be left up to the discretion of the portfolio manager (or Staff with regards to the internally managed portfolio), with the average duration of the portfolio being within +/- 30% of its benchmark index.

Exposure: No less than 10% and no more than 100% of the Aggregate Investment Portfolio shall be invested in this sector.

B. Federal Instrumentality Debt Obligations

Definition: Securities issued and guaranteed by a government sponsored enterprise which carry the "implied guarantee" of the U.S. Government.

Duration: Individual security duration will be left up to the discretion of the portfolio manager (or Staff with regards to the internally managed portfolio), with the average duration of the portfolio being within +/- 30% of its benchmark index.

Exposure: 1. No more than 45% of the Aggregate Investment Portfolio shall be invested in this sector.

2. No more than 20% of the Aggregate Investment Portfolio shall be invested with any one issuer.

C. High Grade Corporate Debt

Definition: U.S. dollar denominated debt obligations of domestic or foreign corporations, or foreign sovereignties issued in the United States or in foreign markets. This shall include, but not be limited to, corporate notes and bonds, medium term notes, Eurodollar notes and bonds, Yankee notes and bonds, bankers acceptances, commercial paper and certain asset backed securities. Asset-Backed Securities included in this classification shall not be collateralized by mortgages or home improvement loans.

Duration: Individual security duration will be left up to the discretion of the portfolio manager (or Staff with regards to the internally managed portfolio), with the average duration of the portfolio being within +/- 30% of its benchmark index.

Credit Rating: 1. Securities maturing in more than one year shall have a long-term debt rating which meet the following criteria:

- a. The security must be rated by two nationally recognized credit rating agencies, one of which must be either Moody's, S&P or Fitch; and
- b. The security must be rated, at a minimum, Investment Grade, specifically at or above Baa3 by Moody's, BBB- by S&P, or BBB- by Fitch or, if not rated such by two of these three, an equivalent minimum rating by a nationally recognized rating agency.

2. Securities maturing in one year or less shall have a short-term debt rating which meet the following criteria:

- a. The security must be rated by either Moody's, S&P or Fitch; and
- b. The security must be rated, at a minimum, P1 by Moody's, A1 by S&P or F1 by Fitch or, if the required short-term debt rating is unavailable; then
- c. The security must otherwise meet the criteria in this Section C under Credit Rating, Item 1 for High Grade Corporate Debt maturing in one year or more.

Exposure: 1. No more than 60% of the Aggregate Investment Portfolio shall be invested in this sector; with

2. No more than 5% of the Aggregate Investment Portfolio being invested with any one issuer.

D. Mortgage-Backed Securities

Definition: Securities collateralized by mortgages (or deeds of trust) on residential property ("Residential Mortgage-Backed Securities") or commercial (industrial, office, retail, etc.) property ("Commercial Mortgaged-Backed Securities"). The securities may be issued by a Federal Instrumentality or by a private corporation and may be structured as collateralized mortgage obligations or unstructured pass-through securities.

Duration: Individual security duration will be left up to the discretion of the portfolio manager (or Staff with regards to the internally managed portfolio), with the average duration of the portfolio being within +/- 30% of its benchmark index. Securities must have a reasonable and supportable prepayment assumption.

Credit Rating:

1. The security must be rated by two nationally recognized credit rating agencies, one of whom must be either Moody's, S&P or Fitch; and
2. At purchase, the security must be rated, at a minimum, Aa3 by Moody's, AA- by S&P, or AA- by Fitch or, if not rated such by two of these three, an equivalent minimum rating by a nationally recognized rating agency.

Exposure:

1. No more than 35% of the Aggregate Investment Portfolio shall be invested in this sector; with
2. No more than 20% of the Aggregate Investment Portfolio may be invested in securities of a single Federal Instrumentality of the United States.
3. No more than 15% of the Aggregate Investment Portfolio shall be invested in Commercial Mortgage Backed Securities.
4. No more than 10% of the Aggregate Investment Portfolio shall be invested in securities of any one (non-Instrumentality) issuer.

E. Bank Certificates of Deposit

Definition: Deposits in interest bearing accounts at institutions approved as Qualified Public Depositories under applicable law.

Duration: A maximum of 2.00 years

Credit Rating: Credit quality will be subject to approval by Investment Committee.

Exposure:

1. No more than 20% of the Aggregate Investment Portfolio shall be invested in this sector; with

2. No more than 5% of the Aggregate Investment Portfolio being invested in securities of any one issuer.
3. Can be purchased directly by the City only, not by third party managers

F. Repurchase Agreements

Definition: Transactions in which the City purchases Approved Securities from an institution with an agreement to re-sell the same securities on a specified future date. Institutions who are a party to this transaction must:

1. Be approved by the Investment Committee; and
2. Have entered into a Master Repurchase Agreement; and
3. Have entered into a Tri-Party Custody Agreement which provides for a third party to take custody of the securities subject to the Master Repurchase Agreement.

Transaction

Terms: Shall adhere, at a minimum, to the requirements of the Master Repurchase Agreement.

Approved

Securities: Shall be limited to Direct Obligations of the U.S. Government or its Instrumentalities with maturities not in excess of 5 years.

Collateral

Valuation: Collateral shall be marked-to-market daily at no less than 102% of the security's market value

Maturity:

The term of the Repurchase Transaction shall not exceed 60 days.

Exposure:

1. No more than 20% of the Aggregate Investment Portfolio shall be invested in this sector; with
2. No more than 10% of the Aggregate Investment Portfolio shall be invested with any single counterparty.

G. Money Market Mutual/Trust Funds

Definition: A mutual or trust fund which meets the Securities and Exchange Commission definition of a money market fund and whose investment policies are otherwise in substantial compliance with the City's Investment Policy; as substantial compliance is determined by the Investment Committee. Investment in money market funds (including 2a-7 like funds) offered or sponsored by the State Board of Administration are specifically approved for investment of City funds.

- Duration: Funds must provide daily liquidity.
- Credit Rating: The Investment Committee shall have the authority to determine the credit-worthiness of a particular Money Market Mutual/Trust Fund.
- Exposure: 1. No more than 40% of the Aggregate Investment Portfolio shall be invested in this sector; with
2. No more than 20% of the Aggregate Investment Portfolio shall be invested in any one particular fund.

H. State and Local Taxable and/or Tax Exempt Debt

- Definition: General Obligation or Revenue debt obligations issued by states, counties, cities or other taxing authorities.
- Duration: Individual security duration will be left up to the discretion of the portfolio manager (or Staff with regards to the internally managed portfolio), with the average duration of the portfolio being within +/- 30% of its benchmark index.
- Credit Rating: 1. The security must be rated by two nationally recognized credit rating agencies, one of whom must be either Moody's, S&P or Fitch; and
2. The security must be rated, at a minimum, A3 by Moody's, A- by S&P, or A- by Fitch or, if not rated such by two of these three, an equivalent minimum rating by a nationally recognized rating agency.
- Exposure: 1. No more than 10% of the Aggregate Investment Portfolio shall be invested in this sector; with
2. No more than 5% of the Aggregate Investment Portfolio shall be invested in securities of any one issuer.

I. Fixed Income Mutual Funds/Commingled Funds

- Definition: Mutual funds and other types of commingled investment vehicles provide, under some circumstances, lower costs and better diversification than can be obtained with a separately managed fund pursuing the same investment objectives. However, commingled investment funds cannot customize investment policies and guidelines to the specific needs of individual clients. The Investment Committee is willing to accept the policies of such funds in order to achieve the lower costs and diversification benefits of commingled funds. Therefore, commingled investment vehicles selected are exempt from the policies and restrictions specified herein as long as the fund's guidelines fit the overall intention/criteria/parameter/scope of this Investment Policy. Compliance will be determined by the Investment Committee.

Liquidity: Funds must provide liquidity no less frequently than monthly.

Credit Rating: The Investment Committee shall have the authority to determine the credit-worthiness of a particular fund.

Exposure: 1. No more than 85% of the Aggregate Investment Portfolio shall be invested in this sector; with

2. No more than 20% of the Aggregate Investment Portfolio shall be invested in any one particular fund.

J. Other Externally Managed Funds

Definition: Separate and/or co-mingled investment funds managed by a third party.

1. The Finance Committee shall have the authority to authorize management by a third-party manager if, in the judgment of the Finance Committee, the investment objectives and style of the manager is substantially in compliance with this Investment Policy.
2. City Council approval shall be required prior to engaging a third-party manager to invest in the following “Specialty Risk” categories:
 - a. Corporate securities with a long-term debt rating below Investment Grade, specifically below Baa3 by Moody's, BBB- by S&P or BBB- by Fitch.
 - b. Investment Grade debt issued in a currency other than the U.S. dollar.
 - c. Debt issued in the Emerging Markets segment of the Non-U.S. Market.
 - d. Other investment instruments or strategies, which may be contemplated in the future, which are currently outside the scope of this Investment Policy.

Duration: As provided for in each Third Party Manager’s specific investment guidelines separately approved by City Council.

Credit Rating: As provided for in each Third Party Manager’s specific investment guidelines separately approved by City Council.

Exposure: 1. No more than 90% of the Aggregate Investment Portfolio shall be managed by Third Party Managers.

2. No more than 30% of the Aggregate Investment Portfolio shall be invested in Specialty Risk categories.
3. No more than 10% of the Aggregate Investment Portfolio, shall be invested in any one particular fund.
4. Fully hedged, non-dollar denominated holdings shall be equated to dollar equivalent securities.

K. Derivative Securities

Definition: A financial instrument the value of which depends on, or is derived from, the value of one or more underlying assets or index or asset values.

Pursuant to Florida Statutes 218.415(5), staff who have the authority to invest in derivative securities or the Chief Financial Office, must have sufficient understanding of the derivative product and the expertise to manage them.

Authorization:

1. Staff shall have the authority to invest, either individually or in combination, in the following types of derivative structures on securities which are otherwise an Approved Investment Instrument:
 - a. Floating interest rate - no cap or floor
 - b. Floating interest rate - with a cap and/or a floor
 - c. Call feature
 - d. Put feature
 - e. Step Interest Rate
 - f. Principal Strips
2. Finance Committee shall have the authority to authorize investment in other derivative structures on Authorized Investment Instruments as deemed appropriate.

X. Reverse Repurchase Agreements

Definition: Transactions in which the City sells Authorized Investment Instruments to an institution with an agreement to repurchase the same securities on a specified future date.

Staff is authorized to enter into reverse repurchase agreements, as it deems necessary and subject to the limitations defined herein, in order to finance short term cash flow needs or to provide liquidity for the Aggregate Investment Portfolio.

Authorized

Counterparty: Institutions who are a party to this transaction must:

1. Be approved by the Investment Committee; and
2. Have entered into a Master Repurchase Agreement; and
3. Have entered into a Tri-Party Custody Agreement which provides for a third party to take custody of the securities subject to the Master Repurchase Agreement.

Approved

Securities: Any securities held by the City which may be acceptable to the counterparty.

Collateral

Valuation: Collateral shall be marked-to-market as often as reasonably required by the counterparty.

Collateral

Maintenance: Investment Committee shall have the authority to set maximum amount of collateral to be pledged based upon the nature of the counterparty and the form of the collateral.

Maturity:

The term of the Reverse Repurchase Transaction shall not exceed 60 days and the maturity date of the reinvested proceeds shall not materially exceed the maturity date of the Reverse Repurchase transaction.

Exposure:

No more than 20% of the Aggregate Investment Portfolio, net of the balance of all existing and pending reverse repurchase agreements, shall be leveraged with reverse repurchase agreements.

XI. Approved Broker/Dealers and Financial Intermediaries

A. Security Purchases and Sales

1. Except for Externally Managed funds, security purchases and sales shall be transacted through the following approved entities:
 - a. Institutions designated as "Primary Securities Dealers" by the Federal Reserve Bank of New York;
 - b. Federal or state insured financial institutions who are designated as Qualified Public Depositories by the State of Florida and who operate a branch or office within the City of Orlando; or
 - c. Regional or local broker/dealers approved by the Investment Committee as it deems appropriate.
2. Of those Broker/Dealers who are eligible to be approved, the Investment Committee shall have the authority to select those with whom transactions are authorized as well

as the number of approved Broker/Dealers necessary to conduct City business.

3. External Managers are charged with the responsibility to transact purchases and sales on a best execution basis.

B. Repurchase and Reverse Repurchase Agreements

The City shall enter into repurchase and reverse repurchase agreements with the following approved entities:

1. Institutions designated as "Primary Securities Dealers" by the Federal Reserve Bank of New York.
2. The City's primary correspondent bank.

The Finance Committee may approve other institutions who meet specific requirements as developed by the Finance Committee from time to time.

XII. Bid Requirements

Securities, identified by staff as candidates for purchase or sale, shall, when feasible and appropriate, be competitively bid or offered. In compliance with industry standards, External Managers will use a form of "bid process" when feasible and appropriate to achieve best execution.

XIII. Internal Control Directives

The Investment Committee shall establish the following minimum level of internal controls for the investment operations of the City in order to prevent losses of funds due to fraud, employee error, and misrepresentation by third parties, or imprudent actions by City employees:

A. Responsibility

The Chief Financial Officer shall hold primary responsibility for assuring compliance with the City's Investment Policy.

B. Delegation of Responsibility

The Chief Financial Officer shall have the authority to delegate to competent staff those responsibilities as deemed appropriate, but such delegation shall accomplish, at a minimum, the following separation of responsibilities:

1. Authority to execute trades and accounting for trades.
2. Accounting for trades and check or wire transfer authority.
3. Check and wire transfer authority from bank and custodial account reconciliation responsibility.
4. Preparation of performance reports from authority to execute trades.

C. Transaction Settlement

All investment transactions executed by the City, except those authorized by the Chief Financial Officer or the Treasurer as further approved by the Mayor, shall be settled on a Delivery vs. Payment basis through the City's custodian. Any securities settled under the exception above shall be secured or controlled by a written agreement approved by the Office of Legal Affairs.

D. Third-Party Custodial Agreement

The custodial relationship shall be governed by a written agreement properly executed by all parties and shall specify, at a minimum that:

1. All securities owned and cash held by the City shall be held in the City's, or its nominee's, name in an account separate from all other accounts maintained by the custodian and shall at all times, while in the custody of the Custodian, be designated as an asset of the City.
2. The custodian shall accept transaction instructions only from those persons who have been duly authorized by the Chief Financial Officer and which authorization has been provided, in writing, to the custodian. No withdrawal of securities, in whole or in part, shall be permitted unless directed by such a duly authorized person.
3. The custodian shall, as it pertains to all transactions settled by the custodian, ensure that the City receives good and marketable title to all securities purchased and has immediately available cash for all securities sold on a "delivery vs. payment" basis.

XIV. Continuing Education

Pursuant to Florida Statutes 218.415(14), a minimum of eight hours of continuing education shall be completed during each fiscal year by the staff member(s) directly responsible for directing the investment decisions pertaining to those funds subject to the scope of this policy. This will be facilitated at either quarterly meetings, or other educational programs such as industry conferences. The Chief Financial Officer shall determine the nature of the continuing education that shall satisfy this Section as well as the staff member(s), who are subject to this requirement.

XV. Investment Policy Statement Review and Modification

The City's Investment Policy will be submitted by the Finance Committee for ratification by City Council by May 1st of each year. The authority to effect any change, modification or amendment of this Investment Policy shall rest solely with City Council. Finance Committee, Investment Committee and staff recommendations for policy changes may be submitted in conjunction with the annual ratification or more often as deemed necessary. Policy changes initiated by City Council may be made as it deems appropriate. Policy changes will become effective on the date stipulated by City Council.

XVI. Effective Date

The City's Investment Policy was ratified and approved by the City Council on April ~~16, 2018~~, 2019.