

**CITY OF SANIBEL
ORDINANCE 25-018**

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SANIBEL, FLORIDA, AMENDING THE CODE OF ORDINANCES RELATING TO CHAPTER 50, PERSONNEL, ARTICLE VI, CITY OF SANIBEL INVESTMENT POLICY; PROVIDING FOR CODIFICATION; PROVIDING FOR CONFLICT; PROVIDING FOR SEVERANCE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City has established an investment policy as required by Section 218.415 Florida Statutes; and

WHEREAS, such investment policy establishes objectives and standards of care and defines suitable and authorized investment instruments and investment guidelines for the City's investment program; and

WHEREAS, the investment policy was last amended by Ordinance 15-008; and

WHEREAS, the City finds it prudent to revise and amend the investment policy to reflect the current investment environment.

NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SANIBEL, FLORIDA:

SECTION 1. The above "Whereas" recitals are ratified, confirmed, and incorporated by reference as if set forth herein as the City Council's legislative findings.

SECTION 2. Sanibel Code of Ordinances, Chapter 50, Personnel, Article VI, City of Sanibel Investment Policy, is hereby amended with ~~striketrough~~ language indicating deletions and underlined language indicating additions as follows:

Chapter 50 - PERSONNEL

. . .

ARTICLE VI. - CITY OF SANIBEL INVESTMENT POLICY

Sec. 50-521. - Objective.

To document the investment policy for the City of Sanibel (the city) ~~operating funds, reserve funds, surplus funds, and restricted funds~~ investment portfolio.

Sec. 50-522. - Scope.

The purpose of this investment policy is to establish objectives and standards of care and to define suitable/authorized investment instruments and investment guidelines for each investment program. This investment policy shall not apply to pension funds, trust funds, or funds related to the issuance of debt where there are other existing policies or indentures in effect.

Sec. 50-523. - Authority.

~~The city manager and finance director and F.S. § 218.415. The chief financial officer of the city, with the consent of the City Manager, is authorized to invest any funds of the City in any investments that are permitted within this policy and F.S. § 218.415. To enhance the effectiveness of the city staff in managing these funds, outside investment managers and investment custodians may be hired and approved by separate city council action.~~

Sec. 50-524. - Investment objectives.

- (a) *Preservation of principal and safety.* The foremost objective of this investment program is the preservation of the principal. The objective will be to manage credit risk and interest rate risk for each specific investment program.
- (b) *Liquidity.* The portfolio shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements in an orderly manner. ~~The portfolio has been broken down into four separate investment programs based on anticipated liquidity needs and each program will have specific guidelines to meet that program's liquidity needs.~~
- (c) *Return on investment/yield.* All investments will be made striving to maximize portfolio return, consistent with the stated quality, safety, and liquidity restrictions of each program. Yield shall be the primary source of investment returns. Investment returns shall be secondary to the requirements for quality, safety, and liquidity.

Sec. 50-525. - Authorized investments.

- (a) The local government surplus funds trust fund, as created by F.S. § 218.405, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in F.S. § 163.01;
- (b) Securities and exchange commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- (c) Negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States Government at the then prevailing market price for such securities;
- (d) Savings accounts and certificates of deposit in state-certified qualified public depositories, as defined in F.S. § 280.02;
- (e) Obligations of the federal farm credit banks; the federal home loan mortgage corporation, including federal home loan mortgage corporation participation certificates; or the federal home loan bank or its district banks or obligations guaranteed by the Government National Mortgage Association. Collateralized mortgage obligations (CMOs) can be used if appropriate procedures are utilized to evaluate;
- (f) Deposits, federal funds, or bankers' acceptance of any domestic bank, including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that full and timely payment of such deposits or similar obligation is enforceable against the principal office or any branch of such bank, which:
 - (1) Has an unsecured, uninsured, and unguaranteed obligation rated in either of the two highest letter rating categories by a rating agency; and

- (2) Is the lead bank of a parent bank holding company with an unsecured, uninsured, and unguaranteed obligation meeting the rating requirements in subsection (1) above;
- (g) Prime commercial paper of a United States corporation, finance company, or banking institution if such commercial paper is rated at least "P-1" by Moody's or at least "A-1" by Standard & Poor's, and if such commercial paper is stated to mature in not more than 270 days;
- (h) Bonds or other debt securities issued or guaranteed by a corporation organized under the laws of the United States or the District of Columbia, provided the corporation has an investment grade rating of "A-" or better by Standard & Poor's or "A3" or better by Moody's;
- (i) Regulated bond mutual funds;
- (j) State and local governments and public authority issues having an investment grade rating of "A-" or better by Standard and Poor's or "A3" or better by Moody's;
- (k) Investment alternatives, other than securities, must have an established market. Investments should be made subject to the cash flow needs of the city. Such cash flows are subject to revisions as market conditions and city needs change. It is the intent of the City of Sanibel to avoid assets that require a significant time to liquidate; and
- (l) In the event of a downgrade below "A-" by Standard and Poor's or below "A3" by Moody's, the investment manager will sell the security when economically feasible; and
- (m) Residential mortgage-backed securities (MBS) must be pass-through in structure and issued by U.S. Government agencies. MBS investments shall be rated "AAA" by Standard and Poor's or "Aaa" by Moody's at the time of purchase and have a maximum Weighted Average Maturity less than years.

Sec. 50-526. - Repurchase agreements.

Repurchase agreements (repos) are the sale by a bank or dealer of a government security with the simultaneous agreement to repurchase the security on a later date and are used to secure money market rates of interest. In order to protect the public funds invested in repos, any repo arrangement approved by the city must be evidenced by a master repurchase agreement identifying the parties acting as principals to the transaction, providing collateralization through physical delivery of the underlying securities or through safekeeping with the purchaser's custodian, including appropriate supplemental provisions regarding delivery, substitution, margin maintenance, margin amounts, seller representations, and governing law, and providing for marking-to-market practices for valuing securities.

Sec. 50-527. - ~~Specific~~ Program investment objectives and guidelines.

- ~~(a) Operating account. The main objectives for the operating account are safety of principal and immediate liquidity. These funds are designated for immediate city expenses. Therefore, the investments in the operating account will be limited to demand deposits, money market funds, and other short term securities of the highest liquidity and a minimum rating of "A-" by Standard & Poor's or "A3" by Moody's.~~

- ~~(b) Reserve accounts. The main objectives for the reserve accounts are safety of principal and liquidity. These funds are designated for emergency purposes and other post-employment benefits. The liquidity needs of the reserve accounts are more unpredictable and, as such, investments will be limited to securities with maturities not to exceed 24 months. However, the average maturity shall not exceed one year. It is anticipated that the reserve accounts will have a laddered maturity structure allowing for significant liquidity each quarter. Up to ten percent of the reserve accounts may be invested in corporate bonds with a minimum rating of "A-" by Standard & Poor's or "A3" by Moody's. In addition, no more than two percent of the reserve accounts will be invested with any one non-government issuer.~~
- ~~(c) Surplus account. The main objectives for the surplus account are safety of principal and achieving higher yields than are typically available in money market instruments. These funds are not designated for any specific purpose and are intended to meet as yet undetermined needs of the city. As such, these funds need not be available for immediate demand and can take advantage of higher yields available with intermediate-term maturities. The surplus account can invest in securities with a maximum maturity of five years. However, the overall surplus account will have an average maturity not to exceed three years. Up to 15 percent of the surplus account may be invested in corporate bonds with a minimum rating of "A-" by Standard & Poor's or "A3" by Moody's. In addition, no more than two percent of the surplus account will be invested with any one non-government issuer.~~

The main objectives for the City's investment portfolio as outlined in Section 50-524 should be met utilizing the authorized investments in Section 50-525. More specifically, the portfolio can invest in securities with a maximum Weighted Average Maturity of five (5) years. However, to limit interest rate risk, the portfolio's duration should be limited to a maximum of 20% above the benchmark index. Up to twenty-five (25%) percent of the Account may be invested in corporate bonds with a minimum rating of "A-" by Standard & Poor's or "A3" by Moody's. In the event of a split rating, the highest credit rating should be considered. In addition, no more than two (2) percent of the City's investment portfolio will be invested with any one corporate issuer.

50-528. - Risk and diversification.

- (a) Adequate diversification of the portfolio will be necessary to minimize market volatility risk, liquidity risk, and default risk. Diversification will come in the form of investing in different security types, and in different financial institutions. It is the policy of the City of Sanibel to diversify its investment portfolios so as to protect against issuer defaults, market price changes, technical complications leading to temporary lack of liquidity, or other risks resulting from an overconcentration of assets in a specific maturity, a specific issuer, a specific geographical distribution, or a specific class of securities. The following strategies will be reviewed periodically by the City of Sanibel or any committee established by the city.
- (b) Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism worthy of the public trust.

Sec. 50-529. - Prudence.

- (a) *Prudence standard applied to the portfolio.* The standard of prudence shall be applied in the context of managing the portfolio. Those individuals acting in accordance with written 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 control adverse developments.
- (b) *Prudent expert standard.* While the standard of prudence to be used by individuals who are officers or employees is the prudent person standard, any person or firm hired or retained to invest, monitor, or advise concerning these assets shall be held to the higher standard of prudent expert. The standard shall be that in investing and reinvesting monies and in acquiring, retaining, managing, and disposing of investments of these funds, the individuals shall exercise the judgment, care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims by diversifying the investments of the funds so as to minimize the risk of material losses, unless under the circumstances it is clearly prudent not to do so, and not in regard to speculation but in regard to the permanent disposition of similar funds, considering the probable income as well as the probable safety of their capital.

Sec. 50-530. - Ethics and conflicts of interest.

Employees under the direction of the City of Sanibel. Officers and employees involved in the investment process shall not engage in personal business activities (e.g., directing business to favored broker/dealers) that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Officers and employees (including members of any committee established by the city) shall immediately disclose to the city manager any material interest in any financial institution that conducts business with the City of Sanibel. For purposes of this section, "material interest" shall have the same meaning as in F.S. § 112.312(15), (1995).

Sec. 50-531. - Continuing education.

The ~~finance director~~ chief financial officer of the city and appropriate staff shall annually complete eight hours of continuing education in subjects or courses of study related to investment practices and products.

Sec. 50-532. - Internal controls.

- (a) *System of controls.* The ~~finance director~~ chief financial officer of the city is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the city are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the ~~finance director~~ chief financial officer of the city shall establish a process for periodic independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- (1) *Control of collusion.* Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
 - (2) *Separation of transaction authority from accounting and record keeping.* By separating the person who authorized or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
 - (3) *Custodial safekeeping.* Securities purchased from any bank or dealer including appropriate collateral (as defined by Florida Statute) shall be placed with an independent third-party for custodial safekeeping.
 - (4) *Avoidance of physical delivery securities.* Book entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
 - (5) *Clear delegation of authority to subordinate staff members.* Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper action. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
 - ~~(6) *Written confirmation of telephone transactions for investments and wire transfers.* Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions should be supported by written communications and approved by the appropriate person. Written communications may be via letter, fax, and/or email, and must be from an authorized person.~~
 - (6) *Development of a wire transfer agreement with the lead bank or third-party custodian.* This agreement should outline the various controls, security provisions, and delineate the responsibilities of each party making and receiving wire transfers. Investments transactions are not permitted to be conducted solely by telephone.
 - (7) *Approval authority.* All investment transactions will be supported by signatures from at least two (2) individuals authorized by the City Council to sign financial transactions on behalf of the city.
- (b) *Delivery vs. payment.* All trades where applicable will be executed by delivery vs. payment (DVP). This ensures that securities are deposited in the eligible financial institution prior to the release of funds. Securities will be held by a third-party custodian as evidenced by safekeeping receipts.

Sec. 50-533. - Reporting.

Quarterly report. The City of Sanibel directs or otherwise recommends that at least quarterly, the ~~finance director~~ chief financial officer of the city shall provide a written report

including, but not limited to, a summary of recent market conditions, economic developments, and anticipated investment conditions; a summary of investment strategies employed in the most recent quarter; a description of the portfolio or in terms of investment securities, maturities, risk characteristics, and other features; a report of the quarter's total investment return with a comparison of actual to planned, and an identification of any areas of policy concern and suggested or planned revision of investment strategies.

Sec. 50-534. - Performance benchmarks.

- (a) Investment performance benchmarks should be consistent with the quality, safety, and liquidity restrictions utilized to evaluate portfolio performance. These benchmarks will allow the city to compare to other investors in similar markets.
- (b) Based on the investment and maturity parameters for ~~each the~~ investment program, the city ~~shall establish specific performance benchmarks. These benchmarks are as follows:~~ will benchmark performance compared to the Bloomberg 1-5 Year Treasury Index.

Operating Account:	Merrill Lynch 0—3 Month Treasury Bill
Reserves Account:	Merrill Lynch US 0—1 Year Treasury Index
Surplus Account:	Merrill Lynch US 1—5 Year Treasury Index

- (c) The benchmark used for the investment program may be adjusted from time to time as determined necessary by the chief financial officer of the city and the city's investment consultants.

Sec. 50-535. - Authorized institutions.

- (a) *Banks.* The city shall purchase certificates of deposit only through qualified public depositories of the State of Florida as identified by the state treasurer, in accordance with F.S. Ch. 280. In addition, the city may purchase certificates of deposits through the CDARS program as long as the purchases are initiated through a qualified public depository of the State of Florida.
- (b) *Brokers/dealers.* The city may utilize dealers designated as "primary securities dealers" by the Federal Reserve Bank of New York, for direct purchases and sales of securities. The city may also utilize nonprimary securities (regional) dealers doing business in the State of Florida. Both the firm and the dealer for nonprimary dealers must have been engaged in the business of effecting transactions in U.S. Government and agency obligations for at least five consecutive years. The firm must have capital of no less than \$10,000,000.00. Both primary and nonprimary dealers must qualify under Securities and Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule). The firms must provide the following information prior to executing investment trades with the city:
 - (1) Audited annual financial statement.

- (2) Regulatory history, through either the office of the comptroller or the currency for dealer banks, or the NASD (CR) for securities firms.
- (3) Statement of any pending lawsuits materially affecting the firm's business.
- (4) Proof of State of Florida registration.
- ~~(5) Each dealer's representative will be required to complete the city's broker/dealer certification form (Attachment "A") prior to the city conducting any business with the dealer or its representative.~~

Sec. 50-536. - Security selection process.

- (a) After the ~~finance director~~ chief financial officer of the city or the city's financial advisor has determined the approximate maturity date based on cash flow needs and market conditions and has analyzed and selected one or more optimal types of investments, a minimum of three qualified banks and/or approved broker/dealers must be contacted and asked to provide bids/offers on investments in question. Bids will be held in confidence until the bid deemed to best meet the investment objectives is determined and selected.

However, if obtaining bids/offers are not feasible and appropriate, investments may be purchased utilizing the comparison to current market price method on an exception basis. Acceptable current market price providers include, but are not limited to:

- (1) Bloomberg Information System.
 - (2) Wall Street Journal or a comparable nationally-recognized financial publications providing daily market pricing.
 - (3) Daily market pricing provided by the city's custodian or their correspondent institutions. Examples of when this method may be used include:
 - a. When time constraints due to unusual circumstances preclude the use of the competitive bidding process.
 - b. When no active market exists for the issue being traded due to the age or depth of the issue.
 - c. When security is unique to a single dealer, for example, private placement.
 - d. When the transaction involves a new issues or issues in the "when issued" market.
 - ~~(4) Telerate Information System.~~
- (b) Overnight sweep investments will not be bid but may be placed with the city's depository bank relating to the demand account for which the repurchase agreement was purchased.

Sec. 50-537. - Investment transaction authority.

The city manager has designated the ~~finance director~~ chief financial officer of the city as the individual responsible for managing the city's investments. For internally managed assets, the ~~finance director~~ chief financial officer of the city discusses investments with upcoming maturities with the city's financial advisor if there is a question as to new maturity target dates, portfolio

reallocation, or type of investment vehicle to be used. Based on these discussions, the ~~finance director~~ chief financial officer of the city completes an "investment transaction authorization" for each investment transaction. The city manager then reviews and approves the investment transaction authorization. The fully executed investment transaction authorization contains all information pertinent to the investment and contains the approval signatures of the city manager and the ~~finance director~~ chief financial officer of the city. The authorized investment transaction is executed. Funds related to each investment are transferred according to authorized funds transfer procedures and limits established under the provisions of the city's agreement with its main depository bank.

Sec. 50-538. - External investment manager.

- (a) *Purpose.* The purpose of this section is to set forth the policy and objectives governing the city's use of external investment managers. The outside investment manager for the city is required to adhere to all of the principals as set forth by the city investment policy concerning purpose, scope, objectives, prudence, internal controls, safekeeping and custody, debt service and bond covenants requirements, diversification, liquidity, credit risk, market risk, and reporting requirements. Outside investment managers will be required to seek best execution on all trades.
- (b) *Monitoring and adjusting the portfolio.* The external investment manager will monitor the contents of the portfolio, the available markets and the relative values of competing securities and will adjust the portfolio accordingly. The external investment manager is required to provide the city with a ~~confirmation of each transaction executed within ten business days of the transaction.~~ a monthly report detailing all transactions made in the city's investment portfolio. The ~~confirmations report~~ should include all information necessary to allow the city to accurately monitor the activity of the external investment manager for compliance purposes.

Sec. 50-539. - Safekeeping and collateralization.

- (a) All cash, assets, and investment securities purchased by the City of Sanibel or held as collateral on investments shall be delivered versus the payment of funds and held in safekeeping by a qualified bank, or some other financial institution designated as custodian. The custodian will be selected by the city. The custodian will not be utilized to buy or sell investments for the city. All securities held as collateral will be held free and clear of any lien, and also shall be held by a third-party custodian. The investments held by the custodian must be reconciled monthly to the city's general ledger.
- (b) All securities purchased by the city will be held by a third-party custodian and no withdrawal of such securities may be made by anyone except the city manager or the ~~finance director~~ chief financial officer of the city.
- (c) The city manager or ~~finance director~~ chief financial officer of the city will execute all third-party custodial agreements with the city's banks and public depositories. Such an agreement will include letters of authority from the city manager or ~~finance director~~ chief financial officer of the city as to the responsibilities of each party, notification of security purchases, sale, delivery, safekeeping and transaction agreements and wire

transfers, safekeeping and transaction costs and procedures in the event of wire failure.

- (d) Any funds invested in a certificate of deposit from a qualified public depository may be collateralized by any of the securities listed in F.S. §§ 280.13 and 280.14. The list of qualified depositories, agreeing to the provisions in F.S. Ch. 136, is available upon request from the Department of Insurance and Treasurer of the State of Florida.

This section does not apply to the local government surplus funds trust fund.

Sec. 50-540. - Independent audit.

The independent public accounting firm retained to conduct the annual audit of the City of Sanibel is directed to evaluate the system of controls relating to the investment of assets. Procedures should be performed by the accountants to provide reasonable assurance that investment officials have acted in accordance with the investment policy. The audit procedures shall include, but not be limited to, surprise audits of custodial and safekeeping systems. To the extent allowed by professional standards, the auditor may rely on work performed by other independent public accountants or internal auditors.

Sec. 50-541. - Policy.

- (a) *Exemption.* Any investment held by the city on the date of adoption of this policy, which does not meet the guidelines of this policy, shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be invested only as provided by this policy.
- (b) *Amendment.* This policy shall be reviewed at least annually by the city manager and the ~~finance director~~ chief financial officer of the city who may recommend any policy changes or revisions for adoption by city council. This annual review does not require any specific documentation be completed.

_____ City Manager City of Sanibel		_____ Date
_____ Finance Director City of Sanibel		_____ Date

~~CITY OF SANIBEL
800 DUNLOP ROAD
SANIBEL, FLORIDA 33957~~

~~Broker/Dealer Certification~~

~~The firm _____ is a registered securities dealer as defined and authorized by the National Association of Securities Dealers and the Securities Exchange Commission. The employees of the firm or financial institution offering securities or investments of the City of Sanibel, Florida are trained in the precautions appropriate to public sector investments and are required to familiarize themselves with all the City's investment objectives, policies and constraints. I have reviewed and fully understand the terms and conditions set forth in The City of Sanibel Florida Investment Policy. I agree to undertake reasonable efforts to preclude imprudent transactions involving the city's funds. Furthermore, I agree to disclose any potential conflicts or risks to public funds that might arise out of business transactions between the firm and the City of Sanibel, Florida.~~

	Firm _____	
	By _____	
	Title _____	
	Date _____	

Sec. 50-542 – 50-565. - Reserved.

SECTION 3. Codification. The City Manager is hereby authorized and directed to indicate these amendments in future City Code publications.

SECTION 4. Conflict. All ordinances and parts of ordinances in conflict herewith shall be and the same hereby repealed. If any part of this ordinance conflicts with any other part, it shall be severed, and the remainder shall have full force and effect and be liberally construed.

SECTION 5. Severance. If any section, subsection, sentence, clause, phrase or portion of this ordinance, or application hereof, is, for any reason, held invalid or unconstitutional by any court of competent jurisdiction, such portion or application shall be deemed a separate, distinct, and independent provision and such holding shall not affect the validity of the remaining portion or application hereof.

SECTION 6. Effective date. This Ordinance shall be effective immediately upon adoption.

FIRST READING THIS 30TH DAY OF JULY.

SCHEDULED FOR SECOND READING AND PUBLIC HEARING IN OPEN AND REGULAR SESSION OF THE CITY COUNCIL OF THE CITY OF SANIBEL, FLORIDA ON THE 20TH OF AUGUST 2025.

Attest:

Scotty Lynn Kelly, City Clerk

Mike Miller, Mayor

Approved as to form and legality:

John D. Agnew, City Attorney

Date filed with City Clerk: _____

Vote of Council Members:

Miller _____
Smith _____
DeBruce _____
Henshaw _____
Johnson _____

First Reading: _____
Publication Date: _____
Second Reading: _____