Exhibit A

CITY COUNCIL DIRECTED POLICY

Policy # 2023-01 CCD

TO: ALL EMPLOYEES **FROM:** RUSS BLACKBURN, CITY MANAGER

EFFECTIVE DATE: 1/23/2023 **AUTHORIZATION:**23-RXX

POLICY TITLE: INVESTMENT POLICY

PURPOSE STATEMENT

To amend the existing City of Port St Lucie's Investment Policy for investing in City activities. The Investment Policy is completed per Florida Statute 218.415.

DEFINITIONS

See Page 19.

POLICY

I. INTRODUCTION

In establishing the Investment Policy, the City of Port St Lucie ("City") recognizes the relationship between risk and return and acknowledges that all investments involve some degree of risk.

The Investment Policy 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 Chief Financial Officer or designee or City Manager. The Investment Policy provides both minimums and maximums by investment type to limit risk and diversify the City's investment portfolio.

II. SCOPE

In accordance with Section 218.415, Florida Statutes, this Investment Policy applies to all the investment activity and cash balances of the City of Port St Lucie ("the City"), except for the Municipal Police Officers' Retirement Trust Fund, the Prudential Pension Trust Fund, the 401(a) Retirement Trust Fund, the Other Post-Employment Benefits ("OPEB") Trust Fund, and funds related to the issuance of debt where there are other existing policies or indentures in effect.

III. INVESTMENT OBJECTIVES

Safety of Principal

The foremost objective of this investment program is the safety of the principal of those funds within all operating portfolios. Through normal market activity there could be capital losses, investment transactions shall seek to keep capital losses at a minimum, whether they are from securities defaults or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio over a period of a fiscal year.

Maintenance of Liquidity

The portfolios shall be managed in such a manner that funds are available to meet anticipated cash flow requirements in an orderly manner. Periodical cash flow analyses (at least quarterly) will be completed to ensure that the portfolios are positioned to provide sufficient liquidity.

Individual investments, the structure of the investment portfolios and the overall investment program shall be designed based on the City's anticipated liquidity needs. The City may use actively managed and passive investment strategies to achieve this objective. On occasion, anticipated liquidity needs may be deferred or accelerated. In this instance, investment may be sold at current market prices, or deposits may be withdrawn, and proceeds may be utilized for expenditures or reinvested with the primary objective of safety of principal while also maintaining appropriate levels of liquidity.

Return on Investment

Investment portfolios shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, considering the investment risk constraints and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives described above. The core of investments is limited to low risk securities in anticipation of earning a fair return relative to the risk being assumed. Changes in liquidity may occur, in this instance, Chief Financial Officer or designee, City Manager or the Investment Advisor, if given discretion, may sell an investment at current market prices, or transfer funds from overnight investment vehicles, to provide liquidity or to be reinvested in accordance with the City's overall investment objectives.

Compliance

The City's investment program shall maintain compliance with the City's Investment Policy, the City Charter, Florida State Statutes, and any other regulations and laws governing the investment of Florida public funds. This investment policy shall define authorized investments, establish maximum maturity limitations and minimum rating requirements. No investment shall be made that is not compliant with this Investment Policy at the time of purchase unless approved in writing by the City's Chief Financial Officer or designee or City Manager, prior to execution. If an investment becomes non-compliant during the holding period, after the purchase date, the City's Chief Financial Officer or designee or City Manager has authority to establish parameters in which to hold or sell the affected investments and make the decision to hold or dispose of the security at any time.

IV. DELEGATION OF AUTHORITY

Authority to manage the investment program is granted to the Chief Financial Officer or designee by the City Manager through powers given by the City Council per Article X, section 10.01 of the City Charter. Responsibility for the operation of the Investment program is hereby delegated to the Chief Financial Officer or designee who shall carry out established written procedures and internal controls for the operation of the investment program consistent with this investment policy. The day-to-day administration of the investment program is handled by the Chief Financial Officer or designee. Procedures shall include reference to: procedures for the operation of the investment portfolio, a system of internal accounting and administrative controls to regulate the activity of employees, safekeeping, delivery versus payments, collateral/depository agreements, banking services contracts. The City may employ an Investment Advisor to assist in managing some of the City's portfolios. Such Investment Advisor shall be registered under the Investment Advisors Act of 1940.

V. STANDARDS OF PRUDENCE

The standard of prudence to be used by investment officials shall be the "Prudent Person" and/or "prudent investor" standard and shall be applied in the context of managing the overall investment program. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectation are reported to the City Manager in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this police. The "Prudent Person" rule states the following:

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment.

While the standard of prudence to be used by investment officials who are officers or employees is the "Prudent Person" standard, any person or firm hired or retained to invest, monitor, or advise concerning these assets shall be held to the higher standard of "Prudent Expert". The standard shall be that in investing and reinvesting monies and in acquiring, retaining, managing, and disposing of investments of these funds, the Investment Advisor shall exercise: the judgment, care, skill, prudence and diligence under the circumstances then prevailing, which person 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 investment of the funds, so as to minimize the risk, considering the probable income as well as the probable safety of their capital.

VI. ETHICS AND CONFLICTS OF INTEREST

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

VII. INTERNAL CONTROLS AND INVESTMENT PROCEDURES

The Chief Financial Officer or designee shall establish a system of internal controls and operational procedures that are in writing and made a part of the City's operational procedures. The internal controls should be designed to prevent losses of funds, which might arise from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees. The written procedures shall include reference to safekeeping, repurchase agreements, the separation of transaction authority from accounting and recordkeeping, wire transfer agreements, banking service contracts and collateralization. No person may engage in an investment transaction except as authorized under the terms of this policy.

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

VIII. CONTINUING EDUCATION

The Chief Financial Officer or designee that acts on behalf of the City and other appropriate staff shall annually complete 8 hours of continuing education in subjects or courses of study related to investment practices and products in accordance with Florida Statute 218.415.

IX. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS

Authorized City staff and investment Advisors shall only purchase securities from financial institutions which are qualified as public depositories by the Treasurer of the State of Florida; institutions designated as "Primary Securities Dealer" by the Federal Reserve Bank of New York, direct issuers of commercial paper and bankers' acceptances or approved non-primary securities dealers.

The City may utilize dealers designated as "Primary Securities Dealers" by the Federal Reserve Bank of New York, for purchases and sales of securities. The City may also utilize non-primary securities (regional) dealers provided that the firm meets the following requirements:

- Qualifies under Securities and Exchange Commission Rule 15 C3-1 (uniform net capital rule).

- Capital of no less than $10,000,000.
- Registered as a dealer under the Securities Exchange Act 1934.
- A member of the Financial Industry Regulatory Authority (FINRA).
- Registered to sell securities in Florida.
- The firm and assigned broker have been engaged in the business of effecting transactions in U.S. government and agency obligations for at least five years.
- The Investment Advisor shall utilize and maintain its own list of approved non-primary securities dealers. For authorized City staff, approved non-primary securities dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule) must provide the following information prior to executing investment trades with the City:
  - Annual financial statement,
  - Regulatory history, through either the Office of the Comptroller of the Currency by dealer banks, or the FINRA for securities firms,
  - Statement of any pending lawsuits materially affecting the firm's business,
  - Proof of state registration.
- Each Dealer's representative will be required to complete the City's Broker/Dealer Certification Form (Attachment "C") prior to the City conducting any business with the Dealer or its representative. On a periodic basis, Attachment "C" needs to be updated.
- The Chief Financial Officer or designee may utilize Institutional Asset Custodians to purchase mutual funds.
- Authorized City staff and Investment Advisors shall only enter into repurchase agreements with financial institutions that are state qualified public depositories ("QPD") and primary securities dealers as designated by the Federal Bank of New York.

X. MATURITY AND LIQUIDITY REQUIREMENTS

The Chief Financial Officer or designee shall determine the approximate amount of funds required to meet the day to day expenditure needs of the City estimated from historical cash flows and forecasts based on reasonable expectations of revenues and expenditures. To have an available source of funds to meet unexpected cash requirements, the City shall ensure that a minimum of three months operating expenses will be invested in appropriate short-term securities, i.e. fully collateralized repurchase agreements, interest in time deposits, savings accounts or money market accounts, local government investment pools and intergovernmental pools. The balance of the City's funds will be available for investment according to the guidelines incorporated within this policy.

The City may establish multiple investment strategies within the investment program that seek to preserve principal, provide liquidity and enhance income through a dynamic approach based on cash flows, established risk parameters and current and market information. The City may employ or restrict one or more of the following duration-based investment portfolios as part of the overall investment program.

Overnight Investment Portfolio

Designed to provide overnight liquidity within investment vehicles that provide daily liquidity for immediate cash flows needs. The aggregate amount invested within this investment strategy shall meet the minimum requirement of three months of operating expenses but may be higher if determined to be optimal. The benchmark shall be the Standard & Poor's ("S&P") Rated Government Investment Pool ("GIP") Index or an index that is similar.

Enhanced Cash Portfolio

Structure to provide ongoing liquidity during the City's Fiscal Year and to also diversify the City's overall investment program. The Enhanced Cash Portfolio should have a maturity of greater than three months and a maximum maturity of up to two years.

Core Portfolio

Core Portfolios are investment strategies for financial assets designated for longer term investment horizons. Investments within the Core Portfolio follow the same investment objectives and priority of safety first and have a longer duration that the City's Overnight and Enhanced Cash strategies. Securities within this portfolio follow the maturity and asset allocation limitations established Section XIII of this investment policy. Core Portfolio benchmarks shall be similar to the designated duration targets and may include the Bank of America Merrill Lynch 1-5 Year US Corporate & Government Index for total return performance for actively managed portfolios.

Investment of bond reserves, construction funds, and other non-operating funds ("core funds") shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years, and the weighted average maturity will be limited to a period equal to or less than five (5) years.

XI. RISK AND DIVERSIFICATION

Assets held shall be diversified to control risks resulting from over concentration of assets in a specific maturity, issuer, instruments, dealer, or bank through which these instruments are bought and sold. The Chief Financial Officer or designee shall determine diversification strategies within the established guidelines.

XII. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

After the Chief Financial Officer or designee that acts on behalf of the City, and/or the Investment 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 securities. Bids will be held in confidence until the bid best deemed to meet the investment objectives is determined and selected.

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

- Thomson Reuters.
- IDC (International Data Corporation).
- Bloomberg Information Systems, specifically ALLQ, BVAL, and maximum spread from the ask prices.

- Money.net.
- Wall Street Journal or a comparable nationally recognized financial publication providing daily market pricing.
- Daily market pricing when available will be provided by the City's custodian or their correspondent institutions.
- The Chief Financial Officer or designee that acts on behalf of the City or the Investment Advisor shall utilize the competitive bid process to select the securities to be purchased or sold. Selection by comparison to a current market price, as indicated above, shall only be utilized when, in judgment of the Chief Financial Officer or designee that acts on behalf of the Chief Financial Officer, or the Investment Advisor, competitive bidding would inhibit the selection process.
- Examples of when this method may be used include:
    - When time constraints due to unusual circumstances preclude the use of the competitive bidding process,
    - When no active market exists for the issue being traded due to the age or depth of the issue,

When a security is unique to a single dealer, for example, a private placement or secondary market offerings that are not widely offered or available.; and,

- When the transaction involves new issues or issues in the "when issued" market,
- When purchasing new issue securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price. Competitive or negotiated new issue municipal securities wherein the Investment Manager submits an offer alongside that of a participating broker-dealer may be purchased provided that the investment manager believes the offered level represents appropriate value for the investment risks assumed. Overnight sweep investments or repurchase agreements will not be bid but may be placed with the City's depository bank relating to the demand account for which the sweep investments or repurchase agreements were purchased.

- Competitive solicitations wherein at least three (3) authorized investment institutions or dealers are contacted and only one bid/offer is received shall satisfy the competitive selection requirements of this policy.

XIII. AUTHORIZED INVESTMENT AND PORTFOLIO COMPOSITION

Investments shall be made subject to the cash flow needs and such cash flows are subject to revisions as market conditions and the City's needs change. When the invested funds are needed in whole or in part for the purpose originally intended or for more optimal investments, the Chief Financial Officer or designee that acts on behalf of the City may sell the investment at the then prevailing market price and place the proceeds in the proper account at the City's custodian.

The percentage allocation and credit quality requirements for investment types and issuers are calculated based on the market value of each investment and shall apply at the time of purchase. Investments not listed in this Policy are prohibited. In the event of a ratings downgrade of a security to below levels required for purchase by this policy, the Investment Manager shall notify the City within five business days of such a decline in the required rating. The Investment Manager and the City will review the individual facts and circumstances of the situation and determine an appropriate course of action. Due to fluctuations in the aggregate invested balance, the maximum percentage issuer and allocation limits of this policy may be exceeded from time to time and shall not require liquidation to realign the portfolio.

However, consideration should be given to this matter when future purchases are made.

AUTHORIZED INVESTMENT-SECTOR TYPE	MINIMUM RATING REQUIREMENT	MATURITY LIMITS	MAXIMUM ALLOCATION	INDIVIDUAL ISSUER LIMIT
Cash and cash equivalents (QPD Financial Institutions)	N/A	N/A	75%	25%
Florida PRIME Fund	AAAm	N/A	25%	N/A
Florida Trust Day to Day Fund*	AAAm	N/A	25%	N/A
United States Government Securities	N/A	5 Years	80%	N/A
United States Government Agencies	N/A	5 Years	80%	50%
Federal Instrumentalities (United States Government Sponsored Enterprises "GSE")**	N/A	5 Years	80%	40%
Interest Bearing Time Deposit, Certificates of Deposit, or Savings Accounts – Qualified Public Depositories only	N/A	5 Years	50%	50%
Repurchase Agreements	N/A	90 days	25%	10%
Commercial Paper***	A-1 or P-1	270 days	40%	10%
Asset-Backed Commercial Paper***	A-1/Prime-1	270 Days	35%	5%
Bankers' Acceptances	A-1 or P-1	180 days	25%	10%
State and/or Local Government Taxable and/or Tax Exempt Debt	Aa3 or AA-	5 Years	25%	5%
Registered Investment Companies (Mutual Funds)	AAAf	N/A	25%	10%

Intergovernmental Local Government Investment Pools*	AAAm/AAAf	N/A	45%	25%
Florida Trust Short Term Bond Fund*	AAA	N/A	25%	N/A
Corporate Notes ***	A3 or A-	5 Years	25%	5%
Asset-Backed Securities (ABS)***	Double “A” category by an NRSRO****	5 Years	20%	5%
Mortgage Backed Securities (“MBS”)**	Triple “A” Category by any two NRSRO’s	5 Years	20%	5%
Supranationals (where US is a shareholder and voting member)	N/A	5 Years	25%	5%
City of Port St. Lucie construction activities	N/A	5 Years	$10 million maximum	N/A

*The combined maximum amount of available funds invested in Local Government Investment Pools will not exceed forty-five percent (45%)

**The combined maximum amount of available funds invested in Federal Instrumentalities and MBS securities will not exceed eighty percent (80%)

***The maximum amount of corporate investment will not exceed forty percent (40%). Therefore, the combination of Commercial Paper, Asset Backed Commercial Paper, Corporate notes, and Asset Backed Securities will not exceed forty percent (40%)

****National Recognized Statistical Rating Organization (NRSRO).

The following are the investment requirements and allocation limits:

A. Cash and Cash Equivalents

a. Investment Authorization

I. The Chief Financial Officer or designee may invest in money market accounts placed with financial institutions qualifying as Qualified Public Depositories ("QPD") as provided for in Chapter 280, Florida Statutes.

b. Portfolio Composition

I. A maximum of seventy-five (75%) of available funds may be invested in financial institutions qualifying as QPDs.

II. No more than twenty -five percent (25%) will be deposited with any one issuer.

B. The Florida PRIME

a. Investment Authorization

I. The Chief Financial Officer or designee may invest in the Florida PRIME. Any investment with the Florida PRIME will be evaluated with the same criteria as Money Market Mutual Funds, detailed in section.

b. Portfolio Composition

I. A maximum of twenty -five (25%) of available funds may be invested in the Florida PRIME.

c. Rating Requirements

I. The Florida PRIME shall be rated "AAAm" by Standard & Poor's or the equivalent by another rating agency.

d. Due Diligence Requirements

I. A thorough investigation of the Florida PRIME is required prior to investing, and on a continual basis. Attachment B is a questionnaire that contains a list of questions that cover the major aspects of any investment pool/fund, to be answered prior to investing. A current prospectus or equivalent documentation, including an Investment Policy, Financial Statements, and Portfolio Holdings must be obtained.

C. United States Government Securities

a. Purchase Authorization

I. The Chief Financial Officer or designee may invest in negotiable direct obligations, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government. Such securities will include, but not be limited to the following:

- Cash Management Bills,
- Treasury Securities – State and Local Government Series ("SLGS") Treasury Bills,
- Treasury Notes,
- Treasury Bonds,
- Treasury Strips.

b. Portfolio Composition

I. A maximum of 80% of available funds may be invested in the United States Government Securities.

c. Maturity Limitations

I. The maximum length to maturity of any direct investment in the United States Government Securities is five (5) years from the date of purchase.

D. United States Government Agencies

a. Purchase Authorization

I. The Chief Financial Officer or designee may invest in bonds, debentures, notes or callable securities issued or guaranteed by United States Government agencies, provided such obligations are backed by the full faith and credit of the United States Government. Such securities will include, but not be limited to the following:

- Government National Mortgage Association,
- Direct obligations- and mortgage passthrough securities United States Export- Import Bank,
  - Direct obligations or fully guaranteed certificates of beneficial ownership
- Farmer Home Administration,
  - Certificates of beneficial ownership,
- Federal Financing Bank,
  - Discount notes, notes and bonds,
- Federal Housing Administration Debentures General Services Administration,
- United States Maritime Administration Guaranteed,
  - Title XI Financing,
- New Communities Debentures,
  - United States Government guaranteed debentures,
- Small Business Administration (SBA),
- United States Public Housing Notes and Bonds,
  - United States Government guaranteed public housing notes and bonds,
- United States Department of Housing and Urban Development,
  - Project notes and local authority bonds.

b. Portfolio Composition

I. A maximum of 80% of available funds may be invested in United States Government agencies.

c. Limits on Individual Issuers

I. A maximum of 50% of available funds may be invested in individual United States Government agencies.

d. Maturity Limitations'=

I. The maximum length to maturity for an investment in any United States Government agency security is five (5) years from the settlement date.

E. Federal Instrumentalities (United States Government Sponsored Enterprises (GSE))

a. Purchase Authorization

I. The Chief Financial Officer or designee may invest in bonds, debentures, notes or callable securities issued or guaranteed by United States Government sponsored agencies (Federal Instrumentalities) which are non-full faith and credit agencies limited to the following:

- Federal Farm Credit Bank (FFCB)
- Federal Home Loan Bank or its district banks (FHLB)
- Federal National Mortgage Association (FNMA)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie-Macs) including Federal - Home Loan Mortgage Corporation participation certificates
- Tennessee Valley Authority (TVA)

b. Portfolio Composition

I. A maximum of 80% of available funds may be invested in Federal Instrumentalities.

c. Limits on Individual Issuers

I. A maximum of 40% of available funds may be invested in any one issuer.

d. Maturity Limitations

I. The maximum length to maturity for an investment in any Federal Instrumentality security is five (5) years from the settlement date.

F. Interest Bearing Time Deposit or Saving

a. Purchase Authorization

The Chief Financial Officer or designee may invest in accounts in banks organized under the laws of this state and/ or in national banks organized under the laws of the United States and doing business and situated in the State of Florida, provided that any such deposits are secured by the Florida Security for Public Deposits Act, Chapter 280 and Chapter 218, Florida Statues as amended from time to time.

II. A thorough review of Early Withdrawal penalties and Automatic Renewal guidelines need to be completed before purchase. Early withdrawal penalties greater than annual interest earned is not acceptable, as well as automatic renewal of Certificates of Deposit.

b. Portfolio Composition

I. A maximum of 50% of available funds may be invested in non-negotiable interest-bearing time certificates of deposit.

c. Limits on Individual Issuers

I. A maximum of 50% of available funds may be deposited with any one issuer.

d. Maturity Limitations
   I. The maximum maturity on any certificate shall be no greater than five (5) years from the settlement date.

G. Repurchase Agreements

a. Purchase Authorization
   I. The Chief Financial Officer or designee may invest in repurchase agreements composed of only those investments based on the requirements set forth by the City's Master Repurchase Agreement. All firms are required to sign the Master Repurchase Agreement prior to the execution of a repurchase agreement transaction.
   II. A third-party custodian with whom the City has a current custodial agreement shall hold the collateral for all repurchase agreements with a term longer than one (1) business day. A clearly marked receipt that shows evidence of ownership must be supplied to the Chief Financial Officer or designee and retained.
   III. Securities authorized for collateral are negotiable direct obligations of the United States Government, Government Agencies, and Federal Instrumentalities with maturities under five (5) years and must have a market value for the principal and accrued interest of 102 percent of the value and for the term of the repurchase agreement. Immaterial short-term deviations from 102 percent requirement are permissible only upon the approval of the Chief Financial Officer or designee.

b. Portfolio Composition
   I. A maximum of 25% of available funds may be invested in repurchase agreements excluding one (1) business day agreements and overnight sweep agreements.

c. Limits on Individual Issuers
   I. A maximum of 10% of available funds may be invested with any one institution.

d. Limits on Maturities

I. The maximum length to maturity of any repurchase agreement is 90 days from the settlement date.

H. Commercial Paper

a. Purchase Authorization
   I. The Chief Financial Officer or designee may invest in commercial paper of any United States company that is rated, at the time of purchase, "Prime-1" by Moody's or "A-1" by Standard & Poor's (prime commercial paper). If the commercial paper is backed by a letter of credit ("LOC"), the long-term debt of the LOC provider must be rated "A" or better by at least two nationally recognized rating agencies.

b. Portfolio Composition
   I. A maximum of 40% of available funds may be directly invested in prime commercial paper. The maximum amount of corporate investments will not exceed forty percent (40%). Therefore, the combination of Commercial Paper, Asset-Backed Commercial Paper, Asset-Backed Securities, and Corporate Notes shall not exceed forty percent (40%).
   II.

c. Limits on Individual Issuers
   I. A maximum of 10% of available funds may be invested with any one issuer.

d. Maturity Limitations

The maximum length to maturity for prime commercial paper shall be 270 days from the settlement date.

I. Asset-Backed Commercial Paper

a. **Purchase Authorization.** Invest in asset-backed commercial paper issued by a special purpose corporation, trust, or limited liability company organized within the United States. All asset-backed commercial paper issuers will be rated in the highest ratings band. Only issuers that have been thoroughly reviewed and vetted by the investment advisors will be included.

b. **Portfolio Composition.** A maximum of 35% of available funds may be directly invested in asset-backed commercial paper. The maximum amount of corporate investments will not exceed forty percent (40%). Therefore, the combination of Commercial Paper, Asset-Backed Commercial Paper, Asset-Backed Securities, and Corporate Notes shall not exceed forty percent (40%).

c. **Limits on Individual Issuers.** A maximum of 5% of available funds may be invested with any one issuer.

d. **Ratings Requirements.** Asset-Backed Commercial paper that has a minimum S&P rating of A-1 and minimum Moody's rating of Prime-1 at the time of purchase. If the commercial paper is backed by a letter of credit (LOC), the long-term debt of the LOC provider must be rated single "A" category or better by at least two NRSROs.

e. **Maturity Limitations.** The maximum length to maturity for asset-backed commercial paper shall be 270 days from the date of settlement.

J. Bankers' Acceptances

e. Purchase Authorization
   I. The Chief Financial Officer or designee may invest in Bankers' Acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which is eligible for purchase by the Federal Reserve System, at the time of purchase, the short-term paper is rated, at a minimum, "P-1" by Moody's Investors Services or "A- 1" Standard & Poor's.

f. Portfolio Composition
   I. A maximum of 25% of available funds may be directly invested in Bankers' Acceptances

g. Limits on Individual Issuers
   I. A maximum of 10% of available funds may be invested with any one issuer.

h. Maturity Limitations

I. The maximum length to maturity for Bankers' Acceptances shall be 180 days from the settlement date.

K. State and/or Local Government Taxable and/or Tax-Exempt Debt

i. Purchase Authorization
   I. The Chief Financial Officer or designee may invest in state and/or local government taxable and/or tax- exempt debt, general obligation and/or revenue bonds, rated at least a minimum "Aa" category by Moody's or a minimum long-term debt rating of "AA" category by Standard & Poor's for long-term debt (without regard to gradation),

or rated at least "VMIG2" by Moody's or "A-2" by Standard & Poor's for short-term debt.

j. Portfolio Composition
   I. A maximum of 25% of available funds may be invested in taxable and tax-exempt debts.
k. Limits on Individual Issuers
   I. A maximum of 5% of available funds may be invested with any one issuer.
l. Maturity Limitations for Fixed Income Securities
   I. A maximum length to maturity for an investment in any state or local government debt security is five (5) years from the date of purchase.
m. Maturity Limitations for Variable Rate Demand Obligations
   I. A maximum length to maturity for an investment in any state or local government debt security is the shorter of put or tender date, where the put or tender does not expire for the life of the security, or final maturity.

L. Registered Investment Companies (Mutual Funds)

a. Investment Authorization

i. The Chief Financial Officer or designee may invest in shares in open-end, no-load provided such funds are registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 C.F.R. § 270.2a-7. In addition, the Chief Financial Officer or designee may invest in other types of mutual funds provided such funds are registered under the Federal Investment Company Act of 1940, invested exclusively in the securities specifically permitted under this investment policy, and are similarly diversified.

b. Portfolio Composition
   i. A maximum of 25% of available funds may be invested in mutual funds.

c. Limits of Individual Issuers
   i. A maximum of 10% of available funds may be invested with any one non-SEC Rule 2a-7 investment mutual fund.

d. Rating Requirements
   i. The mutual funds shall be rated "AAAf" by Standard & Poor's or the equivalent by another rating agency.

e. Due Diligence Requirements
   i. A thorough review of any investment mutual fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed by the Chief Financial Officer or designee that will contain a list of questions that covers the major aspects of any investment pool/fund, see Attachment B.

M. Intergovernmental Investment Pools

a. Investment Authorization
   i. The Chief Financial Officer or designee may invest in intergovernmental local government investment pools that are authorized pursuant to the Florida Inter-local Cooperation Act, as provided in Section 163.01, Florida Statutes and provided that said funds contain no derivatives. A thorough investigation of any intergovernmental investment pool is required prior to investing, and on an annual basis. Attachment B is questionnaire that contains a list of questions, to be answered prior to investing, that cover the major aspects of any investment pool/fund. A current prospectus shall be obtained.

b. Portfolio Composition
   i. A maximum of 45% of available funds may be invested in intergovernmental investment pools.

c. Limits on Individual Issuers
   a. A maximum of 25% may be invested with any one issuer.

d. Rating Requirements
   i. The investment pool shall be rated “AAAm” or “AAAf” by Standard & Poor’s or the equivalent by another rating agency.

N. Corporate Notes

a. Purchase Authorization

i. The Chief Financial Officer or designee may invest in corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long-term debt rating, at the time of purchase, at a minimum "A3" category by Moody's or a minimum long-term debt rating of "A" category by Standard & Poor's (without regard to gradation).

b. Portfolio Composition

i. A maximum of 25% of available funds may be directly invested in corporate notes. The maximum amount of corporate investments will not exceed forty percent (40%). Therefore, the combination of Commercial Paper, Asset-Backed Commercial Paper, Asset-Backed Securities, and Corporate Notes shall not exceed forty percent (40%).

ii.

c. Limits on individual issuers

i. A maximum of 5% of available funds may be invested with any one issuer.

d. Maturity Limitations

i. The maximum length to maturity for corporate notes shall be 5 years from the date of purchase

O. Asset-Backed Securities (ABS)

a. Purchase Authorization

i. The Chief Financial Officer or designee may invest in asset-backed securities (ABS) which are bonds and notes backed by underlying financial assets. A thorough review of underlying financial assets before investment is required.

b. Portfolio Composition

i. A maximum of 20% of available funds may be invested in ABS. The maximum amount of corporate investments will not exceed forty percent (40%). Therefore, the combination of Commercial Paper, Asset-Backed Commercial Paper, Asset-Backed Securities, and Corporate Notes shall not exceed forty percent (40%).

ii.

c. Limits of individual issuers

i. A maximum of 5% of available funds may be invested with any one ABS

d. Maturity Limitations

i. A maximum length to maturity for an investment in any ABS is five (5) years from the date of purchase. The maturity of asset-back securities shall be considered the date corresponding to its average life. This date reflects the point at which an investor will have received back half the principal face amount. The average life may be different from the stated legal maturity included in a security's description.

e. Rating Requirement

i. ABS shall be Double-A (AA) rated or better by Standard & Poor's, or the equivalent by another rating agency.

P. Mortgage-Backed Securities (MBS)

a. Purchase Authorization

i. The Chief Financial Officer or designee may invest in mortgage-backed securities (MBS) which are bonds and notes backed by underlying mortgages. A thorough review of underlying financial assets before investment is required.

b. Portfolio Composition
   i. A maximum of 20% of available funds may be invested in MBS.

c. Limits on individual issuers
   i. A maximum of 5% of available funds may be invested with any one issuer.

d. Maturity Limitations

i. A maximum length to maturity for an investment in any MBS is five (5) years from the date of purchase. The maturity of mortgage securities shall be considered the date corresponding to its average number of years that each dollar of unpaid principal due on the MBS remains outstanding. The average life may be different from the stated legal maturity included in a security's description.

Q. Supranationals

a. Purchase Authorization

i. The Chief Financial Officer or designee may invest in U.S. dollar denominated debt obligations of Supranationals which are multilateral organizations of governments where U.S. is a shareholder and voting member that have a long-term debt rating of "AAA" category, or a short-term debt rating or A-1 or higher, by any two NRSROs at the time of purchase. Such supranational securities will include but not be limited to:

1. International Bank for Reconstruction and Development.
2. International Finance Corporation.
3. Inter-American Development Bank.

b. Portfolio Composition

i. A maximum of 25% of available funds may be invested in supranational organization securities.

c. Limits on Individual Issuers

i. A maximum of 5% of available funds may be invested in any one supranational organization.

d. Maturity Limitations

i. The maximum length to maturity for an investment in any supranational organization security is five (5) years from the date of purchase.

R. City of Port St. Lucie Construction Activities

e. Purchase Authorization

II. The Chief Financial Officer or designee may invest in approved City capital improvement projects.

f. Portfolio Composition

II. A maximum of $10,000,000 of available funds may be invested in construction activities at any time.

g. Interest Rate for Investment Returns

II. The rate of return on a Five-Year Treasury Bill at the time of investment.

h. Maturity Limitations

II. The maximum length to maturity for an investment in any City project is five (5) years from the date of purchase.

XIV. MASTER REPURCHASE AGREEMENT

The City may enter into Repurchase Agreements confirming to the model agreement developed by the Security Industry and Financial Markets Association (SIFMA). Repurchase Agreements will be collateralized by obligations of the United States Government, pledged to the City with market values, exclusive of accrued interest, at least equal to 103 percent of the purchase price. The collateral is to be held by a third-party custodian as agreed to by the City and the repurchase agreement provider.

XV. DERIVATIVES AND REVERSE REPURCHASE AGREEMENTS

Investment in any derivative products or the use of reverse repurchase agreements are not permissible. A derivative is defined as a financial instrument the value of which depends on, or is derived from, the value of one or more underlying assets or indices or asset values.

XVI. PERFORMANCE MEASUREMENTS

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

For the short-term portfolios (up to 24 months maturity), consistent with the City's circumstances and risk tolerances, the investment performance objective shall be to earn a total rate of return approximately equal to the City's chosen benchmark index. The City will utilize the S&P Rated GIP Index, 91-day T-Bill rate or an index that is similar.

Investment performance of funds designated as core funds and other non-operating funds that have a longer-term (greater than 24 months maturity) investment horizon will be compared to an index comprised of US Treasury or Government securities. The appropriate index will have a duration and asset mix that approximates the portfolio's and will be utilized as a benchmark to be compared to the portfolio's total rate of return. The City will utilize the Merrill Lynch 1-3 Year US Treasury Index or an index that is similar to the composition and duration of the portfolio.

Investment advisors will report performance on a book value basis for passively managed portfolios and on a book value, market value and total & net rate of return basis for actively managed portfolio and compare results to the designated benchmarks.

XVII. REPORTING

Investments will be carried at cost and marked to market value. Gains or losses from sale of investments will be credited or charged to investment income at the time of sale. The City shall comply with Government Accounting Standards Board (GASB) standards.

The Chief Financial Officer shall provide the City Manager with quarterly investment reports. Schedules in the quarterly report shall include the following:

- A listing of individual securities held at the end of the reporting period.
- Percentage of available funds represented by each investment type.

- Coupon, discount or earnings rate, yield.
- Average life or duration and final maturity of all investments.
- Par value, amortized book and market values.

On an annual basis, the Chief Financial Officer shall provide the City Manager with a written report on all invested funds. The annual report shall provide at a minimum the following: a complete list of all invested funds, name or type of security in which the funds are invested, the amount invested, the maturity date, income earned, the book value, the market value and the yield on each investment.

The annual report will show performance on a book value bases for passively managed portfolios, and on a book, market and total rate of return bases for actively managed accounts and will compare the results to the above stated benchmarks. All investment shall be reported at fair value per GASB standards. Annual investment reports shall be available to the public.

XVIII. THIRD-PARTY CUSTODIAL AGREEMENTS

Investment securities, with the exception of certificates of deposit, shall be held with a third-party custodian; and all securities purchased by and all collateral obtained by the City shall be properly designated as an asset of the City. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida or any other state or territory of the United States which has a branch or principal place of business in the State of Florida as defined in Section 658.12, Florida Statutes, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

The custodian shall accept transaction instructions only from those persons who have been duly authorized by the Chief Financial Officer, Chief Financial Officer or designee or designee and which authorization has been provided, in writing, to the custodian. Only a duly authorized person shall be permitted to in whole or in part withdraw securities from the custodian.

The custodian shall provide the Chief Financial Officer or designee with safekeeping receipts that provide detailed information on the securities held by the custodian. Security transaction between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities must be made on a "delivery vs payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. Securities held as collateral shall be held free and clear of any items.

XIX. INVESTMENT COMMITTEE

The City shall maintain an Investment Committee composed of the City Manager (or designee), the Chief Financial Officer or designee, and any other City staff members as deemed appropriate and appointed by the City Manager. The Investment Committee shall meet at least quarterly to review investment activities, annually review the Investment Policy and recommend changes, and provide general oversight of the overall investment activities.

XX. INVESTMENT POLICY ADOPTION

The Investment Committee shall review the policy annually and the City Council shall adopt and approve any modification made thereto.

CITY OF PORT ST LUCIE

INVESTMENT POLICY

ATTACHMENT A

GLOSSARY: CASH AND INVESTMENT MANAGEMENT TERMS

ACCRUED INTEREST: Interest earned but which has not yet been paid or received.

AGENCIES: Federal agency securities and/or Government-sponsored enterprises (GSEs)

ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR): The official annual report for the City of Port St Lucie. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BASIS POINT: One hundredth of one percent, or .01%. Thus, 1% equals 100 basis points.

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

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

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

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

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

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

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

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

BULLET NOTES/BONDS: Notes or bonds that have a single maturity date and are non-callable.

CALL DATE: Date at which a call option may be or is exercised.

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

CALLABLE BONDS/NOTES: Securities, which contain an imbedded call option giving the issuer, the right to redeem the securities prior to maturity at a predetermined price and time.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

CHIEF FINANCIAL OFFICER: Local government finance official, regardless of the title of his or her office, charged with administering the fiscal affairs of a unit of local government.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

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

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

COMMERCIAL PAPER: Short term unsecured promissory note issued by a company or financial institution. Issued at a discount and matures for par or face value. Usually a maximum maturity of 270 days, and also given a short-term debt rating by one or more NRSROs.

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

CORPORATE NOTE: A debt instrument issued by a corporation with a maturity of greater than one year and less than ten years.

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

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

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

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT (DVP): There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities). (Not permitted per Investment Policy).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest-bearing money market instruments that are issued a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

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

FANNIE MAE: See "Federal National Mortgage Association."

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

FED SECURITIES WIRE: A computerized communications system that facilitates book entry transfer of securities between banks, brokers and customer accounts, used primarily for settlement of U.S. Treasury and Federal Agency securities.

FED: See "Federal Reserve System."

FEDERAL AGENCY SECURITY: A debt instrument issued by one of the Federal Agencies. Federal Agencies re considered second in credit quality and liquidity only to U.S. Treasuries.

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

FEDERAL CREDIT AGENCIES: Agencies of the Federal Government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to $100,000 per deposit.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

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

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

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to add liquidity to the housing related assets of its members who must purchase stock in their district Bank. FHLB debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC OR Freddie Mac): One of the large Federal Agencies. A government sponsored public corporation (GSE) that provides stability and assistance to the secondary market for home mortgages by purchasing first mortgages and participation interests financed by the sale of debt and guaranteed mortgage backed securities. FHLMC debt is not an obligation of, nor is it guaranteed by the US government, although it is considered to have minimal credit risk due to its importance to the US financial system and housing market. Frequent issuer of discount notes, agency notes, callable agency securities and MBA. FHLMC also issues notes under its "reference note" program.

FEDERAL INSTRUMENTALITIES: See Government Sponsored Enterprise (GSE).

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA OR Fannie Mae): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve

Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

FITCH INVESTORS SERVICE, INC.: One of several NRSROs that provide credit ratings on corporate and municipal debt issues.

FREDDIE MAC: See “Federal Home Loan Mortgage Corporation”.

GINNIE MAE: See “Government National Mortgage Association”.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FmHA mortgages. The term “pass-throughs” is often used to describe Ginnie Maes.

GOVERNMENT SECURITIES: An obligation of the U.S. government, backed by the full faith and credit of the U.S. government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, Bonds, and SLGS."

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

GOVERNMENT SPONSORED ENTERPRISE SECURITY: A security issued by a Government Sponsored Enterprise; considered Federal Agency Securities.

GRADATION: A modification to the credit ratings with additions of either a "+/-" by Standard & Poor's or a number 1-3 by Moody's.

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

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

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

- Control of collusion - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
- Separation of transaction authority from accounting and record keeping - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
- Custodial safekeeping - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
- 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.
- Clear delegation of authority to subordinate staff members - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
- Written confirmation of transactions for investments and wire transfers - Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
- Development of a wire transfer agreement with the lead bank and third-party custodian - The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

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

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

INVESTMENT ADVISOR ACT OF 1940: Federal legislation that sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

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

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestments.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

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

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

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

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO: Collection of securities held by an investor. PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a Premium. The amount by which a bond or other financial instrument sells above its face value. See also "Discount."

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

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

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

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits. Per Florida Statue 280, means any bank, saving bank or savings association that:

- Is organized and exists under the laws of the United States, the laws of this state or any other state or territory of the United States.
- Has its principal place of business in this state or has a branch office in this state which is authorized under the laws of this state or of the United States to receive deposits in this state.
- Has deposit insurance under the provision of the Federal Deposit Insurance Act, as amended, 12 USC ss 1811 seq.
- Meets all requirement of Florida Statute 280.
- Has been designed by the Treasurer as a qualified public depository.

RATE OF RETURN: Amount of income received from an investment, expressed as a percentage of amount invested; expressed as a percentage of purchased price or market value (see YIELD).

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

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

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

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

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation. SEC RULE 15C3-1: See Uniform Net Capital Rule.

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

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

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

STANDARD & POOR'S: One of several NRSROs that provide credit ratings on corporate and municipal debt issues.

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

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve (Not permitted per Investment Policy).

SWAP: A derivative contract through which two parties exchange financial instruments. Typical swaps are interest rate swaps used to hedge interest rate risk and foreign exchange swaps used to hedge foreign exchange currency risk (Not permitted per Investment Policy).

TREASURY BILLS: A non-interest-bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years. The Treasury currently issues 2-year, 5-year and 10-year Treasury Notes.

TREASURY STRIPS: See STRIPS.

UNITED STATES GOVERNMENT SECURITIES: See Government Securities.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income returned on an investment, expressed as a percentage.

(a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security.

(b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

CITY OF PORT ST LUCIE
INVESTMENT POLICY
ATTACHMENT B
INVESTMENT POOL / FUND QUESTIONNAIRE

I. A description of eligible investment securities, and a written statement of investment policy and objectives.
II. Most recent quarterly holdings report.
III. A description of interest calculations and how it is distributed, and how gains and losses are treated.
IV. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
V. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
VI. A schedule for receiving statements and portfolio listings.
VII. Are reserves, retained earnings, etc. utilized by the pool/fund?
VIII. A fee schedule, and when and how is it assessed.
IX. The pool's eligibility for bond proceeds and/or will it accept such proceeds?

CITY OF PORT ST LUCIE
INVESTMENT POLICY
ATTACHMENT C
CERTIFICATION FORM

I,____, a Qualified Representative acting on behalf of _______________________________, a business organization offering to engage in an investment transaction with the City of Port St Lucie, Florida hereby certify that _________________________, has personally received, thoroughly reviewed, and understand the investment policies of the City of Port St Lucie, Florida.

__________________________ has also implemented reasonable procedures and controls designed to fulfill those objectives and conditions; to facilitate compliance with the City's Investment Policy; and to preclude investment transactions conducted between the City and the organization that are not authorized by the City's Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards. Transactions conducted between this firm and the City of Port St. Lucie, Florida will be directed towards precluding imprudent investment activities and protecting the City from credit and market risk.

All the sales personnel of this firm dealing with the City of Port St Lucie, Florida account have been informed of the City's investment horizons, limitations, strategy, and risk constraints. This firm will notify the Investment Officer immediately by telephone and in writing in the event of a material adverse change in our financial condition.

The firm pledges to exercise due diligence in informing the Investment Officer of foreseeable risks associated with financial transactions connected to this firm.

____
Firm

Primary Representative

____
Signature

____
Name

____
Title

____