

City of South Daytona

Office of the City Manager / Department of Finance

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MEMORANDUM

To: James L. Gillis, Jr., City Manager
From: Jason E. Oliva, Deputy Finance Director
Re: Ordinance 2021-02, Updating the City's Investment Policy
Date: September 19, 2021

AGENDA ITEM

Item # D14

Date: September 28, 2021

Issue: As noted in the Fiscal Year 2020 Independent Auditor's Management Letter, the City's investment policy has not been updated since 1995. Even though the City currently holds no liquid assets in investments other than cash accounts, it is necessary to review and update the policy to ensure compliance with state statutes and to ensure the policy reflect the intentions of the City's current governance and administration.

Solution: Now that the City has funds in excess of those required to meet current expenses, City staff has revised the investment policy in order to begin an effective short-term investment program.

Recommendation: Staff requests council adopt Ordinance No. 2021-02 amending section 2-8 "Investment of Municipal Funds" in the City's Code of Ordinances. If the ordinance is adopted, Resolution No. 2021-26 will be recommended for approval by the City Council which defines, in detail, the City's investment policy.

Result: The investment policy will comply with state statutes and will allow the City to invest funds in order to receive a competitive return. This is the second and final reading of Ordinance 2021-02.

ORDINANCE NO. 2021-02

AN ORDINANCE OF THE CITY OF SOUTH DAYTONA, FLORIDA, AMENDING SECTION 2-8, "INVESTMENT OF MUNICIPAL FUNDS," OF ARTICLE I, "IN GENERAL," OF CHAPTER 2, "ADMINISTRATION," OF THE CITY OF SOUTH DAYTONA CODE OF ORDINANCES BY REVISING THE LIST OF FINANCIAL INSTITUTIONS FROM WHICH SECURITIES MAY BE PURCHASED USING MUNICIPAL FUNDS; REMOVING AUTHORIZATION FOR INVESTMENT OF SURPLUS FUNDS IN INVESTMENT VEHICLES OTHER THAN THOSE ENUMERATED BY STATUTE; PROVIDING FOR SPECIFIC ISSUES TO BE ADDRESSED IN THE CITY OF SOUTH DAYTONA WRITTEN INVESTMENT POLICY; PROVIDING FOR WITHDRAWALS OF SECURITIES TO BE MADE BY THE FINANCE DIRECTOR'S DESIGNEE; PROVIDING FOR ADMINISTRATIVE ACTIONS, CODIFICATION, CONFLICTS, AND SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, Section 218.415, Florida Statutes regulates municipal investments; and

WHEREAS, Section 218.415 prohibits municipalities from making investments in certain investment vehicles unless the municipalities have adopted an investment policy containing specific provisions as set forth in Section 218.415; and

WHEREAS, for purposes of this Ordinance, words with underlined (underlined) type shall constitute additions to the original text, and words with strikethrough (~~strikethrough~~) type shall constitute deletions from the original text.

NOW THEREFORE BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SOUTH DAYTONA, VOLUSIA COUNTY, FLORIDA THAT:

SECTION 1. Recitals. The above recitals are true and correct and are incorporated herein by reference.

SECTION 2. Section 2-8, "Investment of Municipal Funds," of Article I, "In General," of Chapter 2, "Administration," of the City of South Daytona Code of Ordinances is hereby amended to read:

Section 2-8. Investment of municipal funds.

(a) *Generally.*

- (1) When a sufficient amount of money has accumulated in the accounts or funds of the City of South Daytona or when the city has accumulated monies by reason of the sale of its own securities, which, in either case, in the judgment of the finance director warrant (consistent with the guidelines approved by city council) purchase of investment

securities, the finance director may then purchase investment securities at prevailing market rates on behalf of and in the name of the City of South Daytona, in an appropriate amount thereof: as set forth in the city's investment policies.

- (2) The finance director consistent with policies approved by the city council is authorized to sell such obligations or securities purchased pursuant to this section at the prevailing market price and to pay the proceeds of such sale into the proper accounts or funds of the city.
- (3) The finance director under the direction of the city manager shall develop and present to the city council for approval investment policies addressing, at a minimum, the subject matters applicable to written municipal investment policies as set forth in Section 218.415, Florida Statutes ~~issues of investment objectives, maturity, risk and diversification, and instruments used.~~ The investment policies will be reviewed annually by the finance director to address any revisions that may be necessary to comply with state statutes.
- (4) The finance director will also establish appropriate internal control and investment procedures addressing at a minimum master clearing account(s), separation of functions, delegation of authority, performance evaluation and operations review and reporting, both interim and annual. Such procedures shall be reviewed periodically by the city manager.
- (5) All securities purchased by the city under this section shall be properly designated as an asset of the City of South Daytona and held in safekeeping by a third-party custodial bank or other third-party custodial institution, chartered by the United States Government or the State of Florida and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the finance director or his designee as authorized herein.
- (6) All securities purchased or sold will be transferred only under the "delivery versus payment" (DVP) method (or "payment versus delivery" method) to ensure that funds or securities are not released until all criteria relating to the specific transactions are met. Only after advising the city manager shall the finance director be authorized to deliver securities free of payment.
- (7) The finance director is authorized to accept, on the behalf of and in the name of the City of South Daytona, bank safekeeping receipts or confirmations from a third-party custodian (which might be the trust department of the bank) in return for investment of temporarily idle funds as evidence of actual delivery of the obligations or securities.

Safekeeping of non-negotiable certificates of deposit will be handled through detailed written procedures. Any such safekeeping receipt or confirmation shall fully describe the various obligation or security held. The actual obligations or securities, whether in book-entry or physical form, on which safekeeping receipts or confirmations are issued may be held on any bank/depository chartered by the United States Government or the State of Florida.

- (8) The finance director shall develop and maintain lists of authorized institutions, issuers and dealers through whom investments can be carried out. All securities purchased shall be only those securities of authorized issuers of the various security types. Securities shall be purchased only from financial institutions which are qualified as public depositories by the Treasurer of the State of Florida, institutions designated as "Primary Securities Dealers" by the Federal Reserve Bank of New York, direct issuers of commercial paper and bankers' acceptances, or approved non-primary securities dealers ~~financial institutions which provide the services of a securities dealer through "primary securities dealers" as designated by the Federal Reserve Bank, and through "secondary government securities dealers" located within the City of South Daytona.~~ Certificates of deposit shall be purchased only from financial institutions which qualify under Florida Law.

~~(b) *Authorization for investment.* This section shall constitute authorization for investment of surplus funds in investment vehicles other than those enumerated in Florida Statute 166.261.~~

~~(e)~~ (b) *Compliance with state law.* The city shall comply with all requirements of law, including, without limitation, Chapter 280, Florida Statutes, "Florida Security for Public Deposits Act."

SECTION 3. Administrative Actions. The City Manager, or designee, is hereby authorized and directed to implement the provisions of this Ordinance and to take any and all necessary administrative actions to include, but not be limited to, the adoption of administrative forms, policies, procedures, processes and rules.

SECTION 4. Codification. The provisions of this Ordinance, including its recitals, shall become and be made a part of the City of South Daytona, Florida Code of Ordinances and Land Development Code and the Sections of this Ordinance may be re-numbered or re-lettered to accomplish such intention and the word "Ordinance", or similar words, may be changed to "Section," "Article", or other appropriate word; provided, however, that Sections 1, 3, 4, 5, 6, and 7 shall not be codified. The Code codifier is granted liberal authority to codify the provisions of this Ordinance.

SECTION 5. Conflicts. All ordinances, resolutions or administrative policies or parts thereof in conflict with this Ordinance are hereby repealed to the extent of such conflict.

SECTION 6. Severability. 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 portions thereof.

SECTION 7. Effective Date. This Ordinance shall take effect immediately upon its adoption.

APPROVED upon first reading on the 13th day of September, 2021 at a regular meeting of the City Council of the City of South Daytona.

APPROVED AND ADOPTED upon second and final reading on the _____ day of _____, 2021 at the regular meeting of the City of South Daytona City Council.

ATTEST:

CITY OF SOUTH DAYTONA:

James L. Gillis, Jr., City Manager

William C. Hall, Mayor

CERTIFIED AS TO FORM:

Wade C. Vose, City Attorney