



MEMORANDUM

Date: December 12, 2024

To: Honorable Mayor and Commissioners

Via: Todd Stoughton
Interim City Manager

From: Christina Bervaldi
Director of Finance

Subject: **FILE ID 24-6746 Adoption of Revised City of Key West Investment Policy**

Introduction

Respectfully request that the Mayor and Commission approve the adoption of revisions to the City of Key West Investment Policy as suggested by PFM Asset Management LLC.

Background

An investment policy describes parameters for investing government funds and identifies the investment objectives, preferences or tolerance for risk, constraints on the investment portfolio, and how the investment program will be managed and monitored. The document itself serves as a communication tool for City staff, elected officials, the public, rating agencies, bondholders, and any other stakeholders on investment guidelines and priorities.

Pursuant to Florida State Statutes, Section 218.415, which requires local governments to adopt an investment policy for surplus and pension funds, in October of 2000, the City Commission adopted an Investment Policy for the City of Key West via Resolution 00-369.

The currently adopted Investment Policy contains all Government Finance Officers Association (GFOA) Investment Policy Best Practices; however, an update is necessary to address several suggested changes to the policy.

Firstly, in 2023, the Florida Legislature passed House Bill 3 (“HB3”) which, among other things, made changes to the investment statutes for local governments which now require state and local governments to only consider pecuniary (financial) factors when making investments and prohibits local government from considering nonpecuniary factors such as social, political, or ideological interests.

In addition, the City staff would like to implement the following changes:

- Broaden allowable sectors to improve diversification and potential income.
- Add ratings and issuer restrictions to current Local Government Investment Pools (LGIPs).
- Add language to clearly define performance benchmarks for short-term and core portfolios.
- Expand maturity restrictions to 5.5 years, across most sectors.

Procurement

The adoption of the City of Key West Investment Policy statement could potentially increase investment income due to the expanded allowable investment sectors.

Recommendation

Respectfully request that the Mayor and Commission approve the adoption of revisions to the City of Key West Investment Policy as suggested by PFM Asset Management LLC.

Exhibits:

Exhibit A – City of Key West Investment Policy Statement

Exhibit B – City of Key West Investment Policy Review 2024

Exhibit C – Resolution 00-369