



**AGREEMENT FOR INVESTMENT MANAGER SERVICES FOR INTERMEDIATE FUNDS (POOL II)**

THIS **AGREEMENT FOR INVESTMENT MANAGER SERVICES FOR INTERMEDIATE FUNDS (POOL II)** ("Agreement") is entered into this 19 day of February, 2020, by and between the **CITY OF OCALA**, a Florida municipal corporation ("City" or "Client") and **SAWGRASS ASSET MANAGEMENT, LLC**, a Delaware limited liability corporation (EIN: 59-3488505) ("Investment Manager" or "Advisor").

**WHEREAS**, the City of Ocala's Investment Policy ("Investment Policy") was established under the guidelines of the City's Investment Ordinance, section 2-292, City of Ocala Code of Ordinances, adopted December 8, 1992 and as amended on October 20, 2015, for the purpose of setting the framework within which the City's investment activities are to be conducted; and

**WHEREAS**, the City of Ocala has surplus funds available for investment purposes (the "Investment Funds") for which it intends to conduct an investment program; and

**WHEREAS**, for the prudent management of City investment funds, the City's Investment Policy authorizes the City to hire and utilize outside investment managers to enhance the effectiveness of City staff in increasing the economic value of the City's investment portfolio by structuring the portfolio based upon an understanding of the variety of risks and basic rules of diversification on the structure of the City's portfolio as imposed by the City's Investment Policy; and

**WHEREAS**, Sawgrass Asset Management, LLC represents that it has the professional experience and expertise required to provide the necessary investment assistance to City and is willing to provide such assistance on the terms and conditions set forth in this Agreement and pursuant to the City's Investment Policy attached hereto as Exhibit A and incorporated herein by reference; and

**WHEREAS**, based upon its representations, the City desires to retain Sawgrass Asset Management, LLC to perform certain services as an outside investment manager on behalf of the City for the investment funds, managed funds, and any earned income resulting from the investment of said funds as provided herein.

**NOW THEREFORE**, in consideration of the foregoing recitals, the following mutual covenants conditions, and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, City and Investment Manager agree as follows:

1. **RECITALS.** City and Investment Manager hereby represent, warrant, and agree that the Recitals set forth above are true and correct and are incorporated herein by reference.
2. **APPOINTMENT OF OUTSIDE INVESTMENT MANAGER.** City hereby employs and appoints Sawgrass Asset Management, LLC to act as its outside investment manager with respect to those assets placed under its management on the terms set forth in this Agreement and pursuant to the City's Investment Policy and Addendum attached hereto as **Exhibit A** and Sawgrass Asset Management, LLC accepts such appointment.
3. **DEFINITION OF ACCOUNT AND CUSTODY OF ACCOUNT ASSETS.** The term "Account" shall refer to all cash, securities, and other assets which Client has delivered to the party designated in writing to serve as custodian for the Account (the "Custodian"), plus any proceeds therefrom or additions thereto, and less any losses thereon or withdrawals therefrom. Advisor shall not act as Custodian for the Account or any portion thereof. All transactions will be consummated by payment to, or delivery by, the Custodian of all cash, securities, and other assets due to or from the Account. Advisor may issue such instructions to the Custodian as may be appropriate in connection with the settlement of the transactions initiated by Advisor pursuant to the General Scope of Advisor Services as set forth in **Section 4** below.
4. **GENERAL SCOPE OF ADVISOR SERVICES.** Advisor shall provide investment management of the Initial Funds and such other funds as the City may from time to time assign by written notice to Advisor (collectively the "Managed Funds"). In connection therewith, Advisor shall provide investment research and supervision of the City's Managed Funds investments and conduct a continuous program of investment, evaluation and, when appropriate, sale and reinvestment of the City's Managed Funds assets. Advisor shall continuously monitor investment opportunities and evaluate investments of the City's Managed Funds.

Advisor shall place all orders for the purchase, sale, loan or exchange of portfolio securities for the City's account with brokers or dealers recommended by Advisor and/or the City, and to that end Advisor is authorized as agent of the City to give instructions to the depository designated by the City as its custodian as to deliveries of securities and payments of cash for the account of the City. In connection with the selection of such brokers and dealers and the placing of such orders, Advisor is directed to seek for the City the most favorable execution and price, the determination of which may take into account, subject to any applicable laws, rules and regulations, whether statistical, research and other information or services have been or will be furnished to Advisor by such brokers and dealers. The depository designated by the City shall have custody of cash, assets and securities of the City. Advisor shall not take possession of or act as custodian for the cash, securities or other assets in the Managed Funds and shall have no responsibility in connection therewith.

Authorized investments shall include only those investments which are currently authorized by the State of Florida, the City's Investment Policy and bond covenants, and as supplemented by such other written instructions as may from time to time be provided by the City to Advisor. Advisor shall be entitled to rely upon the City's written advice with respect to anticipated draw downs of Managed Funds. Advisor shall observe the instructions of the City with respect to broker/dealers who are approved to execute transactions involving the City's Managed Funds and in the absence of such instructions will engage broker/dealers which Advisor reasonably believes to be reputable, qualified and financially sound. Additionally, Advisor will review the City's current Investment Policy and Safekeeping Contract, and provide recommendations for changes. Advisor will meet with the City's Finance staff, Investment Committee, and City Council as needed and mutually agreed upon to discuss recommendations and results.

5. **AUTHORITY.** From the effective date of this Agreement, Advisor shall have the following powers and authority with respect to the Account assets:
  - A. Advisor shall have complete discretion in the investment and reinvestment of the cash, securities and other assets in the Account, with full power and authority to engage in such transactions on City's behalf as Advisor may deem appropriate, in Advisor's absolute discretion and without prior consultation with City, subject to the terms hereof (including amendments hereto) of the most current City of Ocala Investment Policy, attached as Exhibit A. Authorized investments shall include only those investments, which are currently authorized by the State of Florida, the City's Investment Policy and bond covenants, and as supplemented by such other written instructions as may from time to time be provided by the City to the Advisor. The Investment Policy guidelines may be amended by City by written notice delivered to Advisor at least 30 days prior to the effective date of such amendment. Additionally, Advisor will review the City's current Investment Policy and provide recommendations for changes. Advisor will meet with the City's Finance staff, Investment Committee, and City Council as needed and mutually agreed upon to discuss recommendations.
  - B. In accordance with the foregoing grant of discretionary authority by City and the Advisor's guidelines in effect from time to time, Advisor shall have, without limitation, the following powers and duties:
    - i. To purchase or subscribe for an invest in any securities and to retain such securities and other assets in the Account.
    - ii. To sell, transfer, convey, redeem, exchange for other securities or assets.

- iii. To exercise any conversion privilege and/or subscription right available in connection with any securities in the Account; to oppose or consent to the reorganization, consolidation, merger or readjustment of the finances of any corporation, company, association or other entity, the security of which is held in the Account; or to oppose or consent to the sale, mortgage, pledge or lease of the property of any corporation, company, association or other entity, which is held in the Account.
  - iv. To vote personally, or by general or limited proxy, any shares of stock held in the Account at any time and to exercise personally, or by general or limited proxy, any right appurtenant to any securities held in the Account at any time.
  - v. To register any securities of the Account in its own name, including the name of any of its affiliates or subsidiaries, or in the nominee name thereof, or in any form permitting title to pass by delivery, provided that the records of Advisor clearly indicate the ownership of the Account by City.
  - vi. To make, execute, acknowledge and deliver any and all instruments and documents necessary or proper for the accomplishment of any of the foregoing powers.
- C. To the extent permitted by applicable law, Advisor may invest temporary cash balances in money market funds or comparable short-term investments pending reinvestment thereof.
6. **INVESTMENT OBJECTIVES AND RESTRICTIONS.** Investment objectives of the Account will be as stated in the most current version of the City of Ocala Investment Policy and its Addenda, of which the most recent version available at the time of execution of this Agreement is attached hereto as **Exhibit A**. Authorized investments shall include only those investments which are currently authorized by the State of Florida, the City's Investment Policy and bond covenants, and as supplemented by such other written instructions as may from time to time be provided by the Client to the Advisor.

The Investment Policy may be amended by Client by written notice delivered to Advisor at least thirty (30) days prior to the effective date of such amendment. Additionally, Advisor will review the City's current Investment Policy and provide recommendations for changes. Advisor will meet with the City's Finance staff, Investment Committee, and City Council as needed and mutually agreed upon to discuss recommendations.

Sawgrass Asset Management, LLC. has been retained by the City of Ocala to manage a well-diversified portfolio of intermediate term fixed income and money market securities.

- A. The portfolio must comply with the following additional considerations:

- i. The portfolio shall be invested primarily in U.S. Treasury, Agency, and Corporate fixed income securities.
- ii. Securities shall have a minimum categorical rating of "BBB" or equivalent by Standard & Poor's or Baa2 for Moody's.
- iii. The effective duration of the portfolio shall not exceed 120%, nor be less than 50% of the target benchmark.
- iv. For the purposes of Pool II, allocations to Mortgage/Asset backed securities shall be limited to 10% of the manager's portfolio.

B. Investment Objectives:

- i. The primary objective of the portfolio shall be to generate income while achieving a total return over the longer term, 3 to 5 years, in excess of a Target Index. The Target Index for the portfolio is defined as a 100% investment in the B of A Merrill Lynch 1-5 Year Government/Corporate Index.
- ii. The secondary objective of the portfolio shall be to achieve a total rate of return over the longer term, 3 to 5 years that ranks in the top 40<sup>th</sup> percentile of a representative universe of similarly managed portfolios.
- iii. The volatility of the Fund's total returns is expected to be similar to that of this Target Index and will be evaluated accordingly.

7. **BROKERAGE.** Orders for the execution of transactions for the Account will be placed by Advisor with broker-dealers that are selected by Advisor. Advisor, in seeking to obtain best execution of portfolio transactions for the Account, may consider the quality and reliability of the brokerage services, as well as research and investment information and other services provided by the brokers or dealers. Accordingly, Advisor's selection of a broker or dealer for transactions for the Account may take into account, among others, such relevant factors as price; the broker's or dealer's, facilities, reliability and financial responsibility; when relevant, the ability of the broker to effect securities transactions, particularly with regard to such aspects as timing, order size and execution of the order; the broker's or, dealer's recordkeeping capabilities; and the research or other services provided by such broker or dealer to Advisor that are expected to enhance Advisor's general portfolio management capabilities (collectively, "Research"), notwithstanding that the Account may not be the exclusive beneficiary of such Research. Commission rates, being a component of price, is one factor considered together with other factors. Advisor will not be obligated to seek in advance competitive bidding for the most favorable commission rate applicable to any particular

transaction for the Account or to select any broker-dealer on the basis of its purported posted commission rate. Accordingly, in compliance with Section 28(e) of the Securities Exchange Act of 1934, as amended, Advisor, in its discretion, may cause the Account to pay a commission for effecting a transaction for the Account in excess of the amount another broker or dealer would have charged for effecting that transaction. This may be done where Advisor has determined in good faith that the commission is reasonable in relation to the value of the brokerage and/or Research provided by the broker to the Advisor.

8. **INSIDE INFORMATION.** Advisor shall have no obligation to seek to obtain any material non-public (“inside”) information about any issuer of securities, or to purchase or sell, or to recommend for purchase or sale, for the Account the securities or any issuer on the basis of any such information as may come into its possession.
9. **PROXIES.** Advisor will vote the proxies solicited by the issuers of securities in which assets of the Account may be invested from time to time.
10. **FEES.** For services provided by Advisor pursuant to this Agreement, the City shall pay Advisor an annual fee, in quarterly installments, based on the ending Market Value of the Account at the rate stated below, which may be amended through negotiation with the Client. Advisor shall bill the Client quarterly in arrears for services performed under this Agreement, said bill to include a statement indicating the basis upon which the fee was calculated. The City shall pay to Advisor the amount payable pursuant to this Agreement not later than the 15<sup>th</sup> day of the month following the month during which Advisor’s statement was received. In the event that the services of Advisor are terminated during a quarter, the fee will be prorated upon such termination to the date of termination specified in the notice of termination.

Ending Market Value	Fees
First \$10 million	0.20%
\$10 million to \$30 million	0.10%
Over \$30 million	0.05%

If, and to the extent that the City shall request Advisor to render services other than those to be rendered by Advisor hereunder, such additional services shall be compensated separately on terms to be agreed upon between Advisor and the City.

11. **EXPENSES.** Advisor shall furnish at its own expense all necessary administrative services, office space, equipment, clerical personnel, telephone and other communication facilities, investment advisory facilities, and executive and supervisory personnel for managing the investments. Advisor shall be responsible for custodial fees related to this investment

management agreement.

Except as expressly provided otherwise herein, the City shall pay all of its own expenses including, without limitation, taxes, fees and expenses of the City's independent auditors and legal counsel, if any, brokerage and other expenses connected with the execution of portfolio security transactions, insurance premiums, fees and expenses of the custodian of the Managed Funds including safekeeping of funds and securities and the keeping of books and accounts. All brokerage commissions and other costs associated with the purchase or sale of securities and other investment instruments, interest, taxes and other Account expenses shall be the responsibility of the City.

12. **RESPONSIBILITY OF INVESTMENT MANAGER.** Advisor hereby represents it is a registered Advisor under the Investment Advisors Act of 1940. Advisor shall immediately notify the City if at any time during the term of this Agreement it is not so registered or if its registration is suspended. Advisor agrees to perform its duties and responsibilities under this Agreement with reasonable care.

13. **CONFLICT OF INTEREST.** The City understands that Advisor performs investment advisory services for various other clients, which may include investment companies and/or commingled trust funds. The City agrees that Advisor may give advice or take action with respect to any of its other clients which may differ from advice given or the timing or nature of action taken with respect to the City's Managed Funds accounts, so long as Advisor, to the extent practical, attempts in good faith to allocate investment opportunities to this account on a fair and equitable basis relative to other clients. Advisor shall not have any obligation to purchase, sell or exchange any security for the City's Managed Funds solely by reason of the fact that Advisor, its principals, affiliates, or employees may purchase, sell or exchange such security for the account of any other client or for itself or its own accounts.

Advisor must have disclosed prior to contract execution the name of any officer, director, or agent who may be employed by the City. Advisor must disclose the name of any City employee who owns, directly or indirectly, any interest in Advisor or any affiliated business entity. Any additional conflicts of interest that may occur during the contract term must be disclosed to the City of Ocala Procurement Department.

14. **TERM & TERMINATION.** This Agreement shall begin on **FEBRUARY 12, 2020** and terminate at the end of the business day on **FEBRUARY 11, 2023** Upon expiration of the initial term, this Agreement may, by written consent between City and Advisor, be renewed for a two (2) year term.

If Advisor defaults in the performance or materially breaches any provision of this Agreement, the City may, at its option, terminate this Agreement by giving written notification thereof to the other party at least thirty (30) days in advance of termination. The City may also terminate this Agreement, on not less than thirty (30) days written notice to Advisor if such termination is in best interest of City. Advisor may terminate this Agreement immediately upon any material breach of its terms by City, or at any time after one (1) year upon thirty (30) days written notice. Termination of this Agreement shall have no effect upon the rights of the parties that accrued prior to termination.

Upon termination of this Agreement, Advisor is under no obligation to recommend any action with regard to the securities or other property held in the Account. Advisor retains the right, however, to complete any transactions open as of the termination date and to retain amounts in the Account to effect their completion. Upon termination, it is Client's responsibility to issue written instructions regarding assets in the Account. Fees will be prorated to the date of termination.

15. **SUSPENSIONS/COMPLAINTS.** Advisor shall promptly notify the City in writing of any complaints or disciplinary actions filed against it, or any investment professional employed by it, who has performed any service with respect to the City's account in the twenty-four (24) preceding months, by the Securities and Exchange Commission of the United States, the New York Stock Exchange, the American Stock Exchange, the National Association of Securities Dealers, any Attorney General or any regulatory agency or authority of any state of the United States, any department or agency or authority of the Government of the United States, or any governmental agency or authority regulating securities of any country in which Advisor is doing business.
16. **PERFORMANCE EVALUATION.** At the end of the contract, the City may evaluate the Advisor's performance. This evaluation will become public record.
17. **BOOKS AND RECORDS.**
  - A. Advisor shall maintain appropriate books of account and records relating to all of its activities and services performed hereunder. Advisor shall provide the City with a monthly statement showing deposits, withdrawals, purchases and sales (or maturities) of investments, earnings received, and the value of assets held on the last business day of the month. The statement shall be in the format and manner mutually agreed upon by Advisor and City.
  - B. Advisor shall render to City a Compliance Report addressing investment guidelines in the City's Investment Policy on a quarterly basis.



C. A report will be provided annually to the City Council which includes, but is not limited to, a twelve (12) month asset report, performance trends, and a twelve (12) month compliance report.

18. **INVESTMENT MANAGER'S DISCLOSURE STATEMENT.** Advisor warrants that it has delivered to the City, at least five (5) business days prior to the execution of this Agreement, Advisor's current Securities and Exchange Commission Form ADV, Part II (Advisor's disclosure statement). City acknowledges receipt of such disclosure statement at least five (5) business days prior to the execution of this Agreement. Advisor will provide the City with a copy of the completed Form ADV on an annual basis and must remain in compliance with the standards on ethical principles of full disclosure and fair representation set forth by the Association for Investment Management and Research ("AIMR").
19. **CONFIDENTIALITY.** All information and advice furnished by either party to the other hereunder, including their respective agents and employees, shall be treated as confidential and will not be disclosed to third parties except without the prior written consent of the other party or as otherwise required by applicable law. Notwithstanding the foregoing, Advisor may disclose the City's name in certain circumstances, including, without limitation, to certain counterparties for risk management purposes.
20. **SERVICES NOT EXCLUSIVE.** City understands that Advisor performs investment advisory services for clients other than City. City agrees that Advisor may give advice and take action with respect to other clients that may be similar or different from that given to City, in terms of securities, timing, nature of transactions and other factors, so long as Advisor, to the extent practicable, attempts in good faith to allocate investment opportunities among its clients, including City, on a fair and equitable basis. City recognizes that other clients of Advisor, as well as Advisor, its principals, employees, affiliates and their family members, may hold and engage in transactions in securities purchased or sold for City or about which Advisor has given City advice. City also agrees that Advisor has no obligation to purchase, sell or make recommendations with respect to any security for City which Advisor purchases, sells or recommends to any other client, or in which Advisor, its principals, employees, affiliates or their family members engage in transactions. Nothing herein is intended nor shall be construed as creating any exclusive arrangement with Advisor. This Agreement shall not restrict City from acquiring similar, equal or like services, or executing additional contracts from other entities or sources
21. **PROFESSIONAL LIABILITY INSURANCE.** Advisor shall carry Professional Liability insurance with a coverage limits of \$5,000,000.00 per occurrence with fiduciary liability. It is recognized that this type of insurance is only available on a Claims Made basis and additional insured

endorsements are not available. Advisor shall maintain this insurance for at least five (5) years beyond the end of the contract and shall provide City with applicable certificates of insurance.

22. **ERRORS AND OMISSIONS.** Advisor shall provide proof of Errors and Omissions Insurance, which covers the company and their agents with limits of at least \$5,000,000.00 written by an insurer who possesses and A.M. Best rating of at least an "A". The City of Ocala shall be added to this coverage as an "Additional Insured."
23. **INDEPENDENT CONTRACTOR STATUS.** City expressly acknowledges Advisor is an independent contractor. Nothing in this Agreement is intended, nor shall be construed, to create an agency relationship, a partner or partnership, an employer/employee relationship, a joint venture relationship, or any other relationship allowing City to exercise control or discretion over the manner or method by which Advisor performs hereunder.
24. **ASSIGNMENT.** Neither party may assign this Agreement or the rights and obligations thereunder to any third party without the prior express written approval of the other party, which shall not be unreasonably withheld.
25. **PUBLIC RECORDS.** The Advisor shall comply with all applicable provisions of the Florida Public Records Act, Chapter 119, Florida Statutes. Specifically, Advisor shall:
  - A. Keep and maintain public records required by the public agency to perform the service.
  - B. Upon request from the public agency's custodian of public records, provide the public agency with a copy of the requested records or allow the records to be inspected or copied within a reasonable time at a cost that does not exceed the cost provided in Chapter 119, Florida Statutes, or as otherwise provided by law.
  - C. Ensure that public records that are exempt or confidential and exempt from public records disclosure requirements are not disclosed except as authorized by law for the duration of the contract term and following completion of the contract if Advisor does not transfer the records to the public agency.
  - D. Upon completion of the contract, transfer, at no cost, to the public agency all public records in possession of Advisor or keep and maintain public records required by the public agency to perform the service. If Advisor transfers all public records to the public agency upon completion of the contract, Advisor shall destroy any duplicate public records that are exempt or confidential and exempt from public records disclosure requirements. If Advisor keeps and maintains public records upon completion of the contract, Advisor shall meet all applicable requirements for retaining public records. All records stored electronically must be provided to the public agency, upon request from

the public agency's custodian of public records, in a format that is compatible with the information technology systems of the public agency.

**IF ADVISOR HAS QUESTIONS REGARDING THE APPLICATION OF CHAPTER 119, FLORIDA STATUTES, TO ADVISOR'S DUTY TO PROVIDE PUBLIC RECORDS RELATING TO THIS CONTRACT, CONTACT THE CUSTODIAN OF PUBLIC RECORDS AT: CITY OF OCALA, OFFICE OF THE CITY CLERK; 352-629-8266; E-mail: [clerk@ocalafl.org](mailto:clerk@ocalafl.org); City Hall, 110 SE Watula Avenue, Ocala, FL 34471.**

26. **TAX EXEMPTION.** City is exempt from all federal excise and state sales taxes (State of Florida Consumer's Certification of Exemption 85-8012621655C-9). The City's Employer Identification Number is 59-60000392. Advisor will not be exempted from paying sales tax to its suppliers for materials to fulfill contractual obligations with the City, nor will Advisor be authorized to use City's Tax Exemption Number for securing materials listed herein.
27. **EXCESS FUNDS.** Any party receiving funds paid by City under this Agreement shall promptly notify City of any funds erroneously received upon the discovery of such erroneous funds receipt. Any such excess funds shall be refunded to City within thirty (30) days, or must include interest calculated from the date of the erroneous payment or overpayment at the interest rate for judgments at the highest rate as allowed by law.
28. **AUDIT.** Advisor shall comply and cooperate immediately with any inspections, reviews, investigations, or audits relating to this Agreement as deemed necessary by the Florida Office of the Inspector General, the City's Internal or External auditors or by any other Florida official with proper authority.
29. **PUBLICITY.** Advisor shall not use City's name, logo, seal or other likeness in any press release, marketing materials, or other public announcement without City's prior written approval.
30. **NON-DISCRIMINATORY EMPLOYMENT PRACTICES.** During the performance of the contract, the Advisor agrees to not discriminate against any employee or applicant for employment because of race, color, religion, ancestry, national origin, sex, pregnancy, age, disability, sexual orientation, gender identity, marital or domestic partner status, familial status, or veteran status and shall take affirmative action to ensure that an employee or applicant is afforded equal employment opportunities without discrimination. Such action shall be taken with reference to, but not limited to: recruitment, employment, termination,

rates of pay or other forms of compensation and selection for training or retraining, including apprenticeship and on-the-job training.

31. **PUBLIC ENTITY CRIMES.** Advisor on its behalf and its affiliates agrees and affirms that it has not been placed on the convicted vendor list following a conviction of a public entity crime as provided for in Section 287.133(2)(a), Florida Statutes, which states that a person or affiliate who has been placed on the convicted vendor list following a conviction for public entity crime may not submit a bid on a contract to provide any goods or services to a public entity, may not submit a bid on a contract with a public entity for the construction or repair of a public building or public work, may not submit bids on leases or real property to a public entity, may not be awarded or perform work as a contractor, supplier, subcontractor, or consultant under a contract with any public entity, and may not transact business with any public entity in excess of the threshold amount provided in Section 287.017, for CATEGORY TWO, for a period of 36 months from the date of being placed on the convicted vendor list.
32. **DEFAULT.** This Agreement is critical to City and City reserves the right to immediately cancel either in whole or in part any portion of this Agreement due to failure of the Advisor to carry out any obligation, term, or condition of the Agreement. City will issue a written notice of default effective immediately and not deferred by any interval of time. Default shall be any act or failure to act on the part of Advisor including, but not limited to, any of the following:
- A. Advisor fails to adequately perform the services set forth in the specifications of the Agreement; or
  - B. Advisor fails to perform the services required within the time stipulated in the Agreement; or
  - C. Advisor fails to make progress in the performance of the Agreement and/or gives City reason to believe that Advisor will not or cannot perform to the requirements of the Agreement.
33. **REMEDIES/OPPORTUNITY TO CURE.** If Advisor defaults on any provision of this Agreement, City may, at its sole discretion, give written notice to Advisor detailing Advisor's violations and giving Advisor an opportunity to cure the default. If such violation is not corrected to the reasonable satisfaction of City within the time required by the City to cure the default, after the date of notice of violation, the City may, without further notice, declare Advisor to be in breach of this Agreement and pursue all remedies available at law or equity, including termination of this Agreement without further notice and all rights of Advisor hereunder.

Notwithstanding City's termination of the Agreement, Advisor shall remain liable to City for damages, costs, or attorney's fees arising prior to such termination. In case of default, the

City reserves the right to hire another advisor to complete the required work in accordance with the needs of the City. City may recover any actual excess costs from Advisor by: (a) Deduction from an unpaid balance, or (b) Any other remedy as provided by law.

34. **NON-FUNDING.** In the event sufficient budgeted funds are not available or depleted, City shall notify Advisor of such occurrence and contract shall terminate without penalty or expense to the City.
35. **WAIVER.** The failure or delay of any party at any time to require performance by another party of any provision of this Agreement, even if known, shall not affect the right of such party to require performance of that provision or to exercise any right, power or remedy hereunder. Any waiver by any party of any breach of any provision of this Agreement should not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right, power or remedy under this Agreement. No notice to or demand on any party in any circumstance shall, of itself, entitle such party to any other or further notice or demand in similar or other circumstances.
36. **FORCE MAJEURE.** Neither party shall be responsible for damages or delays caused by Force Majeure or other events beyond the reasonable control of the party and which could not reasonably have been anticipated or prevented.

For purposes of this Agreement, Force Majeure includes, but is not limited to, war, terrorism, riots, epidemics, fire, acts of nature, strikes, lockouts, court orders, and acts, orders, laws, or regulations of the government of the United States or the several states, prohibiting or impeding any party from performing its respective obligations under the contract.

If Force Majeure occurs, the parties shall mutually agree on the terms and conditions upon which services may continue. Should Advisor be delayed in the commencement, performance, or completion of the Work due to any of the conditions under this section, Advisor shall be entitled to an extension of time only, provided however, that in no event shall Advisor be entitled to any increased costs, additional compensation, or damages of any type resulting from such Force Majeure delays.

37. **SEVERABILITY OF ILLEGAL PROVISIONS.** Wherever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under the applicable law. Should any portion of this Agreement be declared invalid for any reason, such declaration shall have no effect upon the remaining portions of this Agreement.
38. **INDEMNITY.** Advisor shall indemnify City and its elected officials, employees and volunteers against, and hold City and its elected officials, employees and volunteers harmless from, all damages, claims, losses, costs, and expenses, including reasonable attorneys' fees, which City

or its elected officials, employees or volunteers may sustain, or which may be asserted against City or its elected officials, employees or volunteers, arising out of the activities contemplated by this Agreement including, without limitation, harm or personal injury to third persons during the term of this Agreement to the extent attributable to the actions of Advisor, its agents, and employees.

39. **NO WAIVER OF SOVEREIGN IMMUNITY.** Nothing herein is intended to waive sovereign immunity by the City to which sovereign immunity may be applicable, or of any rights or limits of liability existing under Florida Statute § 768.28. This term shall survive the termination of all performance or obligations under this Agreement and shall be fully binding until any proceeding brought under this Agreement is barred by any applicable statute of limitations.
40. **NOTICES.** All notices, certifications or communications required by this Agreement shall be given in writing and shall be deemed delivered when personally served, or when received if by facsimile transmission with a confirming copy mailed by registered or certified mail, postage prepaid, return receipt requested. Notices can be concurrently delivered by e-mail. All notices shall be addressed to the respective parties as follows:

If to Advisor:

Christopher J. Greco, Partner  
Sawgrass Asset Management, LLC  
1579 The Greens Way, Suite 20  
Jacksonville, Beach, Florida 32250  
Phone: 904-493-5504 FAX: 904-493-5524  
E-mail: [grecoc@saw-grass.com](mailto:grecoc@saw-grass.com)

If to City of Ocala:

Tiffany Kimball, Contracting Officer  
110 SE Watula Avenue, 3rd Floor  
Ocala, Florida 34471  
Phone: 352-629-8366 Fax: 352-690-2025  
E-mail: [tkimball@ocalafl.org](mailto:tkimball@ocalafl.org)

Copy to:

Patrick G. Gilligan, Esquire  
Gilligan, Gooding, Franjola & Batsel, P.A.  
1531 SE 36<sup>th</sup> Avenue  
Ocala, Florida 34471  
Phone: 352-867-7707 Fax: 352-867-0237  
E-mail: [pgilligan@ocalalaw.com](mailto:pgilligan@ocalalaw.com)

41. **ATTORNEYS' FEES.** If any civil action, arbitration or other legal proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any provision of this Agreement, the successful or prevailing party shall be entitled to recover reasonable attorneys' fees, sales and use taxes, court costs and all expenses reasonably incurred even if not taxable as court costs (including, without limitation, all such fees, taxes, costs and expenses incident to arbitration, appellate, bankruptcy and post-judgment proceedings), incurred in that civil action, arbitration or legal proceeding, in addition to any other relief to which such party or parties may be entitled. Attorneys' fees shall include, without limitation, paralegal fees, investigative fees, administrative costs, sales and use taxes and all other charges reasonably billed by the attorney to the prevailing party.
42. **JURY WAIVER.** IN ANY CIVIL ACTION, COUNTERCLAIM, OR PROCEEDING, WHETHER AT LAW OR IN EQUITY, WHICH ARISES OUT OF, CONCERNS, OR RELATES TO THIS AGREEMENT, ANY AND ALL TRANSACTIONS CONTEMPLATED HEREUNDER, THE PERFORMANCE HEREOF, OR THE RELATIONSHIP CREATED HEREBY, WHETHER SOUNDING IN CONTRACT, TORT, STRICT LIABILITY, OR OTHERWISE, TRIAL SHALL BE TO A COURT OF COMPETENT JURISDICTION AND NOT TO A JURY. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY. NEITHER PARTY HAS MADE OR RELIED UPON ANY ORAL REPRESENTATIONS TO OR BY ANY OTHER PARTY REGARDING THE ENFORCEABILITY OF THIS PROVISION. EACH PARTY HAS READ AND UNDERSTANDS THE EFFECT OF THIS JURY WAIVER PROVISION.
43. **GOVERNING LAW.** This Agreement is and shall be deemed to be a contract entered and made pursuant to the laws of the State of Florida and shall in all respects be governed, construed, applied and enforced in accordance with the laws of the State of Florida.
44. **JURISDICTION AND VENUE.** The parties acknowledge that a majority of the negotiations, anticipated performance and execution of this Agreement occurred or shall occur in Marion County, Florida. Any civil action or legal proceeding arising out of or relating to this Agreement shall be brought only in the courts of record of the State of Florida in Marion County or the United States District Court, Middle District of Florida, Ocala Division. Each party consents to the exclusive jurisdiction of such court in any such civil action or legal proceeding and waives any objection to the laying of venue of any such civil action or legal

proceeding in such court and/or the right to bring an action or proceeding in any other court. Service of any court paper may be effected on such party by mail, as provided in this Agreement, or in such other manner as may be provided under applicable laws, rules of procedures or local rules.

45. **REFERENCE TO PARTIES.** Each reference herein to the parties shall be deemed to include their successors, assigns, heirs, administrators, and legal representatives, all whom shall be bound by the provisions hereof.
46. **MUTUALITY OF NEGOTIATION.** Advisor and City acknowledge that this Agreement is a result of negotiations between Advisor and City, and the Agreement shall not be construed in favor of, or against, either party because of that party having been more involved in the drafting of the Agreement.
47. **SECTION HEADINGS.** The section headings herein are included for convenience only and shall not be deemed to be a part of this Agreement.
48. **RIGHTS OF THIRD PARTIES.** Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or because of this Agreement on any persons other than the parties hereto and their respective legal representatives, successors and permitted assigns. Nothing in this Agreement is intended to relieve or discharge the obligation or liability of any third persons to any party to this Agreement, nor shall any provision give any third persons any right of subrogation or action over or against any party to this Agreement.
49. **AMENDMENT.** No amendment to this Agreement shall be effective except those agreed to in writing and signed by both parties to this Agreement.
50. **COUNTERPARTS.** This Agreement may be executed in counterparts, each of which shall be an original and all of which shall constitute the same instrument.
51. **ELECTRONIC SIGNATURE(S).** Advisor, if and by offering an electronic signature in any form whatsoever, will accept and agree to be bound by said electronic signature to all terms and conditions of this Agreement. Further, a duplicate or copy of the Agreement that contains a duplicated or non-original signature will be treated the same as an original, signed copy of this original Agreement for all purposes.
52. **ENTIRE AGREEMENT.** This Agreement, including exhibits, (if any) constitutes the entire Agreement between the parties hereto with respect to the subject matter hereof. There are no other representations, warranties, promises, agreements or understandings, oral, written or implied, among the Parties, except to the extent reference is made thereto in this



Agreement. No course of prior dealings between the parties and no usage of trade shall be relevant or admissible to supplement, explain, or vary any of the terms of this Agreement. No representations, understandings, or agreements have been made or relied upon in the making of this Agreement other than those specifically set forth herein.

53. **CONTRACT DOCUMENTS.** The contract documents that comprise the entire Agreement between the City and Advisor are made a part hereof, and are listed as exhibits. There are no contract documents other than those listed below. If there is a conflict in terms between this Agreement and the contract documents, then the terms of this Agreement will control over the terms of the contract documents listed below.

**Exhibit A:** City of Ocala Investment Policy, Adopted October 5, 2015, and Addendum to Statement of Investment Policy Pool II (Intermediate) (A-1 through A-14)

54. **LEGAL AUTHORITY.** Each person signing this Agreement on behalf of either party individually warrants that he or she has full legal power to execute this Agreement on behalf of the party for whom he or she is signing, and to bind and obligate such party with respect to all provisions contained in this Agreement.

**IN WITNESS WHEREOF,** the parties have executed this Agreement on the date set forth above.

**ATTEST:**

\_\_\_\_\_  
Angel B. Jacobs  
City Clerk

**CITY OF OCALA**

\_\_\_\_\_  
Jay A. Musleh  
City Council President

**Approved as to form and legality:**

\_\_\_\_\_  
Robert W. Batsel, Jr.  
Assistant City Attorney

**SAWGRASS ASSET MANAGEMENT, LLC**

\_\_\_\_\_  
Christopher J. Greco  
Partner



**ACCEPTED BY CITY COUNCIL**  
*February 18, 2020*  
\_\_\_\_\_  
DATE  
**OFFICE OF THE CITY CLERK**

# CITY OF OCALA TREASURY

## STATEMENT OF INVESTMENT POLICY

### ***I. INTRODUCTION***

The following Investment Policy, adopted concurrently with the City's Investment Ordinance, 2321, adopted December 8, 1992, as amended on October 20, 2015, and 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 Investment Committee.

In establishing this Investment Policy, the City Council recognizes the traditional relationship between risk and return, and acknowledges that all investments involve a variety of risks related to maturity, duration, credit, market, and other factors.

When choosing between alternative investments, staff and/or outside manager(s) should structure the portfolio based on an understanding of the variety of risks and the basic rule of diversification (imposed by this policy) on the structure of the portfolio. It is the position of the City that the interest of the citizens of the City of Ocala can best be served by prudent management of the City funds, through the assumption of an appropriate level of risk, with a primary objective of capital preservation and income. With adoption of this Investment Policy, the City recognizes the secondary goal of this management approach is to add economic value to a portfolio under circumstances prevailing from time to time. This may necessitate the sale of securities at a loss in order to reduce portfolio risk, without a material reduction in return, or to achieve a greater overall return, without assuming any material amount of additional risk.

The Investment Policy acknowledges that the City will consider using various pool or mutual fund products, to provide a core or passive base to the active portfolio. To enhance the effectiveness of the City staff in increasing the economic value of the investment portfolio, outside investment manager(s) may be hired and approved by separate City Council action.

### ***II. SCOPE***

This investment policy applies to the City of Ocala surplus funds, except Pension fund assets and funds whose uses are restricted by bond covenants.

### ***III. INVESTMENT OBJECTIVES***

The following investment objectives, in order of priority, will be applied in the management of the City's funds.

1. The primary objective of the City of Ocala investment activities is the preservation of capital and the protection of investment principal.

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2. The City's investment portfolio and/or portfolio management strategy will provide sufficient liquidity to meet the City's operating and capital requirements to insure the orderly conduct of the City's business affairs.
3. In investing public funds, the City or outside investment manager(s) will strive to maximize the return on the portfolio, but will avoid assuming unreasonable investment risk; to control risks regarding specific security types, or individual financial institutions or specific maturity, the City will diversify its investments.

#### ***IV. INVESTMENT PERFORMANCE AND REPORTING***

The City shall develop performance measures as are appropriate for the nature and size of the public funds within its custody.

Performance of the portfolio shall be reported, by appropriate Finance staff or Investment Consultant, at least quarterly and submitted to the Finance Director of the City of Ocala or designee. Reports shall include details of the characteristics of the portfolio as well as its performance for that period.

The Finance Director or designee and/or outside investment manager(s) shall, at least quarterly, prepare reports to the Investment Committee. These reports shall include securities in the portfolio by class or type, book value, income earned, market value and comparative data as of the report date. These reports shall be supplemented by reports provided by any outside investment manager(s) of the City. A report will also be submitted to the City Council on an annual basis. They will also be available to the public.

Material deviations from this Investment Policy Statement must be approved before implementation by the City Council. In the event of some type of financial emergency or crisis where material deviation from the Investment Policy Statement is warranted in the judgment of the Finance Director and/or an outside investment manager(s), then City Council must be notified as soon as possible as to what occurred and why.

#### **SERVICE PROVIDER COMMUNICATIONS**

##### **1. Custodian**

On a monthly basis, the custodian shall supply an accounting statement that will include a summary of all receipts and disbursements and the cost and the market value of all assets.

##### **2. Investment Managers**

On a quarterly basis, the investment managers shall provide a written report affirming compliance with the security restrictions of Section IV above and a summary of investment holdings diversification and attendant schedules. In addition, the investment managers shall deliver each quarter a report detailing the Plan's performance, adherence to the investment policy, forecast of the market and economy, portfolio analysis and current assets of the Plan. Written reports shall be delivered to the City within 30 days of the end of the quarter. A copy of the written report shall be submitted to the person designated by the City, the Consultant, and shall be available for public inspection.

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3. The Investment Managers will provide immediate written and telephone notice to the Investment Committee's designated contact of any significant market related or non-market related event, specifically including, but not limited to, any deviation from the standards set forth in Section IV above, and securities when marked to market reflect a dollar decline in excess of \$50,000 and / or reflect a decline in value of 10% or greater calculated on a cost basis. The Investment Managers will disclose any securities that do not comply with section IV in each quarterly report.

4. Investment Manager Noncompliant Security

If the Plan owns investments at the end of a calendar quarter that complied with section IV at the time of purchase, which do not satisfy the applicable investment standard, then such investment shall be disposed of at the earliest economically feasible opportunity in accordance with the prudent man standard of care and no additional investment may be made. However an action plan outlining the disposition strategy shall be provided to the Investment Committee immediately.

5. Investment Consultant

The Investment Consultant shall provide monthly performance statements to appropriate staff of the Finance Department.

## ***V. ETHICS***

This Investment Policy and the related actions of staff will be guided by the standard of care expected of a "Prudent Person". The Prudent Person Rule requires that investments should 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. The City deems that those employees authorized to conduct the City's investment activities will perform within the course and scope of their employment, and act prudently, without speculation and in the best interest of the City.

## ***VI. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS***

The investment policy shall specify the authorized securities dealers, issuers and banks from whom the City may purchase securities. They shall be limited to "Primary Securities Dealers" as designated by the Federal Reserve Bank of New York and federal or state insured financial institutions who are Qualified State Public Depositories, for purchases and sales of securities. The City may also utilize non-primary securities dealers and brokers. The firms must have capital of no less than \$10,000,000. Both primary and non-primary dealers must qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). The firm and assigned broker must have been engaged in the business of effecting transactions in U.S. government and agency obligations for at least five years

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Prior to executing investment trades for its own account, excluding transactions for cash flow purposes, the City will conduct appropriate due diligence to confirm that the security dealers being utilized meet the requirements as noted in this section. This process may include securing audited financial statements and other documentation deemed necessary.

### ***VII. BID REQUIREMENTS***

All transactions should be competitively bid with multiple dealers whenever possible.

### ***VIII. AUTHORIZED INVESTMENTS***

The Finance Director (with approval from the Assistant City Manager) or approved outside investment manager may purchase or sell investment securities, at prevailing market rates, an appropriate amount thereof in, and only in:

- a. The local Government Surplus Funds Trust Fund; or
- b. Negotiable direct obligations of, the United States Government. Non-negotiable interest bearing time certificates of deposits or savings accounts in institutions approved as Qualified Public Depositories under applicable law; or
- c. Negotiable interest bearing time certificates of deposits issued by institutions whose long-term debt is rated at least "BBB" or equivalent by Standard & Poor's or Moody's Rating Service; or
- d. Obligations of the Federal Farm Credit Banks, Federal Home Loan Bank, or its district banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, including Federal Home Loan Mortgage Corporation participation certificates, or obligations guaranteed by the Government National Mortgage Association, or FDIC; or
- e. Bankers Acceptances which are issued by foreign or domestic institutions whose long-term debt is rated at least "BBB" or equivalent by Standard & Poor's or Moody's; or
- f. Prime commercial paper. For the purpose of this section, "prime" commercial paper shall be defined as that commercial paper which has received a Standard & Poor's rating of at least "A-3" or a Moody's rating of "Prime 2"; or
- g. Repurchase agreements comprised of only those investment instruments as otherwise authorize herein, the selling institution must be approved by the Investment Committee and have entered into a Master Repurchase Agreement and all repurchase agreement transactions must adhere to the requirements of the Master Repurchase Agreement; or

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- h. State and local government taxable and tax-exempt debt, General Obligation or Revenue bonds, rated at least "BBB" by Standard & Poor's or Moody's; or
- i. Corporate debt of Corporations whose debt is rated at least "BBB" or equivalent by Standards & Poor's or Moody's; or
- j. Collateralized Mortgage Obligations (CMOs) backed by an agency of the U.S. Government; or
- k. Mortgage and asset-backed securities rated "A" or equivalent by Standard & Poor's or Moody's; or
- l. Yankee securities, as permissible under Federal and State laws, rated at least "BBB" or equivalent by Standards & Poor's or Moody's; or
- m. Eurodollar securities, as permissible under Federal and State laws, rated at least "BBB" or equivalent by Standard & Poor's or Moody's; or
- n. Fixed income or money market mutual/trust funds comprised of only those investment instruments authorized herein; or
- o. Any investment security authorized by Florida Statute, S166.261 and 218.415; or Derivative securities, defined as a financial instrument the value of which depends on or is derived from the value of one or more underlying assets or index of asset values, shall be limited to those types previously authorized herein and only be utilized if the Finance Director has sufficient understanding/expertise to do so.

Securities or investments not expressly mentioned in this Policy must receive written approval from the City of Ocala Assistant City Manager overseeing the Finance Department.

Investments in Collateralized Mortgage Obligations (CMOs) shall be restricted to issues which meet all of the following criteria:

All issues must be backed by securities issued by the Government National Mortgage Association (GNMA), the Federal Home Loan Mortgage Corporation (FHLMC), or the Federal National Mortgage Association (FNMA); all issues must pass the FFIEC High Risk Security Test at the time of purchase and on an annual basis. Any CMO issue held in the investment manager's portfolio that fails the FFIEC test shall be sold at the earliest beneficial opportunity.

1. All ABS must be of a senior tranche
2. All issues must have a rating of AAA by a major rating agency
3. All issues must be of a defined coupon schedule

It should be recognized that certain securities may meet the above definition of Authorized Investment, but their performance risk as created by their structure, may be such that a prudent investor would deem them inappropriate investments. Securities of this type which are prohibited include:

1. Reverse repurchase agreements.
2. Floating rate securities whose coupon floats inversely to an index or whose coupon is determined based upon more than one index.
3. Tranches of Collateralized Mortgage Obligations (CMOs) with the following characteristics; received only the interest or principal from the underlying mortgage securities, commonly referred to as "IOs" and "POs".
4. Tranches of any Collateralized Debt Obligations including but not limited to ABS (asset backed securities), CMBS (commercial mortgage backed securities), CMO's, otherwise considered subordinate or support in the issue structure.
5. Securities registered under Rule 144a, otherwise private placement securities
6. Securities whose future coupon may be suspended because of the movement of interest rate or an index, or whose coupon is based upon more than one index.

The City of Ocala will not use leverage in its investment portfolio.

#### ***IX. INVESTMENT MATURITY AND LIQUIDITY***

The term structure of the investment portfolio shall be structured in a manner consistent with expected liquidity requirements and liability terms. To achieve this end the portfolio shall be divided into three (3) liquidity pools defined as: Pool I (short), Pool II (short intermediate), and Pool III (intermediate). Funding allocations shall be determined by the City and be based on expected liquidity requirements for the funds. Unless matched to a specific cash-flow requirement, the City will not directly invest in securities with an effective maturity of more than ten (10) years from the date of purchase. It is expected the weighted average effective-maturity of the combined pools shall not exceed five (5) years. The minimum weighted average quality of the total investment portfolio shall be AA. This calculation excludes the maturities of the underlying securities of a repurchase agreement. This calculation also applies to the average life of securities (rather than the stated maturity). The effective duration shall not exceed 20% of the target benchmark years. Non-negotiable interest-bearing time certificates shall not exceed one (1) year and repurchase agreement transactions shall not exceed 60 days.

**X. INVESTMENT COMMITTEE**

The Finance Director will establish an Investment Committee for the purpose of formulating alternative investment strategies and short-range directions (within the guidelines herein set forth) and for monitoring the performance and structure of the City’s investment portfolio. Members of the Committee shall include the Finance Director of the City of Ocala as Chairman, the City Manager, a City Council member, a Budget staff member and a Finance staff member. This Committee may include other members as may be designated by the Finance Director from time to time.

A designee of the Finance Director and the outside investment manager(s) and consultant(s) will provide the Committee members with current market information, an updated portfolio and analysis, and various pertinent financial data. The Committee, or a quorum of the Committee, shall meet at least quarterly, or more often as deemed necessary, under the given conditions, to review, discuss and affirm or alter the then current investment strategy and perform other function as herein provided.

The Investment Committee activities shall include, but not be limited to, the review and setting of investment strategies and written investment procedures, and the review and approval of: outside investment managers and custodians, all authorized repurchase institutions and required agreements.

Members of the Investment Committee shall take 8 hours per year of continuing education or courses of study related to investment practices and products pursuant to F.S. 218.415.

**XI. RISK AND DIVERSIFICATION**

It is the policy of the City of Ocala to diversify its investment portfolio. Assets held shall be diversified to control the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, a specific instrument, a class of instruments, and a dealer through whom these instruments are bought and sold. Diversification strategies (within the established guidelines) shall be reviewed and revised periodically as necessary by the Investment Committee. Specifically, the Investment Manager(s) should observe the following diversification guidelines with respect to portfolio allocations:

	Sector Allocations		Individual Issue/Fund Limit
	Minimum	Maximum	
U.S. Treasury & Federal Agencies (non-MBS)	35%	None	None
Corporate Debt Obligations	None	50%	5%
Mortgage/Asset Backed Securities	None	30%	5%



Municipal Securities	None	20%	5%
Certificates of Deposit	None	20%	5%
Repurchase Agreements	None	25%	15%
Local Gov't Surplus Funds Trust Fund	None	25%	25%
Participation in collateral or otherwise collateralized debt instruments (Issuer Level)	None	20%	5%
Participation in collateral or otherwise collateralized debt instruments (Security Level)	NA	NA	5%
Money Market Mutual/Trust	None	30%	15%
Yankee and Eurodollar Securities	None	15%	3%

In order to provide for a diversified portfolio, the City may engage several Investment Management firms. The managers are responsible for the assets and allocation of their mandate only and may be provided an addendum to this policy with their specific performance objectives and investment criteria.

Allocation to each of the manager mandates will be based on the target percentages illustrated below. It is intended that the target percentages will be maintained within the stated ranges until such time as the Committee amends this investment policy.

	Target	Range
ML Unsub. Treas/Agency 1-3	30%	25%-35%
ML US Corp/Govt 1-5	40%	35%-45%
ML US Domestic Master 1-10	30%	25%-35%

To the extent that adequate re-balancing among asset categories cannot be affected via the allocation of contributions/distributions, the Committee may redirect monies from one manager to another, if necessary, to maintain the target ranges of this policy. However, the Committee recognizes that a rigid asset allocation would be both impractical and, to some extent, undesirable under various market conditions. Therefore, the allocation of the Investment Asset's total assets may vary from the allocation guidelines without being considered an exception to this investment policy

## ***XII. BENCHMARK***

In order to monitor the results of the City's investments under this policy statement, a dollar weighted Index shall be determined based on funding allocation targets to the three investment pools. Underlying benchmarks for the investment pools shall be: B of A Merrill Lynch 1-3 Year Unsubordinated U.S. Treasuries / Agencies Index, B of A Merrill Lynch 1-5 Year Gov. / Corporate Index, and the B of A Merrill Lynch I-10 Year Domestic Master Index. Peer group universe comparisons, appropriate for the Fund mandate(s) shall be monitored but considered a secondary evaluation tool.

In order to provide for a diversified portfolio, the Investment Committee has engaged several Investment Management firms. The managers are responsible for the assets and allocation of their mandate only and may be provided an addendum to this policy with their specific performance objectives and investment criteria.

Furthermore, the effective duration of the investment portfolio(s) shall normally remain no shorter than 50% of the duration of this index, and no longer than 120% of the index.

This benchmark restriction must always be adhered to by any outside investment manager(s). Under certain circumstances, with approval of City Council and the Assistant City Manager, the Finance Director may deviate from the benchmark. On occasion, the Finance Director may need to make specific purchases or sales of securities to meet identifiable needs that may be outside the confines of the benchmark restrictions. If the Finance Director is buying and selling securities as part of the ongoing management of the portfolio, then the benchmark restrictions must be adhered to.

All other restrictions in this Investment Policy Statement must be followed by the Finance Director or any outside investment manager(s).

The City understands that large cash inflows or outflows can positively or negatively affect the portfolios' performance. It is possible that the City could unexpectedly need a substantial portion of the invested portfolio and that these needs could cause the performance of the portfolio to deviate substantially from the performance or the benchmark. Providing results at or above this benchmark is desired, but is secondary to meeting the liquidity needs of the City.

### **CRITERIA FOR INVESTMENT MANAGER REVIEW**

The Investment Committee wishes to adopt standards by which judgments of the ongoing performance of a portfolio manager may be made. If, at any time, any three of the following is breached, the portfolio manager will be warned of the Investment Committee's serious concern for the Fund's continued safety and performance. If any five of these are violated the consultant will recommend a manager search for that mandate. Universe standards shall be considered as secondary criteria.

- Four (4) consecutive quarters of relative under-performance versus the benchmark.

- Three (3) year trailing return below the top 40<sup>th</sup> percentile within the appropriate peer group and under performance versus the benchmark.
- Five (5) year trailing return below the top 40<sup>th</sup> percentile and under performance versus the benchmark.
- Three (3) year downside volatility greater than the index (greater than 100), as measured by down market capture ratio.
- Five (5) year downside volatility greater than the index (greater than 100), as measured by down market capture ratio.
- Style consistency or purity drift from the mandate.
- Management turnover in portfolio team or senior management.
- Investment process change, including varying the index or benchmark.
- Failure to adhere to the IPS or other compliance issues.
- Investigation of the firm by the Securities and Exchange Commission (SEC).
- Significant asset flows into or out of the company.
- Merger or sale of firm.
- Fee increases outside of the competitive range.
- Servicing issues – key personnel stop servicing the account without proper notification.
- Failure to attain a 60% vote of confidence by the Investment Committee.

Nothing in this section shall limit or diminish the Investment Committee's right to terminate the manager at any time for any reason.

### ***XIII. THIRD-PARTY CUSTODIAL AGREEMENTS***

All securities purchased by the City or by a City-approved registered investment advisor under this section shall be properly designated as an asset of the City of Ocala and (except for those related to overnight repurchase agreements) held in safekeeping by a third party custodial bank or other third party custodial institution. If a bank or Trust Company serves in the capacity of investment manager(s), then said bank could also perform required custodial and reporting services. The only exception to this will be for overnight repurchase agreements whose underlying securities are held by the originating institutions. Those agreements shall have the following limitations:

- First, limited in aggregate to less than 5% of the value of the portfolio, at cost;
- Second, made with primary securities dealers or authorized depositories meeting such additional credit quality standards as established by the Investment Committee;

- Third, made only with those dealers and banks with which the City has executed a Master Repurchase Agreement.

No withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the Finance Director as authorized herein, or by his respective designees.

The City will execute third party custodial agreement(s) with its bank(s) and depository institution(s). Such agreements may include letters of authority from the City, details as to responsibilities of each party, method of notification of security purchases, sales, delivery, and procedures related to repurchase agreements and wire transfers, safekeeping and transactions costs, procedures in case of wire failure or other unforeseen mishaps and describing the liability of each party.

### INTERNAL CONTROLS

The Finance Director shall monitor the City's assets and ensure proper accounting and reporting of the transactions related thereto. The Internal Controls for the investment function shall be reviewed by the City's external auditor at least annually.

#### a. Delivery Versus Payment

All securities purchased or sold will be transferred when possible only under "delivery versus payment" (D.V.P.) method to insure that funds or securities are not released until all criteria relating to the specific transaction are met.

#### b. Trust Receipt and Confirmation

The Finance Director is authorized to accept, on the behalf of and in the name of the City of Ocala, bank trust receipts or confirmation in return for investment of temporarily idle funds as evidence of actual delivery of the obligations or securities. Any such trust receipt or confirmation shall fully describe the various obligations or securities held, together with the specific identification number of each obligation or security held, and that they are held for the City of Ocala. The actual obligations or securities, whether in book-entry or physical form, on which trust receipts or confirmations are issued may be held by a third party custodial bank and/or institution or a designated corresponding bank or custodian institution which has a correspondent relationship to the City's third party custodian or its designated correspondent institution, who is acting on behalf of and under the same obligations as the City's third party custodian. The above shall apply to all investments with the exception of securities underlying overnight repurchase agreements; the custodial relationship for these instruments is described in Section XIII: Third Party Custodial Agreements.

#### c. Other

The City of Ocala has established a number of internal controls to prevent loss of funds by fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the City. The internal controls are as follows:

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- Investment transactions authority is limited to specific persons, primarily the Finance Director and the Treasury Analyst, within the Finance Department.
- Wire transfer of funds authority is restricted to specific individuals with specific dollar limits within the Finance Department. All wire transfers require approval, confirmation, and authorization by a second individual specified in the wire authority document executed with the City's main depository.
- All investment transactions outside of the portfolio require the approval of the Assistant City Manager overseeing Finance.
- Monitoring of Investment portfolios is done by a third party consultant and reviewed quarterly. All investment managers should operate in compliance with the investment policy. Any deviation should be report to the investment committee.
- A quarterly investment report titled "Investments by Funds" is prepared by the Treasury Analyst and distributed to the Investment Committee early in the subsequent month for review. Any deviation from the Investment Policy by the portfolio manager will be discussed and an action plan determined. The City council will also be notified of the deviation and action plan.
- The Treasury Analyst in the Finance Department reconciles the City's general depository account on a monthly basis by comparing the City's general ledger with the account statements. The reconciliation of the general depository account would reveal any difference in investment transaction records and the actual movement of funds.
- Each year both internal auditors and the City's external auditors review existing internal controls as well as investment transactions by examining data on a random basis.

#### ***XIV. APPLICABLE CITY ORDINANCES***

If at any time this document is found to be in conflict with the City Ordinances or applicable Florida Statutes, the Ordinances and Statutes shall prevail.

#### ***XV. REVIEW AND AMENDMENTS***

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It is the Investment Committee's intention to review this document at least annually and to amend this statement to reflect any changes in philosophy, objectives, or guidelines. In this regard, the Investment Manager's interest in consistency in these matters is recognized and will be taken into account when changes are being considered. If, at any time, the Investment Manager feels that the specific objectives defined herein cannot be met, or the guidelines constrict performance, the Committee should be notified in writing. By initialing and continuing acceptance of this Investment Policy Statement, the Investment Managers concur with the provisions of this document. By signing this document, the Assistant City Manager attests that this policy has been recommended by the Investment Consultant, reviewed by the City's legal counsel for compliance with applicable law, and approved by the Investment Committee.

CITY OF OCALA



Assistant City Manager

4/10/2017

Date

\_\_\_\_\_  
Investment Manager

\_\_\_\_\_  
Date

**CITY OF OCALA TREASURY  
ADDENDUM TO  
STATEMENT OF INVESTMENT POLICY**

**Pool II (Short Intermediate)  
INVESTMENT MANAGER: Sawgrass Asset Management (Sawgrass)**

SAWGRASS has been retained by the City of Ocala to manage a well-diversified portfolio of short intermediate term fixed income and money market securities. Sawgrass was retained for this assignment based on their qualifications and experience in managing fixed income portfolios.

**I. GUIDELINES**

Adopting the guidelines contained in the Statement of Investment Policy established for the City of Ocala Treasury, the portfolio must comply with the following:

1. The portfolio shall be invested primarily in U.S. Treasury, Agency and Corporate fixed income securities.
2. Securities shall have a minimum categorical rating of "BBB" by Standard & Poor's or Baa2 for Moody's.
3. The effective duration of the portfolio shall be not exceed 120%, nor be less than 50% of the target benchmark.
4. For the purposes of Pool II, allocations to Mortgage / Asset backed securities shall be limited to 10% of the manager's portfolio.

**II. INVESTMENT OBJECTIVES**

Total Portfolio:

- A. The primary objective of the portfolio shall be to generate income while achieving a total return over the longer term, 3 to 5 years, in excess of a Target Index. The Target Index for the portfolio is defined as a 100% investment in the ICE BofAML 1-5 Year Government / Corporate Index.
- B. The secondary objective of the portfolio shall be to achieve a total rate of return over the longer term, 3 to 5 years that ranks in the top 40<sup>th</sup> percentile of a representative universe of similarly managed portfolios.
- C. The volatility of the Fund's total returns is expected to be similar to that of this Target Index and will be evaluated accordingly.

**POLICY REVIEW**

This Addendum is a part of the City of Ocala Treasury Investment Policy Statement dated October 20, 2015 and is intended only to complement the objectives and guidelines outlined therein. It is the intention of the Board of Trustees to review the Statement of Investment Policy and this Addendum from time to time and to amend them if necessary to reflect any changes in philosophy or objectives. However, if at any time the investment manager believes that the specific objectives defined herein cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing. By signing this addendum the investment manager understands and agrees to adhere to the guidelines, investment manager responsibilities, and other conditions therein.

  
\_\_\_\_\_  
Chief Financial Officer

5/2/19  
Date

  
\_\_\_\_\_  
SAWGRASS

4/18/19  
Date

ADOPTED: