



SECTION 3. COUNTY ADMINISTRATION

3.35 INVESTMENTS

A. PURPOSE/SCOPE.

(1) This investment policy applies to all financial assets held by or for the benefit of the Board of County Commissioners (the “Board”) of Seminole County (the “County”) by the Seminole County Clerk of the Circuit Court (Clerk) acting in the capacity as Clerk and the Chief Financial Officer to the County. This policy does not include the Financial assets held individually or under the control of any of the Constitutional Officers of Seminole County until such time that control of such funds pass to the County.

(2) Investments of the County are subject to Chapter 218, Part IV, Florida Statutes. This policy is established pursuant to and shall conform to the provisions of Section 218.415, Florida Statutes, as it may be amended, Resolution 95-R-237, and by Resolution 2008-R-211. The proceeds of certain bond issues may be further limited or expanded by their respective bond resolutions or covenants and shall not be considered to be in conflict with this investment policy.

B. INVESTMENT OBJECTIVES. The County shall strive to achieve with each investment opportunity, the objectives, in order of priority:

(1) Safety – The primary objective of the County’s investment activities is the protection and preservation of the investment capital.

(2) Liquidity – The County’s investment strategy will provide sufficient liquidity to meet cash flow requirements by utilizing marketable securities with structured maturities.

(3) Investment Income – The County will strive to invest the public funds to maximize the return on the portfolio but will minimize investment risk.

C. INVESTMENT PERFORMANCE AND REPORTING.

(1) The portfolio’s weighted-average yield will be compared to established benchmarks each quarter with both a data table and corresponding graph presented to the Board. The benchmarks that shall be used are the average yield on the 6-month and 12-month Constant Maturity Treasury (CMT) indices during the prior quarter’s reporting period. The benchmark is intended to serve as an indication of general market yield and will establish *a clear frame of reference and understanding* for the County’s investment performance. It is not intended as a hurdle that the County must meet, as this practice may encourage undue risk during periods of rapidly rising interest rates.



(2) A portfolio report from the Clerk shall be provided each month to the Board, appropriate County management staff, and any other interested parties. The report shall include, but not be limited to, the following:

- Name of the Security
- Cost of the Security
- Market Value
- Date of Purchase
- Date of Maturity
- Coupon Rate
- Yield to Maturity
- Accrued Interest
- Portfolio Diversification Ratios

(3) Mortgage pass-through investments will be categorized by stated maturity, estimated maturity, or average life.

(4) The Board shall be notified immediately upon any deviation from the currently approved investment policies.

D. PRUDENCE AND ETHICAL STANDARDS.

(1) The standard of prudence to be used by investment officials shall be the “prudent person rule” and shall be applied in the context of managing an overall portfolio. Investment officers, or persons performing the investment functions acting in accordance with written policies and procedures, and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

(2) The “prudent person” standard is herein understood to mean the following: Investment 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.

E. AUTHORIZED INVESTMENTS. The Clerk shall purchase or sell investment securities at prevailing market rates except for investments such as Guaranteed Investment Contracts (GICs) or Flex Repurchase Agreements (Repos) involving bond proceeds for which the Board’s authorization and approval shall be separately provided for in the bond sale and authorization documents. Authorized Investments shall consist of the following:

(1) The Local Government Surplus Funds Trust Fund, The State Investment Pool administrated by the State Board of Administration (SBA).



(2) Money Market Funds – Securities and Exchange Commission (SEC) registered, AAA-rated money market funds offered by prospectus with permitted investments limited to government securities and repurchase agreements backed by government securities.

(3) U. S. Treasuries – direct obligations of, or obligations the principal and interest is unconditionally guaranteed by the United States Government. Such securities will include, but not be limited to, Treasury Bills, Treasury Notes, Treasury Bonds, and Treasury Strip Coupons (Zeros).

(4) Federal Agencies – bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by the United States Government. Such agencies will include the Farmers Home Administration, Federal Housing Administration, Federal Financing Bank, Governmental National Mortgage Association (Ginnie Mae), Tennessee Valley Authority (TVA), and the Department of Veteran Affairs (VA).

(5) Federal Instrumentalities – bonds, debentures, and other evidence of indebtedness issued or guaranteed by the issuing entity itself. Issuers shall include, but are not limited to, the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Cooperation (Freddie Mac).

(6) Time deposits, savings accounts, and non-negotiable Certificates of Deposit issued by qualified banks or savings banks under the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes, and doing business and situated in the State.

(7) Guaranteed Investment Contracts (GICs) and Repurchase Agreements (Repos) – Any investment in a GIC or Repo shall be done with providers that are Primary Dealers with a credit rating of A or better from S&P or Moody's, or other financial institutions rated "AA" by S&P or "Aa" by Moody's. Repurchase agreements shall include both overnight and term repurchase agreements to be priced daily, as well as flexible repurchase agreements ("flex repos") which are authorized solely for the investment of bond proceeds. The maturities of the Guaranteed Investment Contracts and Flex Repos shall correspond to the County's cash flow forecasts on the specific bond issue. Required collateral shall be maintained at a minimum of 102% of the outstanding balance of the contract or agreement along with accrued interest and shall be limited to securities authorized within this policy. Collateral shall be held with a third-party safekeeping agent and registered in the name of the County.

All GIC and Flex Repo Investments must be competitively bid and fully documented to the extent required by Federal regulations. The investment of bond proceeds into a GIC or Flex Repo must be approved by the Board prior to initiating the bid process.

(8) Mortgage-backed securities (MBS) issued by Fannie Mae, Freddie Mac and Ginnie Mae: limited to pass-through pools and balloons. Private label pools, whole loans and Collateralized Mortgage Obligations (CMOs) are not permitted.

(9) Any non-permitted investment currently held in the County’s portfolio at the adoption of this policy may continue to be held to maturity or timely, subsequent sale.

F. MATURITY AND LIQUIDITY REQUIREMENTS. The investment portfolio shall be structured in such a manner to match investment maturities with cash needs as they come due. Liquidity and maturity consideration are as follows:

(1) Current operating funds will be matched with anticipated cash flow needs and will be kept in relatively short-term investments. These short-term investments will include the depository bank, money market funds, the State Board of Administration (SBA) pool, repurchase agreements, federal agencies and instrumentalities and U. S. Treasuries with maturities of one (1) year or less.

Bond proceeds and other restricted capital funds will be invested to match the projected cash flow needs in accordance with bond covenants, construction contracts and other capital plans. The Clerk may exceed maximum maturities when deemed beneficial with Board authorization.

The County’s total portfolio may contain investments with stated maturities of thirty (30) years or less but the average or estimated life of the portfolio shall not exceed five (5) years (60 months).

Revenue flows and anticipated cash inflows will be analyzed and considered in the investment decision. To optimize funds as well as insure sufficient liquidity the County will provide the Clerk with cash flow forecasts reflecting the amount needed to remain liquid to meet disbursement obligations. The cash flow forecasts will reflect an estimate of cash receipts and disbursements by quarter for a rolling two-year period, as well as identify core funds or those funds available for longer-term investing.

(2) Maximum Maturity on Securities.

<u>Security</u>	<u>Maturity Limit</u>
State Board of Administration (SBA)	N/A
Money Market Funds	N/A
U.S. Treasuries	5 years
Federal Agencies and Federal Instrumentalities	5 years
Certificates of Deposit	1 year
Term Repurchase Agreements	30 days
Mortgage Backed Securities	30 years

To allow for the efficient and effective placement of bond sale proceeds, the limit on repurchase agreements may be exceeded for five (5) business days following the receipt of the bond proceeds.

(3) Portfolio Activity and Maturity Management. The investment philosophy of the County is to “buy and hold” but the maturity composition of the portfolio and the general economic conditions will be evaluated to determine if a replacement investment would be advantageous. Accounting losses may be incurred in this situation if an economic gain is achieved. The portfolio maturity may be shortened or extended dependent on interest rate projections or the portfolio quality may be improved by reducing the maturity or risk of a security.

G. PORTFOLIO COMPOSITION.

(1) Prudent investing necessitates that the portfolio be diversified as to instruments and dealers. The following maximum limits are guidelines established for diversification by investment type.

<u>Security Type</u>	<u>Portfolio Limitations</u>
State Board of Administration	50 percent
Money Market Funds	100 percent
U.S. Treasuries	100 percent
U.S. Treasury Strip Coupons (Zeros)	5 percent
Federal Agencies and Federal Instrumentalities	80 percent
Certificates of Deposit	20 percent
Term Repurchase Agreements	10 percent
Mortgage Backed Securities	30 percent

(2) Leveraged investments or agreements prohibited.

(3) Bond proceeds shall be invested in accordance with the covenants in the governing resolution, indenture and related issuance documents. All GICs and Flex Repos comprised of bond proceeds shall be excluded from the portfolio composition limits in subsection (1), above, when calculating percentages to test portfolio issues.

H. RISK AND DIVERSIFICATION. Assets held shall be diversified to control the risk of loss resulting from the over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank. Diversification strategies within established guidelines shall be reviewed and revised periodically by the appropriate management staff.

I. CONTINUING EDUCATION. The Clerk, and any investment officers designated by the Clerk to perform the investment functions in accordance with these written policies and procedures, are required to annually complete eight (8) hours of continuing education in subject courses of study related to investment practices and products.



J. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS.

(1) It is the policy of the County to purchase securities only from those broker/dealers or financial institutions included on the Clerk's approved list.

(2) A listing of the Qualified Public Depositories is available on a quarterly basis from the *Florida Administrative Weekly*. All financial institutions will be included on the approved list if they have been designated a Qualified Public Depository as determined by the State of Florida and State Statutes.

(3) In addition, the list may include primary government security dealers and regional brokers and dealers that qualify under the Securities & Exchange Commission Rule 15C3-1 (Uniform net capital rule) and are registered to do business in the state of Florida.

(4) All approved broker/dealers will acknowledge in writing that they have received a copy, read, and concur with the County's investment policy.

(5) The approved list shall be presented to the Board on an annual basis for information and disclosure purposes.

K. THIRD PARTY CUSTODIAL AGREEMENTS. The Clerk will execute a third-party custodial and safekeeping agreement with the County's depository bank. All securities purchased and/or collateral obtained shall be properly designated as an asset of the County and held in safekeeping. No withdrawal of such securities, in whole or part, shall be made from safekeeping except as authorized by the Clerk. The third-party custodial safekeeping agreement shall include letters of authority from the Clerk; details as to responsibilities of each party; notification of security purchases, sales delivery, repurchase agreements, wire transfers, safekeeping and transaction costs; and procedures in case of wire failure or other unforeseen mishaps, including the liability of each party.

L. MASTER REPURCHASE AGREEMENT. The Clerk will require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Master Repurchase Agreement.

M. BID REQUIREMENT. The Clerk shall determine the approximate maturity date(s) based on cash flow needs, market conditions and portfolio analysis and select one or more optimal types of investments. A minimum of three (3) qualified banks and/or dealers will be contacted and asked to provide bids.

(1) Bids will be held in confidence until the best bid is determined and awarded.

(2) Documentation will be retained for all bids, with winning bid clearly identified.



(3) If the maturing investment is a certificate of deposit, and the depository institution has performed to the satisfaction of the County, that depository institution shall be asked to submit a competitive bid, and that bid shall be equal to or greater than competing bids in order to retain funds.

(4) If the highest bid is not selected, the reasons for that decision will be clearly documented on the bid forms.

(5) In the event that a broker/dealer or financial institution initiates and proposes a security swap that provides a financial advantage to the County, the Clerk may bypass obtaining bids from competing dealers provided that the Clerk can verify fair market value was obtained.

(6) In certain circumstances, when the Clerk believes an investment security with exceptional value in the market will not be available for the time it would take to receive additional bids, it may be purchased without obtaining the required three bids, *provided that fair market value can be established*. Fair market value may be established by showing a similar security that is being offered in the market at the same time.

N. INTERNAL CONTROLS. The Clerk shall exercise and monitor a set of internal controls to be conducted through the County Finance Director. Said controls are designed to protect the County's fund and ensure the proper accounting and reporting of investment transactions. Written procedures shall be maintained. Such controls shall consist for the following:

(1) All securities purchased or sold will be transferred only under the "delivery versus payment" (DVP) method to ensure that the funds or securities are not released until all criteria related to the specific transaction have been met.

(2) The Clerk is authorized to accept on behalf of the County, trust receipts or confirmations as evidence of the actual delivery of the obligation or security in return for the payment of the investment.

(3) Trust receipts or confirmations shall fully describe the various securities held. The receipt or confirmation shall state that the investment is held in the County's name.

(4) Telephone or wire transfer transaction will be confirmed by subsequent written documentation.

(5) There will be adequate separation of duties with a clear delegation of authority among investment personnel.

(6) Custodial safekeeping will be properly utilized.



(7) Operational reviews, performance evaluations and interim and annual reporting shall be completed by the Clerk.

(8) The Clerk will not take physical possession of any security or investment.

(9) There shall be specific limitations regarding securities losses and remedial action shall be taken as soon as possible.

(10) A wire transfer agreement with the custodial bank outlining the various controls and security provisions for making and receiving wire transfers will be established.

(11) Collusion is Prohibited.

(12) Written dealer confirmation and monthly and/or quarterly custodial account statements will be maintained.

(13) All daily investment activity will be coordinated and reviewed by the Revenue Supervisor or the Assistant Finance Director and the Finance Director. Investments are under the direct control of the Finance Director and the Clerk. In the absence of the Finance Director and the Clerk, investment activity must be approved by the Revenue Supervisor and the Assistant Finance Director and later approved by the Finance Director or the Clerk.

(14) The following positions are designated by the Clerk as having the authority to initiate all investment activities:

- (a) Clerk of the Circuit Court
- (b) Finance Director
- (c) Assistant Finance Director
- (d) Revenue Supervisor
- (e) All other designees at the discretion of the Clerk

(15) Periodic training and educational opportunities in investment and related subjects will be provided and made available to appropriate investment personnel.

(16) Additional internal controls may be established by the Clerk.

O. AUTHORITY. Resolution 95-R-237 adopted September 26, 1995
BCC approved policy amendment April 9, 2002
Resolution 2008-R-211 adopted September 9, 2008