

**SEMINOLE COUNTY CLERK OF THE CIRCUIT COURT AND COMPTROLLER
INVESTMENT POLICY**

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**SEMINOLE COUNTY CLERK OF THE CIRCUIT COURT AND COMPTROLLER
INVESTMENT POLICY**

I. SCOPE

This investment policy applies to all financial assets held by or for the benefit of the Seminole County Board of County Commissioners (Board) by the Seminole County Clerk of the Circuit Court and Comptroller (Clerk) acting in the capacity as Clerk and Chief Financial Officer to the Board (collectively, 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.

Investments of the County are subject to Chapter 218, Part IV, Florida Statutes (F.S.) and County Resolutions, as applicable. This policy is established to supplement the existing statutory authority and must conform to the provisions of Sections 28.33 and 218.415, F.S., as it may be amended. 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.

II. INVESTMENT OBJECTIVES

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

A. SAFETY –

The primary objective of the County’s investment activities is the protection and preservation of the investment capital.

B. LIQUIDITY –

The County’s investment strategy will provide sufficient liquidity to meet cash flow requirements by utilizing marketable securities with structured maturities and retaining sufficient balances in bank deposit accounts, investment pools, or money market funds allowing for daily withdrawal of funds.

C. INVESTMENT INCOME –

The County will strive to maximize the return on the portfolio while first endeavoring to minimize the risk to public funds.

III. INVESTMENT PERFORMANCE AND REPORTING

The portfolio shall seek to achieve a performance level equivalent to or greater than the 90 day Treasury Bill rate or the monthly rate of the State Board of Administration (SBA), Local Government Surplus Trust Fund.

The Clerk shall provide a portfolio report each month to the Board of County Commissioners, appropriate County management staff, and any other interested parties. The report shall include, but not be limited to, the following:

- a. Name of the Security
- b. Original Cost of the Security
- c. Current Market Value
- d. Date of Purchase
- e. Date of Maturity
- f. Coupon Rate
- g. Credit rating
- h. Yield to Maturity
- i. Accrued Interest
- j. Portfolio Diversification Ratios

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

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

IV. PRUDENCE AND ETHICAL STANDARDS

The standard of prudence to be used by the Clerk shall be the “prudent person rule” which shall be applied in the context of managing the overall portfolio. 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.

The “prudent person rule” 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.

V. AUTHORIZED INVESTMENTS

The Clerk or other designees of the Comptroller's office shall purchase or sell investment securities at prevailing market rates. Authorized instruments are as follows:

- A. The Local Government Surplus Funds Trust Fund, "Florida PRIME," the State Investment Pool administered by the State Board of Administration (SBA) or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided for in Section 163.01, F.S., and established in Section 218.405, F.S.
- B. 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.
- C. U.S. Treasuries – for which the direct obligations of, or the obligations the principal and interest are 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).
- D. Federal Agencies – bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by the United States Government. Such agencies include, but are not limited to, Private Export Funding Corporation (PEFCO), Small Business Administration (SBA), Housing and Urban Development (HUD), Federal Housing Administration, Federal Financing Bank, Governmental National Mortgage Association ("Ginnie Mae"), Tennessee Valley Authority (TVA) and the Department of Veteran Affairs (VA).
- E. 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 Agricultural Mortgage Corporation ("Farmer Mac"), 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").
- F. 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, F.S., and doing business and situated in the State of Florida.
- G. Guaranteed Investment Contracts (GICs) and Repurchase Agreements (Repos)– Any investment in a GIC or Repo shall be done with Primary Dealers, as designated by the Federal Reserve Bank of New York, 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 GICs 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.

- H. 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.
- I. Commercial Paper with a stated maturity of two hundred seventy (270) days or fewer from the date of its issuance, rated not less than A-1 or P-1 or an equivalent rating by at least two (2) nationally recognized credit rating agencies; or one (1) nationally recognized credit rating agency and fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States.
- J. Bonds, or other evidence of indebtedness of U.S. counties, incorporated cities, towns, or duly organized school districts which carry a minimum “AA-” rating by Standard and Poor’s, “Aa3” by Moody’s Investor Service, or the equivalent rating by a nationally recognized rating agency at the time of purchase.
- K. Corporate bonds, debentures, and notes that are denominated in United States dollars. The debt must be rated at least “AA-“ by Standard and Poor’s, “Aa3” by Moody’s Investor Service, or the equivalent rating by a nationally recognized rating agency at the time of purchase.
- L. 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.
- M. Derivatives, as well as any investment not specifically listed in this section, are not eligible for purchase by the County.

VI. 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:

- A. Current operating funds will be matched with cash flow needs and will be kept in relatively short-term investments. The short-term investments will include the depository bank, money market funds, the State Board of Administration (SBA), Florida PRIME, 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, approximate cash flow needs in accordance with bond covenants, construction contracts, and other planned capital plans.

The County’s total portfolio may contain investments with stated maturities not to exceed five (5) years (60 months), with the exception of mortgage-backed securities, while the weighted-average maturity of the overall portfolio shall be limited to three (3) years.

Revenue flows and anticipated cash inflows will be analyzed and considered in the investment decision.

B. 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
Commercial Paper	270 days
Municipal Obligations	5 years
Corporate Obligations	3 years
Federal Agencies and Federal Instrumentalities	5 years
Certificates of Deposit	1 year
Term Repurchase Agreements	30 days
GICs and Flex Repos	N/A
Mortgage Backed Securities	30 years

C. 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 regularly 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.

VII. PORTFOLIO COMPOSITION

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. These guidelines may be revised by the Clerk of the Circuit Court and Comptroller in specific circumstances (i.e.: market conditions):

<u>Security Type</u>	<u>Portfolio Limitations</u>
State Board of Administration (SBA)	30%
Total Investment Pools	40%
Money Market Funds	100%
U.S. Treasuries	100%
U.S. Treasury Strip Coupons (Zeros)	5%
Federal Agencies & Federal Instrumentalities	80%
Certificates of Deposit	20%
Term Repurchase Agreements	10%
Mortgage Backed Securities	30%
Commercial Paper	20%
Municipal Bonds	20%
Corporate Bonds	10%

Note: Allocation to any single issuer of Commercial Paper, Corporate or Municipal bonds shall be limited to five percent (5%) of the total portfolio at time of purchase.

Leveraged investments or agreements are prohibited.

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

VIII. 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 Comptroller staff.

IX. CONTINUING EDUCATION

The Clerk, and any persons 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.

X. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS

It is the policy of the County to purchase securities only from those broker/dealers or banks included on the Clerk's approved list. The list will be developed in accordance with these investment policies.

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. A listing of the Qualified Public Depositories is available on a quarterly basis from the Florida Administrative Weekly.

In addition, the approved 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.

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

XI. THIRD PARTY CUSTODIAL AGREEMENTS

The Clerk will execute a third-party custodial and safekeeping agreement with the trust department of 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 by the trust department and 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.

XII. 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.

XIII. BID REQUIREMENTS

Although in most situations the competitive bid process shall be utilized, there is no obligation to secure competitive bids from all financial institutions and dealer/brokers on the approved list. Rather, a decision will be made by the Clerk through the Director, Comptroller Office and Comptroller Office staff as to the institutions that have been competitive over the preceding weeks and these will be contacted for a bid.

After the Clerk, through the Comptroller's Office staff, has determined the approximate maturity date based on cash flow needs and market conditions and has analyzed and has selected 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 on the securities in question.

- a. Bids will be held in confidence until the best bid is determined and awarded.
- b. Documentation will be retained for all bids, with winning bid clearly identified.
- c. If the maturing investment is a certificate of deposit, the present holder of the funds will be one of the contacts made, subject to the portfolio diversification requirements in this policy.
- d. If the highest bid is not selected, the reasons for that decision will be clearly recorded on the bid forms.
- e. In the event that a broker/dealer or financial institution initiates an 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.
- f. In certain circumstances when a dealer or bank informs the County of a potential purchase or sale that must be completed within minutes of notification, the competitive bidding policy may be waived. The Clerk or the Director of the Comptroller's Office will have final approval on these particular transactions before they are completed.
- g. 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 (3) 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.

XIV. INTERNAL CONTROLS

The Clerk shall exercise and monitor a set of internal controls to be conducted through the Director of the Comptroller's Office. Said controls are designed to protect the County's funds and ensure the proper accounting and reporting of investment transactions. Such controls shall consist of the following:

- A. 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.
- B. 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.
- C. 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.

- D. Telephone or wire transfer transaction will be confirmed by subsequent written documentation.
- E. There will be adequate separation of duties with a clear delegation of authority among investment personnel as set forth in the County Comptroller's Office Internal Fiscal Policies.
- F. Custodial safekeeping will be properly utilized as referenced in Section XI.
- G. Operational reviews and performance evaluations and interim and annual reporting shall be completed by the County Comptroller's Office and shall be audited by the County's Independent Auditors.
- H. The Comptroller's Office will not take physical possession of any security or investment.
- I. There shall be specific limitations regarding securities losses and remedial action shall be taken as soon as possible.
- J. A wire transfer agreement with the County's custodial bank outlining the various controls and security provisions for making and receiving wire transfers will be established by the Comptroller Office's.
- K. Collusion is prohibited.
- L. Written dealer confirmation and monthly and/or quarterly custodial account statements will be maintained.
- M. All daily investment activity will be coordinated and reviewed by the Director of the Comptroller's Office, the Assistant Director of the Comptroller's Office and the Manager of the Comptroller's Office. Investments are under the direct control of the Clerk and the Director of the Comptroller's Office. In the absence of the Clerk or Director of the Comptroller's Office, investment activity must be approved by the Assistant Director of the Comptroller's Office and the Manager of the Comptroller's Office and later approved by the Clerk and the Director of the Comptroller's Office.
- N. The following positions are designated by the Clerk of the Circuit Court and Comptroller as having the authority to initiate all investment activities:
 - 1. Clerk of the Circuit Court and Comptroller
 - 2. Director, Comptroller's Office
 - 3. Assistant Director, Comptroller's Office

4. Manager, Comptroller's Office
 5. All other designees at the discretion of the Clerk.
- O. Periodic training and educational opportunities in investment and related subjects will be provided and made available to appropriate investment personnel.
- P. Additional internal controls may be established by the Clerk.