

**SEMINOLE COUNTY  
INVESTMENT POLICY**

**TABLE OF CONTENTS**

I. SCOPE.....

II. INVESTMENT OBJECTIVES .....

III. INVESTMENT PERFORMANCE AND REPORTING .....

IV. PRUDENCE AND ETHICAL STANDARDS.....

V. AUTHORIZED INVESTMENTS .....

VI. MATURITY AND LIQUIDITY REQUIREMENTS .....

VII. PORTFOLIO COMPOSITION .....

VIII. RISK AND DIVERSIFICATION .....

IX. CONTINUING EDUCATION .....

X. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS .....

XI. THIRD PARTY CUSTODIAL AGREEMENTS.....

XII. MASTER REPURCHASE AGREEMENT.....

XIII. BID REQUIREMENTS.....

XIV. INTERNAL CONTROLS .....

**SEMINOLE COUNTY, FLORIDA  
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 (Clerk) acting in her capacity as Clerk and the 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 Florida Statutes, Chapter 125.31. This policy is established to supplement the existing statutory authority and must conform to the provisions of Florida Statutes Chapter 125.31, as it may be amended and ordinance number 95-R-237. 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:

**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.

### **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.

A portfolio report shall be provided each month to the Clerk of the Circuit Court, 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:

1. Name of the Security
2. Cost of the Security
3. Market Value
4. Date of Purchase
5. Date of Maturity
6. Coupon Rate
7. Yield to Maturity
8. Accrued Interest
9. Portfolio Diversification Ratios

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

The Clerk of the Circuit Court 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 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.

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.

## **V. AUTHORIZED INVESTMENTS**

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

- A. The Local Governments Surplus Funds Trust Fund, the State Investment Pool administered by the State Board of Administration (SBA).
- B. 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).
- C. Federal Agencies – bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by the United States agencies. Such agencies will include the Farmers Home Administration, Federal Housing Administration, Federal Financing Bank, Governmental National Mortgage Cooperation (GNMA), Tennessee Valley Authority (TVA), Student Loan Marketing Association (Sallie Mae), and the Department of Veteran Affairs (VA).
- D. Federal Instrumentalities – bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by United States Government agencies and its instrumentalities which are not backed by the full faith and credit of the United States Government. Agencies and instrumentalities will include, but not be limited to, the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Cooperation (Freddie Macs).
- E. Time deposits, savings accounts, and non-negotiable Certificates of Deposit issued by qualified banks or savings and loan associations under the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes, and doing business and situated in the state.
- F. Repurchase agreements – Repurchase agreements (sale and subsequent repurchase) are utilized as a cash management tool within the confines of the County's banking agreement mainly but may be authorized for any of the investments authorized in items B and C.
- G. 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.

**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 County’s depository, the State Board of Administration (SBA), Repurchase Agreement, and liquid, U.S. Treasuries with maturities of one (1) year or less.

Construction funds, debt service funds, bond reserves and other non-operating 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 of 30 years or less but the average or estimated life of the portfolio shall not exceed 5 years (60 months).

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

- B. Maximum Maturity on Securities

<u>Security</u>	<u>Maturity Limit</u>
State Board of Administration (SBA)	N/A
Repurchase Agreements	30 days
Certificates of Deposit	1 year
Treasuries, Agencies, and Instrumentalities	5 years
Mortgage Backed Securities	30 years
Money Market Fund(s) (invested in Government issued or backed Securities only)	N/A

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

- 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 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 in specific circumstances (i.e.: market conditions):

<b><u>Security Type</u></b>	<b><u>Portfolio Limitation</u></b>
State Board of Administration (SBA)	100 percent
Repurchase Agreements	5 percent
Certificate of Deposit	30 percent
Treasuries, Agencies, Instrumentalities	100 percent
Mortgage Backed Securities	30 percent
Zero Coupon (Strips)	5 percent
Money Market Fund(s)	100 percent

Leveraged investments or agreements are prohibited.

## **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 management staff.

## **IX. 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.

## **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 County's approved list as approved by the Clerk of the Circuit Court. The list will be developed in accordance with these investment policies.

A listing of the Qualified Public Depositories is available on a quarterly basis from the **Florida Administrative Weekly**. All banks and savings and loan associations 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.

In addition, the list will include brokers and dealers selected by credit worthiness. These may include primary dealers of regional dealers that qualify under the Securities & Exchange Commission Rule 15C3-1 (Uniform net capital rule).

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 of the Circuit Court 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 by the County 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 a County staff member. The third-party custodial safekeeping agreement shall include letters of authority from the Clerk of the Circuit Court, 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 Office of the Clerk of the Circuit Court will require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Master Repurchase Agreement.

## **XIII. BID REQUIREMENT**

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 Finance Director and County Finance Department 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 County Finance Department personnel, 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.

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, the present holder of the funds will be one of the contacts made, subject to the portfolio diversification requirements in this policy.
4. If the highest bid is not selected, the reasons for that decision will be clearly recorded on the bid forms.
5. This policy need not apply in relation to swap proposals offered by specific broker/dealers or financial institutions as such "shopping" of swap proposals can have an adverse effect on broker motivation to seek swaps.
6. 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

Finance Director will have final approval on these particular transactions before they are completed.

#### **XIV. INTERNAL CONTROLS**

The Clerk of the Circuit Court 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. 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.
- F. Custodial safekeeping will be properly utilized.
- G. Operational reviews and performance evaluations and interim and annual reporting shall be completed by the County Finance Department and shall be audited by the County's independent Auditors.
- H. "Bearer Bonds" will be avoided.
- I. County Finance will not take physical possession of any security or investment.
- J. There shall be specific limitations regarding securities losses and remedial action shall be taken as soon as possible.
- K. 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 a part of the County Finance Department's Procedures Manual.

- L. Collusion is Prohibited.
- M. Written dealer confirmation and monthly and/or quarterly custodial account statements will be maintained.
- N. 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 of the Circuit Court. In the absence of the Finance Director and the Clerk of the Circuit Court, investment activity must be approved by the Revenue Supervisor and the Assistant Finance Director and later approved by the Finance Director or the Clerk of the Circuit Court.
- O. The following positions are designated by the Clerk of the Circuit Court as having the authority to initiate all investment activities:
  - 1. Clerk of the Circuit Court
  - 2. Finance Director
  - 3. Assistant Finance Director
  - 4. Revenue Supervisor
  - 5. All other designees at the discretion of the Clerk of the Circuit Court
- P. Periodic training and educational opportunities in investment and related subjects will be provided and made available to appropriate investment personnel.
- Q. Additional internal controls may be established by the Clerk of the Circuit Court.

As amended on April 9, 2002  
As amended on December 11, 2007