

**ADMINISTRATIVE CODE  
BOARD OF COUNTY COMMISSIONERS**

**CATEGORY:**  
Financial/Fiscal/Budget

**CODE NUMBER:**  
AC-3-13

**TITLE:**  
Investment Policy for the Board of County Commissioners

**ADOPTED:**  
08/02/95

**AMENDED:**  
09/15/98; 08/01/00; 08/21/01; 08/09/05; 04/22/08

**ORIGINATING DEPARTMENT:**  
Clerk of Circuit Court  
Finance/Records Department

**PURPOSE/SCOPE:**

**POLICY/PROCEDURE:**

**I. SCOPE**

This investment policy applies to all monetary assets of the government of Lee County Board of County Commissioners (Board) in excess of those required to meet current expenses. In accordance with the Board's Ordinance 01-08, the administration of all investment of surplus funds of the Board is delegated to the Clerk. All investment transactions using funds managed by the Clerk shall be decided upon by at least three (3) members of the Investment Committee, designated by the Clerk.

Deferred compensation, bond proceeds, debt service funds, and funds held by other agencies (Tax Collector, State of Florida) during collection periods may be further limited or expanded by their respective resolutions, covenants, contracts, or policies and shall not be considered to be in conflict with this Investment Policy.

**II. INVESTMENT OBJECTIVES**

The following investment objectives shall be applied in the management of the Board's monetary assets:

- A. Safety of principal is the foremost objective of the Board. Each investment transaction shall seek to first ensure that capital losses are avoided, whether from security defaults or erosion of market value. Purchases and sales shall be made for investment purposes and not speculation.
- B. The investment portfolio will remain sufficiently liquid to enable the Board to meet operating requirements, which may be reasonably anticipated.
- C. When investing public funds, the Clerk will strive to maximize the return on the portfolio and to preserve the purchasing power, but will avoid assuming unreasonable investment risk.

### **III. PERFORMANCE MEASUREMENT**

A benchmark for the portfolio rate of return is to exceed the current yield on the three-month Treasury bill, which is auctioned each week. This index is considered a benchmark for riskless investment transactions.

### **IV. PRUDENCE AND ETHICAL STANDARDS**

The standard of prudence to be used by investment officials shall be the “prudent person” and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written 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.

### **V. AUTHORIZED INVESTMENTS**

The authorized investments as provided by Chapter 218.415, Florida Statute, Local Ordinance 01-08 and 93-08 are listed below.

- A. Negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States Government at the then prevailing market price for such securities [Treasury bills, notes and/or bonds and State and Local Governments Series (SLGS)].
- B. Obligations of Federal Farm Credit Banks (FFCB); the Federal Home Loan Mortgage Corporation (FHLMC), including Federal Home Loan Mortgage Corporation participation certificates; or the Federal Home Loan Bank (FHLB) or its district banks or obligations guaranteed by the Government National Mortgage Association (GNMA).
- C. Obligations of the Federal National Mortgage Association (FNMA), including Federal National Mortgage Association participation certificates and mortgage pass-through certificates guaranteed by the Federal National Mortgage Association; Small Business Administration; Federal Housing Administration (FHA); Farmers Home Administration (FMHA); and General Services Administration (GSA).
- D. Local Government Surplus Funds Trust Fund [State of Florida, State Board of Administration (SBA)].
- E. Interest-bearing time deposits or savings accounts in banks organized under the laws of the state, in national banks organized under the laws of the United States and doing business and situated in this state, in savings and loan associations which are under state supervision, or in federal savings and loan associations located in this state and organized under federal law and federal supervision, provided that any such deposits are secured by collateral as may be prescribed by law. [Certificates of Deposit (CD’s) are under the same guidelines. The institutions must be fully insured by the Federal deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC) and approved by the State Treasurer as a public depository].

**V. AUTHORIZED INVESTMENTS (continued)**

- F. Securities of, or other interests in, any open-end or closed-end, management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss 80a-1, et seq., as amended from time to time, provided the portfolio of such investment company or investment trust is limited to United States Government obligations and to repurchase agreements fully collateralized by such United States Government obligations and provided such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian. The average maturity of bond mutual funds shall not exceed four (4) years.
- G. Any repurchase agreement with any primary brokers/dealers who report daily to the New York Federal Reserve Bank provided such agreements are: (1) in writing; and (2) fully secured by securities as noted in Section V (A, B, C) of this policy, and provided further that: (a) such collateral is held by the County or any agent acting solely for the County during the full term of such agreements; (b) such collateral is not subject to liens or claims of third parties; (c) the County has a perfected first security interest in such collateral; and (d) such agreement shall provide that the failure to maintain such collateral at the level required by the Clerk will require the County or its agents to request additional collateral or liquidate when such request is not met.
- H. Overnight repurchase agreements with collateral held by the trust department of the bank(s) or custodian bank(s).
- I. Bonds, notes, or obligations of any state of the United States, any municipality, political subdivision, agency, or authority of this state, which are exempt from the federal income taxation [if such obligations are insured and rated by at least one (1) of the nationally recognized rating agencies for municipal bonds in any one of the two (2) highest classifications].
- J. Domestic Bankers' acceptance, which are inventory-based and eligible to qualify for use as collateral at the Federal Reserve Bank.
- K. S.E.C.-registered, money-market mutual funds with portfolio maturities under 120 days, whose investment objectives include seeking to maintain a stable price of \$1.00 per share. The portfolios of such mutual funds shall consist of United States Government securities and repurchase agreements secured by such securities.
- L. S.E.C.-registered, no-load money market mutual funds whose portfolios consist of tax-exempt securities and repurchase agreements. The maturities or optional redemption dates of securities in the fund's portfolio may not exceed one (1) year, and shares of the mutual fund must the highest credit quality rating from a nationally recognized rating agency. Portfolio securities may not be invested in bonds subject to the federal alternative minimum tax, and 98 percent of the fund's securities' dividends must be tax-exempt.
- M. Florida Local Government Investment Trust (FLGIT), authorized in Resolution Number 93-2-31 and through Ordinance Number 93-08.

**VI. RESTRICTIONS TO AUTHORIZED INVESTMENTS**

- A. Investments in derivative products may be considered only if the Investment Committee and staff have developed sufficient understanding of the derivative product and have the expertise to manage them. For the purpose of this policy, a “derivative” is 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.
- B. The use of securities lending, reverse repurchase agreements, or other forms of leverage shall be prohibited.
- C. At any time the Clerk may impose additional restrictions to the above, authorized investments.

**VII. MATURITY AND LIQUIDITY**

The investment portfolio shall be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To the extent possible, the Clerk will attempt to match investment maturities with known cash needs and anticipated cash-flow requirements.

**VIII. PORTFOLIO COMPOSITION**

Securities will not be directly invested in, or accepted as collateral that have a maturity date greater than 5 years from the settlement date. The maximum percentage of the total portfolio in each eligible security is as follows:

- |   |              |
|---|--------------|
| A) United States treasuries/agencies/instrumentalities<br>(As approved in Section V.)               | 100% maximum |
| B) Florida Local Government Surplus Funds Trust Fund (SBA)  | 40% maximum  |
| C) Term Repurchase Agreements   | 20% maximum  |
| D) Money Market Mutual Funds (no individual fund family can exceed<br>40% of the overall portfolio) | 65% maximum  |
| E) CD’s and Savings Accounts (5% per institution)   | 30% maximum  |
| F) FLGIT  | 5% maximum   |

**IX. RISK AND DIVERSIFICATION**

Investment officials recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism worthy of the public trust. The governing body, however, recognizes that, in a diversified portfolio, occasional measured losses are inevitable and must be considered within the context of the overall portfolio’s investment return, provided diversification has been implemented.

Assets held should be diversified to control the risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which these instruments are bought and sold. Investments purchased with bond proceeds or debt service funds, for which a resolution or covenant dictates investment guidelines, will not be included in

the portfolio's diversification calculation. Also, overnight repurchase agreements and overnight discount notes are an exclusion from this calculation. The diversification strategy established shall be reviewed and revised as deemed necessary by the Clerk or his designee.

**X. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS**

Financial intermediaries allowed are as follows: (1) financial institutions which qualify under Florida Law as qualified public depositories for interest-bearing time deposits; (2) primary securities dealers as designated by the New York Federal Reserve Bank for the purchase of government securities and repurchase agreements for which the Clerk has Master Repurchase Agreements on file; (3) the Florida Local Government Surplus Funds Trust Fund (SBA); and (4) the Florida Local Government Investment Trust (FLGIT). These institutions, dealers, and issuers must meet capital adequacy guidelines as determined by their respective regulatory agencies.

The Clerk will maintain a list of authorized institutions, dealers, and issuers of the various security types. Criteria for addition or deletion from the list will be based on the following: (1) State law, Board resolution, and ordinance; (2) investment policy; (3) perceived financial difficulties; (4) consistent lack of competitiveness; (5) lack of experience or familiarity of the account representative in providing service to large institutional accounts; (6) request of the institution or dealer; (7) when deemed in the best interest of the Board.

**XI. THIRD PARTY CUSTODIAL AGREEMENT**

To protect against possible fraud and embezzlement, the collateral and securities held by the Board shall be secured through third-party custody and safekeeping procedures.

All of the securities purchased for the Board under this section shall be properly designated as an asset of the Board and held in safekeeping by a third-party custodial bank, chartered by the United States Government or the State of Florida; and no withdrawal/sale of such securities, in whole or in part, shall be made from safekeeping except by the Clerk's designated employees. The exception to safekeeping, are mutual funds, SBA, CD's, Time Deposits, SLGS, and FLGIT.

The Clerk will execute Third-Party Custodial Agreements(s) with the Board's bank(s) and depository institutions(s). Such agreements will include letters of authority from the Clerk with details as to the responsibilities of each party in regards to the following: notification of security purchases, sales, delivery, repurchase agreements, wire transfers, safekeeping, transaction agreements, reporting requirements, costs, and procedures in case of wire failure.

All security transactions between a broker dealer and the custodian (involving sales/purchases) must be made on a delivery vs. payment basis, if applicable. This is to ensure that the custodian will have the securities or funds (as appropriate) in hand at the conclusion of each transaction.

**XII. MASTER REPURCHASE AGREEMENT**

All approved institutions and dealers engaging in repurchase agreements with Board funds shall have on file with the Clerk a Master Repurchase Agreement and perform in accordance

with the terms outlined in such agreements. All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.

**XIII. BID REQUIREMENT**

Once the Investment Committee has determined the approximate maturity date based on cash flow needs and market conditions and has analyzed and selected one or more optimal types of investments, the security in question shall, when feasible and appropriate, be competitively bid.

**XIV. INTERNAL CONTROL**

The Clerk shall establish and monitor a set of internal controls designed to protect the Board's assets and ensure proper accounting and reporting of the transactions related thereto.

A. For each investment purchased, the broker must supply a trade confirmation, which shall describe in detail (maturity dates) the securities purchased.

B. Internal controls will also encompass, at a minimum, the following additional issues:

1. Transfers of all funds (purchases, sales, etc.)
2. Separation of functions including transaction authority for accounting and record keeping
3. Custodial safekeeping
4. Delegation of authority to subordinate staff members
5. Written confirmation of telephone transactions
6. Supervisory control of employee actions
7. Specific guidelines regarding security losses and remedial action
8. Documentation of decisions and transactions
9. An annual review for compliance with the investment policy's internal controls by the independent auditors performing the annual financial audit of the County

**XV. CONTINUING EDUCATION**

The Clerk's Investment Committee must annually complete eight hours of continuing education in subjects related to investment practices and products.

**XVI. REPORTING**

An investment portfolio shall be provided on a weekly basis to the Clerk of Circuit Court's Finance Director. This report shall list in detail all the investments purchased on behalf of the Lee County Board of County Commissioners. In addition, a monthly report will be submitted to the BoCC that shall include, at minimum, a listing of all securities by type, the book value, income received, and market value of each investment as of the report date. These reports shall be made available to the public for review.

The Clerk of Circuit Court shall be notified immediately of any deviations from the approved investment policy.

**XVII. SECURITIES DISPOSITION**

A. All securities purchased on behalf of the Board must be properly earmarked as follows:

1. Securities registered with the issuer or its agents, must be immediately placed for safekeeping in a location that protects the Board's interest in the security.
2. Securities in book-entry form must be held for the credit of the Board by a depository chartered by the federal government, the state or any other state or territory of the United States which has a branch or principal place of business in this state. In addition, they may be held by a national association organized and existing under the laws of the United States, which is authorized to accept and execute trusts and doing business in this state, and must be kept by the depository in an account separate and apart from the assets of the financial institution.
3. Securities physically issued to the Board but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault.

**XVIII. SALE OF SECURITIES**

When invested funds are needed in whole or in part for the purposes originally intended or for more optimal investments, the Clerk may sell such investments at the then-prevailing market price and place the proceeds into the proper account or fund of the Board.

**XIX. PREEXISTING CONTRACT**

Any public funds subject to a contract or agreement existing on October 1, 2000, may not be invested contrary to such contract or agreement.

**XX. PREEMPTION**

Any provision of any special act, charter, or other law, which prohibits or restricts the Board from complying with Chapter 218.415, Florida Statute, or any rules adopted under this policy is void to the extent of the conflict.

**XXI. AUDITS**

The independent auditors conducting the annual financial audit of the County shall report, as part of the audit, whether the Clerk has complied with the investment policy.