

"I'm not as concerned about the return on my principal as I am the return of my principal."

WILL ROGERS

**LEE COUNTY, FLORIDA
CLERK OF CIRCUIT COURT
(DEFACTO CLERK TO THE BOARD)**

**CASH MANAGEMENT AND INVESTMENT OFFICE
FINANCE AND RECORDS DEPARTMENT**

**INVESTMENT AND PORTFOLIO POLICIES
REVISED: June 2022**

I. AUTHORITY

In accordance with Lee County Ordinance 01-08, the administration of all financial affairs of the County is delegated to the Clerk of Circuit Court.

II. SCOPE

This investment policy applies to all monetary assets of the government of the Lee County Board of County Commissioners in excess of those required to meet current expenses.

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 the Investment Policy.

All monetary assets of the Lee County Board of County Commissioners (Board) which are recorded to the General Fund, Special Revenue Funds, Capital Project Funds, Permanent Funds, Debt Service Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, and other funds that exist or may be created from time-to-time shall be administered in accordance with the provisions of this policy.

The Board consolidates cash balances for various funds using a pooled cash concept to share risk, maximize investment earnings, provided liquidity as needed, and to increase efficiencies. The funds that are part of pooled cash vary dependent upon bond documents, internal/departmental requirements, etc.

III. INVESTMENT OBJECTIVES

The following investment objectives will be applied in the management of the Board's monetary assets.

A. Safety

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. By restricting investments to those authorized in Section XI, diversifying the portfolio by using short term securities, money market mutual funds and the local government investment pool will assist in minimizing credit and interest rate risk associated with the management of the Board's portfolio. In addition, purchases and sales shall be made for investment purposes and not speculation.

B. Liquidity

The investment portfolio will remain sufficiently liquid to enable the Board to meet operating requirements, which may be reasonably anticipated.

C. Investment Income

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.

IV. PERFORMANCE MEASUREMENT

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

V. 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 any security's credit risk or market price changes, provided deviations from expectations are reported to the Clerk in a timely fashion and appropriate action is taken to control adverse developments. Investment Committee members shall refrain from personal business activity that could conflict with the execution and management of the Board's investment program, or that could impair their ability to make impartial decisions.

VI. DELEGATION OF AUTHORITY

Management responsibility for the investment program is hereby delegated to the Finance Control Officer who shall establish written procedures for the operation of the investment program consistent with the investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction using funds managed by the Clerk without having the majority of votes from the Investment Committee. However, as there are delays caused by a need for additional authorization (majority vote) on the day of the transactions, certain investment environments and emergencies (Disaster Recovery, pandemics, or prolonged remote work, etc.) may require modification to this stipulation. Under circumstances where markets and conditions necessitate timely action to facilitate a more preferable outcome of the investment decision the Chief Financial Control Officer can authorize the Cash Management & Investment Manager and/or Cash Management & Investment Senior Analyst to act on the behalf of the Committee. A pre-determined framework of controls or pre-agreed upon set of parameters established by the Investment Committee still govern these decisions. However, this authorization to act on the behalf of the committee is essential when time constraints or (said conditions) place a burden on execution and/or performance of trades/purchases. The Investment Committee is appointed by the Clerk, or designee, and currently consists of the following individuals in the Clerk's Office:

- Clerk of the Circuit Court & Comptroller
- Chief Financial Control Officer
- Cash Management & Investment Manager
- Cash Management & Investment Senior Analyst
- General Accounting Manager
- Senior Staff

VII. AUTHORIZED INVESTMENTS

The Clerk may purchase investment securities, at prevailing market rates, at an appropriate amount thereof in:

- 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 Government Series (SLGS)).
- B. U.S. Government sponsored enterprises (Federal Instrumentalities): Federal Home Loan Bank (FHLB); Federal Home Loan Mortgage Corp (FHLMC); Federal National Mortgage Association (FNMA); Federal Farm Credit Bank (FFCB); Student Loan Marketing Association (SLMA) (included but not limited to the above).
- C. U.S. Government Agencies: Tennessee Valley Authority (TVA), Government National Mortgage Association (GNMA) (included but not limited to the above).
- D. The Florida Local Government Surplus Funds Trust Fund (Florida Prime) or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01.
- E. Interest-bearing time deposits or savings accounts in banks organized under the laws of this 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 institution must be fully insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC) and are approved by the State Treasurer as a qualified public depository.]

VII. 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 that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that 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 (see Section VIII, "Additional Restrictions".)
- G. Term repurchase agreements with any primary broker/dealer who report daily to the New York Federal Reserve Bank provided such agreements are: (1) in writing; (2) fully secured by securities noted in Section VII; paragraphs (A), (B), or (C) above, and provided further that (a) such collateral is held by the Board or any agent acting solely for the Board during the full term of such agreements; (b) such collateral is not subject to liens or claims of third parties; (c) the Board has perfected first security interest in such collateral, (d) the collateral has a market value (determined at least every seven days) as defined in Section XIII; (e) the collateral shall be readily negotiable; and (f) such agreement shall provide that the failure to maintain such collateral at the level required by clause (d) above will require the Board or their agents to request additional collateral or liquidate when such request is not met.
- H. Overnight repurchase agreements with collateral as defined in Section VII; paragraphs (A), (B), or (C) 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. 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 be rated in the highest category by a nationally recognized rating service. Portfolio securities may not be invested in bonds subject to the federal alternative minimum tax, and 98 percent of the fund's securities or dividends must be tax-exempt.
- K. Florida Local Government Investment Trust (FLGIT), authorized on Resolution number 93-2-31 and through Ordinance number 93-08.
- L. S.E.C. - registered money market mutual funds with average 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 U.S. Government securities and repurchase agreements secured by such securities.

VIII. RESTRICTIONS TO BOARD AUTHORIZED INVESTMENTS

The Clerk acknowledges that all investment instruments stated within this policy are authorized investment vehicles. To protect public funds from unnecessary risk, the Clerk further prohibits or restricts the following investment types.

A. Prohibited Investments

1. Collateralize Mortgage Obligations (CMO).
2. Reverse Repurchase Agreements, Securities Lending.
3. Leverage Purchases (i.e. purchasing securities on margin).

B. Additional Restrictions

1. The investment instrument outlined in Section VII (F) is further restricted in that the fund's portfolio and investment practices must conform to this investment policy.

VIII. RESTRICTIONS TO BOARD AUTHORIZED INVESTMENTS (continued)

2. The institutions outlined in Section VII (E), 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.
3. 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. All proposed derivative purchases must have a written investment plan approved by the Clerk prior to purchase. 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 asset or indices of assets value (i.e., LIBOR, Fed Funds, and COFI).

At any time, the Clerk may approve under separate cover, additions and/or deletions to any of the above investments.

IX. 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. Unless matched to a specific cash flow requirement, funds of the Board will not be directly invested in, or accept as collateral, securities maturing more than five (5) years from the date of purchase.

X. 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 following are guidelines for the investment of the total portfolio in each eligible security is as follows:

1. United States Treasuries/Agencies (As approved in Section VII.)	100%
2. Local Government Surplus Funds Trust Funds & LGIP	50%
3. Term Repurchase agreements	20%
4. Money Market Mutual Funds (no individual fund family can exceed 30% of the overall portfolio)	65%
5. CD's and Savings Accounts (10% per institution)	30%
6. FLGIT	5%

(The Investment Committee may adjust the target percentages of each eligible security in the portfolio due to market and cash flow conditions)

The Clerk recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary loss of liquidity. Portfolio diversification and limiting the purchase price of investments to 102 percent or less are methods utilized in controlling investment risk. The Clerk may approve, under separate cover, an increase or decrease to any of the above limits. Investment managers are expected to display prudence in the selection of securities as a way to minimize default risk. No individual investment transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio. In the event of a default by a specific issuer, the Investment Committee shall review and, if appropriate, proceed to liquidate securities having comparable credit risks.

To control the risk of illiquidity within the pooled cash area, an average minimum dollar amount equivalent to eight weeks of expenditures shall be held in a liquid investment.

XI. RISK AND DIVERSIFICATION

Assets held should be diversified to control the risk of loss resulting from over-concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which these instruments are bought and sold. Investments with bond proceeds or debt service funds for which a resolution or covenant may dictate investment guidelines shall 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 of Circuit Court or their designee.

XI. RISK AND DIVERSIFICATION (continued)

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, occasionally measured losses are inevitable and must be considered within the context of the overall portfolio's investment return, provided adequate diversification has been implemented

XII. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

Financial intermediaries allowed are as follows: (1) financial institutions which qualify under Florida law as 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, with whom the Clerk has Master Repurchase Agreements on file; (3) the Florida Local Government Surplus Funds Trust Fund (Florida Prime) or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01; 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 lists 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.

XIII. SAFEKEEPING AND CUSTODY

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

Employees shall be bonded through either an independent surety or the County's Self -Insurance Fund to protect the public against possible embezzlement and malfeasance. The independent auditors performing the annual financial audit of the County shall review safekeeping procedures annually.

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 exceptions to safekeeping are mutual funds, LGIP's, CD's, time deposits, and SLGS.

The Clerk will execute Third-Party Custodial Agreement(s) with the Board's bank(s) and depository institution(s). Such agreement(s) 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, costs, reporting requirements, 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.

All overnight repurchase agreements entered into with a depository bank must be collateralized by securities in Section VII paragraph (A), (B), or (C) which the depository bank has placed, in a separate account in the Board's name in its trust department. Overnight repurchase agreements entered into with a broker/dealer are required to deliver collateral to the Board's custodial bank.

Collateral must be valued in accordance with the following schedules:

Collateral for overnight and term repurchase agreements, must maintain a minimum price of 101 percent on U.S. Treasuries and 102 percent on Agencies and Instrumentalities. All collateral must have a stated maturity not to exceed five (5) years.

Collateral must be "marked to market" on a weekly basis by the Clerk or an independent source. The seller should be notified of any drop in market value and required to increase the collateral immediately.

XIV. 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.

XV. BID REQUIREMENTS

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, a minimum of three (3) banks and/or dealers must be contacted to provide offerings on the desired securities. All costs (i.e., safekeeping bank charges) should be considered in analyzing the final yield that is provided by the banks or dealers. Except as required by law, the bid deemed to best meet the investment objectives (specified in Section III) will be selected.

XVI. INTERNAL CONTROLS

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

A. The investment and portfolio policies will be reviewed annually and updated as required.

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. The independent auditors performing the annual financial audit of the county shall review the investment policy annually. This review shall confirm the compliance of the internal controls established within the investment policy.

XVII. CONTINUING EDUCATION

All members of the Clerk's Investment Committee; must annually complete eight hours of continuing education in subjects or courses of study related to investment practices and products within a single calendar year.

XVIII. REPORTING

An investment portfolio shall be provided on a weekly basis to the Clerk of Court's Finance and Records Director. This report shall list in detail all the investments held by the Lee County Board of County Commissioners. In addition, a monthly report will be submitted to the Board that shall include, at a minimum, a listing of all securities by type, the book value, income earned, 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.

XIX. 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 as defined in s. 658.12, Florida Statutes. 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.

XIX. SECURITIES DISPOSITION (continued)

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.

XX. 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 investment at the then prevailing market price and place the proceeds into the proper account or fund of the Board.

XXI. PREEMPTION

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

XXII. AUDITS

The independent auditors conducting the annual financial audit of the County pursuant to s. 218.39, F.S. shall report, as part of the audit, whether the Clerk has complied with the investment policy.

Ken C. Ka
06-15-2022