

**I. SCOPE:**

This Investment Policy applies to all funds (excluding pension funds) held by or for the benefit of Nassau County, Florida (the County).

**II. INVESTMENT OBJECTIVES**

The following investment objectives will be applied in the management of the County's funds.

- A. The primary objective of the investment activities is the protection of County Funds.
- B. The investment strategy will provide sufficient liquidity to meet the County's operating, payroll, and capital requirements.
- C. When investing public funds, the Clerk of the Circuit Court and Comptroller (Clerk) will strive to maximize the return on the portfolio while minimizing investment risk.
- D. The Clerk will set procedures to properly diversify the investment portfolio and minimize the inherent risk associated with investment portfolios.

**III. PRUDENCE AND ETHICAL STANDARDS**

The County shall use the “prudent person” standard in the management of the overall investment portfolio.

The "prudent person" standard is herewith understood to mean:

Investments shall be made with judgment and care, under the circumstances then prevailing, that 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.

The Clerk, or designee, acting as a “prudent person” in accordance with these written policies and procedures and exercising due diligence, shall not be responsible for a security's credit risk or market price changes provided that appropriate monitoring efforts are performed.

**IV. INVESTMENT PERFORMANCE AND REPORTING**

A portfolio report shall be provided quarterly to the County Commission. The reports shall include a breakdown of the portfolio and its overall performance during that period.

**V. DELEGATION OF AUTHORITY**

Responsibility for the administration of the investment program pursuant to Florida Statutes Section 28.33 and 218.415 is hereby delegated to the Clerk who shall establish investment procedures based on these policies. The Clerk shall be responsible for implementing internal controls and monitoring the activities of subordinate staff.

## **VI. AUTHORIZED INSTRUMENTS**

The Clerk or designee, shall purchase or sell investment securities at prevailing market rates. Authorized instruments are as follows:

- A. Intergovernmental pools authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01, Florida Statutes.
- B. Negotiable direct obligation or obligations, the principal and interest of which are unconditionally guaranteed by the United States government. Such securities will include, but not be limited to, the following:
  - 1. Series (SLGS)
  - 2. Treasury Bills
  - 3. Treasury Notes
  - 4. Treasury Bonds
- C. Bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by United States agencies provided such obligations are back by the full faith and credit of the United States Government. Such securities will include, but not be limited to, the following:
  - 1. Farmers Home Administration Certificates of beneficial ownership
  - 2. Federal Housing Administration Debentures
  - 3. Government National Mortgage Association(GNMA)
    - GNMA-guaranteed mortgage-back bonds
    - GNMA-guaranteed pass-through obligations
- D. Bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by United States Government agencies (Federal Instrumentalities) which are non-full faith credit agencies limited to the following:
  - 1. Federal Farm Credit Bank (FFCB)
  - 2. Federal Home Loan Bank or its district banks (FHLB)
  - 3. Federal National Mortgage Association (FNMA)
    - FNMA - guaranteed pass-through obligations
  - 4. Federal Home Loan Mortgage Corporation (Freddie-Macs) including Federal Home Loan Mortgage Corporation participation certificates
    - FHLMC - guaranteed pass-through obligations
- E. Non-negotiable interest.-bearing time certificates of deposit or savings accounts in banks or savings associations organized under the laws of the United States and doing business and situated in this state, provided that any such deposits are secured pursuant to the Florida Security of Public Deposits Act, Chapter 280, Florida Statutes, and provided that the bank or savings association is not listed with any recognized credit watch information service. The Money Manager shall be responsible for reviewing credit watch status.
- F. Repurchase agreements comprised of only those investments as authorized in Sections B, C, and D and having a maturity of 180 days or less.
- G. Derivative securities, 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. Securities of this type which are prohibited investments include:

1. Reverse repurchase agreements.
2. Floating rate securities whose coupon floats inversely to an index or whose coupon is determined based upon more than one index.
3. Tranches of Collateralized Mortgage Obligations (CMOs) with the following characteristics: receives only the interest or principal from the underlying mortgage securities, commonly referred to as "IO's" and "PO's".
4. Securities whose future coupon may be suspended because of the movement of interest rates or an index.

Investment in these securities shall be limited to those types previously authorized herein and will only be utilized if recommended by the Clerk's Money Manager.

The County will not use leverage in its investment portfolio.

- H. Securities and Exchange registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- I. Corporate Obligations or Corporate Notes of U.S. Corporations with at least two of the following three minimum ratings: "A" by Standard & Poor's, "A3" by Moody's, or "A" by Fitch.
- J. Commercial Paper denominated in United States dollars that are rated, at the time of purchase, Prime-1 by Moody's and A-1 by Standard & Poor's (Prime Commercial Paper). If the Commercial Paper is backed by a letter of credit (LOC), the long-term debt of the LOC provider must be rated A or better by at least two nationally recognized statistical rating organizations (NRSRO's).
- K. Any investment authorized or permitted by Florida Statutes or any other law of the State of Florida controlling the investment of a public funds of a County.

## **VII. PORTFOLIO COMPOSITION**

The guidelines for investments and limits on security issues, issuers, and maturities as established by the County are addressed herein. Purchases of investments based on bond covenant requirements shall not be included in the portfolio's composition calculations.

| Authorized Investments   | Portfolio Maximum | Per Issuer Maximum | Maturity  | Rating Requirement (Minimum)  |
|--|-------------------|--------------------|-----------|---|
| Local Government Investment Pools (LGIP's)<br>Stable NAV<br>Floating NAV                   | 100%              | n/a                | n/a       | Stable NAV "AAA", \$in/\$out "AAAF", Floating NAV "AAAF" (S&P or equivalent by another NRSRO)       |
| Money Market Deposit Accounts  | 100%              | n/a                | n/a       |   |
| Money Market Funds - Registered Investment Companies                                       | 75%               | 50%                | n/a       |   |
| U. S. Government Securities  | 75%               | n/a                | 5 yrs     |   |
| U.S. Government Agencies   | 75%               | 25%                | 3 yrs     |   |
| Federal Instrumentalities  | 75%               | 40%                | 3 yrs     | Secured by the FL Security for Public Deposits Act, F.S. Chapter 280                                |
| Interest Bearing Certificates of Deposit or Savings Accounts/Qualified Public Depositories | 100%              | 50%                | n/a       |   |
| Repurchase Agreements  | 50%               | 25%                | ≤180 days | Secured by the FL Security for Public Deposits Act, F.S. Chapter 280                                |
| Commercial Paper   | 50%               | 15%                | 270 days  | P-1 by Moody's and A-1 by S&P. If backed by LOC l/t debt must be rated "A" or better by (2) NRSRO's |
| Corporate Obligations or Corporate Notes   | 25%               | 10%                | 3 yrs     | "A" by (2) NRSRO's  |
| Any Investment authorized or permitted by FL statutes                                      |                   |                    |           |   |

## **VIII. INVESTMENT MATURITY AND LIQUIDITY**

To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of current operating funds shall have maturities of no longer than twelve (12) months. Investments of bond reserves, construction funds, and other non-operating funds shall have a term appropriate to the need for funds and in accordance with debt covenants. The maturities of the underlying securities of a repurchase agreement will follow the requirements of Master Repurchase Agreement in the form approved by the Public Securities Association.

## **IX. BID POLICY**

After the Clerk or designee, has determined the approximate maturity date based on cash flow needs and market conditions, a minimum of three (3) banks and or dealers must be contacted and asked to provide bids. To the extent permitted by law, bids will be held in confidence until the highest bid is determined and awarded. If the maturing investment is a certificate of deposit, then one of the contracts shall be the present holder of the funds. Due to the cost of safekeeping, one business day repurchase agreements and overnight sweep repurchase agreements will not be bid, but may be placed with the depository bank relating to the demand account for which the repurchase agreement was purchased. This bid policy shall not apply to investments authorized in Section VI-A.

## **X. RISK AND DIVERSIFICATION**

The investment portfolio goal shall be to diversify or minimize the risk of loss resulting from the overconcentration of assets in a specific maturity, issuer, instrument, dealer, or

bank through which these instruments are bought and sold. The appropriate management staff shall review and revise periodically as necessary the diversification strategies within the established guidelines.

**XI. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS**

The Clerk shall only purchase securities from financial institutions that are qualified as public depositories by the Treasurer of the State of Florida, or securities dealers that are members of the National Association of Securities Dealers (NASD) and the Securities Investors Protection Corporation (SIPC) with a physical presence in Florida and having minimum net capital as required by Rule 15c3-1 of the Securities and Exchange Commission (SEC) of ten million (\$10,000,000), or primary securities dealers as designated by the Federal Reserve Bank of New York. Repurchase agreements shall only be entered into with primary securities dealers and financial institutions that are state-qualified public depositories.

**XII. THIRD PARTY CUSTODIAL AGREEMENTS**

The Clerk may execute a Third-Party Custodial Safekeeping Agreement with a commercial bank having a trust company chartered by the United States Government or the State of Florida. All securities purchased or collateral obtained by the County shall be properly designated as an asset of the County and held in safekeeping by the trust department or trust company. No withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the Clerk or designee.

The Third-Party Custodial Safekeeping Agreement shall include letters of authority from the County, detail of each party's responsibilities, notification of security purchases, sales, delivery, repurchase agreements, wire transfers, safe-keeping and transactions costs, procedures in case of wire failure, or other unforeseen mishaps including liability of each party.

**XIII. 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. All repurchase agreement transactions will adhere to the requirements of the Master Repurchase Agreement.

**XIV. INTERNAL CONTROLS**

The Clerk shall establish and monitor a system of internal controls designed to protect the County's funds and ensure proper accounting and reporting of the securities transactions.

- A. The Clerk is authorized to accept on behalf of and in the name of Nassau County, bank trust receipts or confirmation as evidence of actual delivery of the obligations or securities in return for investment of funds. All securities purchased or sold will be transferred only under the "deliver versus payment" (D.V.P.) method to ensure that

funds or securities are not released until all criteria relating to the specific transaction are met.

- B. Trust receipts or confirmations shall fully describe the various obligations or securities held. The receipt or confirmation shall state that the investment is held in the name of Nassau County, Florida.
- C. The actual obligations or securities, whether in book-entry or physical form, on which trust receipts or confirmations are issued may be held by a third-party custodial bank and/or institution or designated correspondent bank with a correspondent relationship to the County's third-party custodian.
- D. Other internal controls such as:
  - 1. Written documentation transactions of telephone
  - 2. Adequate separation of duties
  - 3. Custodial safekeeping
  - 4. Supervisory control of employee actions and operations review
  - 5. Performance evaluations and interim reporting
- E. The Clerk will coordinate all daily investment activity. The Clerk shall designate specific employee positions as those with authority to initiate investment activities; other positions may be designated as the Clerk deems necessary.

#### **XV. MONEY MANAGERS**

The Clerk may contract with an outside money manager for the investment of County funds.

#### **XVI. STANDARD OF ETHICS**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or other activities that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Clerk any material financial interests in financial institutions that conduct business with the County and shall further disclose any large personal financial or investment positions that could be related to the performance of the County's portfolio. Employees and investment officers shall subordinate their personal investment transactions to those of this jurisdiction, particularly with regard to the timing of purchases and sales.

#### **XVII. REPORTING**

The Clerk shall submit annually to the County Commission an investment report outlining the County's investment transactions for the preceding year and describing the County's investment position as of the date of the report. Earnings on investments shall be compared to the Florida Local Government Surplus Trust Fund (SBA) or its predecessor relative to portfolio performance. In addition to the required annual report, quarterly reports will also be provided. Such quarterly reports will show a breakdown of the portfolio and performance during the month.

#### **XVIII. AUDITING**

The annual audit of the County's financial records will include a review of all investment activity for the year for compliance with these investment procedures.

**XIX. INDEMNITY**

The Clerk and designees authorized to invest County funds shall be personally indemnified in the event of investment loss provided investments are made in full compliance with these policies.