

RESOLUTION 3518

RESOLUTION OF THE BOARD OF COUNTY
COMMISSIONERS OF BAY COUNTY, FLORIDA, ADOPTING
INVESTMENT POLICIES FOR SURPLUS FUNDS; AND
PROVIDING AN EFFECTIVE DATE.

WHEREAS, s. 218.415, F.S., directs local governments to adopt a written investment plan for the investment of any public funds in excess of the amounts needed to meet current expenses;

WHEREAS, pursuant to sec. 2-86, of the Bay County, Florida, Code of Ordinances, the Clerk of Court has proposed revisions to the investment policies previously adopted by the Board of County Commissioners.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF BAY COUNTY, FLORIDA that:

Section 1. The Bay County, Florida, Investment Policies attached as Exhibit "A" are approved and adopted.

Section 2. This Resolution shall become effective immediately upon its adoption.

DONE AND ORDERED this 20 day of March, 2018.

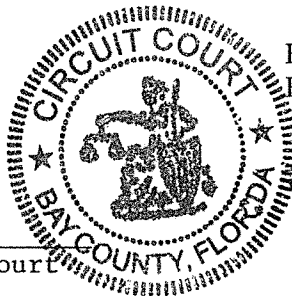
ATTEST:

Bill Kinsaul
Bill Kinsaul, Clerk of Court

By: Kim Rodgers
Kim Rodgers, Deputy Clerk

Approved as to Form:

Brian D. Leebrick
Office of the County Attorney



BOARD OF COUNTY COMMISSIONERS
BAY COUNTY, FLORIDA

William T. Dozier
William T. Dozier, Chairman



Brian D. Leebrick

BAY COUNTY, FLORIDA
INVESTMENT POLICIES

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BAY COUNTY INVESTMENT POLICIES

These investment policies apply to all funds under the control of the Bay County Board of County Commissioners in excess of those funds required to meet current expenses, which are the responsibility of the Clerk of the Circuit Court. These investment policies shall not apply to funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds.

I. INVESTMENT RESPONSIBILITIES

A. LEGAL REQUIREMENTS

These investment policies are established in accordance with Florida Statutes sec. 218.415, Local government investment policies, and Ordinance 2-86 of the Bay County Code of Ordinances.

1. Investment Authority of Bay County

Investments of Bay County must conform to the provisions of Florida Statutes sec. 218.415, as amended from time to time. By State Law, the Clerk of Circuit Court and Comptroller, shall implement the investment policies established by the Board pursuant to sec 218.415. The Clerk is herewith delegated the responsibility of establishing detailed investment and accounting procedures to govern the day to day investment activities necessary to carry out these investment policies.

The Clerk may utilize the services of an external investment manager in order to enhance investment yield, minimize investment portfolio risk and employ more sophisticated investment strategies.

2. Authorized Investments

The Clerk is authorized under Florida Statute sec. 218.415(16) to undertake investments in the following authorized investments:

- a. The State Board of Administration Local Government Surplus Funds Trust Fund (Florida Prime) or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in s.163.01.

- b. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- c. Interest-bearing time deposits or savings accounts in qualified public depositories as defined in s.280.02.
- d. Direct obligations of the United States Treasury.
- e. Federal agencies and instrumentalities.
- 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.

In addition, the Clerk is authorized by law or by county ordinance to invest funds in the following securities. For the purposes of this policy, the Nationally Recognized Statistical Rating Organizations (NRSROs) for all credit sensitive securities are Moody's Investor Services, Standard and Poor's, and Fitch Investor Services:

- g. Commercial Paper of U.S. Corporations having a rating of at least A-1, P-1, or F-1 by two (2) NRSROs.
- h. Bankers' Acceptances that are eligible for purchase by the Federal Reserve Banks and have a Letter of Credit rating of A or better by any NRSRO.
- i. Obligations, rated A3/A- or better by at least one (1) NRSROs, of any state and its various local governments.
- j. Overnight Repos (Repurchase Agreement).
- k. Corporate Debt Securities dollar denominated rated A3/A- or better by at least two (2) NRSROs.
- l. U.S. Agency (FNMA, FHLMC and GNMA) Mortgage-Backed Securities including Collateralized Mortgage Obligations (CMOs), but excluding derivative mortgage securities, such as interest-only, principal-only, residuals and inverse floaters.

- m. U.S. Small Business Association (SBA) government guaranteed securities.
- n. Asset-Backed Securities (ABS) rated AA3/AA- or better by at least 2 NRSROs at the time of purchase.
- o.

Authorized investments and limitations are further detailed in Exhibit A.

The Clerk's investment officials and chief financial officer will exercise extreme caution in the use of derivatives and will consider their use only after developing a sufficient understanding of the products and after having obtained the expertise to manage them.

All approved institutions and security broker/dealers transacting repurchase agreements with the Clerk are required to execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.

The Clerk is herewith authorized to borrow from other funds of the County (as investments), provided there has been full compliance with all necessary legal and accounting requirements.

3. Collateral Requirements

The Clerk is required by the provisions in Florida Statutes Chapter 280 to place its deposits only in a "qualified public depository", as that term is defined in the Florida Statutes. Any deposit placed in a qualified public depository is deemed to be adequately collateralized by Florida Statutes. Subsequent failure by a qualified public depository to return public deposits to Bay County in a timely manner will be governed by Chapter 280, as amended. In the event of a repeal of Chapter 280, the Clerk shall adopt alternative collateralization policies.

II. INVESTMENT OBJECTIVES

A. SAFETY OF CAPITAL

Safety of capital is regarded as the highest priority in the handling of investments for Bay County. All other investment objectives are secondary to the safety of capital. Each investment transaction shall seek to ensure first that capital losses are avoided, whether they are from security defaults or erosion of market value.

From time to time, securities may be traded for other similar securities to improve yield, maturity or credit risk. For these types of transactions, a loss may be incurred for accounting purposes.

B. MAINTENANCE OF ADEQUATE LIQUIDITY

The investment portfolio must be structured in such a manner that will provide sufficient liquidity to pay obligations as they become due. Specific policies describing the manner in which adequate liquidity is maintained are described in Section III, B of these policies.

C. RETURN ON INVESTMENTS

The Clerk seeks to optimize return on investments within the constraints of safety and liquidity. The investment portfolio shall be designed with the objective of exceeding the moving average rate of return of the State Board of Administration for short-term investments (one year or less). Long term investments (more than 1 year) will be benchmarked against an appropriate 1 to 5 year Treasury Index. The appropriate index will have a duration and asset mix that approximates the portfolio.

D. 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 change, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

The "prudent person" rule is herewith understood to mean the following:

"Investments 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 from the investment."

III. INVESTMENT POLICIES

A. SPECIFIC POLICIES TO ENSURE SAFETY OF PRINCIPAL

The following specific policies are set forth below to provide additional guidance in implementing the first investment objective of safety of capital.

1. Reducing Credit & Counterparty Risk

a. Approved Broker/Dealers

For internally managed funds, the Clerk shall purchase securities only from those broker/dealers or banks included on the Clerk's approved list. The approved list will be in accordance with these Investment Policies.

For banks and savings and loan associations to be included on the approved list, they must be a Qualified Public Depository, as determined by the State of Florida. Additionally, other financial institutions can become approved if they have a shareholder's equity of at least \$250 million. A listing of the Qualified Public Depositories is available on a quarterly basis from the Florida Administrative Weekly. The Clerk of Circuit Court must approve all banks before they are included on the list.

Brokers and dealers included on the Federal Reserve Bank of New York's list of primary government securities dealers may be included on the Clerk's approved list or those brokers/dealers who have a contractual relationship, or fiduciary responsibility with the Clerk in some other capacity. Secondary brokers/dealers that are adequately financed to conduct public business may also be on the Clerk's approved list.

The Clerk's approved list shall be reviewed and updated at least annually.

Repurchase Agreements will be conducted only with principals and not through third party brokers acting as agents. Repurchase Agreements will be in the form specified in Section h below.

External investment managers are exempt from this broker/dealer selection policy. External managers are permitted to maintain and utilize their own list of approved broker/dealers so long as the broker/dealers are selected and monitored in accordance with the manager's fiduciary duty to Bay County.

b. Disposition of Securities

Every security purchased on behalf of the Board of County Commissioners must be properly earmarked and:

1. If registered with the issuer or its agents, must be immediately placed for safekeeping in a location that protects Bay County's interest in the security.
2. If in book entry form, must be held for the credit of Bay County 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, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is 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; or
3. If physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault.

The Clerk may also receive bank trust receipts in return for investment of surplus funds in securities. Any trust receipts received must enumerate the various securities held, together with the specific number of each security held. The actual securities on which the trust receipts are issued may be held by any bank depository chartered by the Federal Government, this 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 ins. 658.12, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this state.

c. Safekeeping of Securities

To protect against potential fraud and embezzlement, the investment securities (non-time deposits) of the Clerk shall be secured through third-party custody and safekeeping procedures. All securities purchased by, and all collateral obtained by, the Clerk should be properly designated as an asset of the Bay County Board of County Commissioners. No withdrawal of securities, in whole or in part, shall be made from safekeeping, except by an authorized investment official of the Clerk's office. Investments held in custody and safekeeping by the Federal Reserve Bank of Jacksonville or any other Reserve Bank will qualify as third-party safekeeping.

Certificates of deposits and other time deposits do not need to be placed with a third-party custodian, since they are collateralized through Chapter 280 of the Florida Statutes.

Prior to any securities being transferred to a third-party custodian bank, a custodian/safekeeping agreement will be executed by both parties and placed on file.

d. Delivery vs. Payment

Simultaneous to the release of County funds to purchase a security, there will be a delivery of the securities purchased. Accordingly, for any sale of securities, there will be a simultaneous transfer of money to the Clerk before the release of the securities. This policy ensures that the Clerk neither transfers money nor securities before receiving the other portion of the transaction. Rather, both transfers will happen simultaneously through a custodial bank, authorized to conduct transactions for the Clerk.

Delivery in or out of safekeeping with a Federal Reserve Bank will not be done simultaneously.

e. Collateralization

Collateral for public deposits is controlled by the State of Florida through Chapter 280 of the Florida Statutes. The Clerk shall not be under any obligation to secure additional collateral beyond the provisions set forth in Chapter 280, except in the case of Repurchase Agreements.

Collateral requirements for Repurchase Agreements will be contained in the Master Repurchase Agreement, executed between the Clerk and the broker/dealer or bank. The actual collateral requirements will be based on economic and financial conditions existing at the time of execution, as well as the credit risk of the particular broker/dealer or financial institution which enters into the repurchase agreement with the Clerk.

At no time will the collateral (margin ratios) be less than the following provisions:

Maturity of Purchased Securities	United States Treasury and Agency Securities
Under 1 year	101%
Over 1 year	102%

Market Value. In determining market value, dealers' bid prices shall be used, as quoted daily in the Wall Street Journal, or other acceptable media, and accrued interest shall be included.

f. Investment and Bidding Process for Internally Managed Funds

All investments, except the daily open repurchase agreement with the concentration bank, investments in money market accounts, and daily investments to the State Board of Administration, will be purchased through a competitive bidding process, using the dealers and financial institutions on the approved list. The investment official shall determine the approximate maturity date based on cash-flow needs and market conditions, analyze and select one or more optimal types of investment, and competitively bid the security in question when feasible and appropriate. The Clerk is under no obligation to secure competitive bids from all the dealers or financial institutions on the approved list. Rather, a decision will be made by the investment officials as to the institutions that have been the most competitive over the last few weeks and these will be contacted for a bid. Documentation will be retained for all bids, with the winning bid clearly identified. Except as otherwise required by law, the bid deemed to best meet the investment objectives specified in Section II shall be selected.

In certain circumstances where a dealer or bank informs the Clerk of a potential purchase or sale that must be completed within minutes of notification, the competitive bidding policy may be waived. The Clerk of Court or Director of Finance must approve these transaction types prior to completion.

From time to time, various government agencies announce the issue of new securities to the financial markets. Since all new issues are sold at par, the Clerk would not realize any benefit by purchasing these securities through the competitive bid process. If the new issue or "To Be Announced" security falls within the portfolio diversification and maturity requirements of one of the various funds of the County, the Clerk shall at his discretion place the investment with the bank or broker who initiated the contact on the investment opportunity.

g. Diversification of Portfolio

Prudent investing necessitates that the portfolio be diversified as to instruments, dealers, and maturities. Diversification is practiced to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold. The maximum limits identified on Exhibit "A" are established for diversification by instrument, subsector and issuer. The Clerk of Circuit Court may periodically review and propose revisions to these guidelines as deemed necessary.

h. Written Repurchase Agreements

All repurchase agreements must be in written form using the Public Securities

Association (PSA) Master Repurchase Agreement as a guide. Agreements shall conform materially to the recommendations by the Government Finance Officers Association. Agreements not substantially conforming to this Master Agreement are unacceptable.

2. Reducing Interest Rate Risk

Generally, the longer the maturity of a particular investment, the greater its price volatility. Accordingly, the Clerk seeks to limit its risk by maintaining an investment portfolio with limited volatility. Procedures are established below.

Pooled Cash and Investment (no restrictions):

No security shall have an estimated average return of principal exceeding 5 years. The weighted average duration of principal return for the portfolio shall be less than 3.5 years. These restrictions shall be modified for adjustable rate securities, whose maturities could be as much as 30 years. The total adjustable rate securities purchased shall not be more than 25% of the total portfolio.

Restricted Accounts:

Securities will have a maximum maturity consistent with the nature of the restricted accounts.

B. POLICIES TO ENSURE ADEQUATE LIQUIDITY

1. Maintenance of Liquidity Base

To the greatest extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash-flow requirements. A minimum liquidity base of approximately two months of anticipated disbursements will be kept in relatively short-term investments. These would include the state Investment Pool, Repurchase Agreements, Money Market Accounts and U.S. Treasury Obligations.

2. Maximum Maturity on Repurchase Agreement

The maximum maturity for any single Repurchase Agreement, except for the daily repurchase agreement with the concentration bank, will be one (1) year.

3. Purchase Securities with Active Secondary Market

Although many securities are acceptable for investments, using the legal authorized list, some are not very desirable from a liquidity standpoint. Accordingly, although investments may be on the authorized list, only those

securities with an active secondary market may be purchased from that list.

4. Long-Term Investments

No more than fifty percent (50%) of the County's available financial assets may be invested long-term at any one time. Long-term is defined as greater than one year. No individual security will have a stated final maturity greater than 5 years with the exceptions of mortgage-backed, asset-backed and Small Business Administration securities which shall have a 5 year weighted average life (WAL) maximum.

5. Sale of Securities

When the invested funds are needed in whole or 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 Bay County Board of County Commissioners.

C. POLICIES TO ACHIEVE INVESTMENT RETURN OBJECTIVES

1. Active Portfolio Management

The Clerk shall actively manage the investment portfolio within the constraints outlined in these investment policies. By using an active portfolio management philosophy, rather than a "buy and hold" philosophy, portfolio yield will be enhanced without any appreciable increase in risk. Outside investment managers may be used, as necessary, to direct a portion of the portfolio, using approved investments to enhance returns, subject to approval by the Clerk of Court.

Active portfolio management will be achieved by adherence to the following policies and procedures:

- a. A "Cash Location Report" will be generated on a daily basis. This report shall provide the Clerk with timely information concerning the diversification of the County's investment portfolio.
- b. Upon generation of the "Cash Location Report", the investment officials shall determine if the portfolio is in compliance with diversification guidelines established in Section II, A, 1, g above. If the portfolio is not in compliance, the issue will be promptly reported to the Clerk of Circuit Court and/or the Director of Finance. Any resolutions deemed necessary to correct the instance of non-compliance shall be implemented within a forty-eight (48) hour period, excluding weekends and holidays. If the occasion should occur where the non-compliance is not corrected, the

reasons there forth shall be documented in writing.

- c. The Clerk shall provide such reports to the Board as the Board may establish by ordinance, and such other reports as are requested from time to time.

2. Portfolio Maturity Management

When structuring the maturity composition of the portfolio, the Clerk shall evaluate current and expected interest rate yields, by evaluating the general economic conditions. Whenever interest rates are expected to increase in the near future, actions will be taken by the Clerk on the portfolio to shorten the maturities. Accordingly, whenever interest rates are expected to decrease, the maturities of the portfolio will be lengthened, as appropriate. Specific procedures for evaluating the general economic conditions are to be incorporated into the investment procedures. However, managing maturities to maximize returns is secondary to maintaining safety and adequate liquidity.

Market aberrations occasionally create a situation where certain higher risk securities yield the same or less than equivalent lower risk security. Portfolio quality can be improved by switching from the higher risk security to a lower risk security without any interest rate penalty (swaps). Temporary accounting losses on swaps can be incurred, provided the loss is more than offset by the higher yield. Procedures for evaluating and recording bond swaps will be developed by the investment officials.

D. POLICIES TO ENSURE ETHICAL AND PRUDENT ACTION

1. Establishment of Internal Controls

The Clerk shall establish, exercise and monitor a system of internal controls and operating procedures. These controls and procedures shall be in writing and made a part of the Clerk's operational procedures. They shall also be reviewed by the Clerk's independent auditors as a part of their required periodic financial audit. The internal controls and operating procedures shall address the following points:

- a. Control of collusion.
Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
- b. Separation of functions.

By separating key function and having different people perform each function, each person can perform a "check and balance" review of other people in the same area.

- c. Separation of transaction authority from accounting and recordkeeping.
By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a good separation of duties is achieved.
- d. Custodial safekeeping.
Securities purchased from any bank or dealer, including appropriate collateral, should be placed into a third party bank for custodial safekeeping.
- e. Avoidance of bearer-form securities.
Bearer-form of securities are much easier to convert to personal use, than securities that are registered in the name of Bay County.
- f. Avoidance of physical delivery securities.
Book entry securities are much easier to transfer and account for, since actual delivery is never taken. Physical delivery securities must be properly safeguarded, as are any valuable documents. The potential for fraud and loss increases with physical delivery securities.
- g. Clear delegation of authority to subordinate staff members.
Subordinate staff members must have a clear understanding of their authority and responsibilities, to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is built around the various staff positions and their respective responsibilities.
- h. Specific limitations regarding securities losses and remedial action.
Securities losses may be necessary to implement this Investment Policy. These losses should be restricted to specified purposes and proper documentation and required approval should be clearly defined for each person.
- i. Written confirmation of telephone transactions for investments and wire transfers.
Due to the potential for errors and improprieties arising from telephone transactions all such transactions should be supported by written communications and approved by the appropriate person.
- j. Documentation of transactions and strategies.
All transactions and the strategies that may have been used to develop the transactions should be documented in writing and

approved by the appropriate person.

- k. Development of a wire transfer agreement with the concentration bank. This agreement should outline the various concern and security provisions for making and receiving wire transfers.
- l. Investment Expertise. Officials responsible for making investment decisions must have the expertise to manage the types of investments they are managing. The Clerk shall exercise extreme caution in the use of derivatives and will consider their use only after developing a sufficient understanding of the products and after having obtained the expertise to manage them.
- m. Conflicts of Interest. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the Investment Policy, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Board of County Commissioners any material financial interest in financial institutions that conduct business within the County, and they shall further disclose any personal financial or investment positions that could be related to performance of the County's investments, particularly with regard to the time of purchases and sales.

2. Training and Education

Continuing education shall be provided for the officials responsible for making investment decisions and/or the Director of Finance. Such officials must complete a minimum of eight (8) hours of continuing education in subjects or courses of study related to investment practices and products annually.

3. 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.

4. Preemption

Any provision of any special act, municipal charter, or other law which prohibits or restricts the Clerk from complying with Florida Statutes, sec. 218.415 or any rules adopted under this statute, is void to the extent of conflict.

EXHIBIT A
Bay County Permitted Investments

Security Type	Portfolio Sector Maximum	Subsector Maximum	Per Issuer Maximum	Maximum Maturity/ WAL Limit	Quality Minimum
Florida Prime SBA Fund	100%	NA	NA	NA	NA
FL Local Government Investment Trust (FLGIT) or the FL Municipal Investment Trust (FMIVT)	15% each Pool	NA	NA	NA	NA
Constant Net Asset Value Money Market Mutual Funds	100%	NA	NA	NA	AAA SEC-qualified permitted investments
Financial Deposit Instruments Qualified Public Depositories (including certificates of deposit)	60%	NA	NA	NA	s.280.02
Repurchase Agreements	50% if overnight	NA	20.0%	1-Days	Requires Master Repo Agreement
Bankers' Acceptances	25%	NA	5.0%	270-Days	A1/P1 by 1 NRSRO
Commercial Paper	30%	No ABCP	5.0%	270-Days	A1/P1 by 2 NRSRO
United States Treasury	100%	NA	NA	5-Year Maturity	NA
United States Federal Agencies (full faith and credit)	100%	NA	20.0%	5-Year Maturity	Agency
Other Government Agencies (Non-full faith and credit)	60%	NA	20.0%	5-Year Maturity	Agency
Corporate Debt Securities	25%	NA	3.0%	5-Year Maturity	A3/A- by 2 NRSRO
Municipal Debt Obligations	40%	NA	3.0%	5-Year Maturity	A3/A- by 1 NRSRO
Mortgage-Backed Securities (MBS), including CMOs	35%	Agency-only	5.0%	5-Year WAL	Agency
Asset-Backed Securities (ABS)	10%	NA	3.0%	5-Year WAL	Aa2/ AA by 2 NRSRO

The maximum combined portfolio allocation to MBS, SBA, and ABS securities is 45% at time of purchase.

The maximum combined portfolio allocation to corporate debt and municipal securities is 45% at time of purchase. Portfolio securities may be purchased in either fixed or floating-rate form.