Board of County Commissioners
Leon County, Florida

Policy No. 02 - 12

Title:	Leon County Investment Policy
Date Adopted:	~~January 11, 2005~~ September 2, 2008
Effective Date:	~~January 11, 2005~~ September 2, 2008
Reference:	N/A
Policy Superseded:	Policy No. 02-12, revised January 11, 2005; Policy No. 02-12, adopted September 17, 2002 ~~None~~

It shall be the policy of the Board of County Commissioners of Leon County, Florida, that Policy No. 02-12, revised January 11, 2005; is superseded and a revised Policy No. 02-12, Leon County Investment Policy, is hereby adopted, to wit:

It is the policy of the Leon County Finance Division that:

Introduction

The following Investment Policy, within the context of the County's Investment Ordinance, is intended to set forth the framework within which the County's investment activities will be conducted. The Investment Policy establishes parameters for investment activity, which may be further restricted by the Investment Oversight Committee or by investment staff. The Investment Policy provides parameters to limit risk and ensure a broadly diversified portfolio. Upon approval of changes to the Investment Policy, existing holdings which are inconsistent with the requirements are exempt from the new Policy. These holdings will be managed prudently, while efforts are made to bring into compliance with new Policy.

In establishing this Investment Policy, the Board of County Commissioners recognizes the traditional relationship between risk and return and acknowledges that all investments whether they are for one day or years, involve a variety of risks related to maturity, duration, credit, market and reinvestment risk.

When choosing between alternative investments, staff should structure the portfolio based on an understanding of the variety of risks and basic principles of diversification on the structure of the portfolio. With adoption of this Investment Policy, the County recognizes the goals of preservation of principal, maintaining adequate liquidity and ultimately pursuing attractive total return in the portfolio management, in that order. Ongoing portfolio management is to add economic value to a portfolio under circumstances prevailing during the management process ~~from time to time.~~ This may necessitate the sale of securities at a loss in order to reduce portfolio risk (without ~~any~~ material reduction in return) or to achieve a greater overall return (without assuming material amounts of additional risk) that could have been obtained if the original position had been held.

The Board recognizes the value of external, as well as internal, management. External management is best employed where greater knowledge and skills are required due to either the nature of the investment instruments, the risks associated with longer duration, or the need to closely monitor credit considerations. Internal management is best employed when risks are low, maturity considerations limited, and the ability for external management to enhance yield is limited by low overall interest rates.

I. SCOPE

This ~~Investment~~ Policy applies to all funds held by the County in excess of those required to meet current expenses.

II. GOALS

The goal of the investment program, to the extent feasible, should be:

A. To ensure that all of the public funds in possession of the County are invested 100% of the time in either interest-earning accounts or interest bearing securities;

B. To produce investment income and price return (total return) at a level determined to be reasonable based on market dynamics or appropriate benchmarks.

III. INVESTMENT OBJECTIVES

The primary ~~following~~ objectives ~~will be applied in the management of the County's funds.~~ of all investment activities for the County should be safety of principal, maintenance of adequate liquidity, and finally, return maximization.

A. ~~The primary investment objective is to insure safety of County Assets.~~ Safety of Principal-This is the foremost investment objective. Investment transactions should seek to keep capital losses to a minimum, whether the result of security defaults or erosion of market value. This is best insured by establishing minimum acceptable credit ratings ~~and limiting any exception thereto,~~ limiting the portfolio's overall duration ~~and the duration of individual holdings,~~ setting maximum exposures by ~~market~~ sector, defining appropriate levels of diversification and authorized transactions and limiting exceptions. ~~Requiring a minimum investment in a basket of securities either fully guaranteed by the U. S. Government or issued by an Agency of Instrumentality of the U. S Government.~~

B. Maintenance of Adequate Liquidity-A portion of the County's overall portfolio should be maintained very liquid. ~~The second priority will be to provide sufficient liquidity~~ to meet ~~the County's~~ operating, payroll, and ongoing capital requirements. ~~Adequate liquidity will minimize the likely requirement to sell instruments before maturity and minimize transaction cost and will be accomplished through this portfolio by:~~ Maintaining a core level of assets with the ~~SBA and~~ government pools, such as the Treasury Special Purpose Investment Account (SPIA) or other short-term entities, is viewed as the best way of maintaining secure asset values with sound investment practices.

The remainder of the overall portfolio should be managed in such a manner that funds can be liquidated in a reasonable amount of time, recognizing that there are other sources for day-to-day liquidity and that this portfolio is primarily available for income generation within the constraints of this Policy.. ~~Maintaining a liquidity portfolio.~~

C. Return Maximization-Return is of least importance compared to the safety and liquidity objectives above. Return maximization is to be guided by the predefined and acceptable levels of risk as defined in this Policy. ~~The third objective after meeting the first two objectives will be to maximize the return on the portfolio at a predefined and acceptable level of risk.~~

[Note: II D from original policy was moved to the heading "Authority".]

IV. ~~PRUDENCE AND ETHICAL~~ STANDARDS OF PRUDENCE

The "prudent person" standard shall be applied in the management of the overall investment portfolio. The Clerk and Finance Department employees performing the investment functions, acting as a "prudent person" in accordance with established procedures and this Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that appropriate monitoring efforts are performed.

The "prudent person" standard 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.

V. ETHICAL STANDARDS

Officers, employees and investment advisor vendors of the Clerk's Office who are involved in the investment process shall refrain from personal business activity that could conflict with State Statutes, County ordinances, proper management of the investment portfolio or which could impair their ability to make impartial investment decisions. Investment officials and employees, including members of the Investment Oversight Committee, shall disclose any material financial interests in any investment firms, or financial institutions that conduct business with the County and shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the County.

Limits of Liability - The County shall provide for the defense and indemnification of any Committee member who is made a party to any suit or proceeding, other than by an action of the County, or against whom a claim is asserted, by reason of their actions taken within the scope of their service as an appointed member of this committee. Such indemnity shall extend to judgments, fines, and amounts paid in settlement of such claim suit, or proceeding, including any appeal thereof. This protection shall extend only to members who have acted in good faith and in a manner, which they reasonably believe to be in, or not opposed to, the best interest of the County.

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[Note: IV of original policy was moved to XI]

VI. AUTHORITY

Responsibility for the investment program is vested with the Clerk of the Circuit Court. The Clerk hereby delegates the day-to-day responsibility for the administration of the investment program to the Finance Director. The Finance Director shall maintain an Investment Procedures and Internal Controls Manual based on this Policy. No person may engage in an investment transaction except as stated in the Internal Controls Section of this Policy.

The Clerk of the Circuit Court, as part of their responsibility, will establish procedures to implement this Policy and assure compliance.

VII. INVESTMENT OVERSIGHT COMMITTEE

The Board is responsible for setting guidelines for the investment of the portfolio through the adoption of this Investment Policy. The Board recognizes that there is an expertise required both for setting the guidelines and the review of performance, which may exceed the technical background of individual commissioners and has, therefore, created the Investment Oversight Committee. This Committee is charged with the responsibility to review this Policy on a regular basis and to recommend changes. The Clerk will provide the Committee with reports in sufficient detail as may be requested by the Committee in order for them to review the performance of the portfolio. The Committee will establish portfolio benchmarks in order to judge the performance of the portfolio with respect to the market and other portfolios of similar size and limitations. The Committee will provide the Board a report as of the close of the fiscal year recapping the performance of the portfolio and any outside managers. The Board or the Committee may request additional meetings to discuss issues of concern or direction.

[Note: Section VII of original policy was moved to XIV, Section VIII was moved to X. D., and the final paragraph for IV and all of XV is now located under VIII.]

VIII. EXTERNAL INVESTMENT MANAGERS

The County may utilize external investment managers to assist with management of the portfolio. External management may be employed in situations where, due to limitations in the areas of staff time or expertise or the volume of securities available to the portfolio, such outside resources would be in a better position to overcome such limitations. The securities purchased by the external management on behalf of the County, or held by the fund in which the assets are invested, must be in compliance with the constraints identified by this Policy ~~portfolio~~ with respect to specific instruments, maturity, composition, credit, and diversification. The average duration of the funds managed by any one external manager on behalf of the County as part of the portfolio shall not exceed ~~3~~ three years.

External managers are selected through a competitive selection process (an RFP). In making this selection, consideration will be given to past investment performance, fees, assets under management, experience of the firm and the individuals managing portfolios of similar size, complexity and investment restrictions. External managers will be evaluated and retained based upon their investment performance. ~~and the process for selection of securities and broker firms will be exempt from this policy.~~

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IX. SECURITY SELECTION PROCESS

Securities selected for purchase or sale should seek to provide the highest rate of return within all relevant parameters considering current objectives, known needs of the portfolio and limitations of this Policy. Whenever practical, asset purchases and sales will be done through a competitive bid process, attempting to use as many as three bids for each transaction and records of all bids will be kept a minimum of two years. ~~When purchasing or selling securities, the Clerk shall select the security which provides the highest rate of return within the parameters and given the current objectives and needs within the limitations of the policy and given the current objectives and needs of the portfolio. For most situations, the Clerk shall utilize the competitive bid process. To the extent another process is employed, the Clerk shall identify the reasons and keep such records. The Clerk will use the institutional sales desk of primary security dealers as designated by the Federal Reserve Bank of New York, or are qualified as public depositories by the Treasurer of the State of Florida for these transactions. A minimum of three bids will be requested for each transaction and records of all bids will be kept for a minimum of two years. At least two Finance Department employees will be involved in the review and execution of each transaction and will initial the transaction affirming their approval.~~ For the external manager, the process for selection of securities and broker firms will be exempt from this Policy.

Overnight Repurchase Agreements and other transactions with maturities at the time of purchase of seven days or less will be exempt from this requirement due to the short duration of the transaction and the inability to effectively bid this on a nightly basis.

X. RISK DIVERSIFICATION AND PORTFOLIO COMPOSITION

The County recognizes that investment risks can result from issuer defaults, market price changes, changes in credit ratings, reinvestment of principal and interest, or various technical complications leading to temporary non-liquidity. Portfolio diversification and maturity limitations are employed as primary methods of controlling risk. Market value shall be the basis for determining portfolio percentages as required for the portfolio.

A. Issuer and Credit Risk

The structure of the portfolio is designed to minimize credit risk. The majority of the securities held will be those of the highest available credit quality ratings. These would include ~~state guaranteed~~ government pools, U. S Government (AAA) securities, and commercial paper, of only the highest applicable rating. Staff will notify the IOC at any time holdings drop below the minimum credit ratings specified in this Policy. The IOC will consider the market environment and make recommendations to hold and continue to monitor the investments or liquidate the investments.

To further limit the County's risk against possible credit losses, a maximum of 3% ~~5%~~ of the total portfolio managed by the County's external manager may be held at any one time in all securities of any corporate entity, inclusive of commercial paper, medium term notes, or corporate notes and bonds.

For purposes of this Policy, the top nationally-recognized credit rating agencies (NRSROs) for all credit-sensitive securities are Moody's Investor Services, Standard and Poor's, and Fitch Investor Services ~~and Duff & Phelps.~~

B. Maturity and Interest Rate Risk

To meet the day-to-day operating needs of the County and to provide the readily-available cash to meet unforeseen temporary cash requirements, the portfolio shall maintain in liquid investments (defined as repurchase agreements purchased under the terms of the County's depository contract, open repurchase agreements, negotiable certificates of deposit, banker's acceptance, commercial paper, U S. Treasury direct and agency obligations, all having a maturity of 90 days or less, and the Treasury Special Purpose Investment Account) a minimum balance equal to one-twelfth of the then-current fiscal year's budgeted operating expenditures.

The range of duration for the County's overall portfolio is defined as 0.5 years to 2.5 years ~~with a five-year average of 1.5 years~~. Unusual market or economic conditions may mandate moving the portfolio outside of this range. The Investment Oversight Committee will be convened and will approve any portfolio duration outside of the range specified above.

C. Market Volatility

By establishing maturity or duration limitations on the aggregate portfolio, the County acknowledges its understanding that ~~the longer out on the yield curve investments are placed~~, longer investments generally entail a greater potential for income returns, but at the risk of increased price volatility. ~~In an additional effort~~ To further provide for capital protection, a volatility range is established wherein the market value of the overall portfolio should be targeted to remain within a range of +/- 5% from the portfolio's par value ~~of the portfolio.~~ If the market value moves outside of this range, the Investment Oversight Committee shall be convened and consulted. A decision shall be made and the County Administrator will be advised of the magnitude of the deviation and the actions to move the portfolio back within the range.

D. Investment Maturity and Liquidity

To the extent possible, an attempt will be made to structure the investment portfolio consistent with expected cash flow requirements. In no event will any security be purchased that has an expected final maturity ~~life~~ at the time of purchase exceeding six ~~10~~ years.

While investment maturities will not exceed the expected cash flow requirements, they may be shorter. Investments do not necessarily have to be made for the same length of time that the funds are available following t~~T~~he basic investment principals that ~~can be considered in selecting investment maturities~~ are listed in Section IX. ~~below.~~

[Note: XI was moved to XII]

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XI. INVESTMENT PERFORMANCE AND REPORTING

A quarterly investment report shall be prepared by the Finance Office and provided to the County Administrator and the Investment Oversight Committee. The report shall include a breakdown of the portfolio by ~~class~~ sector, maturity, yield, as well as its overall performance during that period with sufficient detail for a comprehensive review of investment activity and performance.

Annually, a recapitulation report will be presented to the Board of County Commissioners ("Board"), which shall include securities in the portfolio by ~~class~~ sector, book value, income earned, market value and yield. Performance measurements shall be utilized which are appropriate to the maturity, risk characteristics, investment limitations and size of the portfolio. At a minimum, portfolio performance shall be measured by comparing its year-to-date earnings to an appropriate benchmark.

The County Administrator shall be notified immediately of deviations from currently approved investment policies.

[Note: XII was moved to XIII]

XII. THIRD-PARTY CUSTODIAL AGREEMENTS

The Clerk will execute a Third Party Custodial Safekeeping Agreement with a depository chartered by the United States Government or the State of Florida. All securities purchased, and/or collateral obtained by the Clerk, shall be properly designated as an asset of the County and held in an account separate and apart from other assets held by the depository. ~~and no.~~ No withdrawal of such securities, in whole or in part, shall be made from safekeeping, except by authorized staff. The Clerk will enter into a formal agreement with an institution of such size and expertise as is necessary to provide the services needed to protect and secure the investment assets of the County.

~~Under normal circumstances, all securities under this Policy shall be purchased using the delivery versus payment (DVP process. The investment process and Internal Controls shall provide for appropriate authorization and security if it is ever necessary to carry out security transactions on a "free" delivery basis, or to have securities held by the broker/dealer for a temporary period.~~ Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

The Third-Party Custodial Safekeeping Agreement shall include letters of authority from the Clerk, details as to responsibilities of each party, notification of security purchases, sales, delivery, repurchase agreements, wire transfers, safekeeping and transactions costs, procedures in case of wire failure or other unforeseen mishaps, including the liability of each party.

XIII. MASTER REPURCHASE AGREEMENT

The County 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 requirements of the Master Repurchase Agreement.

[Note: Section XIII is now under heading XVII and Section XIV is retitled as PERMISSABLE INVESTMENTS.]

XIV. PERMISSABLE INVESTMENTS ~~PORTFOLIO COMPOSITION~~

The following are the guidelines for investments and limits on security issues, issuers, and maturities as established by the Clerk (EXHIBIT A). The Clerk or the Clerk's designee shall have the option to further restrict or increase investment percentages from time to time based on market conditions. Any changes to the portfolio composition guidelines must be in writing from the Clerk, directed to the ~~Investment Officer~~ appropriate parties. Matured investments of bond proceeds or debt service funds of an amount equal to the next principal or interest payment may be temporarily invested until paid. In the event that temporary investments of bond proceeds or debt service funds exceed portfolio composition limits, the limit is waived.

Internal Investments

A. The ~~Florida~~ Local Government Surplus Trust Fund (SBA) and Treasury Special Purpose Investment Account (SPIA).

   A maximum of 50% and 15% of the portfolio may be invested in the SBA and SPIA, respectively. This maximum may on occasion be exceeded (proceeds of bond sales or funds being collected for distribution for the retirement of, or other exceptional events) for periods not exceeding five business days. ~~Investment authorization. The Treasury Manager may invest in the SBA. Portfolio Compostion. The portfolio can be composed of up to 100% of these investments. The Treasury Manger may invest in the SPIA. This maximum may on occasion be exceeded (Proceeds of bond sales or funds being collected for distribution for the retirement of, or other exceptional events) for periods not exceeding 5 business days.~~

   [Note: XIV A and B were combined as A, C is now "H", D is now "I", E is now "J", F is now "D", G is now "E"', H is now "F", I is now "G", J is now "C", K is now "B" , L is now "K"]

B. The Florida Local Government Investment Trust (FLGIT) ~~or~~ and the Florida Municipal Investment Trust (FMIvT). A maximum of 15% of the portfolio may be invested in ~~both the~~ each of FLGIT and the FMIvT.

C. Constant Net Asset Value Money Market Mutual Funds (U.S. Government Securities, Repurchase Agreements, Commercial Paper and Bankers' Acceptances)~~The Clerk may invest~~

1. Investments may be made in SEC qualified constant net asset value fixed income money market mutual funds ~~which authorize only those investment instruments as permitted in Sections B, D, F and, for arbitrage compliance only, Section I, provided that said funds contain no derivatives. The funds must have an S&P rating criteria of~~ rated AAAm or AAAg comprised of only those investment instruments as authorized in this Section XIV ~~Sections IV, B,C,D,F,G & H.~~ Portfolio Composition, provided that ~~said~~ such funds do not ~~contain~~ allow derivatives.

D. Non-Negotiable Interest Bearing Time Certificates of Deposit (CD's)

1. ~~The Clerk may invest~~ Investments may be made in non-negotiable interest-bearing time certificates of deposit or savings accounts in banks organized under the laws of this state and/or in national banks organized under the laws of the United States and doing business and situated in this state, provided that any such deposits are secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes and provided that the bank is not listed with any recognized credit watch information service.

~~2.~~ A maximum of ~~20%~~ 30% of the portfolio may be invested in non-negotiable interest bearing time certificates of deposit or savings accounts. ~~A maximum of 10% of the portfolio may be deposited with any one issuer.~~

3. The maximum maturity on any certificate shall be no greater than ~~one (1)~~ two years from the time of purchase with the average maturity of all CD's no greater than one year.

External Investments

E. Repurchase Agreements

1. ~~The Clerk may invest~~ Investments may be made in repurchase agreements comprised of only those investments as authorized in Sections XIV, H, I, and J, ~~VI B and D~~ and based on the requirements set forth in the Clerk's Master Repurchase Agreement.
   a. All firms with whom the Clerk enters into repurchase agreements will have in place and executed a Master Repurchase Agreement.
   b. All repurchase agreements with a term longer than one business day will have the collateral held by a third party custodian.
   c. The collateral held pursuant to a repurchase agreement shall have a maturity of less than five years and must have a mark-to-market value of 102 percent during the term of the repurchase agreement. ~~Immaterial short-term deviations from the 102 percent requirement are permissible only upon the approval of the Clerk.~~ A maximum of 15% of the external portfolio may be invested in repurchase agreements with the exception of one business day agreements and overnight sweep agreements.

2. A maximum of 5% of the external portfolio may be invested with any one institution or dealer with the exception of one business day agreements.
3. The maximum length to maturity of any repurchase agreement is 60 days from the date of purchase.

F. Bankers' Acceptances

~~1. The Treasury Manager~~ Investments may be made ~~invest~~ in bankers' acceptances which are inventory based and issued by a bank, which has at the time of purchase, an unsecured, uninsured and un-guaranteed obligation rating of at least "Prime-1" and "A" by Moody's and "A-1" and "A" by Standard & Poor's. ~~and ranked in the top fifty (50) United States Banks in terms of total assets by the American Banker's yearly report.~~

2. A maximum of 15% of the external portfolio may be directly invested in bankers' acceptances at time of purchase.
3. A maximum of 5% of the external portfolio may be invested with any one issuer.
4. The original maturity of the security must be 270 days or less.

G. Commercial Paper

1. Investments may be made in commercial paper of any United States company, which is rated at the time of purchase, "Prime-1" by Moody's and "A-1" by Standard & Poor's (prime commercial paper). ~~If backed by a letter of credit (LOC), the long term debt of the LOC provider must be at least "A" by at least two nationally recognized rating agencies. The LOC provider must be ranked in the top fifty (50) United States banks in terms of total assets by the American Banker's yearly report.~~
2. A maximum of 20% of the external portfolio may be directly invested in prime commercial paper at time of purchase.
3. A maximum of 5% of the external portfolio may be invested with any one issuer.
4. The maximum length to maturity for prime commercial paper shall be 270 days. ~~with duration for all commercial paper in the portfolio not exceeding 90 days.~~

H. United States Government Securities

1. Investments may be made in negotiable direct obligations 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: Treasury and Cash Management Bills, State and Local Government Series (SLGS), Notes, Bonds Treasury Strips, and Treasury Inflation Protected Securities (TIPS).
2. The external portfolio can be composed of up to 100% of these investments.
3. The maximum final maturity of any direct investment in all the various forms of direct government guaranteed securities is ten (10) years, except for the underlying securities of repurchase agreements.

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I. United States Federal Agencies (full faith and credit of the U.S. Government)
   1. Investments may be made in bonds, debentures or notes issued or guaranteed by United States Government agencies, provided such obligations are backed by the full faith and credit of the United States Government. Such securities are limited to the following: Small Business Administration, United States Department of Agriculture, United States Export-Import Bank, direct obligations or fully guaranteed certificates of beneficial ownership, Farms Home Administration, Federal Financing Bank, ~~discount notes, notes and bonds,~~ Federal Housing Administration Debentures, General Services Administration Participation Certificates, United States Maritime Administration Guaranteed, Title XI Financing, New Communities Debentures, United States Government guaranteed debentures, U. S. Public Housing Notes and Bonds, U.S. Government guaranteed public housing notes and bonds, U.S. Department of Housing and Urban Development Project notes and local authority bonds.
   2. Agencies backed by the full faith and credit of the U.S. Government may comprise 100% of the external portfolio.
   3. A maximum of 20% of the external portfolio may be invested in each of the above listed Federal Agencies.
   4. A maximum final maturity for an investment in any United States Government agency security is five ~~(5)~~ years.

J. Federal Instrumentalities (United States Government Agencies which are non-full faith and credit)
   1. Investments may be made in bonds, debentures or notes issued or guaranteed by United States Government sponsored agencies (Federal Instrumentalities) which are non-full faith and credit agencies limited to the following: Federal Farm Credit Bank (FFCB), Federal Home Loan Bank or its district banks (FHLB), Federal National Mortgage Association (FNMA), ~~including Collateralized Mortgage Obligation (CMO's)~~ Federal Home Loan Mortgage Corporation (FHLMC), ~~(Freddie Macs)~~ including ~~Federal Home Loan Mortgage Corporation~~ participation certificates and ~~Student Loan Marketing Association~~ Tennessee Valley Authority (TVA).
   2. A maximum of 45% of the external portfolio may be invested in Federal Instrumentalities.
   3. A maximum of 15% of the external portfolio may be invested in any one issuer.
   4. The maximum final maturity for an investment in any Federal Instrumentality is five ~~(5)~~ years.

K. Corporate Debt Securities
   1. Investments may be made in notes, medium term notes, discount notes and variable-rate securities issued by any corporation, provided that such instrument is rated A or better by at least two NRSROs, at time of purchase.
   2. All corporate transactions must be payable in U.S. dollars.
   3. A maximum of 25% of the external portfolio may be invested in corporate fixed income securities.
   4. A maximum of 3% of the external portfolio may be invested with any one issuer.
   5. The maximum length to maturity for an investment fixed income security is five ~~(5)~~ years. ~~The total average maturity for all corporate fixed income securities held at any one time should not exceed 2.5 years.~~

L. Municipal Bonds
1. Investments may be made in notes or bonds issued by governmental entities or territorial boundaries of the United States, provided that such instrument is rated A or better by at least one NRSRO. ~~Fixed Income Securities of State and/or local government taxable and tax exempt debt, and corporations rated at least Investment grade by Moody's and Standard & Poor's for long term debt, or rated at least MIG 2 by Moody's and SP 2 by Standard & Poor's for short term debt.~~
2. A maximum of 35% of the external portfolio may be invested in municipal securities at time of purchase.
3. A maximum of 3% of the external portfolio may be invested with any one issuer.
4. The maximum length to maturity for any municipal security is five ~~(5)~~ years.

M. Mortgage-Backed Securities (MBS)
~~Due to the additional sophistication associated with these instruments, the Clerk may invest in Mortgage and Asset Backed Securities solely through an external manager. Maximum Portfolio percentage for GNMA securities shall be 10%. The maximum portfolio percentage for any one GNMA pool is 5%.~~

1. A maximum of 35 % of the external portfolio may be invested in MBS securities at time of purchase.
2. Minimum credit rating for MBS securities must be at least AA- by at least two NRSRO, at the time of purchase.
3. Only agency-collateralized (FNMA, FHLMC and GNMA) MBS, including collateralized mortgage obligations (CMOs) may be purchased.
4. The maximum external portfolio percentage for any one agency collateralized MBS/CMO pool is 5%.
5. Maximum expected ~~duration~~ average life at the time of purchase for any MBS security shall not exceed ~~5~~ five years.

N. Asset-Backed Securities (ABS)
1. A maximum of 5% of the external portfolio may be invested in ABS securities at time of purchase.
2. Minimum credit rating for ABS securities must be at least AA- by at least two NRSRO, at the time of purchase.
3. The maximum external portfolio percentage for any one ABS transaction is 1.5%.
4. No more than 3% of the external portfolio may be allocated to any one subsector of the ABS market.
5. Maximum expected average life at the time of purchase for any MBS security shall not exceed five years.

O. Commercial Mortgage-Backed Securities (CMBS)
1. A maximum of 8% of the external portfolio may be invested in CMBS securities, at time of purchase.
2. Only agency-collateralized CMBS may be purchased.
3. The maximum external portfolio percentage for any one agency collateralized CMBS pool is 3%.

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4. Maximum expected average life at the time of purchase for any CMBS security shall not exceed five years.

~~Adjustable Rate Mortgages (ARMs)~~

~~1. Purchaser Authorization~~
~~Due to the additional sophistication associated with these instruments, the Clerk may invest in Adjustable Rate Mortgages only through an external manager. The portfolio may purchase GNMA's, FNMA's, and FHLMA's.~~

~~2. Portfolio Composition~~
~~The maximum portfolio percentage for ARM's shall be 15%.~~

~~3. Limits on Individual Issuer~~
~~The maximum portfolio percentage for any one issuer is 5%.~~

~~4. Maturity Limitations~~
~~The maximum expected duration at the time of purchase for any security should not exceed 5 years.~~

[Note: XV was moved to VII]

XV. ADDITIONAL PORTFOLIO LIMITATIONS

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

Note: XVI was moved to XVIII]

XVI. PROHIBITED INVESTMENTS

~~The County is prohibited from investing from any security that creates artificial volatility as compared to the underlying security, or to the market for a similar security. Specifically, the use of inverse floating rate notes, reverse repurchase agreements InterestOnly (IO's), and Principal Only (PO's) and other forms of leverage are prohibited. If it is ever determined to be prudent and to the County's benefit to utilize derivatives outside of the parameters of this Policy, in connection with the issuance or management of debt (swaps, caps, collars, etc.), those instruments will fall outside of this policy and will be specifically authorized by the Board.~~

There shall be no investments in:

A. Securities of foreign issuers that are non-U.S. dollar denominated investments;
B. Private placements debt issues;
C. Commodities, futures or options contracts;
D. Short sales or margin transactions;
E. Limited partnerships;
F. Interest Only (IO) and Principal Only (PO) Mortgages;
G. Fixed income securities of the investment manager, including their parents or subsidiaries;
H. Any form of fixed income securities which would generally be considered derivatives, excluding CMOs.

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XVII. INTERNAL CONTROLS

The Treasury Manager shall establish and monitor a set of written internal controls designed to protect the County's funds and ensure proper accounting and reporting of the securities transactions. Such internal controls shall include, but not be limited to, the following:

A. All securities purchased or sold will be transferred only under the "deliver versus payment" (DVP) method to insure that funds or securities are not released until all criteria relating to the specific transaction are met.

B. The Investment Officer or authorized Finance staff will accept, on behalf of and in the name of Leon County, bank trust receipts or confirmations as evidence of actual delivery of the obligations or securities in return for investment of funds.

C. 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 Leon County.

D. 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 a designated correspondent bank which has a correspondent relationship to the Clerk's third-party custodian.

E. Other internal controls such as:

1. Written documentation of telephone transactions.
2. Adequate separation of duties.
3. Custodial safekeeping.
4. Supervisory control of employee actions and operations review.
5. Performance evaluations and reporting, interim and annual.

F. All daily investment activity is performed by the Investment Officer under supervision of the Finance Director.

G. Internal controls shall be reviewed by independent auditors engaged by the County as part of their financial audit.

~~The Clerk shall be responsible for the development of policies and procedures to address the internal control needs of the portfolio. The internal controls shall address at a minimum, the following issues:~~

- ~~Separation of functions~~
- ~~Separation of transaction authority from accounting and recordkeeping~~
- ~~Custodial safekeeping~~
- ~~Avoidance of bearer form securities~~
- ~~Avoidance of physical delivery securities~~
- ~~Clear delegation of authority to subordinate staff members~~
- ~~Written confirmation of telephone transactions for investment and wire transfers~~

- ~~Documentation of transaction and strategies~~
- ~~Development of a wire transfer agreement with concentration banks outlining the various controls and securities provisions for making and receiving wire transfers~~

[Note: **XVIII was moved to XIX]**

XVIII. INVESTMENT STRATEGIES

Within the constraints of this Policy, the Clerk will be responsible for developing an investment strategy. This will be discussed with members of the Investment Oversight Committee and will address changes in the duration of the portfolio, the slope of the yield curve, spreads between various investment instruments, and actions by the Federal Reserve Board or other federal agencies which might influence investment decisions.

The Clerk will solicit suggestions and comments from the Committee with respect to making strategic investment decisions. In implementing these strategies, the Clerk will communicate with the external manager as to how they are repositioning their portfolio and coordinate directions.

Generally, the dollars managed externally will be of longer duration and more sophisticated instruments therefore, one of the tools the Clerk will use to implement their strategic decisions will be to increase or decrease the dollars being managed. The Clerk will seek to implement investment strategies that will maximize long-term returns and mitigate interest rate volatility. The resources and sophistication to actively manage the portfolio on a daily basis is not available and the portfolio will not be involved in regular short term day trading activity. The portfolio will be repositioned within a narrow band in terms of both maturity and security selection and only in unusual times will major changes occur.

[Note: XIX was moved to XX]

XIX. CONTINUING EDUCATION

The Clerk, Finance Director and other staff responsible for making investment decisions must annually complete ~~8~~ eight hours of continuing education in subjects or courses of study related to investment practices and products.

XX. POLICY REVIEW AND AMENDMENT

This Policy shall be reviewed annually by the Investment Oversight Committee and any recommended changes will be presented to the Board of County Commissioners for adoption.

LEON COUNTY INVESTMENT POLICY
EXHIBIT A

IP Section	Authorized	Security Type	Portfolio Sector Maximum	Subsector Maximum	Per Issuer Maximum	Maximum Maturity/ WAL Limit	Quality Minimum
XIV.A.	IM	Treasury Special Purpose Investment Account (SPIA) Local Government Surplus Funds Trust Fund	15% / 50%	NA	NA	NA	NA
XIV. B.	IM	FL Local Government Investment Trust (FLGIT) or the FL Municipal Investment Trust (FMIvT)	15% each Trust	NA	NA	NA	NA
XIV. C.	IM	Constant Net Asset Value Money Market Mutual Funds	100%	NA	NA	NA	SEC-qualified; must hold investments allowed by this Policy
XIV. D.	IM	Non-Negotiable Interest Bearing Time Certificates of Deposit	30%	NA	10.0%	2-Year Mat; 1 Year Avg Maturity	Public Dep. Act
XIV. E.	EM	Repurchase Agreements	15%, if longer than 1-Day	NA	5.0%	60-Days	Requires Master Repo Agreement
XIV. F.	EM	Bankers' Acceptances	15%	NA	5.0%	270-Days	A1/P1 by 2 NRSRO
XIV. G.	EM	Commercial Paper	20%	No ABCP	5.0%	270-Days	A1/P1 by 2 NRSRO
XIV. H.	EM	United States Government Securities	100%	NA	NA	10-Year Maturity	NA
XIV. I.	EM	United States Federal Agencies (full faith and credit)	100%	NA	20.0%	5-Year Maturity	NA
XIV. J.	EM	Federal Instrumentalities (Non-full full faith and credit)	45%	NA	15.0%	5-Year Maturity	NA
XIV. K.	EM	Corporate Debt Securities	25%	NA	3.0%	5-Year Maturity	A3/A- by 2 NRSRO
XIV. L.	EM	Municipal Bonds	35%	NA	3.0%	5-Year Maturity	A3/A- by 1 NRSRO
XIV. M.	EM	Mortgage-Backed Securities (MBS), including CMOs	35%	Agency-only	5.0%	5-Year WAL	Agency
XIV. N.	EM	Asset-Backed Securities (ABS)	5%	3%	1.5%	5-Year WAL	Aa3/AA- by 2 NRSRO
XIV. O.	EM	Commercial Mortgage-Backed Securities (CMBS)	8%	Agency-only	3.0%	5-Year WAL	Agency

EM=External Managers-limits apply to external portfolio
IM=Internal Management-limits apply to combined internal and external portfolios.

OTHER

The maximum combined portfolio allocation to MBS, CMBS 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.