

CLAY COUNTY BOARD OF COUNTY

COMMISSIONERS

Investment Policy

I. Scope

This investment policy applies to all financial assets of Clay County, which are under the direct control of the Clerk of the Court as the County Comptroller for the Board of County Commissioners of Clay County (Board). The Board has responsibility for the approval of the Investment Policy through an executed resolution attached to this policy. The Investment Committee, comprised of the Clerk of Court and Comptroller (Clerk), Chief Administrative Officer, Finance Officer, Chairman of the County Commissioners or designee, County Manager, Assistant County Manager, Director of the Office of Management and Budget, and the Commission Auditor, will provide the overall direction for investing under this Policy with the Clerk of the Court and Comptroller directing investments under that direction. This Policy does not include any financial assets under the direct control of any of the Constitutional Officers of the County. At such time, as the funds under their direct control pass to Clay County, then this policy will be applicable. The Clerk has discretion to manage the investment portfolio and to vary limits on securities as defined in this policy but within the limits of Florida Statutes. The Policy was adopted using Florida Statutes Section 218.415 as a guideline. Bond proceeds may be further limited or expanded by their respective bond resolutions or covenants and shall not be considered to be in conflict with the Investment Policy.

The Clerk of Court and Comptroller will consolidate, where practicable and allowable, for the purposes of investment, cash balances and investments from all funds covered by this policy to maximize investment earnings and reduce risks. Unless otherwise provided for in this policy, the term Clerk of Court and Comptroller shall include his or her designee. The investment of funds shall comply with all controlling state statutes, ordinances and covenants covering the Board's investments.

II. General Objectives

The primary objectives, in priority order, of investment activities shall be safety, liquidity, yield and transparency:

1. Safety & Legality: Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks the preservation of capital in the overall portfolio. The objective will be to limit credit risk and interest rate risk to a level commensurate with the risks associated with prudent investment practices and performance benchmarks, if applicable.

A. Credit Risk: The Investment Committee will limit credit risk, the risk of loss due to the failure of the security issuer or backer, by diversifying the investment portfolio so that potential losses on individual securities will be minimized and by limiting investments to specified credit ratings.

B. Interest Rate Risk: The Investment Committee will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by limiting investment to those intended to maintain a constant share price or par value.

2. Liquidity: The portfolio shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements in an orderly manner by investing in the securities prescribed by this Policy in Section V. Periodical cash flow analyses will be completed in order to ensure that the portfolio are positioned to provide sufficient liquidity.

3. Yield: The investment portfolio shall be designed with the objective of attaining a market rate of return, as measured

by specified benchmarks, throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety, liquidity and transparency objectives described above. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. An attempt will be made not to sell securities prior to maturity. However, in some circumstances an investment advisor may trade to achieve a perceived relative value based on its potential to enhance the return/yield of the portfolio.

4. Transparency: The Board shall operate its portfolio in a transparent manner, making its periodic reports both available for public inspection and designed in a manner which communicates clearly and fully information about the portfolio.

III. Standards of Care

1. Prudence: 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. Board and Clerk personnel, acting in accordance with this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported to the Board in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy. The Prudent Person Rule states that: "Investments should 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."

2. Ethics and Conflicts of Interest: The Investment Committee members and other authorized personnel shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. These investment officials shall disclose annually, in a written statement to the Board, any material interests in financial institutions with which they conduct business on behalf of the Board. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. They shall refrain from undertaking personal investment transactions with the same individual(s) with whom business is conducted on behalf of the Board.

3. Delegation of Authority: Authority to manage the investment program is granted to the Investment Committee and other authorized personnel. The Board may seek professional advice and therefore may contract with a federally registered investment advisory firm that specializes in public funds fixed income management. No person may engage in an investment transaction except as provided under the terms of this policy. The Clerk of Court and Comptroller shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

IV. Broker Dealers, Safekeeping and Custody

1. Authorized Financial Dealers and Institutions: The Board shall list financial institutions consisting of banks and other depository institutions authorized to provide depository and investment services. In addition, a list will be maintained of approved security broker/dealers consisting of "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). Both lists shall be reviewed by the Investment Committee at least annually. All and any 12b-1 fees shall be fully disclosed to the Board on any money market funds purchased.

2. Perfection of Interest: Securities shall be held with a third party; and all securities purchased by, and all collateral obtained by, the unit of local government should be properly designated as an asset of the unit of local government. No withdrawal of securities, in whole or in part, shall be made from safekeeping or custody, except by an authorized staff member of the unit of local government.

V. Suitable and Authorized Investments

This investment policy is authorized by the Board. Investments not listed in the investment policy are prohibited.

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

Prior to conducting transactions, as authorized by this policy, the Clerk of Court and Comptroller shall select the optimal types of investments upon the advice of a financial advisor approved by the Board. For any new investments, the Investment Committee will approve that instrument and will competitively bid the security in question when feasible and appropriate. Except as otherwise required by law, the bid deemed to best meet the investment objectives shall be selected.

Consistent with the Florida Statutes the following investments will be permitted by this policy:

1. Authorized Issuers: Each investment must comply with the provisions of each section. This section addresses who can issue authorized investments, what minimum credit ratings these investments must have, what maturity or other limitations apply concerning interest rate risk, and how much of any security may be held. Subject to additional restrictions in this Part V, securities may be held that are issued by:

A. Local Government Investment Pools: Shares in local government investment pools organized under Chapter 163, Part I, F.S. At the time of purchase, the local government investment pool must carry the highest fund rating by all Nationally Recognized Statistical Rating Organizations (NRSROs), who rate the fund (AAAm/AAAf, or equivalent). At the time of purchase, shares in the local government investment pool must be fully redeemable on the next business day and/or seeks to assure the return of principal on the planned maturity date.

B. The State Board of Administration Pool (SBA): Shares in the SBA pool organized under Chapter 218, Part IV, F.S. At the time of purchase, the SBA must carry an AAAM rating from Standard & Poor's. At the time of purchase, shares in the fund must be fully redeemable on the next business day.

C. Money Market Mutual Funds: Shares of any money market fund that is registered as an investment company under the federal "Investment Company Act of 1940," as amended. At the time of purchase, money market fund must carry an AAAM rating from Standard & Poor's. At the time of purchase, shares in the money market fund must be fully redeemable on the next business day.

D. Deposits in Qualified State Depositories (QPD): Banks deposits for the Board must comply with Chapter 280.16 Florida Statutes. Such deposits in QPD must be collateralized according to the statutory requirements.

E. United States Treasury Securities: U.S. Treasury obligations, and obligations of the principal and interest of which are backed or guaranteed by the full faith and credit of the U.S. Government.

F. United State Government Agencies: Debt obligations, participations or other instruments issued or fully guaranteed by any U.S. federal agency, instrumentality or government-sponsored enterprise (GSE).

VI. Diversification Limits

Chapter 218.415 (8) Florida Statutes states that the investment policy shall provide for appropriate diversification of the investment portfolio.

1. Local Government Investment Pools: Up to 80% of the portfolio may be invested in Local Government Investment Pools, no more than 40% of the portfolio may be invested in any single pool.

2. The State Board of Administration Pool (SBA): No more than 80% of the portfolio may be invested in the SBA.

3. Money Market Mutual Funds: Up to 80% of the portfolio may be invested in money market funds, no more than 20% of the portfolio may be invested in any single fund.
4. Deposits in Qualified State Depositories (QPD): Up to 80% of the portfolio may be deposited in qualified state depositories, no more than 40% of the portfolio may be invested in any single depository.
5. United States Treasury Securities: Up to 100% of the portfolio may be invested in U.S. Treasury Obligations.
6. United States Government Agencies: Up to 80% of the portfolio may be invested in U.S. Government Agencies. No more than 40% of the portfolio may be invested in any single issuer.

VII. Internal Controls

The Clerk of Court and Comptroller shall establish a system of internal controls which shall be in writing and made a part of the governmental entity's operational procedures. The investment policy shall provide for review of such controls by independent auditors as part of any financial audit periodically required of the unit of local government. The internal controls should be designed to prevent losses of funds which might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of Clay County.

VIII. Reporting

1. Methods: The Clerk of Court and Comptroller shall prepare, or have prepared by an outside investment advisor or other third party, an investment report and provide such to the Board at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner that will allow the Board to ascertain whether investment activities during the reporting period have conformed to the investment policy. This investment report shall include a list of securities in the portfolio by class or type, book value, income earned, and market value as of the report date. Such reports shall be available to the public.
2. Performance Standards: The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. The performance benchmark for the Board shall be the S&P Rated GIP Index Government 30-Day Gross of Fees Yield. If the performance of a fund falls below this benchmark for three consecutive months, the investment will be reviewed by the Investment Committee.
3. Marking to Market: The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly.

IX. Policy Considerations & Implementation

1. Exemption: Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.
2. Amendments: This policy shall be reviewed on an annual basis. Any changes must be approved by the the Board.
3. Continuing Education: Chapter 218.415 (14) Florida Statutes states that the investment policy shall provide for the local government's officials responsible for making investment decisions. The Investment Committee shall be responsible for assuring compliance with this law.