

**ST. LUCIE COUNTY BOARD OF COUNTY COMMISSIONERS
INVESTMENT POLICY**

TABLE OF CONTENTS

I.	SCOPE.....	2
II.	INVESTMENT OBJECTIVES.....	2
III.	DELEGATION OF AUTHORITY.....	2
IV.	INVESTMENT PERFORMANCE AND REPORTING.....	3
V.	PRUDENCE AND ETHICAL STANDARDS.....	3,4
VI.	AUTHORIZED INVESTMENTS.....	4,5
VII.	MATURITY AND LIQUIDITY REQUIREMENTS.....	5,6
VIII.	PORTFOLIO COMPOSITION.....	6,7,8
IX.	RISK AND DIVERSIFICATION.....	9
X	AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS.....	9
XI.	THIRD PARTY CUSTODIAL AGREEMENTS.....	10
XII.	MASTER REPURCHASE AGREEMENT.....	10
XIII	BID REQUIREMENT.....	10,11
XIV.	INTERNAL CONTROLS.....	12,13

I. SCOPE

This investment policy applies to all surplus funds held by or for the benefit of the St. Lucie County Board of County Commissioners, hereinafter referred to as the County.

These policies were adopted using Sections 125.31 and 218.415, Florida Statutes. 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.

II. INVESTMENT OBJECTIVES

The County shall strive to achieve with each investment opportunity, the following objectives, in **ORDER OF PRIORITY**:

1. **SAFETY** - The primary objective of the County's investment activities is the protection of investment capital.
2. **LIQUIDITY** - The County's investment strategy will provide sufficient liquidity such that cash flow requirements are met through the utilization of marketable securities with structured maturities.
3. **INVESTMENT INCOME** - In investing public funds, the County will strive to maximize the return on the portfolio but will minimize investment risk.

III. DELEGATION OF AUTHORITY

The responsibility for providing oversight and direction in regard to the management of the investment program resides with the Clerk of the Circuit Court. The Board of County Commissioners will appoint an Investment Committee that will serve in an advisory capacity and report to the Board of County Commissioners. Each Commissioner will select one of the five Investment Committee members who will possess relevant financial experience. The Investment Committee shall meet quarterly to review the Clerk's investment strategy and results. The Investment Committee will rely on the Clerk of the Circuit Court, Finance Director and their staff for support. The management responsibility for all Board's funds in the investment program and investment transactions is delegated to the Clerk of Circuit Court or designee. The Clerk of the Circuit Court or designee shall establish written procedures for the operation of the investment portfolio and a system of internal accounting and administrative controls to regulate the investment activities. The Clerk may employ investment manager(s) to assist in managing some of the

Board's investment portfolio. Such investment manager must be registered under the investment Advisors Act of 1940.

IV. INVESTMENT PERFORMANCE AND REPORTING

A portfolio report shall be prepared each quarter by the Finance Director or designated staff member, and be provided to the Clerk of the Circuit Court and appropriate management staff. The report will also be made available to the Board of County Commissioners and Investment Committee. The report shall include a breakdown of the portfolio as well as its overall performance and the current market pricing at month-end.

A detailed analysis of the investment portfolio will be prepared by the Finance Director and presented to the Board of County Commissioners and Investment Committee on a quarterly basis. The report shall include information relating to transactions, market values, performance and adherence to policy. The Clerk of the Circuit Court is authorized to utilize an investment accounting service to obtain necessary information. The Board of County Commissioners will conduct an annual review of the investment portfolio and the investment policy.

The Board of County Commissioners will appoint an Investment Committee that will serve in an advisory capacity and report to the Board of County Commissioners. Each Commissioner will select one of the five Investment Committee members who will possess relevant financial experience. The Investment Committee and the Board of County Commissioners shall receive a copy of the portfolio pricing analysis.

The Clerk of the Circuit Court shall be notified immediately upon exceptions from currently approved investment policies by the Finance Director.

In the event of an emergency situation requiring noncompliance with policy guidelines, the Finance Director shall attempt to schedule a special committee meeting to discuss the proposed action. If a special committee meeting is not possible due to time constraints or scheduling problems, the Finance Director shall individually notify a minimum of three committee members to obtain approval of the proposed action.

V. PRUDENCE AND ETHICAL STANDARDS

The "prudent person" standard shall be used in the management of the overall investment portfolio.

The Finance Director, and other persons performing the investment function, shall act as a "prudent person" in accordance with these written policies and procedures, exercising due diligence and investing in investments authorized by law.

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.

VI. AUTHORIZED INVESTMENTS

The Clerk of the Circuit Court acting through the Finance Director, or other designee of the Clerk's office, shall purchase or sell investment securities at prevailing market rates, with a preference to par bonds or those at a discount. Authorized instruments are as follows:

A. The Local Government Surplus Funds Trust Fund, the State Investment Pool administered by the State Board of Administration, also known as S.B.A.

B. The Florida Local Government Investment Trust, also known as F.L.G.I.T, administered by the Florida Association of Court Clerks and Comptrollers and the Florida Association of Counties.

C. Negotiable direct obligations of, 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. Treasury Bills
2. Treasury Notes
3. Treasury Bonds

D. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by United States agencies provided such obligations are backed 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
2. Government National Mortgage Association (GNMA)
3. Government guaranteed bank debt issued pursuant to the Troubled Asset Relief Program (TARP)

E. Bonds, debentures, notes of or other evidence of indebtedness issued or guaranteed by United States Government agencies (Federal Instrumentalities) which are not full faith and 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)
4. Federal Home Loan Mortgage Corporation (Freddie-Macs)

F. Non-negotiable interest-bearing time certificates of deposit, money market accounts or savings accounts in banks/savings and loan associations organized under the laws of the United States, 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.

G. Repurchase agreements collateralized by Treasury Bills or Notes having a maturity of two (2) years or less.

H. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

I. Corporate Obligations issued by financial institutions in the FDIC's Temporary Liquidity Guarantee Program (**TLGP**), which are fully insured by the FDIC and guaranteed by the full faith and credit of the United States Government.

J. 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.

Investment in derivative products is not authorized. For the purposes of this policy derivative products are defined as financial arrangements whose value are derived from changes in an underlying variable such as a stock, bond, stock index, interest rate index, currency, commodity, etc. Derivative investments include, but are not limited to: futures contracts, options contracts, forward contracts, interest rate swaps, interest rate floor or ceiling contracts, and linked index investments.

VII. MATURITY AND LIQUIDITY REQUIREMENTS

To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements. Investments, including investment pools, of current operating funds shall have maturities of up to five and one-half (5.5) years except the Corporate Obligations. The maximum length to maturity for Corporate Obligations under the Temporary Liquidity Guarantee Program (TLGP) shall be three (3) years and non-TLGP Corporate Obligations or Corporate Notes shall be five (5) years from the date of purchase. The Finance Director and other persons performing the investment function will provide an appropriate mix of maturities to maximize the return on the portfolio while minimizing investment risk. Investment 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, but shall not exceed five and one-half (5.5) years, unless permitted by the terms of the bond documents.

A liquidity amount of approximately three (3) months of anticipated disbursements, excluding bond construction payments or other bond payments made from escrow or trust accounts, will be kept in relatively short-term investments. These would include the State Investment Pool (SBA), F.L.G.I.T., money market accounts and Repurchase Agreements.

VIII. PORTFOLIO COMPOSITION

The following are the guidelines for investments and limits on security issues, issuers, and maturities as established by the County. The Finance Director, or their appropriate designee, after consulting with the Clerk of Circuit Court, shall have the option to further restrict or increase investment percentages from time to time based on market conditions. Purchases of investments based on bond covenant requirements shall not be included in the portfolio composition calculation. The following maximum limits are guidelines established for diversification by instrument:

A. The Local Government Surplus Trust Fund (SBA).

1. A maximum of 40% of the portfolio may be invested in the SBA, however, bond proceeds may be temporarily deposited in the SBA until alternative investments have been purchased and are not a part of this calculation.

B. The Local Government Investment Trust fund (F.L.G.I.T.)

1. A maximum of 35% of the portfolio may be invested in (F.L.G.I.T.).

C. Non-negotiable Interest-Bearing Time Certificates of Deposit

1. A maximum of 40% of the portfolio may be invested in non-negotiable interest bearing time certificates of deposit or savings accounts.

2. The maximum maturity on any certificates shall be no greater than two (2) years from the time of purchase.

3. A maximum of 10% of the portfolio may be deposited in the instruments of any one issuer.

D. United States Government Securities

1. A maximum of 75% of the portfolio may be invested in United States Government Securities which are defined as negotiable direct obligations, or obligations the principal and interest of which are unconditionally guaranteed, by the United States Government.

2. The maximum length of maturity of any direct investment in government securities is five and one-half (5.5) years.

E. United States Federal Agencies

1. A maximum of 50% of the portfolio may be invested in United States Federal Agency securities which are backed by the full faith and credit of the United States Government.

2. The maximum length of maturity of any direct investment in Federal Agencies Securities five and one-half (5.5) years.

3. A maximum of 25% of the portfolio may be invested in the instruments of any one issuer.

F. Federal Instrumentalities

1. A maximum of 40% of the portfolio may be invested in Federal Instrumentalities which are not full-faith and credit United States Government Agencies.

2. The maximum length of maturity of any direct investment in Federal Instrumentalities is five and one-half (5.5) years.

3. A maximum of 25% of the portfolio may be invested in the instruments of any one issuer.

G. Repurchase Agreements

1. A maximum of 10% of the portfolio may be invested in repurchase agreements with the exception of one (1) business day agreements and overnight sweep agreements which may go as high as 25%.

2. The maximum term of a repurchase agreement will be one (1) year.

3. A maximum of 10% of the portfolio may be invested in the instruments of any one issuer with the exception of one (1) business day agreements and overnight sweep agreements which may go as high as 25%.

H. Money Market Funds

1. A maximum of 80% of the portfolio may be invested in institutional money market funds.

2. Money market funds must have an "AAA" rating from Moody's, Standard and Poor's or Fitch.

3. A maximum of 25% of the portfolio may be invested in any one money market fund.

I. Corporate Obligations - Temporary Liquidity Guarantee Program

1. A maximum of 50% of available fund may be directly invested in corporate obligations issued by financial institutions that participate in the FDIC's Temporary Liquidity Guarantee Program (TLGP).

2. A maximum of 25% of available funds may be invested with any one issuer.

3. The maximum length of maturity of any Corporate Obligations - TLGP is three (3) years.

J. Corporate Obligations or Corporate Notes

1. A maximum of 15% of available funds may be invested in corporate obligations or corporate notes.
2. A maximum of 3% of available funds may be invested in with any one issuer.
3. The maximum length of maturity of any Corporate Obligations or Corporate Notes is five (5) years.

IX. RISK AND DIVERSIFICATION

Assets held shall be diversified to control the risk of loss resulting from the over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which these instruments are bought and sold. Diversification strategies within the established guidelines shall be reviewed and revised periodically as necessary by the appropriate management staff.

X. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS

The County shall only purchase securities from financial institutions which have offices located within the State of Florida and are qualified as public depositories by the Treasurer of the State of Florida, from primary securities brokers/dealers designated by the Federal Reserve Bank of New York or from secondary brokers/dealers, with an office located in the State of Florida. Such specified brokers/dealers must be reviewed and approved by the Investment Committee and approved by the Board of County Commissioners.

Documented lists of the authorized financial institutions and brokers/dealers will be developed and maintained by the Finance Director and approved by the Clerk of the Circuit Court.

If at any time the Clerk of the Circuit Court is appropriately notified of any threat to the integrity of the investment portfolio, proper security measures may be suggested and implemented, and the Clerk of the Circuit Court shall have the option to further restrict investment in selected instruments, to conform to the then-present market conditions.

Repurchase Agreements will be conducted through, and negotiated with primary securities brokers/dealers, or secondary brokers/dealers, or Qualified Public Depository financial institutions. A written Master Repurchase Agreement will be negotiated with any institutions with which the County through the Clerk of the Circuit Court enters into a specific repurchase agreement.

XI. THIRD PARTY CUSTODIAL AGREEMENTS

The Clerk of the Circuit Court will execute a Third Party Custodial safekeeping Agreement with a commercial bank's trust department which is separately chartered by the United States Government or the State of Florida. All securities purchased and/or collateral obtained by the Clerk of the Circuit Court shall be properly designated as an asset of the County and held in safekeeping by the trust department and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except by an authorized staff member. The Third Party Custodial Safekeeping Agreement shall include letters of authority from the Clerk of the Circuit Court, details as to responsibilities of each party, notification of security purchases, sales, delivery, repurchase agreements, wire transfers, safekeeping and transaction costs, procedures in case of wire failure or other unforeseen mishaps including liability of, each party.

XII. MASTER REPURCHASE AGREEMENT

The Clerk of the Circuit Court 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. The agreement shall specify that the underlying securities have a market value of at least 103% of the principal balance of the investment. The market value is to be determined on a monthly basis.

XIII. BID REQUIREMENT

Although in most situations the competitive bid process shall be utilized, there is no obligation to secure competitive bids from all financial institutions and dealer/brokers on the approved list.

Rather a decision will be made by the Clerk of the Circuit Court through the Finance Director as to the institutions that have been the most competitive over the preceding weeks and these will be contacted for a bid.

A. After the Clerk of the Circuit Court, through the Finance Director, has determined the approximate maturity date based on the cash flow needs and market conditions and has analyzed and selected one or more optimal types of investments, a minimum of three (3) qualified banks and/or dealers will be contacted and asked to provide bids on the securities in question.

1. Bids will be held in confidence until the highest bid is determined and awarded.
2. Documentation will be retained for all bids, with the winning bid clearly identified.
3. If for any reason the highest interest rate bid was not selected, then the reasons leading to that decision will be clearly indicated on the bid form.
4. If the maturing investment is funds to be invested are from a certificate of deposit, the present holder of the funds issuer of the CD will be one of the contacts made, subject to the portfolio diversification requirements in this policy.
5. In certain circumstances where a dealer or bank informs the County of a potential sale that must be completed within minutes of notification, the competitive bidding policy will be waived. The Clerk of the Circuit Court will have final approval on these particular transactions before they have been completed.
6. Notwithstanding the above, in order to afford financial institutions (banks and/or savings and loan associations) within St. Lucie County opportunities to enhance the economy of the local area, certificates of deposit may be purchased from an institution as described in Section VI.F provided that the following additional conditions have been satisfied:
 - a. The institution, or a branch office, is located within the boundaries of St. Lucie County.
 - b. The institution has the highest and best bid of all bidding institutions as described in Section VI.F.
 - c. The institution awarded the bid is subject to the portfolio limitation requirements and may not exceed said limitations.
 - d. Banks/savings and loan associations included on the approved list must be Qualified Public Depositories, as determined by the State of Florida.

XIV. INTERNAL CONTROLS

The Clerk of the Circuit Court shall exercise and monitor a set of internal controls to be conducted through the Finance Director, which said controls are designed to protect the County's funds and ensure proper accounting and reporting of the securities transactions. 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. Such internal controls shall consist of the following:

A. All securities purchased or sold will be transferred only under the "delivery 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. The Clerk of the Circuit Court is authorized to accept, on behalf of and in the name of St. Lucie County, bank trust receipts or confirmations as evidence of actual delivery of the obligation 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 St. Lucie County.

D. Written documentation and/or confirmation of telephone transactions and wire transfers will be maintained.

E. There will be adequate separation of duties with clear delegation of authority among investment personnel.

F. Custodial safekeeping shall be properly utilized.

G. Operation review and performance evaluations and reporting, interim and annual, shall be done by the Finance Director.

H. There will be an avoidance of no bearer-form securities.

I. There will be no physical delivery of securities.

J. There will be specific limitations regarding securities losses and remedial action shall be taken as soon as possible.

K. A development of a wire transfer agreement with the custodial bank outlining the various controls and security provisions for making and receiving wire transfers shall be made.

L. There is a prohibition of collusion between those making investment decisions and those providing investment services.

M. Written dealer confirmation and monthly and/or quarterly custodial account statements shall be maintained.

N. Investment policy shall be established by the Board of County Commissioners considering the recommendations of the Investment Committee. All daily investment activity will be coordinated and reviewed by the Finance Director. In the absence of the Finance Director and Clerk of the Circuit Court investment activity must be approved by their designee and later approved by the Finance Director or Clerk of the Court.

O. The following positions are designated by the Clerk of the Circuit Court as having the authority to initiate all investment activities:

1. Clerk of the Circuit Court
2. Finance Director
3. All other designees will be at the discretion of the Clerk of the Circuit Court.

P. All officials responsible for making investment decisions, or the Finance Director, shall complete 8 hours of continuing education annually in subjects or courses of study related to investment practices and products.

Q. Such additional internal controls as established by the Clerk of the Circuit Court.