



INVESTMENT POLICY



THE HONORABLE ROGER D. EATON
Clerk of the Circuit Court and County Comptroller
Charlotte County, Florida

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COMPTROLLER DIVISION

350 E. Marion Ave. Punta Gorda, FL 33950 • 941.505.4716 • CharlotteClerk.com

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I. PURPOSE AND SCOPE

The investment policy applies to all funds held by or for the benefit of the Charlotte County Board of County Commissioners, hereinafter referred to as the County. This policy does not include any financial assets under the direct control of any of the Constitutional Officer of Charlotte County. When any funds under their direct control pass to Charlotte County, these policies become applicable. This policy was adopted using Florida Statutes 218.415. Bond proceeds may be further limited or expanded by their respective bond resolutions or covenants and shall not conflict with the Investment Policies.

The County shall initially adopt the investment policy and the implementation is delegated to the Charlotte County Clerk of the Circuit Court and County Comptroller, hereafter referred to as the Clerk, acting in the capacity of Clerk and Chief Financial Officer of the Board of County Commissioners. The policy will be updated from time to time by the Clerk. 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 this 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.

It is the policy of the County to actively manage the investment portfolio within the constraints outlined in this investment policy. Those constraints generally promote the "buy and hold" philosophy as practiced by the County, but the active management approach will, from time to time, provide opportunities to sell securities or "trade" them to improve the overall performance of the portfolio without any appreciable increase in risk.

III. DELEGATION OF AUTHORITY

Responsibility for the administration of the investment program is vested in the Clerk as provided in Florida Statutes 28.33. The Clerk shall exercise this authority and regulate the administration of the investment program, through the Clerk's office, including the utilization of designated individuals and such other internal positions as the Clerk deems appropriate. A person from the list in the Internal Controls Section shall be designated to execute the investment decisions, as

necessary. No person may engage in an investment transaction except as stated in the Internal Control Section of this policy.

The Clerk is authorized to invest the County's funds as defined and will have such authority as is necessary to conduct an investment program, including the authority to appoint an investment advisor to aid in investment decision making, establish third party custodian accounts or other arrangements for the custody of securities, and to execute such documents as may be necessary within the boundaries of the stated policy. Any outside 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. The report will also be made available to the County. 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 Clerk and presented to the County. A quarterly investment report detailing the investments held by the County and an annual report of investments and earnings will be presented to the Board of County Commissioners. The Clerk is authorized to utilize an investment accounting service to obtain necessary information. The County will conduct an annual review of the investment portfolio and the investment policy.

In addition, detailed information related to investments and policies will be provided in the Annual Comprehensive Financial Report of the County.

V. PERFORMANCE MEASUREMENT

To assist in the evaluation of the portfolio's performance, the Clerk will use performance benchmarks. The use of benchmarks will allow the Finance Director to measure its returns against other investors in the same markets.

- A. Investment performance of funds designated as short-term funds and other funds that must maintain a high degree of liquidity will be compared to the return of the S&P Rated GIP Index Government 30-Day Gross of Fees Yield. Investments of current operating funds shall have maturities of no longer than twenty-four (24) months.
- B. Investment performance of funds designated as core funds and other non-operating funds that have a longer-term investment horizon will be compared to indices such as the following:
 - 1. ICE Bank of America Merrill Lynch 1-3 Year U.S. Treasury/Agency Index
 - 2. ICE Bank of America Merrill Lynch 1-5 Year U.S. Treasury/Agency Index
 - 3. ICE Bank of America Merrill Lynch 1-5 Year Government/Corporate "A" rated or better index

The appropriate index will have a duration and asset mix that approximates the portfolio and will be utilized as a benchmark to be compared to the portfolio's total rate of return. Investments of bond reserves, construction funds, and other non-operating funds ("core funds") shall have a term appropriate to the need for funds and in accordance with debt covenants.

VI. CONTINUING EDUCATION

It is imperative that those directly responsible for investment decisions be periodically updated on matters related to investments and investment practices. In this regard, those individuals directly responsible for investment decisions shall annually have a minimum of eight (8) hours of continuous education in subjects or courses of study related to investment practices and products pursuant to Section 218.415(14) Florida Statute.

VII. PRUDENCE AND ETHICAL STANDARDS

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

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 from the investment.

The Clerk of the Circuit Court, or persons designated, performing the investment functions, acting as a "prudent person" in accordance with these written policies and procedures, exercising due diligence and investing in investments authorized by law, shall be relieved of personal responsibility for an individual security's credit risk or market price changes provided deviations from. Expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

VIII. AUTHORIZED INVESTMENTS

The Clerk, acting through those designated shall purchase or sell investment securities at prevailing market rates. Individual transactions in excess of \$4,000,000 require authorization from the Clerk of the Circuit Court. Authorized instruments are as follows:

		Sector Maximum (%)	Per Issue Maximum (%)	Minimum Rating	Maximum Maturity
A.	Florida Prime & Authorized Intergovernmental Pools with a \$1.00 NAV	100	50	AAA _m or AAA _f or FDIC Insured or Collateralized	Same Day Liquidity
	Intergovernmental Pools with a Floating NAV	35	25	AAA _f	Next Day Liquidity
B.	US Government Securities	75	N/A	N/A	Ten (10) Years
C.	US Government Agencies	75	65	N/A	Ten (10) Years Final/WAL
D.	Federal Instrumentalities	70	60	N/A	Ten (10) Years Final/WAL
E.	Non-Negotiable Interest-Bearing CDs	25	10	Chapter 280	Three (3) Years
F.	Qualified Public Depository MMs	100	25*	Chapter 280	Daily Liquidity
G.	Repurchase Agreement	15	15	Repo counterparty Rating of A by (2) NRSRO's	One (1) Year
H.	State & Local Government Debt (Taxable and/or Tax-Exempt)	25	10	Short-Term: SP-1 by one (1) NRSRO Long-Term: "A" by two (2) NRSROs	Five (5) Years
I.	Registered Investment Companies (Money Market Mutual Funds)	50	20	AAA _m by two (2) NRSROs	Same Day Liquidity
J.	Registered Investment Companies (Short Term Bond Funds)	15	5	AAA _f by one (1) NRSRO	Same Day or Next Day Liquidity
K.	Commercial Paper	30	5	"A1/P1" or the equivalent by two (2) NRSROs	270 Days
L.	Corporate Notes	20	5	"A" by two (2) NRSRs	Five (5) Years

* Main Depository is exempt from per issue maximum

A. Florida PRIME or any authorized intergovernmental investment pool.

Investment Authorization – Authorized staff may invest in Florida PRIME or any other intergovernmental investment pools that are authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Florida Statutes Section 163.01.

Portfolio Composition – Maximum 100% of the portfolio for stable NAV pools and 35% for floating NAV.

Limits on Individual Issuers – Maximum of 50% of the portfolio and 25% of floating NAV.

Ratings Requirement – AAAM or AAaf by one (1) NRSROs or FDIC Insured or Collateralized.

Maturity Limitations – N/A

B. United States Government Securities

Cash Management Bills	Treasury Bills	Treasury Notes
Treasury Bonds	Treasury Securities - State and Local Government Series (SLGS)	Treasury Strips

Investment Authorization – Authorized staff may invest in negotiable direct obligations the principal and interest of which are unconditionally guaranteed by the United States Government.

Portfolio Composition – Maximum 75% of the portfolio.

Ratings Requirement – N/A

Maturity Limitations – Ten (10) years from the date of purchase settlement.

C. United States Government Agencies (full faith & credit of the United States Government).

Farmers Home Administration	Federal Financing Bank
Government National Mortgage Association (GNMA)	Federal Housing Administration

Investment Authorization – Authorized staff may invest in bonds, debentures, notes, or callables issued or guaranteed by U.S. Government agencies, provided such obligations are backed by the full faith and credit of the U.S. Government.

Portfolio Composition – Maximum 75% of the portfolio.

Limits on Individual Issuers – Maximum of 65% of the portfolio.

Ratings Requirement – N/A

Maturity Limits – Ten (10) years from the date of settlement or stated final for bonds and ten (10) year weighted average life (WAL) for mortgage-backed securities.

D. Federal Instrumentalities (United States Government Sponsored Enterprises (“GSE”) which are non-full faith and credit).

Federal Farm Credit Bank (FFCB)

Federal Home Loan Bank (FHLB)

Federal National Mortgage Association (FNMA)

Federal Home Loan Mortgage Corporation (Freddie-Macs)

Student Loan Marketing Association (Sallie-Mae)

Investment Authorization – Authorized staff may invest in negotiable direct obligations or obligations the principal and interest of which are issued or guaranteed by United States Government sponsored enterprises.

Portfolio Composition – Maximum of 70% of the portfolio.

Limits on Individual Issuers – Maximum of 60% of the portfolio.

Ratings Requirement – N/A

Maturity Limitation – Ten (10) years from the date of settlement or stated final for bonds and ten (10) year weighted average life (WAL) for mortgage-backed securities.

E. Non-Negotiable Interest-Bearing Time Certificates of Deposits

Investment Authorization – Authorized staff may invest in non-negotiable interest-bearing time certificates of deposit 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.

Portfolio Composition – Maximum of 25% of the portfolio.

Limits on Individual Issuers – Maximum of 10% of the portfolio.

Ratings Requirement – Chapter 280.

Maturity Limitations – Three (3) years from the date of settlement.

F. Qualified Public Depository Money Market Accounts

Investment Authorization – Authorized staff may invest in qualified public depository money market accounts 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.

Portfolio Composition – Maximum of 100% of the portfolio.

Limits on Individual Issuers – Maximum of 25% of the portfolio (except for main depository).

Ratings Requirement – Chapter 280.

Maturity Limitations – Daily Liquidity.

G. Repurchase Agreements

Investment Authorization – Authorized staff may invest in repurchase agreements comprised of only those investments based on the requirements set forth by the City's Master Repurchase Agreement.

Portfolio Composition – Maximum of 15% of the portfolio.

Limits on Individual Issuers – Maximum of 15% of the portfolio.

Ratings Requirement – Repo counterparty Rate of A by (2) NRSRO's.

Collateral Value – The mark-to-market value of collateral must be a minimum of 102% during the term of the repurchase agreement. Immaterial short-term deviations from 102% requirement are permissible only upon the approval of authorized staff.

Maturity Limitations – 1 Year.

H. State and/or Local Government Taxable and/or Tax-exempt

Investment Authorization – Authorized staff may invest in State or Local Government taxable and /or tax-exempt securities.

Portfolio Composition – Maximum of 25% of the portfolio.

Limits on Individual Issuers – Maximum of 10% of the portfolio.

Rating Requirements - Short-Term: Minimum rating of SP-1 by one (1) NRSRO Long-Term: Minimum rating of A by two (2) NRSROs.

Maturity Limitations – Five (5) years from the date of settlement.

I. Registered Investment Companies (Money Market Mutual Funds)

Investment Authorization – Authorized staff may invest in shares in open-end and no-load money market funds, provided such funds are registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 C.F.R. 270.2a-7.

Stipulating that money market funds must have an average weighted maturity of 60 days or less and the share value be equal to \$1.00.

Portfolio Composition – Maximum of 50% of available funds.

Limits on Individual Issuers – Maximum of 20% of available funds with any one fund.

Ratings Requirement – AAAM by two (2) NRSROs.

Maturity Limitations – Same day liquidity.

J. **Registered Investment Companies (Short-Term Bond Funds)**

Investment Authorization – Authorized staff may invest in shares in open-end and no-load short-term bond funds and exchanged traded funds (ETFs), provided such funds are registered under the Federal Investment Company Act of 1940.

Portfolio Composition – Maximum of 15% of available funds.

Limits on Individual Issuers – Maximum of 5% of available funds with any one fund.

Rating Requirement – AAAM by one (1) NRSRO.

Maturity Limitations – Same day or next day liquidity.

K. **Commercial Paper**

Investment Authorization – Authorized staff may invest in any U.S. dollar denominated commercial paper allowable under current laws.

Portfolio Composition – Maximum of 30% of portfolio.

Limit on Individual Users – Maximum of 5% of portfolio.

Ratings Requirement – Minimum rating of A1/P1 or the equivalent by two (2) NRSROs

Maturity Limitations – 270 days from the settlement date.

L. **Corporate Notes**

Investment Authorization – Authorized staff may invest in securities issued by corporations organized and operating within the United States or by depository institutions licensed by the United States.

Portfolio Composition – Maximum of 20% of the portfolio.

Limits on Individual Issuers – Maximum of 5% of the portfolio.

Maturity Limitations – Five (5) years from the date of settlement.

Rating Requirements – Minimum rating of A by two (2) NRSROs.

All other investments not specifically authorized above, including reverse repurchase agreements and other forms of leverage, are hereby prohibited.

IX. RISK AND DIVERSIFICATION

Assets held shall be diversified to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which these instruments are bought or sold. Diversification guidelines shall be reviewed and revised periodically as necessary by the Clerk and/or such other authorized person so designated by the Clerk.

X. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS

The County shall only purchase securities from financial institutions which are located within the State of Florida and are qualified as public depositories by the Treasurer of the State of Florida or from securities brokers/dealers on the approved list as designated by the Clerk. Documented lists of the authorized financial institution and dealers/brokers will be developed and maintained by the authorized person so designated by the Clerk.

The restriction on the brokers/dealers with an office located in the State of Florida does not apply to the external investment managers. The purpose is to provide greater flexibility in seeking better pricing and optimize interest income to the County within the guidelines set forth in this policy.

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.

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

XI. THIRD PARTY CUSTODIAL AGREEMENTS

To protect against potential misappropriation of funds, the County through the Clerk will execute a Third-Party Custodial 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 County shall be properly designated as an asset of the County and held in custody by the Trust Department and no withdrawal of such securities, in whole or in part, shall be made from custody except by an authorized Clerk's Office agent, as designated in the Internal Control Section of this policy.

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

All securities will be handled by "delivery vs. payment" method. 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 County before the release of the securities. This policy ensures that the County neither transfers money nor securities before receiving the other portion of the transaction. Rather, both transfers will happen simultaneously through the custodial bank authorized to conduct transactions for the County.

Certificates of deposit 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.

XII. BID REQUIREMENT

Although in most situations the competitive bid process shall be utilized when securities are bought or sold, 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 through those so designated as to the institutions that have been the most competitive over the preceding weeks and these will be contacted for a bid if it has been determined that bid procedures will be used. When securities are purchased in syndication after current purchase parameters have been met, no bids are required since security is legally at par by all dealers. In addition, in certain situations, in lieu of bids, these market offerings of similar maturity, structure and credit may be used to purchase offerings not in syndication when it is deemed to produce the highest yield in comparison to the other two offers. See Section B. When it has been determined that a bid procedure will be used, the following process will apply:

- A. After the Clerk, or through such other authorized person so designated by the Clerk, 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 investment(s), a minimum of three (3) qualified banks and/or dealers will be contacted and asked to provide bids on the securities being considered.
 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 forms.

4. If the maturing investment is a certificate of deposit, the present holder of the funds will be one of the contracts made subject to the portfolio diversification requirements in this policy.
- B. The use of bids shall be waived under the following circumstances:
1. This process need not apply in relation to swap proposals offered by a specific broker/dealer or financial institution as such "shopping" of swap proposals can have an adverse effect on broker motivation to seek out swaps.
 2. In certain circumstances where a dealer or bank informs the County of a potential purchase or sale and that time is of the essence and based on the authorized county investing individual's determination of the situation and timing, and knowledge of comparable yields in the market, the competitive bidding policy will be waived. In any situation where bids are not taken, these market offerings of similar maturity, structure and credit, will be obtained for comparison for the quality of the purchase. The Clerk, or such other authorized person so designated by the Clerk, will have final approval on these transactions before they have been completed.
 3. When no active market exists for the security being traded due to the age or lack of depth of the issue.
 4. When the transaction involves new issues or issues in the "when issued" market.

XIII. INTERNAL CONTROLS

The Clerk shall exercise and monitor a set of internal controls to be conducted by those so designated, which said controls are designed to protect the County's funds and ensure proper accounting and reporting of the securities transactions. Such internal controls shall consist of the following operational procedures:

- 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 is authorized to accept, on behalf of and in the name of Charlotte 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 Charlotte 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. Third party custodial accounts shall be utilized.
- G. There will be an avoidance of bearer-form securities.
- H. There will be no physical delivery of securities.

- I. 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.
- J. Prohibition of collusion.
- K. Written dealer confirmation and monthly and/or quarterly custodial account statements shall be maintained.
- L. Investment activity will be coordinated and reviewed by those persons so designated by the Clerk. Investments are under the direct control of the Clerk. In the absence of any of the designated individuals, the remaining individuals are authorized to conduct daily transactions using the guidelines of this Investment Policy.
- M. The following positions are designated by the Clerk as having the authority to initiate all investment activities:
 - 1. Clerk of the Circuit Court.
 - 2. All other designees will be at the discretion of the Clerk of the Circuit Court.
- N. Annual training and educational opportunities will be provided and made available concerning investments and related subjects for appropriate investment personnel in accordance with state statutes as a minimum standard.
- O. Such additional internal controls as established by the Clerk.