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Summary of Ordinance

The purpose of this Ordinance is to amend Section 2-24, Lake County Code, regarding the Lake County Investment Policy. The amendments will make the section consistent with Section 218.415, Florida Statutes. There will be no fiscal impact from this change.

ORDINANCE NO. 2015-_____

AN ORDINANCE OF THE BOARD OF COUNTY COMMISSIONERS OF LAKE COUNTY, FLORIDA; AMENDING SECTION 2-24, LAKE COUNTY CODE, ENTITLED LAKE COUNTY INVESTMENT POLICY; INVESTMENT OF SURPLUS FUNDS; AUTHORIZED INVESTMENTS; PROVIDING FOR CONSISTENCY WITH SECTION 218.415, FLORIDA STATUTES; PROVIDING FOR SEVERABILITY; PROVIDING FOR INCLUSION IN THE CODE; PROVIDING FOR FILING WITH THE DEPARTMENT OF STATE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, Section 218.415, Florida Statutes, requires that local government investment activity must be consistent with a written investment plan adopted by the local government body; and

WHEREAS, the Clerk of the Court and the County Manager have recommended that changes to the County investment policy be made to keep the policy consistent with Section 218.415, Florida Statutes; and

WHEREAS, the Board of County Commissioners desires to update its investment policy and finds that the amendment is in the best interests of the citizens of Lake County, Florida.

NOW, THEREFORE, BE IT ORDAINED by the Board of County Commissioners of Lake County, Florida, as follows:

Section 1. Recitals. The foregoing recitals are true and correct and incorporated herein by reference.

Section 2. Amendment. Section 2-24, Lake County Code, entitled Lake County investment policy; investment of surplus funds; authorized investments, is hereby amended to read as follows:

Sec. 2-24. Lake County investment policy; investment of surplus funds; authorized investments.

- (a) **Scope.** This investment policy applies to funds under the control of the Lake County (county) Board of County Commissioners (board) in excess of those required to meet current expenses. This policy does not apply to funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds.
- (b) **Authority.** Investments of the county are subject to F.S. § 218.415. This investment policy is established pursuant to statutory authority. The board establishes overall investment policies, the implementation of which is a constitutional responsibility of the clerk of courts (clerk), acting in his capacity as the clerk, and as the chief financial officer to the board.

1 (c) Investment objectives. The following are the investment objectives for Lake County
2 invested funds.

3 (1) Safety of capital. Safety of capital is regarded as the highest priority in the handling of
4 investments for the county. All other investment objectives are secondary. Each
5 investment transaction shall seek to first ensure that capital losses are avoided.

6 From time to time, however, securities may be traded for other similar securities to
7 improve yield, maturity or credit risk. For these transactions, a loss may be incurred for
8 accounting purposes, provided any of the following occurs with respect to the
9 replacement security:

- 10 a. The yield is increased, or
- 11 b. The maturity is reduced, or
- 12 c. The quality of the investment is improved.

13 (2) Maintenance of adequate liquidity. The investment portfolio must be structured in such
14 a manner that will provide sufficient liquidity to pay obligations as they become due.

15 (3) Return on investments. The investment portfolio shall be designed to attain a market
16 rate of return, taking into account investment risk constraints and liquidity needs.
17 Return on investment is of secondary importance compared to the safety of capital and
18 liquidity.

19 (d) Performance measurement. The investment portfolio will be managed in accordance with
20 the parameters specified within this policy. The portfolio should obtain a market average
21 rate of return during a market/economic environment of stable interest rates. The rate earned
22 on a fifty-two-week treasury bill will be the benchmark to which the portfolio will be
23 compared to when making an investment decision.

24 (e) Prudence and ethical standards. The persons performing the investment functions, acting as
25 a "prudent person" in accordance with these written policies and procedures, and exercising
26 due diligence, shall not be responsible for an individual security's credit risk or market price
27 changes provided that appropriate monitoring efforts are performed.

28 The "prudent person" standard states the following: Investments should be made with judgment
29 and care, under circumstances then prevailing, which persons of prudence, discretion and
30 intelligence exercise in the management of their own affairs, not for speculation, but for
31 investment, considering the probable safety of their capital as well as the probable income to be
32 derived from the investment.

33 Officers and employees involved in the investment process shall refrain from personal business
34 activity that could conflict with state statutes, county ordinances, proper execution of the
35 investment program, or which could impair their ability to make impartial investment decisions.
36 Investment officials shall disclose to the board any material financial interests in financial
37 institutions that conduct business within this jurisdiction, and they shall further disclose any large
38 personal financial/investment positions that could be related to the performance of the county's
39 investment portfolio. Investment officials shall subordinate their personal investment
40 transactions to those of the county, particularly with regard to the timing of purchase and sales.

41 (f) Authorized investments. In accordance with F.S. § 218.415(16), authorized investments
42 include:

- 1 (1) Any intergovernmental investment pool authorized pursuant to Florida Statutes.
- 2 (2) Securities and exchange commission registered money funds with the highest credit
- 3 quality rating from a nationally recognized rating agency.
- 4 (3) Interest-bearing time deposits or savings accounts in qualified public depositories as
- 5 defined in F.S. § 280.02.
- 6 (4) Direct obligations of the United States Treasury.
- 7 (5) Federal agencies and instrumentalities.
- 8 (6) Securities of, or other interests in, any open-end or closed-end management-type
- 9 investment company or investment trust registered under the Investment Company Act
- 10 of 1940, 15 U.S.C. §§ 80a-1 et seq., as amended from time to time, provided that the
- 11 portfolio of such investment company or investment trust is limited to obligations of the
- 12 United States Government or any agency or instrumentality thereof and to repurchase
- 13 agreements fully collateralized by such United States Government obligations, and
- 14 provided that such investment company or investment trust takes delivery of such
- 15 collateral either directly or through an authorized custodian.

16 ~~(7) Repurchase agreements comprised only of those investments as authorized in~~
17 ~~subsections (2), (3), and (4).~~

18 ~~(8) Commercial Paper of U.S. Corporations rated, at the time of purchase, "Prime-1" by~~
19 ~~Moody's and "A-1" by Standard and Poor's.~~

20 ~~(9) State and/or local government taxable and tax exempt debt, general obligation and/or~~
21 ~~revenue bonds rated at least "AA" by Moody's and "AA" by Standard & Poor's for long-~~
22 ~~term debt or rated at least MIG-2 by Moody's and SP-2 Standard & Poor's for short-~~
23 ~~term debt.~~

24 ~~(107)~~ The Florida Local Government Investment Trust.

25 ~~(118)~~ Investment in special assessment bonds issued by the county to facilitate the
26 financing of special assessment projects within the county. Such bonds are secured by a
27 lien on the property and by a pledge of the 9th cent gas tax collected by the county.

28 (9) Other investments as authorized by law.

29 (g) Maturity and liquidity requirements.

30 (1) A liquidity base of approximately two (2) months of anticipated disbursements,
31 excluding bond construction payments made from escrow or trust accounts, will be kept
32 in relatively short-term investments. These include the county's interest-bearing
33 checking account, authorized intergovernmental investment pools, certificates of
34 deposit, repurchase agreements and U.S. treasury obligations.

35 (2) Although many securities are acceptable for investment using the legal authorized list,
36 some are not desirable from a liquidity standpoint. Accordingly, although investments
37 may be on the authorized list, only those securities with an active secondary market
38 may be purchased from that list.

39 (h) Portfolio composition. Prudent investing necessitates that the portfolio be diversified as to
40 instruments and dealers. The following maximum limits are guidelines established for

1 diversification by instrument. These guidelines may be revised by the clerk for specific
2 circumstances:

3 ~~(1) Repurchase agreements ten (10) percent.~~

4 ~~(2) Certificates of deposit sixty (60) percent.~~

5 ~~(3) U.S. Treasury Bills/Notes seventy-five (75) percent.~~

6 ~~(4) Other U.S. Government agencies thirty (30) percent.~~

7 ~~(5) Commercial paper twenty (20) percent.~~

8 ~~(6) Special assessment bonds issued by the county two (2) percent.~~

9 No more than thirty (30) percent of the entire portfolio may be placed with any one (1)
10 commercial bank, savings and loan, authorized intergovernmental investment pool, or
11 broker/dealer, except for funds which are in a qualified public depository or are FDIC insured.

12 (i) Risk and diversification. The investment portfolio will be diversified to avoid incurring
13 unreasonable risks regarding specific security types or individual financial institutions.
14 Policies regarding portfolio composition (subsection (h)) and the use of authorized
15 investment institutions and dealers (subsection (j)) have been adopted to minimize risk. In
16 addition, no security shall have an estimated average return of principal exceeding five (5)
17 years except for special assessment bonds issued by the county which may have a maturity
18 of seven (7) years. The weighted average duration of principal return for the portfolio shall
19 be two (2) years or less. When structuring the maturity composition of the portfolio, the
20 team will evaluate current and expected interest rate yields based upon general market
21 conditions. However, after an investment has been purchased, the intent will be to hold the
22 investment until maturity, unless there is a business reason for selling it.

23 (j) Authorized investment institutions and dealers. The county shall only purchase securities
24 from financial institutions that are qualified as public depositories by the Treasurer of the
25 State of Florida or from primary or secondary securities dealers (or their agents) as
26 designated by the Federal Reserve Bank of New York.

27 (k) Third party custodial agreements. All investment securities purchased, except certificates of
28 deposit, shall be held in safekeeping at an institution designated by the clerk. The institution
29 shall issue a safekeeping receipt to the clerk's office listing the specific instrument, par
30 value, rate, maturity and any other pertinent information. In addition, the safekeeping
31 institution shall send a report on at least a quarterly basis listing all securities held in each
32 safekeeping account that shall be verified by the clerk's office. All trades where applicable
33 will be executed by delivery vs. payment to ensure that securities are deposited in an eligible
34 financial institution prior to the release of funds.

35 ~~Certificates of deposit issued by a local bank may be held in safekeeping at that institution or~~
36 ~~secured in the county finance department. The institution shall issue a copy of the certificate of~~
37 ~~deposit, a safekeeping receipt, or some other~~ confirmation of the purchase which is satisfactory
38 to the clerk, to be kept on file in the clerk's office and which indicates the amount, interest rate,
39 issue date and maturity date of the certificate of deposit.

40 ~~(l) Master repurchase agreement. In the event that the county chooses to invest in repurchase~~
41 ~~agreements (other than that entered into in connection with a banking services contract), the~~
42 ~~county will adopt the provisions of the master repurchase agreement as published by the~~
43 ~~public securities association. The county will require all approved institutions and dealers~~

~~transacting repurchase agreements to execute and perform as stated in the master repurchase agreement. In addition, all repurchase agreements shall adhere to the requirements of the master repurchase agreement. The maximum maturity for any single repurchase agreement will be one (1) year.~~

(ml) Bid requirement. In order to ensure that the county gets the best rates possible on its investments, investments selected for purchase will be competitively bid, except for the reinvestment of certificates of deposit. Certificates of deposit may be renewed if the rate offered by the issuing bank exceeds the return of similar certificates at local banks. Competitive quotes for various instruments will be solicited form among the authorized institutions. A record will be kept of the bids offered, the bids that were accepted and the rationale for making the decision. Alternatively, the county may use professional consultants in the purchase of securities.

(nm) Internal controls.

(1) The chief deputy clerk - county finance department is responsible for establishing and maintaining an internal control structure designed to ensure that county assets are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. Accordingly, the chief deputy clerk - county finance shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- a. Separation of transaction authority between accounting and recordkeeping.
- b. Custodial safekeeping.
- c. Avoidance when possible of physical delivery securities.
- d. Written confirmation of transactions for investments and wire transfers.
- e. Development of a wire transfer agreement with the lead bank and third party custodian.

(en) Investment decisions. The clerk shall have final approval for all investments purchased. The clerk shall consult with and discuss alternative investment strategies and short-range plans and monitoring of the performance and structure of the portfolio with the senior chief deputy clerk, chief deputy clerk - county finance, accounting director, budget director, county manager and county attorney prior to making investment purchases.

(po) Continuing education. Annually, the clerk and chief deputy clerk - county finance will complete eight (8) hours of continuing professional education in subjects related to investment practices and products each year as required in F.S. § 218.415(14).

(qp) Reporting. The chief deputy clerk - county finance shall submit to the board a semi-annual investment report listing all of the investments held, including book and market value, and summarizing recent market conditions, economic developments and investment conditions. The report shall also provide the amount of interest earned to date on a cash basis versus budgeted amounts and the cumulative interest earned during the year.

Section 3. Severability. If any section, sentence, clause or phrase or the Ordinance is held to be invalid or unconstitutional by any court of competent jurisdiction, then said holding shall in no way effect the validity of the remaining portion of this Ordinance.

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Section 4. Inclusion in the Code. It is the intent of the Board of County Commissioners that the provisions of this Ordinance shall become and be made a part of the Lake County Code and that the sections of this Ordinance may be renumbered or relettered and the word “ordinance” may be changed to “section”, “article” or such other appropriate word or phrase in order to accomplish such intentions.

Section 5. Filing with the Department of State. The clerk shall be and is hereby directed forthwith to send a certified copy of this Ordinance to the Secretary of State for the State of Florida.

Section 6. Effective Date. This Ordinance shall become effective upon filing with the Secretary of State.

Enacted this _____ day of _____, 2015.

Filed with the Secretary of State _____, 2015.

BOARD OF COUNTY COMMISSIONERS
OF LAKE COUNTY, FLORIDA

ATTEST:

Neil Kelly, Clerk of the
Board of County Commissioners
of Lake County, Florida

Sean M. Parks, Chairman

This _____ day of _____, 2015.

Approved as to form and legality:

Melanie Marsh, County Attorney