

**Board of County Commissioners  
Okaloosa County, Florida  
Investment Policy**

**I. SCOPE**

This Policy was adopted using Florida Statutes Section 218.415 as a guideline and applies to all funds held by the County in excess of those required to meet current expenses. All monetary assets of the Okaloosa County Board of County Commissioners (“County”) which are recorded to the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, shall be administered in accordance with the provisions of this Policy.

Investment income earned on the monetary assets of the County shall be used for the same purposes and projects as the assets upon which the investment income was earned.

**II. INVESTMENT OBJECTIVES**

The primary objectives of all investment activities for the County should be safety of principal, maintenance of adequate liquidity, and secondarily, return maximization.

- A. 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 ensured by establishing minimum acceptable credit ratings, limiting overall portfolio duration, setting maximum exposures by sector, defining appropriate levels of diversification, and limiting exceptions.
- B. Maintenance of Liquidity. To meet the day-to-day operating needs of the County and to provide ready cash to meet unforeseen temporary cash requirements, a liquidity base of at least two months of anticipated disbursements will be kept in relatively short-term investments. These would include investments in government pools with daily liquidity such as the Local Government Surplus Trust Fund and money market investments.
- C. Return Maximization. Return is of secondary importance compared to the safety and liquidity objectives above. Investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. An overall portfolio rate of return shall be evaluated in comparison to the Standard & Poor’s Local Government Investment Pool All 30-Day net rate for short term investments (one to twelve months), and to the Bank of America Merrill Lynch 1-5 Year Treasury Index or another appropriate index for long term investments (maturity beyond one year).
- D. The Clerk of the Circuit Court and Comptroller (“Clerk”) will employ mechanisms to control risks and diversify its investments regarding specific security types or individual financial institutions.

- E. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism worthy of the public trust. The governing body, however, recognizes that, in a diversified portfolio, market losses are inevitable and must be considered within the context of the overall portfolio's investment return, provided adequate diversification has been implemented.

### **III. STANDARDS OF CARE**

- A. Standards of Prudence. The "Prudent Person" Rule shall be applied in the management of the overall investment portfolio. The "Prudent Person" Rule states: "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 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.
- B. Ethical Standards. Officers, employees, and external investment advisors of the Clerk's Office who participate 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 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.

### **IV. AUTHORITY**

Responsibility for the administration of the investment program is vested in the Clerk as provided in Section 28.33, Florida Statutes. The Clerk shall exercise this authority to invest surplus funds in accordance with Section 218.415, Florida Statutes. The Clerk hereby delegates the day-to-day responsibility for the administration of the investment program to the Finance Director. The Finance Director may further delegate certain cash management duties to staff members, provided such duties are clearly outlined in procedures and reported to the Clerk.

### **V. PROCUREMENT OF 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, such outside resources would be in a better position to overcome such limitations. Securities purchased by the external manager on behalf of the County, and other investments held by the fund, must be in compliance with the constraints identified by this Policy. 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 three years.

The Clerk in his capacity as Chief Financial Officer of Okaloosa County oversees the selection of external managers through a competitive selection process (an RFP). The RFP committee will include county and clerk staff along with investment experts from other governments or the community. 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. Upon selection of an external manager, the Clerk will execute a contract with the firm. External managers will be evaluated and retained based upon their investment performance.

## **VI. 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 from other assets held by the depository. 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.

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 and details as to responsibilities of each party. These responsibilities include notification of security transactions, repurchase agreements, wire transfers, safekeeping and transactions costs, procedures in case of wire failure and other unforeseen mishaps, including the liability of each party.

## **VII. INTERNAL CONTROLS**

The Clerk 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. The internal controls should be designed to prevent losses of funds, which might arise from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees. The written procedures should include reference to safekeeping, repurchase agreements, separation of transaction authority from accounting and recordkeeping, wire transfer agreements, banking service contracts, collateral/depository agreements, and "delivery-vs-payment" procedures.

No person may engage in an investment transaction except as authorized under the terms of this policy. All daily investment activity is performed by the Finance Director under the supervision of the Chief Financial Officer.

Pursuant to Section 218.415 (13), Florida Statutes, independent auditors as a normal part of the annual financial audit to the County shall conduct a review of the system of internal controls

to ensure compliance with policies and procedures.

#### **VIII. CONTINUING EDUCATION**

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

#### **IX. POLICY REVIEW AND AMENDMENT**

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

#### **X. AUDITS**

Certified public accountants conducting audits of units of local government pursuant to Section 218.39, Florida Statutes shall report, as part of the audit, whether or not the local government has complied with Section 218.415, Florida Statutes.

#### **XI. 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 the requirements of the Master Repurchase Agreement.

#### **XII. INVESTMENT PERFORMANCE AND REPORTING**

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

An annual report will be presented to the Board of County Commissioners ("Board"), which shall include securities in the portfolio by sector, book value, income earned, market value and purchase yield. Investment performance shall measure risk characteristics, portfolio size, sector allocations, and year-to-date earnings to an appropriate benchmark.

The County Administrator shall be notified immediately of deviations from currently approved investment policies. In the event of a ratings agency downgrade to below the A or better requirement, a written notification and investment plan from the external manager must be submitted to the County Administrator. The forced or immediate sale of the downgraded asset is not required.

### **XIII. 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 illiquidity. For purposes of this Policy, the top nationally recognized statistical ratings organizations (NRSROs) for all credit-sensitive securities are Moody's, Standard and Poor's, and Fitch. Portfolio diversification and maturity limitations are employed as primary methods of controlling risk. Market value shall be the basis for determining portfolio percentages and compliance with this Policy.

The average range of duration for the County's overall portfolio, inclusive of internally and externally managed investments, is defined as 0.5 years to 3.0 years. Unusual market or economic conditions may mandate moving the portfolio outside of this range.

### **XIV. AUTHORIZED INVESTMENTS**

This section lists the authorized investments for the internal and external county portfolios. Details of key limitations on authorized investments are provided in Exhibit A. Investments not listed in this policy are prohibited.

#### **Internal Investment Portfolio**

- A. The Local Government Surplus Trust Fund (Florida Prime) or any intergovernmental investment pools authorized pursuant to the Florida Interlocal Cooperation Act of 1969 as provided in Section 163.01 Florida Statutes.
- B. Investments may be made in SEC registered constant net asset value fixed income money market mutual funds rated AAAm or AAAG comprised of only those investment instruments as authorized in this Policy, provided that such funds do not allow derivatives.
- C. Interest-bearing time deposits or savings accounts in Qualified Public Depositories as defined in Section 280.02 Florida Statutes. This includes, but is not limited to, time deposit accounts, demand deposit accounts, and non-negotiable certificates of deposit.
- D. The Surplus Funds of the County may be utilized for the funding of Special County Purposes and Projects ("Special Projects") and shall be treated as a loan and investment of the County's Surplus Funds. The use of Surplus Funds for these Special Projects shall comply with the following requirements:
  - The terms of the investment of Surplus Funds for these purposes, including the principal amount used to be loaned for the Special Project, the interest rate and repayment date of the loan and the revenue source to be used for the repayment of the loan, shall be approved by the Board as included in an authorizing resolution.
  - The total amount of all loans for Special Projects from the County's surplus balances shall not exceed ten percent (10%) of the total amount of available Surplus Funds. In no event shall the total amount loaned for Special Projects

exceed the amount of legally available revenues to repay, if required.

- Each request for Board approval of a loan for the funding of a Special Project shall include the Clerk's determination that the investment is authorized by the county investment policy.
- Each Special Project to be funded from the County's Surplus Funds shall have a scheduled repayment date that does not restrict, impede, or limit implementation or fulfillment of the original purposes for which the Surplus Funds are designated. The Board, in approving use of the County's surplus funds, shall include within the resolution a specific finding that the transfer will not restrict, impede, or limit implementation or fulfillment of the original purposes for which the Surplus Funds are designated. Further, the resolution shall provide that the County may repay loan from any available revenue source in the event that the Surplus Funds are required for their original purposes.
- The interest rate for Special Projects shall be a fixed rate of interest equal to the Treasury rate that matches the maturity of the loan. For example, if the funds borrowed for the Special Project are determined by Resolution to be repaid in 2 years, then the interest rate to be applied shall be equal to the 2-year Treasury Note rate.
- When the Special Project is fully authorized and requires funding, the investment shall be funded in full, from the Surplus Funds. Interest will be calculated using the Simple Interest method. Interest will be assessed annually and credited to the investment pool in the same manner as other interest income.
- The loan of surplus balances used for Special Projects may be re-paid early at any time and without penalty.

#### External Investment Portfolio

- E. Direct obligations of the United States Treasury. Investments may be made in negotiable direct obligations or obligations the principal and interest of which are unconditionally guaranteed by the United States Government.
- F. Federal Agencies and Instrumentalities. United States Government Agencies and Government Sponsored Enterprises (GSEs) which are non-full faith and credit.
- G. Corporate Debt Securities. Investments may be made in securities issued by any U.S. corporation provided that such instrument is rated A or better by at least two NRSROs.
- H. Municipal Bonds. Investments may be made in securities issued by governmental entities or territorial boundaries of the United States provided that such instrument is rated A or better by at least two NRSROs.
- I. Mortgage-Backed Securities (MBS). Only agency collateralized (FNMA, FHLMC and GNMA) MBS, including collateralized mortgage obligations (CMOs), may be purchased.

- J. Asset-Backed Securities (ABS). Only ABS collateralized by traditional consumer receivables such as automobile, equipment, utility, and credit card loans may be purchased. The minimum credit rating for ABS must be AAA by at least two NRSRO at the time of purchase.
- K. Commercial Mortgage-Backed Securities (CMBS). Only an agency collateralized CMBS may be purchased.
- L. Repurchase Agreements. Investments whose underlying purchased securities consist of United States Treasury, Federal Agencies and/or Instrumentalities and based on the requirements set forth in the Clerk's Master Repurchase Agreement.
- M. Banker's Acceptances. Investments may be made 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.
- N. Commercial Paper. 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). Asset backed commercial paper is prohibited.

## **XV. SUMMARY OF KEY LIMITATIONS ON AUTHORIZED INVESTMENTS**

The detailed guidelines for investments and limits on security issues, issuers, maturities, and credit quality as established by the Clerk are provided in **Exhibit A**. The Clerk or the Clerk's designee (Finance Director) shall have the option to further restrict or increase investment percentages from time to time based on market conditions. Exceeding percentage limits due to changes in portfolio balance will not require liquidation of any asset but will restrict further investment. Any changes to the portfolio composition guidelines or limits must be in writing by the Finance Director.

### **Additional Portfolio Limitations**

- A. The limits for the Internally Managed portfolio apply to the combined internal and external portfolios.
- B. The External Manager's limits apply to external portfolio.
- C. The maximum combined portfolio allocation to MBS, CMBS and ABS securities is 45% at time of purchase.
- D. The maximum combined portfolio allocation to corporate debt and municipal securities is 45% at time of purchase.
- E. Portfolio securities may be purchased in either fixed or floating-rate form.
- F. All investments must be denominated in U.S. Dollars.
- G. Investments rated BBB and below are not permitted at the time of purchase. The lower rating shall apply in instances of split-rated securities.

## EXHIBIT A

IP Section	Portfolio Management	Security Type	Portfolio Sector Maximum	Per Issuer Maximum	Further Limited By	Maximum Maturity/WAL Limit	Quality Minimum
XIV.A.	IM	Local Government Surplus Funds Trust Fund (Prime)	100%	NA	NA	NA	NA
XIV. A.	IM	FL Local Government Investment Trust (FLGIT); Florida Surplus Asset Fund Trust (FLSAFE); Florida Cooperative Liquid Assets Securities System (FLCLASS); Florida Fixed Income Trust (FL-FIT)	20% each Pool	NA	NA	NA	NA
XIV. B.	IM	Constant Net Asset Value Money Market Mutual Funds	100%	NA	NA	NA	SEC-qualified, must hold investments allowed by this Policy
XIV. C.	IM	Financial Deposit Instruments	30%	NA	NA	2-Year Mat; 1 Year Avg Maturity	Florida Security for Public Dep. Act
XIV. D.	IM	Investment of Surplus Funds for Special Projects	10%	NA	NA	NA	NA
XIV. E.	EM	United States Government Securities	100%	NA	NA	10-Year Maturity	NA
XIV. F.	EM	United States Federal Agencies (full faith and credit)	100%	20.0%	NA	5-Year Maturity	NA
XIV. F.	EM	Federal Instrumentalities (Non-full full faith and credit)	45%	15.0%	NA	5-Year Maturity	NA
XIV. G.	EM	Corporate Debt Securities	25%	3.0%	NA	5-Year Maturity	A3/A- by 2 NRSRO
XIV. H.	EM	Municipal Bonds	35%	3.0%	NA	5-Year Maturity	A3/A- by 2 NRSRO
XIV. I.	EM	Mortgage-Backed Securities (MBS), including CMOs	35%	15.0%	3.0% per CUSIP	5-Year WAL	Agency only
XIV. J.	EM	Asset-Backed Securities (ABS)	10%	3.0%	NA	5-Year WAL	Aaa/AAA by 2 NRSRO
XIV. K.	EM	Commercial Mortgage- Backed Securities (CMBS)	8%	3.0%	NA	5-Year WAL	Agency only
XIV. L.	EM	Repurchase Agreements	15%, if longer than 1-Day	5.0%	NA	60-Days	Requires Master Repo Agreement
XIV. M.	EM	Bankers' Acceptances	15%	5.0%	No ABCP	270-Days	A1/P1 by 2 NRSRO
XIV. N.	EM	Commercial Paper	20%	5.0%	No ABCP	270-Days	A1/P1 by 2 NRSRO

EM. External Managers where limits apply to external portfolio.

IM. Internal Management where limits apply to combined internal and external portfolios.

WAL. Weighted Average Life.

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.

**ORDINANCE 2024 - 20**

**AN ORDINANCE OF THE BOARD OF COUNTY COMMISSIONERS OF OKALOOSA COUNTY AMENDING ORDINANCE 2016-21, AS AMENDED, RELATING TO THE INVESTMENT POLICY OF THE COUNTY; UPDATING THE COUNTY'S INVESTMENT POLICY TO INCLUDE GUIDELINES ON ETHICAL STANDARDS, USE AND SELECTION OF EXTERNAL ADVISORS, EXPAND THE LIST OF ALLOWED INVESTMENT VEHICLES, INCREASE REPORTING REQUIREMENTS, AND EXPAND THE DIVERSIFICATION GUIDELINES; PROVIDING AN EFFECTIVE DATE.**

**WHEREAS**, the Board of County Commissioners ("Board") adopted Ordinance 2016-21, which established an investment policy for the management of the County's funds; and

**WHEREAS**, the investment policy was subsequently amended by Ordinances 2017-04 and 2018-02; and

**WHEREAS**, the Board wishes to further update the investment policy.

**NOW THEREFORE**, be it ordained by the Board of County Commissioners of Okaloosa County as follows:

Section 1. The above recitals are true and correct and incorporated herein.

Section 2. The updated Investment Policy of Okaloosa County is attached hereto as Exhibit "A."

Section 3. This Ordinance shall become effective as required by law.

**PASSED AND DULY ADOPTED** in Regular Session this 4<sup>th</sup> day of November 2024.

BOARD OF COUNTY COMMISSIONERS  
OF OKALOOSA COUNTY, FLORIDA

ATTEST:

J.D. Peacock II, Clerk



Paul Mixon, Chairman

