

Leon County Research and Development Authority

Policy No. 11-5

Title: Investment Policy
Date Adopted: October 4, 2011
Effective Date: October 4, 2011

Introduction

The purpose of Policy No. 11-5, “Investment Policy,” is to set forth the framework within which The Leon County Research and Development Authority (“the Authority”) will manage investment assets belonging to the Authority.

The Authority’s Board of Governors (“the Board”) is responsible for setting guidelines for the investment of the Authority’s portfolio through the adoption of this Investment Policy. The Board has established the Investment Advisory Committee (“the Committee”) and charged it with the responsibility of reviewing and recommending changes to the Policy no less than annually. The Committee meets quarterly unless interim issues require more frequent meetings. Meetings are noticed and open to the public; and, the minutes of each meeting are recorded. The Committee, appointed by the Chair of the Authority’s Board, consists of at least one Board member and qualified citizens with financial or investment expertise who are independent of employment and business relationships with the Authority. The Chair of the Committee will be appointed by the Chair of the Authority and must be a member of the Authority’s Board of Governors.

I. Scope

This policy shall apply to all funds held by the Authority in excess of those required to meet current expenses and shall be in compliance with Section 218.415, Florida Statutes.

II. Objectives

The objectives of the Authority Investment Policy, in order of priority, are to provide safety of capital, liquidity of funds, and return maximization. The optimization of investment returns shall be secondary to the requirements for safety and liquidity.

III. Performance Measurement

The State Board of Administration's Local Government Surplus Funds Trust Fund (Prime Fund) will be used as a benchmark as compared to the portfolio's net book value rate of return for current operating funds. The investment portfolio for the Authority with a longer term investment horizon will be measured against an index comprised of US Treasuries or Government securities as set by the Committee. The externally managed intergovernmental pools each specify a benchmark appropriate for the pool.

IV. Prudence and Ethical Standards

The primary standard for investment of the Authority's assets shall be the Prudent Person Rule, which 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."

Officers, employees, investment managers and advisor vendors of the Authority who are involved in the investment process shall refrain from personal business activity that could conflict with State Statutes, resolutions, proper management of the investment portfolio or which could impair their ability to make impartial investment decisions. Investment officials and employees, including members of the Committee, shall disclose any material financial interests in any investment firms, or financial institutions that conduct business with the Authority and shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Authority.

V. Authority

Responsibility for the investment program is vested with the Committee. The Executive Director shall assist the Committee by maintaining an Investment Procedures and Internal Controls Manual based on this Policy. The Authority may retain one or more professional organizations, as investment manager(s), to manage the portfolio under the guidance of these policies and the Authority's Committee, and may also retain the services of investment advisor(s). No person may engage in an investment transaction except as stated in the Internal Controls Section of this Policy.

The investment manager(s) shall have substantial discretion in the management of the investments within the defined objective range. The investment manager(s) is expected to optimize the Authority's expectations. The investment manager(s) and investment advisor(s) serve at the will of the Authority's Board of Governors, subject to the specific terms of contracts between the parties. Yield or growth targets, if any, established by the Authority shall be implemented by, and used in the performance evaluation of, the manager(s).

The investment manager(s) and investment advisor(s) will provide the Committee with reports in sufficient detail as may be requested by the Committee in order for them to review the performance of the portfolio. The Committee will establish portfolio benchmarks in order to judge the performance of the internally managed portfolio with respect to the market and other portfolios of similar size and limitations. The Committee will provide the Board a report at the close of the fiscal year recapping the performance of the portfolio and any outside managers, and at such other times as the Board may request.

VI. Investment Manager(s)

The duties and responsibilities of the investment manager(s) are to:

- Exercise discretion in the management of the assets under its control in accordance with the Investment Policy objectives and guidelines and also expressed in separate written agreements.
- Comply with all applicable state and federal laws, rules, regulations and fiduciary prudence, and due diligence requirements.
- Promptly inform the Committee in writing regarding all significant and/or material matters and changes pertaining to the investment of assets or the ownership, management or financial stability of the investment management firm.
- Recommend to the Committee changes, additions or deletions to the Investment Policy as deemed advisable.
- Promptly vote all proxies and related actions in a manner consistent with the long-term interests and objectives of the Authority, including the responsibility to vote proxies related to the investment manager's proprietary investment funds held, unless voting responsibility has been reserved in writing to the Committee or its designee. The manager(s) has the right hereunder to solicit proxy voting recommendations from an independent qualified party, on matters that might involve potential conflicts of interest in the performance of the manager's duties hereunder.
- Acknowledge in writing the receipt of this Policy and acceptance of its terms.

VII. Investment Advisor(s)

The Committee, with the Board's consent, is authorized to hire an investment advisor on an as needed basis and the duties and responsibilities of the investment advisor(s) shall consist of the following, but are not limited to: participation in the selection, monitoring the performance of, and generally supervising any investment manager(s). The investment advisor shall also provide reports to the Committee, Executive Director, and Board of Governors.

VIII. Authorized Investments

Investments should be made subject to the cash flow needs of the Authority; and such cash flows are subject to revisions as market conditions and the Authority's needs change. However, when the invested funds are needed in whole or in part for the purpose originally intended or for more optimal investments, authorized staff, with the approval of the Committee, may direct the sale of the investment at the then-prevailing market price and place the proceeds into the proper account at the Authority's custodian.

The following are the guidelines for authorized investments and the limits on security types, issuers, and maturities that will be established by the Committee. The Committee shall have the option to further restrict investment percentages from time to time based on market conditions. The percentage allocations requirements for investment types and issuers are calculated based on the original cost of each investment. Investments not listed in this policy are prohibited.

The Authority shall invest in the following authorized instruments at the prevailing market prices or rates, subject to the limitations of Section 218.415 (16), Florida Statutes:

- A. The following intergovernmental investment pools authorized by Section 163.01 Florida Statutes:
 - 1. Local Government Surplus Trust Fund (Florida Prime)
 - 2. Treasury Special Purpose Investment Account (SPIA)
 - 3. Florida Local Government Investment Trust (FLGIT)
 - 4. Florida Municipal Investment Trust (FMIVT)
- B. Savings accounts in state-certified qualified public depositories as defined by Section 280.02, Florida Statutes.

- C. Certificates of deposit in state-certified qualified public depositories as defined by Section 280.02, Florida Statutes.
- D. Constant Net Asset Value Money Market Mutual Funds, which include U.S Government securities, repurchase Agreements, Commercial Paper and Bankers' Acceptances.
Investments may be made in SEC qualified constant net asset value fixed income money market mutual funds rated AAAM or AAAG comprised of only those investment instruments as authorized in this section policy, provided that such funds do not allow derivatives.
- E. Repurchase Agreements comprised of only those investments as authorized in this policy and based on the requirements set forth in the Master Repurchase Agreement.
 - 1. All firms with whom the Authority enters into repurchase agreements will have in place and executed a Master Repurchase Agreement.
 - 2. All repurchase agreements with a term longer than one business day will have the collateral held by a third party custodian. The collateral held pursuant to a repurchase agreement shall have a maturity of less than five years and must have a mark-to-market value of 102 percent during the term of the repurchase agreement.
- F. 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.
- G. 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).
- H. United States Government Securities including, but not limited to: Treasury and Cash Management Bills, State and Local Government Series (SLGS), Notes, Bonds Treasury Strips, and Treasury Inflation Protected Securities (TIPS).
- I. United States Federal Agencies - Investments may be made in bonds, debentures or notes issued or guaranteed by United States Government agencies, provided such obligations are backed by the full faith and credit of the United States Government.
- J. Federal Instrumentalities - Investments may be made in bonds, debentures or notes issued or guaranteed by the United States Government sponsored agencies (Federal Instrumentalities), which are non-full faith and credit agencies.
- K. Corporate Debt Securities - Investments may be made in notes, medium term notes, discount notes and variable-rate securities issued by any corporation, provided that such instrument is rated A or better by at least two Nationally Recognized Statistical Rating Organizations (NRSRO) at time of purchase. All corporate transactions must be payable in U.S. dollars.

- L. Municipal Bonds - Investments may be made in notes or bonds issued by governmental entities or territorial boundaries of the United States, provided that such instrument is rated A or better by at least one NRSRO.

IX. Maturity and Liquidity Requirements

The investment portfolio is structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To that end, investments will be made to match investment maturities with known cash flow needs and anticipated cash-flow requirements. Investment of current operating funds shall have maturities of no longer than twenty-four (24) months.

Investments of non-operating funds (core funds) shall have a term appropriate to the need for the funds. The purchase of investments for core funds with maturities longer than three (3) years requires Committee approval before purchase.

X. Risk and Diversification

Assets shall be diversified to the extent practicable to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold. Diversification strategies within the established guidelines shall be reviewed and revised periodically, as deemed necessary by the Committee. The structure of the portfolio is designed to minimize credit risk.

The majority of the securities held will be those of the highest available credit quality ratings. These would include government pools, U. S Government (AAA) securities, and commercial paper, of only the highest applicable rating. Should an investment rating be downgraded to below investment grade, the status of the funds in question will be reviewed by the Committee to determine the costs associated with risk and the benefits that may still be yielded.

For purposes of this Policy, the top nationally-recognized statistical rating organizations (NRSROs) for all credit-sensitive securities are Moody's Investor Services, Standard and Poor's, and Fitch Investor Services.

XI. Authorized Investment Institutions and Dealers

The investment manager(s) shall only purchase securities from financial institutions, which are qualified as public depositories by the Treasurer of the State of Florida or from institutions designated as "Primary Securities Dealers" by the Federal Reserve Bank of New York.

XII. Internal Controls

Included in any periodic financial review by an independent auditor will be an examination of the written system of internal controls and operational procedures established by the Executive Director and approved by the Board. The internal controls shall be designed to prevent losses of funds which might arise from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees of the Authority.

Such controls shall include, but not be limited to, the following:

- A. The function of authorizing or performing investment transactions will be separated from the function of recording the transaction.
- B. Confirmation. All telephone or other electronically initiated transactions will be supported by written communications and approved by a person other than the person initiating the transaction. Repetitive wires do not require a secondary approval; however, all non-repetitive wires shall have secondary approval.
- C. All securities purchased or sold will be transferred only under the "deliver versus payment" (DVP) method to insure that funds or securities are not released until all criteria relating to the specific transaction are met.
- D. The Executive Director will accept, on behalf of and in the name of the Authority, bank trust receipts or confirmations as evidence of actual delivery of the obligations or securities in return for investment of funds.
- E. 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 the Authority.
- F. The actual obligations or securities, whether in book-entry or physical form, on which trust receipts or confirmations are issued, may be held by a third-party custodial bank and/or institution or a designated correspondent bank which has a correspondent relationship to the Authority's third-party custodian.

XIII. Reporting

The investment manager(s) and investment advisor(s) are responsible for preparing periodic reports for submission to the Committee and Board. These reports shall include securities in the portfolio by class or type, book value, income earned, and market value as of the report date as well as comparisons of their performance with agreed upon benchmarks. Such reports shall be available to the public.

XIV. Sale of Securities

When invested funds are needed in whole or in part for the purposes originally intended, the investment manager(s) may sell such investments at the then-prevailing market price and place the proceeds into the proper account or fund of the Authority.

XV. Preemption

Any provision of any special act, municipal charter, or other law which prohibits or restricts the Authority from complying with Section 218.415, Florida Statutes, or any rules under Section 218.415, Florida Statutes, is void to the extent of the conflict.

XVI. Audits

Certified public accountants conducting audits of the Authority pursuant to Section 11.45, Florida Statutes, shall report as part of the audit, whether or not the Authority has complied with Section 218.415, Florida Statutes.

XVII. Adoption of Investment Policy

This Investment Policy was adopted by the Leon County Research and Development Authority's Board of Governors on October 4, 2011.

Approved 

Ray Eaton, Chair

Board of Governors

10/12/2011

Date

Investment Manager's Certification

I have read, understand and agree to abide by the requirements of this policy.

Accepted: _____

Signature

Date

Print Name

Name of Investment Firm