

Related Entries: (Not identified at this time)

Investment of Funds

The School Board of Lee County ensures that all funds in excess of the amounts needed to meet current expenses shall be invested to earn the best possible risk adverse yield for the period available.

(1) Purpose

The purpose of this policy is to set forth the investment objectives and parameters for the management of public funds of the District School Board of Lee County, Florida (hereinafter "Board"). These policies are designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices.

(2) Scope

In accordance with section 218.415 Florida Statute (F.S.), this investment policy applies to all cash and investments held or controlled by the District with the exception of trust funds, and monies related to the issuance of debt where there are other existing policies or indentures in effect for such monies. Monies held by State agencies (e.g., Department of Education) are not subject to the provisions of this policy.

(3) Investment Objectives

(a) The investment objectives of the School District of Lee County, Florida, in order of priority, are as follows:

1. Safety of Principal - The investments shall be structured to provide for the safety of principal and allow the Board to meet its obligations in a timely manner.
2. Maintenance of Liquidity - The portfolios shall be managed in such a manner that monies are available to meet reasonably anticipated cash flow requirements in an orderly manner.

40 3. Diversification of Risk - The District shall diversify investments
41 whenever possible without negatively affecting the safety of principal
42 and liquidity characteristics. Investment transactions shall seek to
43 keep capital losses at a minimum, whether they are from securities
44 defaults or erosion of market value.

45
46 4. Investment Income - Investment portfolios shall be designed with the
47 objective of attaining a market rate of return throughout budgetary and
48 economic cycles, taking into account investment risk constraints and
49 liquidity needs. The core of investments is limited to relatively low risk
50 securities in anticipation of earning a fair return relative to the risk
51 being assumed.

52
53 (4) Performance Measurement

54
55 (a) In order to assist in the evaluation of the portfolio's performance, the District
56 will use performance benchmarks for short-term and long-term portfolios.
57 The use of benchmarks will allow the District to measure its returns against
58 other investors in the same markets.

59
60 (b) The State Board of Administration Local Government Investment Pool, and
61 Money Fund Index or the weighted average performance of the ten (10)
62 largest prime funds will be used as benchmarks as compared to the
63 portfolios' net book value rate of return for current short-term funds.

64
65 (c) Investment performance of Funds designated as Core Funds and other non-
66 operating monies that have a longer-term investment horizon will be
67 compared to an index comprised of U.S. Treasury or government securities.
68 The appropriate index will have a duration and asset mix that approximates
69 the portfolios and will be utilized as a benchmark to be compared to the
70 portfolios total rate of return.

71
72 (5) Prudence and Ethical Standards

73
74 (a) The standard of prudence to be used by investment officials shall be the
75 "Prudent Person" standard and shall be applied in the context of managing
76 the overall investment program.

77
78 (b) The "Prudent Person" rule states the following:

79 1. Investments shall be made with judgment and care, under
80 circumstances then prevailing, which persons of prudence, discretion
81 and intelligence exercise in the management of their own affairs, not
82 for speculation, but for investment, considering the probable safety of
83 their capital as well as the probable income to be derived from the
84 investment."

85

86 2. While the standard of prudence to be used by investment officials who
87 are officers or employees is the "Prudent Person" standard, any
88 person or firm hired or retained to invest, monitor, or advise
89 concerning these assets shall be held to the higher standard of
90 "Prudent Expert".
91

92 (c) The Prudent Expert Standard shall be as follows:
93

94 When investing and reinvesting moneys and in acquiring, retaining,
95 managing, and disposing of investments of these monies, the contractor shall
96 exercise: the judgment, care, skill, prudence, and diligence under the
97 circumstances then prevailing, which persons of prudence, discretion, and
98 intelligence, acting in a like capacity and familiar with such matters would use
99 in the conduct of an enterprise of like character and with like aims by
100 diversifying the investments of the monies, so as to minimize the risk,
101 considering the probable income as well as the probable safety of their
102 capital."
103

104 (6) Ethics and Conflicts of Interest
105

106 Employees involved in the investment process shall refrain from personal business
107 activity that could conflict with proper execution of the investment program, or which
108 could impair their ability to make impartial investment decisions. Also, employees
109 involved in the investment process shall disclose to the Superintendent any material
110 financial interests in financial institutions that conduct business with the Board, and
111 they shall further disclose any material personal financial/investment positions that
112 could be related to the performance of the Board's investment program.
113

114 (7) Listing of Authorized Investments
115

116 (a) The Superintendent or designee shall determine the best risk adverse yield
117 for the period available from the following forms of investments: bids from
118 qualified depositories, certificates of deposit, time deposits, and securities
119 guaranteed by the United States Government, State Board of Administration
120 Trust Fund, or other forms of authorized investments.
121

122 (b) Authorized officials shall only purchase securities from financial institutions,
123 which are qualified as public depositories by the Treasurer of the State of
124 Florida, institutions designated as "Primary Securities Dealers" by the
125 Federal Reserve Bank of New York.
126

127 (8) Maturity and Liquidity Requirements
128

129 To the extent possible, an attempt will be made to match investment maturities with
130 known cash needs and anticipated cash flow requirements.
131

132 (9) Portfolio Composition
133

134 (a) The following are the investment requirements and allocation limits on
135 security types, issuers, and maturities as established by the District School
136 Board:

- 137
- 138 1. The Florida State Board of Administration's Local Government Surplus
139 Funds Trust Fund or any intergovernmental investment pool
140 authorized pursuant to the Florida Interlocal Cooperation Act as
141 provided in section 163.01 F.S.
 - 142
 - 143 2. United States Government Securities including but not limited to
144 Notes, Bills, Bonds, and Strips, negotiable direct obligations, or
145 obligations the principal and interest of which are unconditionally
146 guaranteed by the United States Government.
 - 147
 - 148 3. Non-negotiable interest bearing time certificates of deposit or savings
149 accounts in banks organized under the laws of this state and/or in
150 national banks organized under the laws of the United States and
151 doing business and situated in the State of Florida, provided that any
152 such deposits are secured by the Florida Security for Public Deposits
153 Act, Chapter 280 F.S.
 - 154
 - 155 4. Money Market Funds; Securities and Exchange Commission
156 registered money market Funds with the highest credit quality rating
157 from a Rating Agency. The Fund must be in registered and in
158 compliance with 17 Federal Code of Regulations 270.2a-7.
 - 159
 - 160 5. Other investments permitted by Florida State Statute with approval of
161 the District School Board.

162
163 (10) Risk and Diversification
164

165 The percentage allocations requirements for investment types and issuers are
166 calculated based on the original cost of each investment. Investments not listed in
167 this policy are prohibited.

168

169 (a) The Florida State Board of Administration's Local Government Surplus
170 Funds Trust Fund or any intergovernmental investment pool authorized
171 pursuant to the Florida Interlocal Cooperation Act as provided in section
172 163.01 F.S - a maximum of fifty percent (50%) of available monies may be
173 invested in any one Investment Pool.

174

175 (b) United States Government Securities including but not limited to Notes, Bills,
176 Bonds, and Strips, the SRA may invest in negotiable direct obligations, or
177 obligations the principal and interest of which are unconditionally guaranteed
178 by the United States Government - a maximum of fifty percent (50%) of

179 available monies with a maximum length to maturity of any direct investment
180 in the United States Government Securities of five (5) years from the date of
181 purchase.

182 (c) Non-negotiable interest bearing time certificates of deposit or savings
183 accounts – a maximum of twenty-five percent (25%) with a maximum of
184 fifteen percent (15%) of available monies with any one issuer. The maximum
185 maturity on any certificate shall be no greater than one (1) year from the date
186 of purchase.

187
188 (d) Money Market Funds – a maximum of fifty percent (50%) of available monies
189 may be invested in mutual Funds with a maximum of 25% of available
190 monies invested in any one Mutual Fund. A combined maximum of fifty
191 percent (50%) of available monies may be invested in all approved Mutual
192 Funds. The Mutual Funds shall be rated “AAAm” or “AAAm-G” by Standard &
193 Poor’s or the equivalent by another Rating Agency.

194
195 (e) Other investments permitted by Florida State Statute with approval of the
196 District School Board - a maximum of ten percent (10%) of available monies.

197
198 (11) Authorized Investment Institutions and Dealers

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200 (a) Authorized District staff shall only purchase securities (does not apply to
201 investments authorized under “AUTHORIZED INVESTMENTS AND
202 PORTFOLIO COMPOSITION”) from financial institutions, which are qualified
203 as public depositories by the Treasurer of the State of Florida, or institutions
204 designated as "Primary Securities Dealers" by the Federal Reserve Bank of
205 New York.

206
207 (b) Authorized District staff shall only enter into repurchase agreements with
208 financial institutions that are State qualified public depositories and primary
209 securities dealers as designated by the Federal Reserve Bank of New York.

210
211 (12) Bid Requirement

212
213 District staff shall determine the approximate maturity date based on cash-flow
214 needs and market conditions, analyze and select one or more optimal types of
215 investments, and competitively bid the security in question when feasible and
216 appropriate. Except as otherwise required by law, the bid deemed to best meet the
217 investment objectives specified in the subsection *Investment Objectives* must be
218 selected.

219

220 (13) Third-Party Custodial Agreements
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222 (a) A third party custodian is defined as any bank depository chartered by the
223 Federal government, the State of Florida, or any other State or territory of the
224 United States which has a branch or principal place of business in the State
225 of Florida as defined in F.S. 658.12, or by a national association organized
226 and existing under the laws of the United States which is authorized to
227 accept and execute trusts and which is doing business in the State of Florida.
228 Certificates of deposits will be placed in the provider's safekeeping
229 department for the term of the deposit. Securities, with the exception of
230 certificates of deposits, shall be held with a third party custodian. All
231 securities purchased by, and all collateral obtained by, the District shall be
232 properly designated as an asset of the District. The securities must be held in
233 an account separate and apart from the assets of the financial institution.
234

235 (b) The custodian shall accept transaction instructions only from those persons
236 who have been duly authorized by the Superintendent and which
237 authorization has been provided, in writing, to the custodian. No withdrawal
238 of securities, in whole or in part, shall be made from safekeeping or permitted
239 unless by such a duly authorized person.
240

241 (14) Master Repurchase Agreement
242

243 All approved institutions and dealers transacting repurchase agreements shall
244 execute and perform as stated in the Master Repurchase Agreement. All
245 repurchase agreement transactions shall adhere to the requirements of the Master
246 Repurchase Agreement.
247

248 (15) Internal Controls
249

250 The Superintendent or designee shall establish a system of internal controls and
251 operational procedures that are in writing and made a part of the District's
252 operational procedures. The internal controls shall be reviewed by independent
253 auditors as a part of the annual financial audit and other audits as required of the
254 School District of Lee County. The internal controls shall be designed to prevent
255 losses of monies, which might arise from fraud, employee error, and
256 misrepresentation, by third parties, or imprudent actions by employees.
257

258 (16) Limitation on Concentration
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260 Investments held shall be diversified to the extent practicable to control the risk of
261 loss resulting from overconcentration of assets in a specific maturity, issuer,
262 instrument, dealer, or bank through which financial instruments are bought and sold.
263 Diversification strategies within the established guidelines shall be reviewed and
264 revised periodically, as deemed necessary by the Superintendent, Chief
265 Administrative Officer and/or Executive Director of Financial Services.
266

- 267 (17) Continuing Education
268
269 Chief Administrative Officer, Executive Director of Financial Services and other
270 appropriate staff shall annually complete eight (8) hours of continuing education (or
271 as provided in statute) in subjects or courses of study related to investment
272 practices and products.
273
- 274 (18) Reporting
275
- 276 (a) The Executive Director of Financial Services shall provide the
277 Superintendent with quarterly investment reports. Schedules in the quarterly
278 report shall include the following:
279
- 280 1. A listing of individual securities held at the end of the reporting period
 - 281
 - 282 2. Percentage of available funds represented by each investment type
 - 283
 - 284 3. Coupon, discount or earning rate
 - 285
 - 286 4. Average life or duration and final maturity of all investments
 - 287
 - 288 5. Par value and market value
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- 290 (b) On an annual basis, the Executive Director of Financial Services shall
291 prepare and submit to the Superintendent and Board a written report of all
292 invested funds. The annual report shall provide all, but not limited to, the
293 following: a complete list of all invested funds, name or type of security in
294 which the funds are invested, the amount invested, the maturity date, earned
295 income, the book value, the market value and the yield on each investment.
296
- 297 (c) The annual report will show performance on both a book value and total rate
298 of return basis and will compare the results to the above-stated performance
299 benchmarks. All investments shall be reported at fair value per Government
300 Accounting Standards Board (GASB) standards.
301
302
- 303 **STATUTORY AUTHORITY:** 218.415, 1001.32, 1001.41, 1001.42, 1001.43, 1011.18,
304 F.S.
305 Adopted: 10/9/12