

Financial Services  
Mr. Ron Y. Steiger, Chief Financial Officer

**SUBJECT:            INITIAL READING: PROPOSED REPEAL AND REPLACE  
POLICY 6144, *INVESTMENTS***

**COMMITTEE:        FISCAL ACCOUNTABILITY & GOVERNMENT RELATIONS**

**LINK TO STRATEGIC  
BLUEPRINT:        EFFECTIVE AND SUSTAINABLE BUSINESS PRACTICES**

Consistent with the Board's statutory responsibility to periodically review and update its policies for the efficient operation and general improvement of the school system, including ensuring that its policies are correct, comply with statutory requirements, and conform to current practices, authorization is requested for the Superintendent to initiate rulemaking proceedings to repeal and replace Board policy 6144, *Investments*. The proposed repeal and replacement of School Board Policy 6144, *Investments*, updates practices related to investment management strategy, which includes a reformatting of the policy to allow the School Board to achieve certification from the Association of Public Treasurers of the United States and Canada (APTUS&C). Certification from APTUS&C is desirable because it provides validation from a prestigious, knowledgeable, treasury-specific third party who are experts in the finance profession. Furthermore, the recommendations made by APTUS&C will result in a more efficient and effective treasury for the School Board.

The Treasury Advisory Committee (TAC) reviewed the changes to the investment policy on October 23, 2017, June 25, 2018, and December 7, 2018. On February 28, 2019, the TAC recommended that the Board approve the new policy. Attached are the Notice of Intended Action, the new policy, and the current policy.

Authorization of the Board is requested for the Superintendent to initiate rulemaking proceedings in accordance with the Administrative Procedure Act to repeal and replace Policy 6144, *Investments*.

**RECOMMENDED:**        That The School Board of Miami-Dade County, Florida, authorize the Superintendent to initiate rulemaking proceedings in accordance with the Administrative Procedure Act to repeal and replace Board Policy 6144, *Investments*.

**E-35**

## NOTICE OF INTENDED ACTION

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA, announced on April 17, 2019, its intention to repeal and replace Board Policy 6144, *Investments*, at its regular meeting on June 19, 2019.

**PURPOSE AND EFFECT:** Proposed repeal and replacement of Board Policy 6144, *Investments*, updates practices related to investment management strategy, which includes a reformatting of the policy to allow the School Board to achieve certification from the Association of Public Treasurers of the United States and Canada (APTUS&C). The recommendations made by APTUS&C will result in a more efficient and effective treasury for the School Board.

**SUMMARY:** The repeal and replacement of Board Policy 6144, *Investments* will allow the School Board to obtain certification from the Association of Public Treasurers of the United States and Canada. The new policy updates practices related to the Board's investment management strategies and clarifies, enhances and strengthens internal controls.

**SPECIFIC LEGAL AUTHORITY UNDER WHICH RULEMAKING IS AUTHORIZED:** 1001.41 (1); 1001.43 (10), F.S.

**LAWS IMPLEMENTED INTERPRETED OR MADE SPECIFIC:** 218.407, 218.415, 1001.51(11)(j); 1010.53(1), 1011.18, F.S; 6A-1.0012, A-1.085, F.A.C.

IF REQUESTED, A HEARING WILL BE HELD DURING SCHOOL BOARD MEETING OF June 19, 2019, which begins at 1:00 p.m., in the School Board Auditorium, 1450 N.E. Second Avenue, Miami, Florida 33132. Persons requesting such a hearing or who wish to provide information regarding the statement of estimated regulatory costs, or to provide a proposal for a lower cost regulatory alternative as provided in Section 120.54(1), F.S., must do so in writing by May 13, 2019, to the Superintendent, Room 912, at the same address.

ANY PERSON WHO DECIDES TO APPEAL THE DECISION made by The School Board of Miami-Dade County, Florida, with respect to this action will need to ensure the preparation of a verbatim record of the proceedings, including the testimony and evidence upon which the appeal is to be based. (Section 286.0105, Florida Statutes)

COPIES OF THE PROPOSED NEW POLICY is available at cost to the public for inspection and copying in the Citizen Information Center, Room 102, 1450 N.E. Second Avenue, Miami, Florida 33132.

**NEW POLICY**

**INVESTMENTS**

**A. Policy**

It is the Board's policy to invest funds under the control of the Board in a manner conforming with all federal, state, and local laws governing the investment of any public funds in excess of the amounts needed to meet current expenses.

**B. Scope**

This investment policy applies to all financial assets of the School Board as reported in the District's Comprehensive Annual Financial Report. The accounting fund structure for all Florida school districts are defined in Rule 6A-1.001, F.A.C., and includes the following:

1. Governmental Funds
  - a. General Fund
  - b. Special Revenue Funds
  - c. Debt Services Funds
  - d. Capital Projects Funds
  - e. Permanent Funds
2. Proprietary Funds
  - a. Enterprise Funds
  - b. Internal Service Funds
3. Fiduciary Funds
  - a. Pension (and Other Employee Benefit) Trust Funds
  - b. Investment Trust Funds
  - c. Private-Purpose Trust Funds
  - d. Agency Funds.

**C. Prudence**

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. This 'prudent investor' standard shall apply to the context of managing the overall investment program.

Investment officials and staff acting in accordance with this investment policy and written investment procedures, while exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price fluctuations, provided deviations from reasonable expectations are reported in a timely manner and appropriate actions are taken to mitigate adverse developments.

**D. Objectives**

The primary objectives, in priority order, of the School Board's investment activities shall be:

1. Maintain Safety of Principal

Safety of principal is the foremost objective of the investment program. The investment program shall seek to ensure the preservation of capital overall. The investment program shall diversify its investments by investing in a variety of securities offering independent returns from multiple financial institutions consistent with this policy.

2. Maintain Liquidity

The investment program shall maintain sufficient liquidity to enable the Board to meet all operating requirements which can be reasonably anticipated.

3. Maximize Return on Investments

The investment program shall be designed and managed to attain a benchmark return commensurate with the investment risk constraints and cash flow characteristics of the funds under management.

4. Minimize Overall Costs

The investment program shall seek to minimize investment expenses during the due diligence and trading processes.

**E. Delegation of Authority**

Authority for investment activity is derived from Section 218.415, F.S., Local government investment policies. Management accountability and responsibility is delegated to the Board's Treasurer (Treasurer). The Treasurer is responsible for providing oversight and direction for the management of the investment program.

1. Investment Procedures

The Treasurer shall establish written procedures for the operation of the investment portfolio and a system of internal accounting and administrative controls to regulate the activities of the Office of Treasury Management (OTM). Such procedures shall

include the explicit delegation of authority to the OTM staff responsible for investment transactions. No person may engage in an investment transaction except as delegated in this policy or the written procedures adopted by the Treasurer. The Treasurer may employ investment consultants or managers to assist in managing some of the Board's funds. The OTM shall maintain records of agreements and performance evaluations with the investment consultants and managers. Investment managers must be registered under the Investment Advisors Act of 1940.

2. Continuing Education

The OTM staff responsible for investment activities shall annually complete at least eight hours of continuing education in subjects or courses of study related to investment practices and products pursuant to Section 218.415 (14), F.S., and provide the Treasurer with documentation of successful completion.

**F. Ethics and Conflicts of Interest**

In addition to Board policy 4129, *Conflict of Interest*, officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Officers and employees involved in the investment process shall disclose to the Board any material personal financial interests in financial institutions that conduct business with the Board, and further, shall disclose any material personal financial or investment positions that could be related to the performance of the Board's investment program.

“Members of the same family” shall not be assigned to any Office, Division, or Department charged with responsibility for investing Board funds. Applicants shall disclose whether any such relationship exists prior to a potential assignment to investment duties. In the event that such a relationship subsequently incurs, then the employees must disclose the relationship and the District shall arrange a transfer to a position of equal grade in as similar a function and as expeditiously as possible.

For this policy, “members of the same family” is defined as individuals related as father, mother, son, daughter, brother, sister, uncle, aunt, first cousin, nephew, niece, husband, wife, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half-brother, half-sister, grandfather, grandmother, grandchild, domestic partner, or any person who resides in the same residence.

**G. Authorized Financial Dealers and Institutions**

Prior to establishing a trading relationship with a broker, dealer or vendor, the following shall be reviewed by the OTM:

1. Annual audited financial statements of the firm;

2. References from the National Association of Securities Dealers (NASD) or the State Office of Controllers, Division of Securities;
3. Verified résumé of broker or dealer assigned to the account.

Performance shall be monitored based on the competitiveness of bids, proficiency in execution of trades, and proven ability to provide reliable economic and financial data. The Board reserves the right to suspend or discontinue transacting business with any party when deemed in the best interest of the District and the public.

The OTM shall maintain a list of financial institutions qualified and authorized to provide investment services. The OTM shall also maintain a list of approved security dealer/brokers selected by the criteria described in this section. The OTM shall conduct and maintain records of annual reviews of the financial condition and registrations of qualified bidders and a current audited financial statement shall be on file for each financial institution and broker/dealer in which the School Board invests.

**H. Authorized and Suitable Investments**

| <b>INVESTMENT TYPE</b>                                      | <b>MINIMUM QUALITY REQUIREMENTS</b>  |
|---|--|
| <b>Savings, Money Market and Time Deposit Bank Accounts</b> | <p>The financial institution must be a Board and State-approved designated Qualified Public Depository.</p> <p>The financial institution must be "Well Capitalized" as defined by the Federal Deposit Insurance Corporation (FDIC), whereby a bank's Total Risk-Based Capital Ratio is equal to or greater than 10%, Tier 1 Risk-Based Capital Ratio is equal to or greater than 6 percent, and Tier 1 leverage Capital Ratio is equal to or greater than 5 percent.</p> |
| <b>Repurchase/Purchase Agreement</b>                        | <p>Fully secured Repurchase Agreements (repo) with any financial institution, rated by at least one Rating Agency in a rating category at least equal to the higher of Aa2, AA, equivalent or such Rating Agency's then current rating; and evidenced by a signed Master Repurchase Agreement published by the Securities Industry and Financial Markets Association (SIFMA). The repurchase agreement must have a defined termination date and be fully secured and</p> |

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|   | <p>collateralized by U.S. Treasury Securities, U.S. Agency Securities and Municipal securities having a minimum market value including accrued interest of 102 percent of the dollar value of the transaction. It is required that the securities purchased by the District under this agreement be assigned to the District, held in the District's name and deposited at the time the investment is made with a third-party safekeeping agent approved by the District. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Florida, and the maturity date must be 360 days or less.</p> |
| <p><b>U.S. Government Obligations</b></p>                                   | <p>U.S. Treasury obligations.</p> <p>Any instrument of indebtedness fully and unconditionally guaranteed by the U.S. Government.</p>   |
| <p><b>U.S. Government Agency Obligations</b></p>                            | <p>Obligations of the U.S. government or an instrumentality of the U.S. government whose obligations are fully and explicitly guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. government.</p>   |
| <p><b>U.S. Government-Sponsored Enterprise (GSE) Agency Obligations</b></p> | <p>Carry an implicit guarantee that the U.S. Government would not allow such important institutions to fail or default on debt.</p> <p>Agency securities with variable or floating rate coupons may be purchased provided that the coupon rate is based on a standard Treasury or LIBOR-based (or its successors) index (does not include U.S. Government Agency/GSE securities with a step-up feature, and/or whereby the rate(s) is known prior to purchase).</p>  |

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|---|---|
| <p><b>Municipal Bonds</b></p>                                   | <p>General Obligations and Revenue Obligations of U.S. state or local governments. General Obligations and Revenue Obligations must be rated at the time of purchase at least A, A1 or the equivalent by at least two Rating Agencies.</p>  |
| <p><b>Commercial Paper - rated<br/>A1+/P1/F1+</b></p>           | <p>Must achieve at least two (2) of the following ratings: Standard &amp; Poor's (A1+), Moody's (P1), or Fitch's (F1+).</p> <p>Must not be on negative outlook or credit watch.</p>   |
| <p><b>Commercial Paper - rated<br/>A1/P1/F1</b></p>             | <p>Must achieve at least two (2) of the following ratings: Standard &amp; Poor's (A1), Moody's (P1), or Fitch's (F1).</p> <p>Must not be on negative outlook or credit watch.</p>   |
| <p><b>Bankers Acceptances</b></p>                               | <p>Must have guarantee by a bank that meets the following discretionary guidelines:</p> <ul style="list-style-type: none"> <li>a. Shareholders equity shall consist of at least \$100 million dollars.</li> <li>b. The bank shall be among the fifty (50) largest banks in the United States, or among the 100 largest banks in the world, according to the most current Moody's Banking and Financial Manual or American Bankers Publication.</li> <li>c. Must have been profitable in the prior fiscal year of operations.</li> </ul> |
| <p><b>Minority Banks – Money Market<br/>Savings Account</b></p> | <p>School Board and State-approved Qualified Public Depository, domiciled within the boundaries of Miami-Dade County, Florida, and listed by the U.S. Department of Treasury as a minority-owned bank, according to requirements established in the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 USC 1811, Sec. 308).</p> <p>The interest rate to be received by the School Board shall be no less than sixty-five percent (65%) of the current Prime Rate as published in the Wall Street Journal.</p>     |



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|   | This rate is subject to change on the first business day of each month.  |
| <b>Local Government Investment Pools</b>        | The LGIP must:<br>a. Rated AAAM by Standard & Poor's, the highest rating available for a local government investment pool.<br>b. Maintain net asset value of at least \$1.00.<br>c. Invest exclusively in short-term, high-quality fixed-income securities rated in the highest short-term rating category by one or more nationally recognized statistical rating organizations, or securities of comparable quality. |
| <b>Mutual Funds / Money Market Mutual Funds</b> | Rated 5-star or equivalent by at least one nationally-recognized rating agency.<br><br>Invested exclusively in security types as authorized in this policy.  |

**I. Safekeeping and Custody**

At least one financial institution shall be designated as safe-keeper and custodian.

The third party safe-keeper and custodian shall enter into a written Custodial Agreement with the School Board. The Custodial Agreement shall provide, among other items, the following:

1. Safe-keeper and custodian holds the securities exclusively in the name of the School Board.
2. No withdrawal in whole or in part, except as instructed by authorized OTM staff.
3. All purchases or sales of securities must be made on a delivery-versus-payment (DVP) basis.
4. All purchases or sales of securities shall be evidenced by safekeeping receipts within twenty-four (24) hours of the transaction.

Collateral covering Revolving Repurchase Agreement(s) shall be delivered to a safe-keeper who is a third-party bank or the counterparty bank's trust department where the assets are separated as required by law.

**J. Diversification**

The OTM shall diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 60% of the OTM’s total investment portfolio shall be invested in a single security type or with a single financial institution.

| <b>INVESTMENT TYPE</b>   | <b>MAXIMUM % OF PORTFOLIO</b>  |
|--|--|
| <b>Savings, Money Market and Time Deposit Bank Accounts</b>          | The lesser of the following shall be the maximum amount invested with any bank: <ul style="list-style-type: none"> <li>i. Up to 30% of the total investment portfolio on any date</li> <li>ii. No more than 50% of financial institution shareholder’s equity</li> </ul> |
| <b>Repurchase/Purchase Agreement</b>                                 | Up to 30% of the total investment portfolio on any date  |
| <b>U.S. Government Obligations</b>                                   | Up to 100%   |
| <b>U.S. Government Agency Obligations</b>                            | Up to 100%   |
| <b>U.S. Government-Sponsored Enterprise (GSE) Agency Obligations</b> | Up to 60%; Up to 30% per issuer  |
| <b>Municipal Bonds</b>   | Up to 30% of total portfolio   |
| <b>Commercial Paper - rated A1+/P1/F1+</b>                           | Up to 60% of total portfolio balance; up to 10% of total portfolio balance per issuer.   |
| <b>Commercial Paper - rated A1/P1/F1</b>                             | Up to 40% of total portfolio balance out of the 60% above; up to 10% of total portfolio balance per issuer.  |
| <b>Bankers Acceptances</b>   | Up to 30% of the total portfolio balance.  |
| <b>Minority Banks – Money Market Savings Account</b>                 | No more than \$10,000,000.   |
| <b>Local Government Investment Pools</b>                             | Up to 50% of total portfolio.  |
| <b>Mutual Funds / Money Market Mutual Funds</b>                      | Up to 30% of total portfolio.  |

**K. Maximum Maturities**

The OTM staff shall determine the approximate maturity date based on cash-flow needs in consultation with the District’s Division of Financial Services, market conditions, analysis, and selection one or more optimal types of investment, and competitively bid the security in question when applicable and appropriate. Except as otherwise required by law, the bid deemed to best meet the investment objectives specified in **Section D** must be selected. The following is the maximum maturities of the authorized investments.

| <b>INVESTMENT TYPE</b>   | <b>MAXIMUM MATURITY</b>   |
|--|---|
| <b>Savings, Money Market and Time Deposit Bank Accounts</b>          | Bank/Money Market Savings: None<br>Time Deposit: 2 years                  |
| <b>Repurchase/Purchase Agreement</b>                                 | 360 days  |
| <b>U.S. Government Obligations</b>                                   | 30 years  |
| <b>U.S. Government Agency Obligations</b>                            | 30 years  |
| <b>U.S. Government-Sponsored Enterprise (GSE) Agency Obligations</b> | 5 years   |
| <b>Municipal Bonds</b>   | 3 years   |
| <b>Commercial Paper - rated A1+/P1/F1+</b>                           | 270 days  |
| <b>Commercial Paper - rated A1/P1/F1</b>                             | 90 days   |
| <b>Bankers Acceptances</b>   | 180 days  |
| <b>Minority Banks – Money Market Savings Account</b>                 | Bank/Money Market Savings: None.<br>Time Deposit: 2 years                 |
| <b>Local Government Investment Pools</b>                             | WAM of 60 days and maximum maturity of any investment limited to 397 days |
| <b>Mutual Funds / Money Market Mutual Funds</b>                      | 2 year WAM  |

**L. Portfolios and Pools**

The District segregates and pools the District funds into portfolios that match operational and legal obligations. This policy is applicable to the portfolios managed by the District but may be further restricted by bond covenants or other regulatory requirements.

1. Operating Funds Portfolios
  - a. Pooled Cash
  - b. Schools Money Market
  
2. Debt-Related Portfolios
  - a. COPs Acquisition Proceeds
  - b. GOB Proceeds
  - c. Equipment Lease Proceeds
  - d. Tax Anticipation Notes Sinking Fund
  - e. Tax Credit Bonds Debt Service

The District is the fiduciary for a Supplemental Early Retirement Plan portfolio through a Pension Trust Fund. The School Board adopted a separate investment policy for the SERP managed by a competitively bid investment management contract.

#### **M. Internal Controls**

The OTM shall establish and maintain an approved and effective system of internal controls over assets, transfers, and the purchase and sale (offers and bids) process, among others, which is detailed in the written procedures. These controls shall ensure the safeguarding of assets from waste, fraud, and inefficient use. An independent review of the deposit and investment internal controls shall be performed annually by the School Board's external auditors and reported to the School Board.

#### **N. Performance Standards**

The investment program is actively managed by the OTM staff and reviewed by the Treasurer. The benchmark to determine if the investment program is achieving market yields shall be the Standard & Poor's "U.S. AA & AAA Rated GIP All 30 Day Net Yield Index" (LGIP30D) or its successors.

#### **O. Reporting**

The OTM shall provide for review to the School Board's Treasury Advisory Committee (TAC) the following reports for review on a quarterly basis:

1. The Performance and Portfolio Statistics Report, which shall include information, as applicable, about each portfolio's net earnings, average daily balance, ending balance, yield, weighted average yield at period end, and weighted average maturity at period end. The Performance and Portfolio Statistics Report shall include yield information about any Performance Standards.

2. The Portfolio Compliance Review Report includes a comparison of the investment program portfolios' investments to the policy limits pertaining to credit, concentration, and interest rate risks. The Portfolio Compliance Review Report is prepared independently by financial consultants. The OTM shall provide a written report to the School Board following the TAC review.

**P. Investment Policy Adoption**

Any revisions to this policy shall first be reviewed by the Treasury Advisory Committee before being recommended to the Board for their approval.

**Q. Glossary**

The OTM shall maintain, attach, and post a glossary of terms that are relevant to this policy. The glossary shall be made available on the OTM website or its successors.

F.S. 218.407, 218.415, 1001.42, 1001.43, 1001.51(11)(j); 1010.53(1), 1011.18  
F.A.C. 6A-1.0012, A-1.085

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INVESTMENTS

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A. General Investment Policies

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1. Scope - The investment policies shall apply to the excess funds under the control of the School Board. The policies shall be recommended for approval to the Board after being reviewed by the Treasury Advisory Committee.

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2. Objectives - Policies shall provide for the following in order of importance:

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a. maintain the safety of principal

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b. maintain liquidity to pay obligations as they become due

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c. maximize return on investments

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d. increase cash available for investment

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e. reduce costs of cash management activities

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3. Prudent and Ethical Standard - The prudent person rule is adopted 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."

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4. The Treasury Advisory Committee shall review and recommend policies prepared by District staff regarding administration of Board funds. The Committee shall meet as necessary.

- 1                   5.     Delegation of Authority:     The Board's Treasurer is  
2                   responsible for providing oversight and direction of the  
3                   management of the investment program.     The daily  
4                   management responsibility for all Board funds in the  
5                   investment program and investment transactions is delegated  
6                   to the assistant treasurer under supervision of Board's  
7                   Treasurer.     The Treasurer shall establish written procedures  
8                   for the operation of the investment portfolio and a system of  
9                   internal accounting and administrative controls to regulate  
10                  the activities of employees.     The Board may employ an  
11                  investment manager to assist in managing some of the  
12                  Board's portfolios who must be registered under the  
13                  Investment Advisors Act of 1940.
- 14                  6.     Investment Strategy - Credit, Concentration, and Interest  
15                  Rate Risks
- 16                             Credit and concentration risks as well as each separate  
17                             portfolio's limitations and guidelines for each investment  
18                             type, are described in this policy.
- 19                             Interest rate risk is managed by substantially limiting the  
20                             weighted-average maturity on all investments to one year or  
21                             less, except for Guaranteed Investment Contracts for sinking  
22                             fund payments whose maturities are tied to their respective  
23                             long-term bond maturities.
- 24                             Additional investment strategies as to credit risk,  
25                             diversification, and maturities will be reviewed by the  
26                             Treasury Advisory Committee and documented in the Office of  
27                             Treasury Management's Procedures Manual.
- 28                             Appropriate staff, within limitations and guidelines, shall  
29                             monitor market conditions and specific cash flow needs of  
30                             each portfolio when purchasing securities.     Purchased  
31                             securities will be held-to-maturity unless economic conditions  
32                             favor a sale or an investment swap.     Sales and swaps will be  
33                             reviewed by the Treasury Advisory Committee at its regular  
34                             meetings.

1                               7.     Exceptions

2                               Exceptions, if any, will be noted via a memorandum to the file  
3                               that shall state: reason(s) for the exception, condition(s)  
4                               under which exception is given, dollar amount of the  
5                               investment and duration of such exception period.  
6                               Exceptions are determined at the time of purchase (trade  
7                               date). Since investments are normally available in round lots,  
8                               for the purpose of computing any exception, amounts  
9                               exceeding the established guideline by no more than one-half  
10                              percent (.5%) will be considered immaterial and need not be  
11                              documented by an exception report. Exception memoranda  
12                              shall be periodically reviewed by the Treasury Advisory  
13                              Committee.

14                             8.     Reporting and Performance Measurement

15                            a.     Portfolio Statistics Report is included in the Quarterly  
16                            Financial Report presented to the Board. The report  
17                            shall include yield information for a comparable fund  
18                            not under the Board's authority.

19                            b.     Performance Measurement Report is distributed  
20                            quarterly to all the Board members. The report  
21                            compares balances, interest rate and earnings for each  
22                            part of the budget.

23                            c.     Both the Portfolio Statistics Report and the  
24                            Performance Measurement Report are reviewed  
25                            quarterly by the Treasury Advisory Committee.

26                            d.     Portfolio Compliance Review Report is reviewed  
27                            periodically by appropriate staff including the Chief  
28                            Financial Officer. The report includes a breakdown of  
29                            limits pertaining to credit, concentration, and interest  
30                            rate risks.



1           B.     Safekeeping of Securities

2                     At least one bank shall be designated as safekeeper. The safekeeper  
3                     (third-party bank) shall enter into a written custodial agreement  
4                     with the Board. The Custodial Agreement shall provide, among  
5                     other items, the following:

6                     1.     Custodial credit risk policies require that the safekeeper shall  
7                     hold the securities exclusively in the name of the Board.

8                     2.     No withdrawal in whole or in part shall be made, except as  
9                     instructed by authorized staff.

10                    3.     All purchases or sales of securities must be made on a  
11                    "delivery vs. payment" basis.

12                    Collateral covering Revolving Repurchase Agreement(s) shall be  
13                    delivered to a safekeeper who is a third-party bank, or the  
14                    counterparty bank's trust department, where the assets are  
15                    separated as required by law.

16                    Each transaction involving the safekeeper shall be confirmed in  
17                    writing by it within twenty-four (24) hours of the transaction.

18           C.     Authorized Investments, Types (Limitations/Guidelines)

19                    The investment instruments and conditions regarding their  
20                    acquisition in general shall be as stipulated in the following  
21                    sections:

22                    1.     Time Deposits/Money Market/Savings

23                    a.     The financial institution must be a School Board and  
24                    State-approved designated depository. A list of the  
25                    State Qualified Public Depositories is published  
26                    quarterly by the Bureau of Collateral Securities in the  
27                    Florida Administrative Weekly.

28                    b.     The lesser of the following shall be the maximum  
29                    amount invested with any single financial institution  
30                    for Time Deposits:

31                    1)     ten percent (10%) of the total investment  
32                    portfolio on any date.



- 1                                    6.     Up to thirty percent (30%) of total portfolio in obligations of  
2                                    the Federal Farm Credit Banks (FFCB) with a maturity of no  
3                                    more than three (3) years.
  
- 4                                    7.     Up to thirty percent (30%) of total portfolio in obligations of  
5                                    the Federal Home Loan Bank (FHLB) and its district banks  
6                                    with a maturity of no more than three (3) years.
  
- 7                                    8.     Up to thirty percent (30%) of total portfolio in obligations of  
8                                    the Federal Home Loan Mortgage Corporation (FHLMC or  
9                                    “Freddie Mac”) including participation certificates with a  
10                                   maturity of no more than three (3) years.
  
- 11                                  9.     Up to thirty percent (30%) of total portfolio in obligations  
12                                  guaranteed by the Government National Mortgage Association  
13                                  (GNMA or “Ginny Mae”) with a maturity of no more than  
14                                  three (3) years.
  
- 15                                  10.   Up to thirty percent (30%) of total portfolio in obligations of  
16                                  the Federal National Mortgage Association (FNMA or “Fannie  
17                                  Mae”) with a maturity of no more than three (3) years.
  
- 18                                  11.   Securities of any investment company or investment trust  
19                                  registered under the Investment Company Act of 1940, 15  
20                                  U.S.C. and SEC-registered, no load mutual funds and money  
21                                  market funds, rated AAA or equivalent by at least one  
22                                  nationally-recognized rating agency, having a  
23                                  weighted-average maturity not to exceed two (2) years, and  
24                                  invested exclusively in security types as authorized in this  
25                                  policy.
  
- 26                                  12.   Commercial Paper
  
- 27                                    a.     The rating of the Commercial Paper purchased must be  
28                                    of the highest rating: Standard and Poor's (S&P) (A1),  
29                                    Moody's (P1), or Fitch's (F1).
  
- 30                                    b.     Up to seven and one-half percent (7.5%) of the total  
31                                    investment portfolio balance may be invested with any  
32                                    single issuer of commercial paper, as of the date of the  
33                                    investment.
  
- 34                                    c.     Up to sixty percent (60%) of total portfolio balance may  
35                                    be invested in commercial paper with maturities of 180  
36                                    days or less.

1 d. FDIC-insured commercial paper, considered to an  
2 obligation of the U.S. government and will not be  
3 subject to the above commercial paper limitations.

4 13. Bankers Acceptances

5 a. No Bankers Acceptance shall be purchased which is  
6 guaranteed by a bank that does not meet the following  
7 discretionary guidelines:

8 1) Shareholders equity shall consist of at least  
9 \$100 million dollars.

10 2) The bank shall be among the fifty (50) largest  
11 banks in the United States, or among the 100  
12 largest banks in the world, according to the  
13 most current Moody's Banking and Financial  
14 Manual or American Bankers Publication.

15 3) Profits must have resulted from the prior fiscal  
16 year operations.

17 b. No more than thirty percent (30%) of the total portfolio  
18 balance shall be invested in Bankers Acceptances with  
19 maturities up to 180 days at any given time.

20 D. Highly Interest Sensitive Securities

21 Notwithstanding any other Section of this policy, no investments  
22 shall be made in Collateralized Mortgage Obligations (CMOs) or any  
23 security with a coupon rate of interest determined by an index that  
24 adjusts opposite to the changes in a market index (inverse floaters).  
25 Agency securities with variable or floating rate coupons may be  
26 purchased provided that the coupon rate is based on a standard  
27 Treasury or LIBOR-based index.

28 Investments shall not be purchased under circumstances that could  
29 or would produce a loss of principal at the time of sale, that could  
30 not be offset through an investment swap, and that a conservative  
31 and prudent investment policy is always to be maintained.

1           E.     Pooled Cash

2                     In order to maximize efficiency and minimize costs in the handling of  
3                     demand accounts and investments, as approved by Florida statutes,  
4                     commingling of funds, under the "Pooled Cash Fund" concept shall  
5                     be in effect. Balances in the "Pooled Cash" for each fund shall be  
6                     separately maintained, and interest revenue apportioned to each  
7                     fund based on that fund's balance. The following investment  
8                     limitations and guidelines in addition to those stated under Sections  
9                     III and IV address credit, concentration and interest rate risks:

- 10                    1.     Up to twenty percent (20%) may be invested in commercial  
11                    paper with a maturity of sixty (60) days or less with a rating  
12                    of A1/P1/F1 by S&P, Moody's, or Fitch respectively.
- 13                    2.     Additionally, up to thirty percent (30%) of the total investment  
14                    portfolio balance may be invested in commercial paper with  
15                    maturities of 180 days or less with a rating of A1+ or F1+ by  
16                    S&P, or Fitch respectively.
- 17                    3.     There is no percentage limit for FDIC-insured commercial  
18                    paper.

19            F.     Debt Issuance Proceeds

20                    All or any part of the funds derived from the proceeds of any such  
21                    bond issue that is not immediately needed shall be invested in  
22                    accordance with F.S. 218.15 including use of the Local Government  
23                    Investment Pool. Limitations and guidelines for these investments  
24                    shall be set forth below, unless more restrictive bond/lease  
25                    purchase covenants are applicable:

- 26                    1.     Short-term debt proceeds (Tax Anticipation Notes and  
27                    Revenue Anticipations Notes) may be invested in Pooled Cash  
28                    or separately under the limitations and guidelines denoted in  
29                    Sections IV & V. When matching known and specific cash  
30                    flows, TAN and RAN investments may be excluded from  
31                    certain policy maturity restrictions.

- 1                   2.     Long-term debt proceeds (General Obligation Bonds and  
2                   Certificates of Participation) may be invested separately under  
3                   the limitations and guidelines denoted in Section IV & V.  
4                   Guaranteed Investment Contracts or other investments  
5                   allowed under the bond/lease purchase covenants may also  
6                   be included as authorized investment types.
  
- 7                   3.     Weighted-Average Maturities are under two (2) years except  
8                   for Guaranteed Investment Contracts for sinking fund  
9                   payments whose maturities are tied to their respective  
10                  long-term bond maturities.
  
- 11                G.     Money Market Pool - Investment
  
- 12                   1.     Up to thirty percent (30%) of total portfolio may be invested in  
13                   Repurchase Agreements.
  
- 14                   2.     Up to thirty percent (30%) of total portfolio may be invested in  
15                   Commercial Paper with A1, P1, or F1 ratings.
  
- 16                   3.     Up to thirty percent (30%) of total portfolio may be invested in  
17                   Bankers Acceptance with the 100 largest banks in the world  
18                   or the fifty (50) largest banks in the United States.
  
- 19                   4.     Time deposits as provided under guidelines and qualifications  
20                   of financial institutions in place, as previously set forth in  
21                   this document, in Section V.
  
- 22                   5.     U.S. Government securities, with less than four (4) year  
23                   maturity, as deemed advisable for liquidity purposes, without  
24                   specific limits.
  
- 25                   6.     U.S. Government agencies with less than three (3) years to  
26                   maturity as deemed advisable for liquidity purposes, without  
27                   specific limits.
  
- 28                   7.     Local Government Investment Pool, without specific limits.
  
- 29                   8.     Weighted-Average Maturities are under two (2) years.

1           H.     Minority Banks - Money Market Account

2                     Subject to cash flow requirements of the Board, Money Market  
3                     Accounts may be established with minority banks according to the  
4                     criteria below. In order to qualify, the bank must be a  
5                     State-approved, Board-approved depository, domiciled within the  
6                     boundaries of Miami-Dade County, Florida, and listed by the U.S.  
7                     Department of the Treasury as a minority-owned bank.

8                     The funds to be used for this purpose shall be available monies in  
9                     the General Fund and subject to the District's cash requirements.  
10                    No more than \$2 million shall be deposited with any minority bank.

11                    The interest rate to be received by the Board shall be no less than  
12                    sixty-five percent (65%) of the current Prime Rate as published in  
13                    the Wall Street Journal. This rate shall be subject to change on the  
14                    first business day of each month.

15           I.     Supplemental Early Retirement Plan

16                    The Superintendent shall implement the investment of the funds  
17                    available under the Supplemental Early Retirement Plan (the "Plan").

18                    The investment objectives are to attain the highest possible return  
19                    for the Plan using strategies geared to a long term approach, within  
20                    the general concept of prudence and the safeguarding of the Plan's  
21                    assets. The performance measurement guidelines will be reviewed  
22                    and recommended by the Treasury Advisory Committee.

23                    A trustee shall be appointed by the Board to act as custodian of  
24                    securities and make disbursements to beneficiaries. From time to  
25                    time the relationship shall be reviewed and request for proposals  
26                    obtained as deemed necessary by responsible staff.

1 Investment policies related to credit and concentration risks are  
2 managed according to the following limitations and guidelines:

| 3  | Investment Instrument    | Limitation               |
|----|--------------------------|--------------------------|
| 4  | Corporate and/or Taxable | up to seventy            |
| 5  | Government Bonds         | percent (70%) of total   |
| 6  |                          | portfolio                |
| 7  |                          | Investment grade         |
| 8  |                          | (equivalent to "BBB" or  |
| 9  |                          | "Baa" rating or higher)  |
| 10 | Equities                 | up to fifty              |
| 11 |                          | percent (50%) of total   |
| 12 |                          | portfolio                |
| 13 |                          | Index funds and/or       |
| 14 |                          | securities replicating   |
| 15 |                          | the diverse equity       |
| 16 |                          | mixes.                   |
| 17 |                          | Up to thirty             |
| 18 |                          | percent (30%) of the     |
| 19 |                          | total portfolio in       |
| 20 |                          | actively managed         |
| 21 |                          | mutual funds             |
| 22 | Commercial Paper         | up to fifty              |
| 23 |                          | percent (50%) of total   |
| 24 |                          | portfolio                |
| 25 |                          | Minimum A1-P1- or F1     |
| 26 |                          | ratings                  |
| 27 |                          | Maturities 180 days or   |
| 28 |                          | less                     |
| 29 | Bankers Acceptances      | up to fifty percent      |
| 30 |                          | (50%) of total portfolio |
| 31 | Money Market Mutual Fund | no limitations           |
| 32 | U.S. Government          | no limitations           |



|    |   |  |
|----|---|--|
| 1  | Investment Instrument   | Limitation   |
| 2  | U.S. Government Agencies  | up to sixty percent  |
| 3  |   | (60%) of total portfolio                                       |
| 4  |   | in obligations of the  |
| 5  |   | following: Federal   |
| 6  |   | Farm Credit Banks,   |
| 7  |   | Federal Home Loan  |
| 8  |   | Bank, Federal Home   |
| 9  |   | Loan Mortgage  |
| 10 |   | Corporation, and   |
| 11 |   | Federal National   |
| 12 |   | Mortgage Association   |
| 13 | Prior to selection of bond/equity/money market mutual fund will be    |  |
| 14 | reviewed and recommended by the Treasury Advisory Committee.          |  |
| 15 | Asset allocation and performance measurements are to be reviewed      |  |
| 16 | periodically by the Treasury Advisory Committee. Plan's assets are    |  |
| 17 | to be rebalanced at least once annually and are allowed to be over or |  |
| 18 | under by five percent (5%) of the equity to fixed investments target  |  |
| 19 | mix.  |  |
| 20 | Upon approval of the Board, an investment manager may be              |  |
| 21 | selected and appointed. In the event an investment manager(s) is      |  |
| 22 | appointed, the investment manager(s) will have responsibility for     |  |
| 23 | investing the portfolio or a part thereof. The Board shall set        |  |
| 24 | parameters for the investment manager(s) to follow in the course of   |  |
| 25 | discharging these duties.   |  |
| 26 | J. Policy Regarding Brokers and Banks Doing Business with the         |  |
| 27 | District  |  |
| 28 | Prior to establishing a relationship with a broker dealer, the        |  |
| 29 | following shall be reviewed by appropriate staff:                     |  |
| 30 | 1.  | annual audited financial statements of firm                    |
| 31 | 2.  | references from the National Association of Securities Dealers |
| 32 |   | (NASD) or the State Office of Controllers, Division of         |
| 33 |   | Securities   |
| 34 | 3.  | résumé of salesperson assigned to account                      |

1 Relationships will be monitored based on the following performance  
2 criteria:

- 3 1. competitive bids obtained
- 4 2. proficiency in execution of trades
- 5 3. ability to provide reliable economic and financial data

6 If a broker or bank doing business with the District, whether  
7 intentionally or otherwise, provides unsatisfactory services, it may  
8 be terminated from doing such business for a period of time, without  
9 limitation, to be determined by appropriate staff with the  
10 concurrence of the Superintendent. Unsatisfactory services include,  
11 but are not limited to, failure to deliver as instructed funds held for  
12 the District, failure to properly accept and credit funds received by  
13 the District, failure to accept or deliver securities concerning a  
14 proper trade with authorized District staff and frequent and/or  
15 severe documented breakdowns in transacting business.

16 The Board reserves the right to suspend or discontinue transacting  
17 business with any party when deemed in the best interest of the  
18 District and the public.

19 K. Emergency Lines of Credit

20 Lines of credit shall be established with local banks, as approved by  
21 the Board, for a total amount determined by the Board. The  
22 emergency line of credit shall be activated only after prior written  
23 approval is obtained from the Superintendent.

24 L. Policy on Family Relationships and Conflict of Interests

25 Members of the same family may not be assigned to any Office,  
26 Division or Department charged with responsibility for investing or  
27 cash management of Board funds. Applicants shall disclose  
28 whether any such relationship exists prior to a potential assignment  
29 to investment and/or cash management duties. In the event that  
30 such a relationship is subsequently incurred, then the employees  
31 shall disclose the relationship and a transfer to a position of equal  
32 grade in as similar a function as possible shall be expeditiously  
33 arranged by the District.

1 "Members of the same family " for purposes of this section means  
2 individuals related as father, mother, son, daughter, brother, sister,  
3 uncle, aunt, first cousin, nephew, niece, husband, wife,  
4 father-in-law, mother-in-law, son-in-law, daughter-in-law,  
5 brother-in-law, sister-in-law, stepfather, stepmother, stepson,  
6 stepdaughter, stepbrother, stepsister, half brother, half sister,  
7 grandfather, grandmother, grandchild, domestic partner, or any  
8 person who resides in the same residence.

9 Employees involved in the investment process shall refrain from  
10 personal business activity that could conflict with proper execution  
11 of the investment program, or which could impair their ability to  
12 make impartial investment decisions. Also, employees involved in  
13 the investment process shall disclose to the Board any personal  
14 material financial interests in financial institutions that conduct  
15 business with the Board, and they shall further disclose any  
16 material personal financial/investment positions that could be  
17 related to the performance of the Board's investment program.

18 M. Internal Controls

19 The Treasurer will establish and maintain a system of internal  
20 controls over assets, transfers and the purchase and sale (offers and  
21 bids) process, among others, which shall be detailed in the Office of  
22 Treasury Management's Procedures Manual.

23 The controls shall ensure the safeguarding of assets from waste,  
24 fraud, and inefficient use. An independent review of deposit and  
25 investment internal controls will be performed annually by the  
26 Board's external auditors.

27 N. Continuing Education

28 Staff members responsible for investment activities shall undergo  
29 continuing professional education in matters related to investments  
30 on an annual basis.

31 F.S. 218.407, 218.415, 1001.42, 1001.43, 1001.51(11)(j); 1010.53(1), 1011.18  
32 F.A.C. 6A-1.0012, A-1.085