

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

**SUBJECT: FINAL READING: PROPOSED REPEAL AND
REPLACEMENT OF POLICY 6144, *INVESTMENTS***

**COMMITTEE: FISCAL ACCOUNTABILITY & GOVERNMENT
RELATIONS**

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

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 meeting of June 19, 2019. The proposed repeal and replacement of Board Policy 6144, *Investments*, updates practices related to investment management strategy.

The replacement policy clarifies, enhances and strengthens internal controls and,

- Clarifies scope with enhanced definitions
- Modernizes investment strategy
- Aligns maximum maturities with peers
- Eliminates authority for emergency lines of credit
- Requires glossary with updates

The Treasury Advisory Committee reviewed the proposed revisions to the Investment Policy on October 23, 2017, and June 25, 2018, and on December 7, 2018 recommended that the Board approve the proposed replacement policy. Attached are the proposed Policy to be repealed and the replaced.

The Notice of Intended Action was published in the Miami Daily Business Review on April 22, 2019, posted in various places for public information, and mailed to various organizations representing persons affected by the repealed and replacement policy and to individuals requesting notification.

The time to request a hearing or protest adoption of this replacement policy has elapsed.

In accordance with provisions of the Administrative Procedure Act, this replacement policy is presented to The School Board of Miami-Dade County, Florida for adoption and authorization to file the policy in the official records of The School Board of Miami-Dade County, Florida.

RECOMMENDED: That The School Board of Miami-Dade County, Florida, repeal and adopt replacement Board Policy 6144, *Investments*, and authorize the Superintendent to file the replacement policy with The School Board of Miami-Dade County, Florida, to be effective on June 19, 2019.

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 June 19, 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 1129, *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

INVESTMENT TYPE	MINIMUM QUALITY REQUIREMENTS
Savings, Money Market and Time Deposit Bank Accounts	<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>
Repurchase/Purchase Agreement	<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>

	<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>U.S. Government Obligations</p>	<p>U.S. Treasury obligations.</p> <p>Any instrument of indebtedness fully and unconditionally guaranteed by the U.S. Government.</p>
<p>U.S. Government Agency Obligations</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>U.S. Government-Sponsored Enterprise (GSE) Agency Obligations</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>

<p>Municipal Bonds</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>Commercial Paper - rated A1+/P1/F1+</p>	<p>Must achieve at least two (2) of the following ratings: Standard & Poor's (A1+), Moody's (P1), or Fitch's (F1+).</p> <p>Must not be on negative outlook or credit watch.</p>
<p>Commercial Paper - rated A1/P1/F1</p>	<p>Must achieve at least two (2) of the following ratings: Standard & Poor's (A1), Moody's (P1), or Fitch's (F1).</p> <p>Must not be on negative outlook or credit watch.</p>
<p>Bankers Acceptances</p>	<p>Must have guarantee by a bank that meets the following discretionary guidelines:</p> <ol style="list-style-type: none"> a. Shareholders equity shall consist of at least \$100 million dollars. 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. c. Must have been profitable in the prior fiscal year of operations.
<p>Minority Banks – Money Market Savings Account</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>

	This rate is subject to change on the first business day of each month.
Local Government Investment Pools	The LGIP must: a. Rated AAAM by Standard & Poor's, the highest rating available for a local government investment pool. b. Maintain net asset value of at least \$1.00. 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.
Mutual Funds / Money Market Mutual Funds	Rated 5-star or equivalent by at least one nationally-recognized rating agency. 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.

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

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