

INVESTMENT OF FUNDS

The purpose of this policy is to set forth the investment objectives and parameters for the management of public funds of the School District of Broward County, Florida (hereinafter “District”). 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.

I. SCOPE:

In accordance with Section 218.415, Florida Statutes, this investment policy applies to all cash and investments held or controlled by the District and shall be identified as “Pooled Funds” of the District with the exception of Pension Funds, and funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds. Funds held by state agencies (e.g., Department of Education) are not subject to the provisions of this policy. Pooled funds shall include internal accounts of schools and direct support organizations that choose to have the Treasurer invest funds on their behalf.

RULES:

II. INVESTMENT OBJECTIVES

A. Safety of Principal

The foremost objective of this investment program is the safety of the principal of those funds within the portfolios. Investment transactions shall seek to keep capital losses at a minimum, whether they are from securities defaults or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

From time to time, securities may be purchased at a premium or traded for other securities to improve yield, maturity or credit risk. For these transactions, a loss may be incurred for accounting purposes to achieve optimal investment return, provided any of the following occurs with respect to the replacement security:

1. The yield has been increased, or
2. The maturity has been reduced or lengthened, or
3. The quality of the investment has been improved.

B. Maintenance of Liquidity

The portfolios shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements in an orderly manner. Periodical cash flow analyses will be completed in order to ensure that the portfolios are positioned to provide sufficient liquidity.

C. Return on Investment

Investment portfolios shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

III. DELEGATION OF AUTHORITY

In accordance with the District's Administrative Policies, the responsibility for providing oversight and direction in regard to the management of the investment program resides with the District's Chief Financial Officer (CFO). The management responsibility for all District funds in the investment program and investment transactions is delegated to the District's Treasurer. The CFO 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 employees. The District may employ an Investment Manager to assist in managing some of the District's portfolios. Such Investment Manager must be registered under the Investment Advisors Act of 1940.

IV. PERFORMANCE MEASUREMENTS

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

A. Short Term Funds

The State Board of Administration's Local Government Surplus Funds Trust Fund ("SBA Pool") will be used as a benchmark as compared to the portfolios' net book value rate of return for current operating funds.

B. Long Term Funds

Investment performance of funds designated as self insurance funds, core funds and other non-operating funds that have a longer-term investment horizon will be compared to an index comprised of U. S. Treasury / Agency or Government securities.

1. Self Insurance Fund

The Self Insurance Fund consists of longer term investments with assets invested in three maturity phases. Assets invested in each maturity phase

will be determined by the Chief Financial Officer and will be managed against the appropriate Merrill Lynch Treasury / Agency Index Benchmark as follows:

Phase 1 Benchmark: Merrill Lynch 1-3 Year U.S. Treasury / Agency Index

Phase 2 Benchmark: Merrill Lynch 1-5 Year U.S. Treasury / Agency Index

Phase 3 Benchmark: Merrill Lynch 1-10 Year U.S. Treasury / Agency Index

2. Core Funds

The long-term investment portfolio shall be designed with the annual objective of exceeding the return of the Merrill Lynch 1-3 Year Treasury / Agency Index compared to the portfolio’s total rate of return. The Merrill Lynch 1-3 Year Treasury / Agency Index represents all U.S. Treasury and Agency securities maturing over one year, but less than three years. This maturity range is an appropriate benchmark based on the objectives of the County.

V. STANDARDS OF PRUDENCE

The standard of prudence to be used by investment officials shall be the “Prudent Person” standard and shall be applied in the context of managing the overall investment program. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectation are reported to the CFO in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy. The “Prudent Person” rule states the following:

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

While the standard of prudence to be used by investment officials who are officers or employees is the “Prudent Person” standard, any person or firm hired or retained to invest, monitor, or advise concerning these assets shall be held to the higher standard of “Prudent Expert”. The standard shall be that in investing and reinvesting moneys and in acquiring, retaining, managing, and disposing of investments of these funds, the contractor shall exercise: the judgment, care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character

and with like aims by diversifying the investments of the funds, so as to minimize the risk, considering the probable income as well as the probable safety of their capital.

VI. ETHICS AND CONFLICTS OF INTEREST

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

VII. INTERNAL CONTROLS AND INVESTMENT PROCEDURES

The CFO shall establish a system of internal controls and operational procedures that are in writing and made a part of the District's operational procedures. The internal controls should be designed to prevent losses of funds, which might arise from fraud, employee error, and misrepresentation, by third parties, or imprudent actions by employees. The written procedures should include reference to safekeeping, repurchase agreements, separation of transaction authority from accounting and recordkeeping, wire transfer agreements, banking service contracts and collateral/depository agreements. No person may engage in an investment transaction except as authorized under the terms of this policy.

Independent auditors, the Financial Advisory Committee as well as financial auditors, as a normal part of the annual financial audit to the District shall conduct a review of the system of internal controls to ensure compliance with policies and procedures.

VIII. AUTHORIZED INVESTMENTS AND PORTFOLIO COMPOSITION

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

The following are the investment requirements and allocation limits on security types, issuers, and maturities as established by the District. The Financial Advisory Committee, Treasurer or the Treasurer's designee shall have the option to further restrict investment percentages from time to time based on market conditions, risk and diversification investment strategies. The percentage allocations requirements for investment types and issuers are calculated based on the original cost of each investment. Investments not listed in this policy are prohibited.

A. The Florida Local Government Surplus Funds Trust Fund (“SBA”)

1. Investment Authorization
The Treasurer may invest in the SBA.
2. Portfolio Composition
Up to 100% of available funds may be invested in the SBA.

B. United States Government Securities

1. Purchase Authorization
The Treasurer may invest in negotiable direct obligations, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government. Such securities will include, but not be limited to the following:

- Cash Management Bills
- Inflation Index Securities
- Treasury Securities – State and Local Government Series (“SLGS”)
- Treasury Bills
- Treasury Notes
- Treasury Bonds
- Treasury Strips

2. Portfolio Composition
Up to 100% of available funds may be invested in the United States Government Securities.
3. Maturity Limitations
The maximum length to maturity of any direct investment in the United States Government Securities is ten (10) years from the date of purchase.

C. United States Government Agencies

1. Purchase Authorization
The Treasurer may invest in bonds, debentures, notes or callables issued or guaranteed by the United States Governments agencies, provided such obligations are backed by the full faith and credit of the United States Government. Such securities will include, but not be limited to the following:

- United States Export – Import Bank
 - Direct obligations or fully guaranteed certificates of beneficial ownership
- Farmer Home Administration
 - Certificates of beneficial ownership
- Federal Financing Bank

- Discount notes, notes and bonds
- Federal Housing Administration Debentures
- General Services Administration
- United States Maritime Administration Guaranteed
 - Title XI Financing
- New Communities Debentures
 - United States Government guaranteed debentures
- United States Public Housing Notes and Bonds
 - United States Government guaranteed public housing notes and bonds
- United States Department of Housing and Urban Development
 - Project notes and local authority bonds

2. Portfolio Composition
A maximum of 50% of available funds may be invested in United States Government agencies.
 3. Limits on Individual Issuers
A maximum of 25% of available funds may be invested in individual United States Government agencies.
 4. Maturity Limitations
The maximum length to maturity for an investment in any United States Government agency security is ten (10) years from the date of purchase.
- D. Federal Instrumentalities (United States Government sponsored agencies)
1. Purchase Authorization
The Treasurer may invest in bonds, debentures, inflation index securities notes or callables issued or guaranteed by United States Government sponsored agencies (Federal Instrumentalities) which are non-full faith and credit agencies limited to the following:
 - Federal Farm Credit Bank (FFCB)
 - Federal Home Loan Bank or its district banks (FHLB)
 - Federal National Mortgage Association (FNMA)
 - Federal Home Loan Mortgage Corporation (Freddie-Macs) including Federal -Home Loan Mortgage Corporation participation certificates
 - Student Loan Marketing Association (Sallie-Mae)
 2. Portfolio Composition
A maximum of 80% of available funds may be invested in Federal Instrumentalities.

3. Limits on Individual Issuers
A maximum of 40% of available funds may be invested in any one issuer.
 4. Maturity Limitations
The maximum length to maturity for an investment in any Federal Instrumentality security is ten (10) years from the date of purchase.
- E. Interest Bearing Time Deposit or Saving Accounts
1. Purchase Authorization
The Treasurer may invest in non-negotiable interest bearing time certificates of deposit or savings accounts in banks organized under the laws of this state and/or in national banks organized under the laws of the United States and doing business and situated in the State of Florida, provided that any such deposits are secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes. Additionally, the bank shall not be listed with any recognized credit watch information service.
 2. Portfolio Composition
A maximum of 25% of available funds may be invested in nonnegotiable interest bearing time certificates of deposit.
 3. Limits on Individual Issuers
A maximum of 15% of available funds may be deposited with any one issuer.
 4. The maximum maturity on any certificate shall be no greater than one (1) year from the date of purchase.
- F. Repurchase Agreements
1. Purchase Authorization
 - a. The Treasurer may invest in repurchase agreements composed of only those investments based on the requirements set forth by the District's Master Repurchase Agreement. All firms are required to sign the Master Repurchase Agreement prior to the execution of a repurchase agreement transaction.
 - b. A third party custodian with whom the District has a current custodial agreement shall hold the collateral for all repurchase agreements with a term longer than one (1) business day. A clearly marked receipt that shows evidence of ownership must be supplied to the Treasurer and retained.
 - c. Securities authorized for collateral are negotiable direct obligations of the United States Government, Government Agencies, and Federal

Instrumentalities with maturities under five (5) years and must have a market value for the principal and accrued interest of 102 percent of the value and for the term of the repurchase agreement. Immaterial short-term deviations from 102 percent requirement are permissible only upon the approval of the Treasurer.

2. **Portfolio Composition**
A maximum of 50% of available funds may be invested in repurchase agreements excluding one (1) business day agreements and overnight sweep agreements.
 3. **Limits on Individual Issuers**
A maximum of 25% of available funds may be invested with any one institution.
 4. **Limits on Maturities**
The maximum length to maturity of any repurchase agreement is 90 days from the date of purchase.
- G. **Commercial Paper**
1. **Purchase Authorization**
The Treasurer may invest in commercial paper of any United States company that is rated, at the time of purchase, “Prime-1” by Moody’s and “A-1” by Standard & Poor’s (prime commercial paper). If the commercial paper is backed by a letter of credit (“LOC”), the long-term debt of the LOC provider must be rated “A” or better by at least two nationally recognized rating agencies.
 2. **Portfolio Composition**
A maximum of 35% of available funds may be directly invested in prime commercial paper.
 3. **Limits on Individual Issuers**
A maximum of 10% of available funds may be invested with any one issuer.
 4. **Maturity Limitations**

The maximum length to maturity for prime commercial paper shall be 270 days from the date of purchase.
- H. **Corporate Notes**
1. **Purchase Authorization**
The Treasurer may invest in corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time or purchase, at a

minimum “Aa” by Moody’s and a minimum long term debt rating of “AA” by Standard & Poor’s.

2. **Portfolio Composition**
A maximum of 25% of available funds may be directly invested in corporate notes.
 3. **Limits on Individual Issuers**
A maximum of 5% of available funds may be invested with any one issuer.
 4. **Maturity Limitations**
The maximum length to maturity for corporate notes shall be five (5) years from the date of purchase.
- I. **Bankers’ Acceptances**
1. **Purchase Authorization**
The Treasurer may invest in Bankers’ Acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, at the time of purchase, the short-term paper is rated, at a minimum, “P-1” by Moody's Investors Services and “A-1” Standard & Poor's.
 2. **Portfolio Composition**
A maximum of 35% of available funds may be directly invested in Bankers’ acceptances
 3. **Limits on Individual Issuers**
A maximum of 10% of available funds may be invested with any one issuer.
 4. **Maturity Limitations**
The maximum length to maturity for Bankers’ acceptances shall be 180 days from the date of purchase.
- J. **State and/or Local Government Taxable and/or Tax-Exempt Debt**
1. **Purchase Authorization**
The Treasurer may invest in state and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least “Aa” by Moody’s and “AA” by Standard & Poor’s for long-term debt, or rated at least “MIG-2” by Moody’s and “SP-2” by Standard & Poor’s for short-term debt.
 2. **Portfolio Composition**
A maximum of 20% of available funds may be invested in taxable and tax-exempt debts.
 3. **Maturity Limitations**

A maximum length to maturity for an investment in any state or local government debt security is three (3) years from the date of purchase.

K. Registered Investment Companies (Money Market Mutual Funds)

1. Investment Authorization

The Treasurer may invest in shares in open-end, no-load provided such funds are registered under the Federal Investment Company Act of 1940 and operate in accordance with 17 C.F.R. § 270.2a-7, which stipulates that money market funds must have an average weighted maturity of 90 days or less. In addition, the share value of the money market funds must equal to \$1.00.

2. Portfolio Composition

A maximum of 50% of available funds may be invested in money market funds.

3. Limits of Individual Issuers

A maximum of 25% of available funds may be invested with any one money market fund.

4. Rating Requirements

The money market funds shall be rated “AAM” or “AAM-G” or better by Standard & Poor’s, or the equivalent by another rating agency.

5. Due Diligence Requirements

A thorough review of any money market fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed by the Treasurer that will contain a list of questions that covers the major aspects of any investment pool/fund.

L. Intergovernmental Investment Pool

1. Investment Authorization

The Treasurer may invest in intergovernmental investment pools that are authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes and provided that said funds contain no derivatives.

2. Portfolio Composition

A maximum of 25% of available funds may be invested in intergovernmental investment pools.

3. Due Diligence Requirements

A thorough review of any investment pool/fund is required prior to investing, and on a continual basis.

There shall be a questionnaire developed by the Treasurer that will contain a list of questions that covers the major aspects of any investment pool/fund.

M. Mortgage-Backed Securities (MBS)

1. Investment Authorization

The Treasurer may invest in mortgage-backed securities (MBS) which are usually based on mortgages that are guaranteed by a government agency for payment of principal and a guarantee of timely payment.

2. Portfolio Composition

A maximum of 20% of available funds may be invested in MBS.

3. Limits of Individual Issuers

A maximum of 20% of available funds may be invested with any one MBS.

4. Rating Requirements

MBS shall be AA rated or better by Standard & Poor's or the equivalent by another nationally recognized rating agency.

5. Maturity Limitations

A maximum length to maturity for an investment in any MBS is ten (10) years from the date of purchase.

N. Asset-Backed Securities (ABS)

1. Investment Authorization

The Treasurer may invest in asset-backed securities (ABS) which are bonds or notes backed by financial assets.

2. Portfolio Composition

A maximum of 10% of available funds may be invested in ABS.

3. Limits of Individual Issuers

A maximum of 5% of available funds may be invested with any one ABS.

4. Rating Requirements

ABS shall be AA rated or better by Standard & Poor's or the equivalent by another nationally recognized rating agency.

5. Maturity Limitations

A maximum length to maturity for an investment in any ABS is ten (10) years from the date of purchase.

O. Short Term Bond Funds

1. Investment Authorization

The Treasurer may invest in bond funds.

2. Portfolio Composition

A maximum of 25% of available funds may be invested in bond funds.

3. Limits of Individual Issuers

A maximum of 10% of available funds may be invested with any one bond fund.

4. Rating Requirements and Duration

Bonds funds shall be AAA rated or better by Standard & Poor's or the equivalent by another nationally recognized rating agency. Duration shall be no greater than 1.7 years.

5. Due Diligence Requirements

A thorough investigation of any bond fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed by the Treasurer that will contain a list due diligence considerations that deal with the major aspects of any investment pool/fund. A current prospectus must be obtained.

IX. DERIVATIVES AND REVERSE REPURCHASE AGREEMENTS

Investment in any derivative products or the use of reverse repurchase agreements requires specific Board approval prior to their use. If the Board approves the use of derivative products, the Treasurer shall develop sufficient understanding of the derivative products and have the expertise to manage them. A "derivative" is defined as a financial instrument the value of which depends on, or is derived from, the value of one or more underlying

assets or indices or asset values. If the Board approves the use of reverse repurchase agreements or other forms of leverage, the investment shall be limited to transactions in which the proceeds are intended to provide liquidity and for which the Treasurer has sufficient resources and expertise to manage them.

X. CONTINUING EDUCATION

The Chief Financial Officer, treasurer and appropriate staff designated by the Chief Financial Officer shall each annually complete 8 hours of continuing education in subjects or courses of study related to investment practices and products.

XI. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS

Authorized District staff and Investment Advisors shall only purchase securities from financial institutions, which are qualified as public depositories by the Treasurer of the State of Florida, or institutions designated as "Primary Securities Dealers" by the Federal Reserve Bank of New York. The Financial Advisory Committee may approve other regional or local broker/dealer, as it deems appropriate.

Authorized District staff and Investment Advisors shall only enter into repurchase agreements with financial institutions that are state qualified public depositories and primary securities dealers as designated by the Federal Reserve Bank of New York.

For the investment of debt proceeds, Financial Institutions shall be selected pursuant to the debt covenants.

XII. MATURITY AND LIQUIDITY REQUIREMENTS

Operating Funds

To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of current operating funds shall have maturities of no longer than twenty-four (24) months.

Core Funds

Investments of reserves, project funds, debt proceeds and other non-operating funds ("core funds") shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years and the average duration of the funds as a whole may not exceed three (3) years.

Self Insurance Funds

Investments of self insurance funds shall have terms appropriate investment balances based on actuarial reports as provided by the District. Self Insurance Fund investments shall be invested between one (1) and ten (10) years, but in no event shall exceed ten (10) years and the average duration of the funds as a whole may not exceed four (4) years.

The maturities of the underlying securities of a repurchase agreement will follow the requirements of the Master Repurchase Agreement.

XIII. REPORTING

The Treasurer and/or Investment Advisor shall provide the CFO with quarterly investment reports. Schedules in the quarterly report should include the following:

- A. A listing of individual securities held at the end of the reporting period
- B. Percentage of available funds represented by each investment type
- C. Coupon, discount or earning rate
- D. Average life or duration and final maturity of all investments
- E. Par value, and market value

On a quarterly basis, the Treasurer shall prepare and submit to the Board, a written report on all invested funds. The quarterly report shall provide all, but not limited to, the following: a complete list of all invested funds, name or type of security in which the funds are invested, the amount invested, the maturity date, earned income, the book value, the market value and the yield on each investment. The quarterly report will show performance on both a book value and total rate of return basis and will compare the results to the above-stated performance benchmarks. All investments shall be reported at fair value per GASB standards. Investment reports shall be available to the public. On an annual basis, an Investment Report shall be prepared and submitted to the Board at a retreat.

XIV. THIRD-PARTY CUSTODIAL AGREEMENTS

Securities, with the exception of certificates of deposits, shall be held with a third party custodian; and all securities purchase by, and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida as defined in Section 658.12, Florida Statutes, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

The custodian shall accept transaction instructions only from those persons who have been duly authorized by the CFO and which authorization has been provided, in writing, to the

custodian. No withdrawal of securities, in whole or in part, shall be made from safekeeping, shall be permitted unless by such a duly authorized person.

The custodian shall provide the Treasurer with safekeeping receipts that provide detail information on the securities held by the custodian. Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities must be made on a “delivery vs. payment” basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. Securities held as collateral shall be held free.

XV. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

After the Treasurer or the Investment Advisor has determined the approximate maturity date based on cash flow needs and market conditions and has analyzed and selected one or more optimal types of investments, a minimum of three (3) qualified banks and/or approved broker/dealers must be contacted and asked to provide bids/offers on securities in questions. Bids will be held in confidence until the bid deemed to best meet the investment objectives is determined and selected. However, if obtaining bids/offers are not feasible and appropriate, securities may be purchased utilizing the comparison to current market price method on an exception basis. Acceptable current market price providers include, but are not limited to:

- A. Telerate Information System
- B. Bloomberg Information Systems
- C. Wall Street Journal or a comparable nationally recognized financial publication providing daily market pricing
- D. Daily market pricing provided by the District’s custodian or their correspondent institutions

The Treasurer or the Investment Advisor shall utilize the competitive bid process to select the securities to be purchased or sold. Selection by comparison to a current market price, as indicated above, shall only be utilized when, in judgment of the Treasurer or the Investment Advisor, competitive bidding would inhibit the selection process. Examples of when this method may be used include:

When time constraints due to unusual circumstances preclude the use of the competitive bidding process.

When no active market exists for the issue being traded due to the age or depth of the issue.

When a security is unique to a single dealer, for example, a private placement.

When the transaction involves new issues or issues in the “when issued” market.

Overnight sweep repurchase agreements will not be bid, but may be placed with the District’s depository bank relating to the demand account for which the repurchase agreement was purchased.

Authority: F.S. 1001.41(1) (2), 218.415
Adopted: 1/18/00, 4/28/06, 6/5/07