

# BREVARD COUNTY TAX COLLECTOR

Revised: 11/21/12  
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## INVESTMENT POLICY

### PURPOSE

To establish guidelines for investment of surplus funds in a manner consistent with Chapter 218.415, Florida Statutes. The “prudent person” standard shall be used by investment officials in the management of the investment portfolio. The “prudent person” standard is herewith understood to mean the following: Investments shall be made with judgement 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. Surplus funds invested must be available when needed, therefore safety of principal shall be considered first, liquidity second, and investment income last when considering investment of surplus funds. Surplus funds are defined as funds that are in excess of those needed to meet daily cash requirements of the Tax Collector. Investment criteria are intended for guidance purposes only and should not be considered mandatory.

### SCOPE

This investment policy applies to all surplus funds of the Brevard County Tax Collector’s Office.

### PROCEDURE

1. To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements. Current operating funds shall have maturities of no longer than six (6) months. Non-operating funds shall have a term appropriate to the need for funds but in no event will exceed six (6) months to maturity.
2. Investment decisions need to be made based on a variety of factors. Market barometers that reflect interest rate trends are as follows:
  - A. Weekly T-Bill auctions for short term instruments.
  - B. Federal Funds Rate.
3. Basic criteria to consider when investing surplus funds are as follows:
  - A. Keep maturities short (six months or less) in a period of rising interest rates (as determined by the aforementioned market barometers).

- B. Keep maturities short (six months or less) in a period where the yield curve is inverted (i.e. short term rates are higher than long term rates).
4. Eligible investments will consist of the instruments described in Exhibit A "Definition of Investment Instruments".
  5. The Tax Collector's investment portfolio shall be diversified by type of investment, issuer, and dates of maturity in order to protect against interest rate risk. At least 25% of the Tax Collector's portfolio shall be kept in liquid investments (investments which can be readily converted to cash without significant loss of principal.).
  6. All securities of the Tax Collector shall be protected through the use of a third party custodial agreement. Securities purchased will be held by the custodian in safekeeping. All securities purchased by and all collateral held by the Tax Collector will be designated as an asset of the Tax Collector. No withdrawal of securities, in whole or in part, shall be made from safekeeping, except by an authorized representative of the local government.
  7. All securities purchased by the Tax Collector will be on a "Delivery Versus Payment" basis. This ensures the payment will not be made until securities are delivered to the custodian in safekeeping.
  8. The purchase and sale of securities shall be made on the basis of competitive offers and bids where practical in order to obtain the highest possible rate of return.
  9. The Tax Collector will use only major banks that are qualified as public depositories by the treasurer of the State of Florida and brokers, or investment banks that have been selected after review of their qualifications, size, and reputation over the past 3 years.
  10. All authorized institutions/dealers involved in Repurchase Agreement transactions on behalf of the Tax Collector are required to execute and perform these transactions according to a Master Repurchase Agreement.
  11. On a monthly basis the Finance Department shall submit an investment activity report to the Tax Collector. The report shall detail the current market values, maturities, yield, and book value.
  12. The Tax Collector will not borrow against the value of its securities in order to invest funds in other securities. It will only invest funds it has available in cash. The Tax Collector will not engage in reverse repurchase agreements or take a speculative position in the market.
  13. The Tax Collector's Finance Department's Procedures Manual provides for internal controls over purchasing and managing investments. These controls include proper authorization and segregation of responsibilities. The Finance Department's

Procedures Manual is available for review by independent auditors and other interested parties.

14. The Chief Financial Officer acting as investment manager for the Tax Collector's Office in accordance with these written policies and procedures, and exercising due diligence, shall not be responsible for an individual security's credit risk or market price changes provided that appropriate monitoring efforts are performed.

## DEFINITION OF INVESTMENT INSTRUMENTS

### Treasury Bills

(T-Bills) Direct obligations that are secured by the full faith and credit guarantee of the U.S. Government. Issued in 13-week (3 month), 26-week (6 month), and 52-week (1 year) maturities that are sold at weekly auctions. Auctions are conducted on Monday (or if a holiday, on Friday) with results published on Tuesday. Treasury Bills can be obtained through the auction or on the open market through banks or brokerage firms. They are purchased on a discount basis (less than face value) and are redeemed at face value on maturity. Minimum denominations are \$10,000 with \$5,000 multiples thereafter. They are issued only in book-entry form.

### Treasury Notes

Directed obligations that are secured by the full faith and credit guarantee of the U.S. Government. Issued in 2,3,4,5,7 and 10-year maturities that are sold at auctions similar to Treasury Bills. Minimum denomination is \$1,000. Available through banks or brokerage firms.

### Various U.S. Government Agency Obligations

Various types of obligations with differing maturities and minimum denominations. GNMA securities are secured by the "full faith and credit" guarantee of the U.S. Government and others are secured only by the guarantee of the issuing agency. The more common types are listed below:

#### Government National Mortgage Association (GNMA)

(Pass-through type only.) Full faith and credit guarantee of the U.S. Government. Minimum denomination is \$25,000, multiples of \$5,000 thereafter. Maturities range from overnight to 25 years. Pass-through type indicates that the purchaser obtains a return of the principal along with monthly interest payments from the pool of mortgages.

### Farm Credit Bank Instruments

No expressed liability of the U.S. Government. Minimum denomination is \$5,000 and maturities range from overnight to several years.

**Fed Home Loan Bank**

No expressed liability of the U.S. Government. Minimum denomination is \$100,000 for securities of less than 12 months maturity and \$10,000 for securities more than 1 year maturity. Maturities are from overnight to 2 years.

**Repurchase Agreements (Repo)**

An agreement to purchase and resell securities, with a fixed yield to the purchaser. Length of holding period can vary from overnight to 30 days or more. Minimum denomination varies from \$10,000 to \$100,000. Securities held as collateral by the purchaser shall only be those backed by the full faith and credit of the U.S. Government as specified in the Master Repurchase Agreement. Available through banks and brokerage firms.

**Certificates of Deposit (CDs)**

Obligations of a particular bank or savings and loan institution. They are secured by the particular institution, up to \$100,000 by FDIC or FSLIC, and by any additional collateral pledged. Confirm that the financial institution is a qualified public depository by referring to the latest issue of Florida Administrative Weekly. Maturities range from 14 days to several years. Rates will vary by institution and by type of CD.

**Federal National Mortgage Assn. (Fannie Mae)  
And Federal Home Mortgage Corp. (Freddie Mac)**

No expressed liability of the U.S. Government. Denominations range from \$10,000 to \$50,000 and maturities from overnight to 25 years.

**Florida Prime**

An Investment Service for Florida Public Funds set up based on Florida Statutes 218.405 for the investing of Local Government Surplus Funds. The Florida Prime is operating under the administration of the State Board of Administration (S.B.A.) and administers the investment pool by operating it similar to a money market account where the investments are pooled together in a variety of investment instruments such as Federal Agency Obligations, Repurchase Agreements, Treasury Bills & Notes, Commercial Paper, and Certificates of Deposits. Maturities will vary from overnight to one Year.

**Florida Fixed Income Trust**

An Investment service for the investing of local government surplus funds as permissible in Section 218.415 of the Florida Statutes, to invest funds in any intergovernmental investment pool authorized pursuant to the Florida Inter-local Cooperation Act, as provided in Section 163.01 of the Florida Statutes.

## **Florida Local Government Investment Trust**

An Investment service for the investing of local government surplus funds as permissible in Section 218.415 of the Florida Statutes, to invest funds in any intergovernmental investment pool authorized pursuant to the Florida Inter-local Cooperation Act, as provided in Section 163.01 of the Florida Statutes.

## **Interest Bearing Deposit or Savings Accounts**

Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency. Interest bearing time deposits or savings accounts in any qualified public depositories (QPD) as defined in Florida Statute 280 which states that deposits placed in any QPD are protected from loss without limit.