



**PINELLAS COUNTY BOARD OF COUNTY  
COMMISSIONERS**

**Investment Policy**

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# PINELLAS COUNTY BOARD OF COUNTY COMMISSIONERS

## Investment Policy

### 1.0 POLICY

It is the policy of the Pinellas County Board of County Commissioners (the “Board”) to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Board and conforming to all state statutes and local ordinances governing the investment of public funds. Terms utilized herein shall have the same meaning as defined in Section 2-144, Pinellas County Code, unless otherwise indicated herein. This policy statement supersedes all other policies previously governing the investment of Board funds.

### 2.0 SCOPE

This investment policy applies to all surplus funds of the Board. These funds are accounted for in Pinellas County’s Comprehensive Annual Financial Report and include: General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, and any other funds created by the Board, unless specifically exempted by ordinance or resolution.

### 3.0 PRUDENCE

The standard of prudence to be used by County investment officials shall be the "prudent person" and/or “prudent investor” standard and shall be applied in the context of managing an overall portfolio, which states: “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.”

Investment officials of the County acting in accordance with written procedures and the 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 expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

While the standard of prudence to be used by County investment officials who are officers or employees is the “prudent person” standard, any outside person or firm hired or retained to invest, monitor, or advise concerning these funds shall be held to the higher standard of “prudent expert.” The prudent expert standard requires the adviser to act with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

### 4.0 OBJECTIVES

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

4.1 **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the Board shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the Board will diversify its investments by investing funds among a variety of securities offering independent returns and financial institutions.

4.2 **Liquidity:** The Board’s investment portfolio will remain sufficiently liquid to enable the Board to meet all operating requirements which might be reasonably anticipated.

4.3 **Yield:** The Board’s investment portfolio shall be designed with the objective of attaining a benchmark rate of return (Section 15.1) throughout budgetary and economic cycles, commensurate with the Board’s safety and liquidity objectives.

## **5.0 INVESTMENT AUTHORITY**

Pursuant to Section 28.33, Florida Statutes, the Clerk of the Circuit Court and Comptroller (the “Clerk”) invests surplus funds in accordance with Section 218.415, Florida Statutes. The Clerk shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and their procedures on behalf of the Clerk.

5.1 **Investment Plan:** Pursuant to Section 218.415, Florida Statutes, the Board is responsible for adopting the investment plan embodied in this policy by resolution, which may be amended from time-to-time by the Board.

5.2 **Investment Procedures:** The Clerk shall establish written investment policy procedures for the operation of the investment program consistent with this policy. The procedures should include reference to safekeeping, repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Clerk.

5.3 **Investment Decisions:** Pursuant to Section 218.415 (24), Florida Statutes, investment decisions shall be based solely on pecuniary factors.

## **6.0 ETHICS AND CONFLICTS OF INTEREST**

Officers and 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. Employees and investment officials shall disclose to the Clerk any material financial interests in financial institutions with which they conduct business, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the Board’s investment portfolio.

## **7.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

The Clerk shall maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness that are authorized to provide investment services in the State of Florida. These may include “primary” dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule).

No public deposit shall be made except in a qualified public depository as established by the Chief Financial Officer of the State of Florida. All financial institutions and brokers/dealers who desire to become qualified bidders for investment transactions must supply the Clerk with the following: audited financial statements, proof of Financial Industry Regulatory Authority (FINRA) registration, proof of state registration, completed

broker/dealer questionnaire, all forms requiring signature by the County investment official in order for the them to provide services, and certification of having read and understood the Board's investment policy. An annual review of the financial condition and registrations of qualified bidders will be conducted by the Clerk.

## **8.0 AUTHORIZED AND SUITABLE INVESTMENTS**

The Board is empowered by Pinellas County Code, Section 2-144(a) to invest in the following types of securities:

**A. Florida Local Government Surplus Funds Trust Fund** or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01, Florida Statutes.

**B. Direct Obligations of the United States Treasury**

Authorized types of securities include, but not limited to:

- Treasury Bills
- Treasury Notes
- Treasury Bonds
- Treasury Strips

**C. United States Federal Agencies**

Authorized types of securities include, but not limited to:

- Government National Mortgage Association (GNMA) mortgage-backed securities

**D. United States Government-Sponsored Enterprises (GSEs)** which are not guaranteed by the full faith and credit of the United States Government – bonds, notes and debentures.

Authorized types of securities include, but not limited to:

- Federal Farm Credit Bank (FFCB)
- Federal Home Loan Bank or its district banks (FHLB)
- Federal National Mortgage Association (FNMA)
- Federal Home Loan Mortgage Corporation (FHLMC)

Although these securities are not guaranteed by the full faith and credit of the United States Government there is an implicit guarantee.

**E. Non-Negotiable Interest-Bearing Savings Accounts, Demand Deposit Accounts or Time Certificates of Deposit**

Authorized types of securities: Non-negotiable interest-bearing time certificates of deposit, demand deposit accounts or savings accounts in banks organized under the laws of the State of Florida and in national banks organized under the laws of the United States and doing business and situated in the State of Florida.

Additional conditions:

- Deposits must be placed in a Qualified Public Depository secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes and
- Financial Institution is not listed with any recognized credit watch information service.

**F. Repurchase Agreements**

All firms with whom the Board enters into repurchase agreements will have in place an executed Securities Industry and Financial Markets Association (SIFMA) Master Repurchase Agreement with the Board.

Securitization provisions:

- **Collateral:** Those investments whose underlying purchased securities consist of United States Treasuries (e.g. U.S. Treasury bills), United States Federal Agency and/or United States Government Sponsored Enterprise securities, and based on the requirements set forth by the SIFMA Master Repurchase Agreement. Securities authorized for collateral shall have maturities under five (5) years and should maintain a market value of at least 102 percent and higher (typically 105%) for other securities during the term of the repurchase agreement. Immaterial short-term deviations from the 102 percent requirement are permissible only upon the approval of the Chief Deputy Director.
- A third party custodian shall hold collateral for all repurchase agreements in accordance with an executed safekeeping agreement.

**G. Commercial Paper**

Ratings:

- Commercial Paper issued by corporations organized and operating within the United States or by depository institutions licensed in the United States having received an “A-1, P-1” or higher by two Nationally Recognized Statistical Rating organizations (NRSRO), such as Moody’s, Standard Poor’s or Fitch, at the time of purchase.
- If backed by a letter of credit (LOC), the long-term debt of the LOC provider must be rated at least "A" by at least two NRSROs, at the time of purchase.

Additional conditions: The LOC provider must be ranked in the top fifty (50) domestically chartered insured commercial banks that have consolidated assets of \$300 million or more as compiled and reported quarterly by the Federal Reserve Board in its Large Commercial Banks release.

**H. Asset-Backed Securities**

Ratings: Securities longer than 13 months shall be rated "Aaa" by Moody's and "AAA" by Standard & Poor's.

Securities shorter than 14 months shall be rated “P-1” by Moody’s and “A-1” by Standard & Poor’s.

Additional conditions:

- Asset-backed securities issued by Special Purpose Vehicles, or SPVs, organized and operating within the United States or by depository institutions licensed by the United States.
- Investments will be directly with companies and non-derivative in nature.

**I. Securities and Exchange Commission (SEC) registered Money Market Funds**

Ratings: “AAAm” or “AAAg” by Standard & Poor's

Additional conditions:

- Registered under the Federal Investment Company Act of 1940 and operate in accordance with 17 C.F.R. 270.2a-7.
- Share value must equal \$1.00.
- Underlying securities are only obligations of the United States Treasury, United States Federal Agencies, GSE’s or repurchase agreements with these underlying securities. Investments in CMOs, REMICS or other derivative securities are prohibited.

Note: If the credit rating of a security is subsequently downgraded below the minimum rating level for a new investment of that security, the Chief Deputy Director or the Clerk shall evaluate the downgrade on a case-by-case basis in order to determine if the security should be held or sold. The Chief Deputy Director or the Clerk will apply the general objectives of safety, liquidity, yield and legality to make the decision.

8.1 **Summary of Key Limitations on Authorized Investments:**

		<b>Portfolio</b>	<b>Issuer</b>	<b>Maximum</b>
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	<b>Investment</b>	<b>Maximum</b>	<b>Limitation</b>	<b>Maturity</b>
A.	The Florida Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to Florida Interlocal Cooperation Act of 1969 as provided in Section 163.01, Florida Statutes.	50%	N/A	N/A
B.	Direct Obligations of the United States Treasury	100%	N/A	5 years <sup>(1)</sup>
C.	United States Federal Agencies	75%	50%	5 years
D.	United States Government-Sponsored Enterprises	75%	50%	5 years
E.	1. Non-Negotiable Interest-Bearing Savings Accounts	20%	N/A	N/A
	2. Non-Negotiable Time Certificates of Deposit	20%	5%	2 years
	3. Demand Deposit Accounts	50%	N/A	N/A
F.	Repurchase Agreements	20% <sup>(2)</sup>	10% <sup>(2)</sup>	60 days
G.	Commercial Paper	10%	5%	270 days
H.	Asset-Backed Securities	10%	3%	5 years <sup>(3)</sup>
I.	SEC-Registered Money Market Funds	50%	30%	60 days <sup>(4)</sup>

<sup>(1)</sup> Exception is the underlying securities of a repurchase agreement (see the SIFMA Master Repurchase Agreement regarding limits on maturities).

<sup>(2)</sup> With the exception of one (1) business day agreements and overnight sweep agreements.

<sup>(3)</sup> Total Asset-Backed Corporate Notes shall have a weighted average life up to 2 years.

<sup>(4)</sup> The maximum length to maturity (average weighted) shall be 60 days.

8.2 **Master Repurchase Agreement:** All approved institutions and dealers transacting repurchase agreements with the County are required to execute and perform as stated in the SIFMA Master Repurchase Agreement with appropriate supplemental provisions regarding delivery, substitution, margin maintenance, margin accounts, seller representations, and governing law. All repurchase agreement transactions shall adhere to the requirements of the SIFMA Master Repurchase Agreement.

8.3 **Bid Requirements:** After authorized staff of the Clerk have determined the approximate maturity date based on cash flow needs and market conditions and have analyzed and selected one or more optimal types of investments, qualified banks and/or broker/dealers will be contacted and asked to provide bids/offers on investments in question. Bids will be held in confidence until the bid deemed to best meet the investment objectives specified in section 4.0, except as otherwise required by law, is determined and selected.

However, if obtaining bids/offers are not feasible and appropriate, such as when the transaction involves new issues, no competitive bids/offers will be required as all dealers in the selling group offer those securities at the same original price.

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

## 9.0 **INVESTMENT POOLS/MONEY MARKET FUNDS**

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed which will answer, at a minimum, the following general questions:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how



- often the securities are priced and the program audited.
- A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
  - A schedule for receiving statements and portfolio listings.
  - Are reserves, retained earnings, etc. utilized by the pool/fund?
  - A fee schedule, and when and how is it assessed.
  - Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

## **10.0 COLLATERALIZATION**

The Florida Security for Public Deposits Act requires depositories to post certain types of collateral for public funds above the FDIC insurance amounts. The collateral requirements apply to bank deposits, both active (checking and savings accounts) and inactive (non-negotiable certificates of time deposit).

Collateralization will also be required on repurchase agreements pursuant to the SIFMA Master Repurchase Agreement. To anticipate market changes and provide a level of security for all funds, the collateralization level will be at least 102% and higher (typically 105%) for other securities of the market value of principal and accrued interest and the value shall be marked to market at least monthly and adjusted, at a minimum, whenever the collateralization level falls below 100%. The Board requires the collateral to be United States Treasury Securities, United States Federal Agency Securities and/or United States Government Sponsored Enterprise Securities.

Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the Board and retained with the exception of collateral under the Florida Security for Public Deposits Act. The right of collateral substitution is granted, if acceptable to the Clerk and written approval from the Clerk received by the financial institution or broker/dealer.

## **11.0 SAFEKEEPING AND CUSTODY**

All security transactions, including collateral for repurchase agreements, entered into by the Board shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the Clerk and evidenced by safekeeping receipts.

The Clerk will execute a Third-Party Custodial Safekeeping Agreement with a depository chartered by the United States Government or the State of Florida. All securities purchased and/or collateral obtained by the Clerk shall be properly designated as an asset of the Board and held in an account separate and apart from other assets held by the depository and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except by Clerk's Authorized Staff.

The Third-Party Custodial Safekeeping Agreement shall include letters of authority from the Clerk, details as to responsibilities of each party, notification of security purchases, sales, delivery, repurchase agreements, wire transfers, safekeeping and transaction costs, procedures in case of wire failure or other unforeseen mishaps including liability of each party.

## **12.0 DIVERSIFICATION**

The Board will diversify its investments by security type and institution. With the exception of United States

Treasury Securities, United States Federal Agency Securities and United States Government Sponsored Enterprise Securities, no more than 50 % of the Board's total investment portfolio may be invested in a single security type or with a single financial institution, as further specified in Section 8.1 herein. No transaction needs to be initiated when required portfolios cash flows may temporarily cause the maximum holdings in a category to exceed the established limit. Any transaction after such occurrence shall work toward returning to compliance.

The investments shall be diversified by:

- Limiting investments to avoid over-concentration in securities from a specific issuer or business sector
- Limiting investment in securities that have higher credit risks,
- Limiting the amount purchased from any one bank, broker or dealer,
- Investing in securities with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

To allow efficient and effective placement of bond sales, the limit on repurchase agreements and depository accounts may be exceeded for a maximum of five (5) business days following the receipt of bond proceeds, on the direction of the Clerk.

Money market funds may be used by Trustees, Paying Agents, Safekeeping Agents, etc., as a temporary investment for bond proceeds or payouts.

Diversification strategies shall be determined and revised periodically by the investment committee.

### **13.0 MAXIMUM MATURITIES**

To the extent possible, the Board shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Board will not directly invest in securities maturing more than five (5) years from the date of purchase. Reserve funds may be invested in securities up to ten (10) years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of funds.

The Board's weighted average maturity shall not exceed three (3) years, consistent with this policy's general investment objectives.

### **14.0 INTERNAL CONTROLS**

The Clerk is responsible for protecting the Board's funds and ensuring proper accounting and reporting of securities transactions. The Clerk shall establish a system of internal controls which shall be in writing and made a part of the Board's operational procedures. The internal control structure shall be designed, established and maintained to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. The internal controls should be designed to prevent losses of funds which might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees.

Internal controls deemed most important shall include (but not limited to): control of collusion; separation of transaction authority from accounting and recordkeeping; custodial safekeeping; avoidance of physical delivery securities; clear delegation of authority; written confirmation of telephone and wire transactions; and

monitoring of results.

The Clerk shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

An Investment Committee shall be established and shall be comprised of:

- the Clerk
- Clerk's Authorized Staff
- Director of Office of Management and Budget (OMB) or designee
- a representative from the County's Financial Advisory firm with investment experience

The investment committee will 1) annually review the Investment Policy, 2) recommend changes to the Investment Policy, where needed, and 3) review the quarterly and annual investment reports and 4) review general strategies and monitor results.

## **15.0 PERFORMANCE STANDARDS**

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the safety and liquidity needs.

15.1 **Market Yield (Benchmark)**: The Board's investment strategy is passive. Given this strategy, the basis used by the Clerk to determine whether market yields are being achieved shall be the 3-month Treasury bill for the short-term portfolio and an appropriate benchmark, such as the ICE/BAML 0-3 Index or the 2-year Treasury Note, for the long-term portfolio. Since the benchmarks should have a similar weighted average maturity as the portfolio, benchmarks may be modified at the discretion of the Clerk due to planned changes in investment horizons.

## **16.0 REPORTING**

The Clerk shall provide the Board quarterly investment reports which provide a clear picture of the status of the current investment portfolio. The management report will include comments on the fixed income markets and economic conditions, discussions regarding compliance with restriction on percentage of investment by categories, possible changes in the portfolio structure going forward and thoughts on investment strategies. Schedules in the quarterly report will include the following:

- A listing of individual securities held at the end of the reporting period by authorized investment category.
- Average life and final maturity of all investments listed.
- Coupon, discount or earnings rate.
- Par value, amortized book value and market value.
- Percentage of the portfolio represented by each investment category.
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- A quarterly comparisons of returns for the last five quarters.
- Areas of policy concern and suggested or planned revision of investment strategies.

Annual reporting: Within 90 days of the end of the fiscal year, the Clerk shall present an annual report on the investment program and investment activity. In addition to the items listed above, the annual report shall suggest policies and improvements, if deemed necessary that might be made to the investment program.

External Reporting: Copies of the quarterly and annual investment report shall be made available to the public on the Pinellas County Clerk of the Circuit Court and Comptroller's website.

#### **17.0 CONTINUING EDUCATION**

Clerk staff supporting investment activity must annually complete eight (8) hours of continuing education in subjects or courses of study related to investment practices and products.

#### **18.0 SALE OF SECURITIES**

When invested funds are needed in whole or in part for the purposes originally intended or for more optimal investments, such investments may be sold, with prior approval from the Chief Deputy Director or Clerk, at the then-prevailing market price, placing the proceeds into the proper account/fund.

#### **19.0 POLICY CONSIDERATIONS**

- A. Exemption:** Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.
- B. Audits:** Certified public accountants conducting audits of the Board pursuant to s. 218.39 shall report, as part of the audit, compliance with this investment policy.
- C. Interfund Loans:** In the event certain funds require short-term borrowing, the Clerk (or Clerk's designee) in consultation with OMB is authorized to provide interfund loans from the pooled investments, exclusive of monies invested under bond covenant, sufficient to maintain a positive cash balance within the individual funds. During the period an interfund loan is outstanding, the borrowing fund shall pay interest on the interfund loan's average daily balance based upon the annual percentage yield earned on the short term portfolio. Exception: no interest would be charged to a grant that considers interest expense a non-allowable expense under the grant. Unless otherwise specifically authorized by the Board, these interfund loans are to be short term in nature and liquidated as soon as reasonably possible. All other interfund loans shall be approved by the Board.
- D. Prohibited Investments:** Investment of Board funds in any security that creates artificial volatility as compared to the underlying security or to the market for a similar security is prohibited. Such prohibited investments include securities lending transactions, reverse repurchase agreements and derivatives.

#### **20.0 INVESTMENT POLICY REVIEW**

The policy shall be reviewed annually by the Investment Committee. Any modification made thereto must be approved by the Board by resolution.

## ATTACHMENT A

### GLOSSARY OF CASH AND INVESTMENT MANAGEMENT TERMS

The following is a glossary of key investing terms, many of which appear in the Pinellas County Board of County Commissioners Investment Policy. This glossary clarifies the meaning of investment terms generally used in cash and investment management but does not constitute allowable investments which are specified under Section 8. The glossary has been adapted from the Government Finance Officers Association Sample Investment Policy and the Association of Public Treasurers of the US & Canada's Model Investment Policy.

**ACCRUED INTEREST:** Interest earned but which has not yet been paid or received.

**AGENCIES:** Federal agency securities and/or Government-sponsored enterprises.

**AMORTIZATION:** The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

**ASKED:** The price at which securities are offered.

**ASSET-BACKED SECURITY (ABS):** A fixed-income security backed by notes or receivables against assets other than real estate. Some examples are autos, credit card receivables, and royalties.

**BANKERS' ACCEPTANCE (BA):** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

**BASIS POINT:** A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g., "1/4" of 1 percent is equal to 25 basis points.

**BENCHMARK:** A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

**BID:** The price offered by a buyer of securities. (When you are selling securities, you ask for a bid). *See* "Offer."

**BOOK VALUE:** The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

**BROKER:** A third party that brings buyers and sellers together for a commission.

**CALLABLE BONDS/NOTES:** Securities which contain an imbedded call price option giving the issuer the right to redeem the securities prior to maturity at a predetermined price and time.

**CALL PRICE:** The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

**CALL RISK:** The risk to a bondholder that a bond may be redeemed prior to maturity.

**CERTIFICATE OF DEPOSIT (CD):** A time deposit with a specific maturity evidenced by a certificate.

Large-denomination CD's are typically negotiable.

**COLLATERAL:** Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**COMMERCIAL PAPER (CP):** A short term unsecured promissory note issued by corporations typically used as a source of working capital, receivables financing and other short-term financing needs. CP has maturities up to 270 days.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT:** The official annual financial report for Pinellas County, Florida. It includes combined statements for each individual fund and account group prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America for governmental entities. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

**CONVEXITY:** A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

**CORPORATE NOTE:** A debt instrument issued by a corporation with a maturity of greater than one year and less than ten years.

**COUPON RATE:** (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value, (b) A certificate attached to a bond evidencing interest due on a payment date.

**CREDIT QUALITY:** The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized statistical rating organization.

**CREDIT RISK:** The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

**DEALER:** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

**DEBENTURE:** A bond secured only by the general credit of the issuer.

**DELIVERY VERSUS PAYMENT (DVP):** There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

**DERIVATIVES:** (a) Financial instruments whose return profile is linked to, or derived from the movement of one or more underlying index or security, and may include a leveraging factor, or (b) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

**DISCOUNT:** The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a

discount.

**DISCOUNT SECURITIES:** Non-interest-bearing money market instruments that are issued at a discount and redeemed at maturity for full face value (e.g., U.S. Treasury Bills).

**DIVERSIFICATION:** Dividing investment funds among a variety of securities offering independent returns.

**DURATION:** A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

**FARMER'S HOME ADMINISTRATION (FmHA):** A unit of the Department of Agriculture which makes loans for community centers, farms, and homes in rural areas.

**FAIR VALUE:** The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**FEDERAL CREDIT AGENCIES:** Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):** A federal agency that insures bank deposits, up to \$250,000 per deposit.

**FEDERAL FARM CREDIT BANKS (FFCB):** The Federal Farm Credit Banks Funding Corporation issues debt securities as fiscal agent for the Farm Credit System, which is a nationwide network of borrower-owned lending institutions and service organizations specializing in agricultural and rural America. The mission of this government-sponsored enterprise is to ensure the availability of sound, dependable funding for agricultural producers, cooperatives, and certain farm related business.

**FEDERAL FINANCING BANK:** A government-owned bank created to reduce the costs of federal agencies through government-guaranteed obligations.

**FEDERAL FUNDS (FED FUNDS):** Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirement. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

**FEDERAL FUNDS RATE:** The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

**FEDERAL HOME LOAN BANKS (FHLB):** Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

**FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC):** FHLMC, commonly referred to

as Freddie Mac, is a government sponsored enterprise that provides liquidity to the mortgage markets, much like FNMA and FHLB.

**FEDERAL HOUSING ADMINISTRATION (FHA):** A federally sponsored agency that insures lenders against loss on residential mortgages. Founded in 1934, it was the forerunner of a group of government agencies responsible for the growing secondary market for mortgages (GNMA & FNMA).

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA):** FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The Corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

**FEDERAL OPEN MARKET COMMITTEE (FOMC):** Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The president of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

**FEDERAL RESERVE SYSTEM:** The central bank of the United States created by Congress and consisting of seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA):** A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

**FLORIDA LOCAL GOVERNMENT INVESTMENT POOL (LGIP):** An investment medium (e.g. FLGIT, FLCLASS) created under F.S 163.01 providing local government an investment alternative to the Local Government Surplus Fund Trust Fund.

**FLORIDA LOCAL GOVERNMENT SURPLUS FUNDS TRUST FUND:** The aggregate of all funds from political subdivisions that are placed in the custody of the State Board of Administration for investment and reinvestment.

**FLORIDA SECURITY FOR PUBLIC DEPOSITS ACT:** Chapter 280, Florida Statutes establishes a statewide "pool" program ensuring the protection from financial institution failure of public deposits of the state and its political subdivisions not covered by federal deposit insurance. All qualified public depositories are required to meet certain collateral requirements established by the Chief Financial Officer of the State of Florida.

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae):** Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FmHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.



**INTEREST RATE:** See “Coupon Rate.”

**INTEREST RATE RISK:** The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

**INVERTED YIELD CURVE:** A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and restrictive monetary policy.

**INVESTMENT COMPANY ACT OF 1940:** Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

**INVESTMENT-GRADE OBLIGATIONS:** An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

**ISSUER LIMITATION:** The issuer limitation percent shown in the “summary of key limitations on authorized investments” table is based on the total portfolio balance.

**LIQUIDITY:** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

**LIQUIDITY RISK:** The risk that a liquid asset cannot be converted without a substantial loss of value or earnings.

**MARK-TO-MARKET:** The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

**MARKET RISK:** The risk that the value of a security will rise or decline as a result of changes in market conditions.

**MARKET VALUE:** The price at which a security is trading and could presumably be purchased or sold.

**MASTER REPURCHASE AGREEMENT:** A written contract covering all future transactions between the parties to repurchase – reverse repurchase agreement that establishes each party’s rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.

**MONEY MARKET:** The market in which short-term debt instruments (bills, commercial paper, bankers’ acceptances, repos and federal funds) are issued and traded.

**MONEY MARKET FUND:** Funds that invest solely in money market instruments, such as: US Treasury bills, commercial paper, bankers’ acceptances, and repurchase agreements.

**NOMINAL YIELD:** The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the “coupon,” “coupon rate,” or “interest rate.”

**OFFER:** The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

**OPEN MARKET OPERATIONS:** Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

**PAR:** Face value or principal value of a bond, typically \$1,000 per bond.

**PASSIVE INVESTMENT STRATEGY:** Passive investment management is an investment strategy in which securities are bought with the intention of holding them to maturity or investing in benchmark products designed to yield a market rate of return.

**PECUNIARY FACTOR:** A factor the governing body of the unit of local government prudently determines is expected to have a material effect on the risk or returns of an investment based on appropriate investment horizons consistent with applicable investment objectives and funding policy. The term does not include the consideration of the furtherance of any social, political, or ideological interests.

**PORTFOLIO:** Collection of securities held by an investor.

**POSITIVE YIELD CURVE:** A chart formation that illustrates short-term securities having lower yields than long-term securities.

**PREMIUM:** The amount by which the price paid for a security exceeds the security's par value.

**PRIMARY DEALER:** A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

**PRIME RATE:** A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

**PRINCIPAL:** The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

**PRUDENT PERSON RULE:** An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

**QUALIFIED PUBLIC DEPOSITORY:** Any bank, savings bank, or savings association that is organized under the laws of the United States or the State of Florida; has its principal place of business or a branch office to receive deposits in Florida; has deposit insurance under the provisions of the Federal Deposit Insurance Act; meets the requirements of Chapter 280, Florida Statutes (Florida Security for Public Deposits Act); and has been designated by the Chief Financial Officer of the State of Florida as a qualified public depository.

**RATE OF RETURN:** The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

**REINVESTMENT RISK:** The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

**REPURCHASE AGREEMENT (REPO or RP):** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

**REVERSE REPURCHASE AGREEMENT (REVERSE REPO):** An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities a specified price to the second party on demand or at a specified date.

**RULE 2a-7 OF THE INVESTMENT COMPANY ACT:** Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a maximum weighted average maturity of 60-days, to help maintain a constant net asset value of one dollar (\$1.00).

**SAFEKEEPING:** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank’s vaults for protection.

**SECONDARY MARKET:** A market made for the purchase and sale of outstanding issues following the initial distribution.

**SECURITIES & EXCHANGE COMMISSION (SEC):** Agency created by Congress to protect investors in securities transactions by administering securities legislation.

**SEC RULE 15C3-1:** See Uniform Net Capital Rule

**SERIAL BOND:** A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

**SINKING FUND:** A separate accumulation of cash or investments (including earnings on investments) in a fund in accordance with the terms of a trust agreement or indenture, funded by periodic deposits by the issuer (or other entity responsible for debt service), for the purpose of assuring timely availability of moneys for payment of debt service. Usually used in connection with term bonds.

**SLGS:** Nonmarketable US Treasury securities sold to states and municipalities. These parties then deposit the securities into escrow accounts until they use them to pay off their own bonds at maturity.

**SPREAD:** (a) The yield or price difference between the bid and offer on an issue. (b) The yield or price difference between different issues.

**STRUCTURED NOTES:** Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, and derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

**STUDENT LOAN MARKETING ASSOCIATION (SLMA):** SLMA, commonly referred to as Sallie Mae, provides federally guaranteed student loans originated under the Federal Family Education Loan Program.

Congress created Sallie Mae in 1972 as a government sponsored enterprise. Sallie Mae began privatizing its operations in 1997 and completely severed its ties to the federal government in 2004.

**TERM BOND:** Bonds comprising a large part or all of a particular issue which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

**TREASURY BILLS:** A non-interest-bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

**TREASURY STRIPS:** Zero-coupon Treasury bonds that mature in three months to 29 years and are backed by the full faith and credit of the US government.

**TREASURY BONDS:** Long-term coupon bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

**TREASURY NOTES:** Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. government and having initial maturities from two to 10 years.

**UNIFORM NET CAPITAL RULE:** Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicated. Liquid capital includes cash and assets easily converted into cash.

**WEIGHTED AVERAGE MATURITY:** The average remaining term to maturity of the portfolio proportionate to the size of each investment.

**YIELD:** The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

**YIELD-TO-CALL (YTC):** The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

**YIELD CURVE:** A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

**YIELD-TO-MATURITY:** The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

**ZERO-COUPON SECURITIES:** Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

**ATTACHMENT B**

**MASTER REPURCHASE AGREEMENT**