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County Policies

Policy for Accounting and Reporting: Policy No. 92-4

It shall be the policy of the Board of County Commissioners of Leon County, Florida, that: The County will establish accounting and reporting systems to:

1. Maintain accounting and reporting practices in conformance with the Uniform Accounting System of the State of Florida and Generally Accepted Accounting Principles (GAAP).
2. Maintain accounting system records on a basis consistent with the accepted standards for local government accounting according to Governmental Accounting and Financial Reporting (GAFR), the National Council on Governmental Accounting (NCGA), and the Governmental Accounting Standards Board (GASB).
3. Provide regular monthly financial reports that include a summary of activity for all funds.
4. Provide regular monthly trial balances of line item financial activity by type of revenue and expenditure.
5. Ensure that an annual financial and compliance audit of the County's financial records is conducted by an independent firm of certified public accountants whose findings and opinions are published and available for public review.
6. Provide that the Office of Management and Budget (OMB) will submit to the County Commission quarterly reports on the operating condition of the County and, where applicable, to identify possible trends and, where necessary, to recommend options for corrective action.
7. Seek, annually, the Government Finance Officers Association (GFOA) Certificate of Achievement in Financial Reporting and the GFOA's annual budget award.

Policy for Amending the Budget: Policy No. 97-11

The County will establish practices for the operation and amending of the annual budget to:

1. Provide that all amendments/transfers of funds will first be reviewed by the director(s) of the requesting department/division, followed by a second review by the Office of Management and Budget, prior to submission and subsequent approval/denial by the County Administrator and/or the Board of County Commissioners, as set forth by the following provisions of this policy.
2. Provide that:

a. Notwithstanding the provisions of paragraph 1, program managers shall have the flexibility to amend their operating expenditure budgets and personnel services budgets by up to 10-percent of the total on an aggregate basis between line items within programs with a \$20,000 cap, contingent upon approval by the County Administrator;

b. The County Administrator delegates to the Office of Management and Budget the responsibility for monitoring and enforcing the provisions of this paragraph based on policies adopted by the Board of County Commissioners.

3. Provide that, in addition to the provisions of paragraph 2, the County Administrator may authorize intrafund transfers up to \$20,000.

4. Provide that intrafund transfers greater than \$20,000, and all interfund transfers, must be approved by a majority vote of the Board of County Commissioners.

5. Provide that all requests for use of reserves for contingency must be approved by a majority vote of the Board of County Commissioners.

Policy for Carry Forward Program: Policy No. 98-16

It shall be the policy of the Board of County Commissioners of Leon County, Florida, that Policy No. 94-8, entitled "Carry Forward Program" and adopted by the Board of County Commissioners on December 13, 1994, is hereby repealed and superseded, and a new policy is hereby adopted in its place, to wit:

The Carry Forward Program provides budget incentives to managers to improve financial management effectiveness and accountability. The program allows managers to carry forward into the ensuing fiscal year a portion of, or all of, the unexpected end-of-year funds for identifiable projects which will result in increased productivity, cost savings and/or increased efficiency. Those projects which receive the County Administrator's approval will be presented to the Board of County Commissioners prior to November 1 of each year.

A. Eligibility Requirements

The department manager must submit the program proposal to the Office of Management & Budget (OMB) no later than the deadline established by OMB. The proposal must include financial savings estimated based on the most recent financial data available. The department manager must clearly indicate in the Carry Forward Program how the County will realize an

increase in productivity, save money or increase efficiency by approving the proposal.

Any request that was denied during the budget review process will be forwarded directly to the County Administrator for special review. The County Administrator will provide further direction to OMB.

Note: Those projects which were funded by the Board in the current fiscal year, and which were not completed, are not affected by this program. In such case, the manager must submit a "Carry Forward Request Form" (See Attachment) to the Office of Management & Budget requesting that these funds be added to the budget of the ensuing fiscal year for the sole purpose of completing the projects for which the funds were appropriated in the previous fiscal year. The program must state on the "Carry Forward Request Form" why the project was not completed within the current fiscal year and the anticipated completion date.

B. OMB Responsibilities

The Office of Management & Budget shall review all proposals from department managers. The Office of Management & Budget will be responsible for the program activities listed below.

Verify the total amount of funds eligible to be carried forward into the ensuing fiscal year with the Finance Department.

Review an analysis of the proposed project to determine if it will increase productivity, save tax dollars and/or increase efficiency.

Make a recommendation of approval or denial to the County Administrator.

Notify the program manager in writing of whether the project was accepted or denied within two (2) working days of the County Administrator's final decision.

Human Service Request for Discretionary Funding: Policy No. 00-4

It shall be the policy of the Board of County Commissioners of Leon County, Florida, that: Policy No. 99-4 "Mid-Fiscal Year Funding Requests for Outside Agencies," adopted by the Board of County Commissioners on November 23, 1999, is hereby repealed and superseded, and a new policy is hereby adopted in its place, to wit:

Human Service Request for Discretionary Funding

1. Board Intent

a. All requests for funding which can legitimately be planned for must be made through the normal budget cycle.

b. The initial disposition of the Board will be to disapprove or delay all requests made outside the normal budget cycle.

c. The full impact of any request on the present and future resources of the County must be disclosed.

d. No requests for funding during the fiscal year may come directly to the Board without prior administrative review as specified in this policy.

2. Procedures

The following procedures shall govern all funding requests made during the fiscal year outside the normal budget cycle:

a. Outside agencies or individuals requesting funding from the Board of County Commissioners any time during the fiscal year shall first submit their requests in writing to the County Administrator.

b. The County Administrator is authorized to develop forms and procedures to be used by outside agencies or individuals.

c. All requests will be brought to the Board for consideration at a regularly scheduled meeting.

d. Requests approved by the Board will be funded from the Commissioner's Discretionary Account.

e. In the case where funding has been exhausted in the Commissioner's Discretionary Account, all requests will be denied at the staff level, and the Board will be notified via inter-office memorandum.

3. Evaluation Criteria

All funding requests will be evaluated and funded at the discretion of the Board.

4. Exceptions

a. Mid-year requests from athletic teams or similar organizations for funding from the Board's Youth Sports Team Fund are exempt from this policy.

Policy for Contingency Reserves: Policy No. 99-3

It shall be the policy of the Board of County Commissioners of Leon County, Florida, that: Policy No. 94-11 "Contingency Reserves and Mid-Fiscal Year Funding Requests for Outside Agencies," adopted by the Board of County Commissioners on September 1994, is hereby repealed and superseded, and a new policy is hereby adopted in its place, to wit:

Use of Contingency Reserves

1. Board Intent

Contingency reserves are established to provide the following:

- a. Funding for authorized mid-year increases to adopted levels of service.
- b. Funding for unexpected increases in the cost of providing existing levels of service.
- c. Temporary and nonrecurring funding for unexpected projects.
- d. Funding of a local match for public or private grants.
- e. Funding to offset losses in revenue caused by actions of other governmental bodies.
- f. Funding to accommodate unexpected program mandates from other governmental bodies.

2. Procedures

- a. The general revenue reserves for contingency will be budgeted at an amount not to exceed 10% of projected general operating revenues for the ensuing fiscal year.
- b. The County will maintain an annual unappropriated fund balance at a level sufficient to maintain adequate cash flow and to eliminate the need for short-term borrowing. The unappropriated fund balance shall be no less than ten (10) percent of general operating revenues and shall be separate from the reserves for contingency.
- c. The County Administrator is authorized to develop forms and procedures to be used by outside agencies or individuals or County agencies in submitting their requests for use of contingency reserves.
- d. County agencies, including County departments and Constitutional Officers, requesting additional funding from the Board shall first submit their requests in writing to the County Administrator for full review and evaluation.
- e. After evaluation, all requests will be brought to the Board for consideration at a regularly scheduled meeting.
- f. Requests for use of reserves for contingency may be approved only by the Board of County Commissioners.
- g. The County's budget will be amended at such time the County Commission, by majority vote, authorizes reserves for contingency. All requests to the County Commission for the use of any reserves for contingency shall be accompanied by a "contingency statement" prepared by OMB showing the year-to-date activity on the reserves account as well as the current account balance and the net effect on the account of approving the use of reserves.

3. Evaluation Criteria

- a. The Board will use the procedures and evaluation criteria set forth in this policy. The evaluation of funding requests shall include, but not be limited to the following:

consistency with other Board policy;
the urgency of the request;
the scope of services to be provided;
the short-term and long-term fiscal impact of the request;
a review of alternative methods of funding or providing the services,
a review for duplication of services with other agencies;
a review of efforts to secure non-County funding;
a discussion of why funding was not sought during the normal budget cycle; and a review of the impact of not funding or delaying funding to the next fiscal year.

4. Exceptions

- a. This policy is not intended to limit regular mid-year salary adjustment transfers from the salary adjustment contingency account, which is reviewed separately by the Board of County Commissioners in the month of April of each year.

Policy for Debt Management and Other Investments: Policy No. 93-47

It shall be the policy of the Board of County Commissioners of Leon County, Florida that: Policy No. 92-6, adopted by the Board of County Commissioners on March 10, 1992, is hereby superseded and repealed, and a new policy is hereby adopted in its place, to wit: Debt management and investment practices are established to:

1. Ensure that capital projects financed through the issuance of bonds will not be financed for a period that exceeds the useful life of the project or the life of the supporting revenue source.
2. Ensure that interest, operating or maintenance expenses will be capitalized only for facilities or enterprise activities and will be limited to those expenses encumbered prior to the actual operation of the facility or its improvement.
3. Provide that debt for Leon County, Florida shall be limited to an amount which will not prevent the County from maintaining sources of available revenues for service of debt at 135% of annual debt service. The State of Florida does not mandate legal debt limitation for local governments.
4. Provide that the County will limit its investments to only the safest types of securities, to include those backed by the U.S. Government or its agencies and those which provide insurance or the legally required backing of the invested principal.
5. Provide that, unless market conditions otherwise require, not more than fifteen (15) percent of the

County's investment portfolio shall be placed in any one institution other than those securities issued or guaranteed by the U.S. Government or its agencies or the State Board of Administration of the State of Florida.

6. Provide that the investment portfolio of Leon County, Florida must be structured in such a manner to provide sufficient liquidity to pay obligations as they become due. The investment portfolio shall be diversified by type of investment, issuer, and dates of maturity in order to protect against fluctuations in the market economy. At least fifteen percent (15%) of the County's portfolio shall be kept in liquid investments which are available on a daily basis, without loss of principal.

7. Provide that the clear title to principal and collateral backing for all investments shall be maintained by Leon County, in the County's own bank, or a third party agent under agreement to the County.

8. Provide that the Board of County Commissioners seeks to optimize return on investments within the constraints of safety and liquidity. The purchase and sale of securities shall be at competitive prices based on market conditions.

9. Provide that Leon County will use only major banks, brokers or dealers which have been selected after review of their qualifications, size, capitalization, inventories handling and reputation.

10. Provide that Leon County will not place funds with any institution which is less than three (3) years old.

11. Provide that the Board shall adopt a plan by October 1 of each year to govern the policies and procedures for the investment of surplus funds of the County based on the criteria as set forth in the County's Investment Ordinance for Surplus Funds, No. 93-3.

12. Provide that collateral shall be required for any re-purchase agreement, not covered under Chapter 280, Florida Statutes. Collateral placed for any re-purchase agreement will be governed by the same terms as those defined in the County's Investment Ordinance for Surplus Funds, No. 93-3.

13. Provide that the County shall establish a County Investment Oversight Committee whose membership and duties shall be governed by the provisions as set forth in the County's Investment Ordinance for Surplus Funds, No. 93-3.

**Policy for Dues and Memberships:
Policy No. 93-46**

It shall be the policy of the Board of County Commissioners of Leon County, Florida, that: Policy No. 77-7, adopted by the Board of County Commissioners on June 21, 1977, is hereby repealed and superseded, and a new policy is hereby adopted in its place, to wit:

Organizations to which dues and memberships are paid for a County employee by Leon County shall be listed in a department's/division's annual budget request submission to the office of Management and Budget and reviewed for their appropriateness to the employee's job responsibilities with final denial/approval of such membership(s) by the County Administrator or his/her designee during the development phase of the tentative budget. Any request for County-paid employee memberships made during the fiscal year shall be submitted to the Office of Management and Budget for review with final denial/approval by the County Administrator. All memberships paid by the County for its departments/divisions shall follow the same review and approval process as that of a County Employee as outlined in this policy.

**Policy for Fiscal Planning:
Policy No. 93-44**

It shall be the policy of the Board of County Commissioners of Leon County, Florida that: Policy No. 93-44, adopted by the Board of County Commissioners on April 10, 1993, is hereby repealed and superseded, and a new policy is hereby adopted in its place, to wit:

The County will establish fiscal planning practices to:

1. Provide that the annual operating and capital budget for Leon County shall be developed in conformity with the Tallahassee-Leon County Comprehensive Plan by the Office of Management and Budget, under the advisement of the County Administrator and adopted as provided in State law by a majority vote of the Board of County Commissioners presiding in a public hearing.

2. Provide for the development and annual review of a capital improvement budget. This budget shall contain a 5-year plan for acquisition and improvement of capital investments in the areas of facilities, transportation, equipment and drainage. This budget shall be coordinated with the annual operating budget.

3. Provide that the Board of County Commissioners will continue to reflect fiscal restraint through the development of the annual budget. In instances of forthcoming deficits, the Board will either decrease appropriations or increase revenues.

4. Provide that the County will strive to better utilize its resources through the use of productivity and efficiency enhancements while at the same time noting that the costs of such enhancements should not exceed the expected benefits.

5. Provide that expenditures which support existing capital investments and mandated service programs will be prioritized over those other supporting activities or non-mandated service programs.

6. Provide that the County Administrator shall be designated Budget Officer for Leon County and will carry out the duties as set forth in Ch.129, F.S.

7. Provide that the responsibility for the establishment and daily monitoring of the County's accounting system(s), shall lie with the Finance Division of the Clerk of the Circuit Court, and that the oversight of investment and debt management for the government of Leon County shall lie with the Board of County Commissioners.

8. Annually, prior to March 1, the Board of County Commissioners will:

A. Establish a budget calendar for the annual budget cycle.

B. Confirm the list of permanent line item funded agencies that can submit applications for funding during the current budget cycle.

C. Provide direction to staff on additional appropriation requests that should be considered as part of the tentative budget development process.

9. Provide that this policy shall be reviewed annually by the Board of County Commissioners to ensure its consistency and viability with respect to the objectives of the Board and its applicability to current state law and financial trends.

Policy for Industrial Development Revenue Bond Financing: Policy No. 81-1

It shall be the policy of the Board of County Commissioners of Leon County, Florida, that:

Industrial Development Revenue Bond (IDRB) financing will be considered as an inducement to local and new prospective business expansion and relocation as a means to promote the diversification and expansion of the local economy, subject to the following conditions:

1. Information and application requirements of the County are completely and accurately met.

2. All fees and charges are paid, if and when assessed.

3. The project, consisting of land acquisition, construction, renovation and/or equipment purchases, has not begun prior to IDRB financing approval.

4. The project complies with all federal, state and local laws with regard to industrial development revenue bond financing eligibility.

5. Except in unusual circumstances, the Board will give priority consideration for IDRB financing to an industrial or manufacturing plant.

Policy for Landfill Rate Stabilization Reserve: Policy No. 03-08

It shall be the policy of the Board of County Commissioners of Leon County, Florida, that Policy No. 94-1, "Policy for Landfill Rate Stabilization Reserve," adopted by the Board of County Commissioners on February 8, 1994 is hereby repealed and superseded, and a new policy entitled "Solid Waste Rate Stabilization Reserve Fund" is hereby adopted in its place. It shall be the policy of the Board of County Commissioners of Leon County, Florida that:

1. The Solid Waste Rate Stabilization Reserve Fund is established to provide the following:

a. To accumulate funding for planned future capital project expenditures;

b. Funding for temporary and nonrecurring unexpected capital projects;

c. Funding to accommodate unexpected program mandates from other governmental bodies;

d. Funding for extraordinary operating expenses.

e. Funding for operating expenses in order to stabilize rates.

2. Use of funds from the Solid Waste Rate Stabilization Reserve Fund will be limited to operation of the landfill and transfer station.

3. The Board of County Commissioners must approve requests for use of Rate Stabilization Reserve Fund. The Board will use the procedures and evaluation criteria set forth in this policy. Such requests will be evaluated in insure consistency with other Board policy; the urgency of the request; the scope of services to be provided; the short- and long-term fiscal impact of the request; a review of alternative methods of funding or providing the services; a review for duplication of services with other agencies; a review of efforts to secure non-County funding; a discussion of why funding was not sought during the normal budget cycle; and a review of the impact of not funding or delaying funding to the next fiscal year.

4. The Rate Stabilization Reserve Fund will be budgeted at the excess of revenues over expenditures after the requirements of the balance needed in the Contingency Reserve and Closure Reserve are met. The Rate Stabilization Reserve Fund shall be separate from the Contingency Reserve and Closure Reserve. The County's budget will be amended at such time as the County Commission, by majority vote, authorizes the use of reserves. All requests to the County Commission for the use of Rate Stabilization Reserve Fund shall be accompanied by an addendum prepared by OMB showing the year-to-date activity on the reserves account as well as the current account balance and the net effect on the account of approving the use of reserves.

5. As used in this document, the term "Fund" does not require the establishment of a self-balancing set of

accounts, but rather indicates a separate account established within the Solid Waste Enterprise Fund.

**Policy for Revenues:
Policy No. 92-5**

It shall be the policy of the Board of County Commissioners of Leon County, Florida, that:

The County will establish revenue practices to:

1. Provide that the County seek out and maintain a diversified revenue system to protect it from fluctuations in any one revenue source.
2. Provide that fees charged in enterprise operations will be calculated at a level which will support all direct and indirect costs of the enterprise.
3. Ensure that the County does not accept any revenue source whose terms of acceptance or collection may negatively affect the County.

**Financial Advisory Committee:
Policy No. 00-1**

It shall be the policy of the Board of County Commissioners of Leon County, Florida, that:

In order to ensure that financial matters which come before the Board of County Commissioners have been appropriately and thoroughly reviewed, a Finance Advisory Committee is hereby established which shall be comprised of the Leon County Administrator, the Leon County Attorney, the Director of Public Services, the Director of Management and Budget and the Clerk of Courts' Finance Director.

The Finance Advisory Committee shall review and make recommendations to the Board of County Commissioners on financial matters related to the Board of County Commissioners and all County boards and authorities. Such financial matters may include, but not be limited to, issuance of debt, selection of bond counsel, financial advisory services, bond underwriter services, underwriter counsel and arbitrage rebate compliance services.

**Investment Policy:
Policy No. 02-12**

It shall be the policy of the Board of County Commissioners of Leon County, Florida, that a revised Policy No. 02-12 is hereby adopted, to wit:

It is the policy of the Leon County Finance Division that:

Introduction

The following Investment Policy within the context of the County's Investment Ordinance is intended to set forth the framework within which the County's investment activities will be conducted. The Investment Policy establishes parameters for investment activity, which may be further restricted by the Investment Oversight Committee or by investment staff. The Investment Policy provides parameters to limit risk and ensure a broadly diversified portfolio.

In establishing this Investment Policy, the Board of County Commissioners recognizes the traditional relationship between risk and return and acknowledges that all investments whether they are for one day or years, involve a variety of risks related to maturity, duration, credit, market and reinvestment risk.

When choosing between alternative investments, staff should structure the portfolio based on an understanding of the variety of risks and basic principles of diversification on the structure of the portfolio. With adoption of this Investment Policy, the County recognizes the goal of total return portfolio management is to add economic value to a portfolio under circumstances prevailing from time to time. This may necessitate the sale of securities at a loss in order to reduce portfolio risk (without a material reduction in return) or to achieve a greater overall return (without assuming any material amount of additional risk) that could have been obtained if the original position had been held.

The Board recognizes the value of external as well as internal management. External management is best employed where greater knowledge and skills are required due to either the nature of the investment instruments, the risks associated with longer duration, or the need to closely monitor credit considerations. Internal management is best employed when risks are low, maturity considerations limited, and the ability for external management to enhance yield limited by low overall interest rates.

I. SCOPE

This Investment Policy applies to all funds held by or for the benefit of the Leon County Board of County Commissioners.

II. INVESTMENT OBJECTIVES

The following investment objectives will be applied in the management of the County's funds.

- A. The primary investment objective is to insure safety of County assets.

This is best ensured by:

- Establishing minimally acceptable credit ratings and limiting any exception thereto
- Limiting the portfolio duration and the duration of individual holdings
- Setting maximum exposure by market sector

- Requiring a minimum investment in a basket of securities either fully guaranteed by the U. S. Government or issued by an Agency of Instrumentality of the U. S. Government
- Defining authorized transactions

- B. The second priority will be to provide sufficient liquidity to meet the County's operating, payroll and capital requirements.

Adequate Liquidity will minimize the likely requirement to sell instruments before maturity and minimize transaction cost and will be accomplished through this portfolio by:

- Maintaining a core level of assets with the SBA and the Treasury Special Purpose Investment Account (SPIA)
- Maintaining a liquidity portfolio

- C. The third objective after meeting the first two objectives will be to maximize the return on the portfolio at a predefined and acceptable level of risk.

- D. The Clerk will establish procedures to implement this policy and assure compliance.

III. PRUDENCE AND ETHICAL STANDARDS

The "prudent person" standard shall be applied in the management of the overall investment portfolio. The Clerk and Finance Department employees performing the investment functions, acting as a "prudent person" in accordance with established procedures and this policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that appropriate monitoring efforts are performed.

The "prudent person" standard is herewith understood to mean 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.

Officers and employees of the Clerk's Office who are involved in the investment process shall refrain from personal business activity that could conflict with State Statutes, County Ordinances, proper management of the investment portfolio or which could impair their ability to make impartial investment decisions. Investment officials and employees, including members of the Investment Oversight Committee, shall disclose any material financial interests in any investment firms, or financial institutions that conduct business with the County and shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the County.

Limits of Liability - The County shall provide for the defense and indemnification of any committee member who is made a party to any suit or proceeding, other than by an action of the County, or against whom a claim is asserted, by reason of their actions taken within the scope of their service as an appointed member of this committee. Such indemnity shall extend to judgments, fines, and amounts paid in settlement of such claim suit, or proceeding, including any appeal thereof. This protection shall extend only to members who have acted in good faith and in a manner, which they reasonably believe to be in, or not opposed to, the best interest of the Leon County.

IV. INVESTMENT PERFORMANCE AND REPORTING

A quarterly investment report shall be prepared by the Finance Office and provided to the County Administrator and the Investment Oversight Committee. The report shall include a breakdown of the portfolio by class, maturity, yield, as well as its overall performance during

that period with sufficient detail for a comprehensive review of investment activity and performance.

Annually, a recapitulation report will be presented to the Board of County Commissioners, which shall include securities in the portfolio by class or type, book value, income earned, market value and yield. Performance measurements shall be utilized which are appropriate to the maturity, risk characteristics, investment limitations and size of the portfolio. At a minimum, portfolio performance shall be measured by comparing its year-to-date earnings to an appropriate benchmark.

The County Administrator shall be notified immediately of deviations from currently approved investment policies.

V. AUTHORITY

Responsibility for the investment program is vested with the Clerk of the Circuit Court. The Clerk hereby delegates the day-to-day responsibility for the administration of the investment program to the Finance Director. The Finance Director shall maintain an Investment Procedures and Internal Controls Manual based on this policy. No person may engage in an investment transaction except as stated in the Internal Controls Section of this policy.

VI. INVESTMENT OVERSIGHT COMMITTEE

The Board is responsible for setting guidelines for the investment of the portfolio through the adoption of this Investment Policy. The Board recognizes that there is an expertise required both for setting the guidelines and the review of performance, which may exceed the technical background of individual commissioners and has, therefore, created the Investment Oversight Committee. This Committee is charged with the responsibility to review this policy on a regular basis and to recommend changes. The Clerk will provide the Committee with reports in sufficient detail as may from time to time be requested by the Committee in order for them to review the performance of the portfolio. The Committee will establish portfolio benchmarks in order to judge the performance of the portfolio with respect to the market and other portfolios of similar size and limitations. The Committee

will provide the Board a report as of the close of the fiscal year recapping the performance of the portfolio and any outside managers. The Board or the Committee may request additional meetings to discuss issues of concern or direction.

VII. AUTHORIZED INSTRUMENTS

The County does hereby authorize the purchase of the following:

- A. The Florida Local Government Surplus Funds Trust Fund (SBA)
- B. The Treasury Special Purpose Investment Account (SPIA)
- C. The 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:
 - 1. Cash Management Bills
 - 2. Treasury Securities - State and Local Government Series (SLGS)
 - 3. Treasury Bills
 - 4. Treasury Notes
 - 5. Treasury Bonds
 - 6. Treasury Strips
- D. Bonds, debentures, or notes issued or guaranteed by United States Government agencies, provided such obligations are backed by the full faith and credit of the United States Government. Such securities are limited to the following:
 - 1. United States Export-Import Bank Direct obligations or fully guaranteed certificates of beneficial ownership
 - 2. Farmers Home Administration Certificate of beneficial ownership
 - 3. Federal Financing Bank Discount notes, notes and bonds
 - 4. Federal Housing Administration Debentures
 - 5. General Services Administration Participation Certificates
 - 6. United States Maritime Administration Guaranteed Title XI Financing
 - 7. New Communities Debentures

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- United States Government guaranteed debentures
8. United States Public Housing Notes and Bonds United States Government guaranteed public housing notes and bonds
 9. United States Department of Housing and Urban Development Project notes and local authority bonds
- E. Bonds, debentures, or notes or issued or guaranteed by United States Government agencies (Federal Instrumentalities) which are non-full-faith and credit agencies limited to the following:
1. Federal Farm Credit Bank (FFCB)
 2. Federal Home Loan Bank or its district banks (FHLB)
 3. Federal National Mortgage Association (FNMA) including Collateralized Mortgage Obligation (CMO's).
 4. Federal Home Loan Mortgage Corporation (Freddie-Macs) including Federal Home Loan Mortgage Corporation participation certificates and CMO's
 5. Student Loan Marketing Association (Sallie-Mae)
- F. 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 this state, provided that any such deposits are secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes and provided that the bank is not listed with any recognized credit watch information service
- G. Repurchase agreements comprised of only those investments as authorized in Sections B and D.
- H. Bankers' acceptances which are inventory-based and issued by a domestic bank which has at the time of purchase, an unsecured, uninsured and unguaranteed obligation rating of at least "Prime-1" and "A" by Moody's Investors Service (Moody's) and "A-1" and "A" by Standard & Poor's Corporation (Standard and Poor) and ranked in the top fifty (50) United States banks in terms of total assets by the American Banker's yearly report.
- I. Commercial Paper of any United States company, which is rated, at the time of purchase, "Prime-1" by Moody's and "A-1" by Standard & Poor's (prime commercial paper). If backed by a letter of credit (LOC), the long-term debt of the LOC provider must be at least "A" by at least two nationally recognized rating agencies. The LOC provider must be ranked in the top fifty (50) United States banks in terms of total assets by the American Banker's yearly report.
 - J. Fixed Income Securities of State and/or local government taxable and tax-exempt debt, and corporations rated at least Investment grade by Moody's and 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.
 - K. Securities and Exchange Commission (SEC) qualified constant net asset value money market mutual funds which authorize only those investment instruments as permitted in Sections B, D, F and, for arbitrage compliance only, Section I, provided that said funds contain no derivatives. The funds must have an S&P rating criteria of AAAM or AAAg.
 - L. SEC qualified constant net asset value money market mutual funds which authorize only those investment instruments as permitted in Sections B, D, F, G and H and, for arbitrage compliance only, Section I, provided that said funds contain no derivatives. The funds must have an S&P rating criteria of AAAM or AAAg.
 - M. The Florida Local Government Investment Trust (FLGIT) and the First Municipal Investment Trust.
 - N. Pooled Investment Accounts, wherein the permitted assets are consistent with A-L above.
- The County is prohibited from investing from any security that creates artificial volatility as

compared to the underlying security, or to the market for a similar security. Specifically, the use of inverse floating rate notes, reverse repurchase agreements Interest-Only (IO's), and Principal Only (PO's) and other forms of leverage are prohibited. If it is ever determined to be prudent and to the County's benefit to utilize derivatives outside of the parameters of this Policy, in connection with the issuance or management of debt (swaps, caps, collars, etc.), those instruments will fall outside of this policy and will be specifically authorized by the Board.

VIII. INVESTMENT MATURITY AND LIQUIDITY

- A. To the extent possible, an attempt will be made to structure the investment portfolio consistent with expected cash flow requirements. In no event will any security be purchased that has an expected life at the time of purchase exceeding 10 years.
- B. While investment maturities will not exceed the expected cash flow requirements, they may be shorter. Investments do not necessarily have to be made for the same length of time that the funds are available. The basic investment principals that can be considered in selecting investment maturities are listed below.

IX. SECURITY SELECTION PROCESS

When purchasing or selling securities, the Clerk shall select the security which provides the highest rate of return within the parameters and given the current objectives and needs within the limitations of the policy and given the current objectives and needs of the portfolio. For most situations, the Clerk shall utilize the competitive bid process. To the extent another process is employed, the Clerk shall identify the reasons and keep such records. The Clerk will use the institutional sales desk of primary security dealers as designated by the Federal Reserve Bank of New York, or are qualified as public depositories by the Treasurer of the State of Florida for these transactions. A minimum of three bids will be requested for each transaction and records of all bids will be kept for a minimum of two years. At least two Finance Department employees will be involved in the review and execution of each

transaction and will initial the transaction affirming their approval.

Overnight Repurchase Agreements and other transactions with maturities at the time of purchase of seven days or less will be exempt from this requirement due to the short duration of the transaction and the inability to effectively bid this on a nightly basis.

External managers will be selected through a competitive selection process (an RFP). In making this selection, consideration will be given to past investment performance, fees, assets under management, experience of the firm and the individuals managing portfolios of similar size, complexity and investment restrictions. External managers will be evaluated and retained based upon their investment performance and the process for selection of securities and broker firms will be exempt from this policy.

X. RISK DIVERSIFICATION AND PORTFOLIO COMPOSITION

The County recognizes that investment risks can result from issuer defaults, market price changes, changes in credit ratings, reinvestment of principal and interest, or various technical complications leading to temporary non-liquidity. Portfolio diversification and maturity limitations are employed as primary methods of controlling risk. Market Value cost shall be the basis for determining portfolio percentages as required for the portfolio.

A. ISSUER AND CREDIT RISK

The structure of the portfolio is designed to minimize credit risk. The majority of the securities held will be those of the highest available credit quality ratings. These would include state guaranteed pools, U. S Government (AAA) securities, and commercial paper of only the highest applicable rating.

To further limit the County's risk against possible credit losses, a maximum of 5% of the total portfolio may be held at any one time in all securities of any corporate entity, inclusive of commercial paper, medium term notes, or corporate notes and bonds.

For purposes of this Policy, the “top nationally-recognized rating agencies” for corporate and municipal securities are Moody’s Investor Services, Standard and Poor’s, Fitch Investor Services, and Duff & Phelps.

B. MATURITY AND INTEREST RATE RISK

To meet the day-to-day operating needs of the County and to provide the readily-available cash to meet unforeseen temporary cash requirements, the portfolio shall maintain in liquid investments (defined as repurchase agreements purchased under the terms of the County’s depository contract, open repurchase agreements, negotiable certificates of deposit, banker’s acceptance, commercial paper, U S. Treasury direct and agency obligations, all having a maturity of 90 days or less, the SBA Local Government Portfolio, and the Treasury Special Purpose Investment Account) a minimum balance equal to one-twelfth of the then-current fiscal year’s budgeted operating expenditures.

The range of duration for the County’s portfolio is defined as 0.5 years to 2.5 years, with a five-year average of 1.5 years. Unusual market or economic conditions may mandate moving the portfolio outside of this range. The Investment Oversight Committee will be convened and will approve any portfolio duration outside of the range specified above.

C. MARKET VOLATILITY

By establishing maturity limitation on the aggregate portfolio, the County acknowledges its understanding that the longer out on the yield curve investments are placed, generally, the greater the interest returns and the greater the potential for price volatility. In an additional effort to provide for the protection of capital, a volatility range is established wherein the market value of the overall portfolio should remain within a range of +/- 5% from the par value of the portfolio. If the market value moves outside of this range, the Investment Oversight Committee shall be convened and consulted. A decision shall be made

and the County Administrator will be advised of the magnitude of the deviation and the actions to move the portfolio back within the range.

XI. THIRD-PARTY CUSTODIAL AGREEMENTS

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 County 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 authorized staff. The Clerk will enter into a formal agreement with an institution of such size and expertise as is necessary to provide the services needed to protect and secure the investment assets of the County.

Under normal circumstances, all securities under this Policy shall be purchased using the delivery versus payment (DVP) process. The investment process and Internal Controls shall provide for appropriate authorization and security if it is ever necessary to carry out security transactions on a “free” delivery basis, or to have securities held by the broker/dealer for a temporary period. 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 transactions costs, procedures in case of wire failure or other unforeseen mishaps including the liability of each party.

XII. MASTER REPURCHASE AGREEMENT

The County will require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions will adhere to requirements of the Master Repurchase Agreement.

XIII. INTERNAL CONTROLS

The Treasury Manager shall establish and monitor a set of written internal controls designed to protect the County’s funds and ensure proper accounting and reporting of the

securities transactions. Such internal controls shall include, but not be limited to, the following:

- A. All securities purchased or sold will be transferred only under the "delivery versus payment" (DVP) method to insure that funds or securities are not released until all criteria relating to the specific transaction are met.
- B. The Investment Officer or authorized Finance staff will accept, on behalf of and in the name of Leon County, bank trust receipts or confirmations as evidence of actual delivery of the obligations or securities in return for investment of funds.
- C. Trust receipts or confirmations shall fully describe the various obligations or securities held. The receipt or confirmation shall state that the investment is held in the name of Leon County.
- D. The actual obligations or securities, whether in book-entry or physical form, on which trust receipts or confirmations are issued may be held by a third-party custodial bank and/or institution or a designated correspondent bank which has a correspondent relationship to the Clerk's third-party custodian.
- E. Other internal controls such as:
 - 1. Written documentation of telephone transactions
 - 2. Adequate separation of duties
 - 3. Custodial safekeeping
 - 4. Supervisory control of employee actions and operations review
 - 5. Performance evaluations and reporting, interim and annual
- F. All daily investment activity is performed by the Investment Officer under supervision of the Finance Director.
- G. Internal controls shall be reviewed by independent auditors engaged by the County as part of their financial audit.

The following are the guidelines for investments and limits on security issues, issuers, and maturities as established by the Clerk. The Clerk or the Clerk's designee shall have the option to further restrict or increase investment percentages from time to time based on market conditions. Any changes to the portfolio composition guidelines must be in writing from the Clerk, directed to the Investment Officer. Matured investments of debt service funds of an amount equal to the next principal or interest payment may be temporarily invested until paid. In the event that temporary investments of bond proceeds or debt service funds exceed portfolio composition limits, the limit is waived.

- A. Florida Local Government Surplus Funds Trust Fund (SBA)
 - 1. Investment Authorization
The Treasury Manager may invest in the SBA.
 - 2. Portfolio Composition
The portfolio can be composed of up to 100% of these investments.
- B. The Treasury Special Purpose Investment Account (SPIA)
 - 1. Investment Authorization
The Treasury Manager may invest in the SPIA.
 - 2. Portfolio Composition
A maximum of 15% of the portfolio may be invested in the SPIA. This maximum may on occasion be exceeded (Proceeds of bond sales or funds being collected for distribution for the retirement of, or other exceptional events) for periods not exceeding 5 business days.
- C. United States Government Securities
 - 1. Purchase Authorization
The Clerk 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:

XIV. PORTFOLIO COMPOSITION

Cash Management Bills
Treasury Securities - State

**Leon County Government
Fiscal Year 2006 Budget**

and Local Government
Series (SLGS)
Treasury Bills
Treasury Notes
Treasury Bonds
Treasury Strips

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
The portfolio can compose of up to 100% of these investments.
3. Maturity Limitations
The maximum length to maturity of any direct investment in government securities is ten (10) years, except for the underlying securities of repurchase agreements.

2. Portfolio Composition
A maximum of 20% of the portfolio may be invested in each of the above listed Federal Agencies.
3. Maturity Limitations
A maximum length to maturity for an investment in any United States Government agency security is five (5) years.

D. United States Federal Agencies (full faith and credit of the United States Government)

1. Purchase Authorization
The Clerk may invest in bonds, debentures or notes issued or guaranteed by United States Government agencies, provided such obligations are backed by the full faith and credit of the United States Government. Such securities are limited to the following:

United States Export-Import Bank
Direct obligations or fully guaranteed certificates of beneficial ownership
Farms Home Administration
Certificates of beneficial ownership
Federal Financing Bank
Discount notes, notes and bonds
Federal Housing Administration
Debentures
General Services Administration
Participation Certificates
United States Maritime Administration
Guaranteed Title XI Financing
New Communities Debentures
United States Government guaranteed debentures
United States Public Housing
Notes and Bonds

E. Federal Instrumentalities (United States Government Agencies which are non-full faith and credit)

1. Purchase Authorization
The Clerk may invest in bonds, debentures or notes 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) Tennessee Valley Authority

2. Portfolio Composition
A maximum of 45% of the portfolio may be invested in Federal Instrumentalities.
3. Limits on Individual Issuers
A maximum of 15% of the portfolio may be invested in any one issuer.
4. Maturity Limitations
The maximum length to maturity for an investment in any Federal Instrumentality is five (5) years.

F. Non-Negotiable Interest Bearing Time Certificates of Deposit

1. Purchase Authorization
The Clerk 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 this state, provided that any such deposits are secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes and provided that the bank is not listed with any recognized credit watch information service.
2. Portfolio Composition
A maximum of 20% of the portfolio may be invested in non-negotiable interest bearing time certificates of deposit or savings accounts.
3. Limits on Individual Issuers
A maximum of 10% of the portfolio may be deposited with any one issuer.
4. Maturity Limitations
The maximum maturity on any certificate shall be no greater than one (1) year from the time of purchase.

G. Repurchase Agreements

1. Purchase Authorization
 - a. The Clerk may invest in repurchase agreements comprised of only those investments as authorized in Sections VI.B and D, and based on the requirements set forth in the Clerk's Master Repurchase Agreement. All firms with whom the Clerk enters into repurchase agreements will have in place and executed a Master Repurchase Agreement.
 - b. All repurchase agreements with a term longer than one (1) business day will have the collateral held by a third party custodian.

c. The collateral held pursuant to a repurchase agreement shall have a maturity of less than five (5) years and must have a mark-to-market value of 102 percent during the term of the repurchase agreement. Immaterial short-term deviations from the 102 percent requirement are permissible only upon the approval of the Clerk.

2. Portfolio Composition
A maximum of 15% of the portfolio may be invested in repurchase agreements with the exception of one (1) business day agreements and overnight sweep agreements.
3. Limits on Individual Sellers
A maximum of 5% of the portfolio may be invested with any one institution or dealer with the exception of one (1) business day agreements.
4. Maturity Limitations
The maximum length to maturity of any repurchase agreement is 60 days from the date of purchase.

H. Bankers' Acceptances

1. Purchase Authorization
The Treasury Manager may invest in bankers' acceptances which are inventory based and issued by a bank, which has at the time of purchase, an unsecured, uninsured and unguaranteed obligation rating of at least "Prime-1" and "A" by Moody's and "A-1" and "A" by Standard & Poor's.
2. Portfolio Composition
A maximum of 15% of the portfolio may be directly invested in bankers' acceptances.
3. Limits on Individual Issuers
A maximum of 5% of the portfolio may be invested with any one issuer.
4. Maturity Limitations
The original maturity of the security must be 270 days or less.

I. Commercial Paper

1. Purchase Authorization

The Clerk may invest in commercial paper of any United States company, which is rated at the time of purchase, "Prime-1" by Moody's and "A-1" by Standard & Poor's (prime commercial paper).

2. Portfolio Composition
A maximum of 20% of the portfolio may be directly invested in prime commercial paper.
3. Limits on Individual Issuers
A maximum of 5% of the portfolio may be invested with any one issuer.
4. Maturity Limitations
The maximum length to maturity for prime commercial paper shall be 270 days with duration for all commercial paper in the portfolio not exceeding 90 days.

J. Constant Net Asset Value Money Market Mutual Funds (U.S. Government Securities, Repurchase Agreements, Commercial Paper and Bankers' Acceptances)

1. Investment Authorization
The Clerk may invest in SEC qualified constant net asset value fixed income money market mutual funds rated AAAM or AAAG comprised of only those investment instruments as authorized in Sections VI, B, C, D, F, G & H and for arbitrage compliance only, Section VI, I, provided that said funds contain no derivatives.

K. The Florida Local Government Investment Trust (FLGIT) or the First Municipal Investment

Portfolio Composition.
A maximum of 15% of the portfolio may be invested in both FLGIT and the First Municipal Investment Trust.

L. Fixed Income Securities

1. Purchase Authorization
Due to the additional sophistication associated with these instruments, the Clerk may invest in taxable and/or tax-exempt bonds, notes, medium term notes, discount notes and variable-rate securities

issued by any corporation or government in the United States, provided that such instrument is rated A or better by at least two of the nationally recognized firms publishing such ratings only through external managers.

2. Portfolio Composition
A maximum of 25% of the portfolio may be invested in corporate fixed income securities.
3. Limits on Individual Issuers
A maximum of 3% of the portfolio may be invested with any one issuer.
4. Maturity Limitations
The maximum length to maturity for an investment fixed income security is five (5) years. The total average maturity for all corporate fixed income securities held at any one time should not exceed 2.5 years.

M. Mortgage Backed Securities

Government National Mortgage Association (GNMA) pass-through securities

1. Purchase Authorization.
Due to the additional sophistication associated with these instruments, the Clerk may invest in Mortgage and Asset Backed Securities solely through an external manager.
2. Portfolio Composition
Maximum Portfolio percentage for GNMA securities shall be 10%.
3. Limits on Individual Issuers
The maximum portfolio percentage for any one GNMA pool is 5%.
4. Maturity Limitations
Expected duration at the time of purchase for any security shall not exceed 5 years.

Adjustable-Rate Mortgages (ARMs)

1. Purchaser Authorization
Due to the additional sophistication associated with these instruments, the Clerk may invest in Adjustable-Rate Mortgages only through an external manager. The portfolio may purchase GNMA's, FNMA's, and FHLMA's.
2. Portfolio Composition
The maximum portfolio percentage for ARM's shall be 15%.
3. Limits on Individual Issuer

The maximum portfolio percentage for any one issuer is 5%.

4. Maturity Limitations

The maximum expected duration at the time of purchase for any security should not exceed 5 years.

XV. EXTERNAL MANAGEMENT

The County may utilize external investment managers to assist with management of the portfolio. External management may be employed in situations where, due to limitations in the areas of staff time or expertise or the volume of securities available to the portfolio, such outside resources would be in a better position to overcome such limitations. The securities purchased by the external management on behalf of the County, or held by the fund in which the assets are invested, must be in compliance with the constraints identified by this portfolio with respect to specific instruments, maturity, composition, credit, and diversification. The average duration of the funds managed by any one external manager on behalf of the County as part of the portfolio shall not exceed 3 years.

XVI. INVESTMENT STRATEGIES

Within the constraints of this policy, the Clerk will be responsible for developing an investment strategy. This will be discussed with members of the Investment Oversight Committee and will address changes in the duration of the portfolio, the slope of the yield curve, spreads between various investment instruments, and actions by the Federal Reserve Board or other federal agencies which might influence investment decisions.

The Clerk will solicit suggestions and comments from the Committee with respect to making strategic investment decisions. In implementing these strategies, the Clerk will communicate with the external manager as to how they are repositioning their portfolio and coordinate directions. Generally, the dollars managed externally will be of longer duration and more sophisticated instruments therefore, one of the tools the Clerk will use to implement their strategic decisions will be to increase or decrease the dollars being managed. The Clerk will seek to implement investment

strategies that will maximize long-term returns and mitigate interest rate volatility. The resources and sophistication to actively manage the portfolio on a daily basis is not available and the portfolio will not be involved in regular short term day trading activity.

The portfolio will be repositioned within a narrow band in terms of both maturity and security selection and only in unusual times will major changes occur.

XVII. INTERNAL CONTROLS

The Clerk shall be responsible for the development of policies and procedures to address the internal control needs of the portfolio. The internal controls shall address at a minimum, the following issues:

- Separation of functions
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Avoidance of bearer-form securities
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of telephone transactions for investment and wire transfers
- Documentation of transaction and strategies
- Development of a wire transfer agreement with concentration banks outlining the various controls and securities provisions for making and receiving wire transfers.

XVIII. CONTINUING EDUCATION

The Clerk, Finance Director and other staff responsible for making investment decisions must annually complete 8 hours of continuing education in subjects or courses of study related to investment practices and products.

XIX. POLICY REVIEW AND AMENDMENT

This policy shall be reviewed annually by the Investment Oversight Committee and any recommended changes will be presented to the Board of County Commissioners for adoption.