COUNTY INVESTMENT POLICY

BOARD OF COUNTY COMMISSIONERS

PALM BEACH COUNTY, FLORIDA

February 26, 2026

RESOLUTION NO. R2026-0210

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PREFACE

As custodian of the funds of the Palm Beach County Board of County Commissioners, it is the duty of the Clerk of the Circuit Court & Comptroller (Clerk) to deposit revenue and issue payments to bona fide creditors of the Board.

The purpose of the Investment Policy statement as required by Section 218.415, Florida Statutes and Palm Beach County Investment Ordinance No. 87-11, as amended, is to address such issues as liquidity, risk diversification, safety of principal, market rate of return, maturity and investment quality, as well as qualifications of investment dealers and issuers, thereby suggesting guidelines for use in the investment of County funds.

PALM BEACH COUNTY

INVESTMENT POLICY STATEMENT

I. SCOPE

This Investment Policy applies to all financial assets owned or controlled by the County, under the custodianship of the Clerk.

II. INVESTMENT POLICY COMMITTEE

Under County Ordinance No. 87-11, as amended, the Palm Beach County Investment Ordinance, the Board of County Commissioners created the Investment Policy Committee. The Committee was established for the purpose of developing, in cooperation with the Clerk, this Investment Policy for the formal approval of the Board. The Clerk and the Committee shall also evaluate the effectiveness of the Policy as a guide for County investment practices. The Committee shall meet a minimum of three times a year. A copy of the minutes of each Investment Policy Committee meeting will be sent to each member of the Board of County Commissioners.

III. INVESTMENT OBJECTIVES

The County shall strive to achieve with each investment opportunity, the following objectives, in order of priority:

A. SAFETY of financial assets

B. LIQUIDITY of funds adequate for timely satisfaction of financial obligations

C. MARKET RATE OF RETURN - maximum achievable investment income

given prudent safety and liquidity objectives

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.

A. SAFETY: Monies entrusted to the Clerk represent monies belonging to the people of Palm Beach County. Therefore, the primary objective of this Investment Policy is to provide for the prudent investment of these funds.

The Clerk will avoid assuming unreasonable investment risk, and the safety and soundness of any investment vehicle shall be the first criterion for any investment decision. The following methods shall be used to mitigate risk:

1. CREDIT RISK (risk of loss due to failure of issuer/ backer):
   a) investments shall be limited to the safest types of securities, as provided herein[1],
   b) investment transactions shall be limited to trades with those prequalified and approved financial institutions as further described herein[2],

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[1] See VI.A.:Eligible Securities.

[2] See VI.C.:Qualified Dealers/Issuers; Criteria For Selection Of.

c) securities shall be transferred "Delivery" (to third party safekeeping) "vs. Payment" (to seller)[1],

d) the investment portfolio should be diversified according to parameters stated herein, so that the failure of any one issuer, backer or market sector will not place an undue financial burden on the County, and

e) the County's investments shall be monitored according to guidelines approved by the Investment Policy Committee and the Clerk. In the event of a downgrade of an investment security owned by the County below the parameters as set forth by this investment policy, the Clerk's office will notify the County Investment Policy Committee within 30 days, and further make a recommendation as to what action is appropriate.

2. INTEREST RATE RISK (risk of loss due to devaluation of market value of portfolio during generally increasing interest rates):

a) the County's portfolio shall be structured when practicable so that securities mature to meet the County's scheduled cash requirements, as provided by the Office of Financial Management and Budget, thereby

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[1] See VI.D and VII.A.1. for third party safekeeping and internal controls regarding transfer of securities. Transfer may be effected by delivery of securities in bearer definitive form (physical form) or in book-entry form.

avoiding the need to sell securities on the open market prior to their maturation, and,

b) in the absence of reliable cash flow forecasts as required above, investment maturities should be scheduled in accordance with those parameters prescribed herein.

B. LIQUIDITY: Cash needs of the County constrain the investments made by the Clerk. Bona fide creditors must be paid on a timely basis, therefore investments shall be of sufficient marketability to ensure even unexpected cash needs can be met, without suffering significant loss. This Policy consideration means only the highest quality investments as authorized herein, shall be acquired by the Clerk.

C. MARKET RATE OF RETURN: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles taking into account the investment risk constraints and liquidity needs.

1. PERFORMANCE MEASUREMENTS

In order to evaluate the performance and suitability of the investment portfolio in terms of its risk (interest rate) exposure and market rate of return, the Investment Policy Committee has selected the yield of the 2Year Constant Maturity Treasury (CMT) as an index for comparison. To measure the appropriate income or yield for the County investment portfolio, we will benchmark the aggregate portfolio yield against the

yield of the 24-month moving average of the index. In addition, we will compare the effective duration of the County's portfolio to the duration of the index to capture the County's interest rate risk tolerance.

IV. DELEGATION OF AUTHORITY

Authority to manage the Board of County Commissioners' investment program is derived from the following: State Constitution, Florida Statutes, and local ordinance.

Management responsibility for the investment program is hereby delegated to the Clerk, who shall establish written procedures for the operation of the investment program consistent with this Investment Policy. Procedures should include reference to: safekeeping, PSA 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. The Clerk shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

Investment vehicles will be purchased via the competitive bidding process as appropriate to ensure the attainment of competitive prices and/or yields.

The Clerk's official(s) responsible for making investment decisions must annually complete eight hours of continuing education in subjects or courses of study related to investment practices and products.

V. 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 Policy, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Board of County Commissioners any material financial interest in financial institutions that conduct business within the County, and they shall further disclose any personal financial/investment positions that could be related to performance, particularly with regard to the time of purchases and sales.

VI. AUTHORIZED INSTRUMENTS AND RISK DIVERSIFICATION METHODS

This section provides Investment Policy statements regarding:

A. in which instruments the Clerk may invest – "Eligible Securities"

B. suggested portfolio composition limitations – "Investment Limitation; Risk Diversification"

C. with which financial intermediaries and issuers the Clerk may conduct investment transactions, and – "Criteria for Section of Qualified Issuers of Eligible Securities"

D. safekeeping measures – "Safekeeping – Third Party Custodial Agreements"

A. ELIGIBLE SECURITIES

The Clerk may purchase/sell the following investment securities as authorized under Section 3 of County Ordinance No. 87-11, as amended, and Florida Statute 218.415, Section (16), at prevailing market prices/rates subject to the various limitations hereinafter provided below:

1. Any intergovernmental investment pool authorized pursuant to the

Florida Intergovernmental Cooperation Act, as provided for in Section 163.01 of the Florida Statutes. Investments authorized under this section are limited to no more than 30% of the market value of the total portfolio (at the time of purchase) with any entity.

2. Negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government at the then prevailing market price for such securities, including U.S.

Treasuries, obligations guaranteed by the Government National Mortgage Association, Small Business Administration pools and certain Agency for International Development (AID) bonds. Investments in Small Business Administration pools are limited to no more than 30% (at market value) of the total portfolio at the time of purchase.

3. Obligations of the Government Sponsored Enterprises (GSE's), including Federal Farm Credit Banks, Federal Home Loan Bank or its district banks and Federal Home Loan Mortgage Corporation, including mortgagebacked securities guaranteed by the Federal Home Loan Mortgage Corporation.

4. Obligations of the Federal National Mortgage Association, including Federal National Mortgage Association participation certificates and mortgage pass-through certificates guaranteed by the Federal National Mortgage Association (U.S. "Instrumentalities");

5. Non-negotiable interest bearing time certificates of deposits, savings accounts, or money market accounts in banks maintaining certification as a Qualified Public Depository pursuant to Florida Statute 280-Security for Public Deposits.

6. Domestic banker's acceptances eligible for purchase by the Federal Reserve System issued by banks having a Moody's or Standard and Poor's commercial paper rating of at least A-1 or P-1. Investments in bankers' acceptances shall be limited to a maximum amount of 15% of the market value of the total portfolio at the time of purchase.

7. Prime commercial paper. For the purpose of this section, "prime" commercial paper shall be defined as that commercial paper which has received a Standard and Poor's rating of at least A-1 or a Moody's rating of at least Prime-1;

   Investments in commercial paper shall be limited to a maximum amount of 25% of the market value of the total portfolio at the time of purchase, with no more than 3% of the market value of the total portfolio invested with any single issuer.

8. Interest-bearing obligations with a fixed maturity of any corporation within the United States. Investment in all corporate securities (including asset backed instruments) shall be limited to:

   a) 20% of the market value (excluding commercial paper) of the total investment portfolio at the time of purchase.

b) those securities rated "AA" or higher by Standard & Poor's and Moody's ratings services. Securities rated on the lower tier of the AA rating must have a stable outlook to be eligible for purchase.

c) no more than 2% (at market value) of the total portfolio in the securities of any single issuer.

d) those investment securities that are not convertible. Companies doing business with Iran and with the Sudan, will be disqualified as eligible Issuers.

9. Investments in any securities authorized by sections VI.A.- 2.,3.,4. may be under repurchase agreements.

10. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

11. Bonds, notes, or instruments backed by the full faith and credit of the government of Israel. Bonds purchased must have a maturity of ten years or less. No more than 18% (at market value) of the total portfolio at the time of purchase may be invested in these securities. After March 2, 2026, no more than 15% (at market value) of the total portfolio at the time of purchase may be invested in these securities. Notwithstanding the provisions of section VI.C. of this investment policy governing authorized broker/dealers, the Development Corporation for

Israel may act as an authorized broker/dealer for securities backed by the State of Israel.

Though the securities listed are widely considered to be the safest of all investments from the standpoint of credit and liquidity risk, the securities listed previously under Sections VI. A. 5, 6, 7, 8, 10 and 11, carry potentially greater credit risk. Therefore, special risk-monitoring procedures shall be undertaken by the Clerk to evaluate and reduce this potential risk.

The Clerk shall have the option to restrict investment in selected instruments to conform to then-present market conditions. The Investment Policy Committee will be notified by the Clerk of any threat to the integrity of the investment portfolio.

Securities Lending

Securities or investments purchased or held under the provisions of this Policy may be loaned to securities dealers or financial institutions with a minimum net capital of $25 million, provided the minimum net annual earnings estimate is at least $500,000. The loan must be collateralized at all times by cash with a value of at least 102% of the market value of the securities loaned. All reinvestment of the cash collateral must be in accordance with this County Investment Policy.

B. INVESTMENT LIMITATIONS; RISK DIVERSIFICATION

Portfolios will be appropriately diversified to control the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, a specific instrument, a class of instruments, an industry, a market sector, and an institution through which these instruments are bought and sold. Diversification parameters as established herein will be reviewed and revised periodically as necessary by the Clerk and the Investment Policy Committee.

1. INSTRUMENT QUALITY RATINGS

The Clerk may invest in instruments as authorized herein with ratings equivalent to those issued by Standard and Poor's or Moody's as suggested herein. The Clerk and the Investment Policy Committee will review and approve a comparable NRSRO to be used when Standard & Poor's and Moody's ratings are not available.

A comparable rating service is one for which name recognition is widespread in the banking, investment banking or investment communities with a corporate existence of five (5) years or longer.

2. INVESTMENT TERM TO MATURITY - PORTFOLIO DISTRIBUTION

Term to maturity shall be governed by the County's safety and liquidity constraints. As previously stated, maturities will be timed to coincide as closely as possible with known cash needs. A dynamic cash flow model will be utilized to continually monitor the projected cash receipts, matched

against pending monthly liabilities. Unless matched to a specific cash flow requirement, the Clerk will invest only in securities with either a final maturity or an average life of (10) years or less. The Clerk will manage the effective duration of the aggregate portfolio by using the duration of the 2-Year Constant Maturity Treasury (CMT) as a guideline.

3. TYPE INSTRUMENT - PORTFOLIO DISTRIBUTION

The Investment Policy Committee may periodically suggest additional risk-diversification guidelines regarding investment limitations in a particular type instrument (issuer), term to maturity for that instrument and/or restrictions as to the proportion of such type instrument which may be purchased for inclusion in the portfolio from an individual institution. Such recommendations should be revised periodically as appropriate for the achievement of overall policy objectives.

Collateralized Mortgage Obligations

Total investments in collateralized mortgage obligations (CMOs) shall be limited to 20% of the market value of the total portfolio, calculated at the time of purchase.

CMOs must be issued by the Government National Mortgage Association (GNMA), the Federal Home Loan Mortgage Corporation (FHLMC), or the Federal National Mortgage Association (FNMA). CMOs issued by either FHLMC or FNMA are further limited to a combined maximum of 10% of the market value of the total portfolio at the time of purchase.

Investments in interest–only (IO), principal-only (PO) and inverse floaters are strictly prohibited. Additional CMO tranche types that are not permitted include non-sticky jump (NSJ), sticky jump (SJ), type 2 and type 3 planned amortization class -PAC (22) and PAC (33), type 2 and type 3 targeted amortization class -TAC (22) and TAC (33), and support bonds (SUP).

All issues must pass the FFIEC High Risk Security test on a quarterly basis. Any CMO issues held in the portfolio that fail the test shall continuously be evaluated for possible sale. The median expected prepayment rate provided by Bloomberg shall be used in determining the average life of all CMO issues.

The official(s) responsible for making investment decisions will have the expertise to manage derivative products, or those investments whose value depends on the performance of underlying securities or assets, allowable by this investment policy.

C. CRITERIA FOR SELECTION OF QUALIFIED ISSUERS OF ELIGIBLE SECURITIES

All securities purchased shall be only those securities of authorized issuers of eligible securities as stated within this policy. Documented lists or source documents of these authorized institutions, dealers and issuers of the various eligible securities will be developed and maintained by the Clerk.

Authorized Broker/Dealers

(For securities other than certificates of deposit)

The Clerk's office will maintain a list of Clerk authorized broker/dealers and registered representatives to provide investment services, to be selected at the Clerk's sole discretion. The Clerk shall develop written criteria for the selection of authorized broker/dealers and registered representatives. Criteria will be based on but not limited to creditworthiness and at least five years of servicing local government accounts. The ability and willingness to provide superior service and competitive pricing will be contributing factors. Selected firms and clearing firms may include primary and non-primary/regional broker/dealers with $15,000,000 minimum capital and the firm must qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (uniform net capital rule). Firms interested in conducting business with Palm Beach County must first become authorized as follows:

New Broker/Dealer Application

Broker/Dealers must supply the following documents during the application process:

1) Two years audited financial statements;
2) Proof of Financial Industry Regulatory Authority (FINRA) certification and proof of state registration;
3) The credit rating of each broker/dealer if published by a nationally recognized authority.
4) Completed broker/dealer questionnaire provided by the Clerk's office;

5)Certification of having read, understood, and agreed to comply with the County's Investment Policy; and

6)At least three references from other public entities, agencies, and/or organizations that have an ongoing business relationship with the broker/dealer.

7)Report of the broker/dealer's as well as each representative's Central Registration Depository (CRD) number as documented with FINRA.

The Clerk's annual analysis and evaluation of active authorized broker/dealers shall include the following:

1) A review of the annual financial statements of each broker/dealer.

2) A review of the credit rating of each broker/dealer if published by a nationally recognized authority.

3) A review of the responsiveness and service level of each broker/dealer bidding and offering investments to the Clerk's office.

4) A review of the applicable state, federal, and national registration of broker/dealer if the registration has changed from the previous year to include an inquiry of each representative's Central Registration Depository (CRD) number as documented with FINRA.

Before engaging in investment transactions with the Clerk, the supervising officer from each authorized securities broker/dealer shall submit a certification document. The document will certify that the officer has reviewed and accepted the Investment Policy and objectives of Palm Beach County and further agrees to disclose potential conflicts or risks to County funds that might arise out of business transactions between

the firm and the Clerk's office or Palm Beach County. All authorized broker/dealers shall agree to undertake reasonable efforts to preclude imprudent transactions involving County funds.

The supervising officer shall agree to exercise due diligence in monitoring the activities of other officers and subordinate staff members engaged in dealings with the Clerk's office. Employees of any firm bidding/offering securities or investments to the Clerk shall be required to familiarize themselves with the County's investment objectives, policies and constraints.

Authorized issuers of commercial paper and/or banker's acceptances shall maintain a short-term debt-rating by Standard and Poor's or Moody's of at least A-1 or P-1, respectively. These ratings shall also apply to issuers of non-negotiable certificates of deposit with terms to maturity of one year or less. If the original certificate of deposit term to maturity exceeds one year, the issuer must maintain a long-term debt rating of "A" or better, as determined by Standard and Poor's or Moody's. The long-term debt rating shall also be used to qualify issuers of banker's acceptances.

Should an issuer of certificates of deposit not have its debt rated by Standard and Poor's or Moody's as required herein, it may still be an authorized issuer if it maintains a quarterly average ranking of at least 50 as published by the State of Florida's Chief Financial Officer in conjunction with the Florida public deposits program.

In addition to the above-stated requirements, authorized issuers of certificates of deposit must maintain state-certification as a Qualified Public Depository. Any issuer

of securities which fails to maintain the qualifications of an authorized issuer as required herein and which has obligations outstanding which are held by the County shall be immediately suspended from the list of authorized issuers. The Investment management team will notify the Investment Policy Committee at a regularly scheduled meeting as to the actions taken or not taken as appropriate and in the best interest of the County, in addition to discussion regarding the future purchase or sale of any affected securities or terms for future reinstatement of the issuer to the list.

Repurchase agreements shall be negotiated only with:

1) the "primary securities dealers" (as designated by the Federal Reserve Bank), or
2) Commercial banks, insurance companies, investment banking firms, including the holding companies of these institutions, whose rating on their long-term debt is in the two highest rating categories by Moody's Investor Service or Standard & Poor's Corporation.

The County will have negotiated a master Repurchase Agreement with any institution with which it enters into a specific repurchase agreement. Such an agreement will address at a minimum the following issues:

1) Source of policies allowing repurchase agreements such as state law, local ordinance, written policies, and/or unwritten management practices.
2) The frequency and method of pricing the underlying securities.
3) Independent third parties acting as custodians shall hold securities underlying term repurchase agreements separate from its assets as well as

from the Seller's assets. "Term" is understood to be defined as a period greater than overnight.

4) Each party's rights in repurchase agreements including:

   a) specifications for the delivery and custody of the underlying securities;

   b) the rights of the purchaser to liquidate the underlying securities in the event of default by the seller;

   c) the required margin of market value of the securities over the cost of the Agreements;

   d) specifications for valuation of the underlying securities, as necessary, depending on the term of the repurchase agreement;

   e) the purchaser's rights to additional securities or a return of cash if the market value of the underlying securities falls below the required amount;

   f) rights and/or specifications regarding substitution of securities;

   g) remedial action should violation of agreement provisions occur.

5) Securities authorized for purchase are: negotiable direct obligations of the U.S. Government, Federal Agencies, and Federal Instrumentalities.

D. SAFEKEEPING - THIRD PARTY CUSTODIAL AGREEMENTS

All securities purchased by the Clerk under this section shall be properly designated as an asset of the County and held in safekeeping by a third party custodial institution.

No withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the Clerk as authorized herein, or his/her respective designees.

Eligibility requirements for the County's third-party custodial institutions will include continued maintenance of the institution's:

1. Capital and surplus stock of at least $500,000,000,
2. Separate custody account at the Federal Reserve Bank specifically designated by the FED as restricted for the safekeeping of the member-bank's customer- owned securities only, and
3. Federal Reserve Bank clearing account.

The Clerk will execute on behalf of the County, third party custodial agreement(s) with its bank(s) and depository institution(s). Such agreements may include letters of authority from the Clerk, details as to responsibilities of each party, method of notification of security purchases and sales and delivery versus payment requirements. Agreement(s) may also address safekeeping and transaction costs, as well as procedures in case of wire failure or other unforeseen mishaps and-describing the liability of each party.

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 corresponding bank or custodian institution which has a correspondent relationship to the County's third party custodian or its designated correspondent institution, who is acting on behalf of

and under the same obligations as the County's third party custodian. Every authorized security purchased by the Clerk on behalf of the governing body of the County must be properly earmarked and:

a) If registered with the issuer or its agents, must be immediately placed for safekeeping in a location that protects the governing body's interest in the security;

b) If in book entry form, must be held for the credit of the governing body by a depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in this state as defined in Section 658.12, Florida Statutes, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in Florida, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or

c) If physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault.

VII. PROGRAM EVALUATION AND CONTROL

A. INTERNAL CONTROLS

The Clerk will maintain a set of written internal controls designed to protect the County's investment assets and ensure proper accounting and reporting of

the transactions related thereto. Such internal controls will include details of delivery vs. payment procedures and trust receipt documentation. Such controls and procedures shall be reviewed by the independent auditors as part of the annual financial audit.

1. TRUST RECEIPT AND CONFIRMATION

The Clerk on behalf of the County's governing body may receive bank trust receipts or statements in return for investment of surplus funds in securities. Any trust receipts or statements received must enumerate the various securities held, together with the specific number of each security held.

2. SALE OF SECURITIES

When the invested funds are needed in whole or in part for the purposes originally intended or for more optimal investments, the Clerk on behalf of the County's governing body may sell such investments at the thenprevailing market price and place the proceeds into the proper account or fund of the County.

From time to time the County receives securities/investments that fall outside of this Investment Policy due to settlement of legal and other administrative proceedings. Said investments are not to be considered as violations of this Investment Policy. Any such investments shall be disposed of in a timely manner appropriate for the size and types of investments.

The sale and purchase of securities will take into consideration any rebalancing objectives of the current strategy as is routinely discussed at Clerk Internal Investment Policy Committee meetings.

3. DELIVERY VERSUS PAYMENT

All securities purchased or sold will be transferred "delivery versus payment" (D.V.P.) or "payment versus delivery" to insure that funds or securities are not released until all criteria relating to the specific transaction are met.

B. PROGRAM MONITORING

1. REPORTING REQUIREMENTS

The Clerk shall prepare periodic investment reports and make these reports available to the Investment Policy Committee and the Board of County Commissioners a minimum of four times a year. Reports shall include securities in the portfolio by type, book value, coupon, and market value as of the report date. Reports shall be available to the public.

2. PERFORMANCE MEASUREMENTS

The County's portfolio shall be designed to attain a market rate of return taking into account risk constraints and cash flow requirements. Performance shall be measured not less than quarterly with the use of periodic reports. These reports shall include appropriate information necessary to evaluate the portfolio. The measurement focus shall be the portfolio as a whole versus individual investments.