

**HILLSBOROUGH TRANSIT AUTHORITY
POLICY MANUAL**

**900: FINANCIAL AND BUDGETING POLICIES AND PROCESSES
950: BANKING AND INVESTMENTS**

950.20 INVESTMENTS

(1) Scope

The HART Board of Directors through the Chief Executive Officer or his designee has the authority for investing HART public funds.

(2) Investment Objectives

The following investment objectives will be applied in the management of HART funds:

- (a) **Safety of Capital** – Safety of publicly funded capital is regarded as the highest priority in the handling of investments for HART, with all other investment objectives secondary. Each investment decision shall seek to first ensure that capital losses are avoided, whether they are from defaults or erosion of market value.
- (b) **Liquidity** – HART’s investment strategy will provide sufficient liquidity as not to inhibit cash flow requirements.
- (c) **Yield** – When investing public funds, HART will strive to maximize the return on the portfolio but will avoid assuming unreasonable risk simply for the benefit of higher yield.

(3) Current Investment Strategy and Program

HART currently maintains all “idle” cash used for investment in the State Board of Administration (SBA), run by the State of Florida. The SBA manages Florida PRIME, a 2a-7-like pool, carried at an amortized cost. A 2a-7-like pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it operates in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940, which regulates money market funds. Therefore, Florida PRIME operates essentially as a money market fund and HART’s position in Florida PRIME is considered to be equivalent to its fair value.

Regulatory oversight of the SBA is provided by three state of Florida elected officials designated as trustees: the Governor serves as Chairman of the SBA; the Chief Financial Officer serves as Treasurer of the SBA; and the Attorney General serves as Secretary of the SBA. External oversight of the State Board of Administration is provided by the Investment Advisory Council, which reviews investment performance, strategy and decision-making, provides insight, advice and counsel on these and other matters when appropriate. Audit oversight is also provided by the state of Florida Audit General.

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Due to HART's reliance on reimbursable grants, access to liquidity and cash flow management requirements dictate this investment policy (e.g. the utilization of the SBA) at the current time. Multiple or varied higher yield long-term investment instruments, although a goal, is neither prudent nor achievable at this time. At such time, investment of surplus funds *may* be in the following instruments:

- (a) Negotiable direct obligations of, or obligations of which the principal and interest are unconditionally guaranteed by the U.S. Government;
 - (b) Interest bearing time deposits or savings accounts in qualified public depositories as defined in Section 280.02, Florida Statutes;
 - (c) Prime commercial paper with the highest credit quality rating from a nationally recognized agency;
 - (d) Tax exempt obligations rated "A" or higher and issued by state and local governments;
 - (e) Money market mutual funds;
 - (f) Local government investment pools.
- (4) **Standards of Care** – Investment in the State Board of Administration (SBA) adheres to the following standards of care.
- (a) **Prudence and Ethical Standards** – The "prudent person" standard shall be used in the management of the overall investment policy. The prudent person standard is understood to mean: "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."

HART officers, or persons performing the investment function, acting as a "prudent person" in accordance with this written policy and procedure, exercising due diligence and investments authorized by law, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion to the Chief Executive Officer and Board of Directors, and appropriate action is taken to control adverse developments.

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- (b) **Ethics and Conflicts of Interest** – The Finance employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. The above mentioned shall disclose any material interests in financial institutions with which HART conducts business. They shall further disclose any personal financial or investment positions that could be related to the performance of HART's investments.
- (c) **Continuing Education** – Those responsible for making investment decisions will annually complete 8 hours of continuing education in subjects or courses of study related to investment practices and products.
- (d) **Periodic Reports** – Financial staff will periodically prepare reports for submission to the Board, which will include market value of securities held and investment performance results.

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