

# Governing Board Meeting

## *Agenda and Meeting Information*

*October 19, 2021*

*9:00 a.m.*

**Brooksville Office**

2379 Broad Street • Brooksville, Florida  
(352) 796-7211 • 1-800-423-1476

Southwest Florida  
Water Management District

WATERMATTERS.ORG • 1-800-423-1476



2379 Broad Street, Brooksville, Florida 34604  
(352) 796-7211 or 1-800-423-1476 (FL only)  
WaterMatters.org

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The Southwest Florida Water Management District (District) does not discriminate on the basis of disability. This nondiscrimination policy involves every aspect of the District's functions, including access to and participation in the District's programs, services and activities. Anyone requiring reasonable accommodation, or who would like information as to the existence and location of accessible services, activities, and facilities, as provided for in the Americans with Disabilities Act, should contact the Human Resources Office Chief, at 2379 Broad St., Brooksville, FL 34604-6899; telephone (352) 796-7211 or 1-800-423-1476 (FL only), ext. 4747; or email [ADACoordinator@WaterMatters.org](mailto:ADACoordinator@WaterMatters.org). If you are hearing or speech impaired, please contact the agency using the Florida Relay Service, 1-800-955-8771 (TDD) or 1-800-955-8770 (Voice). If requested, appropriate auxiliary aids and services will be provided at any public meeting, forum, or event of the District. In the event of a complaint, please follow the grievance procedure located at [WaterMatters.org/ADA](http://WaterMatters.org/ADA).

## Final Agenda GOVERNING BOARD MEETING

OCTOBER 19, 2021  
9:00 AM

2379 BROAD STREET, BROOKSVILLE, FL 34604  
(352) 796-7211

*All meetings are open to the public*

- › Viewing of the Board meeting will be available through the District's website at [www.WaterMatters.org](http://www.WaterMatters.org).
- › Public input will be taken only at the meeting location.
- › Public input for issues not listed on the published agenda will be heard shortly after the meeting begins.

Pursuant to Section 373.079(7), Florida Statutes, all or part of this meeting may be conducted by means of communications media technology in order to permit maximum participation of Governing Board members.

The Governing Board may take official action at this meeting on any item appearing on this agenda and on any item that is added to this agenda as a result of a change to the agenda approved by the presiding officer of the meeting pursuant to Section 120.525, Florida Statutes.

The order of items appearing on the agenda is subject to change during the meeting and is at the discretion of the presiding officer.

Public Comment will be taken after each presentation and before any Governing Board action(s) except for Governing Board hearings that involve the issuance of final orders based on recommended Orders received from the Florida Division of Administrative Hearings.

Unless specifically stated, scheduled items will not be heard at a time certain.

The current Governing Board agenda and minutes of previous meetings are available at [WaterMatters.org](http://WaterMatters.org).

**Bartow Office**  
170 Century Boulevard  
Bartow, Florida 33830  
(863) 534-1448 or 1-800-492-7862 (FL only)

**Sarasota Office**  
78 Sarasota Center Boulevard  
Sarasota, Florida 34240  
(941) 377-3722 or 1-800-320-3503 (FL only)

**Tampa Office**  
7601 Hwy 301 N (Fort King Highway)  
Tampa, Florida 33637  
(813) 985-7481 or 1-800-836-0797 (FL only)

MEETING NOTICE

## **1. CONVENE PUBLIC MEETING**

- 1.1 Call to Order
- 1.2 Invocation and Pledge of Allegiance
- 1.3 Election for Governing Board Secretary
- 1.4 Employee Recognition
- 1.5 Additions/Deletions to Agenda
- 1.6 Public Input for Issues Not Listed on the Published Agenda

## **2. CONSENT AGENDA**

- 2.1 **Finance/Outreach and Planning Committee:** Office of Inspector General Performance Measures
- 2.2 **Resource Management Committee:** Minimum Flows and Minimum Water Levels Priority List and Schedule Update
- 2.3 **Resource Management Committee:** Knowledge Management: FARMS Program Governing Board Policy
- 2.4 **Operations, Lands and Resource Monitoring Committee:** First Amendment to Lease Agreement with Florida Department of Environmental Protection Division of Recreation and Parks – Rainbow River Ranch Tract Project – SWF Parcel No. 19-593-108X-1
- 2.5 **General Counsel's Report:** Acquisition of Mineral Rights - Myakkahatchee Creek Project - SWF Parcel Nos. 21-694-102 and 21-694-103C
- 2.6 **Executive Director's Report:** Approve Governing Board Minutes - September 28, 2021
- 2.7 **Executive Director's Report:** Approve Fiscal Year 2022 Final Budget Hearing Minutes - September 28, 2021

## **3. FINANCE/OUTREACH & PLANNING COMMITTEE**

- 3.1 **Discussion:** Information Only: Consent Item(s) Moved to Discussion
- 3.2 **Discussion:** Action Item: Development of Preliminary Budget for Fiscal Year 2023
- 3.3 **Discussion:** Action Item: Investment Strategy Quarterly Update
- 3.4 **Discussion:** Information Only: Annual Review of the District's Investment Policy
- 3.5 **Submit & File:** Information Only: Office of Inspector General Quarterly Update – July 1, 2021 to September 30, 2021
- 3.6 **Submit & File:** Information Only: Budget Transfer Report

## **4. RESOURCE MANAGEMENT COMMITTEE**

- 4.1 **Discussion:** Information Only: Consent Item(s) Moved to Discussion
- 4.2 **Discussion:** Action Item: First Amendment to the Polk County Direct Potable Reuse Feasibility and Pilot (Q209); Cost & Scope Change

## **5. OPERATIONS, LANDS, AND RESOURCE MONITORING COMMITTEE**

5.1 **Discussion:** Information Only: Consent Item(s) Moved to Discussion

5.2 **Discussion:** Information Only: Hydrologic Conditions Report

## **6. REGULATION COMMITTEE**

6.1 **Discussion:** Information Only: Consent Item(s) Moved to Discussion

6.2 **Discussion:** Action Item: Denials Referred to the Governing Board

## **7. GENERAL COUNSEL'S REPORT**

7.1 **Discussion:** Information Only: Consent Item(s) Moved to Discussion

## **8. COMMITTEE/LIAISON REPORTS**

8.1 **Discussion:** Information Only: Agricultural and Green Industry Advisory Committee

## **9. EXECUTIVE DIRECTOR'S REPORT**

9.1 **Discussion:** Information Only: Executive Director's Report

## **10. CHAIR'S REPORT**

10.1 **Discussion:** Information Only: Chair's Report

10.2 **Discussion:** Action Item: 2021 Employee Evaluation and 2022 Performance Goals for the Executive Director and Inspector General

10.3 **Discussion:** Information Only: Milestones

## **ADJOURNMENT**



# GOVERNING BOARD OFFICERS, COMMITTEES AND LIAISONS

Effective October 4, 2021

OFFICERS	
Chair	Kelly S. Rice
Vice Chair	Joel Schleicher
Secretary	Vacant
Treasurer	Ed Armstrong

OPERATIONS, LANDS AND RESOURCE MONITORING COMMITTEE
Jack Bispham
Seth Weightman
John Mitten
John Hall

RESOURCE MANAGEMENT COMMITTEE
Seth Weightman
Jack Bispham
Michelle Williamson
William Hogarth

REGULATION COMMITTEE
Joel Schleicher

FINANCE/OUTREACH AND PLANNING COMMITTEE
Ed Armstrong
Ashley Bell Barnett
William Hogarth

*\* Board policy requires the Governing Board Treasurer to chair the Finance Committee.*

STANDING COMMITTEE LIAISONS	
Agricultural and Green Industry Advisory Committee	Michelle Williamson
Environmental Advisory Committee	John Mitten
Industrial Advisory Committee	John Hall
Public Supply Advisory Committee	Ed Armstrong
Well Drillers Advisory Committee	Seth Weightman

OTHER LIAISONS	
Central Florida Water Initiative	Ashley Bell Barnett
Spring Coast Steering Committee	John Mitten
Coastal & Heartland National Estuary Partnership Policy Committee	Jack Bispham
Sarasota Bay Estuary Program Policy Board	Joel Schleicher
Tampa Bay Estuary Program Policy Board	William Hogarth
Tampa Bay Regional Planning Council	Vacant

**Southwest Florida Water Management District Schedule of Meetings  
Fiscal Year 2022**

8/24/2021

**Governing Board Meeting**

October 19, 2021 – 9:00 a.m., Brooksville Office  
November 16, 2021 – 9:00 a.m., Tampa Office  
December 14, 2021 – 9:00 a.m., Brooksville Office  
January 25, 2022 – 9:00 a.m., Tampa Office  
February 22, 2022 – 9:00 a.m., Brooksville Office  
March 22, 2022 – 9:00 a.m., Tampa Office  
April 26, 2022 – 9:00 a.m., Brooksville Office  
May 24, 2022 – 9:00 a.m., Tampa Office  
June 21, 2022 – 9:00 a.m., Brooksville Office  
July 26, 2022 – 9:00 a.m., Tampa Office  
August 23, 2022 – 9:00 a.m., Brooksville Office  
September 20, 2022 – 3:00 p.m., Tampa Office

**Governing Board Public Budget Hearing – 5:01 p.m., Tampa Office**  
2022 – September 6 & 20

**Agricultural & Green Industry Advisory Committee – 10:00 a.m.**  
2021 – December 7  
2022 – March 8, June 7, September 13

**Environmental Advisory Committee – 10:00 a.m.**  
2021 – October 12  
2022 – January 11, April 12, July 12

**Industrial Advisory Committee – 10:00 a.m.**  
2021 – November 9  
2022 – February 8, May 10, August 9

**Public Supply Advisory Committee – 1:00 p.m.**  
2021 – November 9  
2022 – February 8, May 10, August 9

**Springs Coast Management Committee – 1:30 p.m.**  
2021 – October 20, December 8  
2022 – January 5, February 23, May 25, July 13

**Springs Coast Steering Committee – 2:00 p.m.**  
2021 – November 10  
2022 – January 26, March 9, July 27

**Well Drillers Advisory Committee – 1:30 p.m., Tampa Office**  
2021 – October 6  
2022 – January 12, April 6, July 13

**Cooperative Funding Initiative – all meetings begin at 10:00 a.m.**  
2022 – February 2 – Northern Region, Brooksville Office  
2022 – February 3 – Southern Region, TBD  
2022 – February 9 – Heartland Region, TBD  
2022 – February 10 – Tampa Bay Region, Tampa Office  
2022 – April 6 – Northern Region, Brooksville Office  
2022 – April 7 – Southern Region, TBD  
2022 – April 13 – Heartland Region, TBD  
2022 – April 14 – Tampa Bay Region, Tampa Office

**Meeting Locations**

Brooksville Office – 2379 Broad Street, Brooksville, FL 34604  
Tampa Office – 7601 US Highway 301 North, Tampa, FL 33637

Governing Board Meeting  
October 19, 2021

1. CONVENE PUBLIC MEETING

1.1 Call to Order..... 4

1.2 Invocation and Pledge of Allegiance..... 5

1.3 Election for Governing Board Secretary ..... 6

1.4 Employee Recognition ..... 7

1.5 Additions and Deletions to Agenda..... 8

1.6 Public Input for Issues Not Listed on the Agenda ..... 9

**CONVENE PUBLIC MEETING**

**October 19, 2021**

**Call to Order**

The Board Chair calls the meeting to order. The Board Secretary confirms that a quorum is present. The Board Chair then opens the public meeting. Anyone wishing to address the Governing Board concerning any item listed on the agenda or any item that does not appear on the agenda should fill out and submit a speaker's card. Comments will be limited to three minutes per speaker, and, when appropriate, exceptions to the three-minute limit may be granted by the Chair. Several individuals wishing to speak on the same issue/topic should designate a spokesperson.

**Presenter:**

Kelly S. Rice, Chair

**CONVENE PUBLIC MEETING**

**October 19, 2021**

**Invocation and Pledge of Allegiance**

An invocation is offered. The Board Chair conducts the Pledge of Allegiance to the Flag of the United States of America.

Presenter:

Kelly S. Rice, Chair

**CONVENE PUBLIC MEETING**

**October 19, 2021**

**Election for Governing Board Secretary**

Presenter:

Kelly S. Rice, Chair

**CONVENE PUBLIC MEETING**

**October 19, 2021**

**Employee Recognition**

Staff that have reached 20 or more years of service at the District will be recognized.

**Staff Recommendation:**

- Barbara Matrone
- Diana Burdick

**Presenter:**

Kelly S. Rice, Chair

**CONVENE PUBLIC MEETING**

**October 19, 2021**

**Additions/Deletions to Agenda**

According to Section 120.525(2), Florida Statutes, additions to the published agenda will only be made for "good cause" as determined by the "person designated to preside." Based upon that authority, the Chair has determined that good cause exists to make certain changes to the agenda. These changes are being made in order to permit the Governing Board to efficiently accomplish necessary public business at this meeting and to reflect the items on the agenda that have been requested or suggested to be deleted, revised, supplemented or postponed.

ADDITIONS: The items that have been added to the agenda were received by the District after publication of the regular agenda. The Board was provided with the information filed and the District staff's analyses of these matters. Staff has determined that action must be taken on these items prior to the next Board meeting. Therefore, it is the District staff's recommendation that good cause has been demonstrated and should be considered during the Governing Board's meeting.

**Staff Recommendation:**

Approve the recommended additions and deletions to the published agenda if necessary.

**Presenter:**

Brian J. Armstrong, P.G., Executive Director



**CONVENE PUBLIC MEETING**

**October 19, 2021**

**Public Input for Issues Not Listed on the Published Agenda**

At this time, the Board will hear public input for issues not listed on the published agenda.

Presenter:

Kelly S. Rice, Chair

# Governing Board Meeting

October 19, 2021

## 2. CONSENT AGENDA

All matters listed under the Consent Agenda are considered routine and action will be taken by one motion, second of the motion and approval by the Board. If discussion is requested by a Board member, that item(s) will be deleted from the Consent Agenda and moved to the appropriate Committee or Report for consideration.

2.1	<b>Finance/Outreach and Planning Committee:</b> Office of Inspector General Performance Measures.....	10
2.2	<b>Resource Management Committee:</b> Minimum Flows and Minimum Water Levels Priority List and Schedule Update .....	12
2.3	<b>Resource Management Committee:</b> Knowledge Management: FARMS Program Governing Board Policy .....	22
2.4	<b>Operations, Lands and Resource Monitoring Committee:</b> First Amendment to Lease Agreement with Florida Department of Environmental Protection Division of Recreation and Parks – Rainbow River Ranch Tract Project – SWF Parcel No. 19-593-108X-1 .....	40
2.5	<b>General Counsel's Report:</b> Acquisition of Mineral Rights - Myakkahatchee Creek Project - SWF Parcel Nos. 21-694-102 and 21-694-103C.....	48
2.6	<b>Executive Director's Report:</b> Approve Governing Board Minutes - September 28, 2021 .....	55
2.7	<b>Executive Director's Report:</b> Approve Fiscal Year 2022 Final Budget Hearing Minutes - September 28, 2021 .....	65

**CONSENT AGENDA**

**October 19, 2021**

**Finance/Outreach and Planning Committee: Office of Inspector General Performance Measures**

*Background and Purpose*

In accordance with the OIG Charter Governing Board Policy, the OIG shall have performance measures defined by the Finance/Outreach & Planning Committee and approved by the Governing Board. After Governing Board approval, these will be the performance measures which the OIG will report on at least a semi-annual basis.

Staff Recommendation:

Staff recommends the Board approve the OIG performance measures.

Presenter:

Brian Werthmiller, Inspector General



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# Southwest Florida Water Management District

2379 Broad Street, Brooksville, Florida 34604-6899

(352) 796-7211 or 1-800-423-1476 (FL only)

WaterMatters.org

## Bartow Office

170 Century Boulevard  
Bartow, Florida 33830-7700  
(863) 534-1448 or  
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## Sarasota Office

78 Sarasota Center Boulevard  
Sarasota, Florida 34240-9770  
(941) 377-3722 or  
1-800-320-3503 (FL only)

## Tampa Office

7601 U.S. 301 North (Fort King Highway)  
Tampa, Florida 33637-6759  
(813) 985-7481 or  
1-800-836-0797 (FL only)

## Kelly S. Rice

Chair, Citrus, Lake, Levy, Sumter

## Joel Schleicher

Vice Chair, Charlotte, Sarasota

## Ed Armstrong

Treasurer, Pinellas

## Ashley Bell Barnett

Polk

## Jack Bispham

Manatee

## John Hall

Polk

## William Hogarth

Pinellas

## John Mitten

Hernando, Marion

## Seth Weightman

Pasco

## Michelle Williamson

Hillsborough

## Brian J. Armstrong, P.G.

Executive Director

October 19, 2021

## MEMORANDUM

TO: Finance/Outreach & Planning Committee  
Remaining Governing Board members

FROM: Brian Werthmiller, CPA, Inspector General

SUBJECT: Office of Inspector General (OIG) Performance Measures

The purpose of this memo is to fulfill a requirement of Governing Board policies.

Per the Office of Inspector General Charter Governing Board Policy, the OIG shall have performance measures defined by the Finance/Outreach & Planning Committee and approved by the Governing Board. After Governing Board approval, these will be the performance measures which the OIG will report actual results of performance on at least a semi-annual basis.

Office of Inspector General	
Performance Measure	Goal
Complete the audit plan.	Submit to the Board January 2022
Allocate appropriate time to efforts resulting in reporting to the Board.	75% of Chargeable Hours
Complete the OIG Annual Report.	Submit to the Board September 2022
Complete updates to the Finance/Outreach & Planning Committee including IG performance measures.	Submit to the Board the month following each quarter-end
Complete the follow-up on four FY 2021 recommendations for use of fleet equipment, conflicts of interest, increase in pay requests, and use of district vehicles.	Complete follow-up by September 2022
Complete the follow-up to the recommendation from the Florida Department of Management Services regarding the District's policies and procedures on reporting workers' compensation to the Florida Retirement System.	Complete follow-up by September 2022

## CONSENT AGENDA

October 19, 2021

### **Resource Management Committee: Minimum Flows and Minimum Water Levels Priority List and Schedule Update**

#### *Purpose*

To request approval of the District's 2021 priority list and schedule for the establishment of minimum flows, minimum water levels and reservations (i.e., priority list) prior to submission to the Florida Department of Environmental Protection (DEP).

#### *Background/History*

Pursuant to Sections 373.036(7) and 373.042(3), Florida Statutes, the District is required to annually update and submit its priority list to the DEP by November 15th, for approval, and include the approved priority list in the District's Consolidated Annual Report by March 1st.

Staff presented a draft 2021 priority list to the District's Environmental Advisory Committee on July 13, 2021, and the Public Supply Advisory Committee on August 10, 2021. No changes to the draft priority list were suggested during these committee meetings.

Staff subsequently presented the draft priority list to the Governing Board as a Submit & File Report item at the August 24, 2021, Board meeting. The draft priority list was posted to the District website and staff informed the DEP and other water management districts of its availability.

A public meeting for soliciting comment on the draft priority list was held on August 25, 2020, at the Tampa Service Office and via the internet using Microsoft Teams. During the meeting, which included participation by 11 stakeholders and 9 District staff members, staff responded to an inquiry from a Florida Fish and Wildlife Conservation (FWC) staff member concerning establishment of minimum flows for Mud Spring, a tributary to the Weeki Wachee River in Hernando County. However, no specific comments concerning additions or deletions to the draft priority list were provided during the meeting.

On August 31, 2021, staff met with staff from the DEP, South Florida Water Management District (SFWMD) and St. Johns River Water Management District (SJRWMD) to discuss each district's draft priority list, with an emphasis on prioritized water bodies in the Central Florida Water Initiative (CFWI) area. No changes to the District's draft priority list or those of the SFWMD and SJRWMD were identified during the meeting.

In conjunction with staff from the SFWMD and SJRWMD, District staff participated in a public meeting on September 2, 2021, to solicit input on each district's draft priority list in general, and to specifically solicit input on prioritization of water bodies in the CFWI area. The meeting was held at the SFWMD St. Cloud Field Station and on the internet using Zoom software. Discussion among the 73 meeting participants, which included stakeholders and representatives from each district, addressed the types of data and tools used for the planned reevaluation of the District's Saltwater Intrusion Minimum Aquifer Level for the Southern Water Use Caution Area (SWUCA), identification of potential cross-district-boundary withdrawal effects on the draft SJRWMD priority list, and details regarding implementation of the recently adopted reservation rule for the Kissimmee River System by the SFWMD. No additions, deletions or schedule changes were identified for water bodies on the District's priority list or those of the other two districts.

Staff presented the District's draft priority list to the Agricultural and Green Industries Advisory Committee on September 14, 2021. No changes to the draft priority list were suggested during the committee meeting.

Based on consideration of all stakeholder input, District staff did not identify an initial need for modification of the draft priority list presented to the Governing Board at the August 24, 2021, Board meeting. However, recent completion of rulemaking approved by the Governing Board on May 25, 2021, for 29 lakes necessitated the updating of rulemaking status and reevaluation information included in the draft priority list. In addition, as part of the technical work supporting the Governing Board's August 24, 2021, approval to initiate rulemaking for repeal of the Dover/Plant City Water Use Caution Area Recovery Strategy, staff reevaluated the currently established Dover/Plant City Water Use Caution Area minimum aquifer level. Updates associated with the 29 lake and minimum aquifer level reevaluations have therefore been incorporated in the draft 2021 priority list included as an exhibit to this agenda item summary.

#### *Follow-Up Activities*

In accordance with the annual requirement in the Florida Statutes, the District's 2021 priority list approved by the Governing Board will be submitted to DEP by November 15, 2021. At the request of DEP, the priority list information will also be submitted to DEP in spreadsheet format to facilitate tracking of minimum flows, minimum levels, and reservation establishment.

Following DEP approval, the 2021 priority list will be incorporated into the District's 2022 Consolidated Annual Report that will be presented to the Board for consideration and approval in January and February 2022, respectively.

#### *Benefits*

The 2021 priority list includes water bodies for which the District anticipates establishment, i.e., adoption of minimum flows or minimum water levels by 2024. No reservations are prioritized for establishment on the draft priority list. Once adopted, minimum flows and levels and reservations are used to support regional water supply planning and District regulatory programs.

#### Staff Recommendation:

Approve the District's Minimum Flows and Minimum Water Levels 2021 Priority List and Schedule for submission to DEP for review and approval as required by Chapter 373, F.S.

#### Presenter:

Doug Leeper, MFLs Program Lead, Environmental Flows and Levels Section

# 2021 SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT PRIORITY LIST AND SCHEDULE FOR THE ESTABLISHMENT OF MINIMUM FLOWS, MINIMUM WATER LEVELS AND RESERVATIONS

## Overview

Pursuant to Sections 373.036(7) and 373.042(3), Florida Statutes (F.S.), the Southwest Florida Water Management District is required to annually update its priority list and schedule for the establishment of minimum flows and minimum water levels, submit the updated list and schedule to the Florida Department of Environmental Protection (DEP) by November 15<sup>th</sup> for approval, and include the approved list and schedule in the District's Consolidated Annual Report by March 1<sup>st</sup>. Minimum flows and minimum water levels are rules adopted by the state water management districts or DEP that define the limit at which further withdrawals would be significantly harmful to the water resources or ecology of the area. In addition to prioritized minimum flows and minimum water levels, the priority list and schedule must include reservations proposed for establishment. Reservations are rules that reserve water from use by permit applications, as necessary for the protection of fish and wildlife or public health and safety.

The District prepared this 2021 priority list and schedule to address all relevant statutory directives, and guidance concerning minimum flow, minimum water level and water reservation prioritization included in Rules 62-40.473, and 62-40.474 within the State Water Resource Implementation Rule (Chapter 62-40, Florida Administrative Code (F.A.C.) and in Rule 62.41.304 within the Regulation of the Consumptive Use of Water Rule (Chapter 62-41, F.A.C.) of the DEP that address the Central Florida Water Initiative Area defined in Section 373.0465(2)(a), F.S.

## Established Minimum Flows, Minimum Water Levels and Reservations

As of FY2021, District rules include minimum flows or minimum water levels for 202 water bodies (Chapter 40D-8, F.A.C.) and reservations for 2 water bodies (Chapter 40D-2, F.A.C.). As listed below, minimum flows or water levels are established for 126 lakes, 34 wetlands, 23 freshwater and estuarine river segments, 10 springs or spring groups (including all first magnitude springs and all second magnitude springs within the District that occur within state or federal lands purchased for conservation purposes), 7 Upper Floridan aquifer (UFA) sites in the northern Tampa Bay area, an UFA site in the Dover/Plant City Water Use Caution Area, and the UFA in the Most Impacted Area of the Southern Water Use Caution Area. In addition, 127 minimum flow or level reevaluations have been completed to confirm or support the revision or repeal of established minimum flows or minimum water levels. As also listed below, reservations have been established for Lake Hancock/Lower Saddle Creek and Morris Bridge Sink to support minimum flow recovery in 2 rivers.

## Water Bodies with Adopted and Effective Minimum Flow and Minimum Water Level Rules, Including Those That Have Been Reevaluated

- Alafia River (upper segment)
- Alafia River (lower segment)/Lithia-Buckhorn Spring Group
- Anclote River (lower segment)
- Anclote River (upper segment)
- Braden River (upper segment)

- Chassahowitzka River/Chassahowitzka Spring Group (an Outstanding Florida Spring) and Blind Spring (reevaluated)
- Citrus County Lakes – Ft. Cooper, Tsala Apopka – Floral City, Inverness, and Hernando Pools
- Crystal River/Kings Bay Spring Group (an Outstanding Florida Spring)
- Crystal Springs
- Dona Bay/Shakett Creek System
- Dover/Plant City Water Use Caution Area Minimum Aquifer Level
- Gum Slough Spring Run
- Hernando County Lakes – Hunters (reevaluated), Lindsey (reevaluated), Mountain (reevaluated), Neff (reevaluated), Spring, Tooke, Weekiwachee Prairie, Whitehurst
- Highland County Lakes – Angelo, Anoka, Damon, Denton, Jackson (reevaluated), Little Lake Jackson (reevaluated), June-in-Winter, Letta (reevaluated), Lotela (reevaluated), Placid, Tulane, Verona
- Hillsborough County Lakes – Alice (reevaluated), Allen (reevaluated twice), Barbara (reevaluated), Bird (reevaluated twice), Brant (reevaluated twice), Calm (reevaluated), Carroll, Charles (reevaluated), Church (reevaluated), Crenshaw, Crescent, Crystal (reevaluated twice), Cypress (reevaluated), Dan (reevaluated), Deer (reevaluated), Dosson (reevaluated twice), Echo (reevaluated), Ellen (reevaluated), Fairy [Maurine] (reevaluated), Garden, Halfmoon (reevaluated), Hanna (reevaluated), Harvey (reevaluated twice), Helen (reevaluated), Hobbs (reevaluated twice), Hooker, Horse (reevaluated), Jackson (reevaluated), Juanita (reevaluated twice), Keene, Kell, Little Moon (reevaluated), Merrywater (reevaluated twice), Mound, Platt, Pretty, Rainbow (reevaluated), Raleigh, Reinheimer, Rogers, Round (reevaluated), Saddleback (reevaluated twice), Sapphire (reevaluated twice), Starvation, Stemper (reevaluated), Strawberry (reevaluated), Sunset (reevaluated twice), Sunshine (reevaluated twice), Taylor (reevaluated), Virginia (reevaluated twice), Wimauma (reevaluated)
- Hillsborough County Wetlands – Cypress Bridge 32 (reevaluated), Cone Ranch 1 (reevaluated), Cone Ranch 2 (reevaluated), Cone Ranch 3 (reevaluated), Cone Ranch 4 (reevaluated), Cone Ranch 5 (reevaluated), Cone Ranch 6 (reevaluated), Eldridge Wilde 11 (NW-44) (reevaluated), Morris Bridge Clay Gully Cypress (MBR-88) (reevaluated), Morris Bridge Entry Dome (MBR-35) (reevaluated), Morris Bridge Unnamed (MBR-16) (reevaluated), Morris Bridge X-4 (MBR-89) (reevaluated)
- Hillsborough River (lower segment) (reevaluated)
- Hillsborough River (upper segment)
- Homosassa River/Homosassa Spring Group (an Outstanding Florida Spring) (reevaluated)
- Levy County Lake – Marion (reevaluated)
- Marion County Lakes – Bonable, Little Bonable, Tiger
- Myakka River (lower segment)
- Myakka River (upper segment)
- Northern Tampa Bay – 7 Wells – Upper Floridan aquifer/Saltwater Intrusion
- Pasco County Lakes – Bell, Big Fish (reevaluated), Bird, Buddy (reevaluated), Camp (reevaluated), Clear (reevaluated), Crews, Green, Hancock (reevaluated), Iola, Jessamine, King, King [East], Linda, Middle, Moon (reevaluated), Padgett (reevaluated), Parker aka Ann, Pasadena (reevaluated), Pierce (reevaluated), Unnamed #22 aka Loyce
- Pasco County Wetlands – Cross Bar Q-1 (reevaluated), Cross Bar T-3 (reevaluated), Cypress Bridge 4 (reevaluated), Cypress Bridge 16 (reevaluated), Cypress Bridge 25 (reevaluated), Cypress Creek W-56 (G) (reevaluated), Cypress Creek W-11 (reevaluated), Cypress Creek W-12 (reevaluated), Cypress Creek W-17 (reevaluated), North Pasco 3 (reevaluated), North Pasco 21 (reevaluated), South Pasco 2 (NW-49) (reevaluated), South Pasco 6 (NW-50) (reevaluated), South Pasco South Cypress (reevaluated), Starkey Central (reevaluated), Starkey Eastern (S-73) (reevaluated), Starkey M (S-69) (reevaluated), Starkey N (reevaluated), Starkey S-75 (reevaluated), Starkey S-99, Starkey Z (reevaluated)
- Peace River (lower segment) (reevaluated twice)
- Peace River (middle segment)
- Peace River (three upper segments – "low" minimum flows)
- Pinellas County Wetland – Eldridge Wilde 5
- Pithlachascotee River (lower segment)
- Pithlachascotee River (upper segment)



- Polk County Lakes – Annie, Aurora, Bonnie, Clinch (reevaluated), Crooked (reevaluated), Crystal, Dinner, Eagle (reevaluated), Easy, Eva, Hancock, Lee, Lowery, Mabel, McLeod (reevaluated), North Lake Wales, Parker (reevaluated), Starr (reevaluated), Venus, Wailes (reevaluated)
- Rainbow River/Rainbow Spring Group (an Outstanding Florida Spring) <sup>a, b</sup>
- Sulphur Springs
- Sumter County Lakes – Big Gant, Black, Deaton, Miona, Okahumpka, Panasoffkee
- Southern Water Use Caution Area – Upper Floridan aquifer
- Tampa Bypass Canal
- Weeki Wachee River/Weeki Wachee Spring Group (an Outstanding Florida Spring)

## Water Bodies with Adopted and Effective Reservation Rules

- Lake Hancock/Lower Saddle Creek (water reserved to contribute to achieving minimum flows adopted for the three upper segments of the Peace River for the protection of fish and wildlife)
- Morris Bridge Sink (water reserved to contribute to achieving or maintaining minimum flows adopted for the lower segment of the Hillsborough River for the protection of fish and wildlife)

## Prioritized Water Bodies for Establishment or Reevaluation of Minimum Flows and Minimum Water Levels

Minimum flows and minimum water levels proposed for establishment or reevaluation through 2024 are listed by water body name in tabular form below. No reservations are prioritized for establishment or reevaluation during this period.

System name is provided for each water body to distinguish waterbodies that may be part of a larger system. All currently prioritized waterbodies are, however, sufficiently distinct so the waterbody name and system name are the same. Water body type, i.e., lake, river, river-estuary or aquifer, is provided along with location information. District intent regarding completion of voluntary, independent, scientific peer review is also identified for each water body. Voluntary scientific peer review is proposed for the reevaluation of the Southern Water Use Caution Area Saltwater Intrusion Minimum Aquifer Level and minimum flows development or reevaluation for all prioritized river segments based on the expected level of complexity of the minimum level and flows, and the anticipated degree of public concern regarding their development. Recent technical work supporting the ongoing reevaluation of the minimum aquifer level and recovery strategy established for the Dover Plant City Water Use Caution Area indicated the established minimum level does not require revision, so the reevaluation effort was not subjected to voluntary peer review. Similarly, none of the prioritized lake minimum levels are expected to be subjected to voluntary scientific peer review, based on anticipated use of peer-reviewed methodologies for their development.

Prioritized water bodies that may be affected by withdrawals occurring in other water management districts, i.e., are potentially subject to cross-boundary impacts, including those specifically associated with withdrawals from within the Central Florida Water Initiative area, are identified to support coordination of regulatory activities among the districts and DEP. Development of minimum flow or water levels by the DEP for any of these water bodies is not, however, currently considered necessary or appropriate.

The status of rulemaking for each prioritized water body is also provided.

## Minimum Flows and Minimum Water Levels to be Adopted in 2021.

New or Re-Evaluation	Waterbody Name or Compliance Point	System Name <sup>a</sup>	Waterbody Type	County(s)	Voluntary Peer Review to be Completed?	Cross-Boundary Impacts from Adjacent WMD? <sup>b</sup>	Latitude	Longitude	Rulemaking Status <sup>c</sup>
Reevaluation	Barbara, Lake	Barbara, Lake	Lake	Hillsborough	No	No	28.119731	-82.53585	Rule adopted, Ratification not required
Reevaluation (second)	Bird Lake (Hillsborough)	Bird Lake (Hillsborough)	Lake	Hillsborough	No	No	28.101972	-82.477898	Rule adopted, Ratification not required
Reevaluation (second)	Brant Lake	Brant Lake	Lake	Hillsborough	No	No	28.126385	-82.472292	Rule adopted, Ratification not required
Reevaluation	Clear Lake	Clear Lake	Lake	Pasco	No	No	28.341458	-82.263557	Rule adopted, Ratification not required
Reevaluation (second)	Crystal Lake (Hillsborough)	Crystal Lake (Hillsborough)	Lake	Hillsborough	No	No	28.133812	-82.476347	Rule adopted, Ratification not required
Reevaluation	Cypress Lake	Cypress Lake	Lake	Hillsborough	No	No	28.125561	-82.564727	Rule adopted, Ratification not required
Reevaluation (second)	Dosson Lake	Dosson Lake	Lake	Hillsborough	No	No	28.123102	-82.525484	Rule adopted, Ratification not required
Reevaluation	Ellen, Lake	Ellen, Lake	Lake	Hillsborough	No	No	28.121492	-82.535498	Rule adopted, Ratification not required
Reevaluation	Fairy, Lake (Maurine)	Fairy, Lake (Maurine)	Lake	Hillsborough	No	No	28.087859	-82.585813	Rule adopted, Ratification not required
Reevaluation	Halfmoon Lake	Halfmoon Lake	Lake	Hillsborough	No	No	28.097114	-82.548128	Rule adopted, Ratification not required
Reevaluation	Hancock Lake (Pasco)	Hancock Lake (Pasco)	Lake	Pasco	No	No	28.431778	-82.331527	Rule adopted, Ratification not required
Reevaluation	Hanna Lake	Hanna Lake	Lake	Hillsborough	No	No	28.137851	-82.446343	Rule adopted, Ratification not required
Reevaluation	Helen, Lake	Helen, Lake	Lake	Hillsborough	No	No	28.121749	-82.538791	Rule adopted, Ratification not required

Reevaluation (second)	Hobbs, Lake	Hobbs, Lake	Lake	Hillsborough	No	No	28.158855	-82.467706	Rule adopted, Ratification not required
Reevaluation	Hunters Lake	Hunters Lake	Lake	Hernando	No	No	28.442103	-82.620068	Rule adopted, Ratification not required
Reevaluation	Jackson, Lake	Jackson, Lake	Lake	Hillsborough	No	No	28.137542	-82.629974	Rule adopted, Ratification not required
Reevaluation (second)	Juanita, Lake	Juanita, Lake	Lake	Hillsborough	No	No	28.117501	-82.588931	Rule adopted, Ratification not required
Reevaluation	Lindsey, Lake	Lindsey, Lake	Lake	Hernando	No	No	28.62996	-82.366551	Rule adopted, Ratification not required
Reevaluation (second)	Merrywater, Lake	Merrywater, Lake	Lake	Hillsborough	No	No	28.123439	-82.487207	Rule adopted, Ratification not required
Reevaluation	Mountain Lake	Mountain Lake	Lake	Hernando	No	No	28.479237	-82.311162	Rule adopted, Ratification not required
Reevaluation	Neff Lake	Neff Lake	Lake	Hernando	No	No	28.478866	-82.324315	Rule adopted, Ratification not required
Reevaluation	Parker, Lake	Parker, Lake	Lake	Polk	No	No	28.067299	-81.931132	Rule adopted, Ratification not required
Reevaluation (second)	Saddleback Lake	Saddleback Lake	Lake	Hillsborough	No	No	28.120516	-82.494879	Rule adopted, Ratification not required
Reevaluation (second)	Sapphire Lake	Sapphire Lake	Lake	Hillsborough	No	No	28.140722	-82.481517	Rule adopted, Ratification not required
Reevaluation	Strawberry (North Crystal) Lake	Strawberry (North Crystal) Lake	Lake	Hillsborough	No	No	28.139517	-82.474755	Rule adopted, Ratification not required
Reevaluation (second)	Sunset Lake	Sunset Lake	Lake	Hillsborough	No	No	28.135008	-82.625607	Rule adopted, Ratification not required
Reevaluation (second)	Sunshine Lake	Sunshine Lake	Lake	Hillsborough	No	No	28.119743	-82.526032	Rule adopted, Ratification not required
Reevaluation	Taylor, Lake	Taylor, Lake	Lake	Hillsborough	No	No	28.136479	-82.612096	Rule adopted, Ratification not required
Reevaluation	Wimauma, Lake	Wimauma, Lake	Lake	Hillsborough	No	No	27.708483	-82.312368	Rule adopted, Ratification not required
New	Shell Creek (lower segment)	Shell Creek (lower segment)	River-Estuary	Charlotte	Yes	No	26.9844	-81.9358	N/A

Reevaluation	DV-1 Suwannee (Dover/Plant City Water Use Caution Area Minimum Aquifer Level)	DV-1 Suwannee (Dover/Plant City Water Use Caution Area Minimum Aquifer Level)	Aquifer	Hillsborough	No	No	27.9924	-82.2096	N/A
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### Minimum Flows and Minimum Water Levels to be Adopted in 2022.

New or Re-Evaluation	Waterbody Name or Compliance Point	System Name <sup>a</sup>	Waterbody Type	County(s)	Voluntary Peer Review to be Completed?	Cross-Boundary Impacts from Adjacent WMD? <sup>b</sup>	Latitude	Longitude	Rulemaking Status <sup>c</sup>
Reevaluation	North Lake Wales	North Lake Wales	Lake	Polk	No	Yes <sup>d</sup>	27.9096	-81.5805	N/A
Reevaluation	Tulane, Lake	Tulane, Lake	Lake	Highlands	No	Yes <sup>d</sup>	27.5860	-81.5036	N/A
Reevaluation	Verona, Lake	Verona, Lake	Lake	Highlands	No	Yes <sup>d</sup>	27.5978	-81.4969	N/A
New	Little Manatee River (lower segment)	Little Manatee River (lower segment)	River-Estuary	Hillsborough	Yes	No	27.6708	-82.3528	N/A
New	Little Manatee River (upper segment)	Little Manatee River (upper segment)	River	Hillsborough, Manatee	Yes	No	27.6708	-82.3528	N/A

### Minimum Flows and Minimum Water Levels to be Adopted in 2023.

New or Re-Evaluation	Waterbody Name or Compliance Point	System Name <sup>a</sup>	Waterbody Type	County(s)	Voluntary Peer Review to be Completed?	Cross-Boundary Impacts from Adjacent WMD? <sup>b</sup>	Latitude	Longitude	Rulemaking Status <sup>c</sup>
Reevaluation (first)	Aurora, Lake	Aurora, Lake	Lake	Polk	No	Yes <sup>d</sup>	27.879079	-81.465545	N/A
Reevaluation	Easy, Lake	Lake Easy, Lake	Lake	Polk	No	Yes <sup>d</sup>	27.858101	-81.56204	N/A
Reevaluation (first)	Eva, Lake	Eva, Lake	Lake	Polk	No	Yes <sup>d</sup>	28.095218	-81.62806	N/A
New	Braden River (lower segment)	Braden River (lower segment)	River-Estuary	Manatee	Yes	No	27.4411	-82.4878	N/A
New	Charlie Creek	Charlie Creek	River	Hardee, Polk	Yes	No	27.3747	-81.7967	N/A
New	Horse Creek	Horse Creek	River	Hardee, DeSoto	Yes	No	27.1992	-81.9886	N/A
New	Manatee River (lower segment)	Manatee River (lower segment)	River-Estuary	Manatee	Yes	No	27.5133	-82.3672	N/A

Reevaluation	Southern Water Use Caution Area Saltwater Intrusion Minimum Aquifer Level (SWIMAL)	Southern Water Use Caution Area Saltwater Intrusion Minimum Aquifer Level (SWIMAL)	Aquifer	Hillsborough, Manatee, Sarasota	Yes	No	27.5603	-82.4013	N/A
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## Minimum Flows and Minimum Water Levels to be Adopted in 2024.

New or Re-Evaluation	Waterbody Name or Compliance Point	System Name <sup>a</sup>	Waterbody Type	County(s)	Voluntary Peer Review to be Completed?	Cross-Boundary Impacts from Adjacent WMD? <sup>b</sup>	Latitude	Longitude	Rulemaking Status <sup>c</sup>
Reevaluation (second)	Eagle Lake	Eagle Lake	Lake	Polk	No	No	27.986734	-81.766533	N/A
Reevaluation (second)	McLeod, Lake	McLeod, Lake	Lake	Polk	No	No	27.967464	-81.752949	N/A
Reevaluation (second)	Jackson, Lake (Highlands)	Jackson, Lake (Highlands)	Lake	Highlands	No	Yes	27.491027	-81.462497	N/A
Reevaluation (second)	Little Jackson	Little Lake Jackson	Lake	Highlands	No	Yes	27.467746	-81.463525	N/A
Reevaluation (second)	Wailles, Lake	Wailles, Lake	Lake	Polk	No	Yes <sup>d</sup>	27.901501	-81.572589	N/A
New	Withlacoochee River (lower segment)	Withlacoochee River (lower segment)	River-Estuary	Citrus, Levy	Yes	Yes	29.0208	-82.6381	N/A
New	Withlacoochee River (upper segment, U.S. Geological Survey Holder gage to U.S. Geological Survey Wysong gage)	Withlacoochee River (upper segment, U.S. Geological Survey Holder gage to U.S. Geological Survey Wysong gage)	River	Citrus, Marion, Sumter	Yes	Yes	28.9886	-82.3497	N/A
New	Withlacoochee River (upper segment, U.S. Geological Survey Wysong gage to U.S. Geological Survey Croom gage)	Withlacoochee River (upper segment, U.S. Geological Survey Wysong gage to U.S. Geological Survey Croom gage)	River	Citrus, Sumter, Hernando	Yes	No	28.8231	-82.1833	N/A

New	Withlacoochee River (upper segment, upstream of U.S. Geological Survey Croom gage)	Withlacoochee River (upper segment, upstream of U.S. Geological Survey Croom gage)	River	Hernando, Sumter, Pasco, Lake, Polk	Yes	No	28.5925	-82.2222	N/A
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a System name identifies larger system that the water body is associated with for minimum flows rule development; otherwise, system name is same as waterbody name or compliance point.

b WMD = Water Management District

c Last rulemaking action taken: Notice of Rule Development published; Notice of Proposed Rule published; Rule challenge pending; Rule adopted, Ratification not required; Rule adopted, Awaiting ratification; Rule adopted, Ratified. N/A indicates formal rulemaking has not been initiated.

d Potential cross-boundary withdrawal impacts from adjacent water management district associated with the Central Florida Water Initiative area.

## CONSENT AGENDA

October 19, 2021

### Resource Management Committee: Knowledge Management: FARMS Program Governing Board Policy

#### *Purpose*

To request approval to revise the FARMS Program Governing Board Policy to remove the reference to a specific version of the Model Farms Economic Study.

#### *Background/History*

The District's FARMS Program is a public/private agricultural Best Management Practice (BMP) cost-share reimbursement program. In February 2020, the District Governing Board approved the FARMS Governing Board Policy. One of the key components in the policy is that a Model FARMS Economic Study be completed every five years to provide cost/benefit benchmarks to ensure proposed projects are cost effective. This policy currently references the Model Farms Economic Study 2016 to provide these cost/benefit benchmarks.

In March 2020, the District selected Intera and the Balmoral Group to update the Model Farms Economic Study. These updates keep the benchmarks relevant to the types of projects that are being proposed. The regular updates include new commodities, updated costs, the most recent research into the benefits of the BMPs, updated average farm size for each commodity, and confirms estimated groundwater offsets are reasonable. The draft Model Farms Economic Study 2021 was presented to the combined Agriculture/Green Industry Advisory Committee in June 2021 and was approved by the Governing Board at the September 2021 meeting.

#### *Discussion*

Changes to the current FARMS Governing Board Policy include:

- Removing the reference to the Model Farms Economic Study 2016 from the Definitions and References sections and replacing that language with the "current Governing Board approved Model Farms Economic Study."
- Changing the Governing Board review period for the policy from six (6) years to five (5) years to align with review of the latest Model Farms Economic Study.
- Minor formatting and grammar changes.

#### *Benefits*

These changes would improve administrative efficiencies by not requiring Policy revisions each time a new study is approved by the Board and aligns the Governing Board policy review period with review of the latest Model Farms Economic Study.

#### Staff Recommendation:

As part of the District's Knowledge Management business process, the suggested FARMS Policy revisions and benefits were presented to the Board at the September meeting. No additional changes or recommendations were made at that time; therefore, staff recommends the Board replace the Governing Board FARMS policy approved in February of 2020 with the new Governing Board FARMS Policy.

#### Presenter:

Carole Estes, FARMS Manager, Natural Systems and Restoration

**GOVERNING BOARD POLICY**  
Southwest Florida Water Management District

**Title: Facilitating Agricultural Resource Management Systems (FARMS) Program**

**Document Owner:** Randy Smith, PMP, Natural Systems and  
Restoration Bureau Chief

**Approved By:** Mark Taylor, Chair

**Effective Date:** 02/25/2020

**Supersedes:** New

## Contents

PURPOSE .....	1
SCOPE .....	2
AUTHORITY .....	2
DEFINITIONS .....	2
POLICY .....	3
FARMS PROJECT ELIGIBILITY CRITERIA .....	3
COST SHARE FUNDING RATES .....	4
APPLICATION PROCEDURE .....	5
CONTRACTUAL REQUIREMENTS .....	6
EXCEPTIONS TO PROCEDURE .....	7
DISTRIBUTION .....	7
REFERENCES .....	7
REVIEW PERIOD .....	7
DOCUMENT DETAILS .....	8
APPROVAL .....	8

## PURPOSE

This policy establishes procedures for implementing the Facilitating Agricultural Resource Management Systems (FARMS) Program and the requirements for obtaining funding assistance.

The FARMS Program is a public/private cost-share reimbursement program. The Program expedites water resource development and alternative water supply projects on agricultural properties by providing funding assistance to implement production-scale Best Management Practices (BMPs). The resource benefits anticipated include reduced Upper Floridan aquifer (UFA) withdrawals, water quality improvements in ground and surface water, conservation, restoration, and augmentation of the area's water resources and natural systems. The District's mission to protect water resources is reflected in the Program's five goals:

1. Improve surface water quality which has been impacted by groundwater withdrawals, with priority given to projects located in the Shell, Prairie, and Joshua Creek (SPJC) or Horse Creek watersheds;



## GOVERNING DOCUMENT

Title: FARMS Program

Effective Date: 02/25/2020

Page 2 of 8

2. Conserve, restore or augment the water resources and natural systems in the Upper Myakka River Watershed (UMRW);
3. Reduce groundwater use in the Southern Water Use Caution Area (SWUCA);
4. Reduce groundwater use for Frost/Freeze Protection within the Dover/Plant City Water Use Caution Area (DPCWUCA);
5. Reduce Upper Floridan aquifer groundwater use and nutrient loading in the Northern District.

## SCOPE

This policy applies to FARMS Program cost-share projects that are presented to the Governing Board for approval.

## AUTHORITY

The FARMS Program is authorized by Section 373.705(3), Florida Statutes (F.S.), which states the District "shall fund and implement water resource development as defined in Section 373.019, F.S."

Water resource development, in pertinent part, is "the formulation and implementation of regional water resource management strategies, including structural and nonstructural programs to protect and manage water resources, [and] the development of regional water resource implementation programs." Section 373.019(24), F.S.

Additionally, the Governing Board is authorized to contract with private organizations and other entities pursuant to Section 373.083(1), F.S.

The FARMS Program is consistent with the District's Regional Water Supply Plan as approved by the Governing Board pursuant to Section 373.036(1), F.S. Furthermore, the FARMS Program is a key management action in a number of other Governing Board-approved documents including: 1) *Shell, Prairie, and Joshua Creek Watershed Management Plan - Reasonable Assurance Documentation*; 2) *Dover/Plant City Water Use Caution Area Recovery Strategy*; and 3) *Southern Water Use Caution Area Recovery Strategy*.

## DEFINITIONS

(1) "Agriculture" means the science and art of production of plants and animals and includes aquaculture, horticulture, floriculture, viticulture, forestry, nurseries, dairy, livestock, poultry, bees, and any and all forms of farm products and farm production.

(2) "Best Management Practice" means a practice or combination of practices based on research, field-testing, and expert review, to be the most practicable on-location means, including economic and technological considerations, for improving water conservation and quality in agricultural discharges. BMPs for agricultural discharges shall reflect a balance between water resource improvements and agricultural productivity.

(3) "District" means the Southwest Florida Water Management District.

(4) "Eligible Costs" means the costs for equipment procured in accordance with the terms of the contractual agreement between the applicant and the District which are eligible for reimbursement.

(5) "Equipment" means the tangible items and components of a project including software and internet services for the first year of a project's operation.

(6) "Model Farms Costs" means those estimated costs developed to identify reasonable costs

## **GOVERNING DOCUMENT**

**Title: FARMS Program**

**Effective Date: 02/25/2020**

**Page 3 of 8**

associated with implementing various BMPs by a variety of agricultural operations as set forth in the Facilitating Agricultural Resource Management Systems (FARMS) Program Model Farms Economic Study – Final Report, March 2016.

(7) “Program” means the Facilitating Agricultural Resource Management Systems Program.

(8) “Project Area” means the land upon which the components of the BMPs are located and includes the land to be served by a project.

## **POLICY**

The following guidelines apply to all FARMS projects.

## **FARMS PROJECT ELIGIBILITY CRITERIA**

1. BMPs commonly implemented in eligible projects include, but are not limited to, internal surface water control, tailwater recovery, alternative source utilization, improved irrigation management decision support tools, frost-freeze protection alternatives, and precision nutrient application technology/management decision support tools. FARMS Program funding is available to agricultural operations that:
  - a. Are located within the jurisdictional boundaries of the District;
  - b. Are in compliance with all applicable federal, state, and local laws, rules, and regulations and all District-issued permits. A project shall not be eligible for funding if the project components are required by permit;
  - c. Have a District-issued water use permit;
  - d. Are consistent with the FARMS Program goals, as applicable, as listed above and further defined as follows:
    - i. Improve surface water quality which has been impacted by groundwater withdrawals, with priority given to projects located in the Shell, Prairie, Joshua, or Horse Creek watersheds. These projects must result in specific conductance water quality improvements for those agricultural operations currently using mineralized groundwater (defined as having a specific conductance in excess of 1000 uS/cm).
    - ii. Conserve, restore, or augment the water resources and natural systems in the UMRW. These projects must be located within the UMRW and propose improvements to natural systems and wetland functions with impacts from groundwater withdrawals.
    - iii. Reduce groundwater use in the SWUCA by implementing BMPs that result in a reduction in annual average daily UFA groundwater withdrawals within the District. No more than 5% of frost/freezing protection quantities authorized by a District Water Use Permit shall be used in calculating the amount of water no longer withdrawn from the UFA outside the DPCWUCA.
    - iv. Implement BMPs that result in a reduction in frost-freezing protection and/or annual average daily UFA groundwater withdrawals within the DPCWUCA.
    - v. Reduce Upper Floridan aquifer (UFA) groundwater use and nutrient loading in the District by implementing nutrient water quality

improvements. Proposed nutrient reduction BMPs must be supported by accepted research-based water quality improvement investigations associated with each BMP measure.

- e. Result in a quantifiable, measurable water resource benefit that will be determined cooperatively between the applicant and District.
  - f. Implement BMPs that have a cost-benefit that equals or is less than currently accepted Model Farms Costs. The Model Farms Costs are designed to identify reasonable costs associated with implementing BMPs by a typical agricultural operation.
  - g. Have had funding assistance deferred by the United States Department of Agriculture - Natural Resources Conservation Service (USDA-NRCS), Environmental Quality Incentives Program (EQIP) or similar program, if implementing irrigation system retrofits, conversions, or system upgrades. Only those water savings resulting from a decrease in inch-application rates for these types of projects will be used in the cost-benefit analysis. Irrigation retrofits will only be considered for the same crop type.
  - h. Applicant agrees to provide a minimum 25 percent funding contribution of total project costs for District funded FARMS projects. Thereby, a project that received or will receive funding assistance from other funding sources, including but not limited to the USDA-NRCS, EQIP or the Florida Department of Agriculture and Consumer Services (FDACS), must not exceed more than 75 percent of the total project cost reimbursed by all combined funding sources.
  - i. Utilize the Mobile Irrigation lab (MIL) services for FARMS projects that propose improved irrigation management decision support tools and for those projects proposing irrigation system retrofitting, conversions, or system upgrades. In the alternative, documentation must be provided to the District to demonstrate efficient irrigation water delivery in the existing system prior to the FARMS application being deemed complete. Although not required on all projects, participants are encouraged to receive an MIL evaluation prior to a FARMS application submittal in order to ascertain current operating conditions.
  - j. Enroll in the FDACS adopted agricultural BMPs program, through a Notice of Intent (NOI).
2. A project shall not be eligible for funding if the applicant previously received FARMS Program funds and construction of the funded project has not commenced.

#### **COST SHARE FUNDING RATES**

1. Program funding will be authorized by the Governing Board on a yearly basis, with no guarantee of funding availability. Consultant services, earthwork activities associated with drainage improvements or pond excavation, labor, other non-hardware costs, and other costs as determined by the District are not eligible for reimbursement; however, these costs may be used as an applicant's match in total project costs.

## GOVERNING DOCUMENT

Title: FARMS Program

Effective Date: 02/25/2020

Page 5 of 8

2. Those projects that meet all required criteria and have been determined to provide the highest water resource benefits will be recommended for Board approval, on a first-come, first-served basis until funding is exhausted. When funding levels are such that projects must be prioritized, District staff will consider the following:
  - a. Whether the project is located within a Water Use Caution Area or other area that has been identified as a priority by the District.
  - b. The effectiveness of the project in terms of total reductions in groundwater withdrawals (including the UFA), water quality benefits as a result of reductions in groundwater withdrawals where the use of mineralized water or Springs Coast nutrient loads are being reduced, or improvements in natural system function in the UMRW.
  - c. Cost-benefit analysis.
3. The amount of funding to be provided for approved projects will be determined as follows:
  - d. Fifty percent (50%) maximum reimbursement of total project costs, not to exceed 100% of FARMS Eligible Costs when a project proposes:
    - i. Reducing groundwater withdrawals from the UFA;
    - ii. An existing irrigation system upgrade or retrofit that reduces groundwater withdrawals;
    - iii. An improvement to ground or surface water quality impacted by mineralized groundwater withdrawals from any aquifer system;
    - iv. An improvement to natural system functions in the UMRW;
    - v. A reduction in nutrient loading in ground and/or surface water;
    - vi. A reduction in UFA groundwater withdrawals over the project area through the use of reclaimed water;
    - vii. Reducing withdrawals from any combination of ground, surface, or reclaimed water resources.
  - e. Seventy five percent (75%) maximum reimbursement of total project costs, not to exceed 100% of FARMS Eligible Costs when a project proposes:
    - i. A reduction in groundwater withdrawals from the UFA and the improvement of water quality in surface water impacted by mineralized ground water;
    - ii. A reduction in groundwater withdrawals and the improvement of natural systems in the UMRW;
    - iii. A reduction in UFA frost/freeze protection withdrawals authorized by a District Water Use Permit from the UFA within the DPCWUCA;
    - iv. A reduction in groundwater withdrawals from the UFA and a reduction in nutrient loading.

## APPLICATION PROCEDURE

1. The District will provide a FARMS Funding Application to all interested persons and entities within the District.

## **GOVERNING DOCUMENT**

**Title: FARMS Program**

**Effective Date: 02/25/2020**

**Page 6 of 8**

2. As a part of the application process, the District Project Manager and other appropriate representatives will conduct a site visit to discuss project feasibility with the applicant.
3. Applicants will submit a complete FARMS Funding Application signed by the property owner or authorized agent to the FARMS Program Manager. Applications for leased property shall be a joint application signed by the lessee and property owner (or authorized agents). If there are multiple owners, all owners (or authorized agents) shall sign the application or sign an affidavit indicating that they join in the application. In the case of a lessee applicant, a copy of a signed and executed lease agreement between the lessee and the property owner shall be submitted with the application that shows a lease term longer than the combined construction and operational time frames expected under the FARMS "Cooperative Funding Agreement".
4. Applications will be accepted any time during the fiscal year; however, funding is limited and complete applications for projects will be recommended only as long as funding is available and is subject pursuant to "Cost Share Funding and Rates", conditions above.
5. The assigned District Project Manager will evaluate each application and recommendations may be provided to an applicant to enhance a project's effectiveness. Applications which cannot be directly implemented by the applicant generating the request or their agent, or proposals which do not significantly, or cost effectively benefit water resource goals (as defined above) will not be approved.
6. The final decision regarding the funding of specific FARMS projects is the exclusive authority of the Governing Board. All requests for FARMS cost-share funding will be reviewed by the Governing Board.
7. Following Governing Board approval, applicants will be required to sign a cooperative funding agreement with the District, approved by the District's Office of General Counsel, which sets forth, at a minimum, the scope of work, contract duration, performance measures, Water Use Permit implications, operational and maintenance responsibilities, indemnification, and funding amount. The cooperative funding agreement will be executed by all property owners and, if applicable, all lessees.

## **CONTRACTUAL REQUIREMENTS**

1. A current template of the FARMS "Cooperative Funding Agreement" will be provided to the applicant during the application process.
2. All approved applicants will be required to enter into a FARMS "Cooperative Funding Agreement" with the District. A draft of the project specific FARMS "Cooperative Funding Agreement" will be provided to the applicant at such time as the application is deemed complete for approval.
3. The FARMS Program applicant will be required to modify their Water Use Permit to reflect the project as provided for in the contract.
4. The applicant is required to fulfill the obligations under the terms and conditions agreed to in an executed "Cooperative Funding Agreement" between the District and applicant.



## **GOVERNING DOCUMENT**

**Title: FARMS Program**

**Effective Date: 02/25/2020**

**Page 7 of 8**

## **EXCEPTIONS TO PROCEDURE**

Exceptions to this procedure may be reviewed by the Executive Director and presented to the Governing Board for approval on a project specific basis. The Governing Board has sole authority to approve an exception to this procedure.

## **DISTRIBUTION**

This Policy will be stored in the Governing Board Policy Repository.

## **REFERENCES**

FARMS Program Funding Application – District Form LEG-R.022.02 (8/10)

Cooperative Funding Agreement Template

Model Farms Economic Study – Final Report, March 2016

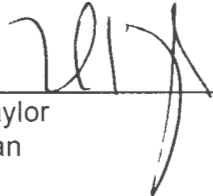
## **REVIEW PERIOD**

This policy will be reviewed every two (2) years by the Executive Director or designee and updated for Governing Board approval if needed to implement policy revisions. The Policy will be reviewed by the Governing Board every six (6) years.

**DOCUMENT DETAILS**

Document Name	Facilitating Agricultural Resource Management Systems (FARMS) Program
Formerly Known As	Chapter 40D-26 Facilitating Agricultural Resource Management Systems Program
Document Type	Policy
Author(s)	Chris Zajac
Reviewing Stakeholder(s)	
Document Owner Name	Randy Smith, PMP
Document Owner Title	Natural Systems and Restoration Bureau Chief
Review Period (in days)	730
Span of Control	Governing Board
Supersedes Date	New
Effective Date	

**APPROVAL**

  
\_\_\_\_\_  
Mark Taylor  
Chairman

2/25/20  
Date

# DRAFT

## GOVERNING BOARD POLICY

Southwest Florida Water Management District

**Title: Facilitating Agricultural Resource Management Systems (FARMS) Program**

**Document Owner:** Randy Smith, PMP, Natural Systems and  
Restoration Bureau Chief

**Approved By:** Kelly Rice, Chair

**Effective Date:**

**Supersedes:** 02/25/2020

## Contents

PURPOSE .....	1
SCOPE .....	2
AUTHORITY .....	2
DEFINITIONS .....	2
POLICY.....	3
FARMS PROJECT ELIGIBILITY CRITERIA.....	3
COST SHARE FUNDING RATES .....	4
APPLICATION PROCEDURE .....	5
CONTRACTUAL REQUIREMENTS .....	6
EXCEPTIONS TO PROCEDURE.....	7
DISTRIBUTION.....	7
REFERENCES .....	7
REVIEW PERIOD .....	7
DOCUMENT DETAILS .....	8
APPROVAL .....	8

## PURPOSE

This policy establishes procedures for implementing the Facilitating Agricultural Resource Management Systems (FARMS) Program and the requirements for obtaining funding assistance.

The FARMS Program is a public/private cost-share reimbursement program. The Program expedites water resource development and alternative water supply projects on agricultural properties by providing funding assistance to implement production-scale Best Management Practices (BMPs). The resource benefits anticipated include reduced Upper Floridan aquifer (UFA) withdrawals, water quality improvements in ground and surface water, conservation, restoration, and augmentation of the area's water resources and natural systems. The District's mission to protect water resources is reflected in the Program's five goals:

1. Improve surface water quality which has been impacted by groundwater withdrawals, with priority given to projects located in the Shell, Prairie, and Joshua Creek (SPJC) or Horse Creek watersheds;



## **GOVERNING DOCUMENT**

**Title: FARMS Program**

**Effective Date: 10/19/2021**

**Page 2 of 8**

2. Conserve, restore or augment the water resources and natural systems in the Upper Myakka River Watershed (UMRW);
3. Reduce groundwater use in the Southern Water Use Caution Area (SWUCA);
4. Reduce groundwater use for Frost/Freeze Protection within the Dover/Plant City Water Use Caution Area (DPCWUCA);
5. Reduce Upper Floridan aquifer groundwater use and nutrient loading in the Northern District.

## **SCOPE**

This policy applies to FARMS Program cost-share projects that are presented to the Governing Board for approval.

## **AUTHORITY**

The FARMS Program is authorized by Section 373.705(3), Florida Statutes (F.S.), which states the District “shall fund and implement water resource development as defined in Section 373.019, F.S.”

Water resource development, in pertinent part, is “the formulation and implementation of regional water resource management strategies, including structural and nonstructural programs to protect and manage water resources, [and] the development of regional water resource implementation programs.” Section 373.019(24), F.S.

Additionally, the Governing Board is authorized to contract with private organizations and other entities pursuant to Section 373.083(1), F.S.

The FARMS Program is consistent with the District’s Regional Water Supply Plan as approved by the Governing Board pursuant to Section 373.036(1), F.S. Furthermore, the FARMS Program is a key management action in a number of other Governing Board-approved documents including: 1) *Shell, Prairie, and Joshua Creek Watershed Management Plan - Reasonable Assurance Documentation*; 2) *Dover/Plant City Water Use Caution Area Recovery Strategy*; and 3) *Southern Water Use Caution Area Recovery Strategy*.

## **DEFINITIONS**

(1) “Agriculture” means the science and art of production of plants and animals and includes aquaculture, horticulture, floriculture, viticulture, forestry, nurseries, dairy, livestock, poultry, bees, and any and all forms of farm products and farm production.

(2) “Best Management Practice” means a practice or combination of practices based on research, field-testing, and expert review, to be the most practicable on-location means, including economic and technological considerations, for improving water conservation and quality in agricultural discharges. BMPs for agricultural discharges shall reflect a balance between water resource improvements and agricultural productivity.

(3) “District” means the Southwest Florida Water Management District.

(4) “Eligible Costs” means the costs for equipment procured in accordance with the terms of the contractual agreement between the applicant and the District which are eligible for reimbursement.

(5) “Equipment” means the tangible items and components of a project including software and internet services for the first year of a project’s operation.

(6) “Model Farms Costs” means those estimated costs developed to identify reasonable costs

## **GOVERNING DOCUMENT**

**Title: FARMS Program**

**Effective Date: 10/19/2021**

**Page 3 of 8**

associated with implementing various BMPs by a variety of agricultural operations as set forth in the current Governing Board approved Model Farms Economic Study.

(7) "Program" means the Facilitating Agricultural Resource Management Systems Program.

(8) "Project Area" means the land upon which the components of the BMPs are located and includes the land to be served by a project.

## **POLICY**

The following guidelines apply to all FARMS projects.

## **FARMS PROJECT ELIGIBILITY CRITERIA**

1. BMPs commonly implemented in eligible projects include, but are not limited to, internal surface water control, tailwater recovery, alternative source utilization, improved irrigation management decision support tools, frost-freeze protection alternatives, and precision nutrient application technology/management decision support tools. FARMS Program funding is available to agricultural operations that:
  - a. Are located within the jurisdictional boundaries of the District;
  - b. Are in compliance with all applicable federal, state, and local laws, rules, and regulations and all District-issued permits. A project shall not be eligible for funding if the project components are required by permit;
  - c. Have a District-issued water use permit;
  - d. Are consistent with the FARMS Program goals, as applicable, as listed above and further defined as follows:
    - i. Improve surface water quality which has been impacted by groundwater withdrawals, with priority given to projects located in the Shell, Prairie, Joshua, or Horse Creek watersheds. These projects must result in specific conductance water quality improvements for those agricultural operations currently using mineralized groundwater (defined as having a specific conductance in excess of 1000 uS/cm).
    - ii. Conserve, restore, or augment the water resources and natural systems in the UMRW. These projects must be located within the UMRW and propose improvements to natural systems and wetland functions with impacts from groundwater withdrawals.
    - iii. Reduce groundwater use in the SWUCA by implementing BMPs that result in a reduction in annual average daily UFA groundwater withdrawals within the District. No more than 5% of frost/freezing protection quantities authorized by a District Water Use Permit shall be used in calculating the amount of water no longer withdrawn from the UFA outside the DPCWUCA.
    - iv. Implement BMPs that result in a reduction in frost-freezing protection and/or annual average daily UFA groundwater withdrawals within the DPCWUCA.
    - v. Reduce Upper Floridan aquifer (UFA) groundwater use and nutrient loading in the District by implementing nutrient water quality improvements. Proposed nutrient reduction BMPs must be supported by accepted

## **GOVERNING DOCUMENT**

**Title: FARMS Program**

**Effective Date: 10/19/2021**

**Page 4 of 8**

research-based water quality improvement investigations associated with each BMP measure.

- e. Result in a quantifiable, measurable water resource benefit that will be determined cooperatively between the applicant and District.
  - f. Implement BMPs that have a cost-benefit that equals or is less than currently accepted Model Farms Costs. The Model Farms Costs are designed to identify reasonable costs associated with implementing BMPs by a typical agricultural operation.
  - g. Have had funding assistance deferred by the United States Department of Agriculture - Natural Resources Conservation Service (USDA-NRCS), Environmental Quality Incentives Program (EQIP) or similar program, if implementing irrigation system retrofits, conversions, or system upgrades. Only those water savings resulting from a decrease in inch-application rates for these types of projects will be used in the cost-benefit analysis. Irrigation retrofits will only be considered for the same crop type.
  - h. Applicant agrees to provide a minimum 25 percent funding contribution of total project costs for District funded FARMS projects. Thereby, a project that received or will receive funding assistance from other funding sources, including but not limited to the USDA-NRCS, EQIP or the Florida Department of Agriculture and Consumer Services (FDACS), must not exceed more than 75 percent of the total project cost reimbursed by all combined funding sources.
  - i. Utilize the Mobile Irrigation lab (MIL) services for FARMS projects that propose improved irrigation management decision support tools and for those projects proposing irrigation system retrofitting, conversions, or system upgrades. In the alternative, documentation must be provided to the District to demonstrate efficient irrigation water delivery in the existing system prior to the FARMS application being deemed complete. Although not required on all projects, participants are encouraged to receive an MIL evaluation prior to a FARMS application submittal in order to ascertain current operating conditions.
  - j. Enroll in the FDACS adopted agricultural BMPs program, through a Notice of Intent (NOI).
2. A project shall not be eligible for funding if the applicant previously received FARMS Program funds and construction of the funded project has not commenced.

## **COST SHARE FUNDING RATES**

- 1. Program funding will be authorized by the Governing Board on a yearly basis, with no guarantee of funding availability. Consultant services, earthwork activities associated with drainage improvements or pond excavation, labor, other non-hardware costs, and other costs as determined by the District are not eligible for reimbursement; however, these costs may be used as an applicant's match in total project costs.

## **GOVERNING DOCUMENT**

**Title: FARMS Program**

**Effective Date: 10/19/2021**

**Page 5 of 8**

2. Those projects that meet all required criteria and have been determined to provide the highest water resource benefits will be recommended for Board approval, on a first-come, first-served basis until funding is exhausted. When funding levels are such that projects must be prioritized, District staff will consider the following:
  - a. Whether the project is located within a Water Use Caution Area or other area that has been identified as a priority by the District.
  - b. The effectiveness of the project in terms of total reductions in groundwater withdrawals (including the UFA), water quality benefits as a result of reductions in groundwater withdrawals where the use of mineralized water or Springs Coast nutrient loads are being reduced, or improvements in natural system function in the UMRW.
  - c. Cost-benefit analysis.
3. The amount of funding to be provided for approved projects will be determined as follows:
  - d. Fifty percent (50%) maximum reimbursement of total project costs, not to exceed 100% of FARMS Eligible Costs when a project proposes:
    - i. Reducing groundwater withdrawals from the UFA;
    - ii. An existing irrigation system upgrade or retrofit that reduces groundwater withdrawals;
    - iii. An improvement to ground or surface water quality impacted by mineralized groundwater withdrawals from any aquifer system;
    - iv. An improvement to natural system functions in the UMRW;
    - v. A reduction in nutrient loading in ground and/or surface water;
    - vi. A reduction in UFA groundwater withdrawals over the project area through the use of reclaimed water;
    - vii. Reducing withdrawals from any combination of ground, surface, or reclaimed water resources.
  - e. Seventy five percent (75%) maximum reimbursement of total project costs, not to exceed 100% of FARMS Eligible Costs when a project proposes:
    - i. A reduction in groundwater withdrawals from the UFA and the improvement of water quality in surface water impacted by mineralized ground water;
    - ii. A reduction in groundwater withdrawals and the improvement of natural systems in the UMRW;
    - iii. A reduction in UFA frost/freeze protection withdrawals authorized by a District Water Use Permit from the UFA within the DPCWUCA;
    - iv. A reduction in groundwater withdrawals from the UFA and a reduction in nutrient loading.

## **APPLICATION PROCEDURE**

1. The District will provide a FARMS Funding Application to all interested persons and entities within the District.

## **GOVERNING DOCUMENT**

**Title: FARMS Program**

**Effective Date: 10/19/2021**

**Page 6 of 8**

2. As a part of the application process, the District Project Manager and other appropriate representatives will conduct a site visit to discuss project feasibility with the applicant.
3. Applicants will submit a complete FARMS Funding Application signed by the property owner or authorized agent to the FARMS Program Manager. Applications for leased property shall be a joint application signed by the lessee and property owner (or authorized agents). If there are multiple owners, all owners (or authorized agents) shall sign the application or sign an affidavit indicating that they join in the application. In the case of a lessee applicant, a copy of a signed and executed lease agreement between the lessee and the property owner shall be submitted with the application that shows a lease term longer than the combined construction and operational time frames expected under the FARMS "Cooperative Funding Agreement".
4. Applications will be accepted any time during the fiscal year; however, funding is limited and complete applications for projects will be recommended only as long as funding is available and is subject pursuant to "Cost Share Funding and Rates", conditions above.
5. The assigned District Project Manager will evaluate each application and recommendations may be provided to an applicant to enhance a project's effectiveness. Applications which cannot be directly implemented by the applicant generating the request or their agent, or proposals which do not significantly, or cost effectively benefit water resource goals (as defined above) will not be approved.
6. The final decision regarding the funding of specific FARMS projects is the exclusive authority of the Governing Board. All requests for FARMS cost-share funding will be reviewed by the Governing Board.
7. Following Governing Board approval, applicants will be required to sign a cooperative funding agreement with the District, approved by the District's Office of General Counsel, which sets forth, at a minimum, the scope of work, contract duration, performance measures, Water Use Permit implications, operational and maintenance responsibilities, indemnification, and funding amount. The cooperative funding agreement will be executed by all property owners and, if applicable, all lessees.

## **CONTRACTUAL REQUIREMENTS**

1. A current template of the FARMS "Cooperative Funding Agreement" will be provided to the applicant during the application process.
2. All approved applicants will be required to enter into a FARMS "Cooperative Funding Agreement" with the District. A draft of the project specific FARMS "Cooperative Funding Agreement" will be provided to the applicant at such time as the application is deemed complete for approval.
3. The FARMS Program applicant will be required to modify their Water Use Permit to reflect the project as provided for in the contract.
4. The applicant is required to fulfill the obligations under the terms and conditions agreed to in an executed "Cooperative Funding Agreement" between the District and applicant.

## **GOVERNING DOCUMENT**

**Title: FARMS Program**

**Effective Date: 10/19/2021**

**Page 7 of 8**

## **EXCEPTIONS TO PROCEDURE**

Exceptions to this procedure may be reviewed by the Executive Director and presented to the Governing Board for approval on a project specific basis. The Governing Board has sole authority to approve an exception to this procedure.

## **DISTRIBUTION**

This Policy will be stored in the Governing Board Policy Repository.

## **REFERENCES**

FARMS Program Funding Application – District Form LEG-R.022.02 (8/10)

Cooperative Funding Agreement Template

Current Governing Board approved Model Farms Economic Study

## **REVIEW PERIOD**

This policy will be reviewed every two (2) years by the Executive Director or designee and updated for Governing Board approval if needed to implement policy revisions. The Model Farms Economic Study will be reviewed and updated every five (5) years. The Policy will be reviewed by the Governing Board every five (5) years following the Economic Study update.

**GOVERNING DOCUMENT****Title: FARMS Program****Effective Date: 10/19/2021****Page 8 of 8****DOCUMENT DETAILS**

Document Name	Facilitating Agricultural Resource Management Systems (FARMS) Program
Formerly Known As	Chapter 40D-26 Facilitating Agricultural Resource Management Systems Program
Document Type	Policy
Author(s)	Chris Zajac
Reviewing Stakeholder(s)	Carole J. Estes, FARMS Manager
Document Owner Name	Randy Smith, PMP
Document Owner Title	Natural Systems and Restoration Bureau Chief
Review Period (in days)	730
Span of Control	Governing Board
Supersedes Date	02/25/2020
Effective Date	

**APPROVAL**

---

Kelly Rice  
Chairman

---

Date

## CONSENT AGENDA

October 19, 2021

**Operations, Lands and Resource Monitoring Committee: First Amendment to Lease Agreement with Florida Department of Environmental Protection Division of Recreation and Parks – Rainbow River Ranch Tract Project – SWF Parcel No. 19-593-108X-1**

### *Purpose*

Recommend the Governing Board approve the First Amendment (Amendment) to the Lease Agreement with Florida Department of Environmental Protection Division of Recreation and Parks (DRP) for the Rainbow River Ranch Tract Project to add 4.86 acres of additional land. The Amendment is included as Exhibit 1.

### *Background/History*

The 112-acre Rainbow River Ranch Tract (Property) was acquired in fee in June 2017, for its significant contribution to flood protection, water quality, and natural systems. The Property is adjacent to the Rainbow Springs State Park (Park) and in December 2019 the Governing Board and DRP entered into a lease agreement (Agreement) that authorizes DRP to manage the Property as part of the Park. This Amendment will add an additional 4.86 acres to the 107 acres under the Agreement. The additional acreage was intended to be included in the Agreement and was depicted in the map of the Property to be managed by DRP but was inadvertently left out of the original legal description. The additional acreage will be managed consistent with the current Agreement, as part of the Park and for natural resource management.

### *Benefits/Costs*

The DRP will manage the Property as part of the Rainbow Springs State Park at no cost to the District. The District receives flood protection, water quality, and natural system protection benefits by ownership of the Property.

### *Deliverables*

The DRP's specific obligations are detailed in the Amendment.

### Staff Recommendation:

- Approve the First Amendment to the Lease Agreement with Florida Department of Environmental Protection Division of Recreation and Parks for the Rainbow River Ranch Tract Project SWF Parcel No. 19-593-108X-1.
- Authorize the Governing Board Chair and Treasurer to execute the Amendment.

### Presenter:

Ellen Morrison, Land Resources Bureau Chief



**FIRST AMENDMENT TO THE LEASE AGREEMENT BETWEEN THE  
SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT  
AND THE STATE OF FLORIDA DEPARTMENT OF  
ENVIRONMENTAL PROTECTION,  
DIVISION OF RECREATION AND PARKS  
FOR RAINBOW RIVER RANCH**

**THIS FIRST AMENDMENT**, hereinafter the "First Amendment," by and between the SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT, a public corporation, having an address of 2379 Broad Street, Brooksville, Florida 34604-6899, hereinafter the "DISTRICT," as Lessor, and the STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION, DIVISION OF RECREATION AND PARKS, an agency of the State of Florida, having an address of 3800 Commonwealth Boulevard MS#525, Tallahassee, FL 32399-3000 hereinafter "DRP", as Lessee, altogether, the "Parties".

**WITNESSETH:**

**WHEREAS**, the DISTRICT is the owner in fee simple of certain lands situated in Marion County, Florida, known as the Rainbow River Ranch, hereinafter referred to as the "Property"; and

**WHEREAS**, the DRP manages lands known as the Rainbow Springs State Park, hereinafter referred to as the "State Park," for the purposes of public recreation and natural resource preservation that are adjacent to the Property; and

**WHEREAS**, the DISTRICT and DRP executed a Lease on December 10, 2019, hereinafter referred to as the "Lease," to authorize DRP to manage a portion of the Property as an addition to the State Park for the purposes of water management, natural resource management, outdoor recreation, and related public purposes; and

**WHEREAS**, the Parties, in recognition of the benefit of cost-effective management of the Property and the value of intergovernmental cooperation, desire DRP to manage an additional portion of the Property as part of the State Park; and

**WHEREAS**, the DISTRICT and DRP wish to amend the Lease to incorporate the additional property which is to be managed as part of the State Park by DRP.

**NOW, THEREFORE**, for and in consideration of the mutual terms, covenants and agreements hereinafter contained, the DISTRICT and DRP agree to amend the Lease subject to the following terms and conditions:

1. **Paragraph 1. DESCRIPTION OF PROPERTY:** The DISTRICT and DRP by way of this First Amendment agree to incorporate additional property situated in Marion County, Florida and is more particularly described in Exhibit "A" as legal description Parcel 19-593-107. Exhibit A is attached hereto and incorporated herein by this reference.
2. **ORIGINALS:** This First Amendment may be signed and delivered in two or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument.

3. **EFFECTIVE DATE**: The effective date of this First Amendment will be the date that the last of the parties has executed this First Amendment.

The DISTRICT and DRP acknowledge that all other aspects of the Lease are to remain in full force and effect and continue to apply to the Property.

**[The remainder of the page intentionally left blank.]**

**IN WITNESS WHEREOF**, the Parties hereto have executed this First Amendment on the day and year set forth below.

**SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT**

By: \_\_\_\_\_  
Kelly S. Rice, Chair

**STATE OF FLORIDA**  
**COUNTY OF \_\_\_\_\_**

The foregoing instrument was acknowledged before me, by means of \_\_\_\_\_ physical presence or online \_\_\_\_\_ notarization, this \_\_\_\_\_ day of \_\_\_\_\_ 202\_\_\_\_ by Kelly S. Rice, Chair of the Governing Board of the Southwest Florida Water Management District who is personally known to me.

\_\_\_\_\_  
Notary Public, State of Florida

\_\_\_\_\_  
Print/Type Notary Name

Commission Number: \_\_\_\_\_

Commission Expires: \_\_\_\_\_

Approved as to form and legal sufficiency

By: \_\_\_\_\_  
Office of General Counsel

**SOUTHWEST FLORIDA WATER MANAGEMENT  
DISTRICT**

By: \_\_\_\_\_  
Ed Armstrong, Treasurer

**STATE OF FLORIDA**  
**COUNTY OF \_\_\_\_\_**

The foregoing instrument was acknowledged before me, by means of \_\_\_\_\_ physical presence or online \_\_\_\_\_ notarization, this \_\_\_\_\_ day of \_\_\_\_\_ 202\_\_\_\_ by Ed Armstrong, Treasurer of the Governing Board of the Southwest Florida Water Management District who is personally known to me.

\_\_\_\_\_  
Notary Public, State of Florida

\_\_\_\_\_  
Print/Type Notary Name

Commission Number: \_\_\_\_\_

Commission Expires: \_\_\_\_\_

Approved as to form and legal sufficiency

By: \_\_\_\_\_  
Office of General Counsel

**STATE OF FLORIDA DEPARTMENT OF  
ENVIRONMENTAL PROTECTION, DIVISION  
OF RECREATION AND PARKS**

By: \_\_\_\_\_  
Chief, Office of Park Planning

**STATE OF FLORIDA  
COUNTY OF LEON**

The foregoing instrument was acknowledged before me, by means of \_\_\_\_\_ physical presence or online \_\_\_\_\_ notarization, this \_\_\_\_\_ day of \_\_\_\_\_ 202\_\_, by \_\_\_\_\_, Chief, Office of Park Planning, Division of Recreation and Parks, on behalf of the State of Florida Department of Environmental Protection who is personally known to me.

\_\_\_\_\_  
Notary Public, State of Florida

\_\_\_\_\_  
Print/Type Notary Name

Commission Number: \_\_\_\_\_

Commission Expires: \_\_\_\_\_

EXHIBIT "A"

FIRST AMENDMENT TO THE LEASE AGREEMENT BETWEEN THE SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT AND THE STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION, DIVISION OF RECREATION AND PARKS FOR RAINBOW RIVER RANCH.

Legal Description Parcel 19-593-107 (Rainbow River Ranch LLC)

A PARCEL OF LAND LYING IN SECTION 25 AND 36, TOWNSHIP 16 SOUTH, RANGE 18 EAST OF MARION COUNTY, FLORIDA, ALL BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

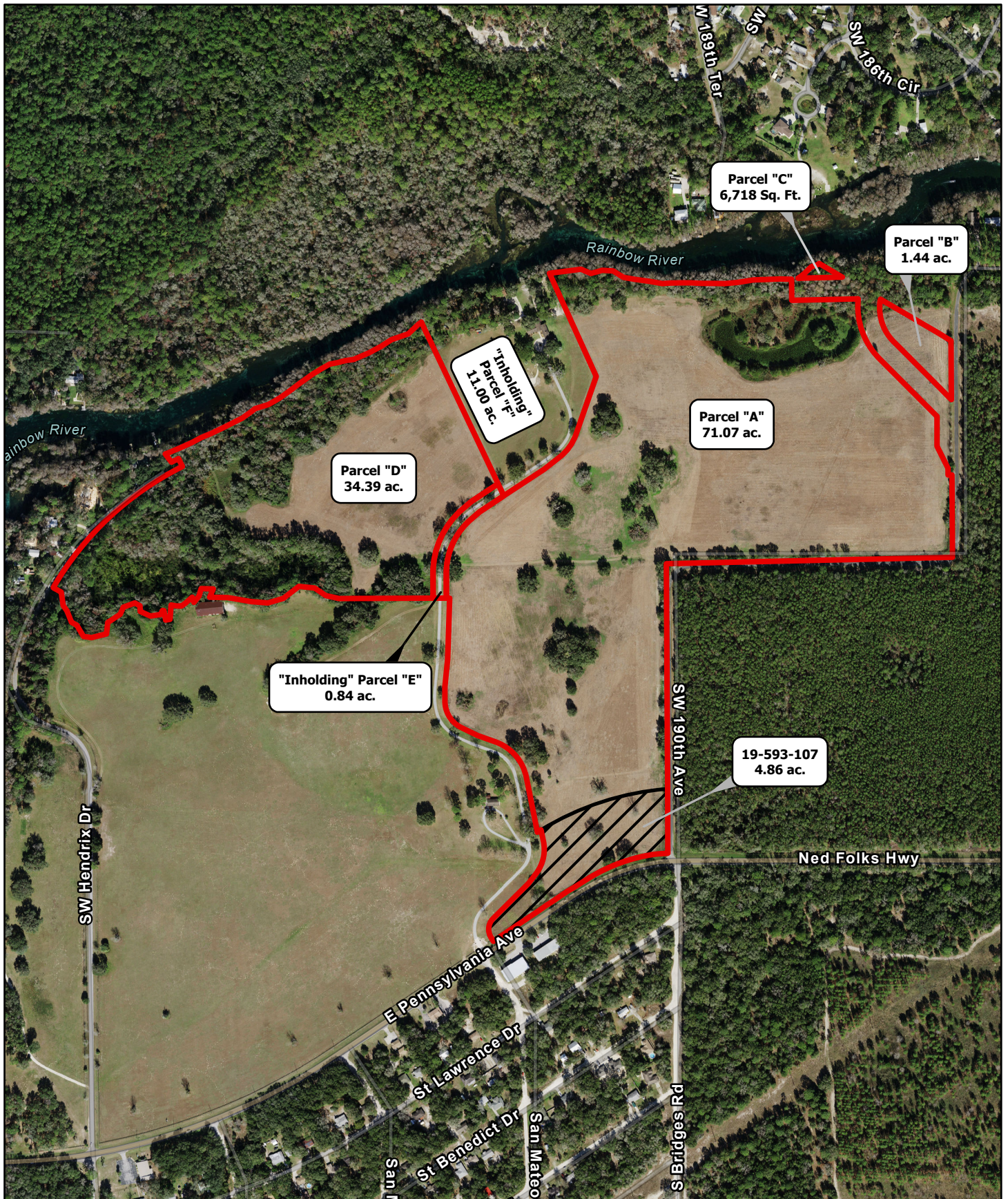
COMMENCE AT THE SOUTHEAST CORNER OF SAID SECTION 25; THENCE ALONG THE EAST LINE OF THE SOUTHEAST 1/4 OF SAID SECTION 25, NORTH 00°17'17" WEST A DISTANCE OF 329.26 FEET; THENCE LEAVING THE SAID EAST LINE, SOUTH 89°42'43" WEST A DISTANCE OF 30.00 FEET TO THE WEST RIGHT OF WAY LINE OF S.W. 190TH AVENUE AND THE POINT OF BEGINNING; THENCE ALONG SAID WEST RIGHT OF WAY LINE, SOUTH 00°17'17" EAST A DISTANCE OF 291.65 FEET TO THE NORTHERLY RIGHT OF WAY OF COUNTY ROAD 484, FORMERLY STATE ROAD 484 AS SHOWN ON DOT MAP BOOK 1, PAGE 28 OF THE PUBLIC RECORDS OF MARION COUNTY, FLORIDA; THENCE ALONG THE SAID NORTH RIGHT OF WAY LINE, SOUTH 87°22'17" WEST, 37.59 FEET; THENCE ALONG THE SAID NORTH RIGHT OF WAY LINE, SOUTH 84°12'00" WEST, 22.02 FEET TO A NON-TANGENT CURVE TO THE LEFT, HAVING A RADIUS OF 774.66 FEET; THENCE CONTINUE ALONG THE NORTHERLY RIGHT OF WAY LINE AND ALONG THE ARC OF SAID CURVE TO THE LEFT AND SAID NORTH RIGHT OF WAY, A CENTRAL ANGLE OF 23°13'27", AN ARC LENGTH OF 314.00 FEET, AND A CHORD BEARING AND DISTANCE OF SOUTH 70°16'56" WEST, 311.85 FEET; THENCE CONTINUE ALONG THE NORTHERLY RIGHT OF WAY LINE SOUTH 58°08'44" WEST A DISTANCE OF 119.97 FEET; THENCE CONTINUE ALONG THE NORTHERLY RIGHT OF WAY LINE SOUTH 56°00'31" WEST A DISTANCE OF 84.28 FEET; THENCE CONTINUE ALONG THE NORTHERLY RIGHT OF WAY LINE SOUTH 57°44'40" WEST A DISTANCE OF 33.02 FEET; THENCE CONTINUE ALONG THE NORTHERLY RIGHT OF WAY LINE SOUTH 54°58'50" WEST A DISTANCE OF 39.01 FEET; THENCE CONTINUE ALONG THE NORTHERLY RIGHT OF WAY LINE SOUTH 56°10'42" WEST A DISTANCE OF 247.88 FEET; THENCE LEAVING SAID NORTHERLY RIGHT OF WAY LINE, NORTH 30°16'04" WEST A DISTANCE OF 22.01 FEET TO A CURVE TO THE RIGHT, HAVING A RADIUS OF 69.00 FEET; THENCE ALONG THE ARC OF SAID CURVE TO THE RIGHT, A CENTRAL ANGLE OF 75°26'29", AN ARC LENGTH OF 90.86 FEET, AND A CHORD BEARING AND DISTANCE OF NORTH 07°27'11" EAST, 84.43 FEET; THENCE NORTH 45°10'25" EAST A DISTANCE OF 224.73 FEET; THENCE NORTH 37° 54' 45" EAST A DISTANCE OF 54.69 FEET TO A CURVE TO THE LEFT, HAVING A RADIUS OF 181.00 FEET; THENCE ALONG THE ARC OF SAID CURVE TO THE LEFT, A CENTRAL ANGLE OF 49°36'51", AN ARC LENGTH OF 156.73 FEET, AND A CHORD BEARING AND DISTANCE OF NORTH 13°06'24" EAST, 151.88 FEET; THENCE NORTH 11° 41' 57" WEST A DISTANCE OF 52.58 FEET TO THE SOUTH BOUNDARY OF AFORESAID LANDS DESCRIBED IN OFFICIAL RECORDS BOOK 4812, PAGE 1449 AND A NON-TANGENT CURVE TO THE RIGHT, HAVING A RADIUS OF 1287.93 FEET; THENCE ALONG SAID SOUTH BOUNDARY AND ALONG THE ARC OF SAID NON-TANGENT CURVE TO THE RIGHT, A CENTRAL ANGLE OF 27°01'26", AN ARC LENGTH OF 607.46 FEET, AND A CHORD BEARING AND DISTANCE OF NORTH 72°02'44" EAST, 601.84 FEET TO THE POINT OF BEGINNING.

CONTAINING 4.86 ACRES.

Approved for use by the Survey Section 08-25-2017, W.O. 17-079.

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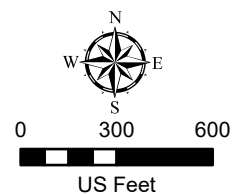




Southwest Florida  
Water Management District

WaterMatters.org • 1-800-423-1476

- SWF Parcel 19-593-108X-1
- Additional Property





**CONSENT AGENDA****October 19, 2021****General Counsel's Report: Acquisition of Mineral Rights - Myakkahatchee Creek Project - SWF Parcel Nos. 21-694-102 and 21-694-103C**

The Mabry Carlton Ranch, Inc., property (Myakkahatchee Creek Project) was jointly acquired by the District and Sarasota County in December 2007. The transaction included the purchase of fee simple title to 4,746 acres and a conservation easement over 7,630 acres of land. The oil, gas, and mineral rights to the 4,746 acres purchased in fee and 4,838 acres of the 7,630 acres over which the conservation easement was purchased had previously been severed.

At the time of closing, several conditions of the transaction remained incomplete. Survey and title defects needed to be cured, environmental remediation needed to be performed, and approximately 20 percent of the severed mineral rights were held by third parties and needed to be acquired. Mabry Carlton Ranch, Sarasota County, and the District agreed to place \$5,000,000 due to Mabry Carlton Ranch in escrow and entered into an Escrow Agreement to describe how the funds would be disbursed upon satisfaction of the remaining conditions (Original Escrow Agreement). By January 2013, the parties had agreed to disburse \$2,500,000 to Mabry Carlton Ranch following satisfaction of conditions relating to survey and title defects and environmental remediation.

Mabry Carlton Ranch also diligently pursued and acquired 18.4% of the severed mineral rights held by third parties, prompting extension of the Original Escrow Agreement each year from the original expiration date in December 2012 until Mabry Carlton Ranch declined to extend the Original Escrow Agreement in December 2018. At that time, the funds remaining in escrow were to be held for the purpose of acquiring severed mineral rights held by two remaining property owners—S.C. Property Tax Ventures (4/768 interest) and Patricia Kranzlein (16/768 interest). The parties have been proceeding in accordance with the Original Escrow Agreement since December 2018 in order to acquire the outstanding severed mineral rights and satisfy the last remaining conditions of the transaction.

In 2020, the District negotiated proposed resolutions with the two mineral rights owners and Mabry Carlton Ranch. S.C. Property Tax Ventures agreed to sell its mineral rights for \$12,000 and Patricia Kranzlein agreed to sell her mineral rights for \$40,000, for a total of \$52,000. Mabry Carlton Ranch agreed to contribute \$7,000 towards the acquisition of the combined mineral rights, based on its valuation of the combined mineral rights, and an additional \$25,000 for administrative expenses, for a total of \$32,000. In July 2020, the District's Governing Board and the Sarasota County Commission each approved contributing an additional \$10,000 to be added to Mabry Carlton Ranch's \$32,000 to meet the total purchase price negotiated by the District.

On May 21, 2021, the parties acquired S.C. Property Tax Ventures' mineral rights for \$12,165 with Mabry Carlton Ranch contributing \$1,450 of the \$32,000 described above. Patricia Kranzlein, having previously agreed to sell her mineral rights for \$40,000, has since refused to sign a purchase and sale agreement. Additionally, the current escrow agent, Fidelity National Title of Florida, Inc., has indicated that it is no longer willing to continue as the escrow agent and is threatening to interplead the escrowed funds with the court in Sarasota County. To avoid litigation and allow for additional time to complete the transaction with Patricia Kranzlein, the District and Sarasota County are developing a new escrow agreement that provides for:



- The disbursement of funds held under the Original Escrow Agreement to Mabry Carlton Ranch, less a minimum amount of \$30,550 representing Mabry Carlton Ranch's remaining contribution as described above.
- The deposit of a minimum amount of \$40,000 into escrow to be held for the purpose of acquiring Patricia Kranzlein's mineral rights.
- The naming of Fuentes & Kreischer Title Company as the new Escrow Agent.
- A 12-month duration from the date of the last of the parties to sign.

The District, Sarasota County, and Mabry Carlton Ranch will also discuss the need to develop separate agreements and conveyance instruments if necessary to complete any remaining outstanding obligation, such as merging of title interests. Any additional action not specifically addressed in this agenda item will be brought back to the Governing Board for consideration and approval.

Staff Recommendation:

- Approve the new Escrow Agreement between the District and Sarasota County.
- Authorize District staff to make minor adjustments to the amount held in escrow under the new Escrow Agreement.
- Authorize the Executive Director to execute Instructions to Disburse Funds as necessary to complete any transaction contemplated under the Original Escrow Agreement or new Escrow Agreement.

Presenter:

Christopher A. Tumminia, General Counsel

## **ESCROW AGREEMENT**

This Escrow Agreement (Escrow Agreement) is made by and among **Southwest Florida Water Management District** hereinafter referred to as "District," **Sarasota County** hereinafter referred to as "County," collectively referred to as the "Parties," and **Fuentes and Kreischer P.A.** hereinafter referred to as "Escrow Agent."

### **WITNESSETH:**

**WHEREAS**, the Parties and Mabry Carlton Ranch, Inc. (Mabry Carlton Ranch), previously entered into an escrow agreement identified as County Contract No. 2008-131 (Original Escrow Agreement) pursuant to the terms of the Purchase/Sale Agreement dated November 27, 2007; and

**WHEREAS**, pursuant to the Original Escrow Agreement the Parties agreed to withhold \$5,000,000.00 from the net sales proceeds due to Mabry Carlton Ranch, which funds were deposited in escrow upon the terms and conditions and for the purposes set forth in the Original Escrow Agreement; and

**WHEREAS**, \$2,500,000.00 of the escrowed funds was subsequently released to Mabry Carlton Ranch upon the satisfaction of certain conditions of the Original Escrow Agreement; and

**WHEREAS**, the Original Escrow Agreement was amended to allow 6 annual extensions of the time provided for Mabry Carlton Ranch to satisfy the remaining conditions for the release of the remaining \$2,500,000.00 held in escrow (Escrowed Funds); and

**WHEREAS**, the Parties and Mabry Carlton Ranch entered into a Sixth Amendment to Escrow Agreement dated December 12, 2017, to extend the Original Escrow Agreement through December 2018; and

**WHEREAS**, the Parties and Mabry Carlton Ranch have been proceeding in accordance with the terms of the Original Escrow Agreement, as subsequently amended; and

**WHEREAS**, the current escrow agent, Fidelity National Title of Florida, Inc., no longer wishes to serve in that capacity and has requested that the Parties and Mabry Carlton Ranch designate a new escrow agent; and

**WHEREAS**, the Parties and Mabry Carlton Ranch intend to direct the current escrow agent under the Sixth Amendment to Escrow Agreement to distribute a minimum of \$30,550.00 to the District and Sarasota County, along with any additional amount necessary to settle with or reimburse the District and Sarasota County for administrative expenses, and distribute the balance of the Escrowed Funds to Mabry Carlton Ranch,

thereby reducing the Escrowed Funds held under the Original Escrow Agreement to zero and terminating the escrow account; and

**WHEREAS**, the Parties intend to deposit into a new escrow account the funds disbursed by the current escrow agent under the Sixth Amendment to Escrow Agreement as described herein, along with \$4,725.00 from the District and \$4,725.00 from the County remaining from the funds previously approved by the District and Sarasota County for contribution to Mabry Carlton Ranch to acquire outstanding mineral interests (Settlement Funds);

**WHEREAS**, the Parties desire that Escrow Agent hold the Settlement Funds, which are to be disbursed according to the terms of this Escrow Agreement.

**NOW, THEREFORE**, in consideration of the covenants and agreements herein set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. The above recitals are true and correct and are incorporated herein by this reference.

2. Escrow Agent will establish a special escrow account with its bank, Century Bank of Florida, hereinafter referred to as the "Account." The Account will be in the name of the Escrow Agent as "Trustee," "Escrow Agent," or similar designation, for the benefit of the District and Sarasota County but held for the purposes set forth herein.

3. In order to satisfy the remaining conditions of the Purchase/Sale Agreement dated November 27, 2007, the Parties have been pursuing the acquisition of a 1/48 (16/768) undivided interest in and to the oil, gas, and mineral rights in the East ½ of Township 38 South, Range 21 East, as more particularly described by the Sarasota County Property Appraiser as Parcel ID No. 0865-00-1150 (Outstanding Mineral Interest). The Settlement Funds are being held by the Escrow Agent to ensure acquisition of the Outstanding Mineral Interest. Upon presentation of a fully executed Settlement Agreement for Purchase and Sale of Oil, Gas and Mineral Rights (Settlement Agreement) and direction from the Parties in writing, the Escrow Agent is authorized to release Settlement Funds to the closing agent identified in the Settlement Agreement.

4. With respect to any claim for payment from the Settlement Funds, the Parties will present appropriate documentation supporting the claim to the Escrow Agent and to Seller at the following:

Fuentes & Kreischer, P.A.  
Attention: Albert C. Kreischer, Jr.  
1407 West Busch Boulevard  
Tampa, FL 33612  
Fax: 813-932-8588  
Email: [ack@fklaw.net](mailto:ack@fklaw.net)

5. If the Escrow Agent is uncertain as to its duties or rights hereunder, or receives conflicting or competing instructions, claims or demands from or by the Parties with respect to the Settlement Funds, which, in its sole opinion, conflict with any provision of this Escrow Agreement, Escrow Agent will be entitled to refrain from taking any action until it is directed otherwise in writing by the Parties or by a final order or judgment of a court of competent jurisdiction.

6. It is agreed that the duties of Escrow Agent are purely ministerial in nature and are expressly limited to the safekeeping of the Settlement Funds and for the disposition of same in accordance with this Escrow Agreement. The Parties hereby indemnify Escrow Agent and hold it harmless from and against any and all claims, liabilities, damages, costs, penalties, losses, actions, suits or proceedings at law or in equity, or any other expenses, fees or charges of any character or nature, which it may incur or with which it may be threatened directly or indirectly arising from or in any way connected with this Escrow Agreement or which may result from Escrow Agent's following of instructions from the Parties, and in connection therewith, indemnifies Escrow Agent against any and all expenses, including attorneys' fees and the cost of defending any action, suit or proceeding or resisting any claim, whether or not litigation is instituted.

7. If Escrow Agent is joined as a party to a lawsuit by virtue of the fact that it is holding the Settlement Funds, Escrow Agent may, at its option, either (1) tender the Settlement Funds to the registry of the appropriate court or (2) disburse the Settlement Funds in accordance with the applicable court's ultimate disposition of the case, and the Parties, hereby, jointly and severally, indemnify and hold Escrow Agent harmless from and against any damages or losses in connection therewith including, but not limited to, reasonable attorneys' fees and court costs at all trial and appellate levels.

8. If Escrow Agent tenders the Settlement Funds to the registry of the appropriate court and files an action of interpleader naming the Parties, and any affected third parties of whom Escrow Agent has received actual notice, Escrow Agent will be released and relieved from any and all further obligation and liability hereunder or in connection herewith, and the Parties hereby, jointly and severally, indemnify and hold Escrow Agent harmless from and against any damages or losses arising in connection therewith including, but not limited to, all costs and expenses incurred by Escrow Agent in connection with the filing of such action including, but not limited to, reasonable attorneys' fees and court costs at all trial and appellate levels.

9. This Escrow Agreement will remain in effect for a period not to exceed one (1) year from the date of the last of the Parties to sign unless:

(a) Terminated by the Parties upon written notice of termination evidencing the cancellation and termination of this Escrow Agreement; or

(b) Upon compliance with all escrow provisions as set forth in this Escrow Agreement; or

(c) Extended in writing agreed to by the Parties.

10. All notices, certificates, requests, demands, materials, and other communications hereunder will be in writing and deemed to have been duly given (1) upon delivery by hand to the appropriate address of the Parties or Escrow Agent as set forth in this Escrow Agreement or (2) on the third business day after mailing by United States registered or certified mail, return receipt requested, postage prepaid to such address, or (3) mailed by overnight courier or overnight mail. All notices will be addressed to the following addresses or to such address as may be given hereafter in writing to the Parties and the Escrow Agent as follows:

To Escrow Agent: Fuentes & Kreischer, P.A.  
Attn: Albert C. Kreischer, Jr.  
1407 West Busch Boulevard  
Tampa, FL 33612  
Telephone: 813-933-6647

To District: Southwest Florida Water Management District  
Attn: Operations, Lands, and Resource Monitoring  
Division Director  
2379 Broad Street  
Brooksville, FL 34604  
Telephone: 352-796-7211

To County: Sarasota County  
Attn: Property Management Division Manager  
1660 Ringling Blvd.  
Sarasota, Florida 34236  
Telephone: 941-861-5190

11. This Escrow Agreement will be governed by and construed in accordance with the laws of the State of Florida. The Parties and the Escrow Agent hereby designate the County of Sarasota, State of Florida as the proper jurisdiction and the venue in which any litigation hereunder is to be instituted.

12. No right, power or remedy conferred upon Escrow Agent by this Escrow Agreement is exclusive of any other right, power or remedy, but each and every such right, power or remedy will be cumulative and concurrent and will be in addition to any other right, power or remedy Escrow Agent may have under the Escrow Agreement or now or hereafter existing at law, in equity or by statute, and the exercise of one right, power or remedy by Escrow Agent will not be construed or considered as a waiver of any other right, power or remedy.

13. This Escrow Agreement will be binding upon the Parties and Escrow Agent and their respective successors and assigns.

14. No individual or entity other than the Parties and Escrow Agent and their successors and assigns will have any rights under this Escrow Agreement or any right or claim to the Settlement Funds because of this Escrow Agreement.

15. The signatures of the Parties and the Escrow Agent need not appear on the same counterpart. In accordance with the Electronic Signature Act of 1996, electronic signatures, including facsimile transmissions, may be used and will have the same force and effect as a written signature. Each person signing this Escrow Agreement warrants that he or she is duly authorized to do so and to bind the respective party to the Escrow Agreement.

**IN WITNESS WHEREOF**, the Parties hereto and the Escrow Agent have caused these presents to be executed this \_\_\_\_\_ day of \_\_\_\_\_, 2021.

SOUTHWEST FLORIDA WATER  
MANAGEMENT DISTRICT

By: \_\_\_\_\_

Print: \_\_\_\_\_

Its: \_\_\_\_\_

SARASOTA COUNTY

By: \_\_\_\_\_

Print: \_\_\_\_\_

Its: \_\_\_\_\_

FUENTES AND KREISCHER, P.A.

By: \_\_\_\_\_

Print: Albert C. Kreischer, Jr.

Its: \_\_\_\_\_

**CONSENT AGENDA**

**October 19, 2021**

**Executive Director's Report: Approve Governing Board Minutes - September 28, 2021**

Staff Recommendation:

Approve minutes as presented.

Presenter:

Brian J. Armstrong, P.G., Executive Director



**GOVERNING BOARD MEETING  
TUESDAY, SEPTEMBER 28, 2021 – 3:00 PM  
7601 US-301, TAMPA, FL 33637  
(813) 985-7481**

**MINUTES**

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**Board Members Present**

Kelly Rice, Chair\*  
Joel Schleicher, Vice Chair\*  
Ed Armstrong, Treasurer\*  
Michelle Williamson, Member  
Jack Bispham, Member  
Seth Weightman, Member\*  
John Mitten, Member  
William Hogarth, Member  
Ashley Bell Barnett, Member

\*Attended via electronic media

**Board Members Absent**

John E. Hall, Member

**Staff Members**

Brian J. Armstrong, Executive Director  
Amanda Rice, Assistant Executive Director  
Chris Tumminia, General Counsel  
Brian Werthmiller, Inspector General  
John Campbell, Division Director  
Brian Starford, Division Director  
Michael Molligan, Division Director  
Jennette Seachrist, Division Director  
Michelle Hopkins, Division Director

**Board Administrative Support**

Virginia Singer, Board & Executive Services Manager  
Lori Manuel, Administrative Coordinator

**1. CONVENE PUBLIC MEETING**

The Governing Board of the Southwest Florida Water Management District (District) met for its regular meeting at 3:00 p.m., September 28, 2021, at the Tampa Office, 7601 U.S. Highway 301 North, Tampa, FL 33637-6759.

This meeting was available for live viewing through Internet streaming. An attendance roster is archived in the District's permanent records. Approved minutes from meetings can be found on the District's website ([www.WaterMatters.org](http://www.WaterMatters.org)).

**1.1 Call to Order**

Acting Chair Michelle Williamson called the meeting to order. She noted that the Board meeting was being recorded for broadcast on government access channels, and public input would be provided in person. Acting Chair Williamson stated that anyone wishing to address the Governing Board concerning any item listed on the agenda or any item that does not appear on the agenda should complete and submit a "Request to Speak" card. To assure that all participants have an opportunity to speak, a member of the public may submit a Request to Speak card to comment on agenda items only during the meeting. If someone wishes to address the Board on an issue not on the agenda, a Request to Speak card may



be submitted for comment during "Public Input." Acting Chair Williamson stated that comments would be limited to three minutes per speaker, and, when appropriate, exceptions to the three-minute limit may be granted by the Chair. She also requested that several individuals wishing to speak on the same topic designate a spokesperson.

Acting Chair Williamson introduced each member of the Governing Board and staff present at the dais (this served as roll call). A quorum was confirmed.

**1.2 Invocation and Pledge of Allegiance**

Board Member William Hogarth offered the invocation and led the Pledge of Allegiance.

**1.3 Employee Recognition**

Acting Chair Williamson recognized employees that have reached at least 20 years of service. The following staff was recognized: James Desruisseaux, David Testerman and Granville Kinsman.

**1.4 Additions/Deletions to Agenda**

Mr. Brian Armstrong, Executive Director, stated there were no additions or deletions to the agenda.

**1.5 Public Input for Issues Not Listed on the Published Agenda**

Mr. David Ballard Geddes, Jr., spoke against the use of reclaimed water.

**CONSENT AGENDA**

**Finance/Outreach & Planning Committee**

**2.1 Board Encumbrance of the Capital Field Equipment Fund**

Staff recommended the Board approve the encumbrance up to \$439,219, plus any additional savings achieved on purchases completed before September 30, 2021, in remaining FY2021 funds within the Capital Field Equipment Fund to carry forward into FY2022 for future years planned expenditures.

**2.2 Knowledge Management: Governing Board Procurement Policy**

As part of the District's Knowledge Management business process, the suggested Procurement Policy revisions and benefits were presented to the Board at the August meeting. No additional changes or recommendations were made at that time; therefore, staff recommended the Board replace the Governing Board Procurement Policy approved in October of 2018 with the new Governing Board Procurement Policy.

**Resource Management Committee**

**2.3 FARMS – Bethel Farms, LLLP - Ryals Property (H796), Charlotte County**

Staff recommended the Board:

1. Approve the Bethel Farms, LLLP - Ryals Property project for a not-to-exceed project reimbursement of \$279,520 with \$279,520 provided by the Governing Board.
2. Authorize the transfer of \$279,520 from fund 010 H017 Governing Board FARMS Fund to the H796 Bethel Farms, LLLP - Ryals Property project fund.
3. Authorize the Assistant Executive Director to sign the agreement.

**2.4 FARMS – Boyz Properties, LLC (H794), Manatee County**

Staff recommended the Board:

1. Approve the Boyz Properties, LLC project for a not-to-exceed project reimbursement of \$631,000 with \$631,000 provided by the Governing Board. Authorize the transfer of \$631,000 from fund 010 H017 Governing Board FARMS Fund to the H794 Boyz Properties, LLC project fund.

2. Authorize the Assistant Executive Director to sign the agreement.

**2.5 Five-Year Water Resource Development Work Program**

Staff recommended the Board authorize staff to submit the proposed Five-Year Water Resource Development Work Program to the Florida Department of Environmental Protection for review.

**Operations, Lands and Resource Monitoring Committee**

**2.6 Operations, Lands and Resource Monitoring Committee: Second Amendment to Jay B. Starkey Wilderness Park Management Agreement with Pasco County, SWF Parcel No. 16-010-017X-2**

Staff recommended the Board:

- Approve the Second Amendment to the Jay B. Starkey Wilderness Park Management Agreement with Pasco County, SWF Parcel No. 16-010-017X-2.
- Authorize the Governing Board Chair to execute the Second Amendment on behalf of the District.

**2.7 Approval of Management Plans for Starkey Wilderness Preserve, Lower Hillsborough Wilderness Preserve, Upper Hillsborough Preserve, Halpata Tastanaki Preserve, Lake Panasoffkee Preserve, and Cypress Creek Preserve**

Staff recommended the Board approve the Plan Updates for Cypress Creek Preserve, Halpata Tastanaki Preserve, Lake Panasoffkee Preserve, Lower Hillsborough Wilderness Preserve, Starkey Wilderness Preserve, and Upper Hillsborough Preserve.

**2.8 Ridge Road Extension/Serenova Tract SWF Parcel No. 15-705-109X; Transfer of Suncoast Parkway Interchange Area to Florida Department of Transportation**

Staff recommended the Board:

- Approve the conveyance of the Interchange Property to FDOT.
- Authorize the Governing Board Chair and Secretary to execute the quit claim deed attached hereto as Exhibit 1; and
- Authorize staff to execute any other documents necessary to complete the transaction in accordance with the approved terms.

**General Counsel's Report**

**2.9 Approval of Consent Order between SWFWMD and JDI Farms, Inc. - Mining Activities Conducted without Water Use Permit - Watermelon Pit, LLC and JDI Farms, Inc. - CT No. 404443 - Charlotte County**

Staff recommended the Board:

1. Approve the Consent Order.
2. Authorize District staff to pursue additional enforcement measures to obtain compliance with the terms and conditions of the Consent Order, including filing any appropriate actions in circuit court, if necessary.

**2.10 Approval of Consent Order between SWFWMD and Hall Family Ranch, LLC and Alligator Alley Aggregate and Asphalt, Inc. - Permit Condition Violations - Water Use Permit No. 10218.009 - CT No. 406254 - Charlotte County**

Staff recommended the Board:

1. Approve the Consent Order.
2. Authorize District staff to pursue additional enforcement measures to obtain compliance with the terms and conditions of the Consent Order, including filing any appropriate actions in circuit court, if necessary.

**2.11 Approval of Consent Order between SWFWMD and Southern Aggregates, LLC - Unauthorized Activities - CT No. 406210 - Sumter County**

Staff recommended the Board:

1. Approve the Consent Order.
2. Authorize District staff to pursue additional enforcement measures to obtain compliance with the terms and conditions of the Consent Order, including filing any appropriate actions in circuit court, if necessary.

**2.12 Approval of the District's Annual Regulatory Plan for 2021-2022**

Staff recommended the Board approve the District's Annual Regulatory Plan for 2021-2022 and execute the certification required by Section 120.74(1)(d), F.S.

**Executive Director's Report**

**2.13 Approve Governing Board Minutes - August 24, 2021**

Staff recommended the Board approve the minutes as presented.

**A motion was made and seconded to approve the Consent Agenda. The motion passed unanimously.** (Audio - 00:10:50)

**Finance/Outreach and Planning Committee**

Board Member Ashley Bell Barnett called the Committee meeting to order. (Audio – 00:11:58)

**3. Consent Item(s) Moved to Discussion - None**

**3.2 Fiscal Year 2023 Business Plan Update**

Ms. Mary Margaret Hull, Lead Project Manager, provided a presentation regarding the Business Plan update for Fiscal Year (FY) 2023. She explained the purpose and development process of the Business Plan. Ms. Hull summarized recommendations from the previous year Business Plan that were incorporated. She provided an overview that outlined drivers, SWOT analysis, changing workforce, multi-year performance metrics, staffing considerations, resource trends and the next steps going forward.

This item was for information only. No action was required

**3.3 Fiscal Year (FY) 2022 Budget Development**

Mr. John Campbell, Management Services Director, presented changes that were submitted to the FY2022 Budget since the September 14 Tentative Budget Hearing. He stated that \$6,825,000 in funding was added to the Water Supply and Water Resource Development Grant Program (H103). He explained this funding is provided to assist in developing viable regional water resources and water supplies through various sources to develop alternative water supplies. Mr. Campbell stated the FY2022 budget total will be \$198,049,447.

Mr. Campbell provided a two-year comparison of the expenditure budget by category and program, a summary of revenue budget changes by source, and FY2022 expenditures and outcomes.

Staff recommended the Board approve the proposed changes, if any, to the FY2022 budget for adoption at the final budget hearing scheduled to be held on September 28, 2021.

**A motion was made and seconded to approve staff's recommendation. The motion passed unanimously.** (Audio - 00:33:19)

**3.4 Office of Inspector General Fiscal Year 2021 Annual Report**

Mr. Brian Werthmiller, Inspector General, provided the FY2021 Annual report for the Office of Inspector General (OIG). Mr. Werthmiller explained this report is required pursuant to Florida Statute and Governing Board policy. He stated the report summarizes the completed work products and other activities associated with the Inspector General office.

Mr. Werthmiller highlighted audits and other work products that were completed. These included the Risk Assessment and Audit Plan, the Department of Highway Safety and Motor Vehicles follow-up audit, the Use of Families First Coronavirus Relief Act Leave follow-up and the completion of the follow-up for the use of District vehicles. Mr. Werthmiller stated that 14 complaints were closed including two that resulted in reports to the Board.

Mr. Werthmiller stated that 96 reviews were initiated. He explained how reviews are received and the process associated. Mr. Werthmiller stated that investigations are conducted in accordance with the Principles and Standards for Offices of Inspector General and audits are conducted in accordance with Generally Accepted Government Auditing Standards ("Yellow Book"). For FY2021, the OIG is compliant with the peer review Yellow Book requirement.

Mr. Werthmiller stated the District has an in-house risk assessment and audit programs that provide a savings of approximately \$29,000.

Mr. Werthmiller stated he completed the FY21 performance measures that were set by the Board. He completed the necessary continuing professional education courses to continue his Certified Public Accountant certification (CPA), Inspector General certification (CIG) and he passed the Certified Fraud Examiner (CFE) exam

This item was for information only. No action was required

**3.5 Budget Transfer Report**

This item was for information only. No action was required

**Resource Management Committee**

Acting Chair Michelle Williamson called the Committee meeting to order. (Audio – 00:42:43)

**4. Consent Item(s) Moved to Discussion - None**

**4.2 City of Venice Reclaimed Water Aquifer Storage and Recovery (ASR) – Third-Party Review (Q050)**

Mr. JP Marchand, P.E., Water Resources Bureau Chief, provided an overview of the project, explained the purpose, outlined the benefits, provided a cost estimate, and outlined the conclusions from the third-party review. Mr. Marchand stated a re-evaluation was done and the project retained a high ranking. He stated the project benefit for the recovery volume increased from 25 to 60 million gallons per year.

Staff recommended the Board authorize continuation of the project and approve amending the Cooperative Funding Agreement to include a total project cost of \$5,489,752, with a DISTRICT share of \$2,744,876 for design, third-party review, permitting, construction, testing, and Independent Performance Evaluation of the reclaimed water ASR facility.

**A motion was made and seconded to approve staff's recommendation. The motion passed unanimously.** (Audio - 00:52:19)

**4.3 FARMS - Model Farms Economic Study, 2021 Updated Study**

Ms. Carole Estes, P.G., FARMS Program Manager, presented an overview of the Model Facilitating Agricultural Resource Management Systems (FARMS) 2021 Economic Study. She explained this study provides updated cost benchmarks to evaluate growers proposed projects.

Ms. Estes outlined the benchmarks for the four most-commonly funded commodities and the evaluation process

Staff recommended the Board approve the updated Model Farms Economic Study 2021.

**A motion was made and seconded to approve staff's recommendation. The motion passed unanimously. (Audio - 00:59:10)**

**4.4 Knowledge Management: FARMS Program Governing Board Policy Revision**

Ms. Carole Estes, P.G., FARMS Program Manager, outlined proposed revisions to the FARMS Program policy. She explained the purposes and benefits for the proposed changes. Ms. Estes stated the revised Knowledge Management document will be presented at the October Board meeting for approval.

This item was for information only. No action was required.

**4.5 Springs - Crystal River Indian Waters Septic to Sewer Phase 2 Project (W430) - Scope and Cost Change**

Mr. Jay Hoecker, Water Supply Manager, presented the scope benefit and cost changes associated with project W430. He defined changes from the original scope of work, revised nutrient calculations, and changes in construction costs. Mr. Hoecker explained that City of Crystal River (City) will be able to utilize over 9,000 feet of existing sewer mains which will result in a decreased project cost of \$475,686. Mr. Hoecker responded to questions from the Board.

Board Member Bispham reminded the Board of the importance of continuing to protect the springs and to anticipate increased costs associated septic to sewer projects.

Vice Chair Schleicher asked why based on the information presented, the cost savings from the project are not more substantial. He also asked for additional information regarding the 60 septic tanks not referenced in the original proposal. Mr. Ken Frink, City Manager of Crystal River, explained that the original cost estimate was done in approximately 2017 and did not account for the unpredictable increase in current construction costs. He stated that 60 homes were initially thought to have septic tanks but do not. They are part of the service area for the package plant.

Mr. Frink stated the package plant will be decommissioned and flows sent to the City's treatment plant. The collection system for those homes will require rehabbing. In addition, because of the reduction in the quantity of connections, the technology shifted from a vacuum sewer to a gravity type system which is more expensive. Mr. Alan Garri, P.E., Kimley Horn, provided additional information and responded to questions from the Board.

Staff recommended the Board approve the changes for the Springs-Crystal River Indian Waters Septic to Sewer Phase 2 Project (W430) to include:

1. Decrease the Measurable Benefit from 178 septic tanks and one package plant to 118 septic tanks and one package plant.
2. Decrease the Project Benefit from 2,860 lbs/yr TN removed to 1,170 lbs/yr TN removed.

3. Decrease the total project cost from \$4,500,000 to \$4,024,314 and reduce the District's 25 percent share from \$1,125,000 to \$1,006,078.50.

**A motion was made and seconded to approve staff's recommendation. The motion passed with 8 in favor and one opposed. Vice Chair Schleicher explained his opposition was due to the financial increase from the change in scope. (Audio – 01:22:27)**

**4.6 Proposed Minimum Flows for Little Manatee River Prior to Independent Scientific Peer Review**

A written report was provided to the Board.

This item was for information only. No action was required.

**Operations, Lands and Resource Monitoring Committee**

Board Member Jack Bispham called the Committee to order. (Audio – 01:24:03)

**5.1 Consent Item(s) Moved to Discussion - None**

**5.2 Exchange of Property Interests, SWF Parcel No. 20-780-101C-1, Blackbird Ranch**

Ms. Ellen Morrison, Land Resources Bureau Chief, presented information that included background, property location and benefits to the District. She explained the proposal is to release from restrictions, 80 acres that are located within a conservation easement in exchange for adding 180 acres of land that are currently not within the existing conservation easement. The 180 acres meet all four of the District's areas of responsibility. District areas of responsibility include water supply, water quality, flood control and natural systems. Ms. Morrison stated the acreage provides additional hydrologic benefits which include 23 acres of wetlands and 1.6 miles of stream channel that flows into Tiger Bay Slough. She emphasized the 80 acres being released does not include any wetlands or sensitive habitat. In addition, the net dollar increase will benefit the District by \$160,000.

Staff recommended the Board:

- Adjust the District's Florida Forever Work Plan boundary to include the exchange property for SWF Parcel No. 20-780-101C-1.
- Approve the Exchange of property through the amendment of the legal description for SWF Parcel No. 20-780-101C to add 180-acres and to release the existing conservation easement over 80-acres, subject to obtaining a boundary survey of the exchange properties acceptable to the District.
- Authorize the Chairman and Secretary of the Governing Board to execute a Conservation Easement Release.
- Determine that the 80-acres to be released is no longer needed for conservation purposes and designate that the 180-acres to be encumbered, SWF Parcel No. 20-780-101C-1, as having been acquired for conservation purposes.
- Authorize the Executive Director to execute the necessary documents to amend the legal description to include SWF Parcel No. 20-780-101C-1 and release the conservation easement over an 80-acre portion of SWF Parcel No. 20-780-101C.

**A motion was made and seconded to approve staff's recommendation. The motion passed unanimously. (Audio – 01:30:15)**

**5.3 Offer for Surplus Lands – Lake Panasoffkee (LP-1), SWF Parcel No. 19- 528-154S**

Ms. Ellen Morrison, Land Resources Bureau Chief, presented information that included historical information of the property. She explained this property was declared surplus in

2015 and has been marketed since 2018. The Board originally approved a contracted sale of \$1,500,000 with Werner Trucking in March 2021. However, the contract was duly terminated due to Werner Trucking's inability to meet a due diligence contingency in the contract that involved approval from the Florida Department of Transportation to obtain a traffic light at the parcel entrance.

Ms. Morrison outlined the benefits of accepting the offer from World Investment Network of \$1,550,000.

Staff recommended the Board:

- Accept the offer of \$1,550,000, subject to confirmation by survey of total acreage.
- Approve the Contract for Sale and Purchase and authorize the Executive Director to sign on the behalf of the District.
- Authorize the Chairman and Secretary of the Governing Board to execute the Quit Claim Deed.
- Authorize the conveyance of the District's interest in all phosphate, minerals, metals, and petroleum in or on or under the land upon the request of the buyer.
- Authorize staff to execute any other documents necessary to complete the transaction in accordance with the approved terms.

**A motion was made and seconded to approve staff's recommendation. The motion passed unanimously.** (Audio – 01:34:53)

**5.4 Offer from Florida Department of Transportation to purchase Right of Way, Lake Hancock - Marshall Hampton Reserve, SWF Parcel Nos. 20-503-261S, 20-503-262S and 20-503-263X**

Mr. Doug Koop, Real Estate Services Manager, presented information regarding the sale of right-of-way (ROW) to the Florida Department of Transportation (FDOT). He explained this property will continue the extension of the Central Polk Parkway. Mr. Koop explained this property is part of the Marshall Hampton Reserve (MHR) which the District acquired in April 2008 and is part of the Lake Hancock project. He provided an overview of the offer from FDOT, and the associated benefits. Mr. Koop responded to questions from the Board.

Staff recommended the Board:

- Determine the MHR ROW Property identified as 21-503-261S, is no longer required for District purposes.
- Approve the Purchase Agreement and authorize the Executive Director to sign on behalf of the District for SWF Parcel No, 21-503-261S (ROW) and 21-503-263X (drainage easement).
- Authorize the Chairman and Secretary of the Governing Board to execute the Deed.
- Authorize the conveyance of the District's interest in all phosphate, minerals, metals, and petroleum in or on or under the land upon the request of the buyer.
- Authorize staff to execute any other documents necessary to complete the transaction in accordance with the approved terms.
- Determine that SWF Parcel No. 21-503-262S, a 19.222 acre severed remainder property located at the southwest corner of Thornhill and Winter Lake Roads is no longer needed for District or conservation purposes and upon close of the purchase of the MHR ROW Property be declared surplus.

**A motion was made and seconded to approve staff's recommendation. The motion passed unanimously.** (Audio – 01:42:00)

## **Regulation Committee**

Acting Chair Williamson called the Committee meeting to order. (Audio – 01:45:05)

### **6.1 Consent Item(s) Moved to Discussion - None**

### **6.2 Denials Referred to the Governing Board**

None were presented

## **General Counsel's Report**

### **7.1 Consent Item(s) Moved to Discussion - None**

## **Committee/Liaison Reports**

### **8.1 Industrial Advisory Committee**

Board Member Barnett stated that Mr. Mitch Gurr, Standard Sand and Silica, was elected Chair and Ms. Ilia Balcom, Duke Energy of Florida, was elected Vice Chair. Updates were provided regarding the Department of Protection (DEP) 404 program and coordination with the District. A written summary of the August 10 meeting was provided.

### **8.2 Public Supply Advisory Committee**

Treasurer Ed Armstrong stated the District provided a cybersecurity presentation. A written summary of the August 10 meeting was provided.

## **Executive Director's Report**

### **9.1 Executive Director's Report**

Mr. Armstrong reminded the Board Members it was time for the annual review of the Executive Director and the Inspector General. He provided an overview of his accomplishments. A written document was provided.

## **Chair's Report**

### **10.1 Chair's Report**

Chair Rice thanked Board Member Williamson for chairing this month's Board meeting.

### **10.2 Milestones**

### **10.3 Executive Director's and Inspector General's Annual Accomplishments and Evaluations**

Acting Chair Williamson stated that in accordance with Board Policy 710-2, performance evaluation packets were mailed to the Board Members. She asked that the Board complete their evaluation and submit their input by October 5. If assistance is required, please contact Ms. Teresa Jepma, Human Resources Office Chief.

The October 19 Governing Board meeting is scheduled at 9:00 a.m., in the Brooksville Office and the November 16 meeting is scheduled for 9:00 a.m., in the Tampa office.

## **Adjournment**

The meeting adjourned at 5:00 p.m.



**CONSENT AGENDA**

**October 19, 2021**

**Executive Director's Report: Approve Fiscal Year 2022 Final Budget Hearing Minutes - September 28, 2021**

Staff Recommendation:

Staff requests the Board approve the minutes as presented.

Presenter:

Brian J. Armstrong, P.G., Executive Director



**PUBLIC HEARING  
FINAL FISCAL YEAR 2022 MILLAGE RATE  
AND ANNUAL SERVICE BUDGET  
SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT**

**TUESDAY, SEPTEMBER 28, 2021 – 5:01 P.M.  
7601 US-301, TAMPA, FL 33637  
(813) 985-7481**

**MINUTES**

The Governing Board of the Southwest Florida Water Management District met at 5:01 p.m. on September 28, 2021, at the Tampa Office. The following persons were in attendance:

**Board Members Present**

Kelly Rice, Chair\*  
Joel Schleicher, Vice Chair\*  
Ed Armstrong, Treasurer\*  
Michelle Williamson, Member  
Jack Bispham, Member  
Seth Weightman, Member\*  
John Mitten, Member  
William Hogarth, Member  
Ashley Bell Barnett, Member

\*Attended via electronic media

**Board Members Absent**

John E. Hall, Member

**Staff Members Present**

Brian Armstrong, Executive Director  
Amanda Rice, Assistant Executive Director  
Chris Tumminia, General Counsel  
John J. Campbell, Division Director  
Jennette Seachrist, Division Director  
Brian Starford, Division Director  
Michael Molligan, Division Director  
Michelle Hopkins, Division Director

**Board Administrative Support**

Virginia Singer, Board & Executive Services Manager  
Lori Manuel, Administrative Assistant

Approved minutes from previous meetings can be found on the District's Web site ([www.WaterMatters.org](http://www.WaterMatters.org)).

**1. Call to Order, Roll Call, and Approval of Tentative Fiscal Year Annual Service Budget Public Hearing Minutes**

Acting Chair Michelle Williamson called the meeting to order. She led the invocation and the Pledge of Allegiance.

Acting Chair Williamson provided information to members of the public wishing to address the Governing Board concerning any item listed on the agenda or any item that does not appear on the agenda. Acting Chair Williamson stated that comments would be limited to three minutes per speaker, and when appropriate, exceptions to the three-minute limit may be granted by the chair. She also requested that several individuals wishing to speak on the same issue/topic designate a spokesperson.

Roll call was taken, and a quorum was confirmed.

Acting Chair Williamson requested a motion to approve the minutes from the September 14, 2021, Tentative Fiscal Year (FY) 2022 Millage Rate and Annual Service Budget Public Hearing.

**A motion was made and seconded. The motion carried unanimously.** (Audio – 00:04:15)

**2. Opening Comments**

Acting Chair Williamson stated the purpose of this final Truth in Millage (TRIM) public hearing was to provide an opportunity for the public to speak and ask questions prior to the Governing Board's adoption of a final millage rate and budget for FY2022.

**3. Budget Overview**

Mr. John Campbell, Management Services director, stated there were changes to the budget since the Tentative Budget Hearing on September 14, 2021. These changes will be presented under agenda item 5.

**4. Public Announcement of the Name of the Taxing Authority, Rolled-Back Rate, Percentage of Increase Above Rolled-Back Rate, and Millage Rate to be Levied for Fiscal Year 2022**

Mr. Campbell presented the required public announcement of the name of the taxing authority, the rolled-back rate, the percentage of increase over the rolled-back rate, and the millage rate to be levied for FY2022 and read into the record as required for the District.

TAXING AUTHORITY	ROLLED-BACK RATE	PERCENTAGE OF INCREASE OVER ROLLED-BACK RATE	FINAL MILLAGE RATE
Southwest Florida Water Management District	0.2535 mill	0.0%	0.2535 mill

**5. Reconciliation of Tentative to Final Fiscal Year 2022 Budget**

Mr. Campbell stated there was one change to the FY2022 budget since the Tentative Budget Hearing on September 14, 2021. He stated that \$6,825,000 in funding was added to the Water Supply and Water Resource Development Grant Program (H103). Mr. Campbell explained this funding is provided to assist in developing viable regional water resources and water supplies through various sources to develop alternative water supplies. This change was presented and approved earlier today at the governing board meeting and increases the FY2022 total budget to \$198,049,447.

**6. Public Comments**

**a. Letters/Resolutions Received**

Acting Chair Williamson noted that letters received regarding the tentative millage rate and budget, and letters and resolutions received regarding the final millage rate and budget since the first public hearing, if any, have been compiled into Appendix "C" of the public hearing materials and are hereby incorporated by reference into the public record of this meeting.

**b. Persons Wishing to Address the Board**

Mr. David Ballard Geddis, Jr., spoke against funding the use of reclaimed water.

**7. Adopt Final Fiscal Year 2022 Millage Rate**

**SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT  
RESOLUTION NO. 21-11  
ADOPTION OF FINAL MILLAGE RATE FOR FISCAL YEAR 2022**

This resolution is made a part of these minutes as if set forth in full, but for convenience, is filed in the permanent resolution files of the District.

**A motion was made to adopt Resolution No. 21-11, Adoption of Final Millage Rate for Fiscal Year 2022, of 0.2535 mill. This motion was seconded. The motion carried with eight in favor and one opposed. Vice Chair Schleicher stated his opposition was in support of further reductions in the millage rate. (Audio –14:57)**

**8. Adopt Final Fiscal Year 2022 Budget**

**SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT  
RESOLUTION NO. 21-12  
ADOPTION OF FINAL BUDGET FOR FISCAL YEAR 2022**

This resolution is made a part of these minutes as if set forth in full but, for convenience, is filed in the permanent resolution files of the District.

**A motion was made to adopt Resolution No. 21-12, Adoption of Final Budget for Fiscal Year 2022, in the amount of \$198,049,447, which was seconded. The motion carried unanimously. (Audio: 00:16:15)**

**9. Introduce All Materials as Composite Exhibit**

Acting Chair Williamson stated the record will reflect all materials presented today are part of the permanent record of the public hearing.

**10. Adjournment**

The meeting was adjourned at 5:20 p.m.

## Governing Board Meeting

October 19, 2021

### 3. FINANCE/OUTREACH & PLANNING COMMITTEE

3.1	<b>Discussion:</b> Information Only: Consent Item(s) Moved to Discussion .....	69
3.2	<b>Discussion:</b> Action Item: Development of Preliminary Budget for Fiscal Year 2023 .....	70
3.3	<b>Discussion:</b> Action Item: Investment Strategy Quarterly Update .....	71
3.4	<b>Discussion:</b> Information Only: Annual Review of the District's Investment Policy .....	72
3.5	<b>Submit &amp; File:</b> Information Only: Office of Inspector General Quarterly Update – July 1, 2021 to September 30, 2021 .....	141
3.6	<b>Submit &amp; File:</b> Information Only: Budget Transfer Report.....	144

**FINANCE/OUTREACH & PLANNING COMMITTEE**

**October 19, 2021**

**Discussion: Information Only: Consent Item(s) Moved to Discussion**

Staff Recommendation:

This item is for the Board's information only, and no action is required.

Presenters:

Michael Molligan, Division Director, Employee and External Relations

John J. Campbell, Division Director, Management Services

**FINANCE/OUTREACH & PLANNING COMMITTEE**

**October 19, 2021**

**Discussion: Action Item: Development of Preliminary Budget for Fiscal Year 2023**

*Purpose*

Present the general budget assumptions for development of the District's preliminary budget for fiscal year (FY) 2023.

*Background*

Pursuant to Section 373.535, Florida Statutes, the water management districts (WMDs) are required to submit a preliminary budget for the next fiscal year to the Florida Legislature for review by January 15. The statutory language specifies the information to be included in the preliminary budget submission. The President of the Senate and the Speaker of the House of Representatives may submit comments regarding the preliminary budgets to the WMDs on or before March 1 of each year. Each WMD must respond to those comments in writing on or before March 15 of each year.

To initiate the preliminary budget development process, staff will provide the Governing Board an overview of factors affecting budget development and recommend acceptance of the general budget assumptions necessary to prepare the District's preliminary budget for FY2023. A draft of the preliminary budget will be submitted to the Department of Environmental Protection and the Executive Office of the Governor in early December for initial review and comment. On December 14, 2021, staff will provide the draft FY2023 Preliminary Budget to the Governing Board, including any furnished comments, with a request to approve for submission to the Legislature by January 15, 2022.

Staff Recommendation:

Approve the general budget assumptions as outlined in the October 19, 2021 budget presentation for the development of the preliminary budget for FY2023.

Presenter:

John J. Campbell, Division Director, Management Services

**FINANCE/OUTREACH & PLANNING COMMITTEE**

**October 19, 2021**

**Discussion: Action Item: Investment Strategy Quarterly Update**

*Purpose*

Provide quarterly update of the investment portfolio.

*Background*

In accordance with Board Policy, District Investment Policy, a quarterly investment report shall include the following:

1. A listing of individual securities by class and type held at the end of the reporting period.
2. Percentage of available funds represented by each investment type.
3. Coupon, discount, or earning rate.
4. Average life or duration and final maturity of all investments.
5. Par value and market value.
6. In addition to the standard gross-of-fee-performance reporting that is presented, net-of-fee performance will be provided by the Investment Manager.
7. A summary of District's investment strategy.
8. The year-end quarterly report ended September 30th will show performance on both a book value and total rate of return basis and will compare the results to the portfolio's performance benchmarks. All investments shall be reported at fair value per GASB standards. Investment reports shall be available to the public.

Staff Recommendation:

Exhibit to be provided under separate cover.

Accept and place on file the District's Quarterly Investment Reports for the quarter ended September 30, 2021.

Presenter:

John F. Grady III, Managing Director, Public Trust Advisors, LLC



## **FINANCE/OUTREACH & PLANNING COMMITTEE**

**October 19, 2021**

### **Discussion: Information Only: Annual Review of the District's Investment Policy**

#### *Purpose*

To provide the Board with recommended modifications to the District's Investment Policy and to solicit input prior to the November 16, 2021 Board meeting.

#### *Background*

The Board Policy requires a review of the District's Investment Policy within sixty (60) days following the end of each fiscal year and approval of any modifications made thereto. Fiscal year 2020-21 ended September 30, 2021 and a review is required. The policy has been reviewed by management and the District's investment advisory firm. Only minor clarifications are recommended. Attached is the current Investment Policy and the revised draft Investment Policy.

#### *Benefits*

By reviewing and updating the District's Investment Policy within sixty (60) days following the end of the fiscal year, the Governing Board and management will be in compliance with the Investment Policy.

#### Staff Recommendation:

##### See Exhibit

This item is presented for the Board's information, and no action is requested. A copy of the current Investment Policy and the revised draft Investment Policy will be included as a Consent Item in the November 2021 Board packet and approval will be requested at that time.

#### Presenter:

John J. Campbell, Division Director, Management Services

## GOVERNING BOARD POLICY

Southwest Florida Water Management District

**Title: Investments**
**Document Owner:** Finance Bureau Chief

**Approved By:** Board Chair

**Effective Date:** 11/17/2020

**Supersedes:** 10/22/2019

### CONTENTS

PURPOSE .....	1
SCOPE .....	1
AUTHORITY .....	1
DEFINITIONS .....	1
STANDARDS.....	2
POLICY.....	3
DISTRIBUTION.....	10
REFERENCES .....	10
REVIEW PERIOD .....	10
DOCUMENT DETAILS .....	34
APPROVAL .....	34

### PURPOSE

The purpose of this Investment Policy (hereinafter "Policy") is to set forth the investment objectives and parameters for the management of the funds of the Southwest Florida Water Management District (hereinafter "District"). This Policy is designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices.

### SCOPE

This policy shall apply to all funds in excess of current operating expenses and shall be in compliance with Section 218.415, Florida Statutes, with the exception of funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds.

### AUTHORITY

This policy is governed by the Governing Board and Sections 218.415, 280.02, 658.12, 11.45 Florida Statutes.

### DEFINITIONS

**Committee.** The Finance/Outreach and Planning Committee of the Governing Board or Board Chair appointed Ad Hoc Committee specifically authorized to act as the Committee for a quantified period of time.

**Designee.** The Finance Bureau Chief or the Accounting Manager provided they have sufficient investment management education and understanding.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 2 of 34

**District.** Southwest Florida Water Management District.

**Division Director.** The Management Services Division Director.

**Investment Manager.** A third-party person or entity having the responsibility for providing advice regarding the management of the Investment Portfolio and executing transactions in the Investment Portfolio. The District may have one or more Investment Managers.

**Investment Portfolio.** The portion of the District's Portfolio recommended by the Committee and approved by the Governing Board for investment pursuant to Section X of this Policy.

**Liquidity Portfolio.** The portion of the District's Portfolio managed internally by District staff. This portion of the portfolio is limited to the security types described in Section X (a), (b),(c),(d),(i), and (o) of this Policy. The requirements of Section X for each of these security types will apply with the further restriction that security maturities in this portfolio may not exceed twelve (12) months.

**Policy.** The District's Investment Policy.

**Portfolio.** The total cash, investments, and other funds held by the District under the District's control.

**Third-party Custodian.** Any bank 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 the State of Florida, 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 the State of Florida.

**Attachments:** Please see attachment A for a glossary of cash and investment Management Terms.

## STANDARDS

The following standards shall apply:

1. **Ethical Standards.** Governing Board members and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Governing Board members and employees involved in the investment process shall disclose to the District any material financial interests in financial institutions that conduct business with the District, and any material personal financial/investment positions that could be related to the performance of the Portfolio.
2. **Standard of Prudence.** The standard of prudence to be used by investment officials, who are officers or employees of the District, shall be the "Prudent Person Rule" and shall be applied in the context of managing the Portfolio. Investment officers acting in accordance with written 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 deviations from expectation are reported to the Executive Director and the Committee in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this Policy. The "Prudent Person Rule" states the following:

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 3 of 34

Investments should 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.

While the standard of prudence to be used by investment officials who are officers or employees of the District is the "Prudent Person Rule," any person or firm hired or retained to invest, monitor, or advise concerning these assets shall be held to the higher standard of "Prudent Expert." The Prudent Expert Standard requires the advisor to act with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent investment expert acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, provided, however that this standard of care shall in no case be, or be interpreted to be, less stringent or less restrictive than any investment standard or standards, now in effect or included by amendment effective in the future, prescribed for investments by Florida law.

3. **Fiduciary Standard.** The Southwest Florida Water Management District recognizes its fiduciary responsibility to manage and safeguard the assets of the District. An effective cash management program is essential to good fiscal management.

## POLICY

### I. INVESTMENT OBJECTIVES:

The investment objectives of the District's Policy, in order of priority, are to provide safety of capital, liquidity of funds, and the optimal rate of return on investments at the time of investment.

1. **Safety of Capital** – The safety of capital is the foremost objective of the District's Policy. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital. The objective will be to mitigate credit risk and interest rate risk. Investment transactions shall seek to keep capital losses at a minimum, whether they are from securities defaults or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
  - (a) **Credit Risk** – The District will minimize credit risk of loss due to the failure of the security by:
    - i. Limiting investments to the authorized investments in the Policy.
    - ii. Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the District will do business.
    - iii. Diversifying the Investment Portfolio to protect against losses on individual securities.
  - (b) **Interest Rate Risk** – The District will minimize the risk that the market value of securities in the Investment Portfolio will fall due to changes in general interest rates by:
    - i. Structuring the Investment Portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 4 of 34

- ii. Investing operating funds (non-short-term and long-term funds) primarily in shorter-term securities, Florida PRIME, money market mutual funds or interest-bearing time deposits, or savings accounts.
2. **Liquidity of Funds** – The Portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This will be accomplished by structuring the Portfolio so that securities mature concurrent with cash needs so as to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the Investment Portfolio should consist largely of securities with active secondary markets. A portion of the Portfolio should be placed in investments that offer same-day liquidity for short-term funds, such as the Florida PRIME or money market mutual funds. Periodic cash-flow analyses will be completed in order to ensure that the portfolios are positioned to provide sufficient liquidity.
3. **Optimal 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. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. Investment return is attempted through active management where the District utilizes a total return strategy, which includes both realized and unrealized gains and losses in the Portfolio. This total return strategy seeks to increase the value of the Investment Portfolio through reinvestment of income and capital gains. Return on investment for the portion of the District's Investment Portfolio that is passively managed is attempted by selecting an authorized investment that provides an optimal yield given the requirements within the Policy, while meeting the District's anticipated liquidity needs. Investments are limited to those relatively low-risk securities authorized in the anticipation of earning a fair return relative to the risk being assumed. Securities may be purchased at a premium or traded for other securities to improve yield, maturity, or credit risk. For these transactions, a loss may be incurred for accounting purposes to achieve relative value based on its potential to enhance the total return of the Investment Portfolio.

## II. DELEGATION OF AUTHORITY:

The District's Governing Board shall be responsible for approving changes to the District's Policy. The responsibility for providing guidance and approval of the District's investment strategy, within the parameters of the Policy, resides with the Committee. The management responsibility for all District funds in the Portfolio and investment transactions is delegated to the Division Director or, in the absence of the Division Director, to the Designee. The Division Director or the Designee will be responsible for managing the Liquidity Portfolio. The Investment Manager shall provide active management for the District's designated funds. The Investment Manager must be registered under the Investment Advisors Act of 1940. The Division Director shall establish written procedures for the operation of the Investment Portfolio and a system of internal accounting and administrative controls to regulate the activities of employees.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 5 of 34

### III. PERFORMANCE MEASUREMENT:

In order to assist in the evaluation of the Portfolio's performance, the District will use performance benchmarks for the short-term and long-term portfolios. The use of benchmarks will allow the District to measure its returns against other investors in the same markets. Performance calculations will not include any balances invested in the overnight sweep accounts. A benchmark should not be chosen that will induce the individual making the investment to take on undue risk in order to outperform the benchmark.

- (a) A short-term index such as the 3, 6, or 12 Month U.S. Treasury Bill Index or S&P Rated GIP Index Government 30 Day Gross Yield will be used as a benchmark for comparison with the Portfolio's net book value rate of return for current operating funds (short-term portfolio). The duration of the index should be similar to that of the short-term portfolio for performance comparison.
- (b) Investment performance of funds designated as Core Funds and other non-operating funds that have a longer-term investment horizon (long-term portfolio) will be compared to a national recognized benchmark that may include the ICE Merrill Lynch 1-3 Year U.S. Treasury/Agency Note Index and ICE Merrill Lynch 1-5 Year U.S. Treasury/Agency Note Index, or the ICE BofA 0-3 Year US Treasury & Agency Index and ICE BofA 0-5 Year Treasury Index or similar index. The appropriate index will have a duration and asset mix that approximates that of the Investment Portfolio and will be utilized as a benchmark to be compared to the Investment Portfolio's total rate of return. The District can choose different performance benchmarks if the investment strategy for the Investment Portfolio changes.

### IV. MATURITY AND LIQUIDITY:

Investments shall be structured in such manner as to provide sufficient liquidity to pay obligations of the District in a timely manner. The Division Director, or Designee, shall sufficiently allocate resources to the short- and long-term investment portfolios. Maturity and average life are measured from settlement date. The final maturity date can be based on any mandatory call, put, pre-refunding date, or other mandatory redemption date.

- (a) **Operating Funds** (Short-Term Investment Portfolio). To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash-flow requirements. Investments of current operating funds shall have maturities of no longer than thirty-six (36) months.
- (b) **Core Funds** (Long-Term Investment Portfolio). Investments of reserves, project funds, and other non-operating funds ("Core Funds") shall have a final maturity appropriate to the need for funds, but in no event shall exceed five (5) years. The average duration of the Core Funds as a whole shall not exceed three (3) years.

### V. AUTHORIZED INVESTMENTS AND PORTFOLIO COMPOSITION:

Investments should be made subject to the District's cash-flow needs. Such cash-flows are subject to revisions as market conditions and the District's needs change. However, when the

**GOVERNING BOARD POLICY****Title: Investments****Effective Date: 11/17/2020****Page 6 of 34**

invested funds are needed in whole or in part for the purpose originally intended or for more optimal investments, the Division Director may sell or request that the Investment Manager sell the investment at the then-prevailing market price and place the proceeds into the proper account at the District's custodian.

The following table contains the investment requirements and allocation limits on security types, issuers, and maturities, as established by the District. The Division Director shall have the option to further restrict investment percentages based on market conditions, risk, and diversification investment strategies. The percentage allocation requirements for investment types and issuers are calculated based on the market value of each investment at the time of purchase. Investments not listed in this Policy are prohibited. In the event of a ratings downgrade of a security, the Investment Manager shall notify the Division Director within five business days of such a decline in the required rating. The Investment Manager and the Division Director will review the individual facts and circumstances of the situation and determine an appropriate course of action.

	<b>Security Type</b>	<b>Minimum Rating Requirement</b>	<b>Maturity Limits</b>	<b>Maximum Allocation Limit</b>	<b>Maximum Issuer Limit</b>
(a)	Florida PRIME	AAAm	N/A	50%	N/A
(b)	United States Government Securities	N/A	5 Years	100%	N/A
(c)	United States Government Agencies (full faith and credit of the United States Government)	N/A	5 Years	50%	25%
(d)	Federal Instrumentalities (United States Government Sponsored Enterprises ("GSE") which are non-full faith and credit).*	N/A	5 Years	75%	40%
(e)	Mortgage-Backed Securities (MBS) *	N/A	5 Years	30%	20%
(f)	Non-Negotiable Interest Bearing Time Deposits or Savings Accounts	N/A	1 Years	25%	15%
(g)	State and/or Local Government Taxable and/or Tax-Exempt Debt	Single "A" category by two NRSROs**	5 Years	25%	10%
(h)	Registered Investment Companies (Money Market Mutual Funds)	AAAm	N/A	50%	25%
(i)	Registered Investment Companies (Mutual Funds)	AAAf	N/A	25%	15%
(j)	Repurchase Agreements	N/A	90 Days	50%	25%
(k)	Bankers' Acceptances	Highest rating by two NRSROs**	180 Days	35%	10%
(l)	Commercial Paper***	A-1/Prime-1	270 Days	35%	5%
(m)	Corporate Notes***	Single "A" category by any two NRSROs**	5 Years	35%	5%
(n)	Intergovernmental Investment Pool	AAAm	N/A	25%	N/A

## **GOVERNING BOARD POLICY**

**Title: Investments**

**Effective Date: 11/17/2020**

**Page 7 of 34**

\*The combined maximum amount of available funds invested in Federal Instrumentalities and mortgage-backed securities will not exceed seventy-five percent (75%).

\*\*National Recognized Statistical Rating Organization (NRSRO).

\*\*\*The maximum amount of corporate investments will not exceed forty percent (40%). Therefore, the combination of Section (l) Commercial Paper and Section (m) Corporate Notes shall not exceed forty percent (40%). Corporate Notes are limited to 15% per industry.

Additional details about the requirements for each security type in the table above are provided in Attachment C: Security Type Purchase and Allocation Guidelines.

### **VI. RISK AND DIVERSIFICATION:**

Assets held shall be diversified to the extent practicable to control the risk of loss resulting from over-concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold. Diversification strategies within the established guidelines shall be reviewed and revised periodically by the Committee.

### **VII. DERIVATIVES AND REVERSE REPURCHASE AGREEMENTS:**

Investment in any derivative products or the use of reverse repurchase agreements is prohibited. A "derivative" is defined as a financial instrument the value of which depends on, or is derived from, the value of one or more underlying assets, indices, or asset values.

### **VIII. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS:**

The Division Director (or Designee) shall only purchase securities from financial institutions that are qualified as public depositories by the Chief Financial Officer of the State of Florida or from private securities brokers/dealers designated as "primary dealers" by the Federal Reserve Bank of New York. Qualified public depositories may provide the services of a securities dealer through a Section 20 subsidiary of the financial institution or from direct issuers of commercial paper and bankers' acceptances.

The Investment Manager shall utilize and maintain its own list of approved primary and non-primary dealers.

### **IX. THIRD-PARTY CUSTODIAL AGREEMENTS:**

The Division Director will execute a Third-Party Custodial Safekeeping Agreement with a commercial bank, which is separately chartered by the United States government or the State of Florida. All securities purchased and/or collateral obtained, with the exception of certificates of deposits, by the Division Director or Designee shall be properly designated as an asset of the District and held in safekeeping by the bank and no withdrawal of such securities, in whole or in part, shall be made from safekeeping, except by an authorized Finance Bureau staff member. The Third-Party Custodial Safekeeping Agreement shall include letters of authority from the Division Director, details as to responsibilities of each party, notification of security purchases, sales, delivery, wire transfers, safekeeping, and transaction costs, and procedures in case of wire failure or other unforeseen mishaps, including liability of each party.

The custodian shall accept transaction instructions only from those persons who have been duly authorized by the District and which authorization has been provided, in writing, to the custodian. No withdrawal of securities, in whole or in part, shall be made from safekeeping, unless by such a duly authorized person.



## **GOVERNING BOARD POLICY**

**Title: Investments**

**Effective Date: 11/17/2020**

**Page 8 of 34**

The custodian shall provide the Division Director or Designee with monthly statements that provide detail information on the securities held by the custodian. Security transactions between authorized investment institutions and dealers and the custodian involving the purchase or sale of securities by transfer of money or securities must be made on a "delivery versus payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. Securities held as collateral shall be held free and clear of any liens. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

### **X. MASTER REPURCHASE AGREEMENT:**

The District will require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Securities Industry and Financial Markets Association (SIFMA) Master Repurchase Agreement. All repurchase agreement transactions will adhere to requirements of the SIFMA Master Repurchase Agreement.

### **XI. COMPETITIVE SELECTION:**

After the Division Director, Designee, or Investment Manager, has determined the approximate maturity date based on cash-flow needs and market conditions and has analyzed and selected one or more optimal types of investments, a minimum of three (3) authorized investment institutions or dealers must be contacted and asked to provide bids/offers on securities in question. Bids will be held in confidence until the bid/offer deemed to best meet the investment objectives is determined and selected.

However, if obtaining bids/offers are not feasible and appropriate, securities may be purchased utilizing the comparison to current market price method on an exception basis. Acceptable current market price providers include, but are not limited to the following:

- 1) TradeWeb
- 2) Bloomberg Financial System
- 3) Wall Street Journal or a comparable recognized financial publication
- 4) Daily market pricing provided by the District's custodian bank or correspondent institutions

The Division Director or the Investment Manager shall utilize the competitive bid process to select the securities to be purchased or sold. Selection by comparison to a current market price, as indicated above, shall only be utilized when in judgment of the Division Director or the Investment Manager, competitive bidding would inhibit the selection process.

Examples of when this method may be used include:

- A. When time constraints due to unusual circumstances preclude the use of the competitive bidding process.
- B. When no active market exists for the issue being traded due to the age or depth of the issue.
- C. When a security is unique to a single dealer, for example, a private placement.

## **GOVERNING BOARD POLICY**

**Title: Investments**

**Effective Date: 11/17/2020**

**Page 9 of 34**

- D. When the transaction involves new issues or issues in the “when issued” market.

Overnight sweep investments or repurchase agreements will not be bid but may be placed with the District’s depository bank relating to the demand account for which the sweep investments or repurchase agreements were purchased.

### **XII. INTERNAL CONTROLS:**

The Division Director and/or Designee shall establish a system of internal controls and operational procedures. The internal control structure shall be designed to provide reasonable assurance that the assets of the District are protected from loss, theft or misuse that might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by District employees. The internal control structure will be reviewed during the annual financial audit conducted by independent auditors.

The Division Director will report any non-compliance with the District’s Policy or adopted investment strategy to the Inspector General, Executive Director, General Counsel, and Chair of the Committee immediately upon becoming aware of the situation.

### **XIII. CONTINUING EDUCATION:**

The Division Director and Designee shall complete eight (8) hours of continuing education annually in subjects or courses of study related to investment practices and products.

### **XIV. REPORTING:**

The Division Director shall report at least quarterly to the Executive Director and the Governing Board, and shall provide quarterly investment reports. Schedules in the quarterly report shall include, but not be limited to, the following:

1. A listing of individual securities by class and type held at the end of the reporting period
2. Percentage of available funds represented by each investment type
3. Coupon, discount, or earning rate
4. Average life or duration and final maturity of all investments
5. Par value and market value
6. In addition to the standard gross-of-fee-performance reporting that is presented, net-of-fee performance will be provided by the Investment Manager
7. A summary of District’s investment strategy
8. The year-end quarterly report ended September 30th will show performance on both a book value and total rate of return basis and will compare the results to the above-

## **GOVERNING BOARD POLICY**

**Title: Investments**

**Effective Date: 11/17/2020**

**Page 10 of 34**

stated performance benchmarks. All investments shall be reported at fair value per GASB standards. Investment reports shall be available to the public.

### **XV. SECURITIES DISPOSITION:**

Every security purchased on behalf of the District must be properly earmarked and, if in book entry form, must be held for the credit of the District by a depository chartered by the federal government, the state, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida 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 the State of Florida, and must be kept by the depository in an account separate and apart from the assets of the financial institution.

### **XVI. PREEMPTION:**

Any provision of any special act, municipal charter, or other law which prohibits or restricts the District from complying with Section 218.415, Florida Statutes, or any rules adopted under Section 218.415, Florida Statutes, is void to the extent of the conflict.

### **XVII. AUDITS:**

Certified public accountants conducting audits of the District pursuant to Section 11.45, Florida Statutes, shall report, as part of the audit, whether or not the District has complied with Section 218.415, Florida Statutes.

### **XVIII. INVESTMENT POLICY ADOPTION:**

This Policy shall be adopted by the Governing Board.

### **DISTRIBUTION**

This procedure will be stored in the Governing Board's Procedure repository.

### **REFERENCES**

Sections 218.415, 280.02, 658.12, 11.45, Florida Statutes  
 Third-Party Custodial Safekeeping Agreement  
 Attachment A: Glossary of Cash and Investment Management Terms  
 Attachment B: Investment Pool/Fund Questionnaire  
 Attachment C: Security Type Purchase and Allocation Guidelines

### **REVIEW PERIOD**

The Division Director and the Committee shall review this Policy within sixty (60) days following the end of each fiscal year and the Governing Board shall approve any modification made thereto.

## Attachment A

### Glossary of Cash and Investment Management Terms

The following is a glossary of key investing terms, many of which appear in the Southwest Florida Water Management District's investment policy. This glossary clarifies the meaning of investment terms generally used in cash and investment management. This glossary has been adapted from the GFOA Sample Investment Policy and the Association of Public Treasurers of the United States and Canada's Model Investment Policy.

**Accrued Interest.** Interest earned but which has not yet been paid or received.

**Agency.** See "Federal Agency Securities."

**Ask Price.** Price at which a broker/dealer offers to sell a security to an investor. Also known as "offered price."

**Asset Backed Securities (ABS).** A fixed-income security backed by notes or receivables against assets other than real estate. Generally issued by special purpose companies that "own" the assets and issue the ABS. Examples include securities backed by auto loans, credit card receivables, home equity loans, manufactured housing loans, farm equipment loans, and aircraft leases.

**Average Life.** The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

**Bankers' Acceptance (BA's).** A draft or bill of exchange drawn upon and accepted by a bank. Frequently used to finance shipping of international goods. Used as a short-term credit instrument, bankers' acceptances are traded at a discount from face value as a money market instrument in the secondary market on the basis of the credit quality of the guaranteeing bank.

**Basis Point.** One hundredth of one percent, or 0.01%. Thus 1% equals 100 basis points.

**Bearer Security.** A security whose ownership is determined by the holder of the physical security. Typically, there is no registration on the issuer's books. Title to bearer securities is transferred by delivery of the physical security or certificate. Also known as "physical securities."

**Benchmark Bills.** In November 1999, FNMA introduced its Benchmark Bills program, a short-term debt securities issuance program to supplement its existing discount note program. The program includes a schedule of larger, weekly issues in three- and six-month maturities and biweekly issues in one-year for Benchmark Bills. Each issue is brought to market via a Dutch (single price) auction. FNMA conducts a weekly auction for each Benchmark Bill maturity and accepts both competitive and non-competitive bids through a web-based auction system. This program is in addition to the variety of other discount note maturities, with rates posted on a daily basis, which FNMA offers. FNMA's Benchmark Bills are unsecured general obligations that are issued in book-entry form through the Federal Reserve Banks. There are no periodic payments of interest on Benchmark Bills, which are sold at a discount from the principal amount and payable at par at maturity. Issues under the Benchmark program constitute the same credit

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 12 of 34

standing as other FNMA discount notes; they simply add organization and liquidity to the short-term Agency discount note market.

**Benchmark Notes/Bonds.** Benchmark Notes and Bonds are a series of FNMA “bullet” maturities (non-callable) issued according to a pre-announced calendar. Under its Benchmark Notes/Bonds program, 2, 3, 5, 10, and 30-year maturities are issued each quarter. Each Benchmark Notes new issue has a minimum size of \$4 billion, 30-year new issues having a minimum size of \$1 billion, with re-openings based on investor demand to further enhance liquidity. The amount of non-callable issuance has allowed FNMA to build a yield curve in Benchmark Notes and Bonds in maturities ranging from 2 to 30 years. The liquidity emanating from these large size issues has facilitated favorable financing opportunities through the development of a liquid overnight and term repo market. Issues under the Benchmark program constitute the same credit standing as other FNMA issues; they simply add organization and liquidity to the intermediate- and long-term Agency market.

**Benchmark.** A market index used as a comparative basis for measuring the performance of an investment portfolio. A performance benchmark should represent a close correlation to investment guidelines, risk tolerance, and duration of the actual portfolio’s investments.

**Bid Price.** Price at which a broker/dealer offers to purchase a security from an investor.

**Bond.** Financial obligation for which the issuer promises to pay the bondholder (the purchaser or owner of the bond) a specified stream of future cash-flows, including periodic interest payments and a principal repayment.

**Book Entry Securities.** Securities that are recorded in a customer’s account electronically through one of the financial markets electronic delivery and custody systems, such as the Fed Securities wire, DTC, and PTC

(as opposed to bearer or physical securities). The trend is toward a certificate-free society in order to cut down on paperwork and to diminish investors’ concerns about the certificates themselves. The vast majority of securities are now book entry securities.

**Book Value.** The value at which a debt security is reflected on the holder’s records at any point in time. Book value is also called “amortized cost” as it represents the original cost of an investment adjusted for amortization of premium or accretion of discount. Also called “carrying value.” Book value can vary over time as an investment approaches maturity and differs from “market value” in that it is not affected by changes in market interest rates.

**Broker/Dealer.** A person or firm transacting securities business with customers. A “broker” acts as an agent between buyers and sellers and receives a commission for these services. A “dealer” buys and sells financial assets from its own portfolio. A dealer takes risk by owning inventory of securities, whereas a broker merely matches up buyers and sellers. See also “Primary Dealer.”

**Bullet Notes/Bonds.** Notes or bonds that have a single maturity date and are non-callable.

**Call Date.** Date at which a call option may be or is exercised.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 13 of 34

**Call Option.** The right, but not the obligation, of an issuer of a security to redeem a security at a specified value and at a specified date or dates prior to its stated maturity date. Most fixed-income calls are a par but can be at any previously established price. Securities issued with a call provision typically carry a higher yield than similar securities issued without a call feature. There are three primary types of call options (1) European – one-time calls, (2) Bermudan – periodically on a predetermined schedule (quarterly, semi-annual, annual), and (3) American – continuously callable at any time on or after the call date. There is usually a notice period of at least 5 business days prior to a call date.

**Callable Bonds/Notes.** Securities which contain an imbedded call option giving the issuer the right to redeem the securities prior to maturity at a predetermined price and time.

**Certificate of Deposit (CD).** Bank obligation issued by a financial institution generally offering a fixed rate of return (coupon) for a specified period of time (maturity). Can be as long as 10 years to maturity, but most CDs purchased by public agencies are one year and under.

**Collateral.** Investment securities or other property that a borrower pledges to secure repayment of a loan, secure deposits of public monies, or provide security for a repurchase agreement.

**Collateralization.** Process by which a borrower pledges securities, property, or other deposits for securing the repayment of a loan and/or security.

**Collateralized Mortgage Obligation (CMO).** A security that pools together mortgages and separates them into short, medium, and long-term positions (called tranches). Tranches are set up to pay different rates of interest depending upon their maturity. Interest payments are usually paid monthly. In “plain vanilla” CMOs, principal is not paid on a tranche until all shorter tranches have been paid off. This system provides interest and principal in a more predictable manner. A single pool of mortgages can be carved up into numerous tranches each with its own payment and risk characteristics.

**Commercial Paper.** Short term unsecured promissory note issued by a company or financial institution. Issued at a discount and matures for par or face value. Usually a maximum maturity of 270 days and given a short-term debt rating by one or more NRSROs.

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

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

**Counterparty.** The other party in a two-party financial transaction. “Counterparty risk” refers to the risk that the other party to a transaction will fail in its related obligations. For example, the bank or broker/dealer in a repurchase agreement.

**Coupon Rate.** Annual rate of interest on a debt security, expressed as a percentage of the bond’s face value.

**Current Yield.** Annual rate of return on a bond based on its price. Calculated as (coupon rate / price) but does not accurately reflect a bond’s true yield level.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 14 of 34

**Custody.** Safekeeping services offered by a bank, financial institution, or trust company, referred to as the “custodian.” Service normally includes the holding and reporting of the customer’s securities, the collection and disbursement of income, securities settlement, and market values.

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

**Delivery Versus Payment (DVP).** Settlement procedure in which securities are delivered versus payment of cash, but only after cash has been received. Most security transactions, including those through the Fed Securities Wire system and DTC, are done DVP as a protection for both the buyer and seller of securities.

**Depository Trust Company (DTC).** A firm through which members can use a computer to arrange for securities to be delivered to other members without physical delivery of certificates. A member of the Federal Reserve System and owned mostly by the New York Stock Exchange, the Depository Trust Company uses computerized debit and credit entries. Most corporate securities, commercial paper, CDs, and Bas clear through DTC.

**Derivatives.** (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities, or commodities). For hedging purposes, common derivatives are options, futures, interest rate swaps, and swaptions. All Collateralized Mortgage Obligations (CMOs) are derivatives.

**Derivative Security.** Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

**Designated Bond.** FFCB’s regularly issued, liquid, non-callable securities that generally have a 2 or 3-year original maturity. New issues of Designated Bonds are \$1 billion or larger. Re-openings of existing Designated Bond issues are generally a minimum of \$100 million. Designated Bonds are offered through a syndicate of two to six dealers. Twice each month the Funding Corporation announces its intention to issue a new Designated Bond, reopen an existing issue, or to not issue or reopen a Designated Bond. Issues under the Designated Bond program constitute the same credit standing as other FFCB issues; they simply add organization and liquidity to the intermediate- and long-term Agency market.

**Discount Notes.** Unsecured general obligations issued by Federal Agencies at a discount. Discount notes mature at par and can range in maturity from overnight to one year. Very large primary (new issue) and secondary markets exist.

**Discount Rate.** Rate charged by the system of Federal Reserve Banks on overnight loans to member banks. Changes to this rate are administered by the Federal Reserve and closely mirror changes to the “fed funds rate.”

**Discount Securities.** Non-interest bearing money market instruments that are issued at discount and redeemed at maturity for full face value. Examples include: U.S. Treasury Bills, Federal Agency Discount Notes, Bankers’ Acceptances, and Commercial Paper.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 15 of 34

**Discount.** The amount by which a bond or other financial instrument sells below its face value. See also "Premium."

**Diversification.** Dividing investment funds among a variety of security types, maturities, industries, and issuers offering potentially independent returns.

**Dollar Price.** A bond's cost expressed as a percentage of its face value. For example, a bond quoted at a dollar price of 95  $\frac{1}{2}$ , would have a principal cost of \$955 per \$1,000 of face value.

**Duff & Phelps.** One of several NRSROs that provide credit ratings on corporate and bank debt issues.

**Duration.** The weighted average maturity of a security's or portfolio's cash-flows, where the present values of the cash-flows serve as the weights. The greater the duration of a security/portfolio, the greater its percentage price volatility with respect to changes in interest rates. Used as a measure of risk and a key tool for managing a portfolio versus a benchmark and for hedging risk. There are also different kinds of duration used for different purposes (e.g. MacAuley Duration, Modified Duration).

**Fannie Mae.** See "Federal National Mortgage Association."

**Fed Money Wire.** A computerized communications system that connects the Federal Reserve System with its member banks, certain U. S. Treasury offices, and the Washington D.C. office of the Commodity Credit Corporation. The Fed Money Wire is the book entry system used to transfer cash balances between banks for themselves and for customer accounts.

**Fed Securities Wire.** A computerized communications system that facilitates book entry transfer of securities between banks, brokers and customer accounts, used primarily for settlement of U.S. Treasury and Federal Agency securities.

**Fed.** See "Federal Reserve System."

**Federal Agency Security.** A debt instrument issued by one of the Federal Agencies. Federal Agencies are considered second in credit quality and liquidity only to U.S. Treasuries.

**Federal Agency.** Government sponsored/owned entity created by the U.S. Congress, generally for the purpose of acting as a financial intermediary by borrowing in the marketplace and directing proceeds to specific areas of the economy considered to otherwise have restricted access to credit markets. The largest Federal Agencies are GNMA, FNMA, FHLMC, FHLB, FFCB, SLMA, and TVA.

**Federal Deposit Insurance Corporation (FDIC).** Federal agency that insures deposits at commercial banks, currently to a limit of \$250,000 per depositor per bank.

**Federal Farm Credit Bank (FFCB).** One of the large Federal Agencies. A government sponsored enterprise (GSE) system that is a network of cooperatively-owned lending institutions that provides credit services to farmers, agricultural cooperatives and rural utilities. The FFCBs act as financial intermediaries that borrow money in the capital markets and use the proceeds to make loans and provide other assistance to farmers and farm-affiliated businesses. Consists of the consolidated operations of the Banks for Cooperatives, Federal Intermediate Credit Banks,



## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 16 of 34

and Federal Land Banks. Frequent issuer of discount notes, agency notes and callable agency securities. FFCB debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and agricultural industry. Also, issues notes under its "designated note" program.

**Federal Funds (Fed Funds).** Funds placed in Federal Reserve Banks by depository institutions in excess of current reserve requirements, and frequently loaned or borrowed on an overnight basis between depository institutions.

**Federal Funds Rate (Fed Funds Rate).** The interest rate charged by a depository institution lending Federal Funds to another depository institution. The Federal Reserve influences this rate by establishing a "target" Fed Funds rate associated with the Fed's management of monetary policy.

**Federal Home Loan Bank System (FHLB).** One of the large Federal Agencies. A government sponsored enterprise (GSE) system, consisting of wholesale banks (currently twelve district banks) owned by their member banks, which provides correspondent banking services and credit to various financial institutions, financed by the issuance of securities. The principal purpose of the FHLB is to add liquidity to the mortgage markets. Although FHLB does not directly fund mortgages, it provides a stable supply of credit to thrift institutions that make new mortgage loans. FHLB debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes and callable agency securities. Also, issues notes under its "global note" and "TAP" programs.

**Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac").** One of the large Federal Agencies. A government sponsored public corporation (GSE) that provides stability and assistance to the secondary market for home mortgages by purchasing first mortgages and participation interests financed by the sale of debt and guaranteed mortgage backed securities. FHLMC debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes, callable agency securities, and MBS. Also, issues notes under its "reference note" program.

**Federal National Mortgage Association (FNMA or "Fannie Mae").** One of the large Federal Agencies. A government sponsored public corporation (GSE) that provides liquidity to the residential mortgage market by purchasing mortgage loans from lenders, financed by the issuance of debt securities and MBS (pools of mortgages packaged together as a security). FNMA debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes, callable agency securities and MBS. Also issues notes under its "benchmark note" program.

**Federal Reserve Bank.** One of the 12 distinct banks of the Federal Reserve System.

**Federal Reserve System (the Fed).** The independent central bank system of the United States that establishes and conducts the nation's monetary policy. This is accomplished in three major ways: (1) raising or lowering bank reserve requirements, (2) raising or lowering the target Fed Funds Rate and Discount Rate, and (3) in open market operations by buying and selling

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 17 of 34

government securities. The Federal Reserve System is made up of twelve Federal Reserve District Banks, their branches, and many national and state banks throughout the nation. It is headed by the seven-member Board of Governors known as the "Federal Reserve Board" and headed by its Chairman.

**Financial Industry Regulatory Authority, Inc. (FINRA).** A private corporation that acts as a self-regulatory organization (SRO). FINRA is the successor to the National Association of Securities Dealers, Inc. (NASD). Though sometimes mistaken for a government agency, it is a non-governmental organization that performs financial regulation of member brokerage firms and exchange markets. The government also has a regulatory arm for investments, the Securities and Exchange Commission (SEC).

**Fiscal Agent/Paying Agent.** A bank or trust company that acts, under a trust agreement with a corporation or municipality, in the capacity of general treasurer. The agent performs such duties as making coupon payments, paying rents, redeeming bonds, and handling taxes relating to the issuance of bonds.

**Fitch Investors Service, Inc.** One of several NRSROs that provide credit ratings on corporate and municipal debt issues.

**Floating Rate Security (FRN or "floater").** A bond with an interest rate that is adjusted according to changes in an interest rate or index. Differs from variable-rate debt in that the changes to the rate take place immediately when the index changes, rather than on a predetermined schedule. See also "Variable Rate Security."

**Freddie Mac.** See "Federal Home Loan Mortgage Corporation."

**Ginnie Mae.** See "Government National Mortgage Association."

**Global Notes:** Notes designed to qualify for immediate trading in both the domestic U.S. capital market and in foreign markets around the globe. Usually large issues that are sold to investors worldwide and therefore have excellent liquidity. Despite their global sales, global notes sold in the U.S. are typically denominated in U.S. dollars.

**Government National Mortgage Association (GNMA or "Ginnie Mae").** One of the large Federal Agencies. Government-owned Federal Agency that acquires, packages, and resells mortgages and mortgage purchase commitments in the form of mortgage-backed securities. Largest issuer of mortgage pass-through securities. GNMA debt is guaranteed by the full faith and credit of the U.S. government (one of the few agencies that are actually full faith and credit of the U.S. government).

**Government Securities.** An obligation of the U.S. government backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, Bonds, and SLGS."

**Government Sponsored Enterprise (GSE).** Privately owned entity subject to federal regulation and supervision, created by the U.S. Congress to reduce the cost of capital for certain borrowing sectors of the economy such as students, farmers, and homeowners. GSEs carry the implicit backing of the U.S. government, but they are not direct obligations of the U.S.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 18 of 34

government. For this reason, these securities will offer a yield premium over U.S. Treasuries. Examples of GSEs include: FHLB, FHLMC, FNMA, and SLMA.

**Government Sponsored Enterprise Security.** A security issued by a Government Sponsored Enterprise. Considered Federal Agency Securities.

**Index.** A compilation of statistical data that tracks changes in the economy or in financial markets.

**Interest-Only (IO) STRIP.** A security based solely on the interest payments from the bond. After the principal has been repaid, interest payments stop and the value of the security falls to nothing. Therefore, IOs are considered risky investments. Usually associated with mortgage-backed securities.

**Internal Controls.** An internal control structure ensures that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

**Control of collusion.** Collusion is a situation where two or more employees are working in conjunction to defraud their employer.

**Separation of transaction authority from accounting and record keeping.** A separation of duties is achieved by separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction.

**Custodial safekeeping.** Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.

**Avoidance of physical delivery securities.** Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.

**Clear delegation of authority to subordinate staff members.** Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.

**Written confirmation of transactions for investments and wire transfers.** Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 19 of 34

### **Development of a wire transfer agreement with the lead bank and third-party custodian.**

The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

**Inverse Floater.** A floating rate security structured in such a way that it reacts inversely to the direction of interest rates. Considered risky as their value moves in the opposite direction of normal fixed-income investments and whose interest rate can fall to zero.

**Investment Advisor.** A company that provides professional advice managing portfolios, investment recommendations, and/or research in exchange for a management fee.

**Investment Adviser Act of 1940.** Federal legislation that sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

**Investment Grade.** Bonds considered suitable for preservation of invested capital, including bonds rated a minimum of Baa3 by Moody's, BBB- by Standard & Poor's, or BBB- by Fitch. Although "BBB" rated bonds are considered investment grade, most public agencies cannot invest in securities rated below "A."

**Liquidity.** Relative ease of converting an asset into cash without significant loss of value. Also, a relative measure of cash and near-cash items in a portfolio of assets. Additionally, it is a term describing the marketability of a money market security correlating to the narrowness of the spread between the bid and ask prices.

**Local Government Investment Pool (LGIP).** An investment by local governments in which their money is pooled as a method for managing local funds, (e.g., Florida State Board of Administration's Florida Prime Fund).

**Long-Term Core Investment Program.** Funds that are not needed within a one-year period.

**Market Value.** The fair market value of a security or commodity. The price at which a willing buyer and seller would pay for a security.

**Mark-to-market.** Adjusting the value of an asset to its market value, reflecting in the process unrealized gains or losses.

**Master Repurchase Agreement.** A widely accepted standard agreement form published by the Securities Industry and Financial Markets Association (SIFMA) that is used to govern and document Repurchase Agreements and protect the interest of parties in a repo transaction.

**Maturity Date.** Date on which principal payment of a financial obligation is to be paid.

**Medium Term Notes (MTN's).** Used frequently to refer to corporate notes of medium maturity (5-years and under). Technically, any debt security issued by a corporate or depository institution with a maturity from 1 to 10 years and issued under an MTN shelf registration. Usually issued in smaller issues with varying coupons and maturities and underwritten by a variety of broker/dealers (as opposed to large corporate deals issued and underwritten all at once in large size and with a fixed coupon and maturity).

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 20 of 34

**Money Market.** The market in which short-term debt instruments (bills, commercial paper, bankers' acceptance, etc.) are issued and traded.

**Money Market Mutual Fund (MMF).** A type of mutual fund that invests solely in money market instruments, such as: U.S. Treasury bills, commercial paper, bankers' acceptances, and repurchase agreements. Money market mutual funds are registered with the SEC under the Investment Company Act of 1940 and are subject to "rule 2a-7" which significantly limits average maturity and credit quality of holdings. MMF's are managed to maintain a stable net asset value (NAV) of \$1.00. Many MMFs carry ratings by a NRSRO.

**Moody's Investors Service.** One of several NRSROs that provide credit ratings on corporate and municipal debt issues.

**Mortgage Backed Securities (MBS).** Mortgage-backed securities represent an ownership interest in a pool of mortgage loans made by financial institutions, such as savings and loans, commercial banks, or mortgage companies, to finance the borrower's purchase of a home or other real estate. The majority of MBS are issued and/or guaranteed by GNMA, FNMA, and FHLMC. There are a variety of MBS structures with varying levels of risk and complexity. All MBS have reinvestment risk as actual principal and interest payments are dependent on the payment of the underlying mortgages which can be prepaid by mortgage holders to refinance and lower rates or simply because the underlying property was sold.

**Mortgage Pass-Through Securities.** A pool of residential mortgage loans with the monthly interest and principal distributed to investors on a pro-rata basis. The largest issuer is GNMA.

**Municipal Note/Bond.** A debt instrument issued by a state or local government unit or public agency. The vast majority of municipals are exempt from state and federal income tax, although some non-qualified issues are taxable.

**Mutual Fund.** Portfolio of securities professionally managed by a registered investment company that issues shares to investors. Many different types of mutual funds exist (e.g., bond, equity, and money market funds); all except money market funds operate on a variable net asset value (NAV).

**Negotiable Certificate of Deposit (Negotiable CD).** Large denomination CDs (\$100,000 and larger) that are issued in bearer form and can be traded in the secondary market.

**Net Asset Value.** The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets including securities, cash, and any accrued earnings, then subtracting the total assets from the fund's liabilities, and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below.)

$$[(\text{Total assets}) - (\text{Liabilities})]/(\text{Number of shares outstanding})$$

**NRSRO.** A "Nationally Recognized Statistical Rating Organization" (NRSRO) is a designated rating organization that the SEC has deemed a strong national presence in the U.S. NRSROs provide credit ratings on corporate and bank debt issues. Only ratings of a NRSRO may be used for the regulatory purposes of rating. Includes Moody's, S&P, Fitch, and Duff & Phelps.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 21 of 34

**Offered Price.** See also "Ask Price."

**Open Market Operations.** A Federal Reserve monetary policy tactic entailing the purchase or sale of government securities in the open market by the Federal Reserve System from and to primary dealers in order to influence the money supply, credit conditions, and interest rates.

**Par Value.** The face value, stated value, or maturity value of a security.

**Physical Delivery.** Delivery of readily available underlying assets at contract maturity.

**Portfolio.** Collection of securities and investments held by an investor.

**Premium.** The amount by which a bond or other financial instrument sells above its face value. See also "Discount."

**Primary Dealer.** A designation given to certain government securities dealer by the Federal Reserve Bank of New York. Primary dealers can buy and sell government securities directly with the Fed. Primary dealers also submit daily reports of market activity and security positions held to the Fed and are subject to its informal oversight. Primary dealers are the largest buyers and sellers by volume in the U.S. Treasury securities market.

**Prime Paper.** Commercial paper of high quality. Highest rated paper is A-1+/A-1 by S&P and P-1 by Moody's.

**Principal.** Face value of a financial instrument on which interest accrues. May be less than par value if some principal has been repaid or retired. For a transaction, principal is par value times price and includes any premium or discount.

**Prudent Expert Rule.** Standard that requires that a fiduciary manage a portfolio with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. This statement differs from the "prudent person" rule in that familiarity with such matters suggests a higher standard than simple prudence.

**Prudent Investor Standard.** Standard that requires that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. More stringent than the "prudent person" standard as it implies a level of knowledge commensurate with the responsibility at hand.

**Qualified Public Depository.** Per Subsection 280.02(26), F.S., "qualified public depository" means any bank, savings bank, or savings association that:

1. Is organized and exists under the laws of the United States, the laws of this state or any other state or territory of the United States.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 22 of 34

2. Has its principal place of business in this state or has a branch office in this state which is authorized under the laws of this state or of the United States to receive deposits in this state.
3. Has deposit insurance under the provision of the Federal Deposit Insurance Act, as amended, 12 U.S.C. ss.1811 et seq.
4. Has procedures and practices for accurate identification, classification, reporting, and collateralization of public deposits.
5. Meets all requirements of Chapter 280, F.S.
6. Has been designated by the Chief Financial Officer as a qualified public depository.

**Range Note.** A type of structured note that accrues interest daily at a set coupon rate that is tied to an index. Most range notes have two coupon levels; a higher accrual rate for the period the index is within a designated range, the lower accrual rate for the period that the index falls outside the designated range. This lower rate may be zero and may result in zero earnings.

**Rate of Return.** Amount of income received from an investment, expressed as a percentage of the amount invested.

**Realized Gains (Losses).** The difference between the sale price of an investment and its book value. Gains/losses are "realized" when the security is actually sold, as compared to "unrealized" gains/losses which are based on current market value. See "Unrealized Gains (Losses)."

**Reference Bills.** FHLMC's short-term debt program created to supplement its existing discount note program by offering issues from one month through one year, auctioned on a weekly or on an alternating four-week basis (depending upon maturity) offered in sizeable volumes (\$1 billion and up) on a cycle of regular, standardized issuance. Globally sponsored and distributed, Reference Bill issues are intended to encourage active trading and market-making and facilitate the development of a term repo market. The program was designed to offer predictable supply, pricing transparency, and liquidity, thereby providing alternatives to U.S. Treasury bills. FHLMC's Reference Bills are unsecured general corporate obligations. This program supplements the corporation's existing discount note program. Issues under the Reference program constitute the same credit standing as other FHLMC discount notes; they simply add organization and liquidity to the short-term Agency discount note market.

**Reference Notes.** FHLMC's intermediate-term debt program with issuances of 2, 3, 5, 10, and 30-year maturities. Initial issuances range from \$2 - \$6 billion with re-openings ranging \$1 - \$4 billion.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 23 of 34

The notes are high-quality bullet structures securities that pay interest semiannually. Issues under the Reference program constitute the same credit standing as other FHLMC notes; they simply add organization and liquidity to the intermediate- and long-term Agency market.

**Repurchase Agreement (Repo).** A short-term investment vehicle where an investor agrees to buy securities from a counterparty and simultaneously agrees to resell the securities back to the counterparty at an agreed upon time and for an agreed upon price. The difference between the purchase price and the sale price represents interest earned on the agreement. In effect, it represents a collateralized loan to the investor, where the securities are the collateral. Can be DVP, where securities are delivered to the investor's custodial bank, or "tri-party" where the securities are delivered to a third-party intermediary. Any type of security can be used as "collateral," but only some types provide the investor with special bankruptcy protection under the law. Repos should be undertaken only when an appropriate Securities Industry and Financial Markets Association (SIFMA) approved master repurchase agreement is in place.

**Reverse Repurchase Agreement (Reverse Repo).** A repo from the point of view of the original seller of securities. Used by dealers to finance their inventory of securities by essentially borrowing at short-term rates. Can also be used to leverage a portfolio and in this sense, can be considered risky if used improperly.

**Safekeeping.** Service offered for a fee, usually by financial institutions, for the holding of securities and other valuables. Safekeeping is a component of custody services.

**Secondary Market.** Markets for the purchase and sale of any previously issued financial instrument.

**Securities Industry and Financial Markets Association (SIFMA).** The bond market trade association representing the largest securities markets in the world. In addition to publishing a Master Repurchase Agreement, widely accepted as the industry standard document for Repurchase Agreements, the SIFMA also recommends bond market closures and early closes due to holidays.

**Securities Lending.** An arrangement between an investor and a custody bank that allows the custody bank to "loan" the investor's investment holdings, reinvest the proceeds in permitted investments, and shares any profits with the investor. Should be governed by a securities lending agreement. Can increase the risk of a portfolio in that the investor takes on the default risk on the reinvestment at the discretion of the custodian.

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

**Spread.** The difference between the price of a security and similar maturity U.S. Treasury investments, expressed in percentage terms or basis points. A spread can also be the absolute difference in yield between two securities. The securities can be in different markets or within the same securities market between different credits, sectors, or other relevant factors.



## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 24 of 34

**Standard & Poor's.** One of several NRSROs that provide credit ratings on corporate and municipal debt issues.

**STRIPS (Separate Trading of Registered Interest and Principal of Securities).** Acronym applied to U.S. Treasury securities that have had their coupons and principal repayments separated into individual zero-coupon Treasury securities. The same technique and "strips" description can be applied to non-Treasury securities (e.g., FNMA strips).

**Structured Notes.** Notes that have imbedded into their structure options such as step-up coupons or derivative-based returns.

**Swap.** Trading one asset for another.

**TAP Notes.** Federal Agency notes issued under the FHLB TAP program. Launched in 6/99 as a refinement to the FHLB bullet bond auction process. In a break from the FHLB's traditional practice of bringing numerous small issues to market with similar maturities, the TAP Issue Program uses the four most common maturities and reopens them up regularly through a competitive auction. These maturities (2, 3, 5, and 10 year) will remain open for the calendar quarter, after which they will be closed, and a new series of TAP issues will be opened to replace them. This reduces the number of separate bullet bonds issued but generates enhanced awareness and liquidity in the marketplace through increased issue size and secondary market volume.

**Tennessee Valley Authority (TVA).** One of the large Federal Agencies. A wholly owned corporation of the United States government that was established in 1933 to develop the resources of the Tennessee Valley region in order to strengthen the regional and national economy and the national defense. Power operations are separated from non-power operations. TVA securities represent obligations of TVA, payable solely from TVA's net power proceeds, and are neither obligations of nor guaranteed by the United States. TVA is currently authorized to issue debt up to \$30 billion. Under this authorization, TVA may also obtain advances from the U.S. Treasury of up to \$150 million. Frequent issuer of discount notes, agency notes, and callable agency securities.

**Total Return.** Investment performance measured over a period of time that includes coupon interest, interest on interest, and both realized and unrealized gains or losses. Total return includes, therefore, any market value appreciation/depreciation on investments held at period end.

**Treasuries.** Collective term used to describe debt instruments backed by the U.S. government and issued through the U.S. Department of the Treasury. Includes Treasury bills, Treasury notes, and Treasury bonds. Also, a benchmark term used as a basis by which the yields of non-Treasury securities are compared (e.g., "trading at 50 basis points over Treasuries").

**Treasury Bills (T-Bills).** Short-term direct obligations of the United States government issued with an original term of one year or less. Treasury bills are sold at a discount from face value and do not pay interest before maturity. The difference between the purchase price of the bill and the maturity value is the interest earned on the bill. Currently, the U.S. Treasury issues 4-week, 13-week, and 26-week T-Bills.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 25 of 34

**Treasury Bonds.** Long-term interest-bearing debt securities backed by the U.S. government and issued with maturities of ten years and longer by the U.S. Department of the Treasury.

**Treasury Notes.** Intermediate interest-bearing debt securities backed by the U.S. government and issued with maturities ranging from one to ten years by the U.S. Department of the Treasury. The Treasury currently issues 2-year, 3-year, 5-year, and 10-year Treasury Notes.

**Trustee.** A bank designated by an issuer of securities as the custodian of funds and official representative of bondholders. Trustees are appointed to insure compliance with the bond documents and to represent bondholders in enforcing their contract with the issuer.

**Uniform Net Capital Rule.** SEC Rule 15c3-1 that outlines the minimum net capital ratio (ratio of indebtedness to net liquid capital) of member firms and non-member broker/dealers.

**Unrealized Gains (Losses).** The difference between the market value of an investment and its book value. Gains/losses are "realized" when the security is actually sold, as compared to "unrealized" gains/losses which are based on current market value. See also "Realized Gains (Losses)."

**Variable-Rate Security.** A bond that bears interest at a rate that varies over time based on a specified schedule of adjustment (e.g., daily, weekly, monthly, semi-annually, or annually). See also "Floating Rate Note."

**Weighted Average Maturity (or just "Average Maturity").** The average maturity of all securities and investments of a portfolio, determined by multiplying the par or principal value of each security or investment by its maturity (days or years), summing the products, and dividing the sum by the total principal value of the portfolio. A simple measure of risk of a fixed-income portfolio.

**Weighted Average Maturity to Call.** The average maturity of all securities and investments of a portfolio, adjusted to substitute the first call date per security for maturity date for those securities with call provisions.

**Yield Curve.** A graphic depiction of yields on like securities in relation to remaining maturities spread over a time line. The traditional yield curve depicts yields on U.S. Treasuries, although yield curves exist for Federal Agencies and various credit quality corporates as well. Yield curves can be positively sloped (normal) where longer-term investments have higher yields, or "inverted" (uncommon) where longer-term investments have lower yields than shorter ones.

**Yield to Call (YTC).** Same as "Yield to Maturity," except the return is measured to the first call date rather than the maturity date. Yield to call can be significantly higher or lower than a security's yield to maturity.

**Yield to Maturity (YTM).** Calculated return on an investment, assuming all cash-flows from the security are reinvested at the same original yield. Can be higher or lower than the coupon rate depending on market rates and whether the security was purchased at a premium or discount. There are different conventions for calculating YTM for various types of securities.

**Yield.** There are numerous methods of yield determination. In this glossary, see also "Current Yield," "Yield Curve," "Yield to Call," and "Yield to Maturity."

GOVERNING BOARD POLICY  
Title: Investments  
Effective Date: 11/17/2020  
Page 26 of 34

**Attachment B**

**Investment Pool/Fund Questionnaire**

1. A description of eligible investment securities, and a written statement of investment policy and objectives.
2. A description of interest calculations and how it is distributed, and how gains and losses are treated.
3. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced, and the program audited.
4. A description of who may invest in the program, how often, what size deposit, and withdrawal are allowed.
5. A schedule for receiving statements and portfolio listings.
6. Are reserves, retained earnings, etc. utilized by the pool/fund?
7. A fee schedule, and when and how is it assessed.
8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

**GOVERNING BOARD POLICY**

**Title: Investments**

**Effective Date: 11/17/2020**

**Page 27 of 34**

**Attachment C**

**Security Type Purchase and Allocation Guidelines**

**I. Florida PRIME**

1. **Purchase Authorization.** The Florida PRIME Fund, as administered by the Florida State Board of Administration (SBA).
2. **Portfolio Composition.** A maximum of 50% of available funds may be invested in the Florida PRIME.
3. **Rating Requirements.** Rating shall be "AAAm" by Standard & Poor's, or the equivalent by another Nationally Recognized Statistical Rating Organization (NRSRO).
4. **Due Diligence Requirements.** A thorough investigation of the Florida PRIME is required prior to investing and on a continual basis. A current prospectus or equivalent documentation, including an investment policy, financial statements, and portfolio holdings must be obtained. Attachment B is a questionnaire that contains a list of questions, to be answered prior to investing, that cover the major aspects of any investment pool/fund.

**II. United States Government Securities**

1. **Purchase Authorization.** 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:  
  
 Cash Management Bills  
 Treasury Securities – State and Local Government Series (SLGS)  
 Treasury Bills  
 Treasury Notes  
 Treasury Bonds  
 Treasury Strips
2. **Portfolio Composition.** A maximum of 100% of available funds may be invested in the United States Government Securities.
3. **Maturity Limitations.** The maximum length to maturity of any direct investment in the United States Government Securities is five (5) years from the date of settlement.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 28 of 34

### III. United States Government Agencies (full faith and credit of the United States government)

1. **Purchase Authorization.** Invest in bonds, debentures, or notes that may be subject to call, issued, or guaranteed as to principal and interest by United States government agencies provided such obligations are backed by the full faith and credit of the United States government. Such securities will include, but are not be limited to the following:

United States Export – Import Bank

-Direct obligations or fully guaranteed certificates of beneficial ownership

Farmer Home Administration

-Certificates of beneficial ownership

Federal Financing Bank

-Discount notes, notes and bonds

Federal Housing Administration Debentures

General Services Administration

United States Maritime Administration Guaranteed

-Title XI Financing

New Communities Debentures

-United States government guaranteed debentures

United States Public Housing Notes and Bonds

-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.** A maximum of 50% of available funds may be invested in United States government agencies.
3. **Limits on Individual Issuers.** A maximum of 25% of available funds may be invested in individual United States government agencies.
4. **Maturity Limitations.** The maximum length to maturity for an investment in any United States government agency security is five (5) years from the date of settlement.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 29 of 34

### IV. Federal Instrumentalities (United States Government Sponsored Enterprises (GSE))

1. **Purchase Authorization.** Invest in bonds, mortgage-backed securities, debentures, or notes that may be subject to call, issued, or guaranteed as to principal and interest by United States Government Sponsored Enterprises (Federal Instrumentalities) that 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-Mac), including Federal Home Loan Mortgage Corporation participation certificates

2. **Portfolio Composition.** A maximum of 75% of available funds may be invested in Federal Instrumentalities. The combined total of available funds invested in Federal Instrumentalities and agency mortgage-backed securities cannot be more than 50%.
3. **Limits on Individual Issuers.** A maximum of 40% of available funds may be invested in individual Federal Instrumentalities.
4. **Maturity Limitations.** The maximum length to maturity for an investment in any Federal Instrumentality security is five (5) years from the date of settlement.

### V. Agency Mortgage-Backed Securities (MBS)

1. **Purchase Authorization.** Investment in agency mortgage-backed securities (MBS) which are based on mortgages that are guaranteed by a government agency or Federal Instrumentality for payment of principal and a guarantee of timely payment.
2. **Portfolio Composition.** A maximum of 30% of available funds may be invested in MBS. The combined total of available funds invested in Federal Instrumentalities and MBS cannot be more than 50%.
3. **Limits of Individual Issuers.** A maximum of 20% of available funds may be invested with any one issuer.

The maximum percentage invested in securities of any one issuer is inclusive of MBS of the same issuer.

4. **Maturity Limitations.** The maximum length to maturity for an investment in any MBS is five (5) years from the date of settlement.

The maturity of MBS shall be considered the date corresponding to its average life. This date reflects the point at which an investor will have received back half of the original principal (face) amount. The average life may be different from the stated legal maturity included in a security's description.

## VI. Non-Negotiable Interest-Bearing Time Deposit or Saving Accounts

1. **Purchase Authorization.** 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 the State of Florida, provided that any such deposits are secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.
2. **Portfolio Composition.** A maximum of 25% of available funds may be invested in non-negotiable interest-bearing time certificates of deposit.
3. **Limits on Individual Issuers.** A maximum of 15% of available funds 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 date of settlement.

## VII. Municipal Obligations

1. **Purchase Authorization.** Invest in municipal obligations.
2. **Portfolio Composition.** A maximum of 25% of available funds may be invested in municipal obligations.
3. **Limits on Individual Issuers.** A maximum of 10% of available funds may be invested with any one issuer.
4. **Ratings Requirements.** Municipal obligations purchased must be rated at the time of purchase at a minimum single "A" category by any two NRSROs or rated at least "MIG-2" by Moody's or "SP-2" by Standard & Poor's for short-term debt.
5. **Maturity Limitations.** A maximum length to maturity for an investment in any municipal obligation is five (5) years from the date of settlement.

## VIII. Registered Investment Companies (Money Market Mutual Funds)

1. **Purchase Authorization.** Invest in shares in open-end or no-load money market mutual funds, provided such funds are registered under the Investment Company Act of 1940 and operate in accordance with 17 C.F.R. § 270.2a-7.
2. **Portfolio Composition.** A maximum of 50% of available funds may be invested in money market mutual funds.
3. **Limits of Individual Issuers.** A maximum of 25% of available funds may be invested with any one money market mutual fund.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 31 of 34

4. **Rating Requirements.** Money market mutual funds shall be rated “AAAm” by Standard & Poor’s or the equivalent by another NRSRO.
5. **Due Diligence Requirements.** A thorough investigation of any money market mutual fund is required prior to investing and on a continual basis. Attachment B is a questionnaire that contains a list of questions, to be answered prior to investing, that cover the major aspects of any investment pool/fund. A current prospectus must be obtained.

### IX. Registered Investment Companies (“Mutual Funds”)

1. **Purchase Authorization.** Shares of open-end, no-load, institutional class mutual funds with fluctuating net asset values (NAV) provided that such funds are registered under the Investment Company Act of 1940. The prospectus must indicate that the funds average duration is maintained at 3 years or less and the fund invests exclusively in investment instruments as authorized by this policy.
2. **Portfolio Composition.** A maximum of 25% of available funds may be invested in mutual funds.
3. **Limits of Individual Issuers.** A maximum of 15% of available funds may be invested with any one mutual fund.
4. **Rating Requirements.** The mutual funds shall be rated “AAA” by Standard & Poor’s or the equivalent by another NRSRO.
5. **Due Diligence Requirements.** A thorough investigation of any mutual fund is required prior to investing, and on a continual basis. Attachment B is a questionnaire that contains a list of questions, to be answered prior to investing, that cover the major aspects of any investment pool/fund. A current prospectus must be obtained.

### X. Repurchase Agreements

1. **Purchase Authorization.**
  - a. Invest in repurchase agreements composed of only those investments based on the requirements set forth by the District’s Master Repurchase Agreement. All firms are required to sign the Master Repurchase Agreement prior to the execution of a repurchase agreement transaction.
  - b. A third-party custodian with whom the District has a current custodial agreement shall hold the collateral for all repurchase agreements with a term longer than one (1) business day. A clearly marked receipt that shows evidence of ownership must be supplied to the Division Director and retained.
  - c. Securities authorized for collateral are negotiable direct obligations of the United States government, government agencies, and Federal Instrumentalities with maturities under five (5) years and must have a market value for the principal and accrued interest of 102 percent of the value and for the term of the repurchase



## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 32 of 34

agreement. Immaterial short-term deviations from the 102 percent requirement are permissible only upon the approval of the Division Director.

2. **Portfolio Composition.** A maximum of 50% of available funds may be invested in repurchase agreements, excluding one (1) business day agreements and overnight sweep agreements.
3. **Limits on Individual Issuers.** A maximum of 25% of available funds may be invested with any one institution.
4. **Limits on Maturities.** The maximum length to maturity of any repurchase agreement is 90 days from the date of settlement.

### XI. Bankers' Acceptances

1. **Purchase Authorization.** Invest in bankers' acceptances which are issued by a domestic bank.
2. **Portfolio Composition.** A maximum of 35% of available funds may be directly invested in bankers' acceptances.
3. **Limits on Individual Issuers.** A maximum of 10% of available funds may be invested with any one issuer.
4. **Ratings Requirements.** Bankers' acceptances that are rated at the time of purchase in the highest category by at least two NRSROs.
5. **Maturity Limitations.** The maximum length to maturity for bankers' acceptances shall be 180 days from the date of settlement.

### XII. Commercial Paper

1. **Purchase Authorization.** Invest in commercial paper of any United States company.
2. **Portfolio Composition.** A maximum of 35% of available funds may be directly invested in prime commercial paper. The maximum amount of corporate investments will not exceed forty percent (40%). Therefore, the combination of Section (l) Commercial Paper and Section (m) Corporate Notes shall not exceed forty percent (40%).
3. **Limits on Individual Issuers.** A maximum of 5% of available funds may be invested with any one issuer.
4. **Ratings Requirements.** Commercial paper that has a minimum S&P rating of A-1 and minimum Moody's rating of Prime-1 at the time of purchase. If the commercial paper is backed by a letter of credit (LOC), the long-term debt of the LOC provider must be rated single "A" category or better by at least two NRSROs.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: 11/17/2020

Page 33 of 34

5. **Maturity Limitations.** The maximum length to maturity for prime commercial paper shall be 270 days from the date of settlement.

### XIII. Corporate Notes

1. **Purchase Authorization.** Invest in corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States. Investment in any Scrutinized Company as defined by Section 218.415 Florida Statutes is prohibited.
2. **Portfolio Composition.** A maximum of 35% of available funds may be directly invested in corporate notes. The maximum amount of corporate investments will not exceed forty percent (40%). Therefore, the combination of Section (l) Commercial Paper and Section (m) Corporate Notes shall not exceed forty percent (40%).
3. **Limits on Individual Industry.** A maximum of 15% of available funds may be directly invested in any one industry. Security industry classification will be determined using the Bloomberg Industry Classification Standards (BICS).
4. **Limits on Individual Issuers.** A maximum of 5% of available funds may be invested with any one issuer.
5. **Ratings Requirements.** Corporate notes that have a long-term debt rating, at the time of purchase, at a minimum of a single "A" category by any two NRSROs.
6. **Maturity Limitations.** The maximum length to maturity for corporate notes shall be five (5) years from the date of settlement.

### XIV. Intergovernmental Investment Pool

1. **Purchase Authorization.** Invest in intergovernmental investment pools that are authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01, F.S.
2. **Portfolio Composition.** A maximum of 25% of available funds may be invested in intergovernmental investment pools.
3. **Rating Requirements.** The intergovernmental investment pool shall be rated "AAA" by Standard & Poor's or the equivalent by another NRSRO.
5. **Due Diligence Requirements.** A thorough review of any investment pool/fund is required prior to investing and on a continual basis. Attachment B is a questionnaire that contains a list of questions, to be answered prior to investing, that cover the major aspects of any investment pool/fund.

**GOVERNING BOARD POLICY****Title: Investments****Effective Date: 11/17/2020****Page 34 of 34****DOCUMENT DETAILS**

Document Name	Investments
Formerly Known As	N/A
Document Type	Policy
Author(s)	Accounting Manager and Finance Bureau Chief
Reviewing Stakeholder(s)	Public Trust Advisors, General Counsel, and Senior Staff
Document Owner Name	Melisa Lowe
Document Owner Title	Finance Bureau Chief
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**APPROVAL**



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 Kelly Rice  
 Chair

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 Date

# DRAFT

## GOVERNING BOARD POLICY

Southwest Florida Water Management District

**Title: Investments**

**Document Owner:** Finance Bureau Chief

**Approved By:** Board Chair

**Effective Date:** MM/DD/YY

**Supersedes:** 11/17/2020

### CONTENTS

PURPOSE .....	1
SCOPE .....	1
AUTHORITY .....	1
DEFINITIONS .....	1
STANDARDS.....	2
POLICY.....	3
DISTRIBUTION.....	10
REFERENCES .....	10
REVIEW PERIOD .....	11
DOCUMENT DETAILS .....	34
APPROVAL .....	34

### PURPOSE

The purpose of this Investment Policy (hereinafter "Policy") is to set forth the investment objectives and parameters for the management of the funds of the Southwest Florida Water Management District (hereinafter "District"). This Policy is designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices.

### SCOPE

This policy shall apply to all funds in excess of current operating expenses and shall be in compliance with Section 218.415, Florida Statutes, with the exception of funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds.

### AUTHORITY

This policy is governed by the Governing Board and Sections 218.415, 280.02, 658.12, 11.45 Florida Statutes.

### DEFINITIONS

**Committee.** The Finance/Outreach and Planning Committee of the Governing Board or Board Chair appointed Ad Hoc Committee specifically authorized to act as the Committee for a quantified period of time.

**Designee.** The Finance Bureau Chief or the Accounting Manager provided they have sufficient investment management education and understanding.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 2 of 34

**District.** Southwest Florida Water Management District.

**Division Director.** The Management Services Division Director.

**Investment Manager.** A third-party person or entity having the responsibility for providing advice regarding the management of the Investment Portfolio and executing transactions in the Investment Portfolio. The District may have one or more Investment Managers.

**Investment Portfolio.** The portion of the District's Portfolio recommended by the Committee and approved by the Governing Board for investment pursuant to Section X of this Policy.

**Liquidity Portfolio.** The portion of the District's Portfolio managed internally by District staff. This portion of the portfolio is limited to the security types described in Section X (a), (b), (c), (d), (i), and (o) of this Policy. The requirements of Section X for each of these security types will apply with the further restriction that security maturities in this portfolio may not exceed twelve (12) months.

**Policy.** The District's Investment Policy.

**Portfolio.** The total cash, investments, and other funds held by the District under the District's control.

**Third-party Custodian.** Any bank 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 the State of Florida, 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 the State of Florida.

**Attachments:** Please see attachment A for a glossary of cash and investment Management Terms.

## STANDARDS

The following standards shall apply:

1. **Ethical Standards.** Governing Board members and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Governing Board members and employees involved in the investment process shall disclose to the District any material financial interests in financial institutions that conduct business with the District, and any material personal financial/investment positions that could be related to the performance of the Portfolio.
2. **Standard of Prudence.** The standard of prudence to be used by investment officials, who are officers or employees of the District, shall be the "Prudent Person Rule" and shall be applied in the context of managing the Portfolio. Investment officers acting in accordance with written 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 deviations from expectation are reported to the Executive Director and the Committee in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this Policy. The "Prudent Person Rule" states the following:

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 3 of 34

Investments should 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.

While the standard of prudence to be used by investment officials who are officers or employees of the District is the "Prudent Person Rule," any person or firm hired or retained to invest, monitor, or advise concerning these assets shall be held to the higher standard of "Prudent Expert." The Prudent Expert Standard requires the advisor to act with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent investment expert acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, provided, however that this standard of care shall in no case be, or be interpreted to be, less stringent or less restrictive than any investment standard or standards, now in effect or included by amendment effective in the future, prescribed for investments by Florida law.

3. **Fiduciary Standard.** The Southwest Florida Water Management District recognizes its fiduciary responsibility to manage and safeguard the assets of the District. An effective cash management program is essential to good fiscal management.

## POLICY

### I. INVESTMENT OBJECTIVES:

The investment objectives of the District's Policy, in order of priority, are to provide safety of capital, liquidity of funds, and the optimal rate of return on investments at the time of investment.

1. **Safety of Capital** – The safety of capital is the foremost objective of the District's Policy. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital. The objective will be to mitigate credit risk and interest rate risk. Investment transactions shall seek to keep capital losses at a minimum, whether they are from securities defaults or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

- (a) **Credit Risk** – The District will minimize credit risk of loss due to the failure of the security by:

- i. Limiting investments to the authorized investments in the Policy.
    - ii. Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the District will do business.
    - iii. Diversifying the Investment Portfolio to protect against losses on individual securities.

- (b) **Interest Rate Risk** – The District will minimize the risk that the market value of securities in the Investment Portfolio will fall due to changes in general interest rates by:

- i. Structuring the Investment Portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

## **GOVERNING BOARD POLICY**

**Title: Investments**

**Effective Date: MM/DD/YY**

**Page 4 of 34**

- ii. Investing operating funds (non-short-term and long-term funds) primarily in shorter-term securities, Florida PRIME, money market mutual funds or interest-bearing time deposits, or savings accounts.
2. **Liquidity of Funds** – The Portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This will be accomplished by structuring the Portfolio so that securities mature concurrent with cash needs so as to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the Investment Portfolio should consist largely of securities with active secondary markets. A portion of the Portfolio should be placed in investments that offer same-day liquidity for short-term funds, such as the Florida PRIME or money market mutual funds. Periodic cash-flow analyses will be completed in order to ensure that the portfolios are positioned to provide sufficient liquidity.
3. **Optimal 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. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. Investment return is attempted through active management where the District utilizes a total return strategy, which includes both realized and unrealized gains and losses in the Portfolio. This total return strategy seeks to increase the value of the Investment Portfolio through reinvestment of income and capital gains. Return on investment for the portion of the District's Investment Portfolio that is passively managed is attempted by selecting an authorized investment that provides an optimal yield given the requirements within the Policy, while meeting the District's anticipated liquidity needs. Investments are limited to those relatively low-risk securities authorized in the anticipation of earning a fair return relative to the risk being assumed. Securities may be purchased at a premium or traded for other securities to improve yield, maturity, or credit risk. For these transactions, a loss may be incurred for accounting purposes to achieve relative value based on its potential to enhance the total return of the Investment Portfolio.

## **II. DELEGATION OF AUTHORITY:**

The District's Governing Board shall be responsible for approving changes to the District's Policy. The responsibility for providing guidance and approval of the District's investment strategy, within the parameters of the Policy, resides with the Committee. The management responsibility for all District funds in the Portfolio and investment transactions is delegated to the Division Director or, in the absence of the Division Director, to the Designee. The Division Director or the Designee will be responsible for managing the Liquidity Portfolio. The Investment Manager shall provide active management for the District's designated funds. The Investment Manager must be registered under the Investment Advisors Act of 1940. The Division Director shall establish written procedures for the operation of the Investment Portfolio and a system of internal accounting and administrative controls to regulate the activities of employees.

## **GOVERNING BOARD POLICY**

**Title: Investments**

**Effective Date: MM/DD/YY**

**Page 5 of 34**

### **III. PERFORMANCE MEASUREMENT:**

In order to assist in the evaluation of the Portfolio's performance, the District will use performance benchmarks for the short-term and long-term portfolios. The use of benchmarks will allow the District to measure its returns against other investors in the same markets. Performance calculations will not include any balances invested in the overnight sweep accounts. A benchmark should not be chosen that will induce the individual making the investment to take on undue risk in order to outperform the benchmark.

- (a) A short-term index such as the 3, 6, or 12 Month U.S. Treasury Bill Index or S&P Rated GIP Index Government 30 Day Gross Yield will be used as a benchmark for comparison with the Portfolio's net book value rate of return for current operating funds (short-term portfolio). The duration of the index should be similar to that of the short-term portfolio for performance comparison.
- (b) Investment performance of funds designated as Core Funds and other non-operating funds that have a longer-term investment horizon (long-term portfolio) will be compared to a national recognized benchmark that may include the ICE Merrill Lynch 1-3 Year U.S. Treasury/Agency Note Index and ICE Merrill Lynch 1-5 Year U.S. Treasury/Agency Note Index, or the ICE BofA 1-3 Year US Treasury & Agency Index and ICE BofA 1-5 Year Treasury Index & Agency Index or similar index. The appropriate index will have a duration and asset mix that approximates that of the Investment Portfolio and will be utilized as a benchmark to be compared to the Investment Portfolio's total rate of return. The District can choose different performance benchmarks if the investment strategy for the Investment Portfolio changes.

### **IV. MATURITY AND LIQUIDITY:**

Investments shall be structured in such manner as to provide sufficient liquidity to pay obligations of the District in a timely manner. The Division Director, or Designee, shall sufficiently allocate resources to the short- and long-term investment portfolios. Maturity and average life are measured from settlement date. The final maturity date can be based on any mandatory call, put, pre-refunding date, or other mandatory redemption date.

- (a) **Operating Funds** (Short-Term Investment Portfolio). To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash-flow requirements. Investments of current operating funds shall have maturities of no longer than thirty-six (36) months.
- (b) **Core Funds** (Long-Term Investment Portfolio). Investments of reserves, project funds, and other non-operating funds ("Core Funds") shall have a final maturity appropriate to the need for funds, but in no event shall exceed five (5) years. The average duration of the Core Funds as a whole shall not exceed three (3) years.

### **V. AUTHORIZED INVESTMENTS AND PORTFOLIO COMPOSITION:**

Investments should be made subject to the District's cash-flow needs. Such cash-flows are subject to revisions as market conditions and the District's needs change. However, when the



## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 6 of 34

invested funds are needed in whole or in part for the purpose originally intended or for more optimal investments, the Division Director may sell or request that the Investment Manager sell the investment at the then-prevailing market price and place the proceeds into the proper account at the District's custodian.

The following table contains the investment requirements and allocation limits on security types, issuers, and maturities, as established by the District. The Division Director shall have the option to further restrict investment percentages based on market conditions, risk, and diversification investment strategies. The percentage allocation and credit quality requirements for investment types and issuers are calculated based on the market value and credit ratings of each investment at the time of purchase. Investments not listed in this Policy are prohibited. In the event of a ratings downgrade of a security, the Investment Manager shall notify the Division Director within five business days of such a decline in the required rating. The Investment Manager and the Division Director will review the individual facts and circumstances of the situation and determine an appropriate course of action.

Due to fluctuations in the aggregate invested balance, the maximum percentage issuer and allocation limits of this policy may be exceeded from time to time and shall not require liquidation to realign the portfolio. However, consideration should be given to this matter when future purchases are made.

Security Type		Minimum Rating Requirement	Maturity Limits	Maximum Allocation Limit	Maximum Issuer Limit
(a)	Florida PRIME	AAAm	N/A	50%	N/A
(b)	United States Government Securities	N/A	5 Years	100%	N/A
(c)	United States Government Agencies (full faith and credit of the United States Government)	N/A	5 Years	50%	25%
(d)	Federal Instrumentalities (United States Government Sponsored Enterprises ("GSE") which are non-full faith and credit). *	N/A	5 Years	75%	40%
(e)	Mortgage-Backed Securities (MBS) *	N/A	5 Years	30%	20%
(f)	Non-Negotiable Interest Bearing Time Deposits or Savings Accounts	N/A	1 Years	25%	15%
(g)	State and/or Local Government Taxable and/or Tax-Exempt Debt	Single "A" category by two NRSROs**	5 Years	25%	10%
(h)	Registered Investment Companies (Money Market Mutual Funds)	AAAm	N/A	50%	25%
(i)	Registered Investment Companies (Mutual Funds)	AAAf	N/A	25%	15%
(j)	Repurchase Agreements	N/A	90 Days	50%	25%
(k)	Bankers' Acceptances	Highest rating by two NRSROs**	180 Days	35%	10%

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 7 of 34

(l)	Commercial Paper***	A-1/Prime-1	270 Days	35%	5%
(m)	Corporate Notes***	Single "A" category by any two NRSROs**	5 Years	35%	5%
(n)	Intergovernmental Investment Pool	AAAm	N/A	25%	N/A

\*The combined maximum amount of available funds invested in Federal Instrumentalities and mortgage-backed securities will not exceed seventy-five percent (75%).

\*\*National Recognized Statistical Rating Organization (NRSRO).

\*\*\*The maximum amount of corporate investments will not exceed forty percent (40%). Therefore, the combination of Section (l) Commercial Paper and Section (m) Corporate Notes shall not exceed forty percent (40%). Corporate Notes are limited to 15% per industry.

Additional details about the requirements for each security type in the table above are provided in Attachment C: Security Type Purchase and Allocation Guidelines.

### VI. RISK AND DIVERSIFICATION:

Assets held shall be diversified to the extent practicable to control the risk of loss resulting from over-concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold. Diversification strategies within the established guidelines shall be reviewed and revised periodically by the Committee.

### VII. DERIVATIVES AND REVERSE REPURCHASE AGREEMENTS:

Investment in any derivative products or the use of reverse repurchase agreements is prohibited. A "derivative" is defined as a financial instrument the value of which depends on, or is derived from, the value of one or more underlying assets, indices, or asset values.

### VIII. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS:

The Division Director (or Designee) shall only purchase securities from financial institutions that are qualified as public depositories by the Chief Financial Officer of the State of Florida or from private securities brokers/dealers designated as "primary dealers" by the Federal Reserve Bank of New York. Qualified public depositories may provide the services of a securities dealer through a Section 20 subsidiary of the financial institution or from direct issuers of commercial paper and bankers' acceptances.

The Investment Manager shall utilize and maintain its own list of approved primary and non-primary dealers.

### IX. THIRD-PARTY CUSTODIAL AGREEMENTS:

The Division Director will execute a Third-Party Custodial Safekeeping Agreement with a commercial bank, which is separately chartered by the United States government or the State of Florida. All securities purchased and/or collateral obtained, with the exception of certificates of deposits, by the Division Director or Designee shall be properly designated as an asset of the District and held in safekeeping by the bank and no withdrawal of such securities, in whole or in part, shall be made from safekeeping, except by an authorized Finance Bureau staff member. The Third-Party Custodial Safekeeping Agreement shall include letters of authority from the Division Director, details as to responsibilities of each party, notification of security purchases,

## **GOVERNING BOARD POLICY**

**Title: Investments**

**Effective Date: MM/DD/YY**

**Page 8 of 34**

sales, delivery, wire transfers, safekeeping, and transaction costs, and procedures in case of wire failure or other unforeseen mishaps, including liability of each party.

The custodian shall accept transaction instructions only from those persons who have been duly authorized by the District and which authorization has been provided, in writing, to the custodian. No withdrawal of securities, in whole or in part, shall be made from safekeeping, unless by such a duly authorized person.

The custodian shall provide the Division Director or Designee with monthly statements that provide detail information on the securities held by the custodian. Security transactions between authorized investment institutions and dealers and the custodian involving the purchase or sale of securities by transfer of money or securities must be made on a "delivery versus payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. Securities held as collateral shall be held free and clear of any liens. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

### **X. MASTER REPURCHASE AGREEMENT:**

The District will require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Securities Industry and Financial Markets Association (SIFMA) Master Repurchase Agreement. All repurchase agreement transactions will adhere to requirements of the SIFMA Master Repurchase Agreement.

### **XI. COMPETITIVE SELECTION:**

After the Division Director, Designee, or Investment Manager, has determined the approximate maturity date based on cash-flow needs and market conditions and has analyzed and selected one or more optimal types of investments, a minimum of three (3) authorized investment institutions or dealers must be contacted and asked to provide bids/offers on securities in question. Bids will be held in confidence until the bid/offer deemed to best meet the investment objectives is determined and selected.

However, if obtaining bids/offers are not feasible and appropriate, securities may be purchased utilizing the comparison to current market price method on an exception basis. Acceptable current market price providers include, but are not limited to the following:

- 1) TradeWeb
- 2) Bloomberg Financial System
- 3) Wall Street Journal or a comparable recognized financial publication
- 4) Daily market pricing provided by the District's custodian bank or correspondent institutions

The Division Director or the Investment Manager shall utilize the competitive bid process to select the securities to be purchased or sold. Selection by comparison to a current market price, as indicated above, shall only be utilized when in judgment of the Division Director or the Investment Manager, competitive bidding is not available, or would inhibit the selection process.

## **GOVERNING BOARD POLICY**

**Title: Investments**

**Effective Date: MM/DD/YY**

**Page 9 of 34**

Examples of when this method may be used include:

- A. When time constraints due to unusual circumstances preclude the use of the competitive bidding process.
- B. When no active market exists for the issue being traded due to the age or depth of the issue.
- C. When a security is unique to a single dealer, for example, a private placement.
- D. When the transaction involves new issues or issues in the “when issued” market.

When purchasing new issue securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price. Overnight sweep investments or repurchase agreements will not be bid but may be placed with the District’s depository bank relating to the demand account for which the sweep investments or repurchase agreements were purchased.

### **XII. INTERNAL CONTROLS:**

The Division Director and/or Designee shall establish a system of internal controls and operational procedures. The internal control structure shall be designed to provide reasonable assurance that the assets of the District are protected from loss, theft or misuse that might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by District employees. The internal control structure will be reviewed during the annual financial audit conducted by independent auditors.

The Division Director will report any non-compliance with the District’s Policy or adopted investment strategy to the Inspector General, Executive Director, General Counsel, and Chair of the Committee immediately upon becoming aware of the situation.

### **XIII. CONTINUING EDUCATION:**

The Division Director and Designee shall complete eight (8) hours of continuing education annually in subjects or courses of study related to investment practices and products.

### **XIV. REPORTING:**

The Division Director shall report at least quarterly to the Executive Director and the Governing Board, and shall provide quarterly investment reports. Schedules in the quarterly report shall include, but not be limited to, the following:

- 1. A listing of individual securities by class and type held at the end of the reporting period
- 2. Percentage of available funds represented by each investment type
- 3. Coupon, discount, or earning rate
- 4. Average life or duration and final maturity of all investments

## **GOVERNING BOARD POLICY**

**Title: Investments**

**Effective Date: MM/DD/YY**

**Page 10 of 34**

5. Par value and market value
6. In addition to the standard gross-of-fee-performance reporting that is presented, net-of-fee performance will be provided by the Investment Manager
7. A summary of District's investment strategy
8. The year-end quarterly report ended September 30th will show performance on both a book value and total rate of return basis and will compare the results to the above-stated performance benchmarks. All investments shall be reported at fair value per GASB standards. Investment reports shall be available to the public.

### **XV. SECURITIES DISPOSITION:**

Every security purchased on behalf of the District must be properly earmarked and, if in book entry form, must be held for the credit of the District by a depository chartered by the federal government, the state, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida 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 the State of Florida, and must be kept by the depository in an account separate and apart from the assets of the financial institution.

### **XVI. PREEMPTION:**

Any provision of any special act, municipal charter, or other law which prohibits or restricts the District from complying with Section 218.415, Florida Statutes, or any rules adopted under Section 218.415, Florida Statutes, is void to the extent of the conflict.

### **XVII. AUDITS:**

Certified public accountants conducting audits of the District pursuant to Section 11.45, Florida Statutes, shall report, as part of the audit, whether or not the District has complied with Section 218.415, Florida Statutes.

### **XVIII. INVESTMENT POLICY ADOPTION:**

This Policy shall be adopted by the Governing Board.

### **DISTRIBUTION**

This procedure will be stored in the Governing Board's Procedure repository.

### **REFERENCES**

Sections 218.415, 280.02, 658.12, 11.45, Florida Statutes

Third-Party Custodial Safekeeping Agreement

Attachment A: Glossary of Cash and Investment Management Terms

Attachment B: Investment Pool/Fund Questionnaire

Attachment C: Security Type Purchase and Allocation Guidelines

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 11 of 34

### REVIEW PERIOD

The Division Director and the Committee shall review this Policy within sixty (60) days following the end of each fiscal year and the Governing Board shall approve any modification made thereto.

## Attachment A

### Glossary of Cash and Investment Management Terms

The following is a glossary of key investing terms, many of which appear in the Southwest Florida Water Management District's investment policy. This glossary clarifies the meaning of investment terms generally used in cash and investment management. This glossary has been adapted from the GFOA Sample Investment Policy and the Association of Public Treasurers of the United States and Canada's Model Investment Policy.

**Accrued Interest.** Interest earned but which has not yet been paid or received.

**Agency.** See "Federal Agency Securities."

**Ask Price.** Price at which a broker/dealer offers to sell a security to an investor. Also known as "offered price."

**Asset Backed Securities (ABS).** A fixed-income security backed by notes or receivables against assets other than real estate. Generally issued by special purpose companies that "own" the assets and issue the ABS. Examples include securities backed by auto loans, credit card receivables, home equity loans, manufactured housing loans, farm equipment loans, and aircraft leases.

**Average Life.** The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

**Bankers' Acceptance (BA's).** A draft or bill of exchange drawn upon and accepted by a bank. Frequently used to finance shipping of international goods. Used as a short-term credit instrument, bankers' acceptances are traded at a discount from face value as a money market instrument in the secondary market on the basis of the credit quality of the guaranteeing bank.

**Basis Point.** One hundredth of one percent, or 0.01%. Thus 1% equals 100 basis points.

**Bearer Security.** A security whose ownership is determined by the holder of the physical security. Typically, there is no registration on the issuer's books. Title to bearer securities is transferred by delivery of the physical security or certificate. Also known as "physical securities."

**Benchmark Bills.** In November 1999, FNMA introduced its Benchmark Bills program, a short-term debt securities issuance program to supplement its existing discount note program. The program includes a schedule of larger, weekly issues in three- and six-month maturities and biweekly issues in one-year for Benchmark Bills. Each issue is brought to market via a Dutch (single price) auction. FNMA conducts a weekly auction for each Benchmark Bill maturity and accepts both competitive and non-competitive bids through a web-based auction system. This program is in addition to the variety of other discount note maturities, with rates posted on a daily basis, which FNMA offers. FNMA's Benchmark Bills are unsecured general obligations that are

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 12 of 34

issued in book-entry form through the Federal Reserve Banks. There are no periodic payments of interest on Benchmark Bills, which are sold at a discount from the principal amount and payable at par at maturity. Issues under the Benchmark program constitute the same credit standing as other FNMA discount notes; they simply add organization and liquidity to the short-term Agency discount note market.

**Benchmark Notes/Bonds.** Benchmark Notes and Bonds are a series of FNMA “bullet” maturities (non-callable) issued according to a pre-announced calendar. Under its Benchmark Notes/Bonds program, 2, 3, 5, 10, and 30-year maturities are issued each quarter. Each Benchmark Notes new issue has a minimum size of \$4 billion, 30-year new issues having a minimum size of \$1 billion, with re-openings based on investor demand to further enhance liquidity. The amount of non-callable issuance has allowed FNMA to build a yield curve in Benchmark Notes and Bonds in maturities ranging from 2 to 30 years. The liquidity emanating from these large size issues has facilitated favorable financing opportunities through the development of a liquid overnight and term repo market. Issues under the Benchmark program constitute the same credit standing as other FNMA issues; they simply add organization and liquidity to the intermediate- and long-term Agency market.

**Benchmark.** A market index used as a comparative basis for measuring the performance of an investment portfolio. A performance benchmark should represent a close correlation to investment guidelines, risk tolerance, and duration of the actual portfolio's investments.

**Bid Price.** Price at which a broker/dealer offers to purchase a security from an investor.

**Bond.** Financial obligation for which the issuer promises to pay the bondholder (the purchaser or owner of the bond) a specified stream of future cash-flows, including periodic interest payments and a principal repayment.

**Book Entry Securities.** Securities that are recorded in a customer's account electronically through one of the financial markets electronic delivery and custody systems, such as the Fed Securities wire, DTC, and PTC

(as opposed to bearer or physical securities). The trend is toward a certificate-free society in order to cut down on paperwork and to diminish investors' concerns about the certificates themselves. The vast majority of securities are now book entry securities.

**Book Value.** The value at which a debt security is reflected on the holder's records at any point in time. Book value is also called “amortized cost” as it represents the original cost of an investment adjusted for amortization of premium or accretion of discount. Also called “carrying value.” Book value can vary over time as an investment approaches maturity and differs from “market value” in that it is not affected by changes in market interest rates.

**Broker/Dealer.** A person or firm transacting securities business with customers. A “broker” acts as an agent between buyers and sellers and receives a commission for these services. A “dealer” buys and sells financial assets from its own portfolio. A dealer takes risk by owning inventory of securities, whereas a broker merely matches up buyers and sellers. See also “Primary Dealer.”

**Bullet Notes/Bonds.** Notes or bonds that have a single maturity date and are non-callable.

**Call Date.** Date at which a call option may be or is exercised.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 13 of 34

**Call Option.** The right, but not the obligation, of an issuer of a security to redeem a security at a specified value and at a specified date or dates prior to its stated maturity date. Most fixed-income calls are at par but can be at any previously established price. Securities issued with a call provision typically carry a higher yield than similar securities issued without a call feature. There are three primary types of call options (1) European – one-time calls, (2) Bermudan – periodically on a predetermined schedule (quarterly, semi-annual, annual), and (3) American – continuously callable at any time on or after the call date. There is usually a notice period of at least 5 business days prior to a call date.

**Callable Bonds/Notes.** Securities which contain an imbedded call option giving the issuer the right to redeem the securities prior to maturity at a predetermined price and time.

**Certificate of Deposit (CD).** Bank obligation issued by a financial institution generally offering a fixed rate of return (coupon) for a specified period of time (maturity). Can be as long as 10 years to maturity, but most CDs purchased by public agencies are one year and under.

**Collateral.** Investment securities or other property that a borrower pledges to secure repayment of a loan, secure deposits of public monies, or provide security for a repurchase agreement.

**Collateralization.** Process by which a borrower pledges securities, property, or other deposits for securing the repayment of a loan and/or security.

**Collateralized Mortgage Obligation (CMO).** A security that pools together mortgages and separates them into short, medium, and long-term positions (called tranches). Tranches are set up to pay different rates of interest depending upon their maturity. Interest payments are usually paid monthly. In “plain vanilla” CMOs, principal is not paid on a tranche until all shorter tranches have been paid off. This system provides interest and principal in a more predictable manner. A single pool of mortgages can be carved up into numerous tranches each with its own payment and risk characteristics.

**Commercial Paper.** Short term unsecured promissory note issued by a company or financial institution. Issued at a discount and matures for par or face value. Usually a maximum maturity of 270 days and given a short-term debt rating by one or more NRSROs.

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

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

**Counterparty.** The other party in a two-party financial transaction. “Counterparty risk” refers to the risk that the other party to a transaction will fail in its related obligations. For example, the bank or broker/dealer in a repurchase agreement.

**Coupon Rate.** Annual rate of interest on a debt security, expressed as a percentage of the bond's face value.

**Current Yield.** Annual rate of return on a bond based on its price. Calculated as (coupon rate / price) but does not accurately reflect a bond's true yield level.



## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 14 of 34

**Custody.** Safekeeping services offered by a bank, financial institution, or trust company, referred to as the “custodian.” Service normally includes the holding and reporting of the customer’s securities, the collection and disbursement of income, securities settlement, and market values.

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

**Delivery Versus Payment (DVP).** Settlement procedure in which securities are delivered versus payment of cash, but only after cash has been received. Most security transactions, including those through the Fed Securities Wire system and DTC, are done DVP as a protection for both the buyer and seller of securities.

**Depository Trust Company (DTC).** A firm through which members can use a computer to arrange for securities to be delivered to other members without physical delivery of certificates. A member of the Federal Reserve System and owned mostly by the New York Stock Exchange, the Depository Trust Company uses computerized debit and credit entries. Most corporate securities, commercial paper, CDs, and Bas clear through DTC.

**Derivatives.** (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities, or commodities). For hedging purposes, common derivatives are options, futures, interest rate swaps, and swaptions. All Collateralized Mortgage Obligations (CMOs) are derivatives.

**Derivative Security.** Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

**Designated Bond.** FFCB’s regularly issued, liquid, non-callable securities that generally have a 2 or 3-year original maturity. New issues of Designated Bonds are \$1 billion or larger. Re-openings of existing Designated Bond issues are generally a minimum of \$100 million. Designated Bonds are offered through a syndicate of two to six dealers. Twice each month the Funding Corporation announces its intention to issue a new Designated Bond, reopen an existing issue, or to not issue or reopen a Designated Bond. Issues under the Designated Bond program constitute the same credit standing as other FFCB issues; they simply add organization and liquidity to the intermediate- and long-term Agency market.

**Discount Notes.** Unsecured general obligations issued by Federal Agencies at a discount. Discount notes mature at par and can range in maturity from overnight to one year. Very large primary (new issue) and secondary markets exist.

**Discount Rate.** Rate charged by the system of Federal Reserve Banks on overnight loans to member banks. Changes to this rate are administered by the Federal Reserve and closely mirror changes to the “fed funds rate.”

**Discount Securities.** Non-interest bearing money market instruments that are issued at discount and redeemed at maturity for full face value. Examples include: U.S. Treasury Bills, Federal Agency Discount Notes, Bankers’ Acceptances, and Commercial Paper.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 15 of 34

**Discount.** The amount by which a bond or other financial instrument sells below its face value. See also "Premium."

**Diversification.** Dividing investment funds among a variety of security types, maturities, industries, and issuers offering potentially independent returns.

**Dollar Price.** A bond's cost expressed as a percentage of its face value. For example, a bond quoted at a dollar price of 95 ½, would have a principal cost of \$955 per \$1,000 of face value.

**Duff & Phelps.** One of several NRSROs that provide credit ratings on corporate and bank debt issues.

**Duration.** The weighted average maturity of a security's or portfolio's cash-flows, where the present values of the cash-flows serve as the weights. The greater the duration of a security/portfolio, the greater its percentage price volatility with respect to changes in interest rates. Used as a measure of risk and a key tool for managing a portfolio versus a benchmark and for hedging risk. There are also different kinds of duration used for different purposes (e.g. MacAuley Duration, Modified Duration).

**Fannie Mae.** See "Federal National Mortgage Association."

**Fed Money Wire.** A computerized communications system that connects the Federal Reserve System with its member banks, certain U. S. Treasury offices, and the Washington D.C. office of the Commodity Credit Corporation. The Fed Money Wire is the book entry system used to transfer cash balances between banks for themselves and for customer accounts.

**Fed Securities Wire.** A computerized communications system that facilitates book entry transfer of securities between banks, brokers and customer accounts, used primarily for settlement of U.S. Treasury and Federal Agency securities.

**Fed.** See "Federal Reserve System."

**Federal Agency Security.** A debt instrument issued by one of the Federal Agencies. Federal Agencies are considered second in credit quality and liquidity only to U.S. Treasuries.

**Federal Agency.** Government sponsored/owned entity created by the U.S. Congress, generally for the purpose of acting as a financial intermediary by borrowing in the marketplace and directing proceeds to specific areas of the economy considered to otherwise have restricted access to credit markets. The largest Federal Agencies are GNMA, FNMA, FHLMC, FHLB, FFCB, SLMA, and TVA.

**Federal Deposit Insurance Corporation (FDIC).** Federal agency that insures deposits at commercial banks, currently to a limit of \$250,000 per depositor per bank.

**Federal Farm Credit Bank (FFCB).** One of the large Federal Agencies. A government sponsored enterprise (GSE) system that is a network of cooperatively-owned lending institutions that provides credit services to farmers, agricultural cooperatives and rural utilities. The FFCBs act as financial intermediaries that borrow money in the capital markets and use the proceeds to make loans and provide other assistance to farmers and farm-affiliated businesses. Consists of the consolidated operations of the Banks for Cooperatives, Federal Intermediate Credit Banks,

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 16 of 34

and Federal Land Banks. Frequent issuer of discount notes, agency notes and callable agency securities. FFCB debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and agricultural industry. Also, issues notes under its “designated note” program.

**Federal Funds (Fed Funds).** Funds placed in Federal Reserve Banks by depository institutions in excess of current reserve requirements, and frequently loaned or borrowed on an overnight basis between depository institutions.

**Federal Funds Rate (Fed Funds Rate).** The interest rate charged by a depository institution lending Federal Funds to another depository institution. The Federal Reserve influences this rate by establishing a “target” Fed Funds rate associated with the Fed’s management of monetary policy.

**Federal Home Loan Bank System (FHLB).** One of the large Federal Agencies. A government sponsored enterprise (GSE) system, consisting of wholesale banks (currently twelve district banks) owned by their member banks, which provides correspondent banking services and credit to various financial institutions, financed by the issuance of securities. The principal purpose of the FHLB is to add liquidity to the mortgage markets. Although FHLB does not directly fund mortgages, it provides a stable supply of credit to thrift institutions that make new mortgage loans. FHLB debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes and callable agency securities. Also, issues notes under its “global note” and “TAP” programs.

**Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”).** One of the large Federal Agencies. A government sponsored public corporation (GSE) that provides stability and assistance to the secondary market for home mortgages by purchasing first mortgages and participation interests financed by the sale of debt and guaranteed mortgage backed securities. FHLMC debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes, callable agency securities, and MBS. Also, issues notes under its “reference note” program.

**Federal National Mortgage Association (FNMA or “Fannie Mae”).** One of the large Federal Agencies. A government sponsored public corporation (GSE) that provides liquidity to the residential mortgage market by purchasing mortgage loans from lenders, financed by the issuance of debt securities and MBS (pools of mortgages packaged together as a security). FNMA debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes, callable agency securities and MBS. Also issues notes under its “benchmark note” program.

**Federal Reserve Bank.** One of the 12 distinct banks of the Federal Reserve System.

**Federal Reserve System (the Fed).** The independent central bank system of the United States that establishes and conducts the nation’s monetary policy. This is accomplished in three major ways: (1) raising or lowering bank reserve requirements, (2) raising or lowering the target Fed Funds Rate and Discount Rate, and (3) in open market operations by buying and selling

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 17 of 34

government securities. The Federal Reserve System is made up of twelve Federal Reserve District Banks, their branches, and many national and state banks throughout the nation. It is headed by the seven-member Board of Governors known as the “Federal Reserve Board” and headed by its Chairman.

**Financial Industry Regulatory Authority, Inc. (FINRA).** A private corporation that acts as a self-regulatory organization (SRO). FINRA is the successor to the National Association of Securities Dealers, Inc. (NASD). Though sometimes mistaken for a government agency, it is a non-governmental organization that performs financial regulation of member brokerage firms and exchange markets. The government also has a regulatory arm for investments, the Securities and Exchange Commission (SEC).

**Fiscal Agent/Paying Agent.** A bank or trust company that acts, under a trust agreement with a corporation or municipality, in the capacity of general treasurer. The agent performs such duties as making coupon payments, paying rents, redeeming bonds, and handling taxes relating to the issuance of bonds.

**Fitch Investors Service, Inc.** One of several NRSROs that provide credit ratings on corporate and municipal debt issues.

**Floating Rate Security (FRN or “floater”).** A bond with an interest rate that is adjusted according to changes in an interest rate or index. Differs from variable-rate debt in that the changes to the rate take place immediately when the index changes, rather than on a predetermined schedule. See also “Variable Rate Security.”

**Freddie Mac.** See “Federal Home Loan Mortgage Corporation.”

**Ginnie Mae.** See “Government National Mortgage Association.”

**Global Notes:** Notes designed to qualify for immediate trading in both the domestic U.S. capital market and in foreign markets around the globe. Usually large issues that are sold to investors worldwide and therefore have excellent liquidity. Despite their global sales, global notes sold in the U.S. are typically denominated in U.S. dollars.

**Government National Mortgage Association (GNMA or “Ginnie Mae”).** One of the large Federal Agencies. Government-owned Federal Agency that acquires, packages, and resells mortgages and mortgage purchase commitments in the form of mortgage-backed securities. Largest issuer of mortgage pass-through securities. GNMA debt is guaranteed by the full faith and credit of the U.S. government (one of the few agencies that are actually full faith and credit of the U.S. government).

**Government Securities.** An obligation of the U.S. government backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See “Treasury Bills, Notes, Bonds, and SLGS.”

**Government Sponsored Enterprise (GSE).** Privately owned entity subject to federal regulation and supervision, created by the U.S. Congress to reduce the cost of capital for certain borrowing sectors of the economy such as students, farmers, and homeowners. GSEs carry the implicit backing of the U.S. government, but they are not direct obligations of the U.S. government. For

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 18 of 34

this reason, these securities will offer a yield premium over U.S. Treasuries. Examples of GSEs include: FHLB, FHLMC, FNMA, and SLMA.

**Government Sponsored Enterprise Security.** A security issued by a Government Sponsored Enterprise. Considered Federal Agency Securities.

**Index.** A compilation of statistical data that tracks changes in the economy or in financial markets.

**Interest-Only (IO) STRIP.** A security based solely on the interest payments from the bond. After the principal has been repaid, interest payments stop and the value of the security falls to nothing. Therefore, IOs are considered risky investments. Usually associated with mortgage-backed securities.

**Internal Controls.** An internal control structure ensures that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

**Control of collusion.** Collusion is a situation where two or more employees are working in conjunction to defraud their employer.

**Separation of transaction authority from accounting and record keeping.** A separation of duties is achieved by separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction.

**Custodial safekeeping.** Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.

**Avoidance of physical delivery securities.** Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.

**Clear delegation of authority to subordinate staff members.** Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.

**Written confirmation of transactions for investments and wire transfers.** Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.

**Development of a wire transfer agreement with the lead bank and third-party custodian.** The designated official should ensure that an agreement will be entered into and will address the

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 19 of 34

following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

**Inverse Floater.** A floating rate security structured in such a way that it reacts inversely to the direction of interest rates. Considered risky as their value moves in the opposite direction of normal fixed-income investments and whose interest rate can fall to zero.

**Investment Advisor.** A company that provides professional advice managing portfolios, investment recommendations, and/or research in exchange for a management fee.

**Investment Adviser Act of 1940.** Federal legislation that sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

**Investment Grade.** Bonds considered suitable for preservation of invested capital, including bonds rated a minimum of Baa3 by Moody's, BBB- by Standard & Poor's, or BBB- by Fitch. Although "BBB" rated bonds are considered investment grade, most public agencies cannot invest in securities rated below "A."

**Liquidity.** Relative ease of converting an asset into cash without significant loss of value. Also, a relative measure of cash and near-cash items in a portfolio of assets. Additionally, it is a term describing the marketability of a money market security correlating to the narrowness of the spread between the bid and ask prices.

**Local Government Investment Pool (LGIP).** An investment by local governments in which their money is pooled as a method for managing local funds, (e.g., Florida State Board of Administration's Florida Prime Fund).

**Long-Term Core Investment Program.** Funds that are not needed within a one-year period.

**Market Value.** The fair market value of a security or commodity. The price at which a willing buyer and seller would pay for a security.

**Mark-to-market.** Adjusting the value of an asset to its market value, reflecting in the process unrealized gains or losses.

**Master Repurchase Agreement.** A widely accepted standard agreement form published by the Securities Industry and Financial Markets Association (SIFMA) that is used to govern and document Repurchase Agreements and protect the interest of parties in a repo transaction.

**Maturity Date.** Date on which principal payment of a financial obligation is to be paid.

**Medium Term Notes (MTN's).** Used frequently to refer to corporate notes of medium maturity (5-years and under). Technically, any debt security issued by a corporate or depository institution with a maturity from 1 to 10 years and issued under an MTN shelf registration. Usually issued in smaller issues with varying coupons and maturities and underwritten by a variety of broker/dealers (as opposed to large corporate deals issued and underwritten all at once in large size and with a fixed coupon and maturity).

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 20 of 34

**Money Market.** The market in which short-term debt instruments (bills, commercial paper, bankers' acceptance, etc.) are issued and traded.

**Money Market Mutual Fund (MMF).** A type of mutual fund that invests solely in money market instruments, such as: U.S. Treasury bills, commercial paper, bankers' acceptances, and repurchase agreements. Money market mutual funds are registered with the SEC under the Investment Company Act of 1940 and are subject to "rule 2a-7" which significantly limits average maturity and credit quality of holdings. MMF's are managed to maintain a stable net asset value (NAV) of \$1.00. Many MMFs carry ratings by a NRSRO.

**Moody's Investors Service.** One of several NRSROs that provide credit ratings on corporate and municipal debt issues.

**Mortgage Backed Securities (MBS).** Mortgage-backed securities represent an ownership interest in a pool of mortgage loans made by financial institutions, such as savings and loans, commercial banks, or mortgage companies, to finance the borrower's purchase of a home or other real estate. The majority of MBS are issued and/or guaranteed by GNMA, FNMA, and FHLMC. There are a variety of MBS structures with varying levels of risk and complexity. All MBS have reinvestment risk as actual principal and interest payments are dependent on the payment of the underlying mortgages which can be prepaid by mortgage holders to refinance and lower rates or simply because the underlying property was sold.

**Mortgage Pass-Through Securities.** A pool of residential mortgage loans with the monthly interest and principal distributed to investors on a pro-rata basis. The largest issuer is GNMA.

**Municipal Note/Bond.** A debt instrument issued by a state or local government unit or public agency. The vast majority of municipals are exempt from state and federal income tax, although some non-qualified issues are taxable.

**Mutual Fund.** Portfolio of securities professionally managed by a registered investment company that issues shares to investors. Many different types of mutual funds exist (e.g., bond, equity, and money market funds); all except money market funds operate on a variable net asset value (NAV).

**Negotiable Certificate of Deposit (Negotiable CD).** Large denomination CDs (\$100,000 and larger) that are issued in bearer form and can be traded in the secondary market.

**Net Asset Value.** The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets including securities, cash, and any accrued earnings, then subtracting the total assets from the fund's liabilities, and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below.)

$$[(\text{Total assets}) - (\text{Liabilities})]/(\text{Number of shares outstanding})$$

**NRSRO.** A "Nationally Recognized Statistical Rating Organization" (NRSRO) is a designated rating organization that the SEC has deemed a strong national presence in the U.S. NRSROs provide credit ratings on corporate and bank debt issues. Only ratings of a NRSRO may be used for the regulatory purposes of rating. Includes Moody's, S&P, Fitch, and Duff & Phelps.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 21 of 34

**Offered Price.** See also “Ask Price.”

**Open Market Operations.** A Federal Reserve monetary policy tactic entailing the purchase or sale of government securities in the open market by the Federal Reserve System from and to primary dealers in order to influence the money supply, credit conditions, and interest rates.

**Par Value.** The face value, stated value, or maturity value of a security.

**Physical Delivery.** Delivery of readily available underlying assets at contract maturity.

**Portfolio.** Collection of securities and investments held by an investor.

**Premium.** The amount by which a bond or other financial instrument sells above its face value. See also “Discount.”

**Primary Dealer.** A designation given to certain government securities dealer by the Federal Reserve Bank of New York. Primary dealers can buy and sell government securities directly with the Fed. Primary dealers also submit daily reports of market activity and security positions held to the Fed and are subject to its informal oversight. Primary dealers are the largest buyers and sellers by volume in the U.S. Treasury securities market.

**Prime Paper.** Commercial paper of high quality. Highest rated paper is A-1+/A-1 by S&P and P-1 by Moody's.

**Principal.** Face value of a financial instrument on which interest accrues. May be less than par value if some principal has been repaid or retired. For a transaction, principal is par value times price and includes any premium or discount.

**Prudent Expert Rule.** Standard that requires that a fiduciary manage a portfolio with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. This statement differs from the “prudent person” rule in that familiarity with such matters suggests a higher standard than simple prudence.

**Prudent Investor Standard.** Standard that requires that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. More stringent than the “prudent person” standard as it implies a level of knowledge commensurate with the responsibility at hand.

**Qualified Public Depository.** Per Subsection 280.02(26), F.S., “qualified public depository” means any bank, savings bank, or savings association that:

1. Is organized and exists under the laws of the United States, the laws of this state or any other state or territory of the United States.



## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 22 of 34

2. Has its principal place of business in this state or has a branch office in this state which is authorized under the laws of this state or of the United States to receive deposits in this state.
3. Has deposit insurance under the provision of the Federal Deposit Insurance Act, as amended, 12 U.S.C. ss.1811 et seq.
4. Has procedures and practices for accurate identification, classification, reporting, and collateralization of public deposits.
5. Meets all requirements of Chapter 280, F.S.
6. Has been designated by the Chief Financial Officer as a qualified public depository.

**Range Note.** A type of structured note that accrues interest daily at a set coupon rate that is tied to an index. Most range notes have two coupon levels; a higher accrual rate for the period the index is within a designated range, the lower accrual rate for the period that the index falls outside the designated range. This lower rate may be zero and may result in zero earnings.

**Rate of Return.** Amount of income received from an investment, expressed as a percentage of the amount invested.

**Realized Gains (Losses).** The difference between the sale price of an investment and its book value. Gains/losses are “realized” when the security is actually sold, as compared to “unrealized” gains/losses which are based on current market value. See “Unrealized Gains (Losses).”

**Reference Bills.** FHLMC’s short-term debt program created to supplement its existing discount note program by offering issues from one month through one year, auctioned on a weekly or on an alternating four-week basis (depending upon maturity) offered in sizeable volumes (\$1 billion and up) on a cycle of regular, standardized issuance. Globally sponsored and distributed, Reference Bill issues are intended to encourage active trading and market-making and facilitate the development of a term repo market. The program was designed to offer predictable supply, pricing transparency, and liquidity, thereby providing alternatives to U.S. Treasury bills. FHLMC’s Reference Bills are unsecured general corporate obligations. This program supplements the corporation’s existing discount note program. Issues under the Reference program constitute the same credit standing as other FHLMC discount notes; they simply add organization and liquidity to the short-term Agency discount note market.

**Reference Notes.** FHLMC’s intermediate-term debt program with issuances of 2, 3, 5, 10, and 30-year maturities. Initial issuances range from \$2 - \$6 billion with re-openings ranging \$1 - \$4 billion.

The notes are high-quality bullet structures securities that pay interest semiannually. Issues under the Reference program constitute the same credit standing as other FHLMC notes; they simply add organization and liquidity to the intermediate- and long-term Agency market.

**Repurchase Agreement (Repo).** A short-term investment vehicle where an investor agrees to buy securities from a counterparty and simultaneously agrees to resell the securities back to the

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 23 of 34

counterparty at an agreed upon time and for an agreed upon price. The difference between the purchase price and the sale price represents interest earned on the agreement. In effect, it represents a collateralized loan to the investor, where the securities are the collateral. Can be DVP, where securities are delivered to the investor's custodial bank, or "tri-party" where the securities are delivered to a third-party intermediary. Any type of security can be used as "collateral," but only some types provide the investor with special bankruptcy protection under the law. Repos should be undertaken only when an appropriate Securities Industry and Financial Markets Association (SIFMA) approved master repurchase agreement is in place.

**Reverse Repurchase Agreement (Reverse Repo).** A repo from the point of view of the original seller of securities. Used by dealers to finance their inventory of securities by essentially borrowing at short-term rates. Can also be used to leverage a portfolio and in this sense, can be considered risky if used improperly.

**Safekeeping.** Service offered for a fee, usually by financial institutions, for the holding of securities and other valuables. Safekeeping is a component of custody services.

**Secondary Market.** Markets for the purchase and sale of any previously issued financial instrument.

**Securities Industry and Financial Markets Association (SIFMA).** The bond market trade association representing the largest securities markets in the world. In addition to publishing a Master Repurchase Agreement, widely accepted as the industry standard document for Repurchase Agreements, the SIFMA also recommends bond market closures and early closes due to holidays.

**Securities Lending.** An arrangement between an investor and a custody bank that allows the custody bank to "loan" the investor's investment holdings, reinvest the proceeds in permitted investments, and shares any profits with the investor. Should be governed by a securities lending agreement. Can increase the risk of a portfolio in that the investor takes on the default risk on the reinvestment at the discretion of the custodian.

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

**Spread.** The difference between the price of a security and similar maturity U.S. Treasury investments, expressed in percentage terms or basis points. A spread can also be the absolute difference in yield between two securities. The securities can be in different markets or within the same securities market between different credits, sectors, or other relevant factors.

**Standard & Poor's.** One of several NRSROs that provide credit ratings on corporate and municipal debt issues.

**STRIPS (Separate Trading of Registered Interest and Principal of Securities).** Acronym applied to U.S. Treasury securities that have had their coupons and principal repayments

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 24 of 34

separated into individual zero-coupon Treasury securities. The same technique and “strips” description can be applied to non-Treasury securities (e.g., FNMA strips).

**Structured Notes.** Notes that have imbedded into their structure options such as step-up coupons or derivative-based returns.

**Swap.** Trading one asset for another.

**TAP Notes.** Federal Agency notes issued under the FHLB TAP program. Launched in 6/99 as a refinement to the FHLB bullet bond auction process. In a break from the FHLB's traditional practice of bringing numerous small issues to market with similar maturities, the TAP Issue Program uses the four most common maturities and reopens them up regularly through a competitive auction. These maturities (2, 3, 5, and 10 year) will remain open for the calendar quarter, after which they will be closed, and a new series of TAP issues will be opened to replace them. This reduces the number of separate bullet bonds issued but generates enhanced awareness and liquidity in the marketplace through increased issue size and secondary market volume.

**Tennessee Valley Authority (TVA).** One of the large Federal Agencies. A wholly owned corporation of the United States government that was established in 1933 to develop the resources of the Tennessee Valley region in order to strengthen the regional and national economy and the national defense. Power operations are separated from non-power operations. TVA securities represent obligations of TVA, payable solely from TVA's net power proceeds, and are neither obligations of nor guaranteed by the United States. TVA is currently authorized to issue debt up to \$30 billion. Under this authorization, TVA may also obtain advances from the U.S. Treasury of up to \$150 million. Frequent issuer of discount notes, agency notes, and callable agency securities.

**Total Return.** Investment performance measured over a period of time that includes coupon interest, interest on interest, and both realized and unrealized gains or losses. Total return includes, therefore, any market value appreciation/depreciation on investments held at period end.

**Treasuries.** Collective term used to describe debt instruments backed by the U.S. government and issued through the U.S. Department of the Treasury. Includes Treasury bills, Treasury notes, and Treasury bonds. Also, a benchmark term used as a basis by which the yields of non-Treasury securities are compared (e.g., “trading at 50 basis points over Treasuries”).

**Treasury Bills (T-Bills).** Short-term direct obligations of the United States government issued with an original term of one year or less. Treasury bills are sold at a discount from face value and do not pay interest before maturity. The difference between the purchase price of the bill and the maturity value is the interest earned on the bill. Currently, the U.S. Treasury issues 4-week, 13-week, and 26-week T-Bills.

**Treasury Bonds.** Long-term interest-bearing debt securities backed by the U.S. government and issued with maturities of ten years and longer by the U.S. Department of the Treasury.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 25 of 34

**Treasury Notes.** Intermediate interest-bearing debt securities backed by the U.S. government and issued with maturities ranging from one to ten years by the U.S. Department of the Treasury. The Treasury currently issues 2-year, 3-year, 5-year, and 10-year Treasury Notes.

**Trustee.** A bank designated by an issuer of securities as the custodian of funds and official representative of bondholders. Trustees are appointed to insure compliance with the bond documents and to represent bondholders in enforcing their contract with the issuer.

**Uniform Net Capital Rule.** SEC Rule 15c3-1 that outlines the minimum net capital ratio (ratio of indebtedness to net liquid capital) of member firms and non-member broker/dealers.

**Unrealized Gains (Losses).** The difference between the market value of an investment and its book value. Gains/losses are “realized” when the security is actually sold, as compared to “unrealized” gains/losses which are based on current market value. See also “Realized Gains (Losses).”

**Variable-Rate Security.** A bond that bears interest at a rate that varies over time based on a specified schedule of adjustment (e.g., daily, weekly, monthly, semi-annually, or annually). See also “Floating Rate Note.”

**Weighted Average Maturity (or just “Average Maturity”).** The average maturity of all securities and investments of a portfolio, determined by multiplying the par or principal value of each security or investment by its maturity (days or years), summing the products, and dividing the sum by the total principal value of the portfolio. A simple measure of risk of a fixed-income portfolio.

**Weighted Average Maturity to Call.** The average maturity of all securities and investments of a portfolio, adjusted to substitute the first call date per security for maturity date for those securities with call provisions.

**Yield Curve.** A graphic depiction of yields on like securities in relation to remaining maturities spread over a time line. The traditional yield curve depicts yields on U.S. Treasuries, although yield curves exist for Federal Agencies and various credit quality corporates as well. Yield curves can be positively sloped (normal) where longer-term investments have higher yields, or “inverted” (uncommon) where longer-term investments have lower yields than shorter ones.

**Yield to Call (YTC).** Same as “Yield to Maturity,” except the return is measured to the first call date rather than the maturity date. Yield to call can be significantly higher or lower than a security’s yield to maturity.

**Yield to Maturity (YTM).** Calculated return on an investment, assuming all cash-flows from the security are reinvested at the same original yield. Can be higher or lower than the coupon rate depending on market rates and whether the security was purchased at a premium or discount. There are different conventions for calculating YTM for various types of securities.

**Yield.** There are numerous methods of yield determination. In this glossary, see also “Current Yield,” “Yield Curve,” “Yield to Call,” and “Yield to Maturity.”

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 26 of 34

### Attachment B

#### Investment Pool/Fund Questionnaire

1. A description of eligible investment securities, and a written statement of investment policy and objectives.
2. A description of interest calculations and how it is distributed, and how gains and losses are treated.
3. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced, and the program audited.
4. A description of who may invest in the program, how often, what size deposit, and withdrawal are allowed.
5. A schedule for receiving statements and portfolio listings.
6. Are reserves, retained earnings, etc. utilized by the pool/fund?
7. A fee schedule, and when and how is it assessed.
8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

### Attachment C

#### Security Type Purchase and Allocation Guidelines

##### I. **Florida PRIME**

1. **Purchase Authorization.** The Florida PRIME Fund, as administered by the Florida State Board of Administration (SBA).
2. **Portfolio Composition.** A maximum of 50% of available funds may be invested in the Florida PRIME.
3. **Rating Requirements.** Rating shall be “AAAm” by Standard & Poor’s, or the equivalent by another Nationally Recognized Statistical Rating Organization (NRSRO).
4. **Due Diligence Requirements.** A thorough investigation of the Florida PRIME is required prior to investing and on a continual basis. A current prospectus or equivalent documentation, including an investment policy, financial statements, and portfolio holdings must be obtained. Attachment B is a questionnaire that contains a list of questions, to be answered prior to investing, that cover the major aspects of any investment pool/fund.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 27 of 34

### II. United States Government Securities

1. **Purchase Authorization.** 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:

Cash Management Bills

Treasury Securities – State and Local Government Series (SLGS)

Treasury Bills

Treasury Notes

Treasury Bonds

Treasury Strips

2. **Portfolio Composition.** A maximum of 100% of available funds may be invested in the United States Government Securities.
3. **Maturity Limitations.** The maximum length to maturity of any direct investment in the United States Government Securities is five (5) years from the date of settlement.

### III. United States Government Agencies (full faith and credit of the United States government)

1. **Purchase Authorization.** Invest in bonds, debentures, or notes that may be subject to call, issued, or guaranteed as to principal and interest by United States government agencies provided such obligations are backed by the full faith and credit of the United States government. Such securities will include, but are not be limited to the following:

United States Export – Import Bank

-Direct obligations or fully guaranteed certificates of beneficial ownership

Farmer Home Administration

-Certificates of beneficial ownership

Federal Financing Bank

-Discount notes, notes and bonds

Federal Housing Administration Debentures

General Services Administration

United States Maritime Administration Guaranteed

-Title XI Financing

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 28 of 34

New Communities Debentures

- United States government guaranteed debentures

United States Public Housing Notes and Bonds

- 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.** A maximum of 50% of available funds may be invested in United States government agencies.
3. **Limits on Individual Issuers.** A maximum of 25% of available funds may be invested in individual United States government agencies.
4. **Maturity Limitations.** The maximum length to maturity for an investment in any United States government agency security is five (5) years from the date of settlement.

#### IV. Federal Instrumentalities (United States Government Sponsored Enterprises (GSE))

1. **Purchase Authorization.** Invest in bonds, mortgage-backed securities, debentures, or notes that may be subject to call, issued, or guaranteed as to principal and interest by United States Government Sponsored Enterprises (Federal Instrumentalities) that 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-Mac), including Federal Home Loan Mortgage Corporation participation certificates

2. **Portfolio Composition.** A maximum of 75% of available funds may be invested in Federal Instrumentalities. The combined total of available funds invested in Federal Instrumentalities and agency mortgage-backed securities cannot be more than 50%.
3. **Limits on Individual Issuers.** A maximum of 40% of available funds may be invested in individual Federal Instrumentalities.
4. **Maturity Limitations.** The maximum length to maturity for an investment in any Federal Instrumentality security is five (5) years from the date of settlement.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 29 of 34

### V. Agency Mortgage-Backed Securities (MBS)

1. **Purchase Authorization.** Investment in agency mortgage-backed securities (MBS) which are based on mortgages that are guaranteed by a government agency or Federal Instrumentality for payment of principal and a guarantee of timely payment.
2. **Portfolio Composition.** A maximum of 30% of available funds may be invested in MBS. The combined total of available funds invested in Federal Instrumentalities and MBS cannot be more than 50%.
3. **Limits of Individual Issuers.** A maximum of 20% of available funds may be invested with any one issuer.

The maximum percentage invested in securities of any one issuer is inclusive of MBS of the same issuer.

4. **Maturity Limitations.** The maximum length to maturity for an investment in any MBS is five (5) years from the date of settlement.

The maturity of MBS shall be considered the date corresponding to its average life. This date reflects the point at which an investor will have received back half of the original principal (face) amount. The average life may be different from the stated legal maturity included in a security's description.

### VI. Non-Negotiable Interest-Bearing Time Deposit or Saving Accounts

1. **Purchase Authorization.** 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 the State of Florida, provided that any such deposits are secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.
2. **Portfolio Composition.** A maximum of 25% of available funds may be invested in non-negotiable interest-bearing time certificates of deposit.
3. **Limits on Individual Issuers.** A maximum of 15% of available funds 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 date of settlement.

### VII. Municipal Obligations

1. **Purchase Authorization.** Invest in municipal obligations.
2. **Portfolio Composition.** A maximum of 25% of available funds may be invested in municipal obligations.



## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 30 of 34

3. **Limits on Individual Issuers.** A maximum of 10% of available funds may be invested with any one issuer.
4. **Ratings Requirements.** Municipal obligations purchased must be rated at the time of purchase at a minimum single "A" category by any two NRSROs or rated at least "MIG-2" by Moody's or "SP-2" by Standard & Poor's for short-term debt.
5. **Maturity Limitations.** A maximum length to maturity for an investment in any municipal obligation is five (5) years from the date of settlement.

### VIII. Registered Investment Companies (Money Market Mutual Funds)

1. **Purchase Authorization.** Invest in shares in open-end or no-load money market mutual funds, provided such funds are registered under the Investment Company Act of 1940 and operate in accordance with 17 C.F.R. § 270.2a-7.
2. **Portfolio Composition.** A maximum of 50% of available funds may be invested in money market mutual funds.
3. **Limits of Individual Issuers.** A maximum of 25% of available funds may be invested with any one money market mutual fund.
4. **Rating Requirements.** Money market mutual funds shall be rated "AAAm" by Standard & Poor's or the equivalent by another NRSRO.
5. **Due Diligence Requirements.** A thorough investigation of any money market mutual fund is required prior to investing and on a continual basis. Attachment B is a questionnaire that contains a list of questions, to be answered prior to investing, that cover the major aspects of any investment pool/fund. A current prospectus must be obtained.

### IX. Registered Investment Companies ("Mutual Funds")

1. **Purchase Authorization.** Shares of open-end, no-load, institutional class mutual funds with fluctuating net asset values (NAV) provided that such funds are registered under the Investment Company Act of 1940. The prospectus must indicate that the funds average duration is maintained at 3 years or less and the fund invests exclusively in investment instruments as authorized by this policy.
2. **Portfolio Composition.** A maximum of 25% of available funds may be invested in mutual funds.
3. **Limits of Individual Issuers.** A maximum of 15% of available funds may be invested with any one mutual fund.
4. **Rating Requirements.** The mutual funds shall be rated "AAAF" by Standard & Poor's or the equivalent by another NRSRO.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 31 of 34

5. **Due Diligence Requirements.** A thorough investigation of any mutual fund is required prior to investing, and on a continual basis. Attachment B is a questionnaire that contains a list of questions, to be answered prior to investing, that cover the major aspects of any investment pool/fund. A current prospectus must be obtained.

### X. Repurchase Agreements

#### 1. Purchase Authorization.

- a. Invest in repurchase agreements composed of only those investments based on the requirements set forth by the District's Master Repurchase Agreement. All firms are required to sign the Master Repurchase Agreement prior to the execution of a repurchase agreement transaction.
  - b. A third-party custodian with whom the District has a current custodial agreement shall hold the collateral for all repurchase agreements with a term longer than one (1) business day. A clearly marked receipt that shows evidence of ownership must be supplied to the Division Director and retained.
  - c. Securities authorized for collateral are negotiable direct obligations of the United States government, government agencies, and Federal Instrumentalities with maturities under five (5) years and must have a market value for the principal and accrued interest of 102 percent of the value and for the term of the repurchase agreement. Immaterial short-term deviations from the 102 percent requirement are permissible only upon the approval of the Division Director.
2. **Portfolio Composition.** A maximum of 50% of available funds may be invested in repurchase agreements, excluding one (1) business day agreements and overnight sweep agreements.
  3. **Limits on Individual Issuers.** A maximum of 25% of available funds may be invested with any one institution.
  4. **Limits on Maturities.** The maximum length to maturity of any repurchase agreement is 90 days from the date of settlement.

### XI. Bankers' Acceptances

1. **Purchase Authorization.** Invest in bankers' acceptances which are issued by a domestic bank.
2. **Portfolio Composition.** A maximum of 35% of available funds may be directly invested in bankers' acceptances.
3. **Limits on Individual Issuers.** A maximum of 10% of available funds may be invested with any one issuer.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 32 of 34

4. **Ratings Requirements.** Bankers' acceptances that are rated at the time of purchase in the highest category by at least two NRSROs.
5. **Maturity Limitations.** The maximum length to maturity for bankers' acceptances shall be 180 days from the date of settlement.

### XII. Commercial Paper

1. **Purchase Authorization.** Invest in commercial paper of any United States company.
2. **Portfolio Composition.** A maximum of 35% of available funds may be directly invested in prime commercial paper. The maximum amount of corporate investments will not exceed forty percent (40%). Therefore, the combination of Section (l) Commercial Paper and Section (m) Corporate Notes shall not exceed forty percent (40%).
3. **Limits on Individual Issuers.** A maximum of 5% of available funds may be invested with any one issuer.
4. **Ratings Requirements.** Commercial paper that has a minimum S&P rating of A-1 and minimum Moody's rating of Prime-1 at the time of purchase. If the commercial paper is backed by a letter of credit (LOC), the long-term debt of the LOC provider must be rated single "A" category or better by at least two NRSROs.
5. **Maturity Limitations.** The maximum length to maturity for prime commercial paper shall be 270 days from the date of settlement.

### XIII. Corporate Notes

1. **Purchase Authorization.** Invest in corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States. Investment in any Scrutinized Company as defined by Section 218.415 Florida Statutes is prohibited.
2. **Portfolio Composition.** A maximum of 35% of available funds may be directly invested in corporate notes. The maximum amount of corporate investments will not exceed forty percent (40%). Therefore, the combination of Section (l) Commercial Paper and Section (m) Corporate Notes shall not exceed forty percent (40%).
3. **Limits on Individual Industry.** A maximum of 15% of available funds may be directly invested in any one industry. Security industry classification will be determined using the Bloomberg Industry Classification Standards (BICS).
4. **Limits on Individual Issuers.** A maximum of 5% of available funds may be invested with any one issuer.
5. **Ratings Requirements.** Corporate notes that have a long-term debt rating, at the time of purchase, at a minimum of a single "A" category by any two NRSROs.

## GOVERNING BOARD POLICY

Title: Investments

Effective Date: MM/DD/YY

Page 33 of 34

6. **Maturity Limitations.** The maximum length to maturity for corporate notes shall be five (5) years from the date of settlement.

### XIV. Intergovernmental Investment Pool

1. **Purchase Authorization.** Invest in intergovernmental investment pools that are authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01, F.S.
2. **Portfolio Composition.** A maximum of 25% of available funds may be invested in intergovernmental investment pools.
3. **Rating Requirements.** The intergovernmental investment pool shall be rated “AAA” by Standard & Poor’s or the equivalent by another NRSRO.
5. **Due Diligence Requirements.** A thorough review of any investment pool/fund is required prior to investing and on a continual basis. Attachment B is a questionnaire that contains a list of questions, to be answered prior to investing, that cover the major aspects of any investment pool/fund.

**GOVERNING BOARD POLICY****Title: Investments****Effective Date: MM/DD/YY****Page 34 of 34****DOCUMENT DETAILS**

Document Name	Investments
Formerly Known As	N/A
Document Type	Policy
Author(s)	Public Trust Advisors, Finance Bureau Chief, Management Services Division Director
Reviewing Stakeholder(s)	Public Trust Advisors, Finance Bureau Chief, Management Services Division Director
Document Owner Name	Melisa Lowe
Document Owner Title	Finance Bureau Chief
Review Period (in days)	365
Span of Control	Governing Board
Supersedes Date	11/17/2020
Effective Date	MM/DD/YY

**APPROVAL**

\_\_\_\_\_  
Kelly Rice  
Chair

\_\_\_\_\_  
Date

**FINANCE/OUTREACH & PLANNING COMMITTEE**

**October 19, 2021**

**Submit & File: Information Only: Office of Inspector General Quarterly Update – July 1, 2021 to September 30, 2021**

*Background and Purpose*

In accordance with the Office of Inspector General Charter Governing Board Policy, the Inspector General is required, on a quarterly basis, to update the Committee regarding work and other matters.

Staff Recommendation:

This item is for the Board's information only, and no action is required.

Presenter:

Brian Werthmiller, Inspector General



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# Southwest Florida Water Management District

2379 Broad Street, Brooksville, Florida 34604-6899

(352) 796-7211 or 1-800-423-1476 (FL only)

WaterMatters.org

## Bartow Office

170 Century Boulevard  
Bartow, Florida 33830-7700  
(863) 534-1448 or  
1-800-492-7862 (FL only)

## Sarasota Office

78 Sarasota Center Boulevard  
Sarasota, Florida 34240-9770  
(941) 377-3722 or  
1-800-320-3503 (FL only)

## Tampa Office

7601 U.S. 301 North (Fort King Highway)  
Tampa, Florida 33637-6759  
(813) 985-7481 or  
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Executive Director

October 19, 2021

## MEMORANDUM

TO: Finance/Outreach & Planning Committee  
Remaining Governing Board members

FROM: Brian Werthmiller, CPA, Inspector General

SUBJECT: Office of Inspector General Quarterly Update July 1, 2021 to September 30, 2021

The purpose of this memo is to satisfy the Office of Inspector General (OIG) Charter Governing Board Policy regarding updates with the Finance/Outreach and Planning Committee.

I am pleased to provide you the most recent quarterly update. During the quarter ending September 30, 2021:

- The OIG update for the quarter ending June 30, 2021, was submitted to the Governing Board on July 27, 2021.
- On August 12, 2021, the OIG performed a presentation to the Operations Bureau on functions this office provides involving audits, reviews, and investigations.
- The Florida Department of Highway Safety and Motor Vehicles (DHSMV) follow-up audit was completed and approved by the Governing Board on August 24, 2021 for the period May 1, 2021 to July 31, 2021. This was a follow-up to the OIG FY 2020 audit recommendation that controls over District employee access privileges to DHSMV information needed enhancement to ensure that assigned access privileges appropriately restrict District employees to only those functions necessary for their assigned job responsibilities, the District monitor this access on an ongoing basis, and District records evidence signed acknowledgements were maintained. Based upon the results of the follow-up audit, the District had taken corrective actions for the DHSMV finding as recommended by the OIG.
- Follow-up on the use of district vehicles was completed for the period July 1, 2021 to August 31, 2021. This was a follow-up to the OIG FY 2020 investigation recommendation for the District to continue to enhance procedures regarding monitoring of District vehicles to ensure use is in compliance with governing documents. While the District did enhance procedures documenting supervisory staff's periodic monitoring of vehicle use, the OIG's review of eight employees totaling thirty days of vehicle use during the months of July 2021 and August 2021 disclosed that vehicle use compliance with governing documents was not always met. Specifically, follow-up procedures disclosed:
  - Approval of two employees' occasional overnight use was documented 29-57 days after the first overnight use.
  - Two permanent 24-hour dispatch requests were made beginning July 1, 2021. The Division Director's approval for both was 83 days after the employees' first night requested to be on permanent 24-hour dispatch.

For one of these employees, approval was not documented by the Bureau Chief until 77 days later. In addition, and for the same employee, a cost-benefit analysis was not completed as required by District procedures.

- The OIG closed four complaints which after preliminary review, an investigation by the OIG was not considered necessary.
- The OIG FY 2021 Annual Report was submitted to the Governing Board on September 28, 2021. This report provides relevant information regarding performance measures, a description of recommendations for corrective actions, a description of corrective actions from previous annual reports that have not been completed, a summary of audits, reviews, and investigations, and other accomplishments during the period
- The OIG receives internal requests to review processes, reports, contracts, policies, procedures, or to provide information for the District's consideration. To maintain independence, the OIG will not make management decisions but rather provides recommendations for the requestor to consider. Reviews can also include external requests from another government agency or OIG projects that do not require a formal report to the Governing Board. During the quarter, the OIG initiated 26 reviews. For example, the OIG assisted the District in its annual fraud and ethics training.
- The IG successfully obtained certification as a certified fraud examiner (CFE) through the Association of Certified Fraud Examiners.

<b>Office of Inspector General Performance Measures</b>			
<b>Performance Measure</b>	<b>Frequency</b>	<b>Goal</b>	<b>Status Through 9/30/21</b>
Audit Plan	Annual	Submit to the Board January 2021	Completed January 2021
Appropriate Time Allocated to Efforts Resulting in Reporting to the Board	N/A	75% of Chargeable Hours by September 2021	79%
Inspector General Annual Report	Annual	Submit to the Board September 2021	Completed September 2021
Updates to the Finance/Outreach & Planning Committee including IG Performance Measures	Quarterly	All quarters in FY	Completed
Complete follow-up on two investigative recommendations from FY 2020	N/A	Complete by September 2021	All Follow-Up Completed September 2021
Complete follow-up to the Department of Highway Safety and Motor Vehicles audit recommendations from FY 2020	N/A	Complete by September 2021	All Follow-Up Completed August 2021



**FINANCE/OUTREACH & PLANNING COMMITTEE**

**October 19, 2021**

**Submit & File: Information Only: Budget Transfer Report**

*Purpose*

Provide the Budget Transfer Report covering all budget transfers made during the month of September 2021.

*Background*

In accordance with Board Policy, *Budget Authority Transfer of Funds*, all transfers approved by the Executive Director and Finance Bureau Chief under delegated authority are presented to the Finance/Outreach & Planning Committee of the Governing Board as a Submit and File Report at the next regular scheduled meeting. The exhibit for this item reflects all such transfers executed during the month of September 2021.

Staff Recommendation:

Present the Budget Transfer Report for the Board's information. No action required.

Presenter:

Melisa J. Lowe, Bureau Chief, Finance

**SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT**  
**Budget Transfer Report**  
**September 2021**

Item No.	--- TRANSFERRED FROM ---		--- TRANSFERRED TO ---		Reason For Transfer	Transfer Amount
	Bureau /	Expenditure Category	Bureau /	Expenditure Category		
<b>Change from Original Budget Intent</b>						
1	Operations	Maint/Repair of Buildings/Structures	Operations	Consultant Services	Transfer of funds originally budgeted for repair and maintenance of the District's flood control and water conservation structures. These funds are no longer required due to expenditures being less than anticipated. The funds are needed to move up the timeline for replacement of the Medard Dam toe drain that was planned to begin in FY2022. This will allow for improvements during the upcoming dry season to ensure continued structural integrity of the dam.	\$ 66,595.00
2	Information Technology	Software Maintenance	Information Technology	Telephone and Communications	Transfer of funds originally budgeted for annual software maintenance. The funds are no longer required due to expenditures being less than anticipated as a result of operational cost savings. The funds are needed to cover the additional cost to run two Wide Area Networks simultaneously for a period of time as the Information Technology Bureau transitioned to a new provider.	15,000.00
3	Information Technology	Software Maintenance	Information Technology	Other Contractual Services	Transfer of funds originally budgeted for annual software maintenance. The funds are no longer required due to expenditures being less than anticipated as a result of operational cost savings. The funds are needed for the development of system reports to be used in conjunction with the new ranking process for the Cooperative Funding Initiative.	1,528.00
4	Finance	Travel - Training	Finance	Fees Assoc W/Fin'L Activities	Transfer of funds originally budgeted for training and travel associated with training for Finance Bureau staff. Travel expenditures associated with training were less than anticipated due to many opportunities only being available virtually. The funds are needed for merchant fees absorbed by the District for transactions processed through the ePermitting system. Additional funds are needed due to an increase in permitting activity than originally anticipated this fiscal year.	5,000.00
<b>Total Change from Original Budget Intent</b>						<b>\$ 88,123.00</b>
<b>Total Consistent with Original Budget Intent</b>						<b>\$ -</b>
<b>Total Amount Transferred</b>						<b>\$ 88,123.00</b>

This report identifies transfers made during the month that did not require advance Governing Board approval. These transfers have been approved by either the Executive Director, or designee, or the Finance Bureau Chief consistent with Budget Authority Transfer of Funds Board Policy, and are presented to the Governing Board as a Submit and File Report. This Board Policy limits transfers made for a purpose other than the original budget intent to \$75,000. However, transfers made for accounting reallocation purposes consistent with original budget intent are not limited.

# Governing Board Meeting

## October 19, 2021

### 4. RESOURCE MANAGEMENT COMMITTEE

- 4.1 **Discussion:** Information Only: Consent Item(s) Moved to Discussion..... 146
- 4.2 **Discussion:** Action Item: First Amendment to the Polk County Direct Potable Reuse  
Feasibility and Pilot (Q209); Cost & Scope Change..... 147

**RESOURCE MANAGEMENT COMMITTEE**

**October 19, 2021**

**Discussion: Information Only: Consent Item(s) Moved to Discussion**

Staff Recommendation:

This item is for the Board's information only, and no action is required.

Presenter:

Jennette M. Seachrist, P.E., Division Director, Resource Management

## RESOURCE MANAGEMENT COMMITTEE

October 19, 2021

### Discussion: Action Item: First Amendment to the Polk County Direct Potable Reuse Feasibility and Pilot (Q209); Cost & Scope Change

#### *Purpose*

The purpose of this item is to request approval of cost and scope changes for the Polk County Direct Potable Reuse Feasibility and Pilot project Q209.

#### *Background/History*

The District Governing Board approved fiscal year (FY) 2021 funding for a feasibility study and a 29,000 gallon per day (gpd) educational/testing pilot water treatment facility that Polk County will use to test the development of a future direct potable reuse (DPR) project for new potable water supply.

During the design phase, the County's team found that the costs for the pilot water treatment facility portion of the project were increasing significantly. This was due to several factors including the following:

- The need to incorporate additional treatment components
- Increases in anticipated treatment train component costs
- Additional infrastructure to enhance the public outreach, education, and communication benefits of the facility
- Recent general market cost increases for construction

In an effort to limit these costs increases, on July 30, 2021, the County requested a scope change to reduce the capacity of some of the treatment components in the pilot facility project from the original 29,000 gpd to 14,400 gpd. Even with this scope reduction, there is still an increase in the overall project cost of \$1,001,582. The County has committed to pay for 100 percent of the increased costs.

#### *Benefits/Costs*

The amended scope will include the addition of a restroom to enhance the facility's public outreach and touring benefits and an air-conditioned enclosure for sensitive electronics and equipment, as well as a reduction from the original 29,000 gpd to 14,400 gpd capacity for several treatment train components. The project budget is requested to be increased by \$1,001,582 from \$1,590,000 to \$2,591,582, and Polk County has agreed to fund 100 percent of the cost increases.

The County's design engineer has certified there will be no reduction in the viability of the pilot data obtained. The amended total project cost is requested to be \$2,591,582, with a new County share of \$1,796,582 and the District's original \$795,000 funding share remains unchanged.

The project's timeline, location, educational and testing procedures, as well as the project's benefits remain unchanged. The project has been reevaluated based on this new information and is recommended for funding. See the attached Exhibit for the new evaluation.

Staff Recommendation:

Approve the First Amendment for cost and scope changes for the Polk County Direct Potable Reuse Feasibility and Pilot (Q209) to revise the pilot flow capacity to 14,400 gpd, increase the overall project costs to \$2,591,582, and increase Polk County's funding commitment to \$1,796,582. The existing project's data benefits and the District's funding share of \$795,000 remain unchanged.

Presenter:

Jay Hoecker, Water Supply Manager, Water Resource Bureau

**Governing Board Meeting**  
**October 19, 2021**

**5. OPERATIONS, LANDS, AND RESOURCE MONITORING COMMITTEE**

5.1	<b>Discussion:</b> Information Only: Consent Item(s) Moved to Discussion.....	149
5.2	<b>Discussion:</b> Information Only: Hydrologic Conditions Report.....	150

**OPERATIONS, LANDS, AND RESOURCE MONITORING COMMITTEE**

**October 19, 2021**

**Discussion: Information Only: Consent Item(s) Moved to Discussion**

Staff Recommendation:

This item is for the Board's information only, and no action is required.

Presenter:

Brian S. Starford, P.G., Division Director, Operations, Lands and Resource Monitoring



**OPERATIONS, LANDS, AND RESOURCE MONITORING COMMITTEE****October 19, 2021****Discussion: Information Only: Hydrologic Conditions Report****Summary of Conditions**

September is the last month of the four-month wet season (June-September). District-wide rainfall has been scattered, regionally variable and associated with typical summertime afternoon/evening convective rain showers, while abundant northern region rainfall includes effects from Tropical Storm Ida and Tropical Depression Mindy.

- Rainfall: Provisional (September 1-27) totals are above normal in the northern counties, while they are within the normal range in the central and southern counties. The District-wide 12-month cumulative rainfall total has improved, showing a surplus of 0.98 inch above the long-term historical average, while a rainfall deficit of 2.59 inches below the mean currently exists in the southern counties.
- Streamflow: Provisional (September 1-27) streamflow has increased at 8 of 12 monitoring stations. Five stations have above normal flow, while six have normal flow and one has below-normal flow. Regional streamflow, based on three index rivers, is above normal in the northern region, while normal in the central and southern regions.
- Groundwater: Provisional (September 1-26) regional aquifer levels have increased in all three regions of the District. All regional levels are within the normal to above-normal range.
- Lake Levels: Provisional (September 1-27) regional lake levels have increased in all four lake regions within the District. All regional levels are within the normal range.
- Overall: All provisional regional hydrologic indicators have improved in September and are in the normal to above-normal range of historical values, with a few noted exceptions. The tropics still appear active and may bring additional rainfall during the autumn dry season.

**Staff Recommendation:**

This item is provided for the Board's information only, and no action is required.

**Presenter:**

Tamera McBride, Hydrologic Data Manager

**Governing Board Meeting**  
**October 19, 2021**

**6. REGULATION COMMITTEE**

- 6.1 **Discussion:** Information Only: Consent Item(s) Moved to Discussion .....151
- 6.2 **Discussion:** Action Item: Denials Referred to the Governing Board .....152

## REGULATION COMMITTEE

October 19, 2021

**Discussion: Information Only: Consent Item(s) Moved to Discussion**

Staff Recommendation:

This item is for the Board's information only, and no action is required.

Presenter:

Michelle Hopkins, P.E., Division Director, Regulation

## REGULATION COMMITTEE

October 19, 2021

**Discussion: Action Item: Denials Referred to the Governing Board**

District Rule 40D-1.6051, Florida Administrative Code, provides that if District staff intends to deny a permit application, the applicant will be advised of the opportunity to request referral to the Governing Board for final action. Under these circumstances, if an applicant or petitioner requests their application or petition be referred to the Governing Board for final action, that application or petition will appear under this agenda item for consideration. As these items will be presented at the request of an outside party, specific information may not be available until just prior to the Governing Board meeting.

**Staff Recommendation:**

If any denials are requested to be referred to the Governing Board, these will be presented at the meeting.

**Presenter:**

Michelle Hopkins, P.E., Division Director, Regulation

**Governing Board Meeting**  
**October 19, 2021**

**7. GENERAL COUNSEL'S REPORT**

<b>7.1 Discussion:</b>	Information Only: Consent Item(s) Moved to Discussion.....	153
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**GENERAL COUNSEL'S REPORT**

**October 19, 2021**

**Discussion: Information Only: Consent Item(s) Moved to Discussion**

Staff Recommendation:

This item is for the Board's information only, and no action is required.

Presenter:

Chris Tumminia, General Counsel

**COMMITTEE/LIAISON REPORTS**

**October 19, 2021**

**Discussion: Information Only: Agricultural and Green Industry Advisory Committee**

Staff Recommendation:

This item is for the Board's information only, and no action is required.

Presenter:

Michelle Williamson, Board Member

**EXECUTIVE DIRECTOR'S REPORT**

**October 19, 2021**

**Discussion: Information Only: Executive Director's Report**

Staff Recommendation:

This item is for the Board's information only, and no action is required.

Presenter:

Brian J. Armstrong, P.G., Executive Director



## **CHAIR'S REPORT**

**October 19, 2021**

**Discussion: Information Only: Chair's Report**

Staff Recommendation:

This item is for the Board's information only, and no action is required.

Presenter:

Kelly S. Rice, Chair

## CHAIR'S REPORT

October 19, 2021

### Discussion: Action Item: 2021 Employee Evaluation and 2022 Performance Goals for the Executive Director and Inspector General

#### *Background*

Board Policy No. 710-2 governs the performance evaluation process for the Executive Director and Inspector General. The Policy provides that:

- Each Board member shall independently provide input on the Executive Director's and Inspector General's performance in anticipation of Governing Board approval of the annual employee evaluation for each employee.
- The Executive Director shall provide input on the 2021 administrative performance of the Inspector General.
- With this input, the Governing Board Chair will draft the Executive Director's 2021 evaluation and the Governing Board Treasurer drafts the Inspector General's 2021 evaluation.
- The Executive Director and Inspector General shall provide the Board with their proposed goals for 2022, against which they will be reviewed in the next year.

Consistent with Board Policy No. 710-2, at this meeting:

1. The Board Chair will provide to the Governing Board his draft 2021 evaluation for the District's Executive Director, Brian J. Armstrong, and the Board Treasurer will provide to the Governing Board his draft 2021 evaluation for the District's Inspector General, Brian R. Werthmiller. The Governing Board will have an opportunity to review, discuss and make any changes that it may wish to make to these draft evaluations. The Governing Board will also be asked to approve these evaluations so that they can be finalized and delivered to the employees.
2. Executive Director Brian J. Armstrong will present his proposed 2022 performance goals for approval. Inspector General Brian R. Werthmiller's goals were included as part of the Inspector General Performance Measures item on today's consent agenda.

#### Staff Recommendation:

Adopt and approve the 2021 employee evaluations of Executive Director Brian J. Armstrong and Inspector General Brian R. Werthmiller that were completed by the Governing Board Chair and the Governing Board Treasurer, respectively.

Adopt and approve the 2022 Executive Director goals.

#### Presenter:

Kelly S. Rice, Chair  
Ed Armstrong, Treasurer

## **CHAIR'S REPORT**

**October 19, 2021**

**Discussion: Information Only: Milestones**

Staff Recommendation:

This item is for the Board's information only, and no action is required.

Presenter:

Kelly S. Rice, Governing Board Chair

Years of Service	Seniority Date	Preferred Full Name	Position Title	Office Location	Bureau	Anniversary Year	Next Milestone
5	10/10/2016	James Lovato	Senior Business Application Developer	Brooksville	Information Technology	2021	10/10/2021
5	10/24/2016	Jessica Velasquez	Solutions Analyst	Tampa	Regulatory Support	2021	10/24/2021
5	10/03/2016	Krista Gutierrez	Staff Hydrologist	Tampa	Water Use Permit	2021	10/03/2021
5	10/10/2016	Mandi Rice	Assistant Executive Director	Brooksville	Office of Executive	2021	10/10/2021
5	10/03/2016	Mirko Soko	Professional Engineer	Tampa	Environmental Resource Permit	2021	10/03/2021
15	10/02/2006	Brian Townsend	Lead Heavy Equipment Operator	Tampa	Operations	2021	10/02/2021
15	10/30/2006	Dan Golus	Engineering Supervisor	Tampa	Environmental Resource Permit	2021	10/30/2021
15	10/16/2006	Jason Hust	Field Technician Supervisor	Tampa	Data Collection	2021	10/16/2021
15	10/09/2006	Michael Cote	WUP Compliance Technician	Tampa	Water Use Permit	2021	10/09/2021
15	10/16/2006	Nancy Norton	Senior Professional Engineer	Tampa	Natural Systems & Restoration	2021	10/16/2021
15	10/09/2006	R.J. Dowling	Senior Professional Engineer	Tampa	Natural Systems & Restoration	2021	10/09/2021
15	10/02/2006	Tony Soos	Compliance Inspector 4	Tampa	Regulatory Support	2021	10/02/2021
15	10/30/2006	Wayne Alonso	Field Maintenance Technician	Tampa	Operations	2021	10/30/2021
20	10/24/2001	Mario Cabana	WUP Evaluation Lead	Tampa	Water Use Permit	2021	10/24/2021
25	10/07/1996	Diana Burdick	Data Architect	Brooksville	Information Technology	2021	10/07/2021
30	10/16/1991	Barbara Matrone	Administrative Coordinator	Brooksville	Board and Executive Service	2021	10/16/2021