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**Policy: Investment Policy**

**Approved By: LYNX Board of Directors**

**Issuing Dept: Finance**

**Effective Date: May 22, 2025**

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## **SCOPE**

To document the investment policy which applies to the investment and reporting of all financial assets of the Central Florida Regional Transportation Authority (“**LYNX**” or “**Authority**”), except for LYNX’s retirement funds. Such financial assets may be in the form of operating funds or bond proceeds funds. However, bond proceeds may be further limited or expanded as to their permitted investments by their respective bond resolutions or covenants.

## **AUTHORITY:**

Board of Directors and Section 218.415, Florida Statutes.

## **POLICY**

### **1.1 Definitions**

In addition to the other terms defined in this Policy, the following terms when used in this Policy shall have the meanings as provided below.

**1.1.1 Bank Trust Receipts:** Advance deposits to cover a prospective liability for services to be rendered and/or disbursements to be made; and composite amounts consisting of trust and business monies.

**1.1.2 Book Entry Form:** A chronological record of a specialist’s inventory of securities and orders that other exchange members have placed with the Specialist.

**1.1.3 Derivative:** A financial instrument whose characteristics and value depends upon the characteristics and value of an underlying security; typically, a commodity, bond, equity or currency. Examples of derivatives include futures and options. Advanced investors sometimes purchase or sell derivatives to manage the risk associated with the underlying security, to protect against fluctuations in value, or to profit from periods of inactivity or decline. These techniques can be quite complicated and quite risky.



**1.1.4 Designated Employee:** An employee of LYNX that reports to either the Chief Executive Officer or the Chief Financial Officer, who has been designated to carry out certain responsibilities contemplated herein and who has been identified in a schedule of Designated Employees submitted to and approved by the Investment Committee. Any Designated Employee must have a sufficient understanding of the investment of financial assets as contemplated herein and shall be subject to the continuing education requirements set forth in Section 1.19.

**1.1.5 Internal Controls:** Policies and procedures designed to provide reasonable assurance that specific entity objectives will be achieved. It consists of the control environment, risk assessment, control activities, information and communications, and monitoring.

**1.1.6 Investment Committee:** The LYNX Finance and Audit Committee.

**1.1.7 Liquidity:** The ability of an asset to be converted into cash quickly and without any selling of the asset below its normal price.

**1.1.8 Market Value:** The price at which a security can be purchased or sold in the financial market.

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

**1.1.10 Repurchase Agreement:** A contract in which the seller of securities, such as Treasury Bills, agrees to buy them back at a specified time and price. Also known as repo or buyback.

**1.1.11 Return on Investment:** Measures on how effectively the portfolio’s principal is invested to generate profit by comparing the gain or loss on an investment by its cost.

**1.1.12 Risk:** The quantifiable likelihood of loss or less-than-expected returns. There are many different types of risk e.g., inflation risk (decrease in purchasing power); currency risk (devaluation of currency to the American dollar or vice versa); market risk (decline of the asset’s value due to economic changes which effect the entire market) or unsystematic risk (price change in relation to a specific security).

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



**1.1.14 Specialist:** A stock exchange member who makes a market for certain exchange-traded securities, maintaining an inventory of those securities and standing ready to buy and sell shares as necessary to maintain an orderly market for those shares. This can be an individual, partnership, corporation or group of firms.

**1.1.15 Yield:** The rate of annual income returns on an investment expressed as a percentage.

## **1.2 Investment Objectives**

**Preservation of principal and safety** - An important objective of this investment program is the preservation of the principal of those funds within the portfolio. Investment transactions shall be consistent with the other investment objectives, and seek to ensure that capital losses are minimized, whether they are from securities defaults or erosion of Market Value.

**Liquidity** - The portfolio shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements in an orderly manner.

**Return on Investment** - All investments will be made striving to maximize portfolio return, consistent with the quality, safety and Liquidity restrictions. Yield shall be the primary source of investment returns. The pursuit of this goal will be continuous but may not be done at the expense of assuming avoidable investment risk. The optimization of investment returns shall be secondary to the requirements for quality, safety, and Liquidity.

## **1.3 Risk and Diversification**

Adequate diversification of LYNX's portfolio will be necessary to minimize market volatility risk, Liquidity risk and default risk. Diversification will come in the form of investing in different security types, and in different financial institutions. It is the policy of LYNX to diversify its investment portfolios so as to protect against issuer defaults, market price changes, technical complications leading to temporary lack of Liquidity, or other risks resulting from an overconcentration of assets in a specific maturity, a specific issuer, a specific geographical distribution, or a specific class of securities. The following strategies will be reviewed quarterly by the Investment Committee.

**Maintenance of public trust** - All participants in the investment process shall seek to act responsibly as custodians of public trust. Investment officials shall avoid any transaction that might reasonably impair public confidence in the ability of LYNX to effectively implement the investment program.

Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism worthy of public trust.

**Asset liability management** - To the extent consistent with the investment objectives and restrictions and the Authority's debt management policies, all herein adopted, LYNX will strive to maintain an



investment/asset portfolio duration approximately equal to its debt/liability “portfolio”. Equilibrium with respect to the duration of assets and liabilities may help LYNX earn interest on aggregate investments at its overall cost of capital or better.

#### **1.4 Prudence**

LYNX has adopted the Prudent Person Rule, which states that: “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.” Investment officers acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Prudent expert standard - While the standard of prudence to be used by investment officials who are officers or employees is the “prudent person” standard, 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 standard shall be that in investing and reinvesting monies and in acquiring, retaining, managing, and disposing of investments of these funds, the contractor shall exercise the judgment, care, skill, prudence and diligence under the circumstances then prevailing, which persons of prudence, discretion and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims by diversifying the investments of the funds so as to minimize the risk of material losses, unless under the circumstances it is clearly prudent not to do so, and not in regard to speculation but in regard to the permanent disposition of similar funds, considering the probable income as well as the probable safety of their capital.

#### **1.5 Ethics and Conflicts of Interest**

Officers and employees involved in the investment process shall not engage in personal business activities (e.g. directing business to favored broker/dealers) that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Officers and employees shall immediately disclose to the Chief Executive Officer and the Investment Committee any material interest in any financial institution that conducts business with LYNX. For purposes of this paragraph, “material interest” shall have the same meaning as in Section 112.312(15), Florida Statutes, or as set forth in any successor statute.

#### **1.6 Delegation of Authority**

The authority to manage the investment program is granted to the Chief Financial Officer pursuant to Sections 218.415 and 343.64, Florida Statutes, subject to the terms and conditions of this Policy.



### 1.7 Internal Controls

System of Controls - The Chief Financial Officer will establish a system of Internal Controls, which shall be documented in writing, provided to the Chief Executive Officer and the Investment Committee, and shall be subject to their respective approvals. The Internal Controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees or by those individuals and/or entities under contract to LYNX. The Internal Controls shall provide that all transactions are confirmed in writing. In the development of the system of Internal Controls, consideration shall be given to documentation of strategies and transactions, techniques for avoiding collusion, separation of functions, delegation of authority and limitations of action, custodial Safekeeping, and avoidance of bearer-form securities.

### 1.8 Independent Audit

The independent public accounting firm retained to conduct the annual audit of LYNX is directed to evaluate the system of Internal Controls relating to the investment of assets in accordance with Section 218.415(13), Florida Statutes. Procedures should be performed by the accountants to provide reasonable assurance that investment officials have acted in accordance with this Investment Policy. To the extent allowed by professional standards, the auditor may rely on work performed by other independent public accountants or internal auditors.

### 1.9 Reporting

A quarterly investment report shall be provided to the Chief Executive Officer and the Investment Committee, which report shall include (without limitation) (i) current interest rates by investment type; (ii) a description of investments, including identification of accounts; and (iii) prior quarter earnings. Actual returns should be compared against planned figures. Any areas of concern should be addressed and portfolio changes made as warranted. Following its review of the quarterly investment report, the Investment Committee shall submit a copy of the report, with its comments, to the Oversight Committee and the Governing Board.

### 1.10 Performance Benchmarks

Investment performance benchmarks should be consistent with quality, safety and Liquidity restrictions and utilized to evaluate portfolio performance. These benchmarks will allow LYNX to compare returns to other investors in the same markets.

Based on the investment and maturity parameters for each portfolio, LYNX shall establish specific performance benchmarks. When establishing a performance benchmark for a portfolio, there are three main factors which will be considered:

1. it is independently compiled.



2. it represents true total return.
3. it is representative of the types of securities in the appropriate maturity range.

The quarterly report required under Section 1.9 will show performance on both a book value and Market Value return basis and will compare the results to the established benchmarks.

### **1.11 Prohibited Investments**

In addition to the statutory restriction on common stock, no financial assets may be invested in Derivatives or in an investment company portfolio containing common stock in real estate, in options or futures, or in precious metals.

### **1.12 Permitted Investments**

Investment alternatives, other than securities, must have an established market. Investments should be made subject to the cash flow needs of LYNX. Such cash flows are subject to revisions as market conditions and agency needs change. The Chief Financial Officer should avoid assets that require a significant time to liquidate, and, in any event, investments should have maturities not to exceed one year.

The following is a list of authorized investments in which the Chief Financial Officer may invest LYNX operating and surplus funds at the prevailing market rates and at an appropriate amount thereof (subject to any percentage limitations set forth below).

1. The Local Government Surplus Funds Trust Fund, as created by Section 218.405, Florida Statutes and administered by the State Board of Administration (SBA). A maximum of 75% of the portfolio may be invested in the SBA.
2. United States Treasury Securities (including mutual funds where the underlying investments are solely United States Treasury Securities), whereby all principal and interest payments are guaranteed by the full faith and credit of the United States government. A maximum of 100% of the portfolio may be invested in United States Treasury Securities.
3. Interest-bearing time deposits or savings accounts in Qualified Public Depositories (QPD) as defined in Section 280.02, Florida Statutes. A maximum of 100% of the portfolio may be invested in Qualified Public Depositories.

### **1.13 Selection of Qualified Institutions**

The Chief Financial Officer shall maintain a formalized written procedure for the selection of depositories in money market instruments and broker dealers in the execution of securities



transactions, which procedure shall be provided to the Chief Executive Officer and the Investment Committee, and which procedure shall be subject to the approval of the Investment Committee. Such a procedure should describe the competitive selection process and rationale for selection. The procedure shall state that the selection of the depositories and broker deals shall be made by the Chief Financial Officer, subject to the approval of the Chief Executive Officer. The selection of such depositories pursuant to this Section 1.13 shall not be subject to LYNX Administrative Rule 4. Authorized investments shall only be purchased from financial institutions, which are Qualified Public Depositories, the SBA, or from primary dealers as designated by the Federal Reserve Bank of New York.

#### **1.14 Competitive Selection of Investment Instruments**

After the Chief Financial Officer has determined the approximate maturity date based on cash flow needs and market conditions, not to exceed one (1) year for operating funds, and has analyzed and selected one or more optimal types of investments, a minimum of three (3) qualified institutions must be contacted and asked to provide bids on securities of interest. Subject to compliance with Florida' Public Records Act, bids will be held in confidence until the highest bid is determined and awarded.

However, on an exceptional basis, securities may be purchased utilizing the comparison to current market price method. Acceptable current market price providers include, but are not limited to:

1. The Wall Street Journal or a comparable nationally recognized financial publication providing daily market pricing.
2. Daily market pricing provided by the Authority's custody agents or their correspondent institutions.
3. Interactive Data Corporation (IDC).
4. Various third-party sources currently utilized by the Investment Advisor.

The Chief Financial Officer shall utilize the competitive bid process to select the securities to be purchased or sold. Selection by comparison to the current market price, as indicated above, shall only be utilized when, in the judgment of the Chief Financial Officer, competitive bidding would inhibit the selection process. Any usage of the comparison to market price method shall be identified in the quarterly investment report described in Section 1.9.

Examples of when this method may be used include:

1. When time constraints due to unusual circumstances preclude the use of the competitive bidding process.



2. When no active market exists for the issue being traded due to the age or depth of the issue.
3. When a security is unique to a single dealer.
4. When the transaction involves new issues or issues in the “when issued” market.

Overnight sweep Repurchase Agreements will not be bid but may be placed with the depository bank relating to the demand account for which the Repurchase Agreement was purchased.

The purchase of securities pursuant to Section 1.14 shall not be subject to Administrative Rule 4.

### **1.15 Safekeeping and Collateralization**

All cash, assets, and investment securities purchased by LYNX or held as collateral on investments shall be delivered versus the payment of funds and held in Safekeeping by a qualified bank, or some other financial institution designated as custodian. The custodian will be selected by the Chief Financial Officer and notification of same shall be provided to the Chief Executive Officer and the Investment Committee. All securities held as collateral will be held free and clear of any lien and also shall be held by a third-party custodian.

All securities purchased by LYNX may be held by a third-party custodian and no withdrawal of such securities may be made by anyone except the Chief Financial Officer or the Chief Financial Officer’s Designated Employees. Pursuant to Section 218.415(10), Florida Statutes, securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a “delivery vs. 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.

The Chief Executive Officer’s or Chief Financial Officer’s Designated Employees will execute all third-party custodial agreements with LYNX’s banks and public depositories. Such agreements will include letters of authority from the Chief Financial Officer as to the responsibilities of each party, notification of security purchases, sale, delivery, Safekeeping and transaction agreements and wire transfers, Safekeeping and transaction costs, and procedures in the event of wire failure.

Any funds invested in a certificate of deposit from a Qualified Public Depository may be collateralized by any of the securities listed in Sections 280.13, Florida Statutes. The list of Qualified Public Depositories, agreeing to the provisions in Chapter 136, Florida Statutes, is available upon request from the Department of Insurance and Treasurer of the State of Florida.

### **1.16 Security Disposition**

Every security purchased must be properly earmarked and:



1. registered with the issuer and maintained in a safe place.
2. if held in Book Entry Form, held for the credit of LYNX by a depository chartered by the Federal Government, the state or any other state or territory in the US as described in Section 658.12, Florida Statutes, or by national organization existing under the laws of the U.S. Securities must be held in a depository in a separate account from assets of the financial institution.
3. if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for Safekeeping in a secured vault.
4. LYNX may also receive Bank Trust Receipts in return for investment of surplus funds in securities. All Bank Trust Receipts received must list the various securities held with the specific number of securities held in accordance with 2) above.

This section does not apply to the Local Government Surplus Funds Trust Fund.

#### **1.17 Sale of Security**

When the invested funds are needed in part or whole for the purpose originally intended or for more optimal investments, LYNX may sell such investments at the then prevailing market rate and place proceeds into the proper account or fund. Any such sales shall be reported in the quarterly report referenced in Section 1.9. If invested funds are sold at a loss, the report should explain why the situation was not foreseen and the reason for the sale.

#### **1.18 Preemption**

Any provision of any special act, municipal or other law which prohibits or restricts a local government entity from complying with Section 218.415, Florida Statutes, or any rules adopted under this section is void to the extent of the conflict.

#### **1.19 Continued Education**

Pursuant to Section 218.415, Florida Statutes, the Chief Financial Officer and the Chief Financial Officer's Designated Employees responsible for making investment decisions shall each obtain eight (8) hours per year of continuing education in subjects or courses of study related to investment practices and products.

#### **1.20 Transfer of Funds**

Authorized personnel who can transfer funds: Chief Executive Officer, Chief Financial Officer or Manager of Finance.



### 1.21 Investment Committee

The Investment Committee shall oversee the Chief Financial Officer's management of the investment program. The Investment Committee shall be authorized to amend, waive, or modify any provision of this Investment Policy; provided that any such amendment, waiver, or modification of this Investment Policy is not material. Any material amendment, waiver, or modification of this Investment Policy shall require the approval of the Governing Board.

### 1.22 Investment Decisions

1.22.1 As used in this subsection, the term "pecuniary factor" means a factor that the governing body of the unit of local government, or in the absence of the existence of a governing body, the respective principal officer of the unit of local government, prudently determines is expected to have a material effect on the risk or returns of an investment based on appropriate investment horizons consistent with applicable investment objectives and funding policy. The term does not include the consideration of the furtherance of any social, political, or ideological interests.

1.22.2 Pursuant to Section 218.415(24), Florida Statutes, notwithstanding any other law, when deciding whether to invest and when investing public funds pursuant to this section, the unit of local government must make decisions based solely on pecuniary factors and may not subordinate the interests of the people of this state to other objectives, including sacrificing investment return or undertaking additional investment risk to promote any nonpecuniary factor. The weight given to any pecuniary factor must appropriately reflect a prudent assessment of its impact on risk or returns.

### 1.23 Review of Investment Policy

This Policy shall be reviewed by the Investment Committee no later than twelve (12) months following its initial adoption. Following the initial year's review, this Policy shall be reviewed by the Investment Committee every five (5) years. Following any such review, the Investment Committee shall provide any comments and recommended revisions (if any) to the Oversight Committee and the Governing Board.



PASSED AND DULY ADOPTED BY THE BOARD OF DIRECTORS OF LYNX,  
this 27<sup>th</sup> day of February, 2025.

BOARD OF DIRECTORS OF LYNX

By: *Livian Janer*

Chairman

ATTEST:

By: *Rose Hernandez*