

# **ANNUAL INVESTMENT REPORT**

FOR THE YEAR ENDED  
SEPTEMBER 30, 2019

GWEN MARSHALL  
CLERK OF CIRCUIT COURT  
AND COMPTROLLER

LEON COUNTY, FLORIDA

## EXECUTIVE SUMMARY

The Commission approved Investment Policy provides for a conservatively managed portfolio that performed as expected during fiscal year 2019. Policy controls related to portfolio duration, credit quality, liquidity and instrument selection have been established to reduce volatility with respect to investment returns. **The portfolio earned \$3,418,264 in interest and had realized losses of \$89,789 for total income of \$3,328,475 for fiscal year ending September 30, 2019. This total income provided an effective rate of return of 2.24% on an average daily balance of \$148,637,422.** For comparison, the portfolio earned \$2,706,330 of interest and had realized losses of \$160,867 for total income of \$2,545,463 for fiscal year ending September 30, 2018. This provided an effective rate of return of **1.56% on an average daily balance of \$162,650,803.**

Investment income increased 31% year over year with a \$14.0 million decrease in overall average investment balances. The rate environment was one of the factors for the increase in investment income as the Federal Reserve increased rates starting in March 2018 and then began to reduce rates at the end of July 2019. This rate environment with the active portfolio management positioned the portfolio to take advantage of the timing of the rate increases. The decrease in the average daily balance of investable cash year over year reflects the expenditure of funds in storm recovery efforts, primarily through debris removal and monitoring related to Hurricane Michael. \$7.6 million of these expenditures were reimbursed in late April 2019 and \$12.6 million in February-March 2020 with \$1.8 million still to be received. The \$89,789 in realized losses in fiscal year 2019 were from the external portfolio and were attributed to selling investments to lock in longer securities with the anticipation of the decline in rates in late fiscal year 2019. From a total return perspective, Insight's (the external manager) active management style has also translated into incremental returns over the benchmark.

Section 218.415 (15), Florida Statutes, requires Leon County Clerk of Circuit Court and Comptroller to provide an annual report to the Board of County Commissioners of the securities in the portfolio by investment type, book value, market value and income earned. This information is included in Table I and Table II below and the chart on page 6 as of September 30, 2019.

**Table I Ending Balances Fiscal Year Ended September 30, 2019**

<b>Portfolio</b>	<b>Book Value</b>	<b>Market Value</b>
<i>Insight Investment</i>	57,928,867	58,555,908
<i>FL Local Govt Inv Trust Fund</i>	6,032,839	6,032,839
<i>FL State Treasury SPIA</i>	14,964,465	15,227,117
<i>Florida Prime (SBA)</i>	12,888,539	12,888,539
<i>Wells Fargo Restricted MM</i>	8,475,834	8,475,834
<i>Wells Fargo Cash</i>	3,584,749	3,584,749
<i>Wells Fargo Sweep</i>	11,470,841	11,470,841
<i>Total Cash and Investments</i>	115,346,134	116,235,827

**Table II Average Daily Balance and Income**

<b>Investment Type</b>	<b>FY 2018 Avg Daily Balance</b>	<b>FY 2019 Avg Daily Balance</b>	<b>Total Income FY 2019</b>
<i>Insight Investment</i>	55,734,602	57,358,092	1,147,692
<i>FL Local Govt Inv Trust Funds</i>	5,875	1,404,951	32,048
<i>FL State Treasury SPIA</i>	75,859,396	44,972,180	1,131,895
<i>Florida Prime (SBA)</i>	13,982,037	19,309,695	494,722
<i>Wells Fargo Restricted MM</i>	0	6,000,734	122,982
<i>Wells Fargo Cash</i>	7,080,126	4,361,261	77,861
<i>Wells Fargo Sweep</i>	9,988,767	15,230,509	321,275
<i>Total Daily Average</i>	162,650,803	148,637,422	
<i>Total Income</i>			3,328,475
<i>Income / Avg. Daily Bal</i>			2.24%

### **Investment Oversight Committee**

The Investment Policy of the Board of County Commissioners provides for an Investment Oversight Committee (IOC) to work with the Clerk of the Circuit Court and Comptroller in the investment of the portfolio. The Committee meets quarterly unless interim issues require more frequent meetings. Meetings are noticed, open to the public and the minutes of each meeting recorded. The IOC consists of the Clerk Designee, Director of Civil Court, Kenneth Kent; the County Administrator Designee, Director of Financial Stewardship, Scott Ross; and three qualified individuals with financial or investment expertise who are independent of employment and business relationships with Leon County. The three outside members as of September 30, 2019 are David Reid, CPA, J. Ben Watkins III, State of Florida Director of the Division of Bond Finance, and Renee McNeill, The First Bank. Ms. McNeill was appointed August 1, 2019 as the term for Michael Kramer, managing partner, K3 Investments, expired July 31, 2019.

During the fiscal year ending September 30, 2019, the portfolio was managed within the guidelines and limitations of the Investment Oversight Committee recommendations and the Commission approved policy without exception.

### **Investment Managers**

The investment portfolio quarter ending balances ranged from \$116,235,827 to \$200,169,244 during the fiscal year, with higher balances during the winter as tax collection notices are distributed by the Leon County Tax Collector. The internal portfolio was generally allocated to the Florida Treasury Special Purpose Investment Account (SPIA) and Florida Prime (SBA) during the year for diversification and liquidity.

Insight Investment, the external manager invested an average of 39% of the Leon County portfolio during the fiscal year. As of September 30, 2019, Insight Investment managed approximately \$58 million fixed income assets that resulted in a portfolio duration during the fiscal year ranging between 1.51 and 1.87 years. The established performance benchmark for Insight is the Bank of America/Merrill Lynch 1-3 Year Government Index. Insight Investment, formerly known as Cutwater Asset Management, has managed the County's external portfolio since June 1, 2010.

In October 2018 an additional money market account was opened with Wells Fargo for restricted funds related to the Leon County Landfill closure and post-closure cost; previously all this money was with SPIA. This Landfill money market has a rate of Federal Funds less 10 basis points. In June 2019 the County added the Florida Local Government Investment Trust (FLGIT) Day to Day Fund to provide more flexibility for liquidity. Additional information for the FLGIT Day to Day Fund is provided on page 4 section B of this Annual Investment Report.

The County was notified during fiscal year 2019 from Wells Fargo regarding an agreement they had entered in to sell their Institutional Retirement and Trust business (which includes the County's custodial account) to Principal Financial Group. The IOC was updated, and the committee will relook at and discuss in the future if there are changes from what the County is currently paying. This transaction of the sell to Principal Financial Group has now closed and the expected transition of services is to take place in February 2021.

The Clerk completed bidding out its banking relationships pursuant to a competitive selection process and entered into a contract on April 1, 2012, with Wells Fargo Bank. The contract (with the current extensions) is set to expire March 31, 2021. During the last six months of this extension, the county can give a 60-day notice to terminate the contract.

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## I. INVESTMENT POLICY

Section 218.415, Florida Statutes provides units of local government the ability to adopt a written investment plan to govern the investment of their investment portfolio. The Leon County Board of County Commissioners on July 9, 2019 adopted revisions to the new investment policy that was adopted on July 11, 2017. These revisions to the Policy, which were recommended by the Investment Oversight Committee, were to provide more flexibility for liquidity needs, while ensuring the safety of the principal and earning a reasonable rate of return by modifying the portfolio sector maximums for specific security types.

The Florida Constitution provides that the Clerk of Court and Comptroller (Clerk) will be responsible for the investment of County funds and this report is being submitted by the Clerk as provided by the Board's Investment Policy. All investment activity was conducted in accordance with written procedures and internal controls.

## II. INVESTMENT OVERSIGHT COMMITTEE

The Clerk established the Investment Oversight Committee (IOC) to formulate investment strategies, to provide short-range direction, and to monitor the performance and structure of the County's portfolio. The IOC consists of the Clerk Designee, Director of Civil Courts, Kenneth Kent; the County Administrator Designee, Director of Financial Stewardship, Scott Ross and three qualified individuals with financial or investment expertise who are independent of employment and business relationships with Leon County. The three outside members as of September 30, 2019 are David Reid, CPA, J. Ben Watkins III, State of Florida Director of the Division of Bond Finance, and Renee McNeill, The First Bank. Ms. McNeill was appointed August 1, 2019 as the term for Michael Kramer, managing partner, K3 Investments, expired July 31, 2019.

## III. ACTIVITIES OF THE INVESTMENT OVERSIGHT COMMITTEE

The Investment Oversight Committee (IOC) scheduled periodic meetings to discuss issues relating to the investments of the County. During the current year, the IOC continued to maintain the average annual effective duration for the managed external portfolio of approximately 1.5 to 1.9 years. Given the current market environment, the IOC will continue to carefully monitor the portfolio duration and allocation of assets.

## IV. INVESTMENT OBJECTIVES

The Policy states that the primary objectives of all investment activities for the County should be safety of principal, maintenance of adequate liquidity and finally, return maximization.

Safety of principal is the foremost investment objective. Investment transactions should seek to keep capital losses to a minimum, whether the result of security defaults, or erosion of market value. This is best insured by establishing minimum acceptable credit ratings, limiting the portfolio's overall duration, setting maximum exposures by sector, defining appropriate levels of diversification and authorized transactions and limiting exceptions.

The second objective is the provision of sufficient liquidity. A portion of the County's overall portfolio should be maintained very liquid in order to meet operating, payroll, and ongoing capital requirements. Maintaining a core level of assets with the government pools, such as the Treasury Special Purpose Investment Account (SPIA) or other short-term entities, is viewed as the best way

of maintaining secure asset values with sound investment practices. The remainder of the overall portfolio should be managed in such a manner that funds can be liquidated in a reasonable amount of time, recognizing that there are other sources for day-to-day liquidity and that this portfolio is primarily available for income generation within the constraints of this policy.

**Maximizing yield on the portfolio is of least importance compared to the safety and liquidity objectives above.** Return maximization is guided by the predefined and acceptable levels of risk as defined in this policy.

## V. PORTFOLIO PERFORMANCE

Acceptable portfolio performance is the result of balancing the rewards of investing, or the income earned, with the risks associated with those investments. Factors influencing the portfolio's performance are the types of permitted investments and allowable maturities, liquidity requirements, overall interest rate environment, cash flows, and the investment manager's performance.

**The portfolio earned \$3,418,264 in interest and had realized losses of \$89,789 for a total income of \$3,328,475 during the fiscal year ending September 30, 2019. This total income provided an effective rate of return of 2.24% on an average daily balance of \$148,637,422.** For fiscal year ending September 30, 2018 the portfolio earned \$2,706,330 of interest and had realized losses of \$160,867 for a total income of \$2,545,463. This total income for fiscal year ending September 30, 2018 provided an effective rate of return of 1.56% on an average daily balance of \$162,650,803.

The active managed external portfolio did have realized losses, as referenced above, for the 12-months ending September 30, 2019 of \$89,789. These losses were attributed to selling investments to lock in longer securities as rates dropped starting the end of July 2019. The yield on the external portfolio on September 30, 2019 was 1.89% versus 2.73% on September 30, 2018. This decline is the result of the reduction in rates over 2019 which was significant. The Federal Reserve lowered the overnight rate several times during the end of 2019. Longer rates dropped even more with the two-year Treasury yield dropping from 2.59% on 9/30/2018 to 1.53% on 9/30/2019. From a total return perspective, Insight's active management style has translated into incremental returns over the passive benchmark.

The following is an overall market and portfolio specific commentary provided by the County's investment advisor, Insight Investment.

### **Insight Investment Calendar Year Fourth Quarter 2019 Review & Outlook**

#### **Global central bank easing appears to have worked:**

With global economic data stabilizing over the quarter and the outlook for inflation still benign, it appears that global central banks may have successfully navigated the economic slowdown. The 'dot plot' chart released after the December Federal Open Market Committee (FOMC) meeting indicated that most members expect interest rates to remain unchanged through 2020. The committee noted that "the current stance of monetary policy is appropriate to support sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective".

**The yield curve steepened:**

The US Treasury curve steepened in the fourth quarter of calendar year 2019, with 2-year Treasury yields falling by 5 basis points, 10-year yields rising by 25 basis points and 30-year yields rising by 28 basis points.

**Credit outperformed Treasuries:**

Corporate credit spreads contracted with the Bloomberg Barclays Corporate Index spread declining from 115 basis points to 93 basis points. Spreads at the longer end of the curve outperformed, as the Bloomberg Barclays Long Corporate Index spread contracted by 30 basis points and the Intermediate Corporate Index spread contracted by 18 basis points.

**Risk assets continued to rally:**

US equity markets performed well, with the S&P 500 Index reaching record highs and experiencing over 30% increase in calendar year 2019, buoyed by lower bond yields and monetary stimulus. Equity market volatility remained low.

**Risks include:**

- Protectionism escalates to a point where it has a severe impact on the global growth outlook.
- Inflationary pressures unexpectedly turn upwards, forcing the Federal Reserve to abruptly change position again.
- European growth slows further, leading to more radical policy responses, with implications for global bond and credit markets.

**VI. PERMITTED INVESTMENTS AND ALLOWABLE MATURITIES**

Table 1 summarizes the permitted investments, composition limits, and maximum allowable maturities. The County's available funds are invested according to Leon County's Investment Policy Section XV, which authorizes the County to invest in specific permitted investment types. The permitted investments are restricted by the Policy in their composition limits and maximum allowable maturities. The Policy permits maturities of the operating portfolio establishing a range of 60 days to 10 years. Table 1 gives a brief description of each investment type according to Section XVI of the Policy. It is generally regarded that the following investment types are safe investments and meet the Policy's first objective: safety.

**Table 1 – Permitted Investments**

<b><u>Investment Type</u></b>	<b><u>Composition Limit</u></b>	<b><u>Max Maturity/ WAL Limit</u></b>
<i>Repurchase Agreements</i>	15%, 5% any one issuer	60 Days
<i>Bankers' Acceptances</i>	15%, 5% any one issuer	270 Days
<i>Commercial Paper</i>	20%, 5% any one issuer	270 Days
<i>Financial Deposit Instruments</i>	30%	2-Year, 1-Year Avg
<i>Federal Instrumentalities</i>	45%, 15% any one issuer	5-Year
<i>Corporate Debt</i>	25%, 3% any one issuer	5-Year
<i>Municipal Bonds</i>	35%, 3% any one issuer	5-Year
<i>Mortgage Backed Securities (MBS), including CMOs</i>	35%, 15% any one issuer, 3% per CUSIP	5-Year WAL
<i>Asset Backed Securities</i>	10%, 3% any one issuer	5-Year WAL
<i>Commercial Mortgage Backed Securities (CMBS)</i>	8%, 3% any one issuer	5-Year WAL

<i>US Government Securities</i>	100%	10-Year
<i>US Federal Agencies (full faith and credit)</i>	100%, 20% any one issuer	5-Year
<i>Florida Prime (SBA), FLGIT</i>	20% each pool	NA
<i>FL Municipal Investment Trust (FMIvT)</i>	15%	NA
<i>SPIA, Money Markets</i>	100%	NA

The internal portfolio was invested in the following government pools during fiscal year ending September 30, 2019:

A. Florida Local Government Surplus Funds Trust Fund, also known as Florida PRIME

Florida PRIME is administered by the Florida State Board of Administration (SBA) for the purpose of pooling investment funds of local governments in an investment portfolio of money market instruments that provide liquidity while preserving capital. On February 13, 2008, the Trustees of the SBA hired Federated Investors to manage Florida PRIME, effective on March 1, 2008. As of October 1, 1997, the SBA had converted Florida PRIME to a “2a-7 like” investment pool (SEC Rule 2a-7 of the Investment Company Act of 1940). On September 30, 2019, Florida PRIME was invested in fixed rate and floating rate bank instruments, repurchase agreements, fixed rate and floating rate corporate commercial paper, floating rate corporate notes, money market mutual funds, and fixed rate and floating rate asset backed commercial paper. The rating for Florida Prime as of September 30, 2019 was AAAM by Standard and Poor’s. A maximum of 20% of the portfolio may be invested with Florida PRIME.

B. The Florida Local Government Investment Trust Government Fund (FLGIT)

The Florida Local Government Investment Trust (FLGIT) is a local government investment pool developed through the joint efforts of the Florida Court Clerks and Comptrollers (FCCC) and the Florida Association of Counties (FAC) for providing opportunities for the investment of excess public funds. FLGIT offers two investment funds to its participants, the Short Term Bond Fund and the Day to Day Fund. The Short Term Bond Fund is a longer term higher yielding fund. At September 30, 2019 the County did not have any balances in the Short Term Bond Fund. The Day to Day Fund is a highly liquid fund with underlying investments having a weighted average maturity of less than 90 days. The FLGIT Day to Day Fund does meet the criteria and has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. On September 30, 2019 the majority of the Day to Day Fund was invested in US Treasuries, Agencies and Repurchase Agreements with the remainder in short term Corporate Bonds, Commercial Paper and Certificates of Deposit. The Day to Day Fund maintained a credit rating of AAAM by Fitch as of September 30, 2019. A maximum of 20% of the portfolio may be invested with FLGIT.

C. Special Purpose Investment Trust (SPIA)

Effective July 1, 2004, Section 17.61(1), Florida Statutes was amended to permit organizations created by the Florida Constitution to participate in the existing State Treasury Investment Pool “Special Purpose Investment Account (SPIA).” Historically, SPIA participants have received higher earnings reflecting the higher risk associated with the longer maturities and lower credit quality. The rating for the Treasury Investment Pool as of September 30, 2019 was AA-f by Standard and Poor’s with a duration of 2.82 years. The County Investment Policy allows up to 100% of the County portfolio to be invested in SPIA.

In March 2015, the Florida Treasury implemented procedures to provide better cash forecasting and an increase in funds available for longer term investments which should increase the interest

earnings of the pool as a whole. These enhancements included (1) closing the pool to new noncomponent unit entities, (2) requiring new withdrawal notices and minimum balance requirements and (3) setting a cap on investment amounts. Instead of 100% liquidity with 3 days' notice, the Florida Treasury now requires 5 days' notice for liquidations between \$20 and \$75 million and 20 days' notice for liquidations over \$75 million. In addition, 6 months' notice is required for liquidations planned below a floor calculated as 60% of the previous 3 months average balance. The changes by the Florida Treasury reduce the possibility of large unplanned liquidations from the pool. The IOC evaluated these changes and determined that the associated risks would be monitored and dollars reallocated between asset classes (including SPIA) based on periodic analysis of the market risk.

The financial details and disclosures for the Treasury Investment Pool are made in Note 4 to the State of Florida Comprehensive Annual Financial Report (CAFR).

At September 30, 2019 the majority of the Florida Treasury Investment Pool holdings were in US Treasuries, US Government Agencies/Bonds, Corporate Bonds, and Agency Mortgage Backed Securities. The Pool's fair value factor was 1.0176 for September 2019. A factor of more than 1.0000 indicates that the market value of the Pool's investments is more than the funds invested in the Pool. For more information relating to the Treasury Investment Pool, please visit the website at <http://www.myfloridacfo.com/Division/Treasury/>.

## VII. LIQUIDITY REQUIREMENTS

The second objective in managing the County's investments is the provision of sufficient liquidity. On a regular basis, the County's receipts and disbursements are analyzed to determine trends in cash inflow and outflow. Cash inflows are invested immediately upon receipt and become part of the portfolio. The portfolio provides cash for weekly payment of operating and capital expenditures, biweekly payment of payroll expenditures and semiannual debt service payments.

## VIII. INVESTMENT OPERATIONS

Investing activities are conducted by the investment advisor and qualified professionals in the Clerk's Office in accordance with Florida Statutes, County Ordinances, and written policies and procedures. Periodic reports of investment activity and positions are prepared and distributed to management of the Clerk's Office, management of the BCC and the Investment Oversight Committee. Regular meetings of the IOC are held to monitor the portfolio, evaluate investment performance and discuss investment strategies.

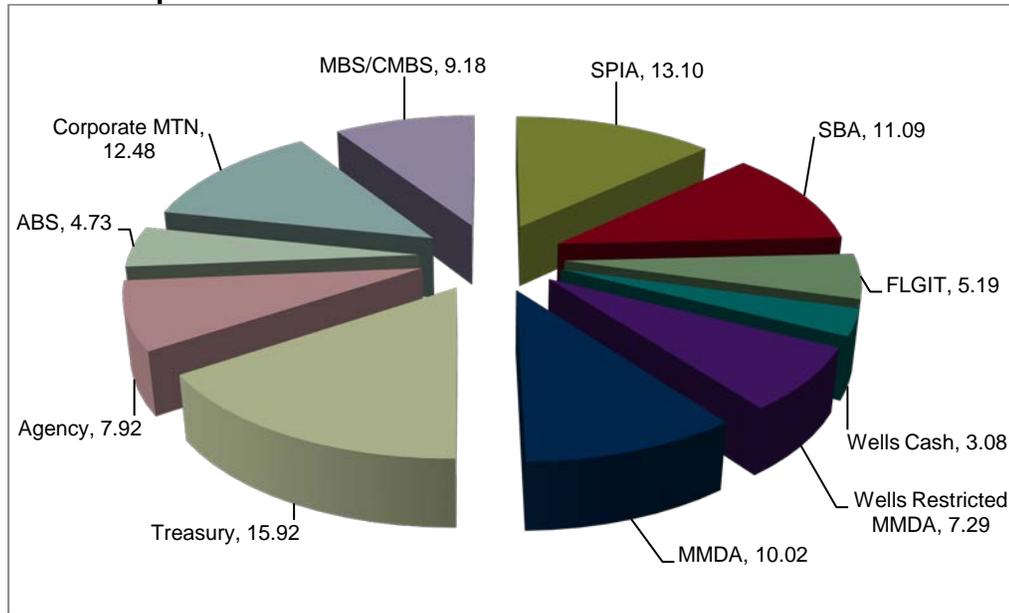
The investment advisor and Clerk staff use sophisticated techniques in carrying out investment activities including electronic bank and trust account systems, electronic funds transfer, on-line real-time monitoring of U.S. securities markets and electronic trading. Bank account balances, cash requirements, investment positions and trust account activity are monitored daily. Current conditions and evaluations of national economic activity are considered in making asset allocation decisions.

### A. Portfolio Balances

The portfolio's ending balance for fiscal year 2019 was \$116,235,827 while the ending balance for 2018 was \$131,194,181, a decrease of \$14,958,354. This decrease in the balances reflects the expenditure of funds in storm recovery efforts, primarily through debris removal and monitoring related to Hurricane Michael. \$7.6 million of these expenditures were reimbursed in late April 2019 and \$12.6 million combined in February and March 2020 with \$1.8 million still to be received.

## B. Portfolio Composition

The Clerk or the Clerk's designee (Finance Director) shall have the option to further restrict or increase investment percentages from time to time based on market conditions. Any changes to the portfolio composition guidelines or limits must be in writing from the Finance Director directed to the appropriate parties and discussed at each quarterly Investment Oversight Committee meeting. The portfolio was managed in compliance with diversification requirements for investment types as shown in the following **Table 2 Portfolio Composition.**



## C. Portfolio Maturities

Portfolio management was also accomplished in compliance with the Policy that requires ensuring sufficient liquidity as well as diversity in maturities. Shown in Table 3 are the average terms of each investment type held as of fiscal year end 2019 and 2018. Average term is the weighted average number of days remaining to maturity of the investment. Average terms greater than one year represent investments of non-current funds, including the non-current operating portfolio, and investments of bond proceeds and debt service reserve funds. The externally managed portfolio was invested for a weighted average term of approximately 734 days in fiscal year 2019, as compared with a weighted average term of 584 days in fiscal year 2018.

**Table 3- External Manager Average Term by Investment Type (Days)**

	FY 2019	FY 2018
<b>US Treasury Notes</b>	756	631
<b>US Agency Notes</b>	704	420
<b>Commercial Mortgage Backed Securities</b>	1,066	471
<b>Asset Backed Securities</b>	584	504
<b>Mortgage Backed Securities</b>	847	913
<b>Municipal Notes</b>	-	-
<b>Corporate Notes</b>	701	635

D. Earnings and Yields

The portfolio earned \$3,418,264 in interest and had realized losses of \$89,789 for a total income of \$3,328,475 during the fiscal year ending September 30, 2019. This total income provided an effective rate of return of 2.24% on an average daily balance of \$148,637,422. For comparison, the portfolio earned \$2,706,330 of interest and had realized losses of \$160,867 for a total income of \$2,545,463 during the fiscal year ending September 30, 2018. This total income provided an effective rate of return of 1.56% on an average daily balance of \$162,650,803. The range of duration of the County's overall portfolio is defined as 0.5 years to 2.5 years. Unusual market or economic conditions may mandate moving the portfolio outside of this range. The Investment Oversight Committee will be convened and will approve any portfolio duration outside of the range specified above. The duration of the portfolio was an annual average of 2.2 years.

**Table 4- Quarter Wt. Average Yields**

	09.30.18	12.31.18	03.31.19	06.30.19	09.30.19
<b>Insight Investment</b>	2.73%	2.79%	2.53%	2.05%	1.89%
<b>FL Local Govt Investment Trust</b>	2.32%	2.59%	2.39%	2.12%	2.20%
<b>FL State Treasury SPIA</b>	1.92%	2.09%	2.53%	3.38%	3.26%
<b>Florida Prime (SBA)</b>	2.34%	2.55%	2.63%	2.55%	2.27%
<b>Wells Fargo Restricted MM</b>	---	2.25%	2.40%	2.40%	2.05%
<b>Wells Fargo Cash</b>	2.03%	2.35%	2.50%	2.50%	2.15%
<b>Wells Fargo Sweep</b>	1.85%	2.18%	2.27%	2.21%	1.96%
<b>Quarter Wt. Average Yields</b>	2.29%	2.36%	2.51%	2.48%	2.15%

The dollar amount of interest earnings is used in historical and budgetary comparisons and in cash flow analysis. Actual interest earnings totaled \$3,418,264 in fiscal year 2019 and \$2,706,330 in fiscal year 2018. Actual interest earnings were \$950,530 more than the budget in fiscal year 2019 and \$639,010 more than the budget in fiscal year 2018.

**Table 5- Budget and Actual Income**

	FY 2019	FY 2018
<i>Actual</i>	3,418,264	2,706,330
<i>Budget</i>	2,467,734	2,067,320
<i>Variance</i>	\$950,530	\$639,010

IX. CONCLUSION

In conclusion, the results outlined in the Annual Investment Report are as follows:

- Investment income increased 31% year over year despite a \$14.0 million decrease in average investment balances. This increase in income was primarily due to a changing interest rate environment as the Federal Reserve increased rates starting in March 2018 and then began to reduce rates at the end of July 2019. This rate environment along with the active portfolio management positioned the portfolio to take advantage of the timing of these rate changes. The \$14.0 million reduction in average daily balances of investable cash reflects the expenditure of funds in storm recovery efforts, primarily through debris removal and monitoring related to Hurricane Michael, as well as, expenditures for capital construction projects. \$7.6 million of the expenditures for disaster recovery were reimbursed in April 2019 and \$12.6 million combined in February and March 2020 with \$1.8 million due to be received.

- The Investment Portfolio activity was in compliance with the Investment Policy.
- The external manager continues to tactically manage the duration as changes in the market occur.

### **Investment Oversight Committee**

The IOC met regularly to oversee the performance of the external manager. The investment policy requires staff to notify the IOC any time that any holdings drop below the minimum credit ratings required under the policy. The IOC will then consider the current market environment and make recommendations to either hold and monitor the investments or to liquidate the investments. On October 3, 2018, the external manager notified the IOC regarding a downgrade by Standard and Poor's of one security within the externally managed portfolio. The security was issued by General Electric Company and was downgraded to BBB+. The IOC has continued to closely review this downgrade and given the external manager's recommendation to maintain this security has agreed to continue hold this security, subject to ongoing monitoring, within the portfolio. This security matures in September 2020.

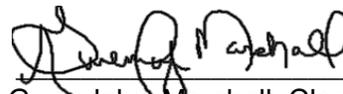
On March 4, 2020 the IOC met to review and approve this annual report summarizing the performance of the internal portfolio and the external manager.

Presented by:



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David Reid, Chairman  
Investment Oversight Committee



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Gwendolyn Marshall, Clerk of the Court  
and Comptroller, Leon County, Florida