

# Leon County Clerk of Courts and Comptroller

## Investment Overview

Investing public funds is usually a core responsibility of local government finance professionals and can be one of the most complicated responsibilities. The main objectives of effective cash management and investing public funds is to ensure the safety of principal, provide for sufficient liquidity to pay obligations when due and earn a reasonable rate of return on invested funds, in this specific order. Typically, the rate of return earned will be inversely related to the other two objectives; however, the first two objectives must remain primary to the third.

While it may appear preferable to err towards greater safety and liquidity, it is more preferable to strike an appropriate balance between the three objectives in order to earn an appropriate rate of return while protecting principal and ensuring adequate liquidity, the benefits of which will inure to the government's citizens. For example, funds kept in a qualified public depository account are safe and liquid, but if the liquidity maintained is more than is needed, a greater rate of return could be earned by re-investing some of the funds without sacrificing safety of principal or reducing liquidity below the required level. To efficiently manage this balance, the Treasury manager internally manages investments in government pools, while the external manager invests the remainder of county assets in longer term investments authorized by the County Investment Policy.

## Overview of Functions

Treasury management provides supervision, technical and professional expertise in the administration of the Leon County Board of County Commissioners and Leon County Clerk of Courts and Comptroller cash management, investment oversight, debt administration, and cash collection functions.

The investment strategy is designed to enable the County, acting through the Clerk of Court and a designated Investment Advisor, to invest surplus funds in order to achieve market rates of return commensurate with acceptable risk levels established by the Board and enumerated in the Policy.

The Board is responsible for setting guidelines for the investment of the portfolio through the adoption of the Investment Policy. The Board created the Investment Oversight Committee which is charged with the responsibility to review the Policy on a regular basis and to recommend changes.

The Board may utilize external investment managers to assist with management of the portfolio. External management may be employed in situations where, due to limitations in the areas of staff time or expertise or the volume of securities available to the portfolio, such outside resources would be in a better position to overcome such limitations.

## Investment Oversight Committee

The Board of County Commissioners in their Investment Policy provides for an Investment Oversight Committee 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 (or designee); the County Administrator Designee, Director of the Office Financial Stewardship Scott Ross, and three qualified individuals with financial or investment expertise who are independent of employment and business relationships with Leon County. These members include Michael Kramer, COO of Desloge Home Oxygen, David Reid, CPA and J. Ben Watkins III, State of Florida Director of the Division of Bond Finance.

Pursuant to this Policy, the Investment Oversight Committee (IOC) working with Clerk staff annually review the Policy and recommend changes to the Board.

## External Portfolio Investment Managers

June 1993 external investment advisor contract was awarded to Public Financial Management from July 1993 until July 1994 and extended to 1996.

RFP in November 1996 awarded contract to Voyageur from February 1997 to January 1998, another RFP in 2001 resulted in award to Voyageur from February 2002 through January 2005 and subsequent extensions through 2010.

RFP awarded contract to Cutwater for June 2010 through May 2013; extended to May 2015 and final extension through May 2017. In January 2017 the Treasury Manager will begin the RFP process.

In January 2015, The Bank of New York Mellon Corporation (“BNY Mellon”) acquired Cutwater Asset Management (“Cutwater”). Cutwater under the brand Insight is now a wholly-owned subsidiary of BNY Mellon. BNY Mellon is a global investment company with \$1.6 trillion in assets under management. It utilizes an autonomous, multi-boutique business model for its investment offerings. Cutwater will be operated by one of BNY Mellon’s premier investment boutiques, the Insight Investment Group (“Insight”) which has \$516 billion in assets under management.

## Clerk Treasury Management for the County

Responsibility for the investment program is vested with the Clerk of the Circuit Court. Within the constraints of the Board Policy, the Clerk will be responsible for developing an investment strategy. The Clerk will solicit suggestions and comments from the Committee with respect to making strategic investment decisions. The Clerk has delegated the day-to-day responsibility for the administration of the investment program to the Finance Director.

The Treasury Manager, under direct supervision by the Finance Director, oversees the investment program to ensure that all of the public funds in possession of the County are invested 100% of the time in either interest-earning accounts or interest bearing securities and to produce investment income and price return (total return) at a level determined to be reasonable based on market dynamics or appropriate benchmarks. The primary objectives of this in order of importance are: to ensure safety of principal, maintenance of adequate liquidity and finally, return maximization.

The Treasury Manager is responsible for investing funds excess of those required to meet current expenses in Florida government investment pools, money market mutual funds, and financial deposit instruments (Section 218.415 Florida Statutes.). The Treasury manager will communicate with the external manager as to how they are repositioning the 1-3 year portfolio and coordinating directions to implement investment strategies.

One of the government investment pools utilized by the County is the State of Florida Special Purpose Investment Account (SPIA) for public entities authorized by Section 17.61(1), Florida Statutes. SPIA funds are combined with State funds and are invested as part of the Treasury Investment Pool. The Treasury Investment Pool invests in a combination of short-term liquid instruments and intermediate term fixed income securities. With certain restrictions, participants have the ability to invest and obtain funds with a few days’ notice. The effective rate net of fees for SPIA participants averaged 1.4172% for fiscal year ending June 2016 and 1.7913% for July through October 2016.

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 include (1) closing the pool to any new noncomponent unit entities, (2) requiring new withdrawal notices and minimum balance requirements and (3) setting a cap on investment amounts. Leon County Board along with 17 other noncomponent units within Florida who were members as of December 31, 2014 is permitted to continue participating in the investment program.

These changes by the Florida Treasury will 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 Treasury Manager will provide the Committee with quarterly and annual reports in sufficient detail as may be requested by the Committee in order for them to review the performance of the consolidated portfolio. The Committee will establish portfolio benchmarks in order to judge the performance of the portfolio with respect to the market and other portfolios of similar size and limitations.

The Treasury Manager submits details of the internal portfolio balances, return, yield and duration to the external manager to combine internally managed assets with the externally managed portfolio and publishes a Consolidated Portfolio report at the end of each quarter. The contract with the external manager requires combined reporting of all investments, not just those assets managed by the external manager, in order to report the overall portfolio return, yield, and duration.

The Treasury Manager monitors the interest rates paid on authorized investments for the internal portfolio regularly to determine when and what amount of the liquid investments should be reallocated in order to provide the best return on the funds invested. The Treasury Manager prepares an allocation schedule which shows the Finance Director the current balances of each investment; the maximum authorized amount, and a proposed reallocation for approval.

Upon the Finance Director's approval of the investments, the Treasury Manager prepares wire transfers using established banking templates to the receiving entity through the County Bank. After the wires are set up, the Treasury Manager prepares a journal voucher to record the investments in the general ledger and provides the voucher, signed allocation schedule, 3rd party wiring instructions, and a copy of the pending wire transfer to the Assistant Finance Director or Finance Director for secondary online approval of wire release. All staff initiating or approving bank transactions must use security devices to provide secondary authentication when accessing certain *CEO* portal services.

## **Investment Functions**

- Working with the County's investment advisor and Investment Oversight Committee to optimize earnings on investment pursuant to the County's Investment Policy while safeguarding County assets.
- Liquidity planning and Control of the County's internal investment portfolio.
- Maximizes earnings while ensuring adequate liquidity with an acceptable degree of risk.
- Provide for the safekeeping of invested assets through management of risk---GASB 40.
- Periodically reconciles the safekeeping holdings with the external investment manager reports.
- Conducts weekly investment activity using the investment policy of the County.
- Keeps apprised of all financial news that impacts investments, rates and financial institutions.
- Maintains policy guidelines as to proper financial institutions and investment agreements.
- Prepares draft policy changes based on changing markets or statutes for the Investment Oversight Committee and External manager to review.
- Reviews and approves invoices for safekeeping services
- Computes and records all investment income to the general ledger
- Distributes all investment income on a quarterly basis to County funds based on fund cash balances.

## **Coordinates County debt activities.**

- Initiates all debt service payments on bond issuances and loans to paying agents or lenders.

- Coordinates all monetary transactions of new debt issuances.
- Analyzes and reviews all bond documentation to insure compliance prior to the sale of any new bonds.
- Maintains current amortization schedules, wire instructions and paying agent information.
- Reviews and approves all paying agent fees.
- Handles inquiries from the public and financial community regarding debt related activities.
- Provides financial information on all new fundings. Attends financing meetings and bond pricings, and performs financial transactions for bond closings.
- Ensures that requisite financial disclosures are provided to DAC Bond for online reporting.

### **Manages Financial Services**

- Controls and directs the financial services and related contracts of the Board of County Commissioners and the Clerk.
- Responsible for assisting county divisions in the establishment and maintenance of cash control procedures and responding to audit inquiries.
- Provides equipment and training for cashiering functions such as counterfeit currency detection.
- Approve or close cashiering locations; order deposit slips with MICR that populates the new location in the daily cash vault reports.
- Controls all monies and fees relating to financial operations.
- Cash flow monitoring, managing bank accounts, electronic banking
- Maintains adequate account balances on a daily basis or manages sweep accounts during higher rate periods.
- Manages the EFT agreements to set up electronic deposits from customers
- Initiates all wire and ACH transfers for investments, real estate, and debt payments.
- Monitors County's safekeeping bank as to investment operations Maintains banking contracts and insures that all bank information is provided in a timely manner.
- Oversees and authorizes all safekeeping, merchant services, courier, and banking fees.
- Administers armored courier services contracts. Coordinates new pickup locations and times to optimize same day banking.

### **Preparation of various investment and debt reports**

- Works with the County's investment advisor to insure that all activities relating to investments and cash are appropriately disclosed. This includes but is not limited to a monthly investment report identifying the externally managed investment portfolio by maturity date, dealer and investment type.
- Prepares a monthly reconciliation of all investment activities including earnings to assist with the bank reconciliation.
- Implements and maintains a cash flow analysis in order to project cash needs and obtain optimum return through the investment of excess cash.
- Annually prepares Annual Public Depositor Reports.
- Periodically reviews unclaimed property online records to claim assets for the Clerk and Board.
- Assists external auditors by providing schedules and answering questions during the County's year-end audit.
- Assists in the preparation and notes to the general-purpose financial statements and State report relating to debt service and investment activities.

## Procurement and Contract Management

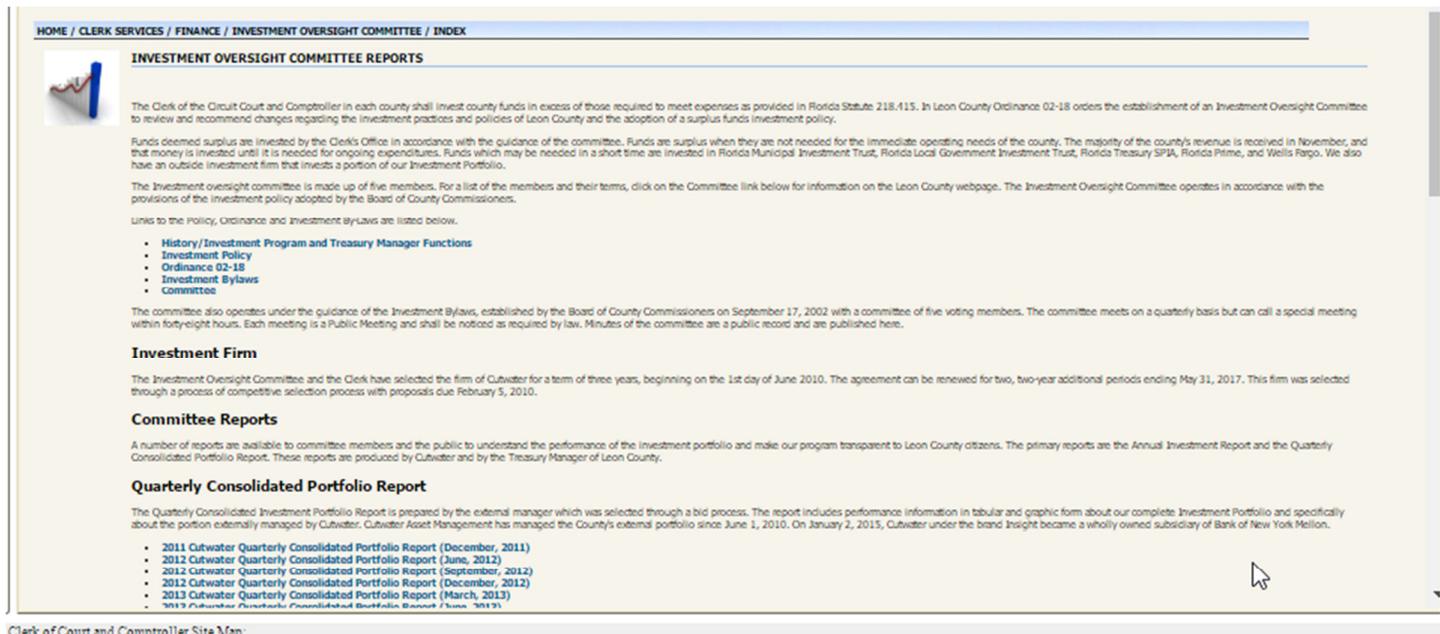
- Prepares requests for proposals and solicitation of bids for the County and Clerk's financial services contracts such as banking, armored courier, investment manager, custodial safekeeping services, merchant services, and bond activities.
- Serves as County and Clerk relationship contact, monitors contract compliance, requests new services, and approves invoices for above services.

## Other related functions:

- Assists financial institutions and rating agencies with inquiries relating to the County's debt.
- Provides information needed for arbitrage rebate calculations on bond issues and short-term borrowings.
- Assists in the implementation of new and existing financial products and services as they become available.
- Use data tracked by monthly summary cash vault reports to prepare reports of cash volume for insurance and planning
- Assist in special projects, developing spread sheets, and performing financial analyses.

## Clerk webpage:

- Investment Reports and Guidelines and Investment Oversight meeting minutes.
- Chief Financial Officer/County Investment Information <https://cvweb.clerk.leon.fl.us/public/login.asp>



The screenshot shows a webpage with a blue header containing navigation links: HOME / CLERK SERVICES / FINANCE / INVESTMENT OVERSIGHT COMMITTEE / INDEX. The main heading is 'INVESTMENT OVERSIGHT COMMITTEE REPORTS'. Below this, there is a small bar chart icon and several paragraphs of text explaining the committee's role and investment policies. A bulleted list includes: History/Investment Program and Treasury Manager Functions, Investment Policy, Ordinance 02-18, Investment Bylaws, and Committee. Further down, there are sections for 'Investment Firm' and 'Committee Reports', each with descriptive text. At the bottom, a 'Quarterly Consolidated Portfolio Report' section lists several reports from 2011 to 2013. A mouse cursor is visible on the right side of the page.

## Investment Guidelines

In April 1993, the County adopted a Surplus Funds Investment Plan under County ordinance No. 93-3 which established the investment policy, provided for an investment oversight committee, and procedures for investing surplus County funds. Based on Florida Statutes 219.075 Investment of Surplus Funds by County Offices, 125.31 Investment of Surplus Funds Regulations.

In 1993, the County adopted By Laws of the Investment Oversight Committee, amended in 2002.

In 1995 the Legislature added to Chapter 218, Part IV: Investment of Local Government Surplus Funds (Section 218.40-218.415 F.S.) included establishment of the Local Government Surplus Funds Trust fund (SBA) and Local Government Investment Policies.

On September 17, 2002 Adopted Ordinance 02-18 Investment of Surplus Funds. Updated to cite Florida Statutes 28.33 and 218.415 and established Policy 02-12.

Section 218.415, Florida Statutes provides units of local government with the ability to conduct investment activity outside the framework of that Statute that is consistent with a written plan adopted by the local governing body. Leon County chose to establish a written plan and in September 2002 adopted Investment Policy (Policy) No. 02-12.

January 2005 Policy 02-12 was revised to add SPIA as an authorized investment pool and changes to adapt to market volatility and updates in procedures were adopted in 2008, 2010, 2011 and 2014.

## State Statutes

The following state statutes are of primary interest in managing public funds:

- 17.61 - Chief Financial Officer; powers and duties in the investment of certain funds in SPIA
- Chapter 218, Part IV - Investment of Local Government Surplus Funds
- Chapter 219 - County Public Money, Handling by State and County
- 218.415 - Continuing Educational Requirements for Investment Officers
- Chapter 280 - Security for Public - Qualified Public Depositories

## Resources

Important resources and webpages used by staff for cash management and investing are listed below:

- Florida Legislature - Update procedures based on law changes shown in List of sections affected <http://www.flsenate.gov/Laws/Statutes>
- Florida State Board of Administration - [www.sbafla.com/prime/](http://www.sbafla.com/prime/)
- GFOA - [www.gfoa.org](http://www.gfoa.org)
  - *Investing Public Funds*, Girard Miller
  - *Local Government Finance, -Concepts and Practices*, Peterson and Strachota
- Florida State Treasury - [www.myfloridacfo.com/Division/Treasury/](http://www.myfloridacfo.com/Division/Treasury/)
  - Special Purpose Investment Account  
[www.myfloridacfo.com/Division/Treasury/InvestmentPool/spia.htm](http://www.myfloridacfo.com/Division/Treasury/InvestmentPool/spia.htm)
  - Qualified Public Depository listing [https://apps.fldfs.com/CAP\\_Web/PublicDeposits/QPD](https://apps.fldfs.com/CAP_Web/PublicDeposits/QPD)
- Florida League of Cities
  - <https://fmivt.flcities.com/iPAS/login.ipas>
- Florida Court Clerks and Comptrollers
  - <http://www.flclerks.com/>
  - <https://www.advisorcentral.com/ACWebApp/dflt/Login.bd>
- External Manager: Insight
  - <http://www.insightinvestment.com/>

- FGFOA - [www.fgfoa.org](http://www.fgfoa.org)
- Federal Reserve Bank of New York - [www.newyorkfed.org](http://www.newyorkfed.org)
- Bureau of Public Debt, Department of Treasury - [www.publicdebt.treas.gov/bpd/bpdhome.html](http://www.publicdebt.treas.gov/bpd/bpdhome.html)
- Wells Fargo Banking Online Web portal
  - <https://wellsoffice.wellsfargo.com/ceoportal/signon>
- Article explaining performance measurement for government investment managers: “Beyond Total Return” By Finkelstein, Benjamin; Landerman, Felicia  
<https://www.questia.com/magazine/1P3-920554561/beyond-total-return>