



Recommended Action:	Information Item
Issue:	Investment Strategy for 07- 08
Program:	JWB Administration
Budget Impact:	Interest Revenue Revisions
Strategic Plan Goal:	None

Background: The SBA situation continues to evolve. As of 1/24/08, the SBA increased the maximum withdrawal amount from the local government investment pool to \$4M or 37%. Since JWB has already withdrawn \$2M, an additional \$2M could be withdrawn without penalty. JWB currently has a balance of \$8M in the "A" fund and \$1.8M in the "B" fund. It should be noted that the "B" Fund amount was increased by \$350K when the Tax Collector made an ad valorem distribution to our SBA account, rather than a direct electronic funds transfer to our Regions account.

... January staff presented an overview of the SBA withdrawal restrictions, and the implications for future investments to the Florida CSC executive directors group. A conference call among the chief financial officers of the CSCs will be convened to discuss other investment options, such as the Local Government Investment Trust for the Fl. Association of Counties.

Separately, staff has conferred with Mr. Saylor regarding possible options, including using other brokerage options, investing further in SBA or returning to managed investments through Regions Bank.

Historically, the SBA offered the advantage of pooling invested funds, and participating governments benefited from economies of scale, full-time portfolio management, low fees, diversification, a relatively high interest rate and liquidity. However, the SBA failed to maintain two foundational tenets of governmental investing, liquidity and low risk. Now, the potential risk of investing in the SBA includes restricted withdrawals. If the SBA had frozen withdrawals in January, a time when the majority of JWB cash was held in the pool, agency reimbursements would not have been possible for more than one or two months without paying a significant penalty. Also, investors should remember that Local Government Investment Pools are not registered with the Securities and Exchange Commission (SEC), which means they are exempt from SEC regulatory requirements because they fall under a governmental exclusion clause. While this exemption allows pools greater flexibility, it also reduces investor protection.

Staff has spoken with Regions Bank to develop a market basket of investment options that would diversify JWB's investments within the confines of Board policy. Given the very limited risk spectrum and the limited variation of our investment options, the options are also limited. Staff will review these proposed investment options with Mr. Saylor and bring a recommendation to the Finance Committee.

In light of the probable reductions in interest rates for safer investments, staff has projected a significant reduction in interest income based on the 75 basis point reduction of the federal funds rate, followed by another reduction of 50 basis points. In this environment, assuming the rate remains in the 3.5 to 3 range, and our current investments remain at approximately 1/3rd each in the SBA, the Investment Trust account and the controlled disbursement account, interest income could be reduced by \$625K.

