



Finance Committee Meeting

June 4, 2013

New Investment Options

Item II.

Discussion: New investment options with Regions Bank and Florida Local Government Investment Trust (FLGIT) and an Investment Policy update.

Issue: Review and Update to Investments

Background: JWB invests in secure and liquid investments which include a money-market investment account with BB&T and Regions, and with the public fund investment pools of Florida Local Government Investment Trust (FLGIT) and Florida Prime, formerly the State Board of Administration.

During FY 11/12, yield rates averaged 18 basis points. The market investment accounts with both BB&T and Regions averaged 15 basis points. The governmental investment pools averaged slightly higher with Florida Prime at an average of 30 basis points and FLGIT averaging 18 basis points.

The most recent investment report is displayed below:

**JUVENILE WELFARE BOARD
INVESTMENT REPORT
For Period Ending April 30, 2013**

BANK	ACCOUNT	AVERAGE RATE	ENDING BALANCE	YIELD
BB & T	Concentration Account ▲	(1)	\$ 1,865,132.55	\$ -
	Market Investment Account	0.15%	8,657,694.82	1,067.32
REGIONS	Investment Sweep Trust Account	0.15%	13,010,541.31	1,657.30
Florida Local Government Investment Trust	Day to Day Fund Account	0.11%	13,009,617.80	1,172.21
FLORIDA PRIME	Investment Pool - FUND A	0.22%	470,930.60	82.55
	Investment Pool - FUND B ▲	(2)	161,952.37	-
			\$37,175,869.45	\$ 3,979.38

In order to seek better investment returns, staff has explored two options for consideration. The proposed investment amount would be up to \$3M in each option which currently represents approximately 16% of the total investments. Either option would have yielded a significantly higher return in the proximity of \$48k per year based on data from the past three years.

REGIONS BANK

Staff was approached by Regions Institutional Investment Management to discuss their Enhanced Cash Management Strategy to attain better yield on investments. The primary objective of the Strategy is to preserve principal with the secondary objective being to generate stable, predictable cash flows and a total return that exceed standard money market funds.

The Enhanced Cash Strategy was developed in 1997. It incorporates a long-term investment view yet maintains a high degree of liquidity. The effective maturity at the time of purchase for any issue will not exceed three years and must be rated "A" or better at the time of purchase. The minimum investment is \$500,000. The investment yield would be approximately 40 basis points. The fee schedule would be 25 basis points on the first \$10 million. However, Regions provides a -5 basis point non-profit discount which would bring the fee to 20 basis points.

The investment includes government bonds. JWB would own the bonds in the strategy. This makes the investment very liquid as compared to mutual funds where a piece of the total investment is owned and it is not as liquid. Also, in comparison to Certificate of Deposits, there is no need for collateralization or maintaining safekeeping fees.

FLGIT

The Florida Local Government Investment Trust (FL Trust) is a local government investment pool (LGIP) developed through the joint efforts of the Florida Association of Court Clerks and Comptrollers (FACC) and the Florida Association of Counties (FAC). JWB's current investment is in the Day to Day Fund which offers a fiscally conservative diversification option for Florida local governments and features same day transactions and online accounts management. Its current yield is 12 basis points.

An option is to also invest in the Investment Trust Fund. This is a short-term bond fund, AAA-rated, which seeks to maximize return while preserving capital, maintaining liquidity and assuming minimal risk. It focuses on short-term securities with the highest credit ratings. The Minimum Investment in either fund is \$10,000. It has next day liquidity; although because it is not a money market, it is preferred to provide notification 2 days before the withdrawal in order for securities to be sold in an orderly fashion. They can accommodate quicker trades depending on the size of the trade. It is an NAV fund – which means that you purchase a certain number of shares, and as the NAV goes up the value of those shares goes up. If the NAV goes down you would lose value, but over the long range this strategy has given a good return. In order to earn a good return, investments should be at least 6 months and preferably in the 1 to 3 year range. The Investment Trust Fund currently has a 30-day yield of .43 basis points

Even though the Regions investment option contains maturities up to three years and FLGIT up to five years, the JWB investment maturity would be limited to up to three years. Staff recommends an update to policy language as indicated below:

H. Investment Policy

9. Maturity & Liquidity Requirements

Investments of the JWB will allow for the day-to-day liquidity needs. Therefore, investments will be made in accordance with anticipated cash need and cash flow requirements. JWB shall limit its maximum maturity to ~~two~~ **three** years **unless specific authority is given to exceed that limitation.**