

Presentation to the Pinellas County Board of County Commissioners

Investment Portfolio and Policy Enhancements
By

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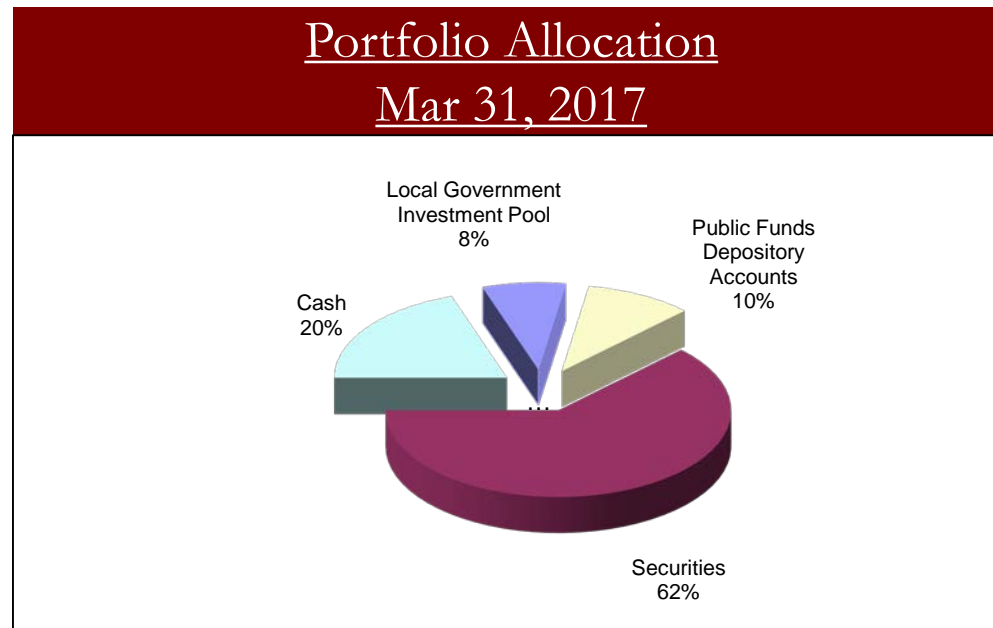
Tuesday, June 6, 2017



Portfolio Allocation and Performance

Section 218.415, Florida Statutes, and 2-144 Pinellas County Code (the “Acts”), authorize the Board of County Commissioners (“Board”) to adopt a written investment plan to guide investment activity of the County.

On January 5, 2010, the Board adopted Resolution No. 10-2 approving the current Pinellas County Board of County Commissioners Investment policy.



Total portfolio book value = \$1,112,952,563

Overview of the Investment Process

- Investment objectives and strategy
- Broker management
- Investment portfolio management
- Investment reporting

Investment Objectives and Strategy

Objectives:

- Safety
- Liquidity
- Income/Yield

Strategy:

- Laddered structure
- Diversification
- Weighted Average Maturity (WAM)

Broker Management

Approved Broker List:

1. Great Pacific Securities
2. Mesirow
3. PNC Capital Markets
4. Raymond James
5. Jefferies LLC ¹
6. UBS Securities, LLC ¹
7. Oppenheimer
8. Fifth Third Securities
9. Cantor Fitzgerald ¹
10. Vining Sparks
11. Multi-Bank Securities

¹ Primary Dealer – A primary dealer is a firm which buys government securities directly from a government, with the intention of reselling them to others, thus acting as a market maker of government securities. The government may regulate the behavior and number of its primary dealers and impose conditions of entry.

Broker Approval / Review

All brokers who desire to become qualified bidders must supply the Clerk with the following:

- Audited financial statements
- Proof of Financial Industry Regulatory Authority (FINRA) registration
- Proof of state registration
- Completed broker /dealer questionnaire
- Certification of having read and understood the Board's investment policy

An annual review of the financial condition and registrations of qualified bidders is conducted by the Clerk

Investment Portfolio Management

- Determining when existing securities will mature (as scheduled or early)
- Planning for significant inflows (taxes, state shared revenues, etc.) and outflows (debt payments, payroll, capital)
- Monitoring to ensure the portfolio is in compliance with limitations on authorized investments (portfolio maximum, issuers limitation and maximum maturities)
- Evaluating current market conditions
- Investment Committee

Federal Open Market Committee (FOMC)

- Federal Funds Rate – The FOMC met in December 2016 and voted to raise the target range for the federal funds rate to $\frac{1}{2}$ to $\frac{3}{4}$ percent (a $\frac{1}{4}$ percent increase)
- The FOMC met January 31 – February 1, 2017 and decided to maintain the target range for the federal funds rate at $\frac{1}{2}$ to $\frac{3}{4}$ percent
- The FOMC met in March 2017 and decided to raise the target range for the federal funds rate to $\frac{3}{4}$ to 1 percent (a $\frac{1}{4}$ percent increase)

Investment Reporting

- An investment portfolio summary is published and distributed to the investment committee monthly
- For the first three quarters of the County's fiscal year, a Quarterly Investment Report is published
- An Annual Investment Report is published at the end of each fiscal year
- Reports are available to the public on the internet at <https://www.pinellasclerk.org/aspInclude2/ASPInclude.asp?pageName=investmentreports.htm>

Overview of the Key Enhancements to the Current Investment Policy

1. Added the prudent expert standard definition (*section 3.0*)
2. Updated the repurchase agreement language to reference the Securities Industry and Financial Markets Association (SIFMA), formerly know as the Bond Market Association (BMA) (*section 8.0 and 10.0*)
3. Incorporated language to address the potential downgrading of a security held in the portfolio (*section 8*)

Overview of Enhancements to the Current Investment Policy (continued)

4. Updated the weighted average maturity “WAM” of a money market fund’s portfolio from 90 days to 60 days based on the SEC amended Rule 2a-7 (*section 8.1, note 4*)
5. Expanded the diversification section to discuss steps taken when maximum holdings in a category exceed the established limit (*section 12.0*)
6. Under maximum maturities, the language was modified from weighted average duration to weighted average maturity not to exceed three (3) years (*section 13.0*)

Overview of Enhancements to the Current Investment Policy (continued)

7. Changed the annual reporting deadline from 60 to 90 days from the end of the fiscal year (*section 16.0*)
8. Minor formatting and grammatical changes (*entire document*)

Next Steps

- Approval of the new resolution
- Submit the updated investment policy to the Association of Public Treasurers (APT US&C) for certification