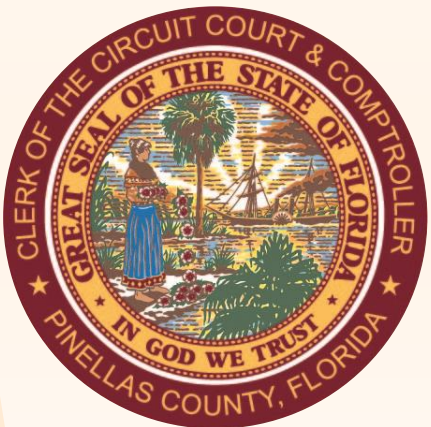


Presentation to the Pinellas County Board of County Commissioners

Investments
By

Clerk of the Circuit Court & Comptroller
Ken Burke, CPA

Tuesday, August 16, 2016



Myth 1

“a majority of our investment portfolio has traditionally been invested in certificates of deposit from banks, the State Board of Administration overnight fund and these very highly conservative investments to achieve the goals of the policy, and each of those entities, of course, have their own financial advisors, financial advisory services available.” (May 17th, BCC Budget Information Session)

REALITY:

In the past 12 years, we have not held a certificate of deposit (CD) in our investment portfolio.

In November 2007, I withdrew all but a minimal balance in the SBA. Within a week, the SBA froze any withdrawals and created two classes of funds - one of which remained restricted for years. Since that time, we have not placed any investments with the SBA.

We do invest in Local Government Pools where there are financial advisors to those funds.

Myth 2

“ ... we really don't invest that is of any risk whatsoever.” (August 4th, 2016, BCC Budget Workshop)

REALITY:

There are two main types of risks that relate to our portfolio:

Credit Risk – minimal risk.

Market or Interest Rate Risk – this is the risk we do have and the reason we are requesting the assistance of a financial advisor.

Myth 3

“We have a relationship with a bank, and they could certainly advise us. We also have – what’s the name of the financial advising company that we have on retainer?” (August 4th, 2016 Budget Workshop)

REALITY:

Our banking services contract has no provision for the bank to provide investment advisory services.

Marianne Edmonds of Public Trust Advisors Group “PRAG” is the Financial Advisor for debt matters. In a letter dated August 10, 2016 she stated “our core business does not include providing portfolio management services, asset allocation or direction with regard to specific investments.”

What Type of Investments Does Pinellas County Have?

	Average Balance			
	Oct 2014 to Sept 2015		Oct 2015 to June 2016	
Bank Accounts	179,529,663	24.23%	200,453,805	23.59%
Local Gov Investment Pools (Non-bank)	28,617,539	3.86%	60,238,183	7.08%
US Government Securities (Non-bank)	532,884,823	71.91%	589,165,514	69.33%
TOTAL	741,032,025	100%	849,857,502	100%

Investment Interest Income

Average Balance Interest Income

Oct 2014 to Sept 2015

Bank Accounts	179,529,663	24.23%	324,411	9.21%
Local Gov Investment Pools (Non-bank)	28,617,539	3.86%	38,048	1.08%
US Government Securities (Non-bank)	532,884,823	71.91%	3,160,636	89.71%
TOTAL	741,032,025	100%	3,523,095	100%

Average Balance Interest Income

Oct 2015 to June 2016

Bank Accounts	200,453,805	23.59%	473,640	11.01%
Local Gov Investment Pools (Non-bank)	60,238,183	7.08%	185,753	4.32%
US Government Securities (Non-bank)	589,165,514	69.33%	3,642,916	84.67%
TOTAL	849,857,502	100%	4,302,309	100%

Yields (Interest Rates Earned)

Composite Yields:

	<u>Oct 2014 to Sept 2015</u>	<u>Oct 2015 to June 2016</u>
Bank Accounts	0.18%	0.31%
Local Gov Investment Pools	0.12%	0.41%
US Gov Securities	0.59%	0.82%

Work Involved in Purchasing US Treasury and US Federal Agency Securities

Potential Investment Income Lost

What if we invested strictly in Money Market Funds and Local Government Investment Pools that don't require the expertise and person hours needed to invest in US Government Securities?

Interest Earned:

Oct 2014 to Sept 2015	Pro Forma	Actual	Difference
Bank Accounts	1,283,604	324,411	959,193
Local Gov Investment Pools	38,048	38,048	0
US Gov Securities	<u>0</u>	<u>3,160,636</u>	<u>(3,160,636)</u>
TOTAL	1,321,652	3,523,095	(2,201,443)

Interest Earned:

Oct 2015 to June 2016 (9 Months Period)	Pro Forma	Actual	Difference
Bank Accounts	473,640	473,640	0
Local Gov Investment Pools	1,997,437	185,753	1,811,684
US Gov Securities	<u>0</u>	<u>3,642,916</u>	<u>(3,642,916)</u>
TOTAL	2,471,077	4,302,309	(1,831,232)

Annualized for Oct 2015 to Sept 2016	3,294,769	5,736,412	(2,441,643)
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