

# **ANNUAL INVESTMENT REPORT**

FOR THE YEAR ENDED  
SEPTEMBER 30, 2020

GWEN MARSHALL  
CLERK OF CIRCUIT COURT  
AND COMPTROLLER

LEON COUNTY, FLORIDA

**ANNUAL INVESTMENT REPORT**  
Fiscal Year Ended September 30, 2020  
Leon County, Florida

**EXECUTIVE SUMMARY**

The Commission approved Investment Policy provides for a conservatively managed portfolio that performed as expected during fiscal year 2020. Policy controls related to portfolio duration, credit quality, liquidity and instrument selection have been established to reduce volatility with respect to investment returns. **The portfolio earned \$2,727,407 in interest and had realized gain of \$330,483 for total income of \$3,057,890 for fiscal year ending September 30, 2020. This total income provided an effective rate of return of 2.03% on an average daily balance of \$150,540,641.** For comparison, the portfolio earned \$3,418,264 in interest and had realized losses of \$89,789 for total income of \$3,328,475 for fiscal year ending September 30, 2019. This total income provided an effective rate of return of 2.24% on an average daily balance of \$148,637,422.

Investment income decreased 8% year over year with a \$1.9 million increase in overall average investment balances. This decrease in income is mostly due to rates dropping due to COVID-19. Our increased year-end cash on hand is due to circumstantial effects of COVID, CARES grants and reimbursement, and the prior year having a lower balance from hurricane Michael effects. Rates of return at September 30, 2020 were down sharply from prior years. The strategy of the county going forward is to keep our funds in investment pools whose longer duration shield us from the current economic downturn. When economic conditions change this may be reassessed. The relatively high Insight and SPIA rates of return are expected to drift down as overall market interest rates go down. The more favorable rates of these funds are somewhat attributable to the purchase of investments during more sustaining economic times. Funds with shorter duration and greater liquidity will be used to shore up the county's liquidity needs.

Section 218.415 (15), Florida Statutes, requires the Leon County Clerk of Circuit Court and Comptroller to provide an annual report to the Board of County Commissioners of the securities in the portfolio by investment type, book value, market value and income earned. This information is included in Table I and Table II below and the chart on page 6 as of September 30, 2020.

**Table I Ending Balances Fiscal Year Ended September 30, 2020**

<b>Portfolio</b>	<b>Book Value</b>	<b>Market Value</b>
<i>Insight Investment</i>	54,199,046	55,655,914
<i>FL Local Govt Inv Trust</i>	23,192,043	23,192,043
<i>FL State Treasury SPIA</i>	15,907,160	16,334,315
<i>Florida Prime (SBA)</i>	12,587,650	12,587,650
<i>Wells Fargo Restricted</i>	9,526,174	9,526,174
<i>Wells Fargo Cash</i>	15,073,998	15,073,998
<i>Wells Fargo Sweep</i>	11,110,996	11,110,996
<i>Total Cash and Investments</i>	141,597,067	143,481,089

**Table II Average Daily Balance and Income**

<b>Investment Type</b>	<b>FY 2019 Avg Daily Balance</b>	<b>FY 2020 Avg Daily Balance</b>	<b>Total Income FY 2020</b>
<i>Insight Investment</i>	57,358,092	52,077,079	1,454,824
<i>FL Local Govt Inv Trust Funds</i>	1,404,951	17,762,385	159,204
<i>FL State Treasury SPIA</i>	44,972,160	31,250,500	927,218
<i>Florida Prime (SBA)</i>	19,309,695	18,295,252	199,111
<i>Wells Fargo Restricted MM</i>	6,000,734	9,204,191	25,475
<i>Wells Fargo Cash</i>	4,361,261	8,368,079	136,579
<i>Wells Fargo Sweep</i>	15,230,509	12,983,155	155,478
<i>Total Daily Average</i>	148,637,422	150,540,641	
<i>Total Income</i>			3,057,890
<i>Income / Avg. Daily Bal</i>			2.03%

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**Investment Oversight Committee**

The Investment Policy of the Board of County Commissioners provides for an Investment Oversight Committee (IOC) to work with the Clerk of the Circuit Court and Comptroller in the investment management 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 Designee, Director of Civil Courts, Kenneth Kent; the County Administrator Designee, Director of Financial Stewardship, Scott Ross; and three qualified individuals with financial or investment expertise who are independent of employment and business relationships with Leon County. The three outside members as of September 30, 2020 J. Ben Watkins III, State of Florida Director of the Division of Bond Finance, and Renee McNeill, The First Bank, and Dr. Apryl C. Lynn, MBA of Apryl C. Lynn & Associates.

During the fiscal year ending September 30, 2020, the portfolio was managed within the guidelines and limitations of the Investment Oversight Committee recommendations and the Commission approved policy without exception.

**Investment Managers**

The investment portfolio quarter ending balances ranged from \$143,481,089 to \$196,385,418 during the fiscal year, with higher balances during the winter as tax collection notices are distributed by the Leon County Tax Collector. The internal portfolio was generally allocated to the Florida Treasury Special Purpose Investment Account (SPIA) and Florida Prime (SBA) during the year for diversification and liquidity.

Insight Investment, the external manager invested an average of 35% of the Leon County portfolio during the fiscal year. As of September 30, 2020, Insight Investment managed approximately \$55 million in fixed income assets that resulted in a portfolio duration during the fiscal year ranging between 1.85 and 1.93 years. The established performance benchmark for Insight is the Bank of America/Merrill Lynch 1-3 Year Government Index. Insight Investment, formerly known as Cutwater Asset Management, has managed the County's external portfolio since June 1, 2010.

In October 2018, an additional money market account was opened with Wells Fargo for restricted funds for the Leon County Landfill. This Landfill money market account has a rate of Federal Funds less 10 basis points. In June 2019 the County added the Florida Local Government Investment Trust (FLGIT) Day to Day Fund to provide more flexibility for liquidity. Additional information for the FLGIT Day to Day Fund is provided on page 4 section B of this Annual Investment Report.

The County was notified during fiscal year 2019 from Wells Fargo regarding an agreement they had entered in to sell their Institutional Retirement and Trust business (which includes the County's custodial account) to Principal Financial Group. The transition of services has been delayed from the original date in February 2021 to September 6, 2021. County Finance and the IOC will monitor this situation for any effects on services or fees.

The Clerk completed bidding out its banking relationships pursuant to a competitive selection process and entered into a contract on April 1, 2012, with Wells Fargo Bank. The contract (with the current extensions) is set to expire March 31, 2022. During the last six months of this extension, the county can give a 60-day notice to terminate the contract.

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**I. INVESTMENT POLICY**

Section 218.415, Florida Statutes provides units of local government the ability to adopt a written investment plan to govern the investment of their investment portfolio. The Leon County Board of County Commissioners on July 9, 2019 adopted revisions to the new investment policy that was adopted on July 11, 2017. These revisions to the Policy, which were recommended by the Investment Oversight Committee, were designed to provide more flexibility for liquidity needs, while ensuring the safety of the principal and earning a reasonable rate of return by modifying the portfolio sector maximums for specific security types.

The Florida Constitution provides that the Clerk of Court and Comptroller (Clerk) will be responsible for the investment of County funds and this report is being submitted by the Clerk as provided by the Board's Investment Policy. All investment activity was conducted in accordance with written procedures and internal controls.

**II. INVESTMENT OVERSIGHT COMMITTEE**

The Clerk established the Investment Oversight Committee (IOC) to formulate investment strategies, to provide short-range direction, and to monitor the performance and structure of the County's portfolio. The IOC consists of the Clerk Designee, Director of Civil Courts, Kenneth Kent; the County Administrator Designee, Director of Financial Stewardship, Scott Ross and three qualified individuals with financial or investment expertise who are independent of employment and business relationships with Leon County. The three outside members as of September 30, 2020 are J. Ben Watkins III, State of Florida Director of the Division of Bond Finance, Renee McNeill, The First Bank and Dr. Apryl C. Lynn, MBA of Apryl C. Lynn & Associates.

**III. ACTIVITIES OF THE INVESTMENT OVERSIGHT COMMITTEE**

The Investment Oversight Committee (IOC) scheduled periodic meetings to discuss issues relating to the investments of the County. During the current year, the IOC continued to maintain the average annual effective duration for the managed external portfolio of approximately 1.85 and 1.93 years. Given the current market environment, the IOC will continue to carefully monitor the portfolio duration and allocation of assets.

**IV. INVESTMENT OBJECTIVES**

The Policy states that the primary objectives of all investment activities for the County should be safety of principal, maintenance of adequate liquidity and finally, return maximization.

Safety of principal is the foremost investment objective. Investment transactions should seek to keep capital losses to a minimum, whether the result of security defaults, or erosion of market value. This is best insured by establishing minimum acceptable credit ratings, limiting the portfolio's overall duration, setting maximum exposures by sector, defining appropriate levels of diversification and authorized transactions and limiting exceptions.

The second objective is the provision of sufficient liquidity. A portion of the County's overall portfolio should be maintained very liquid in order to meet operating, payroll, and ongoing capital requirements. Maintaining a core level of assets with the government pools, such as the Treasury Special Purpose Investment Account (SPIA) or other short-term entities, is viewed as the best way of maintaining secure asset values with sound investment practices. The remainder of the overall

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portfolio should be managed in such a manner that funds can be liquidated in a reasonable amount of time, recognizing that there are other sources for day-to-day liquidity and that this portfolio is primarily available for income generation within the constraints of this policy.

**Maximizing yield on the portfolio is of least importance compared to the safety and liquidity objectives above.** Return maximization is guided by the predefined and acceptable levels of risk as defined in this policy.

V. PORTFOLIO PERFORMANCE

Acceptable portfolio performance is the result of balancing the rewards of investing, or the income earned, with the risks associated with those investments. Factors influencing the portfolio's performance are the types of permitted investments and allowable maturities, liquidity requirements, overall interest rate environment, cash flows, and the investment manager's performance.

**The portfolio earned \$2,727,407 in interest and had realized gain of \$330,483 for total income of \$3,057,890 for fiscal year ending September 30, 2020. This total income provided an effective rate of return of 2.03% on an average daily balance of \$150,540,641.** For comparison, the portfolio earned \$3,418,264 in interest and had realized losses of \$89,789 for total income of \$3,328,475 for fiscal year ending September 30, 2019. This total income provided an effective rate of return of 2.24% on an average daily balance of \$148,637,422.

The active managed external portfolio did have realized gains for the 12-months ending September 30, 2020 of \$330,483, as referenced above, after having realized losses in prior years. The yield on the external portfolio on September 30, 2020 was 0.37% versus 1.89% on September 30, 2019. Rates have dropped significantly since 2019, which was already lower than prior years.

The following is an overall market and portfolio specific commentary provided by the County's investment advisor, Insight Investment.

**Insight Investment Calendar Year Fourth Quarter 2020 Review & Outlook**

**Markets became significantly more optimistic in Q4:** Hope returned to markets in Q4, with announcements from several major pharmaceutical companies that effective vaccines for the coronavirus were available for widespread distribution. Against this backdrop the S&P 500 Index rose to all-time highs, and this supported risk assets generally. While we do not expect any changes to the current policies of the Federal Reserve we do expect the bond market to react in the future to the improving economic conditions.

**New president means new policies:** We expect an additional stimulus package in the \$500bn to \$1 trillion range, a normalization of relations with the EU, and a focus on climate change. Pressure on China should remain, though the approach is likely to be more multilateral.

**The yield curve steepened as sentiment improved:** The Treasury yield curve steepened over the quarter as shorter maturities remained anchored by Fed policy, but longer-maturity yields rose as risk sentiment improved. The 2-year maturity Treasury was unchanged at 12bp, the 10-year maturity Treasury yield rose by 23bp to 0.92% and the 30-year maturity Treasury yield rose by 19bp to 1.65%. Insight's expectation is that interest rates will continue their current trend and we should see higher 10 year rates in the near future.

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**Credit spreads rallied towards pre-crisis levels:** Credit spreads tightened in Q4, with aggregate US corporate spreads ending the quarter 40bp tighter. The long area of the credit curve outperformed, tightening by 48bp. BBB-rated issues and high yield generally outperformed given the more positive outlook. Cumulative investment grade credit gross issuance reached \$2.1 trillion over 2020, breaking above the previous annual high of \$1.47 trillion set in 2017.

**The S&P 500 Index broke to record highs:** US equity markets experienced a strong quarter, driven by a rotation from tech to value as vaccines boosted hopes for a “return to normal.”

**Risks include:**

- Pressure to increase corporate leverage in a world of ultra low yields could lead to credit downgrades
- Virus mutations that impair vaccine efficacy
- Valuations may have already priced in much of the good news

**VI. PERMITTED INVESTMENTS AND ALLOWABLE MATURITIES**

Table 1 summarizes the permitted investments, composition limits, and maximum allowable maturities. The County’s available funds are invested according to Leon County’s Investment Policy Section XV, which authorizes the County to invest in specific permitted investment types. The permitted investments are restricted by the Policy in their composition limits and maximum allowable maturities. The Policy permits maturities of the operating portfolio establishing a range of 60 days to 10 years. Table 1 gives a brief description of each investment type according to Section XVI of the Policy. It is generally regarded that the following investment types are safe investments and meet the Policy’s first objective: safety.

**Table 1 – Permitted Investments**

<b><i>Investment Type</i></b>	<b><i>Composition Limit</i></b>	<b><i>Max Maturity/ WAL Limit</i></b>
<i>Repurchase Agreements</i>	15%, 5% any one issuer	60 Days
<i>Bankers' Acceptances</i>	15%, 5% any one issuer	270 Days
<i>Commercial Paper</i>	20%, 5% any one issuer	270 Days
<i>Financial Deposit Instruments</i>	30%	2-Year, 1-Year Avg
<i>Federal Instrumentalities</i>	45%, 15% any one issuer	5-Year
<i>Corporate Debt</i>	25%, 3% any one issuer	5-Year
<i>Municipal Bonds</i>	35%, 3% any one issuer	5-Year
<i>Mortgage Backed Securities (MBS), including CMOs</i>	35%, 15% any one issuer, 3% per CUSIP	5-Year WAL
<i>Asset Backed Securities</i>	10%, 3% any one issuer	5-Year WAL
<i>Commercial Mortgage Backed Securities (CMBS)</i>	8%, 3% any one issuer	5-Year WAL
<i>US Government Securities</i>	100%	10-Year
<i>US Federal Agencies (full faith and credit)</i>	100%, 20% any one issuer	5-Year
<i>Florida Prime (SBA), FLGIT</i>	20% each pool	NA
<i>FL Municipal Investment Trust (FMIVT)</i>	15%	NA
<i>SPIA, Money Markets</i>	100%	NA

The internal portfolio was invested in the following government pools during fiscal year ending September 30, 2020:

- A. Florida Local Government Surplus Funds Trust Fund, also known as Florida PRIME

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Florida PRIME is administered by the Florida State Board of Administration (SBA) for the purpose of pooling investment funds of local governments in an investment portfolio of money market instruments that provide liquidity while preserving capital. On February 13, 2008, the Trustees of the SBA hired Federated Investors to manage Florida PRIME, effective on March 1, 2008. As of October 1, 1997, the SBA had converted Florida PRIME to a “2a-7 like” investment pool (SEC Rule 2a-7 of the Investment Company Act of 1940). On September 30, 2020, Florida PRIME was invested in fixed rate and floating rate bank instruments, repurchase agreements, fixed rate and floating rate corporate commercial paper, floating rate corporate notes, money market mutual funds, and fixed rate and floating rate asset backed commercial paper. The rating for Florida Prime as of September 30, 2020 was AAAM by Standard and Poor’s. A maximum of 20% of the portfolio may be invested with Florida PRIME.

**B. The Florida Local Government Investment Trust Government Fund (FLGIT)**

The Florida Local Government Investment Trust (FLGIT) is a local government investment pool developed through the joint efforts of the Florida Court Clerks and Comptrollers (FCCC) and the Florida Association of Counties (FAC) for providing opportunities for the investment of excess public funds. FLGIT offers two investment funds to its participants, the Short Term Bond Fund and the Day to Day Fund. The Short Term Bond Fund is a longer term higher yielding fund. At September 30, 2020, the County did not have any balances in the Short Term Bond Fund. The Day to Day Fund is a highly liquid fund with underlying investments having a weighted average maturity of less than 90 days. The FLGIT Day to Day Fund does meet the criteria and has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. On September 30, 2020, the majority of the Day to Day Fund was invested in US Treasuries, Agencies and Repurchase Agreements with the remainder in short term Corporate Bonds, Commercial Paper and Certificates of Deposit. The Day to Day Fund maintained a credit rating of AAAM by Fitch as of September 30, 2020. A maximum of 20% of the portfolio may be invested with FLGIT.

**C. Special Purpose Investment Trust (SPIA)**

Effective July 1, 2004, Section 17.61(1), Florida Statutes was amended to permit organizations created by the Florida Constitution to participate in the existing State Treasury Investment Pool “Special Purpose Investment Account (SPIA).” Historically, SPIA participants have received higher earnings reflecting the higher risk associated with the longer maturities and lower credit quality. The rating for the Treasury Investment Pool as of September 30, 2020 was AA-f by Standard and Poor’s with a duration of 2.45 years. The County Investment Policy allows up to 100% of the County portfolio to be invested in SPIA.

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 included (1) closing the pool to new noncomponent unit entities, (2) requiring new withdrawal notices and minimum balance requirements and (3) setting a cap on investment amounts. Instead of 100% liquidity with 3 days’ notice, the Florida Treasury now requires 5 days’ notice for liquidations between \$20 and \$75 million and 20 days’ notice for liquidations over \$75 million. In addition, 6 months’ notice is required for liquidations planned below a floor calculated as 60% of the previous 3 months average balance. The changes by the Florida Treasury 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.

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The financial details and disclosures for the Treasury Investment Pool are made in Note 4 to the State of Florida Comprehensive Annual Financial Report (CAFR).

At September 30, 2020, the majority of the Florida Treasury Investment Pool holdings were in US Treasuries, US Government Agencies/Bonds, Corporate Bonds, and Agency Mortgage Backed Securities. The Pool's fair value factor was 1.0269 for September 2020. A factor of more than 1.0000 indicates that the market value of the Pool's investments is more than the funds invested in the Pool. For more information relating to the Treasury Investment Pool, please visit the website at <http://www.myfloridacfo.com/Division/Treasury/>.

**VII. LIQUIDITY REQUIREMENTS**

The second objective in managing the County's investments is the provision of sufficient liquidity. On a regular basis, the County's receipts and disbursements are analyzed to determine trends in cash inflow and outflow. Cash inflows are invested immediately upon receipt and become part of the portfolio. The portfolio provides cash for weekly payment of operating and capital expenditures, biweekly payment of payroll expenditures and semiannual debt service payments.

**VIII. INVESTMENT OPERATIONS**

Investing activities are conducted by the investment advisor and qualified professionals in the Clerk's Office in accordance with Florida Statutes, County Ordinances, and written policies and procedures. Periodic reports of investment activity and positions are prepared and distributed to management of the Clerk's Office, management of the BCC and the Investment Oversight Committee. Regular meetings of the IOC are held to monitor the portfolio, evaluate investment performance and discuss investment strategies.

The investment advisor and Clerk staff use sophisticated techniques in carrying out investment activities including the use of electronic bank and trust account systems, electronic funds transfer, on-line real-time monitoring of U.S. securities markets and electronic trading. Bank account balances, cash requirements, investment positions and trust account activity are monitored daily. Current conditions and evaluations of national economic activity are considered in making asset allocation decisions.

**A. Portfolio Balances**

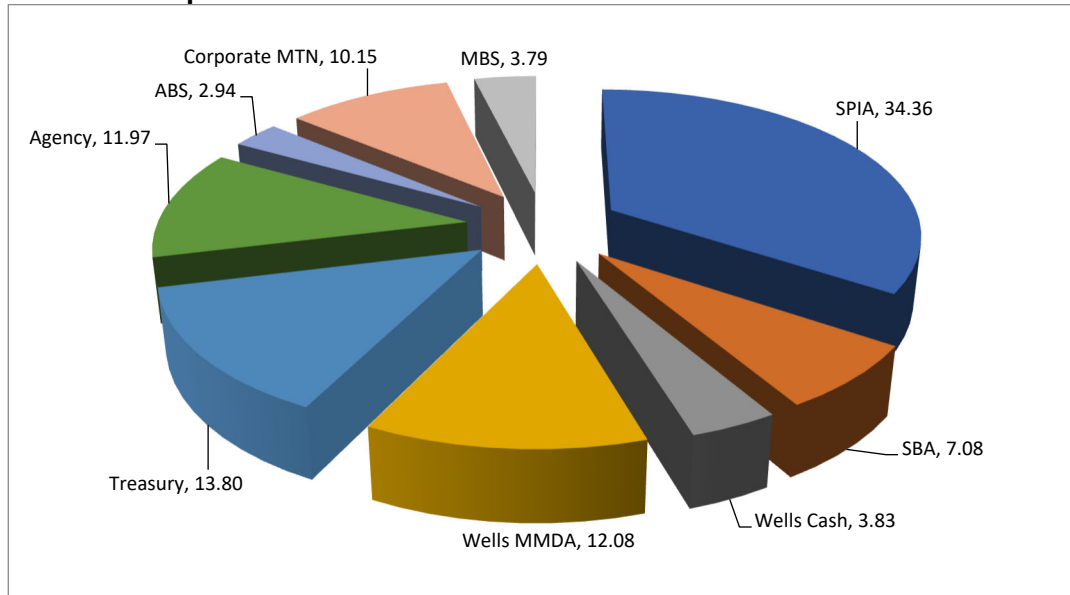
The portfolio's ending balance for fiscal year 2020 was \$143,481,089 while the ending balance for 2019 was \$116,235,828, an increase of \$27,245,261. This increase in the balance is due to several causes. The 2019 balance was lower than normal due to expenses related to Hurricane Michael storm recovery efforts, some of which was reimbursed in the 2020 fiscal year. In addition, in 2020, the Federal government advanced CARES funds to the county that were not yet spent at year end. The county's cash balances decreased the next day, October 1, 2020 in the amount of \$7.3 million when debt came due, including the final of one of our long term notes payable.

**B. Portfolio Composition**

The Clerk or the Clerk's designee (Finance Director) shall have the option to further restrict or increase investment percentages from time to time based on market conditions. Any changes to the portfolio composition guidelines or limits must be in writing from the Finance Director directed to the appropriate parties and discussed at each quarterly Investment Oversight Committee meeting. The portfolio was

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managed in compliance with diversification requirements for investment types as shown in the following **Table 2 Portfolio Composition.**



C. Portfolio Maturities

Portfolio management was also accomplished in compliance with the Policy that requires ensuring sufficient liquidity as well as diversity in maturities. Shown in Table 3 are the average terms of each investment type held as of fiscal year end 2019 and 2020. Average term is the weighted average number of days remaining to maturity of the investment. Average terms greater than one year represent investments of non-current funds, including the non-current operating portfolio, and investments of bond proceeds and debt service reserve funds. The externally managed portfolio was invested for a weighted average term of approximately 704 days in fiscal year 2020, as compared with a weighted average term of 734 days in fiscal year 2019.

**Table 3- External Manager Average Term by Investment Type (Days)**

	FY 2020	FY 2019
<b>US Treasury Notes</b>	913	756
<b>US Agency Notes</b>	730	704
<b>Commercial Mortgage Backed Securities</b>	894	1066
<b>Asset Backed Securities</b>	387	584
<b>Mortgage Backed Securities</b>	631	847
<b>Municipal Notes</b>	-	-
<b>Corporate Notes</b>	993	701

D. Earnings and Yields

The portfolio earned \$2,727,407 in interest and had realized gain of \$330,483 for total income of \$3,057,890 for fiscal year ending September 30, 2020. This total income provided an effective rate of return of 2.03% on an average daily balance of \$150,540,641. For comparison, the portfolio earned \$3,418,264 in interest and had realized losses of \$89,789 for total income of \$3,328,475 for fiscal year ending September 30, 2019. This total income provided an effective rate of return of 2.24% on an average daily balance of \$148,637,422. The range of duration of the

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County’s overall portfolio is defined as 0.5 years to 2.5 years. Unusual market or economic conditions may mandate moving the portfolio outside of this range. The Investment Oversight Committee will be convened and will approve any portfolio duration outside of the range specified above. The duration of the portfolio was an annual average of 2.21 years.

**Table 4- Quarter Wt. Average Yields**

	<b>09.30.19</b>	<b>12.31.19</b>	<b>03.31.20</b>	<b>06.30.20</b>	<b>09.30.20</b>
<b>Insight Investment</b>	1.89%	1.81%	1.20%	0.51%	0.37%
<b>FL Local Govt Investment Trust</b>	2.20%	1.72%	1.27%	0.45%	0.18%
<b>FL State Treasury SPIA</b>	3.26%	2.52%	4.72%	2.22%	2.12%
<b>Florida Prime (SBA)</b>	2.27%	1.82%	1.34%	0.57%	0.32%
<b>Wells Fargo Restricted MM</b>	2.05%	1.65%	0.68%	0.15%	0.15%
<b>Wells Fargo Cash</b>	2.15%	1.75%	0.78%	0.25%	0.25%
<b>Wells Fargo Sweep</b>	1.96%	1.46%	0.66%	0.05%	0.01%
<b>Quarter Wt. Average Yields</b>	2.15%	1.90%	2.04%	0.75%	0.48%

The dollar amount of interest earnings is used in historical and budgetary comparisons and in cash flow analysis. Actual interest earnings totaled \$2,727,406 in fiscal year 2020 and \$3,418,264 in fiscal year 2019. Actual interest earnings were \$259,673 more than the budget in fiscal year 2020 and \$950,530 more than the budget in fiscal year 2019.

**Table 5- Budget and Actual Income**

	<b>FY 2020</b>	<b>FY 2019</b>
<i>Actual</i>	2,727,406	3,418,264
<i>Budget</i>	2,467,734	2,467,734
<i>Variance</i>	259,673	950,530

**IX. CONCLUSION**

In conclusion, the results outlined in the Annual Investment Report are as follows:

- Investment income decreased 8% year over year with a \$1.9 million increase in overall average investment balances. This decrease in income is mostly due to a decrease in market interest rates due to the impact of COVID-19 and federal monetary policy. The increase in year-end cash is due to circumstantial effects of COVID, CARES grants and reimbursement, and the prior year having a lower balance due to spending for Hurricane Michael. Rates of return at September 30, 2020 were down sharply from prior years. The strategy of the County going forward is to keep our funds in investment pools whose longer duration help mitigate the impact of lower short term interest rates. When market conditions change this may be reassessed. Funds with shorter duration and greater liquidity will be used to shore up the county’s liquidity needs.

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- The Investment Portfolio activity was in compliance with the Investment Policy.
- The economic environment continues to be volatile. The external manager continues to tactically manage the duration as changes in the market occur.

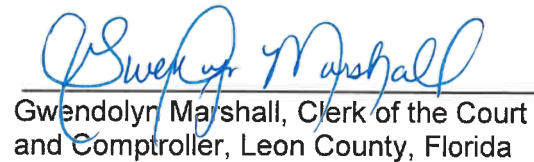
**Investment Oversight Committee**

The IOC met regularly to oversee the performance of the external manager. The investment policy requires staff to notify the IOC any time that any holdings drop below the minimum credit ratings required under the policy. The IOC will then consider the current market environment and make recommendations to either hold and monitor the investments or to liquidate the investments. On October 3, 2018, the external manager notified the IOC regarding a downgrade by Standard and Poor's of one security within the externally managed portfolio. The security was issued by General Electric Company and was downgraded to BBB+. The IOC has continued to closely review this downgrade and given the external manager's recommendation to maintain this security has agreed to continue hold this security, subject to ongoing monitoring, within the portfolio. This security matured in September 2020.

On March 30, 2021 the IOC met to review and approve this annual report summarizing the performance of the internal portfolio and the external manager.

Presented by:

  
Ben Watkins, Chairman  
Investment Oversight Committee

  
Gwendolyn Marshall, Clerk of the Court  
and Comptroller, Leon County, Florida

