

# **ANNUAL INVESTMENT REPORT**

FOR THE YEAR ENDED  
SEPTEMBER 30, 2024

GWEN KNIGHT  
CLERK OF CIRCUIT COURT  
AND COMPTROLLER

LEON COUNTY, FLORIDA

# ANNUAL INVESTMENT REPORT

Fiscal Year Ended September 30, 2024

Leon County, Florida

## EXECUTIVE SUMMARY

The Investment Policy approved by the Commission provides for a conservatively managed portfolio that performed as expected during fiscal year 2024. The Investment Policy objectives are safety of principal, adequate liquidity and investment return, in that order of priority. Parameters related to portfolio duration, credit quality, liquidity and instrument selection have been established to ensure investment policy objectives are being met. **The portfolio earned total income of \$12,488,274 for fiscal year ending September 30, 2024, a 45% increase in investment income over the prior fiscal year. The portfolio investment performance provided an effective rate of return of 4.74% on an average daily balance of \$263,314,885.** For comparison, the portfolio earned \$8,622,924 for the prior fiscal year with an effective rate of return of 3.48% on an average daily balance of \$248,013,648.

Investment income increased 45% year over year due to a higher rate of return combined with a small (\$15.3 million) increase in overall average investment balances. Notwithstanding nearly universal predictions of a recession because of Federal Reserve interest rate increases in 2022 and 2023 to battle inflation, the interest rate environment has largely stayed the same over the course of the current fiscal year. With the higher interest rate environment persisting because of the Federal Reserve has not lowered interest rates as many predicted, the returns from positioning the portfolio on the short-end of the yield curve using money market funds has been beneficial for the portfolios investment performance. Contrary to what one would expect, the returns for longer duration investments were lower than those from our shorter duration investments. However, the unrealized losses attributable to the longer duration investments were eliminated over the course of the fiscal year. For a more detailed discussion of the rising interest rate environment and its impact on our investment portfolio, see Section V of the report. Our investment portfolio at year end reflects this, with more investments held in the short-term money market funds. When market conditions change, this strategy will be reassessed.

At the end of fiscal year 2023 the portfolio had an unrealized loss of approximately \$2.2 million. The unrealized loss in the portfolio has been eliminated due to an increase in the market value of the longer-term securities because of lower long-term interest rates over the fiscal year. This is an improvement from the prior year and the portfolio is well positioned to avoid losses in the future due to changes in interest rates and market values.

The Committee has recommended and the County has adopted changes to the County's Investment Policy to reduce the risk and volatility of the investment portfolio. Changes to the investment policy include eliminating asset and mortgage backed securities as authorized investments, reducing exposure to corporate debt from 45% to 20% and, most importantly, reducing the portfolio's allowable duration from three years to two years.

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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, 2024.

**Table I Ending Balances Fiscal Year Ended September 30, 2024**

<b>Portfolio</b>	<b>Book Value</b>	<b>Market Value</b>
<i>Insight Investment</i>	58,701,895	58,714,067
<i>FL State Treasury SPIA</i>	881,819	875,581
<i>FL Local Govt Inv Trust Fund</i>	60,034,390	60,034,390
<i>Florida Prime (SBA)</i>	63,316,618	63,316,618
<i>Prime Restricted MM</i>	19,920,123	19,920,123
<i>Wells Fargo Cash</i>	1,022,175	1,022,175
<i>Wells Fargo Sweep</i>	14,769,676	14,769,676
<b>Total Cash and Investments</b>	<b>\$218,646,696</b>	<b>\$218,652,631</b>

**Table II Average Daile Balance and Income**

<b>Investment Type</b>	<b>FY 2023 Avg Daily Balance</b>	<b>FY 2024 Avg Daily Balance</b>	<b>Total Income FY 2024</b>
<i>Insight Investment</i>	54,448,354	56,982,230	1,837,486
<i>FL State Treasury SPIA</i>	22,728,515	4,371,773	133,123
<i>FL Local Govt Inv Trust Fund</i>	67,430,602	84,841,458	4,629,140
<i>Florida Prime (SBA)</i>	74,799,435	86,747,671	4,803,798
<i>Prime Restricted MM</i>	12,476,758	14,034,046	255,724
<i>Wells Fargo Cash</i>	11,134,724	1,124,192	-
<i>Wells Fargo Sweep</i>	4,995,260	15,213,515	829,003
<b>Total Daily Average</b>	<b>248,013,648</b>	<b>263,314,885</b>	

**Total Income**

**\$12,488,274**

**Income / Avg. Daily Bal**

**4.74%**

## **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, Chief Deputy, Kenneth Kent; the County Administrator Designee, Assistant County Administrator, Ken Morris and OMB Director, Roshaunda Bradley, and three qualified individuals with financial or investment expertise who are independent of employment and

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business relationships with Leon County. The three outside members as of September 30, 2024 were Chairman, J. Ben Watkins III, State of Florida Director of the Division of Bond Finance, Renee McNeill, The First Bank and Claudia Sachs, CFP®, of Osaic Wealth. During the fiscal year ending September 30, 2024, the portfolio was managed within the guidelines and limitations of the IOC recommendations and the Commission-approved policy without exception.

### **Investment Managers**

The investment portfolio quarter ending balances ranged from \$214,179,086 to \$337,294,222 during the fiscal year, with higher balances during the first and second quarter as tax collections are received. The total investment portfolio had a weighted average duration during the fiscal year ranging between 0.57 and 0.27 years since it has been invested primarily in money market funds. The internal portfolio was generally allocated to the Florida Local Government Investment Trust (FLGIT), Florida Treasury Special Purpose Investment Account (SPIA) and Florida Prime (SBA) during the year for diversification and liquidity.

Insight Investment, the external portfolio manager, invested an average of 27% of the Leon County portfolio during the fiscal year. As of September 30, 2024, Insight Investment managed approximately \$58 million in fixed income assets that resulted in a weighted average duration during the fiscal year ranging between 0.99 and 1.48 years. The established performance benchmark for Insight Investment is the ICE Bank of America US Treasury/Agency 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.

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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, 2024 adopted revisions to the investment policy. 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, Chief Deputy, Kenneth Kent; the County Administrator Designee, OMB Director, Roshaunda Bradley; Assistant County Administrator, Ken Morris, 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, 2024 were Chairman, J. Ben Watkins III, State of Florida Director of the Division of Bond Finance, Renee McNeill, The First Bank and Claudia Sachs, CFP®, of Osaic Wealth.

III. ACTIVITIES OF THE INVESTMENT OVERSIGHT COMMITTEE

The IOC scheduled periodic meetings to discuss issues relating to the investments of the County. During the current year, the IOC continued to overweight investments on the short-end of the yield curve for maximum safety and liquidity while not giving-up any investment performance and maintained the average annual effective duration for the managed external portfolio of approximately 0.99 and 1.48 years. Given the current volatile market environment, the focus on Federal monetary policy and geopolitical uncertainties, 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

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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 FLGIT and Florida Prime or other short-term money market funds, is viewed as the best way of maintaining secure asset values with sound investment practices. The remainder of the overall 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 total income of \$12,488,274 for fiscal year ending September 30, 2024, a 45% increase over the prior fiscal year. This total income provided an effective rate of return of 4.74% on an average daily balance of \$263,314,885.** For comparison, the portfolio earned \$8,622,924 for the prior fiscal year. This represents an effective rate of return of 3.48% on an average daily balance of \$248,013,648.

The actively managed external portfolio eliminated the mark-to-market unrealized loss from the prior year of approximately 2.2 million but did have a minimal realized loss for the 12-months ending September 30, 2024, of \$2,375. The yield on the external portfolio on September 30, 2024, was 3.66% versus 2.36% on September 30, 2023 and includes an unrealized gain of approximately \$1 million. The market interest rates were on an upward trend throughout the second half of the fiscal year. Certain individual securities purchased during the lower rate environment had a lower market value than their book value at year-end but the aggregate portfolio value exceeds the cost of investments. Since the County has sufficient liquidity and reserves, any investment with an unrealized loss will be held until maturity, and the losses will not be realized.

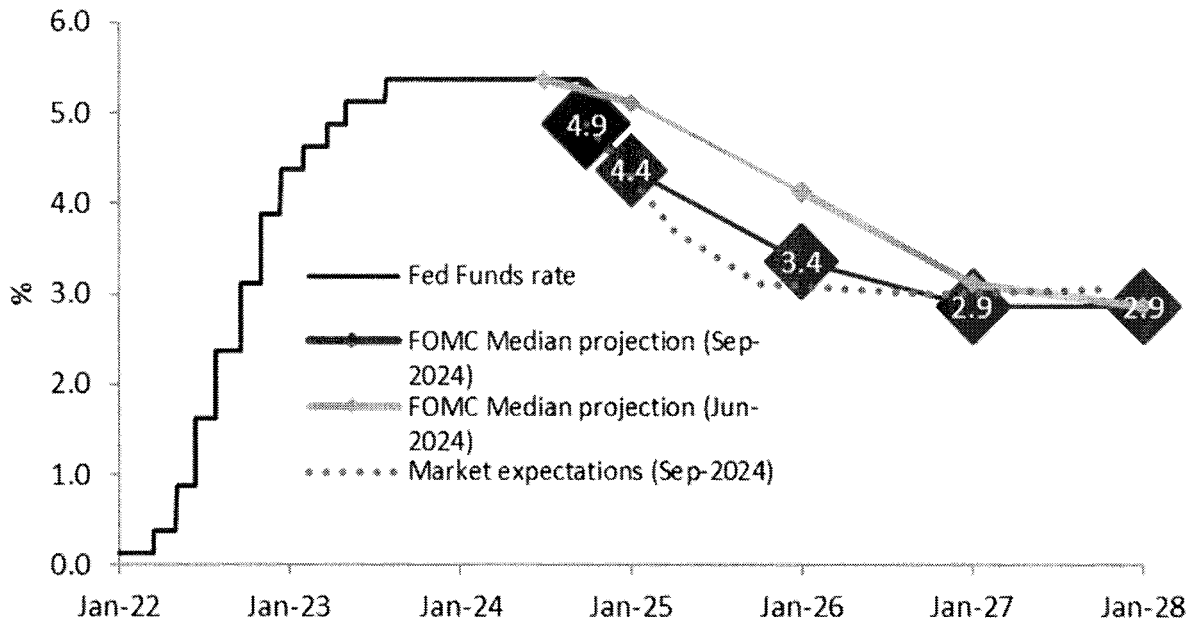
The following is an overall market and portfolio specific commentary provided by the County's investment advisor, Insight Investment.

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**Insight Investment Calendar Year Fourth Quarter 2024 Review & Outlook**

The FOMC cut the Fed funds rate by 50bp, taking it to a range of 4.75% to 5%. The central bank made several changes to its official statement to reflect a shift in focus from inflation to the labor market. The central bank noted progress on inflation and declared the committee has “gained greater confidence now that inflation is moving sustainably toward 2%”. On the labor market, it changed its characterization of job gains as having moderated to slowed and added that the committee is strongly committed to supporting maximum employment. The FOMC projected another 50bp of further rate cuts into the end of the year and 100bp to follow in 2025 (Chart 1).

Chart 1: The FOMC cut rates by 50bp in the first half of 2024 and projected a further 50bp to follow in the latter half of 2024



Source: Federal Reserve, Bloomberg, Insight, September 30, 2024

The FOMC left most of its longer-term estimates unchanged, but slightly adjusted some of its near-term projections to reflect slower growth and inflation as well as higher unemployment. The Fed trimmed its year-end PCE inflation outlook from 2.6% to 2.3% and its core inflation projection from 2.8% to 2.6%. It raised its near-term unemployment rate projection from 4% to 4.4% for end-2024.

Including food and energy, CPI fell from 2.9% to 2.5% and PCE fell from 2.5% to 2.2%. Both reached the closest levels to the Fed’s 2% target since early 2021. Core CPI remained at 3.2% and Core PCE rose slightly from 2.6% to 2.7%.

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The US economy added 142,000 jobs in August, below the 165,000 expected, and up from a downwardly revised 89,000 in July. Besides the pandemic, it was the weakest three months of private sector hiring since 2012. The unemployment rate fell slightly from 4.3% to 4.2%. Wage growth rose from 3.6% to 3.8%.

The third release of Q2 GDP was unchanged at 3% but with marginally softer domestic demand. Annual revisions to the five years from Q1-2019 to Q1-2023 showed notably higher post-pandemic growth in 2021 (up from 5.8% to 6.1%), 2022 (up from 1.9% to 2.5%), and 2023 (up from 2.5% to 2.9%).

**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 5 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 of principal.

**Table 1: Permitted Investments**

<u>Investment Type</u>	<u>Composition Limit</u>	<u>Max Maturity/ WAL Limit</u>
<i>Repurchase Agreements</i>	15%, 5% any one issuer	60 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>	20%, 3% any one issuer	5-Year
<i>Municipal Bonds</i>	20%, 3% any one issuer	5-Year
<i>US Government Securities</i>	100%	5-Year
<i>US Federal Agencies (full faith and credit)</i>	100%, 20% any one issuer	5-Year
<i>Florida Prime (SBA), FLGIT</i>	45% each pool	NA
<i>FL Municipal Investment Trust (FMIVT)</i>	15%	NA
<i>SPIA, Money Markets</i>	100%	NA
<i>Prime Money Market Funds</i>	35%	NA
<i>Government Money Market Funds</i>	50%	NA
<i>US Treasury Money Market Funds</i>	100%	NA

The internal portfolio was invested in the following government pools during fiscal year ending September 30, 2024:

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

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, 2024, 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, 2024 was AAAM by Standard and Poor’s. A maximum of 45% of the portfolio may be invested with Florida PRIME without the written direction of the County’s Finance Director to deviate from the Investment Policy limitation based on market conditions.

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, 2024, the County did not have any balances in the Short Term Bond Fund with FLGIT. 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, 2024, 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, 2024. A maximum of 45% of the portfolio may be invested with FLGIT without the written direction of the County’s Finance Director to deviate from the Investment Policy limitation based on market conditions.

C. Special Purpose Investment Account (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, 2024 was AA-f by Standard and Poor’s with a duration of 3.36 years. The County Investment Policy allows up to 100% of the County portfolio to be invested in SPIA.

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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 non-component 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.

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

On September 30, 2024, 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 0.9929 for September 2024. A factor of less than 1.0000 indicates that the market value of the Pool's investments is less 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. A liquidity base of approximately at least three months of anticipated disbursements is kept in relatively short term investments.

**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.

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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. Our county employs stringent internal controls and prioritizes cybersecurity measures to safeguard its investments and financial assets against potential threats and risks. Current conditions and evaluations of national economic activity are considered in making asset allocation decisions.

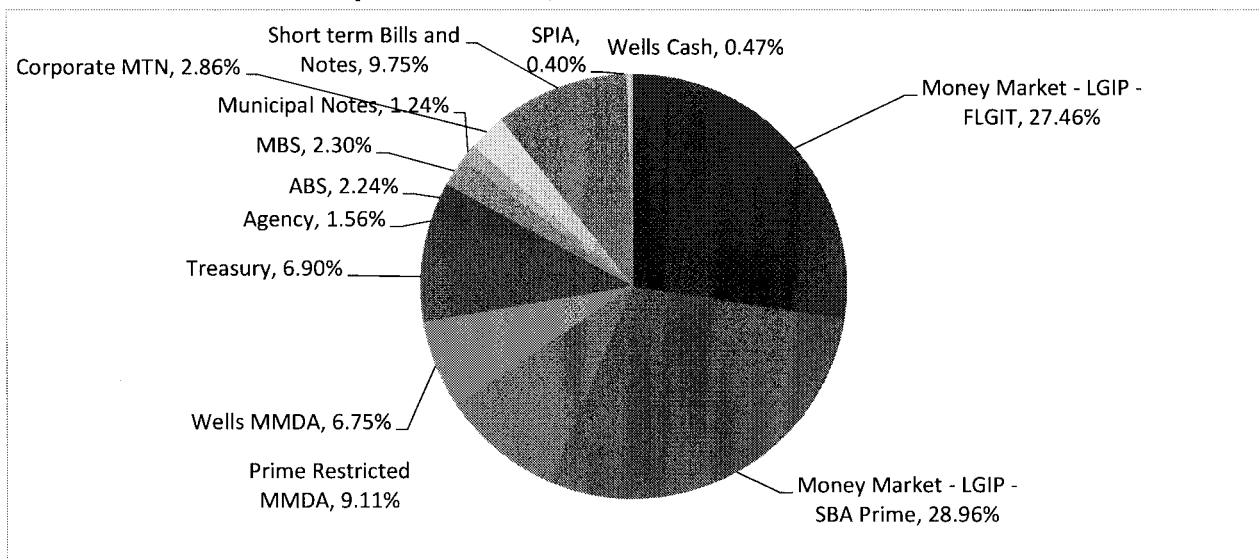
**A. Portfolio Balances**

The portfolio's ending balance for fiscal year 2024 was \$218,646,696 while the ending balance for 2023 was \$215,718,173, an increase of \$2,928,523.

**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 managed in compliance with diversification requirements for investment types as shown in the following

**Table 2: Portfolio Composition**



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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 2023 and 2024. 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 364 days in fiscal year 2024, as compared with a weighted average term of 622 days in fiscal year 2023.

**Table 3: Average Term by Investment Type (Days)**

	FY 2024	FY 2023
<b><i>US Treasury Notes</i></b>	558	631
<b><i>US Agency Notes</i></b>	539	759
<b><i>Commercial Mortgage Backed Securities</i></b>	909	931
<b><i>Asset Backed Securities</i></b>	248	26
<b><i>Mortgage Backed Securities</i></b>	730	398
<b><i>Municipal Notes</i></b>	157	504
<b><i>Corporate Notes</i></b>	55	358

D. Earnings and Yields

**The portfolio earned total income of \$12,488,274 for fiscal year ending September 30, 2024. This total income provided an effective rate of return of 4.74% on an average daily balance of \$263,314,885.** For comparison, the portfolio earned \$8,622,924 for the prior fiscal year. This represents an effective rate of return of 3.48% on an average daily balance of \$248,013,648. The range of duration of the County's overall portfolio is defined as 0.5 years to 2.0 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 0.35 years and has been intentionally invested on the short-end of the yield curve to take advantage on an inverted yield curve and mitigate market volatility from economic and geopolitical uncertainties.

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**Table 4: Quarter Weighted Average Yields**

	9.30.23	12.31.23	3.31.24	6.30.24	9.30.24
<b>Insight Investment</b>	2.36%	2.76%	2.76%	3.52%	3.66%
<b>FL State Treasury SPIA</b>	2.31%	3.63%	3.09%	3.53%	4.45%
<b>FL Local Govt Investment Trust</b>	5.37%	5.51%	5.45%	5.45%	5.30%
<b>Florida Prime (SBA)</b>	5.59%	5.60%	5.52%	5.49%	5.33%
<b>Florida Prime Restricted MM</b>	NA	NA	NA	5.49%	5.33%
<b>Wells Fargo Restricted MM</b>	2.05%	0.41%	0.41%	0.03%	0.00%
<b>Wells Fargo Cash</b>	2.15%	2.15%	2.15%	2.15%	2.15%
<b>Wells Fargo Sweep</b>	5.20%	5.22%	5.17%	5.16%	4.97%
<b>Quarter Wt. Average Yields</b>	4.32%	4.82%	4.65%	5.01%	3.85%

The dollar amount of interest earnings is used in historical and budgetary comparisons and in cash flow analysis. Actual interest earnings totaled \$12,490,727 in fiscal year 2024 and \$8,573,772 in fiscal year 2023. Actual interest earnings were \$6,694,173 more than the budget in fiscal year 2024 and \$6,046,121 more than the budget in fiscal year 2023.

**Table 5: Budget and Actual Interest Earnings**

	FY 2024	FY 2023
<i>Actual</i>	\$12,490,727	\$8,573,772
<i>Budget</i>	\$5,796,554	\$2,527,651
<i>Variance</i>	\$6,694,173	\$6,046,121

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**IX. CONCLUSION**

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

- Investment income increased 45% year over year with a \$15.3 million increase in overall average investment balances. The interest rate environment has largely stayed the same over the course of the fiscal year after the Federal Reserve raised short term interest rates during fiscal 2023. With the higher interest rate environment, the returns from our longer duration investments were lower than those from our shorter duration investments. For a more detailed discussion of the rising interest rate environment and its impact on our investment portfolio, see Section V of the report. Our investment portfolio at year end reflects this, with more investments held in the short-term money market funds. When market conditions change, this strategy will be reassessed.
- Due to the Federal Reserve keeping interest rates steady for most of the fiscal year and a 50 basis point reduction in September 2024, the portfolio recovered the unrealized losses. This is an improvement from the prior year, which had \$2.2 million in unrealized mark-to-market losses.
- In effort to reduce portfolio volatility in the future, the Committee has recommended and the County has adopted changes to the investment policy that reduce the portfolio's duration and eliminate asset and mortgaged backed securities as authorized investments.
- The Investment Portfolio activity was in compliance with the Investment Policy.

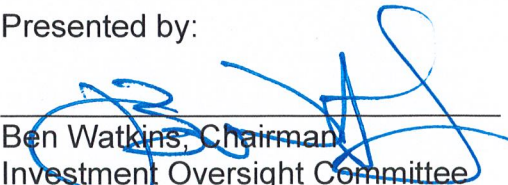
**Investment Oversight Committee**

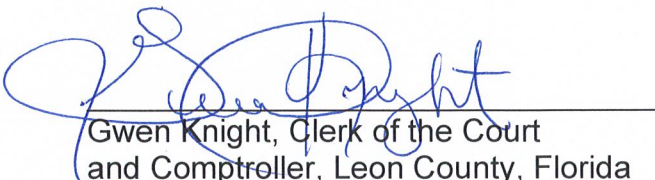
The IOC met regularly to monitor market conditions, investment performance, ensure compliance with the investment policy and oversee the performance of the external manager. The investment policy requires staff to notify the IOC of any deviations from the investment policy including any time that any holdings drop below the minimum credit ratings required under the policy or investment policy limits are exceeded. The IOC will then consider the current market environment and make recommendations or any corrective action needed. Any deviations from the investment policy shall be in writing and authorized by the County's Finance Director.

The committee updated the investment policy in the May 2024 meeting to minimize the risks of volatility.

On June 24, 2025, the IOC met to review and approve this annual report summarizing the performance of the internally and externally managed portfolios.

Presented by:

  
Ben Watkins, Chairman  
Investment Oversight Committee

  
Gwen Knight, Clerk of the Court  
and Comptroller, Leon County, Florida