

# Investment Portfolio as of September 30, 2020

## Audit and Finance Committee Meeting November 12, 2020

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Treasurer  
Administrative Services Division



# Investment Strategy

- Strategy for remainder of the year is to maintain current investment allocations and resume investing in FY2020-2021 after ad valorem funds are received.
- The operating account target balance is 25% as opposed to original 10-15% target range to remain conservative during unprecedented market conditions.
- The current low rate environment is expected to remain until 2023.
- Rates have decreased across all sectors since June, save for the Ten-Year Treasury.
- Investments made in June in the Mortgage Backed Security (MBS) sector have significantly aided in increased yield on the portfolio.
  - Yield on portfolio is 1.17% vs .95% before MBS investments;
  - \$1.2M increase in annual income on \$561.5M portfolio;
  - We utilized our flexibility of the increased MBS percentage to 50%.
  - Budgeted earnings of \$7.86M in FY2019-2020.
  - Actual earnings of \$8.2M through September 30, 2020.

# Market Environment

- The Federal Reserve is maintaining interest rates at 0-0.25% as the economy navigates through COVID-19 and its effects.
- September's Fed meeting kept rates at current levels until labor markets have reached maximum employment and inflation has risen to 2%.
- The Fed is set to keep rates low until 2023.
- Housing sales continue to increase as strong demand continues.
- Employment in service sector is still struggling due to COVID-19 with the overall unemployment rate steadily decreasing and currently at 7.9%.
- The ten-year Treasury is at .69% with a 3-point increase since the last quarter.

# Key Interest Rates

Investment Type	June 30, 2020	September 30, 2020
Federal Reserve Funds	0.00%-0.25%	0.00%-0.25%
3-Month T Bill	0.16%	0.10%
3-Month Libor	0.31%	0.24%
2-Year Treasury	0.16%	0.13%
5-Year Treasury	0.29%	0.28%
State Pool	0.57%	0.33%

# FY2019-2020 Through September 30, 2020

- **\$8.2M Investment Earnings**
- **1.75% Yield (Investments Only)**
- **1.17% Yield (Cash & Investments)**
- **\$214.8M Cash Balance**
- **\$346.7M Investment Balance**
- **62% Invested\***
- **38% Cash & Cash Equivalents\***

\*See breakdown on next slide

# Current Portfolio Breakdown \$561.5 Million

	PAR VALUE (million)	CURRENT YIELD	% PORTFOLIO
<b>Cash &amp; Cash Equivalents/Short Term Cash (38%)</b>			
Operating Account	\$111.5	0.10%	19.84%
Federated MM* Money Market	\$32.5	0.14%	5.79%
Florida Prime (SBA*) *State Board of Administration	\$30.8	0.33%	5.48%
Bond Fund (FLGIT*) *Florida Local Government Investment Trust	\$40.0	0.44%	7.12%
<b>Invested/Long-Term Investments (62%)</b>			
U.S. Agencies	\$60.0	0.71%	10.68%
MBS* *Mortgage Backed Securities	\$286.7	2.00%	51.09%

# Benchmark Comparisons September 30, 2020

## Cash & Cash Equivalents/Short Term Cash

<u>Entity</u>	<u>SFWMD</u>
SFWMD Book Yield	0.20%
S&P LGIP Index	0.13%

## Invested/Long-Term Investments

<u>Entity</u>	<u>Yield</u>	<u>Duration</u>
SFWMD Book Yield	1.75%	3.08
Merrill Lynch 1-3 Year Index	0.13%	1.83
Southwest Water Management District	1.27%	1.46
St. Johns Water Management District	1.48%	1.83

*\*Lower cash yield due to operating account “cash drag” at .10% yield*

# Discussion

