

MEMORANDUM

TO: Governing Board Members

FROM: Paul E. Dumars, Sr., Chief Financial Officer, Executive Office

DATE: June 9, 2010

SUBJECT: **Recommendation to Approve the Opening of New Investment Accounts with the Florida Local Government Investment Trust (FLGIT) for the Investment of Surplus Cash**

Background

District policy and Florida local government standards state that it furthers the public interest to invest monies not immediately needed for expenditures and to maximize the earnings on those funds, in accordance with State laws governing the investment of public funds. The primary focus is on safety and liquidity of investment products, and if deemed prudent, to maximize the yield on a those investments.

Given the historically low interest rate environment, staff has conducted research into viable investment options. District' staff has identified the FLGIT fund as an alternative to overnight money market funds or longer term investments. While current average money market funds yield 0.25% and longer dated investments average 2.0%- 3.0%, the FLGIT offers a middle ground alternative. The funds average investment maturity is less than two years and currently yields 1.30%.

The Florida Local Government Investment Trust is a local government investment pool (LGIP) developed through the joint efforts of the Florida Association of Court Clerks and Comptrollers (FACC) and the Florida Association of Counties (FAC). It is the longest running member-owned and member-governed local government investment pool in the state of Florida. Organized on December 12, 1991, The Florida Trust is designed to complement existing investment programs by providing investment vehicles for funds that can be invested in short to intermediate term securities and have returns generally greater than the national average for money market instruments.

The Florida Trust offers two open-ended, professionally managed funds available only to public entities in Florida. Investments include: U.S. Treasuries, U.S. Agencies, Commercial Paper, repurchase agreements, asset backed-securities, corporate debt, municipal securities, mortgage backed securities, with a maximum five year maturity.

The trusts advisor is Payden & Rygel, one of the nation's largest fixed-income fund advisors. The fund is required to maintain a AAA at all times, and cannot purchase investments rated below A-.

Recommendation

Staff's recommendation is to invest a portion of the District's cash investment portfolio and a portion of COPS bond proceeds not currently needed to meet expenditures into the FLGIT fund. It is estimated that we will invest \$50M of the investment portfolio (6% of current portfolio total) and \$40M of COPS proceeds (18% of remaining bond proceeds) into two separate accounts.

Summary

Currently the Florida Trust manages over \$550 million for 30 Florida local governmental entities. We feel this is a safe, viable alternative for District cash. The fund is highly rated, actively managed and provides an opportunity to safely diversify cash funds while meeting all expenditure needs of the District.