

TOWN OF LOXAHATCHEE GROVES

155 F Road Loxahatchee Groves, FL 33470



AGENDA MEMO

TO: Finance Advisory and Audit Committee

FROM: Christopher Wallace, Finance Director

VIA: Francine L. Ramaglia, Town Manager

DATE: June 25, 2024

SUBJECT: Review of Town Investment Policy And Current Investment Position

Background:

At its last meeting, the FAAC inquired about the opportunities the Town has to increase its investment or deposit income. Since interest rates have risen from near zero levels, this is a good time to re-evaluate this issue. The Town's investment policy (attached) is guided by the following guidelines:

1. **Safety.** The principal should not be at risk.
2. **Liquidity.** The funds should be readily available to the Town without restrictions that might imperil the Town's cash flows needs.
3. **Yield.** Given the requirements of Safety first and Liquidity second, the Town should generate the greatest yield possible.

The Town currently maintains its funds, both current and surplus, in the following accounts:

1. Deposits held at Bank United and Wells Fargo. Both banks are "Qualified Public Depositories (QPD)" under the state law governing local government deposits. Because deposits are insured by the FDIC to \$250,000, the State requires that QPD's provide collateral for the amount of public deposits held by the bank. The collateral is basically guaranteed government securities.
2. An investment account at the State Board of Administration. This is called Florida PRIME, and it is a AAAM S&P Global-rated money market fund. It has daily availability to the Town. The fund uses the S&P US AAA & AA Rated GIP All 30-day Net Yield Index benchmark.

3. An investment account at the Florida League of Cities Florida Municipal Investment Trust (FMIT) which is a AAAf Fitch-rated fund, and which has funds availability twice per month. This fund is an ultra-short term fixed income fund with a benchmark of BOA 1-year treasury note.

There are other investment options available in other local government investment pools. However, my recommendation is to close the deposit account at Wells Fargo and investment account at FMIT and move the funds into the Town's account at Florida PRIME. This account meets the Town's "SLY" guidelines, generates the less amount of fees, and almost always outperforms other options. Its operational guidelines meet the Town's needs.

A concise summary of the current options follows:

**Town of Loxahatchee
Groves Surplus Funds
Options**

	Florida Prime	FMIT 0-2 year	FMIT 1-3 years	Wells Fargo (requires compensating balance)
Amount Invested	1,000,000	1,000,000	1,000,000	750,000
1 year yield	5.66% net	4.93% gross of fees. 4.68 net	3.99% gross of fees, 3.75% net	5.17% gross, 4.97% net
simple yield after 1yr	56,600.00	46,800.00	37,400.00	37,275.00
Difference to Florida Prime		(9,800.00)	(19,200.00)	(19,325.00)
Ratings	AAA S&P Global	AAAf Fitch	AAAf Fitch	AAA S&P
All in Fees	0.03%	0.25%	0.25%	0.20%
Funds Availability	daily	2x/Month	2x/Month	daily
Manager	Federated Hermes	Asset Consulting Group	Asset Consulting Group	Allspring Funds Management, LLC
Note 1	investment, not an insured deposit	investment, not an insured deposit	investment, not an insured deposit	investment, not an insured deposit

Additional information on each option is attached.

Should you need further information, please feel free to contact us.

Recommendations:

Receive and File.