

Memo

Date: September 1, 2016

TO: Investment Advisory / Finance Committee

FROM: Susan Smith, Finance Director

RE: Bid requirements for Investments and LGIPs

At the February 11, 2016 regular quarterly meeting, discussion ensued about whether the Town is required to bid out investments. Article V, Section 1 (a) of the Town Charter states:

Article V. - Town Finances

Sec. 1. - Finance director.

The town manager shall appoint a finance director who shall:

- (a) Collect and invest all funds of the town, provided the town commission shall direct the policy of investment of such funds, the investment or deposit of such funds to be done and made by competitive bids therefor, after due notice, or in such other manner as in the judgment of the town commission may be deemed in the best interest of the town; provided, each investment is secured in accordance with Florida State Statutes.*

This Charter language indicates that either a competitive bid OR in such other manner as deemed appropriate by the Commission, is acceptable.

Further more, per Town Attorney, a unit of local government's participation in local government investment pools ("LGIP") is specifically authorized pursuant to applicable Florida Statutes including Florida Statutes §§ 218.415 and 163.01 (the Florida Interlocal Cooperation Act of 1969). To participate in such LGIP's, Florida law requires that the governing body elect into the investment pool through the adoption of a resolution. The Florida Statutes can be construed in conjunction with the above Charter provision (and bid requirement) to not require a bid provided the Town Commission adopts a resolution setting forth particular findings pursuant to the statutes and Charter.

The FLCLASS investment, is considered a public investment fund, created under applicable Florida Statutes. The Town Attorney reviewed the FLCLASS Interlocal agreement and determined that the Town has legal authority to participate in intergovernmental investment pools, like FLCLASS pursuant to Florida Statutes 218.415(16).

Relevant excerpt (16)(a) states:

- (16) AUTHORIZED INVESTMENTS; WRITTEN INVESTMENT POLICIES.—Those units of local government electing to adopt a written investment policy as provided in subsections (1)-(15) may by resolution invest and reinvest any surplus public funds in their control or possession in:

(a) The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. [163.01](#).

The Town Attorney recommended that an election to participate in the FLCLASS (or other local government investment pool) could be made without a public bid provided a Resolution was adopted by the Town Commission which specified the following: (a) the Town Commission has a written investment policy; (b) the Town's written investment policy provides for investment and participation in intergovernmental investment pools; (c) applicable Florida law including Florida Statutes 218.415 and 163.01 permits local government participation in intergovernmental investment pools; (d) FLCLASS is a duly constituted intergovernmental investment pool organized under Florida law; (e) the Town Charter authorizes the Town Commission to make investment and deposits in the best interest of the Town; and (f) the Town Commission determines that the investment of moneys in the FLCLASS pool investment fund is in the best interest of the Town.

Generally RFP's are not issued for liquidity investments due to the very short nature of the various products. These liquid products change in value on a daily basis and many of the yields are reflected by the nature of the fee structure of the entity managing the funds/pools, which is evident here in the State of Florida. If you select a manager or pool that has a higher expense ratio than a competing product, your daily return is at the discretion of the fund's manager who can dictate fees. You may be leaving significant interest income on the table for this very reason

I have asked Chandler Asset Management to research the various LGIPs available which is attached. They will also explain the process they will use for comparison of rates and expenses.

Recommendation

That the Investment Advisory Committee consider an interlocal agreement to become a Signatory Public Agency of an LGIP; to allow the Finance Director to bring forward a recommendation to the Town Commission; and to authorize the Town Manager to sign all necessary documents.

Financial Impact

Greater interest earnings.

Florida Local Government Investment Pools (Stable Net Asset Value)
Florida Statutes 163.01 and 218.415
As of August 30, 2016

LGIP	Sponsor	Assets	SEC Yield 7 Day	Average Maturity	Administrator	Admin Expenses	Inv Advisor	IA Expenses	Marketing	Total Expenses	Issues
Florida Prime Fund	Florida State Board of Administration	\$7.485B	0.75%	37/59 days	SBA	1.02 bp	Federated	0.75 bp	Federated	2.01 bps	Institutional memory of 2007 financial crisis
FLGIT Day to Day Fund (Florida Local Government Investment Trust)	Florida Assoc of Counties	\$514.9M	0.53%	39 days	Civitek	??	Payden & Rygal	??	FLGIT	15 bps	Fees are estimated, difference between gross & net 30 day yields
Florida CLASS (Florida Cooperative Liquid Assets Securities System)	Public Trust Advisors	\$607M	0.74%	47/69 days	PTA	??	PTA	??	PTA	15 bps	Inception 6/1/15; portion of expenses waived
FL Education Investment Trust Fund	Florida Assoc of District School Superintendents	\$418M (as of 05/31/2016)	0.66%	41/76 days	PFM Asset Management	14 bps	PFM	10 bps	PFM	24 bps	10 bps of fees (currently waived)
Florida FIT CP Pool (Florida Fixed Income Trust CP Pool)	Wertz York	\$245.7M (as of 06/30/2016)	0.70%	40 days	Wertz York	??	Wertz York	??	Wertz York	not published	FL FIT does not publish an information statement, not sure if yield is gross or net of expenses
Florida SAFE (Florida Surplus Assets Trust Fund)	PMA Financial	\$152M	0.55%	??	FL Management and Administrative Services	5 bps	Prudent Man Advisors	7 bps	PMA Securities	25 bps	PMA consists of Prudent Man Advisors, PMA Financial Advisors, and PMA Securities