

ADOPTED 2005 BUDGET

DEPT: EARNINGS ON INVESTMENTS

UNIT NO. 1900-1850

FUND: General - 0001

OPERATING AUTHORITY & PURPOSE

Pursuant to Sections 66.0603(2) and 219.05 of the Wisconsin Statutes, a county has the authority to invest any of its funds not immediately needed in time deposits of a bank, credit union, trust company or savings and loan association, or in bonds or

securities issued or guaranteed as to principal and interest of the U.S. Government, Federal agency and instrumentality securities, highly rated corporate securities or repurchase agreements.

BUDGET SUMMARY			
	<u>2003 Actual</u>	<u>2004 Budget</u>	<u>2005 Budget</u>
Earnings on Investments	\$ 3,701,746	\$ 4,837,500	\$ 5,508,158

STATISTICAL SUPPORTING DATA

Earnings on All Funds	\$	4,459,252	\$	5,912,500	\$	6,503,158
Earnings on Trust Funds, Reserves and Other Deferred Interest Liabilities		(710,001)		(765,000)		(765,000)
Earnings on Proprietary Fund Bonds Allocated to the Capital Fund and Debt Service Fund		(47,505)		(150,000)		(60,000)
Investment Expense				<u>(160,000)</u>		<u>(170,000)</u>
General Fund Earnings	\$	3,701,746	\$	4,837,500	\$	5,508,158

For the 2005 Budget, an average investment balance of approximately \$247 million is expected to be available for investment at an average interest rate of 2.62 percent. This will result in \$5,508,158 of net investment earnings available to the General Fund. The interest rate for the 2005 Budget is projected to be lower than the 2004 budgeted rate of 2.75 percent, however, the average balance available for investment is expected to increase to \$247 million.

Construction fund earnings on unspent bond proceeds for proprietary fund departments are recorded directly in the capital projects fund. These investment earnings are used to offset capitalized interest expense for projects that are under construction. Investment earnings on bonds that have lapsed to the sinking fund are recorded in the debt service fund.

Projected earnings of \$60,000 on unexpended bond proceeds for proprietary fund departments or restricted general fund projects are anticipated for 2005. These earnings are reflected as revenues recorded directly in the capital projects fund.

Earnings on trust funds, reserves and other deferred interest liabilities include trust funds for the Airport, Zoo, Office for Persons with Disabilities, Federated Library System, Art Museum, Charles Allis Art Museum, Friends of Boerner, Law Enforcement Block Grant, Wolcott Memorial and HUD-Rent Assistance. Those earnings are estimated at \$765,000 for 2005.

In 2001, the Treasurer's Office entered into a three-year service contract, with two automatic renewals, with Dana Investment Advisors, Inc. and a one-year service contract in 2002, with three automatic renewals, with Marshall & Ilsley Trust Company for investment management services. The decision not to renew the contract is at the discretion of the Treasurer. A 1997 internal audit recommended a Request for Proposal (RFP) or bid process to make decisions about which investments best meet the County's needs and fit the County's investment policy.

The 2005 Budget for investment advisors is \$170,000.

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The Treasurer also maintains cash in money market funds, on which the return in 2004 is expected to be approximately 0.8% to 1%. These are funds that are needed in the short term for County operating expenses.

The Treasurer may adjust the allocated portfolio balances based on analysis of the market returns provided by the contracted investment advisors and the independent Citizen Advisory Committee. For example, in 2004, the amount allocated to DANA Investment Advisors was increased to \$45 million in the second quarter due to the greater net return on investments achieved by these investment advisors.