COUNTY DEPARTMENT AGENDA REQUEST

Department:	Finance	Presenter(s):	Mary S. Holland
Meeting Date:	Thursday, May 13, 2010	Type of Request:	Old Business

Wording for the Agenda:

Approval of staff's recommendations related to strategies for managing financial investments.

Background/History/Details:

On September 10, 2009 the Board of Commissioners accepted staff's proposal to contract with MBIA Asset Management (later to be re-named Cutwater Asset Management) for investment advisory services. Afterward, staff worked with Cutwater Asset Management to develop an overall investment strategy to guide investment decision-making and management.

The investment strategy places funds into one of two portfolios:

- Enhanced Cash Portfolio: This would include cash needed in the short-term, and would involve investments with an average maturity of six months.
- Core Portfolio: This would be composed of funds available for a longer time, and would include investments with an average maturity of 1.5 years.

Investment strategies will comply with applicable Georgia Code, and the county's Investment Policy and Procedures.

Staff would like to have the Board's approval of this approach before moving forward.

What action are you seeking from the Board of Commissioners?

Approval of the proposed approach and investment strategies for working with Cutwater Asset Management in their role as investment advisor.

If this item requires funding, please describe:

Not Applicable.

Has this issue come before the Commissioners in the past?	Yes	If so, when?	Thursday, September 10, 2009
Do you need audio-visual for the presentation?	No	Back-up Material Submitted?	Yes

STAFF USE ONLY

Approved by Finance	Yes	Reviewed by Legal	
Approved by Purchasing	Not Applicable	Approved by County Clerk	Yes
Administrator's Approval	Yes		

Staff Notes:

Fayette County
GEORGIA

Where Quality Is A Lifestyle

To: Jack Krakeel

From: Mary S. Holland

Date: March 1, 2010

Subject: Investment Strategy

Staff has been working with our investment advisors, Cutwater Asset Management on an overall investment strategy for Fayette County. As you know, Cutwater is the new name for MBIA Capital Management Corp. The following investment program has been developed that will complement the County's existing investment policy of liquidity, safeguarding assets, and best return on investment. The program contains two strategies, an enhanced cash portfolio and a core portfolio, based on the County's investment policy, Georgia Code, and the County's cash flow analysis and current and anticipated market conditions.

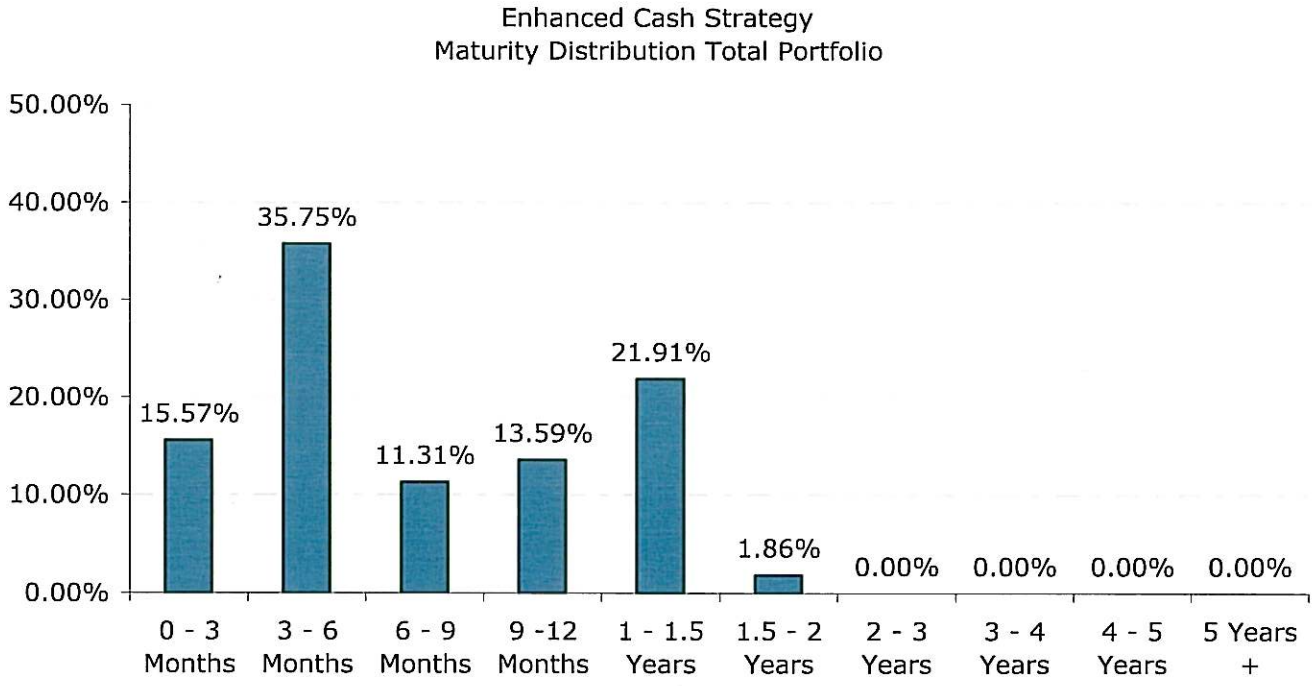
Statistics common to both the enhanced cash and core strategies include:

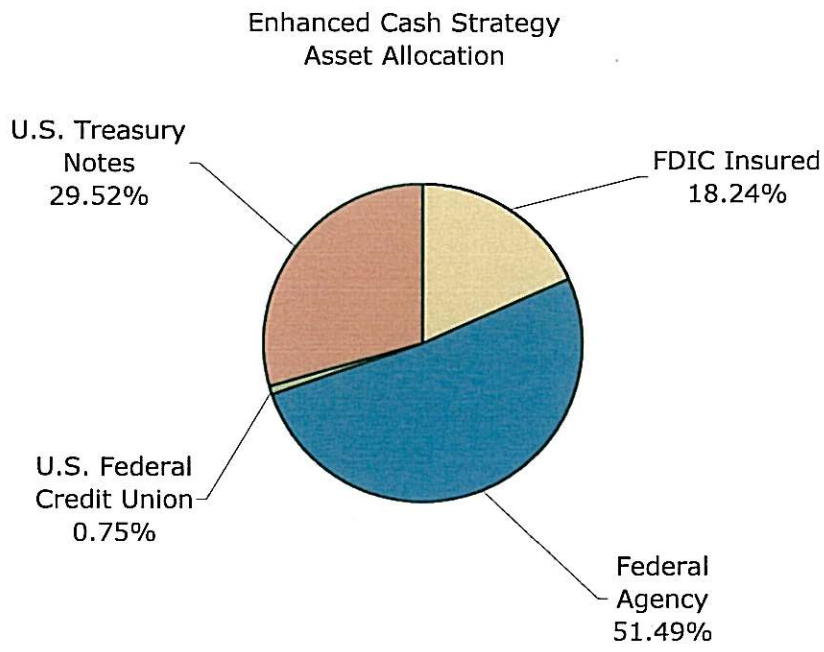
- AAA portfolio rating
- Diversified asset allocation
- Securities held in County's name with third party
- Compliant with investment policy
- Compliant with Georgia Code

The enhanced cash will be managed to provide ongoing liquidity using a six month weighted average maturity while the core will be managed for longer-term liabilities with a 1.5 year weighted average maturity. Attached are charts displaying the total maturity distributions and asset allocations for each strategy.

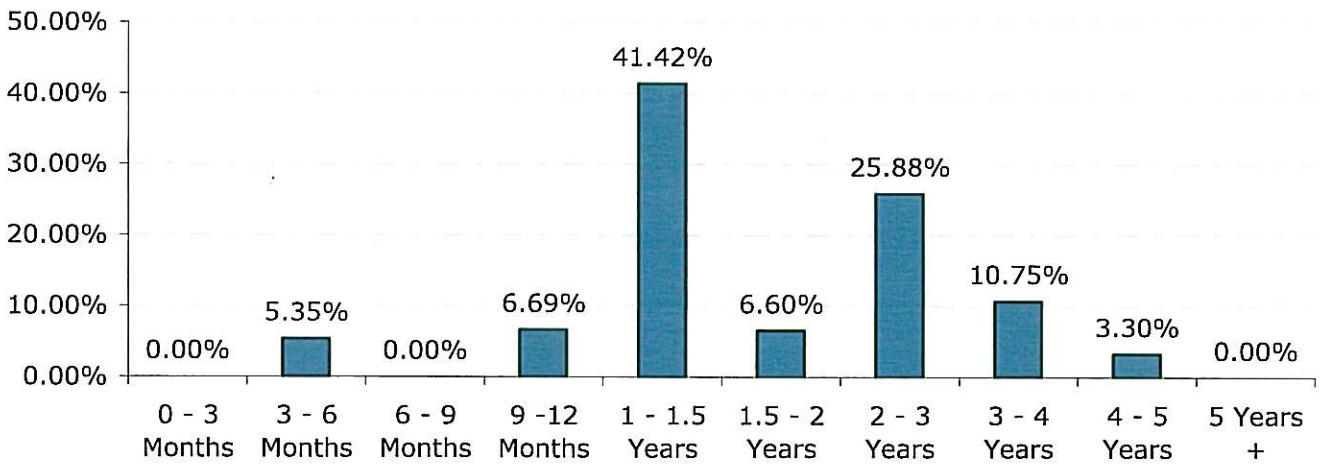
In addition, Cutwater contacted multiple custodial service providers on the County's behalf. Attached is a pricing analysis chart comparing the top three qualified candidates, Bank of New York, Regions Bank, and TD Bank. Both TD Bank and Regions Bank charge an annual administrative fee. Regions also charges a security transaction fee of $30 for each trade over three. The Bank of New York fee is 0.0065% based on portfolio size. All things considered, staff is recommending going with the Bank of New York. Per our agreement with Cutwater, our annual flat rate covers this fee.

Staff is requesting approval to move forward with the recommended custodian and proposed investment strategies.

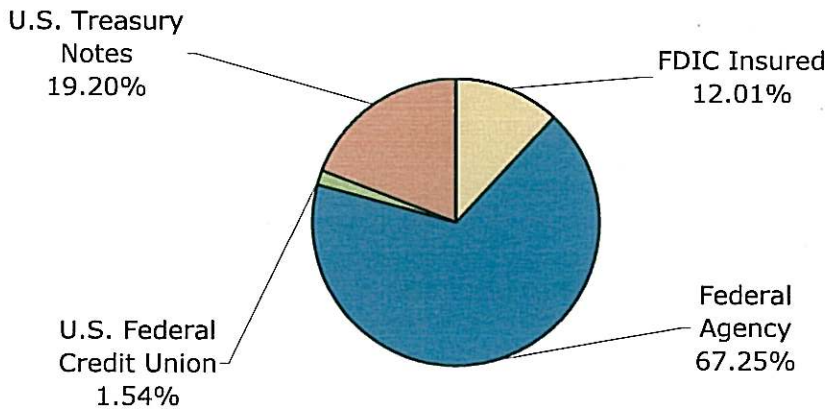

Enhanced Cash Strategy
Maturity Distribution Total Portfolio
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
15.57%
35.75%
11.31%
13.59%
21.91%
1.86%
0.00%
0.00%
0.00%
0.00%
0 - 3 Months
3 - 6 Months
6 - 9 Months
9 -12 Months
1 - 1.5 Years
1.5 - 2 Years
2 - 3 Years
3 - 4 Years
4 - 5 Years
5 Years +


Enhanced Cash Strategy
Asset Allocation
U.S. Treasury Notes 29.52%
FDIC Insured 18.24%
U.S. Federal Credit Union 0.75%
Federal Agency 51.49%

Core Portfolio Strategy
Maturity Distribution Total Portfolio



Core Portfolio Strategy
Asset Allocation



Fayette County
Custodial Services Pricing Analysis

Portfolio and Trading Assumptions[1]	Portfolio Size	Monthly Trades	Annual Trades
Core Portfolio	$ 20,000,000	5	60
Short Term Portfolio	$ 20,000,000	5	60

Fee Structure	Fee Schedule	Bank of New York[2]	Fee Schedule	Regions Bank[3]	Fee Schedule	TD Bank
Annual Administrative Fee	$ -	$ -	$ 1,250.00	$ 1,250.00	$ 4,500.00	$ 4,500.00
Account Administrative Fee Core	0.0065%	2,600.00	0.0000%	-	0.0000%	-
Account Administrative Fee Short	0.0000%	-	0.0000%	-	0.0000%	-
Reporting/Statement Fee	$ -	-	$ -	-	$ -	-
Security Transaction Fee	$ -	-	$ 30.00	1,440.00	$ -	-
Total Estimated Annual Fee		**$ 2,600.00**		**$ 2,690.00**		**$ 4,500.00**

1. Actual Portfolio size and trading activity may vary.
2. Bank of New York proposed three pricing options. Option shown is lowest fee based on current assumptions.
3. Regions Bank Annual Administrative Fee $750 for first account and $500 for each additional account and includes first 3 trades included per month.