

COUNTY EXECUTIVE'S 2009 BUDGET

DEPT: EARNINGS ON INVESTMENTS

UNIT NO. 1992
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 | | | |
|-------------------------|--------------------|--------------------|--------------------|
| | 2007 Actual | 2008 Budget | 2009 Budget |
| Earnings on Investments | \$ 12,980,600 | \$ 8,041,000 | \$ 5,962,842 |

| Statistical Reporting Data | 2007 Actual | 2008 Budget | 2009 Budget |
|--|--------------------|--------------------|--------------------|
| Earnings on all Funds (net of Mark-to-Market) | \$17,726,470 | \$12,600,000 | \$8,060,140 |
| Earnings on Trust Fund Reserves and other Deferred Interest Liabilities | (\$1,650,163) | (\$1,767,000) | (\$1,209,127) |
| Earnings on Bonds Allocated to Capital Fund and Debt Service Fund | (\$3,095,707) | (\$2,792,000) | (\$888,171) |
| General Fund Earnings | \$12,980,600 | \$8,041,000 | \$5,962,842 |

Average Daily Balance

The average daily investment balance for 2009 is projected at \$311 million, based on experience in 2008. The earnings on investment rate for the 2009 Budget is projected at 2.6%, which is a reduction of 1.6% from the 2008 Adopted Budget. A 2.6% total rate of return will result in \$5,962,842 of net investment earnings.

Mark-to-Market

The General Accounting Standards Board in Statement 31 (GASB 31) requires governmental entities to report investments that have maturities greater than one year at fair market value. Therefore, the County will report a loss when the book value is greater than the fair market value. This amount is recorded in the investment earnings budget. When the book value is less than the fair market value, the County books the gain to a reserve to offset future losses. The County has experienced losses that have exhausted the reserve and resulted in the recording of losses in the investment earnings budget. The losses have been captured in the Earnings on all Funds (net of Mark-to-Market) line in the table above.

Earnings on Trust Funds, Reserves and Other Deferred Interest Liabilities

Budgeted restricted earnings total \$1,209,127 for 2009. The budgeted amount includes earnings on

the following funds: Airport (non-bonds), Zoo, Office for Persons with Disabilities, Federated Library System, Art Museum, Charles Allis Art Museum, Friends of Boerner, Law Enforcement Block Grant, Wolcott Memorial, HUD-Rent Assistance and Milwaukee County Historical Society. Previous amounts included bond proceeds for Airport Revenue Bonds. The earnings for the Airport Revenue Bonds have been included in the amount for the Earnings on Bonds Allocated to Capital Fund and Debt Service Fund.

Earnings on trust funds, reserves and other deferred interest liabilities were estimated at 15.0% of the Earnings on all Funds.

Earnings on Bonds Allocated to Capital Fund and Debt Service Fund

The 2009 budget includes \$888,171 in earnings on unspent bond proceeds for all departments. The earnings are recorded in the capital projects fund. These investment earnings are used to offset capitalized interest expense for projects that are under construction or in progress. Investment earnings on bonds that have lapsed to the sinking fund are recorded in the debt service fund.

Earnings on bonds were estimated at 11.0% of the earnings on all funds.