



DATE: August 21, 2023

TO: Supervisor Marcelia Nicholson, Chairwoman, County Board of Supervisors

FROM: David Cullen, Treasurer
Scott B. Manske, Comptroller

SUBJECT: 2023 Investment Earnings Projected Surplus

Per Milwaukee General Ordinance 15.215, the Treasurer is responsible for the investment of County funds; and per Wisconsin Statutes Section 59.255(2) and County Ordinance Section 56.02(2), the Comptroller is required to provide a monthly update of the fiscal condition of the County.

The Treasurer and Comptroller have reviewed the investment earnings of the County and are projecting a surplus that will likely exceed \$17,000,000 for the 2023 fiscal year. It is important to note, however, that the County continues to see fluctuations in its mark to market earnings, which is a required entry per the Governmental Accounting Standards Board (GASB). Mark to market for long term investments (US government securities, municipals, and corporates) involves adjusting the value of assets to reflect the value as determined by current market conditions. Mark to market earnings will have an impact on the final year end numbers but are difficult to estimate so they are excluded from this calculation.

2023 Investment Earnings Budget v. Actual	
Investment Earnings BUDGET	\$ 5,382,871
Investment Earnings PROJECTION	\$ 22,500,000
SURPLUS/(DEFICIT)	\$ \$17,117,129

The projected surplus is largely a result of two factors: higher-than-average daily balances and significant earnings rates on short-term and daily investments.

The County is achieving significant earnings on the County's daily and short-term investments in the Associated Bank, Local Government Investment Pool (LGIP), and US Bank. Typically, earnings on these investments provide little revenue to the County. For 2023, however, the projected investment income on these investments is anticipated to exceed \$17,000,000. For comparison purposes, the following table shows the year-to-date yield for book earnings during both June of 2023 and June of 2021.

Interest Rate Comparison – Short-Term and Daily Investments		
	June 2021	June 2023
Associated Bank	0.120%	2.920%
Local Government Investment Pool	0.061%	4.727%
US Bank – Daily Investments	0.006%	4.313%

The significant earnings are also a result of higher average daily balances available for investing. The higher average daily balance available is due to 1) unspent American Rescue Plan Act (ARPA) funding that the County has received, but not yet spent and 2) an increase in the County's Debt Service Reserve that is

available for investing. For comparison purposes, the average daily investments for the years 2019 – 2022 for the Associated Bank, Local Government Investment Pool, and US Bank are shown below.

Average Daily Investments – Short-Term and Daily Investments					
	2019	2020	2021	2022	2023
Associated Bank	\$50,338,462	\$48,947,149	\$92,482,337	\$116,481,456	\$75,836,338
Local Government Investment Pool	\$66,382,007	\$60,506,762	\$89,222,410	\$134,956,065	\$121,213,805
US Bank – Daily Investments	\$22,205,479	\$31,079,235	\$24,301,370	\$109,972,603	\$255,082,872

While the current investing environment is resulting in significant earnings for the County, as the County's average daily balance decreases due to future ARPA expenditures and as the market cools, these earnings will likely return to more typical levels the County has experienced in the past.