

MILWAUKEE COUNTY
Interoffice Memorandum

Date: February 20, 2014
To: Willie Johnson, Jr., David Cullen, co-Chairs, Finance, Audit and Personnel Committee
From: Daniel Diliberti, Milwaukee County Treasurer
Subject: 2013 Annual Report on Earnings on Investments (Informational Item)

The attached 2013 Earnings on Investments year-end report is provided as an informational item to this committee. As noted in the report, 2013 ended with a deficit of \$793,646 in the Non-departmental Budget 1992 - Earnings on Investments Budget.

In accounting for this deficit, a number of factors needed to be considered as to the origin of this shortfall.

First, the \$1.7 million dollar revenue figure that was placed in the 2013 Budget was higher than the amount projected by our investment advisors. This office submitted a proposed budget that included projected 2013 General Fund Earnings of \$1,376,740 for the 2013 year. However, those earnings were increased to \$1,711,411 during the budget process.

The second factor is a little understood investment accounting term called "Total Return". Total return includes earnings plus the increase or decrease in the value of our investment portfolio – as noted in the "market Adjustment" line of this report. The Total Return is arrived at in our Investment Report by subtracting the "Market Adjustment" from the total "Earnings on Investments". This year, because of the behavior of the market, the Market Adjustment was higher than expected for the categories of investments in which we are allowed to place our investments. The Market Adjustment is noted on the Investment Report as "unrealized" because of the fact that this change in value was not actually realized because the securities were not sold. Accounting principles require that the market adjustment be included in the calculation of the bottom line of our investment report in order to reflect "Total Return".

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Investment Reporting Form

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|--|-----------------|
| Report for Year-to-Date | <u>12/31/13</u> |
| Average Net Daily Amount Invested | \$451,985,201 |
| Average Rate of return (year-to-date) | <u>0.46%</u> |
| Actual Investment Earnings (All Funds) | \$2,099,043 |

Estimated Year to Date

| | |
|---|----------------------|
| Projected Earnings on Investments (All Funds) | \$2,099,043 |
| *Projected Earnings on Trusts, Reserves, Capital Fund, Etc. | (\$118,000) |
| Market Adjustment (Unrealized) | <u>(\$1,063,278)</u> |
| General Revenue Fund Earnings | \$917,765 |
| Budgeted General Fund Earnings | \$1,711,411 |
| <u>Deficit/Surplus</u> | <u>\$793,646</u> |

Prepared by: 
Daniel J. Diliberti
Milwaukee County Treasurer

*Information based on estimates of reported earnings provided by the Department of Administration