

Making sense out of dollars

□ Counties that bank on income from tax dollars are shifting money into longer-term investments in order to maximize their earnings.

By Robin Benedick

OF THE SENTINEL STAFF

So, you want more bang for your investment dollar?

You aren't alone.

With the economy flat and interest rates tumbling, governments, like private investors, aren't making as much money on their investments. To cushion their losses, officials in six Central Florida counties and the Florida treasurer's office are shuffling millions of tax dollars into longer-term investments that reap higher interest earnings.

But simply moving money around may not be enough, they said.

"We are doing everything we can to maximize earnings," said Bruce Gillander, chief of banking for State Treasurer Tom Gallagher. "But we don't see much movement in rates."

The \$66.8 million in interest Central Florida counties earned in 1992 ranged from \$2.3 million in Lake to \$30 million in Orange. That's 16 percent less than the \$79.7 million they made in 1991. Interest income, which amounted to 5 percent of Orange County's revenues in 1992, pays expenses such as employee salaries, fire stations and sewer improvements.

Interest rates last year ranged from Volusia County's 3.9 percent to Lake County's 6 percent. That compares with 1991 yields, which ranged from Seminole County's 6.9 percent to Brevard County's 8.3 percent.

These tough economic times have left governments with less interest income. Orange County taxpayers, for example, earned \$4.3 million less in 1992 than the previous year. But county coffers didn't suffer because budget officials had conservatively projected less interest income than what the county actually earned.

Gillander and county investment managers predict more of the same this fiscal year, which ends Sept. 30. The bottom line, they said, is that no county is earning as much as it did in the late 1980s when governments could make 8 percent interest on short-term investments. Today, counties and individuals are lucky to get 3 percent.

Governments invest tax dollars they are waiting to spend in various ways, from bonds to money markets and mortgage-backed securities. To make more money, officials are shifting money from some short-term investments, such as certificates of deposit, which have decreased in value, to longer-term investments, such as U.S. treasury bonds and federal loan programs, that can offer higher interest rates.

"We just have to be as conservative as possible and get what we can, but we're not just throwing the dice," said Bob Wilson, Seminole County's finance

Please see INVEST, K-4

Counties try to maximize their earnings

INVEST from K-1

director.

Finding the best rates isn't easy. County investment managers are constantly calling bankers and stock brokers, poring over financial journals, crunching numbers on calculators and staring at the latest interest rates on their computer screens. They are county treasurers, shifting money between funds to make sure there is enough cash on hand to pay salaries and utility bills while still offering millions for investment.

"It's become much harder to make money," said Orange County Comptroller Martha Haynie. Her investment manager, Steve Alexander, said he constantly looks for deals by getting bids from three banks and brokers for each transaction.

By shopping around, Alexander and other investment managers are able to diversify their investments. Most Central Florida counties invested the bulk of their money last year in a fund for local governments that is managed by the State Board of Administrators. The advantage of the SBA, which invests in areas such as treasury bills and government securities, is that counties with fewer dollars to invest can get the same rate of return as larger counties.

More than a quarter of Orange

County investment returns

Investment earnings for Central Florida counties and State of Florida in fiscal year 1991-1992.

County	Avg. amount Invested (in millions)	Interest earned (in millions)	Avg. 1991-1992 yield (percentage)	Avg. 1990-1991 yield (percentage)
Brevard	\$225	\$12.5	5.2	7.1
Lake	\$36.2	\$2.3	6	9
Orange	\$602	\$30	5.1	7.2
Osceola	\$69.9	\$3.2	4.6	7.2
Seminole	\$126.3	\$7.8	5.4	6.9
* Volusia	\$109.7	\$11	3.9 to 8.8	6.2 to 10.4

The state of Florida had investments of \$5.1 billion in 1991-92. It earned \$347 million in interest. The average yield was 6.78 percent in 1991-92 compared with 8.58 percent in 1990-91.

Fiscal year runs from Oct. 1 through Sept. 30.

* County could not provide an average yield.

SOURCE: County finance departments and Florida Treasurer's office.

County's money is in the SBA pool; a third is in federal loan programs, such as the Home Loan Bank, Farm Credit Bank and Home Loan Mortgage Corporation; 27 percent is in U.S. Treasury bills and notes; and roughly 1 percent is in certificates of deposit. The rest is in areas such as mutual funds, repurchase agreements and commercial paper, where the county gets interest by loaning money to corporations.

Some counties — Brevard, Seminole and Osceola — are putting their money into investments backed by home mortgages that offer higher interest rates. These are known as CMOs, collateralized mortgage obligations, and ARMs, adjustable rate mortgages. They

can be riskier for several reasons. They are 30-year investments, and interest rates can drop during that time. Also, the investor can earn less interest income if homeowners refinance their mortgages at lower rates.

"You have to be very careful, and there is some gambling in it," warned Bill Tettermer, Osceola County's investment manager.

Tettermer and other investment managers will continue searching for new ways to make money to offset budget cuts and reduce the need for property tax increases. But they can only do so much.

"I don't think the economy is going to turn around for us," Tettermer said. "But hopefully, it won't get any worse."