

Wakulla County

13th Annual Investment Report

For

Fiscal Year Ended September 30, 2023

Prepared by the Wakulla County Clerk of Court, Finance Department



Board of County Commissioners,

As your Clerk of Court, it is my constitutional duty to keep you informed of Wakulla County's (the County) investments and to provide an independent check and balance on County finances to ensure your tax dollars are safe and being used in a sound financial manner.

The Clerk's Office is tasked with the responsibility of being the clerk and accountant to the Board of County Commissioners and custodian of County funds, among many other duties, as outlined in Florida Constitution Article VIII 1(d) and Florida Statute 125.17.

As part of being the custodian of County funds, we have the responsibility to invest the County's excess or surplus funds. Surplus funds are those funds that are on hand at any point in time that are above and beyond the funds needed to pay the current obligations of the County. For example, the County collects most of its ad valorem taxes in the months of December – February, but most of these funds will not be needed until July – September. All things being equal, some years have fewer surplus funds than others due to the number of or size of the capital projects ongoing during the fiscal year. These surplus funds are invested until they are needed. Wakulla County uses Section 218.415, Florida Statutes, entitled "Investment of Local Government Surplus Funds" as its Investment Policy.

In accordance with transparency, proper governance, and fiscal accountability, I provide you and the citizens of Wakulla County with an annual investment activity report. This report is written in such a manner that non-financial readers may have a better understanding of the County's investment policy, activity and how its investments impact the overall health of the County's finances and vice versa. The report that follows is for the fiscal year ended September 30, 2023.

Our office is charged with four primary responsibilities related to the investment of the County's surplus funds – transparency, safety, liquidity, and competitive returns with a minimum of risks. The optimization of investment income will always be last to safety and liquidity. As the accountant to the BOCC, I am glad to report that the County's surplus funds were safe and liquid even though investment income decreased this fiscal year. While investment income is not the top priority of our investment activity, it is an important component to the budget each year. Investment income is a "passive income" that allows the County to reduce the need for imposing additional taxes.

I am honored to serve as your Clerk of Court. I remain dedicated to promoting transparency and accountability in reporting the financial activities of our County in the investment of your taxpayer dollars. If you have any questions concerning the contents of this or any other report of our office, please contact me or my staff.

In your service,

Greg James
Wakulla County Clerk of Courts



TABLE OF CONTENTS

Cover letter	Page 2
Table of Contents	Page 3
Summary of Investment Policy	
• Scope	Page 4
• Investment Objectives	Page 4
• Prudence, Ethical Standards & Continuing Education	Page 5
• List of Authorized Deposits & Investments	Page 5
• Portfolio Composition, Risk & Diversification	Page 5
• Safe Keeping & Third-Party Custodial Agreements	Page 5
• Acquisition & Bid Requirements	Page 6
• Sale & Disposition	Page 6
• Internal Controls	Page 6
• Reporting & Auditing	Page 6
FY 2021/22 Investment Report	
• Total Comparative Cash & Investment Balances	Page 7
• Total Cash & Investment Balances by Instrument Type	Page 8
• Total Comparative Portfolio Growth	Page 9
• Total Comparative Investment Income	Page 9
• Market, Economic and Investment Conditions	Page 10
• Disclaimer, Disclosure & Notes	Page 12

SUMMARY OF INVESTMENT POLICY

The County does not have a stand-alone investment policy. Instead, Section 218.415, Florida Statutes serves as the County's investment policy. The following summarizes the investment policy of Section 218.415, Florida Statutes.

Scope

This policy applies to all cash in all funds, restricted or unrestricted, that are under the control of the Board of County Commissioners (BOCC) that are deemed "surplus" funds based on the current cash flow needs of the County. A list of the County's surplus funds as of September 30, 2023, will be provided later in this report.

The investment policy does not apply to any funds or accounts that may be in the County's possession which are required a) to meet the current obligations of the County and b) to be held in a separate account pursuant to a legally binding agreement such as debt sinking funds, grant funds, or other funds legally set aside. A list of the County's funds not available for investment as of September 30, 2023, will be provided later in this report.

Investment Objectives

There are four (4) investment objectives of the County, listed in order of importance: transparency, safety, liquidity, and return on investment. The order of these objectives is intended to minimize the risks inherent to any investment of funds.

It is of utmost importance for the County to be transparent to its citizens on the investment of taxpayer dollars and how and where they are invested. While this report serves several purposes, transparency is a primary objective.

The risks to the safety of County funds are minimized by a) limiting the types of investment instruments to those approved by F.S. 218.415(17) and only using qualified public depositories (QPD's) as defined in Chapter 280, Florida Statutes, and b) by diversifying the County's funds across several investment options. The risks to the liquidity of County funds are minimized by measuring the County's short-term cash needed to meet its obligations and monitoring the weighted average maturity of its investments. The risks to the return on investment of County funds are managed by monitoring market and economic conditions (i.e. fixed versus variable rates and length of maturity) on a routine basis.

There are five (5) components of investment risk: custodian credit risk, interest rate risk, credit risk, concentration risk and foreign currency risk. The Clerk's Office limits the County's exposure to these risks by following the sound investment policies established in F.S. 218.415. More information on these investment risks is discussed in the County's Annual Financial Report.

The safety and liquidity of the principal is more important than interest income. With these objectives in this order, the County has met its objectives if 1) no principal is ever lost, 2) surplus funds are available when needed to meet current obligations, and 3) if the County's surplus funds earned a reasonable and prudent level of interest income.

The Clerk's Office monitors the cash balances of the County's funds daily. The County's liquidity requirements to meet current obligations are based on recent historical averages, current capital project activity and routine conversations with the County Administrator and Budget Officer. The Clerk's Office ensures that the County's investment portfolio does not have an average maturity level that exceeds these current liquidity needs. The maturity of investments can affect the liquidity of the funds invested. As of September 30, 2023, all the County's funds were held in instruments that were 100% liquid with all balances available on a daily or next day basis. As such, there is no weighted average maturity of investments as of September 30, 2023. This is important to note when comparing the interest rates the County is getting with the interest rates of other optional investment instruments that would require the surplus funds to be unavailable for a period of time.

As of September 30, 2023, the County complied with the investment objectives outlined above. No principal was lost during the fiscal year, all current obligations were met on time in the face of a decline in investment income compared with the prior fiscal year.

Prudence, Ethical Standards & Continuing Education

The Clerk's Office has adopted the "Prudent Person Rule" which states that "Investments should be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment."

There are several ethical standards and codes of conduct which must be adhered to by the employees of the Clerk's Office. Those include but may not be limited to:

- Part III of Chapter 112, Florida Statutes – The Code of Ethics for Public Officers and Employees
- Article II, Section 8, Florida Constitution – The "Sunshine Amendment"
- Section 1.4 of Wakulla Ordinance 2015-2 – "Procurement Policy Ethics"

The Clerk's Office ensures that those employees responsible for making investment decisions complete annual continuing education in subjects or courses of study related to investment practices and products. As of September 30, 2023, the Clerk's Office complied with these standards.

List Of Authorized Deposits & Investments

The County is authorized to deposit funds in any bank that meets the criteria of a "qualified public depository" (QPD) pursuant to Chapter 280, Florida Statutes. While not legally required, the Clerk's Office prefers to maintain deposits in QPD banks that have a local presence within the County for several reasons.

Since the County has not adopted an official investment policy, Section 218.415(17) requires the County to restrict its investments to the following:

- The Local Government Surplus Funds Trust Fund (commonly referred to as Florida Prime)
- Any intergovernmental investment pool authorized pursuant to the Florida Inter-local Cooperation Act of 1969 as provided in Section 163.01, Florida Statutes
- Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency
- Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes
- Direct obligations of the U.S. Treasury
- Financial deposit instruments that are insured by the Federal Deposit Insurance Corporation (FDIC) in federally insured banks or savings and loan associations

As of September 30, 2023, the County's deposits and investments were limited to these types of authorized investments. The County's funds were invested in intergovernmental investment pools, money market funds and QPD's.

Portfolio Composition, Risk & Diversification

The Clerk's Office routinely monitors the composition of the County's investment portfolio to ensure surplus funds are properly diversified to reduce "concentration risk". Since the County does not have a written investment policy and the risk to the safety and liquidity of County funds is minimized due to the investment restrictions listed above, there are no specific percentages or parameters that must be met in its portfolio composition.

While no exact portfolio composition was required as of September 30, 2023, the Clerk's Office ensured throughout the year that the County's investment portfolio was well diversified across several banking institutions and investment pools.

Safekeeping & Third-Party Custodial Agreements

Every security purchased by the County shall be properly earmarked and:

- If registered with the issuer or its agents, must be immediately placed for safekeeping in a location that protects the County's interest in the security.
- If in book entry form, must be held for the credit of the County by a depository chartered by the Federal Government, the State of Florida or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the

laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida and must be kept by the depository in an account separate and apart from the assets of the financial institution.

- If physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. Securities should be held by a third-party and all securities purchased by the County and all collateral obtained by the County should be properly designated as an asset of the County.

As of September 30, 2023, the County's investments in intergovernmental investment pools were approved by the BOCC and an inter-local agreement or indenture of trust and an instrument of adoption was signed with each investment pool which outlines the safekeeping and custodial agreements with the County.

Acquisition & Bid Requirements

The Clerk's Office routinely monitors the availability of new or additional authorized investment options for the County's surplus funds. The Clerk's Office shall, upon approval of the Board, open new or additional investment accounts as it deems prudent in fulfilling the investment objectives and goals of the County. Due to the limited investment options, formal competitive bids are not required for the investment of surplus funds.

Investments in any intergovernmental investment pool, money market fund, time deposit or savings account or U.S. Treasuries should be determined by its liquidity (maturity) and by the current interest rate being offered at the time of consideration – both of which are publicly advertised for all these investment options, so no bidding is required.

As of September 30, 2023, all deposit accounts had been opened in accordance with the County's procurement policy and the investment accounts that were open were compared to other investment options and remain the most favorable for the County to meet its investment objectives (transparency, safety, liquidity, and yield).

Sale & Disposition

Authorized personnel of the Clerk's Office may sell, in whole or in part, any portion of the County's investments if needed for operating purposes or for more optimal investments. All sale proceeds must be immediately placed into the proper account or fund of the County. For FY22/23, no investments were sold prematurely to meet any current financial obligations of the County. Numerous transfers between operating accounts and investment accounts were made throughout the fiscal year as needed and all transfers were recorded in accordance with procedures.

Internal Controls

The Clerk's Office shall maintain written operational procedures as part of an overall system of internal controls which outlines how investment transactions are recorded, who must authorize and sign for these transactions, and who is authorized to deposit, withdraw and transfer investment funds. These internal controls should be designed to prevent losses of funds from fraud, employee error, misrepresentation by third-parties or imprudent actions by employees and create sufficient segregation of duties within the investment framework. These internal controls should be reviewed annually and audited by the independent audit firm of the County. As of September 30, 2023, the Clerk's Office had complied with all written operational procedures.

Reporting & Auditing

The Clerk's Office shall prepare and submit to the BOCC an annual investment report which outlines and highlights the investment activities of the fiscal year by investment class or type, book value (and market value if different), and income earned. The Clerk's Office should provide periodic reports to County officials as needed. The County's independent audit firm who conducts the annual audit pursuant to Section 218.39, Florida Statutes, shall report, as part of the audit, whether the Clerk's Office has complied with Section 218.415, Florida Statutes.

This report is the annual investment report for September 30, 2023, for the County and the assurance that the Clerk's Office complied with Section 218.415, Florida Statutes, is found in the County's Annual Financial Report. *It should be noted that the annual investment report for September 30, 2023, only includes BOCC accounts. Previous year's annual investment reports also included Clerk's Office accounts.*

FY 2022/23 INVESTMENT REPORT

As of September 30, 2023 (Unaudited)

Total Comparative Cash & Investment Balances

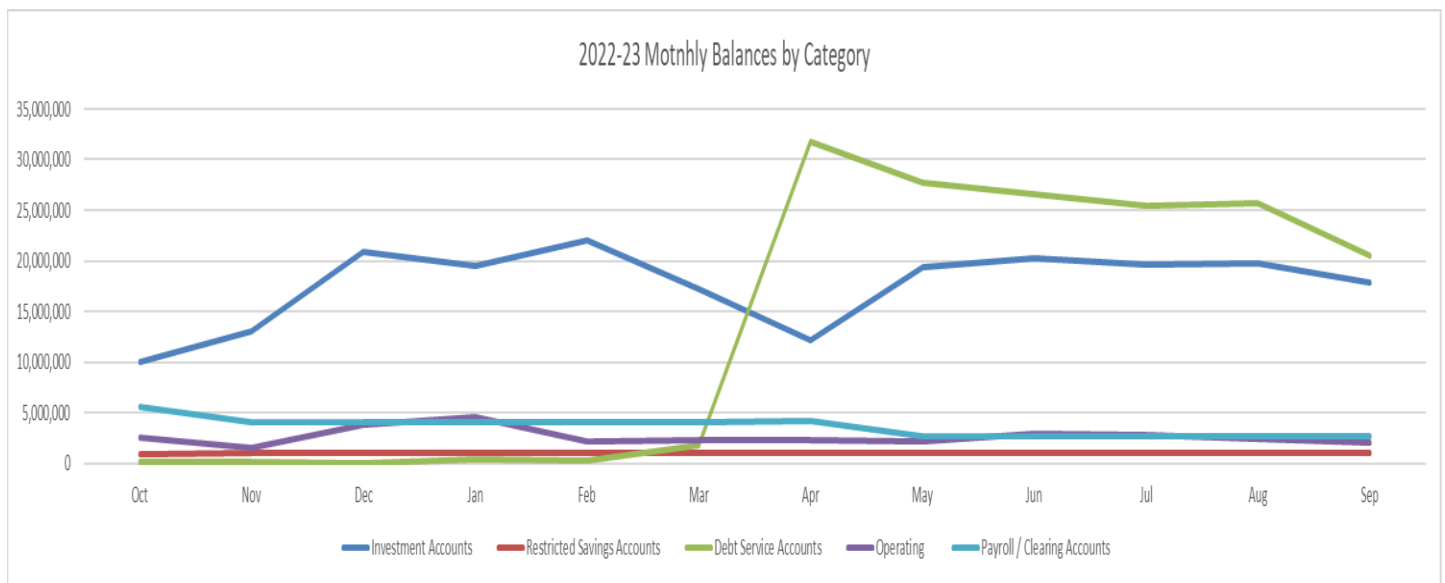
Cash deposits and investments held by the County as of September 30, 2023, consisted of sixteen (16) bank and investment accounts. These included six (6) investment accounts, three (3) restricted savings accounts, three (3) debt service accounts, three (3) operating and one (1) payroll/clearing accounts. On September 30, 2023, cash and investments amounted to \$44,069,835 compared to \$23,893,961 on September 30, 2022, an increase of \$20,175,874. This increase is primarily the result of the investment of project construction loan proceeds in the amount of \$30,000,000.

Comparative Cash & Investment Balances as of September 30, 2023

	9/30/2023	9/30/2022	Change
Portfolio Balance	44,069,835	23,893,961	20,175,874
Portfolio Blended Avg. Yield	2.59%	0.22%	2.37%
Fiscal Year Interest Income	1,533,656	160,333	1,373,323

There is a distinction between the cash balances at fiscal year-end (shown above) and average daily cash balances throughout the year. For example, the average daily cash balance available for all FY22/23 was \$36,040,207 as compared to \$27,402,999 in FY21/22 but the year-end cash balances as of September 30 for FY22/23 totaled \$44,069,835 as compared to \$23,893,961 in FY21/22. So, the County averaged \$8,637,208 more in excess cash available for investment throughout the year and ended the year with \$20,175,874 more in cash than the previous fiscal year.

The County’s cash balances *typically* are at their highest in December and January of the fiscal year after most of the County’s ad valorem taxes are collected. However, for FY22/23, the highest balance was \$52,957,586 in May of 2023, due to the County acquiring a \$30,000,000 line of credit to help fund sewer, road and other projects. That line of credit has altered the typical trend that is seen with the cash balances. For FY21/22, the highest was \$32,437,037 in January 2022. The County’s cash balances are typically at their lowest in October and November of the fiscal year just before the collection of these taxes with the lowest balance reaching \$18,692,952 in November of 2022 (last year the lowest was \$21,120,284 in November 2022).



The composition of the County’s cash and investment portfolio changes over the course of the fiscal year. The composition of funds in FY22/23 as compared to the prior fiscal year is:

Comparative Distribution of Portfolio By Instrument Type

Account / Investment Type	FY 22/23		FY 21/22		Increase / (Decrease) over	
Investment Accounts	46.65%	20,557,577	74.79%	17,870,323	-28.14%	2,687,254
Restricted Savings Accounts	1.84%	811,620	3.74%	893,911	-1.90%	(82,291)
Debt Service Accounts	46.92%	20,677,947	3.70%	884,035	43.22%	19,793,912
Operating / Trust Accounts	4.58%	2,018,858	17.68%	4,225,621	-13.10%	(2,206,763)
Payroll / Clearing Accounts	0.01%	3,834	0.08%	20,071	-0.08%	(16,237)
Total	100.00%	44,069,835	100.00%	23,893,961	0.00	20,175,874

Total Cash & Investment Balances by Instrument Type

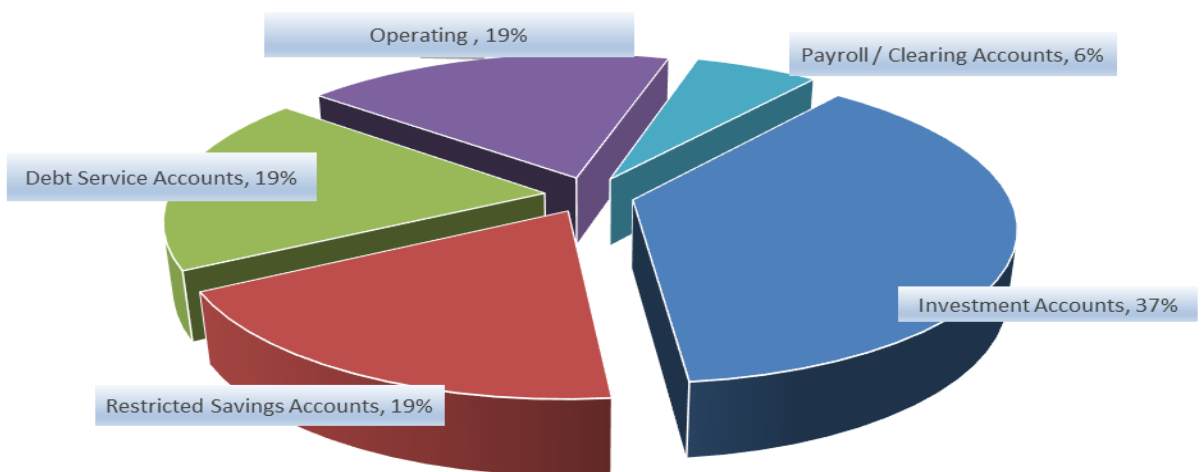
Many of the accounts that the County has opened exist due to external requirements put upon the County by lenders and grant agencies or internal requirements established through resolution or ordinance of the BOCC. Many of these accounts either do not earn any interest (the trust accounts) or earn very minimal amounts of interest (operating, debt service and payroll/clearing accounts). As will be discussed later, this lowers the average or blended rate of return for the County. The Clerk’s Office focuses more on the interest rates for the County’s investment accounts as those surplus funds can be moved around to improve the overall interest income of the County. The following is a chart and graph of the County’s cash and investment balances by type of account and the annual blended rate of return for each account type as of September 30, 2023:

Portfolio Breakdown as of September 30, 2023

Account / Investment Type	Number of Accounts	Book Value	Portfolio Composition	Blended Interest Rate
Investment Accounts	6	20,557,577	46.65%	1.94%
Restricted Savings Accounts	3	811,620	1.84%	0.12%
Debt Service Accounts	3	20,677,947	46.92%	0.44%
Operating	3	2,018,858	4.58%	0.08%
Payroll / Clearing Accounts	1	3,834	0.01%	0.25%
Total	16	44,069,835	100.00%	2.59%

* The “Blended Interest Rate” is the average of all the interest rates of all the accounts held by the County over the course of the fiscal year.

Portfolio Composition by Investment Type as of September 30, 2023



■ Investment Accounts ■ Restricted Savings Accounts ■ Debt Service Accounts ■ Operating ■ Payroll / Clearing Accounts

Total Comparative Portfolio Growth

The funds available for investment are directly related to a) the health of the County’s fund balances and b) the number and size of capital projects in the year. As fund balance improves, more funds are available for investment. At the same time, funds held and built up for the purpose of capital projects, for the purchase of vehicles and various equipment, or for infrastructure improvements will deplete funds available for investment when they are spent. The following is a multi-year comparison of the County’s cash and investment portfolio at the date indicated.

Type of Account:	9/30/2023	9/30/2022	9/30/2021	9/30/2020
Ameris Bank NOW Account	\$ 8,330,248	\$ 1,354,722	\$ 2,048,690	\$ 2,542,089
Ameris Restricted Savings Accounts	811,620	893,911	3,101,138	3,553,357
Ameris Bank Debt Service Accounts	20,677,947	884,035	132,277	255,880
Ameris Bank Operating Accounts	2,018,858	3,094,684	3,223,956	5,504,301
Ameris Payroll / Clearing Accounts	3,834	10,021	9,988	11,798
Prime Meridian Money Market	4,591,516	3,953,114	14,172,363	2,955,001
Prime Meridian Payroll / Clearing	3,834	10,050	175,766	10,266
FL CLASS Investment Pool	2,702,805	5,535,878	504,363	503,730
FL FIT Investment Pool	2,551,909	1,767,735	760,666	759,519
FL SAFE Investment Pool	2,381,098	5,228,451	210,548	210,111
Total	\$ 44,073,669	\$ 22,732,601	\$ 24,339,755	\$ 16,306,052

A brief description of these accounts follows:

- The Ameris Bank NOW account, the Prime Meridian Bank Money Market account, the Florida Local Government Investment Trust account (FLGIT), the Florida Cooperative Liquid Assets Securities System (FLCLASS), the Florida Fixed Income Trust (FLFIT), and the Florida Surplus Asset Fund Trust (FL SAFE), which represent the actual “surplus funds” available for investment. Housing Prisoner monies held for the Sheriff’s Office are in the Florida Fixed Income Trust (FLFIT).
- The Ameris Restricted Savings accounts represent the Landfill Escrow Account, the SHIP grant funds, and the Sheriff’s Office Federal Forfeiture and Housing Prisoner funds. The Landfill Escrow, SHIP, and Sheriff Forfeiture funds must be maintained in a separate account and cannot be invested as surplus funds.
- The Ameris Debt Service accounts represent monies held to pay the annual payments of the Wastewater Treatment Plant (WWTP) loan, the Fire/EMS loan and the Project Construction loan. These funds must be maintained in these accounts and cannot be invested as surplus funds.
- The Ameris Bank and Prime Meridian Bank operating/trust accounts are the accounts used to pay the daily bills of the County.
- Prime Meridian Bank Payroll / Clearing account is the account used to process payroll and other similar clearing accounts for the Board of County Commissioners. As operating funds, these funds cannot be considered surplus funds.

Total Comparative Investment Income

In FY22/23, investment income was \$1,533,656, an increase of \$1,373,323, or an 857% increase. The County’s total investment income increased due to the investment of the \$30,000,000 line of credit funds that were not immediately needed for obligations of the County, and a continued rise of short-term rates from a historic low.

Investment Income Comparison

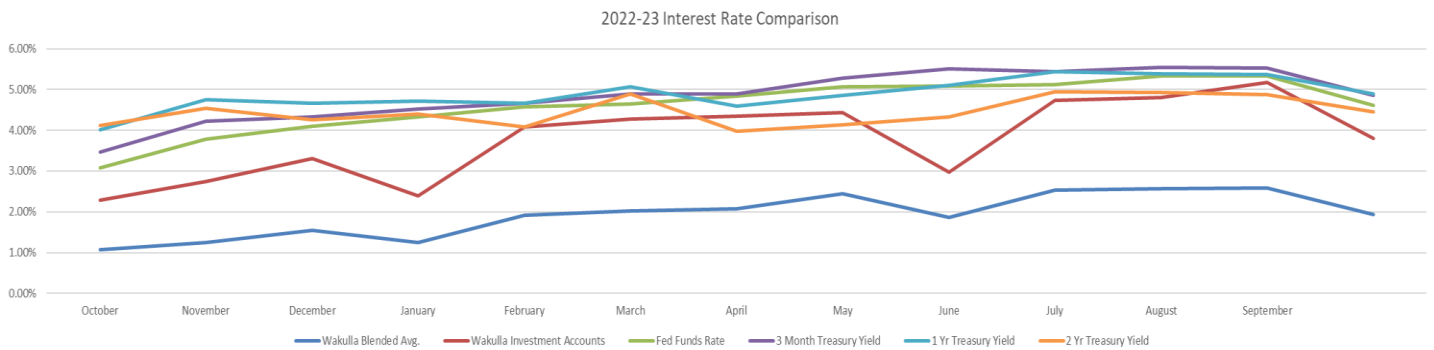
Fiscal Year:	9/30/2023	9/30/2022	9/30/2021	9/30/2020
Investment Income:	\$ 1,533,656	\$ 160,333	\$ 104,825	\$ 190,680
Increase (Decrease) over (under) prior year	\$ 1,373,323	\$ 55,508	\$ (85,855)	

Since Wakulla’s fund balances are the strongest they have been in recent history, if not ever, liquidity or cash-flowing daily operations is no longer a serious challenge (as discussed on the first page, liquidity is always a concern). As such, investing the County’s “surplus” funds in longer term maturities to achieve a higher interest rate is possibly a viable

option. The Clerk’s office routinely examines the market rates of 3-month, 6-month, 1-year and 2-year maturities, bank certificates of deposit (CD’s) and other intergovernmental investment pool options offered by various entities in the State of Florida. The current sentiment among management is to not impede immediate use of these funds and make use of the many investment options that offer competitive interest rates with daily liquidity. Due to the large number of capital projects slated for the near future, it would not be prudent to invest a significant percentage of the County’s “surplus” funds longer than daily liquidity.

The chart below shows a comparison of the average monthly interest rates earned by the County as compared to some of the more secure rates on the open market. An analysis of the chart shows:

- Wakulla’s blended average interest rate (the dark blue line) was below the more secure rates on the open market through the year. This is due to the numerous increases in the Fed Funds Rate and the County’s entire account portfolio containing numerous operating and payroll accounts that earn very little interest and, in the case of one account, earn nothing due to the restrictions placed on the funds.
- The County’s investment accounts (the red line), while maintaining daily liquidity, were in line with most of the other rates including the 3 Mo. Treasury for the entire fiscal year. The investment accounts underperformed the Fed Funds Rate throughout the year.
- Both the 1 Year Treasury and 2 Year Treasury outperformed when compared to the County’s investment accounts for most of the fiscal year. In summary, Wakulla County has been able to obtain strong interest rates, resulting in higher investment income despite the investments trailing the Fed Funds Rate and various Treasuries.



Investment fees should also be taken into consideration. The County’s deposit and investment accounts incur two types of fees or costs – bank fees on the primary operating account of the County and investment fees on the intergovernmental investment pools. The County’s primary operating account does incur bank fees offset by an earning credit monthly, based on the award of the banking RFQ issued and approved by the County. The FLGIT, FLFIT, FLCLASS, and FL SAFE investment accounts all charge a fee that is expressed as a percentage which covers the pool’s management fee and portfolio expenses. The fees fluctuate, are calculated daily and netted against the daily gross interest earned. The investment income for these investments has already been reported net of these fees.

Market, Economic & Investment Conditions

- Federal Funds Rate
The Federal Reserve’s Open Market Committee (FOMC), the rate setting body of the Federal Reserve, meets eight (8) times per year. It executes monetary policy for the Federal Reserve System, the central bank of the United States. Each time it meets, the FOMC reviews the economic conditions of the US and decides whether to use “expansionary” or “contractionary” monetary policy. The FOMC issues forecasts at 4 of the 8 meetings.

The FOMC raised the rate eleven (11) times between March 2022 and September 2023. The annualized average rate for FY22/23 was 4.61% and the closing rate was 5.33%.

What is the “Federal Funds Rate”? Essentially, it is the interest rate at which banks lend money to one another overnight to meet loan reserve requirements. The federal funds rate is a tool used by the Federal Reserve to

control the supply of available money and hence, inflation and other interest rates. Raising the rate makes it more expensive to borrow. That lowers the supply of available money, which helps keep inflation in check. Lowering the rate has the opposite effect. If the Fed Funds Rate is increased, you can expect slower economic growth (Contractionary monetary policy to slow inflation) and if they lower the rate, you can expect an increase in economic growth (Expansionary monetary policy to spur inflation).

<https://www.federalreserve.gov/monetarypolicy/fomc.htm>

- Future Rate Estimates

As of the publish date of this report (August 2024), the Federal Funds Rate target currently rests between 5.25-5.50%. Where will it be at the end of 2023, 2024, 2025? That depends on who you ask. The Federal Reserve indicated there would be four or five hikes in the rate in 2016 but in hindsight, there was only one (1). In 2017, the FOMC had indicated its goal was to hike the rate to 2.00% (their target rate for inflation) and the Fed Funds rate ended at 1.5% at the close of 2017. Their prediction for 2018, 2019 and 2020 was 2.1-2.4%, 2.8-3.4%, and 3.1-3.6%, respectively. At the close of 2018 the rate was at 2.5%, just over their predicted rate, while their prediction for 2019 was off track by 1.25-1.85% and for 2020, their projection was off by 3.09-3.51%. The FOMC projection for the rate in 2024, 2025 and 2026 is 5.1%, 4.1%, and 3.4%, respectively. During the first six (6) months of 2024 the Fed Funds rate was 5.33%, which is slightly larger than their original prediction of 5.1%.

- Economic Conditions

The key to understanding the changes (actual or proposed) in the Fed Funds Rate is recognizing the relationships of the variables that make up our economy. Throughout 2023 the FOMC highlighted three (3) key variables they were focused on: inflation, employment and monetary policy. The FOMC reaffirmed its goal of 2% inflation, spoke of “maximum employment” and “price stability” in its “aggressive approach” to its monetary policy.

There are many variables in the U.S. economy and understanding their relationships and effect on each other can get complicated, so this report only examines three (3): the inflation rate; the economic growth rate (GDP); and the unemployment rate. These economic variables, among others, are tracked by the Bureau of Economic Analysis <https://www.bea.gov/> and the Bureau of Labor Statistics <https://www.bls.gov/>.

- Inflation Rate

Congress has mandated that the Federal Reserve maintain the inflation rate at around 2%. Inflation is measured with several different rates or indexes. In 2023, inflation was significantly higher compared to 2022, and it was higher than any other year since 1981. The primary contributor to the increase in inflation is due to the rise in shelter costs. The high inflation was driven by strong demand, supply constraints, and increased rents. The Federal Reserve uses the price index for personal consumption expenditures (PCE) as its preferred measure of inflation, which rose by 3.95% in FY22/23 and 6.5% in FY21/22.

However, it is projected that inflation will continue to gradually slowdown in 2024 as the factors causing demand to outpace supply in recent years start to ease. The Congressional Budget Office (CBO) estimates that inflation, as measured by the PCE price index, will be 2.3% in 2024 and 2.1% in 2025. Beyond that, PCE inflation is expected to continue declining and approach the Federal Reserve's long-term target of 2% by 2026. Among the different categories included in the PCE price index, food, energy, and shelter-related services are predicted to experience the largest decreases in price growth in the coming years.

- Economic Growth Rate

Economic growth is also measured in a variety of ways but the GDP, the gross domestic product, is a good, broad indicator of our economy's growth. There are many factors that affect GDP as well, such as domestic spending, net U.S. exports, the strength of the U.S. dollar, and the strength of foreign markets, just to name a few. The FOMC forecasted the GDP to increase in 2024 to 2.0-2.4%, increase to 1.9-2.3% in 2025 and increase in 2026 to 1.8-2.1%. Note the increasing nature of this projection. The GDP increased 6.3% at the end of 2023 as compared to an increase of 1.9% at the end of 2022. The rate increased to 2.8% at the close of the second quarter of 2024. The increase is reflective of an inflationary impact on the price of goods and services.

- Unemployment Rate

As economic growth is anticipated to slow down, the unemployment rate is expected to stabilize. In 2023, the unemployment rate increased slightly each quarter and was 3.8% for the year. In July 2024, the unemployment rate was 4.1%, which is .5% higher than June 2023. However, before the close of 2024, the unemployment rate is projected to gradually decline to 4.0% and remain stable between 4.0% and 4.2% through the end of 2026.

- Economic Forecast

The economic forecast depends on who you ask. The following is an economic forecast summary from an article titled *The Economic Outlook for 2023 to 2033 in 16 Charts* contributed by the Congressional Budget Office. It states in its overview, “U.S. GDP is expected to grow by only 0.1% in 2023. It further estimates an increase up to a 2.4% growth rate in 2024 to 2027”.

Since the December 2022 FMOC meeting, the economic outlook remains much the same. The prediction of economic progress will be moderate over the coming months. As of July 2024, the fed funds rate is in a target range of 5.25% to 5.50%. This is the highest level it’s been in 22 years. The rate is projected to be cut to 5.1% by the end of 2024. At the time of publishing this report the Federal Reserve indicated it will closely monitor the incoming information and determine the effects on monetary policy.

Disclaimer, Disclosures & Notes

1. The Public Depositor Annual Report to the Chief Financial Officer was provided to the Department of Financial Services for the period ending September 30, 2023, as required by Chapter 280, Florida Statutes. All the County’s bank accounts were either in qualified public depositories or in statutorily approved investment pools. For more information on what this means or to obtain this report, please contact the Finance Department of the Clerk of Court.

2. The information provided in this report is believed to be accurate and correct, but this report has not been audited. Future outcomes are not based on historical results and none of the information provided herein should be used to make personal financial or investment decisions. Although, pursuant to Chapter 119, Florida Statutes, this report is a public record and its distribution is not limited, this report is intended solely for the use of Wakulla County, Florida’s management and is not intended to be and should not be used by any other party.

3. Some of the information and data provided within this report may be found at these sites:

- Section 218.415, Florida Statutes – http://www.leg.state.fl.us/STATUTES/index.cfm?App_mode=Display_Statute&Search_String=&URL=0200-0299/0218/0218PARTIVContentsIndex.html
- Chapter 280, Florida Statutes - http://www.leg.state.fl.us/statutes/index.cfm?App_mode=Display_Statute&URL=0200-0299/0280/0280ContentsIndex.html&StatuteYear=2024&Title=%2D%3E2024%2D%3EChapter%20280
- Florida Fixed Income Trust - <https://fl-fit.com/>
- Florida Cooperative Liquid Assets Securities System - <https://www.flclass.com/>
- Florida Local Government Investment Trust - <http://www.floridatrustonline.com/>
- Florida Surplus Asset Fund Trust - <https://gps.pmanetwork.com/>
- Federal Reserve’s Open Market Committee - <https://www.federalreserve.gov/monetarypolicy/fomc.htm>
- Federal Reserve Historical Interest Rates - <http://www.federalreserve.gov>
- Bureau of Economic Analysis <https://www.bea.gov/>
- Bureau of Labor Statistics <https://www.bls.gov/>.
- Congressional Budget Office [The Economic Outlook for 2023 to 2033 in 16 Charts \(cbo.gov\)](https://www.cbo.gov/)

END OF REPORT