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Inspector General
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SUPERSEDES TIPS & TRENDS #2019-0001

Invest Surplus Funds to Increase Revenue

Investing surplus funds may increase revenue by thousands of dollars each year.

The purpose of this Tips and Trends is to offer guidance and suggestions when considering investment options for surplus funds and to notify local governments of recent changes to the law.

On May 2, 2023, the Governor signed HB 3 (Ch. 2023-28, L.O.F.), which became effective on July 1, 2023. The new law amended provisions in Chapters 218 and 280, Florida Statutes, relating to cities, counties, and special districts' public deposits¹ and investment of surplus funds.

Cities, counties, and special districts within Florida must comply with Chapter 280, Florida Statutes. Section 280.03(1)(b), F.S., states “[p]ublic deposits shall be made in a qualified public depository unless exempt by law.” HB 3 amended the definition of “qualified public depository”², to prohibit Florida’s CFO from qualifying banks, savings banks, or savings associations that make determinations about the provision of services on factors that are not quantitative, impartial, and risk-based. Section 280.02(26)(f) enumerates several unacceptable factors, including but not limited to, political opinions, speech, or affiliations; religious beliefs, exercise, or affiliations; or the use of a social credit score.³

A list of Active Qualified Public Depositories can be found on the Florida Department of Financial Services website.⁴

Per Federal Deposit Insurance Corporation (FDIC) guidelines, government accounts are insured up to \$250,000 per bank. However, coverage amounts may be more, depending on the type of deposit.⁵

¹ §280.02(23), F.S.

² §280.02(26), F.S.

³ Social credit scores may be based on factors such as engagement in the sale of fossil fuel-based energy, failure to meet or commit to meet environmental or social justice standards; corporate board composition; or policies requiring or encouraging diversity, equity, or inclusion training.

⁴ <https://app.smartsheet.com/b/publish?EQBCT=c300ba31539243d5b8f2198b700d6c5a>

⁵ <https://www.fdic.gov/resources/deposit-insurance/financial-products-insured/>

“Enhancing Public Trust in Government”



Are you investing your surplus funds to increase revenue?



If your entity has surplus funds, revenue may be increased by using higher-yield interest-bearing time deposits or savings accounts in qualified public depositories or authorized investment accounts.

Florida law allows local government units⁶ to invest surplus public funds in accordance with sections 218.415(16)-(17), F.S. The local government units' investment objectives shall include safety of capital, liquidity of funds to pay obligations as they come due, and investment income, in that order.⁷

HB 3 amended section 218.415(24)(b) to require units of local government to “make [investment] decisions based solely on pecuniary factors⁸ and may not subordinate the interests of the people of this state to other objectives, including sacrificing investment return or undertaking additional investment risk to promote any nonpecuniary factor. The weight given to any pecuniary factor must appropriately reflect a prudent assessment of its impact on risk or returns.”

Investment Options with No Investment Policy

Local governments electing *not* to have a written investment policy may invest surplus public funds in:⁹

- The Local Governmental Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969.
- Securities and Exchange Commission 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.
- Direct obligations of the US Treasury.



⁶ §218.403(11), F.S.

⁷ §218.415(2), F.S.

⁸ §218.415(24)(a), F.S. defines “pecuniary factor” as a factor that the governing body of the unit of local government, or in the absence of the existence of a governing body, the respective principal officer of the unit of local government, prudently determines is expected to have a material effect on the risk or returns of an investment based on appropriate investment horizons consistent with applicable investment objectives and funding policy. The term does not include the consideration of the furtherance of any social, political, or ideological interests.

⁹ § 218.415(17), F.S.

Additional Investment Options with Investment Policy

Local governments electing *to adopt* a written investment policy may invest surplus public funds in the four options above, plus the additional options below:¹⁰

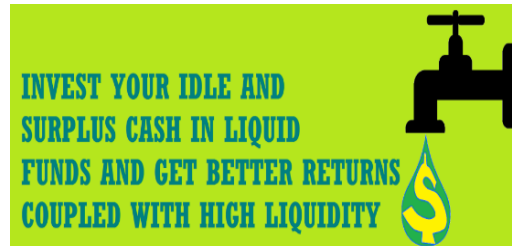
- Federal agencies and instrumentalities.
- Rated or unrated bonds, notes, or instruments backed by the full faith and credit of the government of Israel.
- Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, provided that certain conditions are met.
- Other investments authorized by law or by ordinance for a county or a municipality or law or resolution for a special district.

Investments to Avoid

- Any investment that may subordinate the interests of the people of this state to other objectives, including sacrificing investment return or undertaking additional investment risk to promote any nonpecuniary factor.
- Any investment that includes the consideration of the furtherance of any social, political, or ideological interests.¹¹

Suggestions

1. Invest surplus funds in the investment options permitted by Florida law in order to increase revenue.
2. Adopt an investment policy to increase options available for investing surplus funds.
3. Ensure investment decisions are based solely on pecuniary factors that appropriately reflect a prudent assessment of each factor's impact on risk or returns.



¹⁰§ 218.415(16), F.S.

¹¹ §218.415(24), F.S.