

ORANGE COUNTY, FLORIDA  
**ANNUAL INVESTMENT  
REPORT**

FOR THE YEAR ENDING SEPTEMBER 30, 2025



PREPARED BY  
ORANGE COUNTY, FLORIDA  
**COMPTROLLER**  
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## EXECUTIVE SUMMARY

The portfolio earned \$159.4 million for an effective rate of return of 4.09% on an average daily balance of \$3.90 billion in Fiscal Year 2025. For comparison, the portfolio earned \$165.5 million for an effective rate of return of 4.57% on an average daily balance of \$3.61 billion in Fiscal Year 2024. Investments were made in compliance with the Investment Policy’s permitted investment types, composition limits and allowable maturities.

The investment portfolio is affected by domestic monetary policy and national economic activity. The lower earnings were primarily attributable to the cycle of rate cuts that began at the end of Fiscal Year 2024, when the FOMC reduced the fed funds target rate by 50 basis points to a range of 4.75%-5.00%. The Fed lowered rates by 25 basis points in November and December 2024, and again in September 2025. The target range for fed funds ended Fiscal Year 2025 at 4.00%-4.25%. The return on Florida PRIME, a local government investment pool, fell with short-term market interest rates. Florida PRIME, however, remained the portfolio’s highest yielding investment type and served as the County’s primary source of liquidity.

The County’s earnings on short-term investments fell on lower market interest rates. Earnings in the current operating sub-portfolio, which has a maximum maturity of 13 months, fell 7.7% to \$130.3 million. Approximately 75% of the overall portfolio’s assets were invested in the current operating sub-portfolio. Despite the decrease in earnings, the current operating sub-portfolio still generated the highest rate of return. Returns increased in the intermediate term sub-portfolio (3-year ladder) and noncurrent operating sub-portfolio (5-year ladder). Lower-yielding investments purchased three to five years ago, when interest rates were substantially lower, matured and were reinvested at higher rates. Returns on the noncurrent operating sub-portfolio should continue to rise in Fiscal Year 2026.

Section 218.415 (15), Florida Statutes, requires the Orange County Comptroller to provide an annual report to the Board of County Commissioners of the securities in the portfolio by investment type, book value, market value and income earned. This information is presented below as of September 30, 2025.

### Summary Table of Portfolio Performance

Investment Type	Book Value September 30, 2025	Market Value September 30, 2025	Earnings Fiscal Year 2025
U.S. Treasuries	\$2,031,669,931	\$2,033,117,228	\$80,898,339
Florida PRIME (SBA)	1,599,418,776	1,599,418,776	68,183,762
Federal Instrumentalities	260,560,362	260,869,785	6,752,858
Fixed Income Money Market			
Mutual Funds	44,263,150	44,263,150	3,594,596
<b>Totals</b>	<b>\$3,935,912,219</b>	<b>\$3,937,668,939</b>	<b>\$159,429,555</b>

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**ANNUAL INVESTMENT REPORT**  
for the year ended September 30, 2025  
ORANGE COUNTY, FLORIDA

I. INVESTMENT POLICY

Section 218.415, Florida Statutes provides units of local government with the ability to conduct investment activity outside the framework of that Statute that is consistent with a written plan adopted by the local governing body. Orange County's (County) investment activity is authorized by the Investment Policy (Policy) adopted by the Board of County Commissioners (BCC). The Policy applies to all investment activities and financial assets of the BCC excluding funds invested in the Orange County Retiree Health Care Benefit Trust, which was created solely to provide funding and payment of post-retirement benefits to beneficiaries.

The County's investment activity was conducted in accordance with written procedures and internal controls.

II. INVESTMENT ADVISORY COMMITTEE

The Committee was established by the Comptroller to recommend investment strategies and monitor the performance and structure of the County's portfolio. The Committee is chaired by the Chief Deputy Comptroller and the other members are community volunteers with financial expertise. During the fiscal year, the community volunteers were Daniel Johnson, Jacinta Mathis, Jim Downing and Eva Tukdarian. Mr. Johnson is a Shareholder at Carlton Fields Jordan Burt, P.A.; Ms. Mathis is a Business, Real Estate and Wealth Management Attorney at Mathis Law Group; Mr. Downing is a Group Chairman of a Vistage CEO Peer Group; and Ms Tukdarian is the Chief Financial Officer/Chief Investment Officer for Dr. Phillips Charities.

III. INVESTMENT OBJECTIVES

The Policy describes three specific objectives to be applied in managing the County's investments. The primary investment objective is **safety** of the County's funds. The portfolio is managed in a manner that seeks to ensure the preservation of capital in the overall portfolio. To achieve this objective, investments are diversified across a variety of securities offering independent returns and maturities. On average in Fiscal Year 2025, approximately 57% of portfolio assets were invested in Treasuries and money market mutual funds comprised of Treasuries and Treasury-backed repurchase agreements. Treasuries are considered to have the lowest default risk of any security type because they are guaranteed by the full faith and credit of the United States Government.

The second investment objective is to maintain sufficient **liquidity**. The County's funds are invested to match maturities with forecasted expenditures for operating, payroll and capital needs. Liquidity also encompasses the ability to sell an investment when necessary, with minimal delay and minimal loss of principal.

**Maximizing yield** on the portfolio is the County’s third investment objective. This objective is only sought after the first two investment objectives are met.

IV. PORTFOLIO PERFORMANCE

Acceptable portfolio performance is the result of balancing the rewards of investing, or the income earned, with the risks associated with those investments. Factors influencing the portfolio’s performance include the types of investments permitted, allowable maturities, liquidity requirements, domestic monetary policy, sensitivity of asset values to changes in market conditions, local economic activity (the dollars available to be invested) and the investment operation.

**The portfolio earned \$159.4 million for an effective rate of return of 4.09% on an average daily balance of \$3.90 billion in Fiscal Year 2025.** For comparison, the portfolio earned \$165.5 million for an effective rate of return of 4.57% on an average daily balance of \$3.61 billion in Fiscal Year 2024.

This report discusses in detail each of the factors influencing portfolio performance, as well as the County’s depository banking relationship.

V. PERMITTED INVESTMENTS AND ALLOWABLE MATURITIES

Table 1 summarizes the permitted investments, composition limits and maximum allowable maturities. The County’s excess funds are invested according to Orange County Code Section 17-5, which authorizes the Comptroller to invest in specific permitted investment types. The permitted investments are restricted by the Policy’s composition limits and maximum allowable maturities. The Policy also restricts the investment maturities of current operating funds to not more than 13 months, the investment maturities of noncurrent operating funds to not more than 60 months, and the investments of bond reserves, construction funds and other non-operating funds to a term appropriate to the need for the funds. Following is a brief description of each investment type. It is generally regarded that the following investment types are safe investments and meet the Policy’s first objective: safety.

Table 1 – Permitted Investments

<u>Investment Type</u>	<u>Composition Limit</u>	<u>Maximum Maturity</u>
Florida PRIME (SBA)	40%	NA
Treasuries	100%	10 Years
Instrumentalities	45%	10 Years
CDs & Savings Accounts	30%	One Year
Repurchase Agreements	20%	30 Days
Bankers’ Acceptances	15%	270 Days
Commercial Paper	15%	270 Days
Municipal Obligations	10%	Three Years
Money Markets	25%	NA

#### A. Florida Local Government Surplus Funds Trust Fund (Florida PRIME)

Florida PRIME is administered by the Florida State Board of Administration (SBA) for the purpose of pooling investment funds of local governments in an investment portfolio of money market instruments that provide liquidity while preserving capital. As of October 1, 1997, the SBA had converted Florida PRIME to a “2a-7 like” investment pool (SEC Rule 2a-7 of the Investment Company Act of 1940). On February 13, 2008, the Trustees of the SBA hired Federated Investors to manage Florida PRIME, effective on March 1, 2008. The SBA takes reasonable care to maintain a weighted average maturity of 60 days or less and to have no more than 25% of assets in a single industry sector, except the financial services industry. In addition, the SBA will generally comply with the diversification limitation of having at least 50% of the portfolio invested in securities rated A-1+ or those deemed to be of comparable credit quality. On September 30, 2025, Florida PRIME was invested in fixed rate and floating rate bank instruments, fixed and floating rate corporate commercial paper, fixed and floating rate asset backed commercial paper, money market mutual funds, floating rate corporate notes, government securities and repurchase agreements. A maximum of 40% of the portfolio may be invested in Florida PRIME but when combined with money market mutual funds, may not exceed 50% of the portfolio.

#### B. U.S. Treasury Securities (Treasuries)

The securities comprising Treasuries are direct obligations of the U.S. Government. The securities are designated by maturity. Treasury bills have maturities of one year or less, Treasury notes have maturities of two to 10 years, and Treasury bonds have maturities of more than 10 years. The prices of the longer maturities are more volatile because they are more sensitive to interest rate fluctuations. Treasury yields are typically lower than yields on debt issued by federal agencies sponsored by the U.S. Government.

#### C. Federal Agency Securities (Instrumentalities)

Instrumentalities are securities issued by federal agencies sponsored by the U.S. Government. The Policy allows purchases of bonds, notes or debentures of the issuing agencies including Federal Farm Credit Banks, Federal Home Loan Bank or its district banks, Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac). Instrumentalities vary in maturities. Yields on Instrumentalities are typically greater than yields of similar Treasuries. The Policy further restricts investments in any one agency to 15% of the portfolio.

#### D. Certificates of Deposit and Savings Accounts (CDs/Savings)

The Comptroller may invest in nonnegotiable, interest bearing CDs and savings accounts in state or national banks located in Florida, and having their deposits secured by Chapter 280, Florida Statutes, known as the Florida Security for Public Deposits Act. The issuing bank must not be listed with any nationally known credit watch organization. There is some liquidity risk with CDs because they are subject to penalties for early withdrawal. The Policy further restricts CDs/Savings in any one bank to 5% of the portfolio.

#### E. Repurchase Agreements (Repos)

A Repo is a financial transaction in which the County exchanges cash for ownership of specific securities with a simultaneous agreement to sell back the securities. Overnight Repos mature in one day. Other Repos are written to mature in specific multi-day periods and are known as term Repos. Other Repos are written as open transactions with indefinite terms subject to liquidation by either party. Yields tend to run close to the federal funds rate. The Policy calls for the specific securities to be only those Treasuries or Instrumentalities allowed by the Policy with maturities less than five years and having a market value of 102% during the term. The County may enter into a Repo transaction only with qualified financial institutions, which have executed a Master Repurchase Agreement with the Comptroller. The Policy further restricts transactions with any one financial institution to 5% of the portfolio, except for overnight Repos.

#### F. Bankers' Acceptances (BAs)

BAs are generally bearer form securities comprised of underlying letters of credit used to finance international trade. A BA is created from a letter of credit issued by an importer's bank to pay a foreign exporter for goods expected to be received. The exporter will normally present this letter of credit to its bank for a discounted payment. The exporter's bank then presents the letter of credit to a U.S. correspondent bank for payment at which time it is marked *Accepted*. Upon acceptance, the BA becomes an irrevocable and unconditional obligation of the accepting bank, and it is also an obligation of the importer and any endorser thereof. BAs typically have maturities of 180 days or less. Yields are generally greater than Treasuries and Instrumentalities of similar maturity. The Policy requires BAs to be inventory-based, issued by a domestic bank that has an unsecured and unguaranteed obligation rating of at least P-1 and A by Moody's Investors Service and A-1 and A by S&P Global, and ranked in the top 50 domestically chartered insured commercial banks that have consolidated assets of \$300 million or more as reported by the Federal Reserve Board. The Policy further restricts the investment with any one financial institution to 5% of the portfolio.

### G. Commercial Paper (CP)

CP is unsecured short-term debt issued primarily by corporations to finance receivables and other short-term needs. CP has a maximum maturity of 270 days. Yields are typically greater than Treasuries and Instrumentalities of similar maturity. The Policy requires the issuer to be rated P-1 by Moody's Investors Service and A-1 by S&P Global and, if backed by a letter of credit, the long-term debt of the credit provider must be rated at least A by two nationally recognized rating agencies. The credit provider must also be ranked in the top 50 domestically chartered insured commercial banks that have consolidated assets of \$300 million or more as reported by the Federal Reserve Board. The Policy further restricts the investment with any one financial institution to 2.5% of the portfolio.

### H. Municipal Obligations

For situations necessary to comply with arbitrage regulations, the Comptroller may invest in taxable and tax-exempt debt, and general obligation and revenue bonds issued by state and local governments. Long-term debt must be rated at least Aa by Moody's Investors Service and AA by S&P Global. Short-term debt must be rated at least MIG-2 by Moody's Investors Service and SP-2 by S&P Global. The Policy further restricts the investment with any one issuer to 3% of the portfolio.

### I. Fixed Income Money Market Mutual Funds (Money Markets)

Money Markets are pools of securities providing income and liquidity. The Policy enables the Comptroller to invest in SEC qualified fixed income Money Markets with underlying investments in Treasuries and Treasury-backed repurchase agreements. The average maturity of the underlying investments may not exceed sixty days. A maximum of 25% of the portfolio may be invested in Money Markets but when combined with Florida PRIME may not exceed 50% of the portfolio. The Policy further restricts the investment with any one fund to 10% of the portfolio.

## VI. LIQUIDITY REQUIREMENTS

The second objective in managing the County's investments is the provision for sufficient liquidity. On a regular basis, the County's receipts and disbursements are analyzed to determine trends in cash inflow and outflow. Cash inflows are invested upon receipt and immediately become part of the portfolio.

The portfolio provides cash for daily payment of operating and capital expenditures, biweekly payment of payroll expenditures, and semiannual debt service payments. Average daily payments for operating and capital expenditures increased 7.4% to \$10.2 million in Fiscal Year 2025 from \$9.5 million in Fiscal Year 2024. Average biweekly payments for payroll expenditures rose 8.1% to \$22.8 million from \$21.1 million in Fiscal Year

2024. Total debt service payments fell 2.2% to \$120.0 million in Fiscal Year 2025 from \$122.7 million in the prior year.

## VII. DOMESTIC MONETARY POLICY AND NATIONAL ECONOMIC ACTIVITY

In addition to the types of permitted investments and allowable maturities, and liquidity requirements, portfolio performance is influenced by domestic monetary policy and national economic activity. The Policy provides that the Comptroller will utilize federal funds rates, Treasury yield curves, and major U.S. economic barometers in making investment decisions. Yields usually fall or remain stable when monetary policy and economic indicators point to declines in inflationary pressure. Yields usually rise when the economy shows signs of increasing inflation. Domestic monetary policy and economic activity significantly influence the County's portfolio performance.

The Federal Reserve Board (Fed) conducts domestic monetary policy. The Fed controls monetary policy through open market operations, the discount rate and bank reserve requirements. The Fed's Board of Governors administers the discount rate and bank reserve requirements, and the Federal Open Market Committee (FOMC) conducts open market operations. Open market operations have the most significant impact on the County's portfolio performance. The FOMC reviews economic and financial conditions, assesses risks to the economic outlook and attempts to alter the federal funds rate through monetary policy. The federal funds rate is the interest rate at which banks lend to other banks overnight. Changes in federal funds rates trigger events that affect other short-term interest rates and, ultimately, a range of economic variables.

The federal funds target range began the fiscal year at 4.75%–5.00%. Over the course of the year, the Federal Reserve implemented three 25 basis point rate cuts. The first two occurred on November 7, 2024, and December 18, 2024, lowering the range to 4.25%–4.50%. These rate reductions were made in response to early signs of labor market softening and a gradual decline in inflation toward the Fed's 2% target. The Fed then held rates steady for approximately nine months, as inflation remained persistently high and unemployment stayed low. On September 17, 2025, the Fed reduced the target range again to 4.00%–4.25%, citing slowing job growth. This action was taken despite the rate of inflation being somewhat higher than the Fed's preferred 2% target.

The Federal Reserve's most recent round of quantitative tightening was nearing its conclusion. In June 2022, the Federal Reserve began reducing the size of its holdings of Treasury securities and agency debt and agency mortgaged-backed securities. The Federal Reserve's quantitative tightening program followed its purchase of \$4.6 trillion of assets during the pandemic, which brought the total size of its bond portfolio to a peak of nearly \$9 trillion in the summer of 2022. The Fed was allowing \$40 billion a month to runoff its balance sheet through September 2025. Subsequent to the end of the fiscal year, at its October 2025 meeting, the Federal Reserve announced an end to this round of quantitative tightening. The program officially ended on December 1, 2025. The Fed reduced the size of its balance sheet by \$2.4 trillion to approximately \$6.6 trillion, which was still higher than the \$4.0 trillion level before the pandemic.

The inversion of the yield curve that began in the fourth quarter of Fiscal Year 2022 continued into Fiscal Year 2025. However, the average yield curve flattened during the year. In Fiscal Year 2025, the average yield on the 3-month Treasury was 4.39% compared with only 4.34% on the 10-year Treasury, or a spread of 5 basis points. In Fiscal Year 2024, the average yield on the 3-month Treasury exceeded the yield on the 10-year Treasury by 1.17 percentage points. The only point on the yield curve with a higher average yield than the 3-month Treasury in 2025 was the 30-year Treasury. The average yield on the 30-year Treasury was 4.72%. The yield curve had a slight U-shaped pattern in 2025, where rates fall on the short end of the curve followed by an increase in longer-term rates. Short-term rates are dropping due to the Fed's cycle of interest rate cuts, while longer-term rates are rising in anticipation of future fiscal deficits and rising debt levels.

Historically, inverted yield curves have reliably predicted recessions and preceded every recession since the 1960s except one. The only false positive was in 1966, when a slowdown occurred but not an official recession. The lag time between the inversion of the curve and the onset of recession has varied greatly, typically between six months and three years. However, the economic outlook for Fiscal Year 2026 is generally positive despite the strong correlation between yield curve inversion and recessions. Although there are signs of economic weakness such as stubbornly elevated inflation and rising unemployment, it appears that a soft landing may be achieved. The economy has been supported by the Fed's interest rate cuts over the past year, as well as strong consumer and business spending.

The County's lower level of earnings was attributable to the Fed's three 25 basis point rate cuts during the year. Approximately 75% of the overall portfolio's assets were invested in the current operating sub-portfolio, which has a maximum maturity of 13 months. Yields on investments made in the current operating sub-portfolio were affected by lower market interest rates. Although returns on the longer-term portfolios increased from Fiscal Year 2024, yields on the intermediate term sub-portfolio (3-year ladder) and noncurrent operating sub-portfolio (5-year ladder) were lower than the current operating sub-portfolio. The returns on the longer-term sub-portfolios reflect the inverted yield curve and investments made in Treasury notes during the coronavirus pandemic. Market yields dropped to historic lows in August 2020 and remained relatively modest into 2022. The returns on book value for the intermediate term and noncurrent sub-portfolios respond slower to changes in market interest rates, relative to the current operating sub-portfolio, due to the longer terms to maturity of the investments. The returns on the intermediate term and noncurrent sub-portfolios increased year-over-year as investments made during the pandemic matured and were reinvested at higher market interest rates.

Shown on the next page in Chart 1 are the average 30-year Treasury yield curves for fiscal years 2021 through 2025, followed by Chart 2, which compares the monthly portfolio rates of return with the monthly intended and effective federal funds rates for the same period.

Chart 1 – Average U.S. Treasury Yield Curves

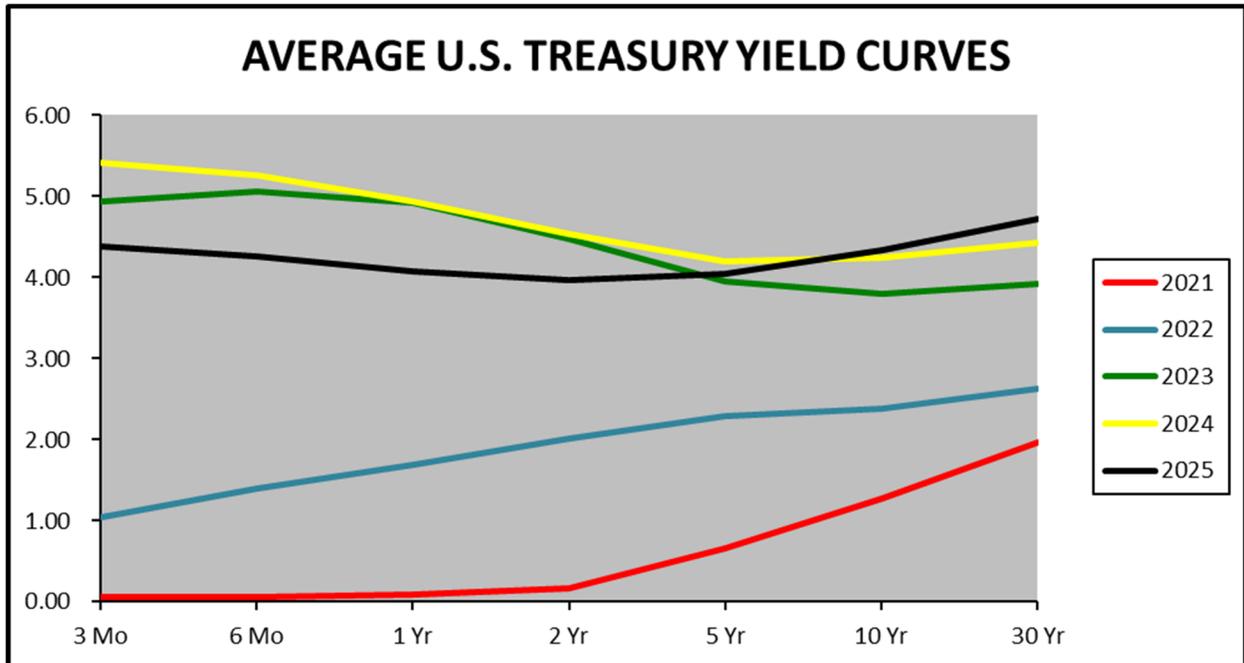
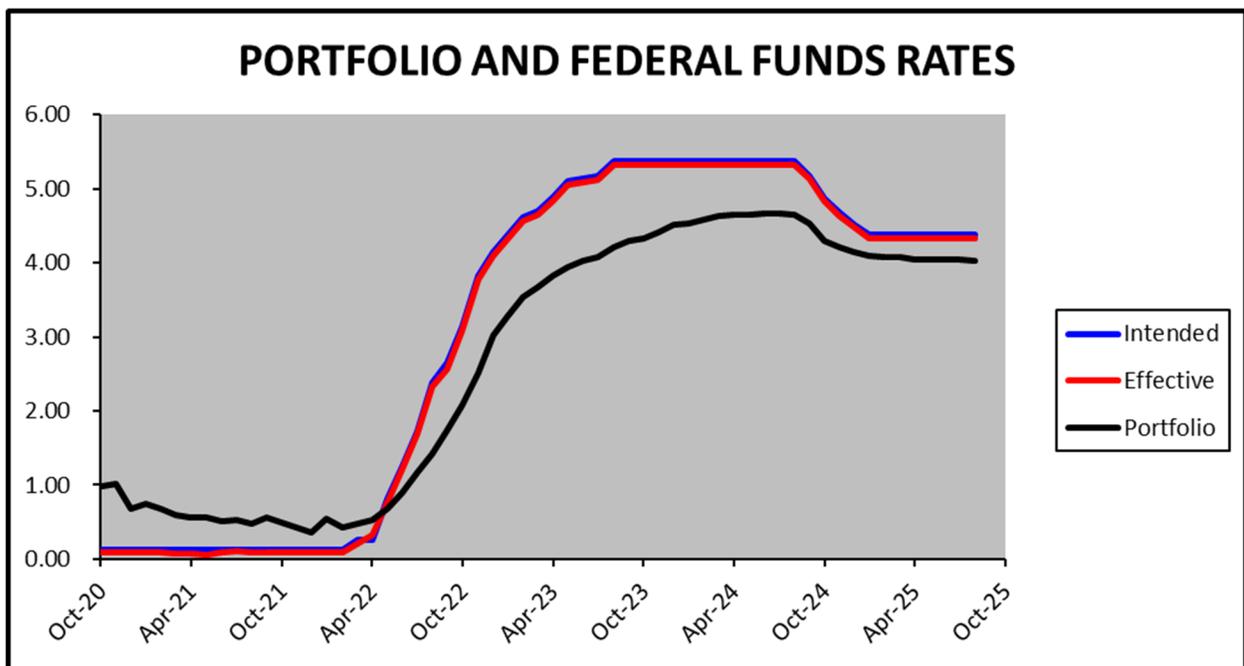


Chart 2 – Portfolio and Federal Funds Rates



Economic barometers are data points that represent trends in the general economy. These barometers significantly influence interest rates on most government and corporate securities nationwide. Shown below in Charts 3 through 13 are the barometers followed by the Comptroller in developing investment strategy during the fiscal year, together with a brief explanation of each.

Chart 3 – Gross Domestic Product

Gross domestic product (GDP) is a measure of the total value of goods and services produced in the United States for a given time period. Quarterly percent changes in the chain price index provide a broad-based estimate of GDP at constant, or inflation adjusted, dollar prices. GDP is the most comprehensive economic scorecard because it is the broadest measure of aggregate economic activity including personal consumption expenditures, investment, net exports and government expenditures. Changes in the GDP chain price index are a widely followed, market-moving indicator. GDP is published by the U.S. Department of Commerce.

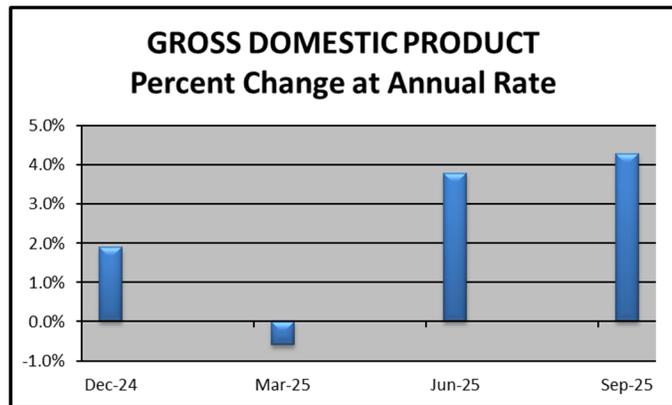


Chart 4 – Nonfarm Payrolls

Nonfarm payrolls (NFP) measure the number of jobs in the nonagricultural economy. Monthly changes reflect the changes in actual numbers of paid employees in business and government establishments. NFP is a coincident indicator of the level of economic activity. Changes are closely watched because they are representative of the state of the economy. NFP is published by the U.S. Department of Labor.

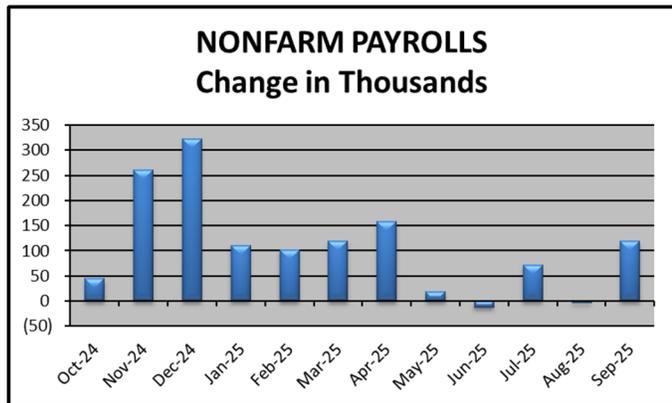


Chart 5 – Unemployment Rate

The unemployment rate is the ratio of the total number of unemployed to the total labor force. The labor force consists of those working and those seeking employment. Monthly changes in this rate and NFP are widely regarded together as the primary monthly economic indicator because the combined data helps forecast other important economic barometers. The unemployment rate is published by the U.S. Department of Labor.

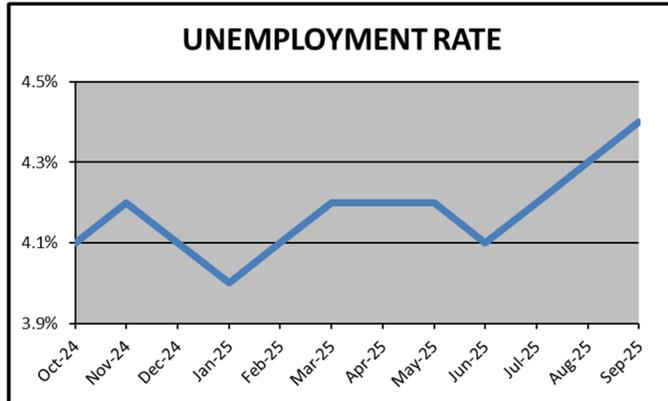


Chart 6 – Personal Consumption Expenditures

Personal consumption expenditures (PCE) is a measure of goods and services purchased by persons in the United States. PCE is the most important and typically the most stable of the four components that comprise GDP. PCE normally represents more than two-thirds of GDP. The three sectors of PCE are durable goods (expected to last three years or more), nondurable goods (less than three years) and services. Services account for approximately 66% of PCE. The U.S. Department of Commerce publishes PCE.

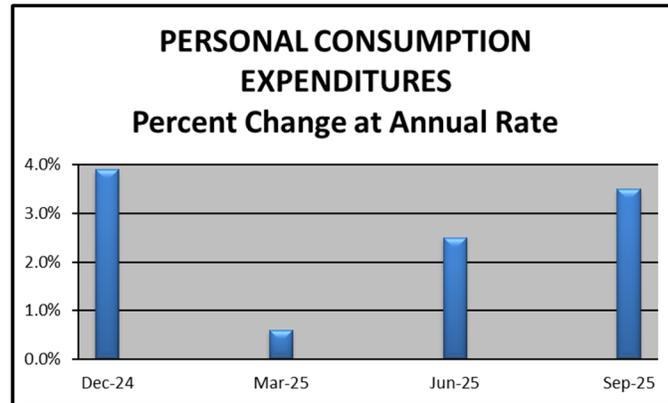


Chart 7 – Retail Sales (Excluding Autos)

Retail sales is a measure of consumer spending for a given month. This reading is used to help forecast PCE and GDP. The control component, retail sales excluding autos, is used to measure the growth rate in the non-service component of PCE. This indicator is hard to forecast and the market is often sensitive to large, unexpected readings. The U.S. Census Bureau of the Department of Commerce publishes retail sales.

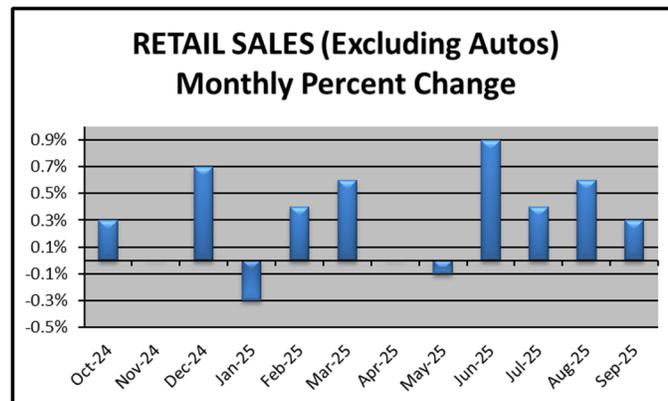


Chart 8 – Consumer Sentiment

Consumer sentiment is a measure of how consumers view prospects for their own financial condition, how they view prospects for the general economy in the near term, and their view of the economy over the long term. Monthly levels of consumer sentiment are included in the Conference Board’s Index of Leading Economic Indicators and are associated with consumer spending. The University of Michigan and Thomson Reuters publish the report on consumer sentiment.

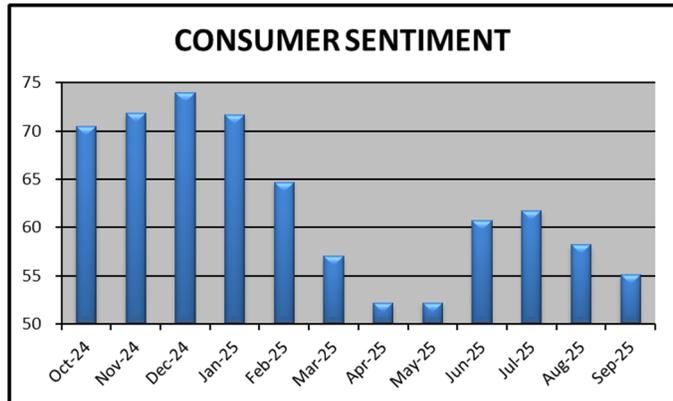


Chart 9 – Consumer Price Index

The consumer price index (CPI) is a measure of the average price of a fixed basket of goods and services that consumers in the U.S. buy on a regular basis. Monthly percent changes in the index reflect the average change in consumer prices. The CPI is widely followed and regarded by many as the measure of inflation. CPI is published by the U.S. Department of Labor.

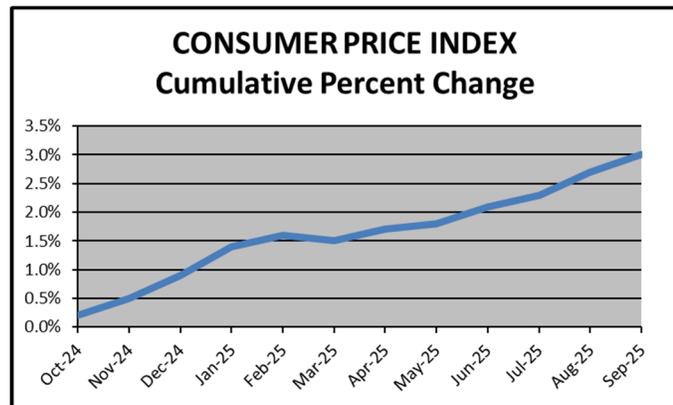
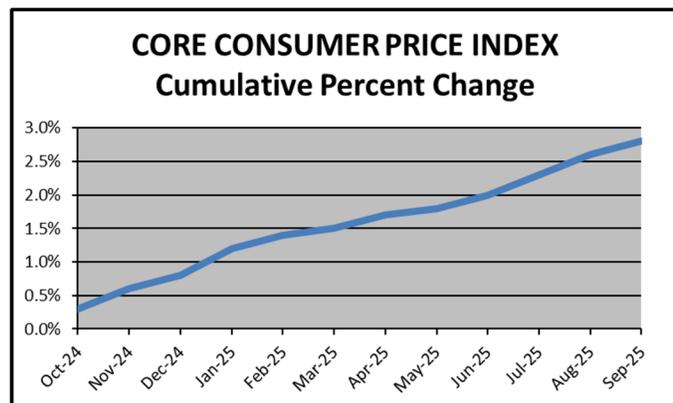


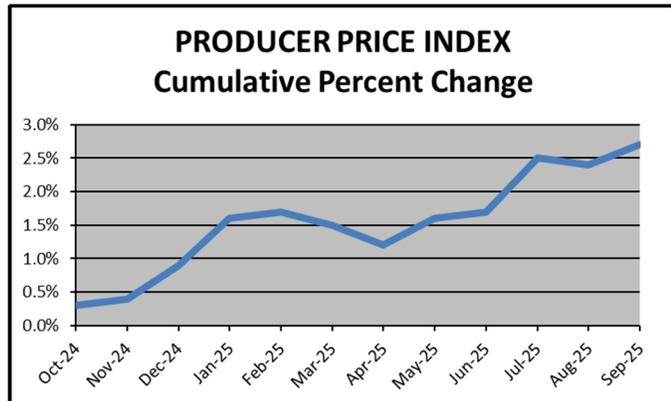
Chart 10 – Core Consumer Price Index

Core CPI excludes food and energy costs from the CPI. The core CPI rate is believed by many to be a better approximation of underlying inflation than the CPI because it removes items that are subject to large, temporary price changes. Economists and market analysts monitor core CPI for its greater monthly stability. Core CPI is published by the U.S. Department of Labor.



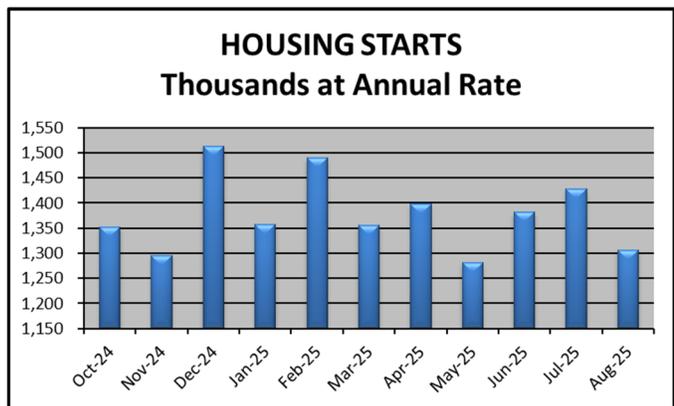
### Chart 11 – Producer Price Index

The producer price index (PPI) is a measure of the average level of prices of a fixed basket of goods and services received by domestic producers. Monthly percent changes reflect the rate of change in such prices. Changes in the PPI are widely followed as a significant indicator of inflation trends. PPI is published by the U.S. Department of Labor.



### Chart 12 – Housing Starts

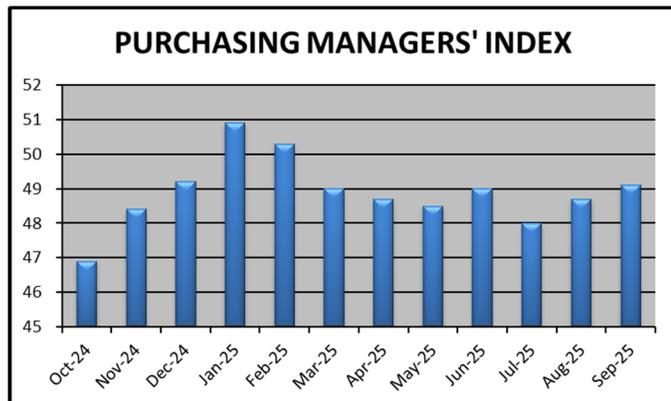
Housing starts is a measure of the number of residential units on which construction has begun each month. The level of housing starts is widely followed as a significant indicator of residential construction trends and demand for furniture, home furnishings and appliances. Housing starts is published by the U.S. Department of Commerce.



\*September report was delayed by the Federal government shutdown.

### Chart 13 – Purchasing Managers' Index

The purchasing managers' index (PMI) is derived from surveys of purchasing managers about the general direction of production, orders, inventories, employment, vendor deliveries and prices. PMI is an indicator of overall factory sector trends. Historically, readings above 50 are associated with expanding manufacturing activity; readings over 42.7 indicate that the overall economy is expanding. Readings below 50 are typically associated with contractions in manufacturing and readings below 42.7 indicate that the overall economy is contracting. PMI is widely followed because it gauges momentum in manufacturing and corporate earnings. The Institute for Supply Management publishes PMI.



Leading into Fiscal Year 2025, the economy was expected to expand at a modest pace as the labor market softened and inflation was drifting toward the Fed's preferred 2% target. According to a survey conducted by Bloomberg, GDP was forecast to average 1.9% in Fiscal Year 2025. Economists expected the Federal Reserve to reduce the fed funds target rate by 150 basis points to a range of 3.25%-3.50% in Fiscal Year 2025. Then President-elect Trump's proposed policies complicated the economic outlook. Tax cuts and deregulation were expected to increase the level of economic activity, while tariffs on imported goods would act as a headwind against growth.

Indicated in Charts 3 through 13, the barometers reflect varying economic conditions throughout the fiscal year. According to GDP, the economy was growing at an annual rate of 1.9% in the quarter ended December 31, 2024, led by strong consumer and government spending. PCE advanced at a 3.9% annual pace led by strong sales of autos, recreational goods and vehicles, and furnishings and household equipment. Nonfarm payrolls increased by 323,000 in December 2024, the largest gain in nearly two years. Payroll growth was driven by health care and social assistance, retail trade, and leisure and hospitality. The unemployment rate dropped to 4.1% from 4.2% in November. CPI increased 0.4% in December on higher energy and shelter prices. Core-CPI rose 3.2% for the 12-month period ended December 31, 2024, well above the Fed's preferred inflation rate of 2.0%.

GDP contracted 0.6% on annualized basis in the quarter ended March 31, 2025. Economic growth slowed due to a surge in imports as U.S companies tried to get ahead of pending tariffs. Deceleration of growth in consumer spending and a decline in federal government spending also affected GDP. Job growth slowed to an average gain of 111,000 jobs per month during the quarter, and the unemployment rate inched up to 4.2% in March 2025. The consumer price index (CPI) declined 0.1% in March, the first decrease in almost five years. CPI reflected lower costs for energy, used vehicles, hotel stays and airfares. Consumer sentiment dropped by 17 points in the quarter to 57 in March, reflecting a slumping stock market, slowing job growth and trade policy concerns.

For the quarter ended June 30, 2025, GDP increased at a 3.8% rate due in part to a plunge in imports following the tariff fueled inventory stockpiling in the prior quarter. A 2.5% increase in PCE and 2.9% increase in final sales to private domestic purchasers suggested the economy had rebounded from the weak second fiscal quarter. Retail sales (excluding autos) increased 0.9% in June, the largest increase of the fiscal year. Twelve of the 13 categories of retail sales posted gains. However, nonfarm payrolls shed 13,000 jobs in June, the first decline since December 2020. The job losses occurred across a broad base of sectors, partially offset by an increase in government jobs. Inflation picked up during the quarter as evidenced by a 0.3% increase in CPI in June. The index was led higher by tariff sensitive goods such as apparel and household furnishings.

GDP increased at a 4.3% annual rate in the quarter ended September 30, 2025, led by resilient consumer and business spending. PCE accelerated to a 3.5% annual pace, boosted by healthcare and international travel. Nonfarm payrolls added 119,000 jobs in

September after a decline in August. However, the unemployment rate reached 4.4%, the highest in almost four years. The higher unemployment rate was due in part to an increase in the labor force participation rate. Inflation as measured by the core CPI increased only 0.2% in September, restrained by the slowest increase in shelter costs since January 2021. The slower pace of inflation raised expectations that the Federal Reserve would continue to cut interest rates in early Fiscal Year 2026.

Going into Fiscal Year 2026, economic growth should benefit from strong consumer and business spending, fiscal stimulus, and calmer trade policies. However, the economy is contending with challenges posed by a softening labor market and persistent inflation. According to a survey conducted by Bloomberg, GDP was forecast to average 1.8% in Fiscal Year 2026. Economists expect the Federal Reserve to reduce the fed funds target rate to a range of 3.00%-3.25% next year. President Trump plans on replacing Fed Chairman Jerome Powell when his term ends in May 2026, and his appointees will gain a board majority. The impact President Trump’s appointees will have on monetary policy is unclear.

#### VIII. LOCAL ECONOMIC ACTIVITY

In addition to the types of permitted investments and allowable maturities, liquidity requirements, and domestic monetary policy and national economic activity, the portfolio’s effective rate of return is influenced by the local economy. The County derived approximately 71% of its Fiscal Year 2025 revenues from 12 revenue sources including several taxes, user fees and charges, state-shared revenues and investment income. Shown in Table 2 are the County’s 12 major revenues received in Fiscal Years 2025 and 2024.

Table 2 – Orange County’s 12 Major Revenue Sources

<u>Revenue</u>	<u>FY 2025*</u>	<u>FY 2024</u>
Ad Valorem Tax	\$1,466,868,167	\$1,299,236,180
Tourist Development Tax	384,587,078	359,464,591
Water Utilities System Operations	285,157,976	260,666,863
Half-Cent Sales Tax	247,173,664	244,627,750
<b>Interest Earnings</b>	<b>159,429,555</b>	<b>165,494,914</b>
Public Service Tax	133,882,199	120,165,226
Convention Center Operations	92,188,665	90,053,909
Impact Fees (excl. School Impact Fees)	83,078,708	77,087,769
Mandatory Refuse Fees	68,411,885	65,360,892
State Revenue Sharing	67,151,916	65,965,810
Solid Waste Tipping Fees	62,959,173	54,736,943
Fuel Taxes	48,813,697	49,036,411
<b>Totals</b>	<b>\$3,099,702,683</b>	<b>\$2,851,897,258</b>

\*Preliminary – subject to change.

## IX. INVESTMENT OPERATIONS

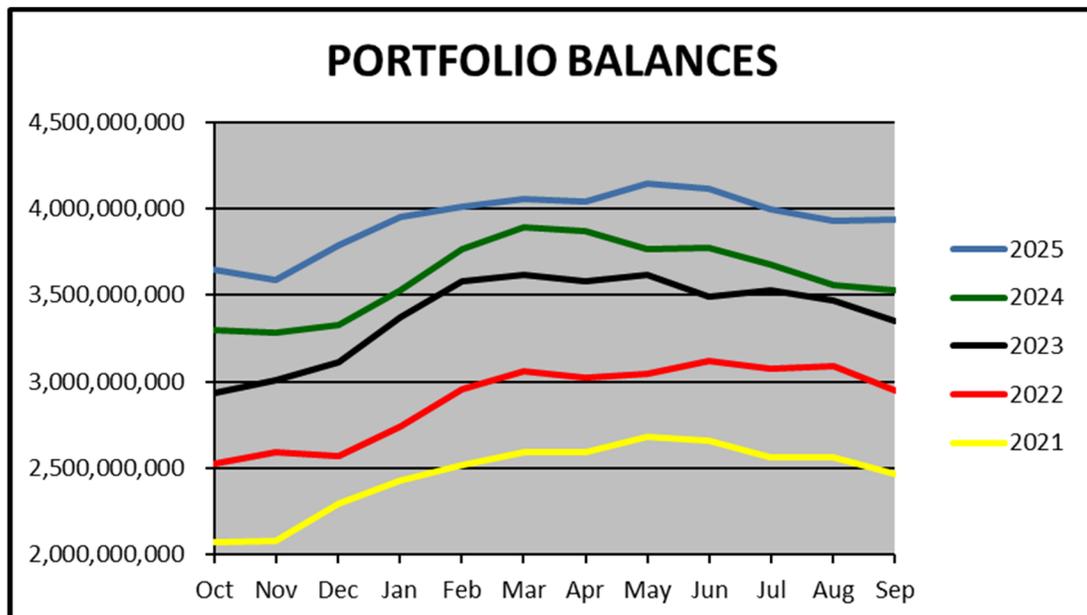
Qualified professionals in the Comptroller's Office conduct investing activities in accordance with Florida Statutes, County Ordinances, and written policies and procedures. Monthly reports of investment activity and positions are prepared and distributed to Comptroller management, management of the BCC and the Investment Advisory Committee. Regular meetings of the Committee are held to monitor the portfolio, evaluate investment performance and discuss investment strategies.

The Comptroller uses sophisticated techniques in carrying out its investment activities including the use of electronic bank and trust account systems; electronic funds transfer; on-line, real-time monitoring of U.S. securities markets; and electronic trading. Bank account balances, cash requirements, investment positions and trust account activity are determined daily. Current conditions and evaluations of domestic monetary policy and national economic activity are considered in purchasing investments.

### A. Portfolio Balances

The portfolio's opening balance in Fiscal Year 2025 was \$3.53 billion and the average daily balance was \$3.90 billion. The portfolio's ending balance for Fiscal Year 2025 was \$3.94 billion. The portfolio balances were led higher by substantial growth in ad valorem tax collections, supported by strong gains in Tourist Development Tax and the Water Utilities System. Portfolio growth was partially offset by a 6.6% increase in operating and capital, payroll, and debt service expenditures. Shown in Chart 14 are the portfolio balances as of the end of each month in fiscal years 2021 through 2025.

Chart 14 – Portfolio Balances



## B. Portfolio Composition

As of September 30, 2025, the portfolio was fully invested in permitted investments within allowable composition limits. As shown in Chart 15 below, the portfolio contained Treasuries, Florida PRIME (SBA), Instrumentalities, and Money Markets comprised of Treasuries and Treasury-backed repurchase agreements. Chart 16, September 30, 2024 Portfolio Composition by Investment Type, is presented for comparative purposes.

Chart 15 – September 30, 2025 Portfolio Composition by Investment Type

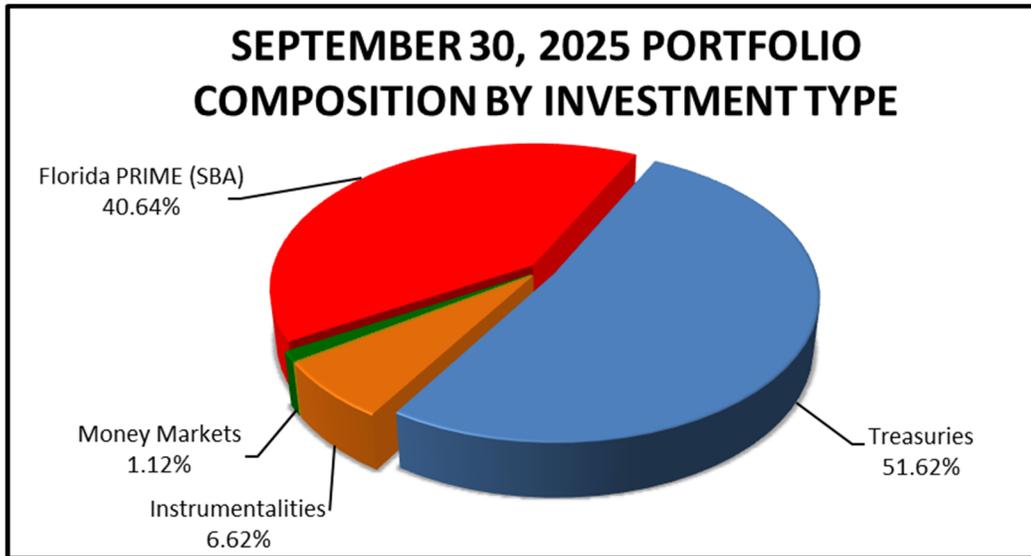
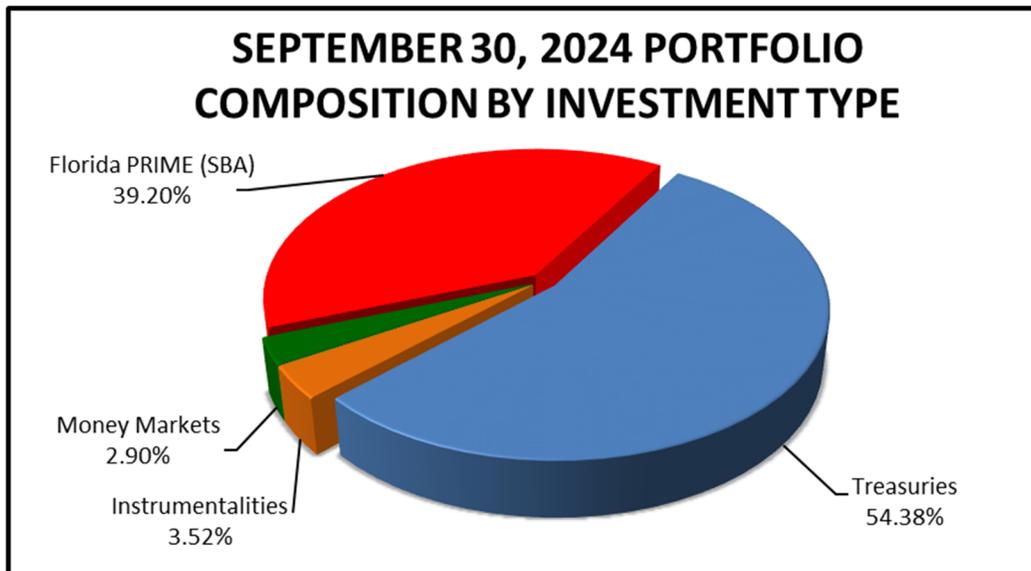


Chart 16 – September 30, 2024 Portfolio Composition by Investment Type



The portfolio was managed in compliance with the Policy, which requires the portfolio to be diversified by investment type. However, Treasuries may represent 100% of the portfolio because they are backed by the full faith and credit of the United States Government. During Fiscal Year 2025, the average allocation to Florida PRIME increased. Allocations to Treasuries, Instrumentalities and money markets were reduced. Changes in the average portfolio composition can be seen in Charts 17 and 18.

Chart 17 – FY 2025 Average Portfolio Composition by Investment Type

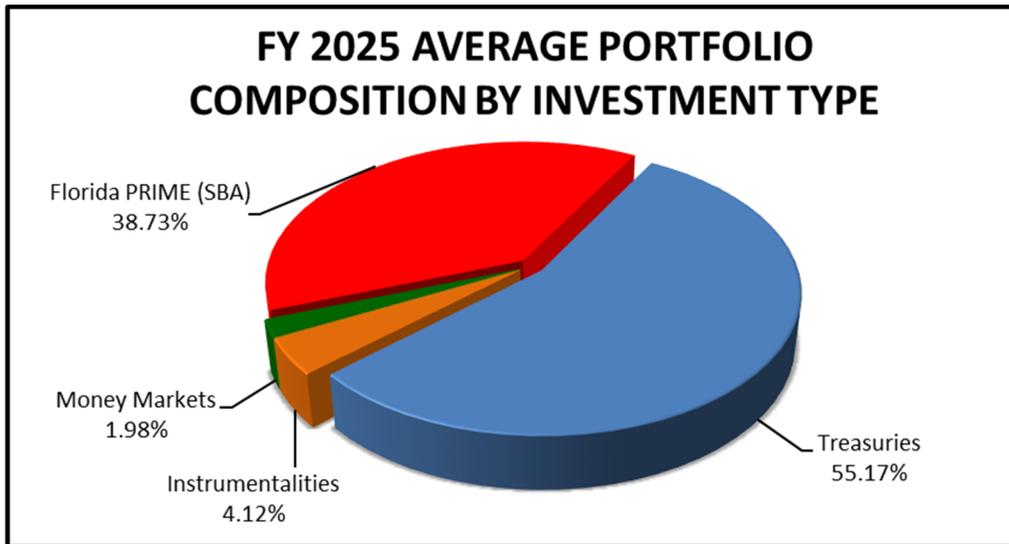
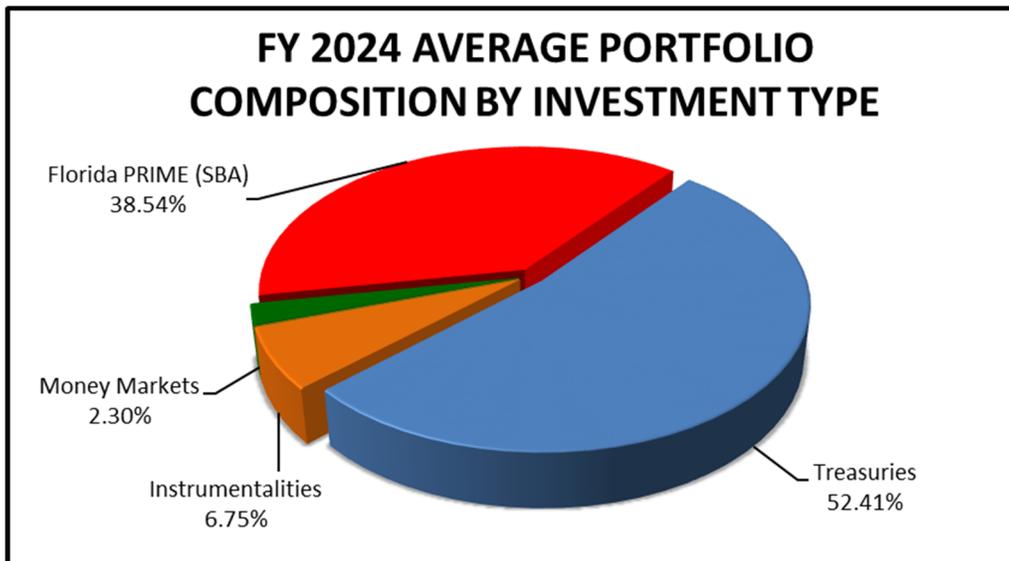


Chart 18 – FY 2024 Average Portfolio Composition by Investment Type



The portfolio is comprised of four sub-portfolios: current operating, intermediate term, noncurrent operating and debt service reserve. The current operating sub-portfolio has a maximum maturity of 13 months and is managed to meet

operating, payroll and debt service requirements. The intermediate term sub-portfolio has a maximum maturity of 36 months and was established to increase returns on excess liquidity and diversify investment maturities across the yield curve. The noncurrent sub-portfolio is comprised of a 5-year ladder designed to meet longer term funding requirements. Investments in the debt service reserve sub-portfolio are governed by the County’s bond covenants. The Policy requires debt service reserve and project construction investments to have terms that coincide with the expected use of the funds and in accordance with debt covenants, but not to exceed 10 years. The September 30, 2025 Portfolio Composition by Sub-portfolio is presented below. Chart 20, September 30, 2024 Portfolio Composition by Sub-portfolio, is presented for comparative purposes.

Chart 19 – September 30, 2025 Portfolio Composition by Sub-portfolio

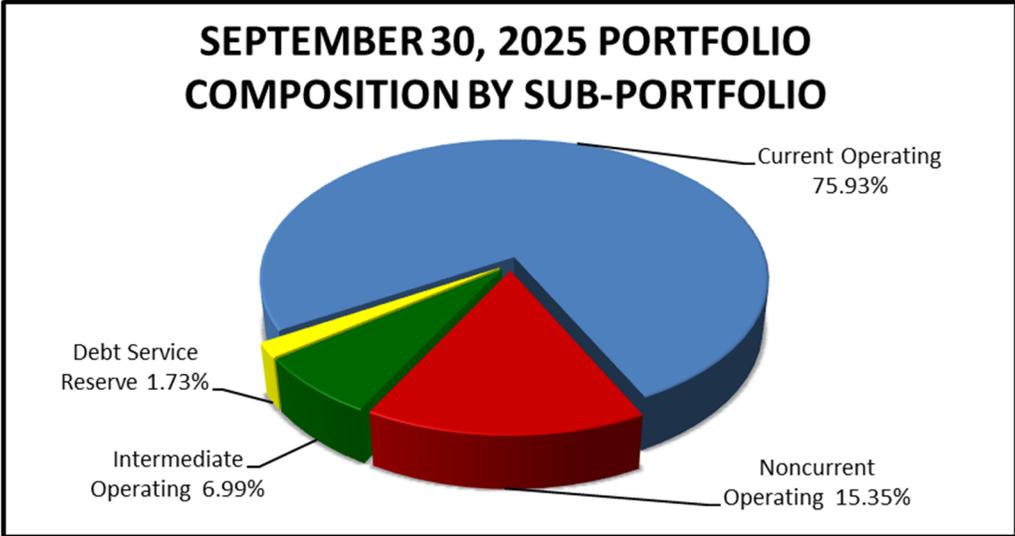
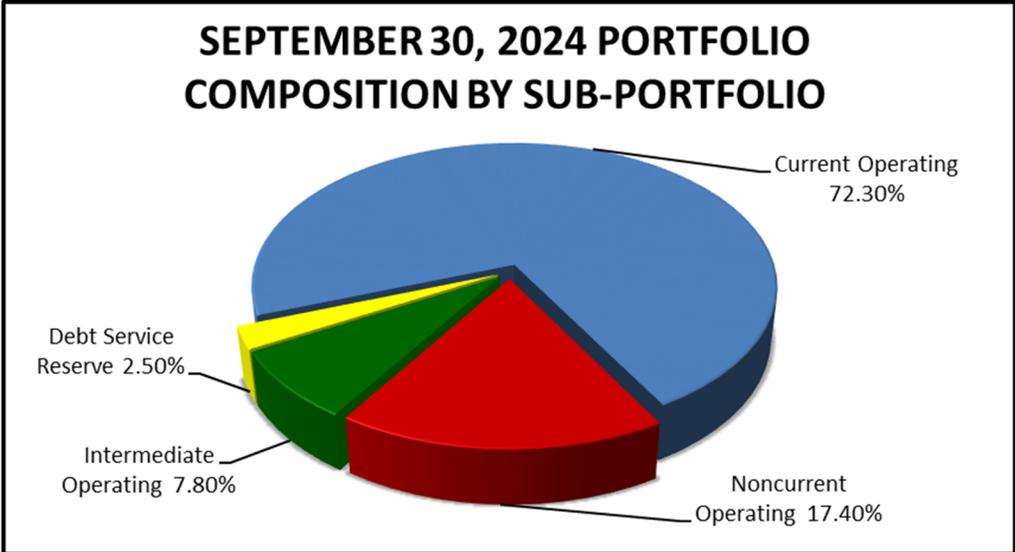


Chart 20 – September 30, 2024 Portfolio Composition by Sub-portfolio



In Fiscal Year 2025, current operating funds represented the largest percentage of the average portfolio composition. The overall average portfolio balance increased by \$292.4 million year-over-year, which was invested in the current operating portfolio. The dollar balances on the noncurrent operating and intermediate operating sub-portfolios were essentially unchanged, while the debt service reserve balance was down 23%. The change in average composition by sub-portfolio is presented below in Charts 21 and 22.

Chart 21 – FY 2025 Average Portfolio Composition by Sub-portfolio

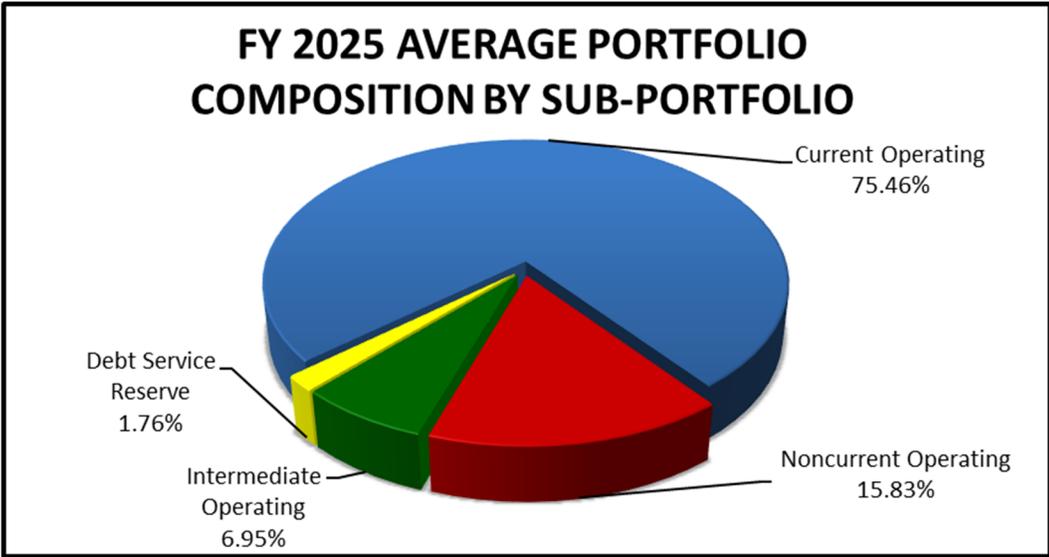
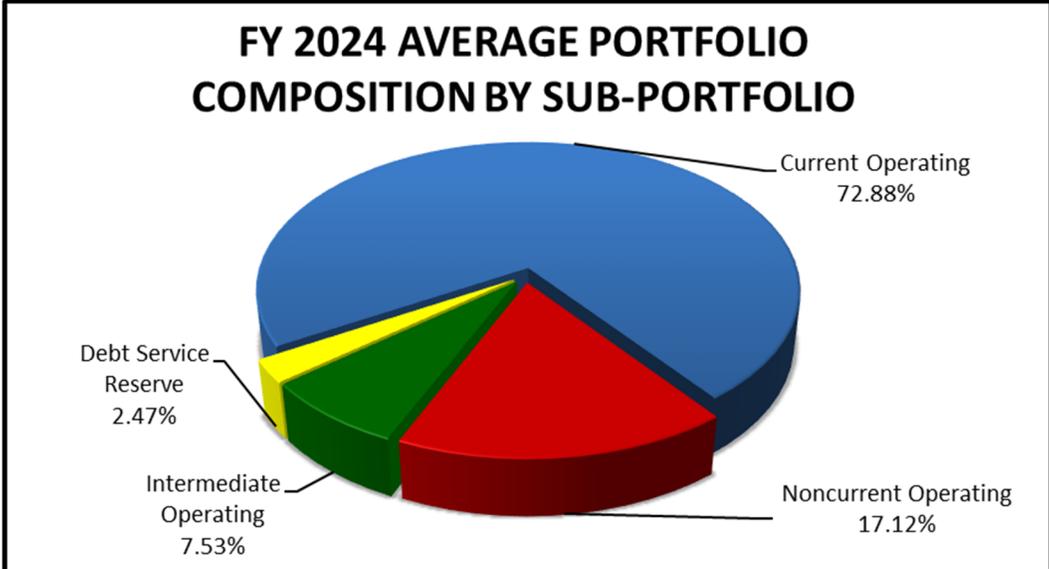


Chart 22 – FY 2024 Average Portfolio Composition by Sub-portfolio



C. Portfolio Maturities

The Policy requires sufficient liquidity and diversity in maturities. Shown in Table 3 are the average terms of each investment type at September 30, 2025 and 2024. Average term is the weighted average number of days from purchase to maturity of the investment. Average terms extend past 13 months in some cases due to the long-term investment of noncurrent operating funds, intermediate term funds and project construction funds.

<u>Investment Type</u>	<u>FY 2025</u>	<u>FY 2024</u>
Florida PRIME (SBA)	1	1
Money Market Funds	1	1
Instrumentalities	370	237
Treasuries	817	861

Available balances were invested for an average term of 459 days in Fiscal Year 2025 compared with an average term of 458 days in Fiscal Year 2024. Table 4 below reports the average term of the portfolio for each month in Fiscal Years 2025 and 2024. Terms were relatively flat as investments continued to be concentrated on the short end of the yield curve, where interest rates were highest throughout the year.

The portfolio’s average days to maturity was 217 days in Fiscal Year 2025 compared with 223 days in 2024. Average days to maturity is the average number of days remaining to maturity for the portfolio. Table 5 below reports the average days to maturity for each month in Fiscal Years 2025 and 2024.

Table 4 – Average Term (Days)

<u>Period</u>	<u>FY 2025</u>	<u>FY 2024</u>
October	480	504
November	494	509
December	476	492
January	453	461
February	453	432
March	446	423
April	457	427
May	445	442
June	444	432
July	454	439
August	454	458
September	447	477
Average	459	458

Table 5 – Average Days to Maturity

<u>Period</u>	<u>FY 2025</u>	<u>FY 2024</u>
October	253	223
November	263	246
December	249	241
January	226	230
February	222	218
March	210	209
April	210	206
May	199	217
June	190	211
July	189	207
August	192	226
September	197	245
Average	217	223

#### D. Interest Earnings and Yields

The dollar amount of interest earnings is used in historical and budgetary comparisons, and in cash flow analysis. The portfolio earned \$159,429,555 on an average daily balance of \$3,900,309,051 in Fiscal Year 2025. For comparison, the portfolio earned \$165,494,915 on an average daily balance of \$3,607,910,924 in Fiscal Year 2024. Actual interest income was \$128,310,265 more than the budgeted amount in Fiscal Year 2025. For comparison, actual interest income was \$139,761,582 more than the budgeted amount in Fiscal Year 2024. Budgeted and actual interest earnings for both fiscal years are shown in Table 6 below.

Table 6 – Budget and Actual Interest Earnings

	<u>FY 2025</u>	<u>FY 2024</u>
Actual	\$159,429,555	\$165,494,915
Budget	<u>31,119,290</u>	<u>25,733,333</u>
Variance	\$128,310,265	\$139,761,582

The Fiscal Year 2025 interest earnings and effective rate of return on each sub-portfolio are shown below in Table 7. The Fiscal Year 2024 interest earnings and effective rate of return by sub-portfolio are provided in Table 8 for comparison.

Table 7 – FY 2025 Interest Earnings and Effective Rate of Return by Sub-portfolio

<b>FY 2025</b>		
<u>Sub-portfolio</u>	<u>Interest Earnings</u>	<u>Effective Rate of Return</u>
Current Operating	\$130,332,714	4.43%
Noncurrent Operating	14,839,082	2.40%
Intermediate Term	11,278,179	4.16%
Debt Service Reserve	<u>2,979,580</u>	<u>4.35%</u>
Total	\$159,429,555	4.09%

Table 8 – FY 2024 Interest Earnings and Effective Rate of Return by Sub-portfolio

<b>FY 2024</b>		
<u>Sub-portfolio</u>	<u>Interest Earnings</u>	<u>Effective Rate of Return</u>
Current Operating	\$141,193,085	5.36%
Noncurrent Operating	12,472,636	2.01%
Intermediate Term	7,338,553	2.69%
Debt Service Reserve	<u>4,490,641</u>	<u>5.02%</u>
Total	\$165,494,915	4.57%

The effective rate of return on the current operating sub-portfolio, which has a maximum maturity of 13 months, fell by 93 basis points to 4.43%. The lower rate of return was attributable to the Federal Reserve’s series of interest rate cuts, which began at the end of Fiscal Year 2024. The target range for fed funds began Fiscal Year 2025 at 4.75%-5.00%. The Fed reduced rates by 25 basis points in November 2024 and December 2024 and then added one more cut in September 2025. The target range for fed funds ended the year at 4.00%-4.25%.

The rate of return on the intermediate term sub-portfolio (3-year ladder) jumped by 1.47 percentage points to 4.16% and the noncurrent operating sub-portfolio (5-year ladder) increased by 39 basis points to 2.40%. Treasury notes purchased a few years ago during the pandemic, when market interest rates were near historic lows, matured and were reinvested at higher rates. The last pandemic era investments in the intermediate term sub-portfolio matured during Fiscal Year 2025. However, the noncurrent operating sub-portfolio will continue to be affected by investments made during the pandemic years. These investments will take more time to roll off and the return on the noncurrent operating sub-portfolio should continue to rise.

The yield on the debt service reserve sub-portfolio fell by 67 basis points to 4.35%. The lower rate of return on this sub-portfolio was primarily due to lower short-term market interest rates in Fiscal Year 2025. Investments in this sub-portfolio were made to match maturities to debt service due dates. All investments in this sub-portfolio had maturities of 12 months or less.

The dollar amount of earnings by itself has little meaning as a measurement of portfolio performance. A better gauge of portfolio performance is the effective rate of return, which is measured in percent and can be compared to rates in prior years and to comparable investments. For Fiscal Year 2025, the portfolio’s effective rate of return was 4.09%. In Fiscal Year 2024, the portfolio’s effective rate of return was 4.57%. Shown below in Table 9 are the effective rates of return for the permitted investment types during Fiscal Years 2025 and 2024.

Table 9 – Average Portfolio Effective Rate of Return by Investment Type

<u>Investment Type</u>	<u>FY 2025</u>	<u>FY 2024</u>
Florida PRIME (SBA)	4.57%	5.52%
Instrumentalities	4.36%	5.21%
Money Markets	4.34%	5.18%
Treasuries	3.73%	3.77%

The lower rates of returns reflect a sharp drop in short-term market interest rates, which fell as a result of the Federal Reserve’s 75 basis points of rate cuts during the fiscal year. Returns on the SBA and the money market mutual funds fell to 4.57% and 4.34%, respectively. These securities have weighted average

maturities of 60 days or less and their returns are highly correlated with market interest rates. Yields on instrumentalities dropped to 4.36% in the lower interest rate environment. Investments in instrumentalities were added when yield spreads widened from Treasuries. The average return on Treasuries inched down by only 4 basis points to 3.73%. Higher returns were achieved on longer-term investments in Treasury notes in the intermediate term and noncurrent operating sub-portfolios. Treasury securities purchased during the pandemic matured and were reinvested in Treasury notes with higher rates of return. However, these gains were offset by lower returns on short-term investments in U.S. Treasury bills in the current operating sub-portfolio, which has a maximum maturity of 13-months.

#### E. Benchmark Comparisons

Portfolio performance is best measured when compared with rates of return on comparable investments. The Comptroller has established benchmarks as a means to monitor portfolio performance. A benchmark is a passive portfolio rate of return that represents expected returns with given levels of risk. In establishing benchmarks for the portfolio, the Comptroller evaluated investments with maturities and credit, market and liquidity risks comparable to the permitted investments. The Comptroller continued using certain Treasuries, the ICE BofA 0-1 Year Treasury Index and the effective federal funds rate as benchmarks for Fiscal Year 2025. The Comptroller also continued to use an internally calculated benchmark named the Committee Benchmark. This customized benchmark is computed using the yields on the effective federal funds rate, the 6-month constant maturity Treasury, the 2-year constant maturity Treasury and the 3-year constant maturity Treasury. Treasuries are defined in Section V above, and the effective federal funds rate is described in Section VII above. The ICE BofA Index is the average yield of outstanding Treasuries with maturities of one year or less.

The overall portfolio's book value rate of return was 4.09%, exceeding the average yield on the 1-year and the 2-year Treasury benchmarks. Although the yield on the Orange County portfolio dropped by 48 basis points, the decline in the average yields on the 1-year and 2-year Treasuries was even greater. The biggest year-over-year declines in the yield curve occurred in maturities of less than two years. The variance with all other benchmarks remained negative; however, the variances narrowed significantly from Fiscal Year 2024. Long-term investments made during the pandemic continued to weigh on the overall portfolio's rate of return, and these investments will continue to affect the County's rate of return in Fiscal Year 2026. The impact of the pandemic era investments should fade as these securities mature and the proceeds are reinvested at higher market interest rates.

Table 10 – Benchmark Comparisons

<u>Benchmark</u>	<u>FY 2025</u>	<u>Variance</u>	<u>FY 2024</u>	<u>Variance</u>
Portfolio	4.09%		4.57%	
3-Month Treasury	4.39%	-0.30%	5.42%	-0.85%
6-Month Treasury	4.26%	-0.17%	5.26%	-0.69%
ICE BofA 0-1 Year Treasury	4.29%	-0.20%	5.25%	-0.68%
1-Year Treasury	4.08%	0.01%	4.93%	-0.36%
2-Year Treasury	3.97%	0.12%	4.54%	0.03%
Effective Fed Funds	4.40%	-0.31%	5.31%	-0.74%
Committee Benchmark	4.27%	-0.18%	5.14%	-0.57%

F. Brokers, Dealers and Direct Issuers

Management of the portfolio was also accomplished in compliance with the Policy, which requires the portfolio to be diversified by financial institution. The Policy indicates that the Comptroller shall purchase securities only from financial institutions that are qualified as public depositories by the Chief Financial Officer of the State of Florida, primary securities dealers as designated by the Federal Reserve Bank of New York, or direct issuers of CP and BAs. The Policy also requires a minimum of three competitive offers.

The Comptroller records the number and amount of purchases and sales by financial institutions and dealers. Shown below in Table 11 are the primary dealers ranked by Fiscal Year 2025 percentage of total County transactions and compared with percentage of transactions in Fiscal Year 2024.

Table 11 – QPD, Dealers and Direct Issuers

<u>Broker/Dealer</u>	<u>Status</u>	<u>FY 2025 % of Total</u>	<u>FY 2024 % of Total</u>
Jefferies & Company, Inc.	Primary	24.74%	16.73%
RBC Capital Markets	Primary	22.56%	28.20%
Wells Fargo	Primary	21.23%	17.31%
Bank of Montreal (BMO)	Primary	21.05%	26.39%
Citigroup	Primary	10.42%	11.37%

X. DEPOSITORY BANKING

General banking and cash management services are provided by an Agreement for Banking Services with Wells Fargo Bank, N.A., for the period July 1, 2019 through June 30, 2022. Wells Fargo was selected as the County’s banking institution in a competitive procurement process. The Agreement provides for three one-year extensions upon mutual consent of the parties. The last of the three one-year options

was exercised and the agreement was extended to June 30, 2025. The agreement was further extended to March 31, 2026, while the County worked through the procurement process for comprehensive banking and treasury management services. Wells Fargo is a member of the Federal Reserve System and the National Automated Clearing House Association. Wells Fargo is also a QPD as defined by the Florida Security for Public Deposits Act.

Services provided by Wells Fargo under the Agreement include general banking, non-interest bearing and interest bearing transaction accounts, retail and wholesale lockbox, and electronic funds transfers. Discussed below is a brief description of each service.

#### A. General Banking

General banking services include deposits, check writing, credit card processing, stop payments, return item processing, money changing, account analysis, bank statements, full check reconciliation, electronic information reporting and positive payment. Positive payment is an electronic process involving the County's checking accounts that reduces the risk of check fraud and allows unauthorized checks to be automatically returned to the payee.

#### B. Bank Accounts

The County has the option to establish sweep investment, managed rate interest bearing or non-interest bearing accounts. The County maintains 25 accounts including collection and deposit, and disbursement accounts. Nine of the accounts are checking accounts. Sixteen bank accounts have their cash balances swept overnight into a money market mutual fund. Six bank accounts are managed rate interest bearing accounts where earnings in excess of fees are paid to the County. Three non-interest bearing accounts do not pay interest in excess of those needed to offset bank fees.

All bank balances are covered by the Federal Deposit Insurance Corporation (FDIC) up to a total of \$250,000 and collateralized by the Florida Security for Public Deposits Act.

#### C. Lockbox

Wells Fargo provides wholesale lockbox services to the Fire Rescue Department, Solid Waste System and Payroll Department. Wells Fargo also provides wholetail lockbox services to the Water Utility System and the County's Red Light Running Program. A wholetail lockbox is a hybrid of a retail lockbox and a wholesale lockbox. A lockbox is a method of collecting regular, recurring payments from customers of the County. The County's lockboxes provide faster deposit of payments, reduce handling and processing time, and strengthen internal controls

by separating the cash handling responsibilities from invoicing and billing responsibilities.

#### D. Electronic Funds Transfers (EFT)

EFT are electronic communications of financial transactions between banks and bank customers. Wells Fargo provides the County with the capability to receive and disburse funds through the Federal Reserve Wire System, immediately and overnight. Automated clearinghouse transfers (ACH) include the ability to directly draw from customer (Water Utilities) and taxpayer (Tourist Development and Public Service Tax) accounts for immediate credit to the County's accounts. ACH transfers also provide for direct deposit of employee payroll earnings for immediate credit to their accounts, and for the County's payment of various state and federal tax liabilities. The Comptroller utilizes comprehensive ACH debit blocking to prevent unauthorized disbursements.