



Investment Report  
November 30, 2017

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Department of Finance  
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Ellicott City, MD 21043

# Department of Finance

## Investment Report As of November 30, 2017

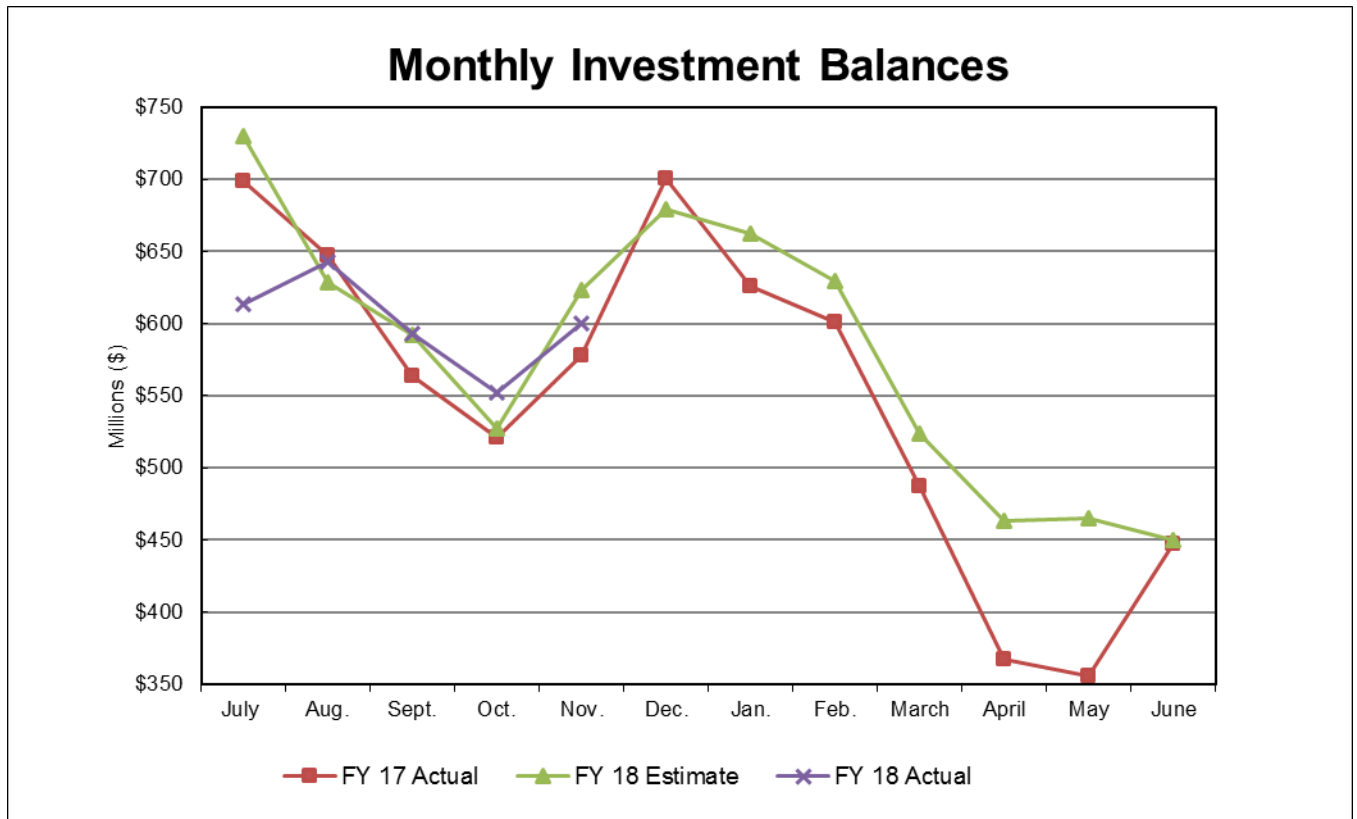
### Investment Policy:

Howard County, Maryland invests public funds in a manner that will conform to all State of Maryland and County statutes governing the investment of public funds while meeting its daily cash flow demands and providing a return that most closely matches the six-month Treasury bill yield.

### Summary of Portfolio Composition:

	<u>CURRENT MONTH</u>	<u>PRIOR MONTH</u>
General Fund	\$255,549,337	\$207,866,679
All Other Funds	\$344,718,280	\$344,385,948
Total Portfolio	\$600,267,617	\$552,252,627

The total portfolio balance increased by \$48.0 million from the previous month. This increase represents the normal trend as the County received its income tax distributions in November. The County did not break any investments this month and never has. The investment allocations as shown on page 3 were consistent with the County Investment Policy.

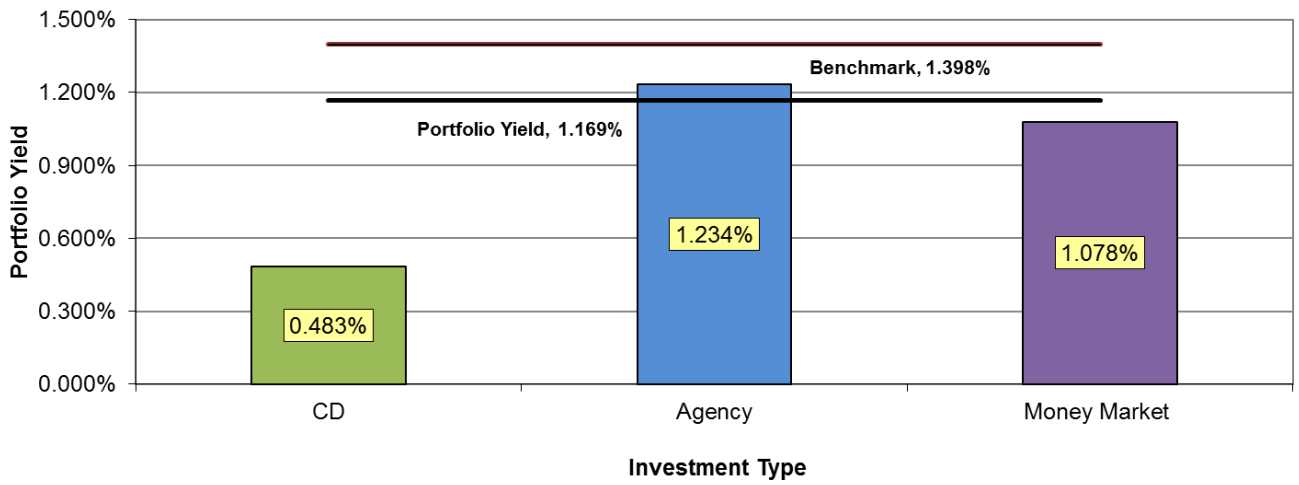


**Analysis:**

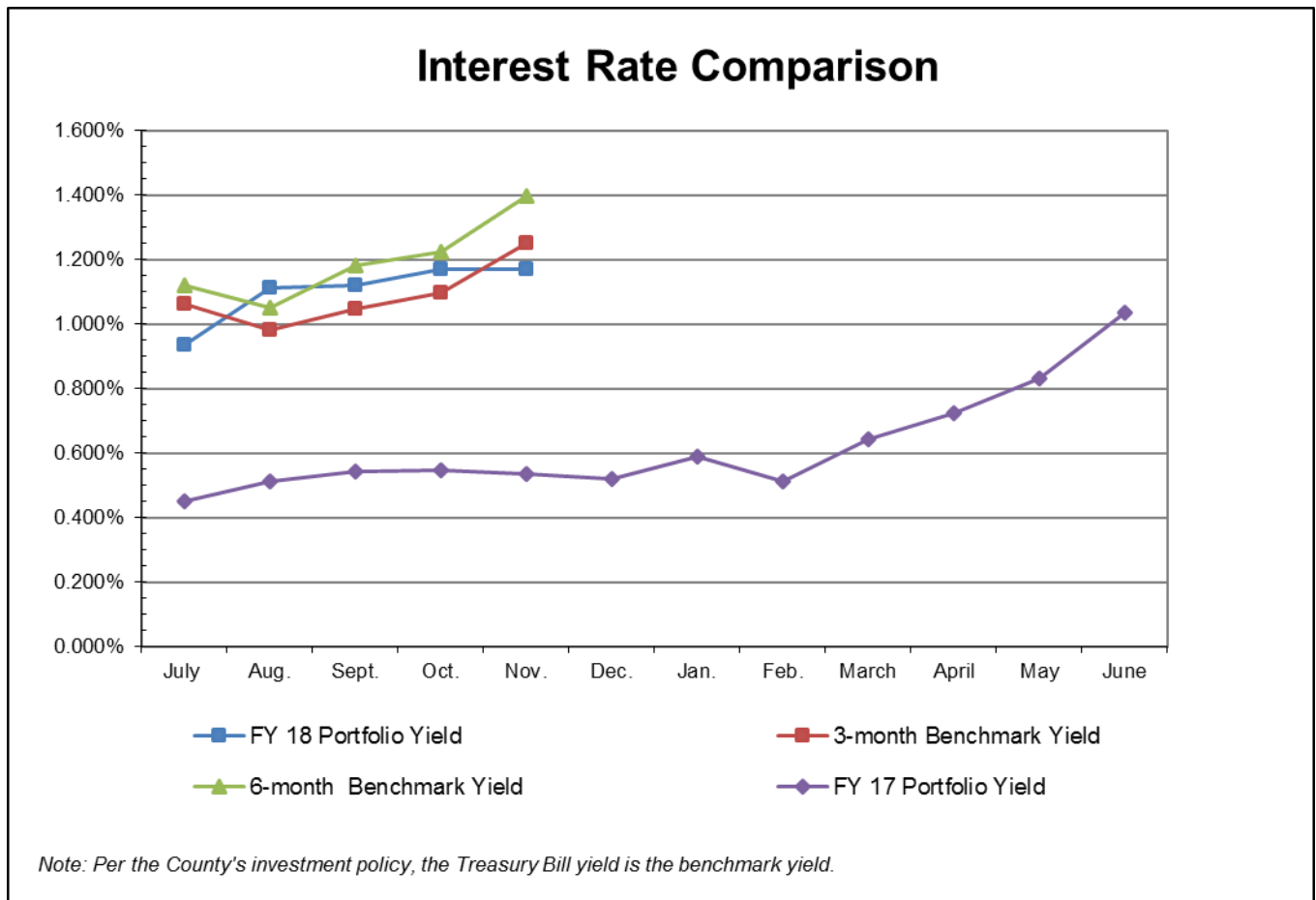
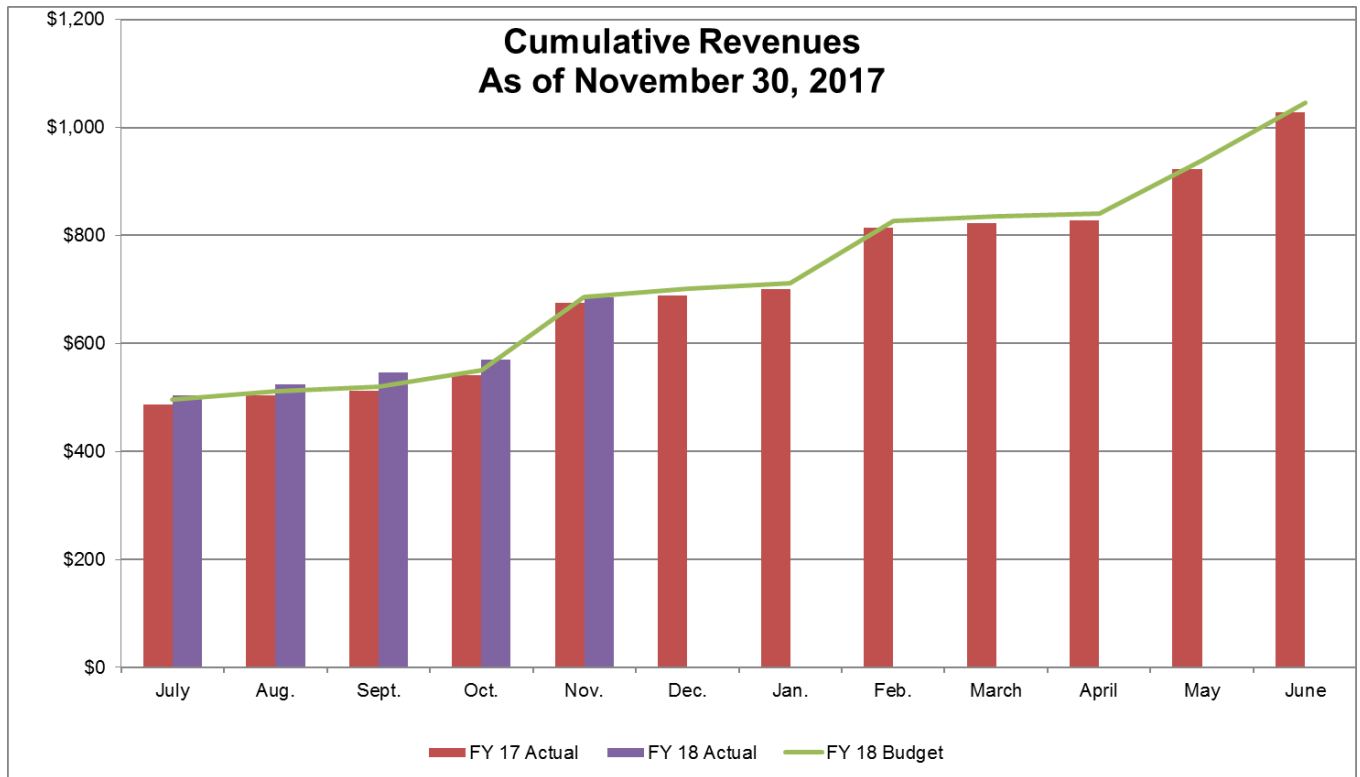
	<u>CURRENT MONTH</u>	<u>PRIOR MONTH</u>	<u>WEIGHTED AVERAGE FOR 3 MONTHS ENDING NOVEMBER 30, 2017</u>
Portfolio yield	1.169%	1.170%	1.152%
Six Month Benchmark yield	1.398%	1.225%	1.129%

As of November 30, 2017, the average weighted maturity of the portfolio was 162 days.

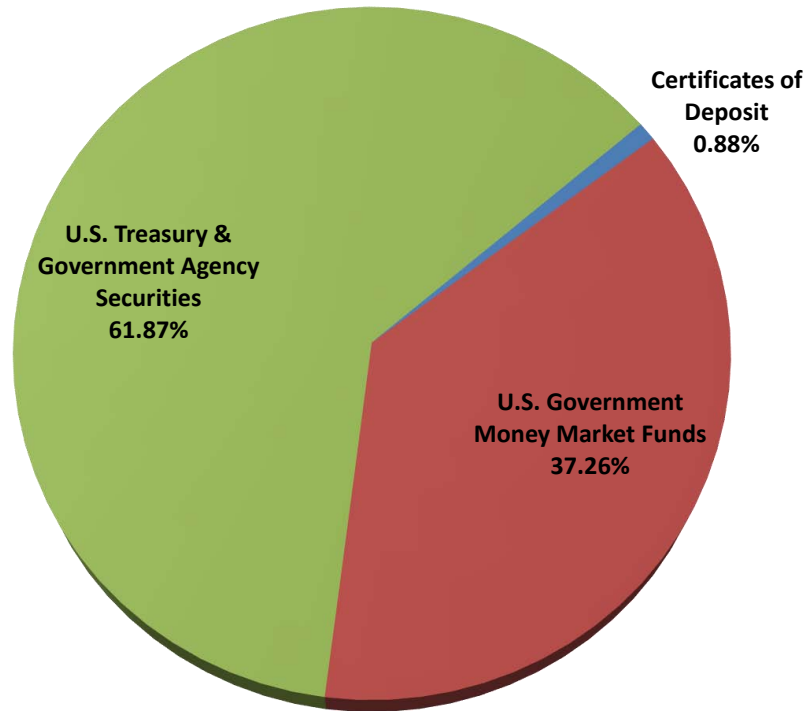
**Portfolio Yield at a Glance  
November 30, 2017**



**Current Market and Year-Over-Year Comparison:**



### Investment by Type as of November 30, 2017



See diversification schedule below

#### Diversification Levels for Authorized Investments

	Authorized Percentage	Actual Percentage <sup>(2)</sup>	Actual Amount
U.S. Treasury & Government Agency Securities	90%	61.87%	371,356,753
Repurchase Agreements	90%	0.00%	-
U.S. Government Money Market Funds	60%	37.26%	223,654,693
Certificates of Deposit	5%	0.88%	5,256,171
Commercial Paper	5%	0.00%	-
		<u>100.00%</u>	<u>600,267,617</u>

#### Diversification Levels for Authorized Brokers

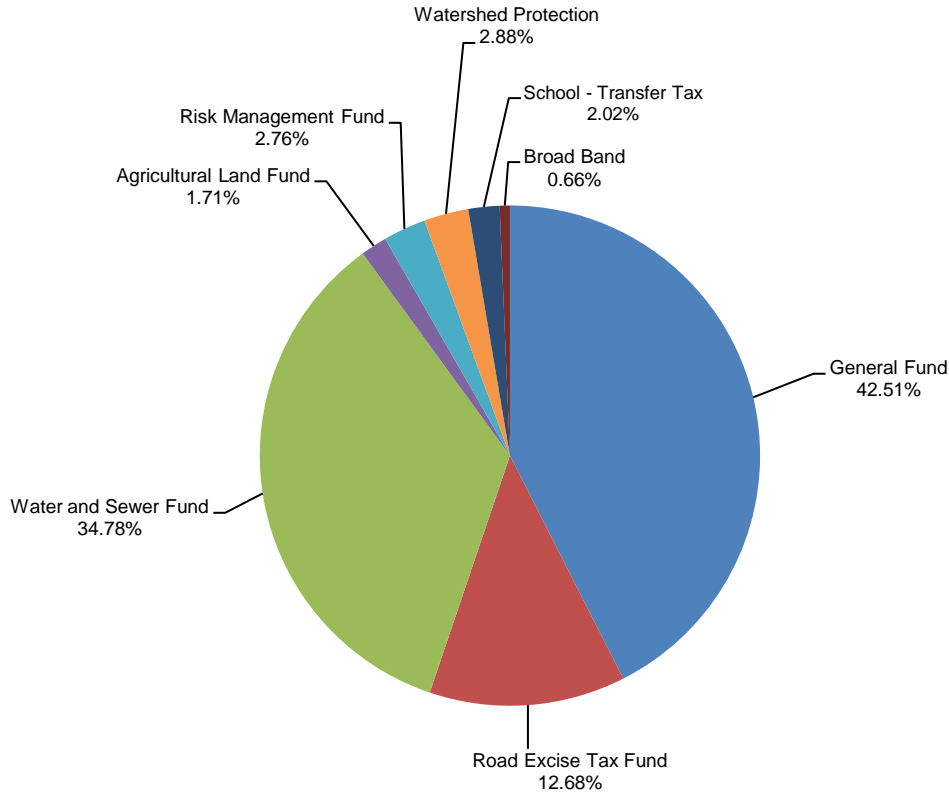
	Actual Percentage (1) & (2)	Actual Amount
Cantor Fitzgerald	8.37%	50,256,836
Columbia Bank (3)	0.84%	5,045,407
FTN Financial	8.35%	50,121,604
Harbor Bank (3)	0.02%	100,000
Jefferies	11.66%	69,972,656
PNC Bank (3)	0.02%	110,764
Piper Jaffray	8.32%	49,947,188
Stifel, Nicolaus & Co.	15.05%	90,343,015
UBS Financial Services	6.59%	39,549,376
Wells Fargo	3.53%	21,166,078
MD Local Government Investment Pool	35.18%	211,147,568
Federated	2.08%	12,507,125
	<u>100.00%</u>	<u>600,267,617</u>

(1) Actual percentages cannot exceed 40% for any one broker or financial institution at the time of purchase.

(2) Due to rounding, percentages may not total 100%.

(3) Certificates of Deposit

**Investment by Fund  
As of November 30, 2017**



	<u>Investment Allocation As of 11/30/2017</u>	<u>FY 17 Interest Income* Actual</u>	<u>FY 18 Interest Income Budget</u>	<u>FY 18 Interest Income* As of 11/30/2017</u>
General Fund	\$ 255,196,279	\$ 2,250,050	\$ 1,000,000	\$ 1,075,881
Road Excise Tax Fund	76,136,201	479,671	679,870	356,156
Water and Sewer Fund	208,768,512	1,282,848	900,000	711,119
Agricultural Land Fund	10,256,332	97,508	47,356	52,286
Risk Management Fund	16,564,683	99,115	14,000	60,293
Watershed Protection	17,300,639	143,501	55,000	78,438
School - Transfer Tax	12,100,000	24,444	-	43,186
Broad Band	3,944,972	14,254	-	13,639
	<u>\$ 600,267,617</u>	<u>\$ 4,391,391</u>	<u>\$ 2,696,226</u>	<u>\$ 2,390,999</u>

\* Reported on a budgetary basis.

Note: Due to rounding, percentages may not total 100%.

**Investment Schedule**

Type	Book Value	Yield	Purchase Date	Term in Days	Maturity Date
<b>Certificates of Deposit:</b>					
PNC Bank	110,764	0.100%	03/16/17	365	03/16/18
Harbor Bank	100,000	0.200%	07/08/17	365	07/08/18
Columbia Bank	5,000,000	0.500%	08/10/17	365	08/10/18
Columbia Bank	45,407	0.200%	11/25/17	365	11/25/18
<b>Total Certificates of Deposit</b>	<b>5,256,171</b>	<b>0.483%</b>			
<b>U.S. Government Money Market Funds:</b>					
Federated Securities	12,507,125	0.660%	Various	-	On Demand
MD Local Govt Investment Pool	211,147,568	1.103%	Various	-	On Demand
<b>Total Money Markets</b>	<b>223,654,693</b>	<b>1.078%</b>			

**Investment Schedule (Cont.)**

Security Type	Book Value	Yield	Purchase Date	Call Date	Interest Date	Maturity Date
<b>U.S. Treasury &amp; Government Agency Securities:</b>						
U.S. Treasury Note	24,960,938	1.142%	06/29/17		01/31/18	01/31/18
U.S. Treasury Note	24,972,656	1.155%	05/31/17	-	02/15/18	02/15/18
U.S. Treasury Note	24,929,688	1.172%	06/29/17		02/28/18	02/28/18
Federal Home Loan Bank	24,986,250	1.203%	06/29/17		03/14/18	03/14/18
U.S. Treasury Note	25,327,148	1.180%	06/01/17		04/30/18	04/30/18
U.S. Treasury Note	24,960,938	1.153%	05/04/17	-	05/15/17	05/15/18
Federal Farm Credit Bureau	21,166,078	0.954%	06/01/16	-	05/16/18	05/16/18
Federal Agricultural Mortgage Corporation	20,000,000	1.221%	05/17/17	-	05/11/18	05/11/18
Federal Agricultural Mortgage Corporation	25,000,000	1.140%	03/06/17	-	09/06/18	09/06/18
Federal Home Loan Bank	24,936,878	1.330%	07/26/17		10/01/18	10/01/18
Federal Home Loan Mortgage Corp	24,937,056	1.320%	08/04/17		10/12/18	10/12/18
Federal Farm Credit Bureau	24,960,000	1.345%	05/05/17	-	07/17/17	01/17/19
Federal Home Loan Mortgage Corp	10,414,115	1.371%	08/01/17	10/25/17	01/25/19	01/25/19
Federal Home Loan Bank	10,054,967	1.366%	08/04/17		02/15/19	02/15/19
Federal Farm Credit Bureau	14,589,376	1.340%	08/01/17	-	02/27/19	02/27/19
Federal Agricultural Mortgage Corporation	20,000,000	1.375%	08/17/17	-	05/17/19	05/17/19
Federal Home Loan Bank	25,160,667	1.393%	08/01/17	-	06/14/19	06/14/19
<b>Total U.S. Treasury &amp; Govt Agency Securities</b>	<b>371,356,753</b>	<b>1.234%</b>				
<b>Total Investment Balance (Page 6 &amp; 7)</b>	<b>600,267,617</b>	<b>1.169%</b>				

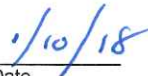
**Portfolio Yield** 1.169%

**Benchmarks:**

Three-month Treasury Yield 1.250%  
 Six-month Treasury Yield 1.398%  
 Money Market Funds Yield 1.078%

The above report has been approved by:

  
 Stanley J. Milesky  
 Director of Finance

  
 Date

## Notes to Investment Schedule

### 1. Certificates of Deposit and Repurchase Agreements

The County can only purchase Certificates of Deposit (CD's) from banks located in the State of Maryland. The banks currently holding CD's for the County are: The Columbia Bank, Harbor Bank, and PNC Bank. The County currently owns repurchase agreements purchased from Cantor Fitzgerald.

All certificates of deposit and repurchase agreements are collateralized at 102% of their cost plus accrued interest or FDIC insured. The collateral is held at Wells Fargo Bank.

### 2. Social Investing

The County invests in instruments offered by community and minority financial institutions. These financial institutions may not meet all of the criteria listed in the County's Investment Policy as authorized dealers and institutions. These institutions are: The Columbia Bank and Harbor Bank. The County maintains a Certificate of Deposit with PNC Bank so that Landfill operation employees can have access to banking services there.

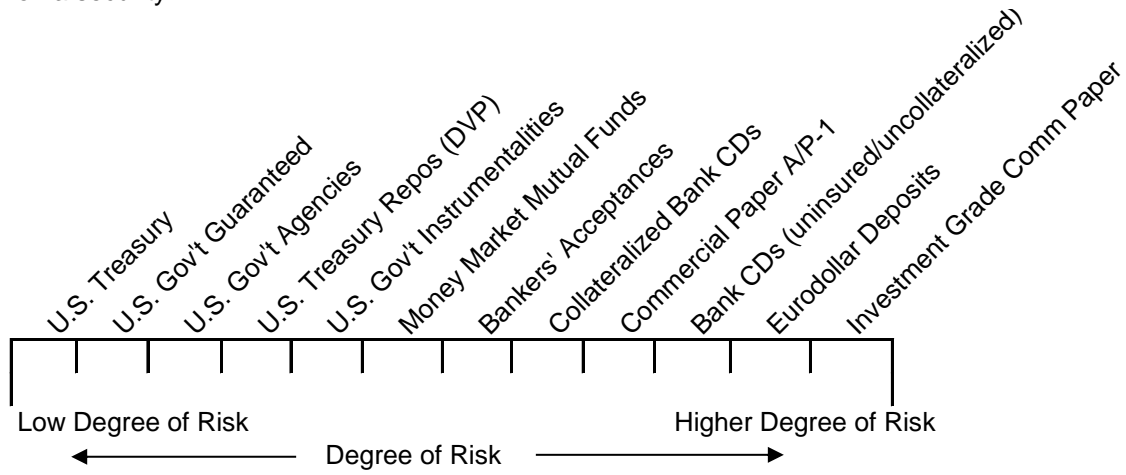
### 3. Agricultural Land Preservation Program

The County finances the acquisition of development rights to a parcel of agricultural property by entering into an installment-purchase agreement with the property owner. US Treasury Strips, purchased as part of the county's Agricultural Land Preservation program, will be used to match balloon payments to the property owner. The table below shows the detail information regarding the investment in Stripped Coupon U.S. Treasury Securities.

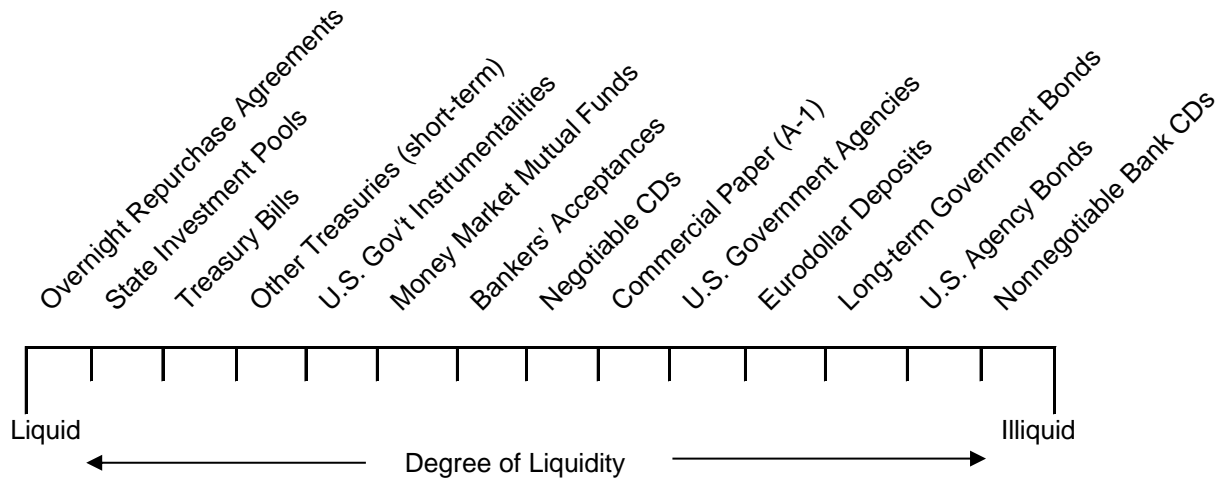
Maturity Date	Par Value <sup>1</sup> Balloon Payment	Original <sup>2</sup> Cost	Book Value <sup>3</sup> 6/30/2016
8/15/2018	759,000	526,928	697,299
2/15/2019	2,160,000	241,035	1,773,516
2/15/2019	2,810,000	313,836	2,308,661
8/15/2019	1,860,000	177,721	1,447,774
2/15/2020	840,000	82,002	631,936
2/15/2020	4,695,000	441,375	3,507,741
8/15/2020	2,275,000	201,816	1,620,780
8/15/2020	7,385,000	735,117	5,336,655
2/15/2021	1,510,000	146,510	1,048,735
2/15/2021	4,626,000	444,639	3,199,492
8/15/2021	1,115,000	120,697	753,261
8/15/2021	2,580,000	253,144	1,715,240
8/15/2023	3,359,000	362,503	1,940,634
8/15/2023	6,928,000	854,220	4,097,017
2/15/2025	374,000	66,011	223,768
2/15/2025	183,000	27,404	103,890
2/15/2026	3,950,000	560,900	2,079,623
8/15/2026	1,295,000	175,073	646,903
11/15/2027	2,158,000	478,644	1,100,360
Total	\$ 50,862,000	\$ 6,209,578	\$ 34,233,286
<sup>1</sup> Purchase price plus accrued interest at maturity			
<sup>2</sup> Purchase price			
<sup>3</sup> Purchase price plus accrued interest as of 6/30/16			

**Key Investing Terms**

**Credit Risk:** The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.



**Liquidity:** An asset that can be converted easily and quickly into cash.



Distribution:

- County Executive
- County Council
- County Auditor
- Chief Administrative Officer
- Office of Public Information
- Budget Director

## Types of Investment Instruments

**Bankers Acceptances (BA's):** Financial transactions involving the import or export of goods. A bank agrees to lend money to an importer to finance the purchase of goods. The bank then sells this agreement to an investor (the County) who receives compensation in the form of interest.

### Characteristics:

1. Very safe: There has never been a BA failure in their history
2. Can only purchase BA's from banks rated A1 or P1
3. Three guarantees back this investment:
  - a. Obligation to pay by the importer
  - b. Guarantee from the accepting bank
  - c. The goods themselves
4. Maturities less than 180 days
5. Generally higher yielding than Repos

*Restrictions: The County currently does not purchase Japanese BA's.*

**Certificates of Deposits:** A time deposit with a specific maturity evidenced by a certificate. All deposits held in minority or community banks.

**Money Market Funds:** Current holdings include the Maryland Local Government Investment Pool (MLGIP) and Federated. MLGIP is designed to provide all local government units of the State an investment vehicle for the short-term investment of funds. The County's cash in these money market funds is obtainable on demand.

**Repurchase Agreement (Repo):** An investment contract involving the temporary transfer of ownership of U.S. Government securities between a broker and an investor (the County). A broker agrees to sell U.S. Treasury or Government Agency Securities to the County and agrees to repurchase them at a fixed price on a fixed date. The County receives the original purchase price and compensation in the form of interest on the maturity date.

### Characteristics:

1. Very safe: only collateralized U.S. Government securities
2. Very flexible: maturities from one day to one year
3. Higher yields than purchasing securities outright

**U.S. Treasury and Government Agency Securities:** Considered the safest investments in the world. The U.S. Government and its agency issue these securities to finance their operations. Maturities range from three months to 30 years, however, the County, per our investment policy, is limited to five-year maturities.

### Characteristics:

1. Very safe
2. Very liquid: can be sold very easily

### Main Agency issuers:

1. Federal Farm Credit Bank (FFCB)
2. Federal National Mortgage Association (FNMA)
3. Federal Home Loan Bank (FHLB)
4. Federal Home Loan Mortgage Corporation (FHLMC)
5. Federal Agricultural Mortgage Corporation (FAMC)

**Commercial Paper:** Per the County's investment policy, must have minimum rating of A1, P1 or F1 from the credit rating agencies.