



Investment Report  
October 31, 2019

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Director of Finance  
Department of Finance  
3430 Court House Drive  
Ellicott City, MD 21043

# Department of Finance

## Investment Report As of October 31, 2019

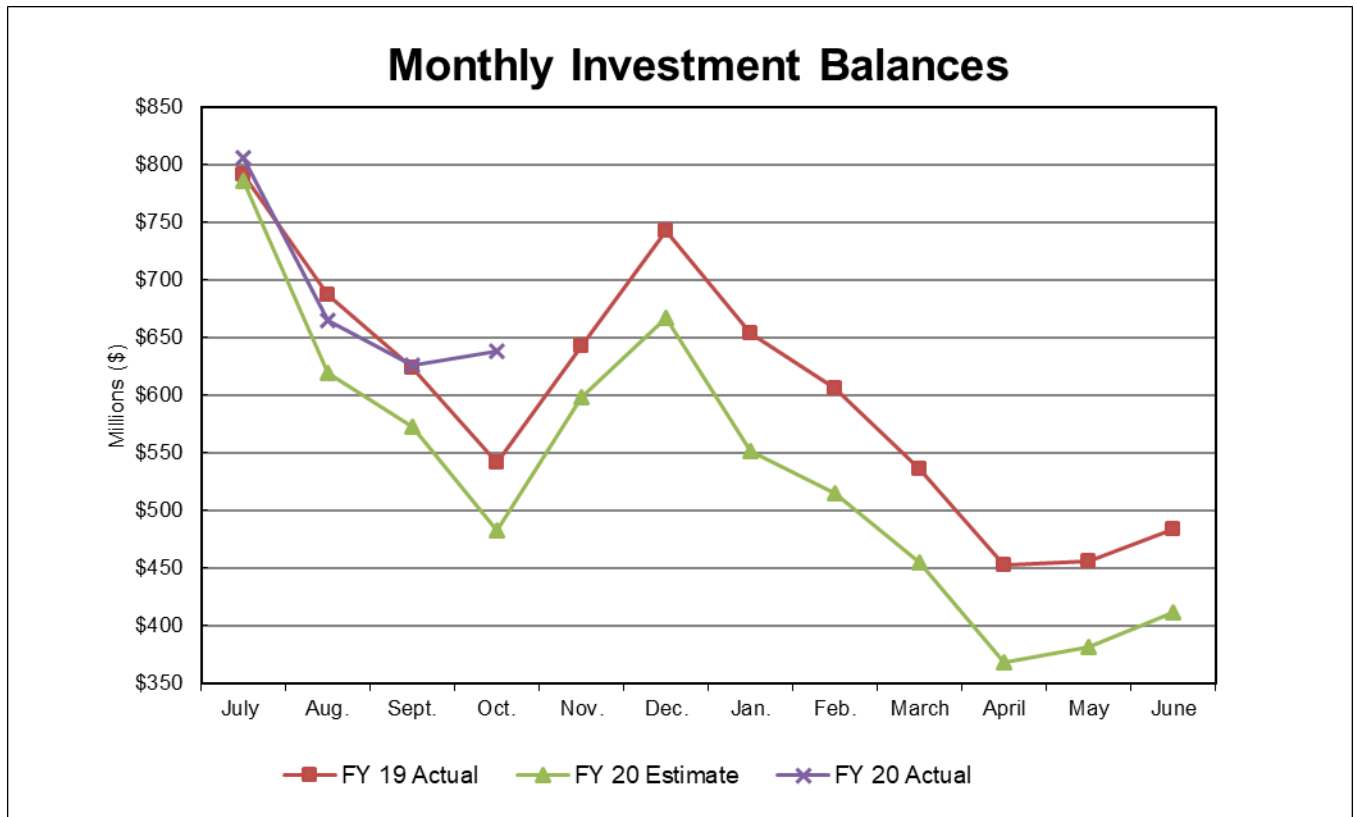
### Investment Policy:

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 three-month Treasury bill yield.

### Summary of Portfolio Composition:

	<u>CURRENT MONTH</u>	<u>PRIOR MONTH</u>
General Fund	\$287,488,608	\$283,033,161
All Other Funds	\$351,231,620	\$343,501,049
Total Portfolio	\$638,720,228	\$626,534,209

The total portfolio balance increased by \$12.2 million from the previous month. This increase represents the strong income tax revenues and corporate property tax revenues collected. The County did not break any investments this month and never has. The investment allocations as shown on page 4 were consistent with the County Investment Policy.

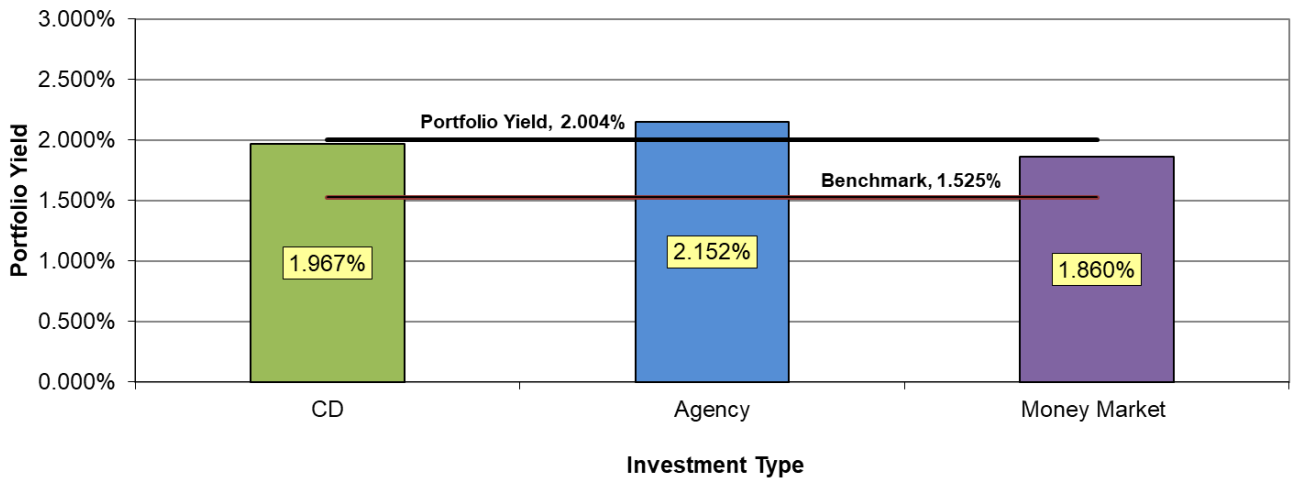


**Analysis:**

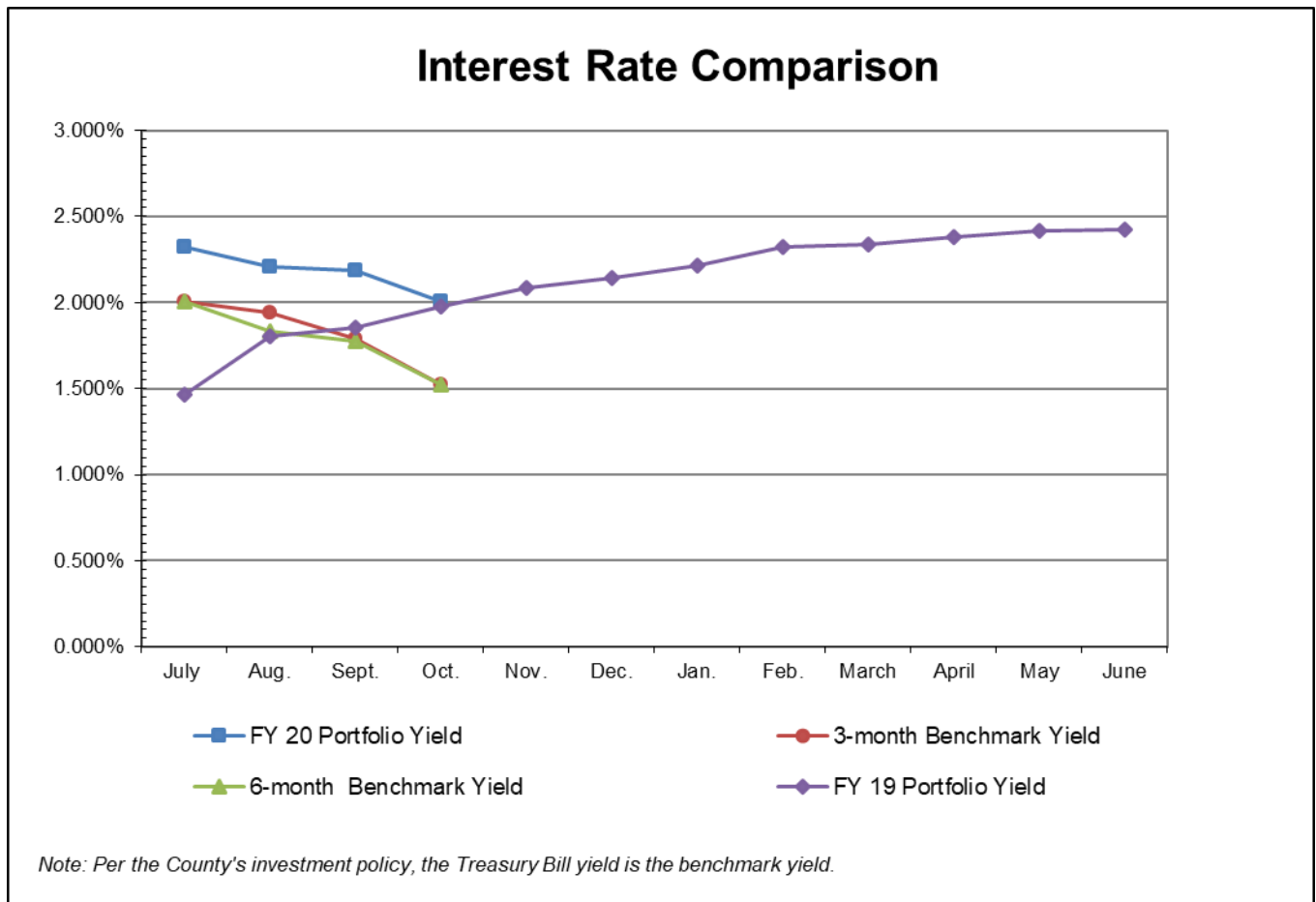
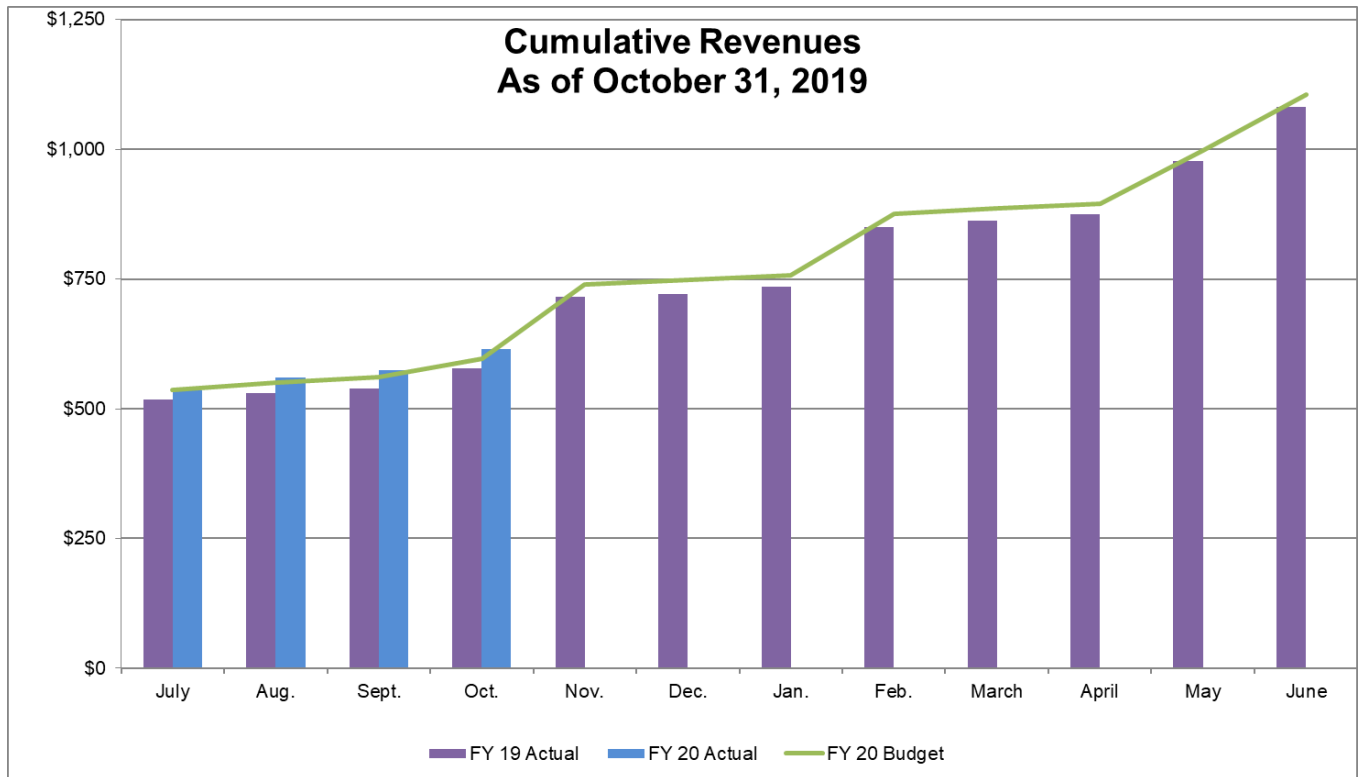
	<u>CURRENT MONTH</u>	<u>PRIOR MONTH</u>	<u>WEIGHTED AVERAGE FOR 3 MONTHS ENDING OCTOBER 31, 2019</u>
Portfolio yield	2.004%	2.184%	2.137%
Three Month Benchmark yield	1.525%	1.790%	1.762%

As of October 31, 2019, the average weighted maturity of the portfolio was 85 days.

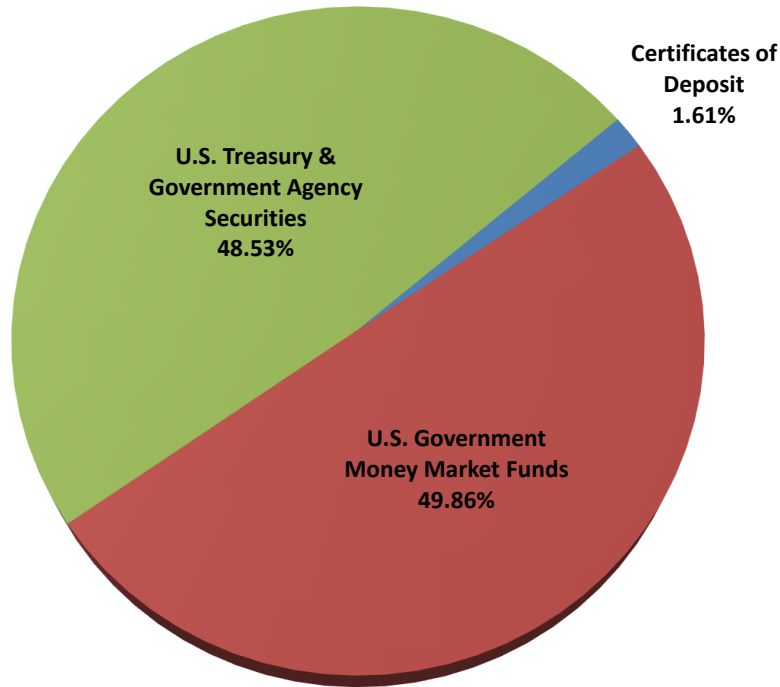
**Portfolio Yield at a Glance  
October 31, 2019**



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



**Investment by Type as of October 31, 2019**



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%	48.53%	310,000,000
Repurchase Agreements	90%	0.00%	-
U.S. Government Money Market Funds	60%	49.86%	318,460,011
Municipal Securities & Municipal Mutual Funds	40%	0.00%	-
Supranational Issuers	40%	0.00%	-
Commercial Paper	10%	0.00%	-
Certificates of Deposit	5%	1.61%	10,260,217
		<u>100.00%</u>	<u>638,720,228</u>

**Diversification Levels for Authorized Brokers**

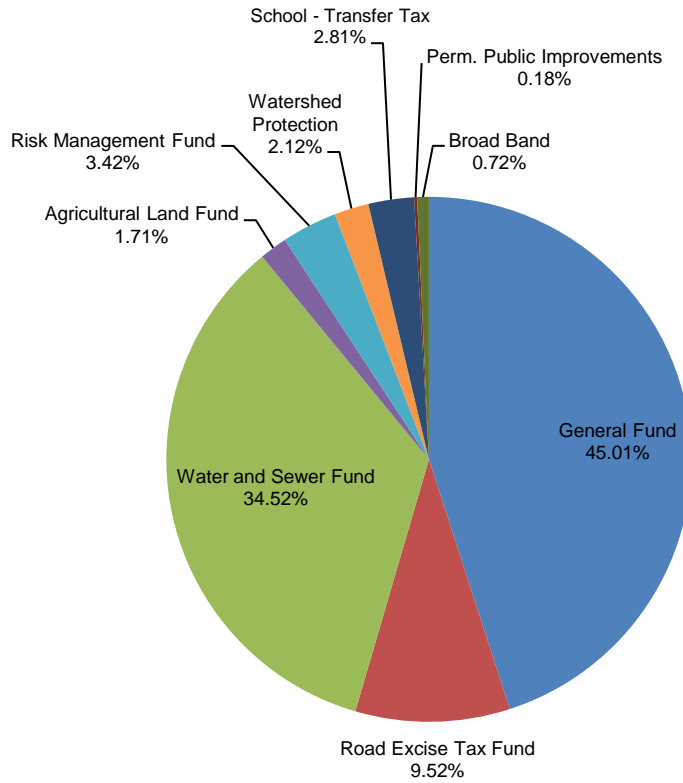
	Actual Percentage (1) & (2)	Actual Amount
Cantor Fitzgerald	9.39%	60,000,000
Columbia Bank (3)	0.79%	5,045,498
FTN Financial	7.83%	50,000,000
Harbor Bank (3)	0.02%	102,000
Ramirez	11.74%	75,000,000
PNC Bank (3)	0.02%	112,719
Piper Jaffray	3.91%	25,000,000
Sandy Spring Bank (3)	0.78%	5,000,000
Stifel, Nicolaus & Co.	7.83%	50,000,000
UBS Financial Services	7.83%	50,000,000
Goldman Sachs	18.16%	115,993,328
MD Local Government Investment Pool	31.70%	202,466,684
Federated	0.00%	-
	<u>100.00%</u>	<u>638,720,228</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 October 31, 2019**



	<u>Investment Allocation As of 10/31/2019</u>	<u>FY 19 Interest Income* Actual</u>	<u>FY 20 Interest Income Budget</u>	<u>FY 20 Interest Income* As of 10/31/2019</u>
General Fund	\$ 287,488,608	\$ 5,413,586	\$ 4,000,000	\$ 1,475,005
Road Excise Tax Fund	60,777,809	1,221,651	1,557,642	434,529
Water and Sewer Fund	220,465,923	2,605,157	2,700,000	966,606
Agricultural Land Fund	10,931,332	187,300	177,699	71,964
Risk Management Fund	21,827,279	327,188	281,299	122,035
Watershed Protection	13,532,450	286,301	196,655	80,720
School - Transfer Tax	17,936,000	243,957	-	106,223
Perm. Public Improvements	1,163,942	19,029	20,000	8,435
Broad Band	4,596,885	66,406	-	25,959
	<u>\$ 638,720,228</u>	<u>\$ 10,370,575</u>	<u>\$ 8,933,295</u>	<u>\$ 3,291,477</u>

\* Reported on a budgetary basis.

**Investment Schedule**

<b>Type</b>	<b>Book / Par Value</b>	<b>Yield</b>	<b>Purchase Date</b>	<b>Term in Days</b>	<b>Maturity Date</b>
<b>Certificates of Deposit:</b>					
PNC Bank	112,719	2.230%	03/16/19	366	03/16/20
Harbor Bank	102,000	2.100%	07/07/19	366	07/07/20
Columbia Bank	45,498	2.530%	11/25/18	366	11/26/19
Columbia Bank	5,000,000	2.070%	08/12/19	366	08/12/20
Sandy Spring Bank	5,000,000	1.850%	10/17/19	489	02/17/21
<b>Total Certificates of Deposit</b>	<b>10,260,217</b>	<b>1.967%</b>			
<b>U.S. Government Money Market Funds:</b>					
Goldman Sachs	115,993,328	1.780%	Various	-	On Demand
MD Local Govt Investment Pool	202,466,684	1.906%	Various	-	On Demand
<b>Total Money Markets</b>	<b>318,460,011</b>	<b>1.860%</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>						
Federal Home Loan Bank	25,000,000	2.753%	11/30/18		11/29/19	11/29/19
U.S. Treasury Note	25,000,000	2.589%	01/23/19		12/31/19	12/31/19
U.S. Treasury Note	25,000,000	2.512%	02/27/19		01/30/20	01/30/20
Federal Agricultural Mortgage Corporation	25,000,000	2.540%	02/28/19	-	02/14/20	02/14/20
U.S. Treasury Note	25,000,000	1.920%	09/24/19		02/29/20	02/29/20
Federal Farm Credit Bureau	25,000,000	2.206%	06/04/19	-	05/15/20	05/15/20
U.S. Treasury Note	25,000,000	1.914%	06/25/19		06/30/20	06/30/20
Federal National Mortgage Association	25,000,000	1.956%	07/26/19	-	11/30/20	11/30/20
U.S. Treasury Note	25,000,000	2.060%	07/30/19		03/15/20	03/15/20
U.S. Treasury Note	25,000,000	2.062%	07/30/19		03/31/20	03/31/20
Federal Home Loan Bank	25,000,000	1.756%	10/02/19		04/03/20	04/03/20
Federal Home Loan Bank	25,000,000	1.640%	10/29/19		05/01/20	05/01/20
U.S. Treasury Note	10,000,000	1.946%	07/30/19		10/15/20	10/15/20
<b>Total U.S. Treasury &amp; Govt Agency Securities</b>	<b>310,000,000</b>	<b>2.152%</b>				
<b>Total Investment Balance (Page 6 &amp; 7)</b>	<b>638,720,228</b>	<b>2.004%</b>				

<b>Portfolio Yield</b>	<b>2.004%</b>
<b>Benchmarks:</b>	
Three-month Treasury Yield	1.525%
Six-month Treasury Yield	1.525%
Money Market Funds Yield	1.860%

The above report has been approved by:

  
 \_\_\_\_\_  
 Janet R. Irvin  
 Director of Finance

11/26/19  
 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, PNC Bank and Sandy Spring Bank. The County currently maintains repurchase agreements with Cantor Fitzgerald and UBS Financial Services, Inc.

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> 6/30/2019
8/15/2019	1,860,000	177,721	1,841,826
2/15/2020	840,000	82,002	799,907
2/15/2020	4,695,000	441,375	4,464,703
8/15/2020	2,275,000	201,816	2,074,219
8/15/2020	7,385,000	735,117	6,758,928
2/15/2021	1,510,000	146,510	1,328,620
2/15/2021	4,626,000	444,639	4,064,657
8/15/2021	1,115,000	120,697	947,729
8/15/2021	2,580,000	253,144	2,178,533
8/15/2023	3,359,000	362,503	2,445,269
8/15/2023	6,928,000	854,220	5,111,451
2/15/2025	374,000	66,011	267,535
2/15/2025	183,000	27,404	126,490
2/15/2026	3,950,000	560,900	2,539,761
8/15/2026	1,295,000	175,073	794,154
11/15/2027	2,158,000	478,644	1,314,350
<b>Total</b>	<b>\$ 45,133,000</b>	<b>\$ 5,127,778</b>	<b>\$ 37,058,132</b>
<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 6/30/19			

## 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.

**Supranational Issuer:** An international development institution that provides financing, advisory services, or other financial services to the institution's member countries to achieve the overall goal of improving living standards through sustainable economic growth; and is rated in the highest credit rating category by a nationally recognized statistical rating organization.

Characteristics:

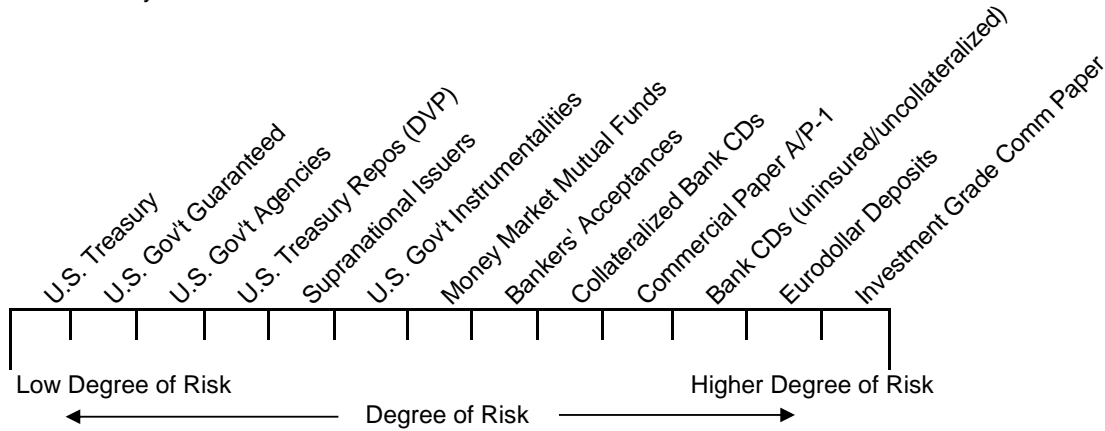
1. Very safe
2. Can only purchase Supranational Issuers from primary dealers

Main Agency issuers:

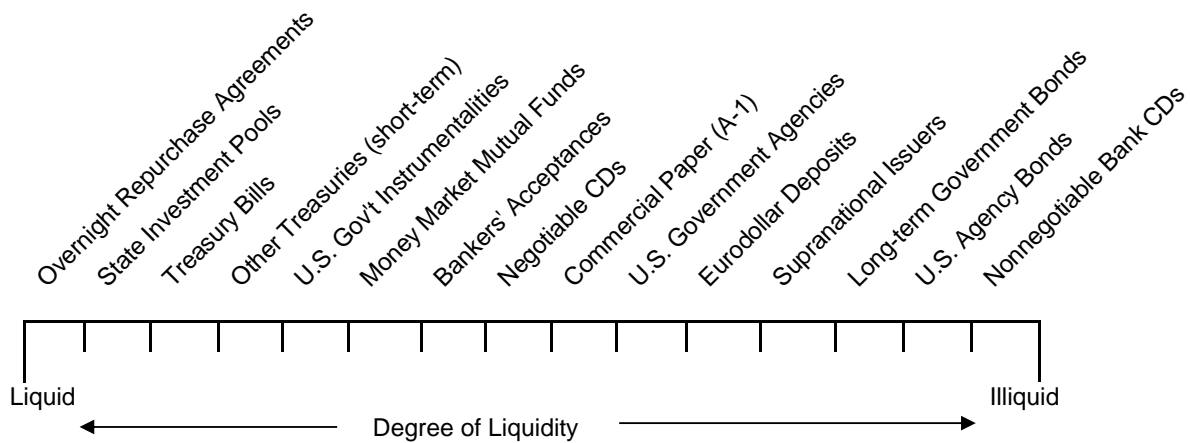
1. The World Bank (IBRD)
2. The International Finance Corporation (IFC)
3. The Inter-American Development Bank (IADB)
4. The African Development Bank (AfDB)
5. The Asian Development Bank (ADB)

**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