



## Investment Report January 31, 2020

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# Department of Finance

## Investment Report As of January 31, 2020

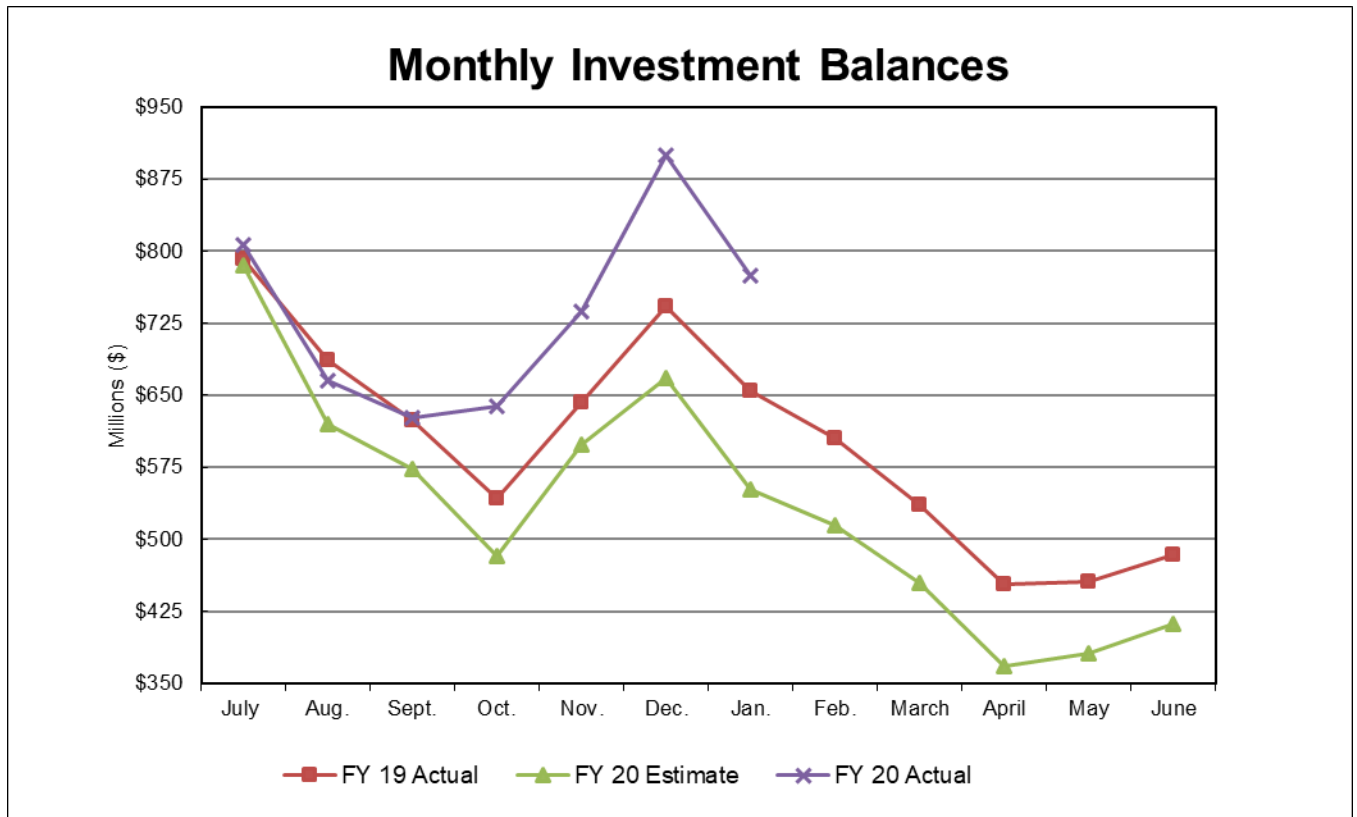
### Investment Policy:

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	\$401,406,643	\$527,829,536
All Other Funds	<u>\$373,493,062</u>	<u>\$372,215,438</u>
Total Portfolio	\$774,899,706	\$900,044,974

The total portfolio balance decreased by \$125.1 million from the previous month. This decrease represents the normal trend as minimal property tax and income tax revenues are received. 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.

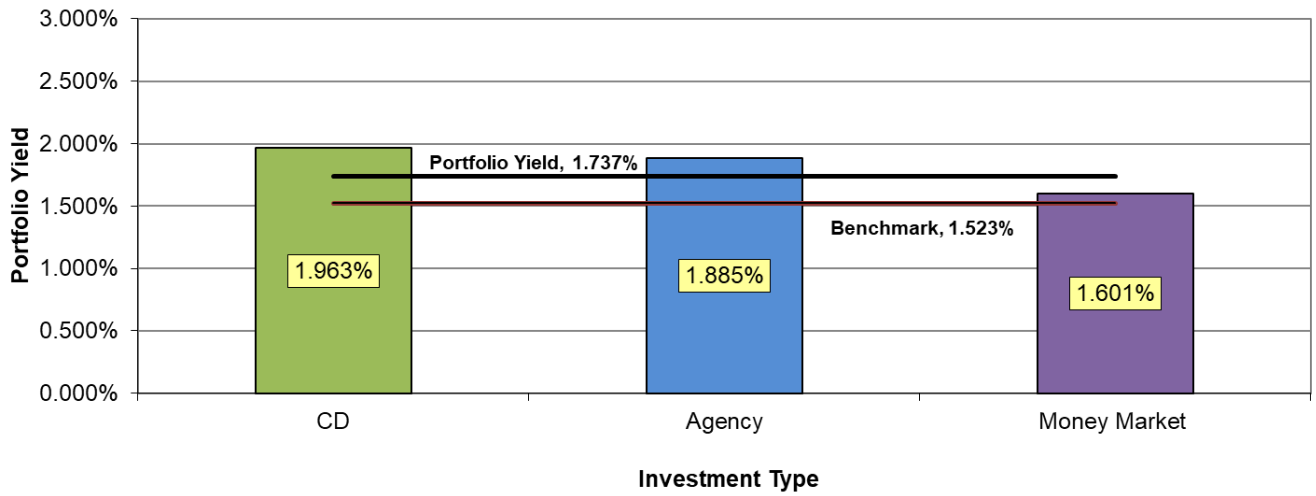


**Analysis:**

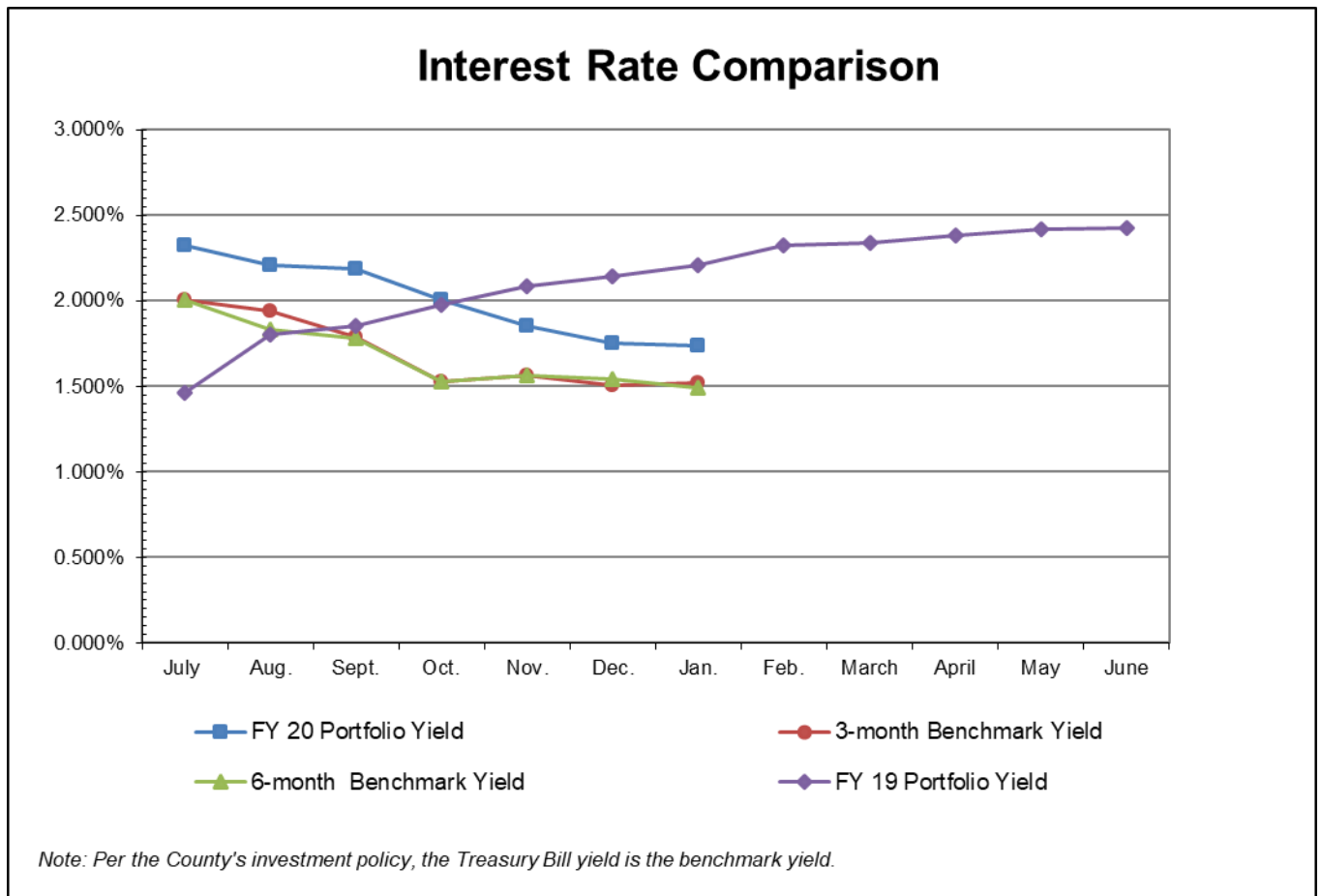
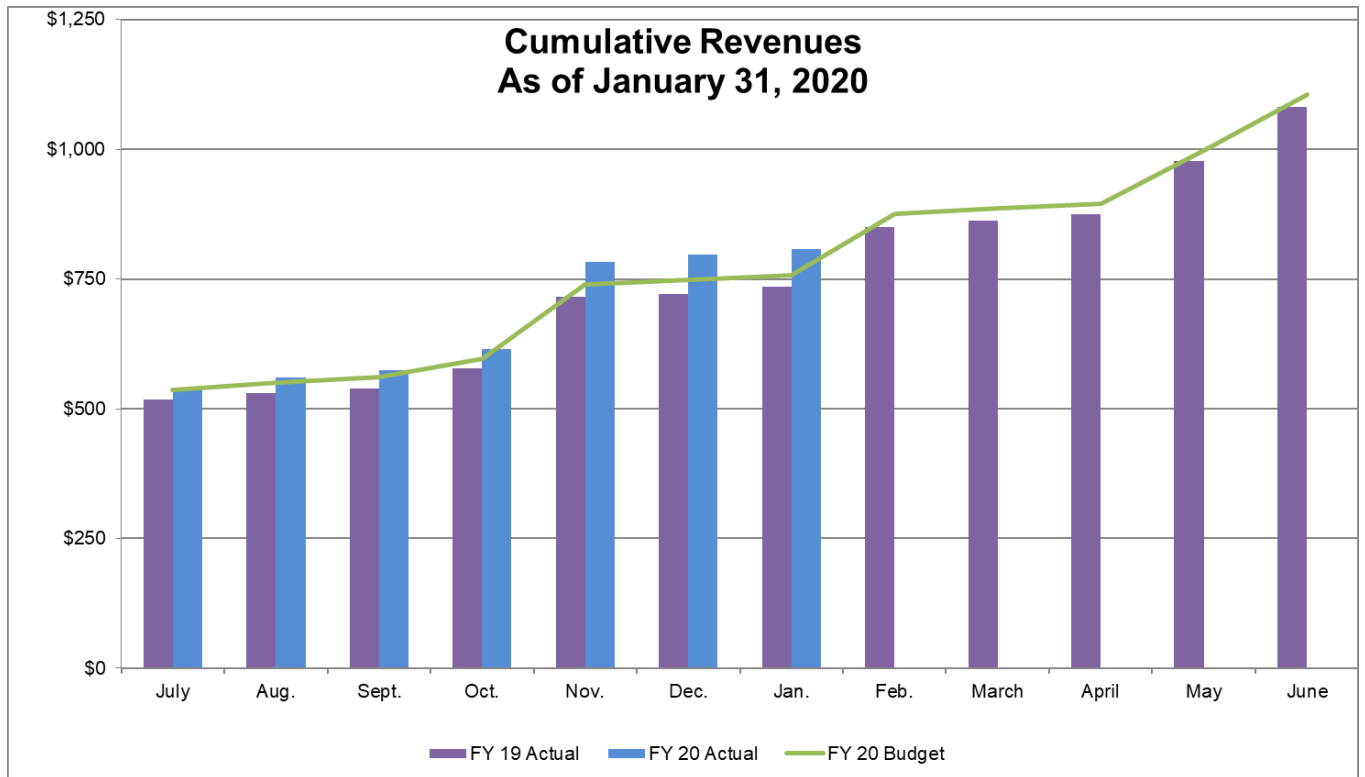
	<u>CURRENT MONTH</u>	<u>PRIOR MONTH</u>	<u>WEIGHTED AVERAGE FOR 3 MONTHS ENDING JANUARY 31, 2020</u>
Portfolio yield	1.737%	1.754%	1.778%
Three Month Benchmark yield	1.523%	1.503%	1.528%

As of January 31, 2020, the average weighted maturity of the portfolio was 103 days.

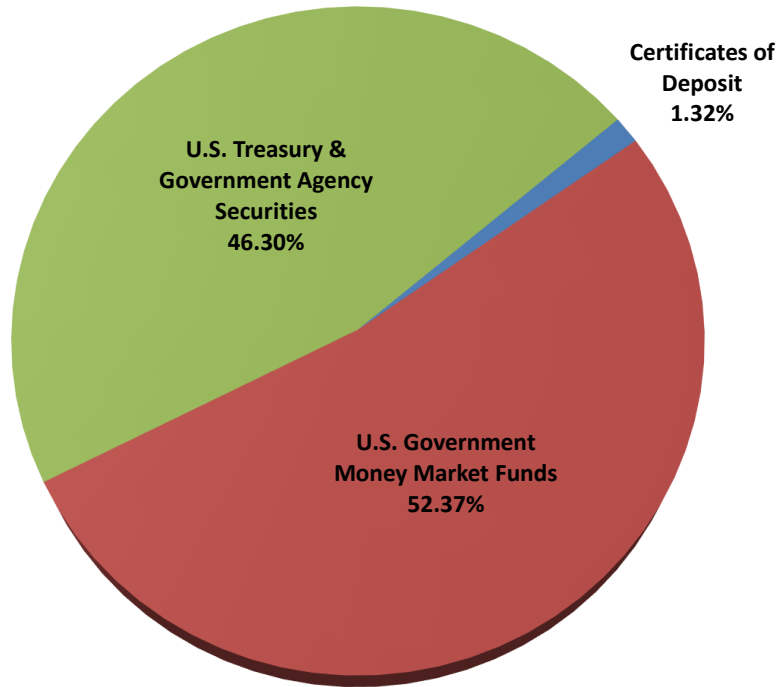
**Portfolio Yield at a Glance  
January 31, 2020**



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



**Investment by Type as of January 31, 2020**



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%	46.30%	358,803,941
Repurchase Agreements	90%	0.00%	-
U.S. Government Money Market Funds	60%	52.37%	405,834,396
Municipal Securities & Municipal Mutual Funds	40%	0.00%	-
Supranational Issuers	40%	0.00%	-
Commercial Paper	10%	0.00%	-
Certificates of Deposit	5%	1.32%	10,261,369
		<u>100.00%</u>	<u>774,899,706</u>

**Diversification Levels for Authorized Brokers**

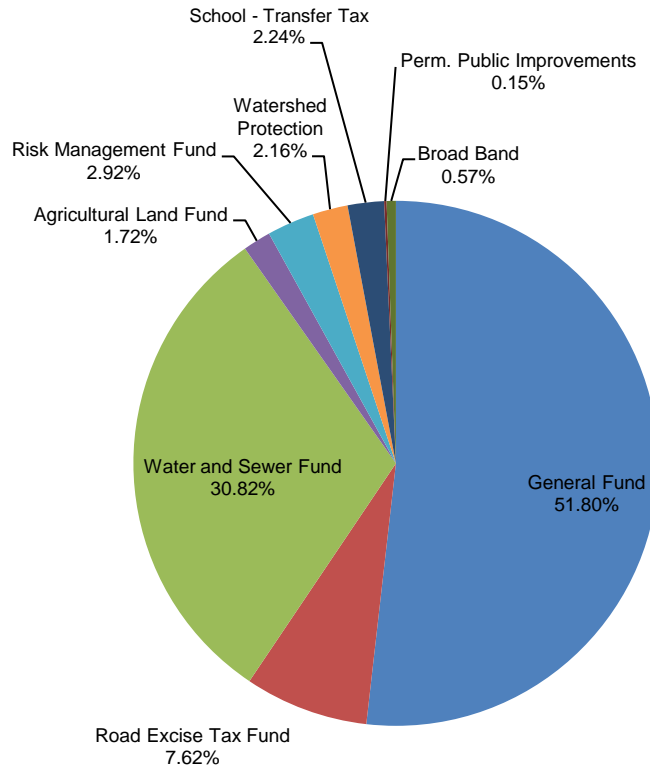
	Actual Percentage (1) & (2)	Actual Amount
Cantor Fitzgerald	7.74%	59,957,453
Columbia Bank (3)	0.65%	5,046,650
FTN Financial	6.42%	49,734,698
Harbor Bank (3)	0.01%	102,000
Ramirez	9.58%	74,250,484
Raymond James Financial	3.23%	24,996,250
PNC Bank (3)	0.01%	112,719
Piper Jaffray	6.45%	49,945,147
Sandy Spring Bank (3)	0.65%	5,000,000
Stifel, Nicolaus & Co.	6.43%	49,827,410
UBS Financial Services	6.46%	50,092,500
Goldman Sachs	18.02%	139,670,865
MD Local Government Investment Pool	34.35%	266,163,531
	<u>100.00%</u>	<u>774,899,706</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 January 31, 2020**



	<u>Investment Allocation As of 1/31/2020</u>	<u>FY 19 Interest Income* Actual</u>	<u>FY 20 Interest Income Budget</u>	<u>FY 20 Interest Income* As of 1/31/2020</u>
General Fund	\$ 401,406,643	\$ 5,413,586	\$ 4,000,000	\$ 2,516,339
Road Excise Tax Fund	59,082,810	1,221,651	1,557,642	693,045
Water and Sewer Fund	238,843,619	2,605,157	2,700,000	1,884,177
Agricultural Land Fund	13,306,189	187,300	177,699	102,854
Risk Management Fund	22,619,077	327,188	281,299	181,944
Watershed Protection	16,745,298	286,301	196,655	118,647
School - Transfer Tax	17,322,000	243,957	-	189,071
Perm. Public Improvements	1,169,396	19,029	20,000	13,638
Broad Band	4,404,674	66,406	-	37,750
	<u>\$ 774,899,706</u>	<u>\$ 10,370,575</u>	<u>\$ 8,933,295</u>	<u>\$ 5,737,465</u>

\* Reported on a budgetary basis.

**Investment Schedule**

<b>Type</b>	<b>Book 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	46,650	1.750%	11/26/19	375	12/05/20
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>10,261,369</b>	<b>1.963%</b>			
<b>U.S. Government Money Market Funds:</b>					
Goldman Sachs	139,670,865	1.520%	Various	-	On Demand
MD Local Govt Investment Pool	266,163,531	1.643%	Various	-	On Demand
<b>Total Money Markets</b>	<b>405,834,396</b>	<b>1.601%</b>			

Investment Schedule (Cont.)						
Security Type	Purchase Price	Yield	Purchase Date	Call Date	Interest Date	Maturity Date
<b>U.S. Treasury &amp; Government Agency Securities:</b>						
Federal Agricultural Mortgage Corporation	24,400,375	2.540%	02/28/19	-	02/14/20	02/14/20
U.S. Treasury Note	24,941,160	1.920%	09/24/19		02/29/20	02/29/20
U.S. Treasury Note	24,932,322	2.060%	07/30/19		03/15/20	03/15/20
U.S. Treasury Note	24,886,250	2.062%	07/30/19		03/31/20	03/31/20
Federal Home Loan Bank	24,777,667	1.756%	10/02/19		04/03/20	04/03/20
Federal Home Loan Bank	24,794,444	1.640%	10/29/19		05/01/20	05/01/20
Federal Farm Credit Bureau	25,080,000	2.206%	06/04/19	-	05/15/20	05/15/20
U.S. Treasury Note	25,146,484	1.914%	06/25/19		06/30/20	06/30/20
Federal Home Loan Bank	25,012,825	1.720%	12/30/19	02/28/20	02/28/20	08/28/20
U.S. Treasury Note	24,957,031	1.606%	12/31/19		03/31/20	09/30/20
U.S. Treasury Note	9,961,719	1.946%	07/30/19		04/15/20	10/15/20
Federal National Mortgage Association	24,849,250	1.956%	07/26/19	-	05/30/20	11/30/20
U.S. Treasury Note	25,055,664	1.504%	01/31/20		12/31/20	12/31/20
Federal Home Loan Bank	25,012,500	1.721%	12/13/19	05/27/20	02/27/20	08/27/21
Federal Farm Credit Bureau	24,996,250	1.777%	11/15/19	02/14/20	02/14/20	02/14/22
<b>Total U.S. Treasury &amp; Govt Agency Securities</b>	<b>358,803,941</b>	<b>1.885%</b>				
<b>Total Investment Balance (Page 6 &amp; 7)</b>	<b>774,899,706</b>	<b>1.737%</b>				

Portfolio Yield **1.737%**

**Benchmarks:**

Three-month Treasury Yield **1.523%**  
Six-month Treasury Yield **1.493%**  
Money Market Funds Yield **1.601%**

Note: Per Howard County's Investment Procedures, securities with a final maturity greater than one year from the date of the report will provide a purchase price versus fair market value comparison. As of 1/31/2020, the Federal Home Loan Bank and Federal Farm Credit Bureau securities maturing on 08/27/2021 and 02/14/2022 were valued at \$25,021,000 and \$25,001,500.

The above report has been approved by:

Janet R. Irvin  
Janet R. Irvin  
Director of Finance

2/25/2020  
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. The Certificate of Deposit with The Columbia Bank is for the Verizon Pole Agreement Surety Bond Requirements for the Department of Technology & Communication Services.

### 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.

<b>Maturity Date</b>	<b>Par Value<sup>1</sup> Balloon Payment</b>	<b>Original<sup>2</sup> Cost</b>	<b>Book Value<sup>3</sup> 6/30/2019</b>
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:**

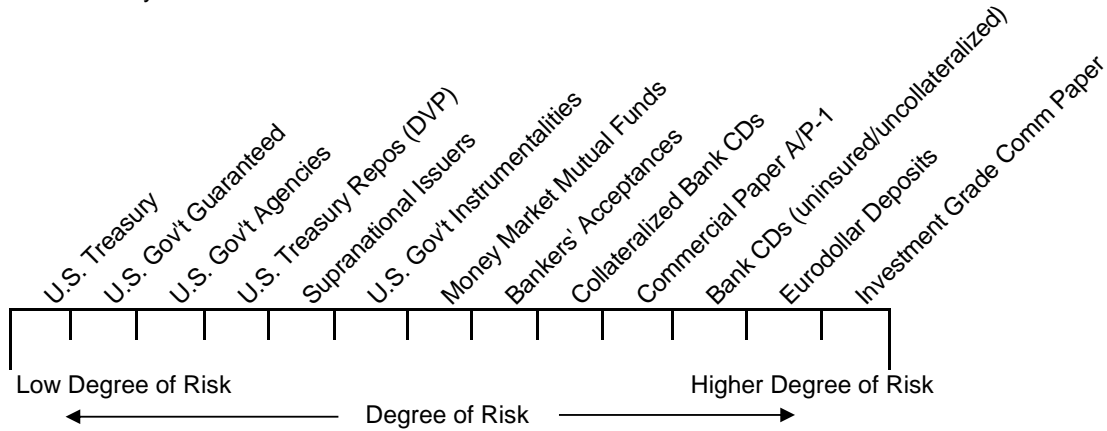
1. Very safe
2. Can only purchase Supranational Issuers from primary dealers

**Main Agency issuers:**

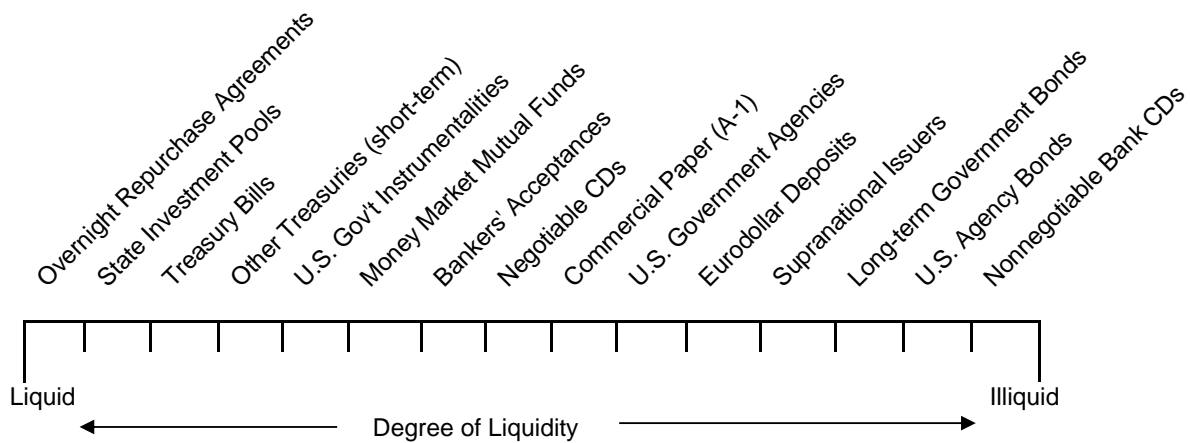
1. The World Bank (IBRD)
2. The International Finance Corporation (IFC)
3. The Inter-American Development Bank (IADB)
4. The African Development Bank (AfDB)
5. The Asian Development Bank (ADB)

**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