



Investment Report  
August 31, 2016

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# Department of Finance

## Investment Report As of August 31, 2016

### 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 at least equal to the three-month Treasury bill yield.

### Summary of Portfolio Composition:

	<u>CURRENT MONTH</u>	<u>PRIOR MONTH</u>
General Fund	\$333,834,731	\$387,690,686
All Other Funds	<u>\$313,396,521</u>	<u>\$311,105,931</u>
Total Portfolio	\$647,231,252	\$698,796,617

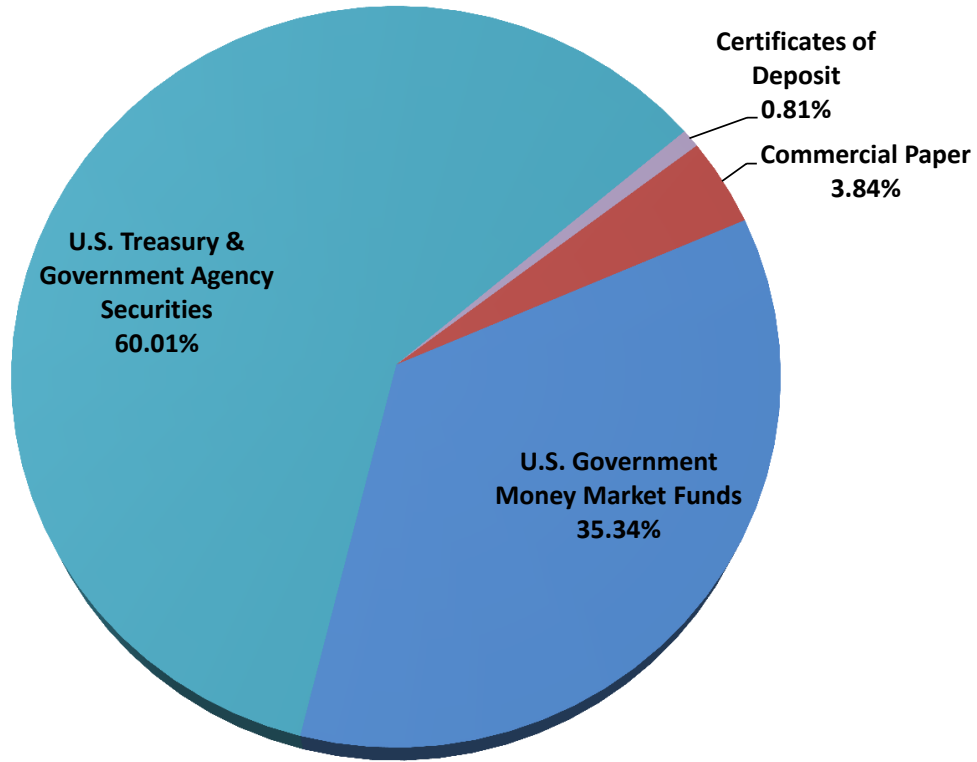
The total portfolio balance decreased by \$51.6 million from the previous month. This decrease represents the normal trend due to the semi-annual debt service payment. The County did not break any investments this month and never has. The investment allocations as shown on page 2 were consistent with the County Investment Policy.

### Analysis:

	<u>CURRENT MONTH</u>	<u>PRIOR MONTH</u>	<u>WEIGHTED AVERAGE FOR 3 MONTHS ENDING August 31, 2016</u>
Portfolio yield	0.514%	0.452%	0.495%
Three Month Benchmark yield	0.284%	0.284%	0.274%

As of August 31, 2016, the average weighted maturity of the portfolio was 139 days.

### Investment by Type as of August 31, 2016



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%	60.01%	388,373,842
U.S. Government Money Market Funds	60%	35.34%	228,747,612
Certificates of Deposit	5%	0.81%	5,255,990
Commercial Paper (4)	5%	3.84%	24,853,808
		<u>100.00%</u>	<u>647,231,252</u>

#### Diversification Levels for Authorized Brokers

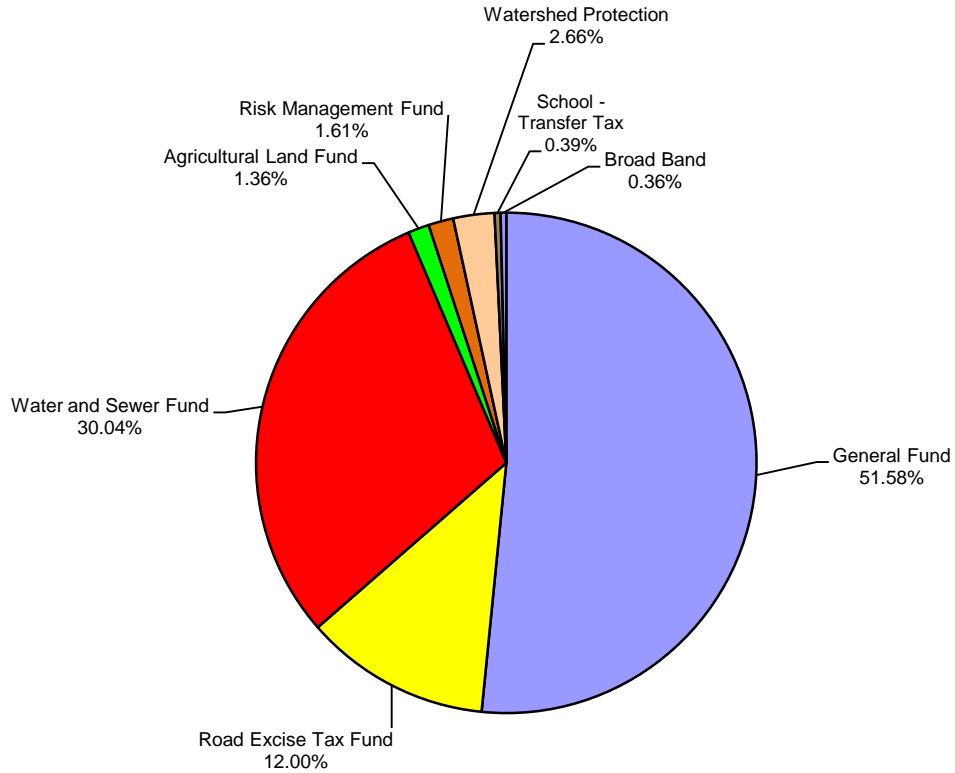
	Actual Percentage (1) & (2)	Actual Amount
Columbia Bank (3)	0.78%	5,045,226
FTN Financial	14.66%	94,854,817
Harbor Bank (3)	0.02%	100,000
UBS Financial Services	3.84%	24,876,250
Ramirez	3.86%	25,000,000
Raymond James Financial	15.75%	101,965,861
Piper Jaffray	3.89%	25,146,000
PNC Bank (3)	0.02%	110,764
Stifel, Nicolaus & Co.	10.82%	70,053,389
Wells Fargo	11.02%	71,331,334
MD Local Government Investment Pool	34.44%	222,920,703
Federated	0.90%	5,826,909
	<u>100.00%</u>	<u>647,231,252</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 August 31, 2016**

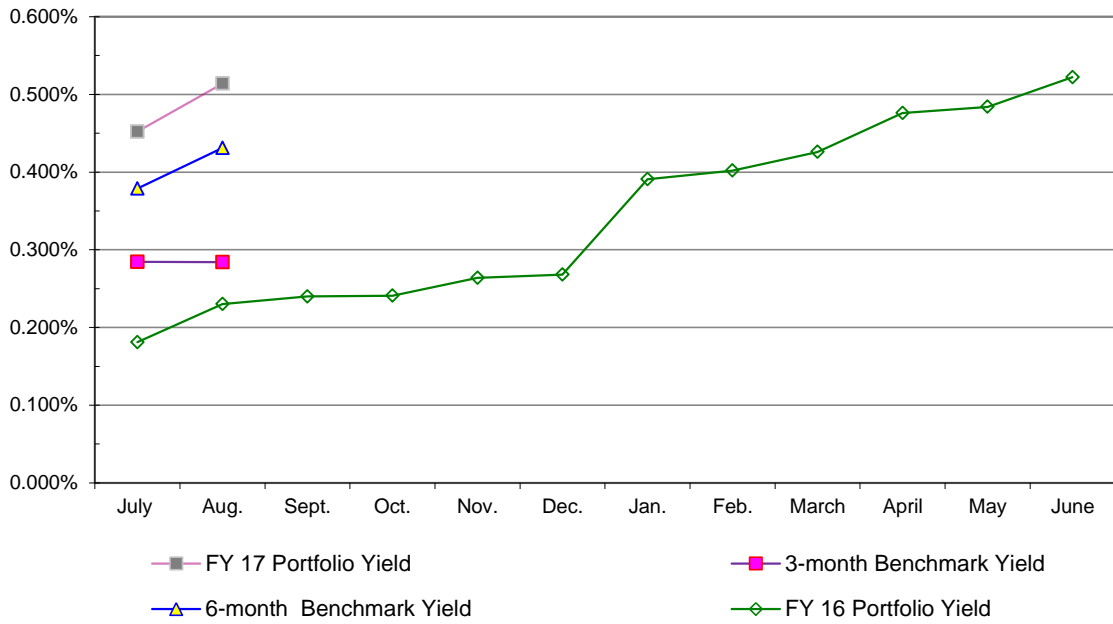


	<u>Investment Allocation As of 8/31/2016</u>	<u>FY 16 Interest Income* Actual</u>	<u>FY 17 Interest Income Budget</u>	<u>FY 17 Interest Income* As of 8/31/2016</u>
General Fund	\$ 333,834,731	\$ 510,961	\$ 505,604	\$ 85,407
Road Excise Tax Fund	77,682,673	228,833	325,296	61,842
Water and Sewer Fund	194,400,008	318,100	115,000	81,497
Agricultural Land Fund	8,807,144	28,056	42,628	6,773
Risk Management Fund	10,442,738	20,541	10,000	6,101
Watershed Protection	17,201,869	31,759	30,000	7,783
School - Transfer Tax	2,500,000	7,710	-	765
Broad Band	2,362,089	995	-	802
	<u>\$ 647,231,252</u>	<u>\$ 1,146,956</u>	<u>\$ 1,028,528</u>	<u>\$ 250,969</u>

\* Reported on a budgetary basis.

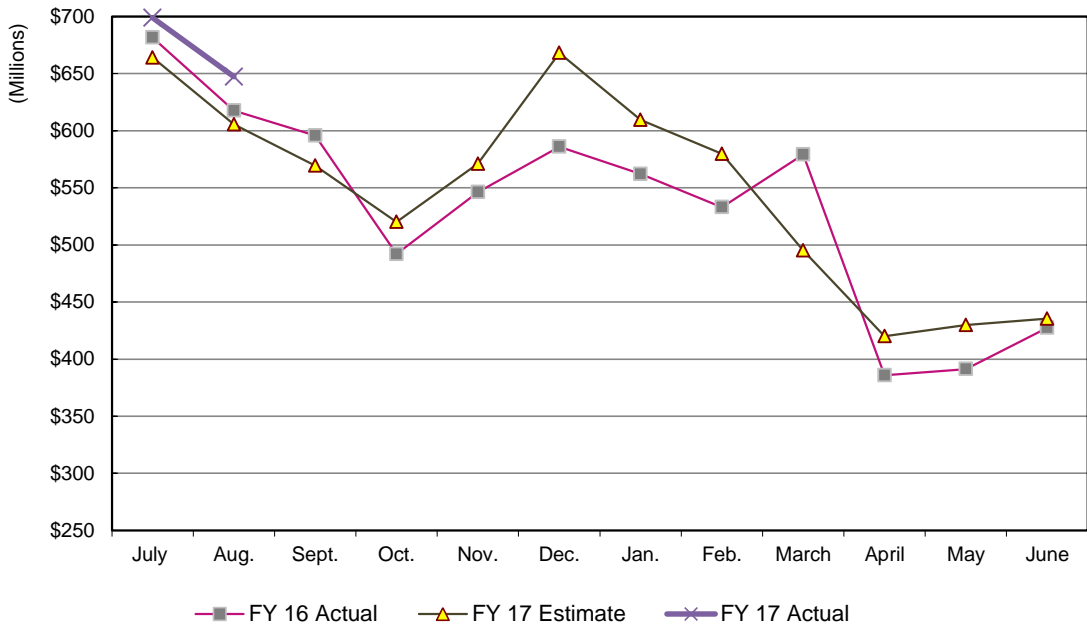
Note: Due to rounding, percentages may not total 100%.

## Interest Rate Comparison

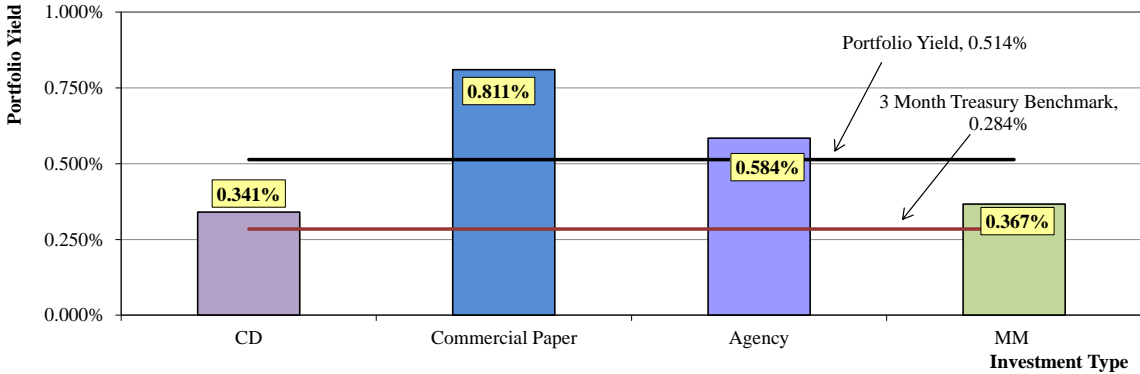


*Note: Per the County's investment policy, the Treasury Bill yield is the benchmark yield.*

## Monthly Investment Balances



**Howard County, MD  
August 31, 2016 Portfolio Yield  
At a Glance**



<b>Total Portfolio =</b>	<b>\$647,231,252</b>
CD	\$ 5,255,990
Commercial Paper	\$ 24,853,808
Agency	\$388,373,842
MM	\$228,747,612

**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	110,764	0.100%	03/16/16	365	03/16/17
Harbor Bank	100,000	0.200%	07/08/16	365	07/08/17
Columbia Bank	5,000,000	0.350%	08/10/16	365	08/10/17
Columbia Bank	45,226	0.200%	11/25/15	366	11/25/16
<b>Total Certificates of Deposit</b>	<b>5,255,990</b>	<b>0.341%</b>			
<b>Commercial Paper:</b>					
Toyota Motor Credit	14,131,289	0.815%	01/15/16	265	10/06/16
Toyota Motor Credit	10,722,519	0.805%	01/15/16	264	10/05/16
<b>Total Commercial Paper</b>	<b>24,853,808</b>	<b>0.811%</b>			
<b>U.S. Government Money Market Funds:</b>					
Federated Securities	5,826,909	0.240%	Various	-	On Demand
MD Local Govt Investment Pool	222,920,703	0.370%	Various	-	On Demand
<b>Total Money Markets</b>	<b>228,747,612</b>	<b>0.367%</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 Mortgage Corporation	25,146,000	0.141%	07/06/15	-	10/14/16	10/14/16
Federal Home Loan Bank	29,934,317	0.610%	11/25/15	-	05/02/16	11/02/16
Federal Home Loan Bank	19,968,889	0.401%	06/29/16	-	11/16/16	11/16/16
Federal Home Loan Bank	25,000,000	0.750%	01/19/16	-	02/13/17	02/13/17
Federal Home Loan Mortgage Corporation	52,040,500	0.683%	03/01/16	-	02/13/17	02/13/17
Federal National Mortgage Corporation	25,036,260	0.546%	08/03/16	-	04/20/17	04/20/17
U.S. Treasury Note	25,071,553	0.485%	08/05/16	-	04/30/17	04/30/17
U.S. Treasury Note	25,000,000	0.500%	08/05/16	-	04/30/17	04/30/17
Federal Farm Credit Bureau	19,920,500	0.452%	06/28/16	-	05/12/17	05/12/17
Federal Home Loan Mortgage Corporation	11,651,732	0.560%	08/03/16	-	05/12/17	05/12/17
Federal Home Loan Mortgage Corporation	13,477,264	0.600%	08/03/16	-	05/12/17	05/12/17
Federal National Mortgage Corporation	24,876,250	0.550%	06/22/16	-	05/17/17	05/17/17
Federal Home Loan Bank	25,084,500	0.618%	08/01/16	-	06/21/17	06/21/17
Federal Agricultural Mortgage Corporation	25,000,000	0.690%	06/27/16	-	06/27/17	06/27/17
Federal Home Loan Bank	20,000,000	0.690%	07/26/16	10/26/16	07/26/17	07/26/17
Federal Farm Credit Bureau	21,166,078	0.970%	06/01/16	-	05/16/18	05/16/18
<b>Total U.S. Treasury &amp; Govt Agency Securities</b>	<b>388,373,842</b>	<b>0.584%</b>				
<b>Total Investment Balance (Page 6 &amp; 7)</b>	<b>647,231,252</b>	<b>0.514%</b>				

**Portfolio Yield** 0.514%

**Benchmarks:**

Three-month Treasury Yield 0.284%  
 Six-month Treasury Yield 0.431%  
 Money Market Funds Yield 0.367%

The above report has been approved by the Director of Finance

 October 5, 2016

## 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
2/15/2017	\$ 6,608,200	\$ 4,037,082	\$ 6,399,558
8/15/2017	1,669,000	1,074,602	1,586,846
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
<b>Total</b>	<b>\$ 59,139,200</b>	<b>\$ 11,321,261</b>	<b>\$ 42,219,689</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 6/30/16			

## 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

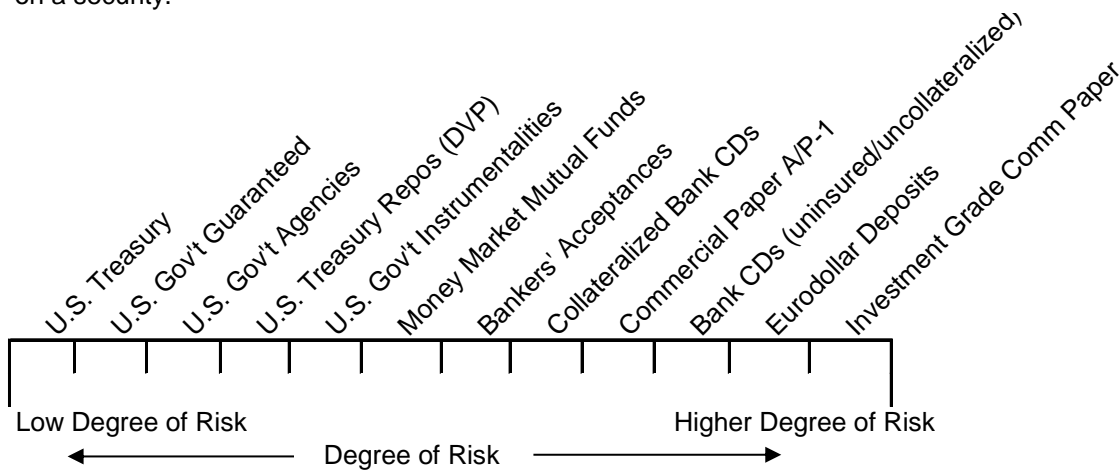
### Main Agency issuers:

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)

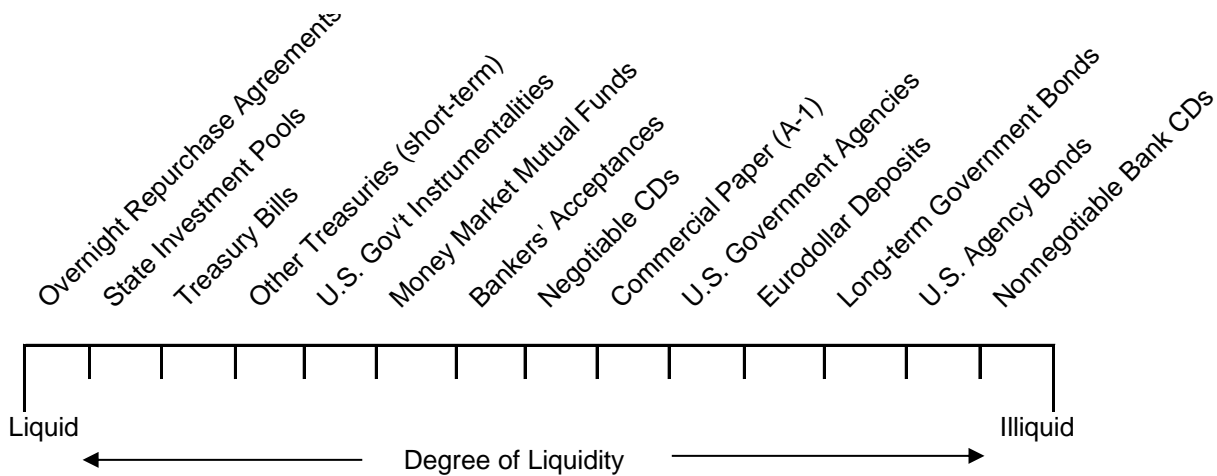
**Commercial Paper:** Per the County's investment policy, must have minimum rating of A1, P1 or F1 from the credit rating agencies.

**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