Investment Report
June 30, 2020

Revised as of August 31, 2020

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

Department of Finance

Investment Report
As of June 30, 2020

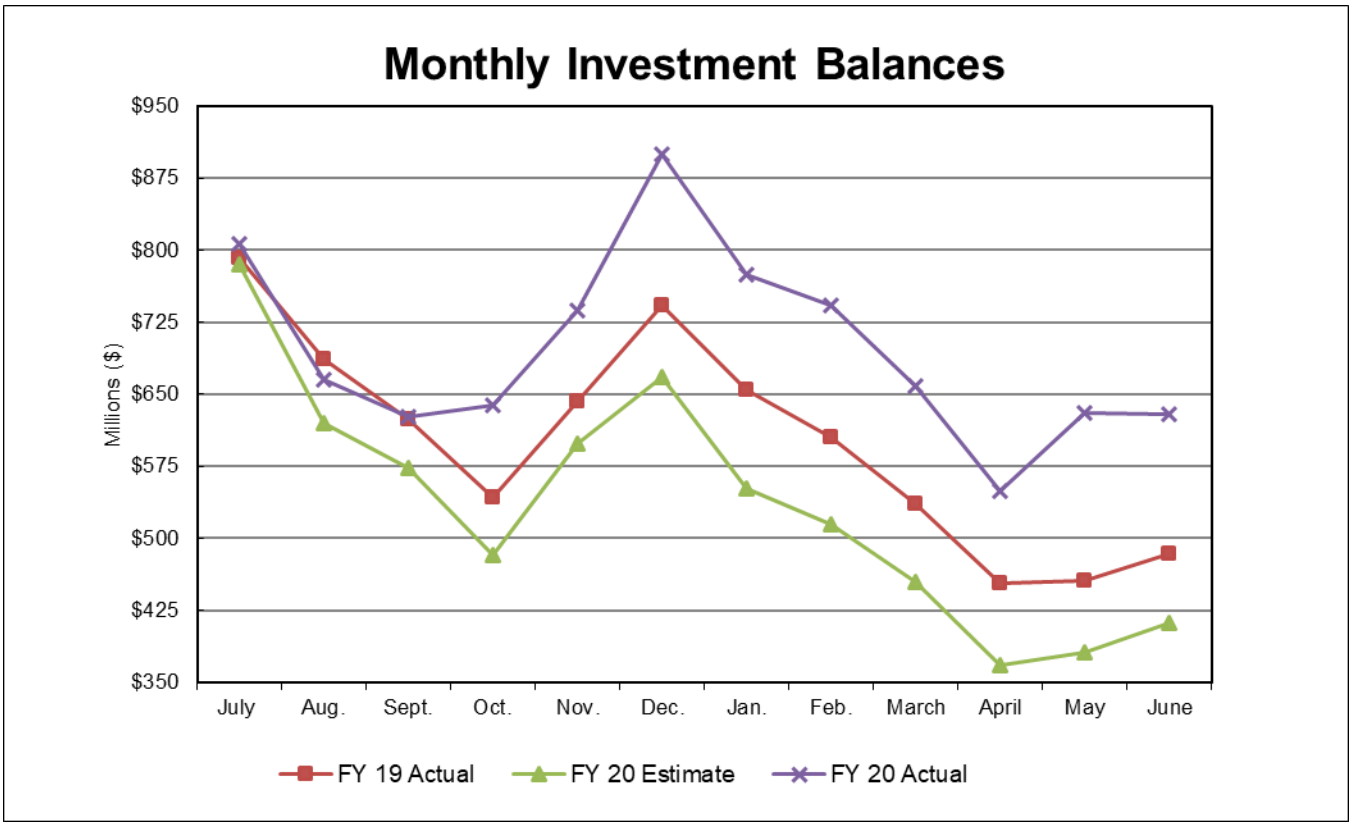
Investment Policy:

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:

	CURRENT MONTH	PRIOR MONTH
General Fund	$278,618,028	$265,565,548
All Other Funds	$351,017,860	$365,499,970
Total Portfolio	$629,635,889	$631,065,518

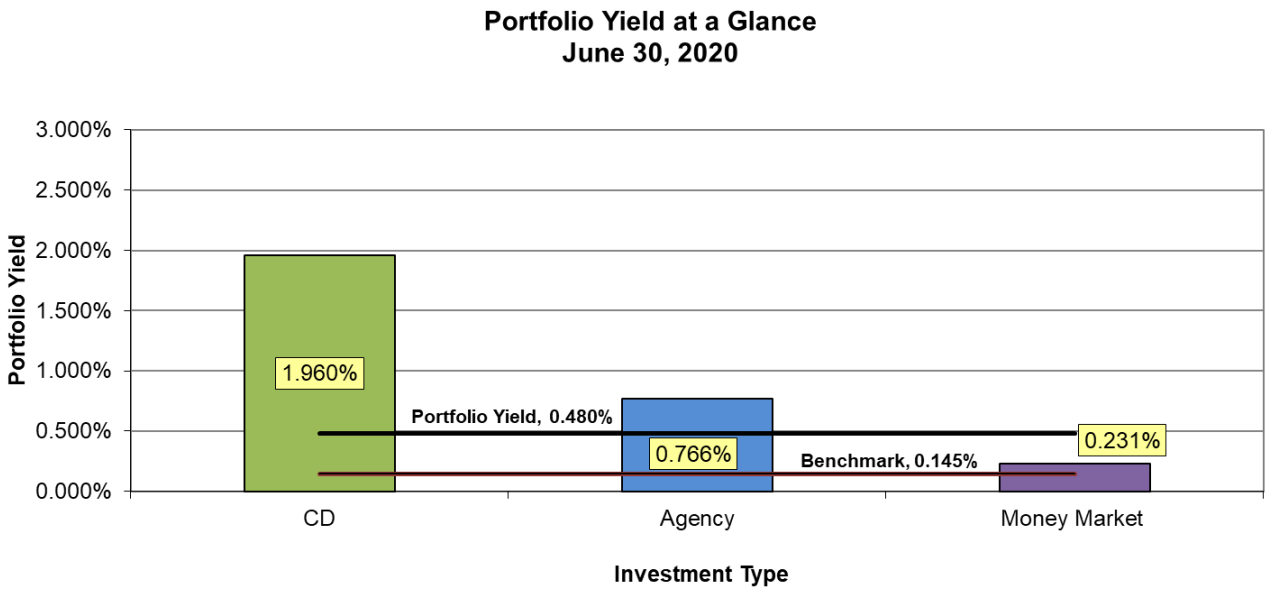
The total portfolio balance decreased by $1.5 million from the previous month. This decrease does not represent the normal trend as more COVID-19 expenditures have been incurred. The County did not break any investments this month and never has. The investment allocations as shown on page 4 were consistent with the County Investment Policy.



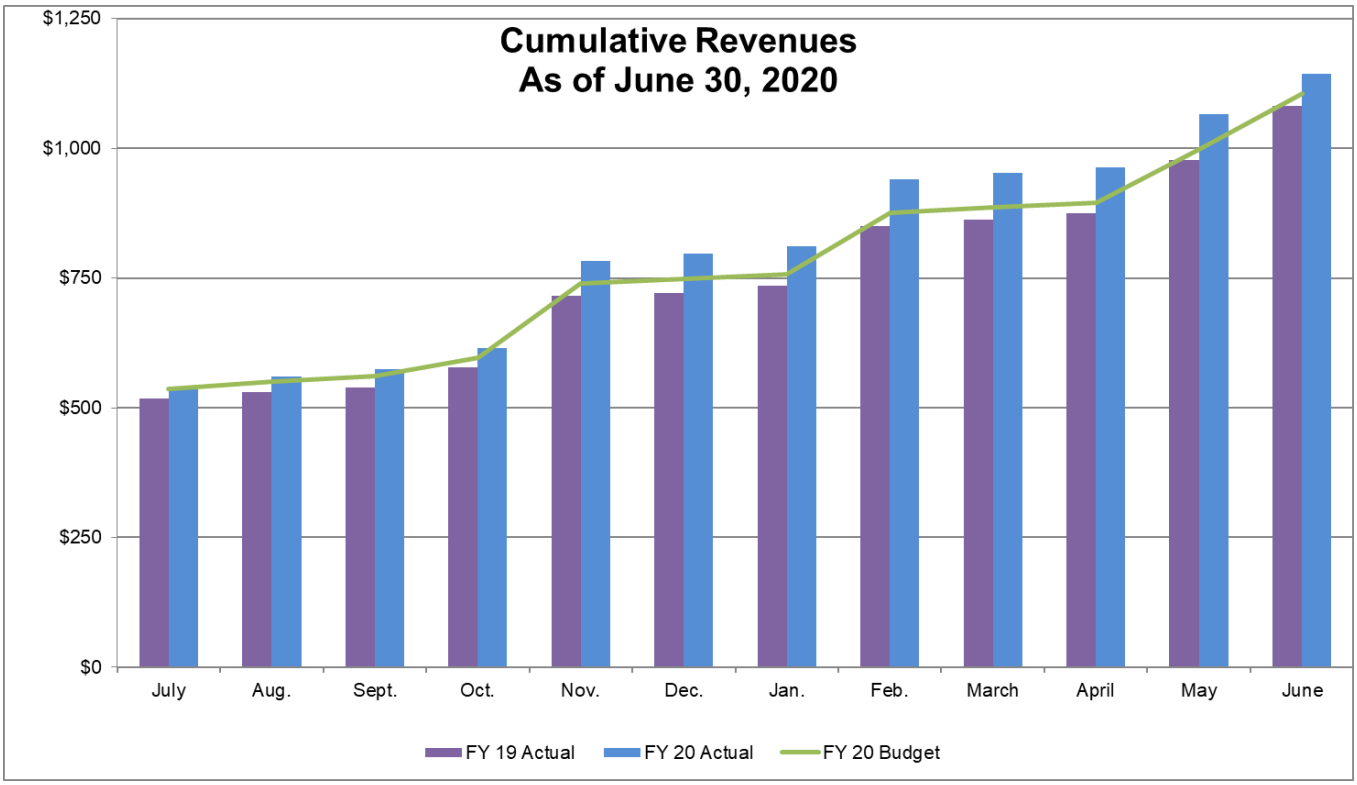
Analysis:

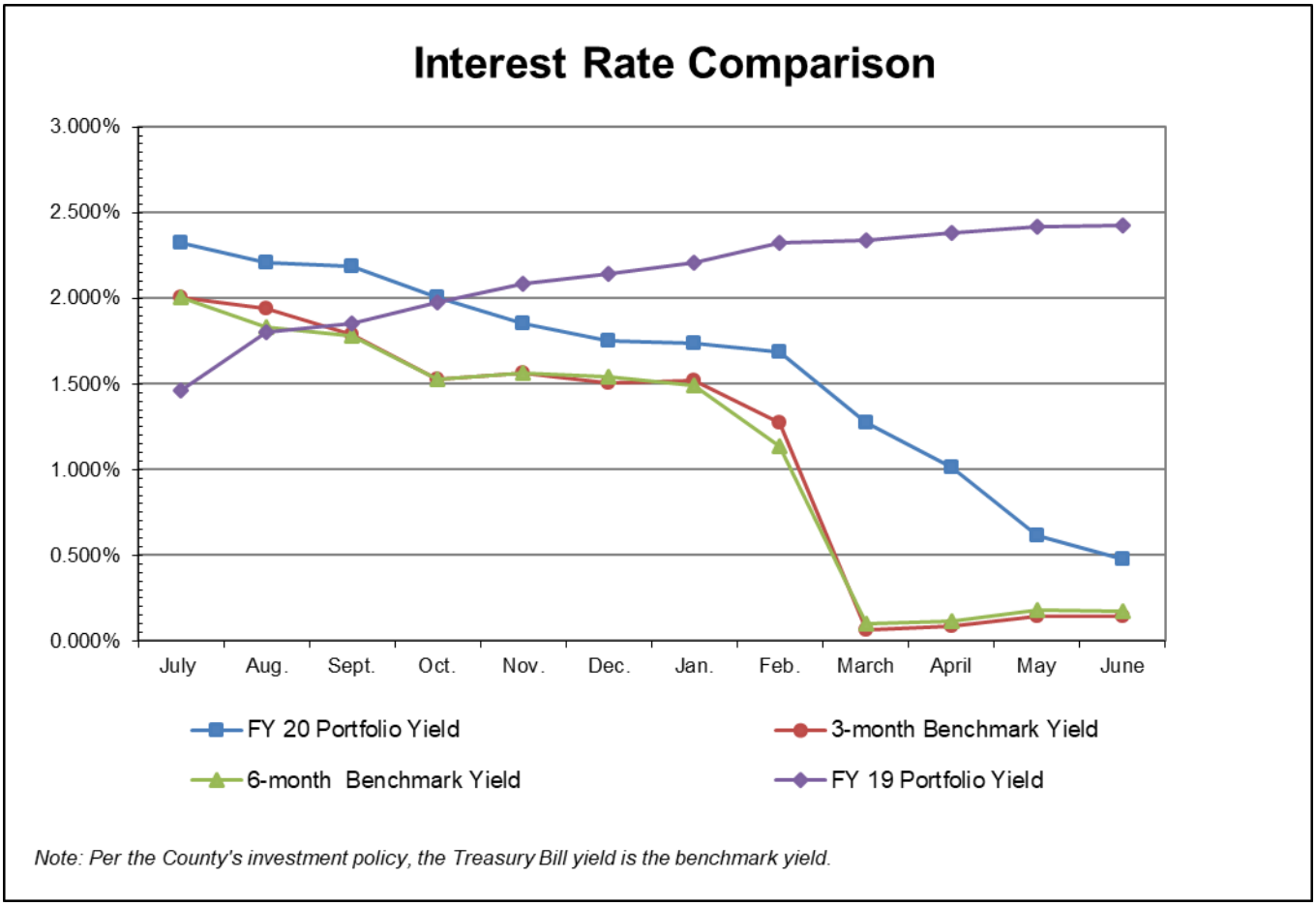
	CURRENT MONTH	PRIOR MONTH	WEIGHTED AVERAGE FOR 3 MONTHS ENDING JUNE 30, 2020
Portfolio yield	0.480%	0.615%	0.700%
Three Month Benchmark yield	0.145%	0.148%	0.126%

As of June 30, 2020, the average weighted maturity of the portfolio was 92 days.

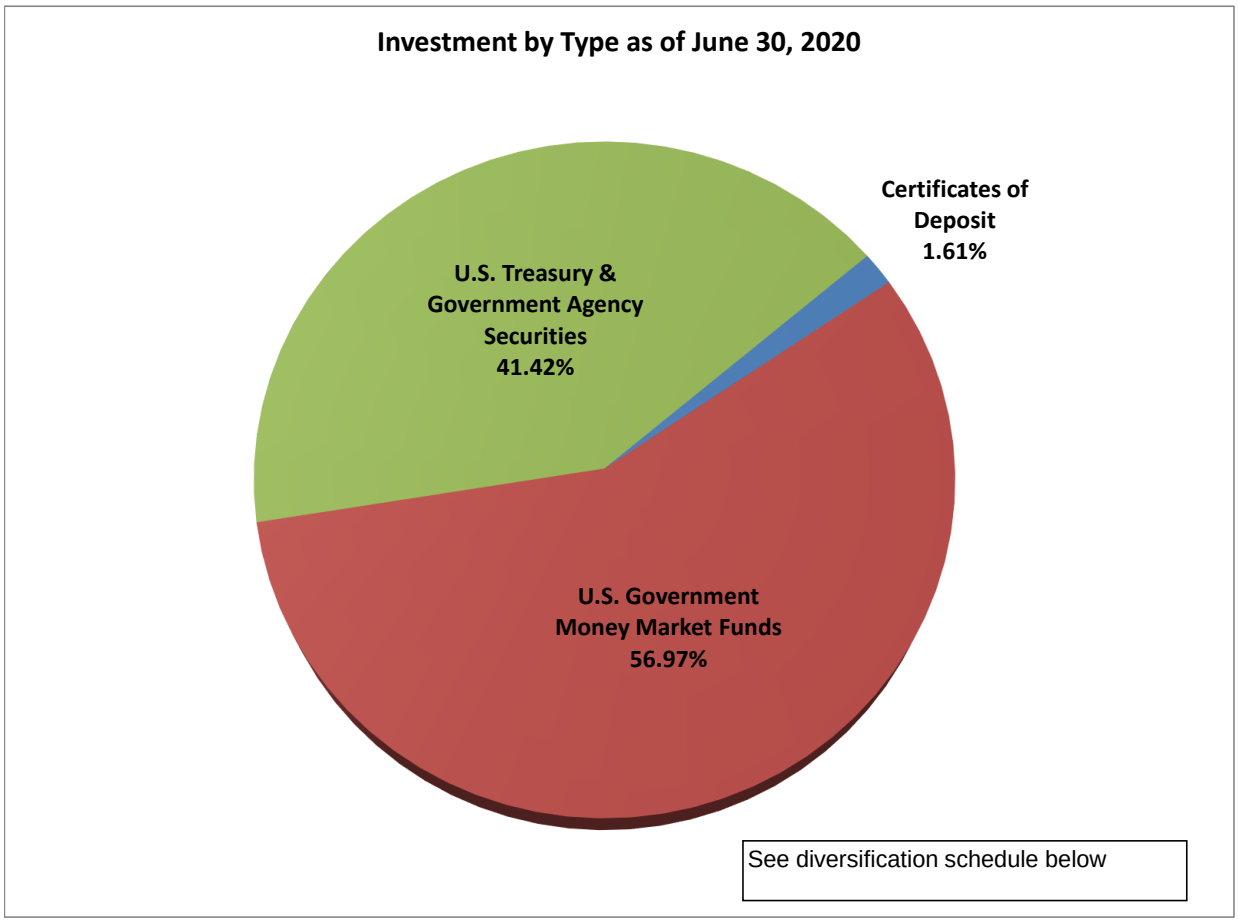


Current Market and Year-Over-Year Comparison:





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



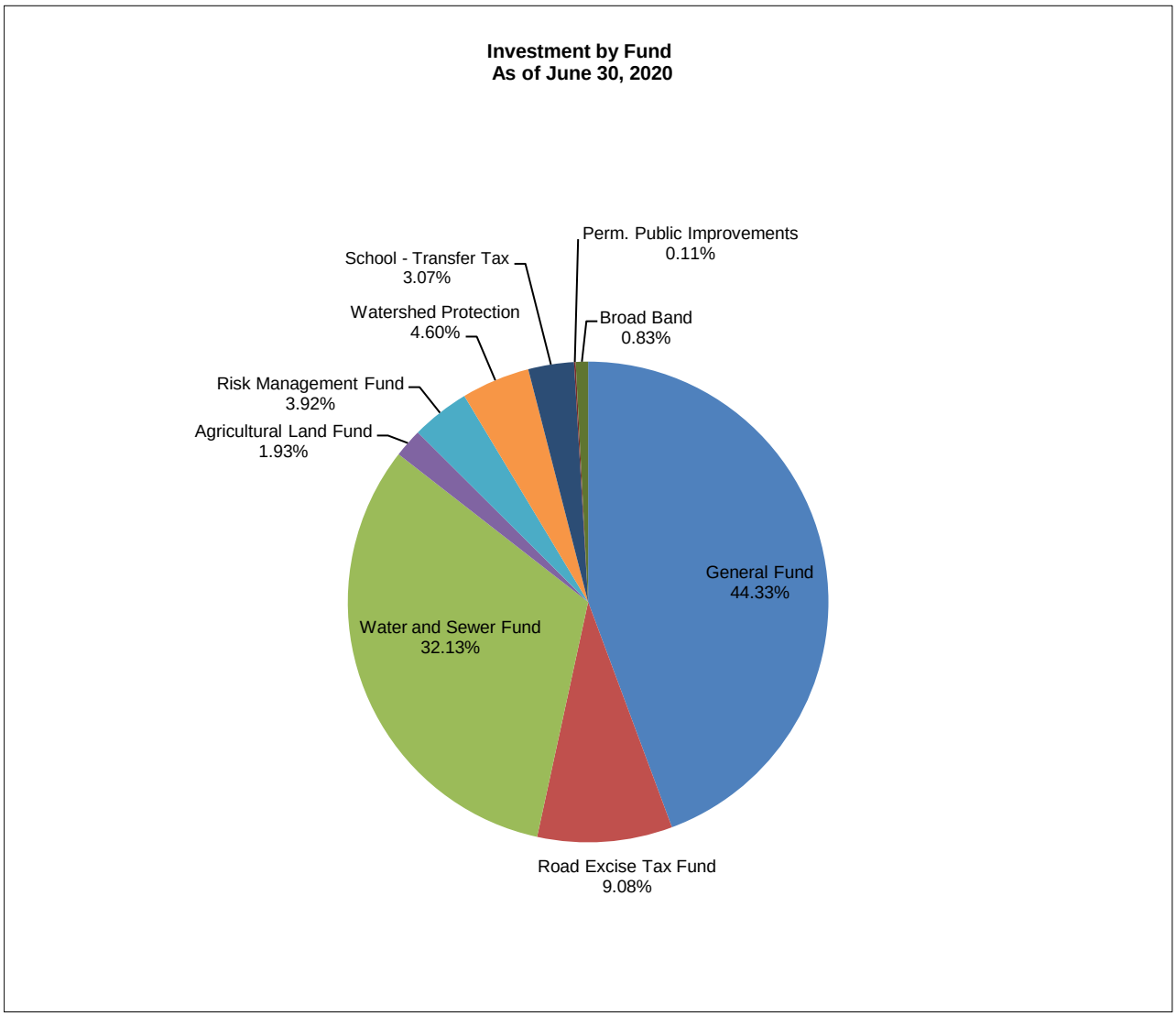
Diversification Levels for Authorized Investments

	Authorized Percentage	Actual Percentage[2]	Actual Amount
U.S. Treasury & Government Agency Securities	90%	41.42%	260,795,473
Repurchase Agreements	90%	0.00%	-
U.S. Government Money Market Funds	60%	56.97%	358,691,765
Municipal Securities & Municipal Mutual Funds	40%	0.00%	-
Supranational Issuers	40%	0.00%	-
Commercial Paper	10%	0.00%	-
Certificates of Deposit	5%	1.61%	10,148,650
		100.00%	629,635,889

Diversification Levels for Authorized Brokers

	Actual Percentage	(1) & (2)	Actual Amount
Cantor Fitzgerald	5.53%		34,810,969
Columbia Bank (3)	0.80%		5,046,650
FHN Financial	7.93%		49,931,831
Harbor Bank (3)	0.02%		102,000
Ramirez	7.99%		50,333,984
Raymond James Financial	3.97%		25,018,000
Piper Sandler & Co.	3.97%		24,969,590
Sandy Spring Bank (3)	0.79%		5,000,000
Stifel, Nicolaus & Co.	9.56%		60,168,417
UBS Financial Services	2.47%		15,562,682
Goldman Sachs	22.55%		141,982,977
MD Local Government Investment Pool	34.42%		216,708,789
	100.00%		629,635,889

(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 Allocation As of 6/30/2020	FY 19 Interest Income* Actual	FY 20 Interest Income Budget	FY 20 Interest Income* As of 6/30/2020
General Fund	$ 279,110,905	$ 5,413,586	$ 4,000,000	$ 4,567,530
Road Excise Tax Fund	57,167,150	1,221,651	1,557,642	928,491
Water and Sewer Fund	202,273,843	2,605,157	2,700,000	3,061,863
Agricultural Land Fund	12,146,896	187,300	177,699	153,056
Risk Management Fund	24,700,924	327,188	281,299	302,684
Watershed Protection	28,975,480	286,301	196,655	205,259
School - Transfer Tax	19,358,000	243,957	-	270,328
Perm. Public Improvements	682,696	19,029	20,000	13,519
Broad Band	5,219,994	66,406	-	62,636
	$ 629,635,889	$ 10,370,575	$ 8,933,295	$ 9,565,368

* Reported on a budgetary basis.

Investment Schedule

Type	Book Value	Yield	Purchase Date	Term in Days	Maturity Date
Certificates of Deposit:					
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
Total Certificates of Deposit	**10,148,650**	**1.960%**			
U.S. Government Money Market Funds:					
Goldman Sachs	141,982,977	0.160%	Various	-	On Demand
MD Local Govt Investment Pool	216,708,789	0.277%	Various	-	On Demand
Total Money Markets	**358,691,765**	**0.231%**			

Investment Schedule (Cont.)						
Security Type	**Purchase Price**	**Yield**	**Purchase Date**	**Call Date**	**Interest Date**	**Maturity Date**
U.S. Treasury & Government Agency Securities:						
U.S. Treasury Note	25,018,000	1.231%	02/28/20		08/31/20	08/31/20
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
U.S. Treasury Note	24,974,800	0.143%	05/14/20		01/28/21	01/28/21
Federal Home Loan Bank	24,977,167	0.120%	05/14/20		02/12/21	02/12/21
U.S. Treasury Note	24,969,590	0.147%	05/27/20		03/25/21	03/25/21
U.S. Treasury Note	25,278,320	0.165%	05/29/20	-	10/30/20	04/30/21
Federal Farm Credit Bureau	24,994,750	0.171%	05/29/20		05/26/21	05/26/21
Federal Home Loan Bank	10,196,500	0.179%	06/29/20		12/11/20	06/11/21
Federal Home Loan Bank	15,562,682	0.172%	06/30/20		12/29/20	06/29/21
Total U.S. Treasury & Govt Agency Securities	**260,795,473**	**0.766%**				
Total Investment Balance (Page 6 & 7)	**629,635,889**	**0.480%**				

Portfolio Yield	**0.480%**
Benchmarks:	
Three-month Treasury Yield	**0.145%**
Six-month Treasury Yield	**0.170%**
Money Market Funds Yield	**0.231%**

The above report has been approved by:

DocuSigned by:
Angela M. Price
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9/3/2020

Angela Price
Acting 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, 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.

Maturity Date	Par Value[1] Balloon Payment	Original[2] Cost	Book Value[3] 6/30/2020
8/15/2020	2,275,000	201,816	2,251,995
8/15/2020	7,385,000	735,117	7,312,800
2/15/2021	1,510,000	146,510	1,437,626
2/15/2021	4,626,000	444,639	4,402,230
8/15/2021	1,115,000	120,697	1,023,129
8/15/2021	2,580,000	253,144	2,359,270
8/15/2023	3,359,000	362,503	2,641,116
8/15/2023	6,928,000	854,220	5,502,733
2/15/2025	374,000	66,011	283,950
2/15/2025	183,000	27,404	135,068
2/15/2026	3,950,000	560,900	2,714,744
8/15/2026	1,295,000	175,073	850,341
11/15/2027	2,158,000	478,644	1,394,558
Total	$ 37,738,000	$ 4,426,679	$32,309,560

[1] Purchase price plus accrued interest at maturity

[2] Purchase price

[3] Purchase price plus accrued interest as of 6/30/20

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:

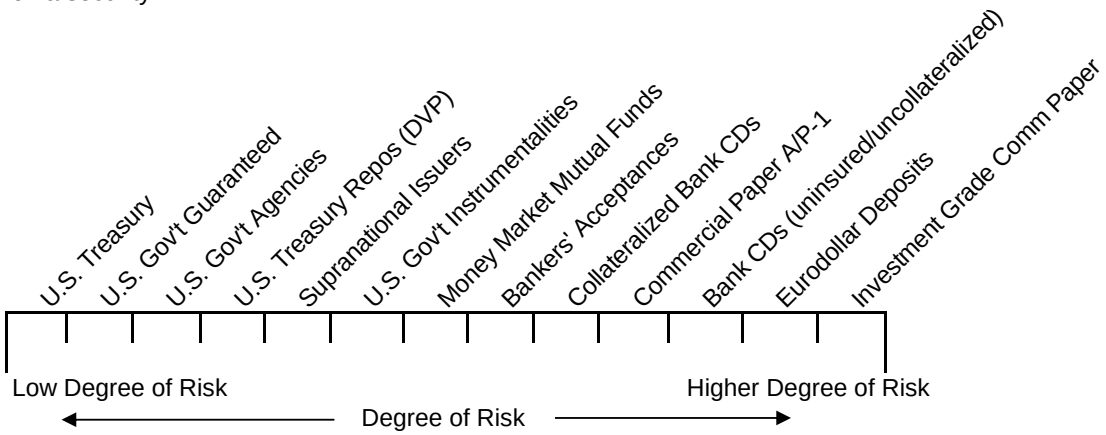
1. Very safe
2. Can only purchase Supranational Issuers from primary dealers

Main Agency issuers:

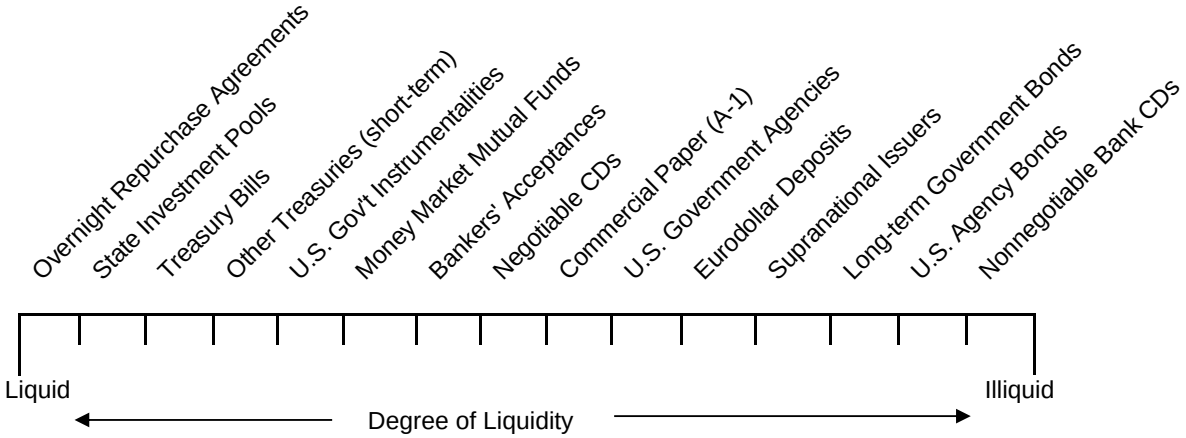
1. The World Bank (IBRD)
2. The International Finance Corporation (IFC)
3. The Inter-American Development Bank (IADB)
4. The African Development Bank (AfDB)
5. The Asian Development Bank (ADB)

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.



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