



Investment Report
June 30, 2015

Stanley J. Milesky
Director of Finance
Department of Finance
3430 Court House Drive
Ellicott City, MD 21043

Department of Finance

Investment Report As of June 30, 2015

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:

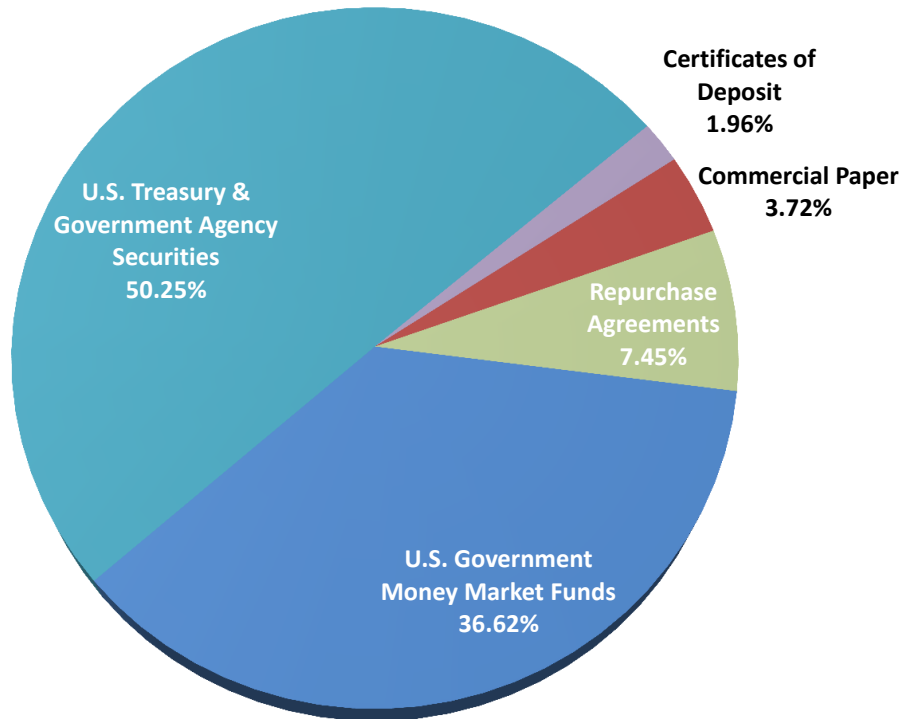
	<u>CURRENT MONTH</u>	<u>PRIOR MONTH</u>
General Fund	\$46,265,193	\$131,324,733
All Other Funds	<u>\$222,035,413</u>	<u>\$169,735,421</u>
Total Portfolio	\$268,300,606	\$301,060,154

The total portfolio balance decreased by \$32.8 million from last month. This decrease represents the normal trend prior to property tax collections at the beginning of the fiscal year.

Analysis:

	<u>CURRENT MONTH</u>	<u>PRIOR MONTH</u>	<u>WEIGHTED AVERAGE FOR 3 MONTHS ENDING JUNE 30, 2015</u>
Portfolio yield	0.156%	0.170%	0.166%
Three Month Benchmark yield	0.013%	0.014%	0.016%

Investment by Type as of June 30, 2015



See diversification schedule below

Diversification Levels for Authorized Investments

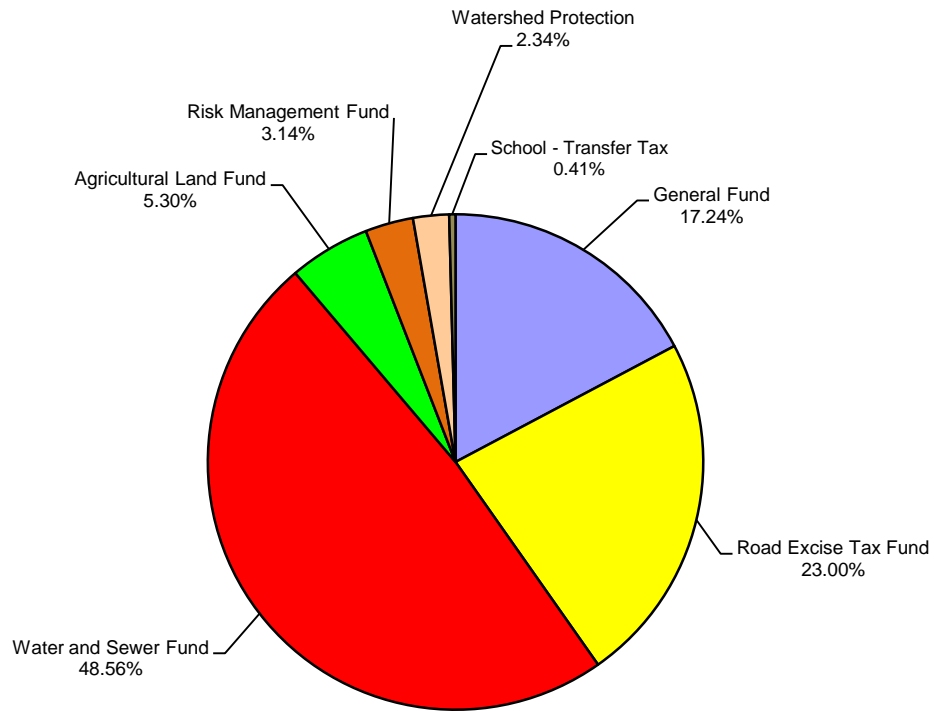
	Authorized Percentage	Actual Percentage ⁽²⁾	Actual Amount
U.S. Treasury & Government Agency Securities	90%	50.25%	134,813,662
Repurchase Agreements	90%	7.45%	20,000,000
U.S. Government Money Market Funds	60%	36.62%	98,240,522
Certificates of Deposit	5%	1.96%	5,255,678
Commercial Paper	5%	3.72%	9,990,744
		<u>100.00%</u>	<u>268,300,606</u>

Diversification Levels for Authorized Brokers

	Actual Percentage (1) & (2)	Actual Amount
BB&T Capital Markets	20.49%	54,981,000
Cantor Fitzgerald	7.45%	20,000,000
FTN Financial	10.94%	29,339,457
Columbia Bank (3)	1.88%	5,045,135
Harbor Bank (3)	0.04%	100,000
Ramirez	5.78%	15,498,605
Raymond James Financial (Morgan Keegan)	16.77%	44,985,344
PNC Bank (3)	0.04%	110,543
MD Local Government Investment Pool	34.75%	93,238,431
Federated	1.86%	5,002,091
	<u>100.00%</u>	<u>268,300,606</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

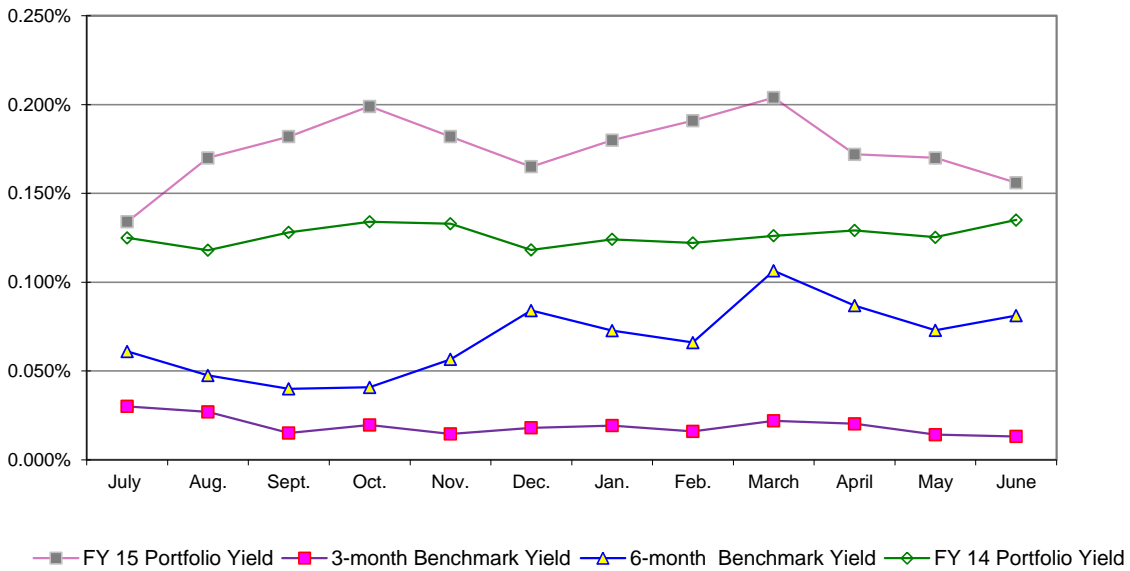
**Investment by Fund
As of June 30, 2015**



	<u>Investment Allocation As of 6/30/2015</u>	<u>FY 14 Interest Income Actual</u>	<u>FY 15 Interest Income Budget</u>	<u>FY 15 Interest Income As of 6/30/2015</u>
General Fund	46,265,193	\$ 385,234	\$ 453,400	\$ 464,183
Road Excise Tax Fund	61,717,998	61,466	100,000	98,345
Water and Sewer Fund	130,287,407	132,869	143,000	236,186
Agricultural Land Fund	14,222,371	18,281	15,000	23,439
Risk Management Fund	8,416,266	8,300	20,000	20,607
Watershed Protection	6,291,371	1,976	-	7,886
School - Transfer Tax	1,100,000	861	-	1,728
	<u>\$ 268,300,606</u>	<u>\$ 608,987</u>	<u>\$ 731,400</u>	<u>\$ 852,375</u>

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

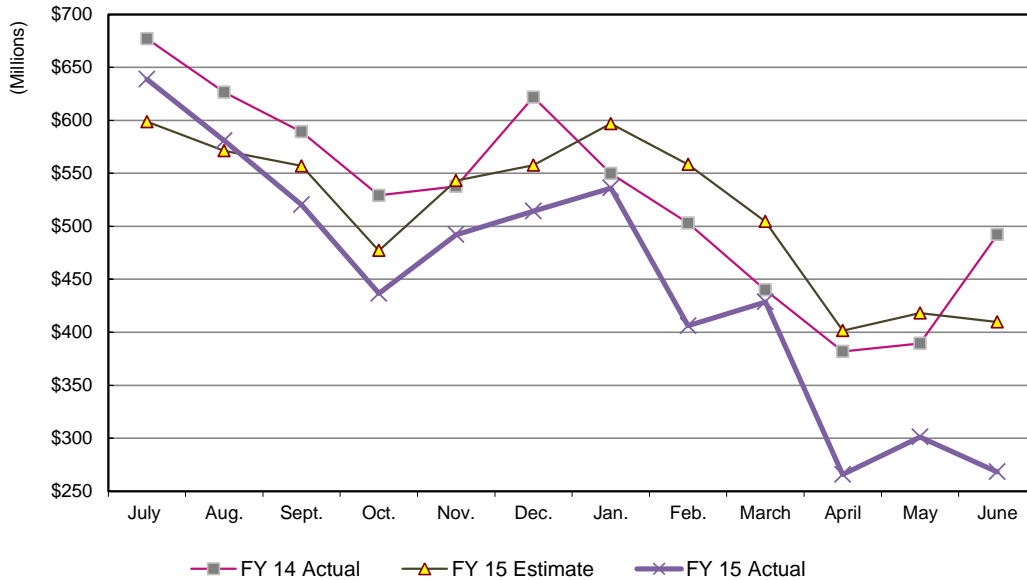
Interest Rate Comparison



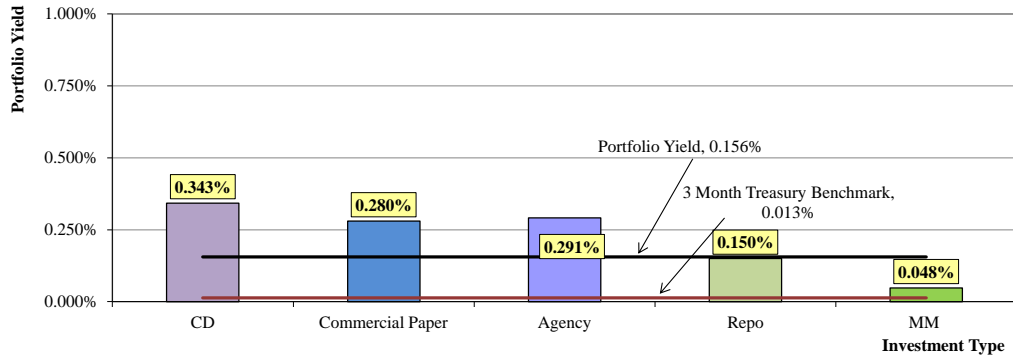
Note: Per the County's investment policy, the Treasury Bill yield is the benchmark yield.

Note: As of June 30, 2015, the average weighted maturity of the portfolio was 65 days.

Monthly Investment Balances



**Howard County, MD
June 30, 2015 Portfolio Yield
At a Glance**



Total Portfolio =	\$268,300,606
CD	\$ 5,255,678
Commercial Paper	\$ 9,990,744
Agency	\$134,813,662
Repo	\$ 20,000,000
MM	\$ 98,240,522

Investment Schedule

Type	Book Value	Yield	Purchase Date	Term in Days	Maturity Date
Certificates of Deposit:					
PNC Bank	110,543	0.200%	03/16/15	366	03/16/16
Harbor Bank	100,000	0.200%	07/09/14	364	07/08/15
Columbia Bank	5,000,000	0.350%	08/11/14	364	08/10/15
Columbia Bank	45,135	0.200%	11/25/14	365	11/25/15
Total Certificates of Deposit	5,255,678	0.343%			
Repurchase Agreements:					
Cantor Fitzgerald UBS	20,000,000	0.150%	06/01/15	60	07/31/15
Total Repurchase Agreements	20,000,000	0.150%			
Commercial Paper:					
Morgan Keegan Raymond James	9,990,744	0.28%	6/1/2015	119	09/28/15
Total Commercial Paper	9,990,744	0.280%			
U.S. Government Money Market Funds:					
Federated Securities	5,002,091	0.010%	Various	-	On Demand
MD Local Govt Investment Pool	93,238,431	0.050%	Various	-	On Demand
Total Money Markets	98,240,522	0.048%			

Investment Schedule (Cont.)

Security Type	Book Value	Yield	Purchase Date	Call Date	Interest Date	Maturity Date
U.S. Treasury & Government Agency Securities:						
Federal Home Loan Bank	9,994,600	0.270%		-	01/11/16	01/11/16
Federal Agricultural Mortgage Corporation	15,498,605	0.356%		-	02/11/16	02/11/16
Federal Home Loan Bank	9,996,954	0.850%	05/29/15	-	10/05/15	10/05/15
Federal Farm Credit	25,000,000	0.190%	08/04/14	-	08/04/15	08/04/15
Federal Home Loan Bank	19,342,503	0.210%	07/30/14	-	08/26/14	08/26/15
Federal Farm Credit Bank	25,003,500	0.218%	08/13/14	-	10/15/15	10/15/15
Federal Home Loan Bank	29,977,500	0.276%	07/30/14	11/30/14	11/30/14	11/30/15
Total U.S. Treasury & Govt Agency Securities	134,813,662	0.291%				
Total Investment Balance (Page 6 & 7)	268,300,606	0.182%				

Portfolio Yield **0.182%**

Benchmarks:

Three-month Treasury Yield **0.013%**
Six-month Treasury Yield **0.081%**
Money Market Funds Yield **0.048%**

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 ¹ Balloon Payment	Original ² Cost	Book Value ³ 6/30/2015
2/15/2017	\$ 6,608,200	\$ 4,037,082	\$ 6,079,323
8/15/2017	1,669,000	1,074,602	1,517,184
8/15/2018	759,000	526,928	670,025
2/15/2019	2,160,000	241,035	1,645,162
2/15/2019	2,810,000	313,836	2,141,846
8/15/2019	1,860,000	177,721	1,336,138
2/15/2020	840,000	82,002	584,187
2/15/2020	4,695,000	441,375	3,236,726
8/15/2020	2,275,000	201,816	1,492,851
8/15/2020	7,385,000	735,117	4,932,524
2/15/2021	1,510,000	146,510	969,217
2/15/2021	4,626,000	444,639	2,954,163
8/15/2021	1,115,000	120,697	697,750
8/15/2021	2,580,000	253,144	1,583,843
8/15/2023	3,359,000	362,503	1,796,730
8/15/2023	6,928,000	854,220	3,805,844
2/15/2025	374,000	66,011	210,833
2/15/2025	183,000	27,404	97,292
2/15/2026	3,950,000	560,900	1,945,578
8/15/2026	1,295,000	175,073	604,158
11/15/2027	2,158,000	478,644	1,037,073
Total	\$ 59,139,200	\$ 11,321,261	\$ 39,338,448

¹ Purchase price plus accrued interest at maturity

² Purchase price

³ Purchase price plus accrued interest as of 6/30/15

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

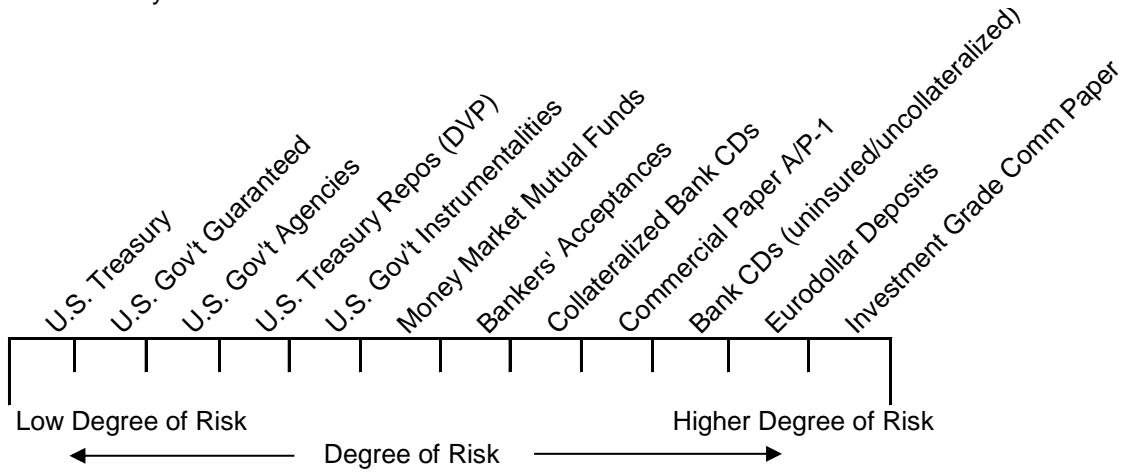
Main Agency issuers:

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)

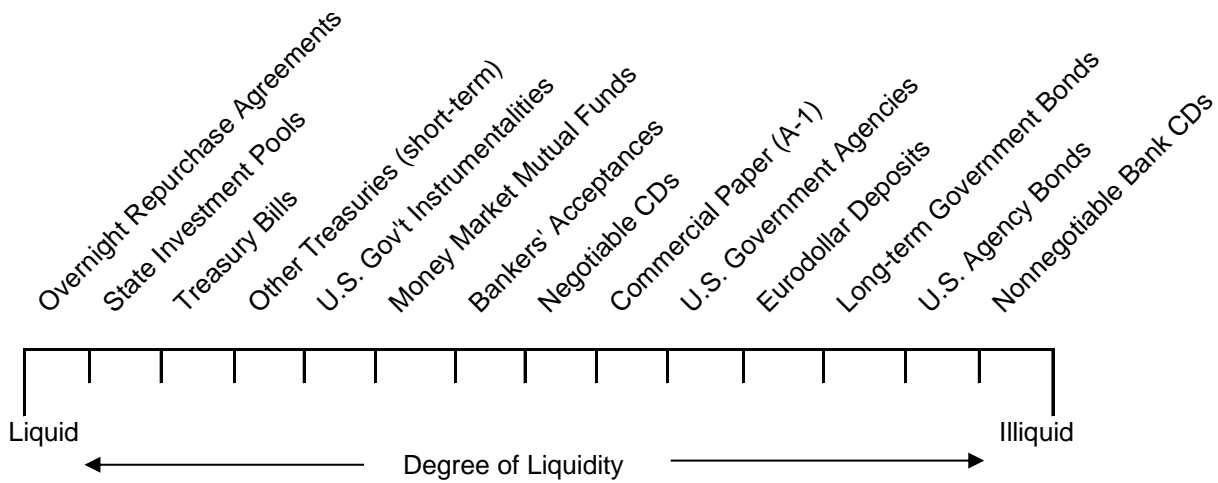
Commercial Paper: Per the County's investment policy, must have minimum rating of A1, P1 or F1 from the credit rating agencies.

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