



# Quarterly Investment Report

Period Ending September 30, 2023

## Executive Summary

North Carolina General Statute 159-30 authorizes the Finance Officer to invest idle funds of the County subject to restrictions and directions of the governing board as outlined in the Cash Management and Investment Policy that was adopted April 19, 2019. The adopted policy outlines the objectives of investments, so funds are invested in a manner that ensures safety, liquidity, and yield. When evaluating investments, safety of County funds is most important followed by liquidity to ensure we have adequate cash on hand to pay the obligations of the County. The policy mirrors state statute for allowable investments and places additional restriction on the portfolio as follows:

- No investment in Repurchase Agreements shall be made unless the underlying collateral shall be placed in safekeeping in the trust department of a third-party bank.
- The combined total investment in commercial paper and banker's acceptances shall not exceed 35% of the total portfolio and the investment in commercial paper or banker's acceptance of a single issuer shall not exceed 15% of the total portfolio at the time of the investment.
- No investment shall be made in any security with a maturity greater than five years from the date of purchase. Total investment in securities with a maturity date in excess of one year shall not exceed 50% of the total portfolio.
- All government securities and other negotiable instruments shall be held in safekeeping by the trust department of a bank.

The attached quarterly investment report provides the following information for the Board as required by policy:

- Summary of investment activities in the most recent quarter
- Anticipated investments in the next quarter
- General description of the portfolio in terms of investment securities, maturities, yield and other features
- Investment earnings for the quarter and fiscal year-to-date, including the weighted average yield to maturity
- Comparison of actual investment earnings with budgetary expectations
- Any areas of policy concern and suggested or planned revisions of investment strategies

**Table 1 - Provides a summary of investment activity for each investment type that occurred in the preceding quarter.** Information is provided to show the amount purchased, amount matured, the maturity date of the investment, and the interest rate. Staff anticipates reinvesting maturities that may mature in the next quarter into investments that are within the guidelines of NGCS 159-30 and the County's Cash Management and Investment Policy. All investment decisions consider the cash flow needs of the County when determining the term of investments.

**Table 1****INVESTMENT ACTIVITY QUARTER ENDING 09/30/23**

INVESTMENT DESCRIPTION	PURCHASE	MATURITY	MATURITY DATE	AMORITIZED YIELD	INVESTMENT NUMBER
NCCMT Government Portfolio	311,795,722	233,984,843	N/A	5.25%	N/A
FFCB	5,000,000		07/08/25	5.02%	24-0018
FFCB	2,095,000		01/11/24	5.51%	24-0026
FFCB	5,000,000		08/28/25	5.54%	24-0042
FFCB		1,000,000	09/21/23	0.25%	22-0012
FFCB		2,000,000	09/15/23	0.19%	22-0023
FFCB		2,000,000	09/15/23	0.23%	22-0034
FHLB	1,600,000		03/07/24	5.43%	24-0011
FHLB	2,000,000		06/10/24	5.43%	24-0012
FHLB	5,000,000		02/28/25	5.21%	24-0023
FHLB	3,000,000		09/11/26	5.51%	24-0045
FHLB		1,000,000	09/21/23	0.24%	22-0038
FHLB		3,000,000	09/27/23	3.75%	23-0033
FHLB		2,000,000	09/29/23	3.80%	23-0042
FHLB		2,650,000	08/24/23	5.13%	23-0109
FHLMC	3,000,000		11/28/25	6.55%	24-0046
FNMA	2,000,000		07/24/25	5.75%	24-0005
FNMA		5,000,000	08/17/23	0.31%	21-0012
FNMA		2,000,000	08/17/23	0.31%	21-0024
FNMA		521,000	08/03/23	0.24%	22-0087
Commercial Paper - Arkansas Electric Coop	3,941,000		10/30/23	5.55%	24-0013
Commercial Paper - Barclays US	1,480,000		01/03/24	5.85%	24-0006
Commercial Paper - Barton Capital	3,000,000		12/06/23	5.63%	24-0044
Commercial Paper - British Columbia Providence	3,000,000		01/26/24	5.64%	24-0029
Commercial Paper - British Columbia Providence	3,000,000		01/26/24	5.63%	24-0030
Commercial Paper - Chariot Funding LLC	2,706,000		12/20/23	5.72%	24-0003
Commercial Paper - Citigroup Global	5,000,000		05/06/24	5.88%	24-0047
Commercial Paper - Credit Industrial NY	2,000,000		02/09/24	5.79%	24-0024
Commercial Paper - DCAT LLC	2,000,000		11/13/23	5.59%	24-0025
Commercial Paper - Duke University Health	3,000,000		01/23/24	5.74%	24-0034
Commercial Paper - Gotham Funding	934,000		10/23/23	5.60%	24-0007
Commercial Paper - Gotham Funding	3,000,000		11/21/23	5.60%	24-0033
Commercial Paper - Gotham Funding	2,000,000		11/30/23	5.61%	24-0037
Commercial Paper - ING	1,650,000		11/03/23	5.57%	24-0009
Commercial Paper - ING	1,200,000		01/31/24	5.75%	24-0022
Commercial Paper - ING	5,000,000		04/01/24	5.87%	24-0038
Commercial Paper - JP Morgan Securities	2,000,000		04/02/24	5.84%	24-0002
Commercial Paper - Lloyds Bank	3,000,000		11/20/23	5.67%	24-0008
Commercial Paper - LMA Americas	5,000,000		01/31/24	5.69%	24-0049
Commercial Paper - LMA Americas	5,000,000		01/18/24	5.71%	24-0050
Commercial Paper - Macquarie Bank Ltd	2,000,000		02/12/24	5.84%	24-0019
Commercial Paper - Macquarie Bank Ltd	2,000,000		03/01/24	5.84%	24-0040

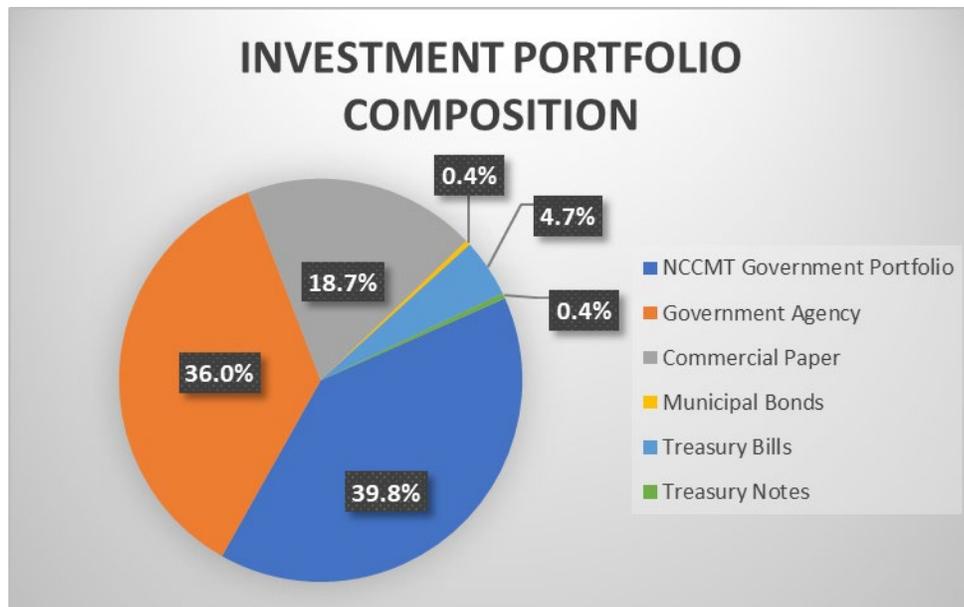
**Table 1 - Continued****INVESTMENT ACTIVITY QUARTER ENDING 09/30/23**

INVESTMENT DESCRIPTION	PURCHASE	MATURITY	MATURITY DATE	AMORITIZED YIELD	INVESTMENT NUMBER
Commercial Paper - MUFG Bank Ltd	2,000,000		10/13/23	5.59%	24-0004
Commercial Paper - MUFG Bank Ltd	3,000,000		11/22/23	5.70%	24-0010
Commercial Paper - MUFG Bank Ltd	5,000,000		02/29/24	5.80%	24-0039
Commercial Paper - MUFG Bank Ltd	5,000,000		02/29/24	5.83%	24-0048
Commercial Paper - National Bank of Canada	2,000,000		03/15/24	5.79%	24-0020
Commercial Paper - National Bank of Canada	2,000,000		02/23/24	5.81%	24-0031
Commercial Paper - Natixis NY Branch	678,000		10/02/23	5.46%	24-0015
Commercial Paper - Natixis NY Branch	500,000		10/19/23	5.50%	24-0016
Commercial Paper - Natixis NY Branch	5,000,000		02/15/24	5.84%	24-0032
Commercial Paper - Skandinav Enskilda Bank	1,200,000		03/26/24	5.83%	24-0021
Commercial Paper - Credit Agricole	1,745,000	1,745,000	09/29/23	5.51%	24-0001
Commercial Paper - Macquarie Bank Ltd	571,000	571,000	09/29/23	5.46%	24-0014
Commercial Paper - Arkansas Electric Cooperative		3,000,000	09/27/23	5.48%	23-0111
Commercial Paper - Bank of America		2,000,000	07/11/23	5.11%	23-0063
Commercial Paper - Coco-Cola Co		2,000,000	09/27/23	5.28%	23-0112
Commercial Paper - Credit Industrial NY		3,000,000	07/19/23	5.08%	23-0092
Commercial Paper - MUFG Bank Ltd		3,000,000	07/20/23	5.09%	23-0103
Commercial Paper - Skandinav Enskilda Bank		2,000,000	07/13/23	5.09%	23-0090
Treasury Bill	2,000,000		01/11/24	5.43%	24-0027
Treasury Bill	3,000,000		02/22/24	5.45%	24-0028
Treasury Bill	3,000,000		12/26/23	5.50%	24-0035
Treasury Bill	5,000,000		02/29/24	5.53%	24-0036
Treasury Bill	5,000,000		02/29/24	5.48%	24-0041
Treasury Bill	4,000,000		03/14/24	5.50%	24-0043
Treasury Note	2,000,000		02/15/25	5.16%	24-0017
<b>Total Investments</b>	<b>455,095,722</b>	<b>272,471,843</b>			

**Table 2 - Provides a summary of the total portfolio distribution as of the end of the quarter and the graph that follows provides a visual representation of the portfolio distribution.** Information is provided to show the par amount, the range of maturities, weighted average maturity, range of yields and the weighted average yield for the portfolio. The graph provides information on the composition of the portfolio and the corresponding percentages. Bond funds are included in the investment balance for the quarter, but the funds are restricted to projects satisfying the original bond purpose. Unspent bond proceeds are kept in separate accounts at the North Carolina Capital Management Trust.

**Table 2**  
**INVESTMENT PORTFOLIO AT 09/30/23**

INVESTMENT DESCRIPTION	PAR AMOUNT	MATURITIES	WEIGHTED AVERAGE MATURITIES	YIELDS	WEIGHTED AVERAGE YIELDS
NCCMT Government Portfolio	187,794,157	N/A	N/A	5.25%	5.40%
Government Agency - FFCB	15,685,000	101d to 1.9y	1.3y	0.24% to 5.54%	4.20%
Government Agency - FHLB	120,295,000	5d to 2.2y	2.2y	0.24% to 7.09%	2.23%
Government Agency - FHLMC	17,700,000	258d to 1.3y	1.3y	0.40% to 6.41%	3.64%
Government Agency - FNMA	16,125,000	116d to 2.2y	1.5y	0.52% to 5.75%	2.47%
Treasury Bill	22,000,000	87d to 166d	38d	5.42% to 5.50%	5.49%
Treasury Note	2,000,000	1.4y	1.4y	5.16%	5.16%
Commercial Paper	88,289,000	up to 219d	31d	5.46% to 5.88%	5.73%
Municipal Bonds	1,850,000	31d to 241d	55d	0.32% to 2.23%	1.41%
NCCMT - Bond Funds	168,135,466	N/A	N/A	5.25%	5.40%
<b>Total Portfolio</b>	<b>639,873,623</b>				



**Table 3 - Provides information on quarter-to-date and year-to-date investment earnings as of the end of the quarter for the entire portfolio and the General Fund.** Information is also provided based on the year-to-date investment earnings compared to the amount budgeted for interest earnings for the current fiscal year for the General Fund. The interest earnings as presented during the year are subject to the Governmental Accounting Standards Board (GASB) Statement 31 Mark-to-Market calculation at year end and will have an impact on actual interest earnings recorded for the year. The County budgets interest every year which is used to balance the General Fund budget. The budget variance is due to interest rates on short-term investments increasing significantly, and the County has been able to take advantage of higher yields on funds in North Carolina Capital Management Trust. Additionally, lower yielding investments have matured, and the County has been able to reinvest at higher yields.

**Table 3**

INVESTMENT EARNINGS	QTD	FYTD	BUDGET	VARIANCE
County Investment Portfolio	3,078,671	3,078,671		
Amount Allocated to General Fund	1,677,255	1,677,255	5,992,000	(4,314,745)

**Table 4 - Provides information on quarter-to-date and year-to-date investment earnings as of the end of the quarter for the unspent bond proceeds based on series.** Interest earned on unspent bond proceeds are restricted to projects satisfying the original bond purpose and all funds are kept in separate accounts at the North Carolina Capital Management Trust. It should be noted that the County could be subject to an arbitrage payment to the IRS if the County's interest earnings on unspent bond proceeds are in excess of allowable calculated amounts compared to the interest that is paid on tax exempt debt.

**Table 4**

INVESTMENT EARNINGS	QTD	FYTD
2017A Public Building Bonds	46,679	46,679
2017B Public Improvement Bonds	168,223	168,223
2019A GO Public Improvement Bonds	259,792	259,792
2012A GO Bonds	376	376
2010B Build America Bonds	10,141	10,141
2007A GO Bonds	451	451
2022A GO Public Improvement Bonds	586,705	586,705
2022B GO School Bonds	1,143,431	1,143,431
<b>Total Bond Interest Earned</b>	<b>2,215,798</b>	<b>2,215,798</b>

**Table 5 - Provides information on quarter-to-date and year-to-date investment earnings as of the end of the quarter for the Honor Capital Funds that are restricted in the General Fund.** The Honor Capital Funds are the 7.6 cents of property tax approved by the Board of Commissioners that are the committed funding for debt service related to the \$1.7 billion in authorized school GO bonds dedicated.

Table 5

INVESTMENT EARNINGS	QTD	FYTD
Honor Capital Funds	231,308	231,308

### **Additional Information**

- The Cash Management and Investment Policy has been revised and will be presented to the Board of Commissioners for consideration of approval at an upcoming meeting.
- The County will begin diversifying its short-term investments through the use of the North Carolina Investment Pool (NCIP), which is a Local Government Investment Pool (LGIP) and authorized under NCGS 159.30 and the County’s Cash Management and Investment Policy .
- Selection of an investment advisory service has been completed. The purpose of investment advisory services is to provide expertise in the area of investment management, assist staff to effectively manage investments, ensure compliance with regulations while mitigating risks. Once the Cash Management and Investment Policy has been approved, the County will be ready to move forward with a contract with the selected firm.

### **Glossary**

**Amortized Yield** - Amortized yield on investments refers to the average annualized rate of return earned by the government entity on its investments over a given period of time, after taking into account any fees, expenses, and losses associated with those investments.

**Arbitrage** - Local governments may choose to invest the bond proceeds in higher-yielding taxable securities. The difference between the interest earned on the taxable securities and the interest paid on the tax-exempt bonds is the arbitrage profit. There are strict regulations governing arbitrage for tax-exempt bonds to prevent abuse and ensure that the practice is not used for personal gain. The Internal Revenue Service (IRS) requires local governments to calculate their arbitrage profit and pay any excess earnings to the U.S. Treasury.

**Arbitrage Rebate Liability** - The amount that is owed to the to the federal government from profit earned from arbitrage.

**Arbitrage Rebate Payment** - The dollar profit earned from arbitrage that is paid back (or rebated) to the federal government.

**Banker’s Acceptance** - Bills of exchange or time drafts drawn on and accepted by a commercial bank and eligible for use as collateral by member banks in borrowing from a federal reserve bank, provided that the accepting bank or its holding company is either (i) incorporated in the State of North Carolina or (ii) has out-standing publicly held obligations bearing the highest rating of at least one nationally recognized rating service and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligations.

**Commercial Paper** - Short-term, unsecured debt issued by companies and financial institutions to finance their short-term funding needs. It is typically issued for a term of between 1 and 270 days and is generally sold at a discount to its face value.

**Federal Farm Credit Bank (FFCB)** - Investment in an obligation of the Federal Farm Credit Bank refers to purchasing debt securities issued by the FFCB. The FFCB is a government-sponsored entity that provides funding and financial services to agricultural and rural communities in the United States. FFCB obligations are considered to be a safe investment because they are backed by the full faith and credit of the U.S. government.

**Federal Home Loan Bank (FHLB)** - Investment in an obligation of the Federal Home Loan Bank refers to purchasing debt securities issued by the FHLB. The FHLB is a government-sponsored entity created by Congress in 1932 to support the housing finance activities of its member institutions, such as commercial banks, thrifts, credit unions, and insurance companies. FHLB obligations are considered to be a safe investment because they are backed by the full faith and credit of the U.S. government.

**Federal Home Loan Mortgage Company (FHLMC)** – Investments in obligations of the Federal Home Loan Mortgage Corp. ( FHLMC), commonly referred to as Freddie Mac, refers to purchasing debt securities issues by Freddie Mac. FHLMC obligations are considered to be a safe investment because they are backed by the full faith and credit of the U.S. government.

**Federal National Mortgage Association (FNMA)** - Investment in an obligation of the Federal National Mortgage Association, commonly known as Fannie Mae, refers to purchasing debt securities issued by Fannie Mae. Fannie Mae is a government-sponsored enterprise (GSE) that was established by Congress in 1938 to expand the secondary mortgage market by purchasing and securitizing mortgages from lenders. FNMA obligations are considered to be a safe investment because they are backed by the full faith and credit of the U.S. government.

**Governmental Accounting Standards Board (GASB)** - A private, non-profit organization that sets accounting and financial reporting standards for state and local governments in the United States. GASB is recognized as the official source of Generally Accepted Accounting Principles (GAAP) for state and local governments in the US, and its standards are used by thousands of government entities across the country.

**Government Agencies** - government agency obligations refers to buying debt securities issued by government agencies, which are typically backed by the full faith and credit of the U.S. government. These obligations are essentially loans made by investors to government agencies to finance their operations or specific projects. Examples of government agency obligations include bonds issued by agencies such as the Federal National Mortgage Association (FNMA or Fannie Mae), and Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac) in the mortgage market, or bonds issued by agencies such as the Federal Farm Credit Bank in the lending market.

**Interest Rate** - An investment interest rate is the rate of return that an investor can earn on an investment. It is the interest rate that an investor receives from an investment.

**Mark-to-Market** – GASB Statement No. 31, the "mark-to-market" requirement mandates that state and local governments must report the fair value of their investments at the end of each reporting period. This means that investments must be valued based on their current market prices or other relevant market data, rather than at their original cost or historical value and any unrealized gain or loss is record in the financial statements.

**Maturity** - The agreed-upon date on which the investment ends, often triggering the repayment of an investment.

**North Carolina Capital Management Trust (NCCMT)** - A an investment pool for local governments in North Carolina. The Government Portfolio, which invests in treasuries and government agencies, is a money market mutual fund (2a7) and maintains an AAAM rating from S&P.

**North Carolina Investment Pool (NCIP)** - A commingled local government investment pool established to invest idle funds in various short-term investments in accordance with North Carolina General Statute 159-30. NCIP is duly authorized under North Carolina General Statute 159-30(c)(10), was created by an interlocal agreement established under North Carolina General Statute 160A-461 through 464 and is administered by a statutorily compliant trust for the benefit of North Carolina Units of Local Government and governed by a board of trustees comprised of representatives of those Units of Local Government.

**Par Amount** - Par amount refers to the face value or the principal amount of a financial security, such as a bond. It is the amount that the security was issued for and represents the initial investment.

**Repurchase Agreement** - A transaction in which the borrower temporarily lends a security to the lender for cash with an agreement to buy it back in the future at a pre-determined price.

**Treasury Bill** - A Treasury bill (T-Bill) is a short-term U.S. government debt obligation backed by the Treasury Department with a maturity of one year or less.

**Treasury Note** - A Treasury note (T-note) is a marketable U.S. government debt security with a fixed interest rate and a maturity between two and 10 years.

**Weighted Average Maturity** - Weighted average maturity (WAM) is a measure used in finance to calculate the average time it takes for a pool of financial instruments or investments to mature.

**Weighted Average Yield** - A weighted average yield is a financial calculation that considers the different yields of various investments, weighted by the amount of money invested in each investment.

**Yield** - Investment yield refers to the return on an investment, expressed as a percentage of the amount invested. It is the profit or income earned on an investment over a specific period of time and is usually calculated on an annual basis. Yield considers the interest payments and any discounts, premiums, capital gains or losses, whereas interest rate only reflects the interest payments.

**Yield Reduction Payment** – Yield restriction calculations are performed after the three-year temporary period on the bonds is complete and unspent bond proceeds remain outstanding. The County is allowed to earn investment yield equivalent to your bond yield plus 0.125%. Any amount in excess of that limit should be paid to the IRS as a yield reduction payment.