



# Quarterly Investment Report

Period Ending December 31, 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 12/31/23**

INVESTMENT DESCRIPTION	PURCHASE	MATURITY	MATURITY DATE	AMORITIZED YIELD	INVESTMENT NUMBER
NCCMT Government Portfolio	134,135,222	245,093,117	N/A	5.26%	N/A
FHLB	2,000,000		02/16/24	5.56%	24-0053
FHLB	2,850,000		05/06/24	5.60%	24-0054
FHLB	3,000,000		05/10/24	5.45%	24-0062
FHLB	2,850,000		04/01/24	5.50%	24-0063
FHLB	2,630,000		12/22/26	5.60%	24-0064
FHLB	2,220,000		09/25/26	5.68%	24-0067
FHLB	2,640,000		12/13/24	5.35%	24-0068
FHLB	3,000,000		12/19/24	4.93%	24-0069
FHLB	3,275,000		02/21/24	5.46%	24-0072
FHLB	1,000,000		08/22/28	5.68%	24-0073
FHLB	2,710,000		12/04/28	5.32%	24-0074
FHLB		2,000,000	10/05/23	0.24%	22-0037
FHLB		2,000,000	10/20/23	4.74%	23-0065
FHLB		3,000,000	12/20/23	5.13%	23-0075
FHLMC	2,000,000		09/26/25	5.80%	24-0057
FHLMC	2,000,000		05/28/25	5.64%	24-0058
FHLMC	4,975,000		12/11/28	5.18%	24-0075
FHLMC		3,000,000	11/28/23	5.66%	24-0046
Commercial Paper - Arkansas Electric Coop	3,000,000		02/27/24	5.71%	24-0055
Commercial Paper - Credit Agricole	4,000,000		02/01/24	5.69%	24-0060
Commercial Paper - Credit Agricole	2,000,000		02/02/24	5.72%	24-0059
Commercial Paper - Gotham Funding	5,000,000		02/05/24	5.71%	24-0056
Commercial Paper - Gotham Funding	1,319,000		02/05/24	5.48%	24-0071
Commercial Paper - Great West Annuity and Life	2,000,000		01/19/24	5.62%	24-0051
Commercial Paper - LMA Americas	3,000,000		01/24/24	5.70%	24-0052
Commercial Paper - Macquarie Bank Ltd	1,981,000		01/22/24	5.34%	24-0066
Commercial Paper - Macquarie Bank Ltd	6,719,000		03/04/24	5.56%	24-0065
Commercial Paper - Macquarie Bank Ltd	2,000,000		04/26/24	5.83%	24-0061
Commercial Paper - Mountcliff Funding LLC	2,000,000		02/01/24	5.49%	24-0070
Commercial Paper - Arkansas Electric Coop		3,941,000	10/30/23	5.55%	24-0013
Commercial Paper - Barton Capital		3,000,000	12/06/23	5.63%	24-0044
Commercial Paper - Chariot Funding LLC		2,706,000	12/20/23	5.72%	24-0003
Commercial Paper - DCAT LLC		2,000,000	11/13/23	5.59%	24-0025
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 - Lloyds Bank		3,000,000	11/20/23	5.67%	24-0008
Commercial Paper - MUFG Bank		3,000,000	11/22/23	5.70%	24-0010
Commercial Paper - MUFG Bank		2,000,000	10/13/23	5.59%	24-0004
Commercial Paper - Natixis NY Branch		678,000	10/02/23	5.46%	24-0015

**Table 1 - Continued****INVESTMENT ACTIVITY QUARTER ENDING 12/31/23**

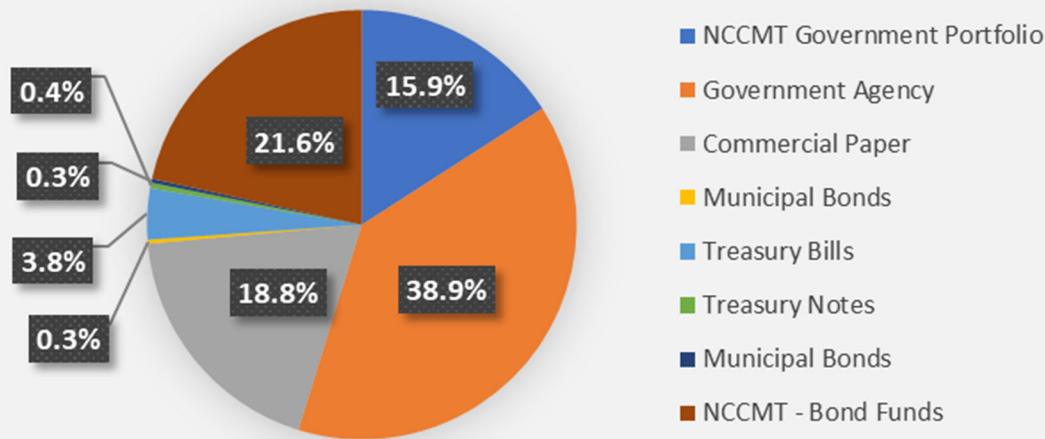
INVESTMENT DESCRIPTION	PURCHASE	MATURITY	MATURITY DATE	AMORITIZED YIELD	INVESTMENT NUMBER
Commercial Paper - Natixis NY Branch		500,000	10/19/23	5.50%	24-0016
Municipal Bond - Town of Mooresville		350,000	11/01/23	0.32%	21-0097
<b>Total Investments</b>	<b>204,304,222</b>	<b>283,852,117</b>			

**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 12/31/23**

INVESTMENT DESCRIPTION	PAR AMOUNT	MATURITIES	WEIGHTED AVERAGE MATURITIES	YIELDS	WEIGHTED AVERAGE YIELDS
NCCMT Government Portfolio	78,520,725	N/A	N/A	5.26%	5.40%
Government Agency - FFCB	15,685,000	11d to 1.6y	1.1y	0.24% to 5.54%	4.20%
Government Agency - FHLB	138,470,000	46d to 4.9y	1.9y	0.59% to 6.33%	2.70%
Government Agency - FHLMC	21,675,000	168d to 4.9y	1.9y	0.40% to 5.64%	3.80%
Government Agency - FNMA	16,125,000	26d to 2y	1.2y	0.52% to 5.75%	2.47%
Treasury Bill	19,000,000	11d to 74d	16d	5.42% to 5.53%	5.49%
Treasury Note	2,000,000	1.1y	1.1y	5.16%	5.16%
Commercial Paper	92,899,000	up to 127d	14d	5.34% to 5.88%	5.73%
Municipal Bonds	1,500,000	151d	41d	0.55% to 2.23%	1.66%
NCCMT - Bond Funds	106,471,208	N/A	N/A	5.26%	5.40%
<b>Total Portfolio</b>	<b>492,345,933</b>				

## INVESTMENT PORTFOLIO COMPOSITION



**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	2,650,823	5,729,494		
Amount Allocated to General Fund	2,106,150	4,559,925	5,992,000	(1,432,075)

**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	48,021	94,700
2017B Public Improvement Bonds	166,048	334,270
2019A GO Public Improvement Bonds	261,465	521,257
2012A GO Bonds	388	764
2010B Build America Bonds	10,433	20,574
2007A GO Bonds	463	914
2022A GO Public Improvement Bonds	593,799	1,180,504
2022B GO School Bonds	809,434	1,952,865
<b>Total Bond Interest Earned</b>	<b>1,890,051</b>	<b>4,105,849</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	207,465	438,773

### **Additional Information**

- The updated Cash Management and Investment Policy was adopted by the Board of Commissioners on January 4, 2024 and was effective on that date. Future quarterly investment reports will follow the updated guidelines of the new policy.
- 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 .
- With adoption of the updated Cash Management and Investment Policy, staff is completing the contract process with the selected investment advisory firm that will provide expertise with investment management, assist staff to effectively manage investments, ensure compliance with regulations while mitigating risks.

## 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.

**Honor Capital** - The Board of Commissioners adopted a plan to set aside 7.3 cents of dedicated property tax during the 2022 property revaluation process, or approximately \$50 million per year, to accrue enough reserves in the first 3 years of the model to cover the spike in debt service payments in later years associated with the issuance of \$2.0 billion in school capital debt.

**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.