



Quarterly Investment Report

Period Ending March 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 03/31/23**

INVESTMENT DESCRIPTION	PURCHASE	MATURITY	MATURITY DATE	AMORITIZE D YIELD	INVESTMENT NUMBER
NCCMT Government Portfolio	189,557,417	190,997,598	N/A	4.57%	N/A
Federal Farm Credit Bank (FFCB)		25,000	03/15/23	0.27%	22-0072
Federal Farm Credit Bank (FFCB)	2,000,000		04/13/23	4.62%	23-0104
Federal Home Loan Bank (FHLB)		1,000,000	03/10/23	3.85%	23-0047
Federal Home Loan Bank (FHLB)	3,000,000		07/26/24	5.00%	23-0091
Federal Home Loan Bank (FHLB)	3,000,000		05/15/24	5.00%	23-0094
Federal Home Loan Bank (FHLB)	1,000,000		06/09/23	4.74%	23-0102
Federal Home Loan Bank (FHLB)	2,650,000		02/24/26	7.95%	23-0109
Federal Home Loan Bank (FHLB)	3,580,000	3,580,000	02/18/23	5.02%	23-0082
Federal Home Loan Bank (FHLB)	3,000,000		01/27/25	5.33%	23-0095
Federal Home Loan Bank (FHLB)	1,280,000		03/06/26	6.86%	23-0110
Federal National Mortgage Association (FNMA)	1,400,000		01/26/24	5.03%	23-0084
Federal National Mortgage Association (FNMA)	1,500,000		05/22/23	4.67%	23-0096
Federal National Mortgage Association (FNMA)	2,000,000		01/26/24	4.90%	23-0105
Federal National Mortgage Association (FNMA)	1,200,000		02/15/24	5.08%	23-0108
UNC Charlotte Revenue Bond		550,000	02/28/23	1.01%	23-0026
Commercial Paper - Banco Santander	3,000,000		06/26/23	5.24%	23-0083
Commercial Paper - Banco Santander	600,000		04/06/23	4.86%	23-0089
Commercial Paper - Banco Santander		1,000,000	03/22/23	4.86%	23-0074
Commercial Paper - Barton Capital		2,000,000	01/06/23	4.35%	23-0062
Commercial Paper - Barton Capital	3,000,000	3,000,000	03/06/23	4.63%	23-0087
Commercial Paper - Barton Capital	3,193,000		04/03/23	4.79%	23-0088
Commercial Paper - Chesham Finance	2,000,000		04/18/23	4.78%	23-0093
Commercial Paper - Collateralized CP		1,472,000	01/30/23	3.65%	23-0038
Commercial Paper - Collateralized CP		5,000,000	02/03/23	3.66%	23-0039
Commercial Paper - Collateralized CP		3,000,000	01/05/23	3.87%	23-0046
Commercial Paper - Collateralized CP		1,900,000	01/05/23	4.25%	23-0073
Commercial Paper - Collateralized CP		750,000	01/24/23	4.44%	23-0078
Commercial Paper - Collateralized CP	2,000,000		06/29/23	5.04%	23-0107
Commercial Paper - Credit Agricole		2,000,000	02/17/23	3.99%	23-0048
Commercial Paper - Credit Agricole		3,000,000	03/02/23	4.17%	23-0054
Commercial Paper - Credit Industrial NY	3,000,000		07/19/23	5.08%	23-0092
Commercial Paper - Credit Suisse First Boston NY		3,000,000	02/06/23	3.58%	23-0002
Commercial Paper - Credit Suisse First Boston NY		3,000,000	01/12/23	3.50%	23-0008
Commercial Paper - Credit Suisse First Boston NY		2,000,000	02/13/23	3.68%	23-0009
Commercial Paper - Credit Suisse First Boston NY		2,000,000	03/13/23	3.77%	23-0010
Commercial Paper - DBS Bank Ltd		3,000,000	03/01/23	3.75%	23-0037
Commercial Paper - Dexia Credit Local		2,000,000	01/05/23	4.06%	23-0059
Commercial Paper - Gotham Funding		2,000,000	01/20/23	4.12%	23-0057
Commercial Paper - Gotham Funding		2,000,000	01/20/23	4.27%	23-0060
Commercial Paper - Gotham Funding	1,550,000		04/11/23	4.76%	23-0106
Commercial Paper - John Deere Canada		500,000	01/13/23	4.16%	23-0069

Table 1 - Continued**INVESTMENT ACTIVITY QUARTER ENDING 03/31/23**

INVESTMENT DESCRIPTION	PURCHASE	MATURITY	MATURITY DATE	AMORITIZED YIELD	INVESTMENT NUMBER
Commercial Paper - John Deere Canada	830,000	830,000	03/03/23	4.59%	23-0101
Commercial Paper - Lloyds Bank		3,000,000	03/13/23	3.62%	23-0016
Commercial Paper - Lloyds Bank		950,000	03/20/23	3.66%	23-0030
Commercial Paper - Lloyds Bank		2,000,000	03/22/23	4.13%	23-0051
Commercial Paper - Macquarie Bank	1,000,000	1,000,000	02/28/23	4.55%	23-0098
Commercial Paper - MUFG Bank Ltd	700,000	700,000	02/24/23	4.55%	23-0097
Commercial Paper - MUFG Bank Ltd	3,000,000		07/20/23	5.09%	23-0103
Commercial Paper - MUFG Bank Ltd		5,000,000	01/03/23	3.32%	23-0029
Commercial Paper - Natixis NY	3,000,000		05/11/23	4.90%	23-0085
Commercial Paper - Natixis NY		3,000,000	03/06/23	3.76%	23-0034
Commercial Paper - Natixis NY		500,000	03/10/23	4.72%	23-0077
Commercial Paper - Natixis NY	700,000	700,000	03/10/23	4.61%	23-0099
Commercial Paper - Nordea Bank		3,000,000	03/06/23	4.01%	23-0049
Commercial Paper - Nordea Bank	500,000	500,000	03/22/23	4.51%	23-0100
Commercial Paper - Royal Bank of Canada		500,000	03/13/23	4.66%	23-0072
Commercial Paper - Santander UK	3,000,000		04/04/23	4.70%	23-0081
Commercial Paper - Skandinav Enskilda Bank	2,000,000		07/13/23	5.09%	23-0090
Commercial Paper - Societe Generale		600,000	01/23/23	4.47%	23-0071
Commercial Paper - Standard Chartered Bank	500,000	500,000	02/27/23	4.46%	23-0086
Commercial Paper - Toronto Dominion		3,000,000	02/15/23	3.63%	23-0015
Commercial Paper - Walnut Energy	1,500,000		04/04/23	4.62%	23-0080
Total Investments	250,240,417	264,554,598			

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 03/31/23

INVESTMENT DESCRIPTION	PAR AMOUNT	MATURITIES	WEIGHTED AVERAGE MATURITIES	YIELDS	WEIGHTED AVERAGE YIELDS
NCCMT Government Portfolio	88,546,871	N/A	N/A	4.57%	4.84%
Government Agency - FFCB	10,590,000	13d to 2.1y	53d	0.19% to 4.62%	1.12%
Government Agency - FHLB	127,745,000	21d to 3.7y	2.4y	0.16% to 7.95%	2.14%

Table 2 – Continued

INVESTMENT PORTFOLIO AT 3/31/23

INVESTMENT DESCRIPTION	PAR AMOUNT	MATURITIES	WEIGHTED AVERAGE MATURITIES	YIELDS	WEIGHTED AVERAGE YIELDS
Government Agency - FHLMC	23,375,000	35d to 2.6y	1.1y	0.19% to 6.53%	2.02%
Government Agency - FNMA	23,146,000	52d to 2.7y	1.3y	0.24% to 5.08%	1.62%
Commercial Paper	70,410,000	up to 111d	14d	3.78% to 5.43%	4.59%
Municipal Bonds	1,850,000	5m to 1.12y	1y	0.32% to 2.23%	1.41%
NCCMT - Bond Funds	200,174,583	N/A	N/A	4.57%	4.84%
Total Portfolio	545,837,454				

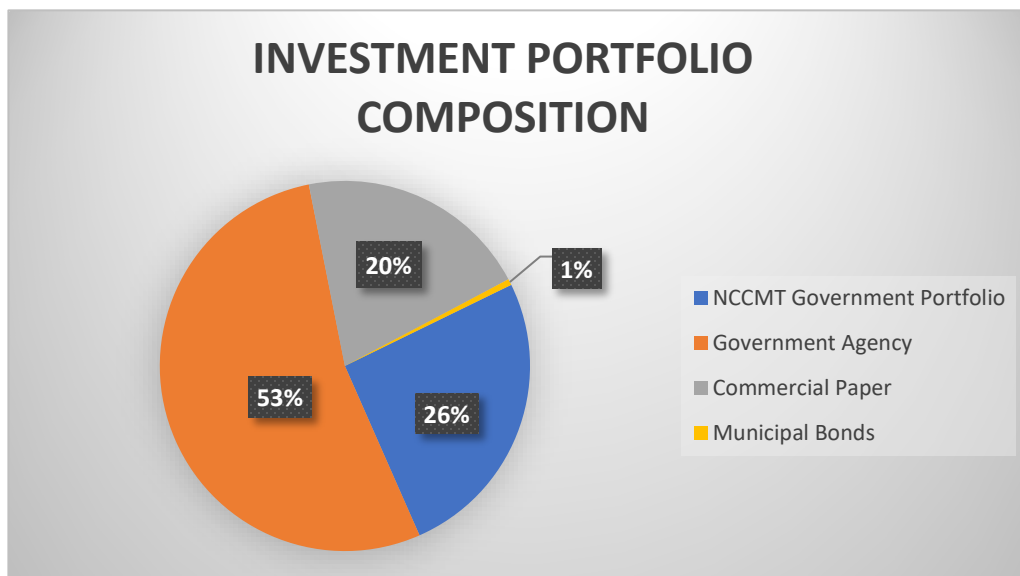


Table 3 - Provides information on quarter-to-date and year-to-date investment earnings as of the end of the quarter for the entire portfolio and the General Fund. Information is also provided based on the year-to-date investment earnings compared to the amount budgeted for interest earnings for the current 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	2,828,824	5,059,913		
Amount Allocated to General Fund	2,358,457	4,272,442	2,345,067	1,927,375

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	50,274	115,024
2017B Public Improvement Bonds	148,312	264,240
2019A GO Public Improvement Bonds	238,648	557,659
2012A GO Bonds	301	679
2010B Build America Bonds	13,047	29,402
2007A GO Bonds	422	951
2022A GO Public Improvement Bonds	481,714	1,106,336
2022B GO School Bonds	1,273,050	2,974,805
Total Bond Interest Earned	2,205,768	5,049,096

Additional Information

- Banco Santander and Credit Suisse Commercial Paper were eligible investments by state statute and the County's investment policy when purchased, but they were later downgraded by the rating agencies. Although the investments were downgraded, staff doesn’t anticipate any issues related to holding them until maturity.
- The UNC Charlotte Revenue Bond for \$550,000 was determined to not comply with NC 159-30 and sold on 02/28/23.
- The County is exploring investing with the North Carolina Investment Pool to increase diversification of short-term investments.
- A Request For Proposal (RFP) is also in process for selection of an investment advisory service. 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.

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.

Commercial Paper - Commercial paper refers to 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 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 recorded in the financial statements.

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.

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.

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.