

ISLAND COUNTY FINANCE COMMITTEE  
QUARTERLY MEETING

AGENDA

October 25, 2016

- I. Public Comment (if any)
- II. Approval of prior meeting's minutes
- III. September 30, 2016 Investment Report
- IV. Discussion Items - Old Business
  - a. Investment Performance - Quarter 3 - 2016
  - b. Draft Island County Investment Policy
    - i. Continue discussion and any amendments
    - ii. Plan for adoption
    - iii. Apply for certification
  - c. Opus Bank - new designated financial institution
  - d. Economic update
  - e. Goals for 2017
    - i. Island County Debt Policy - begin discussions when Investment Policy is complete & adopted
    - ii. Comparison of Investment Portfolio with those of other Washington counties --- pending policy update
    - iii. Others?
  - f. New Business
- V. Adjourn

## Treasurer's Monthly Report

Financial Data as of September 30, 2016

Presented October 19, 2016

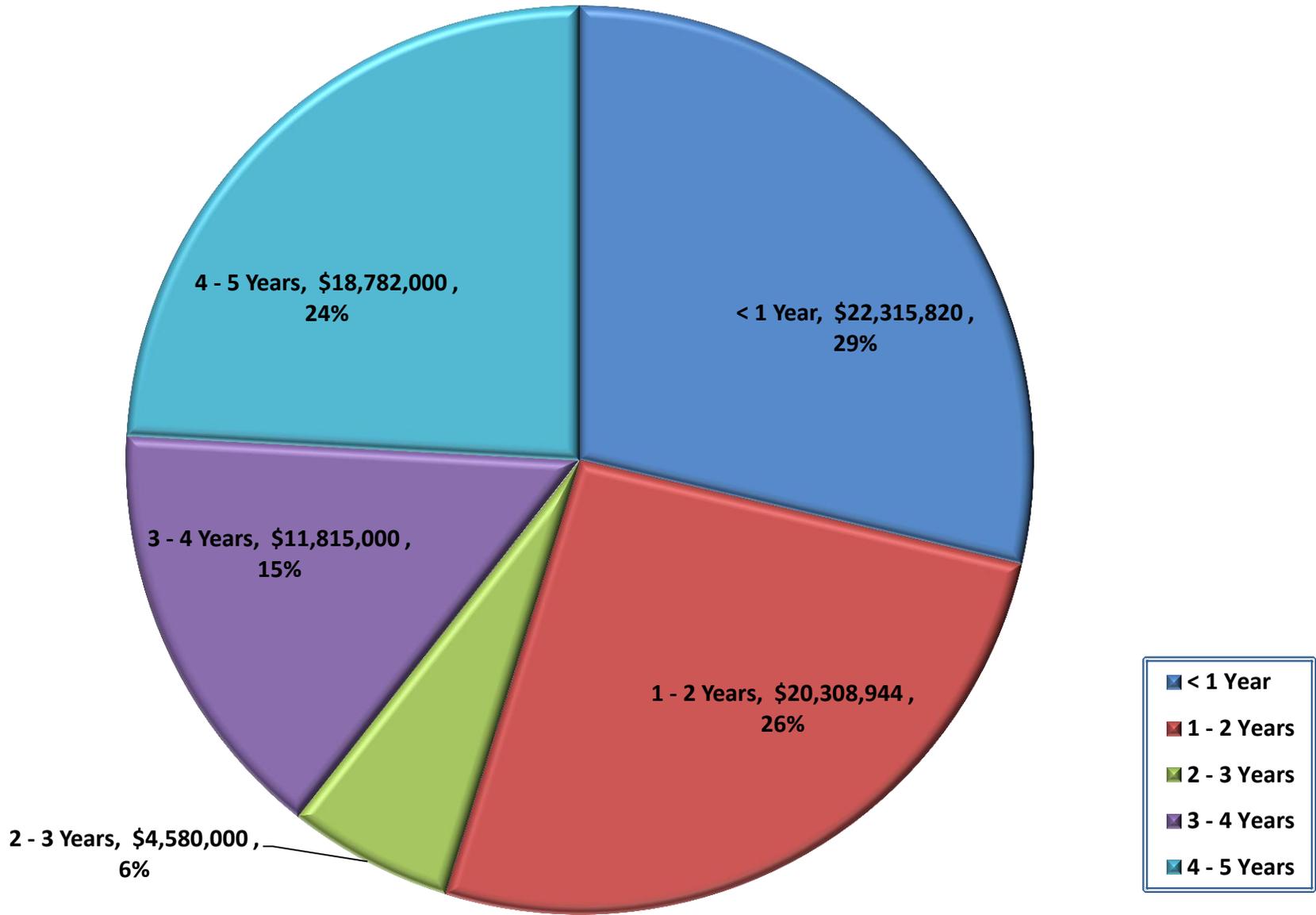
- Investment Balances:

Residual (face value – principal) not including LGIP		\$67,094,511
LGIP (State Pool) Interest Rate		0.517%
○ LGIP Balance		\$10,707,252
Total Cash Available		
○ Key Bank	\$ 5,641,798	
○ Whidbey Island Bank	\$ 3,271,792	\$ 8,913,590
- The County's September 30 investment portfolio is structured with 29% of the Residual invested with maturity dates of < 1 year, 26% of the portfolio is invested with 1-2 year maturities, 6% in 2-3 year term, 15% in 3-4 year, and 24% in 4-5 year term. We are still weighted toward the short end of maturities, but with low long-term rates and the strong possibility of a Fed rate hike in December, it makes no sense to invest heavily in long-term bonds until rates improve. We will have the flexibility to take advantage of a rising rate environment when that occurs.

Island County's Junior Taxing Districts have \$21,382,562 invested through the Treasurer, 100% of which is invested in the Local Government Investment Pool. The JTD investment is slightly lower than the August balance by approximately \$3 MM.

Total Investments under control of the Treasurer was \$99,184,325 as of September 30, slightly more than in August.
- \$157K and \$158K in Island County property taxes were collected in September for Current Expense and Roads, respectively. Collection percentage YTD is 57%.
- Foreclosure Update - Foreclosure proceedings began January 2016 with 396 properties subject to foreclosure for 2013 and prior year taxes. The certificate of delinquency was filed in Superior Court on August 1 with 39 properties included. 34 properties remain subject to foreclosure as of September 30.
- Supplement Update – 188 supplements were processed in September; the backlog as of September 30 was 26 (down from 128). Staff estimated the backlog requires 13 hours to complete.
- The number of REET affidavits processed in September decreased to 446, up 210 in a YTD comparison with 2015. The County's portion of excise revenue was \$315,966 in September, on sales of \$103 MM. YTD excise revenue (\$2.6 MM) is up by \$.5 MM over that of 2015 for the January – September time period.

Distribution of Portfolio Maturities - Island County Residual Investments, September 2016



**ISLAND COUNTY INVESTMENT PERFORMANCE YTD 2016**

**As of September 30, 2016**

**Presented October 25, 2016**

Miscellaneous Investment Interest <sup>1</sup>	\$	470,499	0.81%
Miscellaneous Investment Service Fees	\$	3,007	

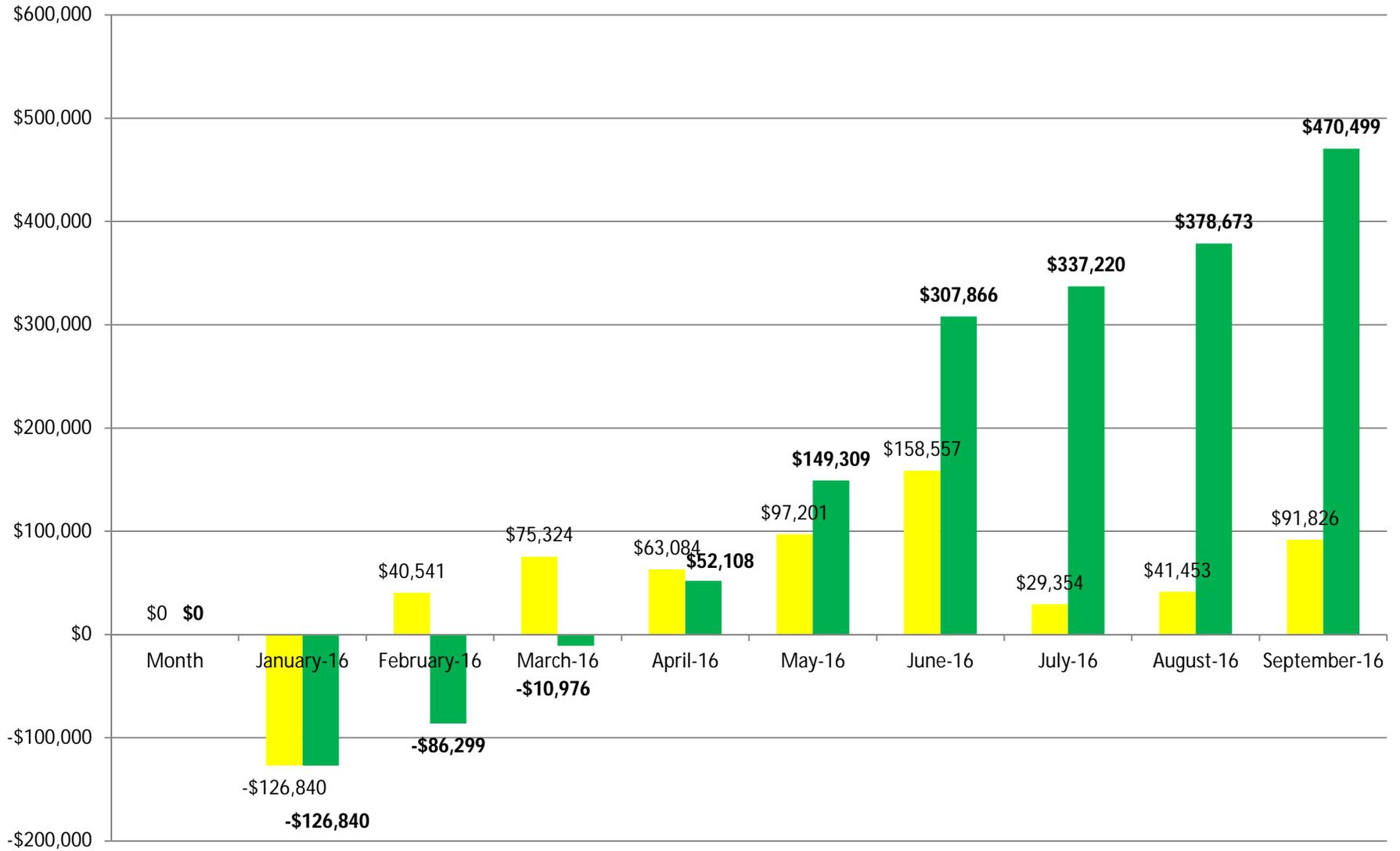
Residual Portfolio, September 30, 2016 \$ 77,801,763

Note 1 Rate is annualized

Analysis:

Investment Interest Budget for 2016 is \$550,000. Investment Interest earned YTD is on track to meet or exceed Budget.

# Island County Year-to-Date Investment Interest Received, January - September 2016



■ Monthly Interest   
 ■ Cumulative Interest YTD

**ISLAND COUNTY INVESTMENT PORTFOLIO BY TYPE**  
**As of September 30, 2016**  
**Presented October 25, 2016**

Certificates of Deposit	\$	1,670,000	2.1%
FAMCA (Farmer Mac) <sup>1</sup>		2,012,000	2.6%
FFCB <sup>2</sup>		4,500,000	5.8%
FHLB <sup>3</sup>		13,243,944	17.0%
FHLMC (Freddie Mac) <sup>4</sup>		9,000,000	11.6%
FNMA <sup>5</sup>		19,675,000	25.3%
Municipal Bonds <sup>6</sup>		13,935,000	17.9%
Local Government Investment Pool <sup>7</sup>		10,707,252	13.8%
Money Market (Opus Bank)		2,001,567	2.6%
Resolution Funding Corp <sup>8</sup>		1,057,000	1.4%
	<u>\$</u>	<u>77,801,763</u>	100.0%

<sup>1</sup> Federal Agricultural Mortgage Corporation is a government-sponsored enterprise providing a secondary market for agricultural real estate mortgage loans, rural housing mortgage loans, and rural utility cooperative loans. It was established in the Agricultural Credit Act of 1987 and is overseen by the Farm Credit Administration.

<sup>2</sup> Federal Farm Credit Bank was created by an Act of Congress in 1916 to create to support agricultural and rural communities with reliable, consistent credit and financial services. It is regulated and examined by the Farm Credit Administration, an independent agency in the Executive Branch of the US Government.

<sup>3</sup> Federal Home Loan Bank was chartered in 1932 by the US Congress to improve the availability of funds to support home ownership. It purchases mortgages.

<sup>4</sup> Freddie Mac was chartered by Congress in 1970 to stabilize the nation's residential mortgage markets and expand opportunities for homeownership and affordable rental housing. It purchases mortgage loans and mortgage-related securities for investment.

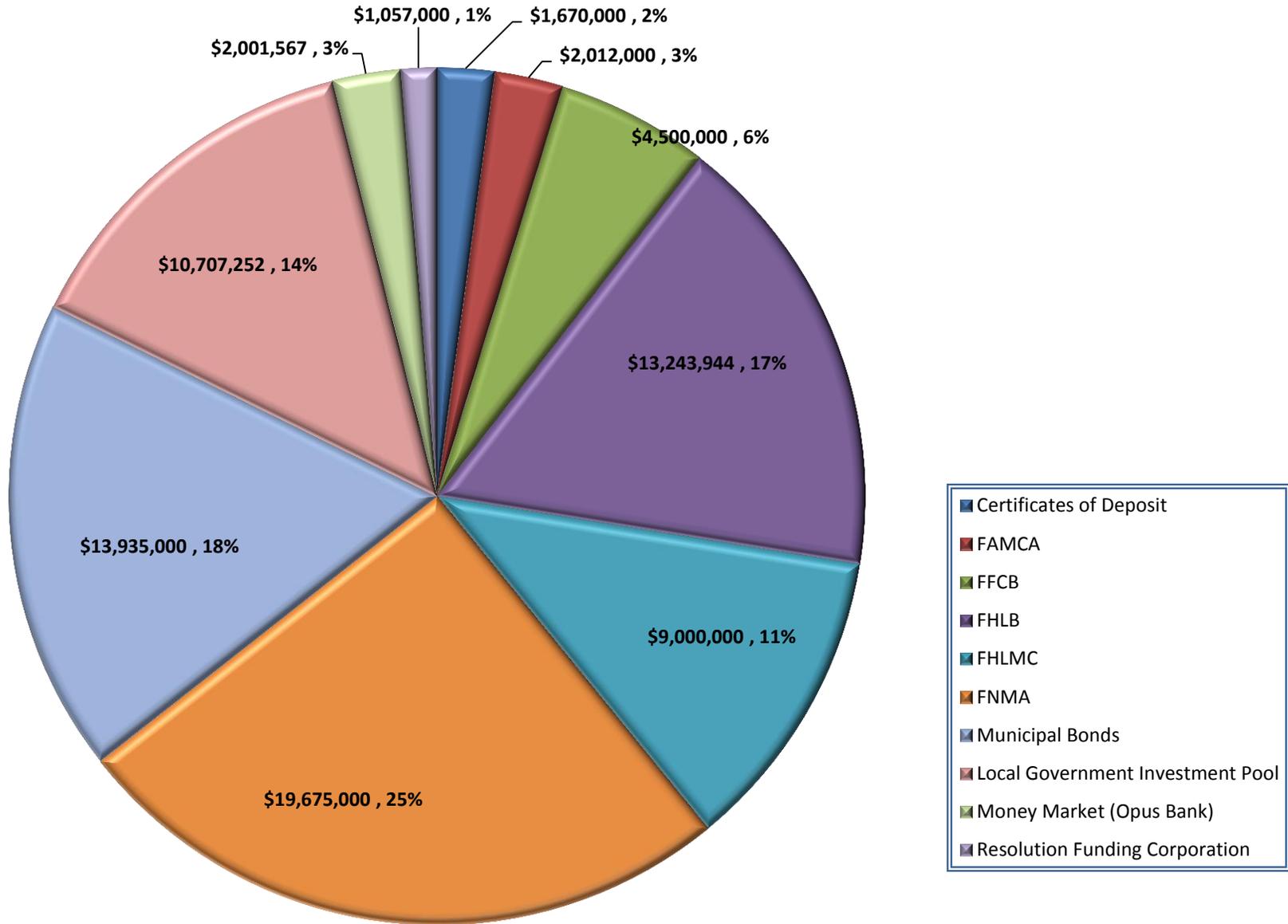
<sup>5</sup> Fannie Mae is the leading source of residential mortgage credit in the US secondary market to provide reliable, large-scale access to affordable mortgage credit in all communities across the country at all times so people can buy, refinance, or rent homes.

<sup>6</sup> A municipal bond is debt issued by a local government or its agencies. Municipal bonds may be general obligations of the issuer or secured by specified revenues (e.g., property taxes or specific fees or tolls). Income from municipal bonds may be tax exempt or taxable. If they are tax exempt they are very attractive to certain individual investors for the tax benefits.

<sup>7</sup> The Local Government Investment Pool is a money market fund operated for the participation of eligible governmental entities with surplus funds - it is comprised of public funds placed in the custody of the Office of the State Treasurer for investment and reinvestment as defined by RCW 43.250.020. The pool seeks to provide current income by investing in high-quality, short term money market instruments and offers daily contributions and withdrawals to optimize liquidity and returns.

<sup>8</sup> Resolution Funding Corporation is a government agency established by Congress in 1989 to issue bailout bonds and raise funds for the activities of Resolution Trust Corporation (a government agency established in 1989 and disbanded in 1996 that administered federal savings and loan institutions that were insolvent between 1989 and August 1992 by either bailing them out or merging them), as well as to administer struggling institutions inherited from the disbanded Federal Savings and Loan Corporation. Interest payments are guaranteed by the US Government.

### Island County Investment Portfolio by Type as of September 30, 2016



## ISLAND COUNTY INVESTMENT PORTFOLIO BY BROKER

As of September 30, 2016

Presented October 25, 2016

Alamo Capital	\$	371,972	0.5%
First Empire Securities	\$	1,000,000	1.3%
First Liberties Financial	\$	4,670,000	6.0%
Great Pacific Securities	\$	1,000,000	1.3%
KeyBank Capital Markets	\$	1,000,000	1.3%
Multi-Bank Securities	\$	7,565,000	9.7%
Mutual Securities	\$	3,125,000	4.0%
Opus Bank	\$	2,001,567	2.6%
Piper Jaffray	\$	4,190,000	5.4%
State Treasurer LGIP	\$	10,707,252	13.8%
Stifel Nicolaus & Co.	\$	7,651,972	9.8%
Time Value Investments	\$	12,119,000	15.6%
Vining Sparks Investments	\$	19,900,000	25.6%
Wells Fargo Securities	\$	1,500,000	1.9%
Whidbey Island Bank	\$	1,000,000	1.3%
Total - Residual	\$	<u>77,801,763</u>	100.0%

## Island County Residual Investments by Broker September 30, 2016

