

# Annual Review of Investments

Bernalillo County



**Presented to:**

Bernalillo County Investment Committee  
October 18, 2018  
Bernalillo County Board of Finance  
November 13, 2018

**Presented by:**

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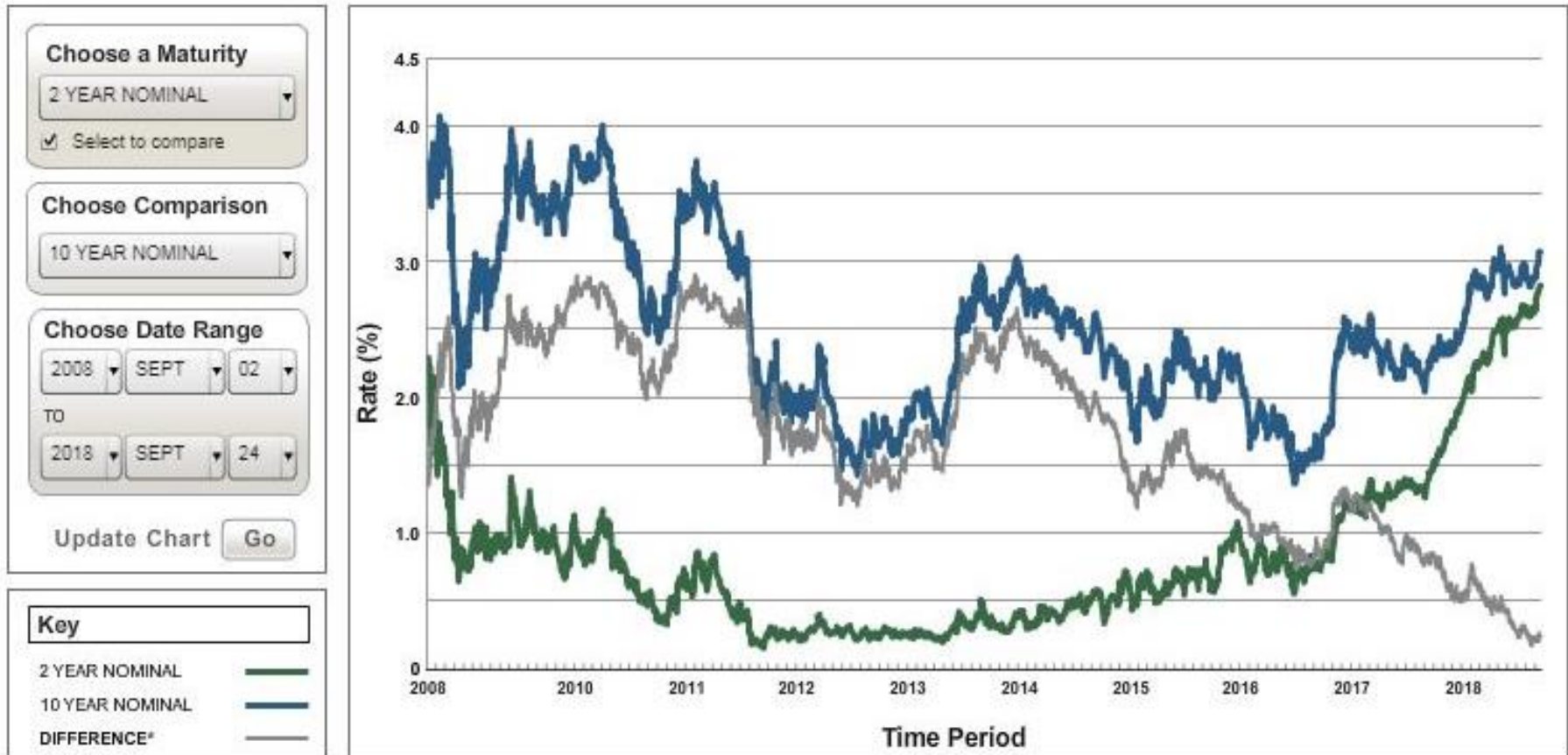
- ☰ Review of Investments | FY18
  - (FYE is June 30, 2018)

- ☰ Looking Forward | FY19

# Review of Markets

# Historical Treasury Rates | 10yr & 2yr | Past 10 Years

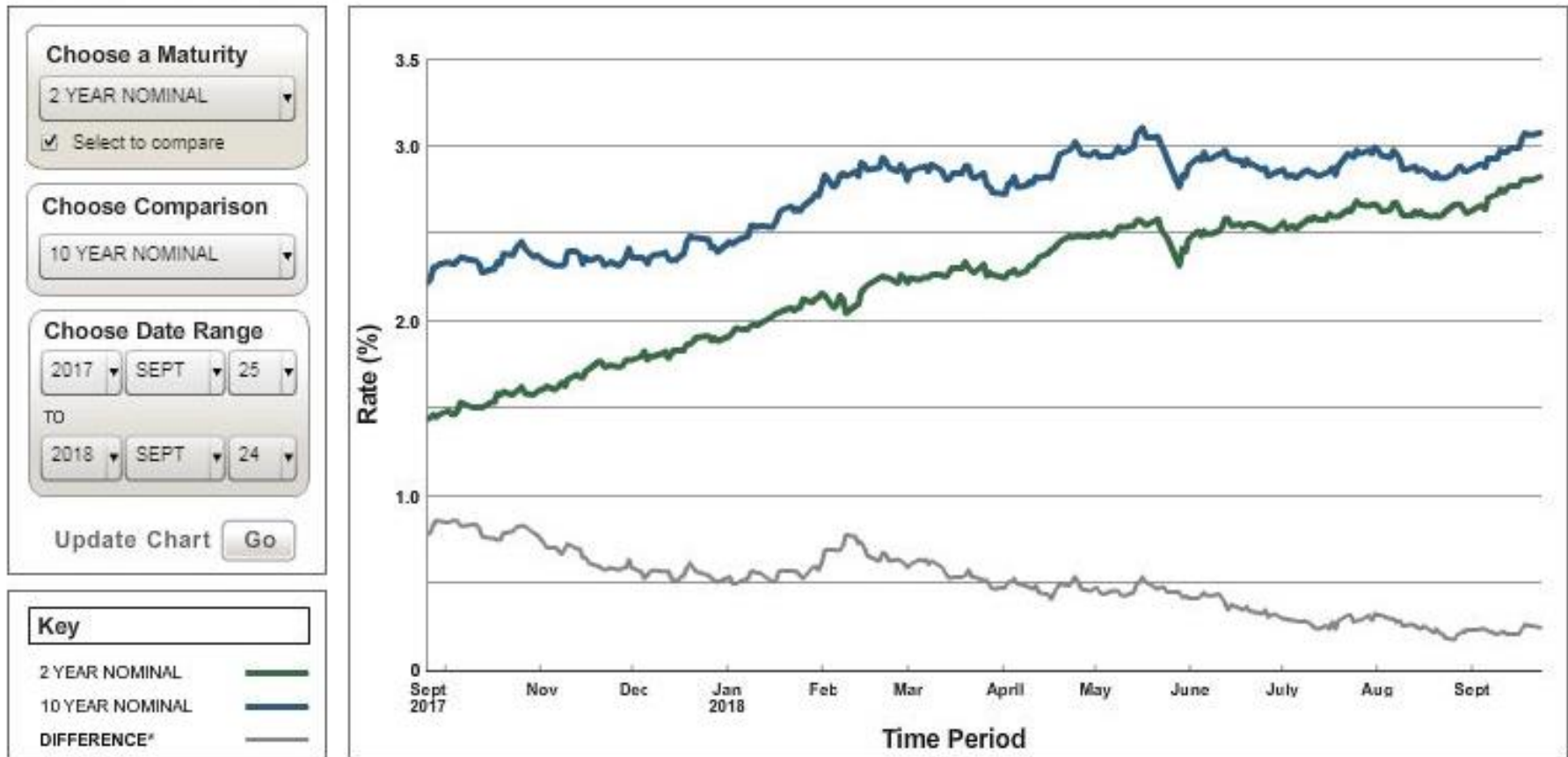
## Historical Treasury Rates



Source: US Department of the Treasury <http://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/Historic-LongTerm-Rate-Data-Visualization.aspx> as of September 24, 2018

# Historical Treasury Rates | 10yr & 2yr | In the Past Year

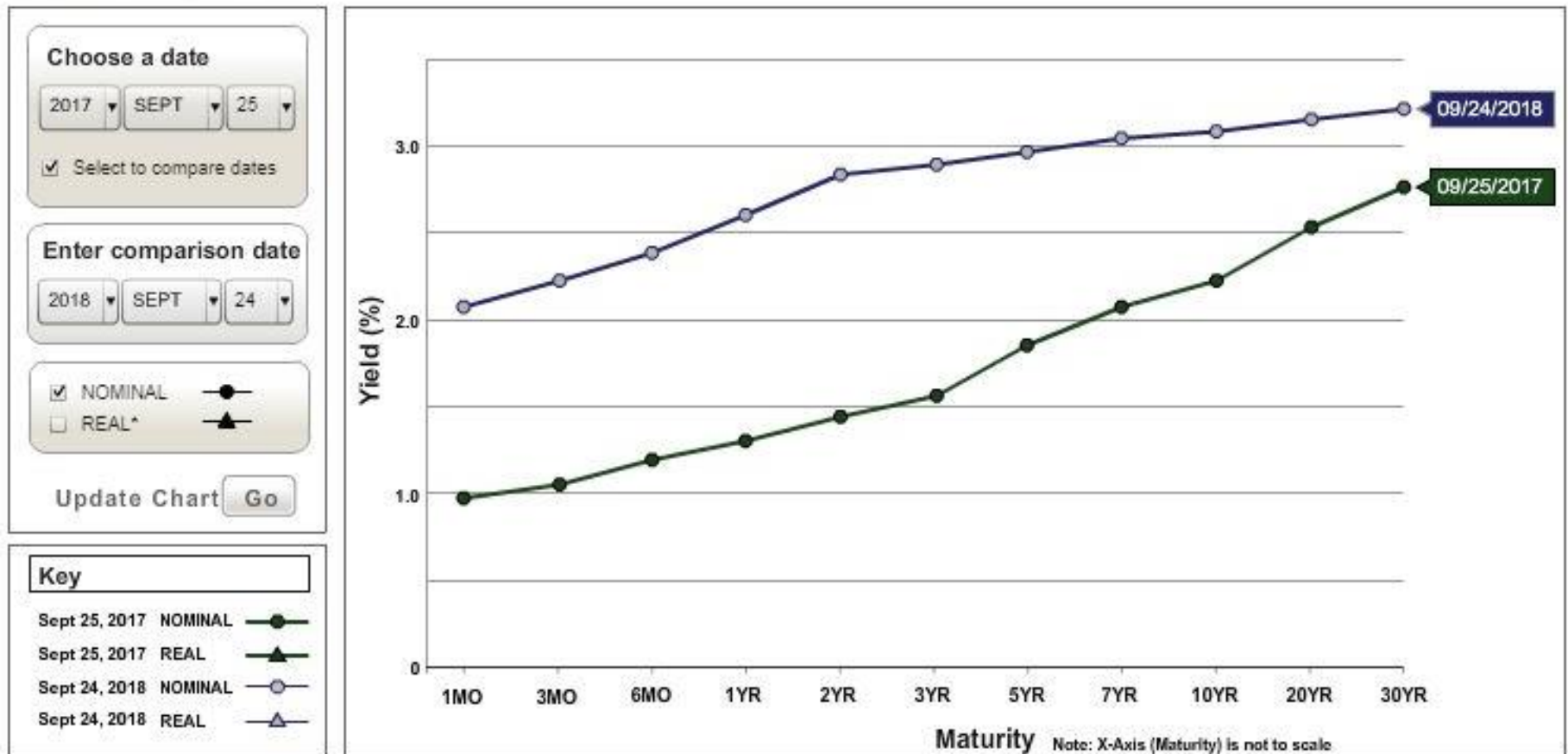
## Historical Treasury Rates



Source: US Department of the Treasury <http://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/Historic-LongTerm-Rate-Data-Visualization.aspx> as of September 24, 2018

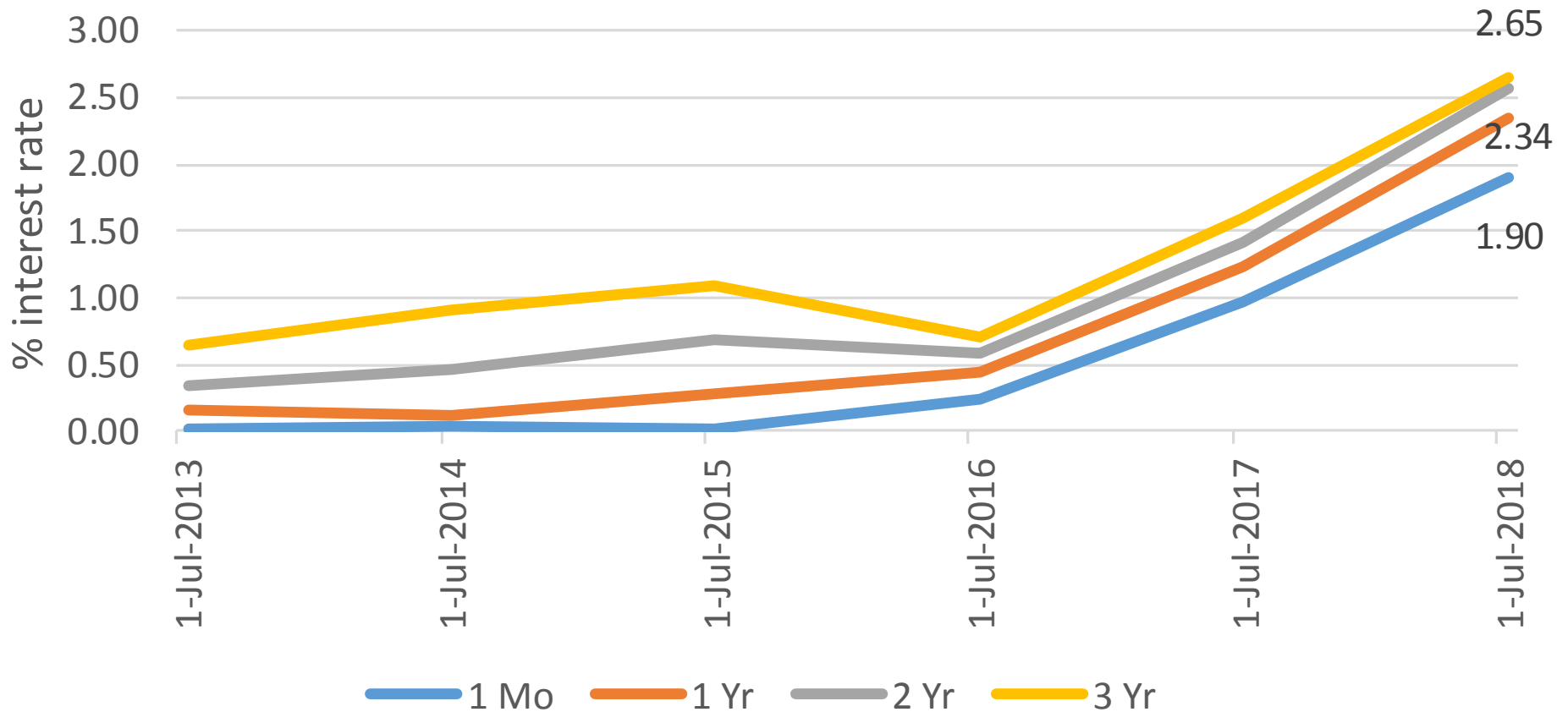
# Treasury Yield Curve – 2017 vs 2018

## Treasury Yield Curve



Source: US Department of the Treasury <http://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/Historic-LongTerm-Rate-Data-Visualization.aspx> as of September 24, 2018

# U.S. Treasury Rates | Five-Year Trend



Source: US Department of the Treasury <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield>

# Review of the County's Investments



# Fiscal Year 2018 – Annual Review

- In fiscal year 2018, the Three Bucket portfolio strategy was implemented for operating funds:
  - Highly liquid portfolio (15% rule)
  - Operating funds – liquidity
  - Operating funds – core
- Investments complied with the investment policy and strategy was approved on a quarterly basis.
- The investment working group met monthly to discuss cash flows and investment strategy implementation.
- The group maintained a high level of communication between departments to facilitate optimal investment strategy implementation and to update the investment policy and procedures as needed.
- Policy updates were approved at the August 14, 2018 Board of Finance meeting. Updates include making this required Annual Report at the August meeting next year so that the content is more timely.

# Investment Strategy | Operating Funds Implementation

- The liquidity and core portfolios will have different benchmarks and will have separate monthly reports:
  - Liquidity portfolio benchmark: BAML 1-Year Treasury Index
  - Core portfolio benchmark: BAML 1 to 3-Year Treasury/Agency Index
- Trade authorization for the liquidity and core buckets will happen on a quarterly basis\* in order to optimally manage the portfolios to current market conditions.
- All trades will have to comply with the investment policy and will be reviewed on a monthly basis by the investment working group.

*\*See Bernalillo County Investment Policy dated August 8, 2017, section III.A.2 Please note, the investment policy was updated again and approved on August 14, 2018, but that update is not within the scope of this report which only covers FY18.*

# Bernalillo County Core Operating Funds

## Total Return vs Benchmark



Period	Period Begin	Period End	Total Return, All Fees	Income Return, All Fees	Price Return, All Fees
Trailing Month	06/01/2018	06/30/2018	0.037%	0.145%	-0.109%
Trailing Quarter	04/01/2018	06/30/2018	0.246%	0.401%	-0.155%
Trailing Year	07/01/2017	06/30/2018	---	---	---

Account	Index	Index Start Date	Index End Date
Bernalillo County Core Op	ICE BofAML Unsubordinated U.S. Treasuries/Agencies 1-3 Yrs	03/25/2004	---

Source: Public Trust Advisors. Figures reflect return on securities owned by the county in the core portfolio and not on negotiated bank deposits. The core portfolio was established on September 5, 2017, so there is not a full fiscal year of performance data.

# Bernalillo County Operating Funds Portfolio

June 30, 2018

	Market Value + Accrued	% of Total	Book Yield
<b><u>Highly Liquid Portfolio: Must Mature Within 30 Days Per Policy</u></b>			
<b>CDARS/ICS:</b>			
Bank of the West	\$ 95,605,469.50	29.41%	1.698%
<b>Total Month-end CDARS/ICS Balances</b>	<b>\$ 95,605,469.50</b>	<b>29.41%</b>	
<b><u>Liquid Portfolio: Must Mature Within 12 Months</u></b>			
<b>Investments:</b>			
US Treasury Securities	\$ 95,237,270.97	29.30%	1.727%
US Agency Securities	\$ 4,752,466.04	1.46%	1.304%
Cash - Wells Fargo MMF	\$ 10,431,735.15	3.21%	1.770%
Cash/Receivable	\$ 5,123,971.79	1.58%	0.00%
<b>Summary of Negotiated Bank Deposits:*</b>			
Wells Fargo Savings	\$ 9,193,819.17	2.83%	0.168%
Bank of the West	\$ 10,232.08	0.00%	0.079%
<b>Total Month-end Bank Balances</b>	<b>\$ 9,204,051.25</b>	<b>2.83%</b>	
<b>Total Liquid Portfolio: 0-12 months</b>	<b>\$ 220,354,964.71</b>	<b>67.79%</b>	<b>1.763%</b>
Core Portfolio	\$ 104,702,573.56	32.21%	1.757%
<b>Total Operating Funds</b>	<b>\$ 325,057,538.27</b>	<b>100.00%</b>	<b>1.761%</b>
<b>Previous Month Operating Funds</b>	<b>\$ 464,785,359.78</b>		<b>1.712%</b>

# Bernalillo County Operating Funds Portfolio

June 30, 2017

	Market Value + Accrued	% of Total	Book Yield
<b>Summary of Investment Funds:</b>			
US Treasury Securities	\$ 99,397,316.00	37.62%	0.945%
US Agency Securities	\$ 34,795,907.38	13.17%	1.157%
Cash - Wells Fargo MMF	\$ 15,082,743.06	5.71%	0.810%
Cash/Receivable	\$ 6,955.38	0.00%	0.00%
<b>Summary of Negotiated Bank Deposits:*</b>			
Wells Fargo Savings	\$ 14,228,686.34	5.39%	0.168%
Bank of the West	\$ 40,506.23	0.02%	0.079%
<b>Total Month-end Bank Balances</b>	<b>\$ 14,269,192.57</b>	<b>5.40%</b>	
<b>CDARS/ICS</b>			
First National Bank Santa Fe	\$ 20,139,170.04	7.62%	0.552%
Bank of the West	\$ 80,495,278.02	30.47%	0.784%
<b>Total Month-end CDARS/ICS Balances</b>	<b>\$ 100,634,448.06</b>	<b>38.09%</b>	
<b>Total Investable Funds</b>	<b>\$ 264,186,562.46</b>	<b>100.00%</b>	<b>1.002%</b>
<b>Previous Month Total Investable Funds</b>	<b>\$ 255,941,788.61</b>		<b>0.848%</b>

# Looking Forward | Strategy FY19

## Looking Forward | Strategy for Multiple Portfolios, FY19

- Hold to the priorities of safety, liquidity, and then yield.
- The operating funds portfolios are outlined below.

Bucket	Policy Parameter (\$)	Current Position (8/31/18)	Goal (\$)	Strategy Comments
30 Day*	\$73 million	\$75.9 mm	\$73million	\$10mm WF MMF buffer
Liquidity	Balance of Funds	\$110.9mm	Balance of funds	With adoption of new policy, \$60mm must mature w/in 12 months
Core	Undefined	\$105.0mm	\$104million	After the low balance point in October 2018, check to see if there is another \$5-10mm to move here

\* Defined as 15% of budget per Investment Policy

- The bond proceeds portfolio will continue to be managed to the forecasted capital project draw schedules and will also be invested in a smooth ladder of monthly maturities.

# Disclosures

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