



# CSMFO 2019 Conference

Investing with  
**Accountability, Confidence and Transparency<sup>t</sup>**

# The Presenters

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**Connie Mobley-Ritter**  
Director of Treasury  
San Mateo County Transit District



**Pamela Arends -King**  
Chief Financial Officer  
South Coast Water District

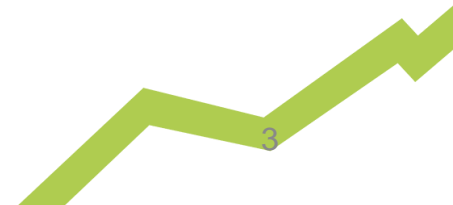
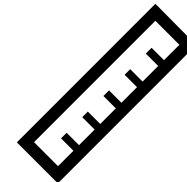
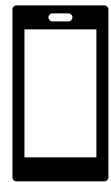
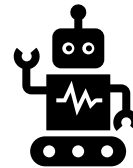


**Deanne Woodring, CFA**  
President  
Government Portfolio Advisors

**Accountability**

**Confidence**

**Transparency**



# Last 10 Years – 1 Year Treasury Rates



Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000

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# Last 18 Years – 1 Year Treasury Rates



Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000

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# Last 35 years – 1 Year Treasury Rates

B 0 11/07/19 ↓ 2.5825 - .0050 2.5950 / 2.5825 2.681 / 2.668  
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Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000

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# What was going on?





New  
Environment!!  
How do You  
Manage Your  
Investments?





Liquidity

Return

Safety

# Accountability

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# Challenges



CASH FLOWS –  
UNDERSTAND THEM  
AND MANAGE THEM



KNOW YOUR  
FIDUCIARY  
RESPONSIBILITIES



YOUR INVESTMENT  
PROGRAM –  
COMMITTEE OR ALONE



STAKEHOLDERS ARE  
MORE INVOLVED

## Meeting your Agencies Obligations/Goals

- Communicating operational and capital needs and impact on cash flows to the governing body, taxpayers, and stockholders
- Developing short-term and long-term financial plans
- Developing and communicating investment optimization

## What is Fiduciary Responsibility?

- What are your City Councils, Commissions and Boards expectations?
- What are your City Manager/General Manger expectations?
- Do you maximize the portfolio's investment opportunities and every type of market?
- How do you measure your fiduciary responsibility?

# Confidence

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“Sound strategy starts  
with having the right goal.”

- Michael Porter

# Challenges



REGULATORY  
CHANGES THAT  
IMPACT OVERSIGHT



CITIZENS ADVISORY  
COUNCILS



KNOW YOUR  
RELATIONSHIPS



TIME TO FOCUS ON  
THE MARKETS



CONSERVATIVE  
INVESTING— WHAT  
DOES THAT MEAN?

# Strategy



Cash Forecast



Investment  
Strategy



Effectiveness

# Cash Forecast

Mindshift

Sources

Accuracy

Design

Maintenance

# Investment Strategy

A diagram illustrating the components of an Investment Strategy. On the left, a dark grey shield-shaped banner contains the text 'Investment Strategy'. To the right of this banner, five green rectangular boxes are arranged in a 2x2 grid with a fifth box centered below them. The boxes are labeled 'Objectives', 'Options', 'Policies', 'Risks', and 'Review' from top-left to bottom-center.

Objectives

Options

Policies

Risks

Review

Effectiveness

Benchmark

Allocate

Measure

Compare

Review



# Transparency

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# Challenges



Reporting Systems are Cumbersome



Oversight Committees Don't Understand Information – Pictures Versus Words



Articulate the Investment Strategy in the Reports

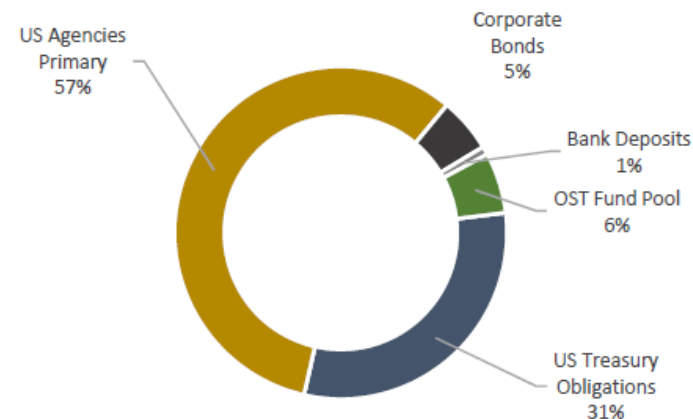


Compliance Reporting



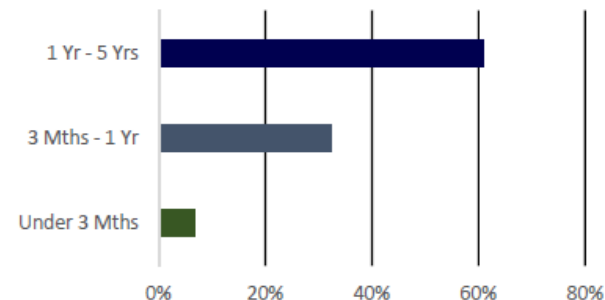
How do Benchmarks Work?

Investment Holdings at 09/30/2017	Market Value	% of Total Portfolio	Maximum Per Policy
US Treasury Obligations	\$ 263,910,936	30.50%	100%
US Agencies Primary	\$ 497,315,685	57.48%	100%
Municipal Obligations OR, CA, ID, WA	\$ -		10%
Corporate Bonds	\$ 45,918,768	5.31%	25%
Bank Deposits	\$ 7,044,587	0.81%	20%
Certificates of Deposit	\$ -		10%
Commercial Paper	\$ -		10%
Bankers Acceptances	\$ -		10%
OST Fund Pool	\$ 50,962,026	5.89%	ORS 294.810
<b>Total Portfolio</b>	<b>\$ 865,152,002</b>	<b>100.00%</b>	
<b>% of Portfolio With One Issuer:</b>			
Corporate Notes	\$ 10,008,290	1.16%	5%
State Obligations			5%



#### MATURITY DISTRIBUTION

Maturities from 09/30/2017	Per Maturity Bucket		Cumulative	
	Market Value	% of Total Portfolio	% of Total Portfolio	Minimum Per Policy
Under 3 Mths	\$ 58,006,613	7%	7%	10%
3 Mths - 1 Yr	\$ 279,233,490	32%	39%	25%
1 Yr - 5 Yrs	\$ 527,911,899	61%	100%	100%



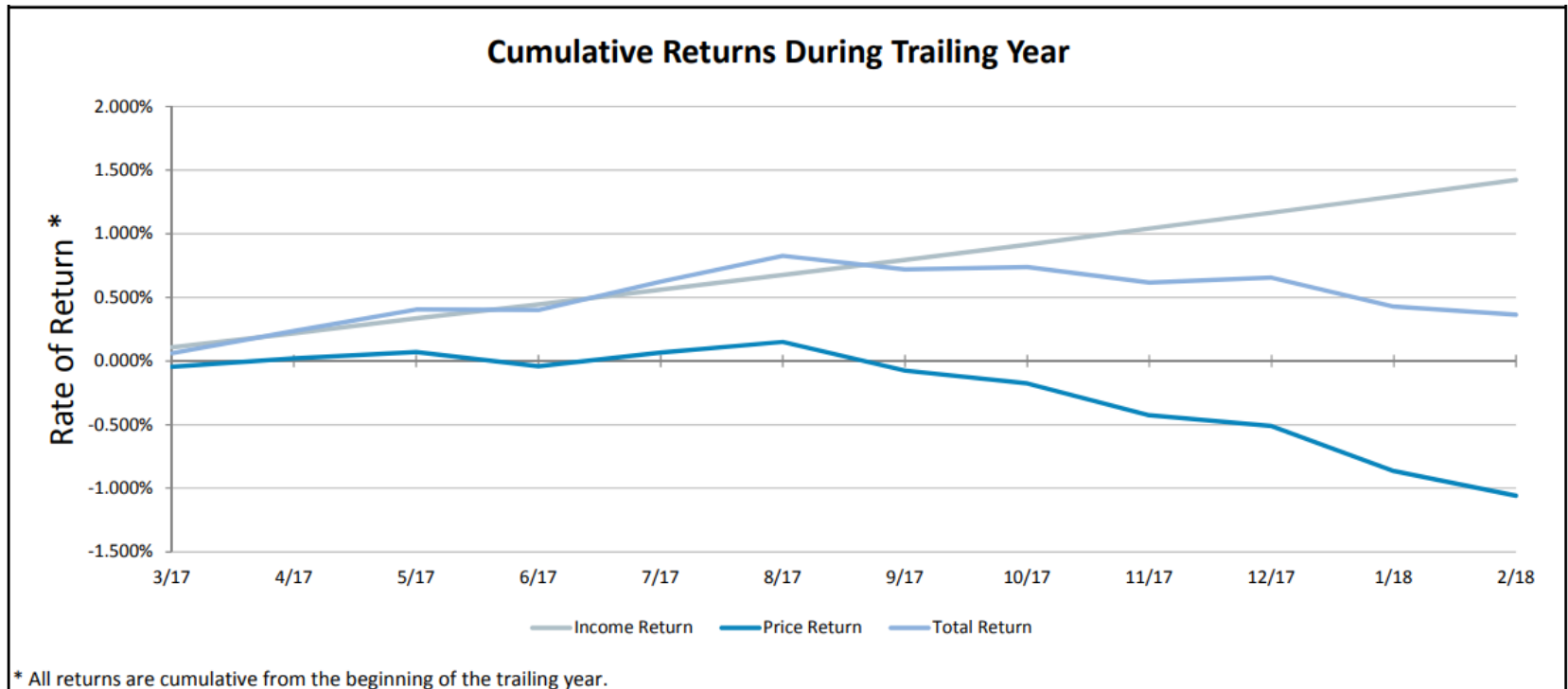
Average Maturity on 09/30/2017 1.71 Years Max per policy 2.5 year  
Average Maturity of Investments 1.78 Years (excluding bank / LGIP deposits)

#### ACTIVITY & PERFORMANCE SUMMARY

Activity Summary	This Month	Fiscal Year-to-Date
<b>Beginning Amortized Cost</b>	\$ 937,597,650	\$ 937,598,650
Investment purchases	\$ 15,000,000	\$ 15,000,000
Investment maturities and sales	\$ (70,000,000)	\$ (70,000,000)
Amortization	\$ 159,724	\$ 159,724
Net cash deposit (withdrawals)	\$ (15,171,647)	\$ (15,171,647)
Realized Gain/Loss	\$ 48,199	\$ 48,199
<b>Ending Amortized Costs</b>	<b>\$ 867,633,926</b>	<b>\$ 867,634,926</b>
Market Value on 09/30/2017	\$ 865,152,002	

Performance Summary	This Month	Fiscal Year-to-Date
Amortization	\$ 159,724	\$ 159,724
Interest income	\$ 2,776,844	\$ 2,776,844
Realized gain (loss)	\$ 48,199	\$ 48,199
<b>Total income</b>	<b>\$ 2,984,767</b>	<b>\$ 2,984,767</b>
Average portfolio balance	\$ 924,359,789	\$ 924,359,789
Total Portfolio yield at cost on 09/30/2017	1.28%	
Investment Portfolio yield at cost (excluding bank / LGIP)	1.28%	
Local Government Investment Pool interest rate	1.45%	

## Components of Return



Source: Clearwater

	Policy Requirement	% of Total Accumulated	Portfolio Allocation	Within Limits		S&P	Moody's
Under 90 days	10%	22%	\$ 225,042,977	Yes	Muni's	AA-	Aa3
Under 1 years	25%	47%	\$ 478,743,559	Yes	Corp Bonds	AA-	Aa3
Under 5 years	100%	100%	\$ 1,021,452,426	Yes	C P	A-1	P-1
				Yes			
Maximum Weighted Average Maturity	2.50		1.65	Yes			
Maximum Callable Securities	25%	4%	\$ 38,960,120	Yes			
Maximum Single Maturity	5 Years		4.86	Yes	Policy states ONE rating meets requirement		

Asset Allocation Diversification	Maximum Policy Allocation	Issuer Constraint	Percentage of Portfolio	Market Value	% Within Limits	Ratings Compliance	Issuer Compliance
US Treasury Obligations	100%		24.28%	\$ 247,973,404	Yes		
US Agencies Primary	100%		51.96%	\$ 530,699,020	Yes		
FHLB		35%	8.72%	\$ 89,115,410	Yes		
FHMA		35%	19.62%	\$ 200,411,355	Yes		
FHLMC		35%	13.05%	\$ 133,307,990	Yes		
FFCB		35%	10.56%	\$ 107,864,265	Yes		
US Agencies Secondary	10%	5%	0.00%	\$			
Municipal Obligations OR, CA, ID, WA	10%	5%					
Corporate Bonds	25%	5%	1.74%	\$ 17,737,025	Yes	Yes	Yes
Commercial Paper	10%						
Bank Deposits	20%	20%	9.56%	\$ 97,680,310	Yes	*	*
Certificates of Deposit	10%	5%					
Bankers Acceptances	10%	5%	0.00%	\$			
OST Fund Pool	ORS 294.810 ***		12.47%	\$ 127,362,667	Yes*	**	**
Total			100%	\$ 1,021,452,426			

\* ORS allows for OST Balances to be above limit during tax receipt periods.

\*\*\* Current ORS Maximum per Account \$ 49,500,000.00

\* FDIC or collateralized \*\* Ratings & Issuer restrictions do not apply to pool funds  
Washington Co has two accounts which each account may go to the ORS maximum.

#### STRATEGY OVERVIEW

Benchmark: BofA Merrill 0-5 year Treasury

Name	Par Amount	Total Adjusted Cost	Market Value	Unrealized Gain/Loss	Yield At Cost	Eff Dur	Bench Dur
Washington County - Core Investment Fund	\$ 813,002,000	\$ 810,072,767	\$ 796,250,940	\$ (13,821,827)	1.84	1.99	2.10
Washington County CWS Fund	\$ 164,000	\$ 164,059	\$ 160,509	\$ (3,550)	1.48	1.57	1.00
Washington County Liquidity	\$ 225,040,977	\$ 225,040,977	\$ 225,040,977		1.49	0.05	0.10
TOTAL PORTFOLIO	\$ 1,038,206,977	\$ 1,035,277,803	\$ 1,021,452,426	\$ (13,825,377)	1.76	1.56	1.66

## Managing Returns with Transparency – Return

Annualized Returns (%)100,000,000 Invested					12/31/2017
Benchmark	Duration	Last Year	3 Year	5 Year	10 year
Sample LGIP	0.01	0.967%	0.530%	0.365%	0.577%
US Treasury 0-1 Year	0.50	0.833%	0.533%	0.375%	0.654%
US Treasury 0-3 Year	1.42	0.551%	0.587%	0.503%	1.180%
US Treasury 0-5 Year	2.18	0.691%	0.822%	0.669%	1.714%
Historical Returns for Invested Core Portfolio					12/31/2017
Benchmark	Duration	Last Year	3 Year	5 Year	10 year
Sample LGIP	0.01	\$966,872.80	\$1,599,502.85	\$1,840,091.80	\$5,919,314.51
US Treasury 0-1 Year	0.50	\$833,195.36	\$1,607,545.06	\$1,888,528.59	\$6,741,138.63
US Treasury 0-3 Year	1.42	\$551,489.38	\$1,772,156.45	\$2,541,466.51	\$12,450,302.16
US Treasury 0-5 Year	2.18	\$690,901.82	\$2,485,193.40	\$3,389,257.29	\$18,519,287.75

Source: Bloomberg





# Questions and Answers |

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