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## **Public Finance and Investments Division**

### **Finance Department**

*Anchorage: Performance. Value. Results.*

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#### **Purpose**

Prudently and efficiently manage the debt and investment portfolios of the MOA while providing liquidity to meet daily cash requirements.

#### **Direct Services**

Provide the most cost effective source of financing for all departments of the MOA.

Manage investment portfolios of the MOA with the objectives of:

- o Safety of Principal,
- o Liquidity to meet all operating requirements and
- o Achieve the highest return on investment while complying with investment guidelines.

Provide investment performance reporting for all investment portfolios.

Provide investment accounting and investment earnings allocation services to all MOA departments.

#### **Accomplishment Goals**

- Maintain a rating of at least “AA” for the MOA’s general obligation bonds.
- Refund any outstanding debt that provides a minimum net present value savings and provide the most cost effective source of financing for all departments of the MOA.
- Invest only in securities that comply with AMC at the time of investment.
- Provide an aggregate investment return, net of fees, that outperforms the benchmark for the MOA’s aggregate portfolio.

#### **Performance Measures**

- The rating of the MOA’s general obligation by Standard & Poor’s and Fitch.
- Dollar amount of net present value savings achieved by refunding outstanding debt and cost effective and innovative sources of financing.
- Monthly compliance report for investments that measures if the investments in the portfolio are in compliance with AMC and P&P 24-11.
- Monthly portfolio performance reports that measure the actual return, net of fees, of the aggregate portfolio compared to the benchmark return for the aggregate portfolio.

**Measure #1: The rating of the MOA's general obligation by Standard & Poor's and Fitch.**

| <u>Year</u> | <u>S&amp;P</u> | <u>Fitch</u> |
|-------------|----------------|--------------|
| 2008        | AA Stable      | AA Stable    |
| 2009        | AA Stable      | AA Stable    |
| 2010        | AA Stable      | AA+ Stable   |
| 2011        | AA Stable      | AA+ Stable   |
| 2012        | AA+ Stable     | AA+ Stable   |
| 2013        | AAA Stable     | AA+ Stable   |
| 2014        | AAA Stable     | AA+ Stable   |
| 2015        | AAA Stable     | AA+ Stable   |

**Measure #2: Dollar amount of net present value savings achieved by refunding outstanding debt and cost effective, innovative and creative sources of financing.**

**REFUNDING**

| <u>Year</u> | <u>Description of Refunding</u> | <u>Par Amount</u>  | <u>Nominal Savings</u> | <u>NPV Savings</u> |
|-------------|---------------------------------|--------------------|------------------------|--------------------|
| 2008        | No Refunding                    |                    |                        |                    |
| 2009        | AWWU-Water                      | 49,680,000         | 14,953,362             | 5,848,119          |
| 2010        | GO-GP (refunding) C-1           | 11,715,000         | 1,036,948              | 1,133,804          |
|             | GO-GP (restructuring) C-2       | 11,735,000         | -2,225,256             | -579,537           |
|             |                                 | <u>23,450,000</u>  | <u>-1,188,308</u>      | <u>554,267</u>     |
| 2011        | GO-School C                     | 28,310,000         | 1,947,120              | 1,833,004          |
| 2012        | GO-GP (refunding) B             | 30,215,000         | 1,934,725              | 2,526,664          |
|             | GO-Schools (refunding) D        | 24,080,000         | 1,504,758              | 1,502,047          |
|             |                                 | <u>54,295,000</u>  | <u>3,439,483</u>       | <u>4,028,711</u>   |
| 2013        | No Refunding                    |                    |                        |                    |
| 2014        | GO-GP (refunding) B             | 89,590,000         | 11,375,985             | 10,445,889         |
|             | GO-Schools (refunding) D        | 39,920,000         | 4,247,874              | 3,628,808          |
|             | MLP A                           | 12,285,000         | 1,720,900              | 1,444,736          |
|             |                                 | <u>141,795,000</u> | <u>17,344,759</u>      | <u>15,519,433</u>  |

## **FINANCING**

| <b>Financing Program</b>                      | <b>Savings</b>      |
|-----------------------------------------------|---------------------|
| Master Lease Program 2008 - 2014              | \$600,000           |
| Port Commercial Paper Program 2008 - 2013     | \$7,200,000         |
| ML&P Commercial Paper Program 2012 - 2014     | \$27,000,000        |
| Port Direct Loan Agreement 2013-2014          | \$2,800,000         |
| ASU Direct Loan Agreement 2013-2014           | \$4,200,000         |
| AWU Direct Loan Agreement 2013-2014           | \$5,500,000         |
| Tax Anticipation Note Issuances 2006 - 2014 * | \$11,100,000        |
| <b>2008 - 2014 Savings Achieved</b>           | <b>\$58,400,000</b> |

\* Net profit achieved by keeping long-term funds invested in the Municipal Cash Pool.

**Measure #3: Monthly compliance report for investments that measures if the investments in the portfolio are in compliance with AMC and P&P 24-11.**

| <b>Month</b> | <b>In full compliance?</b> | <b>Notes</b>                                                                                                             |
|--------------|----------------------------|--------------------------------------------------------------------------------------------------------------------------|
| 1/2012       | Yes                        |                                                                                                                          |
| 2/2012       | Yes                        |                                                                                                                          |
| 3/2012       | Yes                        |                                                                                                                          |
| 4/2012       | Yes                        |                                                                                                                          |
| 5/2012       | Yes                        |                                                                                                                          |
| 6/2012       | No <sup>1</sup>            | Government securities were 0.57% below target on 6/29. The portfolio regained compliance one day later.                  |
| 7/2012       | Yes                        |                                                                                                                          |
| 8/2012       | No <sup>1</sup>            | US Bank's error caused the portfolio to be out of compliance. The compliance was restored after the error was corrected. |
| 9/2012       | Yes                        |                                                                                                                          |
| 10/2012      | Yes                        |                                                                                                                          |
| 11/2012      | Yes                        |                                                                                                                          |
| 12/2012      | Yes                        |                                                                                                                          |
| 1/2013       | Yes                        |                                                                                                                          |
| 2/2013       | Yes                        |                                                                                                                          |
| 3/2013       | Yes                        |                                                                                                                          |
| 4/2013       | Yes                        |                                                                                                                          |
| 5/2013       | Yes                        |                                                                                                                          |
| 6/2013       | Yes                        |                                                                                                                          |
| 7/2013       | Yes                        |                                                                                                                          |
| 8/2013       | Yes                        |                                                                                                                          |
| 9/2013       | Yes                        |                                                                                                                          |
| 10/2013      | Yes                        |                                                                                                                          |
| 11/2013      | Yes                        |                                                                                                                          |
| 12/2013      | Yes                        |                                                                                                                          |
| 01/2014      | Yes                        |                                                                                                                          |
| 02/2014      | Yes                        |                                                                                                                          |
| 03/2014      | Yes                        |                                                                                                                          |
| 04/2014      | Yes                        |                                                                                                                          |

|         |                 |                                                                                                                                                                                                                                                                                                                                |
|---------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 05/2014 | No <sup>1</sup> | A large inflow of cash (tax payments) was received late in the day and left in the Keybank repurchase agreement investment overnight, causing the relative percentage of government securities in the internally managed portfolio to dip below 50%. This issue was corrected on the following business day.                   |
| 06/2014 | Yes             |                                                                                                                                                                                                                                                                                                                                |
| 07/2014 | Yes             |                                                                                                                                                                                                                                                                                                                                |
| 08/2014 | No <sup>1</sup> | A large inflow of cash (ML&P commercial paper proceeds) was received late in the day and left in the Keybank repurchase agreement investment overnight, causing the relative percentage of government securities in the internally managed portfolio to dip below 50%. This issue was corrected on the following business day. |
| 09/2014 | Yes             |                                                                                                                                                                                                                                                                                                                                |
| 10/2014 | Yes             |                                                                                                                                                                                                                                                                                                                                |
| 11/2014 | No              | Concentration of investments in one single issuer exceeded the limits established in P&P 24-11 by 1.47%. This was corrected in December.                                                                                                                                                                                       |
| 12/2014 | Yes             |                                                                                                                                                                                                                                                                                                                                |

**Measure #4:** Monthly portfolio performance reports that measure the actual return, net of fees, of the aggregate portfolio compared to the benchmark return for the aggregate portfolio.

| 1 Month Return (%) |           |           |                                 |
|--------------------|-----------|-----------|---------------------------------|
| Month              | Portfolio | Benchmark | Excess Return<br>over Benchmark |
| 1/2012             | 0.49      | 0.35      | 0.14                            |
| 2/2012             | 0.05      | -0.06     | 0.11                            |
| 3/2012             | -0.05     | -0.11     | 0.06                            |
| 4/2012             | 0.28      | 0.33      | -0.05                           |
| 5/2012             | 0.18      | 0.17      | 0.01                            |
| 6/2012             | 0.06      | 0.02      | 0.04                            |
| 7/2012             | 0.39      | 0.34      | 0.05                            |
| 8/2012             | 0.10      | 0.07      | 0.03                            |
| 9/2012             | 0.11      | 0.06      | 0.05                            |
| 10/2012            | 0.02      | 0.03      | -0.01                           |
| 11/2012            | 0.11      | 0.11      | 0.00                            |
| 12/2012            | -0.02     | -0.01     | -0.01                           |
| 1/2013             | -0.09     | -0.11     | 0.02                            |
| 2/2013             | 0.17      | 0.19      | -0.02                           |
| 3/2013             | 0.03      | 0.06      | 0.03                            |
| 4/2013             | 0.20      | 0.23      | -0.03                           |
| 5/2013             | -0.43     | -0.42     | -0.01                           |
| 6/2013             | -0.37     | -0.43     | 0.06                            |
| 7/2013             | 0.15      | 0.13      | 0.02                            |
| 8/2013             | -0.09     | -0.17     | 0.08                            |
| 9/2013             | 0.29      | 0.24      | 0.05                            |
| 10/2013            | 0.22      | 0.20      | 0.02                            |
| 11/2013            | 0.03      | 0.03      | 0.00                            |
| 12/2013            | -0.21     | -0.21     | 0.00                            |
| 01/2014            | 0.38      | 0.31      | 0.07                            |
| 02/2014            | 0.16      | 0.15      | 0.01                            |
| 03/2014            | -0.16     | -0.13     | -0.03                           |
| 04/2014            | 0.21      | 0.19      | 0.02                            |
| 05/2014            | 0.30      | 0.30      | 0.00                            |
| 06/2014            | -0.01     | -0.03     | 0.02                            |
| 07/2014            | -0.08     | -0.08     | 0.00                            |
| 08/2014            | 0.18      | 0.21      | -0.03                           |
| 09/2014            | -0.13     | -0.12     | -0.01                           |
| 10/2014            | 0.23      | 0.26      | -0.03                           |

### 3 Month Return (%)

| Month   | Portfolio | Benchmark | Excess Return over<br>Benchmark |
|---------|-----------|-----------|---------------------------------|
| 1/2012  | 0.67      | 0.50      | 0.17                            |
| 2/2012  | 0.77      | 0.48      | 0.29                            |
| 3/2012  | 0.49      | 0.18      | 0.31                            |
| 4/2012  | 0.28      | 0.16      | 0.12                            |
| 5/2012  | 0.41      | 0.39      | 0.02                            |
| 6/2012  | 0.52      | 0.52      | 0.00                            |
| 7/2012  | 0.63      | 0.53      | 0.10                            |
| 8/2012  | 0.56      | 0.43      | 0.13                            |
| 9/2012  | 0.60      | 0.47      | 0.13                            |
| 10/2012 | 0.23      | 0.16      | 0.07                            |
| 11/2012 | 0.24      | 0.20      | 0.04                            |
| 12/2012 | 0.11      | 0.13      | -0.02                           |
| 1/2013  | 0.01      | -0.01     | 0.02                            |
| 2/2013  | 0.07      | 0.06      | 0.01                            |
| 3/2013  | 0.11      | 0.14      | -0.03                           |
| 4/2013  | 0.40      | 0.48      | -0.08                           |
| 5/2013  | -0.20     | -0.13     | -0.07                           |
| 6/2013  | -0.59     | -0.62     | 0.03                            |
| 7/2013  | -0.65     | -0.72     | 0.07                            |
| 8/2013  | -0.31     | -0.47     | 0.16                            |
| 9/2013  | 0.35      | 0.20      | 0.15                            |
| 10/2013 | 0.42      | 0.27      | 0.15                            |
| 11/2013 | 0.54      | 0.46      | 0.08                            |
| 12/2013 | 0.03      | 0.02      | 0.01                            |
| 01/2014 | 0.19      | 0.13      | 0.06                            |
| 02/2014 | 0.32      | 0.25      | 0.07                            |
| 03/2014 | 0.38      | 0.33      | 0.05                            |
| 04/2014 | 0.21      | 0.20      | 0.01                            |
| 05/2014 | 0.35      | 0.36      | -0.01                           |
| 06/2014 | 0.50      | 0.46      | 0.04                            |
| 07/2014 | 0.21      | 0.19      | 0.02                            |
| 08/2014 | 0.09      | 0.10      | -0.01                           |
| 09/2014 | -0.03     | 0.02      | -0.05                           |
| 10/2014 | 0.27      | 0.35      | -0.08                           |

### Since Inception<sup>2</sup> Return (%)

| Month   | Portfolio | Benchmark | Excess Return over<br>Benchmark |
|---------|-----------|-----------|---------------------------------|
| 1/2012  | 2.83      | 2.69      | 0.14                            |
| 2/2012  | 2.79      | 2.63      | 0.16                            |
| 3/2012  | 2.73      | 2.56      | 0.17                            |
| 4/2012  | 2.74      | 2.59      | 0.15                            |
| 5/2012  | 2.73      | 2.58      | 0.15                            |
| 6/2012  | 2.70      | 2.54      | 0.16                            |
| 7/2012  | 2.73      | 2.57      | 0.16                            |
| 8/2012  | 2.71      | 2.54      | 0.17                            |
| 9/2012  | 2.69      | 2.51      | 0.18                            |
| 10/2012 | 2.65      | 2.48      | 0.17                            |
| 11/2012 | 2.63      | 2.46      | 0.17                            |
| 12/2012 | 2.59      | 2.42      | 0.17                            |
| 1/2013  | 2.53      | 2.36      | 0.17                            |
| 2/2013  | 2.53      | 2.36      | 0.17                            |
| 3/2013  | 2.49      | 2.34      | 0.16                            |
| 4/2013  | 2.49      | 2.35      | 0.14                            |
| 5/2013  | 2.39      | 2.24      | 0.15                            |
| 6/2013  | 2.29      | 2.14      | 0.15                            |
| 7/2013  | 2.28      | 2.13      | 0.15                            |
| 8/2013  | 2.24      | 2.07      | 0.17                            |
| 9/2013  | 2.25      | 2.08      | 0.17                            |
| 10/2013 | 2.26      | 2.09      | 0.17                            |
| 11/2013 | 2.23      | 2.07      | 0.16                            |
| 12/2013 | 2.17      | 2.01      | 0.16                            |
| 01/2014 | 2.20      | 2.03      | 0.17                            |
| 02/2014 | 2.20      | 2.03      | 0.17                            |
| 03/2014 | 2.15      | 1.98      | 0.17                            |
| 04/2014 | 2.15      | 1.98      | 0.17                            |
| 05/2014 | 2.17      | 2.01      | 0.16                            |
| 06/2014 | 2.14      | 1.98      | 0.16                            |
| 07/2014 | 2.11      | 1.94      | 0.17                            |
| 08/2014 | 2.11      | 1.95      | 0.16                            |
| 09/2014 | 2.07      | 1.91      | 0.16                            |
| 10/2014 | 2.07      | 1.92      | 0.15                            |

#### Notes:

1. The portfolio was in compliance with P&P 24-11 when the investments were originally purchased. With the withdrawal of bond proceeds from trust accounts and market value changes, the portfolio could shift out of compliance temporarily from time to time. The MOA reports portfolio compliance status at month end.
2. Inception date is June 1, 2007

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**Performance Measure Methodology Sheet**  
**Public Finance and Investments Division**  
**Finance Department**

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|---------------------------------------------------------------------------------------------------|
| <b>Measure #1: The rating of the MOA's general obligation by Standard &amp; Poor's and Fitch.</b> |
|---------------------------------------------------------------------------------------------------|

**Type**

Effectiveness

**Accomplishment Goal Supported**

Maintain at least the current AA rating for the MOA's general obligation as currently assigned by the rating agencies Standard & Poor's and Fitch.

**Definition**

Our rating measures the strength of the Municipality of Anchorage's ability to repay outstanding debt. A strong rating allows the MOA to issue debt at substantial savings over lower rated debt.

**Data Collection Method**

Contact rating analysts at Standard & Poor's and Fitch.

**Frequency**

The Municipality's rating is always available to the Municipality, the investment community and the public.

**Measured By**

This measure will be measured by the Public Finance & Investments Division Staff. A history of these results will be stored electronically and in hard copy in the office of the Municipal Debt Officer.

**Reporting**

Reporting is done by the Chief Fiscal Officer whenever new debt is issued and at other times in discussion with the Mayor, Municipal Assembly, the press and investors.

**Used By**

The investment community

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**Performance Measure Methodology Sheet**  
**Public Finance and Investments Division**  
**Finance Department**

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|                                                                                                       |
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| <b>Measure #2: Dollar amount of net present value savings achieved by refunding outstanding debt.</b> |
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**Type**

Effectiveness

**Accomplishment Goal Supported**

Refund any outstanding debt that provides a reasonable net present value savings to the Municipality of Anchorage.

**Definition**

Measures that the division's staff are reviewing refunding and savings opportunities in the current interest rate environment with the Municipality of Anchorage's financial advisor

**Data Collection Method**

Cashflow analysis performed by staff and the Municipality's financial advisor which quantifies the savings

**Frequency**

Annually or as the market interest rate environment presents opportunity

**Measured By**

This Measure will be measured by the Public Finance & Investments Division Staff. A history of these results will be stored electronically and in hard copy in the office of the Municipal Debt Officer. This review will frequently include a review of cashflow analysis prepared by the MOA's financial advisor.

**Reporting**

Chief Fiscal Officer reports to the Municipal Assembly upon completion of refunding debt issuance.

**Used By**

The Municipal Assembly, Mayor, Chief Fiscal Officer, rating agencies and the investment community

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**Performance Measure Methodology Sheet**  
**Public Finance and Investments Division**  
**Finance Department**

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|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Measure #3: Monthly compliance report for investments that measures if the investments in the portfolio are in compliance with AMC and P&amp;P 24-11.</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|

**Type**

Effectiveness

**Accomplishment Goal Supported**

Ensure that the investments within the investment portfolio, which at times aggregate in excess of one billion dollars, comply with the investment guidelines of Anchorage Municipal Code and P&P 24-11.

**Definition**

Measure that the Division's staff are investing funds of the MOA consistently with the MOA's investment objectives.

**Data Collection Method**

Compliance reports are prepared for every month end and can be done on any given day as well.

**Frequency**

Monthly

**Measured By**

This Measure will be measured by the Public Finance & Investments Division Staff. A history of these results will be stored electronically and in hard copy in the office of the Cash Management & Investments Officer. These results are also delivered every calendar month to the Municipal Assembly by Assembly Information Memorandum as part of the Monthly Investment Report to the Assembly.

**Reporting**

Chief Fiscal Officer reports to the Mayor and Municipal Assembly on a monthly basis.

**Used By**

The Municipal Assembly, Mayor, Chief Fiscal Officer, rating agencies and the investment community

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**Performance Measure Methodology Sheet**  
**Public Finance and Investments Division**  
**Finance Department**

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|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Measure #4: Monthly portfolio performance reports that compares the actual return, net of fees, of the aggregate portfolio to the benchmark return for the aggregate portfolio.</b> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

**Type**

Effectiveness

**Accomplishment Goal Supported**

Ensure that the aggregate portfolio of the Municipality of Anchorage investments are invested to produce a return, net of fees, that outperforms the benchmark for the aggregate portfolio.

**Definition**

Measure that the Division's staff are investing funds of the MOA consistently with the MOA's investment objectives.

**Data Collection Method**

Portfolio performance reports are prepared for every month end.

**Frequency**

Monthly

**Measured By**

This Measure will be measured by the Public Finance & Investments Division Staff. A history of these results will be stored electronically and in hard copy in the office of the Cash Management & Investments Officer. These results are also delivered every calendar month to the Municipal Assembly by Assembly Information Memorandum as part of the Monthly Investment Report to the Assembly.

**Reporting**

Chief Fiscal Officer reports to the Mayor and Municipal Assembly on a monthly basis.

**Used By**

The Municipal Assembly, Mayor, Chief Fiscal Officer, rating agencies, and the investment community