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## Public Finance & 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:

- Safety of Principal,
- Liquidity to meet all operating requirements and
- 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 with 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.

<b>Measure #1: The rating of the MOA’s general obligation by Standard &amp; Poor’s and Fitch.</b>
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Year	S&P	Fitch
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 November	AAA Negative	AA+ Stable
June 2016	AAA Negative	AA+ Stable

<b>Measure #2: Dollar amount of net present value savings achieved by refunding outstanding debt and cost effective, innovative and creative sources of financing.</b>
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### **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>
2015	CIVICVentures (refunding)	\$93,790,000	\$17,203,908	\$9,099,922
	GO-GP (refunding) B	\$115,250,000	\$13,142,354	\$12,666,635
	GO-Schools (refunding) D	\$81,040,000	\$10,155,940	\$9,196,297
2016	No Refunding			

### **FINANCING**

<u>Financing Program</u>	<u>Savings</u>
Master Lease Program 2008 – 2016	\$700,000
Port Commercial Paper Program 2008 - 2013	\$7,200,000
ML&P Commercial Paper Program 2012 - 2015	\$27,400,000
ML&P Direct Loan Agreement 2016	\$5,100,000
Port Direct Loan Agreement 2013-2016	\$4,500,000
ASU Direct Loan Agreement 2013-2016	\$6,700,000
AWU Direct Loan Agreement 2013-2016	\$8,500,000
Tax Anticipation Note Issuances 2006 - 2016 *	<u>\$11,000,000</u>
<b>2008 - 2016 Savings Achieved</b>	<b><u>\$71,100,000</u></b>

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

<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>
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Month	In full compliance?	Notes
12/2013	Yes	In full compliance for the entire year
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	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.
07/2014	Yes	
08/2014	No <sup>1</sup>	
09/2014	Yes	Concentration of investments in one single issuer exceeded the limits established in P&P 24-11 by 1.47%. This was corrected in December.
10/2014	Yes	
11/2014	No <sup>1</sup>	
12/2014	Yes	On July 31, a large payment was transferred to the internal portfolio for August debt service. This large transfer, which was placed in a money market account over the weekend, caused a temporary shortfall in the portfolio's US government and agency holdings, which slipped below the 50% minimum (as required by Policy and Procedure 24-11) to 48.6%. This outage was corrected when the debt service was paid on August 3.
01/2015	Yes	
02/2015	Yes	
03/2015	Yes	
04/2015	Yes	
05/2015	Yes	
06/2015	Yes	
07/2015	No <sup>1</sup>	
08/2015	No <sup>1</sup>	
09/2015	No <sup>1</sup>	
10/2015	Yes	On September 30, the portfolio's US government and agency holdings slipped below the 50% minimum (as required by Policy and Procedure 24-11) to 39.9%. This outage was corrected when the debt service was paid on October 1 and when non-government money market funds were invested in agency notes on October 2.
11/2015	Yes	
12/2015	Yes	
1/2016	Yes	
2/2016	Yes	
3/2016	Yes	
4/2016	Yes	
5/2016	Pending	
6/2016	Pending	

**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.**

Since Inception <sup>2</sup> Return (%)			
Yearly Averages	Portfolio	Benchmark	Excess Return over Benchmark
2012	2.71	2.55	0.16
2013	2.35	2.19	0.16
2014	2.12	1.96	0.16
Month	Portfolio	Benchmark	Excess Return over Benchmark
01/2015	2.08	1.94	0.14
02/2015	2.03	1.89	0.14
03/2015	2.04	1.89	0.15
04/2015	2.01	1.87	0.14
05/2015	2.00	1.86	0.14
06/2015	1.95	1.82	0.13
07/2015	1.95	1.81	0.14
08/2015	1.92	1.79	0.13
09/2015	1.93	1.80	0.13
10/2015	1.91	1.77	0.14
11/2015	1.88	1.74	0.14
12/2015	1.84	1.71	0.13
1/2016	1.88	1.75	.13
2/2016	1.88	1.75	.13
3/2016	1.90	1.77	.13
4/2016	1.90	1.76	.14
5/2016	Pending	Pending	Pending
6/2016	Pending	Pending	Pending

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>
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**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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<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>
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**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>
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**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