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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.

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

<b>Year</b>	<b>S &amp; P</b>	<b>Fitch</b>
<b>2008</b>	<b>AA Stable</b>	<b>AA Stable</b>
<b>2009</b>	<b>AA Stable</b>	<b>AA Stable</b>
<b>2010</b>	<b>AA Stable</b>	<b>AA+ Stable</b>
<b>2011</b>	<b>AA Stable</b>	<b>AA+ Stable</b>
<b>2012</b>	<b>AA+ Stable</b>	<b>AA+ Stable</b>
<b>2013</b>	<b>AA Stable</b>	<b>AA+ Stable</b>
<b>2014</b>	<b>AAA Stable</b>	<b>AA+ Stable</b>
<b>November 2015</b>	<b>AAA Negative</b>	<b>AA+ Stable</b>
<b>November 2016</b>	<b>AAA Stable</b>	<b>AA+ Stable</b>
<b>March 2017</b>	<b>AAA Stable</b>	<b>AA+ Stable</b>

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

Year	Description of Refunding	Par Amount	Nominal Savings	NPV Savings
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
			-1,188,308	554,267
2011	GO-Schools (refunding) 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
2013	No Refunding Activity			
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
	ML&P Refunding	12,285,000	1,720,900	1,444,736
2015	GO-GP (refunding) B	93,790,000	17,203,908	9,099,922
	GO-Schools (refunding) D	115,250,000	13,142,354	12,666,635
	CIVICVentures (refunding)	81,040,000	10,155,940	9,196,297
2016	GO-Schools (refunding) C	41,960,000	4,444,132	4,297,132

**FINANCING**

**Financing Program**

**Savings**

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 Issues 2006 - 2017 *	11,000,000

<b>2008 - 2017 Savings Achieved</b>	<b>71,100,000</b>
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\* Net profit achieved by keeping long-term funds invested in the Municipal Cash Pool

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

Month	In full Compliance?	Notes
December-13	Yes	In full Compliance for entire year
Jan - Apr-14	Yes	
May-14	No	A large inflow of tax payments was received late in the day which caused the Keybank repurchase agreement to have uninvested cash overnight on the last day of the month. This caused the overall percentage of government securities in the internally managed portfolio to dip below the 50% minimum. This was corrected the following business day.
June - July-14	Yes	
August-14	No	A large inflow of cash in the form of commercial paper proceeds was received late in the day which caused the Keybank repurchase agreement to have uninvested cash overnight. This caused the overall percentage of government securities in the internally managed portfolio to dip below the 50% minimum. This was corrected the following business day.
Sept - Oct-14	Yes	
November-14	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.
December-14	Yes	
Jan - June-15	Yes	
July-15	No	On July 31, a large payment was transferred to the internal portfolio for the August 1 debt service payment due US Bank. This was in the money market and not in a US Government security which caused the required 50% Government qualified holding to slip to 48.6%. The ratios returned to over 50% the following day as debt service payments were disbursed for August 1.
August-15	No	On August 31, a large payment was transferred to the internal portfolio for the Sept. 1 debt service payment due US Bank. This was in the money market and not in the US Government security which caused the required 50% Government qualified holding to slip to 39.1%. The ratios returned to over 50% the following day as the debt service payments were disbursed for September 1.
September-15	No	On September 30, the portfolios US Government and agency holdings slipped below the 50% minimum (P&P 24-11) to 39.9%. This ratio was corrected when the debt service was paid on October 1 and a portion of money market funds were invested in agency Notes on October 2.
Oct - Dec-15	Yes	
Jan - July-16	Yes	
August-16	No	On August 31, a large payment was transferred to the internal portfolio for the Sept. 1 debt service payment due US Bank. The combined debt service of \$44 million was held in a non-US Government qualified money market which caused the 50% Government holdings ration slip to 32.8%. The ratios returned to over 50% the following day when debt service payments were disbursed for September 1.
Sept - Dec-16	Yes	
Jan – June-17	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.**

<b>Since Inception (June 1, 2007) Return</b>			
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
2015	1.96	1.82	0.14
2016	Pending	Pending	Pending
2017	Pending	Pending	Pending
Month	Portfolio	Benchmark	Excess Return Over Benchmark
January-15	2.08	1.94	0.14
February-15	2.03	1.89	0.14
March-15	2.04	1.89	0.15
April-15	2.01	1.87	0.14
May-15	2.00	1.86	0.14
June-15	1.95	1.82	0.13
July-15	1.95	1.81	0.14
August-15	1.92	1.79	0.13
September-15	1.93	1.80	0.13
October-15	1.91	1.77	0.14
November-15	1.88	1.74	0.14
December-15	1.84	1.71	0.13
January-16	1.88	1.75	0.13
February-16	1.88	1.75	0.13
March-16	1.90	1.77	0.13
April-16	1.90	1.76	0.14
May-16	1.87	1.74	0.13
June-16	1.92	1.80	0.12
July-16	1.91	1.79	0.12
August-16	1.89	1.76	0.13
September-16	1.88	1.75	0.13
October-16	1.84	1.72	.12
November-16	1.77	1.67	.10
December-16	1.77	1.67	.10
March-17	1.78	1.67	0.11

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

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

**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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**Measure #2: Dollar amount of net present value savings achieved by refunding outstanding debt.**

**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**  
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**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.**

**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**  
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**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.**

**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