



**Treasurer – Tax Collector**

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## **Introduction to the Treasurer’s Investment Report**

The Butte County Treasurer’s office manages investments on behalf of the County, various Trust and Agency Funds, School Districts and Special Districts within the County. “Pooling” deposits from local agencies and other participants is in the public interest because banking and investment activities are consolidated, thereby reducing duplication, achieving economies of scale and carrying out coherent investment strategies. Butte County’s portfolio management is an active management strategy in that a broad range of market analysis techniques, investment options and cash management tools are employed in making investment decisions. The medium term, laddered maturity portfolio generally allows participants to benefit from higher earnings than might otherwise be possible. The objective of this strategy is to obtain the highest return feasible, while maintaining a high degree of safety of principal and the level of liquidity necessary to meet the needs of the County and agencies participating in the Treasury. Earnings on the pooled investments are paid quarterly, on a pro-rata basis and less Treasury costs, to pool participants.

The Treasurer’s Investment Report is designed to provide investment information to pool participants and to interested members of the public. The cover letter indicates compliance with the Butte County Treasurer’s Statement of Investment Policy, identifies U.S. Bank as the source of the market value of investments held in the investment pool, and states our ability to meet estimated liquidity needs.

The cover letter also compares the portfolio yield (net of Treasury costs) and that of the State Treasurer on a five-year moving average basis, which serves to demonstrate a bottom line comparison of short term vs. medium term investment strategies in terms of net earnings to pool participants. The Butte County Pooled Treasury Portfolio’s medium term, laddered investment strategy out-performed the State of California’s Local Agency Investment Fund (LAIF) in Fiscal Year (FY) 19/20 by a margin of .529% and by 1.291% for FY 20/21.

Looking at a ten year average, the portfolio yield exceeded LAIF’s average yield by .339%. Translating this into dollars on an average invested balance of \$626,538,917, the pool participants benefited by an average of \$2,123,967 per year in enhanced earnings.

## **The Report – Page by Page:**

Page 1, “Portfolio Holdings by Main Fund,” of the Investment Report shows the portfolio balance by investment category, the average Yield to Maturity (YTM) for each category, and the number of Days to Maturity. Note that the yield method used is “yield to maturity”, which includes the operating accounts and separately invested Bond proceeds.

The balances invested are shown in three different ways: Face Value (the value at maturity of the instrument), Market Value (the value if sold as of the date of the report) and Book Value (the amount paid for the investment, amortized to reach Face Value by maturity). The difference between the market value of the investments and the book value is considered to be “unrealized” gain or loss. A gain or loss is only realized if a security is sold prior to maturity (T-Bills, Corporate Notes, Agency Notes, Negotiable CDs and Commercial Paper are redeemed at a pre-established Par (Face) Value at maturity).

It is important to note that the Butte County Pooled Treasury typically uses a “buy and hold” investment strategy, meaning securities are held until maturity, and are redeemed at Face Value; therefore, market conditions do not lead to realized gains or losses. Securities are occasionally sold when it is advantageous to the pool’s earnings to do so. Cash flow and liquidity needs are carefully analyzed prior to making investments to ensure liquidity needs are met.

Page 2 & 3, “Portfolio Holdings by Portfolio Name – School Bond Proceeds,” lists School Bond Proceeds and, if applicable, Tax and Revenue Anticipation Notes (TRAN) proceeds or other special deposits, which are separately accounted for and are invested in the State Treasurer’s Local Agency Investment Fund (LAIF) or other securities as deemed appropriate.

Page 4 & 5, “Distribution by Main Fund – Market Value,” and “Distribution by Maturity Range- Market Value,” contains chart information that is very helpful in providing a quick overview of the diversification of the portfolio by type of instrument and maturity ranges for current and prior year periods.

Pages 6, 7, & 8, “Fixed Portfolio Holdings Detail” provide a listing of specific investment instruments by investment category (listed in order of maturity date), credit ratings, purchase and maturity dates, balances invested and yields obtained.

The Investment Pool Oversight Committee and the Board of Supervisors receive the Treasurer’s Investment Report on a monthly basis. The Investment Pool Oversight Committee was established in November 2015 and serves to ensure that representatives of pool participants are involved in the oversight of the Butte County Treasury pooled investment portfolio. The committee is subject to the Brown Act.

Questions regarding the Investment Report may be directed to the Assistant Treasurer-Tax Collector at 530-552-3730, or [treasury@buttecounty.net](mailto:treasury@buttecounty.net).