

Cash and Investments and Current Debt Issues In North Carolina

February 6, 2017



*North Carolina Department of State Treasurer
Staff of State and Local Government Finance Division*

Tim Romocki, CPA

Director, Debt Management

Becky Dzingaleski

Senior Accounting & Financial
Management Advisor

North Carolina Department of State Treasurer
Learn. Invest. Grow. Prosper.



AGENDA

- ❖ New NC State Treasurer
- ❖ LGC staff news
- ❖ Banking – Collateralization
- ❖ Current Collateralization Issues
 - ❖ FDIC Insurance - Deposit Accounts
- ❖ LGC-203 requirements
- ❖ Investment statistics
- ❖ GASBS 73 / 75 - Actuarial Study requirement
- ❖ Local Government Debt Update – Tim Romocki
 - ❖ Pending Staff Changes
 - ❖ LGC Meeting procedures
 - ❖ Debt Software Project
 - ❖ Debt Statistics



Introduction

**** Dale R. Folwell, CPA**
North Carolina State Treasurer
Sworn in January 1, 2017



State & Local Government LGC Staff News

Debt Staff

- * Jennifer Wimmer – Assistant Director, Debt Management
- * Paru Patel – Financial Analyst, Tax Exempt Debt
- * Mary Jane Shanley-Vieweg – GO Bond Official Statements

Fiscal Staff

- * Jeremy Mebane, Accounting & Financial Management Advisor
Audit reviews – LGC-203 reviews – Official Statements

Currently 3 open accountant positions in
DST State and Local Government Fiscal Division
Positions to be posted

<http://oshr.nc.gov/work-for-nc>



Banking – Official Depository

- G.S. 159-31(a)
 - The governing board of each local government and public authority shall designate as its official depositories one or more banks, savings and loan associations, or trust companies **in this State...**
- An acceptable “official depository” must:
 - have a presence in the state,
 - be open for business to the general public,
 - agree to meet NC collateral requirements.

Use of Credit Union’s as a NC Local Government or Public Authority Depository is not specified in the NC Statutes



Banking & Collateralization

- Know your bank and their history
- Watch the [Pooling Bank List](#) – DST website
- **Dedicated banks** – make sure your agreements are in order & that **finance officer monitors the collateral**
 - [COLL-94A – Security agreement; COLL-94B Escrow agreement](#)
 - [“Collateral & Public Deposits in NC”](#)

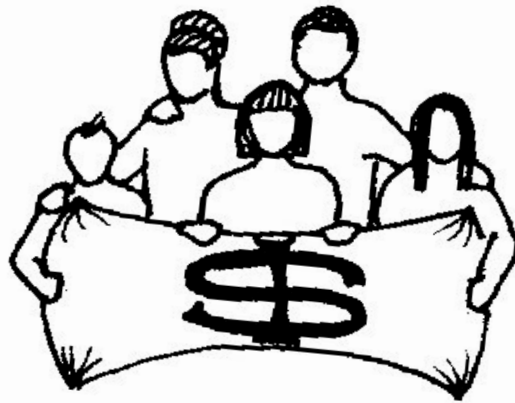
These documents located at www.nctreasurer.com

Make sure your Units Bank knows your accounts are Public Funds



Banking & Collateralization

Issue - As of LGC-203 report date there is **insufficient collateralization** (Market Value) or no collateralization for deposit accounts in NON-pooling Banks that are required to collateralize the Units public funds by use of the dedicated method.



“Appropriate forms that were needed for the Bank to collateralize the deposits had not been filed”



Bank accounts & FDIC Insurance

<https://www.fdic.gov/deposit/deposits/factsheet.html>

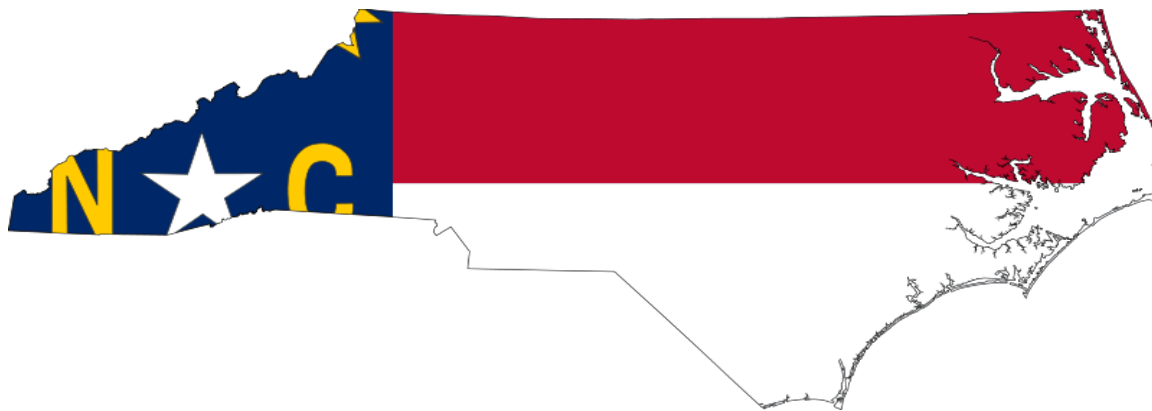
Public Deposits have different FDIC coverage rules. If the branch is in the same state as the public depositor then the FDIC coverage is \$250,000 for time deposits **plus** \$250,000 for demand deposits. It is possible for Units to have a total of \$500,000 in FDIC coverage

“Time & Savings Deposits” – 250k for total	“Demand Deposits” – 250k for total
NOW Accounts	Interest bearing demand deposit accounts (permitted after 7.21.2011)
Money Market Deposit Accounts	Non-Interest bearing Demand Deposit
Does NOT include interest bearing demand deposit accounts	‘Demand Deposits’ means both interest-bearing and noninterest-bearing deposits that are payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal

LGC-203 – Report of Deposits and Investments

ABC Board's

Required by [§ 18B-702 \(t\)](#) for ABC Boards –
ABC Board 203 report forms are accessed at
the [NC ABC Commission Website](#) and
reviewed by Laurie Lee and her staff -
Laurie.Lee@abc.nc.gov



LGC-203 reports - What goes on the form?

As of the report date: June 30 or December 31

- NEW *ending statement balances in total from each depository instead of Book balances
- Finistar – enter both dedicated amounts and pooling amounts separately on the report
- CDARs
- Insured Cash Sweeps (ICS)
- Investments Market Value

If the funds are in the name / tax ID of the Local Government they should be on the LGC-203



Government Security G.S. 159-30 (c)(1)-

Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States.

<u>Description of Security</u>	<u>Issuer</u>	<u>Purchase amount</u>	<u>Market Value</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Yield</u>
T-Note 1-10/31/2016	Treasury	\$15,106	\$15,114	11/10/2011	10/31/2016	0.854
T-Note 1.5-1/31/2019	Treasury	\$19,986	\$20,183	2/26/2014	1/31/2019	1.515

** Custodian can be listed on the LGC-203 report itself



Government Agency 159-30 (c)(2)

Obligations of the Federal Financing Bank, the Federal Farm Credit Bank, the Bank for Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Fannie Mae, the Government National Mortgage Association, the Federal Housing Administration, the Farmers Home Administration, the United States Postal Service.

<u>Custodian</u>	<u>Name of Specific Agency</u>	<u>Purchase amount</u>	<u>Maturity Value</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Yield</u>
WELLS FARGO	FEDERAL FARM CREDIT BANK	2,053,357.61	2,175,042.00	01/31/08	12/15/17	4.625%
BANK OF NEW YORK	FHLMC	1,703,000.00	1,873,657.63	01/30/08	11/17/17	5.125%



Commercial Paper G.S.159 (c)(6)

Prime quality commercial paper bearing the highest rating of at least one nationally recognized rating service and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligation.

<u>Custodian</u>	<u>Name of CP – CP Rating at Purchase</u>	<u>Purchase amount</u>	<u>Maturity Value</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Yield</u>
WELLS FARGO	BARCLAYS US - A1 / F1	2,992,378.33	3,000,000.00	10/17/14	07/13/15	0.310%
WELLS FARGO	CREDIT AGRICOLE - A1 / F1	1,996,882.78	2,000,000.00	01/14/15	07/14/15	0.310%
WELLS FARGO	DCAT LLC - A1 / P1	4,996,930.56	5,000,000.00	04/21/15	07/15/15	0.260%



Investment Statistics as of June 30, 2016

All NC Local Government & Public Authorities	Of the 1,159 reporting
NC Capital Management Trust CASH Portfolio	586 / 51%
NC Capital Management Trust TERM Portfolio	179 / 15%
Government Securities	43 / 3.7%
Government Agencies	75 / 6.5 %
Commercial Paper	51 / 4.4%
Other	57 / 5%
OPEB Trust (NC State Treasurer)	14 / 1.2%



Municipalities & Counties Investment Statistics as of June 30, 2016

Of 531 Municipalities reporting		Of 98 Counties reporting	
Government Securities	18 / 3.4%	Government Securities	12 / 12%
Government Agencies	28 / 5.3%	Government Agencies	30 / 31%
Commercial Paper	18 / 3.4%	Commercial Paper	29 / 30%
“Other”: Bond Proceeds or expanded Investment authority	22 / 4.1%	“Other”: Bond Proceeds or expanded Investment authority	17 / 17%
NCCMT Cash Portfolio	336 / 63%	NCCMT Cash Portfolio	96 / 98%
NCCMT Term Portfolio	105 / 20%	NCCMT Term Portfolio	48 / 49%



ANNOUNCEMENTS / REMINDERS

“LGC-203 report forms are now available”

How does the LGC make announcements or
send reminders?



LGC_News listserve

Best way to stay informed is through LGC_News listserv. Register multiple people on your staff in case you are out of the office.



Provide a business card or send an email request,
to get registered.

16



LGC-203 Report Assistance

Questions on preparing your LGC-203 Report?

Becky Dzingeleski 919-814-4287

Becky.Dzingeleski@nctreasurer.com

Questions on emailing or processing of your LGC-203 Report?

Lorna Hodge 919-814-4300

Lorna.Hodge@nctreasurer.com



GASBS 73 and GASBS 75

- Units with sworn law enforcement officer employees must have the appropriate actuarial information available at June 30, 2017
 - If Units LEOSA assets are held in a GASB defined trust - GASB 68 applies
- Units that have not had a study done in over two years must have an actuarial study completed by that date.
- Actuarial study's available as of June 30, 2017 cannot be more than 30 months and 1 day old.
- Be sure the actuarial study contains all data needed to implement GASB 73.

Please see [Memorandums # 2016-13](#) and [#2017-05](#) for more information.



NC Local Government Debt Issuance



Tim Romocki, CPA
Director, Debt Management
State and Local Government Finance
Division



Local Government Debt Update

- Pending Staff Changes
- LGC Meeting procedures
- Debt Software Project
- Debt Statistics



Debt Staff Changes

Pending retirements in 2017 -
combined 88 years of service to the
Department

- Gordon Johnson
– retiring 2/28/2017
- Margaret Lusk
– retiring 4/30/2017



Requirements for Debt Applicants

- Resolutions approved at the LGC meeting 4/5/2016
 - Public participation in meetings
 - Applicants with Unit letters



Requirements for Debt Applicants

- Public participation in meetings
 - Public meetings, but not hearings
 - Written comments must be received at least six business days in advance to be included in the agenda package
 - Oral commentators must receive prior approval from the Secretary



Requirements for Debt Applicants

- Applicants with Unit letters
 - Average 2 to 4 per meeting
 - Unit will be invited and expected to attend the meeting to address any questions from the members
 - Participation by phone at the discretion of the Commission



New Debt Software Project

- Contract finally signed with vendor in March 2016
 - Existing SQL database with MS Excel SS macros to load and report data
 - New Excel versions create challenging re-coding requirements
 - Systems review and RFP process
 - Customization of Off-the-shelf software
 - Several state clients with bond and loan programs – Cleanwater loans



New Debt Software Project

- New system characteristics
 - Web/Cloud-based application
 - Hosted on DST servers
 - Debt ledgers/schedules
 - Debt application process –electronic documents
 - Annual and 30-day debt notices
 - Improved debt information for users



New Debt Software Project

- Requirements identified last summer
- Database configuration requirements completed last fall
- Data conversion in final stages
- Initial training and testing Feb. –April
- End user testing mid-late summer



Debt Statistics

- GO bonds approved in November 2016 –
\$ 1,444,725,000
 - Asheville - \$74 MM
 - Transportation - \$32MM; Parks & Rec - \$17MM;
 - Housing - \$25MM
 - Goldsboro – Parks & Rec - \$3MM; Streets - \$7MM
 - Greensboro - \$126 MM
 - Housing - \$25 MM ; Parks & Rec - \$34.5MM
 - Transportation - \$28MM; Community & Econ. Dev - \$38.5MM
 - Wilmington – Parks & Rec – \$30.465MM
 - Woodfin - Parks & Rec – \$4.5MM



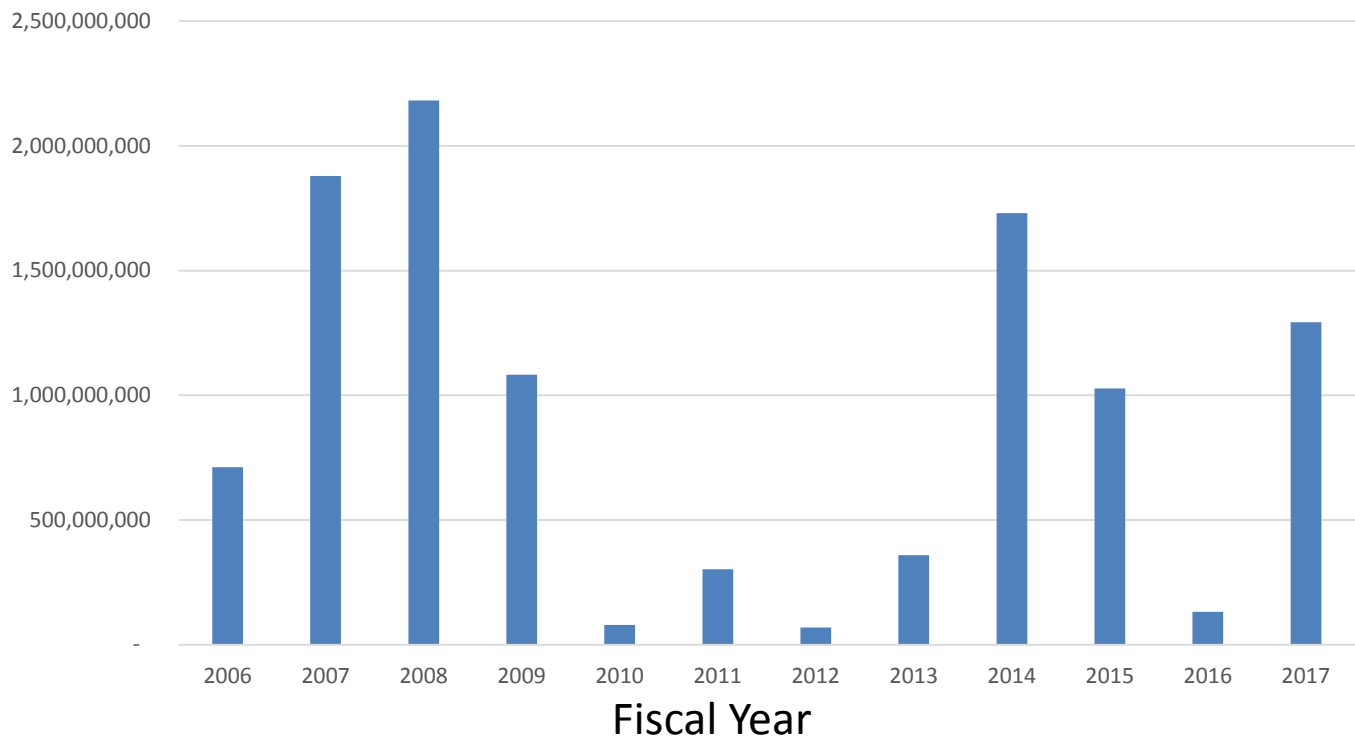
Debt Statistics

- GO bonds approved in November 2016 –
\$ 1,444,725,000
 - Brunswick County – Schools - \$152 MM
 - Durham County - \$170MM
 - Library - \$44.725MM; Schools - \$90.87MM
 - Museum - \$14.21MM; Comm. Coll. - \$20.195MM
 - Forsyth County - \$430 MM
 - Schools - \$ 350MM; Parks & Rec - \$15MM
 - Community Colleges - \$65MM
 - Orange County – Schools - \$120MM; Housing - \$5MM
 - Union County - \$104,320,000
 - Schools - \$54.02MM; Comm. Coll. - \$40.2MM; Library - \$10.1MM



Debt Statistics

GO Bond Totals Approved By Referenda



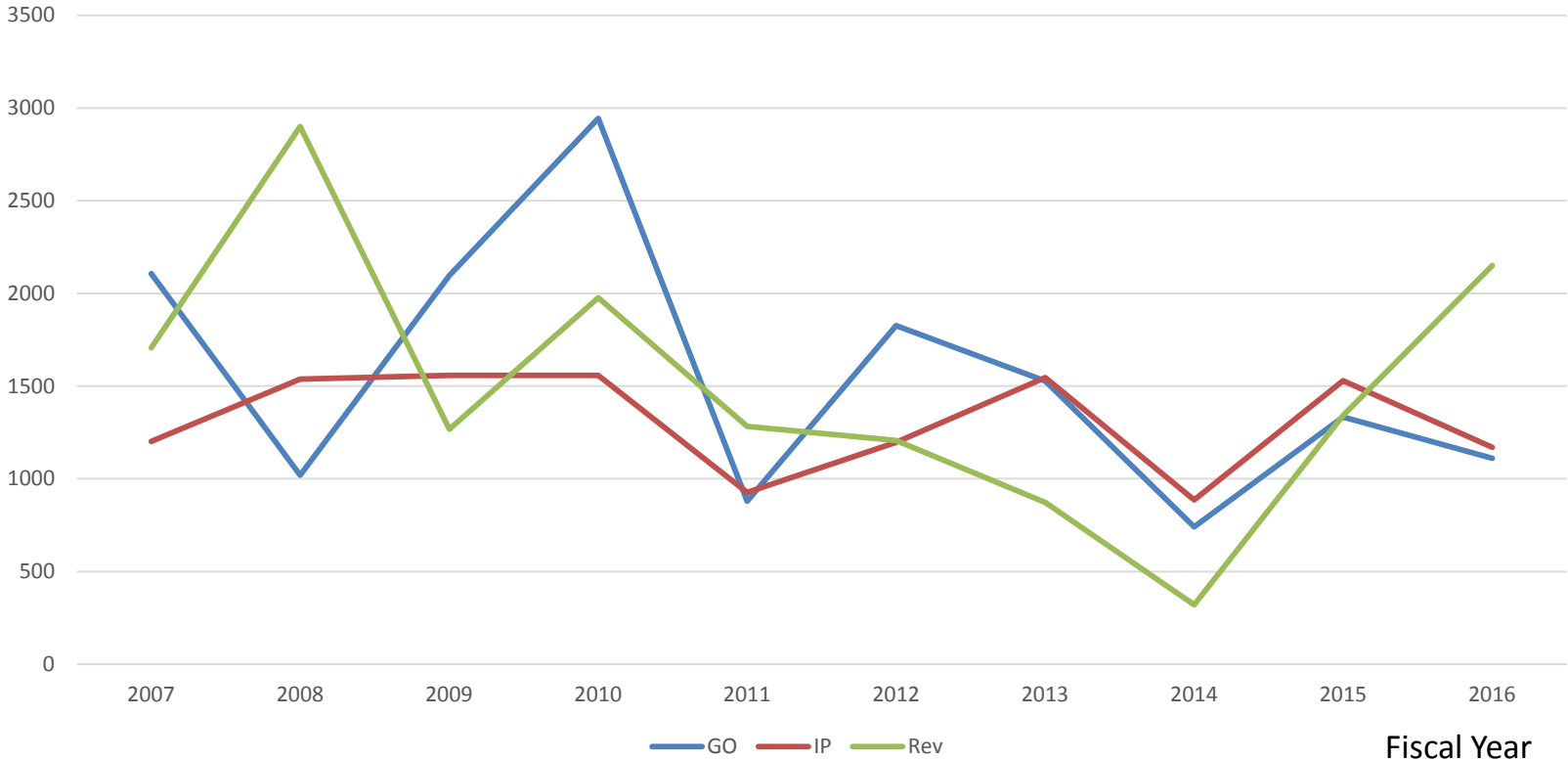
Source: NC Department of State Treasurer Annual Reports



Debt Statistics

Debt Issued

LOCAL GOVT. DEBT SOLD BY TYPE
(\$ Millions)



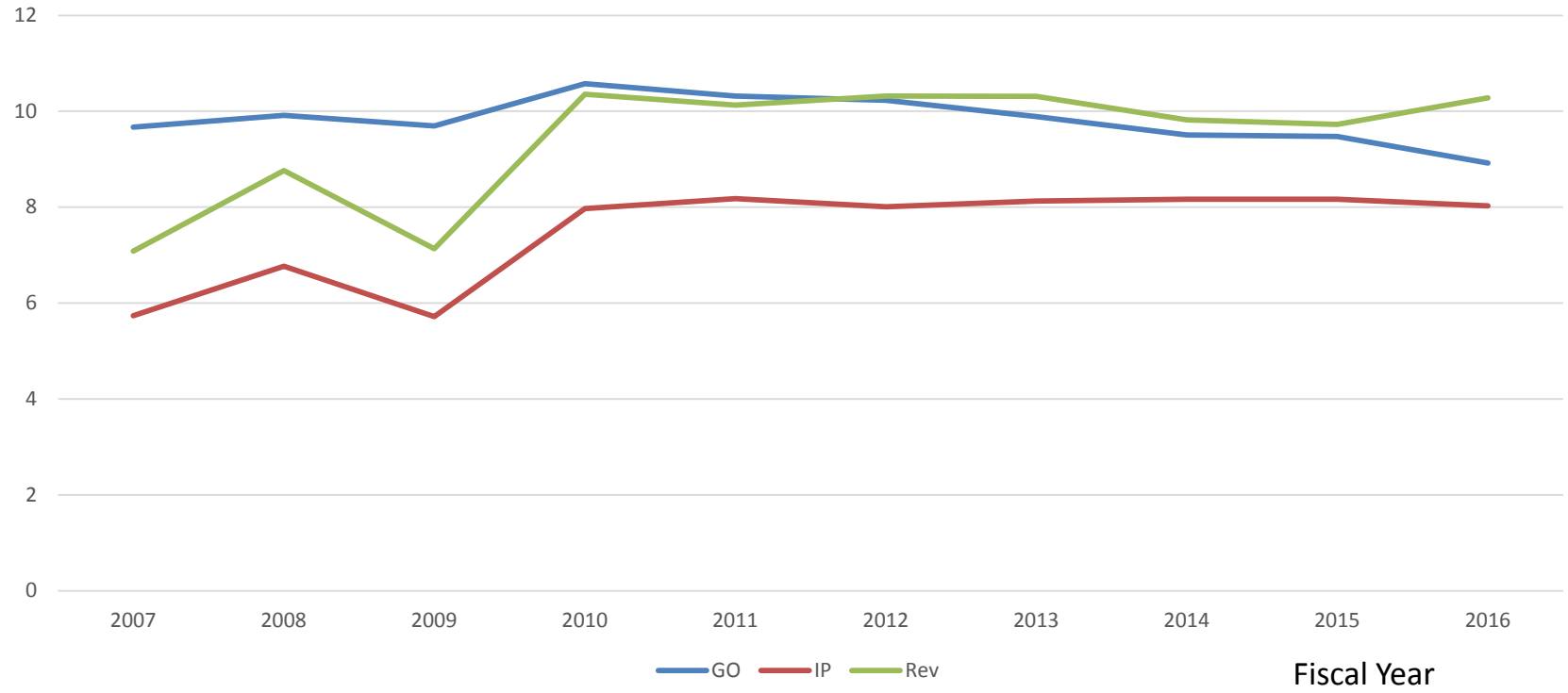
Source: NC Department of State Treasurer Annual Reports



Debt Statistics

Debt Outstanding

LOCAL GOVT. DEBT OUTSTANDING BY TYPE
(\$ Billions)



Source: NC Department of State Treasurer Annual Reports



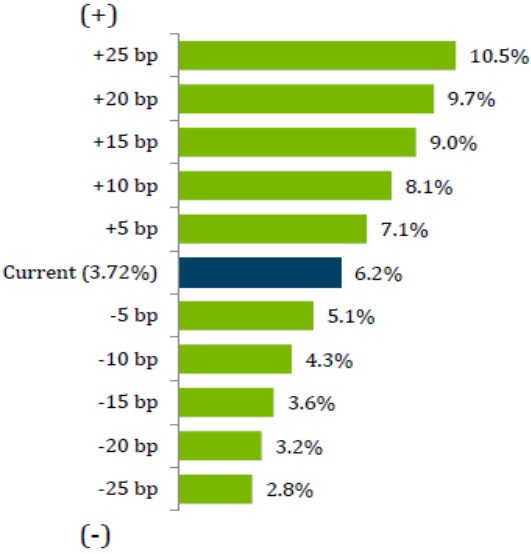
Debt Statistics

Municipal G.O. Interest Rates at Historical Lows

Historical BBI-20 Index¹



Percentage of Time BBI-20 Has Been At or Below Specified Level Since 1980



(1) Reflects market conditions as of January 13, 2017. The 20-year Bond-Buyer Index (BBI-20) is based on the average yields of 20-year bonds issued by 20 different general obligation bond issuers; these issuers are all rated Aa2 by Moody's
Source: Bloomberg Information Systems

William Blair

Source: William Blair & Co., LLC – market conditions as of January 13, 2017



Debt Issuance

Questions on Issuing Debt?

Tim Romocki 919-814-4273

Tim.Romocki@nctreasurer.com

THANK YOU





Thank you!

Together, we can build and maintain a fiscally strong and prosperous North Carolina.

www.NCTreasurer.com



North Carolina Department of State Treasurer
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