



Tulare County Board of Supervisors

Review of April 1, 2020, Administration Report

Millennium Fund Investment Program

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Millennium Fund Background and Objectives

- In 1999, the County issued \$45 million of taxable, variable-rate demand bonds (VRDBs).
 - Endowment to fund public capital improvements.
 - Bonds secured by certain lease payments and County's share of the national tobacco settlement.

- In 2006, the County refunded the original issue with a private placement.
 - Private placement resulted in significant savings
 - Current borrowing rate: *1-month LIBOR + 0.25%* (0.42% as of July 1, 2020)

- Program's long-term investment objectives:
 - ✓ Achieve and maintain parity;
 - ✓ Carefully control risk to ensure ongoing success;
 - ✓ Generate an investment return higher than the borrowing rate to grow the Program,
 - While adhering to the requirements of the bond documents, including investing proceeds in highly rated securities of the bond market, as detailed in the "Eligible Investments" of the bond documents.



Value of Millennium Fund Endowment – Annual Update

- **April 1, 2020:** value is \$55.8 million
- **May 27, 2020:** County received annual tobacco payment of \$4.35 million

Tulare County Millennium Fund Program Market Value as of April 1, 2020	
Fund Name	Market Value
Bond Fund	\$753,559
Millennium Fund	\$55,056,956
Tobacco Settlement Fund	\$2
Total	\$55,810,517



Program Highlights – Year Ended April 1, 2020

◆ Program Value is \$55.8 million

- *The market value of the portfolio continues to increase*
- *This value excludes the County's May 27, 2020, annual tobacco payment of \$4.35 million*

◆ County withdrew \$3.5 million for capital expenditures

- *Annual appropriation total \$56.7 million since inception*

◆ County's bond payments totaled \$2.0 million

- *Including principal payment of \$1.2 million*

◆ Earnings rate continues to exceed borrowing rate

- *Since inception, the cumulative earnings rate has provided approximately 0.30% over the aggregate borrowing rate*

◆ Program value exceeds outstanding par value of bonds by \$24.7 million

- *Unwind value increased by \$1.3 million during year*



Program's Annual Appropriations

Year	Allowable Appropriations*	Actual Appropriations
2000	\$2,500,000	\$2,500,000
2001	\$2,500,000	\$2,500,000
2002	\$2,500,000	\$2,500,000
2003	\$2,500,000	\$1,223,359
2004	\$2,500,000	\$2,500,000
2005	\$2,500,000	\$2,500,000
2006	\$2,500,000	\$2,500,000
2007	\$4,500,000	\$4,500,000
2008	\$3,500,000	\$3,500,000
2009	\$3,500,000	\$2,500,000
2010	\$3,500,000	\$3,000,000
2011	\$3,500,000	\$2,500,000
2012	\$3,500,000	\$3,000,000
2013	\$3,500,000	\$2,500,000
2014	\$3,500,000	\$2,500,000
2015	\$3,500,000	\$2,500,000
2016	\$3,500,000	\$3,500,000
2017	\$3,500,000	\$3,500,000
2018	\$3,500,000	\$3,500,000
2019	\$3,500,000	\$3,500,000
Total		\$56,723,359

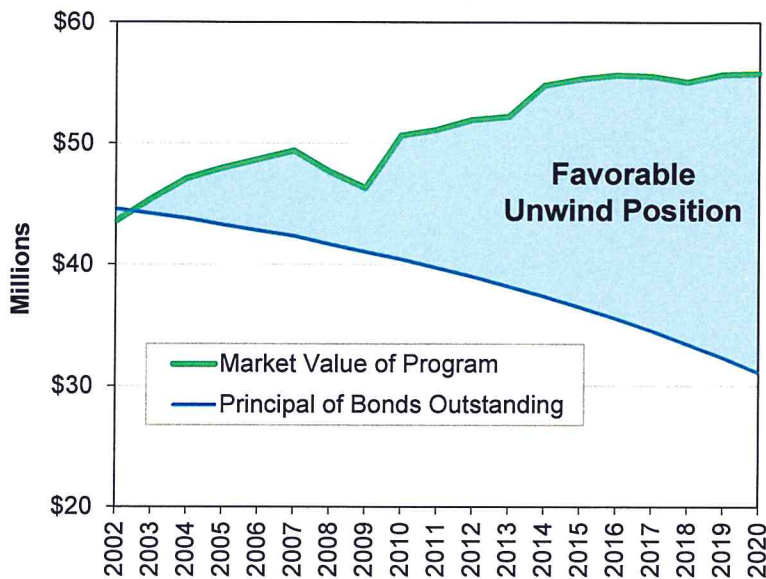
* The County has the option to withdraw an amount equal to the lesser of \$3.5 million or the amount by which the aggregate market value of assets exceeds the outstanding principal amount of the bonds



Program’s Favorable Unwind Position Continues to Increase

- ◆ Unwind position improved \$1.3 million during fiscal year 2019 – 20 to \$24.7 million.

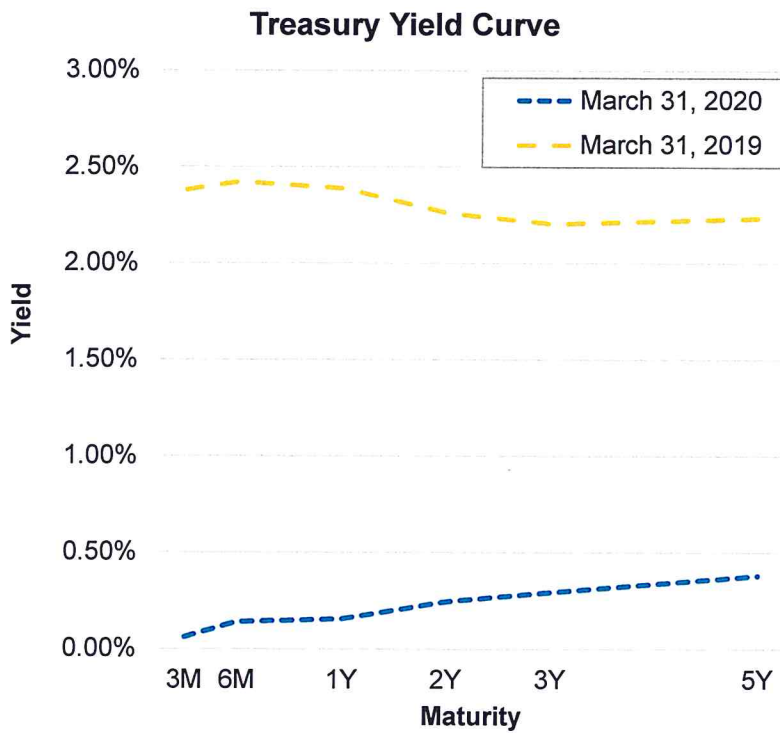
Market Value of Program vs. Outstanding Principal
April 2002 – April 2020



Unwind Position as of April 1 (\$ in millions)		
	2020	2019
Market Value	\$55.8	\$55.7
Bonds Outstanding	\$31.1	\$32.3
Favorable Unwind Position	+ \$24.7	+ \$23.4



Yield Curve Fell Significantly in Year Ended April 1, 2020

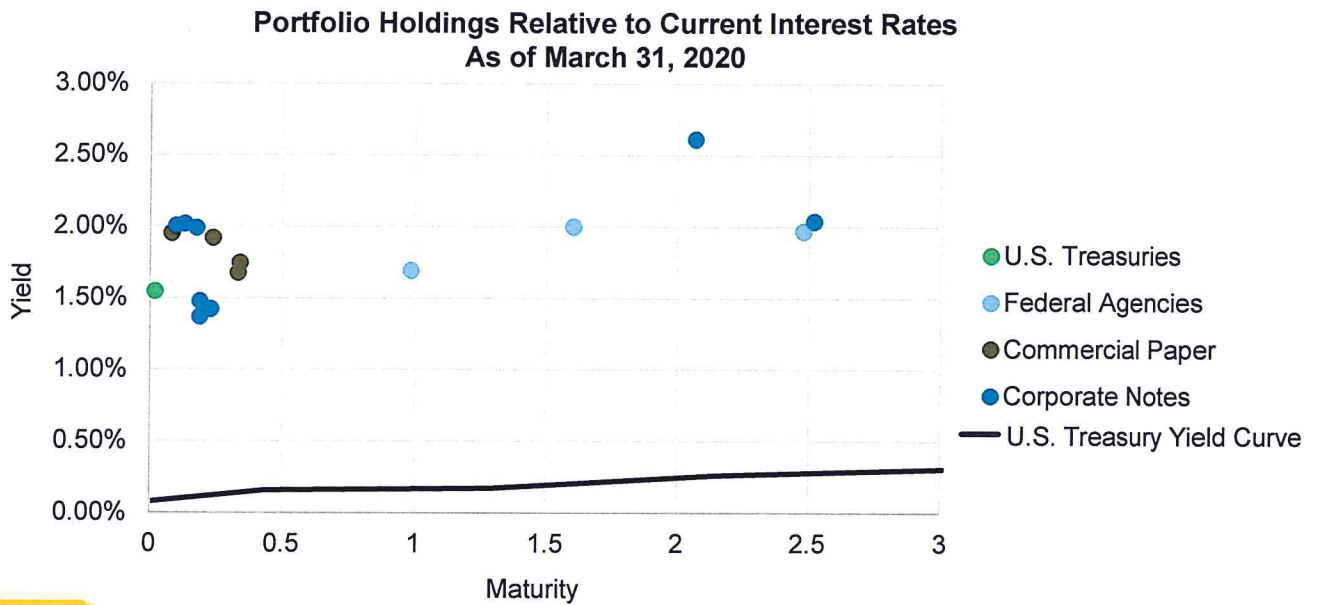


	3/31/20	3/31/19	Year-over-Year Change
3-month	0.09%	2.38%	-2.29%
6-month	0.14%	2.42%	-2.28%
1-year	0.15%	2.39%	-2.24%
2-year	0.25%	2.26%	-2.01%
3-year	0.29%	2.20%	-1.91%
5-year	0.38%	2.23%	-1.85%



Portfolio Strategy – Year in Review

- PFM seeks to purchase high quality investments with yields at or above the borrowing rate, while simultaneously mitigating interest rate risk.
- The security types best able to meet this goal right now are fixed-rate securities. Higher yields will not change throughout the holding period—an important characteristic in a falling and low rate environment.

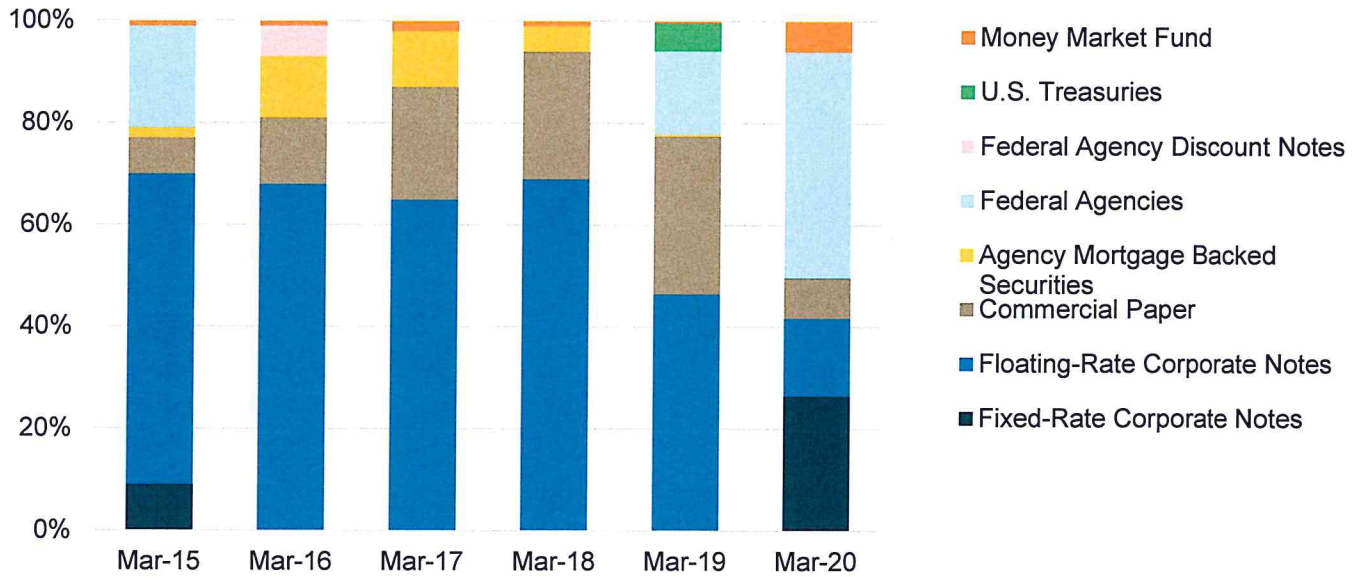




Sector Allocation Reflects Careful Security Selection and Risk Management

- The Fed began to cut interest rates in July 2019, ultimately lowering the target rate to 0%-0.25% by March 31, 2020. PFM quickly adapted by increasing allocations to fixed rate securities, which helped the portfolio lock in higher yields.

Historical Sector Allocation





Portfolio Return Exceeds Borrowing Cost

- As of April 1, 2020, the cumulative earnings rate on the investments since inception is approximately 30 basis points (0.30%) higher than the aggregate borrowing rate, demonstrating the continued financial strength of the Program.

Investment Results Since Inception December 17, 1999 – April 1, 2020

Average Investment Return	2.43%
Average Borrowing Rate	2.13%
Positive Earnings Spread	+ 0.30%

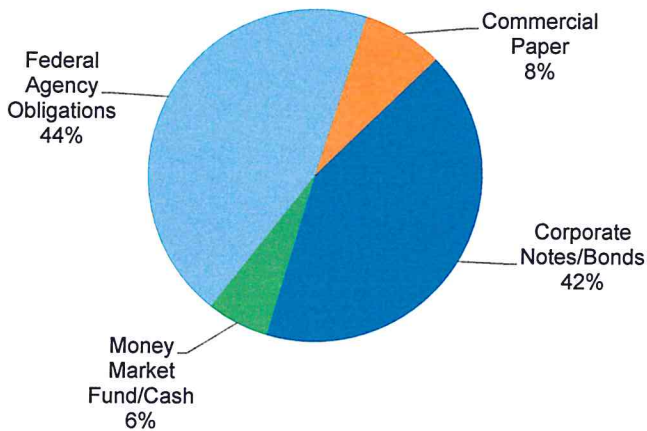


Millennium Fund Portfolio Characteristics

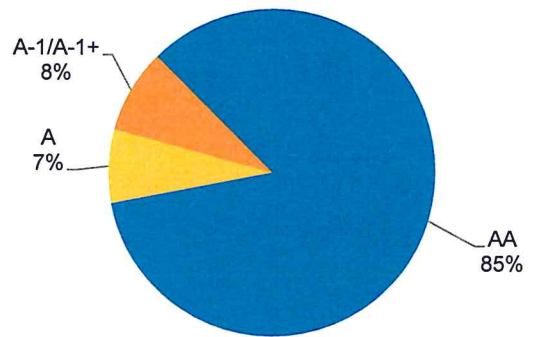
Portfolio Statistics^{1,2}

Market Value	\$58,570,008
Average Maturity	2.80 years
Average Yield at Cost	1.64%
Average Credit Quality	AA

Sector Allocation



Credit Quality³



As of June 30, 2020.

1. Market value includes accrued interest and cash/money market fund balance.

2. Average yield at cost and average maturity calculations exclude cash/money market fund balance.

3. Ratings by Standard & Poor's. Credit quality chart excludes cash/money market fund balance.



Millennium Fund Maturity Distribution

Maturity Distribution
As of June 30, 2020

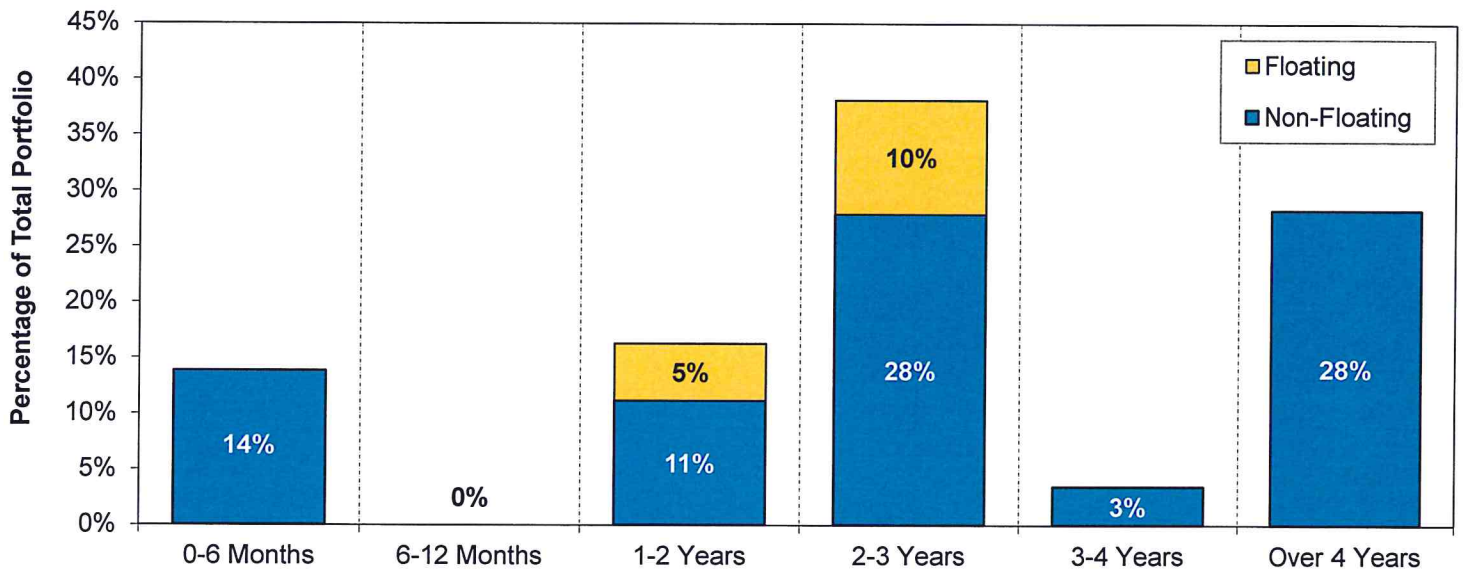


Chart comprises Millennium Fund Portfolio securities, including accrued interest and cash/money market fund balance, as of June 30, 2020. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.



Current Market Themes & Outlook

◆ COVID-19 Impact Update

Health Pandemic

- Confirmed cases exceed 10 million worldwide
- U.S. is leading the world with roughly 25% of cases and deaths
- Recent surge in new U.S. cases threatens economic reopening

Effects on Economy

- Significant negative impact of lockdowns apparent in first and second quarter economic data
- Early signs of rebound have appeared as some states start to reopen

Effects on the Financial Markets

- Yields remain low and are not expected to move meaningfully over the near term
- Fed support stabilized the bond market and returned liquidity
- Equity markets substantially recovered in second quarter

◆ Fed is committed to supporting U.S. economy

- In March, the Federal Reserve cut the fed funds target rate by 150 basis points in two steps, bringing the target range to 0%-0.25%.
- During the month of June, the Fed's balance sheet leveled at a historic high of \$7.1 trillion.

◆ Outlook and Portfolio Strategy

- Low rates near zero persisting through 2021 or longer.
- Longer maturity federal agencies and investment grade corporate notes offer value and will lock in interest rates.
- We will continue to balance the goals of growing Program assets and earning high yields with the need to carefully manage market risks in a period of heightened volatility.



Disclosures

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