



**Board of Directors
February 20, 2019**

SUBJECT:

Treasurer's Report for November 2018

BACKGROUND:

Attached is the Portfolio recap for November 2018. Some of the highlights are:

1. The overall portfolio average interest rate was 2.09 percent in November 2018, an increase of 0.08 percent from October 2018.
2. The market value of the portfolio, including District holdings and debt proceeds, for November 2018 was \$525.6 million versus a book value of \$528.5 million. October 2018 market value was at \$530.0 million versus a book value of \$533.3 million.

As shown in the comparison below, the interest rates for three-year treasury bills ended the month of November 2018 at 2.57 percent, or nine basis points higher than the rate in October 2018. The yield curve continued to flatten, meaning that the yield on short term maturities is nearly the same as those of medium-term maturities. This is due to the market's concern for multiple interest rate increases by the Fed in 2018. As of November 2018, the Fed has increased rates three times and are likely to increase rates one more time in December 2018. The District's investment strategy remained conservative for November 2018, with 46 percent of the Portfolio invested in securities, which mature within 60 days to ensure liquidity and protect principal. The District's investment strategy during Fiscal Year 2018-19 emphasizes greater diversification and relatively short duration risk with purchases of Federal Agencies (target of 32 percent of portfolio), highly rated corporate notes (target of 13 percent of portfolio) and municipal bonds (target of 17 percent of portfolio). Investment targets are one to two-year maturities to reduce the impact of interest rate escalation while providing reasonable returns to meet the District's objectives.

November 2018		October 2018	
LAIF =	2.21%	LAIF =	2.14%
3 year Treasury =	2.83%	3 year Treasury =	2.93%
3-yr Treasury (Rolling 12-mo Avg.) =	2.57%	3-yr Treasury (Rolling 12-mo Avg.) =	2.48%
5 year Treasury =	2.84%	5 year Treasury =	2.98%
District Average Portfolio =	2.09%	District Average Portfolio =	2.01%
District Portfolio Days to Maturity =	212	District Portfolio Days to Maturity =	218

The entire Treasurer's report will be available upon request at the February 20 Board meeting.

FINANCIAL IMPACT:

None

STRATEGIC PLANNING GOAL/OBJECTIVE:

Financial Stability: Enhance and maintain the District's strong financial position and credit quality by identifying and implementing specific opportunities to improve underlying financial metrics.

ENVIRONMENTAL IMPACT:

None

RECOMMENDATION:

Receive and file

SUBMITTED BY:



Laura Nomura, Deputy General Manager 1/24/2019



Charles Turner, Director of Finance 1/25/2019

Attachment(s):

Exhibit A - Treasurer's Report for November 2018

Exhibit B - Portfolio Charts for November 2018

History:

02/05/19	Board Administrative Committee	REVIEWED AT COMMITTEE
02/20/19	Board Meeting	

Staff Contact: Charles Turner