



**Board Administrative Committee
March 7, 2019**

SUBJECT:

Treasurer's Report for December 2018

BACKGROUND:

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

1. The overall portfolio average interest rate was 2.16 percent in December 2018, an increase of 0.05 percent from November 2018.
2. The market value of the portfolio, including District holdings and debt proceeds, for December 2018 was \$526.9 million versus a book value of \$528.9 million. November 2018 market value was at \$525.6 million versus a book value of \$528.5 million.

As shown in the comparison below, the interest rates for three-year treasury bills ended the month of December 2018 at 2.63 percent, or six basis points higher than the rate in November 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 continued interest rate increases by the Fed in 2019. In 2018, the Fed increased rates four times and are likely to increase rates two more times in 2019. The District's investment strategy remained conservative for December 2018, with 48 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.

December 2018		November 2018	
LAIF =	2.29%	LAIF =	2.21%
3 year Treasury =	2.46%	3 year Treasury =	2.83%
3-yr Treasury (Rolling 12-mo Avg.) =	2.63%	3-yr Treasury (Rolling 12-mo Avg.) =	2.57%
5 year Treasury =	2.51%	5 year Treasury =	2.84%
District Average Portfolio =	2.16%	District Average Portfolio =	2.09%
District Portfolio Days to Maturity =	216	District Portfolio Days to Maturity =	212

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 2/22/2019


Charles Turner, Director of Finance 2/27/2019

Attachment(s):

Exhibit A - Treasurer's Report for December 2018
Exhibit B - Portfolio Charts for December 2018

03/20/19 Board Meeting

Staff Contact: Charles Turner