



**Board Administrative Committee
November 7, 2019**

SUBJECT:

Treasurer's Report for September 2019

BACKGROUND:

Attached is the Portfolio recap for September 2019. Some of the highlights are:

1. The overall portfolio average interest rate was 2.11 percent in September 2019, no change from August 2019.
2. The market value of the portfolio, including District holdings and debt proceeds, for September 2019 was \$497.7 million versus a book value of \$496.6 million. August 2019 market value was at \$488.9 million versus a book value of \$487.7 million.

As shown in the comparison below, the interest rates for three-year treasury bills ended the month of September 2019 at 2.25 percent, or eleven basis point lower than the rate in August 2019. The U.S. Treasury bond yield curve is now inverted, meaning that the yield on short term maturities is higher than those of medium-term maturities. The market had been expecting further interest rate hikes by the Federal Reserve, but this did not occur. Conversely, the market has redirected towards a prediction of rate cuts for the second half of 2019. The Federal Reserve lowered interest rates by 0.25 percent in July for the first time since 2008 and a second time for another 0.25 percent in September. One more rate cut of 0.25 percent by the Fed is projected by the end of 2019. To safely navigate this turbulent and dynamic investment market, the District's investment strategy is focused on conservative, short-term securities, with 47 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 2019-20 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 volatility while providing reasonable returns to meet the District's objectives.

September 2019		August 2019	
LAIF =	2.28%	LAIF =	2.34%
3 year Treasury =	1.56%	3 year Treasury =	1.42%
3-yr Treasury (Rolling 12-mo Avg.) =	2.25%	3-yr Treasury (Rolling 12-mo Avg.) =	2.36%
5 year Treasury =	1.55%	5 year Treasury =	1.39%
District Average Portfolio =	2.11%	District Average Portfolio =	2.11%

District Portfolio Days to Maturity =	227	District Portfolio Days to Maturity =	211
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The entire Treasurer's report will be available upon request at the November 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 10/22/2019


Charles Turner, Director of Finance 10/23/2019

Attachment(s):

Exhibit A - Treasurer's Report for September 2019

Exhibit B - Portfolio Charts for September 2019

11/20/19 Board Meeting

Staff Contact: Charles Turner