



Board of Directors
April 15, 2020

SUBJECT:

Treasurer's Report for February 2020

BACKGROUND:

Attached is the Portfolio recap for February 2020. Some of the highlights are:

1. The overall portfolio average interest rate was 1.65 percent in February 2020, a decrease of 0.12 percent from January 2020.
2. The market value of the portfolio, including District holdings and debt proceeds, for February 2020 was \$569.8 million versus a book value of \$567.1 million. January 2020 market value was \$569.1 million versus a book value of \$567.1 million.

As shown in the comparison below, the interest rates for three-year treasury bills ended the month of February 2020 at 0.85 percent, or forty five basis points lower than the rate in January 2020. The U.S. Treasury bond yield curve is once again inverted, meaning that the yield on short term maturities is higher than those of medium-term maturities. The Federal Reserve lowered interest rates by 0.25 percent each for a total of three times in 2019. Further rate cuts were not expected for 2020; however, the market is experiencing great volatility due to concerns on coronavirus and the uncertainty of its economic impact. To safely navigate this turbulent and dynamic investment market, the District's investment strategy is focused on conservative, short-term securities, with 52 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.

February 2020		January 2020	
LAIF =	1.91%	LAIF =	1.97%
3 year Treasury =	0.85%	3 year Treasury =	1.30%
3-yr Treasury (Rolling 12-mo Avg.) =	1.76%	3-yr Treasury (Rolling 12-mo Avg.) =	1.86%
5 year Treasury =	0.89%	5 year Treasury =	1.32%
District Average Portfolio =	1.65%	District Average Portfolio =	1.77%
District Portfolio Days to Maturity =	327	District Portfolio Days to Maturity =	341

The entire Treasurer's report will be available upon request at the April 15, 2020, Eastern Municipal Water District 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 3/23/2020


Charles Turner, Chief Financial Officer and Treasurer 3/23/2020

Attachment(s):

Exhibit A - Treasurer's Report for February 2020
Exhibit B - Portfolio Charts for February 2020

History:

04/02/20	Board Administrative Committee	REVIEWED AT COMMITTEE
04/15/20	Board Meeting	

Staff Contact: Charles Turner