



**Board Administrative Committee  
October 1, 2020**

**SUBJECT:**

Treasurer's Report for July 2020

**BACKGROUND:**

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

1. The overall portfolio average interest rate was 1.06 percent in July 2020, a decrease of 0.02 percent from June 2020.
2. The market value of the portfolio, including District holdings and debt proceeds, for July 2020 was \$539.1 million versus a book value of \$535.0 million. June 2020 market value was \$594.7 million versus a book value of \$590.7 million.

As shown in the comparison below, the interest rates for three-year treasury bills ended the month of July 2020 at 0.11 percent, or seven basis point lower than the rate in June 2020. The U.S. Treasury bond yield curve is no longer inverted, meaning that the yield on short term maturities is lower than those of medium-term maturities, as in a normal curve. The Federal Reserve lowered interest rates in two emergency rate cuts in March 2020, the first since 2008, by 0.50 percent and 1.00 percent, effectively bringing the Fed Funds rate to 0 percent. The market is experiencing great volatility due to concerns on coronavirus and the uncertainty of its economic impact. The Fed also implemented several liquidity boosting measures to help combat market and investor uncertainty.

To safely navigate this turbulent and dynamic investment market, the District's investment strategy is focused on conservative, short-term securities, with 45 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 2020-21 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.

July 2020	June 2020
LAIF = 0.92%	LAIF = 1.22%
3 year Treasury = 0.11%	3 year Treasury = 0.18%
<b>3-yr Treasury (Rolling 12-mo Avg.) = 1.01%</b>	<b>3-yr Treasury (Rolling 12-mo Avg.) = 1.14%</b>
5 year Treasury = 0.21%	5 year Treasury = 0.29%

District Average Portfolio =	1.06%	District Average Portfolio =	1.08%
District Portfolio Days to Maturity =	300	District Portfolio Days to Maturity =	308

The entire Treasurer's report will be available upon request at the October 21, 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:**

  
Paul D. Jones II, P.E., General Manager

9/21/2020

  
Laura Nomura, Deputy General Manager

9/17/2020

Attachment(s):

*Exhibit A - Treasurer's Report for July 2020*

*Exhibit B - Portfolio Charts for July 2020*

10/21/20 Board Meeting

Staff Contact: Laura Nomura