



**Board Administrative Committee
February 4, 2021**

SUBJECT:

Treasurer's Report for December 2020

BACKGROUND:

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

1. The overall portfolio average interest rate was 0.65 percent in December 2020, a decrease of 0.08 percent from November 2020.
2. The market value of the portfolio, including District holdings and debt proceeds, for December 2020 was \$580.0 million versus a book value of \$577.3 million. November 2020 market value was \$574.2 million versus a book value of \$571.4 million.

As shown in the comparison below, the interest rates for three-year treasury bills ended the month of December 2020 at 0.17 percent, a decrease of 0.02 percent from the rate in November 2020. The market has experienced volatility in past months due to concerns on coronavirus and the uncertainty of its economic impact. The Fed implemented several liquidity boosting measures to help combat market and investor uncertainty. The Federal Open Market Committee (FOMC) expects to maintain an accommodative stance of monetary policy until their dual mandate is achieved (maximum employment and target inflation at 2 percent). As a result, the FOMC's recent dot plot shows rates staying between 0.0 percent to 0.25 percent through 2023. To help navigate through these low interest rates, the District's investment strategy is to ladder across the 5-year maturity range to ensure adequate liquidity while maintaining minimal risk and maximum yield.

The District's investment strategy during Fiscal Year 2020-21 emphasizes greater diversification 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).

| December 2020 | | November 2020 | |
|---|--------------|---|--------------|
| LAIF = | 0.54% | LAIF = | 0.58% |
| 3-year Treasury = | 0.17% | 3-year Treasury = | 0.19% |
| 3-year Treasury (Rolling 12-mo Avg.) = | 0.43% | 3-year Treasury (Rolling 12-mo Avg.) = | 0.55% |
| 5-year Treasury = | 0.36% | 5-year Treasury = | 0.36% |
| District Average Portfolio = | 0.65% | District Average Portfolio = | 0.73% |
| District Portfolio Days to Maturity = | 424 | District Portfolio Days to Maturity = | 355 |

The entire Treasurer's report will be available upon request at the February 17, 2021 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 this report

SUBMITTED BY:



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

1/29/2021



Laura Nomura, Deputy General Manager

1/25/2021

Attachment(s):

Exhibit A - Treasurer's Report for December 2020

Exhibit B - Portfolio Charts for December 2020

02/17/21 Board Meeting

Staff Contact: John Adams