



Lake Havasu City

Lake Havasu City
Council Chambers
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Legislation Details (With Text)

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Sponsors:
Indexes:
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Attachments: 1. Investment Report as of September 30, 2018

Date	Ver.	Action By	Action	Result
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COUNCIL COMMUNICATION

TO: Honorable Mayor and Council
FROM: Jill Olsen, Administrative Services Director
Sandy McCormack, Senior Accountant

SUBJECT:
Investment Report as of September 30, 2018 (*Jill Olsen*)

FUNDING SOURCE:
N/A

PURPOSE:
To present the September 30, 2018 Investment Report to Council.

BACKGROUND:
This investment report conforms to the City's adopted Investment Policy, which states that the Council will receive quarterly investment reports. The investment objectives of the City include safety, liquidity and yield - in that order. Standards of care, as described in the Investment Policy, have been used in making investment decisions for the City. Investments are purchased with the intention to hold to maturity, follow a five-year ladder plan, and are held by an independent third-party custodian.

As of September 30, 2018, the weighted average rate of return for the City's investment portfolio (excluding LGIP and JPMorgan Chase) was 1.78 percent with an average yield to maturity of 2.81 percent and the average

years to maturity is 2.6 years. As a point of comparison, the current yield for the Arizona State Treasurer's Local Government Investment Pool (LGIP) 700, which invests in medium-term securities backed by the U.S. Government, was 1.86 percent for the quarter ending September 30, 2018. The LGIP's Pool 700 holdings are very similar to those of the City's investment portfolio and therefore, provide a reasonable benchmark for comparison.

The City's portfolio will likely continue to experience an increase in earnings when funds received during the quarter from matured investments are reinvested at higher rates.

The economic growth forecast continues to reflect increased momentum. The Federal Open Market Committee (FOMC) backed the central banks September decision to raise the target policy rate to between 2 percent and 2.25 percent.

The Feds raised rates in September and project one more rate hike in 2018 with expected rates to rise to 3.1 percent next year and 3.4 percent in 2020. The Fed's latest projection raised its outlook for growth and inflation while the jobless rate is at the lowest level in decades.

The 10-Year Treasury shows a higher rise than anticipated a few months ago to a forecast of 2.92 percent for the year ahead. All of this indicates a flattening of the yield curve which analysts say has predictive powers of the relationship between monetary policy and the economy.

COMMUNITY IMPACT:

No direct impact. Indirect impact to the community is an increase or decrease in investment earnings based on the market environment which help fund government and enterprise activities.

FISCAL IMPACT:

N/A

ATTACHMENTS:

City Council Investment Report at September 30, 2018

SUGGESTED MOTION:

N/A