



Lake Havasu City

Lake Havasu City
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Council Chambers
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Indexes:
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Attachments: 1. City Council Investment Report at December 31, 2016

Date	Ver.	Action By	Action	Result
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COUNCIL COMMUNICATION

TO: Honorable Mayor and Council
FROM: Tabatha Miller, Administrative Services Director

SUBJECT:
Investment Report at December 31, 2016

FUNDING SOURCE:
N/A

PURPOSE:
To present the December 31, 2016 Investment Report to Council.

BACKGROUND:
This investment report conforms to the City's adopted Investment Policy. 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 when making investment decisions for the City. Additionally, per policy, securities are held by an independent third-party custodian.

As of December 31, 2016, the weighted average rate of return for the City's investment portfolio (excluding LGIP and JPMorgan Chase) was 1.31%. 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 1.10% for the month ending December 31, 2016. The LGIP's Pool 700 holdings are very similar to those of the City's investment portfolio and therefore, provide a good benchmark for

comparison.

As expected, the Federal Reserve adjusted interest rates by 25 basis points within the 2016 fourth quarter. As the U.S. led economic reflation continues, Federal Reserve rates are projected to increase another 25 basis points later this year. The projected increases and expectations of fiscal stimulus are likely to widen the gap between U.S. and overseas interest rates. Because the City's two most important investment objectives are safety and liquidity, we will continue to monitor the interest rate environment and purchase securities with the intention to hold to maturity, following a five-year ladder plan.

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 December 31, 2016

SUGGESTED MOTION:

N/A