



Lake Havasu City

Lake Havasu City
Municipal Courthouse
Council Chambers
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Legislation Text

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COUNCIL COMMUNICATION

TO: Honorable Mayor and Council

FROM: Rob Sweeney, Interim Administrative Services Director
Sandy McCormack, Senior Accountant

SUBJECT:
Investment Report as of March 31, 2018 (*Rob Sweeney*)

FUNDING SOURCE:
N/A

PURPOSE:
To present the March 31, 2018 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 in making investment decisions for the City. Investments are purchased with the intention to hold to maturity, following a five-year ladder plan. Additionally, per policy, securities are held by an independent third-party custodian.

As of March 31, 2018, the weighted average rate of return for the City's investment portfolio (excluding LGIP and JPMorgan Chase) was 1.57 percent with an average yield to maturity of 2.30 percent and the average years to maturity is 2.1 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 1.64 percent for the quarter ending March 31, 2018. 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.

The City's portfolio will likely experience a bump in earnings in the next few months when funds received during the quarter from matured investments and funds currently held in the LGIP Pool 5, are reinvested at higher rates. More recently purchased securities in the City's ladder are yielding 2.40 to 2.75 percent earnings.

The economic growth forecast reflects increased momentum partially due to the U.S. tax policy that was approved in the first quarter of the year, the lowest unemployment rate since 2000 and increased consumer

confidence, the highest since 2007. Inflation continues to creep higher and low-term yields could eventually force the Federal Reserve to slow down otherwise risking an inverted yield curve.

Many analysts and policy makers expect two rate hikes in 2018, based on the strengthening U.S. economy. The 10-Year Treasury shows a slight uptick at the end of the first quarter with small decreases forecasted in yield for the remainder of 2018. All of this indicates a flattening of interest rates and yields.

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 March 31, 2018

SUGGESTED MOTION:

N/A