

CITY OF LEE'S SUMMIT, MISSOURI QUARTERLY INVESTMENT PORTFOLIO REPORT QUARTER ENDED JUNE 30, 2018

Purpose and Goals

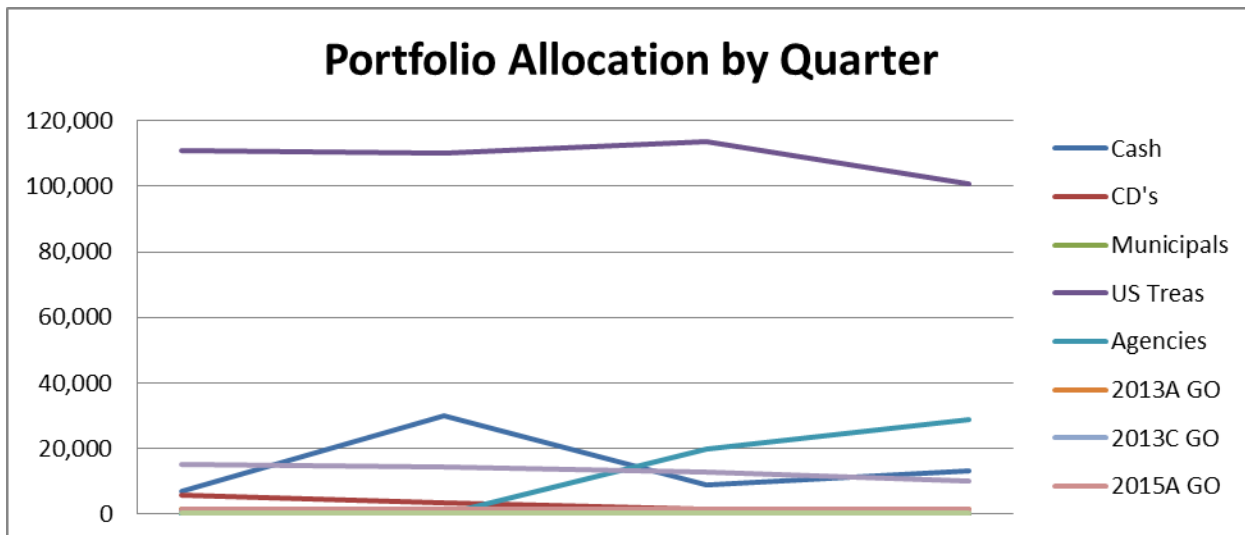
In compliance with the Investment Policy of the City of Lee's Summit, this quarterly investment portfolio report for the quarter ended June 30, 2018 is hereby submitted for your review. This report will provide you with an overview of the City's current cash and investment portfolio holdings along with a summary of all investment activity for the last fiscal quarter.

Cash and investments held by the City represent financial resources provided by its citizens to fund current operations and additionally to provide for future economic development, enhancement of services and programs, construction of major capital improvements and allow for unforeseen emergencies. Monies held for future use in meeting identifiable long-term needs are invested in authorized securities in order to provide additional earnings until such time as these funds are required to be expended. While the objective is to obtain a market rate of return, the City believes that the priority should be on the safety of principal, liquidity of its investments, and stability of earnings.

Current Portfolio

The City has sought to achieve a balance within the combined investment portfolio. While maintaining relatively strong liquidity, it strives to achieve earnings stability. As of June 30, 2018, the portfolio was allocated as follows: Cash (9%), Certificates of Deposit (0%), Municipal Obligations (0%), US Treasury (64%) and Agencies (18%). The following table illustrates the composition of the portfolio, in comparative dollar amounts (000) and component percentages, for the quarter ending June 30, 2018 and the previous three quarters.

Portfolio	-----Book Value in 000's-----				-----Percent of Portfolio-----			
	9/30/2017	12/31/2017	3/31/2018	6/30/2018	9/30/2017	12/31/2017	3/31/2018	6/30/2018
Cash	7,067	30,109	9,082	13,274	5%	19%	6%	9%
CD's	5,704	3,475	1,491	0	4%	2%	1%	0%
Municipals	1,679	780	0	0	1%	0%	0%	0%
US Treas	110,917	109,918	113,813	100,831	77%	68%	71%	64%
Agencies	0	0	19,819	28,812	0%	0%	12%	18%
2013A GO	1,520	1,394	1,398	1,404	1%	1%	1%	1%
2013C GO	563	565	130	499	0%	0%	0%	0%
2015A GO	1,515	1,519	1,524	1,531	1%	1%	1%	1%
2016A GO	397	378	379	380	0%	0%	0%	0%
2017A GO	15,347	14,499	12,937	10,270	11%	9%	8%	7%
Total	\$144,709	\$162,637	\$160,573	\$157,001	100%	100%	100%	100%



Purchases			
		Amount	Maturity Date
06/04/2018	FNMA	\$ 1,993,289.64	04/13/2021
06/04/2018	FFCB	\$ 999,432.62	04/23/2021
06/04/2018	FHLB	\$ 2,993,754.82	05/28/2021
06/29/2018	FNMA	\$ 3,006,180.00	06/22/2021
	TOTAL	\$8,992,657.08	
Maturity			
04/16/2018	Flushing Bank		248,000.00
04/20/2018	American National Bank		249,000.00
04/23/2018	Clayton Bank & Trust		249,000.00
04/30/2018	Manufacturers and Traders		248,000.00
04/30/2018	Northfield Bank		249,000.00
05/07/2018	Ally Bank		248,000.00
05/15/2018	US Treasury		3,014,648.44
06/15/2018	US Treasury		4,000,000.00
	TOTAL		\$ 8,505,648.44

Transaction Summary

The City monitors and maintains a certain level of cash on hand to meet the day to day operations of the city. Each night the remaining balance is invested in an interest bearing “sweep” account through a “repurchase agreement” or “repo” with our bank. For funds not needed immediately, the city employs a strategy of maturity "laddering" over a period not to exceed five years. When the spread between short term securities and the maximum is minimal, staff does not fully extend to the five year maximum.

Cash in Bank

The City utilizes UMB Bank as its depository. Lee’s Summit's cash in bank at June 30, 2018, was as follows: UMB Trustee Account, \$10,171,755.52 and the UMB Investment Settlement Account \$3,102,883.29. Cash on deposit with UMB earns interest at a rate equivalent to the previous week’s auction of the 91 day Treasury bill yield, adjusted every Wednesday. The UMB “repo” rate for June was 2.04%; March was 1.70%; December was 1.37% and September was 1.20%. To protect the City against fluctuating securities values, the City's bank depository agreement requires the bank to pledge certain securities as collateral equal to 105% of the City's funds on account (in excess of FDIC coverage). The estimated collateral value is \$24,685,020.90.

Combined Portfolio Performance

The City has utilized all components of the investment portfolio to achieve safety of principal, reasonable liquidity, relatively stable earnings over a wide range of interest rates, and a market rate of return. As of June 30, 2018, the average portfolio yield is 1.5796%.

The investment portfolio's maturity structure as of June 30, 2018, is as follows:

Maturity Year	Prin Amt	Cash Flow %
2018	\$ 13,017,381.88	10%
2019	\$ 52,130,889.00	40%
2020	\$ 44,803,789.33	35%
2021	\$ 19,692,146.08	15%
TOTAL	\$ 129,644,206.29	100%

A complete itemized schedule of investments in the City of Lee's Summit Portfolio is available upon request.

Recommendations

The City's passive investment strategy has been to match the investments based upon cash flow needs in conjunction with a maturity "laddering" approach with its investments, not to exceed five years. Investment purchases have been made with safety as the primary factor. The purchase of Certificates of Deposit and Municipal Obligations has been halted due to clarification of the State Investment Policy.

Mark-to-Market

The investment portfolio is valued at our purchase price with gains/losses recognized at sale or maturity. With the implementation of GASB 31, the portfolio was required to be adjusted at year end to reflect the difference between our carrying value and today's market. This is referred to as "Marking to Market."

The Government Finance Officers Association (GFOA) then recommended that local governments report the market value of all securities in the portfolio on a quarterly basis. Fair market values are determined by our custodial bank.

GFOA has recommended that in addition to the reporting of this paper gain/loss on a quarterly basis, this adjustment should be entered on a quarterly basis. Starting in fiscal year 2006-2007 this adjustment was spread and posted to cash accounts based on cash balances at each quarter end. These adjustments will be updated at the end of each quarter. At June 30, the quarter end entry of March 31 was reversed and the new entry booked based on the current market values at June 30, 2018. This unrealized loss of \$1,534,326.04 was spread across all funds based on their respective cash balance percentages.

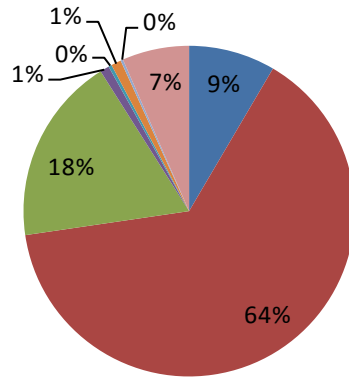
Respectfully Submitted,

Sherri Staub
Cash Management Officer

Conrad Lamb
Finance Director

Asset Allocation June 30, 2018

■ Cash ■ US Treas ■ Agencies ■ 2013A GO ■ 2013C GO ■ 2015A GO ■ 2016A GO ■ 2017A GO



Asset Allocation by Maturity Year

■ 2018 ■ 2019 ■ 2020 ■ 2021

