

# CITY OF LEE'S SUMMIT, MISSOURI QUARTERLY INVESTMENT PORTFOLIO REPORT QUARTER ENDED MARCH 31, 2017

## Purpose and Goals

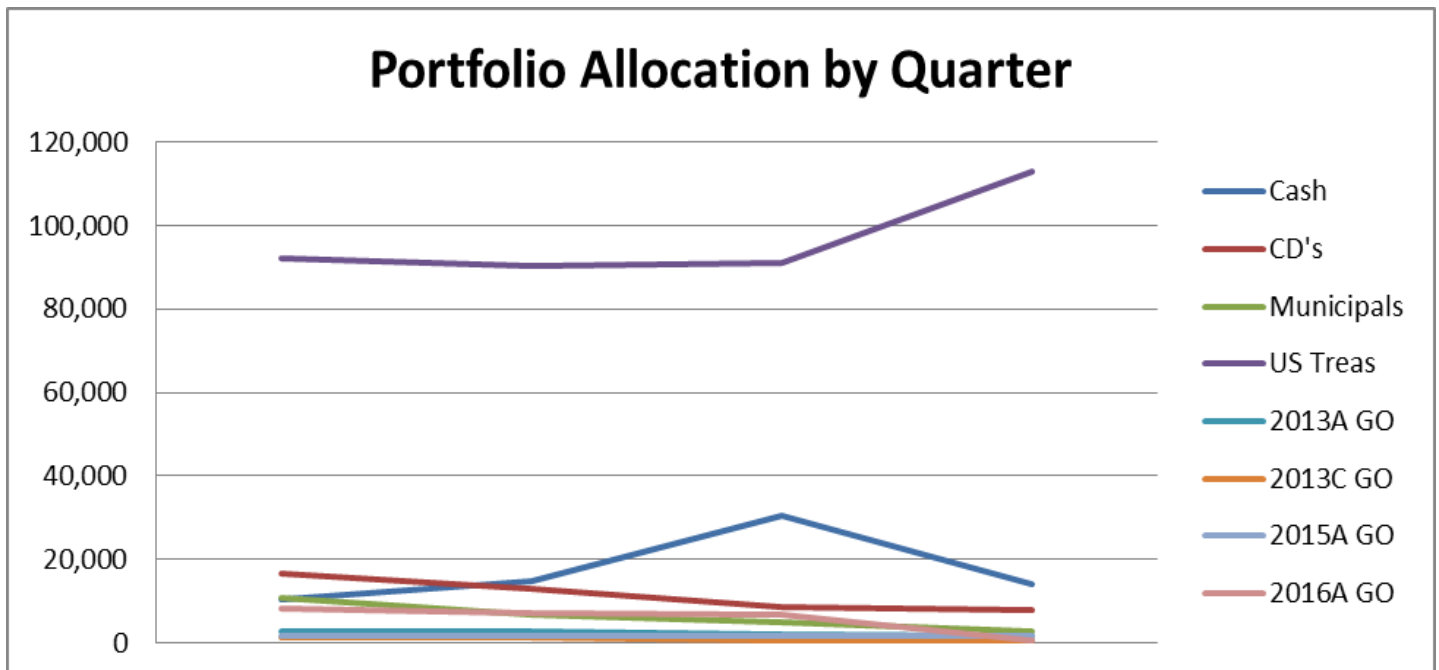
In compliance with the Investment Policy of the City of Lee's Summit, this quarterly investment portfolio report for the quarter ended March 31, 2017 is hereby submitted for your review. This report will provide you with an overview of the City's current cash and investment portfolio holdings along with 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 March 31, 2017, the portfolio was allocated as follows: Cash (10%), Certificates of Deposit (6%), Municipal Obligations (2%) and US Treasury (80%). The following table illustrates the composition of the portfolio, in comparative dollar amounts (000) and component percentages, for the quarter ending March 31, 2017 and the previous three quarters.

Portfolio	-----Book Value in 000's-----				-----Percent of Portfolio-----			
	6/30/2016	9/30/2016	12/31/2016	03/31/2017	6/30/2016	9/30/2016	12/31/2016	03/31/2017
Cash	10,275	14,689	30,637	<b>14,091</b>	7%	11%	21%	<b>10%</b>
CD's	16,566	12,852	8,418	<b>7,922</b>	12%	9%	6%	<b>6%</b>
Municipals	10,647	6,748	4,940	<b>2,732</b>	7%	5%	3%	<b>2%</b>
US Treas	92,188	90,151	91,202	<b>112,851</b>	64%	66%	63%	<b>80%</b>
2013A GO	2,691	2,694	1,920	<b>1,755</b>	2%	2%	1%	<b>1%</b>
2013C GO	1,138	1,139	560	<b>561</b>	1%	1%	0%	<b>0%</b>
2015A GO	1,502	1,504	1,506	<b>1,508</b>	1%	1%	1%	<b>1%</b>
2016A GO	8,225	7,052	6,625	<b>483</b>	6%	5%	5%	<b>0%</b>
<b>Total</b>	<b>\$143,232</b>	<b>\$136,829</b>	<b>\$145,808</b>	<b>\$141,903</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



<b>Purchases</b>			
		Amount	Maturity Date
01/05/2017	US Treasury	\$ 3,000,000	07/31/2020
01/05/2017	US Treasury	\$ 7,000,000	02/28/2021
01/20/2017	US Treasury	\$ 4,000,000	03/31/2019
01/20/2017	US Treasury	\$ 4,000,000	03/31/2020
03/03/2017	US Treasury	\$ 5,000,000	08/31/2020
03/03/2017	US Treasury	\$ 5,000,000	10/31/2019
03/31/2017	US Treasury	\$ 4,000,000	10/31/2020
	<b>TOTAL</b>	<b>\$32,000,000</b>	
<b>MATURITY</b>			
01/20/2017	First Business Bank	248,000	
01/20/2017	First Niagra Bank	248,000	
03/01/2017	Troy MO Reorg Sch Dist #3	1,205,000	
03/01/2017	Boles Fire Protection	240,000	
03/01/2017	Maryland Heights MO UT	740,000	
03/15/2017	US Treasury	5,000,000	
03/31/2017	US Treasury	5,000,000	
	<b>TOTAL</b>	<b>\$12,681,000</b>	

### **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 three year 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 March 31, 2017, was as follows: UMB Trustee Account, \$7,720,444.49 and the UMB Investment Settlement Account \$6,370,867.85. 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 March was 0.68%; December was 0.58%; September was 0.45% and June was 0.41% . 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 \$28,116,421.80.

### **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 March 31, 2017, the average portfolio yield is 1.1058%.

The investment portfolio's maturity structure as of March 31, 2017, is as follows:

<b>Maturity Year</b>	<b>Prin Amt</b>	<b>Cash Flow %</b>
<b>2017</b>	<b>\$ 25,329,904.52</b>	<b>21%</b>
<b>2018</b>	<b>\$ 30,253,799.97</b>	<b>24%</b>
<b>2019</b>	<b>\$ 34,203,028.12</b>	<b>28%</b>
<b>2020</b>	<b>\$ 26,914,487.08</b>	<b>22%</b>
<b>2021</b>	<b>\$ 6,805,288.98</b>	<b>5%</b>
<b>TOTAL</b>	<b>\$ 123,506,508.67</b>	<b>100%</b>

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 pending further investigation of policy changes at the state level.

**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 March 31, the quarter end entry of December 31 was reversed and the new entry booked based on the current market values at March 31, 2017. This unrealized loss of \$257,509.68 was spread against all funds based on their respective cash balance percentages.

Respectfully Submitted,

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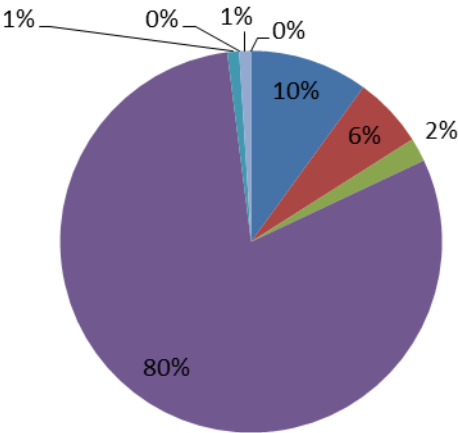
Sherri Staub  
Cash Management Officer

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Conrad Lamb  
Finance Director

### Asset Allocation March 31, 2017

■ Cash 
 ■ CD's 
 ■ Municipals 
 ■ US Treas 
 ■ 2013A GO 
 ■ 2013C GO 
 ■ 2015A GO 
 ■ 2016A GO



### Asset Allocation by Maturity Year

■ 2017 
 ■ 2018 
 ■ 2019 
 ■ 2020 
 ■ 2021

