

# CITY OF LEE'S SUMMIT, MISSOURI

## QUARTERLY INVESTMENT PORTFOLIO REPORT

### QUARTER ENDED JUNE 30, 2016

#### Purpose and Goals

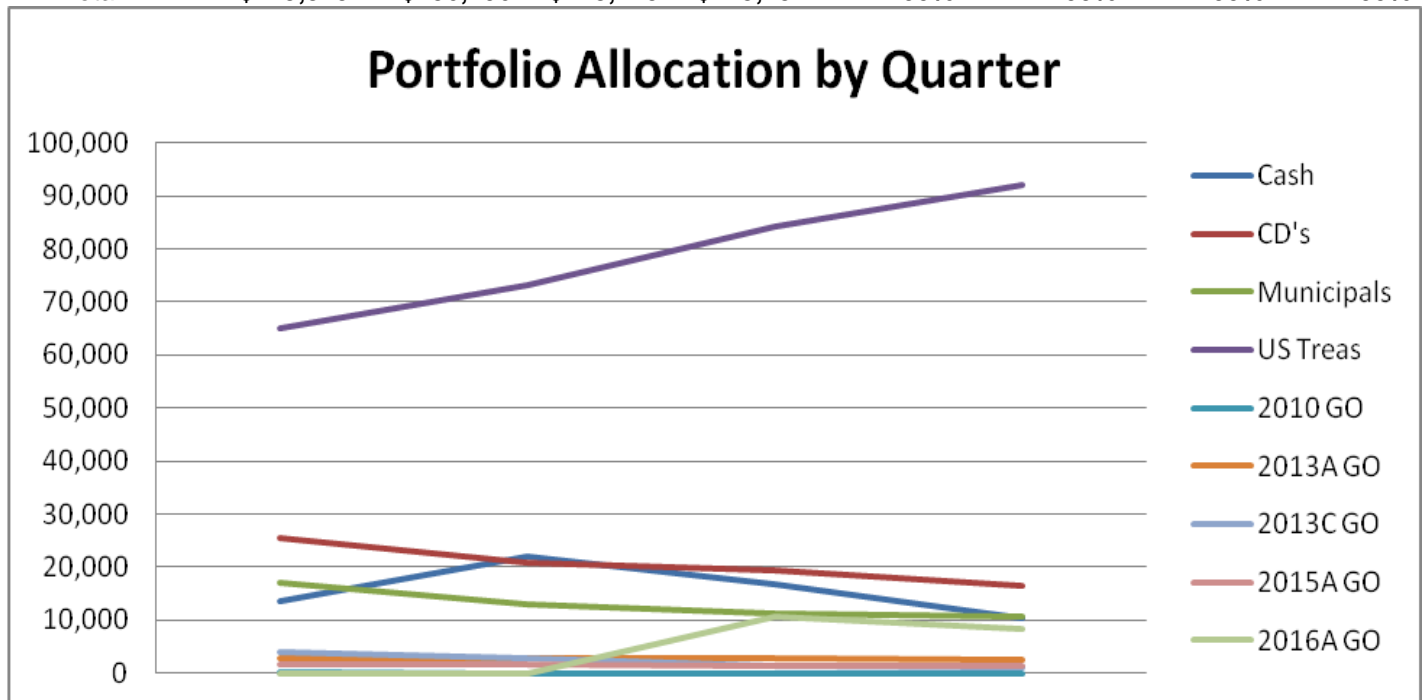
In compliance with the Investment Policy of the City of Lee's Summit, this quarterly investment portfolio report for the quarter ended June 30, 2016 is hereby submitted for your review. This report will provide you with an overview of the City's current cash and investment portfolio holdings along with 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, 2016, the portfolio was allocated as follows: Cash (7%), Certificates of Deposit (12%), Municipal Obligations (7%) and US Treasury (64%). The following table illustrates the composition of the portfolio, in comparative dollar amounts (000) and component percentages, for the quarter ending June 30, 2016 and the previous three quarters.

Portfolio	-----Book Value in 000's-----				-----Percent of Portfolio-----			
	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2015	12/31/2015	3/31/2016	6/30/2016
Cash	13,612	22,162	16,918	<b>10,275</b>	10%	16%	11%	<b>7%</b>
CD's	25,473	20,776	19,291	<b>16,566</b>	20%	15%	13%	<b>12%</b>
Municipals	17,182	13,123	11,402	<b>10,647</b>	13%	10%	8%	<b>7%</b>
US Treas	65,100	73,134	84,177	<b>92,188</b>	51%	54%	57%	<b>64%</b>
2010 GO	82	0	0	<b>0</b>	0%	0%	0%	<b>0%</b>
2013A GO	2,932	2,778	2,713	<b>2,691</b>	2%	2%	2%	<b>2%</b>
2013C GO	3,901	2,890	1,478	<b>1,138</b>	3%	2%	1%	<b>1%</b>
2015A GO	1,543	1,543	1,501	<b>1,502</b>	1%	1%	1%	<b>1%</b>
2016A GO	0	0	10,635	<b>8,225</b>	0%	0%	7%	<b>6%</b>
<b>Total</b>	<b>\$129,825</b>	<b>\$136,406</b>	<b>\$148,115</b>	<b>\$143,232</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



<b>Purchases</b>			
		Amount	Maturity Date
06/03/2016	US Treasury	\$ 3,000,000	08/15/2018
06/03/2016	US Treasury	\$ 2,000,000	05/31/2020
06/22/2016	US Treasury	\$ 3,000,000	05/15/2018
06/22/2016	US Treasury	\$ 3,000,000	05/31/2019
	<b>TOTAL</b>	<b>\$11,000,000</b>	
<b>MATURITY</b>			
04/01/2016	Bowling Green Mo Schl Dist	100,450	
04/01/2016	Saint Louis Brd of Education	296,643	
04/22/2016	Brand Banking Co	245,000	
05/02/2016	USAmeribank	248,000	
05/15/2016	Wentzville MO Fire Prot District	357,948	
05/16/2016	Marlin Business Bank	248,000	
05/31/2016	US Treasury	3,000,000	
06/13/2016	Ridgestone Bank	248,000	
06/24/2016	Stearns Bank	248,000	
06/27/2016	Georgia Bank & Trust	248,000	
06/27/2016	DMB Community Bank	248,000	
06/27/2016	Flagship Community Bank	248,000	
06/27/2016	Iberiabank	248,000	
06/27/2016	Northbrook Bank & Trust	248,000	
06/30/2016	Cathay Bank	248,000	
	<b>TOTAL</b>	<b>\$6,480,041</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 June 30, 2016, was as follows: UMB Trustee Account, \$7,513,362.39 and the UMB Investment Settlement Account \$2,761,873.25. 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 0.41%; March was 0.47%; December was 0.260 and September was 0.23. 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 \$23,355,371.53.

### **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, 2016, the average portfolio yield is 0.8981%.

The investment portfolio's maturity structure as of June 30, 2016, is as follows:

<b>Maturity Year</b>	<b>Prin Amt</b>	<b>Cash Flow %</b>
<b>2016</b>	<b>\$ 22,107,654.10</b>	<b>19%</b>
<b>2017</b>	<b>\$ 38,875,156.62</b>	<b>33%</b>
<b>2018</b>	<b>\$ 30,253,799.97</b>	<b>25%</b>
<b>2019</b>	<b>\$ 21,156,469.68</b>	<b>18%</b>
<b>2020</b>	<b>\$ 7,008,750.00</b>	<b>5%</b>
<b>TOTAL</b>	<b>\$ 119,401,830.37</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 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, 2016. This unrealized gain of \$420,504.05 was spread against all funds based on their respective cash balance percentages.

Respectfully Submitted,

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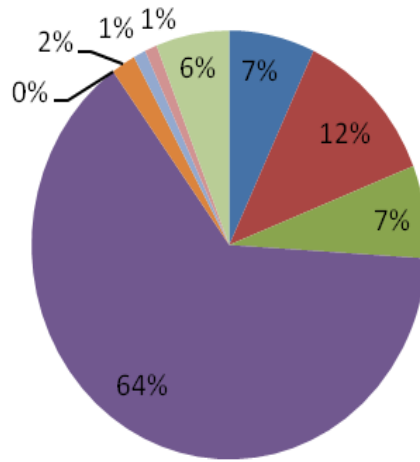
Sherri Staub  
Cash Management Officer

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Conrad Lamb  
Finance Director

## Asset Allocation June 30, 2016

■ Cash  
 ■ CD's  
 ■ Municipals  
 ■ US Treas  
 ■ 2010 GO Acct  
 ■ 2013A GO  
 ■ 2013C GO  
 ■ 2015A GO  
 ■ 2016A GO



## Asset Allocation by Maturity Year

■ 2016  
 ■ 2017  
 ■ 2018  
 ■ 2019  
 ■ 5%

