

# CITY OF LEE'S SUMMIT, MISSOURI

## QUARTERLY INVESTMENT PORTFOLIO REPORT

### QUARTER ENDED SEPTEMBER 30, 2020

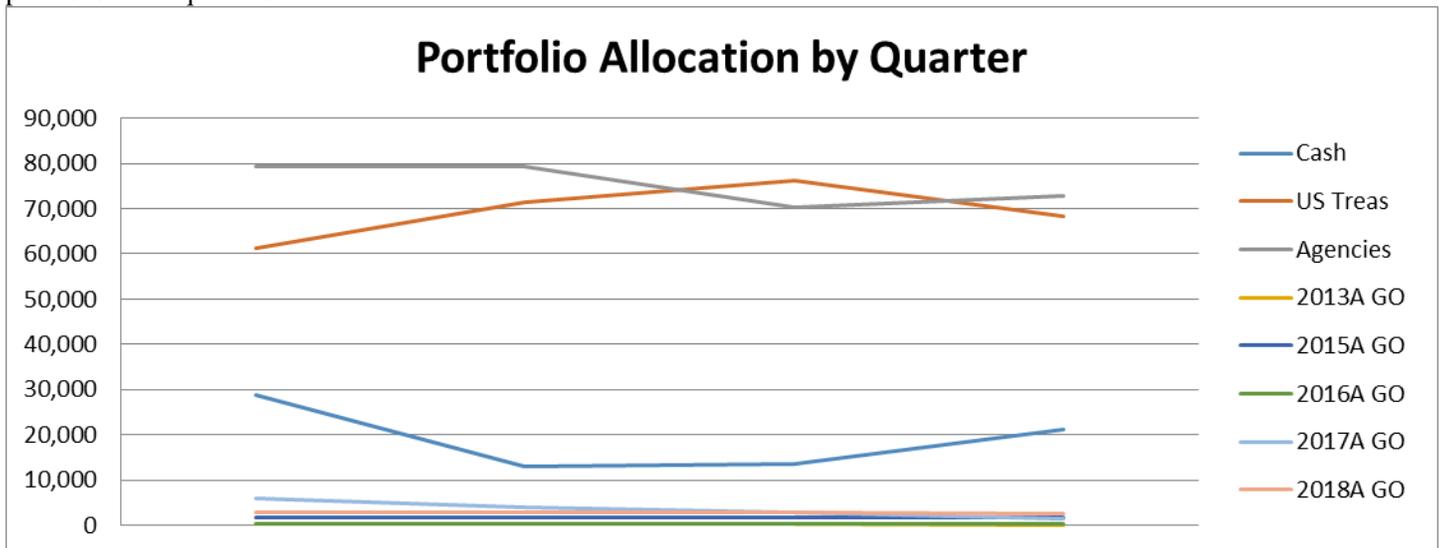
#### Purpose and Goals

In compliance with the Investment Policy of the City of Lee's Summit, this quarterly investment portfolio report for the quarter ended September 30, 2020 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 September 30, 2020, the portfolio was allocated as follows: Cash (12%), US Treasury (41%) and Agencies (43%). The following table illustrates the composition of the portfolio, in comparative dollar amounts (000) and component percentages, for the quarter ending September 30, 2020 and the previous three quarters.



Portfolio	-----Book Value in 000's-----				-----Percent of Portfolio-----			
	12/31/2019	3/31/2020	6/30/2020	9/30/2020	12/31/2019	3/31/2020	6/30/2020	9/30/2020
Cash	28,681	12,940	13,573	<b>21,290</b>	16%	8%	8%	<b>12%</b>
US Treas	61,196	71,324	76,253	<b>68,325</b>	34%	41%	45%	<b>41%</b>
Agencies	79,214	79,214	70,275	<b>72,869</b>	44%	46%	42%	<b>43%</b>
2013A GO	385	281	254	<b>51</b>	0%	0%	0%	<b>0%</b>
2015A GO	1,581	1,587	1,589	<b>1,590</b>	1%	1%	1%	<b>1%</b>
2016A GO	352	353	354	<b>354</b>	0%	0%	0%	<b>0%</b>
2017A GO	5,936	3,916	2,784	<b>1,473</b>	3%	2%	2%	<b>1%</b>
2018A GO	2,789	2,735	2,696	<b>2,660</b>	2%	2%	2%	<b>2%</b>
Total	<b>\$180,134</b>	<b>\$172,350</b>	<b>\$167,778</b>	<b>\$168,612</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

<b>Purchases</b>			
		Amount	Maturity Date
08/27/2020	Federal Home Loan Mtg Corp	\$ 5,558,709.80	02/16/2021
09/14/2020	US Treasury	\$ 4,997,294.90	03/11/2021
	<b>TOTAL</b>	<b>\$ 10,556,004.70</b>	
<b>Maturity</b>			
07/31/2020	US Treasury	\$ 3,000,000.00	
08/31/2020	US Treasury	\$ 5,000,000.00	
09/15/2020	US Treasury	\$ 3,000,000.00	
09/29/2020	Federal Home Loan Mtg Corp	\$ 3,000,000.00	
09/30/2020	US Treasury	\$ 2,000,000.00	
	<b>TOTAL</b>	<b>\$ 16,000,000.00</b>	

### **Transaction Summary**

The City monitors and maintains a level of cash on hand to meet the day to day operations of the city.

UMB Bank invests the remaining balance in an interest bearing “sweep” account through a “repurchase agreement” or “repo.” US Bank pays interest on deposited balances. 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. In the current environment we are keeping new purchase maturities very short.

### **Cash in Bank**

City of Lee’s Summit’s cash in bank at September 30, was as follows: UMB Trustee Account, \$5,160,583.53 and the UMB Investment Settlement Account \$8,552,512.87. 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 September was 0.24%; June was 0.26%; March was 1.71% NS December was 1.731%. 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 \$16,197,589.91.

City of Lee's Summit’s cash in bank at September 30 at US Bank was \$7,577,223.35. We hold a letter of credit to protect the balances at US Bank.

### **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 September 30, 2020, the average portfolio yield is 1.86%.

The investment portfolio's maturity structure as of September 30, 2020, is as follows:

<b>Fiscal Year</b>	<b>Prin Amt</b>	<b>Cash Flow %</b>
<b>2020</b>	<b>\$ 17,947,519.84</b>	<b>13%</b>
<b>2021</b>	<b>\$ 79,926,884.13</b>	<b>57%</b>
<b>2022</b>	<b>\$ 43,321,047.95</b>	<b>30%</b>
<b>TOTAL</b>	<b>\$ 141,195,451.92</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.

**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) 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 September 30, the quarter end entry of June 30 was reversed and the new entry booked based on the current market values at September 30, 2020. This unrealized gain of \$1,946,718.47 was spread across all funds based on their respective cash balance percentages.

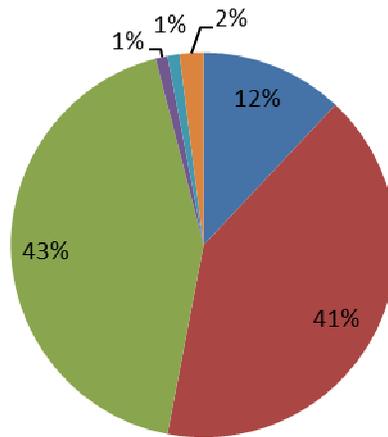
Respectfully Submitted,

Sherri Staub  
Cash Management Officer

Bette Wordelman  
Finance Director

## Asset Allocation September 30, 2020

■ Cash ■ US Treas ■ Agencies ■ 2015A GO ■ 2017A GO ■ 2018A GO



## Asset Allocation by Maturity Year

■ 2020 ■ 2021 ■ 2022

