

Meeting Date: June 21, 2017
Staff Contact: Stan Allred, Chief Financial Officer

TITLE: C-17-23 – Approving Recommendation of Investment Strategy

ACTION: Recommend Approval

SUMMARY:

The Investment Oversight Committee of the Albuquerque Bernalillo County Water Utility Authority (the Water Authority) met on June 8, 2017 with Public Trust Advisors, the Water Authority's Investment Advisor to review how to best meet the objectives of safety, liquidity and yield in managing the funds currently held by the Water Authority. The committee determined that there is opportunity to improve both safety and yield in the current marketplace.

The Investment Oversight Committee is made up of: Board Member (Councilor Trudy Jones), Executive Director, Chief Financial Officer, Chief Operating Officer, and a Director from RBC Capital Markets (Paul Cassidy). At the June 8th meeting all members were present except for the Chief Operating Officer. The Committee voted unanimously to implement the strategy recommended by Public Trust Advisors.

FISCAL IMPACT:

Liquidity will be maintained by having a smooth ladder of investment maturities. A portion of funds, \$36 million will be invested in increments of \$6 million in the maturity range zero to six months, which will provide a steady flow of cash (investment maturities). This will also leave more than sufficient funds in the bank deposit accounts to meet liquidity needs. US Treasury securities which mature between one month and six months were yielding 0.77% and 1.07% as of May 30, 2017, compared with an average yield of 0.25% on the collateralized bank deposits, so there is opportunity to improve yield as well.

RECOMMENDATION:

The committee recommends that the Board approve the investment of \$36 million in US Treasury securities, invested in an even ladder of \$6 million blocks, the first of which matures one month from the initial trade date. Then, as the securities mature, the funds that are not needed for current projects or operating needs will be reinvested at the end of the ladder to maintain the even flow of funds.



Memo

To: Albuquerque Bernalillo County Water Utility Authority Board
From: ABCWUA Investment Oversight Committee
Date: 6/15/2017
Re: Investment Strategy

The Investment Oversight Committee of the Albuquerque Bernalillo County Water Utility Authority met on June 8, 2017 to review how to best meet the objectives of safety, liquidity and yield in managing the funds currently held by the Authority. The committee determined that there is opportunity to improve both safety and yield currently in the market place.

- Safety can be improved through diversification where the balances are held, away from having all funds held collateralized bank deposits. There is opportunity to create a short-term ladder of investments in the highly liquid United States Treasury market.
- Liquidity will be maintained by having a smooth ladder of investment maturities. A portion of funds, \$36 million will be invested in increments of \$6 million in the maturity range zero to six months, which will provide a steady flow of cash (investment maturities). This will also leave more than sufficient funds in the bank deposit accounts to meet liquidity needs.
- US Treasury securities which mature between one month and six months were yielding 0.77% and 1.07% as of May 30, 2017¹, compared with an average yield of 0.25% on the collateralized bank deposits, so there is opportunity to improve yield as well.
- Added diversification and additional yield present an excellent opportunity for the Authority to meet its investment objectives of safety, liquidity and then yield.

The committee recommends that the Board approve the investment of \$36 million in US Treasury securities, invested in an even ladder of \$6 million blocks, the first of which matures one month from the initial trade date. Then, as the securities mature, the funds that are not needed for current projects or operating needs will be reinvested at the end of the ladder to maintain the even flow of funds.

¹ Source: United State Treasury: <http://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield>. Treasury yields stated gross of fees.