



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

Legislation Details (With Text)

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TRANSMITTAL LETTER FOR BOARD MEETING OF AUGUST 7, 2014

COMMITTEE ON FINANCE

Mr. David St. Pierre, Executive Director

Report on the investment interest income during May 2014

Dear Sir:

Attached is a report of cash investment interest income received by the District for the month of May 2014 and a comparison of income for the same period in 2013.

The District's inventory of investments at May 31, 2014, consisted of 206 items having a total par value of \$756,554,136.74, an average annual yield of 0.969%, and total interest income to maturity of approximately \$26.3 million. Inventory figures at the same date in 2013 were 220 items having a total par value of \$877,008,578.71, an average annual yield of 1.211%, and total interest income to maturity of approximately \$35 million.

Interest Forecast for 2014:

Expect short-term rates (0-5 years) to remain anchored by an artificially low Federal Funds rate for an extended period of time. On March 19, 2014, the Federal Reserve changed their two adopted thresholds for determining policy on how long to hold the current 0% to 0.25% target range for the federal funds rate. The Committee will assess progress-both realized and expected-towards its policy objectives of maximum employment and 2 percent inflation. The Fed will no longer use a threshold of a 6.5% unemployment rate before it will raise short-term investments, and instead weigh a combination of employment and inflation indicators. The guidance now suggests that the Fed will continue to hold short-term rates near zero until early 2016. The District will experience its sixth consecutive year of very low interest income earned on short-term investments.

The District has invested its longer-term holdings in callable government agency securities and municipal bonds, which will provide a significant portion of the interest income earned in 2014. These investments pay interest twice per year; therefore, the months of January and July will provide a majority of the interest income for the year. Income earned in other months will be minimal and would relate to short-term investments maturing throughout the year to meet the operating and capital needs of the District.

Respectfully Submitted, Mary Ann Boyle, Treasurer, MAB:st

Attachment