



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

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TRANSMITTAL LETTER FOR BOARD MEETING OF NOVEMBER 5, 2015

COMMITTEE ON FINANCE

Mr. David St. Pierre, Executive Director

Report on the investment interest income during August 2015

Dear Sir:

Attached is a report of cash investment interest income received by the District for the month of August 2015 and a comparison of income for the same period in 2014.

The District's inventory of investments at August 31, 2015, consisted of 164 items having a total par value of \$921,847,953.49, an average annual yield of 0.616%, and total interest income to maturity of approximately \$19.2 million. Inventory figures at the same date in 2014 were of 197 items having a total par value of \$804,585,981.93, an average annual yield of 0.809%, and total interest income to maturity of approximately \$24.9 million.

Interest Forecast for 2015:

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 the short-term interest rates, 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 late 2015. The District will experience its seventh 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 2015. 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