



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

Legislation Text

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TRANSMITTAL LETTER FOR BOARD MEETING OF JANUARY 5, 2017

COMMITTEE ON FINANCE

Mr. David St. Pierre, Executive Director

Report on the investment interest income during October 2016

Dear Sir:

Attached is a report of cash investment interest income received by the District for the month of October 2016 and a comparison of income for the same period in 2015.

The District's inventory of investments at October 31, 2016, consisted of 200 items having a total par value of \$898,308,973.61, an average annual yield of 0.814%, and total interest income to maturity of approximately \$14.6 million. Inventory figures at the same date in 2015 were of 166 items having a total par value of \$887,553,770.19, an average annual yield of 0.563%, and total interest income to maturity of approximately \$16.6 million.

Interest Forecast for 2016:

On December 14, 2016, the Federal Reserve raised the target range for the federal funds rate to the range of 0.50% to 0.75%. This decision was based on a moderately positive economic outlook that considered a marked improvement in labor market conditions and confidence that inflation will rise to its 2% objective over the medium term. The timing and size of future adjustments to the target range will be determined based upon realized and expected economic conditions relative to the Fed's objectives of maximum employment and 2% inflation. It expects only gradual increases to the Federal Funds rate, which is expected to remain low for an extended period. The District will experience its eighth 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 2016. 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