



THE HEART OF CUYAHOGA COUNTY

**6800 Brecksville Road
Independence, Ohio 44131
216.524.4131**

MEMORANDUM

To: Mayor Gregory P. Kurtz
Members of Council

From: Finance Director Vernon Blaze

Date: Friday, December 8, 2023

Re: Finance Office and Related Topic Updates

Investment Portfolio

“Consistency” continues to be the operative word for the City’s Investment Portfolio.

The only material “change” to it during the month of November was a \$2.5 million Certificate of Deposit at Independence Bank yielding 4.90% that matured on November 22.

It was renewed into a new seven-month Certificate of Deposit yielding 5.35%.

In summary, the City’s current Investment Portfolio consists of the following as of November 30:

- Star Ohio \$14,277,382
- Fifth Third Securities 10,296,684
- Independence Bank 15,000,000
- Total Investment Portfolio \$39,574,066

Investment Portfolio – Continued

The City's Investment Portfolio is fairly "laddered," with a small portion of it maturing most months. In a rising interest rate environment, which has been the case the last year plus, it was a good strategy to keep maturities fairly short-term so that maturing securities could be reinvested at higher rates and yields.

But nobody has a crystal clear, crystal ball, and knows exactly when increasing rates are going to peak and eventually, start to decline.

At least here in the short-run, it appears that interest rates have peaked, and are starting to fall already.

The City can't invest in ten-year securities, but it's telling that the yield on the ten-year U.S. Treasury has already declined from a peak of 5.28% in mid-October to 4.39% this week.

While it's fun and a challenge to try to earn the maximum yield possible on the City's investment funds, the Number 1 (#1) priority when investing public tax dollars is not Yield. It is Safety.

Star Ohio is a "*an investment pool [managed by the State of Ohio Treasurer's Office] that allows government subdivisions to invest in high-grade, short-term securities while offering safety, penalty-free liquidity and comparatively higher yields.*"

So funds invested in Star Ohio benefit from all three public tax dollar investment goals – Safety, Liquidity and Yield.

The investment portfolio at Fifth Third is substantially invested in U.S. Federal agency securities (mostly U.S. Treasury Bills). U.S. Treasuries are considered to be safe given that they are backed by the U.S. Government.

Although interest rates are starting to decline, with some securities locked in through parts of 2024, the City will benefit from those fixed current yields.