



DATE: December 21, 2018

TO: Mayor and City Council  
Cliff Moore, City Manager

FROM: Steve Groom, Finance Director

RE: December 2018 Investment Transactions

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The investment transactions for the Month of December were:

Maturities:

- \$3,000,000 FNMA (1.00% yield) matured on December 20, 2018
- \$3,192,000 FICO (1.41% yield) matured on December 27, 2018

Purchases:

- \$1,000,000 FHLB (2.68% yield) to mature November 15, 2019
- \$1,000,000 FHLB (3.125% yield) to mature September 9, 2022
- \$1,000,000 FAMCA (2.80% yield) to mature September 19, 2023
- \$1,000,000 FHLB (2.93% yield) to mature December 28, 2023

Remaining \$2,192,000 was transferred to the city's account with the Washington state Local Government Investment Pool pending for further suitable offerings.

What these four investments accomplished was:

1. Reduced our re-investment risk by splitting up one month's maturity of \$6 million into six \$1 million maturity dates,
2. Improved our average yield, re-investing the funds that previously earned 1.00% and 1.41% into investments that yield 2.75%, 2.80% and 2.93%, and
3. Improved our diversification slightly; the Farmer Mac is the first of that issuer.

Investment Committee met on December 11<sup>th</sup> and December 19<sup>th</sup>; the summary page from the review of each transaction is attached.

This monthly report of all investment transactions to the city legislative authority is in compliance with RCW 35.39.032. Additions to the City's Investment Portfolio were in full compliance with the City's Investment Policy, State Statutes and City Municipal Code. Execution of each investment transaction contemplated ongoing cash flows from city operations, debt obligations, liquid and maturing securities, and contingencies to meet the City's future cash flow requirements.



## Committee Review of Investment Rationale

Date: December 10, 2018

**Investment # 2018-1506 is a 1-year Federal Home Loan Bank (FHLB) Agency, face value \$1,000,000, with a maturity date of November 15, 2019 purchased at 98.81 to yield 2.68%.** This trade settles December 12, 2018 with Time Value Investments, US Bank Safekeeping. This investment is part of the replacement of a \$3,000,000 1.00% FNMA medium term note maturing December 18, 2018.

**Liquidity:** current checking account balance is \$4,688,817, target balance is \$3 Million. Current invested yield segment of portfolio is \$54,042,000; target balance of portfolio is \$54,000,000 for Treasuries and Agencies. Current LGIP available balance is \$24,105,128; target minimum is \$3,000,000.

**Safety:** This purchase is a debt issue of FHLB, one of the Federal Government-Sponsored Enterprises (GSEs, commonly referred to as "Agencies").

**Yield.** Yield is 2.68%. This investment improves yield by 168 basis points over the investment it replaces and by 40 basis points over LGIP. Comparable yields are:

Checking	0.0000%	Key Bank/US Bank
LGIP current 30-day yield	2.287702%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
1-yr. FHLB bullet	2.7200%*	Non-WA broker (policy)
1-year Treasury	2.6800%	<a href="http://www.treasury.gov">www.treasury.gov</a>

The yield curve is currently fairly flat, with very little spread between 1-year and 5-year rates. The 5-year rate is currently hovering around 3%, so longer maturity dates, 5-year maturity limits now seem reasonable. The FOMC continues to signal three rate increases for 2019 so rates are expected to continue upward slowly.

**Callability.** This is a non-callable investment.

**Diversification.** This purchase brings the % of total portfolio for this issuer to 5.5%.

This purchase adds a maturity date previously not covered to city's ladder portfolio.

**Investment Committee review:**

Finance Director: \_\_\_\_\_

Date 12/10/2018

City Manager: \_\_\_\_\_

Date 12.11.18





## Committee Review of Investment Rationale

Date: December 19, 2018

**Investment # 2018-1507 is a 5-year Federal Home Loan Bank (FHLB) Agency, face value \$1,000,000, maturity date of December 28, 2023, coupon 3.10% purchased at 100.32 to yield 2.93%.** This trade settles December 28, 2018 with Time Value Investments, US Bank Safekeeping. This investment is part of the replacement of a \$3,000,000 1.00% FNMA medium term note maturing December 20, 2018.

**Liquidity:** current checking account balance is \$4,048,959, target balance is \$3 Million. Current invested yield segment of portfolio is \$51,850,000; target balance of portfolio is \$54,000,000 for Treasuries and Agencies. Current LGIP available balance is \$24,105,128; target minimum is \$3,000,000.

**Safety:** This purchase is a debt issue of FHLB, one of the Federal Government-Sponsored Enterprises (GSEs, commonly referred to as "Agencies").

**Yield.** Yield is 2.93%. This investment improves yield by 193 basis points over the investment it replaces and by 73 basis points over LGIP. Comparable yields are:

Checking	0.0000%	Key Bank/US Bank
LGIP current 30-day yield	2.299374%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
5-yr. FHLB 1x call	3.1000%	Non-WA broker (policy)
5-year Treasury	2.6500%	<a href="http://www.treasury.gov">www.treasury.gov</a>

The yield curve is currently fairly flat, with very little spread between 1-year and 5-year rates. The 5-year rate has dropped slightly from around 3%. The FOMC continues to signal three rate increases for 2019 so rates are expected to continue upward slowly.

**Callability.** This is a one-time callable investment, callable 12/28/2020.

**Diversification.** This purchase, after the 2 maturities on 12/20 and 12/28 and the 2 concurrent purchases, brings the % of total portfolio for this issuer to 9.7%.

This purchase adds a maturity date previously not covered to city's laddered portfolio.

**Investment Committee review:**

Finance Director: \_\_\_\_\_

Date 12/19/2018

City Manager: \_\_\_\_\_

Date 12.19.18



## Committee Review of Investment Rationale

Date: December 19, 2018

**Investment # 2018-1508** is a 4-year 9-month Federal Agricultural Mortgage Corporation (Farmer Mac or FAMCA) Agency, face value \$1,000,000, maturity date of September 19, 2023, coupon 3.05% purchased at 101.10 to yield 2.80%. This trade settles December 20, 2018 with Time Value Investments, US Bank Safekeeping. This investment is part of the replacement of a \$3,000,000 1.00% FNMA medium term note maturing December 20, 2018.

**Liquidity:** current checking account balance is \$4,048,959, target balance is \$3 Million. Current invested yield segment of portfolio is \$51,850,000; target balance of portfolio is \$54,000,000 for Treasuries and Agencies. Current LGIP available balance is \$24,105,128; target minimum is \$3,000,000.

**Safety:** This purchase is a debt issue of FAMCA, one of the Federal Government-Sponsored Enterprises (GSEs, commonly referred to as "Agencies").

**Yield.** Yield is 2.80%. This investment improves yield by 180 basis points over the investment it replaces and by 50 basis points over LGIP. Comparable yields are:

Checking	0.0000%	Key Bank/US Bank
LGIP current 30-day yield	2.299374%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
5-yr. FHLB 1x call	3.1000%	Non-WA broker (policy)
5-year Treasury	2.6500%	<a href="http://www.treasury.gov">www.treasury.gov</a>

The yield curve is currently fairly flat, with very little spread between 1-year and 5-year rates. The 5-year rate has dropped slightly from around 3%. The FOMC continues to signal three rate increases for 2019 so rates are expected to continue upward slowly.

**Callability.** This is a non-callable investment (bullet).

**Diversification.** This purchase, after the 2 maturities on 12/20 and 12/28 and the 2 concurrent purchases, brings the % of total portfolio for this issuer to 1.9%.

This purchase adds a maturity date previously not covered to city's ladder portfolio.

**Investment Committee review:**

Finance Director: \_\_\_\_\_

Date 12/19/2018

City Manager: \_\_\_\_\_

Date 12.19.18





## Committee Review of Investment Rationale

Date: December 19, 2018

**Investment # 2018-1509 is a 3-year 9-month Federal Home Loan Bank (FHLB) Agency, face value \$1,000,000, maturity date September 09, 2022, 3.125% coupon purchased at 101.31 to yield 2.75%.** This trade settles December 20, 2018 with Time Value Investments, US Bank Safekeeping. This investment is part of the replacement of a \$3,192,000 1.41% FICO medium term note maturing December 27, 2018.

**Liquidity:** current checking account balance is \$4,048,959, target balance is \$3 Million. Current invested yield segment of portfolio is \$51,850,000; target balance of portfolio is \$54,000,000 for Treasuries and Agencies. Current LGIP available balance is \$24,105,128; target minimum is \$3,000,000.

**Safety:** This purchase is a debt issue of FHLB, one of the Federal Government-Sponsored Enterprises (GSEs, commonly referred to as "Agencies").

**Yield.** Yield is 2.75%. This investment improves yield by 134 basis points over the investment it replaces and by 45 basis points over LGIP. Comparable yields are:

Checking	0.0000%	Key Bank/US Bank
LGIP current 30-day yield	2.299374%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
5-yr. FHLB 1x call	3.1000%	Non-WA broker (policy)
5-year Treasury	2.6500%	<a href="http://www.treasury.gov">www.treasury.gov</a>

The yield curve is currently fairly flat, with very little spread between 1-year and 5-year rates. The 5-year rate has dropped slightly from around 3%. The FOMC continues to signal three rate increases for 2019 so rates are expected to continue upward slowly.

**Callability.** This is a non-callable investment (bullet).

**Diversification.** This purchase, after the 2 maturities on 12/20 and 12/28 and the 2 concurrent purchases, brings the % of total portfolio for this issuer to 9.7%.

This purchase adds a maturity date previously not covered to city's laddered portfolio.

**Investment Committee review:**

Finance Director: \_\_\_\_\_

Date 12/19/2018

City Manager: \_\_\_\_\_

Date 12.19.18