



**To:** Mayor and City Council  
Cliff Moore, City Manager

**From:** Steve Groom, Finance Director  
Jennifer Morris, Financial Services Officer

**Date:** January 24, 2019

**Re:** 2018 – 4<sup>th</sup> Quarter Treasury Report

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### **The City's Investment Portfolio**

The City's investment activities are governed by State regulations and the City of Yakima's Investment Policy. All investments are 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.

The City's Investment Portfolio consists of three general tiers which coincide with the primary considerations of prudent investing:

- 1) The **Safety** portion of the Portfolio consists of funds invested in the Local Government Investment Pool (LGIP, or State Pool) managed by the State Treasurer, available same-day. This allows for seasonal fluctuations, primarily the April/October inflows of Property Tax and the outflows of debt service and capital projects.
- 2) The **Liquidity** portion of the Portfolio consist of demand deposit (essentially checking) accounts at banks which are qualified public depositories, protected above FDIC-insured balances through the actions of the Washington State Public Deposit Protection Commission (PDPC). Depository account levels continue to be maintained at adequate levels to ensure availability.
- 3) The **Yield** portion of the Portfolio consists of a diversified portfolio of Agencies, Treasuries and/or other authorized investments with staggered maturities of up to five years. Based on analysis of historical cash reserves and budgetary planning, this segment will not be subject to seasonal spending and continues to be safely invested long-term.

**Total Cash and Investments** at Quarter-end total \$92.6 million: \$9.3 million in depository banks, \$32.8 million in the State Pool, and \$50.5 million invested.

**Calls or Maturities.** During last quarter two investments matured.

- \$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.** The City's Investment Portfolio increased by four 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

**Current Rates.** As of December 31, 2018, the yield curve is extremely flat, due to market uncertainty; the difference between the 1-month Treasury at 2.44% and the 5-year Treasury at 2.51% is a mere 7 basis points. The 30-day yield of the State Pool was at 2.299%.

**Economic Outlook.** The Federal Reserve has raised the rate 25 basis points four times since late 2015. In 2018 the Fed has raised the rate 3 times this year. On December 19<sup>th</sup> the Federal Reserve raised its benchmark rate from 2.00% to 2.25%, the highest it has been since October of 2008, but lowered its projections for future increases. As of this printing, the fixed income market is experiencing extreme uncertainty, evidenced by a yield curve that is extremely flat.

**Strategy Notes.** The City of Yakima's investments are not typically actively traded, meaning that no attempt to "buy low and sell high" or "time the market" is made. Investments purchased with the intent of providing investment income are intended to be held to maturity, relying on following a prudent course of action for income rather than predicting market direction. No securities were considered, due to prevailing circumstances, to be sold prior to maturity during the last quarter.

### **Debt Activity**

All debt payments were paid out as scheduled. A comprehensive city-wide debt report was presented to City Council and has been added to the annual Budget document for clarity and transparency.

### **Interfund Borrowings and Investments**

Ordinance 2013-011, authorizes the Director of Finance and Budget to execute temporary interfund loans to be subsequently reviewed and approved by Council Resolution.

**Public Safety Communications**, Fund 151. Currently the fund is making interest-only payments, the principal payment of \$150,000 was made in 2018 as budgeted.

**Fire Capital**, Fund 332. Interest is not required to be paid since Fire Capital is fully supported by the General Fund.

**The Millsite Project**, Fund 323. Interest payments will be made until such time as financing is secured or the loan is otherwise repaid.

City of Yakima  
**Cash and Investment Summary**  
December 31, 2018

Description	Qty	Par	Book	Percent of Portfolio	Average Yield Q3 '18	Average Yield Q4 '18
<b>Cash Balances on Hand in Banks</b>		NA	<u>\$ 9,297,534</u>	NA	NA	NA
Local Government Investment Pool (LGIP)	1	\$ 32,751,940	\$ 32,751,940	39%	2.02%	2.24%
Investment Portfolio	21	51,850,000	50,544,848	61%	1.81%	1.94%
Other Investments	2	-	-	0%	0.20%	0.00%
<b>Total Invested</b>	<b>24</b>	<b>\$ 84,601,940</b>	<b>\$ 83,296,788</b>	<b>100%</b>	<b>1.86%</b>	<b>2.06%</b>

Summary of Investment Activity	Book Balance 10/1/2018	Purchases & Deposits	Interest Reinvested	Maturities, Calls & Withdrawals	Book Balance 12/31/2018
Local Government Investment Pool (LGIP)	\$ 17,600,116	\$ 15,000,000	\$ 151,824	\$ -	\$ 32,751,940
Investment Portfolio	52,580,205	4,015,492	-	6,050,849	50,544,848
Other Investments	-	-	-	-	-
<b>Totals</b>	<b>\$ 70,180,321</b>	<b>\$ 19,015,492</b>	<b>\$ 151,824</b>	<b>\$ 6,050,849</b>	<b>\$ 83,296,788</b>

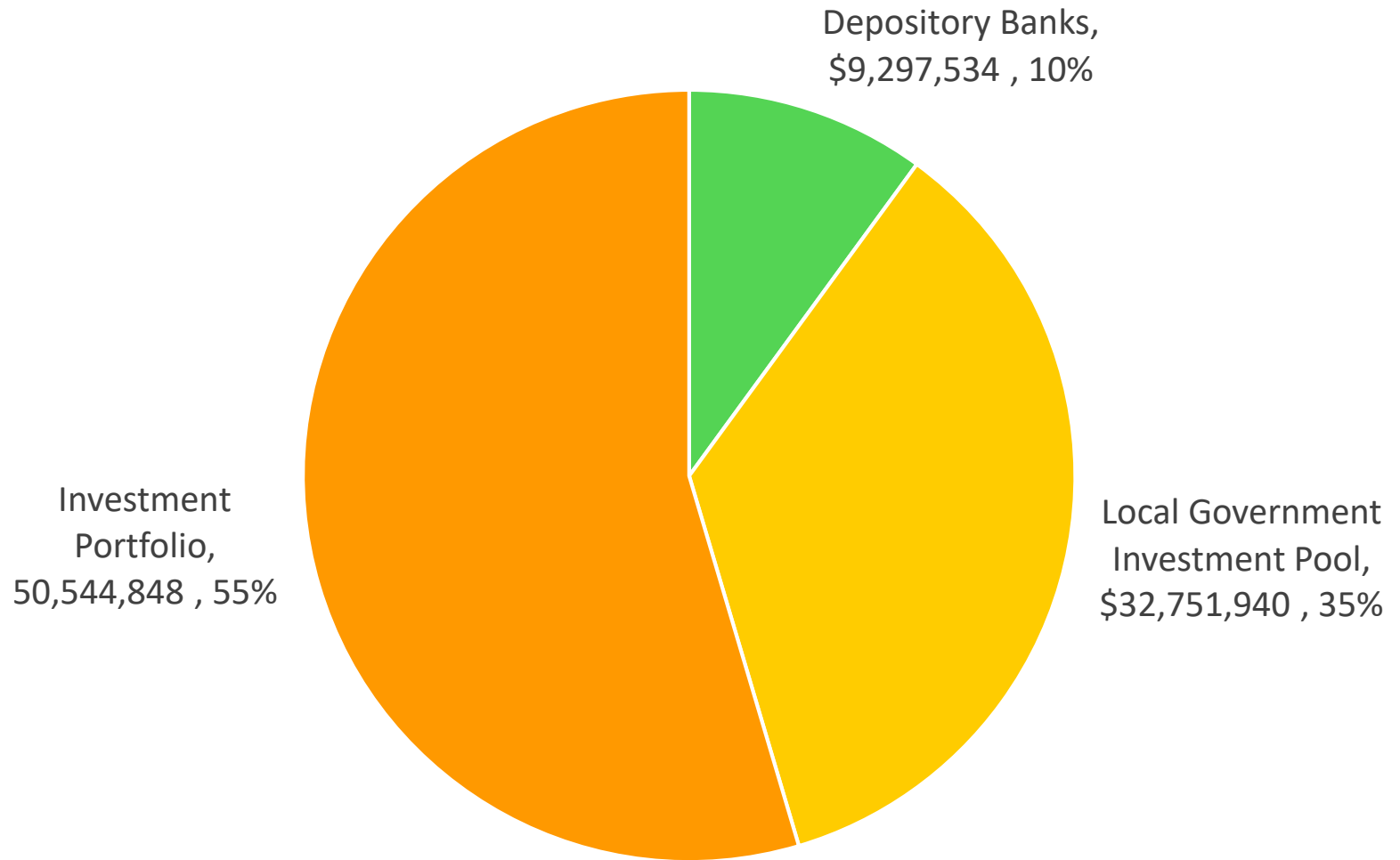
City of Yakima  
**Investment Portfolio - Inventory by Agency**

December 31, 2018

Agency	Inv#	Face Value	Price	Coupon	Step	Expected Yield	Maturity	Days to Maturity	Settle	Next Call	Call Type	Most Likely Call
<b>Farmer Mac</b>												
FAMCA	1508	1,000,000	1,010,972	3.050		2.801	9/19/23	1,723	12/19/18	8/19/19	NC	9/19/23
<b>FAMCA Total and Average Yield</b>		<b>1,000,000</b>	<b>1,010,972</b>			<b>2.801</b>						
<b>Federal Farm Credit Bank</b>												
FFCB	1489	3,000,000	2,996,247	1.250		1.290	8/19/19	231	6/3/16	8/19/19	Amer	8/19/19
FFCB	1496	2,015,000	1,994,713	1.470		1.740	2/17/21	779	4/6/17	2/17/21	1C-NC	2/17/21
FFCB	1498	3,000,000	2,993,640	1.950		2.000	3/14/22	1,169	10/6/17	3/14/20	Amer	3/14/22
FFCB	1504	4,000,000	3,990,400	2.970		3.023	4/10/23	1,561	6/14/18	4/10/19	Amer	4/10/23
<b>FFCB Total and Average Yield</b>		<b>12,015,000</b>	<b>11,975,000</b>			<b>2.120</b>						
<b>Federal Home Loan Bank</b>												
FHLB	1492	2,030,000	1,994,020	1.500		1.880	11/9/21	1,044	12/14/16	12/14/19	Amer	11/9/21
FHLB	1506	1,000,000	988,149	1.375		2.680	11/15/19	319	12/10/18	11/15/19	Amer	11/15/19
FHLB	1507	1,000,000	1,003,225	3.100		2.933	12/28/23	1,823	12/28/18	12/28/19	Amer	12/28/23
FHLB	1509	1,000,000	1,013,146	3.125		2.750	9/9/22	1,348	12/19/18	12/1/18	Amer	11/9/21
<b>FHLB Total and Average Yield</b>		<b>5,030,000</b>	<b>4,998,540</b>			<b>2.426</b>						
<b>Resolution Funding Corporation</b>												
RFCSP	1493	3,203,000	2,999,859	1.716		1.716	10/15/20	654	12/14/16	10/15/20	NC	10/15/20
RFCSP	1495	2,137,000	1,995,637	1.821		1.821	1/15/21	746	04/06/17	1/15/21	NC	1/15/21
RFCSP	1497	5,248,000	4,999,507	1.581		1.581	7/15/20	562	06/01/17	7/15/20	NC	7/15/20
RFCSP	1499	1,000,000	945,156	1.730		1.730	1/15/21	746	10/06/17	1/15/21	NC	1/15/21
RFCSP	1500	2,667,000	2,499,062	2.200		2.200	1/15/21	746	01/25/18	1/15/21	NC	1/15/21
RFCSP	1502	2,122,000	1,999,174	2.250		2.250	10/15/20	654	02/14/18	10/15/20	NC	10/15/20
RFCSP	1503	3,139,000	3,037,265	1.990		1.990	10/15/19	288	02/14/18	10/15/19	NC	10/15/19
RFCSP	1505	2,160,000	2,099,535	2.479		2.479	10/15/19	288	08/17/18	10/15/19	NC	10/15/19
<b>RFCSP Total and Average Yield</b>		<b>21,676,000</b>	<b>20,575,196</b>			<b>1.923</b>						
<b>Federal National Management Association</b>												
FNMA	1488	3,000,000	2,999,970	1.500		1.500	5/22/20	508	6/3/16	2/22/19	Qrty	5/22/20
FNMA	1490	2,000,000	1,995,048	1.500		1.552	6/30/21	912	6/30/16	3/30/19	Qrty	6/30/21
FNMA	1491	2,000,000	1,997,896	1.500		1.520	12/30/21	1,095	6/30/16	3/30/19	Qrty	12/30/21
FNMA	1494	2,010,000	1,995,172	1.350		1.560	7/28/20	575	12/14/16	1/28/19	Qrty	7/28/20
FNMA	1501	1,000,000	997,351	2.300		2.380	7/30/21	942	2/14/18	1/30/19	Qrty	7/30/21
<b>FNMA Total and Average Yield</b>		<b>10,010,000</b>	<b>9,985,437</b>			<b>1.614</b>						
<b>Financing Corporation</b>												
FICO	1485	2,119,000	1,999,702	1.460		1.460	9/26/19	269	10/2/15	9/26/19	NC	9/26/19
<b>FICO Total and Average Yield</b>		<b>2,119,000</b>	<b>1,999,702</b>			<b>1.460</b>						
<b>Other Investments</b>												
LGIP	LGIP	32,751,940	32,751,940	2.241		2.241	NA	1	NA	NA	NC	NA
<b>Other Total and Average Yield</b>		<b>32,751,940</b>	<b>32,751,940</b>			<b>2.241</b>						
<b>Grand Totals</b>		<b>\$ 84,601,940</b>	<b>\$ 83,296,788</b>			<b>2.069</b>	<b>Average Expected Yield</b>					

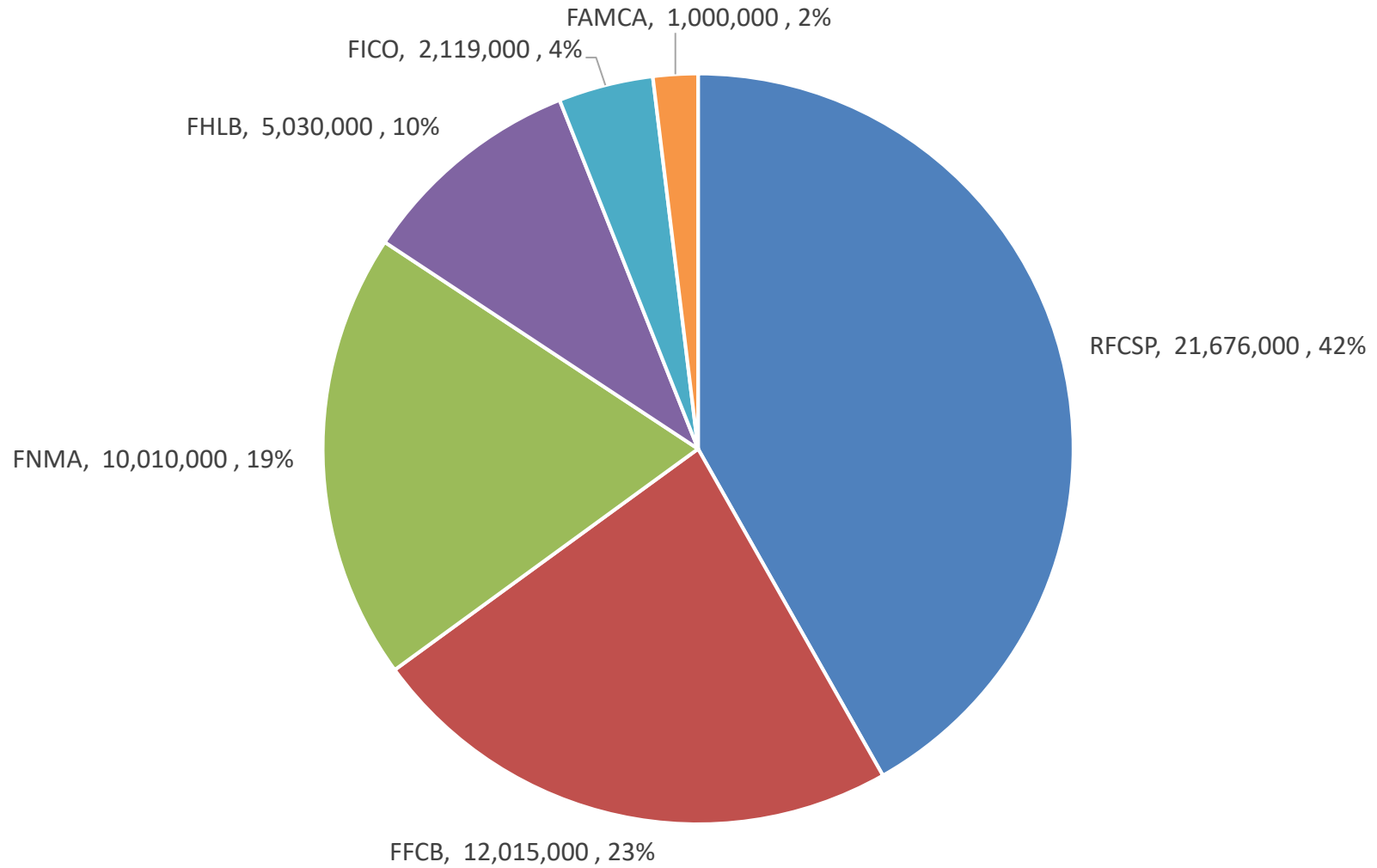
# City of Yakima

Distribution of Cash and Investments as of 12/31/2018



# City of Yakima

## Investment Portfolio Distribution by Issuer as of 12/31/2018



City of Yakima  
**Investment Portfolio - Detail of Activity**

December 31, 2018

Agency	Inv#	Beginning Face Value	Additions and Purchases	Calls and Maturities	Ending Face Value	Date of Yield Q4 '18
<b>Farmer Mac</b>						
FAMCA	1508	-	1,000,000		1,000,000	
<b>FAMCA Total</b>		<b>-</b>	<b>1,000,000</b>	<b>-</b>	<b>1,000,000</b>	
<b>Federal Farm Credit Bureau</b>						
FFCB	1489	3,000,000			3,000,000	
FFCB	1496	2,015,000	-		2,015,000	
FFCB	1498	3,000,000			3,000,000	
FFCB	1504	4,000,000	-		4,000,000	
<b>FFCB Total</b>		<b>12,015,000</b>	<b>-</b>	<b>-</b>	<b>12,015,000</b>	
<b>Federal Home Loan Bank</b>						
FHLB	1492	2,030,000	-		2,030,000	
FHLB	1506	-	1,000,000		1,000,000	
FHLB	1507	-	1,000,000		1,000,000	
FHLB	1509	-	1,000,000		1,000,000	
<b>FHLB Total</b>		<b>2,030,000</b>	<b>3,000,000</b>	<b>-</b>	<b>5,030,000</b>	
RFCSP	1493	3,203,000			3,203,000	
RFCSP	1495	2,137,000	-		2,137,000	
RFCSP	1497	5,248,000	-		5,248,000	
RFCSP	1499	1,000,000			1,000,000	
RFCSP	1500	2,667,000			2,667,000	
RFCSP	1502	2,122,000			2,122,000	
RFCSP	1503	3,139,000			3,139,000	
RFCSP	1505	2,160,000	-		2,160,000	
<b>RFCSP Total</b>		<b>21,676,000</b>	<b>-</b>	<b>-</b>	<b>21,676,000</b>	
<b>Federal National Management Association</b>						
FNMA	1469	3,000,000		(3,000,000)	-	
FNMA	1488	3,000,000			3,000,000	
FNMA	1490	2,000,000			2,000,000	
FNMA	1491	2,000,000			2,000,000	
FNMA	1494	2,010,000			2,010,000	
FNMA	1501	1,000,000			1,000,000	
<b>FNMA Total</b>		<b>13,010,000</b>	<b>-</b>	<b>(3,000,000)</b>	<b>10,010,000</b>	
<b>Financing Corporation</b>						
FICO	1485	2,119,000			2,119,000	
FICO	1486	3,192,000		(3,192,000)	-	
<b>FICO Total</b>		<b>5,311,000</b>	<b>-</b>	<b>(3,192,000)</b>	<b>2,119,000</b>	
<b>Other Investments</b>						
LGIP (State Pool)	LGIP	17,600,116	15,151,824	-	32,751,940	
<b>Other Investment Totals</b>		<b>17,600,116</b>	<b>15,151,824</b>	<b>-</b>	<b>32,751,940</b>	
<b>Grand Totals</b>		<b>\$ 71,642,116</b>	<b>\$ 19,151,824</b>	<b>\$ (6,192,000)</b>	<b>\$ 84,601,940</b>	

City of Yakima  
**Bonded Debt Schedule - by Project Group**

December 31, 2018

Date Issued	Maturity	Description	Note	Amount of Issue	Current Balance	Payments
<b>General Obligation Bonds</b>						
9/7/2004	11/1/2019	<b>PFD Convention Center II</b>	Refunded 1996 issue	\$ 4,175,000	\$ 335,000	\$ 335,000
5/8/2007	5/1/2026	<b>PFD Convention Center III</b>	Partial refunding of 2002 issue	4,910,000	3,110,000	-
8/28/2009	12/1/2018	<b>PFD Capitol Theatre</b>	Tax exempt portion	2,055,000		-
8/28/2009	12/1/2032	<b>PFD Capitol Theatre</b>	Build America Bonds (Taxable)	4,980,000	4,980,000	-
6/17/2003	12/1/2023	<b>Sundome Expansion</b>	Deferred Interest-Maturity \$2.5M	1,430,528	317,934	-
8/28/2008	12/1/2021	<b>Fire Apparatus</b>	Ladder Truck	760,000	205,000	65,000
5/8/2007	5/1/2022	<b>Fire Station</b>	Remodel Facility	815,000	270,000	0
8/28/2008	12/1/2019	<b>Infrastructure Projects</b>	Ped crossing, street, infrastructure	2,190,000	230,000	225,000
5/8/2007	5/1/2022	<b>Downtown Futures</b>	Renovate downtown improvements	1,490,000	490,000	-
6/20/2013	6/20/2028	<b>Street Project Demonstration (Refunded)</b>	Various City street improvements	3,500,000	3,351,672	148,328
6/9/2014	6/1/2024	<b>Street Resurfacing Project</b>	Streets improvements	13,140,000	8,640,000	-
6/17/2014	12/1/2034	<b>Comm Center Move</b>	City portion of County GO Bonds	1,716,500	1,465,000	-
12/22/2015	12/1/2035	<b>Soccer Complex</b>	City portion of SOZO Sports Complex	5,000,000	-	-
9/24/2018	12/1/2035	<b>Soccer Complex (Refunded)</b>	City portion of SOZO Sports Complex	4,440,127	4,440,127	-
9/24/2018	7/1/2035	<b>2018 Aquatic Center YMCA</b>	City portion of Aquatic Center	8,009,873	8,009,873	-
<b>Subtotal General Obligation Bonds</b>				\$ 58,612,028	\$ 35,844,606	\$ 773,328
<b>Certificate of Participation - State of Washington</b>						
8/22/2013	6/1/2019	<b>Police Vehicles</b>	74 Take-home vehicles	\$ 4,173,190	\$ 769,792	\$ -
8/22/2013	6/1/2019	<b>Fire Air Packs</b>	70 Air Packs	459,602	84,779	-
6/1/2011	12/1/2020	<b>Fire Apparatus</b>	Two trucks purchased	576,847	131,948	62,193
3/19/2013	7/1/2023	<b>Fire Apparatus</b>	One truck	310,414	173,521	-
9/28/2017	6/1/2027	<b>Energy Project</b>	LED Street Lighting	2,189,736	2,052,534	-
<b>Subtotal Certificates of Participation</b>				\$ 7,709,790	\$ 3,212,575	\$ 62,193
<b>Revenue Bonds</b>						
5/31/2012	11/1/2023	<b>Wastewater</b>	Refunded 2003 \$10,155,000 issue	\$ 9,400,000	\$ 5,185,000	\$ 930,000
6/5/2008	11/1/2027	<b>Wastewater</b>		5,440,000	3,070,000	3,070,000
6/5/2008	11/1/2018	<b>Water</b>	Refunded 1998 issue	1,883,951	220,000	-
9/4/2004	9/1/2034	<b>Irrigation</b>		5,215,000	3,530,000	-
<b>Subtotal Revenue Bonds</b>				\$ 21,938,951	\$ 12,005,000	\$ 4,000,000
<b>Grand Total</b>				\$ 88,260,769	\$ 51,062,181	\$ 4,835,521



City of Yakima  
**Interfund Borrowing**  
December 31, 2018

Description	Original Balance	Beginning Balance	Issued	Retired	Ending Balance	Yield Q4 '18
Local Improvement District Bonds/Notes	\$ 1,432,509	\$ 100,450	\$ -	\$ 807	\$ 99,643	Equipment Rental Reserve
Fund 153 - Public Safety Communications	450,000	450,000	-	150,000	300,000	Equipment Rental Reserve
Fund 332 - Fire Capital	640,000	1,100,000	-	-	1,100,000	General Fund
Fund 323 - Millsite Project	-	500,000	-	-	500,000	REET

**Fund 151 - Public Safety Communications - Interfund Loan**

The Public Safety Communications Fund borrowed from the Equipment Replacement and Reserve Fund to provide working capital while they recover from the excess cash outflow caused by the move to the new Communications Center last year. The fund has been currently paying interest only on the debt while their cash balance recovers. In 2018 a payment of \$150,000 principal payment was made leaving a balance of \$300,000.

**Fund 332 - Fire Capital**

The Fire Capital fund borrowed \$640,000 cash at the end of 2016 from Equipment Rental to finance the down payment on two fire apparatus that were under construction. The Fire Department took delivery of the apparatus and final payment was made in August 2017. Although an external financing through the LOCAL program had been anticipated, it was determined at that time that the flexibility of an Interfund loan was preferred and it was thus executed according to City policy. This first loan was refinanced through the General Fund in January and a second loan of \$460,000 was executed to make the final payment in August. No interest is being charged on this loan since Fire Capital is normally funded entirely by the General Fund.

**Fund 323 - Millsite (LIFT)**

The Millsite project borrowed \$500,000 from REET until such time as official financing can be secured. At that time the loan from REET will be repaid. A Statement of Official Intent for the reimbursement has been executed to meet bond requirements.