



DATE: April 3, 2019

TO: Mayor and City Council  
Cliff Moore, City Manager

FROM: Steve Groom, Finance Director

RE: March 2019 Investment Transactions

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This monthly report of all investment transactions to the city legislative authority complies with RCW 35.39.032 ("The responsible official or committee shall make a monthly report of all investment transactions to the city legislative authority").

There were no Investment Transactions during the month of January or February. The investment transactions for the month of March were:

Divestiture:

- \$5,248,000 RFCSP (1.574% yield) sold on March 13, 2019

Purchases:

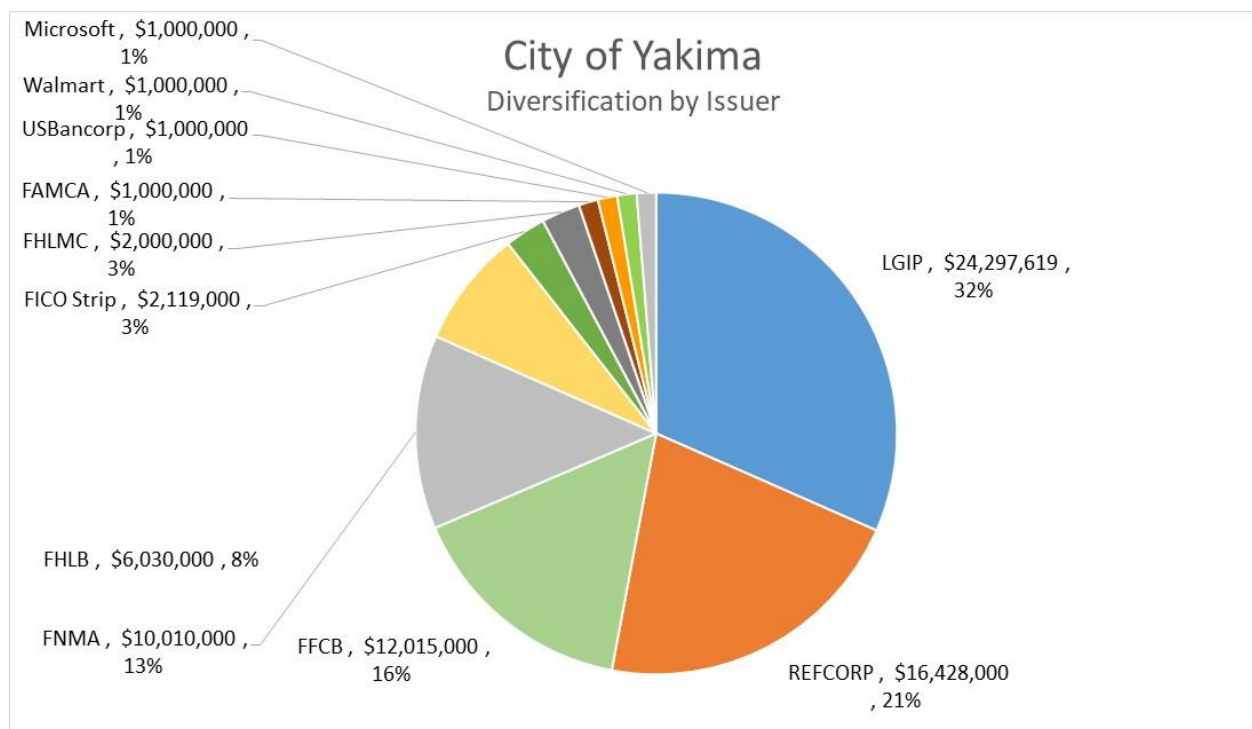
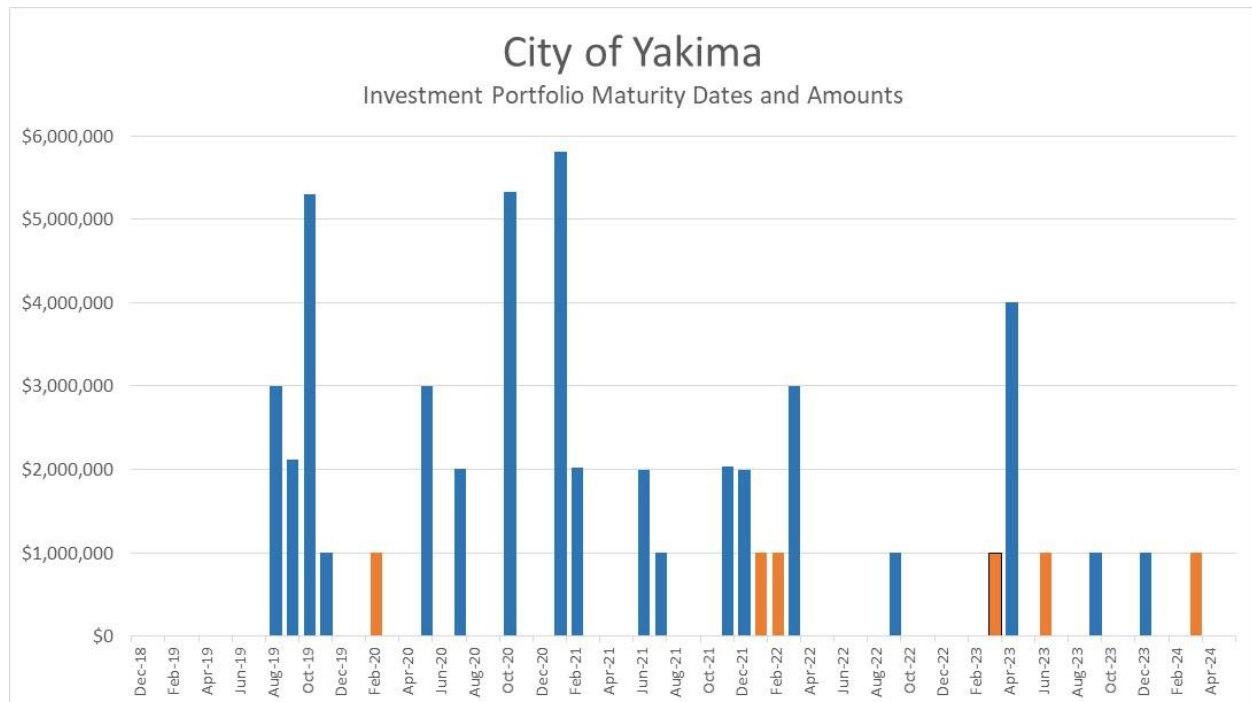
- \$1,000,000 FHLB (2.545% yield) to mature February 27, 2020
- \$1,000,000 Microsoft (2.511% yield) to mature February 6, 2022
- \$1,000,000 USBancorp (2.723% yield) to mature January 24, 2022
- \$1,000,000 FHLMC (2.720% yield) to mature March 27, 2023
- \$1,000,000 Walmart (2.732% yield) to mature June 26, 2023
- \$1,000,000 FHLMC (2.70% yield) to mature March 27, 2024

What these six investments accomplished:

1. Reduced our re-investment risk by splitting up two large maturities of \$6 million and \$5.2 million into six \$1 million maturity dates,
2. Improved our average yield, re-investing the funds that previously earned 1.57% into investments that yield 2.51% - 2.73%, and
3. Improved our diversification both by issuer and by maturity dates.

The summary page from the Investment Committee review of each transaction is attached.

Each investments is in full compliance with the City's Investment Policy, State Statues and City Municipal Code. Each transaction considered 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: March 8, 2019

**Investment # 2019-1510 is a 4-year Federal Home Loan Mortgage Corp (Freddie Mac or FHLMC) Agency new issue, S&P AA+, Fitch AAA, face value \$1,000,000, maturity date Mar 27, 2023, 2.720% coupon purchased at 100.00 to yield 2.720%.** This trade settles March 27, 2019 with Great Pacific Securities, US Bank Safekeeping. This investment is part of the replacement of a \$3,192,000 1.41% FICO medium term note that matured December 27, 2018.

**Liquidity:** current Key Bank checking account balance is \$4,238,770, target balance is \$3 Million. Current invested yield segment of portfolio is \$51,850,000; target balance of portfolio is \$60,000,000 for Treasuries and Agencies. Current LGIP available balance is \$24,793,757; target minimum is \$3,000,000.

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

**Yield.** Yield is 2.72%. This investment improves yield by 131 basis points over the investment it replaces and by 23 basis points over LGIP. Comparable yields are:

LGIP current 30-day yield	2.4898%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
3-yr. FFCB noncall (bullet)	2.5500%	Broker list
5-yr. FFCB 1 x call	2.8000%	Broker list
3- and 5-year Treasury	2.4900%	<a href="http://www.treasury.gov">www.treasury.gov</a>

The yield curve is currently extremely flat, with very little spread between 1-year and 5-year rates. The FOMC has signaled a willingness to slow on three rate increases expected for 2019 so rates are extremely uncertain at present. However, there is both very low unemployment and low inflation suggesting recession is unlikely.

**Callability.** This is a one-time callable investment (3/27/2020).

**Diversification.** This is the only piece held by this issuer and is 1.9% of total portfolio.

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

**Investment Committee review:**

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

Date 3/8/2019

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

Date 3/8/19





## Committee Review of Investment Rationale

Date: March 8, 2019

**Investment # 2019-1511 is a 1-year Federal Home Loan Bank (FHLB) Agency new issue, S&P AA+, Moody's Aaa, face value \$1,000,000, maturity date Feb 27, 2020, 2.150% coupon purchased at 99.64 to yield 2.545%.** This trade settles March 11, 2019 with Great Pacific Securities, US Bank Safekeeping. This investment is part of the replacement of a \$3,192,000 1.41% FICO medium term note that matured December 27, 2018.

**Liquidity:** current Key Bank checking account balance is \$4,238,770, target balance is \$3 Million. Current invested yield segment of portfolio is \$52,850,000; target balance of portfolio is \$60,000,000 for Treasuries and Agencies. Current LGIP available balance is \$24,793,757; 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 2.545%. This investment improves yield by 113 basis points over the investment it replaces and by 6 basis points over LGIP. Comparable yields are:

LGIP current 30-day yield	2.4898%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
3-yr. FFCB noncall (bullet)	2.5500%	Broker list
5-yr. FFCB 1 x call	2.8000%	Broker list
3- and 5-year Treasury	2.4900%	<a href="http://www.treasury.gov">www.treasury.gov</a>

The yield curve is currently extremely flat, with very little spread between 1-year and 5-year rates. The FOMC has signaled a willingness to slow on three rate increases expected for 2019 so rates are extremely uncertain at present. However, there is both very low unemployment and low inflation suggesting recession is unlikely.

**Callability.** This is a quarterly callable investment (5/14, 5/14, 8/14, 11/14).

**Diversification.** This purchase brings this issuer to 11.2% of total portfolio.

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

**Investment Committee review:**

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

Date

3/8/2019

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

Date

3/8/19



## Committee Review of Divestment Rationale

Date: March 12, 2019

Investment # 1497 is a 3-year Resolution Funding Corp (RFCSP) Agency face value \$5,248,000, maturity date July 15, 2020, purchased June 2017 to yield 1.548%. **This position is being divested to:**

- 1) **Increase Safety by reducing the city's 40% holding in one issuer to 34%**
- 2) **Increase Diversification by maturity date by reducing a \$7M spike maturing 7/2020, an large bet on reinvestment then**
- 3) **Increase Diversification by issuer by replacing with 5 different maturities**
- 4) **Increase Liquidity by replacing this zero-coupon investment with securities that receive bi-monthly coupon payments.**
- 5) **Increase Yield by allowing reinvestment at current market rates increasing yield by 1% or more in an environment that will allow reinvestment at 2.50-2.70%**

LGIP current 30-day yield	2.4898%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
3-yr. FFCB noncall (bullet)	2.5500%	Broker list
5-yr. FFCB 1 x call	2.8000%	Broker list
3- and 5-year Treasury	2.4900%	<a href="http://www.treasury.gov">www.treasury.gov</a>

## Investment Committee review:

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

Date 3/12/2019

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

Date 3/12/19





## Committee Review of Investment Rationale

Date: March 13, 2019

**Investment # 2019-1512 is a 3-year Microsoft (MSFT) Corporate, AAA/Aaa/AA+, face value \$1,000,000, maturity date Feb 6, 2022, 2.400% coupon purchased on the secondary market at 99.692 to yield 2.511%.** This trade settles March 15, 2019 with Great Pacific Securities, US Bank Safekeeping. This investment is part of the replacement of a \$5,248,000 1.31% Resolution Funding Corp medium term note divested March 13, 2019.

**Liquidity:** current Key Bank checking account balance is \$5,395,711, target balance is \$3 Million. US Bank checking balance is \$7,516,950. Current invested yield segment of portfolio is \$52,850,000; target balance of portfolio is \$60,000,000 for Treasuries and Agencies. Current LGIP available balance is \$24,793,757; target minimum is \$3,000,000.

**Safety:** This debt issue of Microsoft Corp is rated AAA/Aaa/AA+.

**Yield.** Yield is 2.511%. This investment improves yield by 120 basis points over the investment it replaces and by 2 basis points over LGIP. Comparable yields are:

LGIP current 30-day yield	2.4894%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
3-yr. FAMCA nc (bullet)	2.4760%	Broker list
5-yr. FHLMC 1 x call	2.7000%	Broker list
3- and 5-year Treasury	2.4900%	<a href="http://www.treasury.gov">www.treasury.gov</a>

The yield curve is currently extremely flat, with very little spread between 1-year and 5-year rates. The FOMC has signaled a willingness to slow on three rate increases expected for 2019 so rates are extremely uncertain at present. However, there is both very low unemployment and low inflation suggesting recession is unlikely.

**Callability.** This is a noncallable investment (bullet).

**Diversification.** This purchase is the only holding of this issuer, 1.32% of total portfolio.

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

**Investment Committee review:**Finance Director: Date 3/13/2019City Manager: Date 3/26/2019



## Committee Review of Investment Rationale

Date: March 13, 2019

**Investment # 2019-1513 is a 4-year WalMart (WMT) Corporate, AA2/Aa/AA, face value \$1,000,000, maturity date June 26, 2023, 3.400% coupon purchased on the secondary market at 102.680 to yield 2.7316%.** This trade settles March 15, 2019 with Great Pacific Securities, US Bank Safekeeping. This investment is part of the replacement of a \$5,248,000 1.31% Resolution Funding Corp medium term note divested March 13, 2019.

**Liquidity:** current Key Bank checking account balance is \$5,395,711, target balance is \$3 Million. US Bank checking balance is \$7,516,950. Current invested yield segment of portfolio is \$50,602,000; target balance of portfolio is \$60,000,000 for Treasuries and Agencies. Current LGIP available balance is \$24,793,757; target minimum is \$3,000,000.

**Safety:** This debt issue of Walmart Inc. is rated AA/Aa2/AA.

**Yield.** Yield is 2.7316%. This investment improves yield by 142 basis points over the investment it replaces and by 24 basis points over LGIP. Comparable yields are:

LGIP current 30-day yield	2.4894%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
3-yr. FAMCA nc (bullet)	2.4760%	Broker list
5-yr. FHLMC 1 x call	2.7000%	Broker list
5-year Treasury	2.5000%	<a href="http://www.treasury.gov">www.treasury.gov</a>

The yield curve is currently extremely flat, with very little spread between 1-year and 5-year rates. The FOMC has signaled a willingness to slow on three rate increases expected for 2019 so rates are extremely uncertain at present. However, there is both very low unemployment and low inflation suggesting recession is unlikely.

**Callability.** This is a noncallable investment (bullet).

**Diversification.** This purchase is the only holding of this issuer, 1.32% of total portfolio.

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

**Investment Committee review:**

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

Date

3/13/2019

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

Date

3/26/2019





## Committee Review of Investment Rationale

Date: March 14, 2019

**Investment # 2019-1514 is a 5-year Federal Home Loan Mortgage Corp (Freddie Mac or FHLMC) Agency new issue, S&P AA+, Fitch AAA, face value \$1,000,000, maturity date Mar 27, 2024, 2.700% coupon purchased at 100.00 to yield 2.700%. This trade settles March 27, 2019 with Great Pacific Securities, US Bank Safekeeping. This investment is part of the replacement of a \$3,192,000 1.41% FICO medium term note that matured December 27, 2018.**

**Liquidity:** current Key Bank checking account balance is \$5,065,845, target balance is \$3 Million. US Bank checking balance is \$7,524,218. Current invested yield segment of portfolio is \$51,602,000; target balance of portfolio is \$60,000,000 for Treasuries and Agencies. Current LGIP available balance is \$24,793,757; target minimum is \$3,000,000.

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

**Yield.** Yield is 2.70%. This investment improves yield by 129 basis points over the investment it replaces and by 21 basis points over LGIP. Comparable yields are:

LGIP current 30-day yield	2.4898%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
3-yr. FFCB noncall (bullet)	2.5500%	Broker list
5-yr. FFCB 1 x call	2.8000%	Broker list
5-year Treasury	2.4200%	<a href="http://www.treasury.gov">www.treasury.gov</a>

The yield curve is currently extremely flat, with very little spread between 1-year and 5-year rates. The FOMC has signaled a willingness to slow on three rate increases expected for 2019 so rates are extremely uncertain at present. However, there is both very low unemployment and low inflation suggesting recession is unlikely.

**Callability.** This is a one-time callable investment (3/27/2020).

**Diversification.** This purchase brings this issuer to 1.9% of total portfolio.

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

**Investment Committee review:**

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

Date

3/14/2019

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

Date

3/26/2019





## Committee Review of Investment Rationale

Date: March 14, 2019

**Investment # 2019-1515 is a 2-year USBancorp (USB) Corporate, AA-/A+/A1, face value \$1,000,000, maturity date January 24, 2022, 2.625% coupon purchased on the secondary market at 99.730 to yield 2.723%.** This trade settles March 18, 2019 with Great Pacific Securities, US Bank Safekeeping. This investment is part of the replacement of a \$5,248,000 1.31% Resolution Funding Corp medium term note divested March 13, 2019.

**Liquidity:** current Key Bank checking account balance is \$5,395,711, target balance is \$3 Million. US Bank checking balance is \$7,516,950. Current invested yield segment of portfolio is \$52,602,000; target balance of portfolio is \$60,000,000 for Treasuries and Agencies. Current LGIP available balance is \$24,793,757; target minimum is \$3,000,000.

**Safety:** This debt issue of USBancorp Inc. is rated AA-/A+/A1.

**Yield.** Yield is 2.7234%. This investment improves yield by 146 basis points over the investment it replaces and by 24 basis points over LGIP. Comparable yields are:

LGIP current 30-day yield	2.4894%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
2-yr. FFCB nc (bullet)	2.5500%	Broker list
2-yr. FHLMC 1 x call	2.7000%	Broker list
2-year Treasury	2.4500%	<a href="http://www.treasury.gov">www.treasury.gov</a>

The yield curve is currently extremely flat, with very little spread between 1-year and 5-year rates. The FOMC has signaled a willingness to slow on rate increases expected for 2019 so rates are extremely uncertain at present. However, there is both very low unemployment and low inflation suggesting recession is unlikely.

**Callability.** This is a 1X callable investment (12/23/2021).

**Diversification.** This purchase is the only holding of this issuer, 1.32% of total portfolio.

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

**Investment Committee review:**

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

Date 3/14/2019

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

Date 3/26/2019