



Date: April 2, 2019

To: Mayor and City Council
Cliff Moore, City Manager

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

Re: 2019 – 1st Quarter Treasury Report

The City's investment activities are governed by State regulations and the City of Yakima's Investment Policy. The city's updated investment policy was updated and approved by City Council on March 5, 2019. All investments are in full compliance with the City's Investment Policy, State Statutes and City Municipal Code.

The City of Yakima holds between \$70 million and \$93 million in cash and investments, varying seasonally. Total Cash and Investments at Quarter-end total \$89.7 million: \$10.6 million in depository banks, \$26.4 million in the State Pool, and \$52.6 million invested.

The City's Investment Portfolio

Calls or Maturities. During last quarter no investments matured. Increasingly, replacing larger pieces with increments of \$1,000,000 per maturity date will begin to smooth out reinvestment risk resulting in one maturity per month.

Divestitures. During last quarter, one security was sold (to increase safety by reducing the large % of one issuer replacing with 5 issuers in \$1M pieces, to increase liquidity by replacing a zero-coupon security with more traditional coupon bonds, and to increase diversification by maturity date and reduce the interest rate risk of having \$7M mature in one month):

- \$5,248,000 RFCSP (1.574% yield) maturity July 15, 2020

Purchases. The City's Investment Portfolio increased by the following purchases:

- \$1,000,000 FHLB (2.15% yield) to mature February 27, 2020
- \$1,000,000 USB (2.723% yield) to mature January 24, 2022
- \$1,000,000 MSFT (2.575% yield) to mature February 26, 2022
- \$1,000,000 FHLMC (2.72% yield) to mature March 27, 2023
- \$1,000,000 WMT (2.730% yield) to mature June 26, 2023
- \$1,000,000 FHLMC (2.700% yield) to mature March 2024

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.

Current Rates. As of March 31, 2019, the yield curve is slightly inverted, due to market uncertainty; the difference between the 1-month Treasury at 2.43% and the 5-year Treasury at 2.31% is a mere 8 basis points. The 30-day yield of the State Pool was at 2.499%.

Economic Outlook. The Federal Reserve has raised the rate 25 basis points four times since late 2015. In 2018 the Feds raised the rate 4 times to 2.25%, the highest it has been since October of 2008, but has since signaled there will be no further rate increases during 2019. As of this printing, the bond market has been experiencing a slight erosion of rates.

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.

Debt Activity

All debt payments were paid out as scheduled. A comprehensive city-wide debt report is part of the annual Budget document and is available online 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.

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

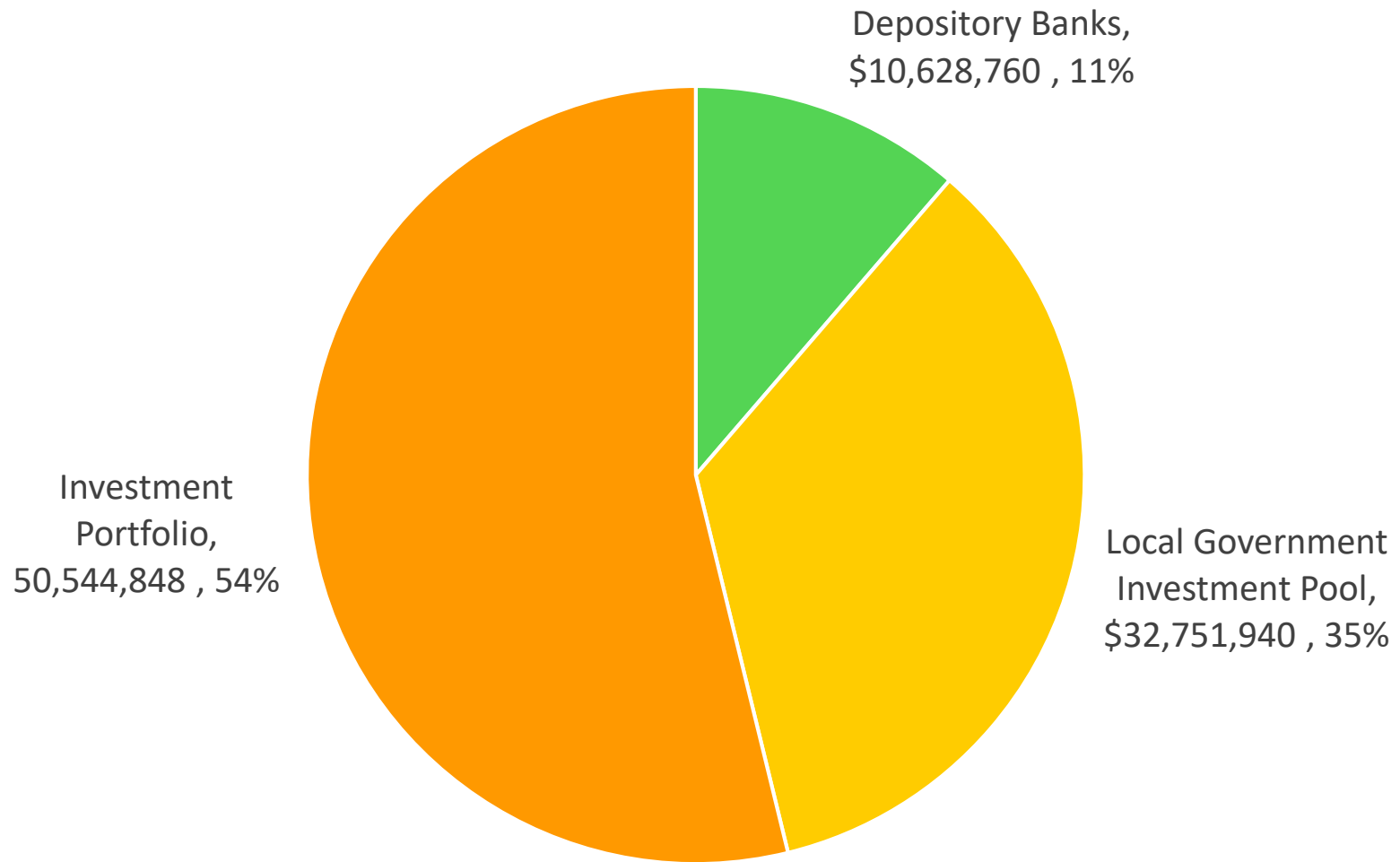
City of Yakima
Cash and Investment Summary
March 31, 2019

Description	Current 3/31/2019	Prior Quarter 12/31/2018	Prior Year 3/31/2018
Cash Balances on Hand in Banks	\$ 10,628,760	\$ 9,297,534	\$ 13,566,399
Local Government Investment Pool (LGIP)	26,428,425	32,751,940	7,221,253
Investment Portfolio	52,602,000	50,544,848	51,348,000
Other Investments	-	-	458,247
Total Investments	79,030,425	83,296,788	59,027,500
Total Cash and Investments	\$ 89,659,185	\$ 92,594,322	\$ 72,593,899

Summary of Investment Activity	Beg Balance 12/31/2018	Purchases & Deposits	Interest Reinvested	Maturities, Calls & Withdrawals	End Balance 3/31/2019
Local Government Investment Pool (LGIP)	\$ 32,751,940	\$ -	\$ 176,485	\$ (6,500,000)	\$ 26,428,425
Investment Portfolio	51,850,000	6,000,000	-	(5,248,000)	52,602,000
Other Investments	-	-	-	-	-
Total Investments	\$ 84,601,940	\$ 6,000,000	\$ 176,485	\$ (11,748,000)	\$ 79,030,425

City of Yakima

Distribution of Cash and Investments as of 3/31/2019

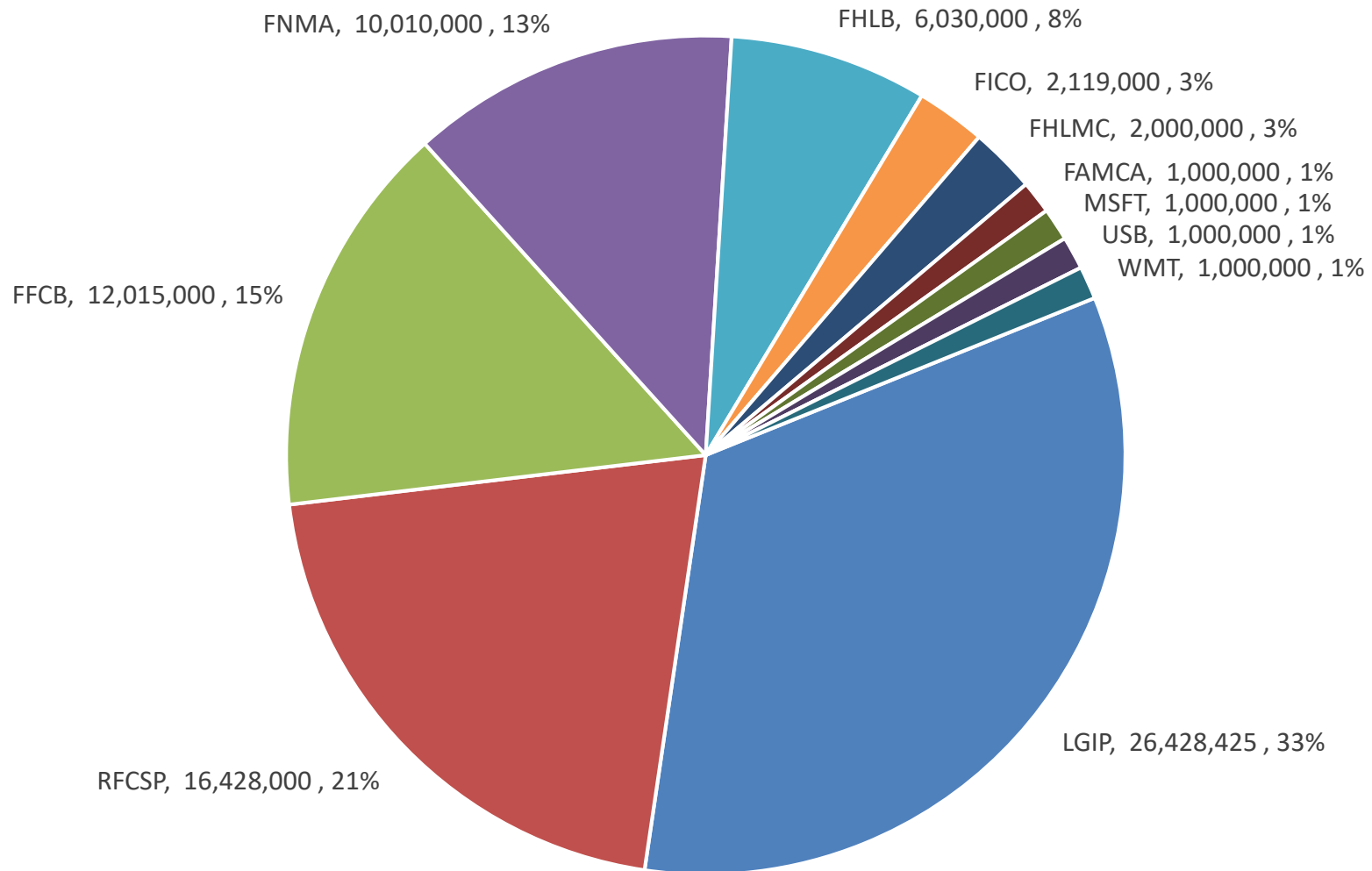


City of Yakima
Investment Portfolio - Inventory by Agency
March 31, 2019

Agency	Inv#	CUSIP	Face Value	Price	Coupon	Expected Yield	Settle	Maturity	Days to Maturity	Market	Call Type	Moodys	S&P	Fitch
FFCB	1489	3133EGAW5	3,000,000	2,996,247	1.250	1.290	6/3/16	8/19/19	141	2,987,175	Amer	Aaa	AA+	AAA
FICO	1485	31771KAA5	2,119,000	1,999,702	1.460	1.460	10/2/15	9/26/19	179	2,092,743	NC	Aaa	AA+	AA+
RFCSP	1503	76116FAA5	3,139,000	3,037,265	1.990	1.990	02/14/18	10/15/19	198	3,096,928	NC	Aaa	AA+	AAA
RFCSP	1505	76116FAA5	2,160,000	2,099,535	2.479	2.479	08/17/18	10/15/19	198	2,131,050	NC	Aaa	AA+	AAA
FHLB	1506	3130AA3R7	1,000,000	988,149	1.375	2.680	12/10/18	11/15/19	229	993,714	Amer	Aaa	AA+	AA+
FHLB	1511	3130ADMS8	1,000,000	996,400	2.150	2.545	3/11/19	2/14/20	320	997,120	Qtry	Aaa	AA+	AA+
FNMA	1488	3136G3QK4	3,000,000	2,999,970	1.500	1.500	6/3/16	5/22/20	418	2,969,433	Qrty	Aaa	AA+	AAA
FNMA	1494	3136G4GK3	2,010,000	1,995,172	1.350	1.560	12/14/16	7/28/20	485	1,984,459	Qrty	Aaa	AA+	AAA
RFCSP	1493	76116FAE7	3,203,000	2,999,859	1.716	1.716	12/14/16	10/15/20	564	3,088,121	NC	Aaa	AA+	AAA
RFCSP	1502	76116FAE7	2,122,000	1,999,174	2.250	2.250	02/14/18	10/15/20	564	2,045,892	NC	Aaa	AA+	AAA
RFCSP	1495	76116FAG2	2,137,000	1,995,637	1.821	1.821	04/06/17	1/15/21	656	2,046,560	NC	Aaa	AA+	AAA
RFCSP	1499	76116FAG2	1,000,000	945,156	1.730	1.730	10/06/17	1/15/21	656	957,679	NC	Aaa	AA+	AAA
RFCSP	1500	76116FAG2	2,667,000	2,499,062	2.200	2.200	01/25/18	1/15/21	656	2,554,130	NC	Aaa	AA+	AAA
FFCB	1496	3133EGRN7	2,015,000	1,994,713	1.470	1.740	4/6/17	2/17/21	689	1,984,382	1C-NC	Aaa	AA+	AAA
FNMA	1490	3136G3SJ5	2,000,000	1,995,048	1.500	1.552	6/30/16	6/30/21	822	1,967,142	Qrty	Aaa	AA+	AAA
FNMA	1501	3136G4RD7	1,000,000	997,351	2.300	2.380	2/14/18	7/30/21	852	999,972	Qrty	Aaa	AA+	AAA
FHLB	1492	3130A9Z61	2,030,000	1,994,020	1.500	1.880	12/14/16	11/9/21	954	1,985,575	Amer	Aaa	AA+	AA+
FNMA	1491	3136G3SW6	2,000,000	1,997,896	1.500	1.520	6/30/16	12/30/21	1,005	1,959,800	Qrty	Aaa	AA+	AAA
USB	1515	91159HHP8	1,000,000	997,300	2.625	2.723	3/18/19	1/24/22	1,030	1,001,234	1C-NC	A1	A+	AA-
MSFT	1512	594918BW3	1,000,000	996,920	2.400	2.575	3/15/19	2/6/22	1,043	1,000,055	NC	Aaa	AAA	AA+
FFCB	1498	3133EHYQ0	3,000,000	2,993,640	1.950	2.000	10/6/17	3/14/22	1,079	2,974,251	Amer	Aaa	AA+	AAA
FHLB	1509	313383WD9	1,000,000	1,013,146	3.125	2.750	12/19/18	9/9/22	1,258	1,028,645	Amer	Aaa	AA+	AA+
FHLMC	1510	3134GS6F7	1,000,000	1,000,000	2.720	2.720	3/27/19	3/27/23	1,457	1,002,058	1C-NC	Aaa	AA+	AAA
FFCB	1504	3133EJKK4	4,000,000	3,990,400	2.970	3.023	6/14/18	4/10/23	1,471	4,000,372	Amer	Aaa	AA+	AAA
WMT	1513	931142EK5	1,000,000	1,026,800	3.400	2.730	3/15/19	6/26/23	1,548	1,032,206	NC	Aa2	AA	AA
FAMCA	1508	3132X06C0	1,000,000	1,010,972	3.050	2.801	12/19/18	9/19/23	1,633	1,030,479	NC	Aaa	AA+	AAA
FHLB	1507	3130AFK87	1,000,000	1,003,225	3.100	2.933	12/28/18	12/28/23	1,733	1,008,773	Amer	Aaa	AA+	AA+
FHLMC	1514	3134GS6W0	1,000,000	1,000,000	2.700	2.700	3/27/19	3/27/24	1,823	1,002,100	1C-NC	Aaa	AA+	AAA
Subtotal			52,602,000	51,562,761						51,922,049				
LGIP	LGIP	NA	26,428,425	26,428,425	2.499	2.499	NA	NA	1	26,428,425	NC			
Grand Totals			\$79,030,425	\$77,991,186		2.18%			505	\$78,350,474				

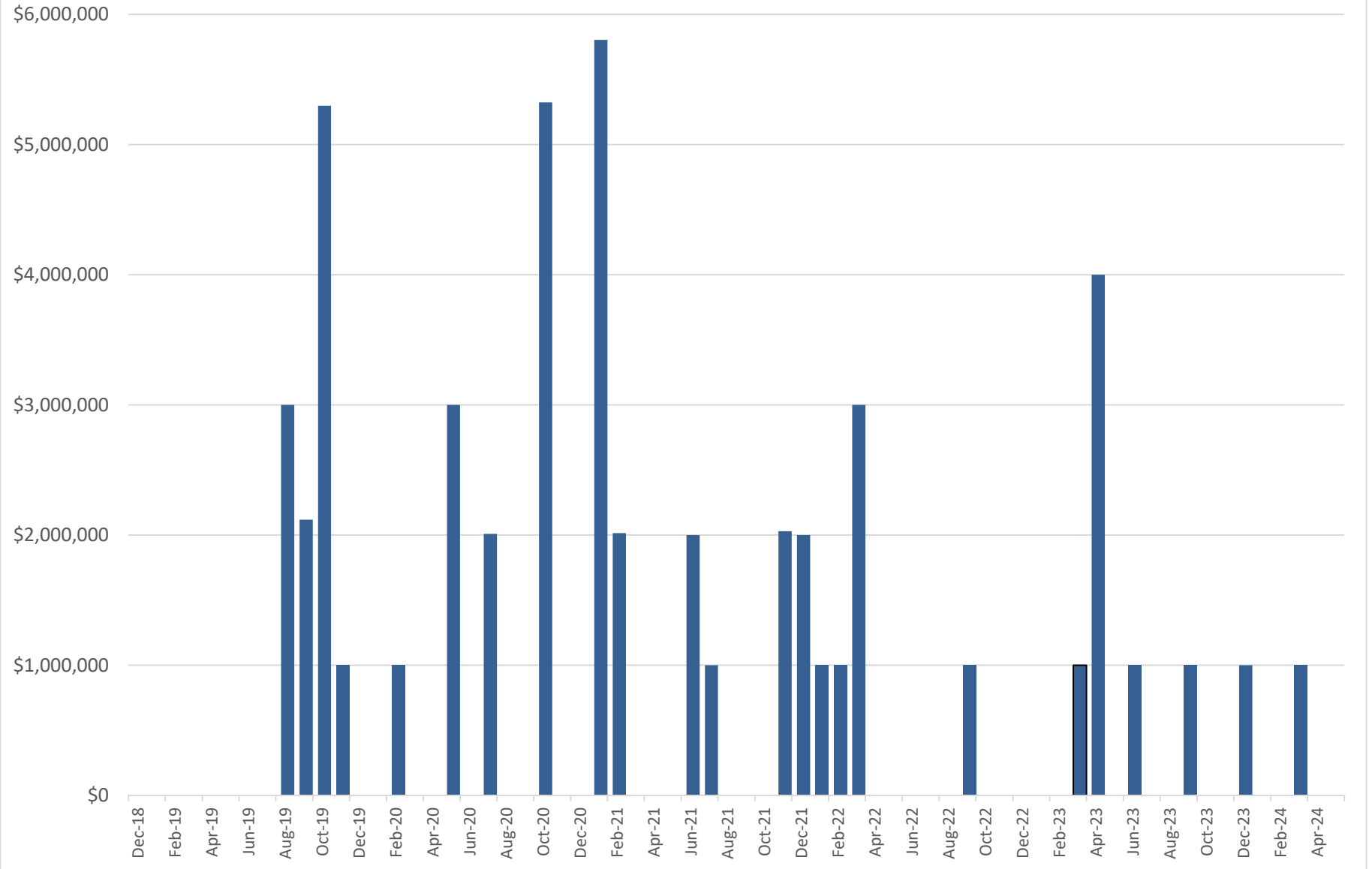
City of Yakima

Investment Portfolio by Issuer at 3/31/2019



City of Yakima

Investment Portfolio Maturity Distribution



City of Yakima
Investment Portfolio - Detail of Activity
March 31, 2019

Agency	Inv#	Beginning Face Value	Additions and Purchases	Calls and Maturities	Ending Face Value
Farmer Mac					
FAMCA	1508	1,000,000	-	-	1,000,000
FAMCA Total		1,000,000	-	-	1,000,000
Federal Farm Credit Bureau					
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
FFCB Total		12,015,000	-	-	12,015,000
Federal Home Loan Bank					
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
FHLB	1511	-	1,000,000	-	1,000,000
FHLB Total		5,030,000	1,000,000	-	6,030,000
Resolution Funding Corporation					
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
RFCSP Total		21,676,000	-	(5,248,000)	16,428,000
Federal Home Loan Mortgage Corporation					
FHLMC	1510	-	1,000,000	-	1,000,000
FHLMC	1514	-	1,000,000	-	1,000,000
FHLMC Total		-	2,000,000	-	2,000,000
Federal National Management Association					
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
FNMA Total		10,010,000	-	-	10,010,000
Financing Corporation					
FICO	1485	2,119,000	-	-	2,119,000
FICO Total		2,119,000	-	-	2,119,000
Corporate Notes					
MSFT	1512	-	1,000,000	-	1,000,000
WMT	1513	-	1,000,000	-	1,000,000
USB	1514	-	1,000,000	-	1,000,000
FICO Total		-	3,000,000	-	3,000,000
Subtotal		51,850,000	6,000,000	(5,248,000)	52,602,000
Other Investments		-	-	-	-
LGIP (State Pool)	LGIP	32,751,940	176,485	(6,500,000)	26,428,425
Other Investment Totals		32,751,940	176,485	(6,500,000)	26,428,425
Grand Totals		\$ 84,601,940	\$ 6,176,485	\$ (11,748,000)	\$ 79,030,425

City of Yakima
Bonded Debt Schedule - by Project Group
March 31, 2019

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

City of Yakima
Interfund Borrowing
 March 31, 2019

Description	Original Balance	Beginning Balance	Issued	Retired	Ending Balance	
Local Improvement District Bonds/Notes	\$ 1,432,509	\$ 99,643	\$ -	\$ 15,833	\$ 83,810	Equipment Rental Reserve
Fund 153 - Public Safety Communications	450,000	300,000	-	-	300,000	Equipment Rental Reserve
Fund 332 - Fire Capital	640,000	-	-	-	-	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. 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. The first loan was refinanced through the General Fund in January and a second loan of \$460,000 was added in August, then extinguished in December 2018 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.