



DATE: May 1, 2019

TO: Mayor and City Council
Cliff Moore, City Manager

FROM: Steve Groom, Finance Director

RE: April 2019 Investment Transactions

The investment transactions for the month of April were:

Called:

- \$4,000,000 FFCB (2.970% yield) called on April 10, 2019

Maturities: none

Purchased:

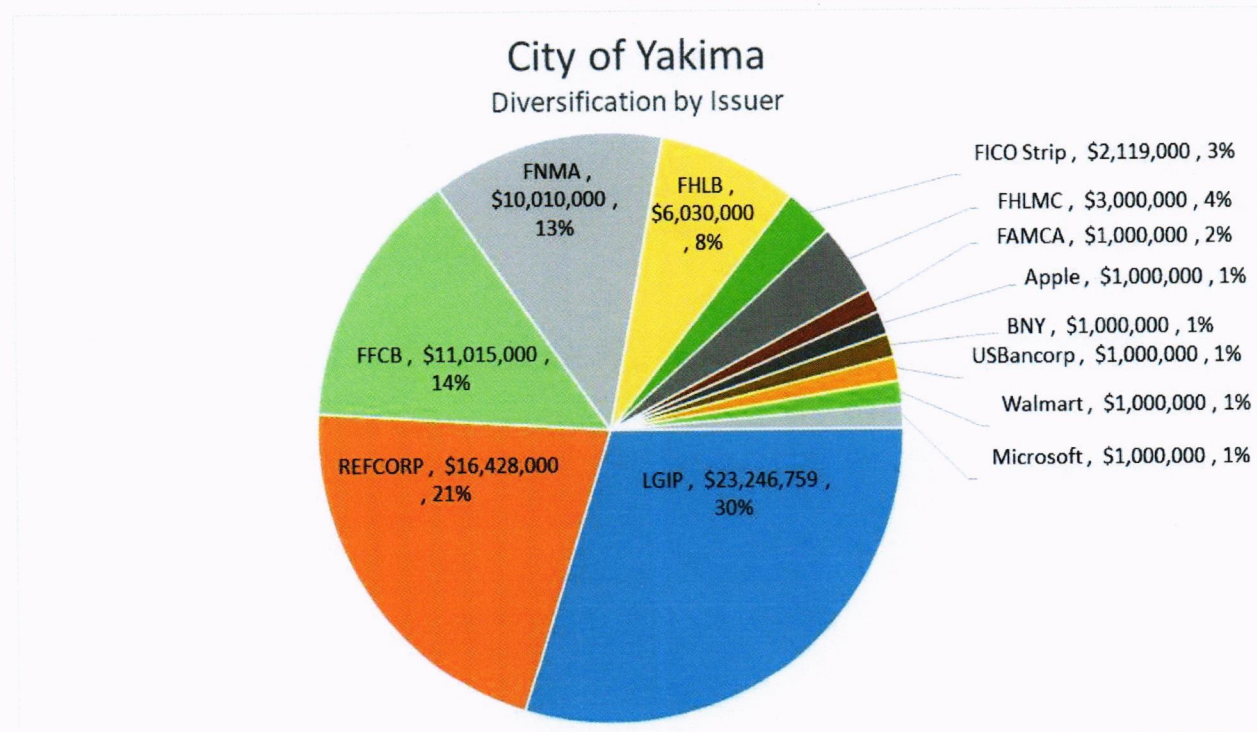
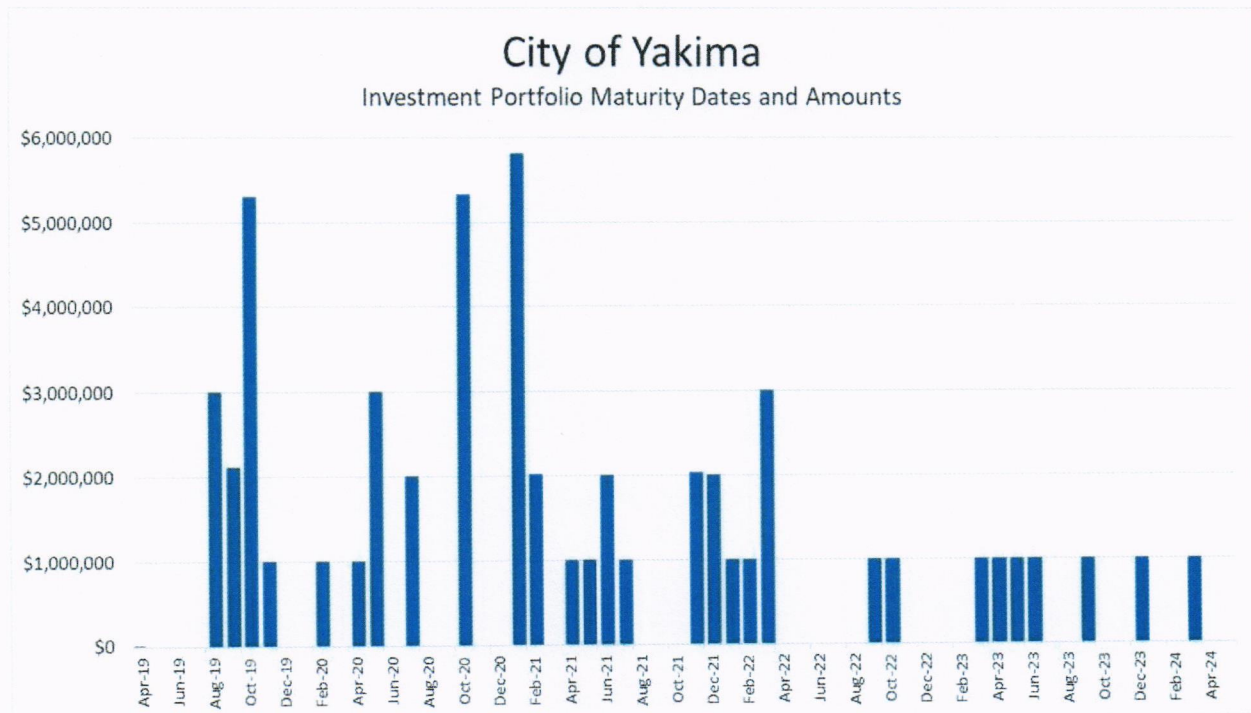
- \$1,000,000 AAPL (2.634% yield) to mature May 3, 2023
- \$1,000,000 FHLMC (2.550% yield) to mature April 10, 2023
- \$1,000,000 FFCB (2.375% yield) to mature April 15, 2021
- \$1,000,000 FFCB (2.406% yield) to mature October 18, 2022
- \$1,000,000 FFCB (2.400% yield) to mature April 29, 2020
- \$1,000,000 BNY (2.574% yield) to mature May 3, 2021

What these six investments accomplished:

1. Replaced the last piece of the \$5.2 million investment sold in March, completely replaced the \$4.0 million investment called in April, and invested \$1 million to reduce the large LGIP State Pool balance.
2. Protected our average yield, in an eroding yield environment,
3. Improved our diversification both by issuer and by maturity date by re-investing into \$1 million per maturity date.

The summary page from the Investment Committee review of each transaction is attached and articulates the rationale for each purchase at the time it was made. Each investment is in full compliance with the City's Investment Policy, State Statutes 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.

This monthly report of all investment transactions 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").





Committee Review of Investment Rationale

Date: April 4, 2019

Investment # 2019-1516 is a 4-year Apple Inc. (AAPL) Corporate, Aa1/AA+, face value \$1,000,000, maturity date May 3, 2023, 2.400% coupon purchased on the secondary market at 99.100 to yield 2.634%. This trade settles April 8, 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 note divested March 13, 2019.

Liquidity: current Key Bank checking account balance is \$4,436,049, target balance is \$3 Million. US Bank checking balance is \$1,069,253. Current invested yield segment of portfolio is now \$53,602,000; target balance of portfolio is \$60,000,000 for Treasuries and Agencies. Current LGIP available balance is \$23,246,759; target minimum is \$3,000,000.

Safety: This debt issue of Apple Inc. is rated Aa1/AA+ by Moody's/S&P.

Yield. Yield is 2.6344%. This investment improves yield by 132 basis points over the investment it replaces and by 12 basis points over LGIP. Comparable yields are:

LGIP current 30-day yield	2.5050%	www.secureaccess.wa.gov
3-year Treasury	2.2900%	www.treasury.gov
5-year Treasury	2.3200%	www.treasury.gov

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.

Callability. This is a noncallable investment (bullet). Part of the rationale for this investment anticipates \$4M FFCB maturity date April 2023 being called later this month; this maturity date partially helps to fill in that quarter in the maturity ladder.

Diversification. This purchase is the only holding of this issuer, 1.3% of total portfolio.

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

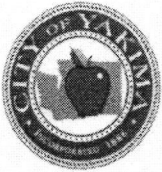
Investment Committee review:

Finance Director: _____

Date 4/4/2019

City Manager: _____

Date 4/23/2019



Committee Review of Investment Rationale

Date: April 5, 2019

Investment # 2019-1517 is a 4-year Federal Home Loan Mortgage Corp (Freddie Mac or FHLMC) Agency new issue, face value \$1,000,000, maturity date April 10, 2023, 2.550% coupon purchased at 100.00 to yield 2.550%. This trade settles April 10, 2019 with Great Pacific Securities, US Bank Safekeeping. This investment is part of the replacement of a \$4,000,000 2.7% FFCB medium term note purchased June 14, 2018 but being called April 10, 2019.

Liquidity: current Key Bank checking account balance is \$4,346,049, target balance is \$3 Million. US Bank checking balance is \$1,069,253. Current invested yield segment of portfolio is now \$50,602,000; target balance of portfolio is \$60,000,000 for Treasuries and Agencies. Current LGIP balance is \$23,246,759; target minimum is \$3,000,000.

Safety: This purchase is a debt issue of FHLMC, one of the Federal Agencies that carries an implicit Aaa/AA+/AAA rating by the Federal Government.

Yield. Yield is 2.55%. This investment loses yield by 42 basis points over the investment it replaces but is 5 basis points over LGIP. Comparable yields are:

LGIP current 30-day yield	2.5024%	www.secureaccess.wa.gov
3-yr. FFCB noncall (bullet)	2.5500%	Broker list
5-yr. corporates 1 x call	2.7000%	Broker list
5-year Treasury	2.4200%	www.treasury.gov

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 (4/10/2020).

Diversification. This purchase brings this issuer to 4.1% of total portfolio. This purchase adds a maturity date previously not covered to city's ladder portfolio.

Investment Committee review:

Finance Director: _____

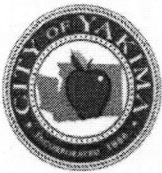
Date

4/5/2019

City Manager: _____

Date

4/23/19



Committee Review of Investment Rationale

Date: April 9, 2019

Investment # 2019-1518 is a 2-year Federal Farm Credit Bank (FFCB) Agency new issue, face value \$1,000,000, maturity date April 15, 2021, 2.375% coupon purchased at 100.00 to yield 2.375%. This trade settles April 15, 2019 with Great Pacific Securities, US Bank Safekeeping. This investment is part of the replacement of a \$4,000,000 2.7% FFCB medium term note purchased June 14, 2018 but being called April 10, 2019.

Liquidity: current Key Bank checking account balance is \$4,809,140, target balance is \$3 Million. US Bank checking balance is \$2,895,238. Current invested yield segment of portfolio is now \$51,602,000; target balance of portfolio is \$60,000,000 for Treasuries and Agencies. Current LGIP balance is \$23,246,759; target minimum is \$3,000,000.

Safety: This purchase is a debt issue of FFCB, one of the Federal Agencies that carries an implicit Aaa/AA+/AAA rating by the Federal Government.

Yield. Yield is 2.375%. This investment loses yield by 33 basis points over the investment it replaces but is 5 basis points over LGIP. Comparable yields are:

LGIP current 30-day yield	2.5024%	www.secureaccess.wa.gov
3-yr. FFCB noncall (bullet)	2.3500%	Broker list
2-year Treasury	2.3600%	www.treasury.gov

The yield curve is currently extremely flat, with very little spread between 1-year and 5-year rates. The yield curve has been dropping slowly and steadily over past weeks; this investment seeks to protect yield in an eroding yield or uncertain environment.

Callability. This is a non-callable investment (bullet). This investment seeks to improve certainty, predictability of the portfolio by reducing overall callability.

Diversification. This purchase brings this issuer to 12.0% of total portfolio. This purchase adds a maturity date previously not covered to city's laddered portfolio.

Investment Committee review:

Finance Director: _____

Date _____

4/9/2019

City Manager: _____

Date _____

4/23/19



Committee Review of Investment Rationale

Date: April 17, 2019

Investment # 2019-1519 is a 3½ -year Federal Farm Credit Bank (FFCB) Agency new issue, face value \$1,000,000, maturity date October 18, 2022, 2.330% coupon purchased at 99.745 to yield 2.406%. This trade settles April 18, 2019 with Great Pacific Securities, US Bank Safekeeping. This investment is part of the replacement of a \$4,000,000 2.7% FFCB medium term note purchased June 14, 2018, called April 10, 2019.

Liquidity: current Key Bank checking account balance is \$5,986,083, target balance is \$3 Million. US Bank checking balance is \$5,214,412. Current invested yield segment of portfolio is now \$52,602,000; target balance of portfolio is \$60,000,000 for Treasuries and Agencies. Current LGIP balance is \$23,246,759; target minimum is \$3,000,000.

Safety: This purchase is a debt issue of FFCB, one of the Federal Agencies that carries an implicit Aaa/AA+ rating by Moody's and S&P.

Yield. Yield is 2.406%. This investment loses yield by 29 basis points over the investment it replaces but is 5 basis points over LGIP. Comparable yields are:

LGIP current 30-day yield	2.5062%	www.secureaccess.wa.gov
4-yr. FHLMC 1xcall	2.6010%	Broker list
3-year Treasury	2.3800%	www.treasury.gov

The yield curve is currently extremely flat, with very little spread between 1-year and 5-year rates. The yield curve has been dropping slowly and steadily over past weeks; **this investment seeks to protect yield in an eroding yield or uncertain environment.**

Callability. This is a non-callable investment (bullet). This investment seeks to improve certainty, predictability of the portfolio by reducing overall callability.

Diversification. This purchase brings this issuer to 13.2% of total portfolio. This purchase adds a maturity date previously not covered to city's laddered portfolio.

Investment Committee review:

Finance Director: _____

Date 4/17/2019

City Manager: _____

Date 4/23/19



Committee Review of Investment Rationale

Date: April 23, 2019

Investment # 2019-1520 is a 1 -year Federal Farm Credit Bank (FFCB) Agency new issue, face value \$1,000,000, maturity date April 29, 2020, 2.400% coupon purchased at 100.000 to yield 2.400%. This trade settles April 29, 2019 with Great Pacific Securities, US Bank Safekeeping. This investment is part of the replacement of a \$4,000,000 2.97% FFCB medium term note purchased June 14, 2018, called April 10, 2019.

Liquidity: current Key Bank checking account balance is \$6,600,533, target is \$3 Million. US Bank checking balance is \$4,194,490. Current invested yield segment of portfolio is now \$53,602,000; target is \$60,000,000 for Treasuries, Corporates and Agencies. Current LGIP balance is \$19,246,759; target minimum is \$3,000,000.

Safety: This purchase is a debt issue of FFCB, one of the Federal Agencies that carries an implicit Aaa/AA+ rating by Moody's and S&P.

Yield. Yield is 2.400%. This investment loses yield by 57 basis points over the investment it replaces and is 3 basis points under LGIP. Comparable yields are:

LGIP current 30-day yield	2.5037%	www.secureaccess.wa.gov
1-year Treasury	2.4300%	www.treasury.gov

The yield curve is currently extremely flat, with very little spread between 1-year and 5-year rates. The yield curve has been dropping slowly and steadily over past weeks; **this investment seeks to protect yield in an eroding yield or uncertain environment.**

Callability. This is a non-callable investment (bullet). This investment seeks to improve certainty, predictability of the portfolio by reducing overall callability.

Diversification. This purchase brings this issuer to 14.3% of total portfolio. This purchase adds a maturity date previously not covered to city's laddered portfolio.

Investment Committee review:

Finance Director: _____

Date 5/1/19

City Manager: _____

Date 5/1/19



Committee Review of Investment Rationale

Date: April 26, 2019

Investment # 2019-1521 is a 2 -year Bank of New York (BNY) Corporate, face value \$1,000,000, maturity date May 29, 2021, 2.400% coupon purchased at 98.980 to yield 2.574%. This trade settles April 30, 2019 with Great Pacific Securities, US Bank Safekeeping. This investment is the first of three to reduce the city's position in the State Treasurer's Local Government Investment Pool.

Liquidity: current Key Bank checking account balance is \$6,170,493, target is \$3 Million. US Bank checking balance is \$4,273,681. Current invested yield segment of portfolio is now \$54,602,000; target is \$60,000,000 for Treasuries, Corporates and Agencies. Current LGIP balance is \$19,246,759; target minimum is \$3,000,000.

Safety: This purchase is a debt issue of Bank of New York Mellon, that carries an A1/A/AA- rating by Moody's, S&P and Fitch.

Yield. Yield is 2.574%. This investment gains yield by 7 basis points over the investment it replaces, 7 basis points over LGIP. This investment seeks to protect yield in an eroding yield or uncertain environment. Comparable yields are:

LGIP current 30-day yield	2.5037%	www.secureaccess.wa.gov
2-year Treasury	2.2800%	www.treasury.gov

The yield curve is currently extremely flat, with very little spread between 1-year and 5-year rates. The yield curve has been dropping slowly and steadily over past weeks.

Callability. This is a non-callable investment (bullet). This investment seeks to improve certainty, predictability of the portfolio by reducing overall callability.

Diversification. This purchase is the only holding of this issuer, 1.3% of total portfolio; This purchase also adds a new maturity date to the city's laddered portfolio.

Investment Committee review:Finance Director: Date 5/1/19City Manager: Date 5/1/19