



DATE: June 11, 2019

TO: Mayor and City Council  
Cliff Moore, City Manager

FROM: Steve Groom, Finance Director

RE: May 2019 Investment Transactions

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The investment transactions for the month of May were:

Matured/Sold/Called: none

Purchased:

- \$1,000,000 FAMCA (2.350% yield) to mature June 1, 2022
- \$1,000,000 FFCB (2.281% yield) to mature May 16, 2022

What these two investments accomplished:

1. Reduced the LGIP State Pool balance which is subject to fluctuating rates due to its short average maturity.
2. Protected our average yield, in an eroding yield environment,
3. Improved our diversification by maturity date by re-investing \$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 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.

*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: May 3, 2019

**Investment # 2019-1522 is a 3-year Federal Agricultural Mortgage Corporation (FAMCA / Farmer Mac) Agency new issue, face value \$1,000,000, maturing June 1, 2022, 2.350% coupon purchased at 100.000 to yield 2.350%.** This trade settles May 9, 2019 with Great Pacific Securities, US Bank Safekeeping. *This investment is the second 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 \$7,591,493, target is \$3 Million. US Bank checking balance is \$3,928,953. 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 FAMCA, one of the Federal Agencies that carries an implicit Federal guarantee, equivalent to Aaa/AA+ rating by Moody's and S&P.


**Yield.** Yield is 2.350%. This investment loses yield by 15 basis points over the investment it replaces, 15 basis points under LGIP, seeking to protect yield in an eroding yield or uncertain environment. Comparable yields are:

LGIP current 30-day yield	2.5016%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
3-year Treasury	2.3200%	<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 yield curve has been wavering, dropping slowly over past weeks, and the probabilities of a future Federal Reserve Bank rate cut are increasing. Nevertheless, due to the continued flatness of the yield curve we will fill shorter maturity gaps in the ladder before commencing methodic purchase of 5-year maturities.

**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 2.5% of total portfolio. This purchase adds a maturity date previously not covered to city's ladder portfolio.

**Investment Committee review:**Finance Director: Date 5/20/2019City Manager: Date 5/20/19





## Committee Review of Investment Rationale

Date: May 8, 2019

**Investment # 2019-1523 is a 3-year Federal Farm Credit Bank (FFCB) Agency new issue, face value \$1,000,000, maturing May 16, 2022, 2.250% coupon purchased at 99.910 to yield 2.281%.** This trade settles May 16, 2019 with Great Pacific Securities, US Bank Safekeeping. *This investment is the second 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 \$6,571,073, target is \$3 Million. US Bank checking balance is \$3,497,111. Current invested yield segment of portfolio is now \$56,602,000; 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 Federal guarantee, equivalent to Aaa/AA+ rating by Moody's and S&P.

**Yield.** Yield is 2.281%. This investment is 22 basis points under LGIP, seeking to protect yield in an eroding yield or uncertain environment. Comparable yields are:

LGIP current 30-day yield	2.4999%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
3-year Treasury	2.2600%	<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 yield curve has been wavering, dropping slowly over past weeks, and the probabilities of a future Federal Reserve Bank rate cut are increasing. Nevertheless, due to the continued flatness of the yield curve we will fill shorter maturity gaps in the ladder before commencing methodic purchase of 5-year maturities.

**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 15.8% of total portfolio. This purchase adds a maturity date previously not covered to city's ladder portfolio.

**Investment Committee review:**Finance Director: Date 5/20/2019City Manager: Date 5/20/19

