



DATE: September 6, 2019

TO: Mayor and City Council
Cynthia Martinez, Interim City Manager

FROM: Steve Groom, Finance Director

RE: August 2019 Investment Transactions

No investment transactions matured, were called, were sold - therefore none were purchased - during the months of June or July. The investment transactions for the month of August were:

Matured: \$3,000,000 FFCB (1.25%) matured Aug. 19, 2019

Purchased:

- \$1,000,000 FHLMC (2.150% yield) to mature Nov. 14, 2022
- \$1,000,000 FHLMC (2.250% yield) to mature Aug. 12, 2024

The investment committee reviewed and approved the rationale for these purchases. \$1,000,000 remains to be reinvested.

What these two investments accomplished:

1. Protected our average yield, in an eroding yield environment,
2. Improved our diversification by maturity date by re-investing \$1 million per maturity date.
3. Even out our diversification by issuer reducing FFCB and increasing FHLMC

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: August 9, 2019

Investment # 2019-1524 is a 3-year Federal Home Loan Mortgage Corp (FHLMC) Agency new issue, face value \$1,000,000, maturing November 14, 2022, 2.150% coupon purchased at 100.000 to yield 2.150%. This trade settles August 14, 2019 with Great Pacific Securities, US Bank Safekeeping. *This investment is the first of three to replace a \$3,000,000 1.25% FFCB medium term note maturing August 19, 2019.*

Liquidity: At July 31 month-end, Key Bank checking account balance was \$9,551,792, target is \$3 Million. US Bank checking balance was \$2,539,448. 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 \$20,316,288; target minimum is \$3,000,000.

Safety: This purchase is a debt issue of FHLMC, 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 **2.150%**. This investment is **23** basis points under LGIP, seeking to protect yield in an eroding yield / uncertain environment. Comparable yields are:

LGIP current 30-day yield	2.3883%	www.secureaccess.wa.gov
5-year Treasury	1.5400%	www.treasury.gov

Callability. This is a quarterly-callable investment.

Diversification. This purchase brings this issuer to 4.0% of total portfolio. This purchase adds a maturity date previously not covered to city's ladder portfolio.

Outlook. The yield curve is currently inverted, the 1-year Treasury at 1.79 and the 5-year at 1.54. The Federal Reserve Bank just executed a ¼-point rate cut. With \$10 million in our portfolio maturing in August, September and October, we are filling maturity gaps in the ladder as well as methodically purchasing 5-year maturities.

Investment Committee review:Finance Director: 

Date _____

City Manager: Date 8/23/19



Committee Review of Investment Rationale

Date: August 9, 2019

Investment # 2019-1525 is a 5-year Federal Home Loan Mortgage Corp (FHLMC) Agency new issue, face value \$1,000,000, maturing August 12, 2024, 2.250% coupon purchased at 100.000 to yield 2.250%. This trade settles August 12, 2019 with Great Pacific Securities, US Bank Safekeeping. This investment is the second of three to replace a \$3,000,000 1.25% FFCB medium term note maturing August 19, 2019.

Liquidity: At July 31 month-end, Key Bank checking account balance was \$9,551,792, target is \$3 Million. US Bank checking balance was \$2,539,448. 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 \$20,316,288; target minimum is \$3,000,000.

Safety: This purchase is a debt issue of FHLMC, 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 2.250%. This investment is 13 basis points under LGIP, seeking to protect yield in an eroding yield / uncertain environment. Comparable yields are:

LGIP current 30-day yield	2.3883%	www.secureaccess.wa.gov
5-year Treasury	1.5400%	www.treasury.gov

Callability. This is a quarterly-callable investment.

Diversification. This purchase brings this issuer to 6.6% of total portfolio. This purchase adds a maturity date previously not covered to city's laddered portfolio.

Outlook. The yield curve is currently inverted, the 1-year Treasury at 1.79 and the 5-year at 1.54. The Federal Reserve Bank just executed a ¼-point rate cut. With \$10 million in our portfolio maturing in August, September and October, we are filling maturity gaps in the ladder as well as methodically purchasing 5-year maturities.

Investment Committee review:

Finance Director: _____

Date _____

City Manager: _____

Date 8/23/19

