



DATE: November 12, 2019

TO: Mayor and City Council

FROM: Steve Groom, Finance Director

RE: October 2019 Investment Transactions

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The investment transactions for the month were:

Matured/Called:

- \$3,139,000 RFCSP (1.990%) matured Oct. 15, 2019
- \$2,160,000 RFCSP (2.479%) matured Oct. 15, 2019
- \$1,000,000 FNMA (2.300%) called Oct. 30, 2019

Purchased:

- \$1,000,000 FHLMC (2.15%) to mature Aug. 26, 2022\*
- \$1,000,000 FHLMC (2.25%) to mature Oct. 16, 2023
- \$1,000,000 FHLMC (1.75%) to mature July 10, 2023
- \$1,000,000 FHLMC (2.02%) to mature September 17, 2024
- \$1,000,000 FHLMC (1.75%) to mature October 15, 2021
- \$1,000,000 FAMCA (2.15%) to mature June 5, 2024
- \$1,000,000 US Treasury (2.250%) to mature November 30, 2020
- \$1,000,000 FHLB (1.85%) to mature July 24, 2024\*
- \$1,000,000 FHLMC (1.88%) to mature Oct. 28, 2024\*

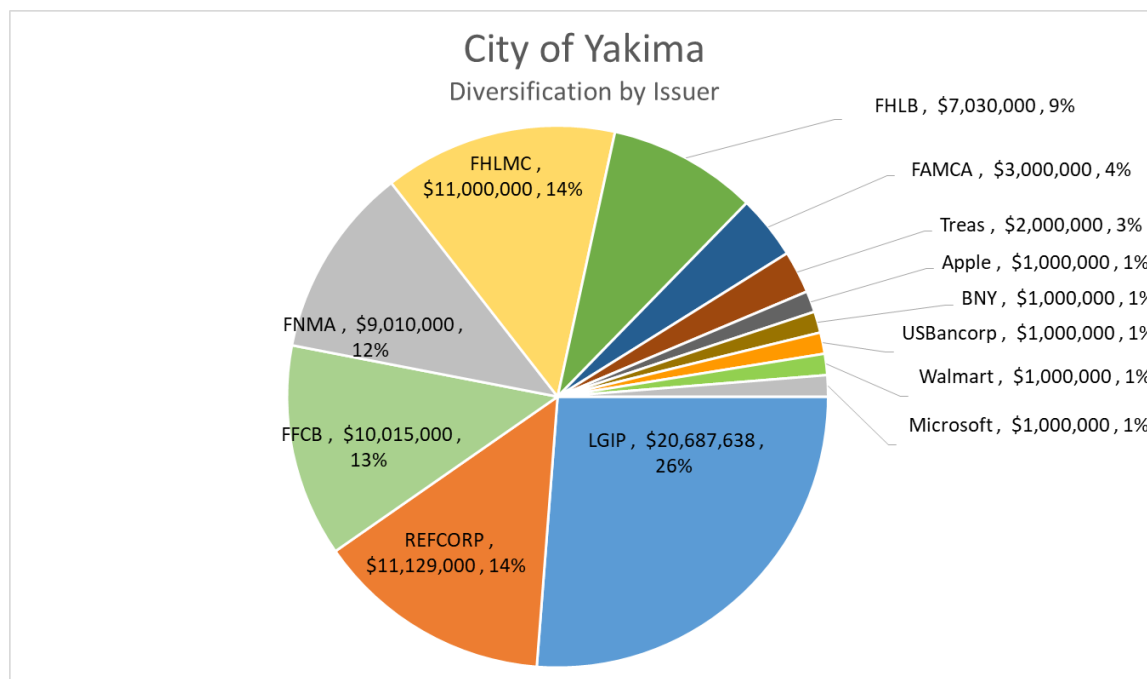
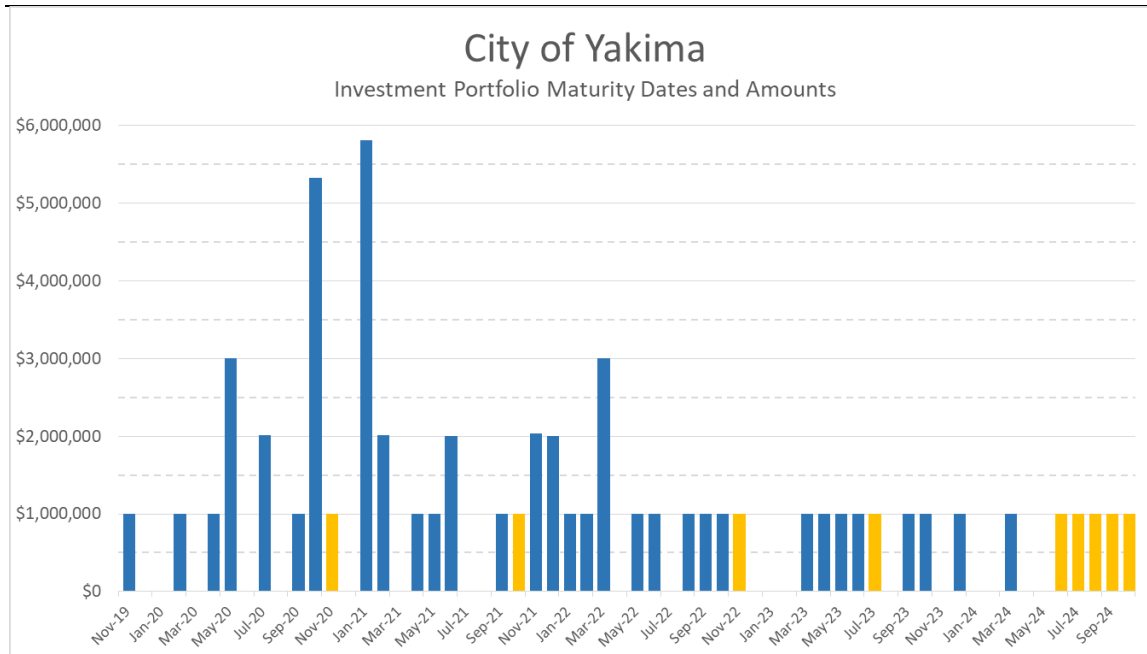
\*One purchase replaced a Sept. maturity and two were to reduce the city's LGIP balance.

What these investments accomplished:

1. Protected average yield, in an eroding yield environment,
2. Improved diversification by maturity date and by issuer.
3. Improved predictability of budgeted revenue.

The Investment Committee reviewed and approved the rationale for each purchase. 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: September 30, 2019

**Investment # 2019-1528 is a 3-year Federal Home Loan Mortgage Corp (FHLMC / Freddie Mac), face value \$1,000,000, maturing August 26, 2022, 1.75% coupon purchased at 99.6900 to yield 1.78%. This trade settles October 2, 2019 with Time Value Investments, US Bank Safekeeping. This investment is the second of two to replace a \$2,119,000 1.46% FICO Strip that matured September 26, 2019.**

**Liquidity:** At August 31 month-end, Key Bank checking account balance was \$10,766,264, target is \$3 Million. US Bank checking balance was \$5,992,198. Current invested yield segment of portfolio is now \$56,483,000; target is \$60,000,000 for Treasuries, Corporates and Agencies. Current LGIP balance is \$20,650,992; target minimum is \$3,000,000.

**Safety:** This purchase is a debt issue of 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 1.75%. This investment is 42 basis points under LGIP, seeking to protect yield in an eroding yield / uncertain environment. Comparable yields are:

LGIP current 30-day yield	2.1673%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
3-year Treasury	1.5800%	US Treasury

**Callability.** This investment is callable one time only on 8/26/2020.

**Diversification.** This purchase brings this issuer to 7.8% 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 1.74, the 2-year at 1.63, the 3-year at 1.58 and the 5-year at 1.56. The Federal Reserve Bank lowered the target rate a ¼-point on September 18. 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

10/7/19

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

Date

10/7/19



## Committee Review of Investment Rationale

Date: October 4, 2019

**Investment # 2019-1529 is a 4-year Federal Home Loan Mortgage Corp (FHLMC / Freddie Mac), face value \$1,000,000, maturing October 16, 2023, 2.00% coupon purchased at 100.000 to yield 2.00%. This trade settles October 16, 2019 with Great Pacific Securities, US Bank Safekeeping. This investment is the first of five to replace two (\$3,139,000 2.01% and \$2,160,000 2.48%) Refcorps that mature October 15, 2019.**

**Liquidity:** At September 30 month-end, Key Bank checking account balance was \$8,738,620, target is \$3 Million. US Bank checking balance was \$4,169,530. Current invested yield segment of portfolio is now \$57,483,000; target is \$60,000,000 for Treasuries, Corporates and Agencies. Current LGIP balance is \$20,687,638; target minimum is \$3,000,000.

**Safety:** This purchase is a debt issue of 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 2.00%. This investment is 17 basis points under LGIP, seeking to protect yield in an eroding yield / uncertain environment. Comparable yields are:

LGIP current 30-day yield	2.1673%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
3-year Treasury	1.3400%	US Treasury

**Callability.** This investment is callable quarterly beginning 4/16/2020.

**Diversification.** This purchase brings this issuer to 9.0% 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 1.58, the 2-year at 1.39, the 3-year at 1.34 and the 5-year at 1.34. The Federal Reserve Bank lowered the target rate a ¼-point on September 18. With \$5 million in our portfolio maturing in October, we are filling maturity gaps in the ladder as well as methodically purchasing 5-year maturities.

**Investment Committee review:**Finance Director: Date 10/4/2019City Manager: Date 10/7/19



## Committee Review of Investment Rationale

Date: October 9, 2019

**Investment # 2019-1530** is a 3.75-year Federal Home Loan Mortgage Corp (FHLMC / Freddie Mac), face value \$1,000,000, maturing July 10 2023, 1.750% coupon purchased at 100.000 to yield 1.75%. This trade settles October 10, 2019 with Great Pacific Securities, US Bank Safekeeping. *This investment is the second of five to replace two (\$3,139,000 2.01% and \$2,160,000 2.48%) Refcorps that mature October 15, 2019.*

**Liquidity:** At September 30 month-end, Key Bank checking account balance was \$8,738,620, target is \$3 Million. US Bank checking balance was \$4,169,530. Current invested yield segment of portfolio is now \$57,483,000; target is \$60,000,000 for Treasuries, Corporates and Agencies. Current LGIP balance is \$20,687,638; target minimum is \$3,000,000.

**Safety:** This purchase is a debt issue of 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 1.75%. This investment is 42 basis points under LGIP, seeking to protect yield in an eroding yield / uncertain environment. Comparable yields are:

LGIP current 30-day yield	2.1726%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
3-year Treasury	1.3800%	US Treasury

**Callability.** This investment is callable one time on 7/10/2020.

**Diversification.** This purchase brings this issuer to 12.0% 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 1.62, the 2-year at 1.42, the 3-year at 1.38 and the 5-year at 1.36. The Federal Reserve Bank lowered the target rate a ¼-point on September 18. With \$5 million in our portfolio maturing in October, we are filling maturity gaps in the ladder as well as methodically purchasing 5-year maturities.

**Investment Committee review:**

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

Date

10/9/19

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

Date

10/9/19



## Committee Review of Investment Rationale

Date: October 9, 2019

**Investment # 2019-1531** is a 5-year Federal Home Loan Mortgage Corp (FHLMC / Freddie Mac), face value \$1,000,000, maturing September 17 2024, 2.02% coupon purchased at 100.2769 to yield 1.72%. This trade settles October 10, 2019 with Time Value Investments, US Bank Safekeeping. *This investment is the third of five to replace two (\$3,139,000 2.01% and \$2,160,000 2.48%) Refcorps that mature October 15, 2019.*

**Liquidity:** At September 30 month-end, Key Bank checking account balance was \$8,738,620, target is \$3 Million. US Bank checking balance was \$4,169,530. Current invested yield segment of portfolio is now \$57,483,000; target is \$60,000,000 for Treasuries, Corporates and Agencies. Current LGIP balance is \$20,687,638; target minimum is \$3,000,000.

**Safety:** This purchase is a debt issue of 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 1.72%. This investment is 45 basis points under LGIP, seeking to protect yield in an eroding yield / uncertain environment. Comparable yields are:

LGIP current 30-day yield	2.1726%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
3-year Treasury	1.3800%	US Treasury

**Callability.** This investment is callable one time on 9/17/2020.

**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.

**Outlook.** The yield curve is currently inverted, the 1-year Treasury at 1.62, the 2-year at 1.42, the 3-year at 1.38 and the 5-year at 1.36. The Federal Reserve Bank lowered the target rate a ¼-point on September 18. With \$5 million in our portfolio maturing in October, we are filling maturity gaps in the ladder as well as methodically purchasing 5-year maturities.

**Investment Committee review:**

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

Date 10/9/19

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

Date 10/9/19



## Committee Review of Investment Rationale

Date: October 9, 2019

**Investment # 2019-1532 is a 2-year Federal Home Loan Mortgage Corp (FHLMC / Freddie Mac), face value \$1,000,000, maturing October 15 2021, 1.75% coupon purchased at 100.000 to yield 1.75%. This trade settles October 15, 2019 with Time Value Investments, US Bank Safekeeping. This investment is the fourth of five to replace two (\$3,139,000 2.01% and \$2,160,000 2.48%) Refcorps that mature October 15, 2019.**

**Liquidity:** At September 30 month-end, Key Bank checking account balance was \$8,738,620, target is \$3 Million. US Bank checking balance was \$4,169,530. Current invested yield segment of portfolio is now \$57,483,000; target is \$60,000,000 for Treasuries, Corporates and Agencies. Current LGIP balance is \$20,687,638; target minimum is \$3,000,000.

**Safety:** This purchase is a debt issue of 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 1.75%. This investment is 42 basis points under LGIP, seeking to protect yield in an eroding yield / uncertain environment. Comparable yields are:

LGIP current 30-day yield	2.1726%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
2-year Treasury	1.4200%	US Treasury

**Callability.** This investment is callable one time on 4/15/2020.

**Diversification.** This purchase brings this issuer to 13.2% 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 1.62, the 2-year at 1.42, the 3-year at 1.38 and the 5-year at 1.36. The Federal Reserve Bank lowered the target rate a ¼-point on September 18. With \$5 million in our portfolio maturing in October, we are filling maturity gaps in the ladder as well as methodically purchasing 5-year maturities.

**Investment Committee review:**

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

Date 10/9/2019

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

Date 10/9/19



## Committee Review of Investment Rationale

Date: October 17, 2019

**Investment # 2019-1533 is a 5-year Federal Agricultural Mortgage Corp (FAMCA / Farmer Mac), face value \$1,000,000, maturing June 5, 2024, 2.15% coupon purchased at 102.2900 to yield 1.634%.** This trade settles October 18, 2019 with Great Pacific Securities, US Bank Safekeeping. *This investment is the fifth of five to replace two (\$3,139,000 2.01% and \$2,160,000 2.48%) Refcorps that matured October 15, 2019.*

**Liquidity:** At September 30 month-end, Key Bank checking account balance was \$8,738,620, target is \$3 Million. US Bank checking balance was \$4,169,530. Current invested yield segment of portfolio is now \$57,483,000; target is \$60,000,000 for Treasuries, Corporates and Agencies. Current LGIP balance is \$20,687,638; target minimum is \$3,000,000.

**Safety:** This purchase is a debt issue of 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 1.63%. This investment is 44 basis points under LGIP, seeking to protect yield in an eroding yield / uncertain environment. Comparable yields are:

LGIP current 30-day yield	2.0726%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
5-year Treasury	1.5700%	US Treasury

**Callability.** This investment is a non-callable (bullet).

**Diversification.** This purchase brings this issuer to 3.9% 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 1.59, the 2-year at 1.58, the 3-year at 1.57 and the 5-year at 1.57. The Federal Reserve Bank lowered the target rate a ¼-point on September 18. With \$5 million in our portfolio maturing in October, we are filling maturity gaps in the ladder as well as methodically purchasing 5-year maturities.

**Investment Committee review:**

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

Date 10/17/19

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

Date 10/17/19



## Committee Review of Investment Rationale

Date: October 21, 2019

**Investment # 2019-1534 is a 1-year Treasury (T), face value \$1,000,000, maturing November 30, 2020, 2.750% coupon purchased at 101.223 to yield 1.630%. This trade settles October 22, 2019 with Great Pacific Securities, US Bank Safekeeping. This investment replaces a \$1,000,000 2.30% FNMA medium term note being called October 30, 2019.**

**Liquidity:** At September 30 month-end, Key Bank checking account balance was \$8,738,620, target is \$3 Million. US Bank checking balance was \$4,169,530. Current invested yield segment of portfolio is now \$57,483,000; target is \$60,000,000 for Treasuries, Corporates and Agencies. Current LGIP balance is \$20,687,638; target minimum is \$3,000,000.

**Safety:** This purchase is a debt issue of the US Treasury, that carries an explicit Federal guarantee, equivalent to Aaa/AA+ rating by Moody's and S&P.

**Yield.** Yield is **1.630%**. This investment is 41 basis points under LGIP, seeking to protect yield in an eroding yield / uncertain environment. Comparable yields are:

LGIP current 30-day yield	2.0449%	www.secureaccess.wa.gov
1-year Treasury	1.5900%	Treasury.gov

**Callability.** This is a non-callable investment.

**Diversification.** This purchase bring this issuer to 2.57% 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 1.59, the 2-year at 1.62 and the 5-year at 1.61. 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 10/21/2019

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

Date 10/22/19



## Committee Review of Investment Rationale

Date: October 21, 2019

**Investment # 2019-1535 is a 4.75-year FHLB (Federal Home Loan Bank), face value \$1,000,000, maturing July 24, 2024, 1.850% coupon purchased at 100.000 to yield 1.850%. This trade settles October 24, 2019 with Great Pacific Securities, US Bank Safekeeping. This investment replaces a \$1,000,000 currently held on deposit in the Washington State Treasurer's Local Government Investment Pool (LGIP).**

**Liquidity:** At September 30 month-end, Key Bank checking account balance was \$8,738,620, target is \$3 Million. US Bank checking balance was \$4,169,530. Current invested yield segment of portfolio is now \$57,483,000; target is \$60,000,000 for Treasuries, Corporates and Agencies. Current LGIP balance is \$20,687,638; target minimum is \$3,000,000.

**Safety:** This purchase is a debt issue of a government –sponsored enterprise (GSE), that carries an explicit Federal guarantee, equivalent to Aaa/AA+ rating by Moody's and S&P.

**Yield.** Yield is 1.850%. This investment is 19 basis points under LGIP, seeking to protect yield in an eroding yield / uncertain environment. Comparable yields are:

LGIP current 30-day yield	2.0449%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
5-year Treasury	1.6100%	<a href="http://Treasury.gov">Treasury.gov</a>

**Callability.** This investment is callable one time on 7/24/2020.

**Diversification.** This purchase bring this issuer to 9.0% 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 1.59, the 2-year at 1.62 and the 5-year at 1.61. 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 \_\_\_\_\_



## Committee Review of Investment Rationale

Date: October 25, 2019

**Investment # 2019-1536 is a 5-year FHLMC (Federal Home Loan Mortgage Corp / Freddie Mac), face value \$1,000,000, maturing October 28, 2024, 1.875% coupon purchased at 100.000 to yield 1.875%.** This trade settles October 28, 2019 with Great Pacific Securities, US Bank Safekeeping. *This investment replaces \$1,000,000 currently held on deposit in the Washington State Treasurer's Local Government Investment Pool (LGIP), reducing the city's exposure to variable interest returns from market fluctuation.*

**Liquidity:** At September 30 month-end, Key Bank checking account balance was \$8,738,620, target is \$3 Million. US Bank checking balance was \$4,169,530. Current invested yield segment of portfolio is now \$57,483,000; target is \$60,000,000 for Treasuries, Corporates and Agencies. Current LGIP balance is \$20,687,638; target minimum is \$3,000,000.

**Safety:** This purchase is a debt issue of a government –sponsored enterprise (GSE), that carries an explicit Federal guarantee, equivalent to Aaa/AA+ rating by Moody's and S&P.

**Yield.** Yield is **1.875%**. This investment is 17 basis points under LGIP, seeking to protect yield in an eroding yield / uncertain environment. Comparable yields are:

LGIP current 30-day yield	2.0449%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
5-year Treasury	1.6100%	<a href="http://Treasury.gov">Treasury.gov</a>

**Callability.** This investment is callable one time on 10/28/2020.

**Diversification.** This purchase bring this issuer to 13.9% 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 1.59, the 2-year at 1.62 and the 5-year at 1.61. 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 10/29/19