



DATE: December 2, 2019  
TO: Mayor and City Council  
FROM: Steve Groom, Finance Director  
RE: November 2019 Investment Transactions

---

The investment transactions for the month were:

Matured/Called:

- \$1,000,000 FHLB (1.375%) matured Nov. 15, 2019
- \$1,000,000 FHLMC (2.250%) called Nov. 12, 2019
- \$1,000,000 FHLB (2.150%) called Nov. 14, 2019
- \$1,000,000 FHLMC (2.150%) called Nov. 30, 2019

Purchased:

- \$1,000,000 FFCB (1.625%) to mature Nov. 8, 2024\*
- \$1,000,000 FHLMC (1.125%) to mature August 12, 2021
- \$1,000,000 FNMA (2.50%) to mature Feb. 5, 2024
- \$1,000,000 FNMA (2.375%) to mature Jan. 19, 2023
- \$1,000,000 FFCB (1.60%) to mature Dec. 22, 2020

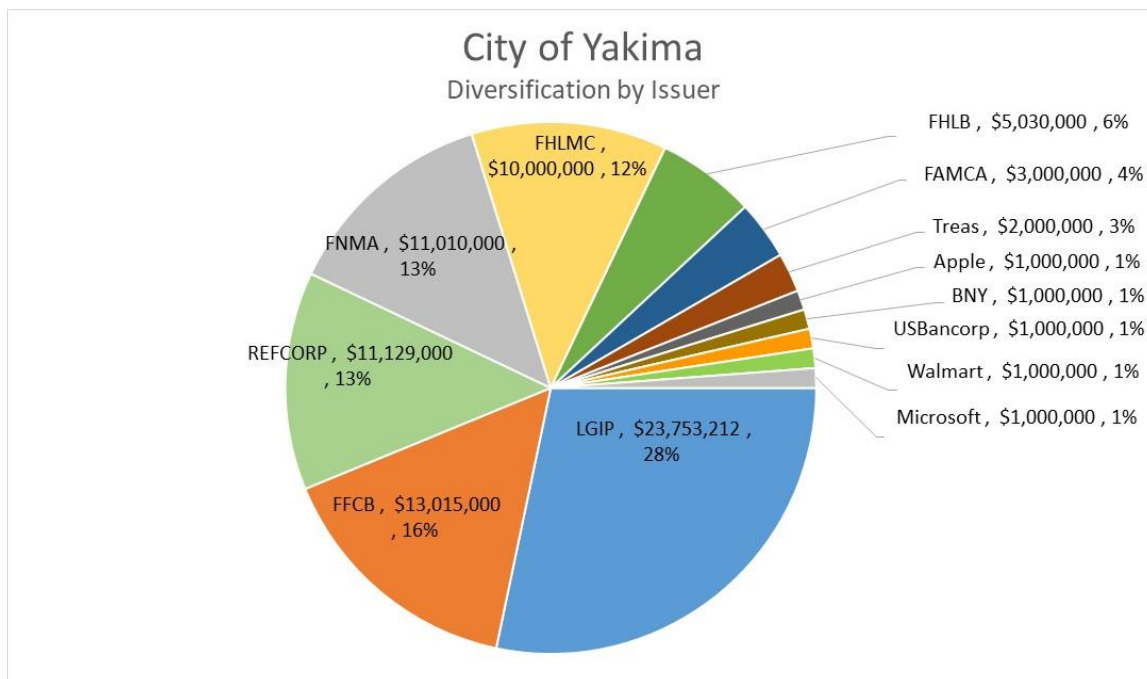
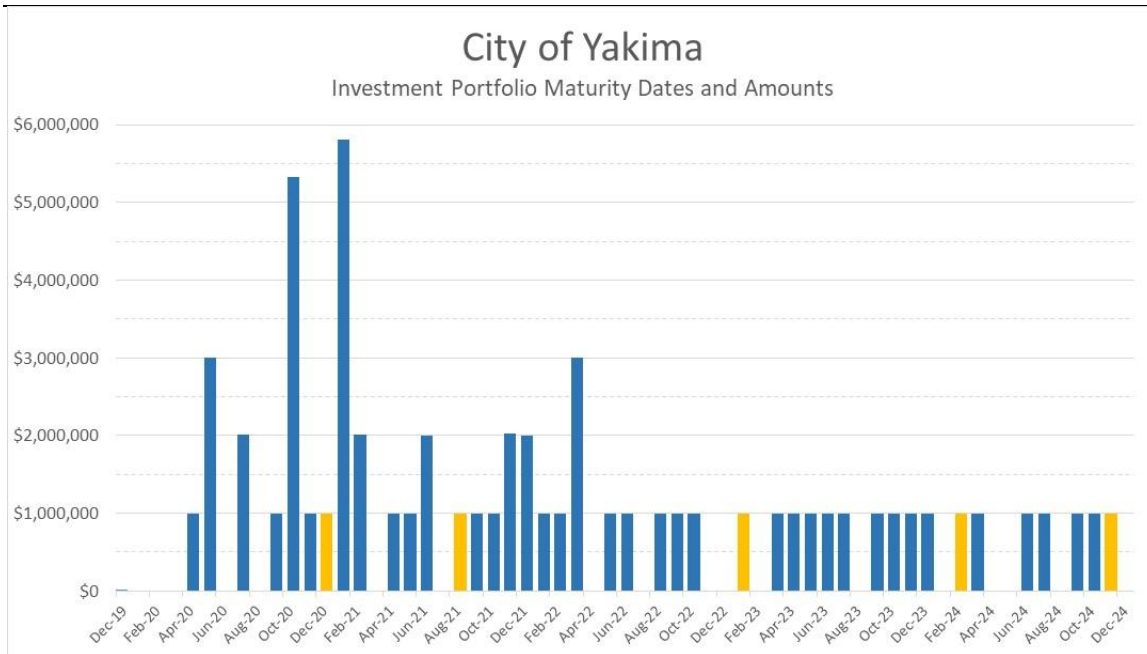
\*One purchase was to intentionally reduce the city's LGIP balance.

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: November 5, 2019

**Investment # 2019-1538 is a 5-year FFCB (Federal Farm Credit Bank), face value \$1,000,000, maturing November 8, 2024, 1.625% coupon purchased at 99.470 to yield 1.736%. This trade settles November 8, 2019 with Time Value Investments, US Bank Safekeeping. This investment replaces a \$1,000,000 FHLMC position maturing on 11/15/2019.**

**Liquidity:** At October 31 month-end, Key Bank checking account balance was \$7.5 million (target is \$3 Million), US Bank checking balance was \$6.9 million and invested yield segment of portfolio was \$58.2 million (target is \$60 million for Treasuries, Corporates and Agencies). Current LGIP balance was \$17.7 million (target minimum is \$3 million).

**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 1.736%. This investment is 27 basis points under LGIP, seeking to protect yield in an eroding yield / uncertain environment. Comparable yields are:

LGIP current 30-day yield	2.0038%	www.secureaccess.wa.gov
5-year Treasury	1.6600%	Treasury.gov

**Callability.** This investment is not callable (a bullet).

**Diversification.** This purchase bring this issuer to 15.8% of total portfolio.

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

**Outlook.** The yield curve is currently flat, the 1-year Treasury at 1.62, the 2-year at 1.63 and the 5-year at 1.66. The Federal Reserve Bank just executed a ¼-point rate cut. We are continuing to fill maturity gaps in the ladder to minimize reinvestment risk subject to rates at any one point in time and decreasing variable rate LGIP exposure.

**Investment Committee review:**

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

Date 11/5/19

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

Date Nov. 5, 2019





Committee Review of Investment Rationale

Date: November 13, 2019

**Investment # 2019-1539 is a 2-year FHLMC (Federal Home Loan Mortgage Corp / Freddie Mac), face value \$1,000,000, maturing August 12, 2021, 1.1250% coupon purchased at 99.1002 to yield 1.650%. This trade settles November 14, 2019 with Wedbush Securities, US Bank Safekeeping. This investment is the first of three replacing \$3,000,000 being called.**

**Liquidity:** At October 31 month-end, Key Bank checking account balance was \$7.5 million (target is \$3 Million), US Bank checking balance was \$6.9 million and invested yield segment of portfolio was \$58.2 million (target is \$60 million for Treasuries, Corporates and Agencies). Current LGIP balance was \$17.7 million (target minimum is \$3 million).

**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 1.650%. This investment is 26 basis points under LGIP, seeking to protect yield in an eroding yield / uncertain environment. Comparable yields are:

LGIP current 30-day yield	1.9063%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
2-year Treasury	1.6300%	Treasury.gov

**Callability.** This investment is not callable (a bullet).

**Diversification.** This purchase bring 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 flat, no longer inverted; the 1-year Treasury at 1.57, the 2-year at 1.63 and the 5-year at 1.69. The Federal Reserve Bank recently executed the third of three expected ¼-point rate cuts in 2019. We are continuing to fill maturity gaps in the ladder to minimize reinvestment risk subject to rates at any one point in time and decreasing variable rate LGIP exposure.

**Investment Committee review:**

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

Date 12/2/19

City Manager: Alex Meyerhoff

Date 12/2/19



Committee Review of Investment Rationale

Date: November 13, 2019

**Investment # 2019-1540 is a 4½-year FNMA (Federal National Mortgage Assoc'n / Fannie Mae), face value \$1,000,000, maturing February 5, 2024, 2.500% coupon purchased at 103.2055 to yield 1.710%. This trade settles November 14, 2019 with Wedbush Securities, US Bank Safekeeping. This investment is the second of three replacing \$3,000,000 being called.**

**Liquidity:** At October 31 month-end, Key Bank checking account balance was \$7.5 million (target is \$3 Million), US Bank checking balance was \$6.9 million and invested yield segment of portfolio was \$58.2 million (target is \$60 million for Treasuries, Corporates and Agencies). Current LGIP balance was \$17.7 million (target minimum is \$3 million).

**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 1.710%. This investment is 20 basis points under LGIP, seeking to protect yield in an eroding yield / uncertain environment. Comparable yields are:

LGIP current 30-day yield	1.9063%	www.secureaccess.wa.gov
5-year Treasury	1.6900%	Treasury.gov

**Callability.** This investment is not callable (a bullet).

**Diversification.** This purchase bring this issuer to 13.2% of total portfolio.

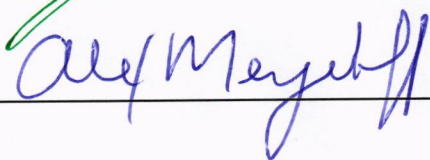
This purchase adds a maturity date previously not covered to city's laddered portfolio.

**Outlook.** The yield curve is currently flat, no longer inverted; the 1-year Treasury at 1.57, the 2-year at 1.63 and the 5-year at 1.69. The Federal Reserve Bank recently executed the third of three expected ¼-point rate cuts in 2019. We are continuing to fill maturity gaps in the ladder to minimize reinvestment risk subject to rates at any one point in time and decreasing variable rate LGIP exposure.

**Investment Committee review:**

Finance Director: 

Date 12/2/19

City Manager: 

Date 12/2/19





Committee Review of Investment Rationale

Date: November 19, 2019

**Investment # 2019-1541 is a 4-year FNMA (Federal National Mortgage Assoc'n / Fannie Mae), face value \$1,000,000, maturing January 19, 2023, 2.375% coupon purchased at 102.3490 to yield 1.610%. This trade settles November 20, 2019 with Great Pacific Securities, US Bank Safekeeping. This investment is the second of three replacing \$3,000,000 being called.**

**Liquidity:** At October 31 month-end, Key Bank checking account balance was \$7.5 million (target is \$3 Million), US Bank checking balance was \$6.9 million and invested yield segment of portfolio was \$58.2 million (target is \$60 million for Treasuries, Corporates and Agencies). Current LGIP balance was \$17.7 million (target minimum is \$3 million).

**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 1.610%. This investment is 24 basis points under LGIP, seeking to protect yield in an eroding yield / uncertain environment. Comparable yields are:

LGIP current 30-day yield	1.8592%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
3-year Treasury	1.5900%	Treasury.gov

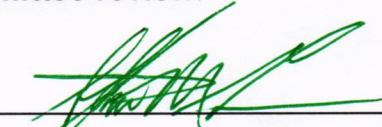
**Callability.** This investment is not callable (a bullet).

**Diversification.** This purchase bring this issuer to 14.1% of total portfolio.

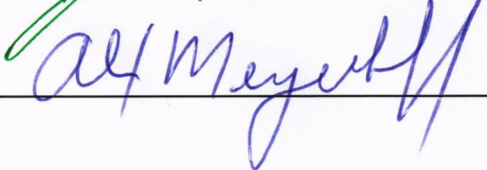
This purchase adds a maturity date previously not covered to city's laddered portfolio.

**Outlook.** The yield curve is currently flat, no longer inverted; the 1-year Treasury at 1.54, the 2-year at 1.60 and the 5-year at 1.63. The Federal Reserve Bank recently executed the third of three expected ¼-point rate cuts in 2019. We are continuing to fill maturity gaps in the ladder to minimize reinvestment risk subject to rates at any one point in time and decreasing variable rate LGIP exposure.

**Investment Committee review:**

Finance Director: 

Date 12/2/19

City Manager: 

Date 12/2/19





Committee Review of Investment Rationale

Date: November 19, 2019

**Investment # 2019-1542 is a 1-year FFCB (Federal Farm Credit Bank), face value \$1,000,000, maturing December 22, 2020, 1.60% coupon purchased at 100.000 to yield 1.600%. This trade settles November 22, 2019 with Great Pacific Securities, US Bank Safekeeping. This investment is the third of three replacing \$3,000,000 being called.**

**Liquidity:** At October 31 month-end, Key Bank checking account balance was \$7.5 million (target is \$3 Million), US Bank checking balance was \$6.9 million and invested yield segment of portfolio was \$58.2 million (target is \$60 million for Treasuries, Corporates and Agencies). Current LGIP balance was \$17.7 million (target minimum is \$3 million).

**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 1.600%. This investment is 26 basis points under LGIP, seeking to protect yield in an eroding yield / uncertain environment. Comparable yields are:

LGIP current 30-day yield	1.8592%	www.secureaccess.wa.gov
1-year Treasury	1.5400%	Treasury.gov

**Callability.** This investment is not callable (a bullet).

**Diversification.** This purchase bring this issuer to 16.7% of total portfolio.

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

**Outlook.** The yield curve is currently flat, no longer inverted; the 1-year Treasury at 1.54, the 2-year at 1.60 and the 5-year at 1.63. The Federal Reserve Bank recently executed the third of three expected ¼-point rate cuts in 2019. We are continuing to fill maturity gaps in the ladder to minimize reinvestment risk subject to rates at any one point in time and decreasing variable rate LGIP exposure.

**Investment Committee review:**

Finance Director:  Date 12/2/19

City Manager:  Date 12/2/19