



DATE: April 29, 2021
TO: Mayor and City Council
FROM: Steve Groom, Finance Director
RE: April 2021 Investment Transactions

The investment transactions for April 2021 were:

Matured:

- \$1,000,000 FFCB April 15, 2021

Called:

- \$1,000,000 BNY April 6, 2021 (called 1 month early)

Purchased:

- \$2,000,000 FFCB to mature July 19, 2023
- \$2,000,000 US Treasury to mature May 19, 2024

The focus of investments now is to fill maturity gaps in a shortened (3-year maturity horizon, instead of 5-year pre-COVID) ladder to minimize reinvestment risk subject to rates at any one point in time and hedging against further decreasing rate exposure.

During the current market volatility, the range of investment options for 1- to 3- year maturities during April fluctuated slightly, as the 1-year Treasury yield ranged between 0.05% to 0.08%. The 3-year area of the yield curve hovered between 0.31% and 0.39%. The LGIP 30-day yield was 0.10 at 4/1 and 0.09% at 4/28.

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 15, 2021

Investment # 2021-1561 is a 2.25-year Federal Farm Credit Bank (FFCB), face value \$2,000,000, maturing July 19, 2023, 0.20% coupon at 100.015 to yield 0.193%. This trade settles April 19, 2021 with Vining Sparks, US Bank Safekeeping, replacing one \$1,000,000 April maturity in April and a May 2021 \$1,000,000 called 1 month early.

Liquidity: At March 31st, month-end, Key Bank checking account balance was \$7.5 million (target minimum is \$3 Million), US Bank checking balance was \$3.7 million and investment portfolio was \$36.0 million (target is \$64 million for Treasuries, Corporates and Agencies). Current LGIP balance was \$47.9 million (target minimum is \$5 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 0.19%. This investment is 9 basis points over LGIP, seeking to protect yield in an uncertain environment. LGIP's yield is expected to stay level over the next year. Comparable yields are:

LGIP current 30-day yield	0.09916%	www.secureaccess.wa.gov
2-year Treasury	0.1600%	Treasury.gov
3-year Treasury	0.3500%	Treasury.gov

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

Diversification. This purchase brings this issuer to 13.0% of total portfolio.

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

Outlook. The yield curve is currently low and flat; the 1-year Treasury at 0.06%, the 2-year at 0.16% the 3-year at 0.35%, and the 5-year at 0.87%. The Federal Reserve Bank has been keeping rates low with uncertainty of a 2022 rate hike increasing. By filling maturity gaps in a shortened 3-year ladder, we minimize reinvestment risk subject to rates at any one point in time and hedging against further decreasing rate LGIP exposure.

Investment Committee review:

Finance Director: 

Date 4/15/2021

City Manager: 

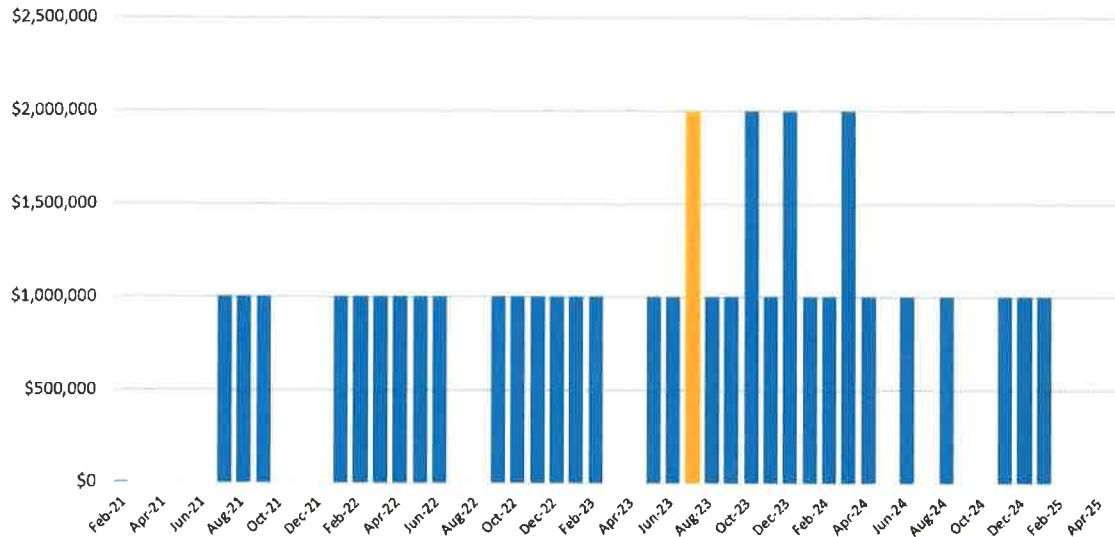
Date 4/16/2021



Prior to COVID, a 5-year ladder was employed, making the portfolio stable, predictable and forecastable. Due to sub-1% rates, purchases are now shortened to fill maturity gaps in a 3-year ladder to avoid locking in lower rates longer. At \$2m per month, the current goal is to ladder out \$60M fairly evenly.

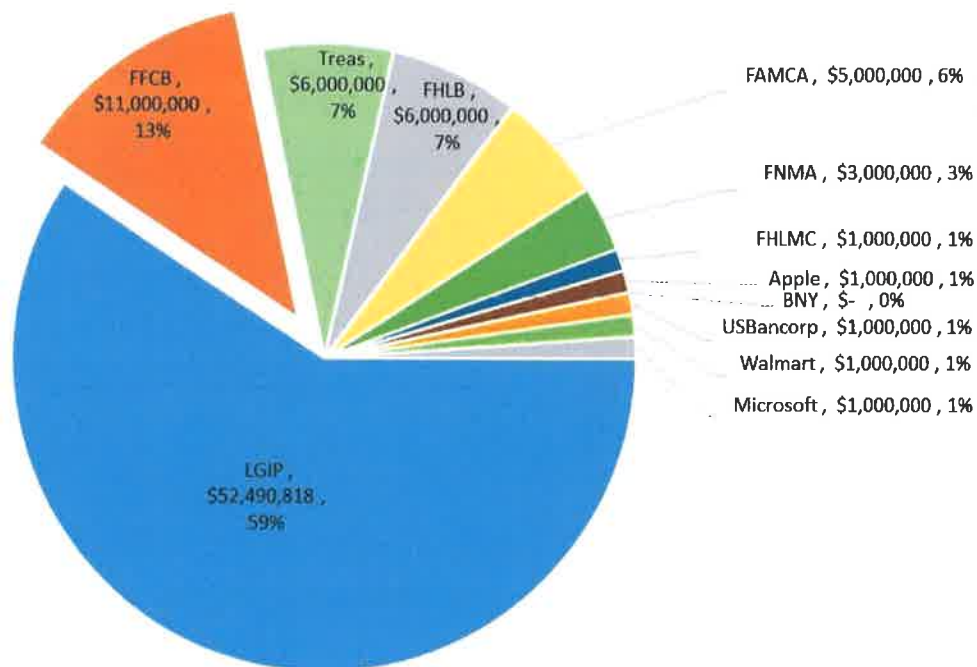
City of Yakima

Investment Portfolio Maturity Distribution - Mar 31, 2021



City of Yakima

Diversification by Issuer - Mar 31, 2021





Committee Review of Investment Rationale

Date: April 23, 2021

Investment # 2021-1562 is a 3-year US Treasury (UST), face value \$2,000,000, maturing May 19, 2024, 2.00% coupon at 105-05 to yield 0.325%. This trade settles April 19, 2021 with Wedbush Securities, US Bank Safekeeping, replacing two of the several \$1,000,000 maturities called during 2020.

Liquidity: At March 31st, month-end, Key Bank checking account balance was \$7.5 million (target minimum is \$3 Million), US Bank checking balance was \$3.7 million and investment portfolio was \$36.0 million (target is \$64 million for Treasuries, Corporates and Agencies). Current LGIP balance was \$47.9 million (target minimum is \$5 million).

Safety: This purchase is a debt issue of the Federal government, equivalent to Aaa/AA+ rating by Moody's and S&P.

Yield. Yield is 0.32%. This investment is 21 basis points over LGIP, seeking to protect yield in an uncertain environment. LGIP's yield is expected to stay level over the next year. Comparable yields are:

LGIP current 30-day yield	0.096215%	www.secureaccess.wa.gov
3-year corporate	Unavailable in AA	Treasury.gov
3-year Agency	0.3100%	Broker daily runs

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

Diversification. This purchase brings 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 low and flat; the 1-year Treasury at 0.06%, the 2-year at 0.16% the 3-year at 0.32%, and the 5-year at 0.81%. The Federal Reserve Bank has been keeping rates low with uncertainty of a 2022 rate hike increasing. By filling maturity gaps in a shortened 3-year ladder, we minimize reinvestment risk subject to rates at any one point in time and hedging against further decreasing rate LGIP exposure.

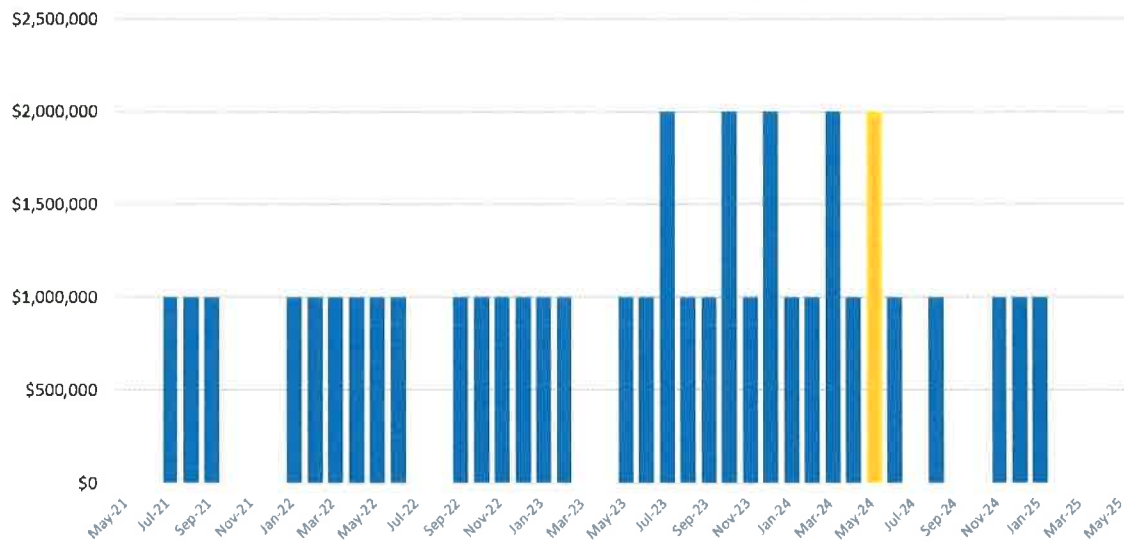
Investment Committee review:Finance Director: Date 4/23/2021City Manager: Date 4/27/2021



Prior to COVID, a 5-year ladder was employed, making the portfolio stable, predictable and forecastable. Due to sub-1% rates, purchases are now shortened to fill maturity gaps in a 3-year ladder to avoid locking in lower rates longer. At \$2m per month, the current goal is to ladder out \$60M fairly evenly.

City of Yakima

Investment Portfolio Maturity Distribution - Apr 30, 2021



City of Yakima

Diversification by Issuer - Apr 30, 2021

