

Investment Management in 20 minutes a month

Steve Groom
Chase Donnelly
City of Federal Way

Goals

1. Invest 20 minutes per month
2. Increase long-term interest revenue
(higher yield than LGIP usually)
3. Gain credibility in your city
with quality reporting
4. Simple enough to teach others
(succession planning)

The Steps

1. Decide how much you can invest
2. Confirm funds available
3. Choose maturity date
4. Check rates
5. Call the broker, execute the trade
6. Alert safekeeper
7. Record rationale
8. Update spreadsheet
9. Journal entry
10. Update monthly report



20 Minutes per Month?

1. Decide how much you can invest
2. Confirm funds available
3. Choose maturity date
4. Check rates
5. Poll the brokers, execute the trade
6. Alert safekeeper
7. Write your rationale
8. Update spreadsheet
9. Journal entry
10. Update monthly report



Kevin Greenville
Village of Estero,
Florida



Steve Groom
City of Federal Way,
Washington



Rod Bettini
Public Trust Advisors



Cheryl Lindner
Town of Bow,
New Hampshire

How To Start

1. Decide how much you can invest

Where is our cash now?

1. Take inventory
2. Create a monthly trend graph
3. Understand the ins and outs
4. Understand your reserves
5. Your portfolio manager relies on you

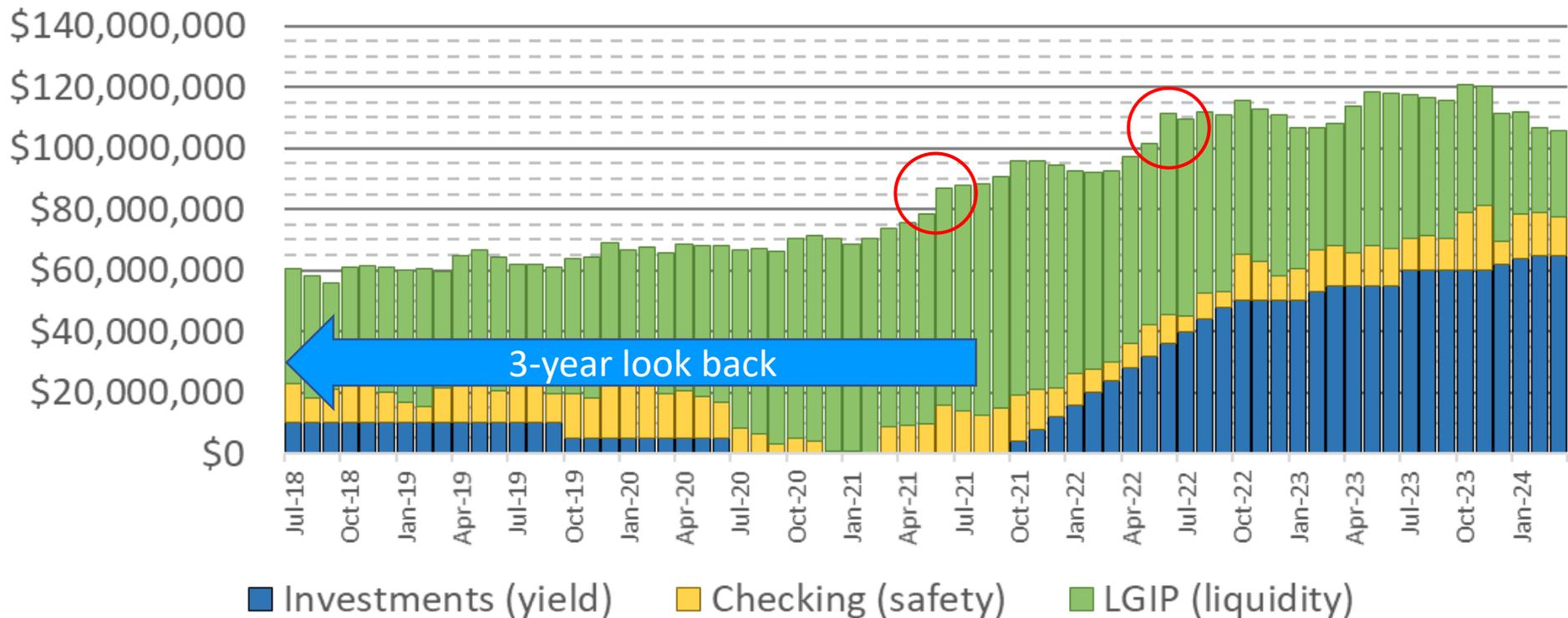
Safety – Liquidity - Yield

2019 - 2023

Property tax
in Apr/May
Debt out June

Property tax
in Oct-Nov
Debt out Dec

City of Federal Way
Cash & Investments Trend

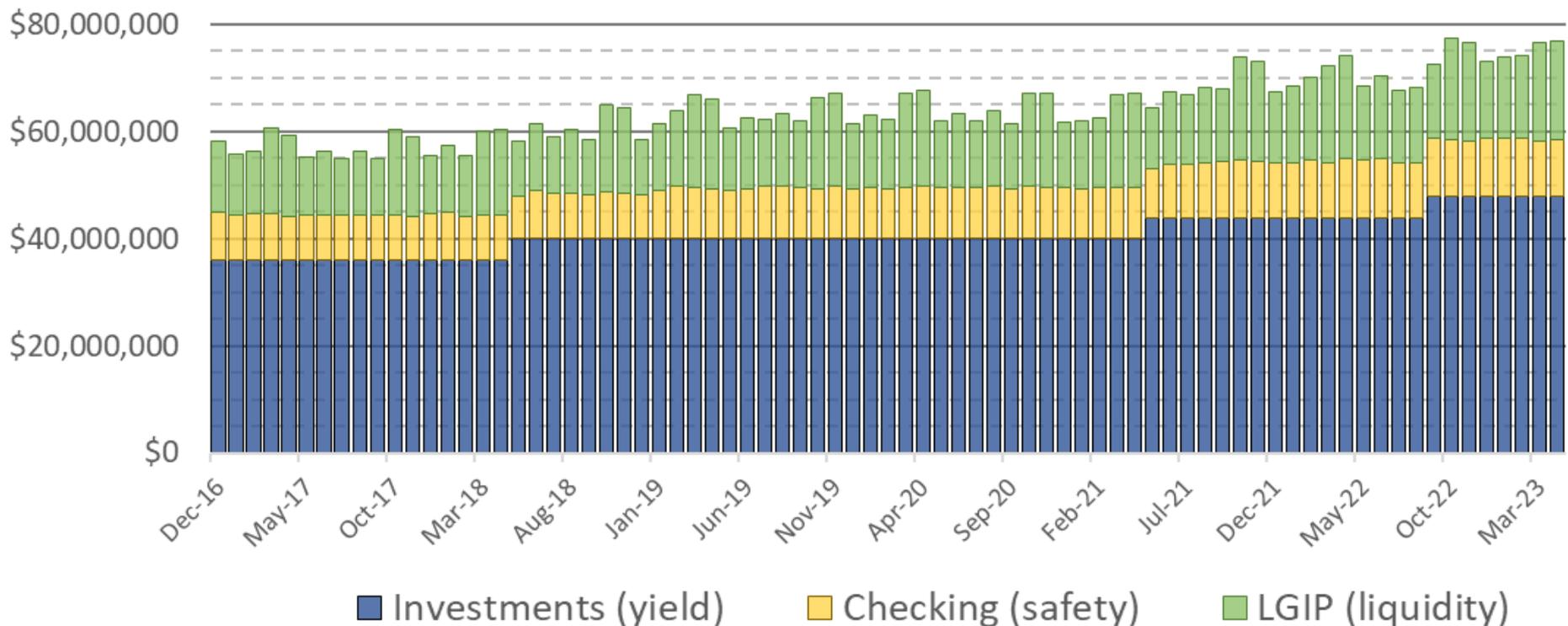


Safety – Liquidity - Yield

“Risk is Asymmetrical in government”

Ben Finkelstein, *The Politics of Public Investing*

City of Yourtown
Cash & Investments Trend



Safety

How much do we need?

Checking:

- Never bounce a check
- Accounts Payable
- Payroll
- LGIP is 1 day away

Liquidity

How much do we need?

State Pool:

- Seasonal fluctuations

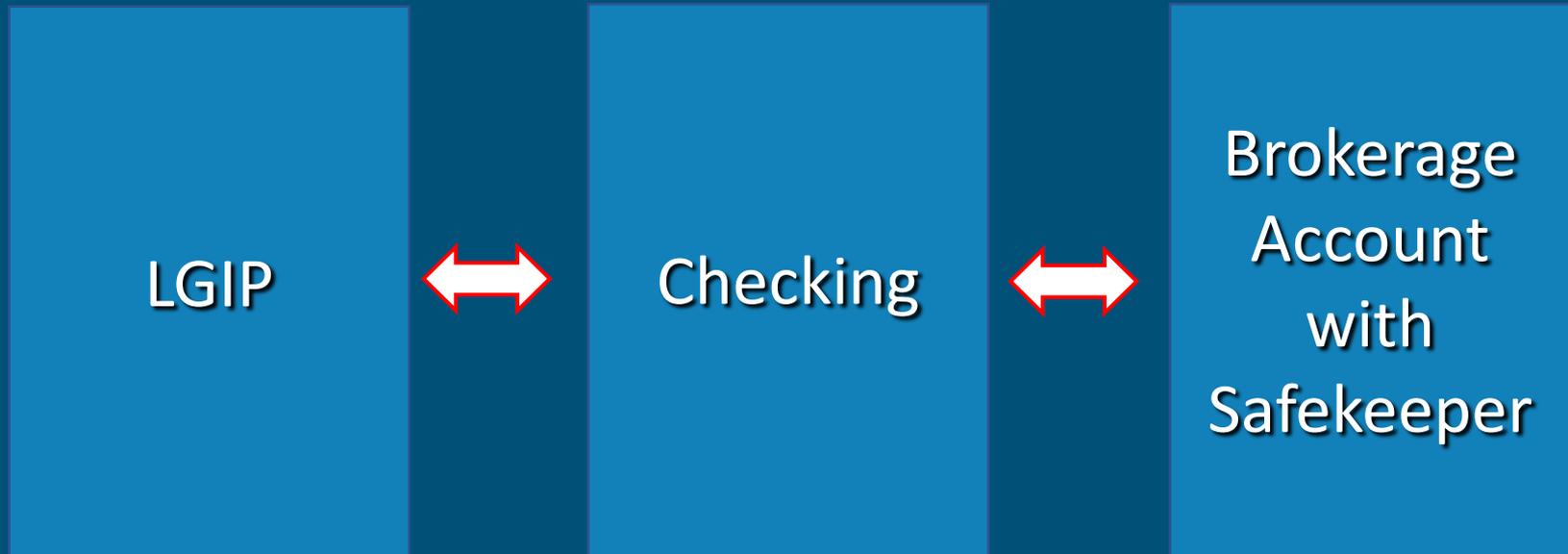
Investable:

- Fixed Reserve balances
- Unbudgeted, unspendable fund balances
 - Capital?
 - Debt?
 - Internal Service?
- BUT . . . plan for unplanned emergencies
(no budget goes unamended)

How To Start

2. Check Brokerage Balance

Move Money if Needed



Is the
\$\$ here?



Don't Forget to Sweep Interest

LGIP

Checking



Brokerage
Account

Investments

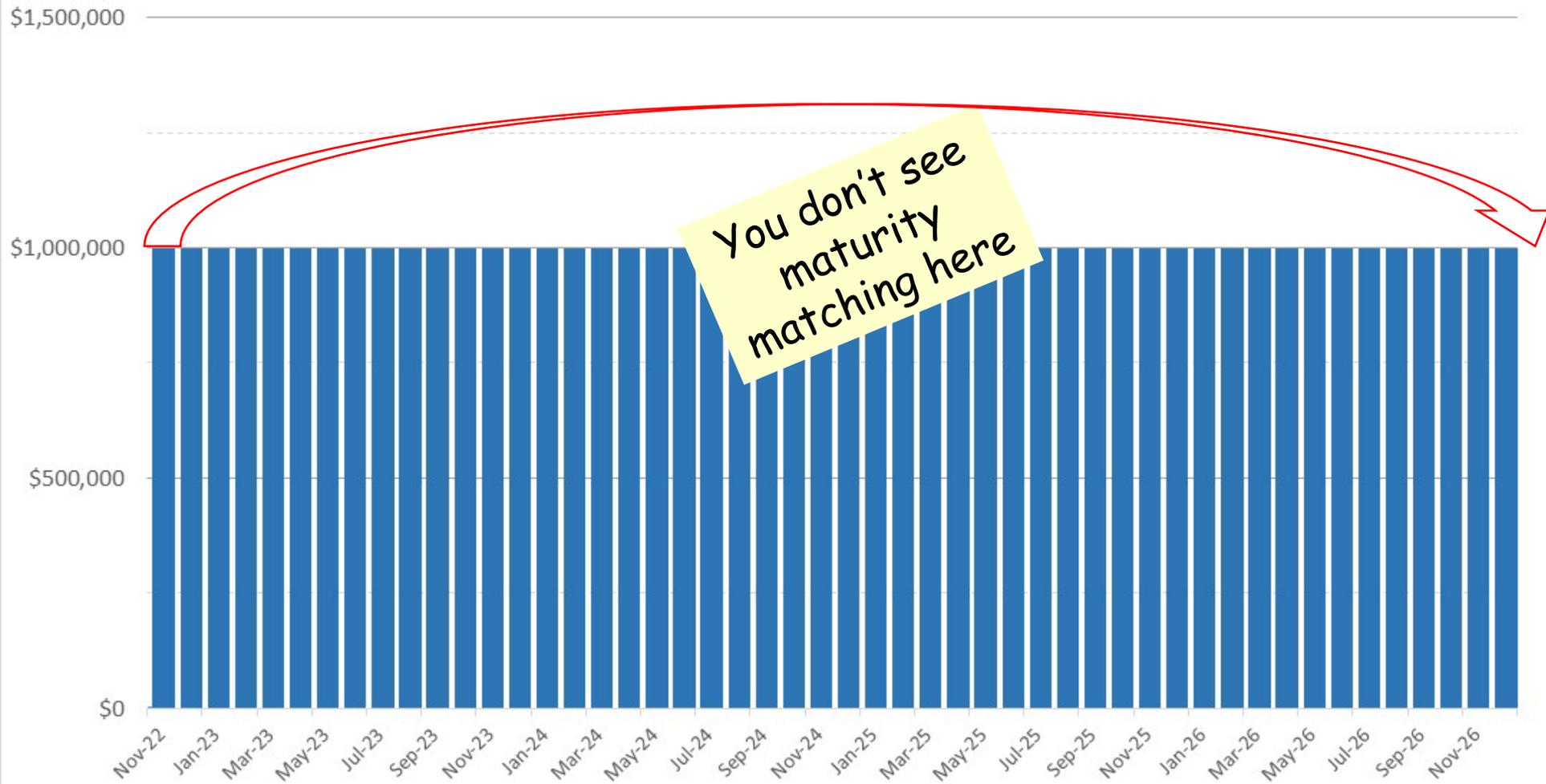
How To Start

3. Confirm Next Maturity Date

Choose Your Maturity

City of Federal Way

Investment Portfolio Maturity Distribution - October 2022



Why Bullets

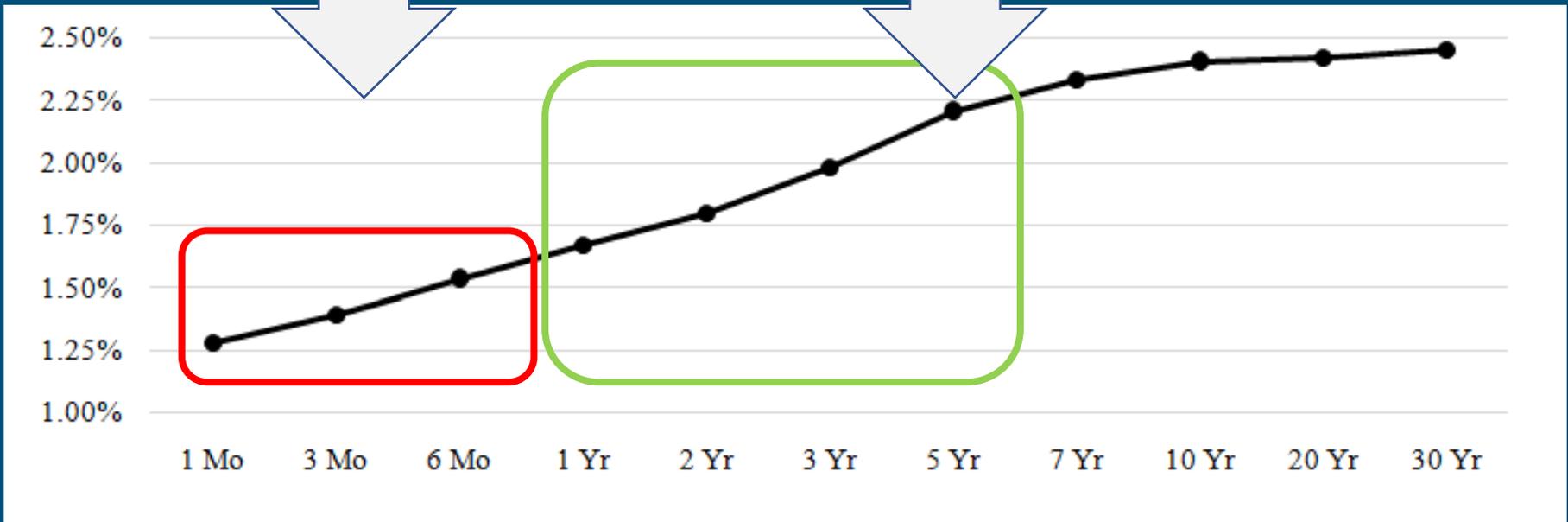
1. They won't be called
2. You only buy them once
3. No surprise reinvestment risk
4. This is about 20 minutes a month!

Yield Curve

*...assured... liquidity,
...yield an... longer
...mal cond... e*

Guess what's here?

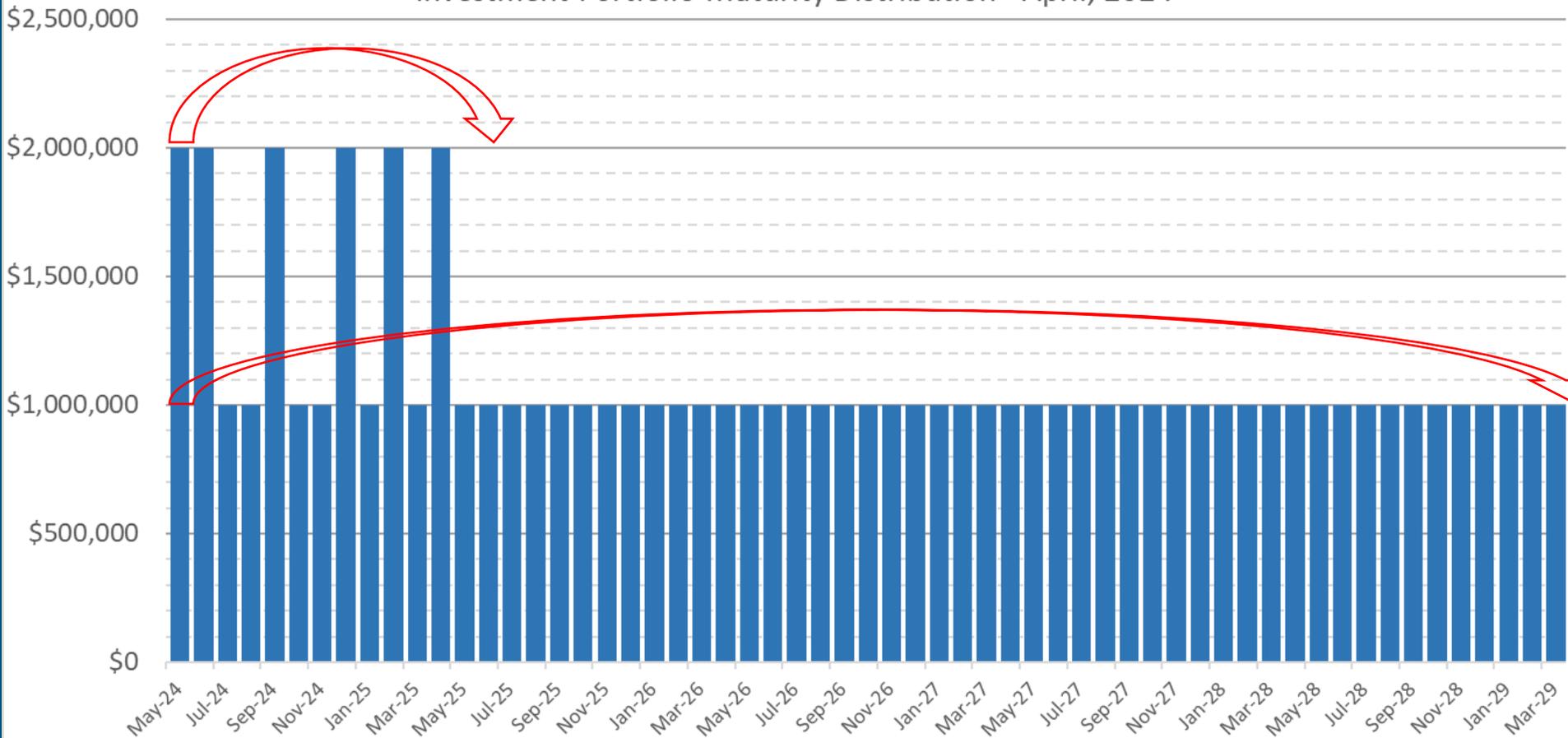
60 months is here



Choose Your Maturity

City of Federal Way

Investment Portfolio Maturity Distribution - April, 2024



How To Start

4. Check where rates are

Know the Rate You'll Get

Yesterday's Treasury Rates (and maybe a trend)

Select type of Interest Rate Data

Daily Treasury Par Yield Curve Rates

Select Time Period

Current Month

Apply

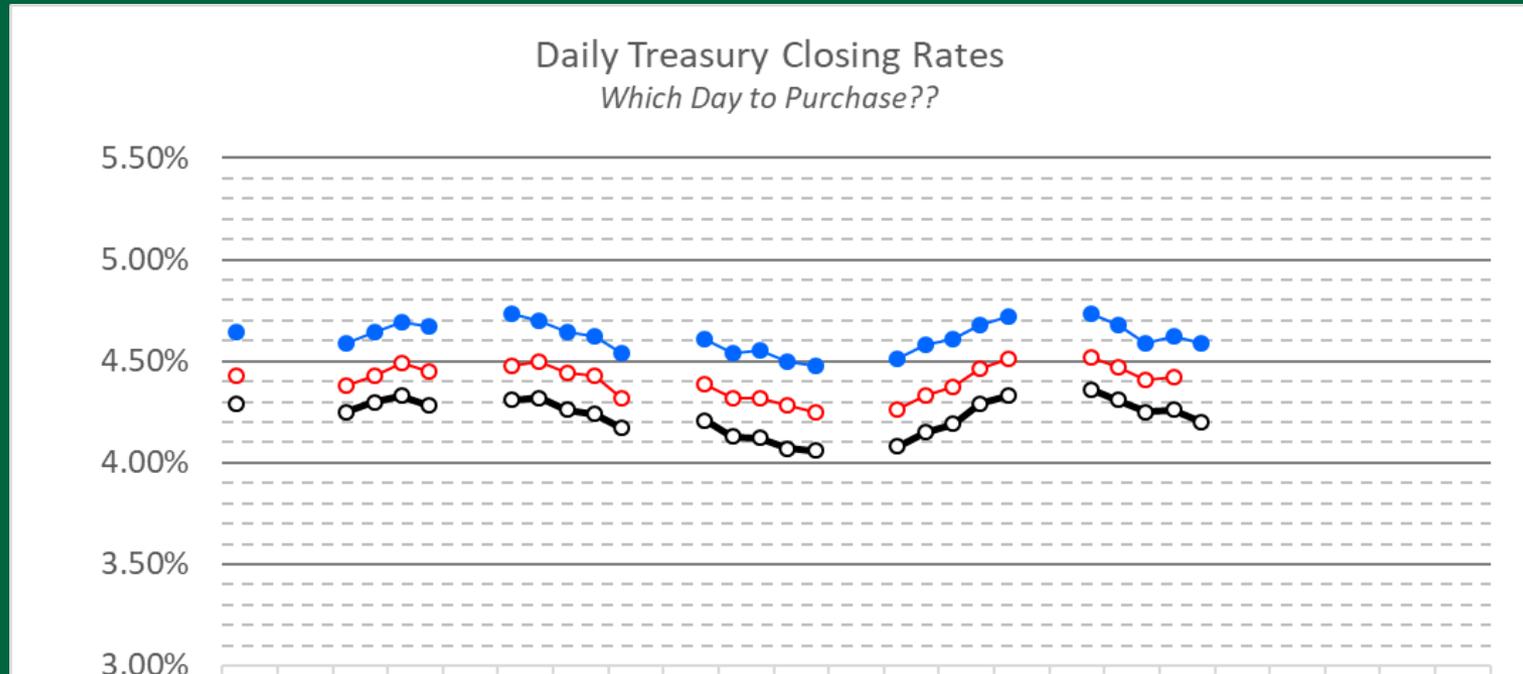
Date	1 Mo	2 Mo	3 Mo	4 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	20 Yr	30 Yr
03/01/2023	4.67	4.82	4.90	5.02	5.20	5.06	4.89	4.61	4.27	4.17	4.01	4.17	3.97
03/02/2023	4.75	4.80	4.91	5.02	5.18	5.04	4.89	4.63	4.32	4.24	4.08	4.24	4.03
03/03/2023	4.75	4.79	4.91	5.01	5.18	5.03	4.86	4.60	4.26	4.15	3.97	4.12	3.90
03/06/2023	4.75	4.79	4.93	5.02	5.22	5.05	4.89	4.61	4.27	4.16	3.98	4.14	3.92

Monday Mar 06, 2023

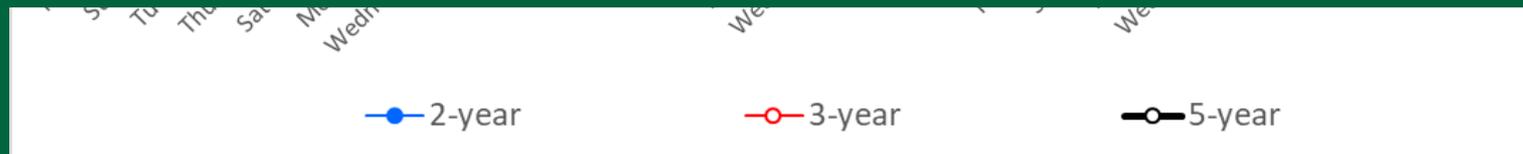
home.treasury.gov/policy-issues/financing-the-government/interest-rate-statistics

Know the Rate You'll Get?

This is the hardest part – which day to buy?



Sometimes following your own strategy with discipline means you just hold your nose even when the rates stink and you make your best purchase that day.



Know the Rate You'll Get

Treasury Rates 20 minutes ago

Treasury Yields

NAME	COUPON	PRICE	YIELD	1 MONTH	1 YEAR	TIME (EST)
GB3:GOV 3 Month	0.00	4.71	4.83%	+20	+453	11:48 AM
GB6:GOV 6 Month	0.00	4.92	5.13%	+33	+455	11:48 AM
GB12:GOV 12 Month	0.00	4.78	5.02%	+40	+414	11:48 AM
GT2:GOV 2 Year	4.63	99.53	4.88%	+77	+353	11:48 AM
GT5:GOV 5 Year	4.00	98.84	4.26%	+74	+267	11:48 AM
GT10:GOV 10 Year	3.50	95.98	3.99%	+57	+226	11:48 AM

[bloomberg.com/markets/rates-bonds/government-bonds/us](https://www.bloomberg.com/markets/rates-bonds/government-bonds/us)

Know the Rate You'll Get

This morning's Agencies

TREASURY BENCHMARKS:			1 YEAR	2 YEAR	3 YEAR	5 YEAR			
			5.03	4.87	4.59	4.25			
AGENCY	COUPON	Maturity	AMMT/ PR	NON CALLAB	SETTLEM	CALL TY	SPREAD	BENCH	YTM
FHLB	4.75	3/8/2024	25MM	NON CALLABLE	REG	BULLET	0.52	2 YEAR	5.390
FHLB	4.875	6/14/2024	50MM	NON CALLABLE	REG	BULLET	0.44	2 YEAR	5.310
FHLB	2.75	6/28/2024	5MM	NON CALLABLE	REG	BULLET	0.26	2 YEAR	5.130
FNMA	1.75	7/2/2024		NON CALLABLE	REG	BULLET	0.25	2 YEAR	5.120
FFCB	3.3	8/15/2024	25MM	NON CALLABLE	REG	BULLET	0.3	2 YEAR	5.170
FFCB	4.875	8/21/2024	20MM	NON CALLABLE	REG	BULLET	0.38	2 YEAR	5.250
FHLB	4.875	9/13/2024	50MM	NON CALLABLE	REG	BULLET	0.43	2 YEAR	5.300
FNMA	1.625	10/15/2024	10MM	NON CALLABLE	REG	BULLET	0.1	2 YEAR	4.970
FFCB	0.875	11/18/2024	9MM	NON CALLABLE	REG	BULLET	0.16	2 YEAR	5.030
FHLB	5	12/13/2024	25MM	NON CALLABLE	REG	BULLET	0.27	2 YEAR	5.140
FHLB	4.625	12/13/2024	25MM	NON CALLABLE	REG	BULLET	0.23	2 YEAR	5.100
FFCB	4.25	12/20/2024	50MM	NON CALLABLE	REG	BULLET	0.155	2 YEAR	5.025
FHLB	4.65	1/6/2025	5MM	NON CALLABLE	REG	BULLET	0.18	2 YEAR	5.050
FNMA	1.625	1/7/2025	5MM	NON CALLABLE	REG	BULLET	0.06	2 YEAR	4.930
FFCB	4.75	2/21/2025	50MM	NON CALLABLE	REG	BULLET	0.15	2 YEAR	5.020
FHLB	4.625	3/14/2025	25MM	NON CALLABLE	REG	BULLET	0.15	2 YEAR	5.020
FHLB	0.5	4/14/2025	5MM	NON CALLABLE	REG	BULLET	-0.13	2 YEAR	4.740
FNMA	0.625	4/22/2025	5MM	NON CALLABLE	REG	BULLET	-0.03	2 YEAR	4.840
TVA	0.75	5/15/2025	5MM	NON CALLABLE	REG	BULLET	0.08	2 YEAR	4.950
FNMA	0.5	6/17/2025	10MM	NON CALLABLE	REG	BULLET	-0.075	2 YEAR	4.795
FHLMC	0.375	7/21/2025	REF NOTE	NON CALLABLE	REG	BULLET	0.14	3 YEAR	4.730
FNMA	0.375	8/25/2025	5MM	NON CALLABLE	REG	BULLET	0.13	3 YEAR	4.720
FHLMC	0.375	9/23/2025	10MM	NON CALLABLE	REG	BULLET	0.11	3 YEAR	4.700
FNMA	0.5	11/7/2025	BENCH	NON CALLABLE	REG	BULLET	0.07	3 YEAR	4.660
FHLB	4.375	2/23/2026	5MM	NON CALLABLE	REG	BULLET	0.07	3 YEAR	4.660
FHLB	4.5	3/13/2026	50MM	NON CALLABLE	REG	BULLET	0.09	3 YEAR	4.680
FNMA	2.125	4/24/2026	10MM	NON CALLABLE	REG	BULLET	-0.05	3 YEAR	4.540
FNMA	1.875	9/24/2026	5MM	NON CALLABLE	REG	BULLET	-0.11	3 YEAR	4.480
FHLB	4.5	12/11/2026	SOLD	NON CALLABLE	REG	BULLET	0.2	5 YEAR	4.450
FFCB	3.375	12/23/2026	2MM	NON CALLABLE	REG	BULLET	-0.09	3 YEAR	4.500
FHLB	3.75	3/12/2027	1MM	NON CALLABLE	REG	BULLET	0.18	5 YEAR	4.430
FNMA	0.75	10/8/2027	5MM	NON CALLABLE	REG	BULLET	-0.02	5 YEAR	4.230
FFCB	4.125	12/1/2027	15MM	NON CALLABLE	REG	BULLET	0.09	5 YEAR	4.340
FFCB	3.875	2/14/2028	10MM	NON CALLABLE	REG	BULLET	0.06	5 YEAR	4.310
FHLB	4.5	3/10/2028	10MM	NON CALLABLE	REG	BULLET	0.1	5 YEAR	4.350

How To Start

5. Call the Broker

Prepare to Call the Broker

Send this in the afternoon after markets close today

Send	To...	
	Cc...	
	Bcc...	Broker #1, Broker #2, Broker #3
Subject		City of Federal Way ladder - looking for a 5-year Mar 2029 \$1M

Good morning,

Please take a look and see what Treasury or Agency bullets you see for March 2029, reply tomorrow morning by email by 9:00 am?

Thanks as always,

Steve

Steve Groom
Finance Director


33325 8th Ave So., Federal Way, WA 98003
Steve.Groom@CityOfFederalWay.com
(253) 835-2520

Emails and attachments sent to and from the City of Federal Way may be subject to disclosure pursuant to the Public Records Act (RCW 42.56)

Tomorrow morning, you'll get three emails before 9:00 am

Prepare to Call the Broker

Know

1. The dollar amount
2. The maturity date
3. The options you (don't) want
4. The rate (ish)

“I’m looking to fill June 2027 with \$1 million, a Treasury or an Agency, non-callable, what do you see?”

How To Start

6. Safekeeping Transmittal

Broker Sends Trade Ticket

1 <GO> to send to VCON & MSG ,View other options under Settings

FFCB 3 ⁷/₈ 01/18/29 Corp 1) Send (VCON) 97) Settings Ticket

01/25/2024 10:26:05 Trade Date 01/25/24 10:26:05

Trade Information

Trader	JASON KLINGHOFFER	CUSIP	3133EPW84
At	MISCHLER FINANCIAL GROUP INC	ISIN	US3133EPW849

9) SELL	1000	M	of FFCB 3 ⁷ / ₈ 01/18/29	Issuer	FED FARM CREDIT
				Dated	01/18/24
Price	99.2500000000	Yield	4.042667		
Settlement	01/26/24	(T+1 for calendar 'US')			

Notes

MFG Sells to City of Federal Way

Trade Numbers

View Amounts in **USD**

Principal		USD	992,500.00
Accrued	(8days)		861.11
Total		USD	993,361.11

Authorize Your Safekeeper



FINANCE DEPARTMENT

TO: US Bank Safekeeping Department
 Attn: Cathy Maier 1 (800) 236-4221
 Via safekeepingclearancetrades@usbank.com

FROM: Steve Groom

DATE: January 25, 2024

RE: City of Federal Way – Trade Confirmation

Transaction type: Purchase (in to custody) Sale (out of custody)

Customer Name: **City of Federal Way** Safekeeping Account # **831000033**

Broker Name: **Mischler Financial Group / Jason Klinghoffer (949) 720-0640**

Settlement Date: **01/26/2024** Safekeeping Receipt # (Sale)

Security Description: **FFCB** CUSIP: **3133EPW84**

Maturity Date: **01/18/2029** Issue Date: **01/18/2024**

Par/Face: **\$1,000,000.00** Price: **\$ 99.250.0000**

Net Amount: **\$993,361.11**

Delivery Instructions (Sale of security)

FED	ABA#
Deliver to:	Account #
Additional instructions: Trade ticket is attached Delivery vs. Payment	



Date 1/25/2024

Steve Groom, Finance Director, City of Federal Way
Steve.Groom@CityOfFederalWay.com, (253) 835-2520



FINANCE DEPARTMENT

1 <GO> to send to VCON & MSG ,view other options under Settings

FFCB 3 % 01/18/29 Corp Send (VCON) Settings Ticket

01/25/2024 10:26:05 Trade Date 01/25/24 10:26:05

Trade Information

Trader JASON KLINGHOFFER CUSIP 3133EPW84

At MISCHLER FINANCIAL GROUP INC ISIN US3133EPW849

SELL 1000M of FFCB 3 % 01/18/29 Issuer FED FARM CREDIT

Price 99.25000000 Yield 4.042667 Dated 01/18/24

Settlement 01/26/24 (T+1 for calendar 'US')

Notes MFG Sells to City of Federal Way

Trade Numbers

View Amounts in USD

Principal	USD	992,500.00
Accrued (8 days)		861.11
Total	USD	993,361.11

FFCB 3 % 01/18/29 Corp Export Settings Cash Flow Analysis

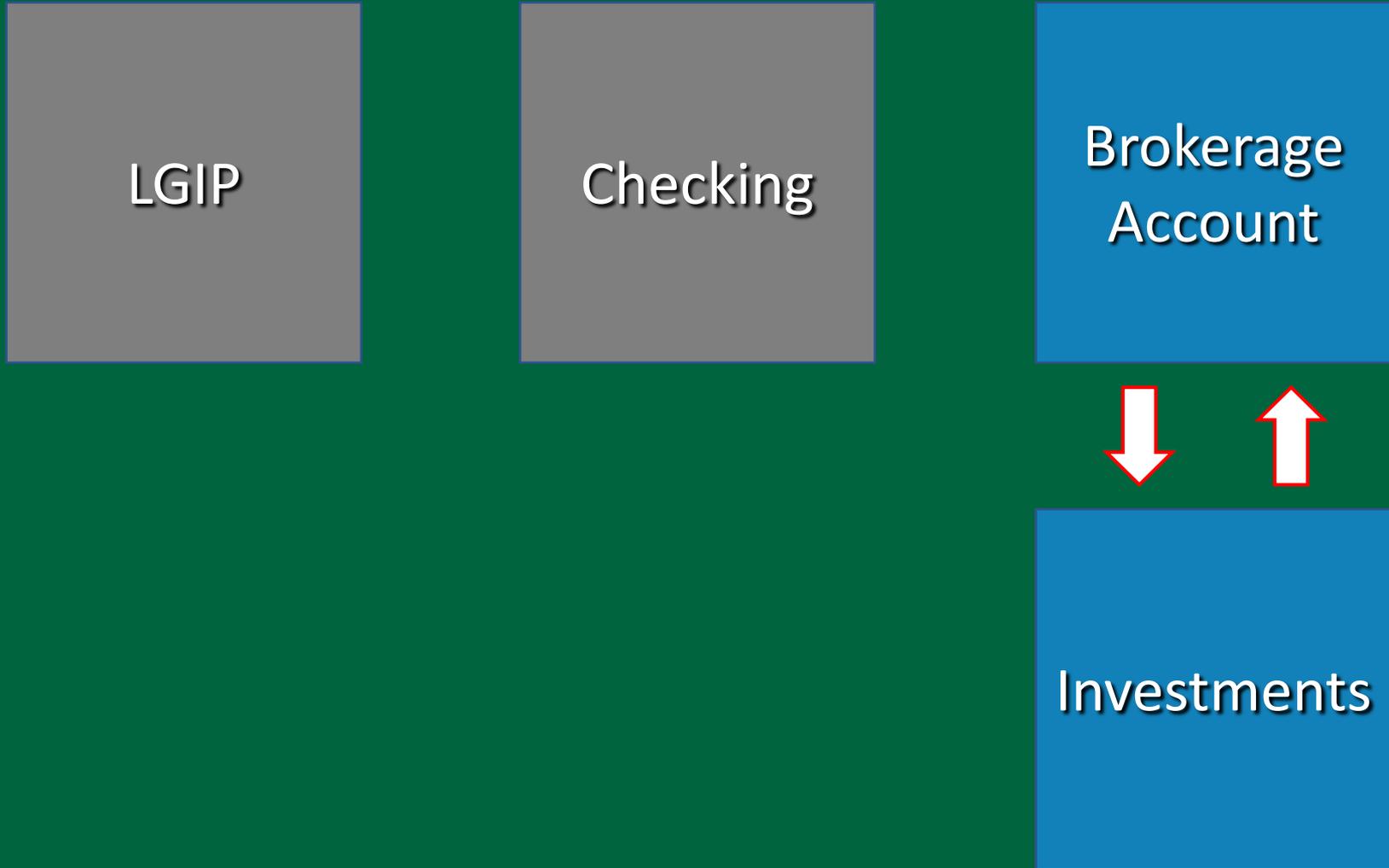
99.140/99.172 4.067/4.066 BVAL @ 08:15 Buy Sell BBID ZF3376711

Cash Flows Present Values Distressed Analysis

Price	99.250000	Settlement	01/26/24	Issue	01/18/2024	Maturity	01/18/2029
Yield	4.042667	to	Worst	@	100.000000	Face Amt	1000M

Payment Date	Interest	Principal	Total
07/18/2024	19,375.00	0.00	19,375.00
01/18/2025	19,375.00	0.00	19,375.00
07/18/2025	19,375.00	0.00	19,375.00
01/18/2026	19,375.00	0.00	19,375.00
07/18/2026	19,375.00	0.00	19,375.00
01/18/2027	19,375.00	0.00	19,375.00
07/18/2027	19,375.00	0.00	19,375.00
01/18/2028	19,375.00	0.00	19,375.00
07/18/2028	19,375.00	0.00	19,375.00
01/18/2029	19,375.00	1,000,000.00	1,019,375.00

Custody Transaction



How To Start

7. Write up your Rationale doc

Document Rationale



FINANCE

Staff Review of Investment Rationale

Date: January 25, 2024

Investment # 2024-082 is a 5-year Federal Farm Credit Bank (FFCB), face value \$1,000,000, maturing January 18, 2029, purchased at 99.25 (discount) to yield 4.04%. This trade settles January 26, 2024 with Mischler Financial Group, US Bank Safekeeping, reducing the city's position in LGIP.

Liquidity: At December 31st month-end, total city cash was \$111.3 million, checking account balance was \$7.5 million (target minimum is \$8 Million), investment portfolio was \$62.0 million (target is \$65 million for Treasuries and Agencies). State LGIP investment pool balance was \$41.7 million (target minimum is \$20 million, excluding unspent ARPA and property acquisition of \$8 million is in-process).

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 4.04%. *This investment is 1 basis point over the 5-year benchmark.* Comparable yields evaluated at time of purchase were:

LGIP current 30-day yield	5.43%	www.secureaccess.wa.gov
2-year Treasury	4.31%	Bloomberg.com
Same maturity Agency	None available	Broker live inquiry
5-year Treasury	4.03%	Bloomberg.com

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

Diversification. This purchase puts this issuer at 3.8% of total portfolio.

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

Outlook. The yield curve is currently completely inverted, with peak yield around 5.54% at 1 month then downward sloping to 2-year at 4.31, the 5-year at 4.03%. The Federal Reserve Bank last executed no change in rate as uncertainty remains over inflation, money supply and Fed moves.

Staff review:

Deputy Finance Director:  Date: 1/25/24

Finance Director:  Date: 1/25/24

How To Start

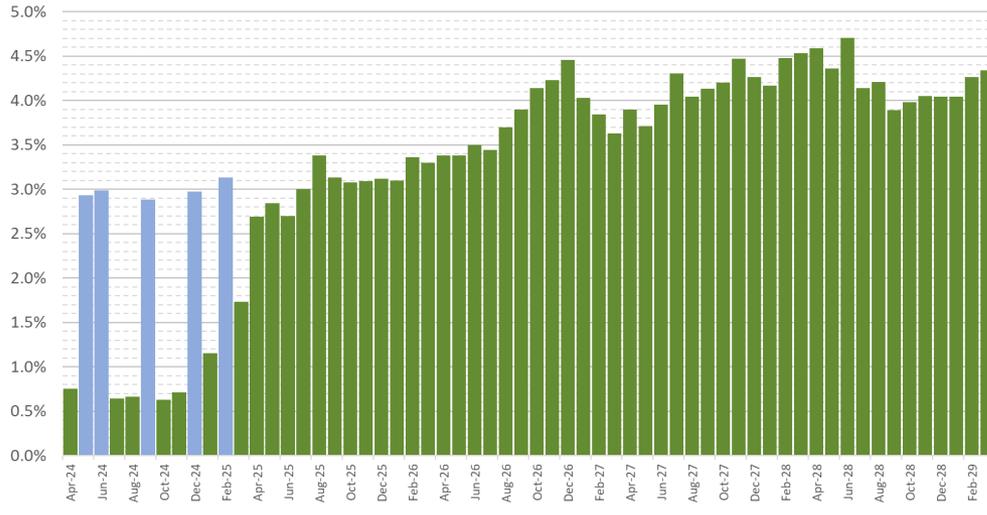
8. Update your spreadsheet

Update Your Spreadsheet

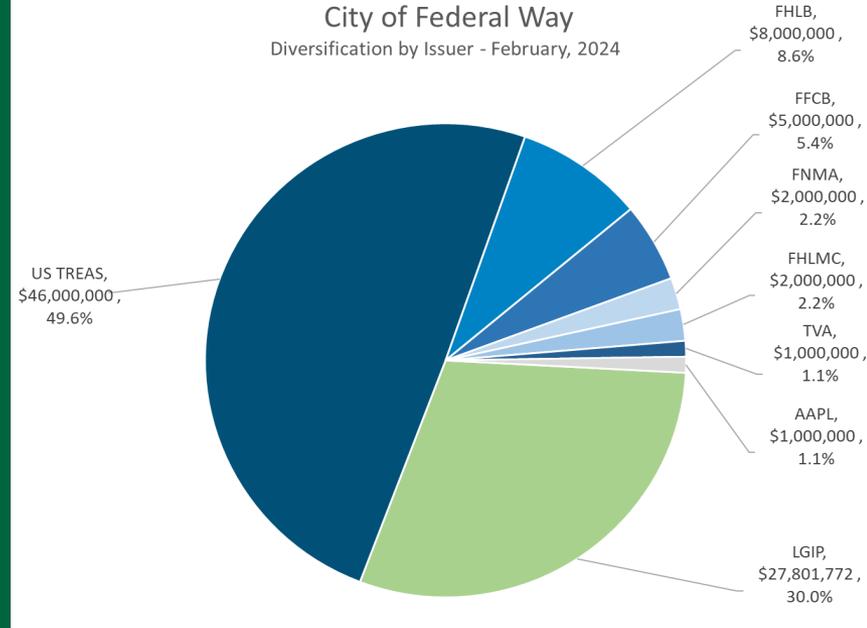
Cusip	Issuer	Inv#	Settle	Face Value	Price	Cost	Market	Maturity	DTM	YTM	Coupon			WAM
											Yield \$	%	Coupon \$	
State Pool	LGIP			33,342,604		33,342,604	33,342,604	2/1/24	1		1,799,634	5.397%	1,799,634	0.34
Feb-24 3135GOV34	FNMA	2021-011	12/16/21	1,000,000	103.7530	1,037,530	999,670	2/5/24	5	0.726%	7,533	2.500%	25,000	0.05
Feb-24 3130AV4V1	FHLB	2023-057	2/27/23	1,000,000	99.8989	998,989	999,517	2/27/24	27	5.230%	52,247	5.125%	51,250	0.28
Mar-24 3130AB3H7	FHLB	2021-010	12/7/21	1,000,000	103.6546	1,036,546	996,865	3/8/24	37	0.736%	7,629	2.375%	23,750	0.38
Apr-24 9128286R6	US TREAS	2021-008	11/24/21	1,000,000	103.6094	1,036,094	992,422	4/30/24	90	0.750%	7,771	2.250%	22,500	0.92
May-24 912828WJ5	US TREAS	2023-060	3/2/23	1,000,000	96.9390	969,390	991,914	5/15/24	105	5.150%	49,927	2.500%	25,000	1.08
May-24 912828XT2	US TREAS	2021-007	11/17/21	1,000,000	103.2227	1,032,227	989,180	5/31/24	121	0.715%	7,380	2.000%	20,000	1.24
Jun-24 3130AV7F3	FHLB	2023-061	3/8/23	1,000,000	99.8260	998,260	999,254	6/11/24	122					
Jun-24 91282CCG4	US TREAS	2021-005	11/17/21	1,000,000	103.2227	1,032,227	989,180	5/31/24	121	0.715%	7,380	2.000%	20,000	1.24
Mar-28 91282CBS9	US TREAS	2023-073	9/20/23	1,000,000	86.7080	867,080	893,945	3/31/28	1,521	4.530%	39,279	1.25%	12,500	15.47
Apr-28 91282CHA2	US TREAS	2023-074	10/12/23	1,000,000	95.5547	955,547	978,906	4/30/28	1,551	4.590%	43,860	3.50%	35,000	15.77
May-28 9128284N7	US TREAS	2023-076	11/29/23	1,000,000	94.0313	940,313	954,531	5/15/28	1,566	4.361%	41,011	1.25%	12,500	15.92
Jun-28 91282CCE9	US TREAS	2023-075	11/14/23	1,000,000	86.0216	860,216	890,078	6/1/28	1,583	4.703%	40,452	1.25%	12,500	16.10
Jul-28 91282CCR0	US TREAS	2023-077	12/8/23	1,000,000	86.8477	868,477	876,406	7/31/28	1,643	4.140%	35,958	1.00%	10,000	16.71
Aug-28 9128284V9	US TREAS	2023-078	12/14/23	1,000,000	94.3867	943,867	952,383	8/15/28	1,658	4.210%	39,741	2.88%	28,750	16.86
Sep-28 91282CJA0	US TREAS	2023-079	12/22/23	1,000,000	103.1680	1,031,680	1,025,352	9/30/28	1,704	3.890%	40,132	4.63%	46,250	17.33
Oct-28 91282CDF5	US TREAS	2024-080	1/11/24	1,000,000	88.7109	887,109	891,289	10/31/28	1,735	3.981%	35,312	1.38%	13,750	17.64
Nov-28 91282CDL2	US TREAS	2024-081	1/19/24	1,000,000	88.8396	888,396	895,156	11/30/28	1,765	4.051%	35,989	1.50%	15,000	17.95
Dec-28 3130AXQK7	FHLB	2024-083	2/5/24	1,000,000	103.0800	1,030,800	1,030,800	12/8/28	1,773	4.041%	41,651	4.75%	47,500	18.03
Jan-29 3133EPW84	FFCB	2024-082	1/26/24	1,000,000	99.2500	992,500	992,183	1/18/29	1,814	4.043%	40,123	3.88%	38,750	18.45
	66			<u>65,000,000</u>		<u>62,712,493</u>	<u>63,694,965</u>			3.189%	<u>2,072,705</u>			
				<u>98,342,604</u>		<u>96,055,097</u>	<u>97,037,569</u>		Avg. Yield	3.938%	<u>3,872,339</u>	3.376%	<u>3,319,584</u>	<u>573.31</u>

Updated Spreadsheet

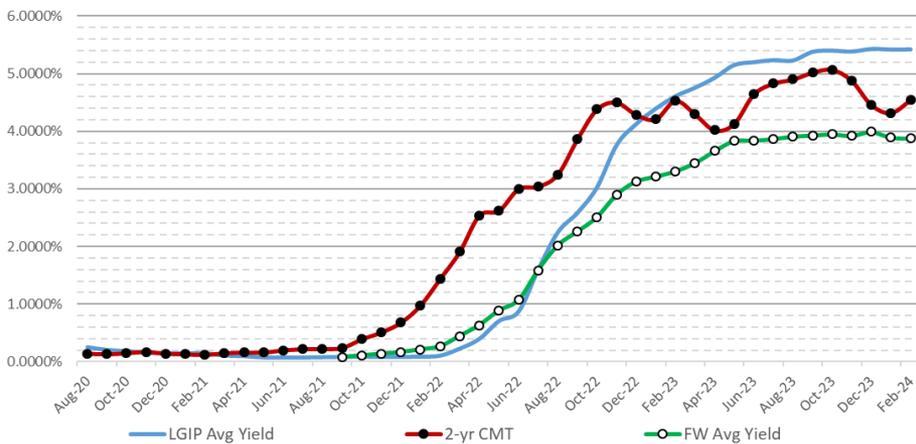
City of Federal Way
Yield of Each Maturity Date



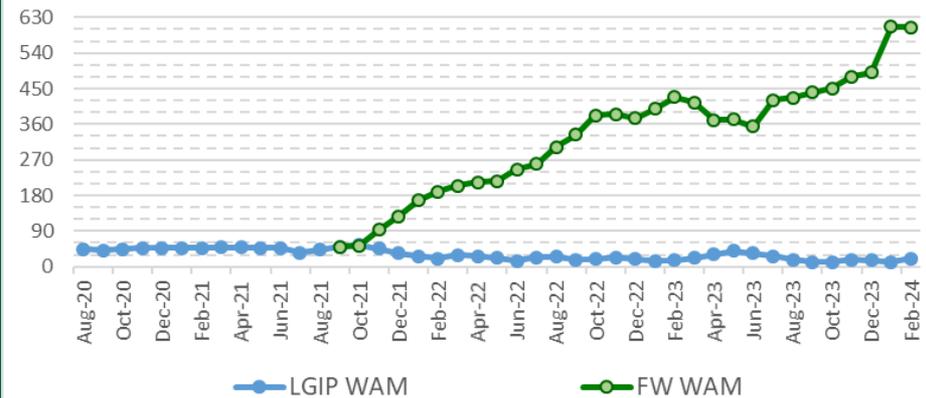
City of Federal Way
Diversification by Issuer - February, 2024



Portfolio Average Yield
City Portfolio vs Benchmark vs. State Pool



Weighted Average Maturity Days
(City Investment Policy Maximum is 900 Days)



How To Start

9. Journalize the transaction

Journal Entry

1 <GO> to send to VCON & MSG ,View other options under Settings

FFCB 3 $\frac{7}{8}$ 01/18/29 Corp 1) Send (VCON) 97) Settings Ticket

01/25/2024 10:26:05 Trade Date 01/25/24 10:26:05

Trade Information

Trader	JASON KLINGHOFFER	CUSIP	3133EPW84
At	MISCHLER FINANCIAL GROUP INC	ISIN	US3133EPW849

9) SELL	1000 M	of FFCB 3 $\frac{7}{8}$ 01/18/29	Issuer	FED FARM CREDIT
			Dated	01/18/24
Price	99.250000000	Yield	4.042667	
Settlement	01/26/24	(T+1 for calendar 'US')		

Notes

MFG Sells to City of Federal Way

Trade Numbers

View Amounts in USD

Principal	(8 days)	USD	992,500.00
Accrued				861.11
Total			USD	993,361.11

SN 3731068 PST GMT-8:00 H927-5966-172 25-Jan-2024 10:27:20

Investments	\$992,500.00
Interest Revenue	861.11
Cash	(993,361.11)

Q: Why net the Debits to Investments \$1,000,000 and Discount \$7,500?

A1: Because the Credit to Discount goes to Investments

A2: Ditto for Premiums

A3: Your year-end mark-to-market is going to adjust Investments to fair market value

Q: What's the Debit to Interest Revenue about?

A: Your coupon payment will be for a full six months (180 days) and you didn't own the asset for the full six months. You're left with the net.

Investments	\$992,500.00	
Interest Revenue	861.11	
Cash		(993,361.11)

How To Start

10. Reporting

Monthly Reporting

Did you know
this was a
statute?

PDF RCW 35.39.032

Approval of legislative authority—Delegation of authority—Reports.

No investment shall be made without the approval of the legislative authority of the city or town expressed by ordinance: PROVIDED, That except as otherwise provided by law, the legislative authority may by ordinance authorize a city official or a committee composed of several city officials to determine the amount of money available in each fund for investment purposes and make the investments authorized as indicated in RCW 35.39.030 as now or hereafter amended and the provisions of RCW 35.39.034, without the consent of the legislative authority for each investment. **The responsible official or committee shall make a monthly report** of all investment transactions to the city legislative authority. The legislative authority of a city or town or city official or committee authorized to invest city or town funds may at any time convert any of its investment securities, or any part thereof, into cash.

[1969 ex.s. c 33 § 2.]

Update your
investment
policy?

XIV. Reporting

Monthly Reports

The Finance Director shall make a monthly report of all investment transactions to the city council via FEDRAC. (RCW 35.39.032)

Monthly Reporting



FINANCE DEPARTMENT

Monthly Treasury Positions and Activity

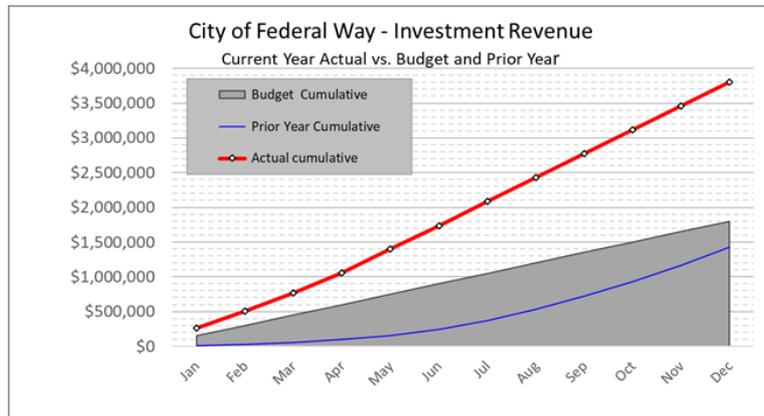
This monthly report of all investment transactions to the city council via FEDRAC complies with RCW 35.39.032. The following pages provide a summary of the current investment portfolio holdings and the individual transactions and activity during the month.

Portfolio Yield: The City's total annualized yield was 4.0%. The City's position in LGIP was \$41.8 million earning a 5.4% yield and the laddered portfolio was \$62 million earning a 3.0% yield.

	Face Value	Cost	Yield %	Annual Yield \$
City Portfolio:	62,000,000	59,989,857	3.042%	1,886,121
State Investment Pool:	41,750,976	41,750,976	5.397%	2,253,467
Total:	\$103,750,976	\$101,740,833	3.990%	\$4,139,588

Interest Revenue Compared to Budget and Prior Year

Year-to-date interest revenue through December of \$3,799,000 exceeds budget of \$1,800,000 by 1,999,000 or 111% and exceeds prior year by \$2,370,000. Accrual basis interest for the month was \$336,000, level with prior month.

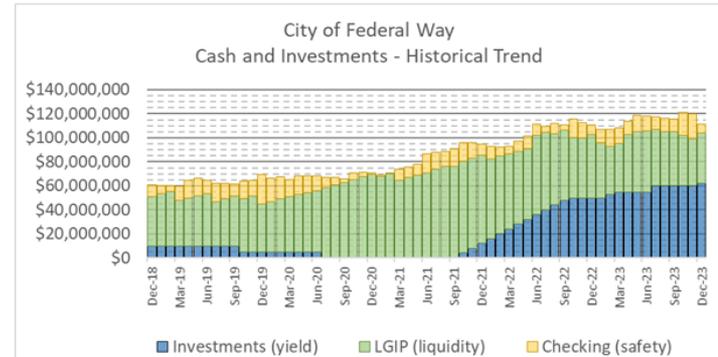


FINANCE DEPARTMENT

Cash Balance and Investment Positions:

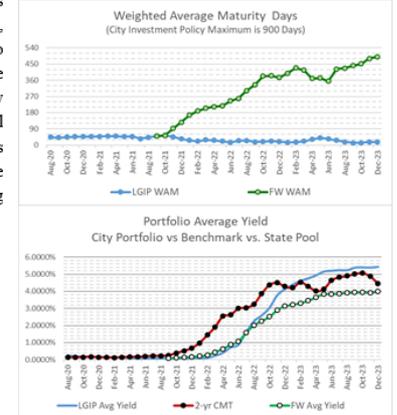
The City's cash balance trend is shown below:

- Total cash decreased to 111.3 million from \$120.1 million.
- Laddered investments increased to \$62 million from \$60.0 million.
- The LGIP Investment Pool position increased from \$39.0 million to \$41.8 million.



Benchmark and Portfolio

Weighted Average Maturity (WAM) of the City's portfolio, including position in LGIP, is 490 days, an indicator of the portfolio's exposure to reinvestment risk as well as rate volatility. The portfolio is within the City's Investment Policy limit of 2.5 years or 900 days. The LGIP State Pool WAM was 16 days in December. The City's average maturity increased in part due to the decrease in cash balance at the LGIP and extending ladder out two months with purchases.



Average Yield of the City's portfolio was 4.0%, compared to 4.5% for the 2-year Constant Maturity Treasury index and 5.4% for the LGIP.

Monthly Reporting



FINANCE DEPARTMENT

The following city portfolio summary is provided by our third-party custodian, US Bank, and summarizes both the ending position and the activity within the month:



Acct Name: CITY OF FEDERAL WAY	SUMMARY - USD	Page 1
Acct Number: XXXXXX0333		For period 12/01/2023 - 12/31/2023

ACTIVITY - Settled/Cleared Cash Activity

Transaction Type	Amount	Your Sales Representative is: SAFEKEEPING OPERATIONS (800) 236-4221
Purchases	0.00	
Purchase Reversals	0.00	
Sales	0.00	
Sale Reversals	0.00	
Withdrawals	0.00	
Receipts	(2,867,497.57)	
Deliveries	0.00	
Principal Reversals	0.00	
Interest	57,775.00	
Interest Reversals	0.00	
Interest Adjustments	0.00	
Maturities	1,000,000.00	
Calls	0.00	
Puts	0.00	
Paydowns	0.00	
Paydown Adjustments	0.00	
Payups	0.00	
Payup Adjustments	0.00	
Cash Dividends	0.00	
Balance Changes	0.00	
Stock Dividends	0.00	
Closesouts	0.00	
Closed Dividends	0.00	
Net Activity	(1,809,722.57)	

HOLDINGS - Custody

Category	Par/Shares	Original Face	Principal Cost	Market Value
Treasury Obligations	44,000,000.00000	44,000,000.00000	42,991,751.72	42,228,242.07
US Government Agency Securities	17,000,000.00000	17,000,000.00000	17,014,901.00	16,711,450.21
Corporate Securities	1,000,000.00000	1,000,000.00000	843,200.00	958,917.15
Total Custody Holdings	62,000,000.00000	62,000,000.00000	60,849,852.72	59,898,609.43

Market Value is currently below both Original Face Value, the value we'll receive at maturity, and Principal Cost, what we paid. This is partially due to purchasing at discounts and also because rates have risen, so the investments purchased in the past, at lower rates, aren't as desirable on the secondary market, to those who trade actively. This is an unrealized change in market value, since all investments will be held to maturity, receiving full value. All investments are bullets, or uncalled, therefore full face value will be realized at maturity, received in cash.

Maturities: During the month, the following investment matured:

- 2022-014 FFCB \$1,000,000, matured December 2023, yielding 0.89%

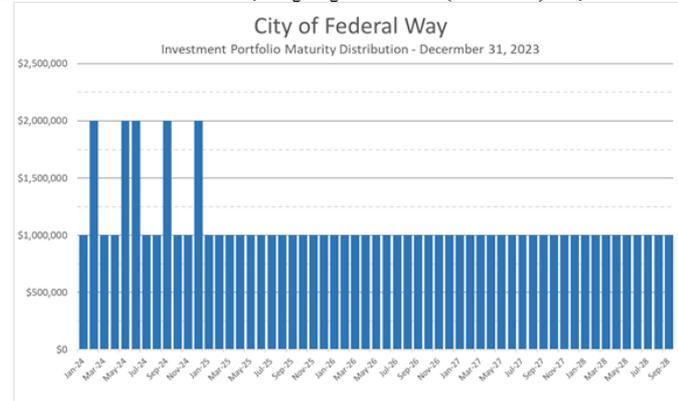
Purchases: During the month, the following investments were purchased, maximizing yield at the time of purchase for the maturity date being filled, having first assured safety and liquidity of the entire portfolio (see addendum for complete rationale):

- 2023-077 US Treasury \$1,000,000, matures July 2028, yielding 4.14%
- 2023-078 US Treasury \$1,000,000, matures August 2028, yielding 4.21%
- 2023-079 US Treasury \$1,000,000, matures September 2028, yielding 3.89%

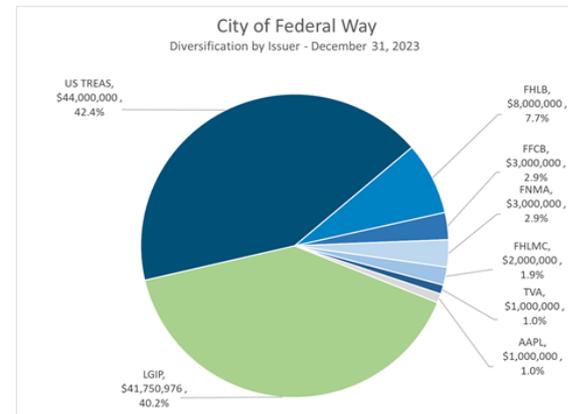


FINANCE DEPARTMENT

The maturity distribution of the laddered portion of the portfolio shows that \$1-2 million will mature each month for the next 57 months, mitigating reinvestment (interest rate) risk, as follows:



and the diversification distribution partially mitigating credit risk, as follows:



Monthly Reporting



FINANCE DEPARTMENT



FINANCE

Staff Review of Investment Rationale

Safekeeping Report Detail

This monthly safekeeping report of all investment transactions held in safekeeping by US Bank lists securities by maturity date, first obligations of the US Treasury, then US Government Agency Securities, and Corporate Securities last.

Acct Name: CITY OF FEDERAL WAY HOLDINGS AS OF 12/31/2023 - USD Page 5

CUSTODY Maturity	Security ID Ticket	Rate Acq Date	Description	Par/Shares Original Face	Principal Cost	Market Value NAV
Treasury Obligations						
01/31/2024	91282829 392220927	2.500 12/21	U.S. Treasury Notes 91282829 01/31/2024	1,000,000.00 1,000,000.00	1,037,773.44	997,382.69
04/30/2024	91282868 392220908	2.250 11/21	U.S. Treasury Notes 2.250 04/30/2024	1,000,000.00 1,000,000.00	1,036,093.75	989,687.50
05/15/2024	912828WJ5 819027333	2.500 03/23	U.S. TREASURY NOTES 912828WJ5 05/15/2024	1,000,000.00 1,000,000.00	969,390.00	989,843.75
05/31/2024	912828KT2 819020999	2.000 11/21	U.S. TREASURY NOTE 2 NOTE 2024	1,000,000.00 1,000,000.00	1,032,226.56	986,132.81
06/15/2024	91282CCG4 751013140	2.50 11/21	U.S. TREASURY NOTE 25 NOTE 2024	1,000,000.00 1,000,000.00	991,679.69	977,500.00
09/15/2024	91282CCX7 392219201	3.75 10/21	U.S. TREASURY NOTE 375 NOTE 9/15/2024	1,000,000.00 1,000,000.00	995,898.44	967,734.38
10/15/2024	91282CDB4 392219779	6.25 10/21	U.S. TREASURY NOTE 625 NOTE 2024	1,000,000.00 1,000,000.00	1,000,000.00	966,406.25
11/15/2024	91282CDH1 819020964	7.50 11/21	U.S. Treasury Notes 91282CDH1 11/15/2024	1,000,000.00 1,000,000.00	1,001,171.88	964,335.94
01/31/2025	912828252 819021910	1.375 01/22	U.S. TREASURY NOTE 1.375 NOTE 2025	1,000,000.00 1,000,000.00	1,006,718.75	964,335.94
03/31/2025	912828ZF0 392222253	5.00 03/22	U.S. Treasury Notes 912828ZF0 03/31/2025	1,000,000.00 1,000,000.00	963,437.50	950,078.12
04/30/2025	912828ZL7 392223194	3.75 04/22	U.S. TREASURY NOTES 912828ZL7 0.375 04/30/25	1,000,000.00 1,000,000.00	932,343.75	945,625.00

Acct Name: CITY OF FEDERAL WAY HOLDINGS AS OF 12/31/2023 - USD Page 6

CUSTODY Maturity	Security ID Ticket	Rate Acq Date	Description	Par/Shares Original Face	Principal Cost	Market Value NAV
05/31/2025	912828ZT0 39222819	2.50 05/22	U.S. TREASURY NOTE 25 NOTE 25	1,000,000.00 1,000,000.00	924,648.44	940,976.56
06/30/2025	912828ZV3 392224043	2.50 06/22	U.S. Treasury Notes 250 06/30/2025	1,000,000.00 1,000,000.00	928,164.00	938,396.44
07/31/2025	91282CAB7 392224087	2.50 06/22	U.S. TREASURY NOTE 25 NOTES 25	1,000,000.00 1,000,000.00	918,125.00	935,781.25
10/31/2025	91282CAT8 392224292	2.50 07/22	U.S. Treasury Notes 250 10/31/2025	1,000,000.00 1,000,000.00	911,840.63	927,968.75
12/31/2025	9128285T3 392224349	2.625 07/22	U.S. TREASURY NOTES 2.625 NOTE 25	1,000,000.00 1,000,000.00	983,828.13	968,396.44
01/31/2026	9128286A3 751014651	2.625 07/22	U.S. TREASURY NOTE 2.625 NOTE 2026	1,000,000.00 1,000,000.00	984,218.75	967,695.31
03/31/2026	9128286L9 751015329	2.250 08/22	U.S. TREASURY NOTE 2.25 NOTE 26	1,000,000.00 1,000,000.00	964,630.00	958,593.75
04/30/2026	91282CBW0 392224636	7.50 06/22	U.S. Treasury Note 91282CBW0 04/30/2026	1,000,000.00 1,000,000.00	909,960.94	924,140.62
05/31/2026	91282CCF6 392224637	7.50 08/22	U.S. TREASURY NOTE 75 NOTE 2026	1,000,000.00 1,000,000.00	907,968.75	922,187.50
06/30/2026	91282CCJ8 392224738	8.75 09/22	U.S. Treasury Notes 91282CCJ8 06/30/2026	1,000,000.00 1,000,000.00	906,718.75	923,984.38
07/31/2026	912828Y95 751015330	1.875 08/22	U.S. Treasury Notes 1.875 07/31/2026	1,000,000.00 1,000,000.00	943,437.50	945,390.62
10/31/2026	91282CDG3 392225199	1.125 10/22	U.S. TREASURY NOTES 1.125 NOTE 2026	1,000,000.00 1,000,000.00	888,240.00	923,242.19

Date: January 25, 2024

Investment # 2024-082 is a 5-year Federal Farm Credit Bank (FFCB), face value \$1,000,000, maturing January 18, 2029, purchased at 99.25 (discount) to yield 4.04%. This trade settles January 26, 2024 with Mischler Financial Group, US Bank Safekeeping, reducing the city's position in LGIP.

Liquidity: At December 31st month-end, total city cash was \$111.3 million, checking account balance was \$7.5 million (target minimum is \$8 Million), investment portfolio was \$62.0 million (target is \$65 million for Treasuries and Agencies). State LGIP investment pool balance was \$41.7 million (target minimum is \$20 million, excluding unspent ARPA and property acquisition of \$8 million is in-process).

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 4.04%. *This investment is 1 basis point over the 5-year benchmark.* Comparable yields evaluated at time of purchase were:

LGIP current 30-day yield	5.43%	www.secureaccess.wa.gov
2-year Treasury	4.31%	Bloomberg.com
Same maturity Agency	None available	Broker live inquiry
5-year Treasury	4.03%	Bloomberg.com

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

Diversification. This purchase puts this issuer at 3.8% of total portfolio.

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

Outlook. The yield curve is currently completely inverted, with peak yield around 5.54% at 1 month then downward sloping to 2-year at 4.31, the 5-year at 4.03%. The Federal Reserve Bank last executed no change in rate as uncertainty remains over inflation, money supply and Fed moves.

Staff review:

Deputy Finance Director: Date 1/25/24

Finance Director: Date 1/25/24

Goals, revisited

- ✓ Update policy, set up safekeeping, qualify brokers, know your cash history
- ✓ Invest 20 minutes per month
- ✓ Gain credibility with earned revenue and credible reporting
- ✓ Teach others on your team

20 Minutes a Month?

1. Decide how much you can invest
2. Confirm funds available
3. Choose maturity date
4. Check rates
5. Call the broker, execute the trade
6. Alert safekeeper
7. Record rationale
8. Update spreadsheet
9. Journal entry
10. Update monthly report

Don't neglect to do good
because of fear of risk

Some of your value
comes from
what others are afraid of

Thank You

Please provide feedback
to the conference organizers

Steve.Groom@CityOfFederalWay.com

Chase.Donnely@CityOfFederalWay.com

Questions You Might Be Thinking?

1. How do you find your brokers?
2. How do you choose safekeeping?
3. What questions do you get from auditors?
4. How hard is year-end accounting?
 - Market Value adjustment
 - Interest accrual
 - ACFR notes and tables
5. Why we NEVER buy a 12/31 maturity?