

# **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



**Rod Bettini**  
Public Trust Advisors



**Steve Groom**  
City of Federal Way,  
Washington



**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

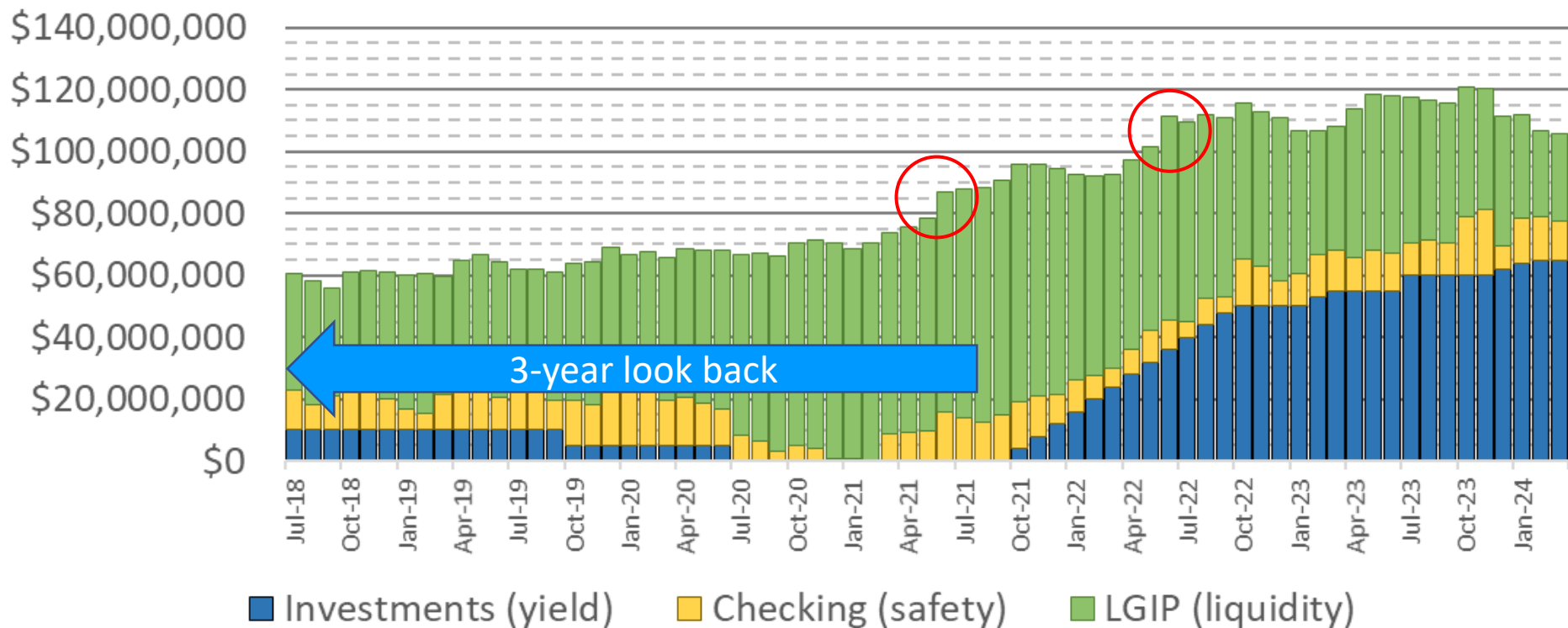
# Safety – Liquidity - Yield

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

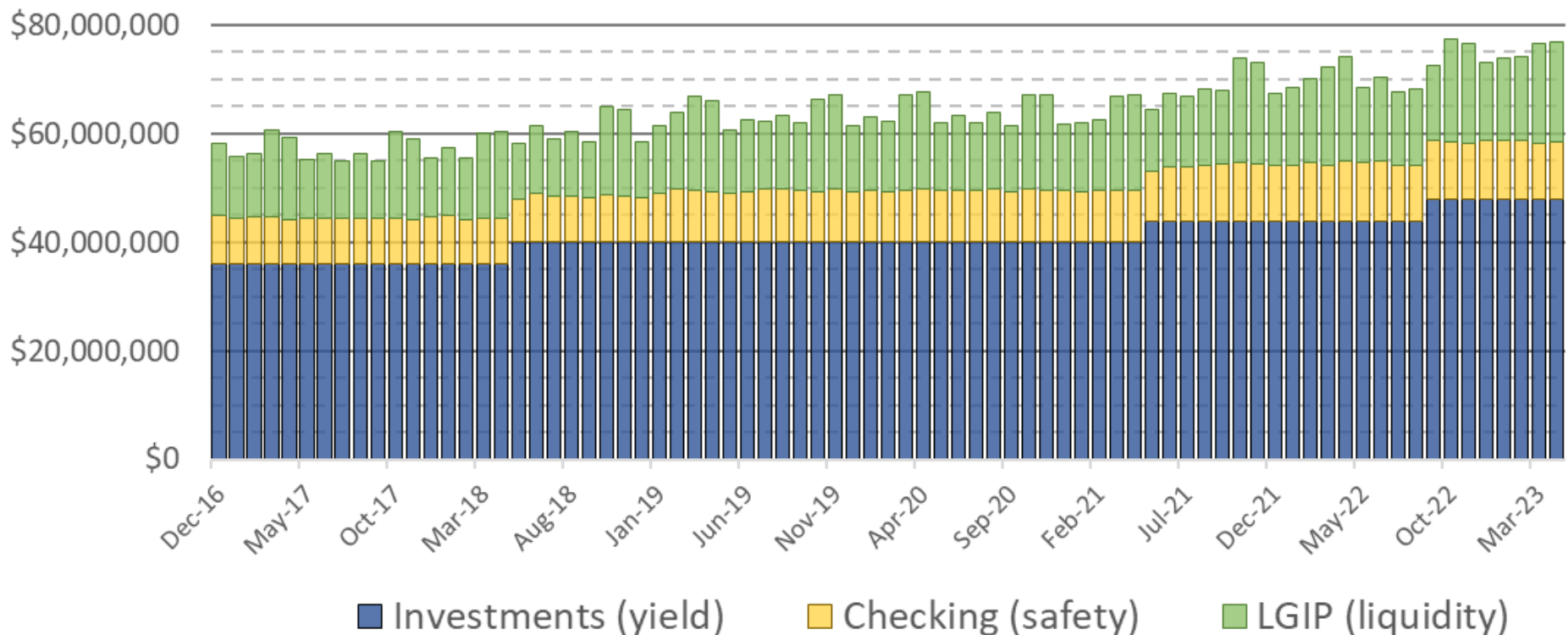


# Safety – Liquidity - Yield

*“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

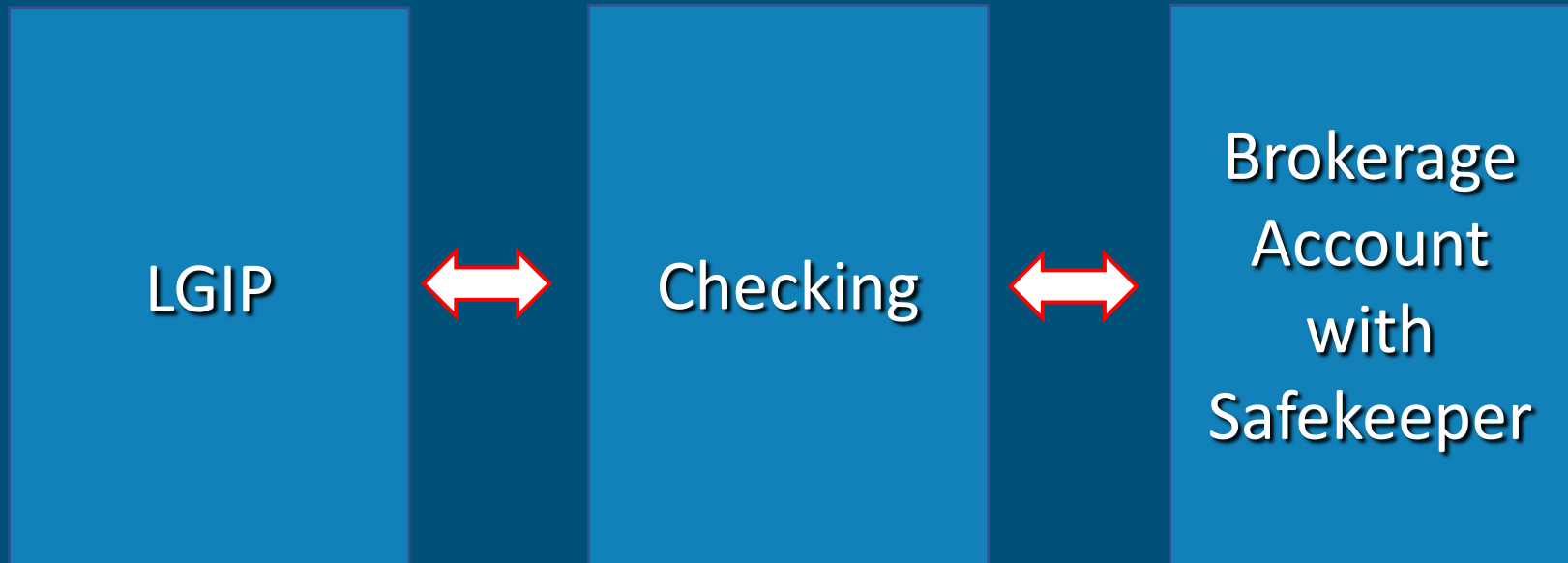
### Investable:

- 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

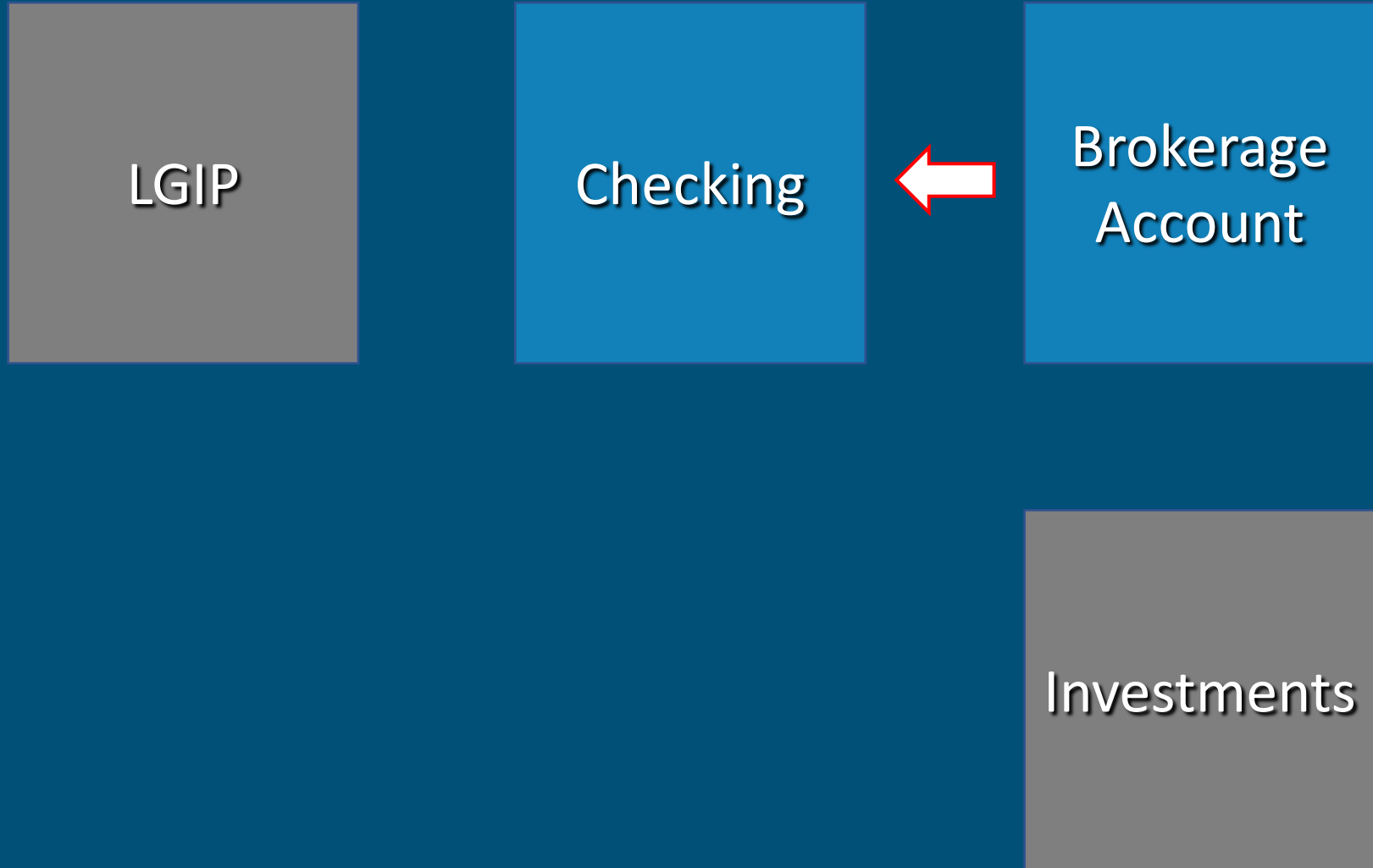


Is the  
\$\$ here?





# Don't Forget to Sweep Interest



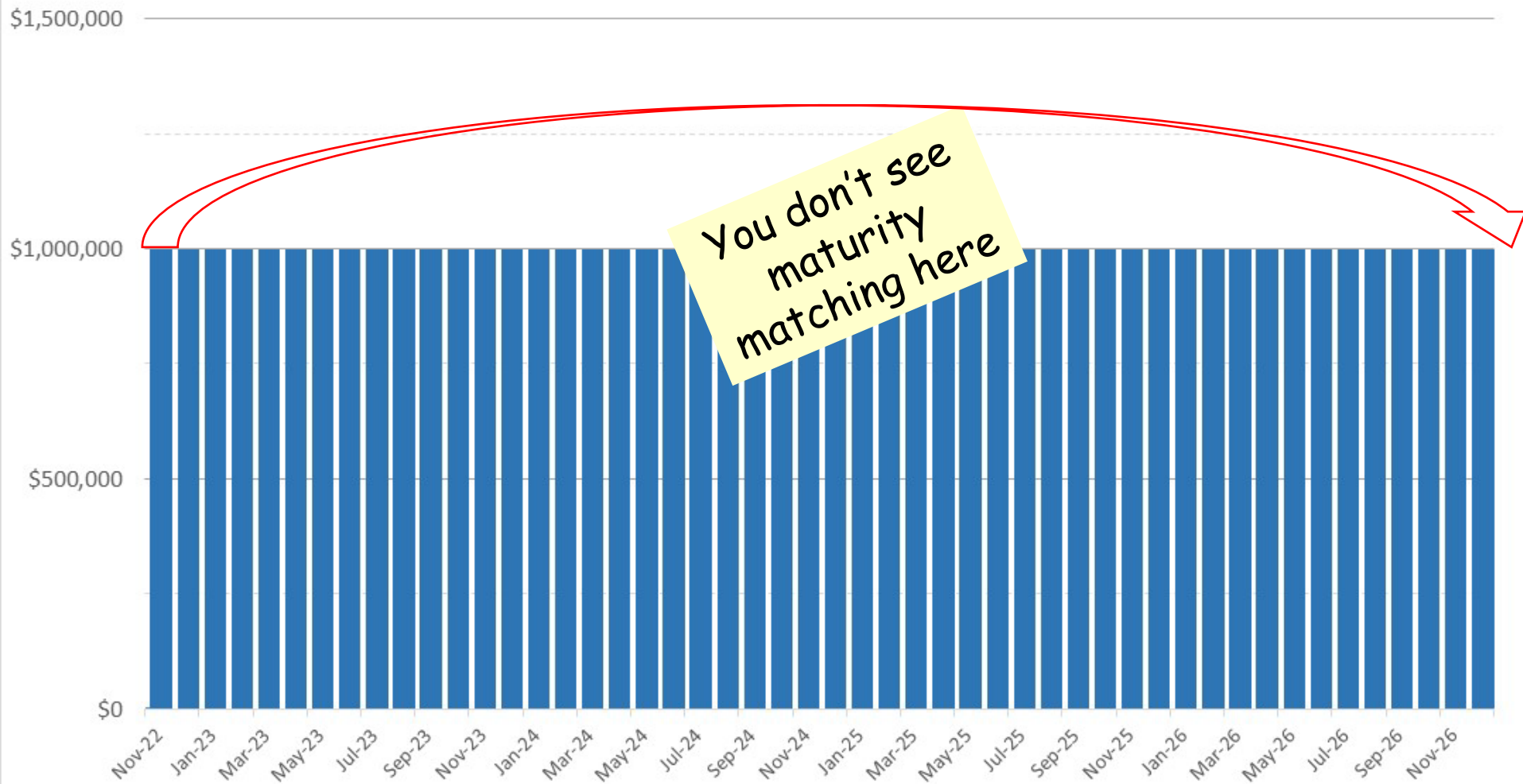
# How To Start

## 3. Confirm Next Maturity Date

# Choose Your Maturity

## City of Federal Way

Investment Portfolio Maturity Distribution - October 2022



# Why Bullets

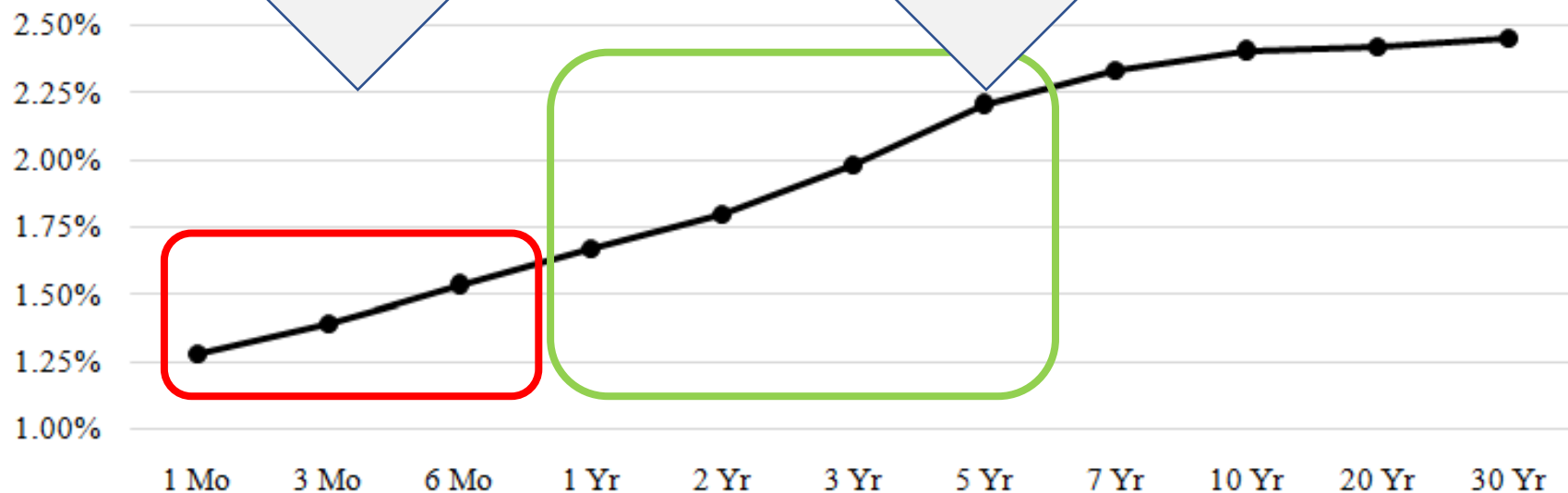
---

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!

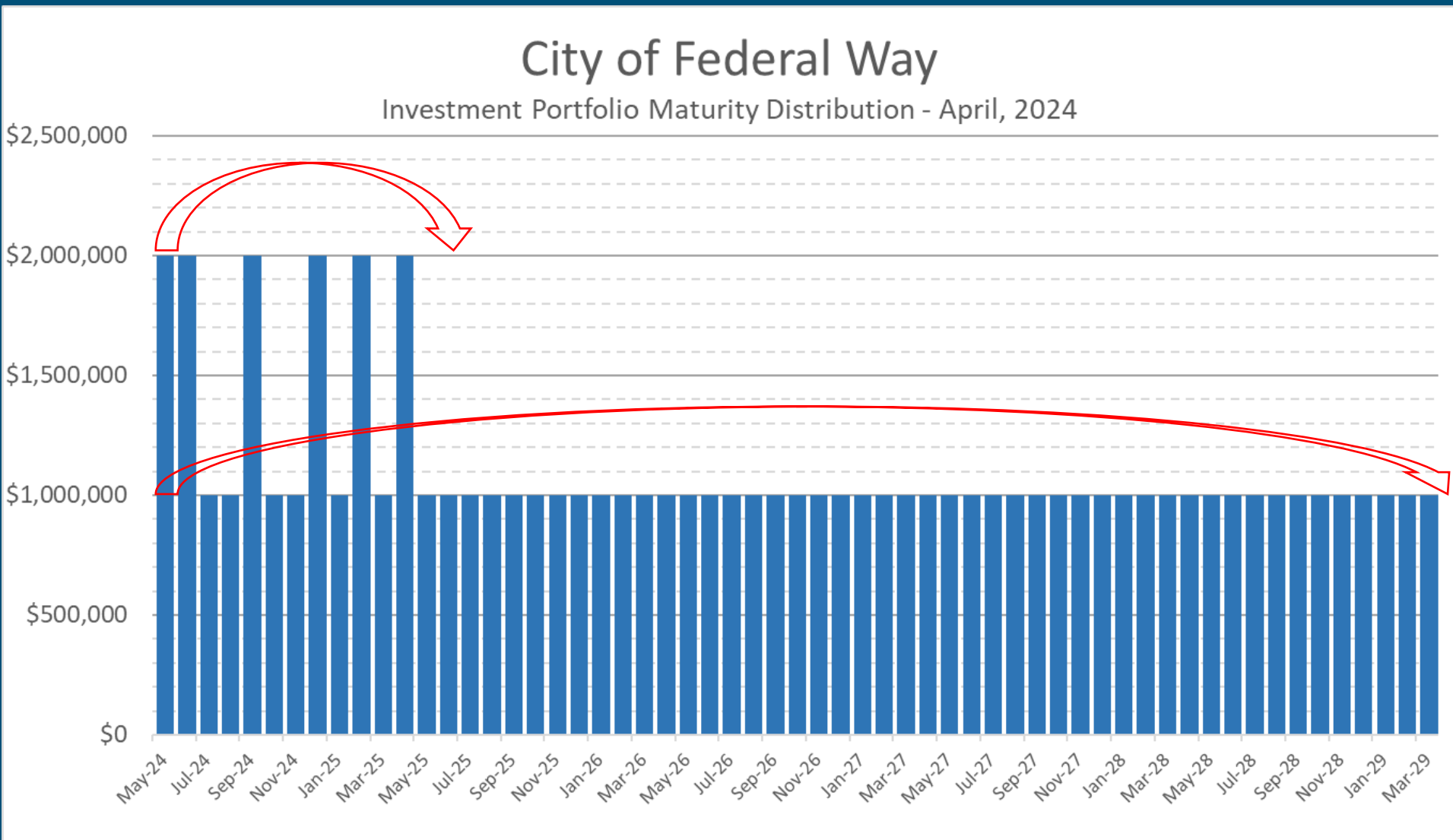
# Yield Curve

Guess  
what's  
here?

60 months  
is here



# Choose Your Maturity



# 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

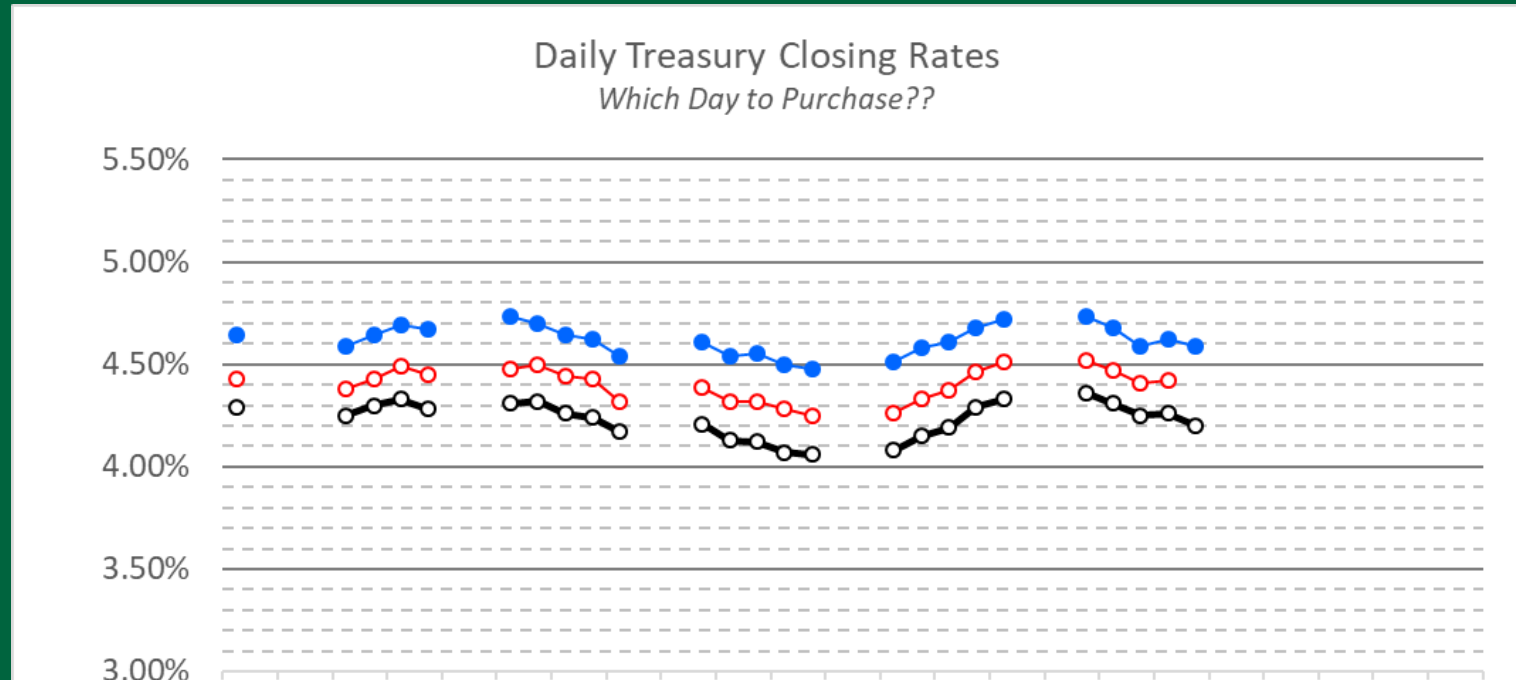
Monday Mar 06, 2023

 [home.treasury.gov/policy-issues/financing-the-government/interest-rate-statistics](https://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.

—●— 2-year

—○— 3-year

—○— 5-year

# 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

# 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

 **CITY OF Federal Way**

33325 8th Ave So., Federal Way, WA 98003  
[Steve.Groom@CityOfFederalWay.com](mailto: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  $\frac{7}{8}$  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	99.2500000000	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](mailto: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	

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

Date 1/25/2024



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	
Price	99.25000000	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	( 8 days )	861.11
Total	USD	993,361.11

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

99.140/99.172 4.067/4.060 BVAL @ 08:15

Buy Sell

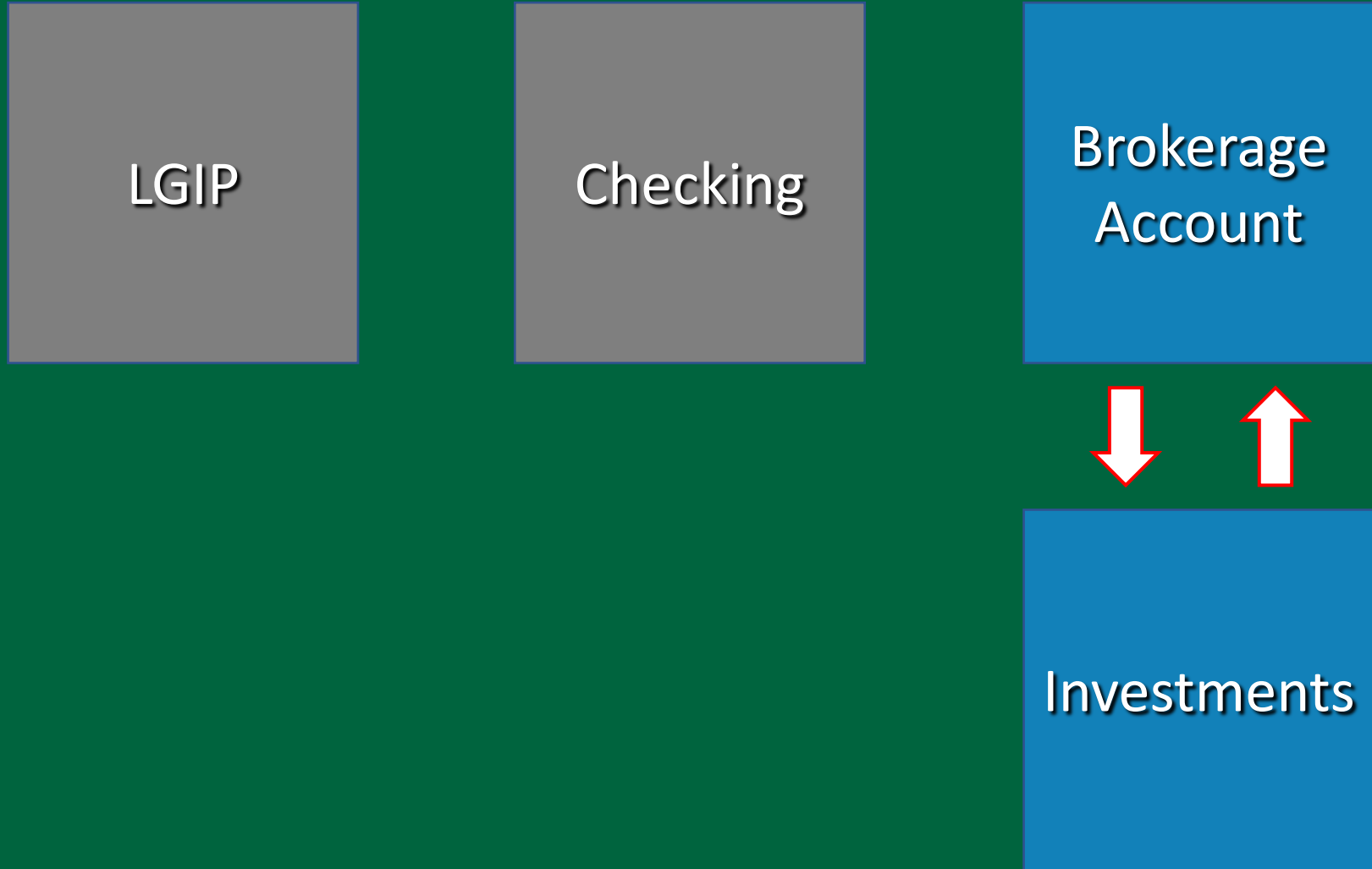
BBID ZF3376711

2 Cash Flows 3 Present Values 4 Distressed Analysis

Price	99.250000	Settlement	01/26/24	Issue	01/18/2024	Maturity	01/18/2029	
Yield	4.042667	to	Worst	01/18/29	@	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 31<sup>st</sup> 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%	<a href="http://www.secureaccess.wa.gov">www.secureaccess.wa.gov</a>
2-year Treasury	4.31%	<a href="http://Bloomberg.com">Bloomberg.com</a>
Same maturity Agency	None available	Broker live inquiry
5-year Treasury	4.03%	<a href="http://Bloomberg.com">Bloomberg.com</a>

**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: \_\_\_\_\_

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

Date: \_\_\_\_\_

# How To Start

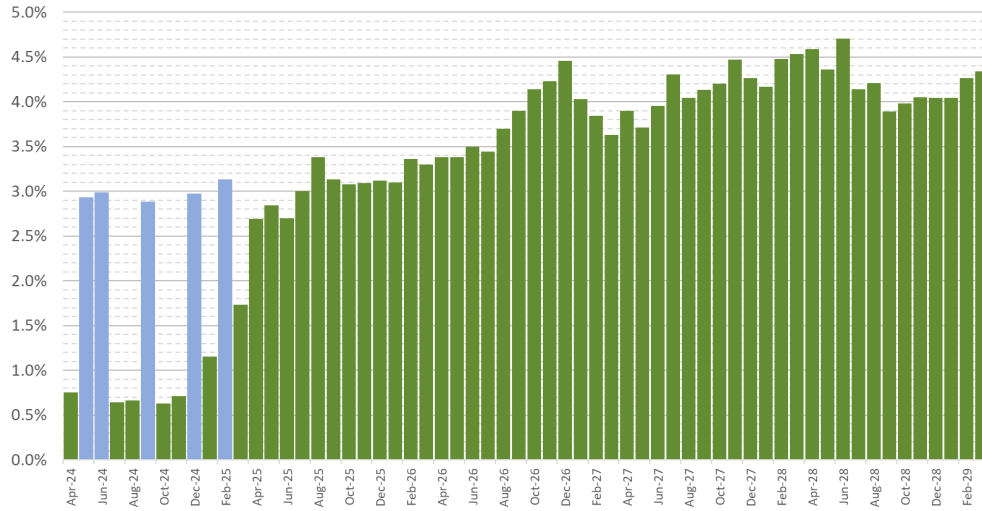
8. Update your spreadsheet

# Update Your Spreadsheet

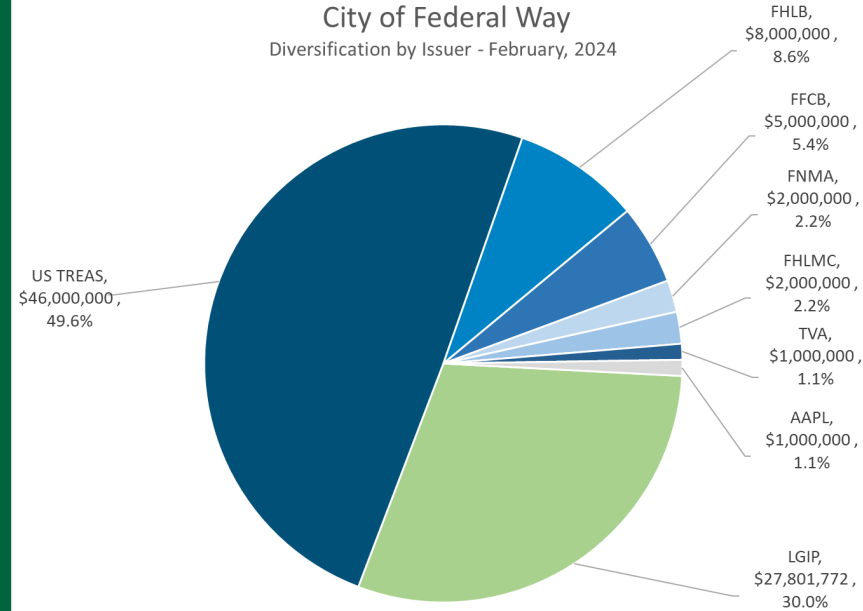
Cusip	Issuer	Inv#	Settle	Face Value	Price	Cost	Market	Maturity	DTM	YTM	Yield \$	Coupon %	Coupon \$	WAM
State Pool	LGIP			33,342,604		33,342,604	33,342,604	2/1/24	1		1,799,634	5.397%	1,799,634	0.34
Feb-24 3135GOV34	FNMA	2021-011	12/16/21	1,000,000	103.7530	1,037,530	999,670	2/5/24	5	0.726%	7,533	2.500%	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	<b>5.230%</b>	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	<b>5.150%</b>	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	<b>893,945</b>	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	<b>978,906</b>	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	<b>954,531</b>	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	<b>890,078</b>	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	<b>876,406</b>	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	<b>952,383</b>	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	<b>1,025,352</b>	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	<b>891,289</b>	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	<b>895,156</b>	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	<b>1,030,800</b>	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	<b>992,183</b>	1/18/29	1,814	4.043%	40,123	3.88%	38,750	18.45
66				65,000,000		62,712,493	63,694,965			3.189%	2,072,705			
				98,342,604		96,055,097	97,037,569			Avg. Yield 3.938%	3,872,339	3.376%	3,319,584	573.31

# Updated Spreadsheet

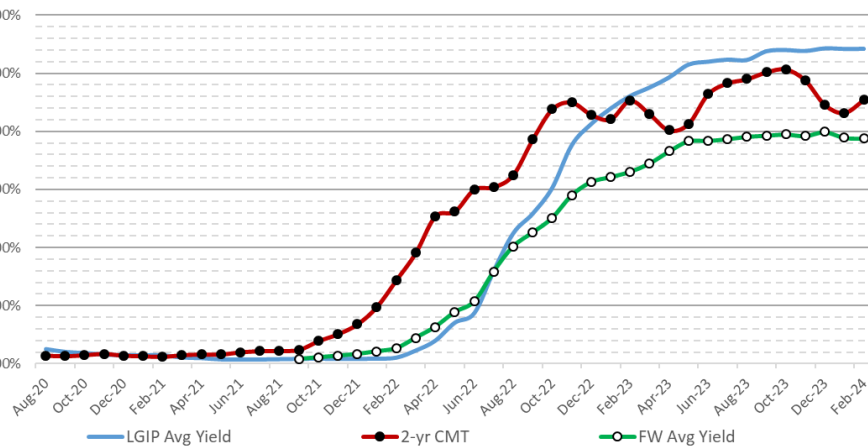
City of Federal Way  
Yield of Each Maturity Date



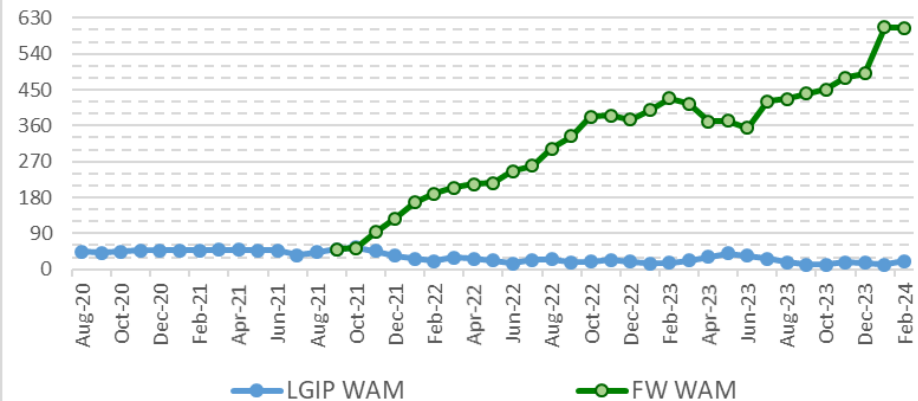
City of Federal Way  
Diversification by Issuer - February, 2024



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 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    99.250000000    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		USD	992,500.00
Accrued	( 8 days )		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

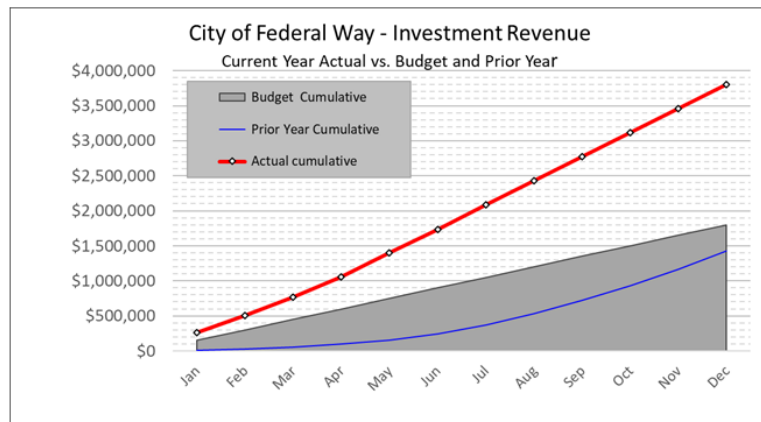
This monthly report of all investment transactions to the city council via FEDRAC complies with RCW 35.39.032. The following pages provide a summary of the current investment portfolio holdings and the individual transactions and activity during the month.

**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
<b>Total:</b>	<b>\$103,750,976</b>	<b>\$101,740,833</b>	<b>3.990%</b>	<b>\$4,139,588</b>

## 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.

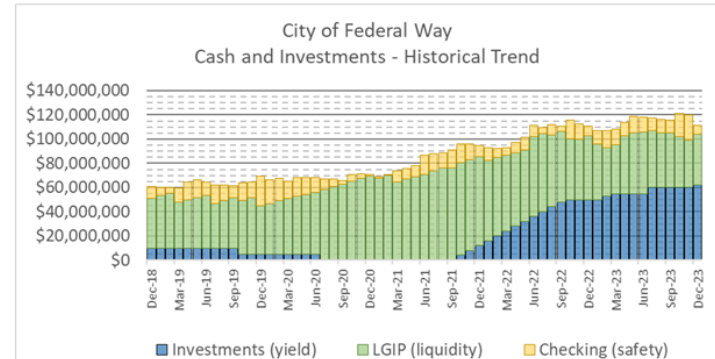


FINANCE DEPARTMENT

## Cash Balance and Investment Positions:

The City's cash balance trend is shown below:

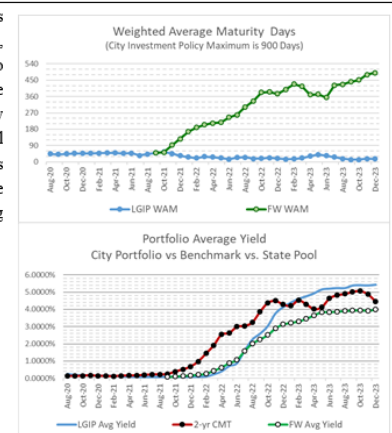
- Total cash decreased to 111.3 million from \$120.1 million.
- Laddered investments increased to \$62 million from \$60.0 million.
- The LGIP Investment Pool position increased from \$39.0 million to \$41.8 million.



## 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
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
Closouts	0.00
Closed Dividends	0.00
Net Activity	(1,809,722.57)

Your Sales Representative is: SAFEKEEPING OPERATIONS  
(800) 236-4221

## Statement Contents

\*Summary  
\*Activity - Settled/Cleared Cash Activity  
\*Activity - Projected Activity for Next Statement Period  
\*Holdings

## HOLDINGS - Custody

Category	Par/Shares	Original Face	Principal Cost	Market Value
Treasury Obligations	44,000,000.00000	44,000,000.00000	42,091,751.72	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	60,949,852.72	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 uncallable, 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%

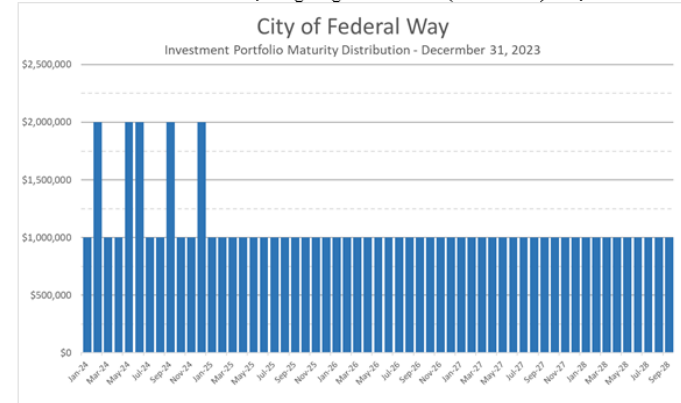
**Purchases:** During the month, the following investments were purchased, maximizing yield at the time of purchase for the maturity date being filled, having first assured safety and liquidity of the entire portfolio (see addendum for complete rationale):

- 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%

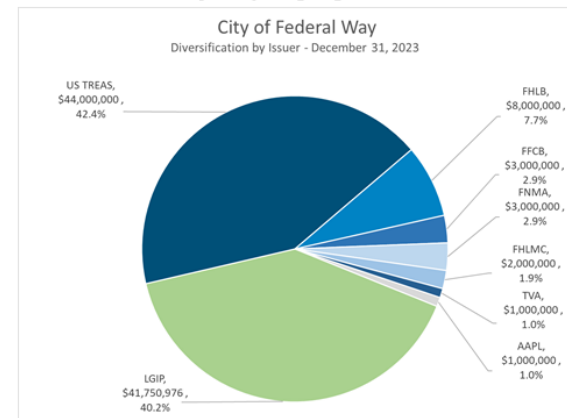


FINANCE DEPARTMENT

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

## 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  
Acct Number: XXXXXXX033

CUSTODY Maturity	Security ID Ticket	Rate Acq Date	Description	Par/Shares Original Face	Principal Cost	Market Value NAV
<b>Treasury Obligations</b>						
01/31/2024	912828529 362220927	2.500 12/21	U.S. Treasury Notes 912828529 01/31/2024	1,000,000.00 1,000,000.00	1,037,773.44	997,382.69
04/30/2024	912828696 362220908	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	912828945 819027333	2.500 03/23	U.S. TREASURY NOTES 912828945 05/15/24	1,000,000.00 1,000,000.00	969,390.00	989,843.75
05/31/2024	912828872 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	912828204 751013140	2.50 11/21	U.S. TREASURY NOTE 25 NOTE 2024	1,000,000.00 1,000,000.00	991,679.69	977,900.00
09/15/2024	912828207 362219201	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	912828204 362219779	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	912828201 819020964	7.50 11/21	U.S. Treasury Notes 912828201 11/15/2024	1,000,000.00 1,000,000.00	1,001,171.88	964,335.94
01/31/2025	912828252 819021510	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	912828250 362222253	5.00 03/22	U.S. Treasury Notes 912828250 03/31/2025	1,000,000.00 1,000,000.00	963,437.50	950,078.12
04/30/2025	912828217 362223194	3.75 04/22	U.S. TREASURY NOTES 912828217 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  
Acct Number: XXXXXXX033

CUSTODY Maturity	Security ID Ticket	Rate Acq Date	Description	Par/Shares Original Face	Principal Cost	Market Value NAV
05/31/2025	912828270 362228119	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	912828293 362224043	2.50 06/22	U.S. Treasury Notes 250, 06/30/2025	1,000,000.00 1,000,000.00	928,164.00	938,398.44
07/31/2025	912828287 362224087	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	912828287 362224292	2.50 07/22	U.S. Treasury Notes 250, 10/31/2025	1,000,000.00 1,000,000.00	911,640.63	927,968.75
12/31/2025	912828573 362224349	2.625 07/22	U.S. TREASURY NOTES 2.625 NOTE 25	1,000,000.00 1,000,000.00	983,828.13	968,398.44
01/31/2026	912828643 751014661	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	912828619 751015129	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	912828289 362224636	7.50 08/22	U.S. Treasury Notes 912828289 04/30/2026	1,000,000.00 1,000,000.00	909,960.94	924,140.62
05/31/2026	912828289 362224637	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	912828289 362224738	8.75 09/22	U.S. Treasury Notes 912828289 06/30/2026	1,000,000.00 1,000,000.00	906,718.75	923,984.38
07/31/2026	912828195 751015330	1.875 09/22	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	912828203 362225109	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



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 31<sup>st</sup> 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 ladder 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:

*Chris D*

Date

1/25/24

Finance Director:

*[Signature]*

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](mailto:Steve.Groom@CityOfFederalWay.com)

[Chase.Donnelly@CityOfFederalWay.com](mailto:Chase.Donnelly@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?