



INFORMATIONAL MEMORANDUM

TO: **Mayor Ekberg
Finance and Safety Committee**

FROM: **Peggy McCarthy, Finance Director**

BY: **Vicky Carlsen, Deputy Finance Director**

DATE: **September 13, 2017**

SUBJECT: **Second Quarter 2017 Cash & Investment Report**

ISSUE

The second quarter Investment Report is included with this memorandum and is discussed below.

BACKGROUND

City funds are invested to earn a reasonable return while preserving principal and allowing sufficient liquidity to meet the City's operating needs. To achieve these objectives investments are diversified by type, by financial institution, and by maturities in compliance with the City Investment Policy.

DISCUSSION

Portfolio Components

As of June 30, 2017, the portfolio totaled \$96.708 million comprised of \$82.504 million in cash and cash equivalents and \$14.205 million in longer term investments. The portfolio balance increased by \$3.442 million from a March 31, 2017 balance of \$93.332 million. Details on individual fund activity is provided below in the *Fund Cash & Investment Balances* section.

In June, our 13-month Bank of Washington CD, with an interest rate of 0.7% matured. It was replaced with a 2-year CD with an interest rate of 1.40%. In June, two bonds were purchased. A City of Auburn Build America Bond, with a principal amount of \$300 thousand and an interest rate of 1.65% was purchased and placed in the Equipment Rental fund, and a City of Seattle bond, with a principal amount of \$380 thousand and an interest rate of 1.45% was purchased and was also placed in the Equipment Rental fund. No agencies or bonds matured or were called during the second quarter of the year. We continue to look for investments where the interest rate exceeds the rate the City receives with US Bank.

Portfolio Performance

The portfolio *weighted average yield* on June 30, 2017, was 0.78%. Considering the portfolio's weighted average maturity was 0.4 years, and the yields on the cash & cash equivalent accounts was 0.72%, the portfolio yield of 0.78% is still favorable. The total yield has been sustained by the 4.13% average yield on the municipal bond investments, the 1.49% average yield on the agencies, the 1.40% yield on the certificate of deposits

Investment income received through the end of June 2017 for all investments is \$207,877 against an annual budget of \$270,809. It should be noted that a significant portion of investment interest is received from agencies and municipal bonds, which is received twice a year rather than monthly.

INFORMATIONAL MEMO

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Not included in the portfolio is interest earned from the operating and capital loans to the MPD. The operating loan is being repaid on a monthly basis and will be paid in full by May 2023. Interest earned on the operating loan through June 2017 is \$7,085. The capital loan is being repaid semi-annually and will be paid in full by December 2022. Interest accrued through June 2017 is \$8,578. Attached to the investment report are amortization schedules for both loans to the MPD.

Policy Compliance and Liquidity Analysis

As of the end of the 2nd quarter, the portfolio profile is well within the range of all the investment policy parameters. There is currently a healthy mix of investments with a range of maturity dates. Current investments allow for adequate cash flow requirements.

Fund Cash & Investment Balances Year over Year Comparison

Total fund cash and investments balances are \$95.055 million, which is \$42.123 million higher than second quarter 2016. The significant increase is directly attributable to \$36.5 million bond fund received in December 2016 for the public safety plan.

The general fund total cash and investment balance is \$10.780 million, which is \$1.865 million higher than June of 2016. Transfers of \$2.2 million from the general fund into capital projects funds for first and second quarters have not been recorded yet. Rather than transferring funds automatically, we will be transferring funds into the capital projects funds as needed.

Special revenue funds all show a year-over-year increase. Over \$460 thousand was transferred to the contingency fund from the general fund per the City's minimum fund balance policy. Additionally, the drug seizure fund received almost \$539 thousand in seizure funds from the federal government related to the motel seizure that occurred in 2013. The funds were received in 2016 and have not been spent.

Debt service funds reflect a total net increase in cash and investments of \$756 thousand. Excess property tax revenue associated with the voter approved bonds are received each month and placed in fund 213 until debt service is due. Debt service payments occur twice a year with interest paid in June and interest plus principal paid in December.

In November, voters approved a \$77 million bond measure to fund public safety facilities and equipment. The first debt issue occurred in December, increasing fund balance in the capital projects funds group by \$36.5 million. Fund 306, city facilities, currently shows a negative balance of \$79 thousand. Allocation of the project manager fees, SOJ, for the upcoming Public Works Shops facility have been incurred. A funding source for these costs will be identified and included in the budget amendment process later in the year.

Utility funds all have increases in fund balances from the prior year. The golf course cash and investment balance is \$183 thousand lower than second quarter 2016. The golf course experienced significant rain through the spring, which impacted revenue.

Investment Environment

The U.S. economy continues to expand with strong growth in employment. However, there is uncertainty with China. Interest rates were hiked in March and again in June with one additional rate hike planned for later in the year. However, economic disruptions caused by back-to-back hurricanes may cause a delay in the next interest rate hike into 2018.

Locally, the economy in King County remains positive. Employment grew by 3.4% in the fourth quarter of 2016 relative to 2015, with continued growth in information jobs. Unemployment rate for King County declined again, down to 3.4% in December 2016. Home prices continue to rise, with a 10.4% increase since fourth quarter 2015.

The portfolio will continue to be managed to take advantage of investment opportunities as they arise.

RECOMMENDATION

Presentation is for information only.

ATTACHMENTS

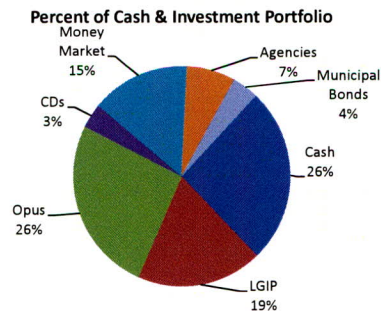
Cash and Investment Report
Policy Compliance & Liquidity Analysis
Cash and Investment Balances by Fund
Treasury Rates and Yield Curves
Amortization Schedule – MPD Operating Loan
Amortization Schedule – MPD Capital Loan

**CITY OF TUKWILA
CASH & INVESTMENT REPORT
June 30, 2017**

Agency / Issuer	Rating Moody's	Investment Type	Purchase Date	Maturity Date	(a) Term Yrs	Par Value	Book Balance	(c) Yield to Maturity	(d) Annualized Return
CASH & CASH EQUIVALENTS									
US Bank		Depository	Various	(b)	-	\$25,060,880	\$25,060,880	(e) 0.45%	\$ 38,983 (e)
Washington State Treasurer		LGIP Investment Pool	Various	(b)	-	18,107,164	18,107,164	(f) 0.99%	105,406 (b)
Opus Bank		Public Interest Checking	Various	(b)	-	25,060,017	25,060,017	1.00%	60,017 (f)
Columbia Bank		Money market	Various	(b)	-	14,275,620	14,275,620	0.98%	56,311 (f)
Total Cash & Cash Equivalents						82,503,681	82,503,681	0.72%	260,717
INVESTMENTS									
Certificates of Deposit									
Bank of Washington		Certificate of Deposit	6/2/2017	6/2/2019	2.0	250,000	250,000	1.40%	1,010 (g)
Sound Community Bank		Certificate of Deposit	3/4/2017	3/4/2019	2.0	3,000,000	3,219,954	1.40%	18,051 (g)
CERTIFICATES OF DEPOSIT -- TOTAL					2.0	3,250,000	3,469,954	1.40%	19,061
Agencies									
Farmer Mac 3132X0NK3		US agency	1/23/2017	7/23/2019	2.5	1,000,000	1,000,000	1.40%	14,000
FHLB 3130AAM54		US agency	1/30/2017	1/30/2019	2.0	1,000,000	1,000,000	1.29%	12,900
Federal Farm Credit Bank 3133EHCX9		US agency	3/20/2017	9/20/2017	0.5	2,000,000	2,000,000	1.45%	29,000
Federal Home Loan Mtg Corp 3134G6R70		US agency	1/12/2016	5/26/2017	1.4	MATURED	0	0.00%	7,500
Federal Home Loan Mtg Corp 3134G9HC4		US agency	5/25/2016	5/25/2018	2.0	1,000,000	1,001,227	0.82%	10,000
FHLB 3133EG2M6		US agency	12/27/2016	12/27/2019	3.0	1,000,000	1,000,000	1.70% (f)	17,000
Federal Farm Credit Bank 3133EFSW8		US agency	1/19/2016	12/21/2018	2.9	1,000,000	1,001,073	1.38% (f)	13,750
TOTAL AGENCIES					1.9	7,000,000	7,002,301	1.49%	104,150
Taxable Municipal Bonds									
City of Marysville, sinking 2014-2017, ave 5.5 years	Aa3	LTGO Refunding	11/23/2010	12/1/2017	5.5	150,000	159,190	3.37%	4,076
Skagit County BAB	Aa3		1/12/2016	12/1/2017	0.4	365,000	370,449	2.85%	10,403
UW Biomedical Center	Aa1	Revenue Bonds	12/14/2010	7/1/2017	6.6	500,000	501,829	4.05%	12,203
UW Biomedical Center	Aa1	Revenue Bonds	12/14/2010	7/1/2019	8.6	500,000	500,517	4.70%	29,000
Douglas County, ESD, sinking 2018-2020, ave 9 yrs	Aa1	UTGO	12/23/2010	12/1/2020	8.9	1,135,000	1,142,290	4.55%	54,480
Port of Anacortes	A1	LTGO	12/17/2010	9/1/2020	9.7	340,000	334,969	5.00%	15,256
City of Auburn BABs		BABs	6/14/2017	12/1/2019	2.5	300,000	320,520	1.65%	13,485
City of Seattle		Taxable Refunding	6/14/2017	11/1/2019	2.4	380,000	402,587	1.45%	15,200
TOTAL MUNICIPAL BONDS					6.4	3,670,000	3,732,351	4.13%	154,101
Total Investments					3.0	13,920,000	14,204,606	1.10%	277,312
Interest earned from matured/called investments									-
TOTAL CASH, CASH EQUIVALENTS & INVESTMENTS					0.4	\$ 96,423,681	\$ 96,708,286	0.78%	\$ 538,029

Current Portfolio Yield

- (a) On callable bonds, term is calculated to final maturity even though call date may occur first; term of liquid investments is one day; on sinking fund bonds, average maturity is used to calculate term.
- (b) No fixed maturity, funds are available within one day.
- (c) Yield to Maturity represents average rate for the year for various investment vehicles.
- (d) Annualized Return represents actual earnings for the fiscal year for bonds.
- (e) Represents earning credit from US Bank. City earns interest up to the amount of fees.
- (f) Represents rate in effect for period ending this report.
- (g) the annualized return above the current CD rates.
- (h) Annualized Return represents actual earnings through current reporting period



CITY OF TUKWILA
Policy Compliance & Liquidity Analysis
CASH & INVESTMENT REPORT
June 30, 2017

	Portfolio Amount	As of Report Date		
		Available Within 1 Year	Available Within 5 Years	Available in 5 - 10 Years
Liquidity Analysis & Maturity Diversification				
Funds immediately available	\$ 82,503,681	\$ 82,503,681	\$ 82,503,681	
Fixed Maturity Investments, maturing in:				
0-90 days after Report Date	2,501,829			
91-180 days after Report Date	529,639			
181-270 days after Report Date	-			
271-360 days after Report Date	1,001,227			
Investments maturing in 1 year or less	4,032,695	4,032,695	4,032,695	
Investments maturing in 1-3 years	8,694,651		8,694,651	
Investments maturing in 3-5 years	1,477,259		1,477,259	
Investments maturing in 5-7 years	-			-
Investments maturing in 7-10 years	-			-
Investments maturing in more than 1 year and less than 10 years.	10,171,911			
TOTALS	\$ 96,708,286	\$ 86,536,376	\$ 96,708,286	\$ -
		89%	100%	0%

Liquidity Requirements and Funds Available for Investing:

Funds immediately available	\$ 82,503,681
Restrictions & designations:	
Operating liquidity (a)	14,000,000
Liquidity threshold	14,000,000
Funds available for longer term investing	\$ 68,503,681

(a) Represents largest one month decline in portfolio balance over the most recent 36 month period doubled; or the equivalent of a 100% cushion.

Financial Institution Diversification	Portfolio Amount	% of Total	POLICY MAXIMUM	Policy Met?
US Bank	\$ 25,060,880	25.9%	50.0%	Yes
Washington State Treasurer	18,107,164	18.7%	75.0%	Yes
Opus Bank	25,060,017	25.9%	50.0%	Yes
Bank of Washington	250,000	0.3%	50.0%	Yes
Columbia Bank	14,275,620	14.8%	50.0%	Yes
Sound Community Bank	3,219,954	3.3%	50.0%	Yes
Other financial institutions	10,734,651	11.1%	50.0%	Yes
Total	\$ 96,708,286	100.0%		

Investment Mix	Portfolio Amount	% of Total	POLICY MAXIMUM	Policy Met?
Depository	25,060,880	25.9%	insured by PDPC	Yes
State Investment Pool	18,107,164	18.7%	75.0%	Yes
Money market	39,335,637	40.7%	insured by PDPC	Yes
Certificate of Deposit	3,469,954	3.6%	insured by PDPC	Yes
US Agency	7,002,301	7.2%	75.0%	Yes
Municipal Bonds	3,732,351	3.9%	no limit specified in policy	Yes
Total	96,708,286	100.0%		

Weighted Average Maturities:	Years	Performance Analysis	
Certificates of deposit	2.0	Current portfolio yield	0.78%
		Benchmarks:	
Municipal bonds	6.4	6 month treasury	1.14%
Total Investments	3.0	2 year treasury	1.38%
Total Portfolio	0.4	Local Govt Invst Pool	(f) 0.99%
POLICY MAXIMUM	3.5		
Policy Met?	Yes		

Note: Cash and cash equivalents are available within one day and are factored into the Total Portfolio weighted average maturity.

CITY OF TUKWILA
Cash & Investment Balances By Fund and Fund Group
CASH & INVESTMENT REPORT
June 30, 2017

Fund Group			Balances 6/30/17	Balances 6/30/16	Balances 6/30/15	Balances 6/30/14	Balances 6/30/13
General	000	GENERAL	10,780,496	\$ 8,915,911	\$ 8,211,831	\$ 6,987,822	\$ 4,149,258
General Total			10,780,496	8,915,911	8,211,831	6,987,822	4,149,258
Special Revenue	101	HOTEL/MOTEL TAX	1,049,773	797,137	378,109	495,322	660,126
	105	CONTINGENCY	6,066,203	5,602,503	5,777,260	5,763,258	1,461,857
	107	FIRE EQUIP. CUM. RESERVE	-	-	-	-	945,694
	109	DRUG SEIZURE FUND	461,923	20,265	48,952	68,308	146,312
Special Revenue Total			7,577,899	6,419,905	6,204,321	6,326,889	3,213,989
Debt Service	200	DEBT SERVICE	545,452	447,966	208,614	-	-
	206	L.I. GUARANTEE	669,152	669,149	669,147	669,147	-
	208	LIMITED TAX G.O. BONDS 2000	-	-	-	-	-
	209	LIMITED TAX G.O. BONDS 2003	-	1	1	1	3,020,451
	210	LIMITED TAX G.O. REFUNDING 2003	195	195	195	244,320	247
	211	LIMITED TAX G.O. REFUNDING 2008	340,416	327,916	315,416	406,416	218
	212	LTGO SCORE BONDS	2	2	2	291,688	1,390
	213	UNLIMITED TAX G.O. BONDS 2016	713,189	-	-	-	-
	214	LTGO 2010 SERIES A	234,312	231,339	192,676	296,039	108,557
	215	LTGO 2010 SERIES B	-	-	-	-	4,612
	216	VALLEY COM REFUNDING BONDS 2010	794	794	115,194	106,434	12,954
	217	LIMITED TAX GO BONDS REFUNDING	218,039	210,539	203,039	274,214	1
	218	LTGO 2013	-	-	-	-	-
	233	LID #33	36,831	114,349	120,971	81,316	-
Debt Service Total			2,758,382	2,002,250	1,825,256	2,369,574	3,148,430
Capital Project	103	STREET	481,977	704,929	1,022,252	1,450,893	1,051,963
	104	ARTERIAL STREET	4,268,716	5,380,807	7,338,446	1,582,095	911,325
	301	LAND ACQ, REC & PARK DEVLPMNT	3,379,956	2,421,570	1,565,474	1,236,430	1,099,701
	302	FACILITY REPLACEMENT	410,499	829,711	1,432,223	1,904,720	2,088,543
	303	GENERAL GOVERNMENT IMPROVEMENTS	301,481	378,110	453,915	570,592	637,101
	304	FIRE IMPACT FEES	962,688	613,058	520,962	454,321	402,514
	305	PUBLIC SAFETY PLAN-VOTED DEBT	36,462,547	-	-	-	-
	306	CITY FACILITIES	(79,210)	-	-	-	-
Capital Project Total			46,188,655	10,328,186	12,333,271	7,199,051	6,191,148
Enterprise	400	UTILITY ON ACCT (overpayments)	20,402	33,541	17,544	22,106	27,857
	401	WATER	5,853,362	5,928,220	5,007,023	5,376,215	5,655,077
	402	SEWER	7,592,668	6,631,035	5,386,807	3,335,265	2,316,037
	404	WATER/SEWER REVENUE BONDS	-	-	-	-	-
	405	BOND RESERVE	-	-	-	-	-
	411	FOSTER GOLF COURSE	604,660	788,121	785,170	622,681	458,643
	412	SURFACE WATER	4,163,760	2,396,149	1,399,569	2,361,899	2,985,279
Enterprise Total			18,234,852	15,777,068	12,596,113	11,718,166	11,442,893
Internal Service	501	EQUIPMENT RENTAL	5,113,963	5,321,862	4,627,495	4,650,880	4,474,197
	502	INSURANCE	3,380,608	3,183,595	4,418,574	5,238,745	6,239,565
	503	INSURANCE - LEOFF I	1,020,548	984,062	856,012	735,138	1,666,674
Internal Service Total			9,515,118	9,489,519	9,902,081	10,624,763	12,380,436
Grand Total			95,055,403	52,932,838	51,072,873	45,226,266	40,526,154

Funds not included in the Grand Total are the fiduciary funds. However, these balances (\$1,652,883) are included in the investment balances.

CITY OF TUKWILA
Treasury Rates and Yield Curves
CASH & INVESTMENT REPORT
June 30, 2017

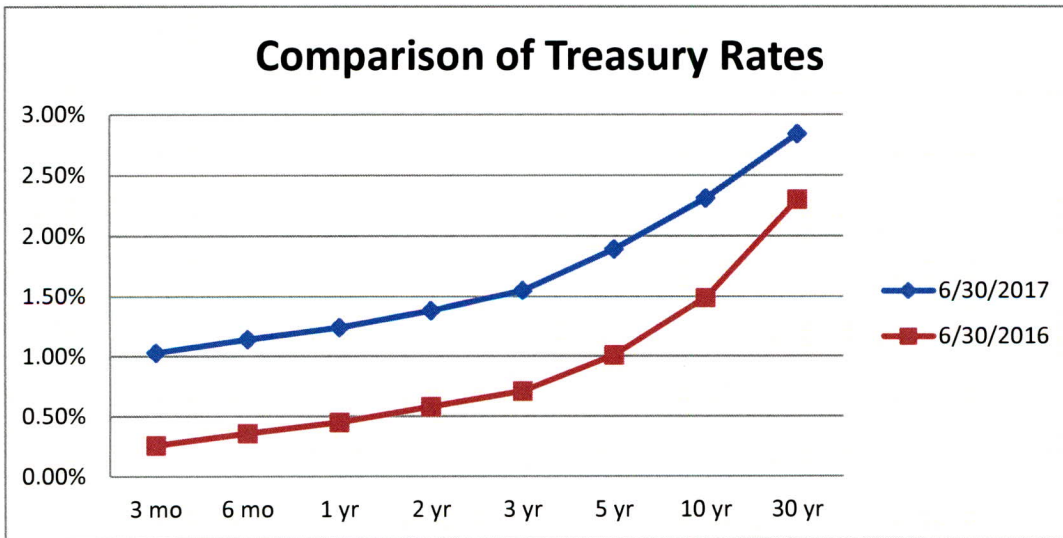
Rates at June 30, 2017

Term	Closing Yield	Rate Change	% Change
	6/30/2017		
3mo	1.03%	0.77%	75%
6mo	1.14%	0.78%	68%
1Yr	1.24%	0.79%	64%
2Yr	1.38%	0.80%	58%
3Yr	1.55%	0.84%	54%
5Yr	1.89%	0.88%	47%
10Yr	2.31%	0.82%	35%
30Yr	2.84%	0.54%	19%

Rates at June 30, 2016

Term	Closing Yield
	6/30/2016
3mo	0.26%
6mo	0.36%
1Yr	0.45%
2Yr	0.58%
3Yr	0.71%
5Yr	1.01%
10Yr	1.49%
30Yr	2.30%

Source: US Department of the Treasury



Capital Loan to MPD Repayment Schedule

MPD Capital Loan

PAYMENT DUE DATE	BEGINNING BALANCE	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	ENDING	
2/1/2013		Amount loaned to the MPD			1,000,000.00	
6/1/2013	1,000,000.00	(50,731.67)	0.02	(5,833.33)	949,268.33	} Prior
12/1/2013	949,268.33	(48,258.90)	0.02	(8,306.10)	901,009.43	
6/1/2014	901,009.43	(48,681.17)	0.02	(7,883.83)	852,328.26	
12/1/2014	852,328.26	(49,107.13)	0.02	(7,457.87)	803,221.13	
6/1/2015	803,221.13	(49,536.82)	0.02	(7,028.18)	753,684.31	
12/1/2015	753,684.31	(49,970.26)	0.02	(6,594.74)	703,714.05	
6/1/2016	703,714.05	(46,537.07)	0.03	(10,027.93)	657,176.98	
12/1/2016	657,176.98	(47,200.23)	0.03	(9,364.77)	609,976.75	
6/1/2017	609,976.75	(47,872.83)	0.03	(8,692.17)	562,103.92	} Current
12/1/2017	562,103.92	(48,555.02)	0.03	(8,009.98)	513,548.90	
6/1/2018	513,548.90	(49,246.93)	0.03	(7,318.07)	464,301.97	
12/1/2018	464,301.97	(49,948.70)	0.03	(6,616.30)	414,353.27	
6/1/2019	414,353.27	(48,277.93)	0.04	(8,287.07)	366,075.34	
12/1/2019	366,075.34	(49,243.49)	0.04	(7,321.51)	316,831.85	
6/1/2020	316,831.85	(50,228.36)	0.04	(6,336.64)	266,603.49	
12/1/2020	266,603.49	(51,232.93)	0.04	(5,332.07)	215,370.56	
6/1/2021	215,370.56	(52,257.59)	0.04	(4,307.41)	163,112.97	
12/1/2021	163,112.97	(53,302.74)	0.04	(3,262.26)	109,810.23	
6/1/2022	109,810.23	(54,368.80)	0.04	(2,196.20)	55,441.43	
12/1/2022	55,441.43	(55,441.43)	0.04	(1,108.83)	0.00	
				<u>(131,285.26)</u>		