



**INFORMATIONAL MEMORANDUM**

TO: Finance Committee  
 FROM: Vicky Carlsen, Finance Director  
 BY: Aaron Williams, Fiscal Coordinator  
 CC: Mayor Ekberg  
 DATE: February 10, 2020  
 SUBJECT: 2019 4th Quarter Cash & Investment Report

**ISSUE**

The Quarterly Cash & Investment Report is provided to the Finance Committee in accordance with the City's Investment Policy.

**SUMMARY OF INVESTMENT POLICY**

It is the policy of the City of Tukwila to invest public funds in a manner that will provide maximum security with the highest investment return while meeting the daily cash flow demands of the City while conforming to all state and local statutes governing the investment of public funds.

**INVESTMENT HOLDINGS**

As of December 31, 2019, the portfolio totaled \$119.5 million comprised of \$111.2 million in cash and cash equivalents and \$8.3 million in longer term investments. The attached "Cash and Investment Report" provides additional details on the cash and investment holdings of the City.

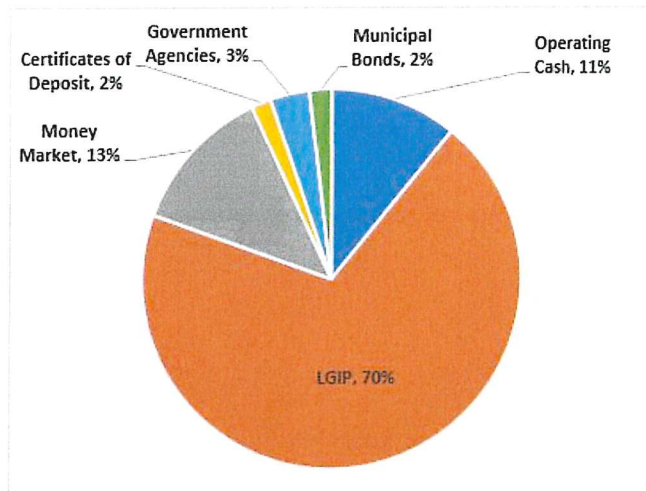
Below is comparison of the Portfolio allocation at year-end 2019 compared to the prior year-end.

Portfolio Allocation 12/31/2019

Operating Cash	13,000,083	11%
LGIP	83,231,470	70%
Money Market	14,999,032	13%
Certificates of Deposit	2,045,201	2%
Government Agencies	4,000,918	3%
Municipal Bonds	2,264,572	2%
	<u>119,541,276</u>	

Portfolio Allocation 12/31/2018

Operating Cash	19,861,884	24%
LGIP	23,030,920	28%
Money Market	14,642,045	18%
Certificates of Deposit	3,538,311	4%
Government Agencies	15,716,262	19%
Municipal Bonds	5,860,630	7%
	<u>82,650,051</u>	



**INVESTMENT ACTIVITY**

During 2019 the City received \$1.14 million in interest earnings from the LGIP and Money Market accounts. Longer term investments held by the City paid interest totaling \$429k and a combined \$15.5 million in investments either matured or were called in 2019. No new bond investments were made during this time period.

The 2019 annual budget for interest income is \$848k; Citywide this was exceeded by over \$757k. Conservative budgeting combined with higher than expected interest rates helped accomplish this positive variance. In addition, funds on hand related to the Public Safety Plan projects (unspent bond proceeds) earned over \$415k during 2019.

**RETURN ON INVESTMENTS**

The annual portfolio yield for 2019 was 1.34%, which appears slightly skewed due to the addition of proceeds from debt issued in the fourth quarter. Washington State LGIP and the Columbia Bank money market accounts are currently earning 1.77% and 1.89%, respectively. The bond proceeds have been kept in cash or LGIP since the PSP projects are all in the construction phase.

The Government agency bond investments have an average return of 1.67% and Municipal bonds currently have an average return of 3.22%.

**POLICY COMPLIANCE AND LIQUIDITY ANALYSIS**

The portfolio profile is well within the range of all investment policy parameters. During 2020 we will maintain liquidity to meet the cash flow needs of Public Safety Plan construction. See “*Policy Compliance & Liquidity Analysis*” attachment for additional detail.

The portfolio benchmark is the 2-year treasury rate, which is closely tied to the changes in the Federal Reserve Fed Funds Rate. This rate steadily climbed over the past few years but recent cuts to the federal funds rate has moved the current 2-year treasury note to just above 1.5%. The chart below illustrates the return over the past 5 years.

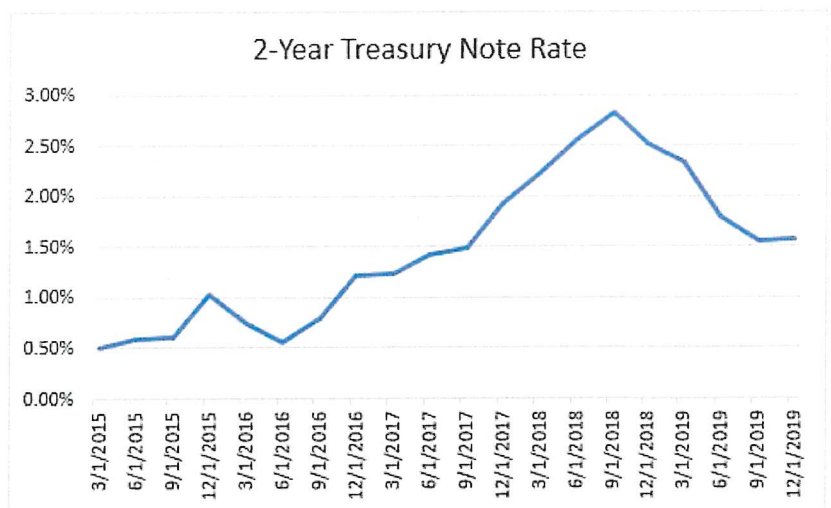
The investment portfolio will continue to be managed to take advantage of investment opportunities as they arise while maintaining adequate liquidity to meet obligations.

**RECOMMENDATION**

Presentation is for information only.

**ATTACHMENTS**

2019-Q4 Cash and Investment Report  
Policy Compliance & Liquidity Analysis

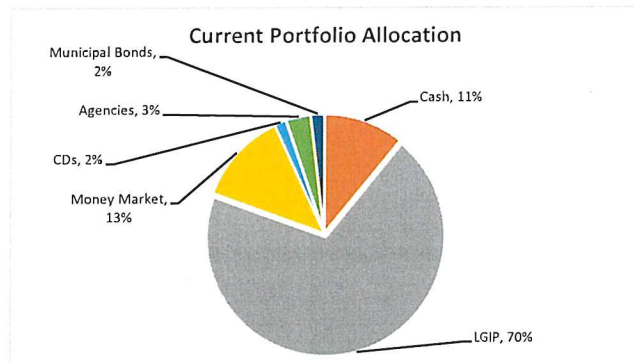


**CITY OF TUKWILA**  
**Cash and Investment Details**  
**CASH & INVESTMENT REPORT**  
December 31, 2019

Agency / Issuer	Rating Moody's	Investment Type	Purchase Date	Maturity Date	(a) Term Yrs	Par Value	Book Balance	(c) Yield to Maturity	(d) Annual Return
<b>CASH &amp; CASH EQUIVALENTS</b>									
US Bank Operating Cash		Depository	various	(b)	-	13,000,083	13,000,083	0.80%	79,010 (e)
Washington State Treasurer		LGIP Investment Pool	various	(b)	-	83,231,470	83,231,470	1.77%	700,551 (f)
Columbia Bank		Money Market	various	(b)	-	14,999,032	14,999,032	1.89%	356,987 (f)
<b>Total Cash &amp; Cash Equivalents</b>						<b>111,230,585</b>	<b>111,230,585</b>	<b>1.02%</b>	<b>1,136,548</b>
<b>INVESTMENTS</b>									
<b>Certificates of Deposits</b>									
Sound Community Bank		Certificatet of Deposit	3/4/2019	3/4/2021	1.1	2,045,201	2,045,201	2.97%	45,201 (g)
<b>TOTAL CERTIFICATES OF DEPOSIT</b>						<b>2,045,201</b>	<b>2,045,201</b>	<b>2.21%</b>	<b>45,201</b>
<b>Agencies</b>									
Federal Home Loan Bank		US agency	06/2017	6/29/2020	0.4	1,700,000	1,700,774	1.69%	28,730
Federal Home Loan Bank		US agency	08/2017	8/8/2020	0.5	2,300,000	2,300,145	1.65%	37,950
<b>TOTAL AGENCIES</b>						<b>4,000,000</b>	<b>4,000,918</b>	<b>1.67%</b>	<b>66,680</b>
<b>Taxable Municipal Bonds</b>									
Port Anacortes WA GO LTD	Aa3	LTGO	12/2010	9/1/2020	0.6	340,000	345,426	4.49%	15,256
Douglas County Washington Sch Dist	Aaa	UTGO	12/2010	12/1/2020	0.8	400,000	411,664	4.80%	19,200
Port Tacoma WA GO LTD Txbl Ref	Aa2	LTGO Refunding	09/2017	12/1/2020	0.8	510,000	513,902	2.50%	12,750
Multnomah County OR GO LTD	Aaa	Revenue Bonds	08/2017	6/1/2021	1.3	500,000	487,120	2.28%	- (h)
Burien WA GO LTD Bld Am Bnds	Aa2	LTGO	12/2017	6/1/2020 *	0.3	500,000	506,460	5.13%	25,625
<b>TOTAL MUNICIPAL BONDS</b>						<b>2,250,000</b>	<b>2,264,572</b>	<b>3.22%</b>	<b>72,831</b>
<b>Total Investments</b>						<b>8,295,201</b>	<b>8,310,691</b>	<b>2.22%</b>	<b>184,712</b>
Interest earned from matured/called investments									284,187
<b>TOTAL CASH, CASH EQUIVALENTS &amp; INVESTMENTS</b>						<b>119,525,786</b>	<b>119,541,276</b>	<b>1.34%</b>	<b>1,605,446</b>

↑  
Annual Portfolio Yield (i)

- (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 earned interest up to the amount of fees.
- (f) Represents rate in effect for period ending this report.
- (g) CD matured March 2019; prior CD paid lower rate causing Annualized return to be lower than CD rate.
- (h) Zero coupon bonds, pays no interest until matured.
- (i) Annual Portfolio Yield is calculated by annual return divided by current portfolio value.





**CITY OF TUKWILA**  
**Policy Compliance & Liquidity Analysis**  
**CASH & INVESTMENT REPORT**  
December 31, 2019

	Portfolio Amount	As of Report Date		
		Available Within 1 Year	Available Within 5 Years	Available in 5 - 10 Years
<b>Liquidity Analysis &amp; Maturity Diversification</b>				
Funds immediately available - US Bank, State LGIP, Money market	\$ 111,230,585	\$111,230,585	\$ 111,230,585	
Fixed Maturity Investments, maturing in:				
0-90 days after Report Date	-			
91-180 days after Report Date	2,200,000			
181-270 days after Report Date	2,640,000			
271-360 days after Report Date	910,000			
Investments maturing in 1 year or less	2019 5,750,000	5,750,000	5,750,000	
Investments maturing in 1-2 years	2020 2,545,201		2,545,201	
Investments maturing in 2-3 years	2021 -		-	
Investments maturing in 3-4 years	2022 -		-	
Investments maturing in 5-10 years	2023 -			-
Investments maturing in more than 1 year and less than 10 years.	2,545,201			
<b>TOTALS</b>	<b>\$ 119,525,786</b>	<b>\$116,980,585</b>	<b>\$ 119,525,786</b>	<b>\$ -</b>
		98%	100%	0%

	Portfolio Amount	% of Total	POLICY MAXIMUM	Policy Met?
<b>Financial Institution Diversification</b>				
US Bank	\$ 13,000,083	10.9%	50.0%	Yes
Columbia Bank	14,999,032	12.5%	50.0%	Yes
Bank of Washington	-	0.0%	50.0%	Yes
Sound Community Bank	2,045,201	1.7%	50.0%	Yes
Investments in Financial Institutions	30,044,316	25.1%		
Investments in US Government and other non-financial institutions	89,481,470	74.9%		
Total	<u>\$ 119,525,786</u>	<u>100.0%</u>		

	Portfolio Amount	% of Total	POLICY MAXIMUM	Policy Met?
<b>Investment Mix</b>				
Depository	13,000,083	10.9%	insured by PDPC	Yes
State Investment Pool	83,231,470	69.6%	75.0%	Yes
Money market	14,999,032	12.5%	insured by PDPC	Yes
Certificate of Deposit	2,045,201	1.7%	insured by PDPC	Yes
US Agency	4,000,000	3.3%	75.0%	Yes
Municipal Bonds	2,250,000	1.9%	no limit specified in policy	Yes
Total	<u>119,525,786</u>	<u>100.0%</u>		

<b>Weighted Average Maturities:</b>		<b>Years</b>	<b>Performance Analysis</b>	
Certificates of deposit		1.2	Current portfolio yield	1.34%
Agencies		0.6		
Municipal bonds		0.9		
Total Investments		<b>0.8</b>	<b>Benchmarks:</b>	
			2 year treasury	1.58%
POLICY MAXIMUM		3.5	Local Govt Invst Pool	1.77%
Policy Met?		Yes		

Note: Cash and cash equivalents are available within one day and are not factored into the Total Investments weighted average maturity.