



**INFORMATIONAL MEMORANDUM**

TO: Finance Committee  
 FROM: Vicky Carlsen, Finance Director  
 BY: Aaron Williams, Fiscal Coordinator  
 CC: Mayor Ekberg  
 DATE: May 27, 2020  
 SUBJECT: 2020 1st 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 March 31, 2020, the portfolio totaled \$99.1 million comprised of \$92.5 million in cash and cash equivalents and \$6.6 million in longer term investments. The attached "Cash and Investment Report" provides additional details on the cash and investment holdings of the City.

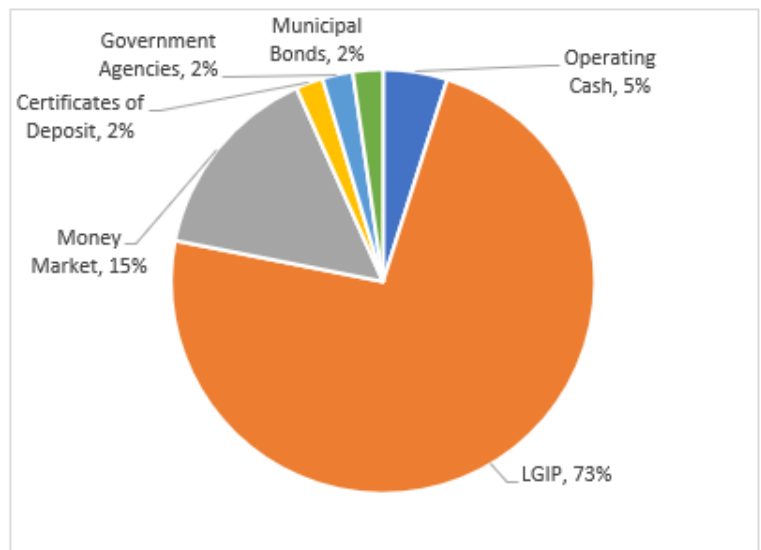
Below is a comparison of the current portfolio allocation compared to the prior year-end.

**Portfolio Allocation 03/31/2020**

|                         |                   |     |
|-------------------------|-------------------|-----|
| Operating Cash          | 4,854,744         | 5%  |
| LGIP                    | 72,544,067        | 73% |
| Money Market            | 15,065,371        | 15% |
| Certificates of Deposit | 2,060,383         | 2%  |
| Government Agencies     | 2,313,345         | 2%  |
| Municipal Bonds         | 2,265,832         | 2%  |
|                         | <u>99,103,741</u> |     |

**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> |     |



**INVESTMENT ACTIVITY**

During the first quarter of 2020 the City received \$379 thousand in interest earnings from the LGIP and Money Market accounts. Longer term investments held by the City paid interest totaling \$33.8 thousand and \$1.7 million in investments were called in the first quarter. No new bond investments were made during this period. Due to the ongoing pandemic significantly reducing revenues, longer term investments are not currently being pursued in order to maintain liquidity.

**RETURN ON INVESTMENTS**

The current portfolio yield for the first quarter was 1.49%, Washington State LGIP and the Columbia Bank money market accounts were earning 1.38% and 1.65%, respectively.

The Government agency bond investments have an average return of 1.64% and Municipal bonds currently have an average return of 3.21%.

**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 until late 2018 when several Federal Funds Rate cuts moved the 2-yr treasury note to just above 1.5% at year end 2019. During the first quarter of 2020, in response to the COVID-19 pandemic, there were significant cuts to the Fed Funds Rate bringing it near 0% currently. The chart below illustrates the return over the past 5 years.

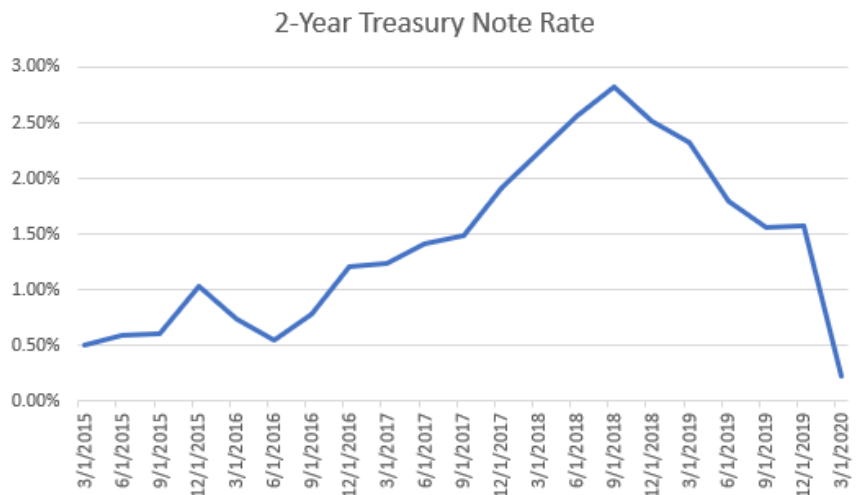
The investment portfolio will continue to be managed to take advantage of investment opportunities as they arise while maintaining adequate liquidity to meet obligations.

**RECOMMENDATION**

Presentation is for information only.

**ATTACHMENTS**

2020-Q1 Cash and Investment Report  
Policy Compliance & Liquidity Analysis

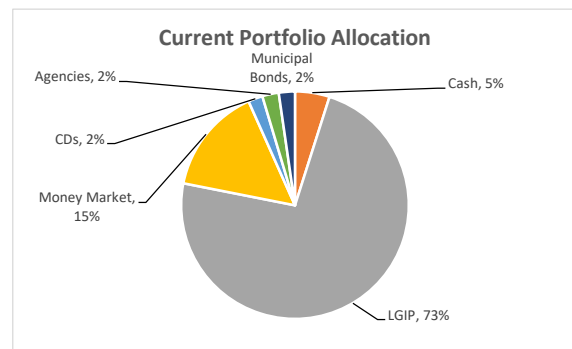


**CITY OF TUKWILA**  
**Cash and Investment Details**  
**CASH & INVESTMENT REPORT**  
 March 31, 2020

| Agency / Issuer                                       | Rating<br>Moody's | Investment<br>Type     | Purchase<br>Date | Maturity<br>Date | (a)<br>Term<br>Yrs. | Par<br>Value      | Book<br>Balance   | (c)<br>Yield to<br>Maturity | (d)<br>Annualized<br>Return |
|---|-------------------|------------------------|------------------|------------------|---------------------|-------------------|-------------------|-----------------------------|-----------------------------|
| <b>CASH &amp; CASH EQUIVALENTS</b>                    |                   |                        |                  |                  |                     |                   |                   |                             |                             |
| US Bank Operating Cash                                |                   | Depository             | various          | (b)              | -                   | 4,854,744         | <b>4,854,744</b>  | 1.00%                       | 48,547 (e)                  |
| Washington State Treasurer                            |                   | LGIP Investment Pool   | various          | (b)              | -                   | 72,544,067        | <b>72,544,067</b> | 1.38%                       | 1,000,492 (f)               |
| Columbia Bank   |                   | Money Market           | various          | (b)              | -                   | 15,065,371        | <b>15,065,371</b> | 1.65%                       | 248,579 (f)                 |
| <b>Total Cash &amp; Cash Equivalents</b>              |                   |                        |                  |                  |                     | <b>92,464,182</b> | <b>92,464,182</b> | <b>1.40%</b>                | <b>1,297,618</b>            |
| <b>INVESTMENTS</b>                                    |                   |                        |                  |                  |                     |                   |                   |                             |                             |
| <b>Certificates of Deposits</b>                       |                   |                        |                  |                  |                     |                   |                   |                             |                             |
| Sound Community Bank                                  |                   | Certificate of Deposit | 3/4/2019         | 3/4/2021         | 1                   | 2,060,383         | <b>2,060,383</b>  | 2.97%                       | 61,193                      |
| <b>TOTAL CERTIFICATES OF DEPOSIT</b>                  |                   |                        |                  |                  |                     | <b>2,060,383</b>  | <b>2,060,383</b>  | <b>2.97%</b>                | <b>61,193</b>               |
| <b>Agencies</b>                                       |                   |                        |                  |                  |                     |                   |                   |                             |                             |
| Federal Home Loan Bank                                |                   | US agency              | 08/2017          | 8/8/2020         | 0.4                 | 2,300,000         | <b>2,313,345</b>  | 1.65%                       | 37,950                      |
| <b>TOTAL AGENCIES</b>                                 |                   |                        |                  |                  |                     | <b>2,300,000</b>  | <b>2,313,345</b>  | <b>1.64%</b>                | <b>37,950</b>               |
| <b>Taxable Municipal Bonds</b>                        |                   |                        |                  |                  |                     |                   |                   |                             |                             |
| Port Anacortes WA GO LTD                              | Aa3               | LTGO                   | 12/2010          | 9/1/2020         | 0.4                 | 340,000           | <b>344,604</b>    | 4.49%                       | 15,256                      |
| Douglas County Washington Sch Dist.                   | Aaa               | UTGO                   | 12/2010          | 12/1/2020        | 0.7                 | 400,000           | <b>410,440</b>    | 4.80%                       | 19,200                      |
| Port Tacoma WA GO LTD Txbl Ref                        | Aa2               | LTGO Refunding         | 09/2017          | 12/1/2020        | 0.7                 | 510,000           | <b>515,258</b>    | 2.50%                       | 12,750                      |
| Multnomah County OR GO LTD                            | Aaa               | Revenue Bonds          | 08/2017          | 6/1/2021         | 1.2                 | 500,000           | <b>492,525</b>    | 2.28%                       | - (g)                       |
| Burien WA GO LTD Bld Am Bnds                          | Aa2               | LTGO                   | 12/2017          | 6/1/2020         | 0.2                 | 500,000           | <b>503,005</b>    | 5.13%                       | 25,625                      |
| <b>TOTAL MUNICIPAL BONDS</b>                          |                   |                        |                  |                  |                     | <b>2,250,000</b>  | <b>2,265,832</b>  | <b>3.21%</b>                | <b>72,831</b>               |
| <b>Total Investments</b>                              |                   |                        |                  |                  |                     | <b>6,610,383</b>  | <b>6,639,559</b>  | <b>2.59%</b>                | <b>171,974</b>              |
| Interest earned from matured/called investments       |                   |                        |                  |                  |                     |                   |                   |                             | 7,183                       |
| <b>TOTAL CASH, CASH EQUIVALENTS &amp; INVESTMENTS</b> |                   |                        |                  |                  |                     | <b>99,074,565</b> | <b>99,103,741</b> | <b>1.49%</b>                | <b>1,476,774</b>            |

↑  
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 earned interest up to the amount of fees
- (f) Represents rate in effect for period ending this report
- (g) Zero coupon bonds, pays no interest until matured





**CITY OF TUKWILA**  
**Policy Compliance & Liquidity Analysis**  
**CASH & INVESTMENT REPORT**  
**March 31, 2020**

|  | 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  | \$ 92,464,182        | \$ 92,464,182           | \$ 92,464,182            |                           |
| Fixed Maturity Investments, maturing in:                         |                      |                         |                          |                           |
| 0-90 days after Report Date                                      | 500,000              |                         |                          |                           |
| 91-180 days after Report Date                                    | 2,640,000            |                         |                          |                           |
| 181-270 days after Report Date                                   | 910,000              |                         |                          |                           |
| 271-360 days after Report Date                                   | 2,060,383            |                         |                          |                           |
| Investments maturing in 1 year or less                           | 2019 6,110,383       | 6,110,383               | 6,110,383                |                           |
| Investments maturing in 1-2 years                                | 2020 500,000         |                         | 500,000                  |                           |
| 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. | 500,000              |                         |                          |                           |
| <b>TOTALS</b>  | <b>\$ 99,074,565</b> | <b>\$ 98,574,565</b>    | <b>\$ 99,074,565</b>     | <b>\$ -</b>               |
|  |                      | 99%                     | 100%                     | 0%                        |

|   | Portfolio Amount     | % of Total    | POLICY MAXIMUM | Policy Met? |
|---|----------------------|---------------|----------------|-------------|
| <b>Financial Institution Diversification</b>                      |                      |               |                |             |
| US Bank   | \$ 4,854,744         | 4.9%          | 50.0%          | Yes         |
| Columbia Bank   | 15,065,371           | 15.2%         | 50.0%          | Yes         |
| Sound Community Bank  | 2,060,383            | 2.1%          | 50.0%          | Yes         |
| Investments in Financial Institutions                             | 21,980,497           | 22.2%         |                |             |
| Investments in US Government and other non-financial institutions | 77,094,067           | 77.8%         |                |             |
| Total   | <b>\$ 99,074,565</b> | <b>100.0%</b> |                |             |

|                        | Portfolio Amount  | % of Total    | POLICY MAXIMUM               | Policy Met? |
|------------------------|-------------------|---------------|------------------------------|-------------|
| <b>Investment Mix</b>  |                   |               |                              |             |
| Depository             | 4,854,744         | 4.9%          | insured by PDPC              | Yes         |
| State Investment Pool  | 72,544,067        | 73.2%         | 75.0%                        | Yes         |
| Money market           | 15,065,371        | 15.2%         | insured by PDPC              | Yes         |
| Certificate of Deposit | 2,060,383         | 2.1%          | insured by PDPC              | Yes         |
| US Agency              | 2,300,000         | 2.3%          | 75.0%                        | Yes         |
| Municipal Bonds        | 2,250,000         | 2.3%          | no limit specified in policy | Yes         |
| Total                  | <b>99,074,565</b> | <b>100.0%</b> |                              |             |

| <b>Weighted Average Maturities:</b> |  | <b>Years</b> | <b>Performance Analysis</b> |       |
|-------------------------------------|--|--------------|-----------------------------|-------|
| Certificates of deposit             |  | 0.9          | Current portfolio yield     | 1.49% |
| Agencies                            |  | 0.4          |                             |       |
| Municipal bonds                     |  | 0.6          |                             |       |
| Total Investments                   |  | <b>0.6</b>   | <b>Benchmarks:</b>          |       |
|                                     |  |              | 2 year treasury             | 0.23% |
| POLICY MAXIMUM                      |  | 3.5          | Local Govt Invst Pool       | 1.38% |
| Policy Met?                         |  | Yes          |                             |       |

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