



**INFORMATIONAL MEMORANDUM**

TO: Finance & Governance Committee  
 FROM: Vicky Carlsen, Finance Director  
 BY: Aaron Williams, Fiscal Manager  
 CC: Mayor Ekberg  
 DATE: November 22, 2021  
 SUBJECT: 2021 3rd 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 September 30, 2021, the portfolio totaled \$71.8 million comprised of \$68.8 million in cash and cash equivalents and \$3.0 million in longer term investments. The attached “Cash and Investment Report” provides additional details on the cash and investment holdings of the City.

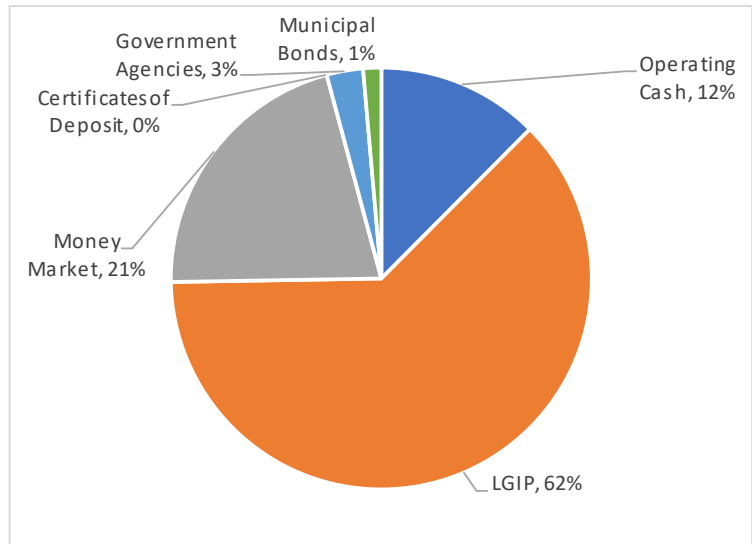
Below is a comparison of the current portfolio allocation compared to the prior year-end.

**Portfolio Allocation 9/30/2021**

Operating Cash	8,962,681	12%
LGIP	44,725,094	62%
Money Market	15,145,165	21%
Certificates of Deposit	-	0%
Government Agencies	2,000,000	3%
Municipal Bonds	1,000,000	1%
	<u>71,832,941</u>	

**Portfolio Allocation 12/31/2020**

Operating Cash	10,358,248	15%
LGIP	41,690,157	59%
Money Market	15,123,022	22%
Certificates of Deposit	2,106,948	3%
Government Agencies	-	0%
Municipal Bonds	1,000,195	1%
	<u>70,278,570</u>	



**INVESTMENT ACTIVITY**

Total year to date investment earnings through September 30th were \$108 thousand. Longer term investments held by the City are projected to pay \$21 thousand during the remainder of the year. During the third quarter one bond investment was called and redeemed. In early October an additional \$2 million bond investment was purchased for a term of 3.5 years and a yield to maturity of 0.75%. Additional Bond investments will be pursued during the year as opportunities are identified.

The chart below provides the investment income Budget to Actual for the Government Funds and Enterprise funds.

<b>Investment Income</b>	<b>Annual Budget</b>	<b>YTD Actuals</b>	<b>Pct of Budget</b>
Government Funds	\$ 290,500	\$ 71,087	24.5%
Enterprise Funds	118,000	37,068	31.4%
	<b>\$ 408,500</b>	<b>\$ 108,155</b>	<b>26.5%</b>

**RETURN ON INVESTMENTS**

The current overall portfolio yield on September 30th was 0.15% with the Washington State LGIP and the Columbia Bank money market accounts earning 0.087% and 0.18%, respectively. Longer term investment holdings have an average return of 0.79%.

**POLICY COMPLIANCE AND LIQUIDITY ANALYSIS**

The investment portfolio profile is within the range of all investment policy parameters. Throughout the pandemic, with the uncertainty of City revenues, longer term bond investments were not pursued, prioritizing liquidity of the portfolio in the short term to ensure we could meet the obligations of the City. This year we have begun expanding our investment holdings, keeping in mind the uncertainty of interest rates and high inflation in the economy. As we accumulate new portfolio holdings, we are targeting the more favorable rates in the 3-5 year maturity range. New bond investments made this year have been in this maturity range, with call options on most, to maximize returns.

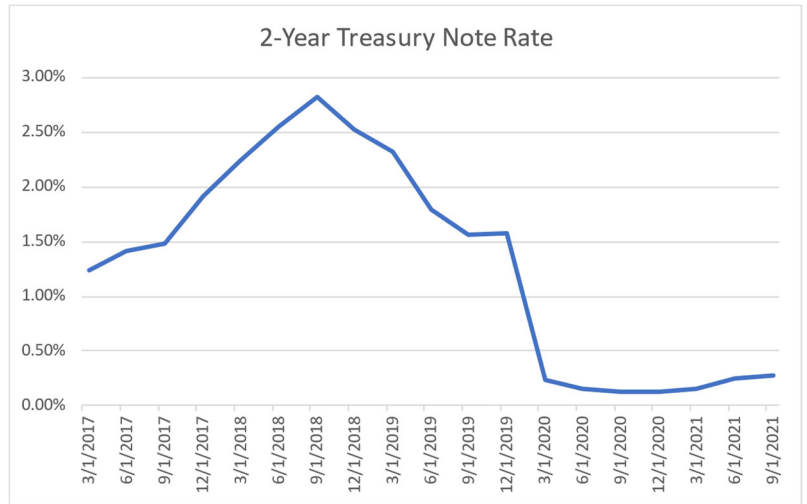
See “*Policy Compliance & Liquidity Analysis*” attachment for additional detail.

The portfolio benchmark is the 2-year treasury rate, which is closely tied to the changes in the Federal Reserve Fed Funds Rate. In response to the COVID-19 pandemic, there were significant cuts to the Fed Funds Rate reducing the rate to the current target of 0.00%-0.25%. The 2-year treasury note rate has slightly increased recently, currently hovering around 0.28% as of September 30<sup>th</sup>.

Recent indications from the Federal Reserve Board are that they may begin to rise interest rates in mid-2022 or early 2023; but high inflation and other economic factors could change those plans.

The chart to the right illustrates the 2-year treasury rate 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**

2021-Q3 Cash and Investment Report  
Policy Compliance & Liquidity Analysis



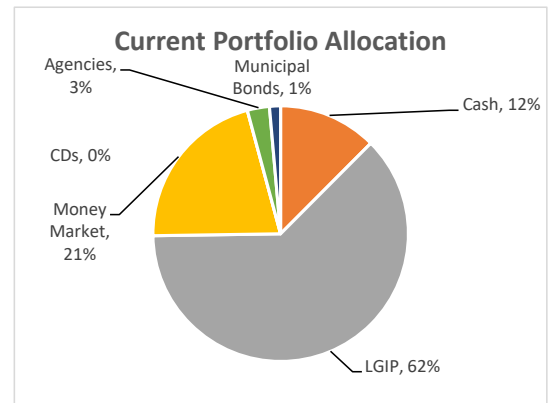
**CITY OF TUKWILA**  
**Cash and Investment Details**  
**CASH & INVESTMENT REPORT**  
September 30, 2021

Depository	Investment Type	Maturity Date	Balance	Current Rate	(d) Annualized Return
<b>CASH &amp; CASH EQUIVALENTS</b>					
US Bank Operating Cash	Depository	(b)	8,962,681	0.20%	17,925 (e)
Washington State Treasurer	LGIP Investment Pool	(b)	44,725,094	0.09%	38,911 (f)
Columbia Bank	Money Market	(b)	15,145,165	0.18%	27,261 (f)
<b>Total Cash &amp; Cash Equivalents</b>			<b>68,832,941</b>	<b>0.12%</b>	<b>84,097</b>

Agency / Issuer	Rating Moody's	Investment Type	Purchase Date	Maturity Date	(a) Term Yrs.	Face Value	(c) Yield to Maturity	Annualized Return
<b>INVESTMENTS</b>								
<b>Agencies</b>								
Federal Home Loan Bank	Aaa	US agency	02/2021	2/24/2026	4.3	1,000,000	0.63%	6,250
Federal Farm Credit Bank	Aaa	US agency	06/2021	6/15/2026	4.7	1,000,000	0.90%	9,000
<b>TOTAL AGENCIES</b>						<b>2,000,000</b>	<b>0.76%</b>	<b>15,250</b>
<b>Taxable Municipal Bonds</b>								
Metro Oregon GL Txbl	Aaa	LTGO	06/2021	6/1/2026	4.7	1,000,000	0.83%	8,300
<b>TOTAL MUNICIPAL BONDS</b>						<b>1,000,000</b>	<b>0.83%</b>	<b>8,300</b>
<b>Total Investments</b>						<b>3,000,000</b>	<b>0.79%</b>	<b>23,550</b>
Interest earned from matured/called investments								-
<b>TOTAL CASH, CASH EQUIVALENTS &amp; INVESTMENTS</b>						<b>\$ 71,832,941</b>	<b>0.15%</b>	<b>\$ 107,647</b>

↑  
Current Portfolio Yield

- (a) Term is calculated to final maturity or call date if bond has been called.
- (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 annual earnings at current rate.
- (e) Represents earning credit from US Bank. City earned interest up to the amount of fees.
- (f) Current rate reflects most recent interest rate for each depository account.





**CITY OF TUKWILA**  
**Policy Compliance & Liquidity Analysis**  
**CASH & INVESTMENT REPORT**  
September 30, 2021

	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	\$ 68,832,941	\$ 68,832,941	\$ 68,832,941	
Fixed Maturity Investments, maturing in:				
0-90 days after Report Date	-			
91-180 days after Report Date	-			
181-270 days after Report Date	-			
271-360 days after Report Date	-			
Investments maturing in 1 year or less	-	-	-	
Investments maturing in 1-2 years	-			
Investments maturing in 2-3 years	-			
Investments maturing in 3-5 years	3,000,000		3,000,000	
Investments maturing in 6-10 years	-			-
Investments maturing in more than 1 year and less than 10 years.	3,000,000			
<b>TOTALS</b>	<b>\$ 71,832,941</b>	<b>\$ 68,832,941</b>	<b>\$ 71,832,941</b>	<b>\$ -</b>
		96%	100%	0%

	Portfolio Amount	% of Total	POLICY MAXIMUM	Policy Met?
<b>Financial Institution Diversification</b>				
US Bank	\$ 8,962,681	12.5%	50.0%	Yes
Columbia Bank	15,145,165	21.1%	50.0%	Yes
Sound Community Bank	-	0.0%	50.0%	Yes
Investments in Financial Institutions	24,107,846	33.6%		
Investments in US Government and other non-financial institutions	47,725,094	66.4%		
Total	<b>\$ 71,832,941</b>	<b>100.0%</b>		

	Portfolio Amount	% of Total	POLICY MAXIMUM	Policy Met?
<b>Investment Mix</b>				
Depository	8,962,681	12.5%	insured by PDPC	Yes
State Investment Pool	44,725,094	62.3%	75.0%	Yes
Money market	15,145,165	21.1%	insured by PDPC	Yes
Certificate of Deposit	-	0.0%	insured by PDPC	Yes
US Agency	2,000,000	2.8%	75.0%	Yes
Municipal Bonds	1,000,000	1.4%	no limit specified in policy	Yes
Total	<b>71,832,941</b>	<b>100.0%</b>		

<b>Weighted Average Maturities:</b>	Years	<b>Performance Analysis</b>	
State LGIP and Money Market funds	0.0	Current portfolio yield	0.15%
Certificates of deposit	n/a		
Government Agency bonds	4.5		
Municipal bonds	4.7		
Total Investments	<b>0.2</b>	<b>Benchmarks:</b>	2 year treasury 0.25%
POLICY MAXIMUM	3.5	Local Govt Invst Pool	0.09%
Policy Met?	Yes		

Note: Operating cash and cash equivalents are *not* factored into the Portfolio Investments weighted average maturity.