



CITY OF GRAND RAPIDS AGENDA ACTION REQUEST

DATE: February 11, 2025

TO: Mark Washington, City Manager

COMMITTEE: Fiscal Committee
LIAISON: Molly Clarin, Chief Financial Officer

FROM: Levi Boldt, Investment Officer

SUBJECT: Treasurer's Report for Period of January 10, 2025 through January 27, 2025

At its January meeting, the Federal Open Market Committee (FOMC) decided to hold short-term interest rates at their current level. The economy is broadly stable. The Federal Reserve has a dual mandate from Congress to maintain price stability and full employment. Inflation remains above the target of 2.0% year-over-year Personal Consumption Expenditures index growth, though recent readings suggest it is trending in the right direction. Additionally, labor market figures are generally solid.

Despite cutting short-term rates by a full percentage point since last September, FOMC Chair Jerome Powell stated that monetary policy is, "meaningfully restrictive." This is evidenced by relative weakness in particularly rate-sensitive industries. Chair Powell said FOMC members would need to see weakness in the labor market or real progress on inflation before adjusting short-term interest rates.

Federal fiscal policy uncertainty poses risks to the City's financial position. Federal funding is a critical source of revenue to the City. The City is well positioned to meet expected liquidity needs. A margin of safety is built into the portfolio to meet unexpected demands. However, a material interruption of expected federal funding may negatively impact the reliability of cash flow forecasts upon which portfolio strategy has been built.

If interest rates decline, market prices of outstanding fixed-rate bonds and other debt obligations are expected to rise. The opposite also holds true; market prices drop when interest rates increase. The magnitude of the market price change is roughly proportional to time to maturity. Gains or losses in market value are only realized when portfolio securities are sold prior to maturity. Unrealized gains or losses have no impact on portfolio cash flow or interest earnings. Governmental accounting standards require

the Treasurer's Office to mark the portfolio to current market prices on the City's financial statements. It is important to understand that unrealized gains and losses exist "on paper" only. Sufficient liquidity is available to fund expected current expenditures without selling any portfolio holdings prior to maturity.

The Treasurer's Office manages the City's investment portfolio with the goals of safety of principal, sufficient liquidity to meet expected liabilities, and obtaining a competitive yield on invested monies. By selecting portfolio holdings with positive cash flows during periods of expected drawdown, the Treasurer's Office maximizes invested capital while minimizing the likelihood that of a liquidity demand exceeding readily available resources, which could result in a loss of principal. This also allows some flexibility to take advantage of market themes and opportunities as they present themselves. Communication among City staff, especially as to the timing of major expenditures, is critical to the success of this approach.

Portfolio segments and investment returns are listed in the following table.

Portfolio Segment	Market Value	Purchase Yield
Pooled Funds	\$614,774,275.85	3.05%
Cemetery Perpetual Care	\$5,258,151.18	3.81%
Bond Proceeds:		
CIB 2023 – Lyon Square	\$657,156.45	4.40%
CIB 2024 – Amphitheater	\$8,016,286.46	5.34%
CIB 2024 – Scribner	\$40,293,188.06	4.51%
CIB 2024 – ELC + Griff's	\$9,743,284.26	4.25%
CIB 2024 – Parks Improvements	\$10,237,868.68	5.00%
CIB 2024 – Parking Ramp	\$24,010,660.30	4.57%
Total:	<u><u>\$712,990,871.24</u></u>	3.26%

The attached appendices detail portfolio holdings and recent trading activity. Please contact me at ext. 3498 with any questions on this report. Thank you.

cc: Roberta Cahill, Deputy City Treasurer
John Globensky, City Treasurer