



CITY OF GRAND RAPIDS AGENDA ACTION REQUEST

DATE: January 14, 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 December 26, 2024 through January 9, 2025

The Federal Reserve has a dual mandate from Congress to maintain price stability and full employment. Inflation remains stubbornly above the Federal Open Market Committee (FOMC) target of 2.0% year-over-year Personal Consumption Expenditures index growth. Additionally, labor market figures report solid continued job and wage growth.

FOMC participants attempt to balance risks. There is a risk that a recession could result if FOMC maintains monetary policy at too restrictive a level for too long. There is also a risk that inflation expectations could de-anchor, resulting in unsustainable consumer price increases throughout the economy.

It is generally agreed that monetary policy is currently restrictive. That means interest rates are high enough to slow economic activity, which in turn lowers the pace of price increases to end consumers.

Market participants have concluded the FOMC members judge the balance of risks to be roughly in balance. Pricing of interest rate futures contracts implies a 97.3% likelihood that FOMC will maintain short-term interest rates at current levels at its January 28-29 meeting, and a 74.0% likelihood FOMC will continue to hold at its March 18-29 meeting.

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 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	\$627,772,627	3.09%
Cemetery Perpetual Care	\$5,255,840	3.80%
Bond Proceeds:		
CIB 2023 – Lyon Square	\$2,805,624	4.40%
CIB 2024 – Amphitheater	\$14,324,488	5.34%
CIB 2024 – Scribner	\$40,333,179	4.51%
CIB 2024 – ELC + Griff’s	\$9,847,740	4.25%
CIB 2024 – Parks Improvements	\$10,737,188	5.00%
CIB 2024 – Parking Ramp	\$24,010,660	4.81%
Total:	<u>\$747,726,019</u>	3.32%

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