



# CITY OF GRAND RAPIDS AGENDA ACTION REQUEST

**DATE:** October 8, 2024

**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 September 25, 2024 through October 7, 2024

Pricing of interest rate futures contracts provides the means to calculate market-implied interest rate projections and relative confidence levels thereof. Market participants have priced in an 87.3% likelihood that the Federal Reserve Open Market Committee (FOMC) will cut short-term rates by 0.25% at its November 6-7 meeting. Current estimates suggest that the FOMC rate-cutting cycle will last roughly a year, settling in the 2.75% – 3.00% range in summer 2025.

As interest rates decline, market prices of outstanding fixed-rate bonds and other debt obligations 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.

<b>Portfolio Segment</b>	<b>Market Value</b>	<b>Purchase Yield</b>
Pooled Funds	\$642,619,797	3.42%
Cemetery Perpetual Care	\$5,222,405	4.25%
Bond Proceeds:		
CIB 2023 – Lyon Square	\$3,348,327	4.90%
CIB 2024 – Amphitheater	\$20,760,084	5.32%
CIB 2024 – Scribner	\$56,916,799	5.26%
CIB 2024 – ELC + Griff's	\$12,291,450	4.75%
CIB 2024 – Parks Improvements	<u>\$11,089,618</u>	5.00%
<b>Total:</b>	<u><u>\$752,248,481</u></u>	3.67%

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