

1. Meeting Materials

Documents:

[INVESTMENT COMMITTEE 2-24-22.PDF](#)

OAK HARBOR INVESTMENT COMMITTEE



CITY OF
Oak Harbor
WHIDBEY ISLAND, WASHINGTON

2/24/2022



AGENDA

1. Public Comment
2. Welcome New Members
3. 4th Quarter Investment Report and Activity – As of December 31, 2021
4. Economic Outlook and Discussion
5. Required Annual Investment Policy Review
6. Next Investment Committee Meeting: April 28, 2022 at 1:30PM
7. Adjourn



INVESTMENT REPORT

Bank	Description	Settlement Date	Coupon	PAR Value	Price	Book Value	Market Value	Maturity Date	Yield to Mat-Purch	1st Call Date	Days to Maturity
1	US Federal Farm Credit	06/03/21	0.3300%	2,000,000	100.0299	2,000,498.35	1,973,724.00	07/12/24	0.3000%	06/03/22	924
2	US Federal Home Loan Bank	07/12/21	0.3500%	2,000,000	99.8213	1,996,426.00	1,976,802.00	07/12/24	0.4100%	01/12/22	924
3	US US Treasury	08/03/21	1.2500%	2,000,000	102.9687	2,058,083.28	2,018,360.00	08/31/24	0.2801%	N/A	974
4	US US Treasury	09/23/21	0.3750%	2,000,000	100.0000	2,000,000.00	1,971,640.00	09/15/24	0.3750%	N/A	989
5	US Federal Farm Credit	10/21/21	0.6300%	2,000,000	99.8211	1,996,422.00	1,981,008.00	10/24/24	0.6904%	10/21/22	1,028
6	US Federal Home Loan Bank	11/15/21	0.5000%	2,000,000	99.1019	1,982,038.00	1,969,256.00	09/29/24	0.8000%	12/29/21	1,003
	Federal Agency Bonds			12,000,000		12,033,467.63	11,890,790.00		0.4744%		
SIP	Local Government Investment Pool					23,406,343.96	23,406,343.96		0.0907%		1
	Total Investments					35,439,811.59	35,297,133.96		0.2210%		1
	6-month Treasury Benchmark								0.1900%		

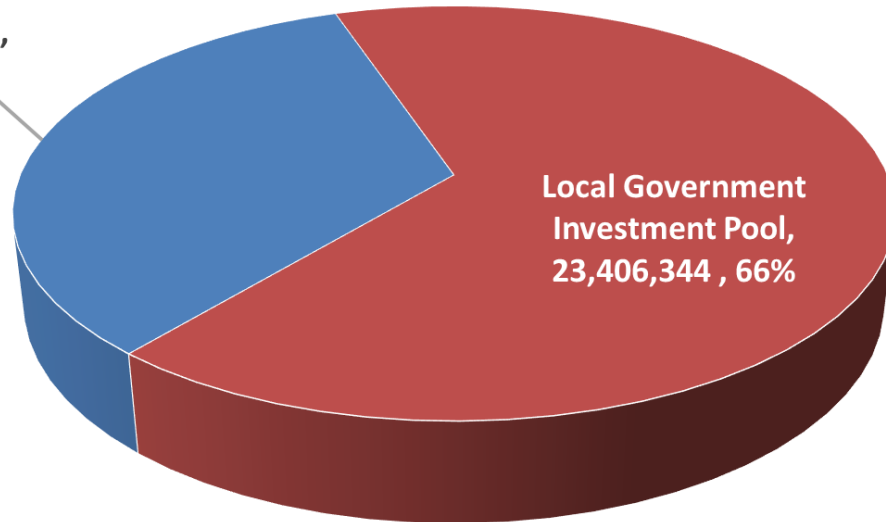
* Data as of December 31, 2021.

- Following portfolio rebuilding direction from Investment Committee, purchased six issues. Awaiting further direction from Committee.
- Might make sense to invest some LGIP funds in shorter term focused investments (6 month).

INVESTMENT REPORT

Portfolio Holdings

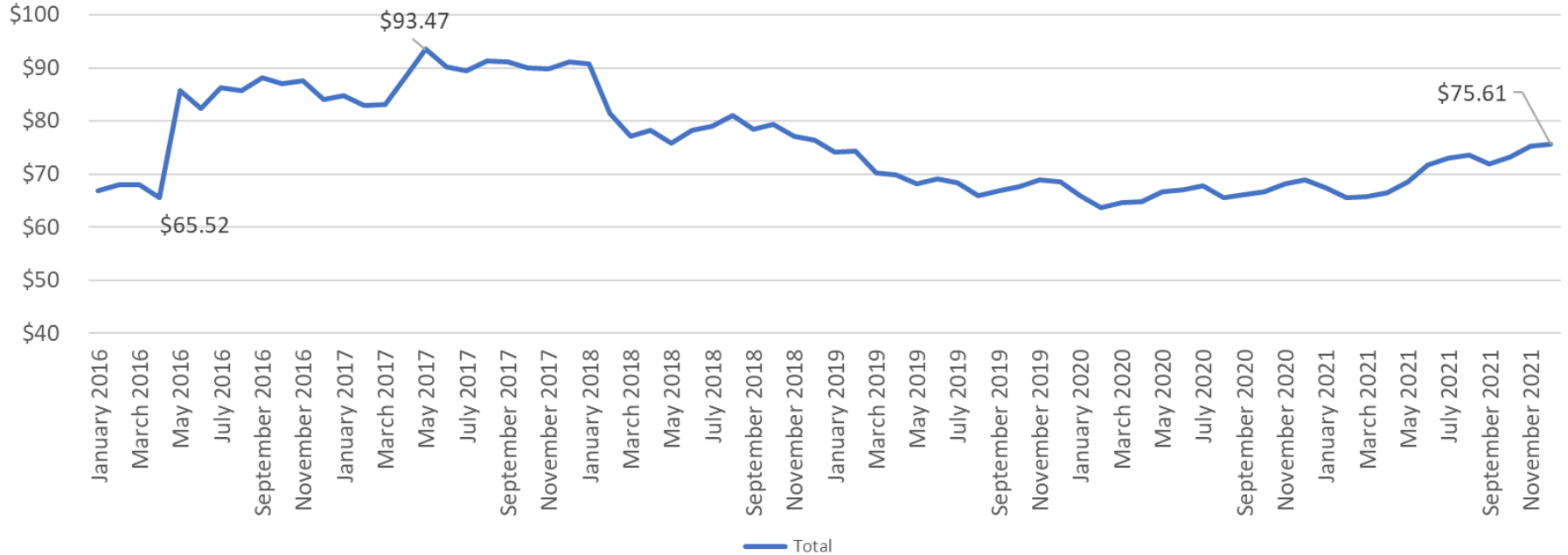
Federal Agency Bonds,
11,890,790 , 34%



Local Government
Investment Pool,
23,406,344 , 66%

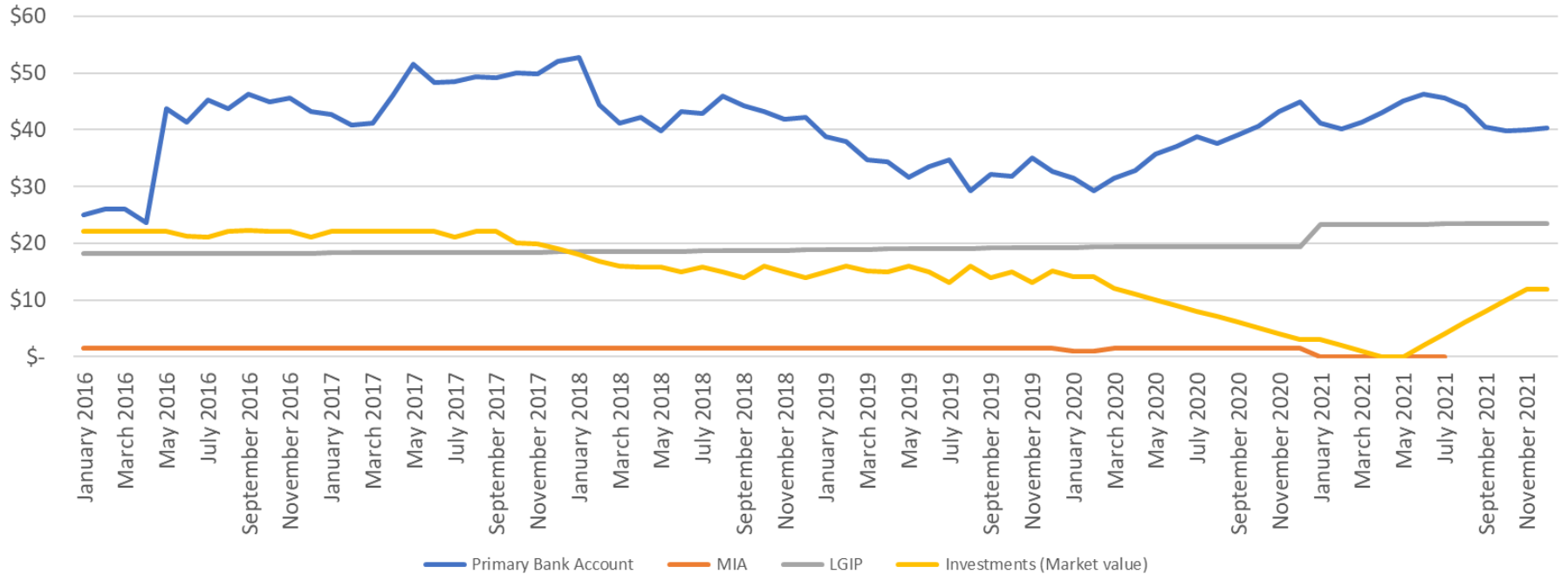
INVESTMENT REPORT

Total Bank and Investments (\$Millions)



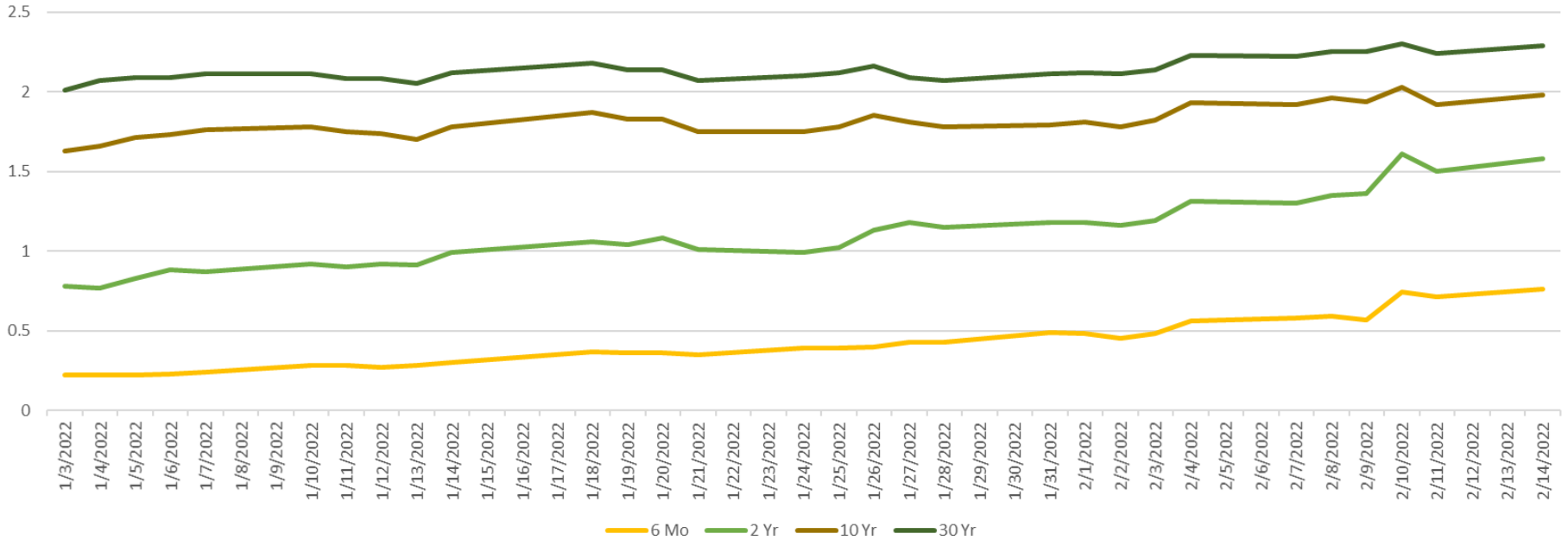
INVESTMENT REPORT

Bank and Investment Breakdown (\$Millions)



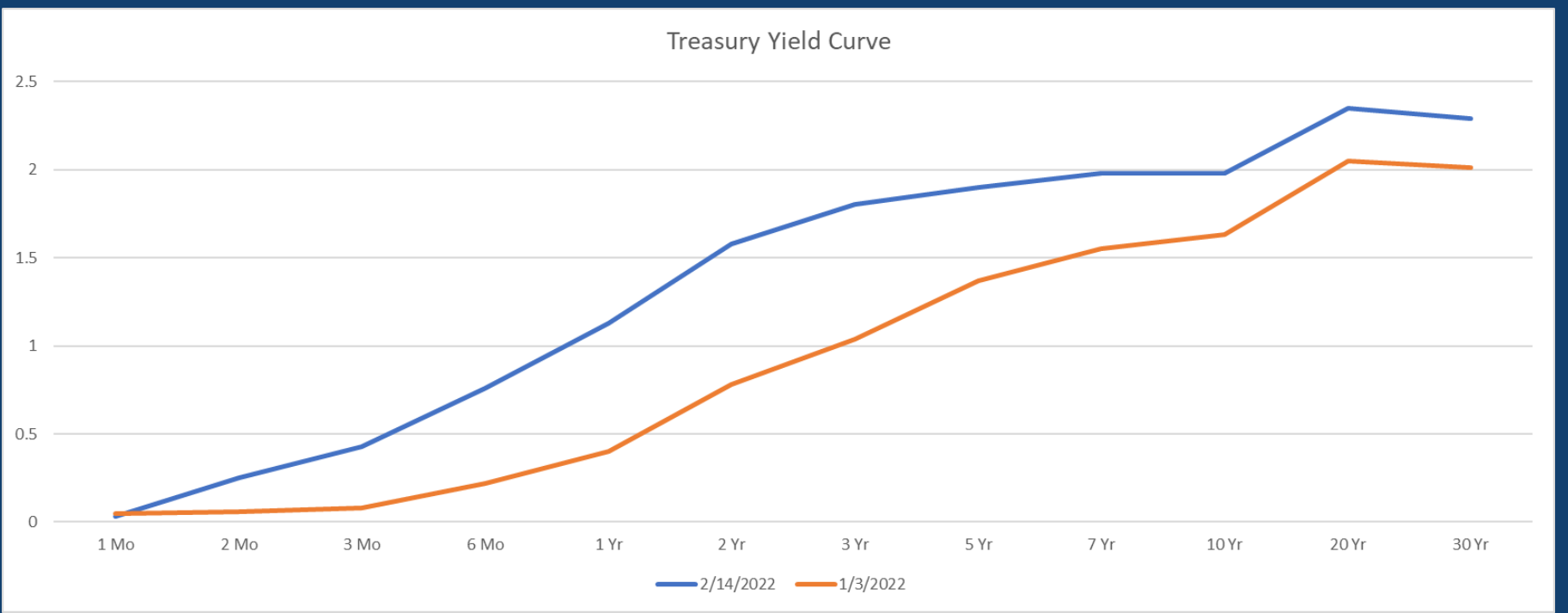
ECONOMIC INDICATORS

Treasury Yields



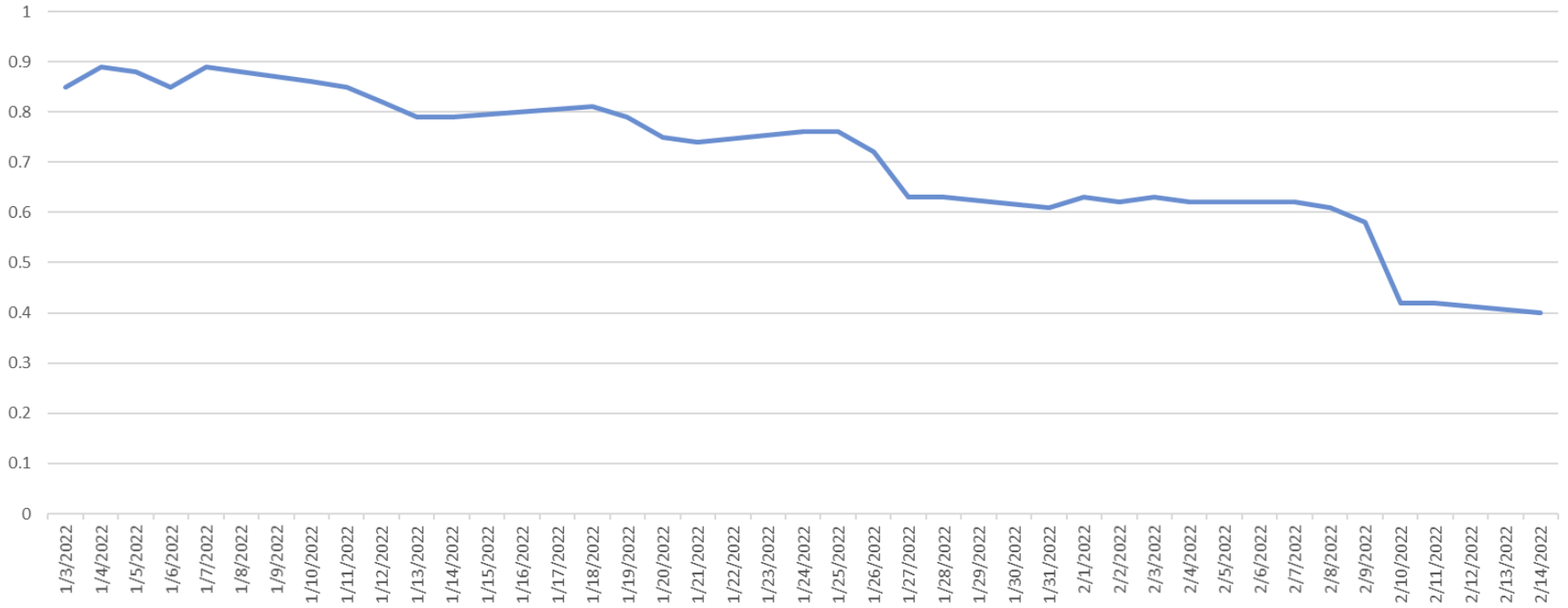


ECONOMIC INDICATORS

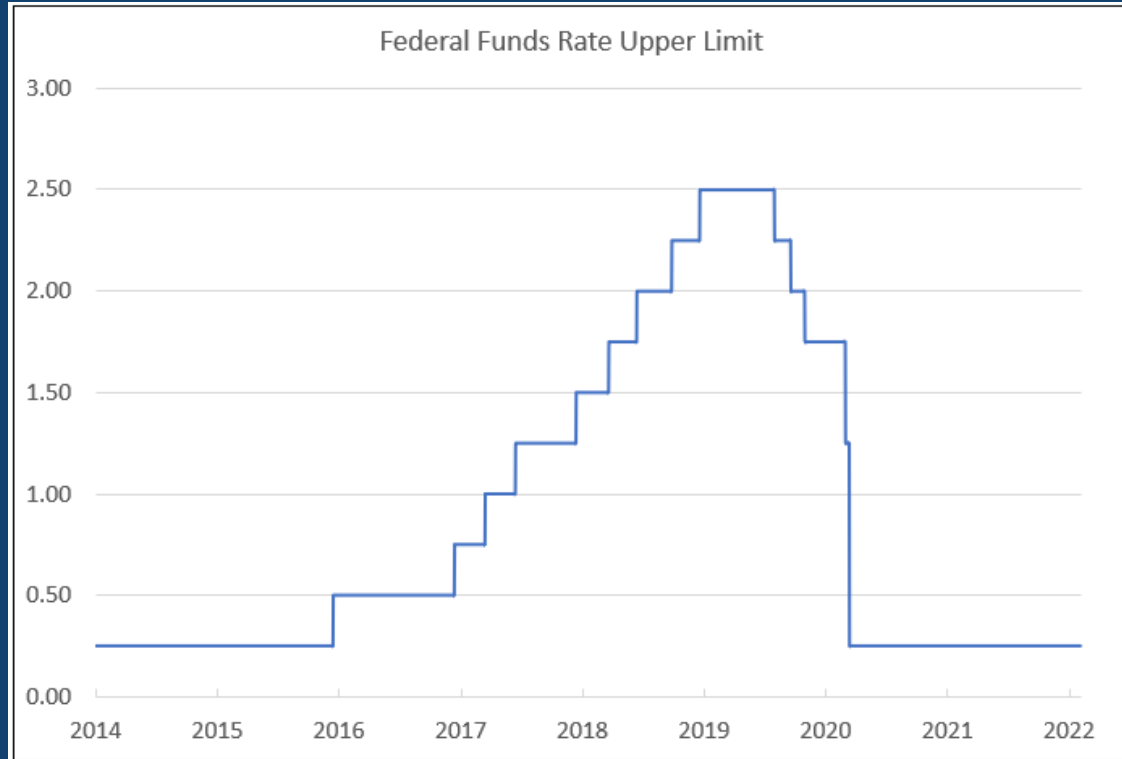


ECONOMIC INDICATORS

2 Year to 10 Year Treasury Difference



ECONOMIC INDICATORS





ECONOMIC INDICATORS

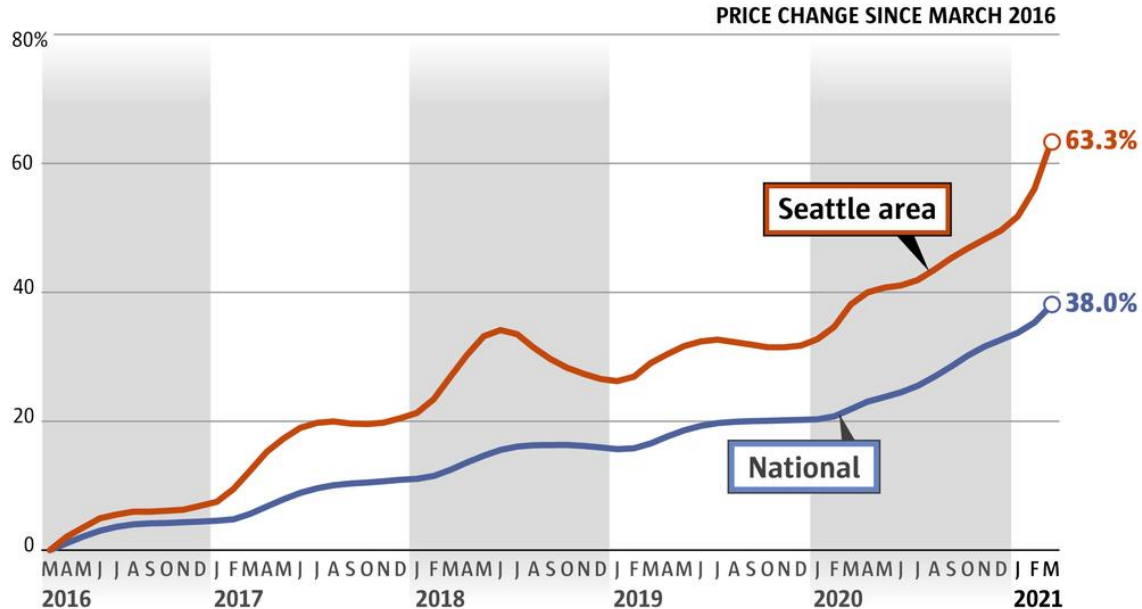
Table shows the December 15, 2021 quarterly projection for where each of the 18 FOMC members believes the Federal Funds Rate will be between now and the end of 2024.

Target Rate	2021	2022	2023	2024	Longer Run
3.250					
3.125				1	
3.000					2
2.875				4	
2.750					
2.625					
2.500					9
2.375				2	1
2.250				1	4
2.125			3	5	
2.000					1
1.875			5	5	
1.750					
1.625			3		
1.500					
1.375			5		
1.250					
1.125		2	2		
1.000					
0.875		10			
0.750					
0.625		5			
0.500					
0.375		1			
0.250					
0.125	18				
0.000					

ECONOMIC INDICATORS

Over five years, Seattle home prices up more than 60%

Nationally, year-over-year home price growth in March hit a level not seen since before the Great Recession. But price jumps in Seattle have far outpaced the national rate.



Source: S&P CoreLogic Case-Shiller Home Price Index

THE SEATTLE TIMES

ECONOMIC INDICATORS

- 2021 Seattle CPI-U = 7.6%
- 2-months ending in December = 0.6%. About half the rate of other 2-month periods in 2021

Table A. Seattle-Tacoma-Bellevue, WA, CPI-U 2-month and 12-month percent changes, all items index, not seasonally adjusted

Month	2017		2018		2019		2020		2021	
	2-month	12-month	2-month	12-month	2-month	12-month	2-month	12-month	2-month	12-month
February	1.0	3.4	0.8	3.3	0.7	2.7	1.0	2.5	1.2	1.7
April	0.8	3.1	0.8	3.3	0.5	2.4	-0.6	1.3	1.1	3.4
June	0.8	3.0	0.8	3.3	0.7	2.3	0.2	0.9	2.2	5.5
August	-0.2	2.5	-0.3	3.1	0.6	3.2	1.4	1.6	1.1	5.2
October	0.5	3.0	0.4	3.1	-0.6	2.2	-0.1	2.1	1.1	6.5
December	0.5	3.5	0.2	2.8	0.3	2.2	-0.4	1.4	0.6	7.6

The February 2022 Consumer Price Index for the Seattle area is scheduled to be released on March 10, 2022.



INVESTMENT POLICY REVIEW

- Chapter 19 of the City of Oak Harbor Investment Policy requires annual review of the policy by the Investment Committee with approval being made on any modifications.
- Chapter 1 – Policy Statement.
- Chapter 2 – Scope.
- Chapter 3 – Prudence. Prudent Person Standard.
- Chapter 4 – Objective. Safety, Liquidity, Return on Investments.
- Chapter 5 – Delegation of Authority. To Finance Director.
- Chapter 6 – Investment Committee. Two Council Members, City Administrator, Finance Director, Other Interested Stakeholders.
- Chapter 7 – Ethics and Conflicts of Interest.



INVESTMENT POLICY REVIEW

- **Chapter 8 – Authorized Financial Dealers and Institutions.**
 - All Financial Institutions approved by Washington Public Deposit Protection Commission.
 - Piper Jaffray & Co.
 - Time Value Investments.
- **Chapter 9 – Authorized and Suitable Investments.**
 - Treasuries, US Government Agency Debt, Highly Rated State and Local Bonds, LGIP, Other Select Investments with collateralization.
- **Chapter 10 – Collateralization.**

INVESTMENT POLICY REVIEW

- Chapter 11 – Diversification

<u>Type of Security</u>	<u>Maximum Holdings</u>
Certificates of Deposit	40% of Portfolio
U.S. Treasury Obligations	100% of Portfolio
Federal Agency Securities	90% of Portfolio
Bankers Acceptances	25% of Portfolio
Bonds of the State of Washington or any local government in the State of Washington	20% of Portfolio 10% per Issuer
Bonds of other states or local governments of a state other than the State of Washington	15% of Portfolio 10% per Issuer
Municipal Investment Accounts	40% of Portfolio
Repurchase Agreements	40% of Portfolio 10% per Dealer
Washington State Local Government Investment Pool	100% of Portfolio
Commercial Paper	10% of Portfolio
Mutual Funds	Arbitrage Related Only

INVESTMENT POLICY REVIEW

- Chapter 12 – Sale of Portfolio. Liquidation of portfolio requires City Council approval.
- Chapter 13 – Safekeeping and Custody. US Bank.
- Chapter 14 – Maturities.
 - 20% of the portfolio will be comprised of investments maturing within one year.
 - Weighted average maturity of entire portfolio shall not exceed two years.

<u>Maturity</u>	<u>Individual Investment Size</u>	<u>Authorization Required</u>
Overnight collateral	Unlimited	Finance Director
Less than one year	Up to \$2,000,000 par value	Finance Director
More Than One Year		
Less Than Three years	Up to \$2,000,000 par value	Finance Director
More than Three Years		
Less Than Five Years	Up to \$2,000,000 par value	Finance Director & Investment Committee

INVESTMENT POLICY REVIEW

- **Chapter 15 – Internal Control.** Annual audit by the State Auditor.
- **Chapter 16 – Average Rate of Return.**
 - To exceed six-month Treasury.
 - To exceed the average Fed Funds rate.
 - To exceed the LGIP rate.
- **Chapter 17 – Procedures**
- **Chapter 18 – Reporting.**
 - Quarterly Reports.
 - Economic conditions and market developments.
 - Listing of individual securities held at the end of the quarter.
 - Asset allocation of types of securities.
 - Portfolio performance and benchmarks.
- **Chapter 19 – Investment Policy Adoption.**



AGENDA

Next Investment Committee Meeting: April 28, 2022 at 1:30PM
1st Quarter 2022 Meeting

Adjourn