



Item Number: 4



CITY OF GRAND RAPIDS AGENDA ACTION REQUEST

DATE: December 17, 2024

TO: Mark Washington, City Manager

COMMITTEE: Fiscal Committee

LIAISON: Molly Clarin, Chief Financial Officer

FROM: John M. Globensky, City Treasurer

SUBJECT: **Treasurer's Report for Period of November 21, 2024, through December 2, 2024**

The Federal Open Market Committee (FOMC) next meets December 17-18. Market participants have priced in a 77.5% likelihood that FOMC will cut short-term rates by 0.25%. Current pricing also suggests that the FOMC rate-cutting cycle will terminate at 3.75% – 4.00% in the latter half of 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.

| Portfolio Segment | Market Value | Purchase Yield |
|-------------------------------|----------------------|----------------|
| Pooled Funds | \$638,112,305 | 3.35% |
| Cemetery Perpetual Care | \$5,249,631 | 4.04% |
| Bond Proceeds: | | |
| CIB 2023 – Lyon Square | \$2,833,050 | 4.65% |
| CIB 2024 – Amphitheater | \$14,272,437 | 5.30% |
| CIB 2024 – Scribner | \$66,112,682 | 5.26% |
| CIB 2024 – ELC + Griff's | \$10,563,751 | 4.50% |
| CIB 2024 – Parks Improvements | \$10,582,163 | 5.00% |
| Total: | <u>\$747,726,019</u> | 3.60% |

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

CORRECT IN FORM

 CITY ATTORNEY