



Item Number: 2

CITY OF GRAND RAPIDS AGENDA ACTION REQUEST

DATE: June 10, 2025

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 May 8, 2025, through May 27, 2025**

On May 16, Moody's Ratings downgraded its credit ratings of long-term and senior unsecured debt issued by the United States from Aaa to Aa1. Moody's is one of the three major nationally recognized statistical ratings organizations. In doing so, Moody's joins the other two credit rating agencies. Standard and Poors (S&P) downgraded United States debt from AAA to AA+ in April 2011. Fitch also downgraded United States debt in May 2023. Moody's downgrade was telegraphed 18 months ago when they issued a negative outlook on United States debt.

Moody's based its rating decision on widening projected federal budget deficits, limited budget flexibility, increased interest payments on existing debt, and the lack of a viable plan to address fiscal imbalances going forward. S&P and Fitch both cited similar concerns when they took their similar actions in the past.

This action is expected to result in increased borrowing costs, especially for intermediate- and long-term debt. This underscores the need for governments at all levels to chart sustainable fiscal paths without overextending their credit. Given the long-time frames in which debt remains outstanding, debt service obligations have the potential to crowd out other spending priorities in the future.

Market pricing indicates an expectation that the Federal Open Market Committee (FOMC) is likely to maintain short-term interest rate targets at the current 4.25 – 4.50% level until its September 16-17 meeting. This is consistent with recent public statements made by FOMC officials, who have indicated a willingness to be patient as inflation remains above target levels and unemployment remains low.

The Treasurer's Office manages City funds with the goals of safety of principal,

ensuring sufficient liquidity to fund anticipated City liabilities, and obtaining competitive market yield. It is important to stress that those goals are in order of priority. Instead, we take financial risk management and maintaining the public trust very seriously. We do not “reach for yield.”

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.

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	\$583,380,461	3.08%
Cemetery Perpetual Care	\$5,323,901	3.71%
Bond Proceeds:		
CIB 2023 – Lyon Square	\$392,051	4.40%
CIB 2024 – Scribner	\$26,017,885	5.26%
CIB 2024 – ELC + Griff's	\$8,328,422	4.25%
CIB 2024 – Parks Improvements	\$8,328,956	4.25%
LTGO 2024 – Parking Ramp	\$17,590,913	4.42%
LTGO 2025 - Amphitheater	\$27,408,868	4.42%
LTGO 2025 - Soccer Stadium	\$100,162,069	4.55%
Total:	\$776,933,526	3.45%

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
DEPARTMENT OF LAW