

Item Number: 7



# CITY OF GRAND RAPIDS AGENDA ACTION REQUEST

**DATE:** February 25, 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 January 28, 2025, through February 11, 2025**

While economic activity is growing at a solid pace, federal fiscal and trade policy uncertainty poses risks to the City's financial position. Federal funding is a critical source of revenue to the City. The City is well positioned to meet expected liquidity needs. A margin of safety is built into the portfolio to meet unexpected demands. However, a material interruption of expected federal funding may negatively impact the reliability of cash flow forecasts upon which portfolio strategy has been built. Another concern is how this will impact the Fed and decisions on interest rates.

Tariffs raise business input costs and consumer prices, as well as geopolitical tension. Due to the cross-border integration of auto manufacturing in particular, tariffs have the potential to negatively impact the local economy sooner and more severely than in other states. Certain vital components can cross national borders several times throughout the manufacturing process, with the potential to incur tariffs each time. We continue to monitor these economic events and how they may impact our portfolio.

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.

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	620,103,559	3.05%
Cemetery Perpetual Care	5,266,951	3.81%
Bond Proceeds:		
CIB 2023 – Lyon Square	664,995	4.40%
CIB 2024 – Amphitheater	8,061,562	5.34%
CIB 2024 – Scribner	36,619,261	5.26%
CIB 2024 – ELC + Griff's	9,583,074	4.25%
CIB 2024 – Parks Improvements	10,691,241	5.00%
CIB 2024 – Parking Ramp	22,329,771	4.50%
<b>Total:</b>	<b>713,320,413</b>	<b>3.29%</b>

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