



City of Salem, Oregon

January 27, 2020 Finance Committee Meeting

General Fund Balance /Reserve Policy and Working Capital Requirements

GENERAL FUND BALANCE/RESERVE POLICY C-11 (1/26/2009): The Fund Balance goal for the General Fund is 15% of current budgeted revenues.

BUDGET BOOKS:	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009
TTL RESOURCES	150,040,590	150,250,410	144,531,080	137,861,290	134,210,580	125,843,500	122,298,300	116,351,190	115,904,300	110,962,930	104,504,030	100,240,480
LESS CASH BAL	(21,192,270)	(25,879,730)	(26,430,480)	(26,047,230)	(21,976,470)	(19,564,780)	(18,195,680)	(14,620,800)	(17,280,690)	(15,882,220)	(9,513,380)	(9,454,240)
CURRENT BUD REV	128,857,320	124,379,680	118,100,600	111,813,560	112,234,110	106,278,720	104,102,620	101,730,390	98,623,610	95,080,710	94,990,650	99,795,240
FUND BAL GOAL	19,328,998	18,656,952	17,715,090	16,772,034	16,836,117	15,941,808	15,615,303	15,259,559	14,793,542	14,362,107	14,248,508	14,989,286
% OF CY BUD REV	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%

FY 2020 WORKING CAPITAL ACTUAL NEED:

FY JUN BAL	23,231,676	26,154,835	27,810,042	30,457,644	26,776,858	21,630,633	21,606,860	18,956,712	17,107,582	36,273,310	13,829,729	10,641,174
LESS CY OCT BAL	(3,588,911)	2,233,072	3,607,919	6,017,200	3,283,008	347,291	165,148	(1,189,969)	(3,349,805)	(2,474,221)	(4,634,086)	(9,281,148)
WCAP NEED-	26,820,587	23,921,763	24,202,123	24,440,444	23,493,850	21,283,341	21,441,713	20,146,681	20,457,387	38,747,532	18,463,815	19,922,321
% OF CY BUD REV	21%	19%	20%	22%	21%	20%	21%	20%	21%	20%	19%	20%

GENERAL FUND CASH SUMMARY (GL Acct's 11110-11190)

		July	August	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June
Monthly Balance	FY 20	(6,109,378)	(7,965,101)	(7,085,489)	(5,662,618)	55,524,903	(4,309,021)	47,626,970	47,626,970	47,626,970	47,626,970	47,626,970	47,626,970
Monthly Balance	FY 19	(8,978,636)	(4,837,857)	(4,720,229)	(5,385,062)	53,216,467	(5,379,702)	(4,547,274)	(4,271,736)	3,619,844	(8,762,500)	(9,135,352)	(3,747,142)
Monthly Balance	FY 18	17,176,219	12,338,363	7,618,134	2,233,072	55,440,539	50,075,837	45,528,562	41,256,826	44,876,671	36,114,170	26,978,818	23,231,676
Monthly Balance	FY 17	(7,392,897)	(6,047,108)	(6,256,027)	(4,506,091)	49,451,424	(2,044,321)	(4,688,422)	305,293	(5,001,541)	(4,114,753)	(5,264,469)	(6,096,314)
Monthly Balance	FY 16	20,417,145	14,370,037	8,114,010	3,607,919	53,069,343	51,015,023	46,326,600	46,631,898	41,630,353	37,515,600	32,251,150	26,154,835
Monthly Balance	FY 15	(13,330,910)	(5,28,574)	(5,542,338)	(5,029,621)	50,132,412	(4,371,133)	(4,892,745)	(1,963,427)	(1,82,281)	(6,001,999)	(3,500,718)	(7,481,267)
Monthly Balance	FY 14	17,117,734	16,589,159	11,046,821	6,017,200	56,149,612	51,778,479	46,885,793	44,922,307	44,794,026	38,792,027	35,291,309	27,810,042
Monthly Balance	FY 13	(4,708,350)	(9,268,544)	(4,925,310)	(4,996,648)	51,351,516	(7,768,680)	(3,655,237)	2,194,447	(3,205,660)	(5,330,491)	(3,846,983)	(2,564,326)
Monthly Balance	FY 12	22,073,507	12,804,963	7,879,654	3,283,008	54,634,524	46,865,844	43,210,607	45,405,054	42,199,394	36,868,902	33,021,970	30,457,644
Monthly Balance	FY 11	(978,524)	(10,307,425)	(5,565,480)	(4,441,912)	35,121,154	9,445,976	(6,406,979)	(2,053,711)	89,704	(3,566,856)	(4,002,865)	(2,206,857)
Monthly Balance	FY 10	20,652,108	10,344,683	4,789,208	347,291	35,468,445	44,914,421	38,507,442	36,453,731	36,543,436	32,986,580	28,983,715	26,776,858
Monthly Balance	FY 09	13,295	(11,367,721)	(5,786,481)	(4,300,748)	35,671,000	5,747,060	(6,314,799)	1,810,050	(3,542,225)	(4,531,821)	(4,622,472)	(2,751,308)
Monthly Balance	FY 08	21,620,095	10,252,375	4,465,894	165,148	35,836,148	41,583,208	35,268,408	37,078,458	33,536,234	29,004,413	24,381,940	21,630,633
Monthly Balance	FY 07	(1,166,031)	(10,823,368)	(4,469,538)	(3,687,744)	38,483,790	1,457,432	(2,434,461)	1,159,092	(5,781,381)	(4,152,018)	(3,683,577)	(2,252,046)
Monthly Balance	FY 06	17,790,681	6,967,313	2,497,775	(1,189,969)	37,298,820	38,751,252	36,316,791	37,475,882	31,694,508	27,542,483	23,858,906	21,606,860
Monthly Balance	FY 05	(4,214,500)	(3,462,361)	(8,233,905)	(4,546,621)	49,789,206	(1,230,309)	(3,189,072)	(2,947,530)	(2,167,591)	(3,650,798)	(3,257,839)	(2,039,551)
Monthly Balance	FY 04	12,893,082	9,430,721	1,196,816	(3,349,805)	37,439,401	36,209,092	33,020,019	30,072,490	27,904,899	24,254,101	20,996,263	18,956,712
Monthly Balance	FY 03	(4,752,756)	(3,465,296)	(3,308,730)	(7,220,750)	42,812,497	(3,202,546)	(4,261,885)	(1,617,272)	(4,245,271)	(6,842,785)	(3,080,363)	(3,801,316)
Monthly Balance	FY 02	11,520,555	8,955,259	4,746,529	(2,474,221)	40,338,276	37,135,790	32,873,845	31,256,573	30,832,045	23,989,261	20,998,898	17,107,582
Monthly Balance	FY 01	(3,437,800)	(3,820,100)	(4,465,558)	(6,740,357)	30,175,421	6,788,095	(3,128,119)	2,797,421	(2,182,446)	(6,768,818)	(3,020,829)	(3,753,327)
Monthly Balance	FY 00	10,391,929	6,571,828	2,106,270	(4,634,086)	25,541,335	32,329,480	29,209,311	31,998,731	29,816,285	23,047,467	20,026,638	16,273,310
Monthly Balance	FY 99	(3,914,799)	(4,350,846)	(5,014,627)	(6,642,049)	28,809,274	7,856,563	(3,812,706)	3,818,075	(2,079,638)	(3,564,945)	(5,138,381)	(2,777,366)
Monthly Balance	FY 98	6,726,375	2,375,529	(2,639,098)	(9,281,348)	19,528,126	27,384,690	23,571,983	27,399,059	25,310,421	21,745,476	16,607,095	13,829,729
Monthly Balance	FY 97	(4,220,686)	(3,000,725)	(5,881,692)	(3,417,153)	29,485,536	2,872,423	(3,622,655)	2,293,540	(2,686,754)	(4,221,079)	(5,466,948)	(2,061,946)
Monthly Balance	FY 96	6,438,617	3,437,892	(2,443,809)	(5,860,953)	23,624,584	26,497,006	22,874,352	25,077,899	22,391,138	18,170,068	12,793,120	10,641,174

Utility \$60M Revenue Bond

- Water treatment facility improvements
- Enhancement of groundwater wells
- Aquifer storage and recovery system improvements
- Wastewater pump station improvements
- Improvements to water and wastewater pipes and facilities

- Bonds being issued to finance capital assets of the water, wastewater and stormwater system of the City
- \$60M Revenue Bond to be issued payable solely from net revenues from City's Water and Sewer Utility
- 20-year repayment term
- 10-year call provision
- First Reading 1/27/2020, Second Reading and Ordinance authorization on 2/10/2020
- Anticipate the Moody's confirmation of AA2 rating after 2/11/2020 call
- Competitive Sale on 3/19/2020
- Estimated Date of Delivery 4/2/2020

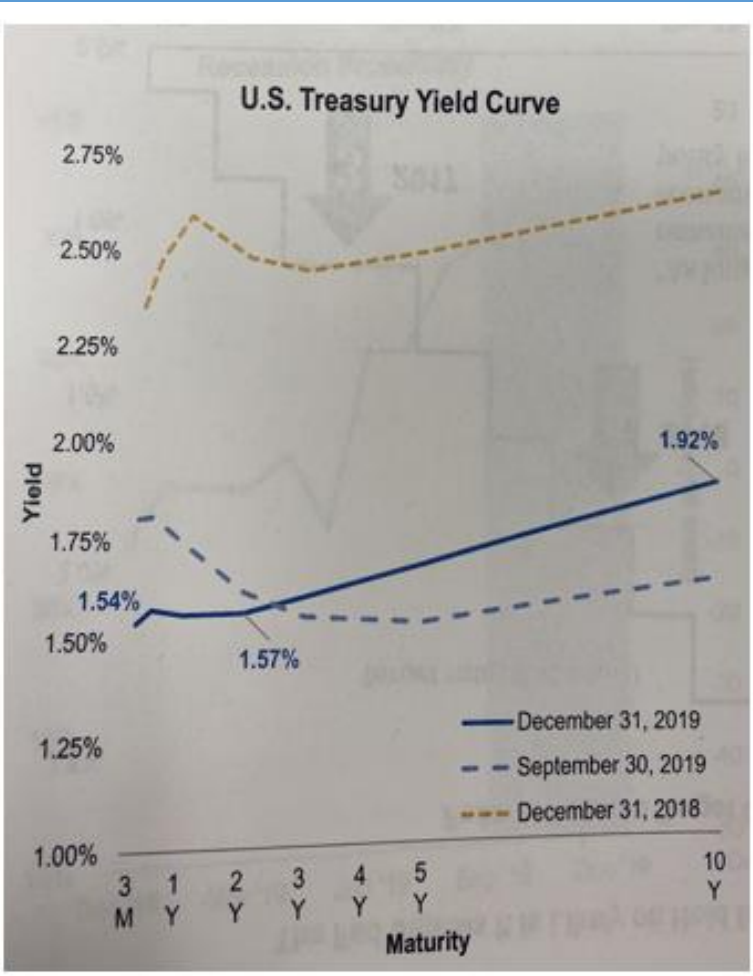
- Preliminary Maturity Schedule (principal repayment):

Year	Principal Amt	Year	Principal Amt
2021	\$ 1,705,000	2031	\$ 3,030,000
2022	\$ 2,130,000	2032	\$ 3,150,000
2023	\$ 2,215,000	2033	\$ 3,275,000
2024	\$ 2,300,000	2034	\$ 3,405,000
2025	\$ 2,395,000	2035	\$ 3,545,000
2026	\$ 2,490,000	2036	\$ 3,650,000
2027	\$ 2,590,000	2037	\$ 3,760,000
2028	\$ 2,690,000	2038	\$ 3,870,000
2029	\$ 2,800,000	2039	\$ 3,985,000
2030	\$ 2,910,000	2040	\$ 4,105,000

- Interest due semiannually on December 1 and June 1
- Estimated \$4.2M level-payment
- Council Policy for the Utility Fund (April 2014) 1.25 debt coverage ratios satisfied (net revenues to debt service)

U.S. Yield Curve Returns to Normal Upward Sloping Curve (short-term yields below long-term yields)

	12/31/19	09/30/19	06/28/19	12/31/18	12/31/17
3-month	1.54%	1.81%	2.09%	2.35%	1.38%
1-year	1.57%	1.74%	1.93%	2.60%	1.73%
2-year	1.57%	1.62%	1.75%	2.49%	1.88%
3-year	1.61%	1.56%	1.71%	2.46%	1.97%
5-year	1.69%	1.54%	1.70%	2.51%	2.21%
10-year	1.92%	1.66%	2.01%	2.68%	2.41%
30-year	2.39%	2.11%	2.53%	3.01%	2.74%



Investment Trends

- Increased Market Value
- Steady, but declining Portfolio Yield
- Increasing WAM
- Sector Distribution Within Policy Limits

	QE 12/31/19	QE 9/30/19	QE 6/30/19	QE 3/31/19
QUARTERLY SUMMARY				
Market Value (MV)	\$ 382,385,736	\$ 320,140,544	\$ 341,493,363	\$ 388,504,315
Amortized Cost	\$ 380,914,853	\$ 318,558,740	\$ 339,997,415	\$ 388,337,955
Combined Portfolio Yield on Cost	2.00%	2.26%	2.24%	2.26%
Weighted Average Maturity (years)	1.07	0.73	0.83	0.79
Weighted Average Maturity (months)	12.84	8.76	9.96	9.48
Cash Basis Earnings for Quarter (PFM)	\$ 1,154,319	\$ 1,205,934	\$ 1,602,101	\$ 746,356
Accrual Basis Earnings for Quarter (PFM)	\$ 1,251,346	\$ 1,285,070	\$ 1,452,730	\$ 1,388,105

Sector Distribution ¹				
Sector	Amortized Cost	Market Value	% of Portfolio	Allowed by Policy
U.S. Treasuries	\$192,903,480	\$194,085,259	51%	100%
Federal Agencies	\$24,345,175	\$24,374,437	6%	100%
Municipal Obligations	\$1,490,379	\$1,509,541	<1%	10%
Commercial Paper	\$20,493,529	\$20,496,005	5%	Combined 35% Max.
Corporate Notes	\$25,839,365	\$25,877,570	7%	
LGIP	\$88,943,138	\$88,943,138	23%	ORS limit
Collateralized Deposit Accounts	\$27,099,787	\$27,099,787	7%	100%
Total	\$380,914,853	\$382,385,736	100%	

The City of Salem's Investment Program

Managed by City Staff		Managed by PFM		
U.S. Bank	LGIP	GO Bond Portfolios	Short-Term Portfolio	Long-Term Portfolio
* High degree of liquidity	* High degree of liquidity	* Bond Proceeds from: 2018 Library Project, 2017 Police Facility, and Salem Streets & Bridges	* Complement to LGIP and U.S. Bank balances	* "Core" portfolio whose assets may be invested to take advantage of longer maturity securities at potentially higher yields
* Competitive yield	* Competitive yield	* Invested to meet draw scheduled needs of CIP	* Targets cash needs up to 12 months	
* Suitable for operational cash needs	* Suitable for operational cash needs	* Reasonable level of liquidity	* Capitalizes on yields in money market sector	
No Benchmark	No Benchmark	Matched to Project Needs	Benchmark: Oregon LGIP	Benchmark: Bank of America/Merrill Lynch 1-3 Year US Treasury Index
Balances as of:	(includes accrued interest) Total market value			
December 31, 2019	\$382,385,736			
\$27,099,787 7.1%	\$88,943,138 23.3%	\$50,346,342 13.2%	\$35,881,444 9.4%	\$180,115,025 47.1%
September 30, 2019	\$320,140,544			
\$22,398,623 7.0%	\$80,318,670 25.1%	\$58,002,845 18.1%	\$32,154,197 10.0%	\$127,266,209 39.8%

Market Value Differences between Quarterly and Monthly Reports

	12/31 Quarterly			12/31 Monthly	Variance
	Security MV	Accrued Int	Total MV		
Long-Term	\$ 179,313,038	\$ 801,987	\$ 180,115,025		
Short-Term	\$ 35,803,156	\$ 78,288	\$ 35,881,444		
Bonds					
Streets & Bridges	\$ 5,393,053	\$ 4,144	\$ 5,397,197		
Police	\$ 29,315,365	\$ 87,980	\$ 29,403,345		
Library	\$ 15,500,507	\$ 45,293	\$ 15,545,800		
Total Bonds	\$ 50,208,925	\$ 137,417	\$ 50,346,342		
PFM Managed	\$ 265,325,119	\$ 1,017,692	\$ 266,342,811	\$ 265,325,119	
<i>LGIP-City</i>				\$ 48,681,882	
<i>LGIP-URA</i>				\$ 40,261,256	
Total			\$ 88,943,138	\$ 88,943,138	
US Bank			\$ 27,099,787	\$ 27,099,787	
City Managed			\$ 116,042,925	\$ 116,042,925	
Report Total			\$ 382,385,736	\$ 381,368,044	\$ 1,017,692