City of Lacey, Washington
Lacey City Council Worksession Amended Agenda

Refer to the bottom of the agenda for meeting information.

Tuesday, February 13, 2024	6:00 PM	Council Chambers and Online

1. **Call to Order**
2. **Roll Call**
3. **Land Acknowledgement**
   We, the City of Lacey, are on the ancestral land of the Tribal People of the Treaty of Medicine Creek, including the Nisqually Indian Tribe and Squaxin Island Tribe. We acknowledge, and remember those Tribal People not recognized today who were absorbed or relocated into other tribes for survival. We recognize the ancestors and their descendants who are still here. We recognize and respect the Tribal People of the Treaty of Medicine Creek as the traditional stewards of this land since time immemorial and their role today in taking care of these lands in perpetuity. We recognize and have the responsibility to call attention to the histories of dispossession, forced removal, and abridged treaty rights that allowed our nation, state, and city to develop as it has today. We recommend that community members read the Medicine Creek Treaty of 1854.
4. **Approval of the Amended* Agenda**
5. **Agenda Items**
   A. **Commission on Equity Work Plan**
   Shannon Kelley-Fong, Assistant City Manager
   Kim Sauer, Vice Chair

   B. **4th Quarter Investment Report**
   Troy Woo, Finance Director

   C. **Property Acquisition Update: Well Source 7**
   Dave Schneider, City Attorney
   Scott Egger, Public Works Director

   D. **State Legislative Update**
   Shannon Kelley-Fong, Assistant City Manager
   *Amended Agenda: Item rescheduled for a future meeting

6. Adjourn

Meeting Information:

Attendance (Remote or In-Person)
The public may attend the meeting in-person, or you may view or listen to the meeting using one of the following platforms:

In-Person:	Council Chambers at Lacey City Hall 420 College Street SE, Lacey, WA 98503
Zoom:	https://us02web.zoom.us/j/82457361685
Website:	https://cityoflacey.org/government/public-meetings/
Facebook:	https://www.facebook.com/cityoflacey
YouTube:	https://www.youtube.com/watch?v=Avkj5iM37f0
Phone:	(888) 788-0099 or (877) 853-5247 (Webinar ID 824 5736 1685)

Verbal Public Comment
Verbal public comment is not scheduled for Worksessions. Verbal public comment may be provided at Regular City Council Meetings. Regular Council Meetings are held the first and third Thursdays of the month.

Written Public Comment
Public comments may be submitted for Worksessions by email to PublicComment@ci.lacey.wa.us. The commenting period will close two hours before meeting time. Written comments will be provided to the City Council electronically prior to the Worksession meeting. Comments will not be addressed during the Worksession meeting; however, comments received will be added to the official record.

LACEY CITY COUNCIL WORKSESSION
February 13, 2024

SUBJECT: **Commission on Equity Work Plan 2024**

RECOMMENDATION: **Discuss the draft Commission on Equity Work Plan 2024.**

Consider Option 1 at a future Regular City Council Meeting.

STAFF CONTACT: Rick Walk, City Manager RW
Shannon Kelley-Fong, Assistant City Manager SKF

ORIGINATED BY: City Manager's Department

ATTACHMENTS: 1. Draft Commission on Equity Work Plan 2024

FISCAL NOTE: 2024 budget includes sufficient funding to perform the items identified in the 2024 Work Plan.

PRIOR REVIEW: Commission on Equity – December 26, 2023
Commission on Equity – November 27, 2023

WORK PLAN GOAL: AND STRATEGY An Engaged Community (L)

COMM. PLAN: Goal 2 (C) – Create relationships and continue to build capacity with historically underrepresented communities to ensure barriers to participation are eliminated allowing individuals to participate in decisions that impact the community, as desired.

COE RECOMMENDATION: Approve the draft Commission on Equity Work Plan 2024.

BACKGROUND: On January 21, 2021, the Lacey City Council established the Commission on Equity ("COE") with Ordinance 1581. The COE, an advisory body to the Lacey City Council, is tasked with providing recommendations on ways to:

- identify and advance opportunities that will create a more welcoming community;
- continue critical conversations on race and equity;
- seek greater participation from underrepresented community members; and
- identify existing gaps and barriers which could prevent full participation in government and public policy.

The draft Commission on Equity Work Plan 2024 provides an overview of the tasks that the COE is anticipated to work on in 2024.

The COE recommended the approval of the draft Commission on Equity Work Plan 2024 at their December 26, 2023 meeting.

Next Steps. At a future Regular City Council meeting, the Lacey City Council could consider one of the following four options:

Option 1: Adopt the Commission on Equity Work Plan 2024.

Option 2: Take no action; Do not adopt the Commission on Equity Work Plan 2024. This option would provide less direction for the Commission on Equity in 2024.

Option 3: Provide direction to City staff on other elements to consider. After further diligence on these elements, City Staff would then return to the Lacey City Council to review additional materials for consideration. This option would provide less or delayed direction for the Commission on Equity in 2024.

Option 4: Some other option not contemplated in the above options.

Commission on Equity

DRAFT Work Plan 2024

Background

On January 21, 2021, the Lacey City Council established the Commission on Equity ("COE") with Ordinance 1581. The COE, an advisory body to the Lacey City Council, is tasked with providing recommendations on ways to:

- Identify and advance opportunities that will create a more welcoming community.
- Continue critical conversations on race and equity.
- Seek greater participation from underrepresented community members.
- Identify existing gaps and barriers which could prevent full participation in government and public policy.

Commissioners:

First Name	Last Name	City / UGA	Position	Term	Date of Appointment	Term Expiration	OMPA Training Date
Clifton	Brown	City	Commissioner	1st	05/20/2021	12/31/2025	06/28/2021
Kim	Sauer	City	Vice Chair	1st	05/20/2021	12/31/2025	06/28/2021
Thelma	Jackson	City	Commissioner	1st	05/20/2021	12/31/2024	06/28/2021
Annie	Clay	UGA	Chair	1st	05/20/2021	12/31/2024	06/28/2021
Kristine	Stolberg	City	Commissioner	1st	05/20/2021	12/31/2025	06/28/2021
Makieda	Hart	UGA	Commissioner	1st	05/20/2021	12/31/2024	06/28/2021
Jonathan	Hegwood	City	Commissioner	1st	05/20/2021	12/31/2025	06/28/2021
Samuel	Tatarian	Youth	LYC Rep.	2nd	09/21/2023	06/31/2024	-

City Staff Support:
Shannon Kelley-Fong, Assistant City Manager

Meeting Schedule: Typically, Fourth Monday of the Month, 5:30 p.m., Remote / City Council Chambers

Webpage: [Commission on Equity - City of Lacey]

Public Comment: At each regular meeting

Review of 2022/2023 COE Activities

Table A provides a succinct overview of COE efforts over the past two years.

Table A		
Overview of Commission on Equity Work 2022-2023		
Year	Month	Activity
2022	January	• Discussed participation in Lacey's Cultural Celebration • DEI Strategic Plan Workshop #4: Revisit Equity Values, Mission, and Vision Statements & Overview of Values-based decision making in practice • Community Engagement Update • Focus Group Subcommittee Update • Juneteenth Celebration Update
2022	February	• Joint Meeting w/ Lacey City Council – Review of Work & 2022 Work Plan • Review of BIPOC Business Startup Training Program • LPD Presentation • DEI Strategic Plan Workshop #5: Values Based Decision Making in Practice • Focus Group Strategy • Booth at the Lacey Cultural Celebration
2022	March	• Held a focus group with Lacey Youth Council • Held a booth at the Lacey Cultural Celebration • Discussed developing a Community Connectivity Assessment (CCA) • Reviewed DEI Strategic Plans from other organizations • DEI Strategic Plan Workshop #7: Creating and Prioritizing Action
2022	April	• Reviewed Parks & Recreation Facility Policies • Reviewed Parks, Culture & Recreation Comprehensive Plan - Public Involvement Plan • Reviewed the City's Communications Plan
2022	May	• Thurston County Climate Mitigation Plan & Advisory Board • Current Planning – CED Presentation • Reviewed Proclamation Policy • Reviewed Flag Policy and Juneteenth Flag addition in 2022 • Continued discussion on CCA development • Juneteenth Celebration Update • Police Facility Community Advisory Panel Update (CAP)
2022	June	• Held 41st Juneteenth Celebration in partnership with the Fred U. Harris Lodge • DEI Strategic Plan Workshop #9: Monitoring and accountability of DEI Strategic Planning

		• DEI Strategic Plan Workshop: Focus Areas, Impact Statements, and Strategies Part 1 • Continued review of the Flag Policy • Police Facility Community Advisory Panel Update (CAP)
2022	July	• Public Works Presentation • DEI Strategic Plan Workshop: Focus Areas, Impact Statements, and Strategies Part 2 • Flag Policy Review; Created a recommendation • 2022 Work Plan Check-in
2022	August	• Finance Presentation • DEI Strategic Plan Workshop: Focus Areas, Impact Statements, and Strategies Part 3 • Juneteenth After Action Report
2022	September	• City Attorney's Office Presentation • DEI Strategic Plan Workshop: Focus Areas, Impact Statements, and Strategies Part 4
2022	October	• Nat and Thelma Jackson Historical Marker & Art Piece Dedication @ the Lacey Community Center • Overviewed the Affordable Housing Strategy • DEI Strategic Plan Workshop: Focus Areas, Impact Statements, and Strategies Part 5
2022	November	• Reviewed a Draft Land Acknowledgement and Land Acknowledgement Policy • Reviewed the City's Art Plan & Utility Wrap Project 2023 • DEI Strategic Plan Workshop: Focus Areas, Impact Statements, and Strategies Part 6
2022	December	• DEI Strategic Plan Workshop: Focus Areas, Impact Statements, and Strategies Part 7 • Reviewed a draft Work Plan 2023 & Joint Meeting with Lacey City Council • Community Engagement Efforts & Initiatives
2023	January	• Advisory Body Compensation • Draft Land Acknowledgement and Land Acknowledgement Policy Review • Sponsorship Policy Review
2023	February	• NTPS Update on Equity Efforts • JPII Update on Equity Efforts • LPCR Comprehensive Plan first draft review • Utility Wrap Update • Senior Services for the South Sound Presentation • Focus Groups with community members • Lacey Cultural Celebration

		• Joint Meeting with the Lacey City Council
2023	March	• Scholarship Policy Review • Cultural Celebration Review • Black and African American Community Forum Review • Juneteenth Planning Update • Advisory Body Compensation Update • Utility Wrap Project Update • Thurston League of Women Voters Equity Commission Panel
2023	April	• Parks, Culture, and Recreation Event Overview • Land Acknowledgement and Land Acknowledgement Policy • Advisory Board Stipend Program
2023	May	• Parks, Culture, and Recreation Comprehensive Plan Review • Sign Code Discussion • Juneteenth Celebration Update • Thurston County League of Women's Voters Equity Panel Update • LGBTQIA+ Community Forum Update • Equity Presentation at Joint Lacey City Council and North Thurston Public School Board Meeting
2023	June	• Timberland Library Equity Efforts • Public Meeting Portal Overview • Oral History Project • Land Acknowledgement Policy • 2023 Juneteenth Celebration Overview & Engagement • LGBTQIA+ Community Forum Update
2023	July	• Public Meeting Portal Overview, Part II • Social Services Overview and Lacey Veterans Services Overview • LGBTQIA+ Community Forum and Community Engagement • Equity Tools Overview
2023	August	• Legislative Meeting Process Overview • LGBTQIA+ Community Forum - Online Survey Update • Joint Animal Services Overview • Lacey Police Department Community Academy
2023	September	• Advisory Board Open Positions: Planning Commission • Community Liaisons Program Overview • Land Acknowledgement Application • Community Forum - Centering Immigrant Communities • Naming of Facilities Overview
2023	October	Cancelled
2023	November	• Advisory Board Stipend Program Demographic Data Collection • Draft Work Plan 2024 • DEI Strategic Plan: Document Element Review, Part 1 • Community Forum – Centering Immigrant Communities Discussion

		• Equity Tools Overview, Part II
2023	December	• Election of Officers • Community Liaisons, Part II • 2024 Work Plan Recommendation • DEI Strategic Plan Workshop: Document Elements Review, Part 2 • Lacey Cultural Celebration 2024 • 2024 Schedule

2023 Work Plan Report Card: Table B provides a succinct overview of the 2023 Work Plan Activities.

Table B				
2023 Work Plan				
Year	Q	Category	Activity	Status
2023	Q1	Engagement	1. Hold a joint/informational meeting with DEI representatives from local education institutions	Complete: NTPS / PJPII
			2. Hold a focus group with community members / affinity group(s) (TBD)	Complete: Black and African American Community Forum
			3. Participate in the Lacey Cultural Celebration	Complete
		Strategic Plan	4. Continue work on Draft DEI Strategic Plan	In-progress
		Policy Items	5. Research and review potential compensation opportunities for advisory body members; create a recommendation for the City Council	Complete
			6. Continue to work on a draft Land Acknowledgement and Land Acknowledgement Policy. Solicit input from Nisqually Indian Tribe and Squaxin Island Tribe	Complete

			7. Continue to review the Corporate Sponsorship Policy with the Board of Park Commissioners; create a recommendation for the City Council	Complete
			8. Review other City policy documents, as they come up. (e.g., Park, Culture, Recreation Comprehensive Plan, etc.)	Complete: PCR Comp. Plan
		Program Items	9. Review recommendations for Utility Wrap Project 2023 with Historical Commission	Complete
		Events	10. Start 42nd Juneteenth Celebration planning with Fred U. Harris Lodge	Complete
2023	Q2	Engagement	1. Hold a joint/informational meeting with DEI representatives from other local governments	Incomplete
			2. Hold a focus group with community members / affinity group(s) (TBD)	Incomplete
		Strategic Plan	3. Continue work on Draft DEI Strategic Plan	In-progress
			4. Solicit feedback on Draft DEI Strategic Plan with City departments / staff	Incomplete
		Policy Items	5. Finalize draft Land Acknowledgement and Land Acknowledgement Policy; create a recommendation for the City Council	Complete
			6. Research and review paid community liaison programs	In-progress
			7. Review other City policy documents, as they come up	Complete
		Program Items	8. Make recommendation for Utility Wrap Project 2023 with Historical Commission	Complete
			9. Review of Community Survey options.	Incomplete
		Events	10. Continue 42nd Juneteenth Celebration planning with Fred U. Harris Lodge	Complete

2023	Q3	Engagement	1. Hold a joint/informational meeting with local non-profit service providers	Complete: LWV Event
			2. Hold a focus group with community members / affinity group(s) (TBD)	Complete: LGBTQIA+ Community Forum
			3. Host a Community Engagement Session(s)	Complete: LGBTQIA+ Community Forum
		Strategic Plan	4. Continue work on Draft DEI Strategic Plan	In-progress
			5. Solicit feedback on Draft DEI Strategic Plan with community stakeholders	Incomplete
		Policy Items	6. Continue research and review on paid community liaison programs; create a recommendation for the City Council	In-progress
			7. Research and review Equity Tools	In-progress
			8. Review other City policy documents, as they come up	Complete
		Program Items	9. Make recommendation for Community Survey	Incomplete
		Events	10. Participate in the 42nd Juneteenth Celebration with the Fred U. Harris Lodge	Complete
2023	Q4	Engagement	11. Hold a focus group with community members (TBD)	Complete: Immigrant Community Forum
		Strategic Plan	12. Continue work on Draft DEI Strategic Plan	In-progress
			13. Recommend DEI Strategic Plan for adoption	Incomplete

		Policy Items	14. Continue research and review on potential equity tools	In-progress
			15. Start research and review of Equity Maps	Incomplete
			16. Review other City policy documents, as they come up	Complete
		Program Items	-	-
		Events	-	-

Status	Items
Complete	20/36
In-progress	8/36, 4 of these were related to the DEI Strategic Plan
Incomplete	8/36, 3 of these were related to the DEI Strategic Plan

Activity	Status
11. Continue work on Draft DEI Strategic Plan	In-progress
11. Continue work on Draft DEI Strategic Plan	In-progress
12. Research and review paid community liaison programs	In-progress
17. Continue work on Draft DEI Strategic Plan	In-progress
18. Continue research and review on paid community liaison programs; create a recommendation for the City Council	In-progress
19. Research and review Equity Tools	In-progress
20. Continue work on Draft DEI Strategic Plan	In-progress

21. Continue research and review on potential equity tools	In-progress

Activity	Status
13. Hold a joint/informational meeting with DEI representatives from other local governments	Incomplete
14. Hold a focus group with community members / affinity group(s) (TBD)	Incomplete
15. Solicit feedback on Draft DEI Strategic Plan with City departments / staff	Incomplete
16. Review of Community Survey options.	Incomplete
22. Solicit feedback on Draft DEI Strategic Plan with community stakeholders	Incomplete
23. Make recommendation for Community Survey	Incomplete
24. Recommend DEI Strategic Plan for adoption	Incomplete
25. Start research and review of Equity Maps	Incomplete

In-progress and incomplete items were incorporated in to the 2024 Workplan.

2024 Work Plan Report

Table C provides a succinct overview of anticipated COE efforts in 2024.

Major initiatives include:

- DEI Strategic Plan finalization
- Advisory Board recruitment process review
- Equity Tools
- Equity Maps
- Community Liaison Programs
- Community Surveys
- Comprehensive Plan involvement
- DEI Summit planning and hosting
- Continued forums and other engagement and events

Table C				
2024 Work Plan				
Year	Q	Category	Activity	Status
2024	Q1	Engagement	1. Participate in the Lacey Cultural Celebration.	
			2. Hold a joint/informational meeting with Business community representatives: Thurston County EDC, local Chambers, etc.	
		Strategic Plan	1. Continue work on Draft DEI Strategic Plan.	See below for more detail.
		Policy Items	2. Continue research and review on paid community liaison programs.	
			3. Continue research on Equity Tools.	
			4. Review other City policy documents, as they come up. (e.g., Economic Development Plan, etc.)	
		Program Items	5. Joint meeting with City Council and Annual Report Out	
		Events	6. Start 42nd Juneteenth Celebration planning with Fred U. Harris Lodge	
			7. Participate in the Lacey Cultural Celebration.	

Year	Q	Category	Activity	Status
2024	Q2	Engagement	8. Hold a focus group with community members / affinity group(s) (All Abilities)	
			9. Joint Meeting with the Lacey Youth Council.	
			10. Hold a joint/informational meeting with DEI representatives from local education institutions	
		Strategic Plan	11. Continue work on Draft DEI Strategic Plan.	See below for more detail.
		Policy Items	12. Continue research and review on paid community liaison programs; create a recommendation.	
			13. Continue research and review on equity tools; create a recommendation.	
			14. Start review of Advisory Board recruitment process.	
			15. Comprehensive Plan Involvement.	
			16. Review other City policy documents, as they come up.	
		Program Items	17. Review of Community Survey options.	
		Events	18. Participate in the 42nd Juneteenth Celebration with the Fred U. Harris Lodge.	
			19. Start planning DEI Summit.	

Year	Q	Category	Activity	Status
2024	Q3	Engagement	19. Hold a joint/informational meeting with DEI representatives from other government entities.	
			20. Hold a focus group with community members / affinity group(s) (TBD).	
		Strategic Plan	21. Recommend Adoption of Strategic Plan.	See below for more detail.
		Policy Items	22. Start research and review of Equity Maps.	
			23. Continue Comprehensive Plan Involvement.	
			24. Create recommendation on Advisory Board Recruitment process.	
			25. Review other City policy documents, as they come up.	
		Program Items	26. Recommend Community Survey options.	
		Events		
			27. Continue Planning DEI Summit	

Year	Q	Category	Activity	Status
2024	Q4	Engagement	28. Hold a focus group with community members (TBD).	
			29. Recruit for COE Members (if needed)	
		Strategic Plan	30. Implementation (continuously)	
		Policy Items	31. Continue research and review of Equity Maps.	
			32. Continue Comprehensive Plan Involvement.	
			33. Review other City policy documents, as they come up	
			34. Draft 2025 Commission on Equity Work Plan	
		Program Items	-	
		Events	35. Host DEI Summit	

Strategic Plan Next Steps:

Item	Status	Timeline
Community Engagement: Community Engagement Session, Community Forums, Focus Groups, Events, etc.	Complete	-
Mission, Vision, Values, Goal Areas	Complete	-
Strategies and Benchmarks	Complete	-
Indicators and Benchmarks	Complete	-
Integrate COE feedback on focus areas, impact statements, strategies and indicators	Complete	-
Community Engagement: Review draft Plan with Executive Team and other City Staff	Not started	January 2024
Review feedback with Commission on Equity	Not started	February 2024
Community Engagement: Review draft Plan with Community Members	Not started	March 2024
Review feedback with Commission on Equity	Not started	April 2024
Integrate feedback into Plan	Not started	April 2024
COE Recommendation on Plan	Not started	May 2024
Bring draft to City Council for review	Not started	June 2024
Adoption by City Council	Not started	July 2024

Commission on Equity

Work Plan 2024| 02.13.2024

2024 Work Plan

Includes:

- Background
- Review of 2022/2023 Activities – **Table A**
- 2023 Work Plan Report Card – **Table B**
- 2024 Work Plan Report – **Table C**
- DEIB Strategic Plan Next Steps

Commission on Equity

Advisory body tasked with:

- Identifying and advancing opportunities that will create a more welcoming community;
- continuing critical conversations on race and equity;
- seeking greater participation from underrepresented community members; and
- identifying existing gaps and barriers which could prevent full participation in government and public policy.

Commission on Equity

First Name	Last Name	City / UGA	Position
Clifton	Brown	City	Commissioner
Kim	Sauer	City	Vice Chair
Thelma	Jackson	City	Commissioner
Annie	Clay	UGA	Chair
Kristine	Stolberg	City	Commissioner
Makieda	Hart	UGA	Commissioner
Jonathan	Hegwood	City	Commissioner
Samuel	Tatarian	Youth	LYC Rep.

2023 – Key Projects / Initiatives

- Advisory Board Stipend Program
- Land Acknowledgement
- Park Sponsorship Policy
- PCR Comprehensive Plan
- Community Partners: NTPS, Timberland, JPII
- Community Forums / Focus Groups
- Events: Juneteenth, Lacey Cultural Celebration
- Draft DEIB Strategic Plan Workshops
- Legislative Meeting Process
- Equity Tools (started)
- Community Liaison Program (started)

2023 Community Forums

- Black and African American Forum
- LGBTQIA+
- Immigrant

Previous engagement:

- Community Engagement Sessions
- Focus groups: Senior Center, Lacey Youth Council
- Online surveys

Community Forums

What we heard (in brief)

- Have more visual representation that demonstrates that the City is welcoming of all.
- Continue collaboration with community partners.
- Eliminate racism / inequities in government, community services, other sectors.
- Find existing gaps in engagement and focus efforts on closing these gaps. Create targeted outreach and engagement plans, **use trusted messengers.**

Feedback to be integrated in DEIB Strategic Plan

Community Forums

What we heard (in brief)

- Create a place or opportunities where people can meet and engage with one another.
- Host more events like the Community Forums.
- Provide information in multiple languages, including for information, engagement opportunities, civic roles, etc.
- Navigating government systems can be difficult. It can be hard to know how to get involved.
- In-person events only can be a barrier.

Feedback to be integrated in DEIB Strategic Plan

2024 COE Work Plan

Key Project / Initiatives

- DEI Strategic Plan finalization
- Advisory Board recruitment process review
- Community Liaison Programs
- Community Surveys
- Equity Tools
- Equity Maps
- Comprehensive Plan involvement
- DEI Summit planning and hosting
- Continued forums and other engagement and events

2024 COE Work Plan – Q1

Table C				
2024 Work Plan				
Year	**Q**	**Category**	**Activity**	**Status**
2024	**Q1**	Engagement	1. Participate in the Lacey Cultural Celebration.	
			2. Hold a joint/informational meeting with Business community representatives: Thurston County EDC, local Chambers, etc.	
		Strategic Plan	1. Continue work on Draft DEI Strategic Plan.	See below for more detail.
		Policy Items	2. Continue research and review on paid community liaison programs.	
			3. Continue research on Equity Tools.	
			4. Review other City policy documents, as they come up. (e.g., Economic Development Plan, etc.)	
		Program Items	5. Joint meeting with City Council and Annual Report Out	
		Events	6. Start 42nd Juneteenth Celebration planning with Fred U. Harris Lodge	
			7. Participate in the Lacey Cultural Celebration.	

2024 COE Work Plan – Q2

Year	Q	Category	Activity	Status
2024	**Q2**	Engagement	8. Hold a focus group with community members / affinity group(s) (All Abilities)	
			9. Joint Meeting with the Lacey Youth Council.	
			10. Hold a joint/informational meeting with DEI representatives from local education institutions	
		Strategic Plan	11. Continue work on Draft DEI Strategic Plan.	See below for more detail.
		Policy Items	12. Continue research and review on paid community liaison programs; create a recommendation.	
			13. Continue research and review on equity tools; create a recommendation.	
			14. Start review of Advisory Board recruitment process.	
			15. Comprehensive Plan Involvement.	
			16. Review other City policy documents, as they come up.	
		Program Items	17. Review of Community Survey options.	
		Events	18. Participate in the 42nd Juneteenth Celebration with the Fred U. Harris Lodge.	
			19. Start planning DEI Summit.	

2024 COE Work Plan – Q3

Year	Q	Category	Activity	Status
2024	**Q3**	Engagement	19. Hold a joint/informational meeting with DEI representatives from other government entities.	
			20. Hold a focus group with community members / affinity group(s) (TBD).	
		Strategic Plan	21. Recommend Adoption of Strategic Plan.	See below for more detail.
		Policy Items	22. Start research and review of Equity Maps.	
			23. Continue Comprehensive Plan Involvement.	
			24. Create recommendation on Advisory Board Recruitment process.	
			25. Review other City policy documents, as they come up.	
		Program Items	26. Recommend Community Survey options.	
		Events		
			27. Continue Planning DEI Summit	

2024 COE Work Plan – Q4

Year	Q	Category	Activity	Status
2024	**Q4**	Engagement	28. Hold a focus group with community members (TBD).	
			29. Recruit for COE Members (if needed)	
		Strategic Plan	30. Implementation (continuously)	
		Policy Items	31. Continue research and review of Equity Maps.	
			32. Continue Comprehensive Plan Involvement.	
			33. Review other City policy documents, as they come up	
			34. Draft 2025 Commission on Equity Work Plan	
		Program Items	-	
		Events	35. Host DEI Summit	

Discussion on Work Plan

RECOMMENDATION: Discuss the draft Commission on Equity Work Plan 2024

Consider Option 1, adopting the workplan, at a future Regular City Council Meeting.

Option 1: Adopt the Commission on Equity Work Plan 2024.

Option 2: Take no action; Do not adopt the Commission on Equity Work Plan 2024. This option would provide less direction for the Commission on Equity in 2024.

Option 3: Provide direction to City staff on other elements to consider. After further diligence on these elements, City Staff would then return to the Lacey City Council to review additional materials for consideration. This option would provide less or delayed direction for the Commission on Equity in 2024.

Option 4: Some other option not contemplated in the above options.

LACEY CITY COUNCIL WORKSESSION
February 13, 2024

SUBJECT: **Fourth Quarter 2023 Investment Report**

RECOMMENDATION: **Review Fourth Quarter Investment Report**

STAFF CONTACT: Rick Walk, City Manager RW
Troy Woo, Finance Director TW

ORIGINATED BY: Alix Turcotte, Senior Accountant

ATTACHMENTS: 1. Government Portfolio Advisors Quarterly Investment Report

FISCAL NOTE:

WORK PLAN GOAL AND STRATEGY: None

PRIOR REVIEW:

BACKGROUND:

The City's adopted investment policy requires quarterly reporting to the City Manager and annual reporting to the City Council. During an extended implementation phase, the Finance and Economic Development Committee requested to extend extra review of the reports to semi-annually and that quarterly reports be presented to City Manager.

The 2023 fourth quarter report has been prepared by the City's investment advisor, Government Portfolio Advisors (GPA). The three main components of the quarterly report include the following:

1. The report opens with a market commentary, market outlook, current investment policy compliance report, updates to the strategic outlook, and portfolio positioning.

2. There are sections illustrating the quarterly asset allocation changes and historical balances.

3. A summary of the City's total invested funds including information relating to types, maturities, and investment activity, investment earnings and accruals that occurred during the report period.

In the fourth quarter, Lacey's core fund portfolio slightly outperformed in comparison to the investment strategy benchmark. The core fund net total return, including fees, for the quarter was 2.76 percent, while the benchmark total return for the period was 2.72 percent. The net total return includes changes to market value, which has experienced decreases due to the historic interest rate increase environment.

The total portfolio *unrealized loss* at the end of the quarter was $3,143,150, which marks an improvement from third quarter. It should be noted an unrealized loss is only an accounting, or *"on paper"* , loss that will not be realized unless investments are sold before the maturity date. As an example, a loss could occur in the event an investment is sold prior to the maturity date *and* the open market is paying a higher interest rate than the investment instrument the City is attempting to sell. The current market is experiencing rising interest rates and a number of the City's investment instruments were purchased prior to the 2022 interest rate increases. The City has no intention of selling investments prior to maturity dates, which means *no loss is anticipated* by the City. The City carefully analyzes its cashflow needs to avoid selling investments before maturity. It would take multiple and rare circumstances for the City to sell investments at a loss.

- The Fed's Federal Open Market Committee (FOMC) had their final meeting in December, where it was decided that interest rates would remain unchanged. Although the timing is unclear, the FOMC expects three-quarter point cuts by the end of 2024.

- The market saw lower yields at the end of 2023, with the two-year Treasury note declining 80 basis points. Federal funds remained around 5.25 to 5.50 percent, which is in line with third quarter.

- The total portfolio book yield increased from 2.994 percent to 3.243 percent during the quarter.

- The portfolio's asset allocation changed slightly from third quarter, with a small move (less than two percent) away from US Agency and toward Corporate holdings. This is consistent with the portfolio's diversification strategy.

- The core portfolio duration saw a minor decrease this quarter, dropping to 2.056 from 2.100 in the third quarter. This is slightly lower than the benchmark duration, which ended the quarter at 2.089. Although it decreased, the core fund will continue to target a neutral to long duration of 0-5 years to lock to continue to take advantage of higher rates and expected change from the current Federal Reserve policy to a lower federal funds rates policy.

Quarterly Investment Report
City of Lacey

December 31, 2023

Total Aggregate Portfolio

Market Commentary

Market Yields: Market anticipation of continued softening of inflation along with potential Fed easing in 2024 helped to push yields lower across the full spectrum of short end fixed income markets. The two-year Treasury note declined in the fourth quarter by 80 basis points to end 2023 at a yield of 4.25%, while fed funds held steady at a range of 5.25% to 5.50%.

FOMC: The Federal Open Market Committee held their final meeting of 2023 on December 13th, in which they decided to keep interest rates unchanged while signaling the end of the rate hike cycle. FOMC members communicated their expectations of three-quarter point cuts by the end of 2024 but noted a high level of uncertainty as to the timing. The consensus for longer term expectations amongst FOMC members are for cuts over the next three years to result in a fed funds rate closer to their long-term target of 2%.

Employment and Inflation: The job market ended 2023 with unemployment near 50-year lows and wages growing at 4.1%. Wage growth is expected to continue growing in 2024 with still more than 1.5 available jobs for every unemployed person. However ongoing strength in the labor market likely provides consumers the ability to maintain higher spending levels, which could risk halting or reversing recent progress on inflation. 12-month CPI announced in December for the month ending November 30th was 3.1% while the Core CPI rate held steady at 4%. Both headline and Core inflation are slowly improving but continue to hold above the Fed's target. The Fed has done an outstanding job in lowering inflation in 2023 while avoiding an economic recession. Further progress will need to be made in 2024 to meet the market's current expectation of a fed funds rate of 3.75% at the end of 2024.

Market Outlook

GDP: Q4 2023 growth is forecasted to be above trend at 2.5% but is expected to slow considerably in 2024. Ongoing economic resiliency could be tested in the next few quarters with lagged effects of higher rates from the current interest rate cycle. Consumption should closely follow wage growth as excess cumulative savings continue to decline. The expectation of inflation trending towards the Fed's target has pushed yields lower as investors discount the process of transitioning from a tightening cycle to an easing cycle. The market has priced in 150 basis points of Fed easing over the eight Fed meetings scheduled for 2024 with a year-ending fed funds rate of 3.75%.

Fed Funds: The fed funds rate held steady during the quarter at 5.25% to 5.50% The three rate cuts communicated by the FOMC for 2024 are three fewer than the market is currently discounting into market yields. Transitional periods in Fed policy are often anticipated by investors and usually lead the Fed in the magnitude of expected changes coming out of the transition. GPA suspects that this time will be no different and markets are correctly anticipating a move to lower rates, but the markets expectation will only be realized with further progress lowering the inflation rate or a significant decline in economic growth.

Two-year Yield Expectations: Two-year Treasury yields traded at 4.23 on the close of 2023. With expectations for the fed funds rate to drop to 4.5% in Q2, the two-year note should trend lower and should continue to discount the expectations of lower yields over the next few quarters. We expect two-year yields to possibly break through the 4% level as early as Q2 as investors anticipate a lower fed funds rate towards the second half of 2024.

Portfolio Positioning: GPA believes that the Fed will continue to pivot towards a lower fed funds rate and investors should favor slightly longer durations than their respective benchmark durations. The yield curve should begin to normalize from its inversion with the short end of the curve declining faster in yield versus longer maturities. We maintain a cautious position in credit with a focus on quality, and believe higher quality AA & AAA corporate issues will help capture additional yield while providing credit protection from a possible weakening economy.

Quarterly Yield Change

	03/31/23	06/30/23	09/30/23	12/31/23
3 month bill	4.69	5.28	5.45	5.33
2 year note	4.03	4.9	5.05	4.25
5 year note	3.57	4.16	4.61	3.85
10 year note	3.47	3.84	4.57	3.88

Economists' Survey Projections

	Q1-24	Q2-24	Q3-24	Q4-24
Real GDP	0.5	0.4	1.0	1.5
Core PCE (YOY%)	2.8	2.5	2.5	2.4
Unemployment	4.0	4.2	4.3	4.3

Economists' Survey Projections for Rates

	Q1-24	Q2-24	Q3-24	Q4-24
Fed Funds	5.45	5.15	4.7	4.3
2 Year	4.42	4.14	3.87	3.68
10 year	4.07	3.95	3.84	3.8

Compliance Report

City of Lacey | Total Aggregate Portfolio

December 31, 2023

Category

Policy Diversification Constraint	Policy Limit	Actual Value*	Status
US Treasury Obligations Maximum % of Holdings	100.000	34.847	Compliant
US Agency Callable Securities Maximum % of Total Portfolio	31.500	0.000	Compliant
US Agency FFCB Issuer Concentration	35.000	13.438	Compliant
US Agency FHLB Issuer Concentration	35.000	12.167	Compliant
US Agency FHLMC Issuer Concentration	35.000	0.000	Compliant
US Agency FNMA Issuer Concentration	35.000	0.000	Compliant
US Agency Obligations - All Other Issuers Combined	35.000	0.000	Compliant
US Agency Obligations Issuer Concentration	35.000	13.438	Compliant
US Agency Obligations Maximum % of Holdings	35.000	25.605	Compliant
Supranationals - Issuer is ADB, IADB, IBRD, or IFC	0.000	0.000	Compliant
Supranationals Issuer Concentration	5.000	2.982	Compliant
Supranationals Maximum % of Holdings	10.000	4.818	Compliant
Municipal Bonds Issuer Concentration	5.000	1.912	Compliant
Municipal Bonds Maximum % of Holdings	30.000	5.342	Compliant
Municipal Bonds WA issues GO/Local and GO only Outside WA	0.000	0.000	Compliant
Municipal Issue Directly Internally or Interfund Loans Maximum % of Holdings	15.000	0.000	Compliant
Corporate Notes & Commercial Paper Foreign Exposure except Canada	2.000	0.000	Compliant
Corporate Notes & Commercial Paper Maximum % of Holdings	25.000	7.051	Compliant
Corporate Notes & Commercial Paper Single Issuer %	3.000	1.284	Compliant
Corporate Notes Ratings Minimum A-/A3/A- by All if rated	0.000	0.000	Compliant
Corporate Notes Split AA- to A- Issuer Concentration % (All must be rated at least A-) (2%)	2.000	1.284	Compliant
Certificates of Deposit Issuer Concentration	5.000	0.000	Compliant
Certificates of Deposit Maximum % of Holdings	20.000	0.000	Compliant
Banker's Acceptance Issuer Concentration	5.000	0.000	Compliant
Banker's Acceptance Maximum % of Holdings	10.000	0.000	Compliant
LGIP Maximum % of Holdings	100.000	16.801	Compliant
PDPC Bank Deposits Issuer Concentration	100.000	5.509	Compliant
PDPC Bank Deposits Maximum % of Holdings	20.000	5.509	Compliant

1) Actual values are based on market value.
2) The compliance report allows for resolutions to be documented if an actual value exceeds a limit. The specific resolution can be found on the client portal site.

Compliance Report

City of Lacey | Total Aggregate Portfolio

December 31, 2023

Category

Policy Maturity Structure Constraint	**Policy Limit**	**Actual %**	**Status**
Maturity Constraints Under 30 days Minimum % of Total Portfolio	10.000	24.203	Compliant
Maturity Constraints Under 1 year Minimum % of Total Portfolio	25.000	40.968	Compliant
Maturity Constraints Under 5.5 years Minimum % of Total Portfolio	100.000	100.000	Compliant
Policy Maturity Constraint	**Policy Limit**	**Actual Term**	**Status**
US Treasury Maximum Maturity At Time of Purchase (years)	5.500	4.973	Compliant
US Agency Maximum Maturity At Time of Purchase (years)	5.500	5.044	Compliant
Supranationals Maximum Maturity At Time of Purchase (years)	5.500	4.841	Compliant
Municipals Maximum Maturity At Time of Purchase (years)	5.500	5.148	Compliant
Corporate Maximum Maturity At Time of Purchase (years)	5.500	4.956	Compliant
Corporate Note Portfolio Duration (years)	3.000	2.179	Compliant
Commercial Paper Maximum Maturity At Time of Purchase (days)	270.000	0.000	Compliant
Commercial Paper Over 100 days Minimum Long Term Rating A-/A3/A- by one	0.000	0.000	Compliant
Certificates of Deposit Maximum Maturity At Time of Purchase (years)	5.500	0.000	Compliant
Banker's Acceptance Maximum Maturity At Time of Purchase (days)	180.000	0.000	Compliant
Weighted Average Maturity (years)	2.000	1.706	Compliant
Policy Credit Constraint			**Status**
Supranationals Ratings AA-/Aa3/AA- or better (Rated by 1 NRSRO)			Compliant
Municipal Bonds Ratings Minimum A-/A3/A- (Rated by 1 NRSRO)			Compliant
Corporate Notes AA-/Aa3/AA- by All If Rated Issuer Concentration (3%)			Compliant
Corporate Notes Single A with Negative Outlook Cannot Purchase			Compliant
Commercial Paper Ratings Minimum ST Rating A1/P1/F1 (Rated by 2 NRSROs)			Compliant

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Strategic Quarterly Update

City of Lacey | Total Aggregate Portfolio

December 31, 2023

Strategic Outlook

• Real GDP growth ended Q3 2023 on strong footing advancing at an annual rate of 2.9% however, growth is expected to slow to around 2.5% for Q4 and continue to slow in 2024 as higher rates flow through to the real economy further restricting growth.

• The Fed forecasts three rate cuts this year while markets are anticipating six. How many and the timing will ultimately be a function of the future path of inflation, economic growth, and stability of the labor market.

• With the FOMC and markets in agreement that the latest tightening cycle has concluded, we believe it is a favorable time to lock in yield and be neutral to overweight duration relative to strategic targets.

Portfolio Positioning

- For core portfolios, we are focused on moving to a neutral to long duration position relative to the benchmark based on the Fed's outlook for interest rate cuts in 2024.
- Asset class diversification remains a key component of the portfolio strategy and we are looking to maintain or add spread exposure as opportunities arise.
- The total portfolio book yield increased from 2.994 to 3.243.
- The total portfolio unrealized loss ended the quarter at -$3,143,150.
- The core portfolio duration decreased over the quarter from 2.100 last quarter to 2.056 this quarter. The benchmark duration ended the quarter at 2.089.
- Net total return for the core portfolio, which includes change in market value and interest income, was 2.76%. The benchmark total return for the period was 2.72%.

Strategic Quarterly Update

City of Lacey | Total Aggregate Portfolio

December 31, 2023

Metric	Previous	Current
Strategy	**09/30/2023**	**12/31/2023**
Effective Duration		
Investment Core	2.10	2.06
Benchmark Duration	2.05	2.09
Total Effective Duration	**1.62**	**1.60**
Total Return (Net of Fees %)*		
Investment Core	0.46	2.76
Benchmark Return	0.50	2.72
Total Portfolio Performance	**0.57**	**2.34**
**Changes in Market Value include net unrealized and realized gains/ losses.*		
Maturity Total Portfolio		
Average Maturity Total Holdings	**1.73**	**1.71**

Metric	Previous	Current
Book Yield	**09/30/2023**	**12/31/2023**
Ending Book Yield		
Investment Core	2.71%	3.00%
Liquidity	3.93%	4.11%
Total Book Yield	**2.99%**	**3.24%**
Values	**09/30/2023**	**12/31/2023**
Market Value + Accrued		
Investment Core	202,360,396	206,773,596
Liquidity	60,880,949	59,042,654
Total MV + Accrued	**263,241,344**	**265,816,249**
Net Unrealized Gain/Loss		
Total Net Unrealized Gain/Loss	**(7,272,882)**	**(3,143,150)**

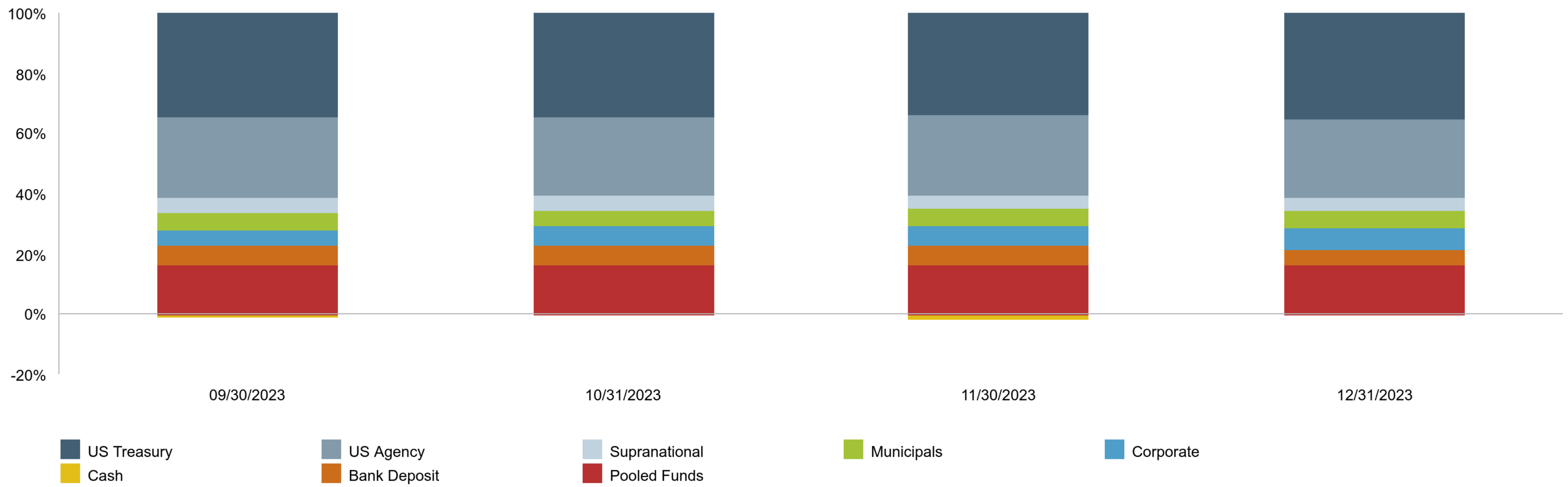
Asset Allocation Change over Quarter

City of Lacey | Total Aggregate Portfolio

December 31, 2023

Asset Allocation Changes

	09/30/2023		12/31/2023		Change	
Security Type	**Market Value + Accrued**	**% of Portfolio**	**Market Value + Accrued**	**% of Portfolio**	**Market Value + Accrued**	**% of Portfolio**
US Treasury	89,942,828.61	34.17%	92,430,326.63	34.77%	2,487,498.02	0.60%
US Agency	71,809,633.47	27.28%	68,298,761.94	25.69%	(3,510,871.53)	(1.59%)
Supranational	12,525,530.90	4.76%	12,883,348.40	4.85%	357,817.50	0.09%
Municipals	15,618,928.50	5.93%	14,277,964.08	5.37%	(1,340,964.42)	(0.56%)
Corporate	13,437,532.11	5.10%	18,811,930.83	7.08%	5,374,398.72	1.97%
Cash	(974,058.06)	(0.37%)	71,263.89	0.03%	1,045,321.95	0.40%
Bank Deposit	17,020,302.61	6.47%	14,580,040.67	5.49%	(2,440,261.94)	(0.98%)
Pooled Funds	43,860,646.18	16.66%	44,462,612.90	16.73%	601,966.72	0.07%
Total	263,241,344.33	100.00%	265,816,249.35	100.00%	2,574,905.02	



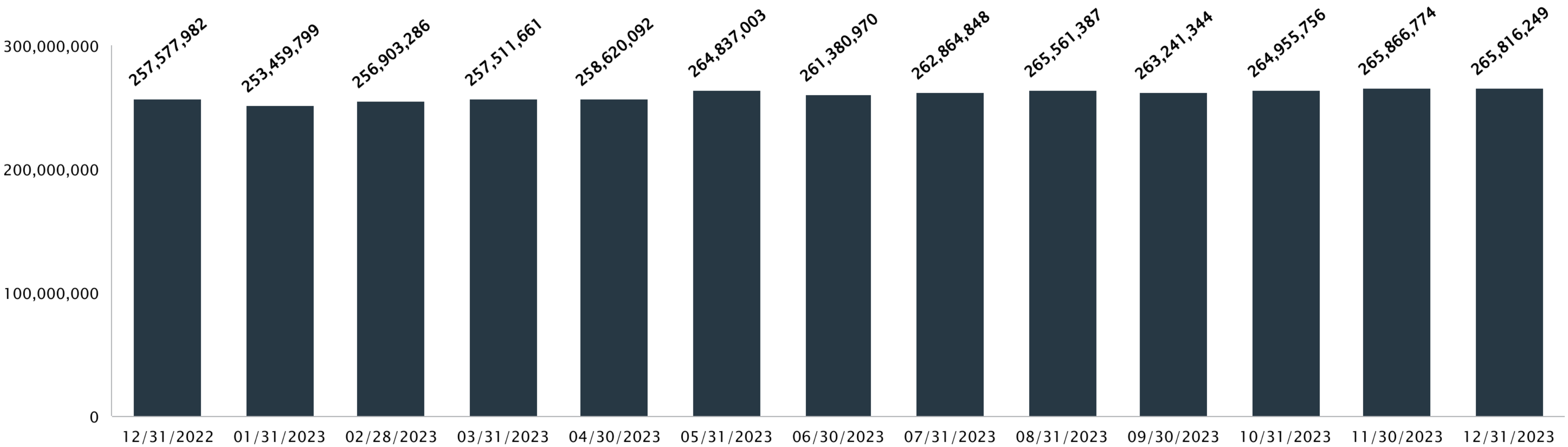
If negative cash balance is showing, it is due to a pending trade payable at the end of period.

Historical Balances

City of Lacey | Total Aggregate Portfolio

December 31, 2023

Market Value



Market Value and Return

Period Begin	Period End	Market Value + Accrued	Earned Income	Book Yield	Effective Duration	Maturity in Years
12/01/2022	12/31/2022	257,577,982	334,983	1.55%	1.40	1.47
01/01/2023	01/31/2023	253,459,799	458,696	2.30%	1.61	1.70
02/01/2023	02/28/2023	256,903,286	475,130	2.36%	1.54	1.63
03/01/2023	03/31/2023	257,511,661	537,652	2.52%	1.59	1.68
04/01/2023	04/30/2023	258,620,092	539,778	2.59%	1.59	1.69
05/01/2023	05/31/2023	264,837,003	575,983	2.61%	1.55	1.65
06/01/2023	06/30/2023	261,380,970	588,165	2.79%	1.60	1.70
07/01/2023	07/31/2023	262,864,848	624,165	2.85%	1.61	1.72
08/01/2023	08/31/2023	265,561,387	635,337	2.89%	1.60	1.72
09/01/2023	09/30/2023	263,241,344	651,494	2.99%	1.62	1.73
10/01/2023	10/31/2023	264,955,756	679,250	3.04%	1.55	1.66
11/01/2023	11/30/2023	265,866,774	694,345	3.22%	1.63	1.76
12/01/2023	12/31/2023	265,816,249	722,239	3.24%	1.60	1.71

Summary Overview

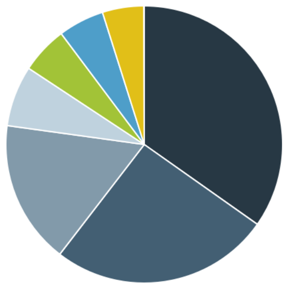
City of Lacey | Total Aggregate Portfolio

December 31, 2023

Portfolio Characteristics

Metric	Value
Cash and Cash Equivalents	59,113,917.46
Investments	206,702,331.89
Book Yield	3.24%
Market Yield	4.36%
Effective Duration	1.60
Years to Maturity	1.71
Avg Credit Rating	AAA

Allocation by Asset Class



- US Treasury **34.8%**
- US Agency **25.7%**
- Pooled Funds **16.7%**
- Corporate **7.1%**
- Bank Deposit **5.5%**
- Municipals **5.4%**
- Supranational **4.8%**
- Cash **0.0%**

Strategic Structure

Account	Par Amount	Book Value	Original Cost	Market Value	Net Unrealized Gain (Loss)	Accrued	Yield at Cost	Effective Duration	Benchmark Duration	Benchmark
LACEY-Investment Core	211,571,263.89	208,742,300.47	207,666,912.19	205,599,150.39	(3,143,150.08)	1,174,445.39	3.00%	2.06	2.09	ICE BofA 0-5 Year US Treasury Index
LACEY-Liquidity	59,042,653.57	59,042,653.57	59,042,653.57	59,042,653.57	0.00	0.00	4.11%	0.01	0.09	ICE BofA US 1-Month Treasury Bill Index
Total	**270,613,917.46**	**267,784,954.04**	**266,709,565.76**	**264,641,803.96**	**(3,143,150.08)**	**1,174,445.39**	**3.24%**	**1.60**	**0.48**	

Portfolio Activity

City of Lacey | Total Aggregate Portfolio

December 31, 2023

Accrual Activity Summary

	Quarter to Date	Fiscal Year to Date (01/01/2023)
Beginning Book Value	269,367,820.32	264,487,094.84
Maturities/Calls	(12,700,000.00)	(54,770,000.00)
Purchases	11,662,391.72	69,133,010.28
Sales	0.00	0.00
Change in Cash, Payables, Receivables	(792,973.27)	(11,815,266.08)
Amortization/Accretion	247,715.26	750,115.00
Realized Gain (Loss)	0.00	0.00
Ending Book Value	267,784,954.04	267,784,954.04

Fair Market Activity Summary

	Quarter to Date	Fiscal Year to Date (01/01/2023)
Beginning Market Value	262,094,938.73	256,935,197.74
Maturities/Calls	(12,700,000.00)	(54,770,000.00)
Purchases	11,662,391.72	69,133,010.28
Sales	0.00	0.00
Change in Cash, Payables, Receivables	(792,973.27)	(11,815,266.08)
Amortization/Accretion	247,715.26	750,115.00
Change in Net Unrealized Gain (Loss)	4,129,731.52	4,408,747.02
Net Realized Gain (Loss)	0.00	0.00
Ending Market Value	264,641,803.96	264,641,803.96

Maturities/Calls	Market Value
Quarter to Date	(12,700,000.00)
Fiscal Year to Date	(54,770,000.00)

Purchases	Market Value
Quarter to Date	11,662,391.72
Fiscal Year to Date	69,133,010.28

Sales	Market Value
Quarter to Date	0.00
Fiscal Year to Date	0.00

Return Management-Income Detail

City of Lacey | Total Aggregate Portfolio

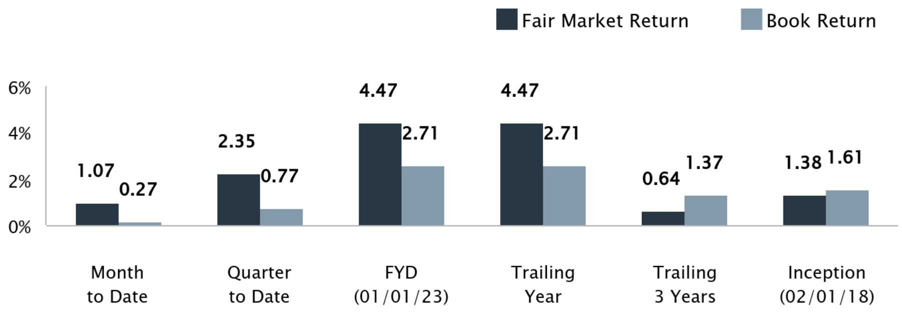
December 31, 2023

Accrued Book Return

	Quarter to Date	Fiscal Year to Date (01/01/2023)
Amortization/Accretion	247,715.26	750,115.00
Interest Earned	1,848,118.77	6,432,117.17
Realized Gain (Loss)	0.00	0.00
Book Income	2,095,834.03	7,182,232.16
Average Portfolio Balance	264,248,273.62	261,096,141.41
Book Return for Period	0.77%	2.71%

Return Comparisons

Periodic for performance less than one year. Annualized for performance greater than one year.



Fair Market Return

	Quarter to Date	Fiscal Year to Date (01/01/2023)
Market Value Change	3,882,016.26	3,658,632.03
Amortization/Accretion	247,715.26	750,115.00
Interest Earned	1,848,118.77	6,432,117.17
Fair Market Earned Income	5,977,850.29	10,840,864.19
Average Portfolio Balance	264,248,273.62	261,096,141.41
Fair Market Return for Period	2.35%	4.47%

Interest Income

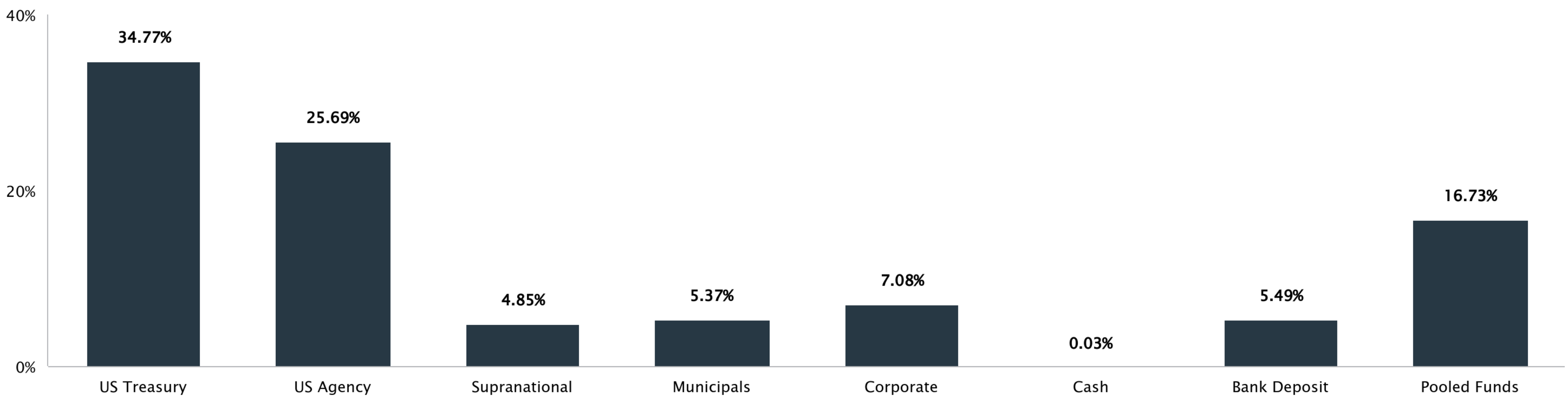
	Quarter to Date	Fiscal Year to Date (01/01/2023)
Beginning Accrued Interest	1,146,405.60	642,784.66
Coupons Paid	1,884,609.32	6,163,603.36
Purchased Accrued Interest	34,842.84	228,771.92
Sold Accrued Interest	0.00	0.00
Ending Accrued Interest	1,174,445.39	1,174,445.39
Interest Earned	1,848,118.77	6,432,117.17

Notation: Book and Fair Market Returns are not annualized

Security Type Distribution

Security Type	Par Amount	Book Yield	Market Value + Accrued	% of Market Value + Accrued
US Treasury	96,450,000.00	1.47%	92,430,326.63	34.77%
US Agency	68,000,000.00	4.30%	68,298,761.94	25.69%
Supranational	13,000,000.00	2.79%	12,883,348.40	4.85%
Municipals	15,050,000.00	4.50%	14,277,964.08	5.37%
Corporate	19,000,000.00	4.76%	18,811,930.83	7.08%
Cash	71,263.89	0.00%	71,263.89	0.03%
Bank Deposit	14,580,040.67	0.00%	14,580,040.67	5.49%
Pooled Funds	44,462,612.90	5.46%	44,462,612.90	16.73%
Total	**270,613,917.46**	**3.24%**	**265,816,249.35**	**100.00%**

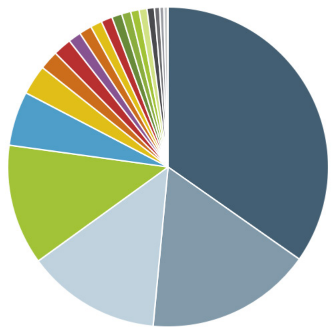
Security Type Distribution



Credit Rating S&P/Moody's/Fitch

	Market Value + Accrued	%
S&P		
A	4,434,429.58	1.67
A+	5,380,199.44	2.02
AA	9,227,023.67	3.47
AA+	167,205,237.04	62.90
AA-	7,572,093.75	2.85
AAA	12,954,612.29	4.87
NA	59,042,653.57	22.21
Moody's		
A1	6,436,325.00	2.42
A2	1,420,614.58	0.53
Aa1	1,033,153.61	0.39
Aa2	14,001,851.58	5.27
Aa3	6,789,939.58	2.55
Aaa	177,091,711.42	66.62
NA	59,042,653.57	22.21
Fitch		
A+	1,420,614.58	0.53
AA	14,595,554.36	5.49
AA+	160,729,088.57	60.47
AA-	8,512,391.67	3.20
AAA	4,968,636.74	1.87
NA	75,589,963.43	28.44
Total	**265,816,249.35**	**100.00**

Issuer Concentration



United States **34.8%**
WASHINGTON LGIP **16.7%**
Farm Credit System **13.5%**
Federal Home Loan Banks **12.2%**
Umpqua Bank **5.5%**
International Bank for Reconstruction and Development **3.0%**
State of California **1.9%**
Asian Development Bank **1.8%**
Amazon.com, Inc. **1.3%**
Apple Inc. **1.3%**
State of Hawaii **1.2%**
The Toronto-Dominion Bank **1.1%**
City of New York, New York **1.0%**
Visa Inc. **0.9%**
Commonwealth of Pennsylvania **0.9%**
Morgan Stanley **0.8%**
Walmart Inc. **0.8%**
Deere & Company **0.5%**
State Of Rhode Island **0.4%**
Bank of America Corporation **0.4%**
Other **0.0%**

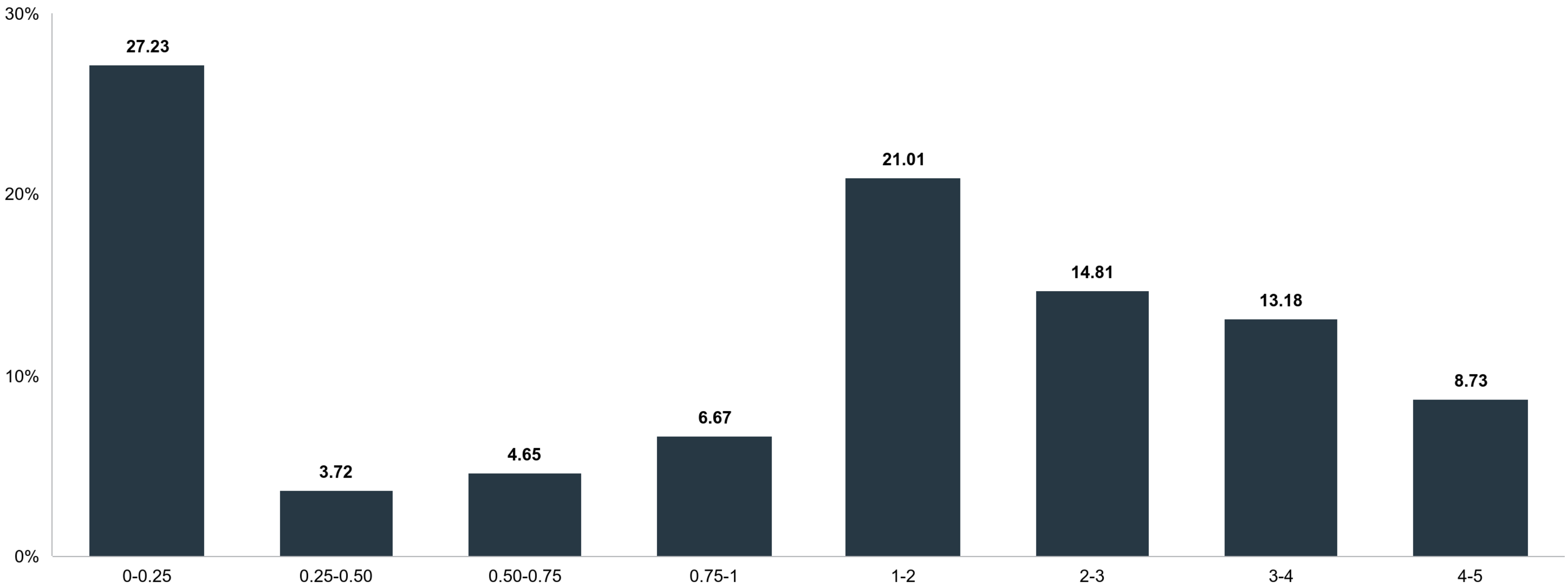
Risk Management-Maturity/Duration

City of Lacey | Total Aggregate Portfolio

December 31, 2023

1.60 Yrs	**Effective Duration**	**1.71 Yrs**	**Years to Maturity**	**625**	**Days to Maturity**

Distribution by Effective Duration



Holdings by Maturity & Ratings

City of Lacey | Total Aggregate Portfolio

December 31, 2023

Cusip	Par Amount	Security	Coupon Rate	Maturity Date	Call Date	Market Value	Accrued	Market Value + Accrued	Book Yield	Market Yield	% of Portfolio	Years to Maturity	Eff Duration	S&P, Moody, Fitch
CCYUSD	71,263.89	Receivable	0.000%	12/31/2023		71,263.89	0.00	71,263.89	0.00%	0.00%	0.03	0.00	0.00	AAA Aaa AAA
LACEY_UMP_DEP	664.29	UMPQUA BANK DEPOSIT	0.130%	12/31/2023		664.29	0.00	664.29	0.13%	0.13%	0.00	0.01	0.01	NA NA NA
LACEY_UMP_CHK	14,579,376.38	UMPQUA BANK DEPOSIT	0.000%	12/31/2023		14,579,376.38	0.00	14,579,376.38	0.00%	0.00%	5.48	0.01	0.01	NA NA NA
WA_LGIP	44,462,612.90	WASHINGTON LGIP	5.457%	12/31/2023		44,462,612.90	0.00	44,462,612.90	5.46%	5.46%	16.73	0.01	0.01	NA NA NA
91282CBE0	5,000,000.00	UNITED STATES TREASURY	0.125%	01/15/2024		4,990,800.00	2,887.23	4,993,687.23	0.18%	4.11%	1.88	0.04	0.05	AA+ Aaa AA+
91282CBM2	4,000,000.00	UNITED STATES TREASURY	0.125%	02/15/2024		3,975,160.00	1,888.59	3,977,048.59	0.32%	4.91%	1.50	0.13	0.13	AA+ Aaa AA+
459058GQ0	4,000,000.00	INTERNATIONAL BANK FOR	2.500%	03/19/2024		3,975,400.00	28,333.33	4,003,733.33	0.41%	5.26%	1.51	0.22	0.22	AAA Aaa NA
91282CBV2	4,000,000.00	UNITED STATES TREASURY	0.375%	04/15/2024		3,945,000.00	3,196.72	3,948,196.72	0.36%	5.10%	1.49	0.29	0.29	AA+ Aaa AA+
91282CCC3	4,500,000.00	UNITED STATES TREASURY	0.250%	05/15/2024		4,419,135.00	1,452.61	4,420,587.61	0.36%	5.08%	1.66	0.37	0.37	AA+ Aaa AA+
045167FE8	1,500,000.00	ASIAN DEVELOPMENT BANK	0.375%	06/11/2024		1,468,140.00	312.50	1,468,452.50	0.40%	5.20%	0.55	0.45	0.44	AAA Aaa AAA
91282CCL3	4,500,000.00	UNITED STATES TREASURY	0.375%	07/15/2024		4,388,535.00	7,795.52	4,396,330.52	0.39%	5.03%	1.65	0.54	0.53	AA+ Aaa AA+
3133ENL40	5,000,000.00	FEDERAL FARM CREDIT BANKS FUNDING CORP	3.500%	09/13/2024		4,951,700.00	52,500.00	5,004,200.00	4.87%	4.90%	1.88	0.70	0.68	AA+ Aaa AA+
89115A2J0	3,000,000.00	TORONTO-DOMINION BANK	4.285%	09/13/2024		2,975,250.00	38,565.00	3,013,815.00	5.98%	5.48%	1.13	0.70	0.68	A A1 AA-
91282CDB4	2,500,000.00	UNITED STATES TREASURY	0.625%	10/15/2024		2,417,975.00	3,329.92	2,421,304.92	0.71%	4.88%	0.91	0.79	0.77	AA+ Aaa AA+

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91282CDH1	4,000,000.00	UNITED STATES TREASURY	0.750%	11/15/2024		3,860,160.00	3,873.63	3,864,033.63	2.20%	4.86%	1.45	0.88	0.86	AA+ Aaa AA+
3133ENZ94	3,000,000.00	FEDERAL FARM CREDIT BANKS FUNDING CORP	4.500%	11/18/2024		2,988,960.00	16,125.00	3,005,085.00	4.66%	4.92%	1.13	0.88	0.85	AA+ Aaa AA+
3133EN3M0	5,000,000.00	FEDERAL FARM CREDIT BANKS FUNDING CORP	4.625%	12/05/2024		4,990,550.00	16,701.39	5,007,251.39	4.44%	4.83%	1.88	0.93	0.90	AA+ Aaa AA+
912828YY0	3,500,000.00	UNITED STATES TREASURY	1.750%	12/31/2024		3,396,715.00	168.27	3,396,883.27	0.80%	4.79%	1.28	1.00	0.97	AA+ Aaa AA+
912828Z52	2,500,000.00	UNITED STATES TREASURY	1.375%	01/31/2025		2,412,025.00	14,385.19	2,426,410.19	0.77%	4.73%	0.91	1.08	1.05	AA+ Aaa AA+
3133EPBH7	4,500,000.00	FEDERAL FARM CREDIT BANKS FUNDING CORP	4.750%	02/21/2025		4,508,730.00	77,187.50	4,585,917.50	4.86%	4.57%	1.73	1.14	1.09	AA+ Aaa AA+
9128283Z1	5,000,000.00	UNITED STATES TREASURY	2.750%	02/28/2025		4,892,800.00	46,462.91	4,939,262.91	4.17%	4.65%	1.86	1.16	1.12	AA+ Aaa AA+
912828ZF0	3,500,000.00	UNITED STATES TREASURY	0.500%	03/31/2025		3,327,870.00	4,446.72	3,332,316.72	0.88%	4.58%	1.25	1.25	1.22	AA+ Aaa AA+
912828ZL7	2,500,000.00	UNITED STATES TREASURY	0.375%	04/30/2025		2,365,825.00	1,596.84	2,367,421.84	0.85%	4.56%	0.89	1.33	1.31	AA+ Aaa AA+
037833BG4	2,500,000.00	APPLE INC	3.200%	05/13/2025		2,449,100.00	10,666.67	2,459,766.67	4.47%	4.75%	0.93	1.36	1.32	AA+ Aaa NA
91282CEQ0	4,000,000.00	UNITED STATES TREASURY	2.750%	05/15/2025		3,905,320.00	14,203.30	3,919,523.30	2.91%	4.54%	1.47	1.37	1.33	AA+ Aaa AA+
912828ZW3	3,000,000.00	UNITED STATES TREASURY	0.250%	06/30/2025		2,817,780.00	20.60	2,817,800.60	0.94%	4.47%	1.06	1.50	1.47	AA+ Aaa AA+
91282CAB7	2,500,000.00	UNITED STATES TREASURY	0.250%	07/31/2025		2,341,300.00	2,615.49	2,343,915.49	0.91%	4.43%	0.88	1.58	1.55	AA+ Aaa AA+
06428CAC8	1,000,000.00	BANK OF AMERICA NA	5.650%	08/18/2025	07/18/2025	1,012,280.00	20,873.61	1,033,153.61	5.83%	4.82%	0.39	1.63	1.44	A+ Aa1 AA

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91282CAJ0	3,000,000.00	UNITED STATES TREASURY	0.250%	08/31/2025		2,800,680.00	2,534.34	2,803,214.34	1.34%	4.42%	1.05	1.67	1.63	AA+ Aaa AA+
9128284Z0	3,000,000.00	UNITED STATES TREASURY	2.750%	08/31/2025		2,920,440.00	27,877.75	2,948,317.75	2.94%	4.41%	1.11	1.67	1.59	AA+ Aaa AA+
91282CAM3	2,750,000.00	UNITED STATES TREASURY	0.250%	09/30/2025		2,560,937.50	1,746.93	2,562,684.43	0.99%	4.36%	0.96	1.75	1.71	AA+ Aaa AA+
13063D2T4	5,000,000.00	CALIFORNIA ST	5.500%	10/01/2025		5,060,450.00	68,750.00	5,129,200.00	4.24%	4.77%	1.93	1.75	1.64	AA- Aa2 AA
91282CAT8	2,500,000.00	UNITED STATES TREASURY	0.250%	10/31/2025		2,322,175.00	1,064.56	2,323,239.56	0.98%	4.32%	0.87	1.83	1.80	AA+ Aaa AA+
3130ATUC9	2,500,000.00	FEDERAL HOME LOAN BANKS	4.500%	12/12/2025		2,505,875.00	5,937.50	2,511,812.50	3.86%	4.37%	0.94	1.95	1.85	AA+ Aaa AA+
92826CAD4	2,500,000.00	VISA INC	3.150%	12/14/2025	09/14/2025	2,439,175.00	3,718.75	2,442,893.75	4.30%	4.46%	0.92	1.95	1.79	AA- Aa3 NA
3133EN6A3	5,000,000.00	FEDERAL FARM CREDIT BANKS FUNDING CORP	4.000%	01/13/2026		4,963,800.00	93,333.33	5,057,133.33	4.04%	4.37%	1.90	2.04	1.90	AA+ Aaa AA+
91282CBH3	2,500,000.00	UNITED STATES TREASURY	0.375%	01/31/2026		2,309,775.00	3,923.23	2,313,698.23	1.04%	4.22%	0.87	2.08	2.04	AA+ Aaa AA+
91282CBQ3	2,500,000.00	UNITED STATES TREASURY	0.500%	02/28/2026		2,310,250.00	4,223.90	2,314,473.90	1.10%	4.20%	0.87	2.16	2.11	AA+ Aaa AA+
3130AUU36	3,000,000.00	FEDERAL HOME LOAN BANKS	4.125%	03/13/2026		2,991,420.00	37,125.00	3,028,545.00	4.80%	4.26%	1.14	2.20	2.06	AA+ Aaa AA+
3133EPHH1	3,000,000.00	FEDERAL FARM CREDIT BANKS FUNDING CORP	4.000%	04/28/2026		2,987,790.00	21,000.00	3,008,790.00	3.96%	4.18%	1.13	2.32	2.19	AA+ Aaa AA+
91282CBW0	2,500,000.00	UNITED STATES TREASURY	0.750%	04/30/2026		2,312,900.00	3,193.68	2,316,093.68	1.09%	4.14%	0.87	2.33	2.27	AA+ Aaa AA+
91282CCF6	2,500,000.00	UNITED STATES TREASURY	0.750%	05/31/2026		2,307,725.00	1,639.34	2,309,364.34	1.15%	4.12%	0.87	2.41	2.35	AA+ Aaa AA+

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3133EPNG6	3,000,000.00	FEDERAL FARM CREDIT BANKS FUNDING CORP	4.375%	06/23/2026		3,013,320.00	2,916.67	3,016,236.67	4.39%	4.18%	1.13	2.48	2.33	AA+ Aaa AA+
91282CCP4	2,500,000.00	UNITED STATES TREASURY	0.625%	07/31/2026		2,289,950.00	6,538.72	2,296,488.72	1.13%	4.08%	0.86	2.58	2.51	AA+ Aaa AA+
91282CCW9	2,500,000.00	UNITED STATES TREASURY	0.750%	08/31/2026		2,292,000.00	6,335.85	2,298,335.85	1.18%	4.07%	0.86	2.67	2.59	AA+ Aaa AA+
037833DN7	1,000,000.00	APPLE INC	2.050%	09/11/2026	07/11/2026	941,980.00	6,263.89	948,243.89	3.33%	4.35%	0.36	2.70	2.55	AA+ Aaa NA
91282CCZ2	4,000,000.00	UNITED STATES TREASURY	0.875%	09/30/2026		3,673,920.00	8,893.44	3,682,813.44	2.19%	4.03%	1.39	2.75	2.67	AA+ Aaa AA+
61690U7W4	2,000,000.00	MORGAN STANLEY BANK NA	5.882%	10/30/2026	09/30/2026	2,056,460.00	19,606.67	2,076,066.67	5.73%	4.77%	0.78	2.83	2.49	A+ Aa3 AA-
912828YQ7	1,500,000.00	UNITED STATES TREASURY	1.625%	10/31/2026		1,404,315.00	4,151.79	1,408,466.79	2.58%	4.03%	0.53	2.83	2.72	AA+ Aaa AA+
91282CDK4	2,000,000.00	UNITED STATES TREASURY	1.250%	11/30/2026		1,849,060.00	2,185.79	1,851,245.79	1.23%	4.01%	0.70	2.91	2.82	AA+ Aaa AA+
3130AQF65	5,000,000.00	FEDERAL HOME LOAN BANKS	1.250%	12/21/2026		4,596,850.00	1,736.11	4,598,586.11	4.52%	4.16%	1.73	2.97	2.87	AA+ Aaa AA+
912828Z78	2,000,000.00	UNITED STATES TREASURY	1.500%	01/31/2027		1,856,480.00	12,554.35	1,869,034.35	2.57%	3.99%	0.70	3.08	2.95	AA+ Aaa AA+
24422EWD7	1,500,000.00	JOHN DEERE CAPITAL CORP	2.350%	03/08/2027		1,409,550.00	11,064.58	1,420,614.58	3.02%	4.39%	0.53	3.18	3.00	A A2 A+
023135CF1	3,500,000.00	AMAZON.COM INC	3.300%	04/13/2027	03/13/2027	3,397,485.00	25,025.00	3,422,510.00	4.89%	4.26%	1.29	3.28	3.02	AA A1 AA-
91282CET4	2,700,000.00	UNITED STATES TREASURY	2.625%	05/31/2027		2,584,197.00	6,196.72	2,590,393.72	3.34%	3.98%	0.97	3.41	3.22	AA+ Aaa AA+
3130ASGU7	2,000,000.00	FEDERAL HOME LOAN BANKS	3.500%	06/11/2027		1,965,020.00	3,888.89	1,968,908.89	3.15%	4.05%	0.74	3.44	3.21	AA+ Aaa AA+

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64966QZY9	3,000,000.00	NEW YORK N Y	1.396%	08/01/2027		2,692,980.00	17,450.00	2,710,430.00	5.30%	4.52%	1.02	3.58	3.41	AA Aa2 NA
70914PW65	2,500,000.00	PENNSYLVANIA (COMMONWEALTH OF)	1.450%	08/01/2027		2,255,875.00	15,104.17	2,270,979.17	4.32%	4.42%	0.85	3.58	3.41	A+ Aa3 AA
045167FP3	3,500,000.00	ASIAN DEVELOPMENT BANK	3.125%	08/20/2027		3,389,120.00	39,800.35	3,428,920.35	4.52%	4.07%	1.29	3.64	3.36	AAA Aaa AAA
3130AT7E1	3,000,000.00	FEDERAL HOME LOAN BANKS	3.250%	09/10/2027		2,921,880.00	30,062.50	2,951,942.50	3.35%	4.01%	1.11	3.69	3.41	AA+ Aaa AA+
3133EPYM1	3,000,000.00	FEDERAL FARM CREDIT BANKS FUNDING CORP	4.750%	10/13/2027		3,079,440.00	30,875.00	3,110,315.00	4.81%	3.99%	1.17	3.78	3.42	AA+ Aaa AA+
3130ATUS4	5,000,000.00	FEDERAL HOME LOAN BANKS	4.250%	12/10/2027		5,051,450.00	12,395.83	5,063,845.83	3.75%	3.97%	1.91	3.94	3.60	AA+ Aaa AA+
3130ATS57	3,000,000.00	FEDERAL HOME LOAN BANKS	4.500%	03/10/2028		3,070,950.00	41,625.00	3,112,575.00	4.42%	3.88%	1.17	4.19	3.75	AA+ Aaa AA+
931142FB4	2,000,000.00	WALMART INC	3.900%	04/15/2028	03/15/2028	1,978,400.00	16,466.67	1,994,866.67	3.97%	4.18%	0.75	4.29	3.83	AA Aa2 AA
91282CHE4	3,000,000.00	UNITED STATES TREASURY	3.625%	05/31/2028		2,968,230.00	9,508.20	2,977,738.20	4.24%	3.89%	1.12	4.42	4.03	AA+ Aaa AA+
3130AVVX7	4,000,000.00	FEDERAL HOME LOAN BANKS	3.750%	06/09/2028		3,973,600.00	9,166.67	3,982,766.67	3.91%	3.91%	1.50	4.44	4.05	AA+ Aaa AA+
3130AWN63	2,000,000.00	FEDERAL HOME LOAN BANKS	4.000%	06/30/2028		2,008,400.00	222.22	2,008,622.22	4.10%	3.90%	0.76	4.50	4.01	AA+ Aaa AA+
459058KT9	4,000,000.00	INTERNATIONAL BANK FOR	3.500%	07/12/2028		3,916,520.00	65,722.22	3,982,242.22	4.56%	4.01%	1.50	4.53	4.08	AAA Aaa NA
419792YT7	3,500,000.00	HAWAII ST	1.145%	08/01/2028		3,051,440.00	16,697.92	3,068,137.92	4.41%	4.25%	1.15	4.59	4.36	AA+ Aa2 AA
762223PB5	1,050,000.00	RHODE ISLAND ST	5.000%	08/01/2028		1,077,342.00	21,875.00	1,099,217.00	4.46%	4.37%	0.41	4.59	4.00	AA Aa2 AA

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3133EPUN3	4,000,000.00	FEDERAL FARM CREDIT BANKS FUNDING CORP	4.500%	08/28/2028		4,078,640.00	61,500.00	4,140,140.00	4.46%	4.03%	1.56	4.66	4.12	AA+ Aaa AA+
3130AXQK7	3,000,000.00	FEDERAL HOME LOAN BANKS	4.750%	12/08/2028		3,113,130.00	22,958.33	3,136,088.33	4.40%	3.90%	1.18	4.94	4.36	AA+ Aaa AA+
Total	**270,613,917.46**		**2.865%**			**264,641,803.96**	**1,174,445.39**	**265,816,249.35**	**3.24%**	**4.36%**	**100.00**	**1.71**	**1.60**	

This report is for general informational purposes only and is not intended to provide specific advice or recommendations. Government Portfolio Advisors (GPA) is an investment advisor registered with the Securities and Exchange Commission and is required to maintain a written disclosure statement of our background and business experience.

Questions About an Account: GPA's monthly & quarterly reports are intended to detail the investment advisory activity managed by GPA. The custodial bank maintains the control of assets and settles all investment transactions. The custodial statement is the official record of security and cash holdings and transactions. GPA recognizes that clients may use these reports to facilitate record keeping and that the custodial bank statement and the GPA report should be reconciled, and differences documented.

Trade Date versus Settlement Date: Many custodial banks use settlement date basis and post coupons or maturities on the following business days when they occur on weekend. These items may result in the need to reconcile due to a timing difference. GPA reports are on a trade date basis in accordance with GIPS performance standards. GPA can provide all account settings to support the reason for any variance.

Bank Deposits and Pooled Investment Funds Held in Liquidity Accounts Away from the Custodial Bank are Referred to as Line Item Securities: GPA relies on the information provided by clients when reporting pool balances, bank balances and other assets that are not held at the client's custodial bank. GPA does not guarantee the accuracy of information received from third parties. Balances cannot be adjusted once submitted however corrective transactions can be entered as adjustments in the following months activity. Assets held outside the custodial bank that are reported to GPA are included in GPA's oversight compliance reporting and strategic plan.

Account Control: GPA does not have the authority to withdraw or deposit funds from or to any client's custodial account. Clients retain responsibility for the deposit and withdrawal of funds to the custodial account. Our clients retain responsibility for their internal accounting policies, implementing and enforcing internal controls and generating ledger entries or otherwise recording transactions.

Custodial Bank Interface: Our contract provides for the ability for GPA to interface into our client's custodial bank to reconcile transactions, maturities and coupon payments. The GPA client portal will be available to all clients to access this information directly at any time.

Market Price: Generally, GPA has set all securities market pricing to match custodial bank pricing. There may be certain securities that will require pricing override due to inaccurate custodial bank pricing that will otherwise distort portfolio performance returns. GPA may utilize Refinitiv pricing source for commercial paper, discount notes and supranational bonds when custodial bank pricing does not reflect current market levels. The pricing variances are obvious when market yields are distorted from the current market levels.

Performance Calculation: Historical returns are presented as time-weighted total return values and are presented gross and net of fees.

Amortized Cost: The original cost on the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discounts or premiums are amortized on a straight-line basis on all securities. This can be changed at the client's request.

Callable Securities: Securities subject to redemption in whole or in part prior to the stated final maturity at the discretion of the security's issuer are referred to as "callable". Certain call dates may not show up on the report if the call date has passed or if the security is continuously callable until maturity date. Bonds purchased at a premium will be amortized to the next call date while all other callable securities will be amortized to maturity. If the bond is amortized to the call date, amortization will be reflected to that date and once the call date passes, the bond will be fully amortized.

Duration: The duration is the effective duration. Duration on callable securities is based on the probability of the security being called given market rates and security characteristics.

Benchmark Duration: The benchmark duration is based on the duration of the stated benchmark that is assigned to each account.

Rating: Information provided for ratings is based upon a good faith inquiry of selected sources, but its accuracy and completeness cannot be guaranteed.

Coupon Payments and Maturities on Weekends: On occasion, coupon payments and maturities occur on a weekend or holiday. GPA's report settings are on the accrual basis so the coupon postings and maturities will be accounted for in the period earned. The bank may be set at a cash basis, which may result in a reconciliation variance.

Cash and Cash Equivalents: GPA has defined cash and cash equivalents to be cash, bank deposits, LGIP pools and repurchase agreements. This may vary from your custodial bank which typically defines cash and equivalents as all securities that mature under 90 days. Check with your custodial bank to understand their methodology.

Account Settings: GPA has the portfolio settings at the lot level, if a security is sold our setting will remove the lowest cost security first. First-in-first-out (FIFO) settings are available at the client's request.

Historical Numbers: Data was transferred from GPA's legacy system, however, variances may exist from the data received due to a change of settings on Clearwater. GPA is utilizing this information for historical return data with the understanding the accrual settings and pricing sources may differ slightly.

Financial Situation: In order to better serve you, GPA should be promptly notified of any material change in your investment objective or financial situation.

No Guarantee: The securities in the portfolio are not guaranteed or otherwise protected by GPA, the FDIC (except for non-negotiable certificates of deposit) or any government agency. Investment in securities involves risks, including the possible loss of the amount invested.

GPA GOVERNMENT PORTFOLIO ADVISORS

Fourth Quarter 2023 Investment Report and Policy Overview

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CITY OF LACEY

Investment Policy Overview

CITY OF LACEY

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Governing Authority

City of LACEY
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- Authorized by Resolution No. 1127 (March 16, 2023)
  - Emphasizes:
    - Stewardship of public funds
    - Safekeeping of public funds
    - Legal and proper management of investments
- Policy derived from:
  - Revised Code of Washington (RCW)
  - WA Municipal Treasurer's Association model policy
  - WA State Auditor's Office BARS Manual
- Management responsibility delegated to Finance Director (LMC 2.16.020)

Investment Policy Objectives

- **Safety**
  - Preserve through diversification of highly rated securities
- **Liquidity**
  - Portfolio will provide adequate liquidity to meet all of the City’s cashflow needs
- **Return on Investment**
  - Market rate of return throughout economic and budget cycles

Standards of Care

- **Delegation of Authority**
  - City Council establishes policy that directs the management of the investment program
- **City Manager and Finance Director**
  - Overall management responsibility delegated by policy
  - City Investment Committee
- **Investment Advisor**
  - Non-discretionary investment advisor assists with management of investment consistent with policy

Standards of Care

- **Prudent Person Rule**
  - Investments will be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs not in regard to speculation but in regard to the permanent disposition of the funds considering the probable income as well as the probable safety of the capital.
- **Ethics and Conflicts of Interest**
  - Refrain from personal business that has conflicts
  - Disclosure of conflict

Authorized Investments

- **Securities and Deposits**
  - Limited to investments authorized by:
    - RCW 39.58, 39.59, 43.250, and 43.84.080
  - WA State Local Government Investment Pool is the only pool authorized for investments
  - Policy only recognizes S&P, Moody’s, and Fitch as ratings agencies

Authorized Investments Diversification

Issue Type	Maximum % Holdings	Maximum % per Issuer	Ratings S&P, Moody's or Equivalent	Maximum Maturity
US Treasury Obligations	100%	None	N/A	5.5 years
US Agency Obligations	100%	35%	N/A	5.5 years
Supranational Agency Notes	10%	5%	AA- / Aa3	5.5 years
Municipal Obligations	30%	5%	A- / A3	5.5 years
City of Lacey Interfund Loans	15%	None	N/A	N/A
Corporate Notes	25%	3%* for AA- 2%* for A-, A, A+	A- / A3	5.5 years
Commercial Paper		3%*	A1 / P1 Long Term A-/A3	270 days
Certificates of Deposit	20%	5%	Deposits in PDPC approved banks	5.5 years
Bank Time Dposits/Savings Accounts	20%	None	Deposits in PDPC approved banks	N/A
Banker's Acceptance	10%	5%	N/A	180 days
State LGIP	100%	None	N/A	N/A

*Issuer constraints apply to the combined issues in corporate and commercial paper holdings.

Prohibited Investments

- **The City shall not invest in:**
  - Mortgage-backed securities
  - Derivative Products
  - Securities that leverage the portfolio or are used for speculation of interest rates
  - Mutual Funds
  - Repurchase Agreements
  - Reverse Agreements

Reporting Requirements

- **Reporting Requirements**
  - Book Yield
  - Holdings Report including mark-to-market and security description
  - Transactions Report
  - Weighted Average Maturity
  - Performance in relation to established benchmarks

- **Reporting Frequency**
  - Quarterly reporting to the City Manager
    - *City Council annually*

Fourth Quarter 2023
Investment Report

CITY OF LACEY
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Background and Benchmarks

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- **Quarterly Report Components**
  - Market commentary and outlook
  - Policy compliance report
  - Strategic outlook and portfolio positioning
  - Asset allocation changes and historical balances
  - Summary of invested funds – types, maturities, earnings, and accruals
- **Benchmarks**
  - 0-5 year US Treasury Index (yield)
  - 0-5 year benchmark (duration)
    - Range 1.5 to 2.5 years

Fourth Quarter Performance

- **Core Fund Portfolio**
  - Net total return = 2.76%
    - Slightly outperformed 2.72% benchmark
  - Duration dropped to 2.056 years compared to third quarter's 2.100 year
    - Duration benchmark for Q4 was 2.089 years
  - Slight shift (less than 2.0%) to corporate holdings from US agencies

- **Total Portfolio**
  - Yields increased to 3.243% from 2.994% (third quarter)

Strategy Going Forward

- **Duration/Maturity Dates**
  - Continue to target neutral to a longer duration
    - Take advantage of higher rates
    - Expectation of Federal Reserve shift to lower federal funds rate policy
- **Diversification**
  - Stay consistent with diversification strategy to find yield where it makes sense

Questions/Discussion?

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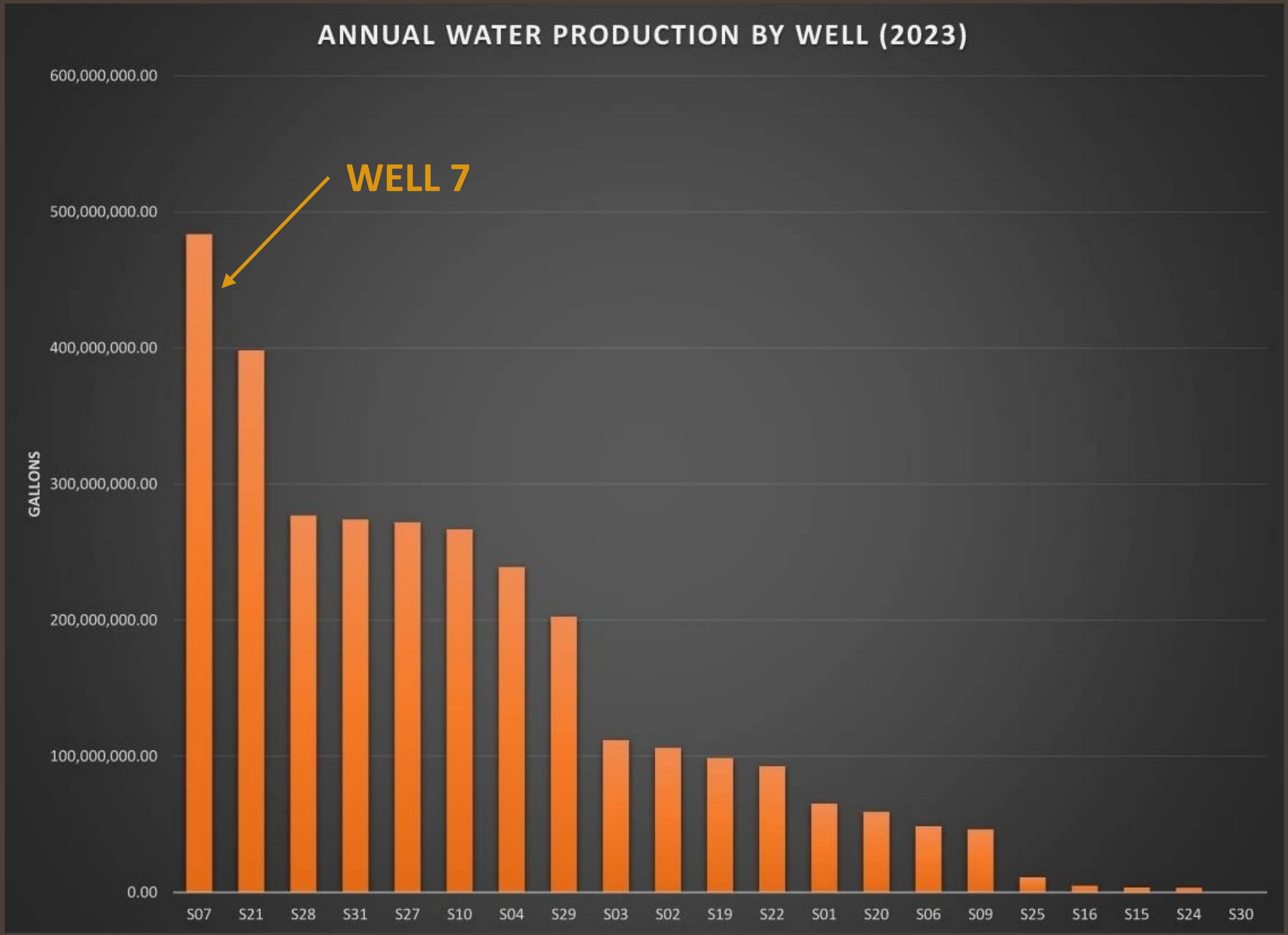
WELL 7
REPLACEMENT PROJECT

CURRENT WELL 7 PROPERTY

WELL 7

CITY'S LARGEST WATER PRODUCTION WELL BY VOLUME

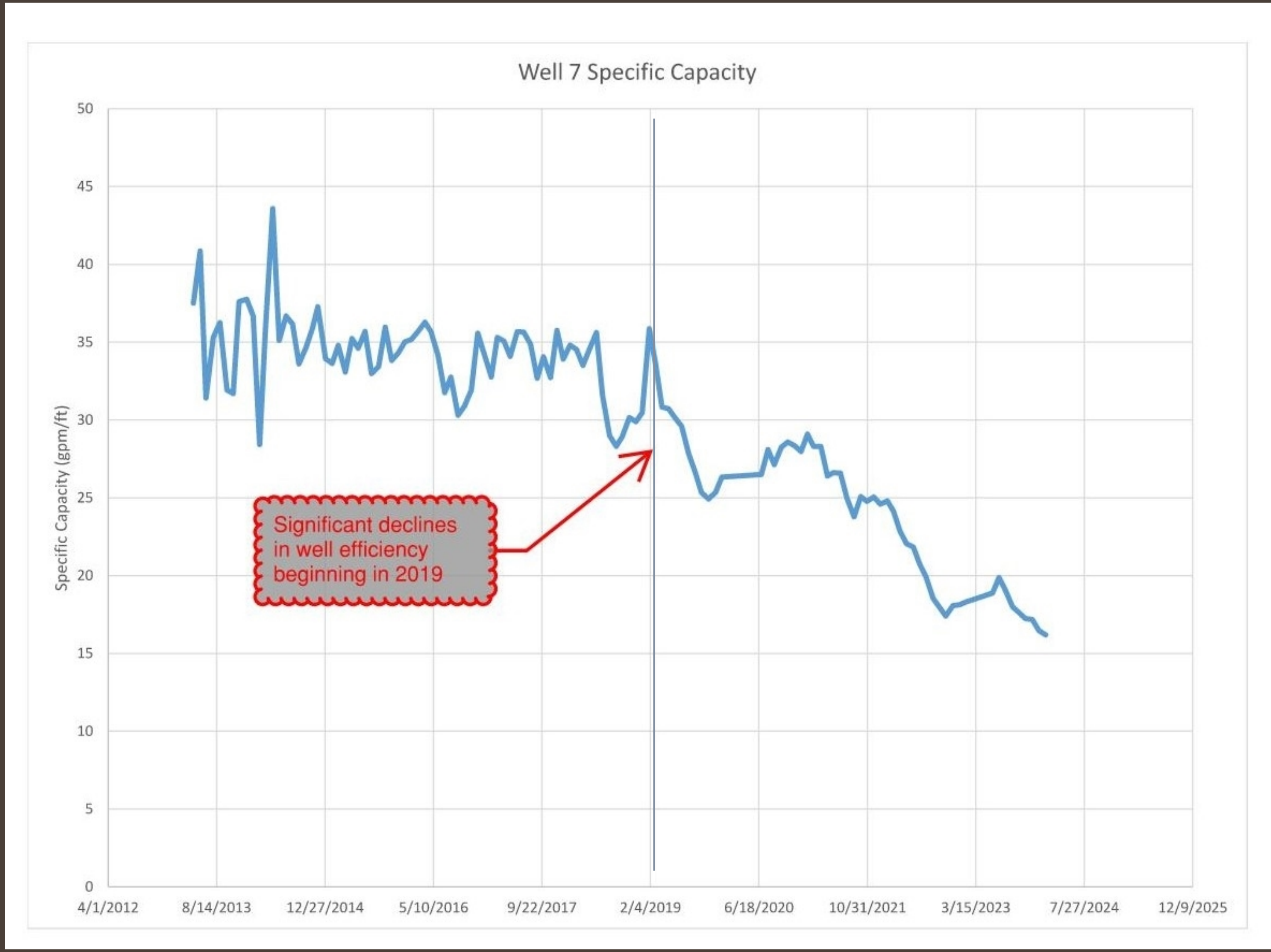
480 MILLION GALLONS IN 2023



WELL 7

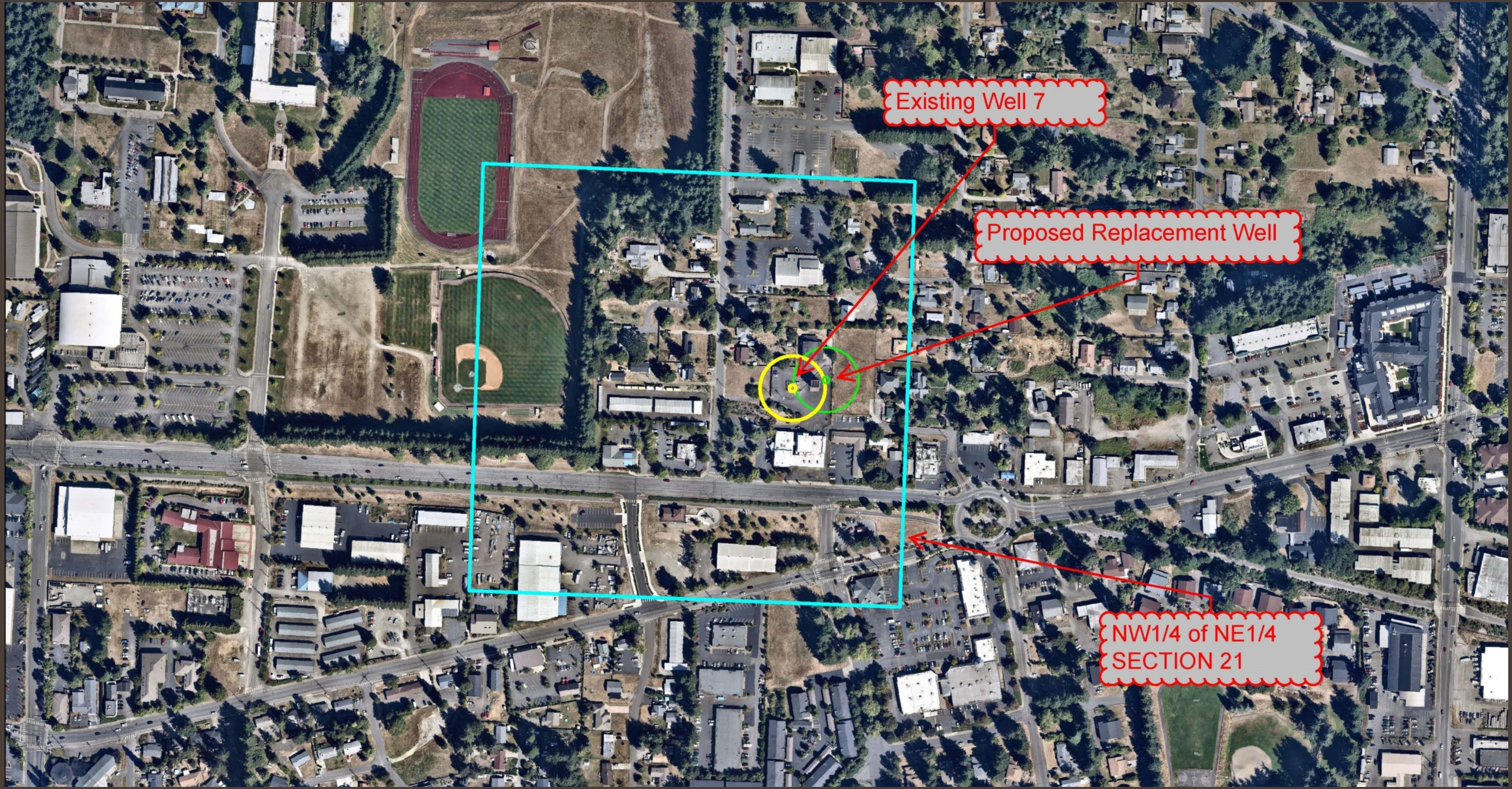
ORIGINALLY CONSTRUCTED IN 1976

SIGNIFICANT DECLINES IN SPECIFIC CAPACITY (WELL EFFICIENCY)



EXISTING WELL 7 LOCATION

WATER RIGHTS REQUIRED TO REMAIN IN THE ORIGINAL ¼ - ¼ SECTION



ALTERNATIVE #1

NEW WELL IS PLACED DIRECTLY NORTH OF EXISTING WELL

5 AFFECTED PROPERTY OWNERS

POSITIVES

- HIGH CONFIDENCE IN A SUCCESSFUL WELL
- RESOLVES THE LACK OF PROPERTY OWNERSHIP AROUND WELL 7

NEGATIVES

- MULTIPLE PROPERTY OWNERS INVOLVED
- INHIBITS NECESSARY EXPANSION OF ATEC FACILITY
- ACCESS BETWEEN THE WELL AND ATEC FACILITY IS LESS DIRECT AND VERY NARROW IN PLACES

ALTERNATIVE #2

NEW WELL IS PLACED ON CITY PROPERTY NORTH OF EXISTING ATEC FACILITY

POSITIVES

- PURCHASE OF LAND MAY NOT BE REQUIRED
- CLOSE TO EXISTING ATEC FACILITY

NEGATIVES

- LOW CONFIDENCE IN A SUCCESSFUL WELL DUE TO DISTANCE FROM EXISTING WELL
- THE EXISTING MUSEUM BUILDING WOULD NEED TO BE REMOVED FROM THE SITE
- PROTECTIVE COVENANTS AND SEWER CONNECTIONS WOULD BE NEEDED
- ATEC MAY BE MORE DIFFICULT TO EXPAND IN AN EASTERLY DIRECTION
- NO ROOM FOR FUTURE WELLS AND WATER TREATMENT FACILITY EXPANSION

ALTERNATIVE #3 (Preferred Alternative)

NEW WELL IS LOCATED ~100FT NE OF EXISTING WELL 7

WOULD REQUIRE ACQUISITION OF PORTIONS OF 2 PROPERTIES ADJACENT TO EXISTING WELL AND TREATMENT SITES

BENEFITS INCLUDE:

- HIGH LIKELYHOOD OF A SUCCESSFUL WELL DUE TO PROXIMITY
- PROVIDES THE BEST FACILITY LAYOUT
- EASIEST EXPANSION OF ATEC BUILDING
- EASIEST ACCESS BETWEEN WELL AND TREATMENT SITES
- ROOM FOR FUTURE IMPROVEMENTS
- FEWER PARTIES TO COORDINATE WITH
- MAJORITY OF SANITARY SETBACK IS UNDER CITY CONTROL

NEGATIVES

- MULTIPLE PROPERTY OWNERS INVOLVED