



FINANCE & ECONOMIC DEVELOPMENT COMMITTEE
TUESDAY, JANUARY 25, 2022
8:30 A.M.
REMOTE ATTENDANCE

The Finance & Economic Development Committee meeting will be conducted remotely, not in person. However, you may view the meeting by watching live through Zoom (<https://us02web.zoom.us/j/85633484963>).

NEW: Watch live or as a recording on YouTube (<https://youtu.be/IADoi86s15g>).

The public may also listen to the meeting via telephone by dialing toll-free: **(888) 788-0099** or **(877) 853-5247** – when prompted, enter Webinar ID: **856 3348 4963** press # (participant ID not required)

AGENDA

ELECT COMMITTEE CHAIR

COMMITTEE MEMBERS
(DISCUSSION)

4TH QUARTER 2021 INVESTMENT REPORT

TROY WOO, FINANCE DIRECTOR
(STAFF REPORT)

INVESTMENT STRATEGY AND POLICY UPDATES

TROY WOO, FINANCE DIRECTOR
(STAFF REPORT)

BIPOC BUSINESS STARTUP TRAINING PROGRAM

RICK WALK, COMMUNITY & ECONOMIC DEVELOPMENT DIRECTOR
WESLEY NGUYEN, ECONOMIC DEVELOPMENT COORDINATOR
(STAFF REPORT)



**FINANCE & ECONOMIC
DEVELOPMENT COMMITTEE**
January 25, 2022

SUBJECT: Fourth Quarter 2021 Investment Report

RECOMMENDATION: Review Fourth Quarter Investment Report

STAFF CONTACT: Scott Spence, City Manager 
Troy Woo, Finance Department 

ORIGINATED BY: Troy Woo, Finance Department

ATTACHMENTS: 1. [Government Portfolio Advisors Report](#)

FISCAL NOTE: None

PRIOR REVIEW: None

BACKGROUND:

The City's adopted investment policy requires quarterly reporting to the City Manager and annual reporting to the City Council. The Finance & Economic Development Committee issued a standing request to extend extra review of the reports to semi-annually. The additional review is especially relevant during these uncertain economic times.

The 2021 fourth quarter report has been prepared by the City's investment advisor, Government Portfolio Advisors (GPA). The main components of the quarterly report include the following:

1. The report opens with a market commentary, market outlook, current investment policy compliance report, and recommendations for the City's investment strategy.
2. Investment policy compliance report
3. Quarterly asset allocation changes and historical balances.

4. 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 summary, Lacey's core fund portfolio outperformed the investment strategy benchmarks. The core fund net total return for the quarter was -0.45 percent. The benchmark total return for the period was -0.55 percent.

- The Federal Reserve fourth quarter outlook contained three rate hikes before the end of 2022 and several more rate hikes in 2023 and 2024. This is an accelerated change.
- Third quarter 2021 GDP grew 2.3 percent. This was considered a disappointment. Growth in the fourth quarter is anticipated to rebound sharply as strong consumer consumption for the holiday period is expected.
- The core fund portfolio book yield increased from 0.507 percent to 0.622 percent.
- At the end of the fourth quarter 2021, the portfolio duration was 2.046 years, which is slightly lower than the benchmark duration of 2.185 years. The portfolio is still transitioning from the third quarter benchmark change from 0-3 years to 0-5 years.
- An unrealized loss of \$535,546 is reported. This loss is a result of a decreasing interest rate market and will not be realized unless the City needs sell investments before their maturity, which is extremely unlikely.

Quarterly Executive Investment Report

City of Lacey

December 31, 2021

Total Aggregate Portfolio

Market Commentary

Market Yields: Front-end and intermediate yields advanced higher in the fourth quarter as inflation risks sparked a more hawkish response from the federal reserve. While front-end yields surged higher, longer-term yields had a more muted response leading to a flattening of the yield curve. After advancing 46 basis points during the quarter, two-year yields ended the year near their one year high at 0.73%. Ten-year yields ended the quarter roughly unchanged at 1.51% and still below the 2021 high mark of 1.74%. The advance in front-end yields reflects a market that is now pricing in three 25 basis point hikes from the Federal Reserve in 2022 while longer-term yields continue to reflect an anticipated return to back toward the more tepid growth and inflation conditions that prevailed prior to the pandemic and multiple rounds of fiscal stimulus aimed to keep the economy from suffering more lasting damage.

FOMC: The Federal Reserve accelerated the reduction of their bond-buying program at their December meeting in response to a tighter than expected labor market combined with lopsided inflation risks after a series of high prints for consumer and producer prices. The Fed is now on course to end their asset purchases by early spring of 2022 which opens the door for potential rate hikes as soon as their March meeting. The Fed also released a fresh set of economic projections where they downgraded their growth outlook while upgrading their views for labor market and near-term inflation expectations. While recent inflation prints have been higher than the Fed anticipated in previous release of their economic projections, they continue to expect inflation to retreat back toward their 2% target over the next two years

Employment and Inflation: Progress in the labor markets was mixed in the fourth quarter leading to confusion amongst economists and policy makers. Job growth slowed compared to the previous quarter as the economy added 1.13 million nonfarm jobs led by a 1 million gain in the services sector. While headline job growth slowed in the quarter, and the labor market still reports 3.25 million less jobs than pre-COVID, the unemployment rate dropped back to 4.2%. The rapid reduction in the unemployment has been a function of a reduced labor force participation rate combined by a large increase in those categorized as self-employed that is picked up in the less followed household survey of employment. Going forward the focus will be on wage growth and the participation rate to gauge how tight labor markets may impact inflation moving forward.

Quarterly Yield Change

	03/31/21	06/30/21	09/30/21	12/31/21
3 month bill	0.02	0.04	0.03	0.03
2 year note	0.16	0.25	0.28	0.73
5 year note	0.94	0.89	0.97	1.26
10 year note	1.74	1.47	1.49	1.51

Economists' Survey Projections

	Q1-22	Q2-22	Q3-22	Q4-22
Real GDP	4.0	3.6	3.1	2.6
Core PCE (YOY%)	4.4	3.5	3.1	2.6
Unemployment	4.1	3.9	3.7	3.6

Economists' Survey Projections for Rates

	Q1-22	Q2-22	Q3-22	Q4-22
Fed Funds	0.25	0.4	0.6	0.75
2 Year	0.71	0.84	0.98	1.12
10 year	1.71	1.85	1.95	2.04

Market Outlook

GDP: Growth in the third quarter came in below expectations as the economy grew at a 2.3% annualized pace. The disappointment is largely attributed to an outright decline in the personal consumption of goods combined with a contraction in exports. Consumer spending on services remained robust. Growth for the fourth quarter is expected to rebound sharply as most economists expect a healthy inventory rebuild to add to solid consumer consumption for the holiday heavy period. The median economist forecast, according to Bloomberg, call for fourth quarter growth of 6.0% whereas the Atlanta Fed's GDP Now is forecasting a healthier rate of 7.4%.

Fed Funds: The Fed has clearly pivoted their attention to the inflation backdrop and their desire to ensure the recent price trends do not become entrenched into the behavior of consumers and business leaders. Projections from the Fed's rate setting committee now call for three 25 basis point rate hikes in 2022 followed by several more hikes in 2023 and 2024. At this point, markets agree with the Fed in terms of the forecast for 2022, however markets are pricing in a lower terminal federal funds rate this cycle than those on the committee.

Two-year Yield Expectations: With rate hikes visibly around the corner, the two-year Treasury yield will continue to trade in close relation to the pace of the hiking cycle. Currently much of the Fed's projection is priced into the yield, however, should the Fed quicken or slow the pace we would expect volatility in front-end yields.

Portfolio Positioning: Higher yields are providing more compensation to long-term investors than we have seen since the pandemic began in earnest in March of 2020. While we expect front-end yields to gradually climb higher as the hiking cycle commences in the year ahead, we continue to invest fully in portfolios and favor a more ladder approach such that portfolios can gradually reinvest into rising yields as we move forward. We also remain on the lookout for pockets of opportunities in spread sectors as we often see bouts of volatility in risk assets when the Fed removes accommodation from markets.

Compliance Report

City of Lacey | Total Aggregate Portfolio



December 31, 2021

Category	Policy Limit	Actual Value*	Status
Policy Diversification Constrain			
US Treasury Obligations Maximum % of Holdings	100.000	40.936	Compliant
US Agency Callable Securities Maximum % of Total Portfolio	25.000	0.000	Compliant
US Agency FFCB Issuer Concentration	35.000	6.577	Compliant
US Agency FHLB Issuer Concentration	35.000	5.199	Compliant
US Agency FHLMC Issuer Concentration	35.000	9.251	Compliant
US Agency FNMA Issuer Concentration	35.000	1.390	Compliant
US Agency Obligations - Primary FHLB, FNMA, FHLMC, FFCB Maximum % of Holdings	100.000	22.417	Compliant
US Agency Obligations - Secondary FICO, FARMER MAC etc. Maximum % of Holdings	10.000	0.000	Compliant
US Agency Obligations Issuer Concentration - Secondary FICO, FARMER MAC etc.	5.000	0.000	Compliant
Supranationals - Issuer is ADB, IADB, IBRD, or IFC	0.000	0.000	Compliant
Supranationals Issuer Concentration	5.000	1.931	Compliant
Supranationals Maximum % of Holdings	10.000	5.662	Compliant
Municipal Bonds Issuer Concentration	5.000	0.941	Compliant
Municipal Bonds Maximum % of Holdings	30.000	3.316	Compliant
Municipal Bonds: Non-GO outside of Washington (Not allowed)	0.000	0.000	Compliant
Municipal Issue Directly Internally or Interfund Loans	15.000	0.000	Compliant
Corporate Notes & Commercial Paper Maximum % of Holdings	25.000	2.369	Compliant
Corporate Notes & Commercial Paper Single Issuer %	3.000	1.398	Compliant
Certificates of Deposit Issuer Concentration	5.000	0.000	Compliant
Certificates of Deposit Maximum % of Holding	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	7.912	Compliant
PDPC Bank Deposits Issuer Concentration	100.000	17.388	Compliant
PDPC Bank Deposits Maximum % of Holdings	20.000	17.388	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, 2021

Category			
Policy Maturity Structure Constraint	Policy Limit	Actual %	Status
Maturity Constraints Under 30 days Minimum % of Total Portfolio	10.000	25.300	Compliant
Maturity Constraints Under 5 years Minimum % of Total Portfolio	100.000	100.000	Compliant
Maturity Constraints Under 1 Year Minimum % of Total Portfolio	25.000	40.478	Compliant
Policy Maturity Constraint	Policy Limit	Actual Term	Status
US Treasury Maximum Maturity At Time of Purchase (years)	5.000	4.959	Compliant
US Agency Maximum Maturity At Time of Purchase (years)	5.000	3.137	Compliant
US Agency Obligations - Secondary Must be rated by Atleast one	0.000	0.000	Compliant
Municipals Maximum Maturity At Time of Purchase (years)	5.000	3.485	Compliant
Corporate Note Portfolio Duration (years)	3.000	0.631	Compliant
Commercial Paper Days to Final Maturity (days)	270.000	0.000	Compliant
Weighted Average Maturity (years)	2.000	1.552	Compliant
Policy Credit Constraint			Status
US Agency Obligations - Secondary Minimum Ratings AA-/Aa3/AA- if rated			Compliant
Supranationals Ratings AA-/Aa3/AA- or better (Rated by 1 NRSRO)			Compliant
Municipal Bonds Ratings Minimum AA-/Aa3/AA- (Rated by 1 NRSRO)			Compliant
Corporate Notes AA-/Aa3/AA- by All If Rated Issuer Concentration (3%)			Compliant
Corporate Notes Foreign Exposure except Canada			Compliant
Corporate Notes Ratings Minimum AA-/Aa3/AA- by All if rated			Compliant
Corporate Notes Single A with Negative Outlook Cannot Purchase			Compliant
Corporate Notes Split AA- to A- Issuer Concentration % (1 must rate AA- and all must rate A-) (2%)			Compliant
Commercial Paper Minimum Long Term Rating AA-/Aa3/AA- (Rated by 1 NRSRO)			Compliant
Commercial Paper Ratings by All A1+/P1 and F1+ (if rated)			Compliant

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Strategic Quarterly Update

City of Lacey | Total Aggregate Portfolio



December 31, 2021

Strategic Outlook

- Fourth quarter growth is expected to rebound on the back of holiday sales and an inventory restocking cycle that should provide a tailwind to growth for several quarters ahead. While consumers and business remain in excellent health, we continue to monitor economic trends in the year ahead as we will experience a large withdrawal of both fiscal and monetary stimulus in 2022.
- High levels of liquidity and strong economic growth continue to pressure agency, corporate and municipal spreads to relatively low levels compared to historical norms. While we aren't outright avoiding spread sectors, we find ourselves increasingly selective especially as we head into a Fed tightening cycle.
- All eyes will be focused on inputs into the inflation picture as well as more signs indicating just how tight labor markets really are as we head into 2022. These two factors will determine how fast and how far the Fed will need to go to ensure we neither overheat the economy nor unnecessarily derail a healthy recovery.

Portfolio Positioning

- The portfolio's duration ended the quarter closely aligned to the strategic target with a well-diversified maturity profile.
- Spreads in agency, municipal, and corporate markets remain at low levels leading to continued focus in Treasury securities and a patient approach when adding in other market sectors.
- The total portfolio book yield increased from 0.507 to 0.622.
- The total portfolio unrealized loss ended the quarter at -\$535,546.
- The core portfolio duration increased over the quarter from 1.568 last quarter to 2.046 this quarter. The benchmark duration ended the quarter at 2.185.
- Net total return for the core portfolio, which includes change in market value and interest income, was -0.45%. The benchmark total return for the period was -0.55%.

Strategy	09/30/2021	12/31/2021
Effective Duration		
Investment Core	1.57	2.05
Benchmark Duration	2.20	2.18
Total Effective Duration	0.89	1.53

Total Return (Net of Fees %)*		
Investment Core	0.05	(0.45)
Benchmark Return	0.05	(0.55)
Total Portfolio Performance	0.04	(0.28)

*Changes in Market Value include net unrealized and realized gains/losses.

Maturity Total Portfolio		
Average Maturity Total Holdings	0.90	1.55

Book Yield	09/30/2021	12/31/2021
Ending Book Yield		
Investment Core	0.82%	0.79%
Liquidity	0.10%	0.11%
Total Book Yield	0.51%	0.62%

Values	09/30/2021	12/31/2021
Market Value + Accrued		
Investment Core	121,959,305	160,698,223
Liquidity	94,011,858	54,297,454
Total MV + Accrued	215,971,163	214,995,676

Net Unrealized Gain/Loss		
Total Net Unrealized Gain/Loss	406,793	(535,546)

Asset Allocation Change over Quarter

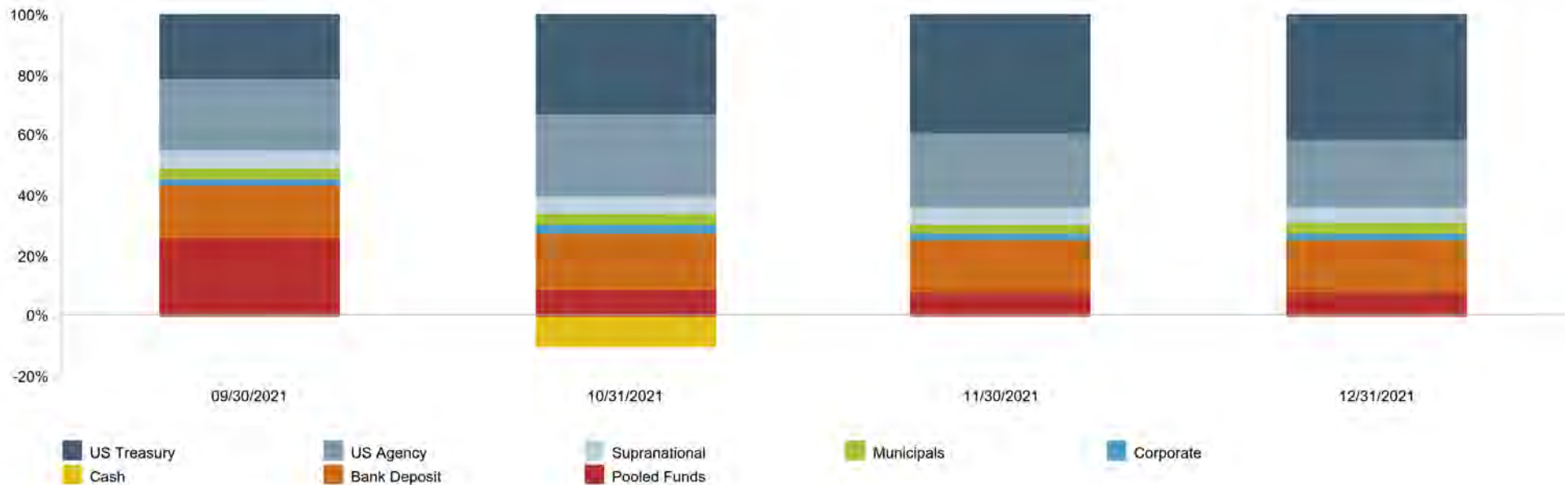


City of Lacey | Total Aggregate Portfolio

December 31, 2021

Asset Allocation Changes

Security Type	09/30/2021		12/31/2021		Change	
	Market Value + Accrued	% of Portfolio	Market Value + Accrued	% of Portfolio	Market Value + Accrued	% of Portfolio
US Treasury	44,777,659.48	20.73%	88,004,143.84	40.93%	43,226,484.36	20.20%
US Agency	52,541,104.86	24.33%	48,219,866.81	22.43%	(4,321,238.06)	(1.90%)
Supranational	12,276,134.65	5.68%	12,199,003.40	5.67%	(77,131.25)	(0.01%)
Municipals	7,208,927.96	3.34%	7,130,888.24	3.32%	(78,039.73)	(0.02%)
Corporate	5,155,477.92	2.39%	5,144,320.42	2.39%	(11,157.50)	0.01%
Cash	0.01	0.00%	0.00	0.00%	(000.01)	(0.00%)
Bank Deposit	37,305,280.91	17.27%	37,317,505.96	17.36%	12,225.05	0.08%
Pooled Funds	56,706,577.15	26.26%	16,979,947.58	7.90%	(39,726,629.57)	(18.36%)
Total	215,971,162.94	100.00%	214,995,676.24	100.00%	(975,486.70)	



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

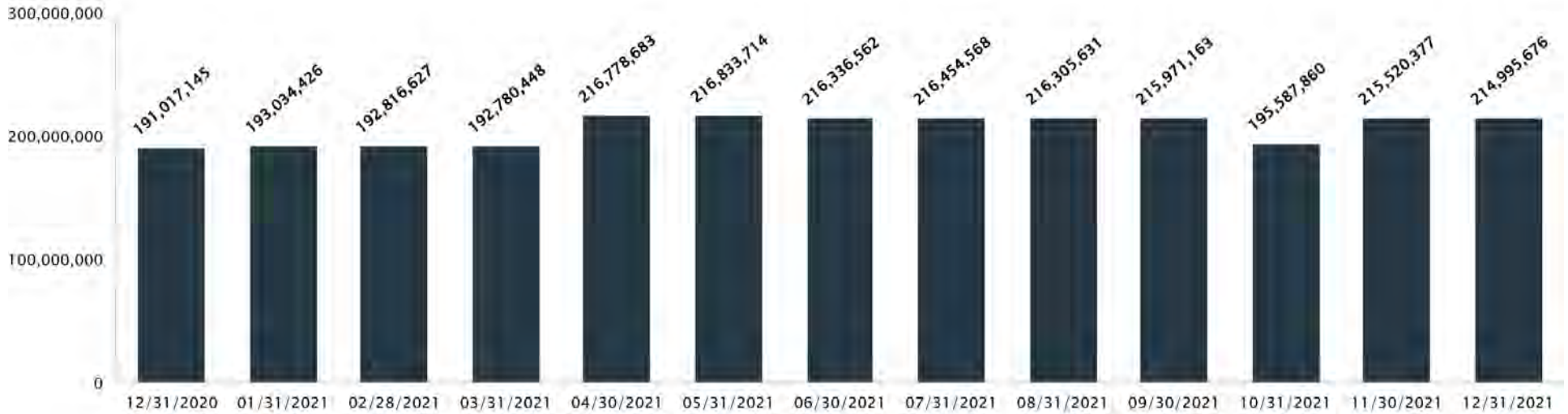
Historical Balances

City of Lacey | Total Aggregate Portfolio



December 31, 2021

Market Value



Market Value and Return

Period Begin	Period End	Market Value + Accrued	Interest Income	Book Yield	Effective Duration	Maturity in Years
12/01/2020	12/31/2020	191,017,145	171,300	0.93%	0.73	0.76
01/01/2021	01/31/2021	193,034,426	166,118	0.85%	0.83	0.85
02/01/2021	02/28/2021	192,816,627	148,857	0.85%	0.79	0.81
03/01/2021	03/31/2021	192,780,448	148,151	0.78%	1.01	1.03
04/01/2021	04/30/2021	216,778,683	159,433	0.64%	0.91	0.93
05/01/2021	05/31/2021	216,833,714	156,407	0.64%	0.87	0.88
06/01/2021	06/30/2021	216,336,562	141,191	0.55%	0.92	0.93
07/01/2021	07/31/2021	216,454,568	142,084	0.56%	0.97	0.98
08/01/2021	08/31/2021	216,305,631	128,981	0.51%	0.92	0.93
09/01/2021	09/30/2021	215,971,163	127,922	0.51%	0.89	0.90
10/01/2021	10/31/2021	195,587,860	129,859	0.72%	1.75	1.77
11/01/2021	11/30/2021	215,520,377	142,390	0.66%	1.53	1.55
12/01/2021	12/31/2021	214,995,676	141,615	0.62%	1.53	1.55

Summary Overview

City of Lacey | Total Aggregate Portfolio

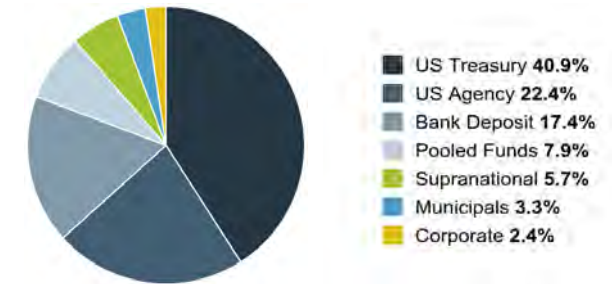


December 31, 2021

Portfolio Characteristics

Metric	Value
Cash and Cash Equivalents	54,297,453.54
Investments	160,698,222.70
Book Yield	0.62%
Market Yield	0.72%
Effective Duration	1.53
Years to Maturity	1.55
Avg Credit Rating	AA+

Allocation by Asset Class



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	160,800,000.00	160,854,540.43	161,352,425.43	160,318,994.40	(535,546.03)	379,228.30	0.79%	2.05	2.18	ICE BofA 0-5 Year US Treasury Index
LACEY-Liquidity	54,297,453.54	54,297,453.54	54,297,453.54	54,297,453.54	0.00	0.00	0.11%	0.01	0.08	ICE BofA US 1-Month Treasury Bill Index
Total	215,097,453.54	215,151,993.97	215,649,878.97	214,616,447.94	(535,546.03)	379,228.30	0.62%	1.53	1.65	

Portfolio Activity

City of Lacey | Total Aggregate Portfolio



December 31, 2021

Accrual Activity Summary

	Quarter to Date	Fiscal Year to Date (01/01/2021)
Beginning Book Value	215,280,762.96	189,302,139.02
Maturities/Calls	(6,000,000.00)	(45,000,000.00)
Purchases	45,672,011.76	99,853,351.62
Sales	0.00	0.00
Change in Cash, Payables, Receivables	(39,714,404.53)	(28,631,017.63)
Amortization/Accretion	(86,376.23)	(372,479.05)
Realized Gain (Loss)	0.00	0.00
Ending Book Value	215,151,993.97	215,151,993.97

Fair Market Activity Summary

	Quarter to Date	Fiscal Year to Date (01/01/2021)
Beginning Market Value	215,687,556.07	190,616,117.87
Maturities/Calls	(6,000,000.00)	(45,000,000.00)
Purchases	45,672,011.76	99,853,351.62
Sales	0.00	0.00
Change in Cash, Payables, Receivables	(39,714,404.53)	(28,631,017.63)
Amortization/Accretion	(86,376.23)	(372,479.05)
Change in Net Unrealized Gain (Loss)	(942,339.13)	(1,849,524.87)
Net Realized Gain (Loss)	0.00	0.00
Ending Market Value	214,616,447.94	214,616,447.94

Maturities/Calls	Market Value
Quarter to Date	(6,000,000.00)
Fiscal Year to Date	(45,000,000.00)

Purchases	Market Value
Quarter to Date	45,672,011.76
Fiscal Year to Date	99,853,351.62

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

Return Management-Income Detail

City of Lacey | Total Aggregate Portfolio



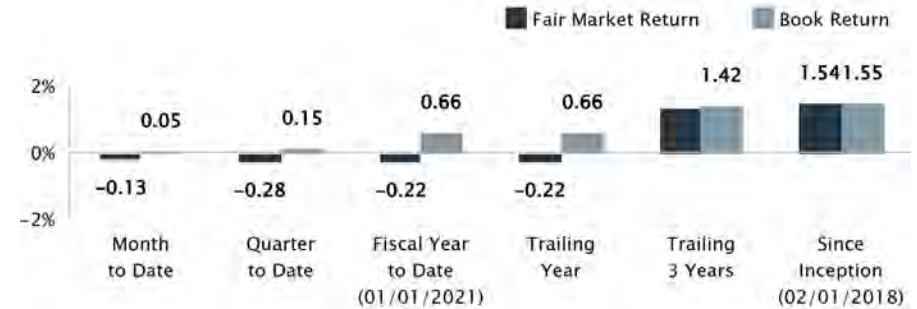
December 31, 2021

Accrued Book Return

	Quarter to Date	Fiscal Year to Date (01/01/2021)
Amortization/Accretion	(86,376.23)	(372,479.05)
Interest Earned	413,864.70	1,733,009.92
Realized Gain (Loss)	0.00	0.00
Book Income	327,488.48	1,360,530.88
Average Portfolio Balance	217,010,210.55	209,308,979.53
Book Return for Period	0.15%	0.66%

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 (01/01/2021)
Market Value Change	(942,339.13)	(1,849,524.87)
Amortization/Accretion	(86,376.23)	(372,479.05)
Interest Earned	413,864.70	1,733,009.92
Fair Market Earned Income	(528,474.43)	(116,514.95)
Average Portfolio Balance	217,010,210.55	209,308,979.53
Fair Market Return for Period	(0.28%)	(0.22%)

Interest Income

	Quarter to Date	Fiscal Year to Date (01/01/2021)
Beginning Accrued Interest	283,606.87	401,027.17
Coupons Paid	391,142.05	1,926,018.31
Purchased Accrued Interest	72,898.77	171,209.52
Sold Accrued Interest	0.00	0.00
Ending Accrued Interest	379,228.30	379,228.30
Interest Earned	413,864.70	1,733,009.92

Security Type Distribution

City of Lacey | Total Aggregate Portfolio

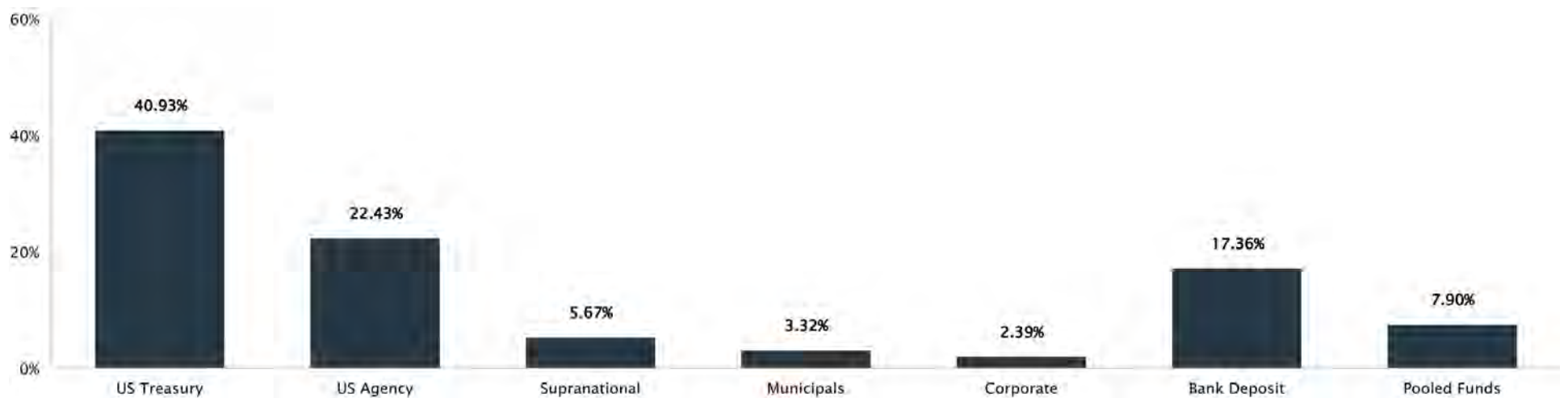


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Security Type Distribution

Security Type	Par Amount	Book Yield	Market Value + Accrued	% of Market Value + Accrued
US Treasury	88,750,000.00	0.76%	88,004,143.84	40.93%
US Agency	48,000,000.00	0.90%	48,219,866.81	22.43%
Supranational	12,000,000.00	0.30%	12,199,003.40	5.67%
Municipals	7,050,000.00	0.98%	7,130,888.24	3.32%
Corporate	5,000,000.00	1.35%	5,144,320.42	2.39%
Bank Deposit	37,317,505.96	0.13%	37,317,505.96	17.36%
Pooled Funds	16,979,947.58	0.07%	16,979,947.58	7.90%
Total	215,097,453.54	0.62%	214,995,676.24	100.00%

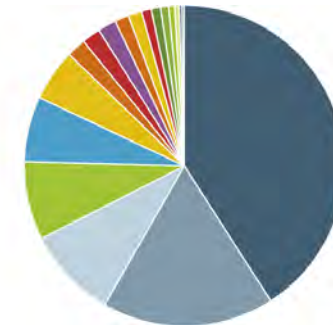
Security Type Distribution



Credit Rating S&P/Moody's/Fitch

	Market Value + Accrued	%
S&P		
AA	569,270.40	0.26
AA+	141,789,993.48	65.95
AA-	2,115,580.00	0.98
AAA	15,227,743.82	7.08
NA	55,293,088.54	25.72
Moody's		
Aa1	3,093,950.18	1.44
Aa2	2,115,580.00	0.98
Aaa	155,488,692.52	72.32
NA	54,297,453.54	25.26
Fitch		
AA	2,115,580.00	0.98
AA+	2,594,273.73	1.21
AAA	144,276,360.58	67.11
NA	66,009,461.93	30.70
Total	214,995,676.24	100.00

Issuer Concentration



- United States 40.9%
- COLUMBIA BANK DEPOSIT 17.4%
- Federal Home Loan Mortgage Corporation 9.2%
- WASHINGTON LGIP 7.9%
- Farm Credit System 6.6%
- Federal Home Loan Banks 5.2%
- International Bank for Reconstruction and Development 1.9%
- Asian Development Bank 1.9%
- Inter-American Development Bank 1.9%
- Microsoft Corporation 1.4%
- Federal National Mortgage Association 1.4%
- The Toronto-Dominion Bank 1.0%
- State of Oregon 0.9%
- Lake Washington School District 414 0.8%
- Pierce County Washington School District No 010 Tacoma 0.6%
- State of Texas 0.5%
- Commonwealth of Massachusetts 0.3%
- Beaverton School District 0.2%

Risk Management-Maturity/Duration

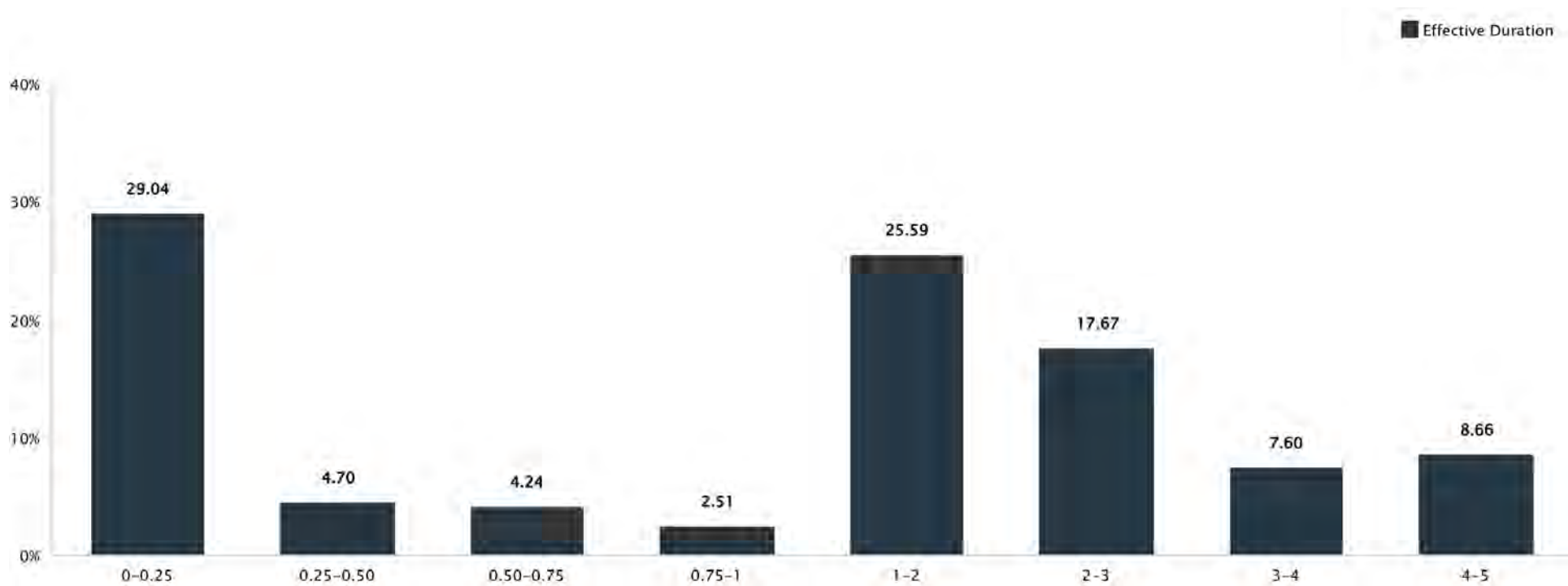
City of Lacey | Total Aggregate Portfolio



December 31, 2021

1.53 Yrs	Effective Duration	1.55 Yrs	Years to Maturity	567	Days to Maturity
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Distribution by Effective Duration



Holdings by Maturity & Ratings



City of Lacey | Total Aggregate Portfolio

December 31, 2021

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
LACEY_COL_DEP	37,317,505.96	COLUMBIA BANK DEPOSIT	0.130%	12/31/2021		37,317,505.96	0.00	37,317,505.96	0.13%		17.36	0.01	0.01	NA NA NA
WA_LGIP	16,979,947.58	WASHINGTON LGIP	0.075%	12/31/2021		16,979,947.58	0.00	16,979,947.58	0.07%		7.90	0.01	0.01	NA NA NA
594918BA1	3,000,000.00	MICROSOFT CORP	2.375%	02/12/2022	01/12/2022	3,001,230.00	27,510.42	3,028,740.42	2.05%	1.02%	1.41	0.12	0.03	AAA Aaa AAA
912828J76	5,000,000.00	UNITED STATES TREASURY	1.750%	03/31/2022		5,019,800.00	22,355.77	5,042,155.77	1.55%	0.15%	2.35	0.25	0.25	AA+ Aaa AAA
68609TMJ4	1,000,000.00	OREGON ST	1.707%	05/01/2022		1,004,570.00	2,845.00	1,007,415.00	1.71%	0.33%	0.47	0.33	0.33	AA+ Aa1 AA+
313379Q69	5,000,000.00	FEDERAL HOME LOAN BANKS	2.125%	06/10/2022		5,041,200.00	6,197.92	5,047,397.92	1.91%	0.26%	2.35	0.44	0.44	AA+ Aaa AAA
3133EKRD0	4,000,000.00	FEDERAL FARM CREDIT BANKS FUNDING CORP	1.875%	06/14/2022		4,031,440.00	3,541.67	4,034,981.67	1.88%	0.14%	1.88	0.45	0.45	AA+ Aaa AAA
3137EAET2	2,000,000.00	FEDERAL HOME LOAN MORTGAGE CORP	0.125%	07/25/2022		1,998,920.00	1,083.33	2,000,003.33	0.21%	0.22%	0.93	0.56	0.57	AA+ Aaa AAA
3133EKPC4	7,000,000.00	FEDERAL FARM CREDIT BANKS FUNDING CORP	2.125%	09/06/2022		7,094,990.00	47,517.36	7,142,507.36	1.93%	0.13%	3.32	0.68	0.67	AA+ Aaa AAA
912828M80	3,000,000.00	UNITED STATES TREASURY	2.000%	11/30/2022		3,043,470.00	5,274.73	3,048,744.73	1.66%	0.41%	1.42	0.91	0.91	AA+ Aaa AAA
495260L74	1,690,000.00	KING CNTY WASH SCH DIST NO 414 LAKE WASHINGTON	4.000%	12/01/2022		1,748,812.00	5,633.33	1,754,445.33	1.09%	0.20%	0.82	0.92	0.91	AA+ Aaa NA
720424ZQ6	590,000.00	PIERCE CNTY WASH SCH DIST NO 010 TACOMA	0.509%	12/01/2022		590,424.80	250.26	590,675.06	0.51%	0.43%	0.27	0.92	0.91	AA+ Aaa NA
045167ES8	2,500,000.00	ASIAN DEVELOPMENT BANK	1.625%	01/24/2023		2,528,275.00	17,717.01	2,545,992.01	0.20%	0.56%	1.18	1.07	1.05	AAA Aaa AAA
91282CBN0	4,500,000.00	UNITED STATES TREASURY	0.125%	02/28/2023		4,481,550.00	1,911.26	4,483,461.26	0.17%	0.48%	2.09	1.16	1.16	AA+ Aaa AAA

Holdings by Maturity & Ratings



City of Lacey | Total Aggregate Portfolio

December 31, 2021

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
313382AX1	6,000,000.00	FEDERAL HOME LOAN BANKS	2.125%	03/10/2023		6,115,920.00	39,312.50	6,155,232.50	0.94%	0.50%	2.86	1.19	1.17	AA+ Aaa AAA
91282CBX8	4,000,000.00	UNITED STATES TREASURY	0.125%	04/30/2023		3,978,600.00	856.35	3,979,456.35	0.14%	0.53%	1.85	1.33	1.33	AA+ Aaa AAA
68609TMK1	1,000,000.00	OREGON ST	1.733%	05/01/2023		1,014,700.00	2,888.33	1,017,588.33	1.73%	0.62%	0.47	1.33	1.32	AA+ Aa1 AA+
4581X0DM7	4,000,000.00	INTER-AMERICAN DEVELOPMENT BANK	0.500%	05/24/2023		3,995,680.00	2,055.56	3,997,735.56	0.23%	0.58%	1.86	1.39	1.39	AAA Aaa NA
3133ELG81	3,000,000.00	FEDERAL FARM CREDIT BANKS FUNDING CORP	0.300%	06/08/2023		2,989,350.00	575.00	2,989,925.00	0.37%	0.55%	1.39	1.44	1.43	AA+ Aaa AAA
938429V46	500,000.00	WASHINGTON CNTY ORE SCH DIST NO 48J BEAVERTON	0.569%	06/15/2023		499,550.00	126.44	499,676.44	0.57%	0.63%	0.23	1.45	1.45	AA+ Aa1 NA
3137EAES4	3,000,000.00	FEDERAL HOME LOAN MORTGAGE CORP	0.250%	06/26/2023		2,985,570.00	104.17	2,985,674.17	0.29%	0.58%	1.39	1.48	1.48	AA+ Aaa AAA
57582RF84	570,000.00	MASSACHUSETTS (COMMONWEALTH OF)	0.508%	07/01/2023		567,822.60	1,447.80	569,270.40	0.51%	0.77%	0.26	1.50	1.49	AA Aa1 AA+
3135G05G4	3,000,000.00	FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.250%	07/10/2023		2,983,650.00	3,562.50	2,987,212.50	0.29%	0.61%	1.39	1.52	1.52	AA+ Aaa AAA
89114QC48	2,000,000.00	TORONTO-DOMINION BANK	3.500%	07/19/2023		2,084,080.00	31,500.00	2,115,580.00	0.36%	0.77%	0.98	1.55	1.49	AA- Aa2 AA
9128284X5	4,000,000.00	UNITED STATES TREASURY	2.750%	08/31/2023		4,137,200.00	37,375.69	4,174,575.69	0.22%	0.67%	1.94	1.67	1.62	AA+ Aaa AAA
3137EAEW5	4,000,000.00	FEDERAL HOME LOAN MORTGAGE CORP	0.250%	09/08/2023		3,972,840.00	3,138.89	3,975,978.89	0.26%	0.66%	1.85	1.69	1.68	AA+ Aaa AAA
882830AS1	1,000,000.00	TEXAS TRANSN COMMN	0.410%	10/01/2023		994,610.00	1,025.00	995,635.00	0.41%	0.72%	0.46	1.75	1.74	NA Aaa AAA
3137EAey1	3,000,000.00	FEDERAL HOME LOAN MORTGAGE CORP	0.125%	10/16/2023		2,970,330.00	781.25	2,971,111.25	0.23%	0.68%	1.38	1.79	1.78	AA+ Aaa AAA

Holdings by Maturity & Ratings



City of Lacey | Total Aggregate Portfolio

December 31, 2021

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
3137EAEZ8	5,000,000.00	FEDERAL HOME LOAN MORTGAGE CORP	0.250%	11/06/2023		4,955,750.00	1,909.72	4,957,659.72	0.19%	0.73%	2.31	1.85	1.84	AA+ Aaa AAA
720424D56	700,000.00	PIERCE CNTY WASH SCH DIST NO 010 TACOMA	0.476%	12/01/2023		695,905.00	277.67	696,182.67	0.48%	0.78%	0.32	1.92	1.90	AA+ Aaa NA
3137EAF2	3,000,000.00	FEDERAL HOME LOAN MORTGAGE CORP	0.250%	12/04/2023		2,971,620.00	562.50	2,972,182.50	0.22%	0.75%	1.38	1.93	1.91	AA+ Aaa AAA
91282CBE0	5,000,000.00	UNITED STATES TREASURY	0.125%	01/15/2024		4,936,900.00	2,887.23	4,939,787.23	0.18%	0.75%	2.30	2.04	2.03	AA+ Aaa AAA
91282CBM2	4,000,000.00	UNITED STATES TREASURY	0.125%	02/15/2024		3,947,800.00	1,888.59	3,949,688.59	0.32%	0.75%	1.84	2.13	2.11	AA+ Aaa AAA
459058GQ0	4,000,000.00	INTERNATIONAL BANK FOR	2.500%	03/19/2024		4,144,960.00	28,333.33	4,173,293.33	0.41%	0.85%	1.94	2.22	2.15	AAA Aaa NA
91282CBV2	4,000,000.00	UNITED STATES TREASURY	0.375%	04/15/2024		3,959,840.00	3,214.29	3,963,054.29	0.36%	0.82%	1.84	2.29	2.27	AA+ Aaa AAA
91282CCC3	4,500,000.00	UNITED STATES TREASURY	0.250%	05/15/2024		4,438,665.00	1,460.64	4,440,125.64	0.36%	0.83%	2.07	2.37	2.36	AA+ Aaa AAA
045167FE8	1,500,000.00	ASIAN DEVELOPMENT BANK	0.375%	06/11/2024		1,481,670.00	312.50	1,481,982.50	0.40%	0.88%	0.69	2.45	2.43	AAA Aaa AAA
91282CCL3	4,500,000.00	UNITED STATES TREASURY	0.375%	07/15/2024		4,444,470.00	7,795.52	4,452,265.52	0.39%	0.87%	2.07	2.54	2.52	AA+ Aaa AAA
91282CDB4	2,500,000.00	UNITED STATES TREASURY	0.625%	10/15/2024		2,479,700.00	3,348.21	2,483,048.21	0.71%	0.92%	1.15	2.79	2.75	AA+ Aaa AAA
91282CDH1	2,000,000.00	UNITED STATES TREASURY	0.750%	11/15/2024		1,988,760.00	1,947.51	1,990,707.51	0.95%	0.95%	0.93	2.88	2.83	AA+ Aaa AAA
912828YY0	3,500,000.00	UNITED STATES TREASURY	1.750%	12/31/2024		3,579,835.00	169.20	3,580,004.20	0.80%	0.98%	1.67	3.00	2.92	AA+ Aaa AAA
912828Z52	2,500,000.00	UNITED STATES TREASURY	1.375%	01/31/2025		2,528,525.00	14,385.19	2,542,910.19	0.77%	1.00%	1.18	3.08	3.00	AA+ Aaa AAA

Holdings by Maturity & Ratings



City of Lacey | Total Aggregate Portfolio

December 31, 2021

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
912828ZF0	3,500,000.00	UNITED STATES TREASURY	0.500%	03/31/2025		3,441,900.00	4,471.15	3,446,371.15	0.88%	1.02%	1.60	3.25	3.20	AA+ Aaa AAA
912828ZL7	2,500,000.00	UNITED STATES TREASURY	0.375%	04/30/2025		2,444,525.00	1,605.66	2,446,130.66	0.85%	1.05%	1.14	3.33	3.29	AA+ Aaa AAA
912828ZW3	3,000,000.00	UNITED STATES TREASURY	0.250%	06/30/2025		2,914,560.00	20.72	2,914,580.72	0.94%	1.08%	1.36	3.50	3.47	AA+ Aaa AAA
91282CAB7	2,500,000.00	UNITED STATES TREASURY	0.250%	07/31/2025		2,425,000.00	2,615.49	2,427,615.49	0.91%	1.11%	1.13	3.58	3.55	AA+ Aaa AAA
91282CAM3	2,750,000.00	UNITED STATES TREASURY	0.250%	09/30/2025		2,662,990.00	1,756.52	2,664,746.52	0.99%	1.11%	1.24	3.75	3.71	AA+ Aaa AAA
91282CAT8	2,500,000.00	UNITED STATES TREASURY	0.250%	10/31/2025		2,416,300.00	1,070.44	2,417,370.44	0.98%	1.15%	1.12	3.83	3.79	AA+ Aaa AAA
91282CBH3	2,500,000.00	UNITED STATES TREASURY	0.375%	01/31/2026		2,418,550.00	3,923.23	2,422,473.23	1.04%	1.19%	1.13	4.08	4.03	AA+ Aaa AAA
91282CBQ3	2,500,000.00	UNITED STATES TREASURY	0.500%	02/28/2026		2,429,000.00	4,247.24	2,433,247.24	1.10%	1.20%	1.13	4.16	4.09	AA+ Aaa AAA
91282CBW0	2,500,000.00	UNITED STATES TREASURY	0.750%	04/30/2026		2,450,500.00	3,211.33	2,453,711.33	1.09%	1.22%	1.14	4.33	4.24	AA+ Aaa AAA
91282CCF6	2,500,000.00	UNITED STATES TREASURY	0.750%	05/31/2026		2,448,625.00	1,648.35	2,450,273.35	1.15%	1.23%	1.14	4.41	4.32	AA+ Aaa AAA
91282CCP4	2,500,000.00	UNITED STATES TREASURY	0.625%	07/31/2026		2,430,950.00	6,538.72	2,437,488.72	1.13%	1.25%	1.13	4.58	4.49	AA+ Aaa AAA
91282CCW9	2,500,000.00	UNITED STATES TREASURY	0.750%	08/31/2026		2,444,050.00	6,370.86	2,450,420.86	1.18%	1.25%	1.14	4.67	4.55	AA+ Aaa AAA
91282CCZ2	2,000,000.00	UNITED STATES TREASURY	0.875%	09/30/2026		1,964,300.00	4,471.15	1,968,771.15	1.06%	1.26%	0.92	4.75	4.62	AA+ Aaa AAA
91282CDK4	2,000,000.00	UNITED STATES TREASURY	1.250%	11/30/2026		1,998,760.00	2,197.80	2,000,957.80	1.23%	1.26%	0.93	4.91	4.75	AA+ Aaa AAA
Total	215,097,453.54		0.776%			214,616,447.94	379,228.30	214,995,676.24	0.62%	0.72%	100.00	1.55	1.53	

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.

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, LGI 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.





**FINANCE & ECONOMIC
DEVELOPMENT COMMITTEE**
January 25, 2022

SUBJECT: Investment Policy Amendments

RECOMMENDATION: Upon review and concurrence, recommend full City Council consideration of proposed changes to the City's investment policy.

STAFF CONTACT: Scott Spence, City Manager ^{SS}
Troy Woo, Finance Director ^{TW}

ORIGINATED BY: Troy Woo, Finance Department

ATTACHMENTS:

FISCAL NOTE:

PRIOR REVIEW: September 28, 2021

BACKGROUND:

On May 14, 2020, the City Council adopted Resolution No. 1089, which updated the City's investment policy. The current investment policy proposed changes are consistent with the Revised Code of Washington (RCW), Washington State Investment Board, Washington Public Treasurers Association, Washington Municipal Treasurers' Association (WMTA) model investment policy, and the Washington State Auditor's Office Budgeting, Accounting, and Reporting System (BARS) manual as guidance.

Each year the City's investment advisor, Government Portfolio Advisors, and staff develop a Guideline Portfolio Strategy. This process begins with an analysis of expected cash flows, fund balance levels, and liquidity requirements. After considering market expectations, analysis of the portfolio, and review of the current benchmarks, the strategy is developed. The 2021 Guideline Portfolio Strategy was developed during the last half of 2021. It included strategy changes that required investment policy changes and those that did not.

Before the Guideline Portfolio Strategy was completed, the Finance and Economic Development Committee were briefed on the strategy elements and gave guidance on the strategies that did not require policy changes. The Committee gave guidance to implement the following strategies at its September 28 meeting:

- Moved the benchmark from the 0-3 year benchmark to the 0-5 year benchmark.
- Increased the Core investment balance to take advantage of the 0-5 year benchmark and to add yield.

The final implementation step of the Guideline Portfolio Strategy includes recommended amendments to the investment policy. The amendments are related to recent updates to State's investment policy. The policy recommendations are intended to add clarity and to follow the State statutes more closely. The proposed changes relate to the following policy sections:

- Combine the U.S. Agency Primary and U.S. Agency Secondary obligations into a single U.S. Agency Obligation section. The types of securities being combined include:
 - Federal government agency bonds, which include the Federal Housing Administration, Small Business Administration, Tennessee Valley Authority, and Government National Mortgage Association, are similar to Treasury securities in the sense they are backed by the full faith and credit of the United States government (Tennessee Valley Authority is the exception).
 - Government-Sponsored Enterprise bonds, which include Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage (Freddie Mac), Federal Farm Credit Banks, and Federal Home Loan Bank, are different because they are not backed by the same Federal government guarantees.
- The Washington State Investment Board adopted changes to the investment policy and procedures relating to corporate notes:
 - Minimum rating of single A (currently AA-)
 - Maximum maturity of 5.5 years (currently 5.0 years)
 - AA rated notes must not exceed 3.0 percent of the total portfolio (no change)
 - A rated notes must not exceed 2.0 percent of the total portfolio (new)
 - Individual country limit of non-U.S. and non-Canadian exposure is limited to 2.0 percent of the total portfolio (currently only non-U.S. and non-Canadian are allowable)
- The Washington State Investment adopted changes to the investment policy and procedures relating to commercial paper:
 - Increase of minimum rating to A1+/P1/F1+ (currently A1/P1/F1)

Staff requests that the Finance and Economic Development Committee review the proposed changes to the City's investment policy and upon concurrence direct staff to prepare a resolution amending the investment policy for City Council consideration.

ADVANTAGES:

1. More concise policy guidance for authorized investments, reporting requirements, and diversification of the portfolio.
2. The proposed changes provide policy and best practice alignment with the authoritative bodies of Washington State.
3. The investment policy will continue to be designed to protect and preserve public dollars, maintain cash flow for operations, and to enhance investment interest earning to help fund public services.

DISADVANTAGES:

1. None identified.



FINANCE & ECONOMIC DEVELOPMENT COMMITTEE

January 25, 2022

SUBJECT: Re-allocate unspent funds from 2021 Scale-Up contract to establish a BIPOC business startup training program in 2022.

RECOMMENDATION: Authorize the re-allocation of unspent funds from the 2021 Scale-Up contract to establish a BIPOC business startup training program and authorize the City Manager to enter into a contract with Thurston EDC to manage the BIPOC training program.

STAFF CONTACT: Scott Spence, City Manager *SS*
Rick Walk, Director of Community and Economic Development *RW*
Wesley Nguyen, Economic Development Coordinator

ORIGINATED BY: Community and Economic Development Department

ATTACHMENTS:

1. [The Lacey BIPOC Business Training & Curriculum Prospectus](#)
2. [Draft Professional Services Agreement with Thurston EDC-CB&I](#)

FISCAL NOTE: The unspent \$26,821 of the \$30,000 in the 2021 Scale Up budget can be carried over to the 2022 budget without a negative impact.

PRIOR REVIEW: None

BACKGROUND:

Since 2017, the City of Lacey has supported the Thurston EDC's Scale Up Training Program by funding scholarships for Lacey based business owners. The ScaleUp Training Program is a series of three four-hour session workshops: Business TuneUp, Build Your Market, and Financial Master. In 2021, the Washington State Department of Commerce provided funds to support local ScaleUp programs. The State funding allowed the City to amend the 2021 contract with Thurston EDC to develop and deliver an advance model of ScaleUP, ScaleUp 200. The 200 level courses are intended to provide a more in depth and

advance curriculum in the various topics taught in the initial three courses. At this time (November 2021) the level 200 courses have not attracted many participants; only \$3,179 of \$30,000 was invoiced. We believe the low participation rate is a combination of several factors related to the pandemic such as challenges to meeting virtually or in person, not being able to take time away from business and general pandemic fatigue. The ScaleUP 200 program is continuing in 2022 with a new contract with the goal of promoting the program and attracting Lacey business owners to take advantage of the program and scholarship. With the \$26,821 remaining from the 2021 contract, staff believes this would be a good time to propose a new approach. To develop a business support, education and training curriculum tailored for Black Indigenous and People of Color (BIPOC) in the Lacey community.

The program will serve entrepreneurs and business owners throughout the City of Lacey (and nearby Urban Growth Area) with a focus on underserved communities to help foster innovation and create wealth building opportunities. The Lacey BIPOC Business Training will provide direct access to business resources such as relevant training, coaching, technical assistance, and networking support to launch and grow micro businesses in Lacey and the region. Upon completion, participants can apply to the SPSCC Growth & Innovation Fund, and coaching/mentorship for one year.

Thurston EDC will design and host the BIPOC Business Training. The newly created Thurston EDC BIPOC Business Liaison and City staff will promote the program specifically to the Lacey BIPOC community and recruit participants. The 5 weeks (15 hours hybrid) training program is free for the participants. With the remaining funding amount, Thurston EDC can deliver two cohorts of 14-17 participants, first cohort will be starting in Late February 2022 and the second cohort will be starting in spring of 2022.

ADVANTAGES:

1. Cultivate and nurture small businesses in our community
2. Create a local economy that is equitable, diverse, inclusive, and sustainable for small businesses to thrive

DISADVANTAGES:

1. None

Lacey BIPOC Business Training

Working in partnership with the Thurston Economic Development Council, Lacey's Community and Economic Development Department (CED) created a Black, Indigenous and People of Color (BIPOC) Business Training Program in response to the pandemic and the adverse impacts on underserved communities in Lacey. The program will serve entrepreneurs and business owners throughout the City of Lacey (and nearby Urban Growth Area) with a focus on underserved communities to help foster innovation and create wealth building opportunities.

The Lacey BIPOC Business Training will provide direct access to business resources such as relevant training, coaching, technical assistance, and networking support to launch and grow micro businesses in Lacey and the region. Upon completion, participants can apply to SPSCC Growth & Innovation Fund, and coaching/mentorship for one year.

Program length: 5 weeks, 3 hours per week (1.5 in person, 1.5 online)

Program delivery: Instructor Lead and Online training

Program funding: City of Lacey provides \$26,000 to Thurston EDC to develop, recruit, and deliver this training program. The fund would support 2 cohorts with 15-17 participants per cohort.

First Round Application Deadline: December 15. Applications submitted after this date will be considered for a later cohort.

- First cohort will kick off by the early/mid of January 2022.
- Application criteria
 - Must be located in Lacey City or Urban Growth Area (UGA) – either the business or the business owner
 - Startup to small business stage with less than \$300,000 in annual revenue
 - BIPOC (and Vet) Business owners and entrepreneurs

Training Curriculum Overview:

Timeline	Topic	Duration	Agenda	Note
Week 1	Structuring and Licensing your Startup	1.5 hour class time- Webinar Lecture-Sean Moore	Selecting a legal structure, structure formation process in Washington State, Obtaining an Employer Identification Number, Obtaining State and City of Lacey Business Licenses, Additional Licensing, Business Insurance	Weekly Study Hall Session; Access to Business Enterprise Startup Training (BEST) Online Course Structuring and Licensing your Startup
Week 2	Location	1.5 hour class time- Webinar Lecture-Sean Moore	Choosing the right location, Physical Location Scouting, City of Lacey Zoning, Signage, and Fire Prevention Requirements, Leases, Alternative Physical Locations, Online locations, Multi-Channel Selling	Weekly Study Hall Session; Access to Location Checklist and Site Selection Tool
Week 3	Branding and Marketing your Startup	1.5 hour class time- Webinar Lecture-Sean Moore	Brand Mission, Brand Guide, Logos, Market Segments, Target Market, Marketing Tool Selection, Websites, Google My Business, Integrated Marketing Communication, Customer Service, Customer Reviews	Access to BEST Online Course; Branding and Marketing for Startups Weekly Study Hall Session
Week 4	Finance and Accounting for Startups	1.5 hour class time- Webinar Lecture-Sean Moore	Business Bank Accounts, Accounting Systems, Chart of Accounts, Financial Statements, Taxes, Funding your Startup	Access to BEST Online Course; Accounting and Finance for Startups Weekly Study Hall Session
Week 5	Business Plan Writing	1.5 hour class time- Webinar Lecture-Sean Moore	Business Plan Benefits, Live Plan, Business Plan Outline, Business Plan Chapter Systems, Market Research, Financial Projections, Lean Business Plans, Pitch Decks	Access to BEST Online Course; Business Plan Writing 6 month access to business plan writing software Live Plan; Weekly Study Hall Session

These are not all inclusive. There will be flexibility to add or change training topics to support or accommodate cohort preferences.

AGREEMENT FOR SERVICES

THIS AGREEMENT is made by and between the City of Lacey, a code City of the State of Washington, hereinafter “City” and Thurston Economic Development Council Center for Business & Innovation, hereinafter “Service Provider,” jointly referred to as “Parties.”

IN CONSIDERATION of the terms and conditions contained herein, the Parties agree as follows:

1. **Work to Be Performed.** Service Provider shall provide all labor, services, and material to satisfactorily complete the Scope of Services, attached as Exhibit A.

A. **Administration.** The City Manager or designee shall administer and be the primary contact for Service Provider. Prior to commencement of work, Service Provider shall contact the City Manager or designee to review the Scope of Services, schedule, and date of completion. Upon notice from the City Manager or designee, Service Provider shall commence work, perform the requested tasks in the Scope of Services, stop work, and promptly cure any failure in performance under this Agreement.

B. **Representations.** City has relied upon the qualifications of Service Provider in entering into this Agreement. By execution of this Agreement, Service Provider represents it possesses the ability, skill, and resources necessary to perform the work and is familiar with all current laws, rules, and regulations which reasonably relate to the Scope of Services. No substitutions of agreed-upon personnel shall be made without the prior written consent of City.

Service Provider represents that the compensation as stated in paragraph 3 is adequate and sufficient for the timely provision of all professional services required to complete the Scope of Services under this Agreement.

Service Provider shall be responsible for the technical accuracy of its services and documents resulting therefrom, and City shall not be responsible for discovering deficiencies therein. Service Provider shall correct such deficiencies without additional compensation except to the extent such action is directly attributable to deficiencies in City-furnished information.

C. **Standard of Care.** Service Provider shall exercise the degree of skill and diligence normally employed by professional Service Providers engaged in the same profession, and performing the same or similar services at the time such services are performed.

Modifications. City may modify this Agreement and order changes in the work whenever necessary or advisable. Service Provider shall accept modifications when ordered in writing by the City Manager or designee, so long as the additional work is within the scope of Service Provider’s area of practice. Compensation for such modifications or changes shall be as mutually agreed between the Parties. Service Provider shall make such revisions in the work as are necessary to correct errors or

omissions appearing therein when required to do so by City without additional compensation.

2. **Term of Contract.** This Agreement shall be in full force and effect upon execution and shall remain in effect until completion of all contractual requirements have been met as determined by City. Service Provider shall complete its work by December 31st, 2022, unless the time for performance is extended in writing by the Parties.

Either Party may terminate this Agreement for material breach after providing the other Party with at least 10 days' prior notice and an opportunity to cure the breach. City may, in addition, terminate this Agreement for any reason by 10 days' written notice to Service Provider. In the event of termination without breach, City shall pay Service Provider for all work previously authorized and satisfactorily performed prior to the termination date.

3. **Compensation and Method of Payment.**

A. The City shall pay Service Provider for the performance of those services designated in Exhibit "A," an amount not to exceed \$26,800. If the description of services on Exhibit "A" designates additional services which may be requested by the City, said additional services will be paid for by the City at the rate set forth on Exhibit "A," which sum may exceed the "not to exceed" amount set forth above; however, said services will only be performed and compensated by the City after the City has directed such performance in writing.

B. Payment by the City for services will only be made after the services have been performed, a voucher or invoice is submitted in the form specified by the City, and the same is approved by the appropriate City representative. Payment may be made on a monthly or other periodic basis and may be made on the basis of an estimate of the percentage of contract completion accomplished if said procedure is approved by the City.

1. Event/Festival Funding. Payments will be made only after SERVICE PROVIDER submits a completed Request for Event/Festival Funding Reimbursement form (Exhibit C), along with copies of invoices and proof of payment for each invoice. Proof of payment will be in the form of a copy of the SERVICE PROVIDER's cleared or cancelled check. The SERVICE PROVIDER shall complete the Lodging Tax Report (Exhibit B), immediately following the event/festival.

2. Tourism-Related Facility and Tourism Promotion Agency. Payments will be made to SERVICE PROVIDER after submission of an appropriate invoice or voucher. Unless the CITY specifically approves a different manner of payment, payments shall be made quarterly after the receipt of the invoice and quarterly report. The SERVICE PROVIDER shall complete the Lodging Tax Report (Exhibit B), and submit no later than December 31, 2022.

C. If an hourly rate of compensation or other means of measurement is set forth on Exhibit "A," the parties intend that said measurement shall be used up to the "not to exceed" figure set forth above.

D. The City reserves the right to withhold payment under this Agreement for that portion of the work (if any) which is determined in the reasonable judgment of the City Manager or designee to be noncompliant with the Scope of Services, City standards, City Code, and federal or state standards.

4. **Notice.** Notices other than applications for payment shall be given in writing as follows:

TO THE CITY:

Name: Scott Spence
Phone: 360-491-3214
Address: 420 College St., SE
Lacey, WA 98503

TO THE SERVICE PROVIDER:

Name: Michael Cade
Phone: 360-754-6320
Address: 4220 6th Ave., SE
Lacey, WA 98503

5. **Applicable Laws and Standards.** The Parties, in the performance of this Agreement, agree to comply with all applicable federal, state, and local laws and regulations. Service Provider warrants that its designs, construction documents, and services shall conform to all federal, state, and local statutes and regulations.

6. **Relationship of the Parties.** It is understood and agreed that Service Provider shall be an independent contractor and not the agent or employee of City, that City is interested in only the results to be achieved, and that the right to control the particular manner, method, and means in which the services are performed is solely within the discretion of Service Provider. Any and all employees who provide services to City under this Agreement shall be deemed employees solely of Service Provider. The Service Provider shall be solely responsible for the conduct and actions of all its employees under this Agreement and any liability that may attach thereto.

7. **Records.** The City or State Auditor or any of their representatives shall have full access to and the right to examine during normal business hours all of Service Provider's records with respect to all matters covered in this Agreement. Such representatives shall be permitted to audit, examine, make excerpts or transcripts from such records, and to make audits of all contracts, invoices, materials, payrolls, and record of matters covered by this Agreement for a period of three years from the date final payment is made hereunder.

8. **Insurance.** Service Provider shall procure and maintain for the duration of the Agreement, insurance against claims for injuries to persons or damage to property which may arise from or in connection with the performance of the work hereunder by Service Provider, its agents, representatives, employees, or subcontractors.

A. **Minimum Scope of Insurance.** Service Provider shall obtain insurance of the types described below:

1. Automobile liability insurance covering all owned, non-owned, hired, and leased vehicles. Coverage shall be written on Insurance Services Office (ISO) form CA

00 01 or a substitute form providing equivalent liability coverage. If use of vehicles pursuant to the Agreement is only incidental, and Service Provider will not transport any persons not directly related or affiliated with Service Provider, then Service Provider is only required to have automobile liability insurance to meet at least minimum Washington state requirements.

2. Commercial general liability insurance shall be at least as broad as ISO occurrence form CG 00 01 and shall cover liability arising from premises, operations, stop-gap independent contractors and personal injury, and advertising injury. City shall be named as an additional insured under Service Provider's commercial general liability insurance policy with respect to the work performed for the City using an additional insured endorsement at least as broad as ISO CG 20 26.

3. Workers' compensation coverage as required by the industrial insurance laws of the State of Washington.

B. Minimum Amounts of Insurance. Service Provider shall maintain the following insurance limits:

1. Automobile liability insurance with a minimum combined single limit for bodily injury and property damage of no less than \$1,000,000 per accident. If Service Provider will not use its vehicles in the performance of this Agreement, automobile liability insurance is only required to meet minimum Washington state requirements.

2. Commercial general liability insurance shall be written with limits no less than \$1,000,000 for each occurrence, and \$2,000,000 for general aggregate.

C. Other Insurance Provisions. The policies are to contain, or be endorsed to contain, the following provisions for automobile liability, professional liability, and commercial general liability insurance:

1. Service Provider's insurance coverage shall be primary insurance with respect to the City. Any insurance, self-insurance, or insurance pool coverage maintained by City shall be in excess of Service Provider's insurance and shall not contribute with it.

2. Service Provider shall fax or send electronically in .pdf format a copy of insurer's cancellation notice within two business days of receipt by Service Provider.

3. If Service Provider maintains higher insurance limits than the minimums shown above, City shall be insured for the full available limits of commercial general and excess or umbrella liability maintained by Service Provider, irrespective of whether such limits maintained by Service Provider are greater than those

required by this Agreement or whether any certificate of insurance furnished to the City evidences limits of liability lower than those maintained by Service Provider.

4. Failure on the part of Service Provider to maintain the insurance as required shall constitute a material breach of the Agreement, upon which the City may, after giving at least five business days' notice to Service Provider to correct the breach, immediately terminate the Agreement, or at its sole discretion, procure or renew such insurance and pay any and all premiums in connection therewith, with any sums so expended to be repaid to City on demand, or at the sole discretion of the City, offset against funds due Service Provider from the City.

D. Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best rating of not less than A:VII.

E. Evidence of Coverage. As evidence of the insurance coverages required by this Agreement, Service Provider shall furnish acceptable insurance certificates to the City Clerk at the time Service Provider returns the signed Agreement, which shall be Exhibit C. The certificate shall specify all of the parties who are additional insureds, and shall include applicable policy endorsements, and the deduction or retention level. Insuring companies or entities are subject to City acceptance. If requested, complete copies of insurance policies shall be provided to City. Service Provider shall be financially responsible for all pertinent deductibles, self-insured retentions, and/or self-insurance.

9. **Indemnification and Hold Harmless.** Service Provider shall, at its sole expense, defend, indemnify, and hold harmless City and its officers, agents, and employees, from any and all claims, actions, suits, liability, loss, costs, attorney's fees, costs of litigation, expenses, injuries, and damages of any nature whatsoever relating to or arising out of the wrongful or negligent acts, errors, or omissions in the services provided by Service Provider, Service Provider's agents, subcontractors, subService Providers, and employees to the fullest extent permitted by law, subject only to the limitations provided below.

Service Provider's duty to defend, indemnify, and hold City harmless shall not apply to liability for damages arising out of such services caused by or resulting from the sole negligence of City or City's agents or employees pursuant to RCW 4.24.115.

Service Provider's duty to defend, indemnify, and hold City harmless against liability for damages arising out of such services caused by the concurrent negligence of (a) City or City's agents or employees, and (b) Service Provider, Service Provider's agents, subcontractors, subService Providers, and employees shall apply only to the extent of the negligence of Service Provider, Service Provider's agents, subcontractors, subService Providers, and employees.

Service Provider's duty to defend, indemnify, and hold City harmless shall include, as to all claims, demands, losses, and liability to which it applies, City's personnel-related costs, reasonable attorneys' fees, the reasonable value of any services rendered by the office of the City Attorney, outside Service Provider costs, court costs, fees for collection, and all other claim-related

expenses.

Service Provider specifically and expressly waives any immunity that may be granted it under the Washington State Industrial Insurance Act, Title 51 RCW. These indemnification obligations shall not be limited in any way by any limitation on the amount or type of damages, compensation, or benefits payable to or for any third party under workers' compensation acts, disability benefit acts, or other employee benefits acts. Provided, that Service Provider's waiver of immunity under this provision extends only to claims against Service Provider by City, and does not include, or extend to, any claims by Service Provider's employees directly against Service Provider.

Service Provider hereby certifies that this indemnification provision was mutually negotiated.

10. **Waiver.** No officer, employee, agent, or other individual acting on behalf of either Party has the power, right, or authority to waive any of the conditions or provisions of this Agreement. A waiver in one instance shall not be held to be a waiver of any other subsequent breach or nonperformance. All remedies afforded in this Agreement or by law shall be taken and construed as cumulative and in addition to every other remedy provided herein or by law. Failure of either Party to enforce at any time any of the provisions of this Agreement or to require at any time performance by the other Party of any provision hereof shall in no way be construed to be a waiver of such provisions nor shall it affect the validity of this Agreement or any part thereof.

11. **Assignment and Delegation.** Neither Party shall assign, transfer, or delegate any or all of the responsibilities of this Agreement or the benefits received hereunder without prior written consent of the other Party.

12. **Subcontracts.** Except as otherwise provided herein, Service Provider shall not enter into subcontracts for any of the work contemplated under this Agreement without obtaining prior written approval of City.

13. **Confidentiality.** Service Provider may, from time-to-time, receive information which is deemed by City to be confidential. Service Provider shall not disclose such information without the prior express written consent of City or upon order of a court of competent jurisdiction.

14. **Jurisdiction and Venue.** This Agreement is entered into in Thurston County, Washington. Disputes between City and Service Provider shall be resolved in the Superior Court of the State of Washington in Thurston County. Notwithstanding the foregoing, Service Provider agrees that it may, at City's request, be joined as a party in any arbitration proceeding between City and any third party that includes a claim or claims that arise out of, or that are related to Service Provider's services under this Agreement. Service Provider further agrees that the Arbitrator(s)' decision therein shall be final and binding on Service Provider and that judgment may be entered upon it in any court having jurisdiction thereof.

15. **Cost and Attorney's Fees.** The prevailing party in any litigation or arbitration arising out of this Agreement shall be entitled to its attorney's fees and costs of such litigation (including expert witness fees).

16. **Entire Agreement.** This written Agreement constitutes the entire and complete agreement between the Parties and supersedes any prior oral or written agreements. This Agreement may not be changed, modified, or altered except in writing signed by the Parties hereto.

17. **Anti-kickback.** No officer or employee of City, having the power or duty to perform an official act or action related to this Agreement shall have or acquire any interest in this Agreement, or have solicited, accepted, or granted a present or future gift, favor, service, or other thing of value from any person with an interest in this Agreement.

18. **Severability.** If any section, sentence, clause, or phrase of this Agreement should be held to be invalid for any reason by a court of competent jurisdiction, such invalidity shall not affect the validity of any other section, sentence, clause, or phrase of this Agreement.

The Parties have executed this Agreement this _____ day of _____, 20__.

CITY OF LACEY

SERVICE PROVIDER:

By: _____
Scott Spence
City Manager

By: _____
Michael Cade
Executive Director

Approved as to form:

David Schneider
City Attorney

Exhibit A Scope of Services

Service Provider will provide a series of two, five weeks business startup training. Two complete series will be offered during the first two calendar quarters. Each training cohort will last approximately 7½ hours over a five-week period at 1½ hour per week.

Additionally, Service Provider will offer access to online course content, one-on-one business coaching, business mentorship, and no cost access to business plan writing software for six months. The five week training includes instructor lead webinars with training topics include: Structuring and Licensing your Startup, Location, Brand and Marketing, Finance and Accounting, and Business Plan Writing.

Service Provider will provide outreach and promotion of the Business Startup Training series to Lacey businesses, conduct the workshops for the Lacey businesses receiving City-paid scholarships, and track and report results to City.

For services provided by Service Provider to their entrepreneur, business owner, and business clients with a place of business located within the City of Lacey and the Urban Growth Area (UGA), Service Provider will make every effort to ensure that such clients are made aware of the importance of both emergency preparedness and succession planning.

Outreach and promotion of training program - \$500 Maximum

1. Service Provider will update web content and create flyers about the City of Lacey's scholarship support of the Business Startup Training Program.
2. Service Provider will use social media (paid and unpaid), promote through *The Olympian*, *ThurstonTalk*, and potentially other media that reach Lacey business owners.
3. Service Provider will conduct special outreach to Lacey businesses; coordinate with City staff, the Lacey South Sound Chamber of Commerce, and others to market the Business Startup Training program.
4. The period of performance for outreach will end on December 31, 2022.

Training and Roundtable Scholarship Fund - \$25,500 Maximum

1. Service Provider will allocate scholarships where, in Service Provider's professional opinion, the business is prepared, committed to the program, and will benefit.
2. Service Provider will allocate scholarships based on business demand and business need.
3. Service Provider will be compensated for scholarships, up to the \$25,500 maximum.
 - a. Training scholarships will be based on \$750 for a business that completes the full program.

4. Scholarships will be used exclusively for Lacey businesses and Lacey residents, meaning businesses/residents that are headquartered/lived in the City of Lacey, or Lacey's Urban Growth Area (UGA).
5. Service Provider may, with the approval of City staff, provide scholarships to businesses not headquartered in the City of Lacey, or its UGA, if the business has a significant physical presence in Lacey, or provides significant employment to Lacey citizens.
6. The period of performance for scholarship utilization will end December 31, 2022.

Metrics tracking and reporting - \$800 Maximum

1. Service Provider will provide progress reports on the outreach efforts to City.
2. Service Provider will provide business names, owners, and addresses of scholarship recipients.
3. Service Provider will provide City with reports of participant surveys regarding series content, delivery, and value.
4. Service Provider will conduct survey of participants at six months and one year after program completion. Survey results will be shared with City. Surveys will include:
 - a. Whether business made changes to their business as a result of what they had learned in the workshops.
 - b. If the business has seen positive changes in their business resulting from those changes.
 - c. If they have taken advantage of one-on-one advising or other services through the Service Provider.
 - d. Changes in average monthly revenues, profit, and number of employees.
5. Period of performance for metrics, tracking, and reporting will end on end date of the agreement. In the event that agreement is extended, the period of performance for the section of the Scope will move to that new later date.