



FINANCE & ECONOMIC DEVELOPMENT COMMITTEE
TUESDAY, FEBRUARY 28, 2023
8:30 A.M.
REMOTE AND IN PERSON ATTENDANCE

The Finance & Economic Development Committee meeting will be conducted remotely and in person.

The public may attend the meeting in person in the Council Chambers at Lacey City Hall, 420 College SE, Lacey, Washington, or you may view or listen to the meeting by using one of the following platforms:

Live through Zoom: <https://us02web.zoom.us/j/84815999227>

Live or as a recording on YouTube: <https://youtube.com/live/1qMbTOouc00>

Listen via telephone: (888) 788-0099 or (877) 853-5247 (Webinar ID: 848 1599 9227)

AGENDA

2022 4TH QUARTER INVESTMENT REPORT

TROY WOO, DIRECTOR OF FINANCE
(STAFF REPORT)

2022 CARRYOVER BUDGET AMENDMENT

TROY WOO, DIRECTOR OF FINANCE
(STAFF REPORT)



**FINANCE & ECONOMIC
DEVELOPMENT COUNCIL**
February 28, 2023

SUBJECT: Fourth Quarter 2022 Investment Report

RECOMMENDATION: Review Fourth Quarter Investment Report

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

ORIGINATED BY: Troy Woo, Finance Director

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

FISCAL NOTE: None

**WORK PLAN GOAL
AND STRATEGY:** 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 2022 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 summary, Lacey's core fund portfolio narrowly underperformed the investment strategy benchmark. The core fund net total return for the quarter was 0.87 percent. The benchmark total return for the period was 0.93 percent. The net total return includes changes to market value, which has been decreasing due to the historic interest rate increase environment.

The total portfolio *unrealized loss* at the end of the quarter was \$7,551,897. 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 Federal Reserve funds rate ended in the range of 4.25 to 4.50 percent. This is a 15-year high as a result of one of the most rapid rate increase periods in history. The Federal Reserve increased the benchmark rate 4.25 percent in a 9-month period. There are expectations for the Federal Reserve rate to continue to increase to the 5.00 percent range during the first half of 2023.
- Third quarter 2022 Gross Domestic Product (GDP) is estimated to have grown 3.2 percent after a very soft 2022 first half.
- The total portfolio book yield increased from 0.817 percent to 1.551 percent during the quarter.
- At the end of the fourth quarter 2022, the core fund portfolio duration was 1.925 years, which is lower than the benchmark duration of 2.036 years. The core fund continues to adjust to move from the 0-3 year benchmark to the 0-5 year benchmark investment strategy change endorsed by the Finance Committee at its September 2021 committee meeting. The strategy continues to aim to be at or be slightly above the duration benchmark to take advantage of multi-year high yield levels in an environment of aggressive Federal Reserve rate increases and expected declining growth environment.

Quarterly Executive Investment Report

City of Lacey

December 31, 2022

Total Aggregate Portfolio

Market Commentary

Market Yields: Yields beyond the 2-year point ended the quarter largely unchanged while yields inside the 2-year mark increased in response to Federal Reserve rate hikes. The lack of movement in longer dated yields hides the large swings that saw the 2-year trade as high as 4.72% and as low as 4.10% while the 10-year yield swung between a high of 4.24% and a low of 3.42%. We expect the front-end to continue to follow the Fed higher, while yields beyond 2-years are expected to remain below the federal funds rate given policy makers expect to ease policy once inflation is rebalanced to their goals.

FOMC: The Federal Reserve continued their historic rate hiking campaign as they increased the federal funds rate by 75 basis points at their November meeting and another 50 basis points at their December meeting. This brings the federal funds rate upper bound to 4.5% to close out the year, a level not seen since 2007. Projections set forth by the Fed in December call for moving the federal funds rate up toward 5% in early 2023 and keeping rates at this level for several months to ensure the battle on inflation is won. Markets are currently expecting the Fed to downshift back toward more traditional 25 basis point increases in the months ahead.

Employment and Inflation: The labor market continues to amaze forecasters with continued job gains and very low levels of unemployment claims despite the slowing economic backdrop and rapid policy tightening out of the Federal Reserve. The economy added 816 thousand jobs during the quarter, led by gains in leisure, hospitality, healthcare, and education. Wage growth remains elevated over the pre-COVID trend, however recent data shows gains are leveling out rather than continuing to accelerate. Progress on the inflation front was a pleasant surprise in the fourth quarter as measures for both consumer and producer prices improved more than expected. Recent month-over-month price readings show meaningful progress that is expected to continue as we move into 2023.

Market Outlook

GDP: Economic growth rebounded after a very soft first half of the year with third quarter real GDP coming in at 3.2%. Driving the growth was a 2.3% advance in personal consumption, a boost from government spending as well a large decline in imports. Final sales to domestic purchasers, a good metric to cut through trade and inventory related noise, came in at 1.5%. We expect growth in the fourth quarter to remain buoyant on the back of positive consumption and a continued sharp decline in imports offset by weakness in housing and manufacturing.

Fed Funds: The fed funds rate ended 2022 at a 15-year high in the range of 4.25-4.50% as the FOMC initiated one of the most rapid monetary policy tightening campaigns in history, raising the key benchmark rate by a whopping 425 basis points in a 9-month time span. The Fed and markets now anticipate rates increasing to roughly 5% sometime in the first half of 2023 before eventually declining back toward the 2-3% range most expect to prevail once the economy rebalances from the COVID induced shock we are still living through. The open questions going forward are whether 5% is the right number and when will the Fed pivot. History scars the Fed deeply from the 1970's episode leaving them wanting to keep rates elevated for as long as tolerable.

Two-year Yield Expectations: One unique feature in this cycle is the belief by markets and policy makers that rates will remain in their currently restrictive stance for a temporary period before going back toward what is believed to be a more neutral rate around 2%. This is likely to keep the 2-year yield lower than previous cycles when compared to the fed funds rate. If inflation continues to moderate, the 2-year note could trade durably below the federal funds rate in 2023.

Portfolio Positioning: Yields remain near 15-year highs making this a productive environment for buy and hold income-oriented investors to engage the market and guide clients to position at, or slightly above, targeted duration levels. Value in the agency and taxable municipal market remains attractive and while we begin the year neutral on the corporate market from a valuation perspective, we continue to find opportunities in the space.

Quarterly Yield Change

	03/31/22	06/30/22	09/30/22	12/31/22
3 month bill	0.48	1.63	3.25	4.34
2 year note	2.34	2.95	4.28	4.43
5 year note	2.46	3.04	4.09	4.0
10 year note	2.34	3.01	3.83	3.88

Economists' Survey Projections

	Q1-23	Q2-23	Q3-23	Q4-23
Real GDP	0.0	-0.6	0.0	0.9
Core PCE (YOY%)	4.2	3.8	3.4	3.0
Unemployment	3.9	4.2	4.6	4.8

Economists' Survey Projections for Rates

	Q1-23	Q2-23	Q3-23	Q4-23
Fed Funds	5.05	5.05	4.95	4.7
2 Year	4.51	4.41	4.14	3.81
10 year	3.85	3.8	3.68	3.51

Compliance Report

City of Lacey | Total Aggregate Portfolio



December 31, 2022

Category	Policy Limit	Actual Value*	Status
Policy Diversification Constraint			
US Treasury Obligations Maximum % of Holdings	100.000	38.180	Compliant
US Agency Callable Securities Maximum % of Total Portfolio	31.500	0.000	Compliant
US Agency FFCB Issuer Concentration	35.000	6.171	Compliant
US Agency FHLB Issuer Concentration	35.000	5.951	Compliant
US Agency FHLMC Issuer Concentration	35.000	6.771	Compliant
US Agency FNMA Issuer Concentration	35.000	1.140	Compliant
US Agency Obligations - All Other Issuers Combined	35.000	0.000	Compliant
US Agency Obligations Issuer Concentration	35.000	6.771	Compliant
US Agency Obligations Maximum % of Holdings	35.000	20.033	Compliant
Supranationals - Issuer is ADB, IADB, IBRD, or IFC	0.000	0.000	Compliant
Supranationals Issuer Concentration	5.000	2.821	Compliant
Supranationals Maximum % of Holdings	10.000	5.866	Compliant
Municipal Bonds Issuer Concentration	5.000	1.990	Compliant
Municipal Bonds Maximum % of Holdings	30.000	4.423	Compliant
Municipal Bonds WA issues GO/Local and GO only Outside WA	0.000	0.000	Compliant
Municipal Issue Directly Internally or Interfund Loans	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	3.892	Compliant
Corporate Notes & Commercial Paper Single Issuer %	3.000	1.295	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	1.293	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	6.720	Compliant
PDPC Bank Deposits Issuer Concentration	100.000	20.873	Compliant
PDPC Bank Deposits Maximum % of Holdings	20.000	20.873	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, 2022

Category			
Policy Maturity Structure Constraint	Policy Limit	Actual %	Status
Maturity Constraints Under 30 days Minimum % of Total Portfolio	10.000	28.568	Compliant
Maturity Constraints Under 1 year Minimum % of Total Portfolio	25.000	48.506	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	5.011	Compliant
Supranationals Maximum Maturity At Time of Purchase (years)	5.500	4.781	Compliant
Municipals Maximum Maturity At Time of Purchase (years)	5.500	4.729	Compliant
Corporate Maximum Maturity At Time of Purchase (years)	5.250	4.937	Compliant
Corporate Note Portfolio Duration (years)	3.000	2.774	Compliant
Commercial Paper Maximum Maturity At Time of Purchase (days)	270.000	0.000	Compliant
Commercial Paper Over 100 days Minimum Long Term Rating AA-/Aa3/AA- by all 3	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	1.462	Compliant
Policy Credit Constraint			Status
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 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 Outlook

- Economic growth remains positive led by consumer spending and positive trade dynamics. The year ahead is full of challenges as we face the lagged impact of the Fed's rapid policy tightening campaign combined with signs of stress on consumer finances and housing that may challenge spending.
- Spreads in the agency, corporate and municipal markets remain attractive for clients to add in incremental income on top of multi-year high levels in yields. We expect continued issuance to provide more opportunities in the quarter ahead.
- Inflation appears to have turned the corner and, barring any setbacks in commodity markets or supply chains, we expect significant progress in the year ahead back toward the Fed's 2% target.

Portfolio Positioning

- Yields remain attractive for buy-and-hold investors to add income into portfolios. We recommend maintaining duration at, or slightly above, strategic target levels.
- The broad market dislocations that occurred in 2022 continue to provide compelling value in the agency, corporate and municipal sectors.
- The total portfolio book yield increased from 0.817 to 1.551.
- The total portfolio unrealized loss ended the quarter at -\$7,551,897.
- The core portfolio duration increased over the quarter from 1.895 last quarter to 1.925 this quarter. The benchmark duration ended the quarter at 2.036.
- Net total return for the core portfolio, which includes change in market value and interest income, was 0.87%. The benchmark total return for the period was 0.93%.

Strategic Quarterly Update

City of Lacey | Total Aggregate Portfolio



December 31, 2022

Metric	Previous	Current
Strategy	09/30/2022	12/31/2022
Effective Duration		
Investment Core	1.89	1.93
Benchmark Duration	2.05	2.04
Total Effective Duration	1.40	1.49
Total Return (Net of Fees %)*		
Investment Core	(1.49)	0.87
Benchmark Return	(1.70)	0.93
Total Portfolio Performance	(0.88)	0.64
<i>*Changes in Market Value include net unrealized and realized gains/losses.</i>		
Maturity Total Portfolio		
Average Maturity Total Holdings	1.21	1.47

Metric	Previous	Current
Book Yield	09/30/2022	12/31/2022
Ending Book Yield		
Investment Core	0.97%	1.72%
Liquidity	0.57%	1.11%
Total Book Yield	0.82%	1.55%
Values		
	09/30/2022	12/31/2022
Market Value + Accrued		
Investment Core	151,770,616	186,683,174
Liquidity	95,510,316	70,894,809
Total MV + Accrued	247,280,932	257,577,982
Net Unrealized Gain/Loss		
Total Net Unrealized Gain/Loss	(8,539,627)	(7,551,897)

Asset Allocation Change over Quarter

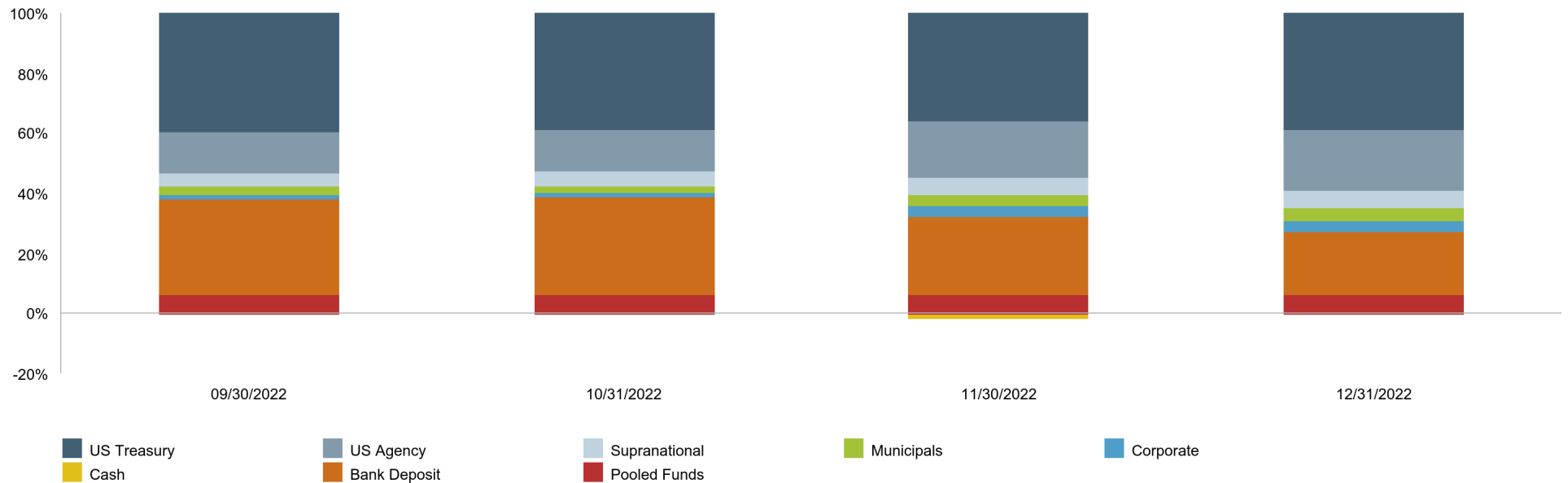
City of Lacey | Total Aggregate Portfolio



December 31, 2022

Asset Allocation Changes

Security Type	09/30/2022		12/31/2022		Change	
	Market Value + Accrued	% of Portfolio	Market Value + Accrued	% of Portfolio	Market Value + Accrued	% of Portfolio
US Treasury	95,871,249.67	38.77%	98,338,500.46	38.18%	2,467,250.79	(0.59%)
US Agency	33,944,900.69	13.73%	51,644,587.92	20.05%	17,699,687.22	6.32%
Supranational	11,710,818.40	4.74%	15,159,077.29	5.89%	3,448,258.89	1.15%
Municipals	5,979,201.16	2.42%	11,421,858.06	4.43%	5,442,656.89	2.02%
Corporate	4,264,445.97	1.72%	10,084,775.14	3.92%	5,820,329.17	2.19%
Cash	0.00	0.00%	34,375.00	0.01%	34,375.00	0.01%
Bank Deposit	78,402,692.06	31.71%	53,629,955.86	20.82%	(24,772,736.20)	(10.89%)
Pooled Funds	17,107,623.93	6.92%	17,264,852.68	6.70%	157,228.75	(0.22%)
Total	247,280,931.89	100.00%	257,577,982.40	100.00%	10,297,050.51	



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

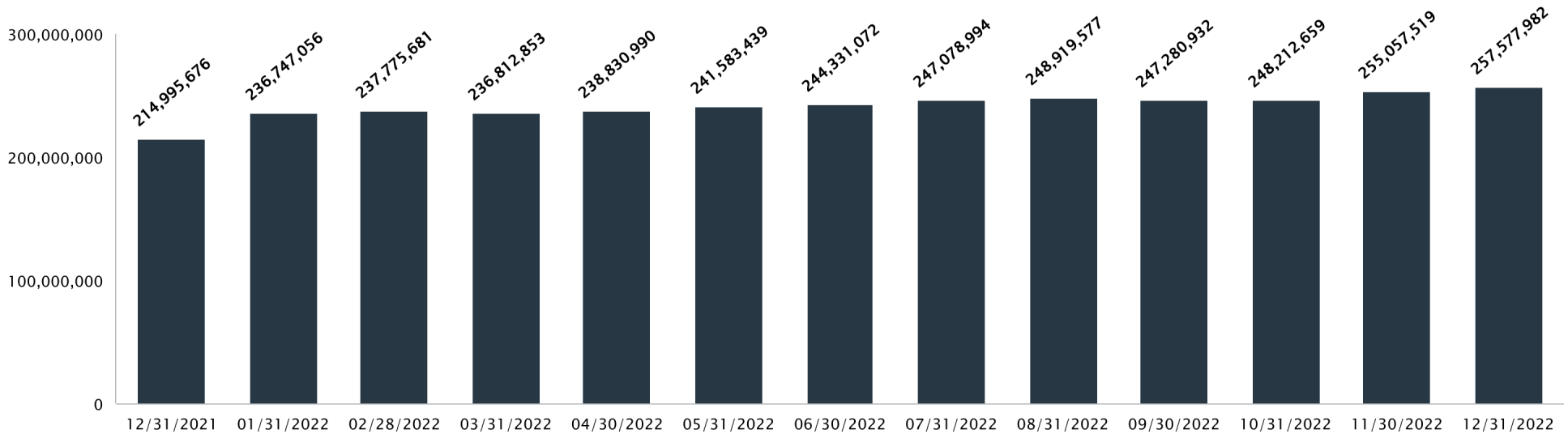
Historical Balances

City of Lacey | Total Aggregate Portfolio



December 31, 2022

Market Value



Market Value and Return

Period Begin	Period End	Market Value + Accrued	Interest Income	Book Yield	Effective Duration	Maturity in Years
12/01/2021	12/31/2021	214,995,676	141,615	0.62%	1.53	1.55
01/01/2022	01/31/2022	236,747,056	135,169	0.55%	1.51	1.38
02/01/2022	02/28/2022	237,775,681	127,678	0.55%	1.45	1.32
03/01/2022	03/31/2022	236,812,853	134,968	0.58%	1.47	1.34
04/01/2022	04/30/2022	238,830,990	135,752	0.60%	1.42	1.28
05/01/2022	05/31/2022	241,583,439	142,197	0.61%	1.36	1.22
06/01/2022	06/30/2022	244,331,072	147,405	0.67%	1.44	1.27
07/01/2022	07/31/2022	247,078,994	161,905	0.75%	1.43	1.25
08/01/2022	08/31/2022	248,919,577	175,459	0.84%	1.47	1.28
09/01/2022	09/30/2022	247,280,932	175,389	0.82%	1.40	1.21
10/01/2022	10/31/2022	248,212,659	185,864	0.83%	1.33	1.15
11/01/2022	11/30/2022	255,057,519	224,804	1.30%	1.51	1.41
12/01/2022	12/31/2022	257,577,982	298,123	1.55%	1.49	1.47

Summary Overview

City of Lacey | Total Aggregate Portfolio

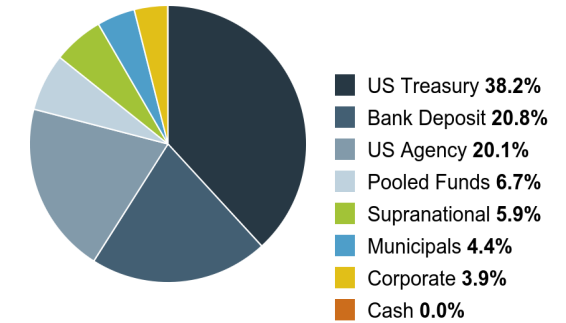


December 31, 2022

Portfolio Characteristics

Metric	Value
Cash and Cash Equivalents	70,929,183.54
Investments	186,648,798.86
Book Yield	1.55%
Market Yield	4.47%
Effective Duration	1.49
Years to Maturity	1.47
Avg Credit Rating	AAA

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	196,054,375.00	193,592,286.30	193,928,350.22	186,040,389.20	(7,551,897.10)	642,784.66	1.72%	1.93	2.04	ICE BofA 0-5 Year US Treasury Index
LACEY-Liquidity	70,894,808.54	70,894,808.54	70,894,808.54	70,894,808.54	0.00	0.00	1.11%	0.01	0.08	ICE BofA US 1-Month Treasury Bill Index
Total	266,949,183.54	264,487,094.84	264,823,158.76	256,935,197.74	(7,551,897.10)	642,784.66	1.55%	1.49	1.50	

Portfolio Activity

City of Lacey | Total Aggregate Portfolio



December 31, 2022

Accrual Activity Summary

	Quarter to Date	Fiscal Year to Date (01/01/2022)
Beginning Book Value	255,485,789.35	215,151,993.97
Maturities/Calls	(5,280,000.00)	(32,280,000.00)
Purchases	38,810,865.00	65,084,983.60
Sales	0.00	0.00
Change in Cash, Payables, Receivables	(24,581,132.45)	16,631,730.00
Amortization/Accretion	51,572.94	(101,612.73)
Realized Gain (Loss)	0.00	0.00
Ending Book Value	264,487,094.84	264,487,094.84

Fair Market Activity Summary

	Quarter to Date	Fiscal Year to Date (01/01/2022)
Beginning Market Value	246,946,162.19	214,616,447.94
Maturities/Calls	(5,280,000.00)	(32,280,000.00)
Purchases	38,810,865.00	65,084,983.60
Sales	0.00	0.00
Change in Cash, Payables, Receivables	(24,581,132.45)	16,631,730.00
Amortization/Accretion	51,572.94	(101,612.73)
Change in Net Unrealized Gain (Loss)	987,730.06	(7,016,351.07)
Net Realized Gain (Loss)	0.00	0.00
Ending Market Value	256,935,197.74	256,935,197.74

Maturities/Calls	Market Value
Quarter to Date	(5,280,000.00)
Fiscal Year to Date	(32,280,000.00)

Purchases	Market Value
Quarter to Date	38,810,865.00
Fiscal Year to Date	65,084,983.60

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

Return Management-Income Detail

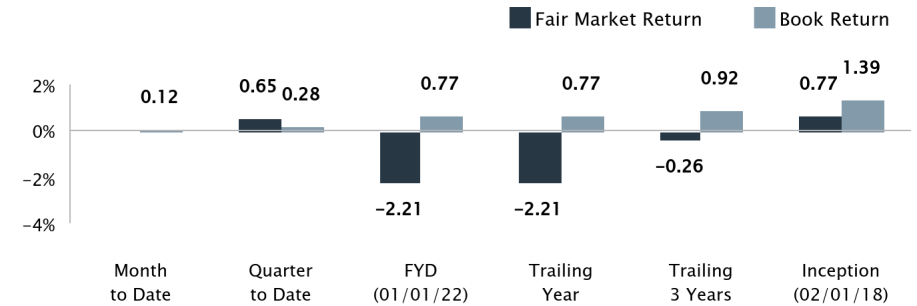
City of Lacey | Total Aggregate Portfolio

Accrued Book Return

	Quarter to Date	Fiscal Year to Date (01/01/2022)
Amortization/Accretion	51,572.94	(101,612.73)
Interest Earned	708,790.95	2,044,712.21
Realized Gain (Loss)	0.00	0.00
Book Income	760,363.89	1,943,099.49
Average Portfolio Balance	258,781,113.83	242,934,528.77
Book Return for Period	0.28%	0.77%

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 (01/01/2022)
Market Value Change	987,730.06	(7,016,351.07)
Amortization/Accretion	51,572.94	(101,612.73)
Interest Earned	708,790.95	2,044,712.21
Fair Market Earned Income	1,696,521.01	(4,971,638.86)
Average Portfolio Balance	258,781,113.83	242,934,528.77
Fair Market Return for Period	0.65%	(2.21%)

Interest Income

	Quarter to Date	Fiscal Year to Date (01/01/2022)
Beginning Accrued Interest	334,769.70	379,228.30
Coupons Paid	552,102.53	2,010,025.14
Purchased Accrued Interest	151,326.54	228,869.29
Sold Accrued Interest	0.00	0.00
Ending Accrued Interest	642,784.66	642,784.66
Interest Earned	708,790.95	2,044,712.21

Security Type Distribution

City of Lacey | Total Aggregate Portfolio

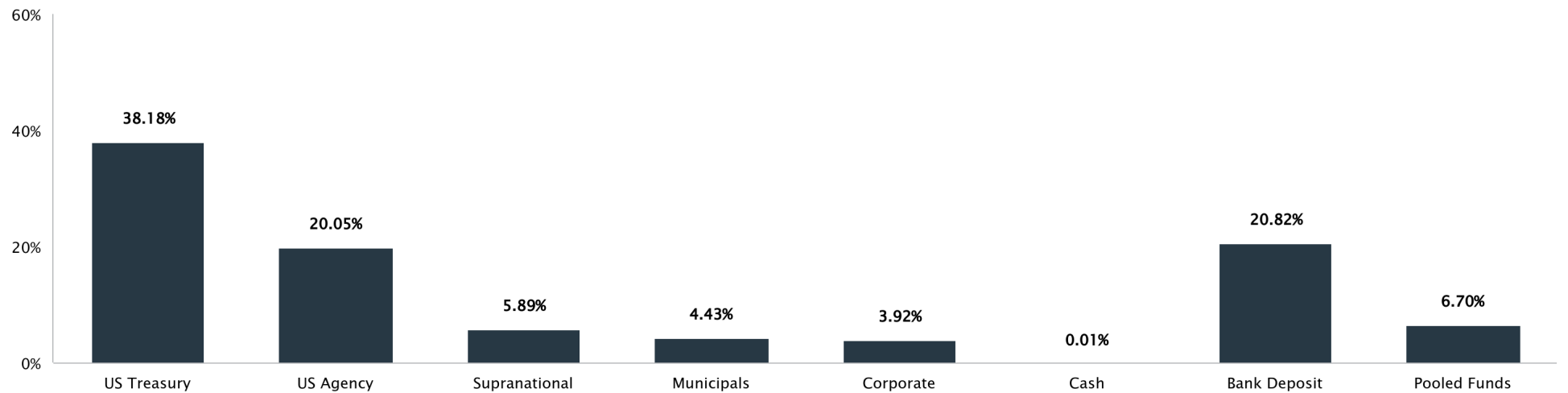


December 31, 2022

Security Type Distribution

Security Type	Par Amount	Book Yield	Market Value + Accrued	% of Market Value + Accrued
US Treasury	105,250,000.00	1.22%	98,338,500.46	38.18%
US Agency	53,000,000.00	2.10%	51,644,587.92	20.05%
Supranational	15,500,000.00	1.24%	15,159,077.29	5.89%
Municipals	11,770,000.00	3.37%	11,421,858.06	4.43%
Corporate	10,500,000.00	3.49%	10,084,775.14	3.92%
Cash	34,375.00	0.00%	34,375.00	0.01%
Bank Deposit	53,629,955.86	0.09%	53,629,955.86	20.82%
Pooled Funds	17,264,852.68	4.28%	17,264,852.68	6.70%
Total	266,949,183.54	1.55%	257,577,982.40	100.00%

Security Type Distribution



Risk Management-Credit/Issuer

City of Lacey | Total Aggregate Portfolio

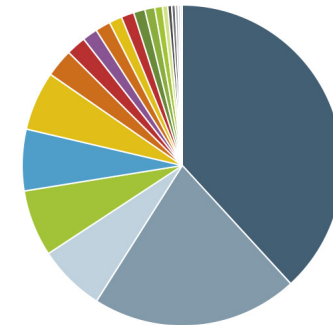


December 31, 2022

Credit Rating S&P/Moody's/Fitch

	Market Value + Accrued	%
S&P		
A	1,375,959.58	0.53
AA	6,490,312.50	2.52
AA+	155,490,623.38	60.37
AA-	7,162,531.11	2.78
AAA	15,193,452.29	5.90
NA	71,865,103.54	27.90
Moody's		
A1	3,346,525.00	1.30
A2	1,375,959.58	0.53
Aa1	2,047,072.28	0.79
Aa2	9,745,581.11	3.78
Aaa	170,168,035.89	66.06
NA	70,894,808.54	27.52
Fitch		
A	1,375,959.58	0.53
AA	7,162,531.11	2.78
AA+	1,555,855.83	0.60
AA-	3,346,525.00	1.30
AAA	158,293,166.78	61.45
NA	85,843,944.10	33.33
Total	257,577,982.40	100.00

Issuer Concentration



- United States **38.2%**
- COLUMBIA BANK DEPOSIT **20.8%**
- Federal Home Loan Mortgage Corporation **6.8%**
- WASHINGTON LGIP **6.7%**
- Farm Credit System **6.2%**
- Federal Home Loan Banks **6.0%**
- Asian Development Bank **2.8%**
- State of California **2.0%**
- Inter-American Development Bank **1.5%**
- International Bank for Reconstruction and Development **1.5%**
- Amazon.com, Inc. **1.3%**
- Apple Inc. **1.3%**
- Federal National Mortgage Association **1.1%**
- City of New York **1.0%**
- The Toronto-Dominion Bank **0.8%**
- Deere & Company **0.5%**
- State of Oregon **0.4%**
- State of Texas **0.4%**
- Pierce County Washington School District No 010 Tacoma **0.3%**
- Commonwealth of Massachusetts **0.2%**
- Other **0.2%**

Risk Management-Maturity/Duration

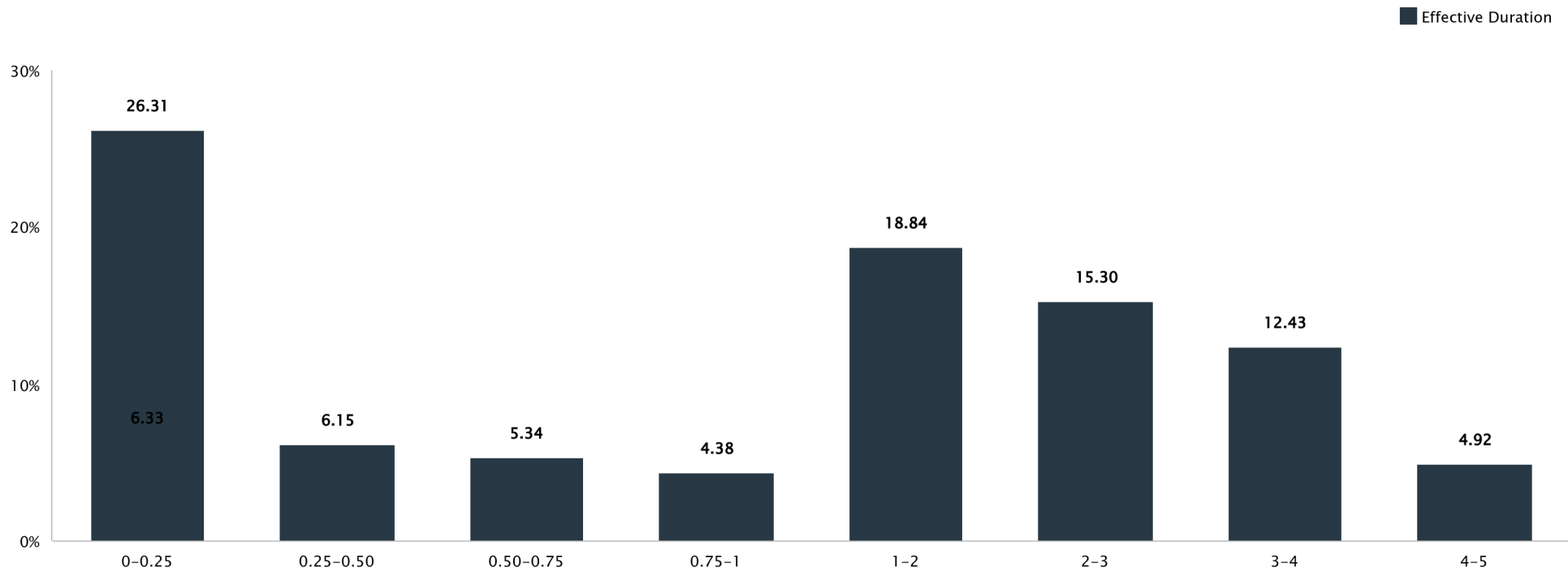
City of Lacey | Total Aggregate Portfolio



December 31, 2022



Distribution by Effective Duration



Holdings by Maturity & Ratings



City of Lacey | Total Aggregate Portfolio

December 31, 2022

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	37,366,047.03	COLUMBIA BANK DEPOSIT	0.130%	12/31/2022		37,366,047.03	0.00	37,366,047.03	0.13%		14.51	0.01	0.01	NA NA NA
LACEY_COL_CHK	16,263,908.83	COLUMBIA BANK DEPOSIT	0.000%	12/31/2022		16,263,908.83	0.00	16,263,908.83	0.00%		6.31	0.00		NA NA NA
CCYUSD	34,375.00	Receivable	0.000%	12/31/2022		34,375.00	0.00	34,375.00	0.00%	0.00%	0.01	0.00	0.00	AAA Aaa AAA
WA_LGIP	17,264,852.68	WASHINGTON LGIP	4.283%	12/31/2022		17,264,852.68	0.00	17,264,852.68	4.28%		6.70	0.01	0.01	NA NA NA
045167ES8	2,500,000.00	ASIAN DEVELOPMENT BANK	1.625%	01/24/2023		2,495,675.00	17,717.01	2,513,392.01	0.20%	4.20%	0.98	0.07	0.07	AAA Aaa AAA
91282CBN0	4,500,000.00	UNITED STATES TREASURY	0.125%	02/28/2023		4,469,985.00	1,911.26	4,471,896.26	0.17%	4.18%	1.74	0.16	0.16	AA+ Aaa AAA
313382AX1	6,000,000.00	FEDERAL HOME LOAN BANKS	2.125%	03/10/2023		5,974,980.00	39,312.50	6,014,292.50	0.95%	4.26%	2.33	0.19	0.19	AA+ Aaa AAA
91282CBX8	4,000,000.00	UNITED STATES TREASURY	0.125%	04/30/2023		3,945,000.00	856.35	3,945,856.35	0.14%	4.30%	1.53	0.33	0.33	AA+ Aaa AAA
68609TMK1	1,000,000.00	OREGON	1.733%	05/01/2023		992,230.00	2,888.33	995,118.33	1.73%	4.07%	0.39	0.33	0.33	AA+ Aa1 AA+
4581X0DM7	4,000,000.00	INTER-AMERICAN DEVELOPMENT BANK	0.500%	05/24/2023		3,935,040.00	2,055.56	3,937,095.56	0.23%	4.63%	1.53	0.39	0.39	AAA Aaa NA
3133ELG81	3,000,000.00	FEDERAL FARM CREDIT BANKS FUNDING CORP	0.300%	06/08/2023		2,946,840.00	575.00	2,947,415.00	0.37%	4.41%	1.14	0.44	0.43	AA+ Aaa AAA
938429V46	500,000.00	WASHINGTON CNTY ORE SCH DIST NO 48J BEAVERTON	0.569%	06/15/2023		491,090.00	126.44	491,216.44	0.57%	4.54%	0.19	0.45	0.45	AA+ Aa1 NA
3137EAES4	3,000,000.00	FEDERAL HOME LOAN MORTGAGE CORP	0.250%	06/26/2023		2,938,080.00	104.17	2,938,184.17	0.29%	4.57%	1.14	0.48	0.48	AA+ Aaa AAA
57582RF84	570,000.00	MASSACHUSETTS ST	0.508%	07/01/2023		559,289.70	1,447.80	560,737.50	0.51%	4.33%	0.22	0.50	0.49	AA Aa1 AA+

Holdings by Maturity & Ratings



City of Lacey | Total Aggregate Portfolio

December 31, 2022

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
3135G05G4	3,000,000.00	FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.250%	07/10/2023		2,929,650.00	3,562.50	2,933,212.50	0.29%	4.80%	1.14	0.52	0.51	AA+ Aaa AAA
89114QC48	2,000,000.00	TORONTO-DOMINION BANK	3.500%	07/19/2023		1,985,620.00	31,500.00	2,017,120.00	0.36%	4.83%	0.78	0.55	0.53	AA- Aa2 AA
9128284X5	4,000,000.00	UNITED STATES TREASURY	2.750%	08/31/2023		3,949,240.00	37,375.69	3,986,615.69	0.22%	4.70%	1.55	0.67	0.64	AA+ Aaa AAA
3137EAEW5	4,000,000.00	FEDERAL HOME LOAN MORTGAGE CORP	0.250%	09/08/2023		3,879,640.00	3,138.89	3,882,778.89	0.26%	4.74%	1.51	0.69	0.67	AA+ Aaa AAA
882830AS1	1,000,000.00	TEXAS TRANSN COMMN	0.410%	10/01/2023		969,270.00	1,025.00	970,295.00	0.41%	4.61%	0.38	0.75	0.74	NA Aaa AAA
3137EAEY1	3,000,000.00	FEDERAL HOME LOAN MORTGAGE CORP	0.125%	10/16/2023		2,893,470.00	781.25	2,894,251.25	0.23%	4.73%	1.12	0.79	0.78	AA+ Aaa AAA
3137EAEZ8	5,000,000.00	FEDERAL HOME LOAN MORTGAGE CORP	0.250%	11/06/2023		4,810,250.00	1,909.72	4,812,159.72	0.19%	4.86%	1.87	0.85	0.83	AA+ Aaa AAA
720424D56	700,000.00	PIERCE CNTY WASH SCH DIST NO 010 TACOMA	0.476%	12/01/2023		675,752.00	277.67	676,029.67	0.48%	4.36%	0.26	0.92	0.90	AA+ Aaa NA
3137EAF2	3,000,000.00	FEDERAL HOME LOAN MORTGAGE CORP	0.250%	12/04/2023		2,875,620.00	562.50	2,876,182.50	0.22%	4.87%	1.12	0.93	0.91	AA+ Aaa AAA
91282CBE0	5,000,000.00	UNITED STATES TREASURY	0.125%	01/15/2024		4,767,450.00	2,887.23	4,770,337.23	0.18%	4.75%	1.85	1.04	1.02	AA+ Aaa AAA
91282CBM2	4,000,000.00	UNITED STATES TREASURY	0.125%	02/15/2024		3,800,480.00	1,888.59	3,802,368.59	0.32%	4.72%	1.48	1.13	1.10	AA+ Aaa AAA
459058GQ0	4,000,000.00	INTERNATIONAL BANK FOR	2.500%	03/19/2024		3,888,240.00	28,333.33	3,916,573.33	0.41%	4.88%	1.52	1.22	1.17	AAA Aaa NA
91282CBV2	4,000,000.00	UNITED STATES TREASURY	0.375%	04/15/2024		3,785,000.00	3,214.29	3,788,214.29	0.36%	4.71%	1.47	1.29	1.26	AA+ Aaa AAA
91282CCC3	4,500,000.00	UNITED STATES TREASURY	0.250%	05/15/2024		4,235,445.00	1,460.64	4,236,905.64	0.36%	4.71%	1.64	1.37	1.34	AA+ Aaa AAA

Holdings by Maturity & Ratings



City of Lacey | Total Aggregate Portfolio

December 31, 2022

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
045167FE8	1,500,000.00	ASIAN DEVELOPMENT BANK	0.375%	06/11/2024		1,409,055.00	312.50	1,409,367.50	0.40%	4.76%	0.55	1.45	1.41	AAA Aaa AAA
91282CCL3	4,500,000.00	UNITED STATES TREASURY	0.375%	07/15/2024		4,215,420.00	7,795.52	4,223,215.52	0.39%	4.67%	1.64	1.54	1.50	AA+ Aaa AAA
3133ENL40	5,000,000.00	FEDERAL FARM CREDIT BANKS FUNDING CORP	3.500%	09/13/2024		4,907,850.00	52,500.00	4,960,350.00	4.87%	4.64%	1.93	1.70	1.61	AA+ Aaa AAA
91282CDB4	2,500,000.00	UNITED STATES TREASURY	0.625%	10/15/2024		2,334,675.00	3,348.21	2,338,023.21	0.71%	4.51%	0.91	1.79	1.74	AA+ Aaa AAA
91282CDH1	4,000,000.00	UNITED STATES TREASURY	0.750%	11/15/2024		3,733,440.00	3,895.03	3,737,335.03	2.19%	4.49%	1.45	1.88	1.82	AA+ Aaa AAA
3133ENZ94	3,000,000.00	FEDERAL FARM CREDIT BANKS FUNDING CORPORATION	4.500%	11/18/2024		2,996,280.00	16,125.00	3,012,405.00	4.66%	4.57%	1.17	1.88	1.78	AA+ Aaa AAA
3133EN3M0	5,000,000.00	FEDERAL FARM CREDIT BANKS FUNDING CORP	4.625%	12/05/2024		5,004,350.00	16,701.39	5,021,051.39	4.44%	4.58%	1.95	1.93	1.82	AA+ Aaa AAA
912828YY0	3,500,000.00	UNITED STATES TREASURY	1.750%	12/31/2024		3,322,270.00	169.20	3,322,439.20	0.80%	4.43%	1.29	2.00	1.92	AA+ Aaa AAA
912828Z52	2,500,000.00	UNITED STATES TREASURY	1.375%	01/31/2025		2,349,600.00	14,385.19	2,363,985.19	0.77%	4.42%	0.92	2.08	2.01	AA+ Aaa AAA
912828Z1	5,000,000.00	UNITED STATES TREASURY	2.750%	02/28/2025		4,831,250.00	46,719.61	4,877,969.61	4.17%	4.40%	1.89	2.16	2.05	AA+ Aaa AAA
912828ZF0	3,500,000.00	UNITED STATES TREASURY	0.500%	03/31/2025		3,214,540.00	4,471.15	3,219,011.15	0.88%	4.34%	1.25	2.25	2.19	AA+ Aaa AAA
912828ZL7	2,500,000.00	UNITED STATES TREASURY	0.375%	04/30/2025		2,281,650.00	1,605.66	2,283,255.66	0.85%	4.35%	0.89	2.33	2.27	AA+ Aaa AAA
037833BG4	2,500,000.00	APPLE INC	3.200%	05/13/2025		2,415,450.00	10,666.67	2,426,116.67	4.47%	4.72%	0.94	2.36	2.24	AA+ Aaa NA
91282CEQ0	4,000,000.00	UNITED STATES TREASURY	2.750%	05/15/2025		3,857,200.00	14,281.77	3,871,481.77	2.91%	4.35%	1.50	2.37	2.26	AA+ Aaa AAA

Holdings by Maturity & Ratings



City of Lacey | Total Aggregate Portfolio

December 31, 2022

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
912828ZW3	3,000,000.00	UNITED STATES TREASURY	0.250%	06/30/2025		2,717,700.00	20.72	2,717,720.72	0.94%	4.25%	1.06	2.50	2.44	AA+ Aaa AAA
91282CAB7	2,500,000.00	UNITED STATES TREASURY	0.250%	07/31/2025		2,255,950.00	2,615.49	2,258,565.49	0.91%	4.28%	0.88	2.58	2.52	AA+ Aaa AAA
91282CAJ0	3,000,000.00	UNITED STATES TREASURY	0.250%	08/31/2025		2,697,660.00	2,548.34	2,700,208.34	1.34%	4.29%	1.05	2.67	2.60	AA+ Aaa AAA
9128284Z0	3,000,000.00	UNITED STATES TREASURY	2.750%	08/31/2025		2,883,630.00	28,031.77	2,911,661.77	2.94%	4.30%	1.13	2.67	2.51	AA+ Aaa AAA
91282CAM3	2,750,000.00	UNITED STATES TREASURY	0.250%	09/30/2025		2,469,197.50	1,756.52	2,470,954.02	0.99%	4.22%	0.96	2.75	2.68	AA+ Aaa AAA
13063D2T4	5,000,000.00	CALIFORNIA ST	5.500%	10/01/2025		5,111,800.00	33,611.11	5,145,411.11	4.24%	4.62%	2.00	2.75	2.52	AA- Aa2 AA
91282CAT8	2,500,000.00	UNITED STATES TREASURY	0.250%	10/31/2025		2,235,450.00	1,070.44	2,236,520.44	0.98%	4.25%	0.87	2.83	2.77	AA+ Aaa AAA
91282CBH3	2,500,000.00	UNITED STATES TREASURY	0.375%	01/31/2026		2,224,325.00	3,923.23	2,228,248.23	1.04%	4.22%	0.87	3.08	3.00	AA+ Aaa AAA
91282CBQ3	2,500,000.00	UNITED STATES TREASURY	0.500%	02/28/2026		2,227,650.00	4,247.24	2,231,897.24	1.10%	4.21%	0.87	3.16	3.07	AA+ Aaa AAA
91282CBW0	2,500,000.00	UNITED STATES TREASURY	0.750%	04/30/2026		2,234,875.00	3,211.33	2,238,086.33	1.09%	4.19%	0.87	3.33	3.22	AA+ Aaa AAA
91282CCF6	2,500,000.00	UNITED STATES TREASURY	0.750%	05/31/2026		2,229,600.00	1,648.35	2,231,248.35	1.15%	4.18%	0.87	3.41	3.31	AA+ Aaa AAA
91282CCP4	2,500,000.00	UNITED STATES TREASURY	0.625%	07/31/2026		2,209,075.00	6,538.72	2,215,613.72	1.13%	4.15%	0.86	3.58	3.47	AA+ Aaa AAA
91282CCW9	2,500,000.00	UNITED STATES TREASURY	0.750%	08/31/2026		2,213,575.00	6,370.86	2,219,945.86	1.18%	4.15%	0.86	3.67	3.54	AA+ Aaa AAA
037833DN7	1,000,000.00	APPLE INC	2.050%	09/11/2026	07/11/2026	912,790.00	6,263.89	919,053.89	3.33%	4.64%	0.36	3.70	3.46	AA+ Aaa NA

Holdings by Maturity & Ratings



City of Lacey | Total Aggregate Portfolio

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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
91282CCZ2	4,000,000.00	UNITED STATES TREASURY	0.875%	09/30/2026		3,551,720.00	8,942.31	3,560,662.31	2.18%	4.13%	1.38	3.75	3.61	AA+ Aaa AAA
912828YQ7	1,500,000.00	UNITED STATES TREASURY	1.625%	10/31/2026		1,369,155.00	4,174.72	1,373,329.72	2.58%	4.11%	0.53	3.83	3.64	AA+ Aaa AAA
91282CDK4	2,000,000.00	UNITED STATES TREASURY	1.250%	11/30/2026		1,794,620.00	2,197.80	1,796,817.80	1.23%	4.11%	0.70	3.91	3.75	AA+ Aaa AAA
3130AQF65	5,000,000.00	FEDERAL HOME LOAN BANKS	1.250%	12/21/2026		4,475,850.00	1,736.11	4,477,586.11	4.52%	4.14%	1.74	3.97	3.80	AA+ Aaa AAA
912828Z78	2,000,000.00	UNITED STATES TREASURY	1.500%	01/31/2027		1,805,700.00	12,554.35	1,818,254.35	2.57%	4.11%	0.71	4.08	3.87	AA+ Aaa AAA
24422EWD7	1,500,000.00	JOHN DEERE CAPITAL CORP	2.350%	03/08/2027		1,364,895.00	11,064.58	1,375,959.58	3.02%	4.75%	0.53	4.18	3.88	A A2 A
023135CF1	3,500,000.00	AMAZON.COM INC	3.300%	04/13/2027	03/13/2027	3,321,500.00	25,025.00	3,346,525.00	4.89%	4.62%	1.30	4.28	3.88	AA A1 AA-
91282CET4	2,000,000.00	UNITED STATES TREASURY	2.625%	05/31/2027		1,885,240.00	4,615.38	1,889,855.38	2.97%	4.06%	0.73	4.41	4.10	AA+ Aaa AAA
3130ASGU7	2,000,000.00	FEDERAL HOME LOAN BANKS	3.500%	06/11/2027		1,949,780.00	3,888.89	1,953,668.89	3.15%	4.12%	0.76	4.44	4.06	AA+ Aaa AAA
64966QZY9	3,000,000.00	NEW YORK N Y	1.396%	08/01/2027		2,565,600.00	17,450.00	2,583,050.00	5.30%	4.96%	1.00	4.58	4.31	AA Aa2 NA
045167FP3	3,500,000.00	ASIAN DEVELOPMENT BANK	3.125%	08/20/2027		3,343,760.00	38,888.89	3,382,648.89	4.52%	4.19%	1.31	4.64	4.21	AAA Aaa AAA
3130AT7E1	3,000,000.00	FEDERAL HOME LOAN BANKS	3.250%	09/10/2027		2,888,550.00	32,500.00	2,921,050.00	3.35%	4.13%	1.13	4.69	4.25	AA+ Aaa AAA
Total	266,949,183.54		1.389%			256,935,197.74	642,784.66	257,577,982.40	1.55%	4.47%	100.00	1.47	1.49	

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, 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.





**FINANCE & ECONOMIC
DEVELOPMENT COUNCIL**
February 28, 2023

SUBJECT: 2022 Budget Encumbrance Carryovers

RECOMMENDATION: Upon review and concurrence, motion to recommend full City Council adoption of ordinance.

STAFF CONTACT: Rick Walk, Interim City Manager ^{RW}
Troy Woo, Finance Director ^{TW}

ORIGINATED BY: Troy Woo, Finance Department

ATTACHMENTS: 1. [Draft Ordinance](#)
2. [Draft Summary for Ordinance](#)

FISCAL NOTE: See attached [Ordinance Exhibit "A"](#)

**WORK PLAN GOAL
AND STRATEGY:** None

PRIOR REVIEW: None

BACKGROUND:

Despite all the extensive budget planning and efforts to complete projects and purchases prior to the year-end closing, staff are not always able to complete all of the projects and purchases. The projects and purchases are expected to be completed during 2023, so it becomes necessary to carryover previously approved budget appropriations into the next year. These proposed amendments are limited to carryover encumbrances and capital projects.

This carryover process addresses concerns that authorized budgets will be exceeded when large carryover projects do not have the authorized appropriations until late into the year. It is the City's practice to amend the budget once per year during September. If the City

Council approves these appropriations earlier in the year, the risk of exceeding authorized expenditure levels is minimized.

The encumbrance and capital carryover requests are limited to purchase orders that were initiated in the previous year and capital projects that were authorized in the previous year's budget. The outstanding purchase order carryover requests are limited to significant (over \$2,500) unfilled material, equipment, and supply orders. Capital project carryover requests do not have a dollar threshold. The funds requesting the carryovers must have adequate fund balance before the requests can be granted.

Each fund is detailed separately on the proposed carryover amendment list. There are three columns of dollar values. The first column contains the amount currently authorized for that line item in the 2023 budget. The second column is the amount of the proposed adjustment. The last dollar column shows what the new total of that particular line-item account will be if the amendments are adopted. Total lines are included to illustrate the grand total of the fund before and after the amendments. This is important since the budget is adopted by fund total and not by line-item detail. A brief explanation or description is also provided for each line-item of the form.

It is requested that the Finance & Economic Development Committee review the proposed carryover amendment ordinance and recommend full City Council adoption of the proposed ordinance.

ADVANTAGES:

1. The proposed adjustments to the 2023 Budget reflect more accurately the necessary requirements of each fund or adjustments made by City Council action.
2. The proposed adjustments ensure that the proper level of budget appropriations have been authorized to complete prior year projects and purchases.

DISADVANTAGES:

1. There are no significant disadvantages since there must be adequate fund balance to match the proposed carryover expenditure.

ORDINANCE NO. XXXX

CITY OF LACEY

AN ORDINANCE AMENDING THE 2023 FISCAL YEAR BUDGET AND ORDINANCE NO. 1632 ADOPTING SAID BUDGET TO RE-APPROPRIATE 2022 BUDGETED AMOUNTS FOR PROJECTS NOT COMPLETED IN 2022 AND ADOPTING A SUMMARY FOR PUBLICATION.

WHEREAS, at the end of the 2022 fiscal year, certain funds which had been appropriated had not been spent because the programs, improvements, contracts or orders had not, as yet, been completed, and

WHEREAS, in order to complete such programs, projects and orders, and to pay the cost thereof, it is necessary that such funds be re-appropriated in the 2023 budget, NOW, THEREFORE

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, AS FOLLOWS:

Section 1. The 2023 fiscal year budget and Ordinance No. 1632 adopting said budget are hereby amended in the manner set forth on Exhibit A, which is attached hereto and made a part hereof as though fully set forth at length.

Section 2. The City Clerk and the codifiers of this ordinance are authorized to make necessary corrections to this ordinance including, but not limited to, the correction of scrivener's/clerical errors, references, ordinance numbering, section/subsection numbers and any references thereto.

Section 3. The Summary attached hereto is hereby approved for publication.

PASSED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, on this 16th day of March, 2023.

CITY COUNCIL

By: _____
Mayor

Approved as to form:

City Attorney

Attest:

City Clerk

SUMMARY FOR PUBLICATION

ORDINANCE NO. XXXX

CITY OF LACEY

The City Council of the City of Lacey, Washington, passed on March 16, 2023, Ordinance No. XXXX entitled **“AN ORDINANCE AMENDING THE 2023 FISCAL YEAR BUDGET AND ORDINANCE NO. 1632 ADOPTING SAID BUDGET TO RE-APPROPRIATE 2022 BUDGETED AMOUNTS FOR PROJECTS NOT COMPLETED IN 2022 AND ADOPTING A SUMMARY FOR PUBLICATION.”**

A section by section summary of this ordinance is as follows:

Section 1 amends the 2023 fiscal year budget and Ordinance No. 1632, adopting said budget by re-appropriating funds from the 2022 fiscal year budget which were not expended because the programs, projects, contracts and orders were not completed in 2022.

Section 2 provides provisions for corrections.

Section 3 approves this summary.

A copy of the full text of this ordinance will be mailed without charge to any person requesting the same from the City of Lacey.

Published: March 20, 2023

2023 Budget Amendments - Ordinance No. XXXX Exhibit "A"

Account Numbers	Account Description	2023 Budget	Budget Amendment	2023 Budget as Amended	Comments
Current Expense Fund					
Revenues					
001-0000-308-0000	Beginning Cash	5,710,718	1,895,862	7,606,580	Beginning Cash
Total Current Expense Fund Revenues		54,845,909	1,895,862	56,741,771	
Expenditures					
001-0301-519-4920	Miscellaneous / Special Projects	25,000	17,019	42,019	Leadership on Equity
001-0302-519-4919	Miscellaneous / Neighborhood Grant Prog	60,000	19,418	79,418	Augment 2023 Neighborhood Grant Program
001-0302-519-4953	Public Art	50,000	39,610	89,610	Art Plan
001-0304-511-4956	Miscellaneous / Youth Council	5,000	5,945	10,945	Youth Council enhancements
001-0802-565-4001	Homeless Services	200,000	55,000	255,000	Family Support SVCS - Coordinated Entry
001-0802-565-4001	Homeless Services	255,000	47,834	302,834	Illegal Homeless Encampment Cleanup
001-0802-565-4001	Homeless Services	302,834	100,000	402,834	Shelter Resources
001-0802-565-4001	Homeless Services	402,834	80,000	482,834	TOGETHER! - Host Homes
001-0802-565-4001	Homeless Services	482,834	115,000	597,834	Providence partnership
001-0802-565-4001	Homeless Services	597,834	100,000	697,834	TOGETHER! - Host Homes
001-0805-565-6001	Capital Outlays - Equipment	-	5,434	5,434	Veterans Service Hub - computers and furniture
001-0805-565-6001	Capital Outlays - Equipment	5,434	2,111	7,545	Veterans Service Hub - Training and Meeting Room Equipment
001-0805-594-6502	Veterans Affairs LeaseImp	-	175,547	175,547	Outstation Lease Improvements
001-0903-513-4101	Professional Services - Other	180,000	20,000	200,000	Equity Map
001-0903-513-4101	Professional Services - Other	200,000	43,917	243,917	Lacey 311 System
001-0903-513-4101	Professional Services - Other	243,917	95,976	339,893	Lacey Cares Initiative
001-2104-521-4930	Miscellaneous / Software Maintenance	19,854	3,303	23,157	Field Training software
001-3301-576-4803	Repairs & Maintenance / Rep & Maint-Facilities	-	1,000	1,000	Maintenance Shop minor restroom remodel
001-3301-576-4803	Repairs & Maintenance / Rep & Maint-Facilities	1,000	20,000	21,000	Install M&O Shop automated gates (2)
001-3601-519-4101	Professional Services / Prof. Svc-Other	-	49,380	49,380	Arc Flash Hazard Assessment
001-3601-519-4803	Repairs & Maintenance / Rep & Maint-Facilities	141,000	145,000	286,000	City Hall elevator car replacement
001-3601-572-3123	Supplies / Supplies-Building Maint.	5,385	32,500	37,885	LED lighting enhancements - Library
001-3701-558-4920	Special Projects	280,000	200,000	480,000	Special Projects - Climate Action Implementation
001-3701-558-4920	Special Projects	480,000	60,662	540,662	Special Projects - Climate Action Phase IV - Pro SVC
001-3701-558-4920	Special Projects	540,662	68,632	609,294	Special Projects - Food Truck Site
001-3701-558-4920	Special Projects	609,294	48,000	657,294	Capital Facilities Plan - Makers Architecture & Urban Design
001-3701-558-7000	Planning & Comm. Devel. / Economic Development	500,000	40,000	540,000	Springboard/Incubation/Entrepreneur
001-3701-558-7000	Planning & Comm. Devel. / Economic Development	540,000	150,000	690,000	Economic Development opportunities
001-3701-558-7000	Planning & Comm. Devel. / Economic Development	690,000	50,000	740,000	Lacey Midtown utility box wraps and other Midtown branding
001-7401-574-3101	Supplies / Office & Operating Supply	2,750	15,000	17,750	Woodland Creek Food Forest
001-7401-574-4101	Professional Services - Other	12,000	50,000	62,000	Young Child & Families Center Feasibility Study
001-7401-574-4101	Professional Services - Other	62,000	39,575	101,575	Community Outreach and Engagement Specialist
Total Current Expense Fund Expenditures		54,845,909	1,895,862	56,741,771	
Community Buildings Fund					
Revenues					
005-0000-308-0000	Beginning Cash	238,750	133,500	372,250	Beginning Cash
Total Community Buildings Fund Revenues		892,281	133,500	1,025,781	

Account Numbers	Account Description	2023 Budget	Budget Amendment	2023 Budget as Amended	Comments
Expenditures					
005-7612-575-3123	Repairs & Maintenance / Rep & Maint-Equipment	875	69,000	69,875	LED lighting enhancements - Senior Center and Community Center
005-7612-575-4803	Repairs & Maintenance / Rep & Maint-Equipment	750	60,000	60,750	Jacob Smith House roof replacement
005-7612-575-4803	Repairs & Maintenance / Rep & Maint-Equipment	60,750	4,500	65,250	Jacob Smith House gutter replacement
Total Community Buildings Fund Expenditures		892,281	133,500	1,025,781	

Regional Athletic Complex (M&O) Fund					
Revenues					
007-0000-308-0000	Beginning Cash	-	28,000	28,000	Cash reserves
Total Regional Athletic Complex (M&O) Fund Revenues		1,332,495	28,000	1,360,495	
Expenditures					
007-3305-576-4803	Repairs & Maintenance / Rep & Maint-Facilities	3,500	28,000	31,500	Re-Surface RAC Basketball Courts
Total Regional Athletic Complex (M&O) Fund Expenditures		1,332,495	28,000	1,360,495	

Street Fund					
Revenues					
101-0000-308-0000	Beginning Cash	287,151	13,650	300,801	Beginning Cash
Total Street Fund Revenues		4,531,909	13,650	4,545,559	
Expenditures					
101-4201-543-4803	Repairs & Maintenance / Rep & Maint-Facilities	-	650	650	Maintenance Shop minor restroom remodel
101-4201-543-4803	Repairs & Maintenance / Rep & Maint-Facilities	650	13,000	13,650	Install M&O Shop automated gates (2)
Total Street Fund Expenditures		4,531,909	13,650	4,545,559	

Building Improvement Fund					
Revenues					
301-0000-308-0000	Beginning Cash	50,000	4,528,577	4,578,577	Beginning Cash
Total Building Improvement Fund Revenues		168,241	4,528,577	4,696,818	
Expenditures					
301-0101-514-6003	Capital Outlays / Capital-Improvements	45,875	149,154	195,029	Electronic Door Hardware (security)
301-0101-514-6003	Capital Outlays / Capital-Improvements	195,029	290,340	485,369	Asset Management/Facility Condition Assessment
301-0101-514-6004	Capital Outlays / Capital Outlays - Buildings	-	2,089,083	2,089,083	Land Acquisition/Site Plan/Plan Development
301-0101-514-6005	Capital Outlays / Capital Outlay-Land	-	2,000,000	2,000,000	Land for New Police Station Facility
Total Building Improvement Fund Expenditures		168,241	4,528,577	4,696,818	

Capital Equipment Fund					
Revenues					
302-0000-308-0000	Beginning Cash	417,020	950,390	1,367,410	Beginning cash
Total Capital Equipment Fund Revenues		1,104,365	950,390	2,054,755	

Account Numbers	Account Description	2023 Budget	Budget Amendment	2023 Budget as Amended	Comments
Expenditures					
302-0102-519-6404	Capital Outlays / Community Relations	123,490	1,317	124,807	Website Design & Review
302-0102-519-6404	Capital Outlays / Community Relations	124,807	25,000	149,807	Veterans' Services HUB signage
302-0102-519-6406	Capital Outlays / Common Facilities	-	43,692	43,692	F150 Lightning Pro - new pool vehicle
302-0102-519-6410	Capital Outlays / Police	466,998	368,556	835,554	Body Worn Video Program
302-0102-519-6410	Capital Outlays / Police	835,554	41,716	877,270	Equip new vehicle - Lacey Resource Unit
302-0102-519-6410	Capital Outlays / Police	877,270	167,904	1,045,174	Police Facility, Vehicle, and Equipment Enhancements
302-0102-519-6411	Capital Outlays / Capital-Public Works-Admi	8,156	36,600	44,756	F150 Lightning Pro - vehicle for new Capital Projects Inspector position - supply chain delay
302-0102-519-6412	Capital Outlays / Capital-Public Works-Pks	66,651	70,697	137,348	F450 Flatbed Truck (Parks Maintenance new vehicle) - supply chain delay
302-0102-519-6412	Capital Outlays / Capital-Public Works-Pks	137,348	51,473	188,821	F150 Lightning Pro (replace retained vehicle #92) - supply chain delay
302-0102-519-6415	Capital Outlays / Capital-Community Develop	56,950	51,473	108,423	F150 Lightning Pro (replace retained vehicle #322) - supply chain delay
302-0102-519-6416	Capital Outlays / Parks and Recreation	15,000	7,024	22,024	Needle Deposit Boxes for Parks Restrooms
302-0102-519-6416	Capital Outlays / Parks and Recreation	22,024	8,000	30,024	Park Rules Signage
302-0102-519-6417	Capital Outlays / Capital-City Streets	289,751	25,465	315,216	F450 Flatbed Truck replacement (#265) - supply chain delay
302-0102-519-6417	Capital Outlays / Capital-City Streets	315,216	51,473	366,689	F150 Lightning Pro (replace retained vehicle #23) - supply chain delay
Total Capital Equipment Fund Expenditures		1,104,365	950,390	2,054,755	

Parks & Open Space Fund					
Revenues					
303-0000-308-0000	Beginning Cash	-	649,077	649,077	Beginning cash
Total Parks & Open Space Revenues		217,340	649,077	866,417	
Expenditures					
303-0106-576-6001	Capital Outlays / Capital Outlays-Equipment	-	303,449	303,449	Park Facilities Security Camera Expansion
303-0106-576-6003	Capital Outlays / Capital Improvements	181,250	540,356	721,606	Greg Cuoio Community Park Master Plan
303-0106-576-6003	Capital Outlays / Capital Improvements	721,606	59,822	781,428	Wonderwood Park Trail and Court Upgrades
303-0106-576-6003	Capital Outlays / Capital Improvements	781,428	25,000	806,428	Outdoor Ping Pong Tables
303-0106-576-6003	Capital Outlays / Capital Improvements	806,428	23,899	830,327	Honor Wall
Total Parks & Open Space Expenditures		217,340	649,077	866,417	

RAC Capital Fund					
Revenues					
307-0000-308-0000	Beginning Cash	-	2,579,242	2,579,242	
Total RAC Capital Revenues		1,642,392	2,579,242	4,221,634	
Expenditures					
307-0106-576-6001	Capital Outlays / Capital Equipment	-	177,705	177,705	RAC Fencing (Softball Fields #1 and #2)
307-0106-576-6003	Capital Outlays / Capital Improvements	-	91,537	91,537	RAC Parking Lot Design
307-0106-576-6219	Capital Outlays / Sport Com-Prel Design	-	5,000	5,000	RAC Phase 3 Preliminary Design
307-0106-576-6221	Capital Outlays / Sport Com-Contractor Prim	-	2,305,000	2,305,000	RAC Parking Lot Construction
Total RAC Capital Expenditures		1,642,392	2,579,242	4,221,634	

Water Utility Fund					
Revenues					
401-0000-308-0000	Beginning Cash	-	1,099,839	1,099,839	
Total Water Utility Fund Revenues		15,795,039	1,099,839	16,894,878	

Account Numbers	Account Description	2023 Budget	Budget Amendment	2023 Budget as Amended	Comments
Expenditures					
401-3401-534-4102	Professional Services / Prof. Svc-Engineering	501,778	62,015	563,793	Arc Flash Hazard Assessment
401-3401-534-4803	Repairs & Maintenance / Rep & Maint-Facilities	2,000	1,600	3,600	Maintenance Shop minor restroom remodel
401-3401-534-4803	Repairs & Maintenance / Rep & Maint-Facilities	3,600	32,000	35,600	Install M&O Shop automated gates (2)
401-3402-514-3137	Supplies / Meter	300,000	705,773	1,005,773	Replace failing meter transmission units, water meters for new development, and replace failing meters
401-3403-534-3111	Supplies / Water Treatment Supplies	-	100,000	100,000	Replace filter media at Hawks Prairie Water Treatment Facility
401-3403-534-3148	Supplies / Repairs & Maintenance	512,300	9,262	521,562	Acid wash for treatment materials.
401-3403-534-3148	Supplies / Repairs & Maintenance	521,562	6,320	527,882	Flow meter replacement Woodland Creek
401-3403-534-3148	Supplies / Repairs & Maintenance	527,882	15,000	542,882	Move power meter from failing pole
401-3403-534-3148	Supplies / Repairs & Maintenance	542,882	38,500	581,382	Eliminate old chlorine tanks in old booster building at Source 20
401-3403-534-4101	Professional Services / Prof. Svc-Other	91,100	38,030	129,130	Pump skid replacement / rebuild for CL2 generation at ATEC
401-3404-534-3119	Supplies / Inventory	230,000	39,923	269,923	Water parts inventory
401-3404-534-3137	Supplies / Meters	-	44,791	44,791	1.5" and 2" meters inventory
401-3404-534-6001	Supplies / Meters	26,000	6,625	32,625	F250 Valve Truck replacement (#247) - supply chain delay
Total Water Utility Fund Expenditures		15,795,039	1,099,839	16,894,878	

Wastewater Utility Fund					
Revenues					
402-0000-308-0000	Beginning Cash	-	257,468	257,468	
Total Wastewater Utility Fund Revenues		23,266,901	257,468	23,524,369	
Expenditures					
402-3501-535-4102	Professional Services / Prof. Svc-Engineering	340,750	50,474	391,224	Arc Flash Hazard Assessment
402-3501-535-4803	Repairs & Maintenance / Rep & Maint-Facilities	2,000	1,400	3,400	Maintenance Shop minor restroom remodel
402-3501-535-4803	Repairs & Maintenance / Rep & Maint-Facilities	3,400	28,000	31,400	Install M&O Shop automated gates (2)
402-3501-535-6001	Capital Outlays / Capital Outlays-Equipment	73,369	43,053	116,422	F250 4x4 with plow (new vehicle for Journey Lvl Tech) - supply chain delay
402-3503-535-3148	Supplies / Repairs and Maintenance	315,990	3,328	319,318	Liftstation 43 cable compression kit and Liftstation 54 pump parts
402-3504-535-6001	Capital Outlays / Capital Outlays-Equipment	-	131,213	131,213	Crane Truck replacement (#294) - supply chain delay
Total Wastewater Utility Fund Expenditures		23,266,901	257,468	23,524,369	

Stormwater Utility Fund					
Revenues					
403-0000-308-0000	Beginning Cash	-	7,350	7,350	
Total Stormwater Utility Fund Revenues		5,465,197	7,350	5,472,547	
Expenditures					
403-4201-538-4803	Repairs & Maintenance / Rep & Maint-Facilities	-	350	350	Maintenance Shop minor restroom remodel
403-4201-538-4803	Repairs & Maintenance / Rep & Maint-Facilities	350	7,000	7,350	Install M&O Shop automated gates (2)
Total Stormwater Utility Fund Expenditures		5,465,197	7,350	5,472,547	

Water Construction Fund					
Revenues					
410-0000-308-0000	Beginning Cash - Construction	9,457,076	1,033,865	10,490,941	Beginning cash
Total Water Construction Fund Revenues		18,949,204	1,033,865	19,983,069	

Account Numbers	Account Description	2023 Budget	Budget Amendment	2023 Budget as Amended	Comments
Expenditures					
410-3418-534-9001	Preliminary Engineering	2,838,625	61,861	2,900,486	Carry forward preliminary engineering cost various water construction projects
410-3418-534-9005	Construction Engineering	1,141,625	42,959	1,184,584	Carry forward construction engineering costs various water construction projects
410-3418-534-9013	Construction/Utilities	13,764,750	529,831	14,294,581	Carry forward utility construction costs various water construction projects
410-3418-534-9022	Purchase of Land	700,000	399,214	1,099,214	Carry forward utility construction costs various water construction projects
Total Water Construction Fund Expenditures		18,949,204	1,033,865	19,983,069	

Wastewater Construction Fund					
Revenues					
411-0000-308-0000	Beginning Cash - Construction	8,382,626	313,423	8,696,049	Beginning cash
Total Wastewater Construction Fund Revenues		12,525,000	313,423	12,838,423	
Expenditures					
411-3518-535-9001	Preliminary Engineering	1,843,500	11,554	1,855,054	Carry forward preliminary engineering cost various wastewater construction projects
411-3518-535-9005	Construction Engineering	809,125	22,640	831,765	Carry forward construction engineering costs various wastewater construction projects
411-3518-535-9013	Construction/Utilities	9,722,375	279,229	10,001,604	Carry forward utility construction costs various wastewater construction projects
Total Wastewater Construction Fund Expenditures		12,525,000	313,423	12,838,423	

Stormwater Construction Fund					
Revenues					
412-0000-308-0000	Beginning Cash - Construction	-	95,000	95,000	Beginning cash
Total Stormwater Construction Fund Revenues		2,336,636	95,000	2,431,636	
Expenditures					
412-4218-542-9004	Storm Drainage	595,750	87,875	683,625	Carry forward utility construction costs various stormwater construction projects
412-4218-542-9005	Construction Engineering	50,250	7,125	57,375	Carry forward construction engineering costs various stormwater construction projects
Total Stormwater Construction Fund Expenditures		2,336,636	95,000	2,431,636	

Equipment Rental					
Revenues					
501-0000-308-0000	Beginning Cash	418,209	515,062	933,271	Beginning cash
Total Equipment Rental Fund Revenues		3,861,519	515,062	4,376,581	
Expenditures					
501-4801-548-6002	Capital Outlays - Replacement	1,213,903	41,948	1,255,851	F250 Valve Truck replacement (#247) - supply chain delay
501-4801-548-6002	Capital Outlays - Replacement	1,255,851	31,218	1,287,069	F450 Flatbed Truck replacement (#265) - supply chain delay
501-4801-548-6002	Capital Outlays - Replacement	1,287,069	180,212	1,467,281	Crane Truck replacement (#294) - supply chain delay
501-4801-548-6002	Capital Outlays - Replacement	1,467,281	107,265	1,574,546	Two Police Utility Vehicle replacements (#422 and #427) - supply chain delay
501-4801-548-6002	Capital Outlays - Replacement	1,574,546	51,473	1,626,019	F150 Lightning Pro (replace vehicle #24) - supply chain delay
501-4801-548-6002	Capital Outlays - Replacement	1,626,019	51,473	1,677,492	F150 Lightning Pro (replace vehicle #182) - supply chain delay
501-4801-548-6002	Capital Outlays - Replacement	1,677,492	51,473	1,728,965	F150 Lightning Pro (replace vehicle #319) - supply chain delay
Total Equipment Rental Fund Expenditures		3,861,519	515,062	4,376,581	

Account Numbers	Account Description	2023 Budget	Budget Amendment	2023 Budget as Amended	Comments
Information Services					
Revenues					
502-0000-308-0000	Beginning Cash	109,746	52,390	162,136	Beginning cash
Total Information Services Fund Revenues		2,914,721	52,390	2,967,111	
Expenditures					
502-1801-518-4930	Miscellaneous / Software Maintenance	472,304	52,390	524,694	Crowdstrike managed security service
Total Information Services Fund Expenditures		2,914,721	52,390	2,967,111	