



Yakima County Investment Program Review

Provided by FTN Financial Main Street Advisors (“FTN Main Street”)
December 5, 2014

Summary: FTN Main Street believes the Yakima County investment program is well managed, meeting its objectives of safeguarding principal, providing liquidity, and attaining a market rate of return in regard to cash flow and risk constraints. We offer suggestions and analysis shown below to enhance various aspects of the County’s investment program.

Safety: The Treasurer’s Investment Pool (“TIP”) is comprised of highly rated securities, with the majority of its holdings in the State’s Local Government Investment Pool (LGIP) and U.S. Federal Agencies. The TIP’s current and historical allocation of securities provides an extremely high probability of safety of principal for the TIP.

Liquidity: The TIP’s maturity schedule is designed to provide operational liquidity for the County, as well as other TIP participants, which are primarily Yakima County special districts and other public entities. The principal cash outflow items are short-term in nature, such as payroll, accounts payable, debt service, and retirement contributions. The TIP’s current and historical maturity allocation provides an exceptionally high probability of meeting expected liquidity needs.

Yield: The TIP is managed to generate a market rate of return in consideration of the primary objectives of safety and liquidity. Risk preferences (safety) and liquidity needs differ materially among Washington municipal investment pools (see page 24). In relation to the above mentioned factors, the TIP has generated a market rate of return. We believe the long-term return can be enhanced with a more robust cash flow analysis and extending the weighted duration of the TIP.

Specific Areas of Review

Compliance with the Revised Code of Washington and the Yakima County Investment Policy

Item	Compliant	Notes
Liquidity	Yes	At Least 10% to mature within 1 day
Investment Final Maturities	Yes	Not greater than 5 years, unless approved
Investment Types	Yes	LGIP, Agency, Treasury, State & Local
Investment Issuers	Yes	Well diversified issuers
Investment Type Allocations	Yes	Above average callable allocation
Ratings	Yes	A or higher