



Legislation Details (With Text)

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Title: Acceptance of the Quarterly Investment Report for the quarter ended June 30, 2020.
Sponsors:
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Attachments: 1. 2020 3Q Investment Report

Date	Ver.	Action By	Action	Result
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Acceptance of the Quarterly Investment Report for the quarter ended June 30, 2020.

Summary: Chapter 2, Administration, Article VII (Finance), All of Division 2 (Investment Policy), Section 2-274 Reporting, of the Code of Ordinances of the City of Deer Park, requires the Investment Officers to prepare and submit to City Council an investment report no less than on a quarterly basis. This requirement is in compliance with the Texas Public Funds Investment Act, V.T.C.A., Government Code Ch. 2256 as amended (the "Act"). The City's Investment Officers have worked with the Investment Advisor to prepare this report for the quarter ended June 30, 2020 and each has signed the report.

At June 30, 2020, all City funds were held in various depository accounts or in accounts at TexPool, TexSTAR, or Texas CLASS, which are local government investment pools authorized by the Investment Policy. All three pools continue to maintain their AAAM rating by Standard & Poor's, which is the highest rating a local government investment pool can achieve.

Cash and investment activity included on the attached report is summarized below:

Cash in Wells Fargo (Depository Bank)	\$ 10,461,554
Money Market Accounts	2,125,180
Certificates of Deposit	56,054,854
TexPool	19,244,471
TexSTAR	8,228,636
Texas CLASS	8,182,051

Total Book Value \$104,296,746

Working with the City's investment advisor, the City has diversified the portfolio during the last few years with current investments of \$58,180,034 in various depository banks invested in money market accounts and certificates of deposit. At the end of the quarter, these investments represent about 55.8 percent of the portfolio. Cash balances held in the primary depository bank represent about 10.0 percent of the portfolio at June 30, 2020.

These depository investments are earning between 0.65% and 3.05%. Comparatively, rates in the investment pools averaged 0.3134%, 0.2955%, and 0.4032% for the quarter in TexPool, TexSTAR, and Texas CLASS, respectively. While the new depository investments have increased investment earnings, as these rates indicate, market rates are declining rapidly. The City will continue to review and evaluate investment opportunities for safety, liquidity, and yield.

At the end of the third quarter of Fiscal Year 2019-2020, investments in TexPool totaled \$19,244,471, which is a decrease of \$91,252 from the previous quarter. This decrease reflects the withdrawal of \$106,284 to cover bond fund expenditures offset by \$15,032 of interest earnings for the quarter. The TexPool funds earned an average 0.3134% for the quarter (April - June 2020) or 108.2 basis points lower than the average for the previous quarter (note: a basis point is equal to 1/100 of a percentage point so 0.01 equals 1 basis point). On June 30, 2020, TexPool was earning 0.2129%.

Investments in TexSTAR at the end of the third quarter of the fiscal year totaled \$8,228,636, which is a decrease of \$5,509,588 from the previous quarter. This decrease reflects the withdrawal of \$5,517,059 to cover bond fund expenditures offset by \$7,471 of interest earnings for the quarter. The TexSTAR funds earned an average 0.2955% for the quarter or 106.2 basis points lower than the average for the previous quarter. On June 30, 2020, TexSTAR was earning 0.2003%.

Investments in Texas CLASS at the end of the third quarter of the fiscal year totaled \$8,182,051, which is a decrease of \$1,515,872 from the previous quarter. This decrease reflects the withdrawal of \$1,524,521 to cover bond fund expenditures offset by \$8,649 of interest earnings for the quarter. The Texas CLASS funds earned an average 0.4032% for the quarter or 101.5 basis points lower than the average for the previous quarter. On June 30, 2020, Texas CLASS was earning 0.2826%.

The federal funds rate, still shown as a range, has been reduced to 0.00% - 0.25% by the Federal Open Market Committee (FOMC) following a series of three rate decreases starting in late October 2019, with two in the month of March 2020 due to the coronavirus pandemic. Economists have predicted the rate will remain at zero for the next two or three years. Note: the federal funds rate was a range of 2.25% - 2.50% on June 30, 2019. As a result of these rate reductions, market rates have been declining as seen in the investment pool rates and the certificate of deposit reinvestment rates. While the 1.26% weighted average yield for the third quarter ended June 30, 2020 is higher than the 0.14% rolling average yield of the three-month U.S. Treasury Bill for the quarter, it is lower than the 1.63% for the last quarter reflecting the interest rate declines in the current market. The City's weighted average yield of 1.53% for the fiscal year-to-date at June 30, 2020 is 14.0 basis points lower than the previous quarter and 67 basis points lower than weighted average yield one year ago.

Fiscal/Budgetary Impact:

N/A.

Accept the Investment Report for the Quarter Ended June 30, 2020.