



Legislation Text

File #: RPT 16-059, **Version:** 1

Acceptance of Quarterly Investment Report (April - June 2016).

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 Officer 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 Officer (Director of Finance) has prepared and signed this report for the quarter ended June 30, 2016.

At June 30, 2016, all City funds were held in various depository accounts or in accounts at TexPool or TexSTAR, which are local government investment pools authorized by the Investment Policy. Both 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)	\$ 40,032,857.42
Certificates of Deposit	6,761,518.32
CDARS Program	5,027,087.01
Money Market Accounts	5,009,140.76
TexPool	26,320,824.20
TexSTAR	27,645,308.67
Total Book Value	\$110,796,736.38

Working with the City's investment advisor, the City has diversified the portfolio during the fiscal year with investments of \$16,745,000 par value in various depository banks through certificates of deposit, CDARS, and money market accounts earning between 0.3560% and 1.25%. Comparatively, rates in the investment pools averaged 0.3471% and 0.3762% for the quarter in TexPool and TexSTAR, respectively. The new depository investments continue to provide increased investment earnings and the City plans to add additional investment accounts in the coming months. Note: CDARS is network of financial institutions that provides an investment opportunity for deposits in excess of the standard FDIC insurance maximum of \$250,000. One bank acts as custodian for the CDARS deposits at the various other member banks. As an example, a \$1,000,000 deposit is placed with seven banks, and all balances are covered by FDIC insurance. For the banks, this is cheaper than holding collateral if the single deposit exceeded \$250,000. Then, rather than administering seven

separate investments and receiving seven separate account statements for the investment, the City receives one consolidated account statement from the custodian bank.

At the end of the third quarter of Fiscal Year 2015-2016, investments in TexPool totaled \$26,320,824, which is a net increase of \$136,843 from the previous quarter. This increase represents \$22,727 of interest earnings for the third quarter of the fiscal year plus the deposit of \$114,116 into the Debt Service Fund for the costs of issuance and accrued interest associated with the Limited Tax Refunding Bonds, Series 2016. These funds earned an average 0.3471% for the quarter (April - June) or 4.85 basis points higher 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). Investments in TexSTAR totaled \$27,645,309, which is a net increase of \$25,908 from the previous quarter. This increase represents interest earnings for the third quarter of the fiscal year. These funds earned an average 0.3762% for the quarter or 6.59 basis points higher than the average for the previous quarter.

While interest rates have steadily declined during the last two fiscal years, the market has seen an upward trend and in December 2015, the Federal Open Market Committee (FOMC) raised the Fed funds rate for the first time in seven years. The rate continues to be shown as a range, but the increase represents a change from basically zero (range of 0.00% - 0.25%) to a range of 0.25% - 0.50%. With this rate hike, the City faces the prospect of improved interest earnings and investment opportunities in the coming year. The 0.2928% weighted average yield for the third quarter of the fiscal year is 3.28 basis points higher than the benchmark rate of 0.2600%, which is the average yield of the three-month U.S. Treasury Bill at June 30, 2016.

Fiscal/Budgetary Impact:

N/A.

Accept the Investment Report for the Quarter Ended June 30, 2016.