



Legislation Text

File #: RPT 17-013, **Version:** 1

Acceptance of Quarterly Investment Report (October - December 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 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 and have signed this report for the quarter ended December 31, 2016.

At December 31, 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)	\$ 36,022,785
Money Market Accounts	7,009,846
Certificates of Deposit	11,802,646
CDARS Program	5,048,178
TexPool	33,591,434
TexSTAR	28,228,769
Total Book Value	\$121,703,658

Working with the City's investment advisor, the City has diversified the portfolio during the past year with current investments of \$23,860,670 in various depository banks through money market accounts, certificates of deposit, and CDARS (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.)

The depository investments are earning between 0.55% and 1.25%. Comparatively, rates in the investment pools averaged 0.4128% and 0.4387% for the quarter in TexPool and TexSTAR, respectively. The new depository investments have increased investment earnings, and the City will continue to review and evaluate investment opportunities for safety, liquidity, and yield.

At the end of the first quarter of Fiscal Year 2016-2017, investments in TexPool totaled \$33,591,434, which is a net decrease of \$493,051 from the previous quarter. This net decrease includes \$52,209 of interest earnings for the quarter and transfers of \$545,260 out of the TexPool account for the Type B projects to settle the due to/due from balances resulting from bond fund expenditures related to the Maxwell Center, Baseball Fields, Soccer Fields, and Community Center and Gym. The TexPool funds earned an average 0.4128% for the quarter (October - December) or 3.86 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). At December 31, 2016, TexPool was earning 0.4570%.

Investments in TexSTAR at the end of the first quarter of the fiscal year totaled \$28,228,769, which is a net increase of \$7,149,725 from the previous quarter. This net increase includes interest earnings of \$27,545 for the quarter plus a deposit of \$7,122,180 into the Series 2016-A Fund. This deposit represents the proceeds associated with the certificates of obligation issued as part of the 10-year capital improvement program for water and sewer projects. The TexSTAR funds earned an average 0.4387% for the quarter or 3.96 basis points higher than the average for the previous quarter. At December 31, 2016, TexSTAR was earning 0.4815%.

After two years of steady declines, interest rates have been trending upward including an increase in the Fed funds rate, still shown as a range and currently 0.50% - 0.75%. As a result of market changes, the City continues to see higher interest earnings. The 0.40% weighted average yield for the first quarter ended December 31, 2016 is slightly below the 0.43% average yield of the three-month U.S. Treasury Bill for the quarter. The City's weighted average yield for the first quarter of Fiscal Year 2016-2017 improved 4.00 basis points from the previous quarter. Currently about 30 percent of the City's portfolio is in cash accounts due to the large amount of tax collections, which are typical during the first quarter of the fiscal year. The City is reviewing investment options for a portion of these monies.

Fiscal/Budgetary Impact:

N/A.

Accept the Investment Report for the Quarter Ended December 31, 2016.