



Legislation Text

File #: RPT 17-061, **Version:** 1

Acceptance of Quarterly Investment Report (July - September 2017).

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 September 30, 2017.

At September 30, 2017, 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)	\$ 17,135,392
Money Market Accounts	14,114,169
Certificates of Deposit	23,146,992
TexPool	30,550,846
TexSTAR	24,247,224
Total Book Value	\$109,194,623

Working with the City's investment advisor, the City has diversified the portfolio during the past year with current investments of \$37,261,161 in various depository banks through money market accounts and certificates of deposit.

The depository investments are earning between 0.83% and 1.50%. Comparatively, rates in the investment pools averaged 0.9951% and 1.0185% for the quarter in TexPool and TexSTAR, respectively. The new depository investments have increased investment earnings, and the City continues to review and evaluate investment opportunities for safety, liquidity, and yield.

At the end of the fourth quarter of Fiscal Year 2016-2017, investments in TexPool totaled \$30,550,846, which is a net decrease of \$1,196,245 from the previous quarter. This net decrease reflects withdrawals of approximately \$1,275,532, primarily to cover bond fund expenditures, offset by

\$79,287 of interest earnings for the quarter. The TexPool funds earned an average 0.9951% for the quarter (July - September) or 20.75 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 September 30, 2017, TexPool was earning 1.0270%.

Investments in TexSTAR at the end of the fourth quarter of the fiscal year totaled \$24,247,224, which is a net decrease of \$479,701 from the previous quarter. This net decrease reflects withdrawals of approximately \$543,171 to cover bond fund expenditures offset by \$63,470 of interest earnings for the quarter. The TexSTAR funds earned an average 1.0185% for the quarter or 24.16 basis points higher than the average for the previous quarter. At September 30, 2017, TexSTAR was earning 1.0317%.

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 1.00% - 1.25%. As a result of market changes, the City continues to see higher interest earnings. The 0.70% weighted average yield for the fourth quarter ended September 30, 2017 is below the 0.75% rolling average yield of the three-month U.S. Treasury Bill for the quarter. The City's weighted average yield for the fiscal year-to-date at September 30, 2017 is 0.97%, which is 16.0 basis points higher than the previous quarter. Currently about 15.7% of the City's portfolio is in the City's depository bank.

Fiscal/Budgetary Impact:

N/A.

Accept the Investment Report for the Quarter Ended September 30, 2017.