



Legislation Text

File #: RPT 19-004, **Version:** 1

Acceptance of Quarterly Investment Report for the Quarter Ended December 31, 2018.

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, 2018.

At December 31, 2018, 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. Note: while the City has had approval to invest in Texas CLASS, the City has not invested in the pool until recently, investing the proceeds of the Series 2018 Certificates of Obligation in their governmental fund, which does not invest in commercial paper. 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)	\$ 28,106,718
Money Market Accounts	2,064,460
Certificates of Deposit	29,832,468
TexPool	25,219,136
TexSTAR	23,607,722
Texas CLASS	6,357,067
Total Book Value	\$115,187,571

Working with the City's investment advisor, the City has diversified the portfolio during the last few years with current investments of \$31,896,928 in various depository banks through money market accounts and certificates of deposit. At the end of the quarter, these investments represent about 27.7 percent of the portfolio.

These depository investments are earning between 1.45% and 3.05%. Comparatively, rates in the investment pools averaged 2.2872% and 2.3069% for the quarter in TexPool and TexSTAR,

respectively. The City was not invested in Texas CLASS until December 2018. The rate in this investment pool averaged 2.5100% for the month of December. The City continues to review and evaluate investment opportunities for safety, liquidity, and yield.

At the end of the first quarter of Fiscal Year 2018-2019, investments in TexPool totaled \$25,219,136, which is a net increase of \$6,139,705 from the previous quarter. This net increase includes the deposit of \$6,000,000 of maturing proceeds from a CD investment and \$139,705 of interest earnings for the quarter. The TexPool funds earned an average 2.2872% for the quarter (October - December 2018) or 35.21 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). On December 31, 2018, TexPool was earning 2.5304%.

Investments in TexSTAR at the end of the first quarter of the fiscal year totaled \$23,607,722, which is an increase of \$132,123 from the previous quarter. This increase represents interest earnings for the quarter. The TexSTAR funds earned an average 2.3069% for the quarter or 36.74 basis points higher than the average for the previous quarter. On December 31, 2018, TexSTAR was earning 2.5549%.

Investments in Texas CLASS at the end of the first quarter of the fiscal year totaled \$6,357,067, representing the investment of proceeds from the Series 2018 Certificates of Obligation in December and interest earnings for the month. These Texas CLASS funds earned an average 2.5100% for the month. On December 31, 2018, Texas CLASS was earning 2.5600%.

The federal funds rate, still shown as a range, was last increased on December 19, 2018 to 2.25% - 2.50% (from the previous 2.00% - 2.25%). As a result of market changes, the City continues to see higher interest earnings on the portfolio investments. The 1.89 weighted average yield for the first quarter ended December 31, 2018 is below the 2.37% rolling average yield of the three-month U.S. Treasury Bill for the quarter. The City's weighted average yield of 1.89% for the fiscal year-to-date at December 31, 2018 is 48.0 basis points higher than the previous quarter. Currently about 24.4 percent of the portfolio is in the City's depository bank.

Fiscal/Budgetary Impact:

N/A.

Accept the Investment Report for the Quarter Ended December 31, 2018.