



## Legislation Text

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**File #:** RPT 19-034, **Version:** 1

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Acceptance of Quarterly Investment Report for the quarter ended June 30, 2019.

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, 2019 and each has signed the report.

At June 30, 2019, 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)	\$ 10,564,997
Money Market Accounts	2,090,978
Certificates of Deposit	43,744,457
TexPool	24,518,562
TexSTAR	18,323,245
Texas CLASS	6,434,295
Total Book Value	\$105,676,534

Working with the City's investment advisor, the City has diversified the portfolio during the last few years with current investments of \$45,835,435 in various depository banks through money market accounts and certificates of deposit. At the end of the quarter, these investments represent about 43.4 percent of the portfolio.

These depository investments are earning between 2.48% and 3.05%. Comparatively, rates in the investment pools averaged 2.4054%, 2.4027%, and 2.4199% for the quarter in TexPool, TexSTAR, and Texas CLASS, respectively. The new depository investments have increased investment earnings, but market rates are declining. 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 2018-2019, investments in TexPool totaled \$24,518,562, which is a net decrease of \$850,176 from the previous quarter. This net decrease reflects a withdrawal of \$1,000,000 to cover land purchases offset by \$149,824 of interest earnings for the quarter. The TexPool funds earned an average 2.4054% for the quarter (April - June 2019) or 0.45 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 June 30, 2019, TexPool was earning 2.4274%.

Investments in TexSTAR at the end of the third quarter of the fiscal year totaled \$18,323,245, which is a net decrease of \$5,424,555 from the previous quarter. This net decrease reflects withdrawals of approximately \$5,547,842 to cover bond fund expenditures offset by \$123,287 of interest earnings for the quarter. The TexSTAR funds earned an average 2.4027% for the quarter, a slight 0.10 basis points higher than the average for the previous quarter. On June 30, 2019, TexSTAR was earning 2.4121%.

Investments in Texas CLASS at the end of the third quarter of the fiscal year totaled \$6,434,295, which is an increase of \$38,700 from the previous quarter. This increase represents interest earnings for the quarter. The Texas CLASS funds earned an average 2.4199% for the quarter virtually unchanged from the previous quarter. On June 30, 2019, Texas CLASS was earning 2.4051%.

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%). At the most recent meeting of the Federal Open Market Committee (FOMC) on July 31, 2019, the FOMC reduced this rate by 25 basis points to a new range of 2.00% to 2.25%. There are three more regular meetings of the FOMC during this calendar year, with the next meeting in late September. The possibility remains that there will be at least one more rate cut during the remainder of 2019. Market rates have been declining as seen in the investment pool rates and the certificate of deposit reinvestment/renewal rates. The 2.35% weighted average yield for the third quarter ended June 30, 2019 is slightly below the 2.36% rolling average yield of the three-month U.S. Treasury Bill for the quarter. The City's weighted average yield of 2.20% for the fiscal year-to-date at June 30, 2019 is 7.0 basis points higher than the previous quarter. Currently about 10.0 percent of the portfolio is in the City's depository bank as the City has worked to reallocate these monies into higher yielding investments.

Fiscal/Budgetary Impact:

N/A.

Accept the Investment Report for the Quarter Ended June 30, 2019.