



Legislation Text

File #: RPT 19-054, **Version:** 1

Acceptance of Quarterly Investment Report for the quarter ended September 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 September 30, 2019 and each has signed the report.

At September 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)	\$ 12,739,922
Money Market Accounts	2,103,759
Certificates of Deposit	44,049,393
TexPool	19,171,437
TexSTAR	13,634,234
Texas CLASS	5,035,475
Total Book Value	\$ 96,734,220

Working with the City's investment advisor, the City has diversified the portfolio during the last few years with current investments of \$46,153,152 in various depository banks through money market accounts and certificates of deposit. At the end of the quarter, these investments represent about 47.7 percent of the portfolio.

These depository investments are earning between 2.10% and 3.05%. Comparatively, rates in the investment pools averaged 2.2409%, 2.2069%, and 2.2358% 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 fourth quarter of Fiscal Year 2018-2019, investments in TexPool totaled \$19,171,437, which is a net decrease of \$5,347,125 from the previous quarter. This net decrease reflects a withdrawal of \$5,481,231 to cover bond fund expenditures offset by \$134,106 of interest earnings for the quarter. The TexPool funds earned an average 2.2409% for the quarter (July - September 2019) or 0.16 basis points lower 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 September 30, 2019, TexPool was earning 2.1371%.

Investments in TexSTAR at the end of the fourth quarter of the fiscal year totaled \$13,634,234, which is a net decrease of \$4,689,011 from the previous quarter. This net decrease reflects withdrawals of approximately \$4,778,862 to cover bond fund expenditures offset by \$89,851 of interest earnings for the quarter. The TexSTAR funds earned an average 2.2069% for the quarter or 0.20 basis points lower than the average for the previous quarter. On September 30, 2019, TexSTAR was earning 2.1054%.

Investments in Texas CLASS at the end of the fourth quarter of the fiscal year totaled \$5,035,475, which is a decrease of \$1,398,820 from the previous quarter. This net decrease reflects withdrawals of approximately \$1,432,575 to cover bond fund expenditures offset by \$33,755 of interest earnings for the quarter. The Texas CLASS funds earned an average 2.2358% for the quarter or 0.18 basis points lower than the average for the previous quarter. On September 30, 2019, Texas CLASS was earning 2.1551%.

The federal funds rate, still shown as a range, was reduced 25 basis points by the Federal Open Market Committee (FOMC) on July 31, 2019 to a new range of 2.00% - 2.25%. On September 18, 2019, the rate was reduced another 25 basis points to a range of 1.75% to 2.00%, and at the most recent meeting on October 30, 2019, the FOMC reduced the rate yet another 25 basis points to a new range of 1.50% to 1.75%. This marks the third rate cut this year, but the market is projecting the rate should remain unchanged until March 2020. The next FOMC meeting is in mid-December. As a result of these rate reductions, market rates have been declining as seen in the investment pool rates and the certificate of deposit reinvestment/renewal rates. The 2.18% weighted average yield for the fourth quarter ended September 30, 2019 is higher than the 2.02% rolling average yield of the three-month U.S. Treasury Bill for the quarter. The City's weighted average yield of 2.1972% for the fiscal year at September 30, 2019 is slightly lower than the 2.2026% from the previous quarter and is reflective of the interest rate declines in the current market. Currently about 13.2 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 September 30, 2019.

