

City of Athens, Texas

Agenda Memorandum



Agenda Date: January 22, 2018

DEPARTMENT: FINANCE

CONTACT: Daniel Crawford, Interim Finance Director

SUBJECT: **Investment Report-for the Quarter ending December 31, 2017**

SUMMARY: Compliance with the Public Funds Investment Act and the City of Athens Investment Policy

Background:

The Public Funds Investment Act, Chapter 2256.023 of the Government Code requires the investment officer of each local government to submit its governing body a quarterly report of investment transactions. The City staff has compiled the following information for your review and to comply with the reporting requirements.

The attached investment report shows that the beginning market value on October 1, 2017 for all cash and investments was \$20,077,540.75 and the ending market value on December 31, 2017 was \$19,875,464.64.

The beginning TexPool investment balance on October 1, 2017 was \$14,309,876.61 and the balance on December 31, 2017 was \$13,953,789.64 or 70.21% of the total portfolio.

Recommendation:

It is recommended that City Council approve and accept the attached Investment Report for the quarter ending December 31, 2017.



INVESTMENT REPORT

December 31, 2017

The Quarterly Investment Report for the City of Athens, Texas, for the quarter ending on December 31, 2017 is hereby submitted.

The current depository bank for the City of Athens is Prosperity Bank. The City maintains 14 money market accounts and earns a rate determined by the bank (approximately .35%) and to offset banking expenses for all accounts based on daily balance requirements. Interest bearing checking accounts are now considered an investment under the Public Funds Investment Act and per the 2017 legislative changes. See PFIA Section 2256.009(a), "clarifying that interest-bearing bank accounts insured by FDIC or the National Credit Union Share Insurance Fund are authorized investments." HB 1003 modified in June 2017.

The City received \$12,175,837.20 of bond proceeds in January for the Series 2017 Certificates of Obligations and the monies were deposited into the Capital Improvement Fund account in Texpool.

TexPool average interest rate was 1.0506% for the quarter with a weighted average maturity at 33 days. The total Texpool interest earned was \$38,600.29. TexPool's liquid asset portfolio seeks to maintain a net asset value of \$1 per unit invested to preserve the principal of all pool participants.

Prosperity Bank earned a quarterly interest of \$5,115.03 for all accounts. The bank accounts are insured by a combination of FDIC insurance and pledged securities which are maintained at the HilltopBancSystems, a Division of Hilltop Securities with coverage at 102%.

The total interest earned from all sources for the quarter was \$43,715.32.

This report meets the requirements established in the City of Athens' investment policy and the Public Funds Investment Act.

Gary Whittle
Interim City Manager

Daniel Crawford, CGFO
Investment Officer



Monthly Newsletter: December 2017

ANNOUNCEMENTS

We welcome the following entities who joined TexPool in November 2017:

TexPool

Williamson County MUD 30
 East Fort Bend County Development Authority
 Whitesboro Economic Development Corporation
 Whitesboro Industrial Development Corporation

TexPool Prime

Whitesboro Economic Development Corporation
 Whitesboro Industrial Development Corporation

Upcoming Events

Dec 03, 2017 - Dec 06, 2017,
 Hilton Houston Post Oak, Houston
 GTOT 2017 Winter Seminar

Jan 28, 2018 - Jan 31, 2018,
 Austin Convention Center, Austin
 TASA Mid-Winter Conference

Feb 26, 2018 - Mar 02, 2018,
 Ft. Worth Convention Center, Ft. Worth
 2018 TASBO Annual Conference

Apr 15, 2018 - Apr 17, 2018,
 Renaissance, Austin
 GFOAT 2018 Spring Conference

TexPool Advisory Board Members

Jose Elizondo, Jr.	Vivian Wood
Belinda Erwin	Jerry Dale
Patrick Krishock	Sharon Matthews
Michele Tuttle	David Landeros

Overseen by the State of Texas Comptroller of Public Accounts Glenn Hegar.

Operated under the supervision of the Texas Treasury Safekeeping Trust Company

Economic and Market Commentary: Unknowns at the Fed

December 1, 2017

An already improving U.S economy kept its momentum over the course of November, setting up a near certainty that the Federal Reserve (Fed) will raise rates at its policy meeting ending on Dec. 13. Other positive Fed news came with a “so far, so good” effect that the tapering of the central bank’s massive balance sheet had on the short end of the yield curve. At the end of this year, the Fed will have retired \$30 billion in Treasuries and mortgaged-backed securities, and that number will rise in upcoming quarters. During November, the tapering led to an uptick in supply of Treasuries and slightly higher rates, both welcome developments. This massive roll-off is uncharted territory. We think it should go smoothly, however no one knows for certain.

The consensus is that soon-to-be confirmed chairman, Jerome Powell, will maintain the policy of the departing Janet Yellen. He agrees with her outlook and has voted with her every time. But when Yellen leaves, there could be four empty seats on the board of governors and thus on the policy-setting Federal Open Market Committee (FOMC). If New York Fed President William Dudley makes good on his intention to retire in mid-2018, there’s a potential for five vacancies. Even if President Trump announces more nominations soon—

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Performance as of November 30, 2017

	TexPool	TexPool Prime
Current Invested Balance	\$14,991,999,060.79	\$4,445,346,560.57
Weighted Average Maturity	33	38
Weighted Average Life	99	81
Net Asset Value	0.99991	1
Total Number of Participants	2,443	292
Management Fee on Invested Balance	0.0473%	0.0638%
Interest Distributed	\$13,237,443.25	\$4,625,156.47
Management Fee Collected	\$573,184.70	\$193,246.68
Standard & Poor’s Current Rating	AAAm	AAAm
Month Averages		
Average Invested Balance	\$15,339,841,222.81	\$4,387,453,423.36
Average Monthly Rate	1.0506%	1.2826%
Average Weighted Average Maturity	33	43
Average Weighted Average Life	99	78

*This average monthly rate for TexPool Prime for each date may reflect a waiver of some portion or all of each of the management fees.

**See page 2 for definitions.

Past performance is no guarantee of future results.

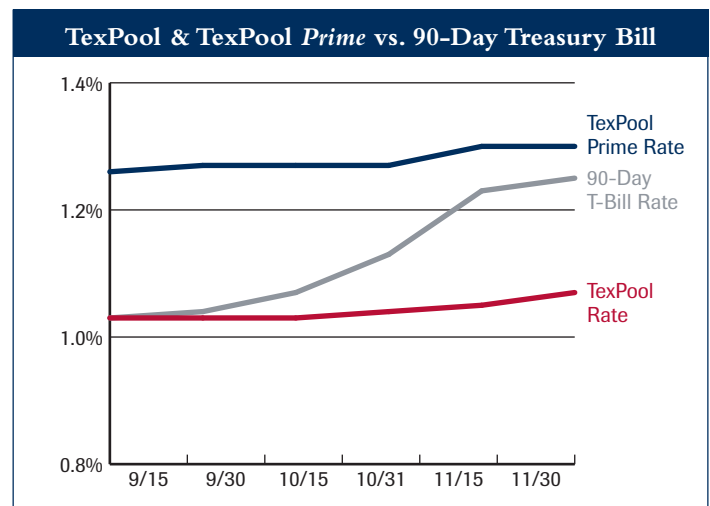


Participant Services
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Houston, TX 77002

as he did late in November with Carnegie Mellon University economist Marvin Goodfriend—confirmation hearings could take months. The complexities of the economy and monetary policy mean this is not the time for too few voters making far-reaching decisions.

But the opposite should also be a concern. When these posts are filled, what will the Fed's makeup be? Five new FOMC or voting members could swing a relatively neutral Fed to more dovish or more hawkish positions. Policy shifts, of course, can have dramatic effect on the economy, so each added member will bring new uncertainty for the markets.

The London interbank offered rate (Libor) rose at a good clip, suggesting the taper has not impacted normal operations: a rise is expected ahead of a hike and in anticipation of year-end trading/supply pressure. Also, good economic news—all-important retail sales for this holiday shopping season were solid—tends to push rates higher. One-month Libor rose from 1.24% to 1.35% and 3-month from 1.38% to 1.48%, both approximately 10 basis-point increases. If, as expected, the FOMC takes rates to a target range of 1.25% to 1.50% at the December meeting, cash rates on the money market yield curve should continue to rise. So we have shortened the weighted average maturity (WAM) of TexPool to 33 days and TexPool Prime to 38 days. The short end of the Treasury curve rose slightly in November, with 1-month and 3-month Treasury yields rising from 1.02% to 1.17% and 1.13% to 1.29%, respectively.



90-Day Treasury Bill is a short-term debt instrument backed by the national government. These are used to collect immediate cash to meet outstanding obligations.

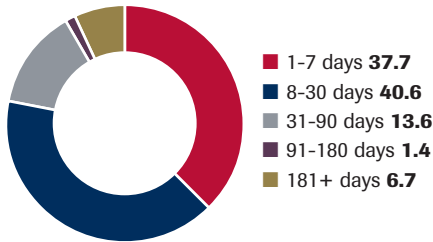
Any private investor can invest in a Treasury bill. The 90-Day Treasury Bill is a weighted average rate of the weekly auctions of 90-Day Treasury Bills.

Past performance is no guarantee of future results.



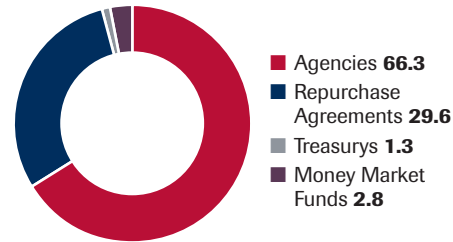
Portfolio by Maturity (%)

As of November 30, 2017



Portfolio by Type of Investment (%)

As of November 30, 2017



Portfolio Asset Summary as of November 30, 2017

	Book Value	Market Value
Uninvested Balance	633,620.75	633,620.75
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	6,704,935.94	6,704,935.94
Interest and Management Fees Payable	-13,237,541.97	-13,237,541.97
Payable for Investments Purchased	-49,998,730.00	-49,998,730.00
Accrued Expenses & Taxes	-18,655.45	-18,655.45
Repurchase Agreements	4,447,597,000.00	4,447,597,000.00
Mutual Fund Investments	415,022,103.88	415,022,103.88
Government Securities	9,984,807,577.12	9,983,831,210.90
U.S. Treasury Inflation Protected Securities	0.00	0.00
US Treasury Bills	0.00	0.00
US Treasury Notes	200,488,750.52	200,121,094.00
Total	\$14,991,999,060.79	\$14,990,655,038.05

Market value of collateral supporting the Repurchase Agreements is at least 102% of the Book Value. The portfolio is managed by Federated Investment Counseling and the assets are safe kept in a separate custodial account at State Street Bank in the name of TexPool. The only source of payment to the Participants is the assets of TexPool. There is no secondary source of payment for the pool such as insurance or State guarantee. Should you require a copy of the portfolio, please contact TexPool Participant Services.

Participant Summary

	Number of Participants	Balance
School District	583	\$4,750,218,990.16
Higher Education	57	\$676,098,916.52
Health Care	81	\$416,959,343.02
Utility District	770	\$2,201,098,769.14
City	457	\$3,671,114,604.58
County	185	\$1,572,113,998.90
Other	310	\$1,700,780,026.19

**Definition of Weighted Average Maturity and Weighted Average Life

WAM is the mean average of the periods of time remaining until the securities held in TexPool (a) are scheduled to be repaid, (b) would be repaid upon a demand by TexPool, or (c) are scheduled to have their interest rate readjusted to reflect current market rates. Securities with adjustable rates payable upon demand are treated as maturing on the earlier of the two dates set forth in (b) and (c) if their scheduled maturity is 397 days or less; and the later of the two dates set forth in (b) and (c) if their scheduled maturity is more than 397 days. The mean is weighted based on the percentage of the amortized cost of the portfolio invested in each period.

WAL is calculated in the same manner as WAM, but is based solely on the periods of time remaining until the securities held in TexPool (a) are scheduled to be repaid or (b) would be repaid upon a demand by TexPool, without reference to when interest rates of securities within TexPool are scheduled to be readjusted.