

# CITY OF MESQUITE

## Quarterly Investment Report Overview

### Quarter Ending March 31, 2018



**Investment objectives** are safety, liquidity, yield and public trust.

**Portfolio objective** is to meet or exceed the average rate of return on US Treasury securities at the maturity date of the City's portfolio.

#### AVERAGE YIELD HISTORY

<i>Quarter</i>	June 2017	September 2017	December 2017	March 2018
<b><i>City Average Yield</i></b>	<b>0.952%</b>	<b>1.11%</b>	<b>1.23%</b>	<b>1.50%</b>
<b><i>Treasury Average Yield – 90 days</i></b>	<b>0.908%</b>	<b>1.05%</b>	<b>1.23%</b>	<b>1.58%</b>
<b><i>Treasury Average Yield – 180 days</i></b>	<b>1.03%</b>	<b>1.14%</b>	<b>1.38%</b>	<b>1.77%</b>
<b><i>Weighted Average Maturity</i></b>	<b>92 days</b>	<b>115 days</b>	<b>118 days</b>	<b>126 days</b>

The City's Investment Policy allows various types of investments with varying maturity dates in order to diversify the funds invested.

#### INVESTMENT TYPES AND PARAMETERS

<b>Investment Types</b>	<b>Portfolio % Parameters</b>	<b>Portfolio % as of March 31, 2018</b>
<b>Certificates of Deposit</b>	<b>20%</b>	<b>0.00%</b>
<b>Federal Agency Coupons</b>	<b>100%</b>	<b>30.38%</b>
<b>State &amp; Local Agency Coupons</b>	<b>20%</b>	<b>0.41%</b>
<b>Managed Pools</b>	<b>80%</b>	<b>60.64%</b>
<b>Money Market Funds</b>	<b>50%</b>	<b>8.57%</b>
<b>Repurchase Agreements</b>	<b>20%</b>	<b>0.00%</b>
	<i>Days Parameter</i>	<i>Days as of 3/31/2018</i>
<b>Weighted Average Maturity</b>	<b>365 days</b>	<b>126 days</b>

#### INVESTMENT PORTFOLIO BALANCES

<b>Investment Quarter Ended</b>	<b>Book Value</b>	<b>Market Value</b>	<b>Unrealized Gain/(Loss)</b>
June 2017	<b>\$135,648,667</b>	<b>\$135,566,599</b>	<b>(\$82,068)</b>
September 2017	<b>\$119,981,516</b>	<b>\$119,902,335</b>	<b>(\$79,181)</b>
December 2017	<b>\$117,633,114</b>	<b>\$117,458,159</b>	<b>(\$174,955)</b>
March 2018	<b>\$118,382,081</b>	<b>\$118,166,956</b>	<b>(\$215,125)</b>

The difference between book value and market value represents an unrealized gain or loss. The City would only realize a gain or loss if investments were sold prior to maturity. Per the investment policy, the City has a "buy and hold" portfolio strategy; therefore investments are purchased with the intent to hold until maturity.

The following table gives the history of investment rates available for the past three quarters and the current rates available for the various types of investments.

#### INVESTMENT RATE HISTORY

<b>Date</b>	<b>9/30/2017</b>	<b>12/31/2017</b>	<b>3/31/2018</b>	<b>5/18/2018</b>
<b>Investment Type</b>	<b>Sept Rates</b>	<b>Dec Rates</b>	<b>Mar Rates</b>	<b>Current Rates</b>
<b><u>Pools</u></b>				
TexPool (Daily Rate)	1.02%	1.18%	1.52%	1.70%
TexStar (Daily Rate)	1.04%	1.18%	1.50%	1.71%
Texas Class (Daily Rate)	1.25%	1.41%	1.75%	2.04%
TexPool Prime (Daily Rate)	1.02%	1.39%	1.71%	2.01%
<b><u>Treasury</u></b>				
3-month (90-days)	1.05%	1.43%	1.75%	1.90%
6-month	1.18%	1.52%	1.93%	2.07%
1 year	1.29%	1.71%	2.11%	2.29%
2 year	1.45%	1.89%	2.26%	2.57%
<b><u>Agency</u></b>				
2 year (callable)	1.52%	1.94%	2.43%	2.69%
2 year (bullet)	1.55%	1.90%	2.35%	2.62%
<b><u>CD's</u></b>				
6 month	0.46%	0.52%	0.63%	0.63%
9 month	0.54%	0.63%	0.75%	0.75%
12 month	0.63%	0.75%	0.88%	0.88%
15 month	n/a	n/a	n/a	n/a
18 month	n/a	n/a	n/a	n/a
21 month	n/a	n/a	n/a	n/a
24 month	n/a	n/a	n/a	n/a

**U.S. Economic Update released March 2018 from Federal Reserve Bank of Dallas:**

The U.S. economic outlook has slightly improved since January, due to strong gross domestic product (GDP) and employment growth. Forecast GDP growth has ticked higher as recent changes to federal tax law have provided fiscal stimulus. Inflation expectations have remained firmly anchored, with inflation gradually rising.

**Update on Federal Fund Target Rate from *Wall Street Journal*:**

At the policy meeting in March 2018, Fed officials increased the federal funds rate by a quarter-percentage point to a range between 1.50% and 1.75%. Fed officials plan to increase the rate another two to three times in 2018, three times in 2019 and two more times in 2020 in order to reach a projected range between 3.25% and 3.50% in 2020.

# CITY OF MESQUITE



## INVESTMENT REPORT

FOR

QUARTER ENDING

**March 31, 2018**

# INVESTMENT REPORT

FOR QUARTER ENDING March 31, 2018



The information within comprises the quarterly investment report for the City of Mesquite, Texas. The under-signed acknowledge that the City's investment portfolio has been and is currently in compliance with the policies and strategies contained in the City's Investment Policy as adopted by Resolution 39-2017 for the City of Mesquite and is also in compliance with the requirements of the Public Funds Investment Act of the State of Texas.

*Deborah A. Mol*

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Deborah A. Mol, Director of Finance

*Myra E. Rogers*

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Myra E. Rogers, Manager of Budget and Financial Analysis

*Sheree Haynes*

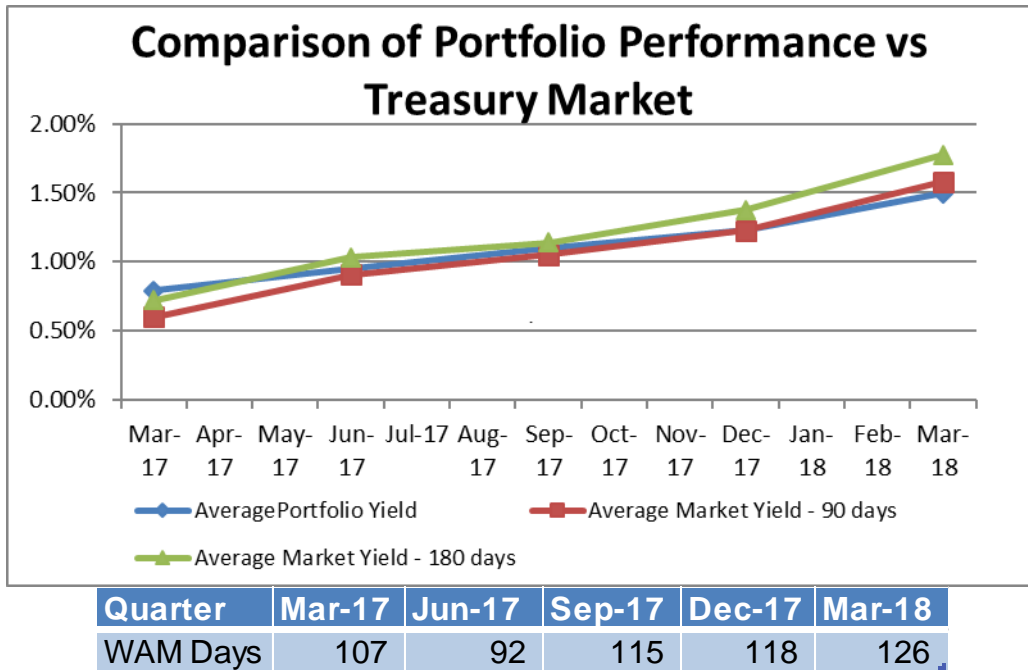
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Sheree Haynes, Manager of Accounting

## City of Mesquite Investment Report For Quarter Ending March 31, 2018

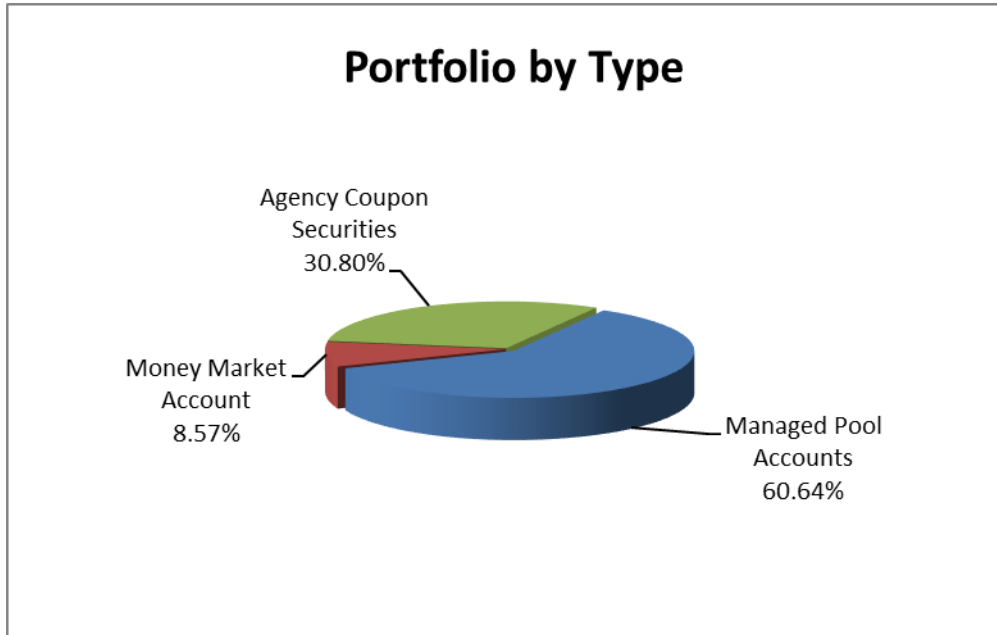
This report presents an overview of the City’s investment portfolio. It shows how the portfolio is structured and how it performed during the quarter.

The City’s portfolio is designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury securities at a maturity level comparable to the City’s weighted average maturity in days. The City’s portfolio weighted average maturity was 126 days. The City had an average yield of 1.50%. The benchmark average treasury yield is 1.58% for 90 days and 1.77% for 180 days. The following chart reflects portfolio performance compared to market rates for the past year along with weighted average maturity (WAM) in days by quarter.

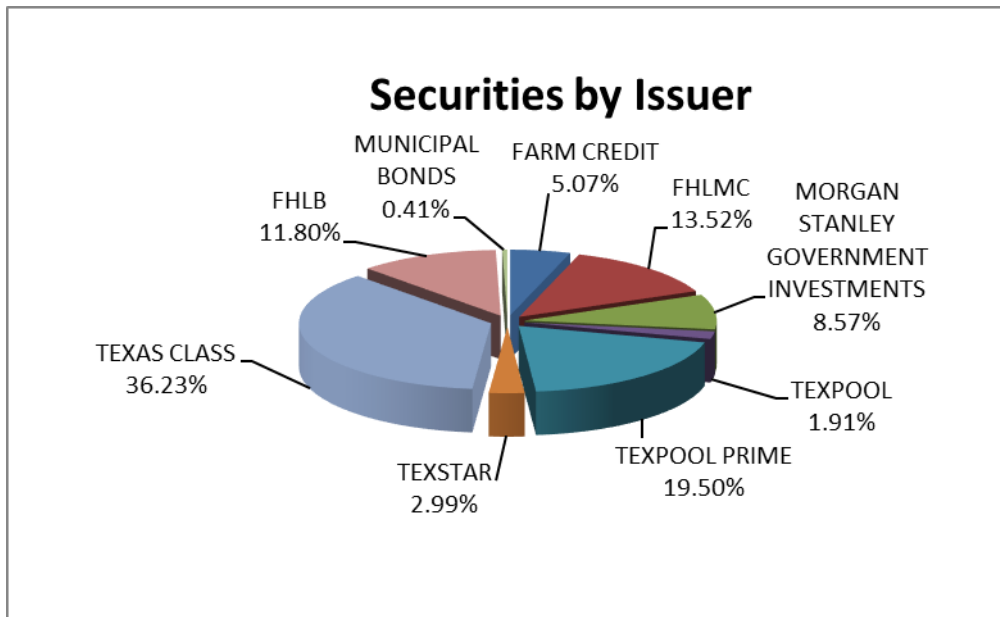


The City of Mesquite recognizes that portfolio diversification is an important factor in controlling risk. The City invests in coupon securities, managed pool accounts and a money market account. Coupon securities include Agency issues with a stated rate of interest in the form of a coupon. Managed pools include TexPool, Texstar, Texas CLASS and TexPool Prime. Also, the City invests in a Morgan Stanley Government Money Market Account.

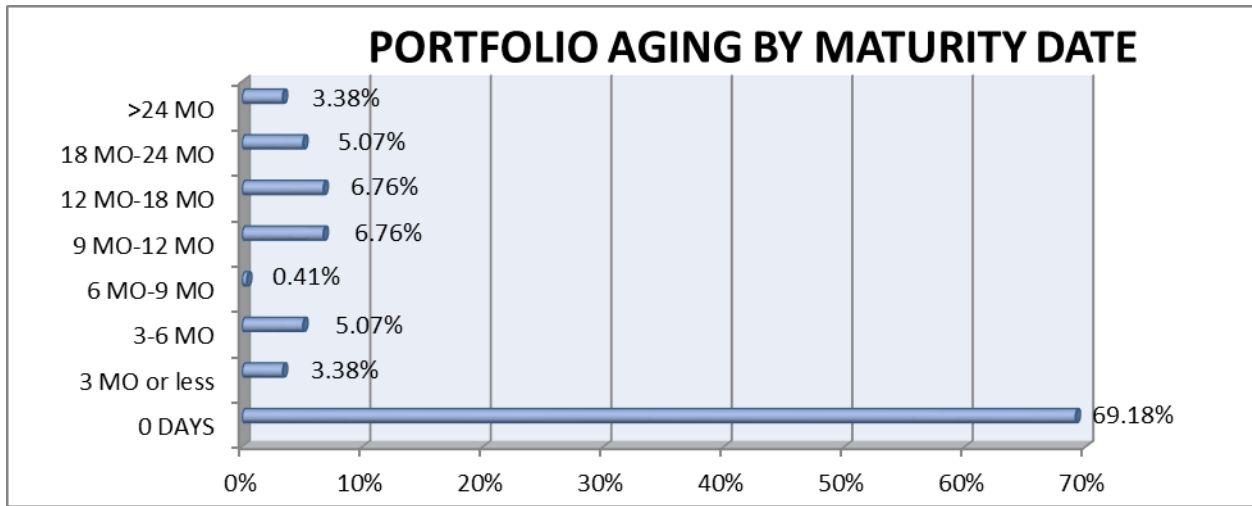
The following graph shows the percentage of the portfolio structure by type of investment.



The next graph shows the percentage of the portfolio structure by issuer.



Diversification is also achieved by investing in securities with varying maturities. The following graph shows the composition by maturity.



The total book value of the City’s portfolio was \$118,382,080.84. The market value of the City’s portfolio was approximately \$118,166,956.32. The difference represents an unrealized loss of \$215,124.52. Below is a review of the City’s portfolio and unrealized gain or loss per month for the quarter.

	<u>Book Value</u>	<u>Market Value</u>	<u>Unrealized Gain / (Loss)</u>
<b>Jan-18</b>	141,297,851.73	141,084,009.26	(213,842.47)
<b>Feb-18</b>	123,284,411.64	123,053,822.51	(230,589.13)
<b>Mar-18</b>	118,382,080.84	118,166,956.32	(215,124.52)

The City would only realize the gain or loss if investments were sold prior to maturity. Per the investment policy, the City currently has a “buy and hold” portfolio strategy; therefore, investments are purchased with the intent to hold until maturity.

## PORTFOLIO SUMMARY

### Jan 1 - Mar 31, 2018

Investment Class		Par Value	Market Value	Book Value	Accrued Interest
Fair Value	Value at 1/01/2018	34,490,000.00	34,278,198.60	34,453,152.99	86,867.18
	Net Change	2,000,000.00	1,965,078.40	2,005,248.53	3,465.61
	Value ending 3/31/2018	36,490,000.00	36,243,277.00	36,458,401.52	90,332.79
Fair Value Ext Pool	Value at 1/01/2018	83,179,960.67	83,179,960.67	83,179,960.67	-
	Net Change	(1,256,281.35)	(1,256,281.35)	(1,256,281.35)	-
	Value ending 3/31/2018	81,923,679.32	81,923,679.32	81,923,679.32	-
<b>Total</b>	<b>Value at 1/01/2018</b>	<b>117,669,960.67</b>	<b>117,458,159.27</b>	<b>117,633,113.66</b>	<b>86,867.18</b>
	<b>Net Change</b>	<b>743,718.65</b>	<b>708,797.05</b>	<b>748,967.18</b>	<b>3,465.61</b>
	<b>Value ending 3/31/2018</b>	<b>118,413,679.32</b>	<b>118,166,956.32</b>	<b>118,382,080.84</b>	<b>90,332.79</b>

Investments	Par Value Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM
Managed Pool Accounts Money Market Fund Accounts	71,782,807.48	71,782,807.48	71,782,807.48	60.64%	1	1.716
Agency Coupon Securities	10,140,871.84	10,140,871.84	10,140,871.84	8.57%	1	1.410
	<u>36,490,000.00</u>	<u>36,243,277.00</u>	<u>36,458,401.52</u>	<u>30.80%</u>	<u>408</u>	<u>1.474</u>
	<b>118,413,679.32</b>	<b>118,166,956.32</b>	<b>118,382,080.84</b>	<b>100.00%</b>	<b>126</b>	<b>1.615</b>

CITY OF MESQUITE

PORTFOLIO DETAILS

Jan 1 - Mar 31, 2018

ISSUER	MATURITY DATE	COUPON	BEGINNING	BEGINNING	BEGINNING	PURCHASES	SALES/	UNREALIZED	ENDING	ENDING	ENDING	ENDING
			PAR VALUE	MARKET VALUE	BOOK VALUE		WITHDRAWALS	GAIN/	PAR	MARKET	BOOK	ACCRUED
							MATURITIES	(LOSS)	VALUE	VALUE	VALUE	INTEREST
FHLB	21-Jun-19	1.16	2,000,000.00	1,978,052.00	1,999,464.65	0.00	0.00	(24,319.56)	2,000,000.00	1,975,236.00	1,999,555.56	6,444.44
FHLB	21-Sep-18	1.10	2,000,000.00	1,990,946.00	2,000,000.00	0.00	0.00	(8,456.00)	2,000,000.00	1,991,544.00	2,000,000.00	611.11
FHLB	29-Jun-18	1.00	2,000,000.00	1,994,592.00	2,000,000.00	0.00	0.00	(3,952.00)	2,000,000.00	1,996,048.00	2,000,000.00	5,111.11
FHLB	27-Sep-19	1.55	2,000,000.00	1,987,636.00	2,000,000.00	0.00	0.00	(20,156.00)	2,000,000.00	1,979,844.00	2,000,000.00	344.44
FHLB	5-Aug-19	0.88	2,000,000.00	1,967,478.00	1,979,912.67	0.00	0.00	(19,012.25)	2,000,000.00	1,964,050.00	1,983,062.25	2,722.22
FHLB	27-Nov-19	1.72	2,000,000.00	1,985,382.00	1,995,045.56	0.00	0.00	(15,505.56)	2,000,000.00	1,980,190.00	1,995,695.56	11,848.89
FHLB	11-Oct-19	1.55	2,000,000.00	1,986,110.00	1,991,451.24	0.00	0.00	(13,949.41)	2,000,000.00	1,978,704.00	1,992,653.41	10,936.11
FC	20-Mar-18	0.88	2,000,000.00	1,998,036.00	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FC	17-Apr-19	1.39	2,000,000.00	1,987,164.00	1,999,870.56	0.00	0.00	(16,711.56)	2,000,000.00	1,983,184.00	1,999,895.56	12,664.44
FC	15-May-19	1.40	2,000,000.00	1,987,002.00	1,997,803.23	0.00	0.00	(14,743.45)	2,000,000.00	1,983,460.00	1,998,203.45	10,577.78
FC	29-Mar-21	2.71	0.00	0.00	0.00	2,000,000.00	0.00	(832.93)	2,000,000.00	1,998,668.00	1,999,500.93	301.11
FHLMC	17-May-18	1.05	2,000,000.00	1,996,346.00	1,999,622.22	0.00	0.00	(1,874.22)	2,000,000.00	1,997,998.00	1,999,872.22	7,816.67
FHLMC	29-Mar-19	1.42	2,000,000.00	1,989,864.00	2,000,000.00	0.00	0.00	(15,188.00)	2,000,000.00	1,984,812.00	2,000,000.00	157.78
FHLMC	28-Sep-18	1.01	2,000,000.00	1,989,044.00	2,000,000.00	0.00	0.00	(8,930.00)	2,000,000.00	1,991,070.00	2,000,000.00	168.33
FHLMC	28-Dec-18	1.05	2,000,000.00	1,983,422.00	1,999,603.33	0.00	0.00	(15,311.33)	2,000,000.00	1,984,392.00	1,999,703.33	5,425.00
FHLMC	20-Jul-18	1.00	2,000,000.00	1,992,252.00	2,000,000.00	0.00	0.00	(5,250.00)	2,000,000.00	1,994,750.00	2,000,000.00	3,944.44
FHLMC	25-Jan-19	1.35	2,000,000.00	1,987,862.00	2,000,000.00	0.00	0.00	(12,552.00)	2,000,000.00	1,987,448.00	2,000,000.00	4,950.00
FHLMC	28-Feb-19	1.38	2,000,000.00	1,988,510.00	2,000,000.00	0.00	0.00	(14,106.00)	2,000,000.00	1,985,894.00	2,000,000.00	2,520.83
FHLMC	26-Dec-20	2.63	0.00	0.00	0.00	2,000,000.00	0.00	(2,300.00)	2,000,000.00	1,997,700.00	2,000,000.00	291.67
MUNI	15-Oct-18	1.52	<u>490,000.00</u>	<u>488,500.60</u>	<u>490,379.53</u>	<u>0.00</u>	<u>0.00</u>	<u>(1974.25)</u>	<u>490,000.00</u>	<u>488,285.00</u>	<u>490,259.25</u>	<u>3,496.42</u>
<b>Subtotal</b>			<u>34,490,000.00</u>	<u>34,278,198.60</u>	<u>34,453,152.99</u>	<u>4,000,000.00</u>	<u>(2,000,000.00)</u>	<u>(215,124.52)</u>	<u>36,490,000.00</u>	<u>36,243,277.00</u>	<u>36,458,401.52</u>	<u>90,332.79</u>
Investment Class: Fair Value External Pool												
Texpool			11,834,083.99	11,834,083.99	11,834,083.99	11,428,859.71	(21,000,000.00)	0.00	2,262,943.70	2,262,943.70	2,262,943.70	0.00
TexStar			13,507,253.19	13,507,253.19	13,507,253.19	32,334.30	(10,000,000.00)	0.00	3,539,587.49	3,539,587.49	3,539,587.49	0.00
Texas CLASS			42,718,650.36	42,718,650.36	42,718,650.36	173,089.99	0.00	0.00	42,891,740.35	42,891,740.35	42,891,740.35	0.00
TexPool Prime			5,011,187.18	5,011,187.18	5,011,187.18	20,077,348.76	(2,000,000.00)		23,088,535.94	23,088,535.94	23,088,535.94	
Morgan Stanley			<u>10,108,785.95</u>	<u>10,108,785.95</u>	<u>10,108,785.95</u>	<u>32,085.89</u>	<u>0.00</u>	<u>0.00</u>	<u>10,140,871.84</u>	<u>10,140,871.84</u>	<u>10,140,871.84</u>	<u>0.00</u>
<b>Subtotal</b>			<u>83,179,960.67</u>	<u>83,179,960.67</u>	<u>83,179,960.67</u>	<u>31,743,718.65</u>	<u>(33,000,000.00)</u>	<u>0.00</u>	<u>81,923,679.32</u>	<u>81,923,679.32</u>	<u>81,923,679.32</u>	<u>0.00</u>
<b>Total Pool Investments</b>			<u>117,669,960.67</u>	<u>117,458,159.27</u>	<u>117,633,113.66</u>	<u>35,743,718.65</u>	<u>(35,000,000.00)</u>	<u>(215,124.52)</u>	<u>118,413,679.32</u>	<u>118,166,956.32</u>	<u>118,382,080.84</u>	<u>90,332.79</u>