

# CITY OF MESQUITE

## Quarterly Investment Report Overview

### Quarter Ending September 30, 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>	December 2017	March 2018	June 2018	September 2018
<b><i>City Average Yield</i></b>	<b>1.23%</b>	<b>1.50%</b>	<b>1.86%</b>	<b>2.08%</b>
<b><i>Treasury Average Yield – 90 days</i></b>	<b>1.23%</b>	<b>1.58%</b>	<b>1.88%</b>	<b>2.07%</b>
<b><i>Treasury Average Yield – 180 days</i></b>	<b>1.38%</b>	<b>1.77%</b>	<b>2.06%</b>	<b>2.22%</b>
<b><i>Weighted Average Maturity</i></b>	<b>118 days</b>	<b>126 days</b>	<b>97 days</b>	<b>94 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 September 30, 2018</b>
<b>Certificates of Deposit</b>	<b>20%</b>	<b>0.00%</b>
<b>Federal Agency Coupons</b>	<b>100%</b>	<b>22.97%</b>
<b>State &amp; Local Agency Coupons</b>	<b>20%</b>	<b>0.33%</b>
<b>Managed Pools</b>	<b>80%</b>	<b>69.78%</b>
<b>Money Market Funds</b>	<b>50%</b>	<b>6.92%</b>
<b>Repurchase Agreements</b>	<b>20%</b>	<b>0.00%</b>
	<b><i>Days Parameter</i></b>	<b><i>Days as of 9/30/2018</i></b>
<b>Weighted Average Maturity</b>	<b>365 days</b>	<b>94 days</b>

#### INVESTMENT PORTFOLIO BALANCES

<b>Investment Quarter Ended</b>	<b>Book Value</b>	<b>Market Value</b>	<b>Unrealized Gain/(Loss)</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>
June 2018	<b>\$163,077,254</b>	<b>\$162,881,584</b>	<b>(\$195,670)</b>
September 2018	<b>\$147,820,625</b>	<b>\$147,627,685</b>	<b>(\$192,940)</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

Date	3/31/2018	6/30/2018	9/30/2018	10/31/2018
Investment Type	Mar Rates	Jun Rates	Sept Rates	Current Rates
<b><u>Pools</u></b>				
TexPool (Daily Rate)	1.52%	1.81%	2.00%	2.14%
TexStar (Daily Rate)	1.50%	1.83%	2.00%	2.16%
Texas Class (Daily Rate)	1.75%	2.16%	2.26%	2.34%
TexPool Prime (Daily Rate)	1.71%	2.10%	2.21%	2.33%
<b><u>Treasury</u></b>				
3-month (90-days)	1.75%	1.92%	2.18%	2.32%
6-month	1.93%	2.09%	2.36%	2.48%
1 year	2.11%	2.31%	2.57%	2.64%
2 year	2.26%	2.50%	2.83%	2.85%
<b><u>Agency</u></b>				
2 year (callable)	2.43%	2.70%	2.92%	3.05%
2 year (bullet)	2.35%	2.60%	2.84%	2.96%
<b><u>CD's</u></b>				
6 month	0.63%	0.63%	0.83%	0.83%
9 month	0.75%	0.75%	0.97%	0.97%
12 month	0.88%	0.88%	1.10%	1.10%
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 October 3, 2018 from Federal Reserve Bank of Dallas:**

The U.S. economy continued to expand at a brisk pace this quarter. Robust consumer spending, positive consumer and producer sentiment and a tightening labor market suggest that this expansionary phase might continue through at least the end of 2018. Strong growth has led most inflation measures to approach or exceed the Federal Reserve's two percent target, and long-run expectations remain unchanged.

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

At the policy meeting in September 2018, the Federal Reserve increased the federal funds rate by a quarter-percentage point to a range between 2.00% and 2.25%. This is their third rate increase this year. Fed officials plan to increase the rate one more time in 2018, three times during 2019 and one more quarter-point increase in 2020. During 2020, the federal funds rate is projected to be slightly higher than 3.25% which is modestly above the neutral rate required to balance supply and demand according to Fed officials. Their decision to raise or not raise the rate is depending on several factors with primarily focusing on the employment rate holding below 4% over the next three years and inflation not rising far beyond the Federal Reserve's two percent target.

# CITY OF MESQUITE



## INVESTMENT REPORT

FOR

QUARTER ENDING

**September 30, 2018**

# INVESTMENT REPORT

FOR QUARTER ENDING September 30, 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*

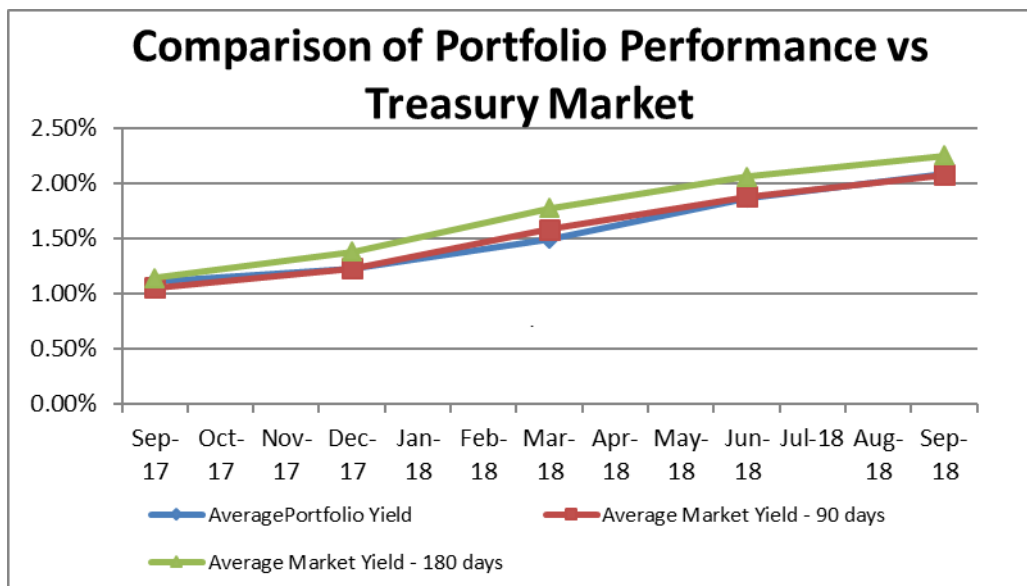
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Sheree Haynes, Manager of Accounting

## City of Mesquite Investment Report For Quarter Ending September 30, 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.

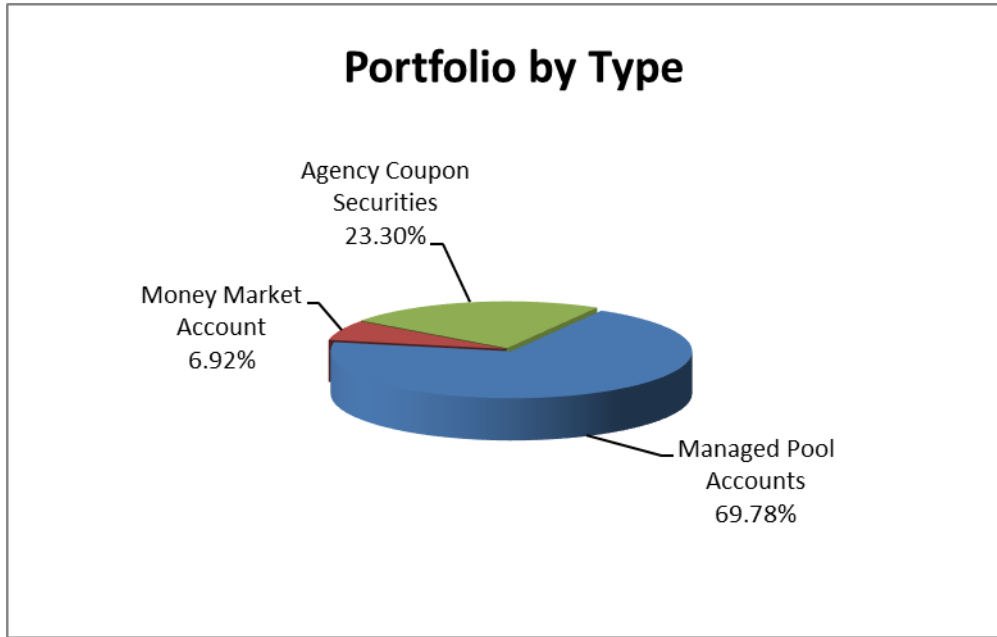
The City’s portfolio is designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury securities at a maturity level comparable to the City’s weighted average maturity in days. The City’s portfolio weighted average maturity was 94 days. The City had an average yield of 2.08%. The benchmark average treasury yield is 2.07% for 90 days and 2.22% 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.



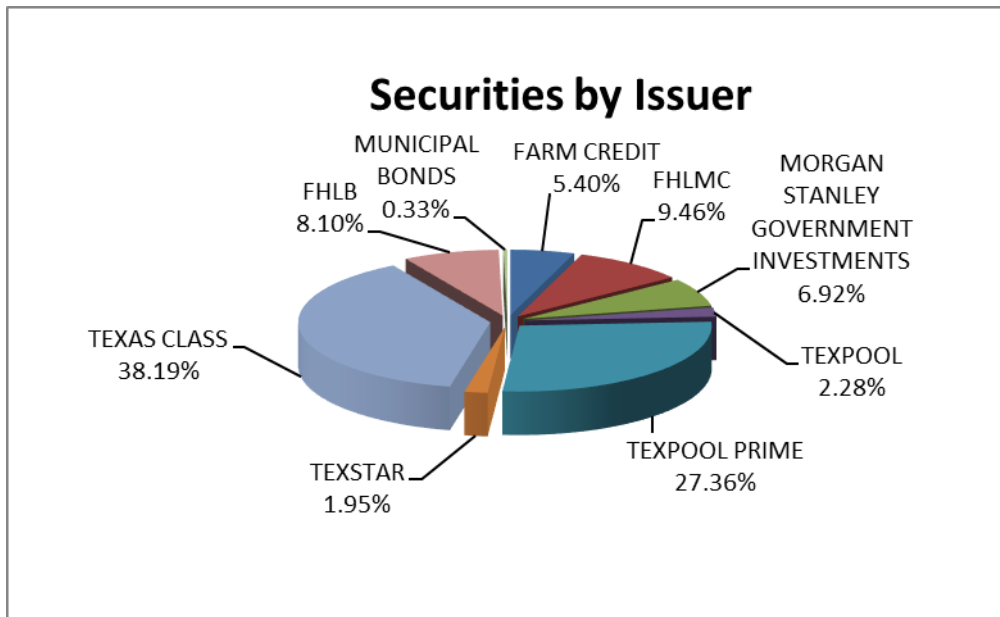
Quarter	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
WAM Days	115	118	126	97	94

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.

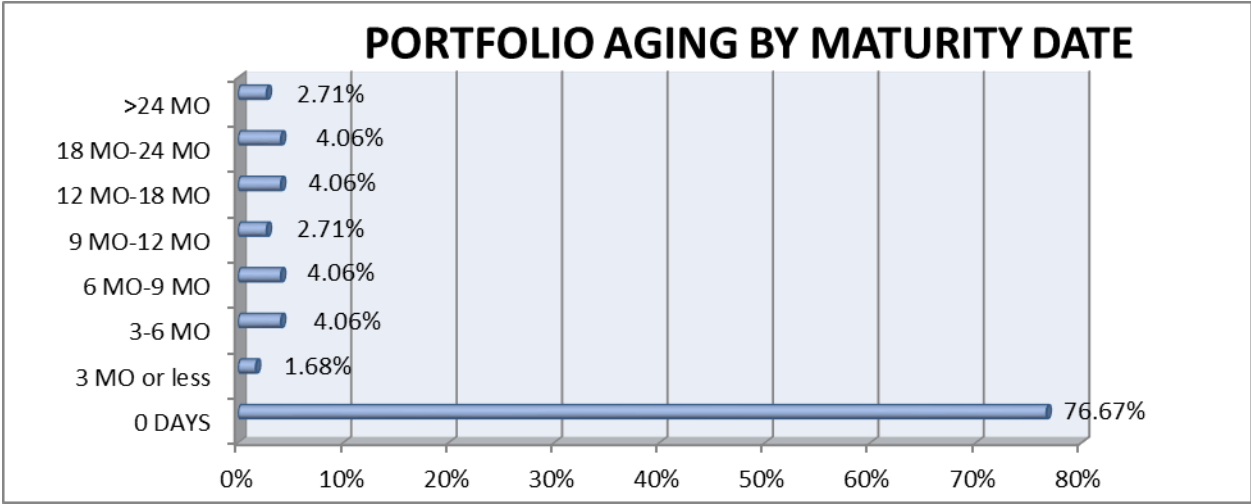
The following graph shows the percentage of the portfolio structure by type of investment.



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 \$147,820,625.34. The market value of the City’s portfolio was approximately \$147,627,685.01. The difference represents an unrealized loss of \$192,940.33. 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>Jul-18</b>	158,776,242.78	158,565,641.70	(210,601.08)
<b>Aug-18</b>	151,079,100.30	150,908,879.46	(170,220.84)
<b>Sep-18</b>	147,820,625.34	147,627,685.01	(192,940.33)

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

### Jul 1 - Sept 30, 2018

Investment Class		Par Value	Market Value	Book Value	Accrued Interest
Fair Value	Value at 7/01/2018	38,490,000.00	38,258,613.20	38,454,283.42	110,403.16
	Net Change	(4,000,000.00)	(4,005,272.90)	(4,008,002.79)	5,725.89
	Value ending 9/30/2018	34,490,000.00	34,253,340.30	34,446,280.63	116,129.05
Fair Value Ext Pool	Value at 7/01/2018	124,622,970.42	124,622,970.42	124,622,970.42	-
	Net Change	(11,248,625.71)	(11,248,625.71)	(11,248,625.71)	-
	Value ending 9/30/2018	113,374,344.71	113,374,344.71	113,374,344.71	-
<b>Total</b>	<b>Value at 7/01/2018</b>	<b>163,112,970.42</b>	<b>162,881,583.62</b>	<b>163,077,253.84</b>	<b>110,403.16</b>
	<b>Net Change</b>	<b>(15,248,625.71)</b>	<b>(15,253,898.61)</b>	<b>(15,256,628.50)</b>	<b>5,725.89</b>
	<b>Value ending 9/30/2018</b>	<b>147,864,344.71</b>	<b>147,627,685.01</b>	<b>147,820,625.34</b>	<b>116,129.05</b>

Investments	Par Value Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM
Managed Pool Accounts Money Market Fund Accounts	103,144,216.08	103,144,216.08	103,144,216.08	69.78%	1	2.224
Agency Coupon Securities	10,230,128.63	10,230,128.63	10,230,128.63	6.92%	1	1.870
	<u>34,490,000.00</u>	<u>34,253,340.30</u>	<u>34,446,280.63</u>	<u>23.30%</u>	<u>402</u>	<u>1.894</u>
	<b>147,864,344.71</b>	<b>147,627,685.01</b>	<b>147,820,625.34</b>	<b>100.00%</b>	<b>94</b>	<b>2.122</b>

**CITY OF MESQUITE**  
**PORTFOLIO DETAILS**  
**Jul 1 - Sept 30, 2018**

ISSUER	MATURITY DATE	COUPON	BEGINNING	BEGINNING	BEGINNING	PURCHASES	SALES/	UNREALIZED	ENDING	ENDING	ENDING	ENDING
			PAR	MARKET	BOOK		WITHDRAWALS	GAIN/	PAR	MARKET	BOOK	ACCRUED
			VALUE	VALUE	VALUE		MATURITIES	(LOSS)	VALUE	VALUE	VALUE	INTEREST
FHLB	21-Jun-19	1.16	2,000,000.00	1,976,526.00	1,999,646.46	0.00	0.00	(19,431.37)	2,000,000.00	1,980,306.00	1,999,737.37	6,444.44
FHLB	21-Sep-18	1.10	2,000,000.00	1,995,814.00	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLB	27-Sep-19	1.55	2,000,000.00	1,978,758.00	2,000,000.00	0.00	0.00	(24,052.00)	2,000,000.00	1,975,948.00	2,000,000.00	344.44
FHLB	5-Aug-19	0.88	2,000,000.00	1,966,366.00	1,986,211.83	0.00	0.00	(18,117.41)	2,000,000.00	1,971,244.00	1,989,361.41	2,722.22
FHLB	27-Nov-19	1.72	2,000,000.00	1,977,164.00	1,996,345.56	0.00	0.00	(19,801.56)	2,000,000.00	1,977,194.00	1,996,995.56	11,848.89
FHLB	11-Oct-19	1.55	2,000,000.00	1,977,408.00	1,993,855.58	0.00	0.00	(17,959.75)	2,000,000.00	1,977,098.00	1,995,057.75	14,638.89
FHLB	28-May-20	2.63	2,000,000.00	2,000,614.00	1,999,216.14	0.00	0.00	(4,962.83)	2,000,000.00	1,994,356.00	1,999,318.83	18,666.66
FHLB	26-Jun-20	3.38	2,000,000.00	2,005,996.00	2,007,478.16	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	1,984,410.00	1,999,920.56	0.00	0.00	(11,541.56)	2,000,000.00	1,988,404.00	1,999,945.56	12,664.44
FC	15-May-19	1.40	2,000,000.00	1,983,944.00	1,998,603.67	0.00	0.00	(12,419.89)	2,000,000.00	1,986,584.00	1,999,003.89	10,577.78
FC	29-Mar-21	2.71	2,000,000.00	1,996,340.00	1,999,542.59	0.00	0.00	(11,446.26)	2,000,000.00	1,988,138.00	1,999,584.26	301.11
FC	30-Jan-20	2.05	2,000,000.00	1,985,192.00	1,983,520.56	0.00	0.00	(3,865.15)	2,000,000.00	1,982,262.00	1,986,127.15	6,947.22
FHLMC	29-Mar-19	1.42	2,000,000.00	1,987,572.00	2,000,000.00	0.00	0.00	(9,784.00)	2,000,000.00	1,990,216.00	2,000,000.00	157.78
FHLMC	28-Sep-18	1.01	2,000,000.00	1,995,150.00	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLMC	28-Dec-18	1.05	2,000,000.00	1,988,888.00	1,999,803.33	0.00	0.00	(5,785.33)	2,000,000.00	1,994,118.00	1,999,903.33	5,425.00
FHLMC	20-Jul-18	1.00	2,000,000.00	1,999,094.00	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLMC	25-Jan-19	1.35	2,000,000.00	1,988,946.00	2,000,000.00	0.00	0.00	(6,188.00)	2,000,000.00	1,993,812.00	2,000,000.00	4,950.00
FHLMC	28-Feb-19	1.38	2,000,000.00	1,988,290.00	2,000,000.00	0.00	0.00	(8,170.00)	2,000,000.00	1,991,830.00	2,000,000.00	2,520.83
FHLMC	26-Dec-20	2.63	2,000,000.00	1,993,082.00	2,000,000.00	0.00	0.00	(18,754.00)	2,000,000.00	1,981,246.00	2,000,000.00	13,416.67
FHLMC	28-Aug-20	2.67	0.00	0.00	0.00	2,000,000.00	0.00	82.11	2,000,000.00	1,993,918.00	1,993,835.89	593.33
FHLMC	28-Sep-20	2.85	0.00	0.00	0.00	2,000,000.00	0.00	(562.92)	2,000,000.00	1,996,828.00	1,997,390.92	475.00
MUNI	15-Oct-18	1.52	<u>490,000.00</u>	<u>489,059.20</u>	<u>490,138.98</u>	<u>0.00</u>	<u>0.00</u>	<u>(180.41)</u>	<u>490,000.00</u>	<u>489,838.30</u>	<u>490,018.71</u>	<u>3,434.35</u>
<b>Subtotal</b>			<u>38,490,000.00</u>	<u>38,258,613.20</u>	<u>38,454,283.42</u>	<u>4,000,000.00</u>	<u>(8,000,000.00)</u>	<u>(192,940.33)</u>	<u>34,490,000.00</u>	<u>34,253,340.30</u>	<u>34,446,280.63</u>	<u>116,129.05</u>
Investment Class: Fair Value External Pool												
Texpool			2,240,282.86	2,240,282.86	2,240,282.86	11,126,025.79	(10,000,000.00)	0.00	3,366,308.65	3,366,308.65	3,366,308.65	0.00
TexStar			2,862,167.55	2,862,167.55	2,862,167.55	14,007.69	0.00	0.00	2,876,175.24	2,876,175.24	2,876,175.24	0.00
Texas CLASS			59,126,363.78	59,126,363.78	59,126,363.78	333,543.07	(3,000,000.00)	0.00	56,459,907.05	56,459,907.05	56,459,907.05	0.00
TexPool Prime			50,211,324.67	50,211,324.67	50,211,324.67	6,230,500.47	(16,000,000.00)	0.00	40,441,825.14	40,441,825.14	40,441,825.14	0.00
Morgan Stanley			<u>10,182,831.56</u>	<u>10,182,831.56</u>	<u>10,182,831.56</u>	<u>47,297.07</u>	<u>0.00</u>	<u>0.00</u>	<u>10,230,128.63</u>	<u>10,230,128.63</u>	<u>10,230,128.63</u>	<u>0.00</u>
<b>Subtotal</b>			<u>124,622,970.42</u>	<u>124,622,970.42</u>	<u>124,622,970.42</u>	<u>17,751,374.09</u>	<u>(29,000,000.00)</u>	<u>0.00</u>	<u>113,374,344.71</u>	<u>113,374,344.71</u>	<u>113,374,344.71</u>	<u>0.00</u>
<b>Total Pool Investments</b>			<u>163,112,970.42</u>	<u>162,881,583.62</u>	<u>163,077,253.84</u>	<u>21,751,374.09</u>	<u>(37,000,000.00)</u>	<u>(192,940.33)</u>	<u>147,864,344.71</u>	<u>147,627,685.01</u>	<u>147,820,625.34</u>	<u>116,129.05</u>