

# CITY OF MESQUITE

## Quarterly Investment Report Overview

Quarter Ending March 31, 2023



**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. However, in a rising market, there will be a lag in the City's portfolio until rates stabilize.

### AVERAGE YIELD HISTORY

<i>Quarter</i>	June 2022	September 2022	December 2022	March 2023
<b>City Average Yield</b>	<b>0.87%</b>	<b>1.98%</b>	<b>3.04%</b>	<b>3.76%</b>
<b>Treasury Average Yield – 90 days</b>	<b>1.03%</b>	<b>2.69%</b>	<b>4.19%</b>	<b>4.78%</b>
<b>Treasury Average Yield – 180 days</b>	<b>1.56%</b>	<b>3.20%</b>	<b>4.55%</b>	<b>4.92%</b>
<b>Weighted Average Maturity</b>	<b>183 days</b>	<b>139 days</b>	<b>134 days</b>	<b>143 days</b>

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

### INVESTMENT TYPES AND PARAMETERS

<b>Investment Types</b>	<b>Portfolio % Parameters</b>	<b>Portfolio % as of March 31, 2023</b>
<b>Certificates of Deposit</b>	<b>20%</b>	<b>0.00%</b>
<b>Federal Agency Coupons</b>	<b>100%</b>	<b>44.16%</b>
<b>State &amp; Local Agency Coupons</b>	<b>20%</b>	<b>0.62%</b>
<b>Managed Pools</b>	<b>80%</b>	<b>51.86%</b>
<b>Money Market Funds</b>	<b>50%</b>	<b>3.35%</b>
<b>Repurchase Agreements</b>	<b>20%</b>	<b>0.00%</b>
	<i>Days Parameter</i>	<i>Days as of 3/31/2023</i>
<b>Weighted Average Maturity</b>	<b>365 days</b>	<b>143 days</b>

### INVESTMENT PORTFOLIO BALANCES

<b>Investment Quarter Ended</b>	<b>Book Value</b>	<b>Market Value</b>	<b>Unrealized Gain/(Loss)</b>
June 2022	<b>\$282,555,552</b>	<b>\$280,707,201</b>	<b>(\$1,848,351)</b>
September 2022	<b>\$304,929,020</b>	<b>\$302,019,274</b>	<b>(\$2,909,746)</b>
December 2022	<b>\$297,924,474</b>	<b>\$295,353,338</b>	<b>(\$2,571,136)</b>
March 2023	<b>\$321,288,327</b>	<b>\$319,556,257</b>	<b>(\$1,732,070)</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>9/30/2022</b>	<b>12/31/2022</b>	<b>3/31/2023</b>	<b>5/11/2023</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)	2.41%	3.98%	4.61%	4.94%
TexStar (Daily Rate)	2.29%	3.97%	4.61%	4.99%
Texas Class (Daily Rate)	2.68%	4.32%	4.86%	5.15%
TexPool Prime (Daily Rate)	2.61%	4.28%	4.80%	5.13%
<b><u>Treasury</u></b>				
3-month (90-days)	3.33%	4.22%	4.85%	5.29%
6-month	3.92%	4.57%	4.94%	5.18%
1-year	4.05%	4.66%	4.64%	4.81%
2-year	4.22%	4.51%	4.06%	4.01%
10-year	3.83%	4.10%	3.48%	3.53%
<b><u>Agency</u></b>				
2-year (bullet)	4.31%	4.57%	4.37%	4.08%

#### **Public Trust Advisors Update on US Economy & Federal Fund Target Rate**

The collapse of Silicon Valley Bank, a unique regional bank that experienced a significant deterioration of its depository base, weighs heavily on the market. There is an adage that the Federal Reserve will often raise rates “until something breaks.” With regional banks now firmly under the microscope, the implications of a credit crunch stemming from a tightening of lending standards have led many market participants to believe that the Fed’s battle against inflation is nearly complete. While some Fed officials have publicly dialed back expectations for future rate hikes, continued tightness in the labor market with inflation that is still too hot for comfort may make it difficult to come to a consensus. However, Fed officials did agree at their March meeting that “some additional policy firming may be appropriate” while raising the Fed Funds target rate to a range of 4.75% – 5.00%.

Due to the long and variable lag between monetary policy and its impact on the economy, there are growing concerns that the Fed will keep rates too high for too long, tipping the economy into a deep recession. The disconnect between the Fed and market is visible when analyzing the yield curve. While the Fed is forecasting its target rate to be well above 5.00% by year-end, the market is pricing in rate cuts, with a year-end target closer to 4.50%. At some point it may be prudent for the Fed to pause and assess the situation, but as recent events have attested, whether it gets that chance remains to be seen. Just recently, at the May meeting, Fed officials raised the target rate another 25 basis points to a range of 5.00% – 5.25%. The continued strength of the labor market and sticky core inflation ultimately led to the decision. However, in the face of mounting uncertainty, the recent softening of economic conditions and a tightening of lending standards may lead the Fed to pause at the next meeting on June 14.

# CITY OF MESQUITE



## INVESTMENT REPORT

FOR

QUARTER ENDING

**March 31, 2023**

# INVESTMENT REPORT

## FOR QUARTER ENDING March 31, 2023

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 32-2022 for the City of Mesquite and is also in compliance with the requirements of the Public Funds Investment Act of the State of Texas.

*Cindy L. Smith*

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Cindy L. Smith, Director of Finance

*Ashley Tierney*

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Ashley Tierney, Manager of Accounting

*Myra E. Rogers*

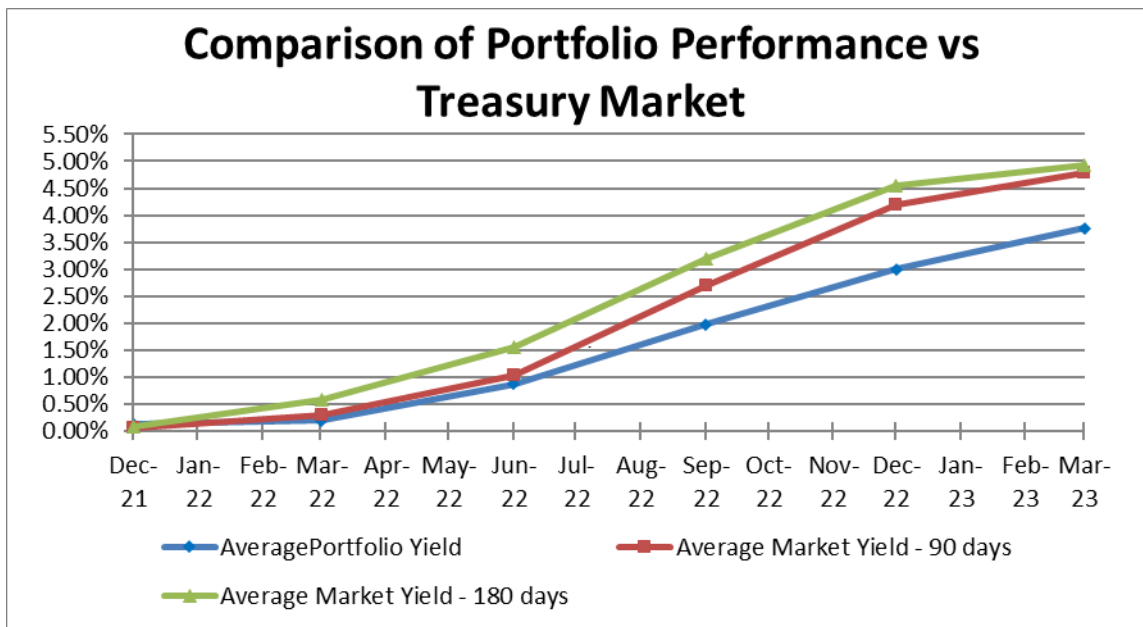
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Myra E. Rogers, Manager of Budget and Treasury

## City of Mesquite Investment Report For Quarter Ending March 31, 2023

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.

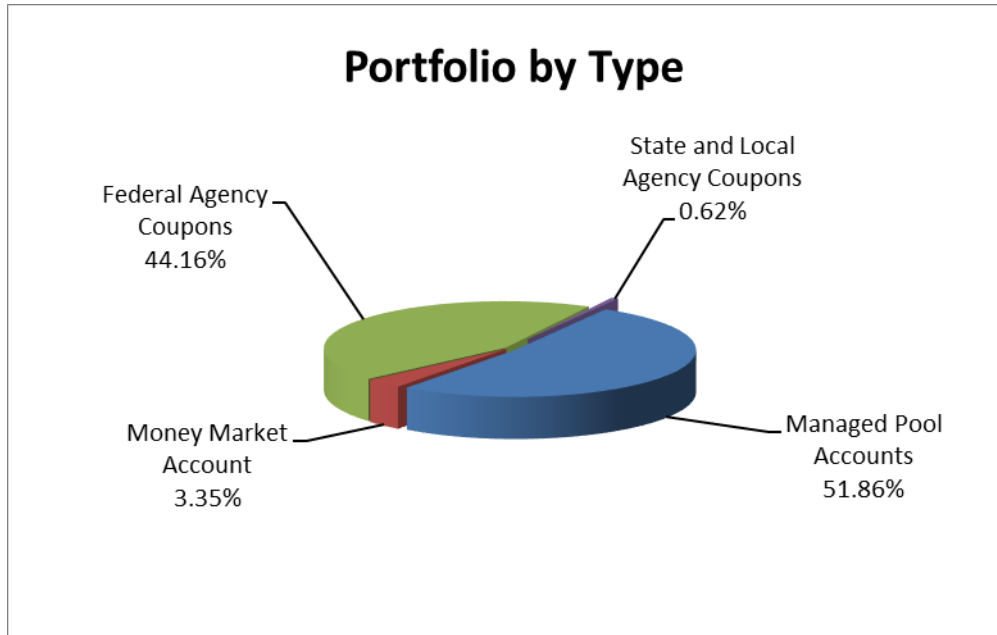
The City’s portfolio is designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury securities at a maturity level comparable to the City’s weighted average maturity in days. The City’s portfolio weighted average maturity was 143 days. The City had an average yield of 3.76%. The benchmark average treasury yield is 4.78% for 90 days and 4.92% 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.



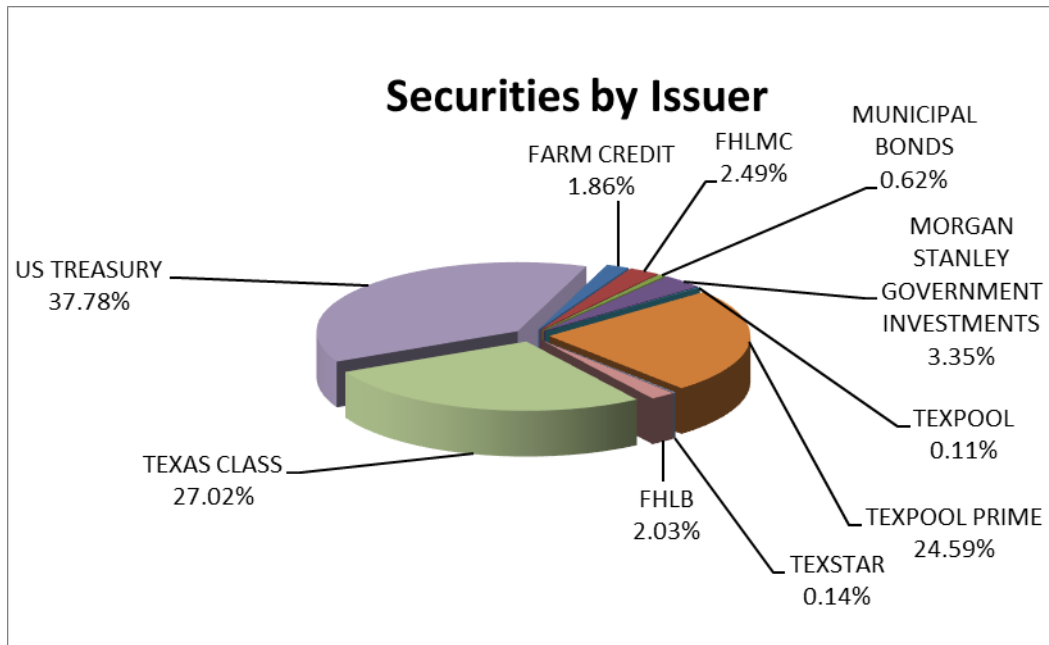
Quarter	22-Mar	22-Jun	22-Sep	22-Dec	23-Mar
WAM Days	134	183	139	134	143

The City of Mesquite recognizes that portfolio diversification is an important factor in controlling risk. The City invests in coupon securities, certificates of deposits, managed pool accounts and a money market account. Coupon securities include US Treasury and Agency issues with a stated rate of interest in the form of a coupon. Certificates of deposits are non-negotiable and purchased from a bank with a main office or branch office in Texas. Managed pools include TexPool, Texstar, Texas CLASS and TexPool Prime. Also, the City invests in a Morgan Stanley Government Money Market Account.

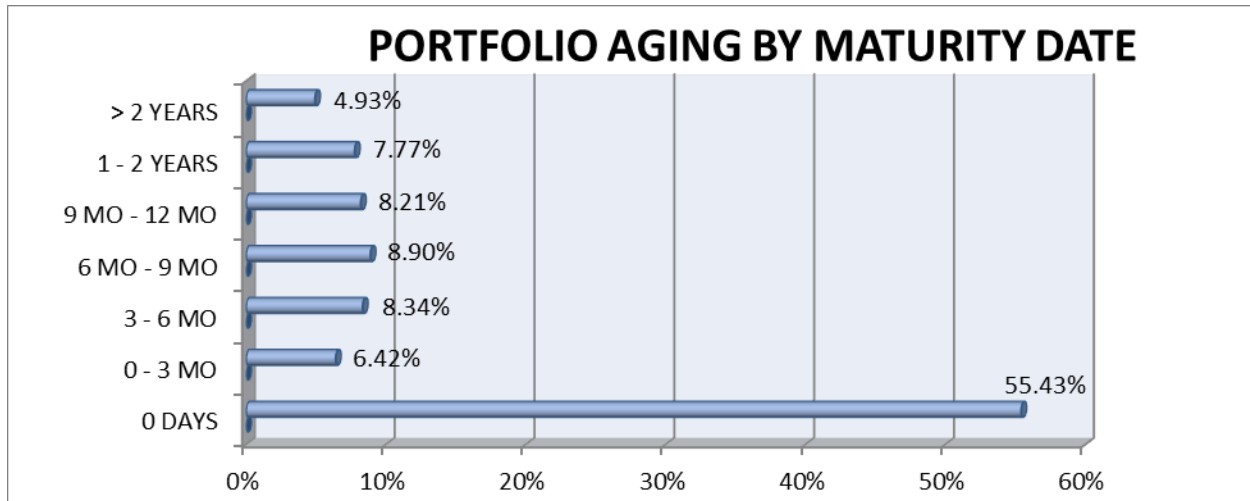
The following graph shows the percentage of the portfolio structure by type of investment.



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 \$321,288,327.34. The market value of the City’s portfolio was approximately \$319,556,257.06. The difference represents an unrealized loss of \$1,732,070.28. 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-23</b>	\$ 330,394,982.90	\$ 328,106,872.95	\$ (2,288,109.95)
<b>Feb-23</b>	\$ 324,721,669.86	\$ 322,129,105.99	\$ (2,592,563.87)
<b>Mar-23</b>	\$ 321,288,327.34	\$ 319,556,257.06	\$ (1,732,070.28)

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 thru MAR 31, 2023

Investment Class		Par Value	Market Value	Book Value	Accrued Interest
Fair Value	Value at 01/01/2023	\$ 132,250,000.00	\$128,790,900.40	\$131,362,036.05	\$ 404,506.68
	Net Change	12,975,000.00	13,354,761.99	12,515,696.62	19,808.38
	Value ending 03/31/2023	\$ 145,225,000.00	\$142,145,662.39	\$143,877,732.67	\$ 424,315.06
Fair Value Ext Pool	Value at 01/01/2023	\$ 166,562,438.23	\$166,562,438.23	\$166,562,438.23	\$ -
	Net Change	10,848,156.44	10,848,156.44	10,848,156.44	-
	Value ending 03/31/2023	\$ 177,410,594.67	\$177,410,594.67	\$177,410,594.67	\$ -
<b>Total</b>	<b>Value at 01/01/2023</b>	<b>\$ 298,812,438.23</b>	<b>\$295,353,338.63</b>	<b>\$297,924,474.28</b>	<b>\$ 404,506.68</b>
	<b>Net Change</b>	<b>23,823,156.44</b>	<b>24,202,918.43</b>	<b>23,363,853.06</b>	<b>19,808.38</b>
	<b>Value ending 03/31/2023</b>	<b>\$ 322,635,594.67</b>	<b>\$319,556,257.06</b>	<b>\$321,288,327.34</b>	<b>\$ 424,315.06</b>

Investments	Par Value Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM
Managed Pool Accounts	\$ 166,633,162.51	\$166,633,162.51	\$ 166,633,162.51	51.86%	1.00	4.830
Certificates of Deposit - Bank	-	-	-	0.00%	0.00	0.000
Money Market Fund Accounts	10,777,432.16	10,777,432.16	10,777,432.16	3.35%	1.00	4.550
Federal Agency Coupons	143,225,000.00	140,255,022.39	141,877,732.67	44.16%	315.76	2.794
State & Local Agency Coupons	2,000,000.00	1,890,640.00	2,000,000.00	0.62%	549.55	0.790
	<b>\$ 322,635,594.67</b>	<b>\$319,556,257.06</b>	<b>\$ 321,288,327.34</b>	<b>100.00%</b>	<b>143.00</b>	<b>3.897</b>

CITY OF MESQUITE

PORTFOLIO DETAILS

Jan 1 - Mar 31, 2023

ISSUER	MATURITY	DATE	COUPON	BEGINNING	BEGINNING	BEGINNING	SALES /	UNREALIZED	ENDING	ENDING	ENDING	ENDING	
				PAR	MARKET	BOOK	WITHDRAWALS	GAIN/	PAR	MARKET	BOOK	ACCRUED	
				VALUE	VALUE	VALUE	PURCHASES	(LOSS)	VALUE	VALUE	VALUE	INTEREST	
FHLB	8-Dec-23	0.2500	\$	2,000,000.00	\$ 1,917,507.60	\$ 2,000,828.95	\$ -	\$ (59,958.35)	\$ 2,000,000.00	\$ 1,940,651.30	\$ 2,000,609.65	\$ 1,569.44	
FHLB	17-Mar-23	0.1250		2,000,000.00	1,982,500.26	1,999,771.47	-	(2,000,000.00)	-	-	-	-	
FHLB	2-Jun-23	0.1700		2,500,000.00	2,455,180.42	2,499,517.82	-	(19,162.30)	2,500,000.00	2,480,641.02	2,499,803.32	1,032.99	
FHLB	13-Mar-26	4.1000		-	-	-	2,000,000.00	-	3,046.20	2,000,000.00	2,024,769.20	2,021,723.00	250.00
FC	2-Oct-23	0.2000		2,000,000.00	1,929,889.02	1,999,114.27	-	(44,088.88)	2,000,000.00	1,955,317.14	1,999,406.02	1,988.89	
FC	10-May-23	0.1900		2,000,000.00	1,969,590.20	1,999,543.22	-	(9,809.86)	2,000,000.00	1,990,052.04	1,999,861.90	979.17	
FC	21-Feb-25	5.0800		-	-	-	2,000,000.00	-	27,859.58	2,000,000.00	2,015,964.02	1,988,104.44	7,388.89
FHLMC	24-Aug-23	0.2500		2,000,000.00	1,941,767.48	1,999,985.94	-	(35,529.15)	2,000,000.00	1,964,462.14	1,999,991.29	513.89	
FHLMC	8-Sep-23	0.2500		2,000,000.00	1,939,821.58	2,000,008.74	-	(39,645.73)	2,000,000.00	1,960,359.84	2,000,005.57	319.44	
FHLMC	16-Oct-23	0.1200		2,000,000.00	1,928,975.06	1,997,979.97	-	(47,885.28)	2,000,000.00	1,950,727.64	1,998,612.92	1,145.83	
FHLMC	6-Nov-23	0.2500		2,000,000.00	1,924,093.50	1,999,712.46	-	(54,091.58)	2,000,000.00	1,945,705.38	1,999,796.96	2,013.89	
MUNI	1-Oct-24	0.7900		2,000,000.00	1,879,600.00	2,000,000.00	-	(109,360.00)	2,000,000.00	1,890,640.00	2,000,000.00	7,940.00	
TREAS	31-Mar-23	2.7400		6,975,000.00	6,942,287.25	6,970,896.58	-	(6,975,000.00)	-	-	-	-	
TREAS	31-Mar-25	3.3600		2,000,000.00	1,928,204.00	1,968,583.82	-	(26,918.22)	2,000,000.00	1,945,000.00	1,971,918.22	143.44	
TREAS	30-Apr-23	2.8100		6,975,000.00	6,936,037.65	6,973,556.93	-	(9,943.43)	6,975,000.00	6,964,704.90	6,974,648.33	80,540.06	
TREAS	30-Apr-25	4.0700		2,000,000.00	1,936,718.00	1,947,433.11	-	(851.66)	2,000,000.00	1,951,954.00	1,952,805.66	24,143.65	
TREAS	31-May-25	4.4500		2,000,000.00	1,934,922.00	1,928,564.75	-	15,614.76	2,000,000.00	1,951,172.00	1,935,557.24	19,271.98	
TREAS	31-May-23	2.8500		6,975,000.00	6,923,231.55	6,972,226.32	-	(21,831.30)	6,975,000.00	6,952,059.22	6,973,890.52	64,288.80	
TREAS	31-Aug-23	2.9400		6,975,000.00	6,886,452.38	6,966,608.90	-	(50,043.67)	6,975,000.00	6,919,688.25	6,969,731.92	16,679.35	
TREAS	30-Sep-25	3.8300		-	-	-	2,000,000.00	-	(5,841.43)	2,000,000.00	1,954,844.00	1,960,685.43	163.93
TREAS	30-Sep-23	4.1000		6,975,000.00	6,888,356.55	6,912,894.97	-	(19,559.52)	6,975,000.00	6,913,696.72	6,933,256.24	547.90	
TREAS	30-Nov-23	4.6600		-	-	-	6,975,000.00	-	(4,058.99)	6,975,000.00	6,890,267.70	6,894,326.69	44,623.71
TREAS	31-Jan-24	5.2000		-	-	-	6,975,000.00	-	26,203.74	6,975,000.00	6,849,394.20	6,823,190.46	13,969.26
TREAS	29-Feb-24	0.2900		2,000,000.00	1,948,516.00	2,048,180.89	-	(79,570.42)	2,000,000.00	1,958,360.00	2,037,930.42	4,130.43	
TREAS	31-Jul-23	2.8600		6,975,000.00	6,899,258.48	6,970,524.43	-	(43,743.72)	6,975,000.00	6,928,679.02	6,972,422.74	31,792.13	
TREAS	31-Dec-24	2.7400		2,000,000.00	1,899,532.00	1,961,821.48	-	(48,665.35)	2,000,000.00	1,917,812.00	1,966,477.35	8,798.34	
TREAS	31-Jan-25	2.6100		2,000,000.00	1,880,704.00	1,950,110.92	-	(53,560.94)	2,000,000.00	1,902,344.00	1,955,904.94	4,558.01	
TREAS	15-Apr-23	0.1800		2,000,000.00	1,976,718.00	2,000,405.57	-	(2,930.60)	2,000,000.00	1,997,124.00	2,000,054.60	2,307.69	
TREAS	15-Jul-23	0.1800		2,000,000.00	1,951,406.00	1,999,366.67	-	(26,142.55)	2,000,000.00	1,973,516.00	1,999,658.55	524.86	
TREAS	15-Jan-24	0.2600		2,000,000.00	1,907,422.00	1,997,254.30	-	(68,377.74)	2,000,000.00	1,929,532.00	1,997,909.74	524.86	
TREAS	31-Jan-23	2.5300		6,975,000.00	6,953,977.35	6,961,496.54	-	(6,975,000.00)	-	-	-	-	
TREAS	28-Feb-23	2.6600		6,975,000.00	6,928,469.77	6,947,018.63	-	(6,975,000.00)	-	-	-	-	
TREAS	15-Mar-24	0.3000		2,000,000.00	1,896,796.00	1,998,804.74	-	(80,456.88)	2,000,000.00	1,918,594.00	1,999,050.88	230.98	
TREAS	15-Apr-24	0.3200		2,000,000.00	1,893,282.00	2,001,310.52	-	(86,682.97)	2,000,000.00	1,914,376.00	2,001,058.97	3,461.54	

CITY OF MESQUITE  
 PORTFOLIO DETAILS  
 Jan 1 - Mar 31, 2023

ISSUER	Maturity	Date	Coupon	BEGINNING	BEGINNING	BEGINNING	SALES /	UNREALIZED	ENDING	ENDING	ENDING	ENDING
				PAR	MARKET	BOOK	WITHDRAWALS	GAIN/	PAR	MARKET	BOOK	ACCRUED
				VALUE	VALUE	VALUE	PURCHASES	(LOSS)	VALUE	VALUE	VALUE	INTEREST
TREAS	15-May-24	0.3200	\$	2,000,000.00	\$ 1,883,204.00	\$ 1,997,959.98	\$ -	\$ (91,141.49)	\$ 2,000,000.00	\$ 1,907,188.00	\$ 1,998,329.49	\$ 1,892.27
TREAS	15-Jun-24	0.4000		2,000,000.00	1,877,812.00	1,995,680.15	-	(95,007.59)	2,000,000.00	1,901,406.00	1,996,413.59	1,469.78
TREAS	30-Jun-23	2.8800		6,975,000.00	6,820,238.70	6,880,956.08	-	(28,893.94)	6,975,000.00	6,899,084.10	6,927,978.04	2,191.73
TREAS	15-Jul-24	0.4200		2,000,000.00	1,874,296.00	1,998,584.68	-	(99,750.35)	2,000,000.00	1,899,062.00	1,998,812.35	1,574.59
TREAS	15-Aug-24	0.4400		2,000,000.00	1,869,140.00	1,997,951.50	-	(104,667.96)	2,000,000.00	1,893,594.00	1,998,261.96	932.32
TREAS	15-Sep-24	0.6800		2,000,000.00	1,865,078.00	1,989,749.17	-	(102,328.28)	2,000,000.00	1,888,906.00	1,991,234.28	346.47
TREAS	15-Oct-24	0.7100		2,000,000.00	1,868,828.00	1,997,091.82	-	(106,710.10)	2,000,000.00	1,890,782.00	1,997,492.10	5,769.23
TREAS	31-Oct-23	4.7300		6,975,000.00	6,726,243.60	6,731,207.76	-	(1,968.13)	6,975,000.00	6,801,441.08	6,803,409.21	8,815.08
TREAS	15-Nov-24	0.9400		2,000,000.00	1,867,812.00	1,993,047.51	-	(104,042.85)	2,000,000.00	1,889,922.00	1,993,964.85	5,676.80
TREAS	31-Dec-23	4.7400		-	-	-	6,975,000.00	(2,929.37)	6,975,000.00	6,770,109.38	6,773,038.75	8,237.05
TREAS	15-Feb-25	3.0700		2,000,000.00	1,883,828.00	1,936,011.10	-	(38,862.28)	2,000,000.00	1,904,376.00	1,943,238.28	3,729.28
TREAS	29-Feb-24	4.5700		-	-	-	6,975,000.00	(6,837.60)	6,975,000.00	6,778,556.10	6,785,393.70	568.62
TREAS	15-Jun-25	4.3200		2,000,000.00	1,934,532.00	1,933,219.54	-	12,136.08	2,000,000.00	1,951,796.00	1,939,659.92	16,902.46
TREAS	15-Jul-25	4.3200		2,000,000.00	1,938,672.00	1,937,053.85	-	12,906.81	2,000,000.00	1,955,860.00	1,942,953.19	12,596.69
TREAS	15-Aug-25	4.0400		-	-	-	2,000,000.00	2,013.01	2,000,000.00	1,961,172.00	1,959,158.99	7,769.34
<b>Subtotal</b>				<u>\$ 132,250,000.00</u>	<u>\$ 128,790,900.40</u>	<u>\$ 131,362,036.05</u>	<u>\$ 35,900,000.00</u>	<u>\$ (22,925,000.00)</u>	<u>\$ 145,225,000.00</u>	<u>\$ 142,145,662.39</u>	<u>\$ 143,877,732.67</u>	<u>\$ 424,315.06</u>
Investment Class: Fair Value External Pool												
Texpool	4.6110	\$		115,147,14.99	\$ 115,147,14.99	\$ 115,147,14.99	\$ 15,833,744.96	\$ (27,000,000.00)	\$ 348,459.95	\$ 348,459.95	\$ 348,459.95	\$ -
TexStar	4.6070			5,398,798.98	5,398,798.98	5,398,798.98	58,114.75	(5,000,000.00)	456,913.73	456,913.73	456,913.73	-
Morgan Stanley	4.5500			10,668,318.41	10,668,318.41	10,668,318.41	109,113.75	-	10,777,432.16	10,777,432.16	10,777,432.16	-
Texas CLASS	4.8600			60,887,195.73	60,887,195.73	60,887,195.73	25,930,249.64	-	86,817,445.37	86,817,445.37	86,817,445.37	-
TexPool Prime	4.8010			78,093,410.12	78,093,410.12	78,093,410.12	10,916,933.34	(10,000,000.00)	79,010,343.46	79,010,343.46	79,010,343.46	-
<b>Subtotal</b>				<u>\$ 166,562,438.23</u>	<u>\$ 166,562,438.23</u>	<u>\$ 166,562,438.23</u>	<u>\$ 52,848,156.44</u>	<u>\$ (42,000,000.00)</u>	<u>\$ 177,410,594.67</u>	<u>\$ 177,410,594.67</u>	<u>\$ 177,410,594.67</u>	<u>\$ -</u>
<b>Total Pool Investments</b>				<u>\$ 298,812,438.23</u>	<u>\$ 295,353,338.63</u>	<u>\$ 297,924,474.28</u>	<u>\$ 88,748,156.44</u>	<u>\$ (64,925,000.00)</u>	<u>\$ 322,635,594.67</u>	<u>\$ 319,556,257.06</u>	<u>\$ 321,288,327.34</u>	<u>\$ 424,315.06</u>