

# CITY OF MESQUITE

## Quarterly Investment Report Overview

### Quarter Ending December 31, 2017



**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>	March 2017	June 2017	September 2017	December 2017
<b><i>City Average Yield</i></b>	<b>0.793%</b>	<b>0.952%</b>	<b>1.11%</b>	<b>1.23%</b>
<b><i>Treasury Average Yield – 90 days</i></b>	<b>0.603%</b>	<b>0.908%</b>	<b>1.05%</b>	<b>1.23%</b>
<b><i>Treasury Average Yield – 180 days</i></b>	<b>0.724%</b>	<b>1.03%</b>	<b>1.14%</b>	<b>1.38%</b>
<b><i>Weighted Average Maturity</i></b>	<b>107 days</b>	<b>92 days</b>	<b>115 days</b>	<b>118 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 December 31, 2017</b>
<b>Certificates of Deposit</b>	<b>20%</b>	<b>0.00%</b>
<b>Federal Agency Coupons</b>	<b>100%</b>	<b>28.87%</b>
<b>State &amp; Local Agency Coupons</b>	<b>20%</b>	<b>0.42%</b>
<b>Managed Pools</b>	<b>80%</b>	<b>62.12%</b>
<b>Money Market Funds</b>	<b>50%</b>	<b>8.59%</b>
<b>Repurchase Agreements</b>	<b>20%</b>	<b>0.00%</b>
	<b><i>Days Parameter</i></b>	<b><i>Days as of 12/31/17</i></b>
<b>Weighted Average Maturity</b>	<b>365 days</b>	<b>118 days</b>

#### INVESTMENT PORTFOLIO BALANCES

<b>Investment Quarter Ended</b>	<b>Book Value</b>	<b>Market Value</b>	<b>Unrealized Gain/(Loss)</b>
March 2017	<b>\$127,245,462</b>	<b>\$127,175,325</b>	<b>(\$70,137)</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>

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	6/30/2017	9/30/2017	12/31/2017	3/28/2018
Investment Type	Jun Rates	Sept Rates	Dec Rates	Current Rates
<b><u>Pools</u></b>				
TexPool (Daily Rate)	0.88%	1.02%	1.18%	1.50%
TexStar (Daily Rate)	0.86%	1.04%	1.18%	1.48%
Texas Class (Daily Rate)	1.13%	1.25%	1.41%	1.73%
TexPool Prime (Daily Rate)	0.88%	1.02%	1.39%	1.69%
<b><u>Treasury</u></b>				
3-month (90-days)	1.02%	1.05%	1.43%	1.75%
6-month	1.13%	1.18%	1.52%	1.93%
1 year	1.22%	1.29%	1.71%	2.11%
2 year	1.37%	1.45%	1.89%	2.26%
<b><u>Agency</u></b>				
2 year (callable)	1.47%	1.52%	1.94%	2.35%
2 year (bullet)	1.40%	1.55%	1.90%	2.31%
<b><u>CD's</u></b>				
6 month	0.46%	0.46%	0.52%	0.63%
9 month	0.54%	0.54%	0.63%	0.75%
12 month	0.63%	0.63%	0.75%	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 December 2017 from Federal Reserve Bank of Dallas:**

The general economic picture at year-end 2017 is little change from earlier in the year, with growth, employment and business confidence remaining strong. Forecasts for fourth-quarter gross domestic product (GDP) point to continued growth of about 2.5 percent. Headline and core inflation measures have either leveled off or increased in recent months. Most forecasters still project inflation will reach the target rate of 2 percent by 2018 or 2019.

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

At the policy meeting in December 2017, Fed officials increased the federal funds rate by a quarter-percentage point to a range between 1.25% and 1.50%. This is the fifth increase in the past two years. Fed officials have penciled in three quarter-point rate increases in 2018, two in 2019 and two in 2020.

# CITY OF MESQUITE



## INVESTMENT REPORT

FOR

QUARTER ENDING

**December 31, 2017**

# INVESTMENT REPORT

FOR QUARTER ENDING December 31, 2017



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*

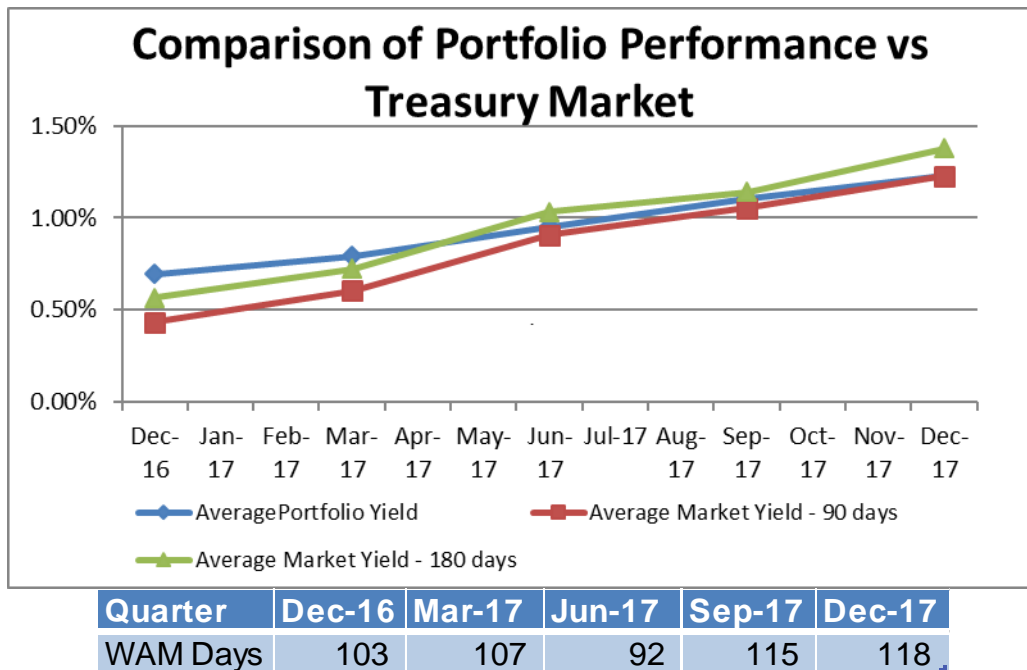
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Sheree Haynes, Manager of Accounting

## City of Mesquite Investment Report For Quarter Ending December 31, 2017

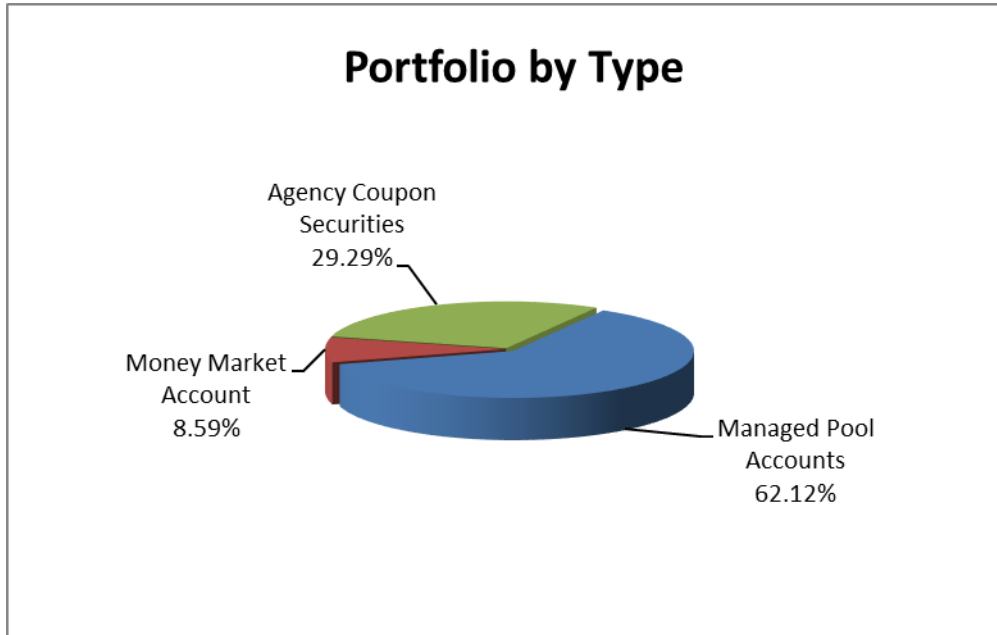
This report presents an overview of the City’s investment portfolio. It shows how the portfolio is structured and how it performed during the quarter.

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 118 days. The City had an average yield of 1.23%. The benchmark average treasury yield is 1.23% for 90 days and 1.38% 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.

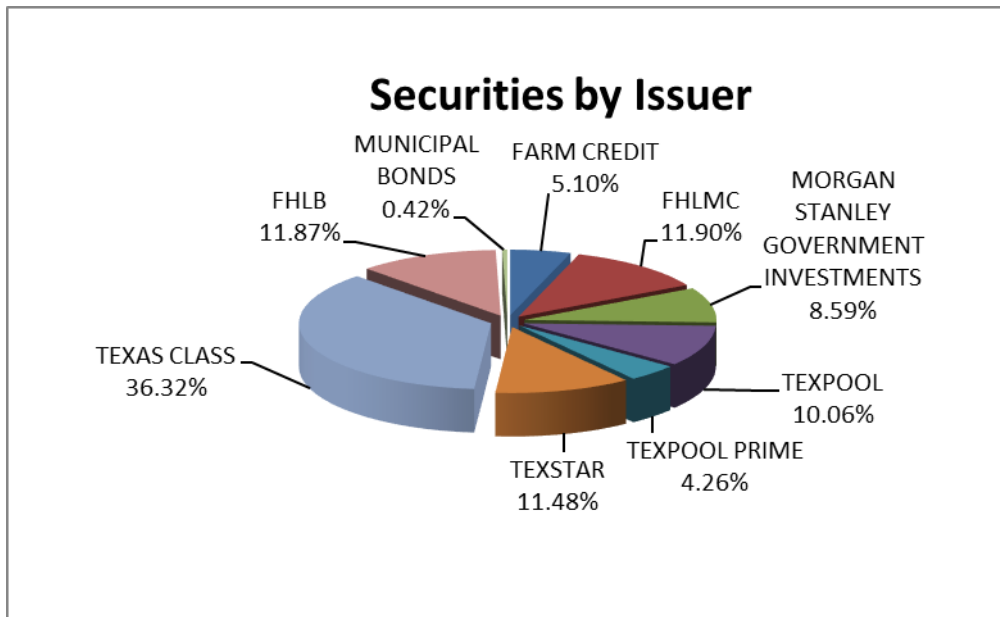


The City of Mesquite recognizes that portfolio diversification is an important factor in controlling risk. The City invests in coupon securities, managed pool accounts and a money market account. Coupon securities include Agency issues with a stated rate of interest in the form of a coupon. Managed pools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

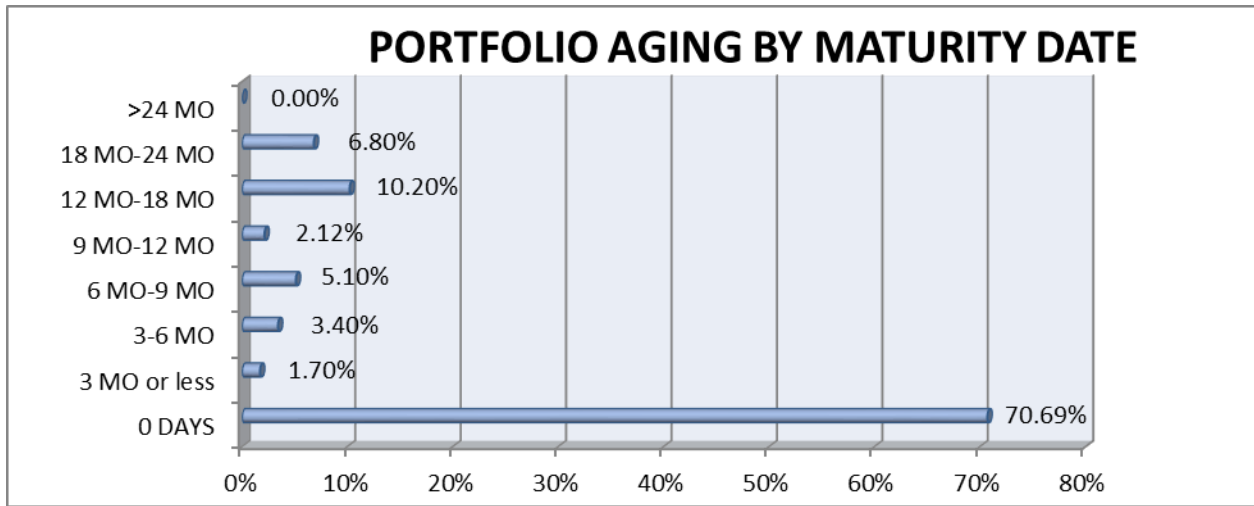
The following graph shows the percentage of the portfolio structure by type of investment.



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 \$117,633,113.66. The market value of the City’s portfolio was approximately \$117,458,159.27. The difference represents an unrealized loss of \$174,954.39. 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>Oct-17</b>	119,123,027.57	119,022,192.63	(100,834.94)
<b>Nov-17</b>	114,404,396.62	114,254,471.71	(149,924.91)
<b>Dec-17</b>	117,633,113.66	117,458,159.27	(174,954.39)

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

### Oct 1 - Dec 31, 2017

Investment Class		Par Value	Market Value	Book Value	Accrued Interest
Fair Value	Value at 10/01/2017	32,000,000.00	31,893,024.00	31,972,205.39	58,878.32
	Net Change	2,490,000.00	2,385,174.60	2,480,947.60	27,988.86
	Value ending 12/31/2017	34,490,000.00	34,278,198.60	34,453,152.99	86,867.18
Fair Value Ext Pool	Value at 10/01/2017	88,009,310.48	88,009,310.48	88,009,310.48	-
	Net Change	(4,829,349.81)	(4,829,349.81)	(4,829,349.81)	-
	Value ending 12/31/2017	83,179,960.67	83,179,960.67	83,179,960.67	-
<b>Total</b>	<b>Value at 10/01/2017</b>	<b>120,009,310.48</b>	<b>119,902,334.48</b>	<b>119,981,515.87</b>	<b>58,878.32</b>
	<b>Net Change</b>	<b>(2,339,349.81)</b>	<b>(2,444,175.21)</b>	<b>(2,348,402.21)</b>	<b>27,988.86</b>
	<b>Value ending 12/31/2017</b>	<b>117,669,960.67</b>	<b>117,458,159.27</b>	<b>117,633,113.66</b>	<b>86,867.18</b>

Investments	Par Value Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM
Managed Pool Accounts	73,071,174.72	73,071,174.72	73,071,174.72	62.12%	1	1.328
Money Market Fund Accounts	10,108,785.95	10,108,785.95	10,108,785.95	8.59%	1	1.080
Agency Coupon Securities	<u>34,490,000.00</u>	<u>34,278,198.60</u>	<u>34,453,152.99</u>	<u>29.29%</u>	<u>399</u>	<u>1.300</u>
	<b>117,669,960.67</b>	<b>117,458,159.27</b>	<b>117,633,113.66</b>	<b>100.00%</b>	<b>118</b>	<b>1.298</b>



**CITY OF MESQUITE  
PORTFOLIO DETAILS**

Oct 1 - Dec 31, 2017

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	1,978,580.00	1,999,373.74	0.00	0.00	(214,126.65)	2,000,000.00	1,978,052.00	1,999,464.65	644.44
FHLB	21-Sep-18	1.10	2,000,000.00	1,994,744.00	2,000,000.00	0.00	0.00	(9,054.00)	2,000,000.00	1,990,946.00	2,000,000.00	6,111.11
FHLB	29-Jun-18	1.00	2,000,000.00	1,997,166.00	2,000,000.00	0.00	0.00	(5,408.00)	2,000,000.00	1,994,592.00	2,000,000.00	111.11
FHLB	27-Sep-19	1.55	2,000,000.00	1,998,722.00	2,000,000.00	0.00	0.00	(12,364.00)	2,000,000.00	1,987,636.00	2,000,000.00	7,922.22
FHLB	5-Aug-19	0.88	2,000,000.00	1,976,338.00	1,976,763.09	0.00	0.00	(12,434.67)	2,000,000.00	1,967,478.00	1,979,912.67	4,520.83
FHLB	27-Nov-19	1.72	0.00	0.00	0.00	2,000,000.00	0.00	(9,663.56)	2,000,000.00	1,985,382.00	1,995,045.56	3,248.89
FHLB	11-Oct-19	1.55	0.00	0.00	0.00	2,000,000.00	0.00	(5,341.24)	2,000,000.00	1,986,110.00	1,991,451.24	3,186.11
FC	16-Oct-17	0.87	2,000,000.00	1,999,748.00	1,999,944.44	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FC	20-Mar-18	0.88	2,000,000.00	1,996,124.00	2,000,000.00	0.00	0.00	(1,964.00)	2,000,000.00	1,998,036.00	2,000,000.00	4,937.78
FC	17-Apr-19	1.39	2,000,000.00	1,996,026.00	1,999,845.56	0.00	0.00	(12,706.56)	2,000,000.00	1,987,164.00	1,999,870.56	5,714.44
FC	15-May-19	1.40	2,000,000.00	1,996,834.00	1,997,403.01	0.00	0.00	(10,801.23)	2,000,000.00	1,987,002.00	1,997,803.23	3,577.78
FHLMC	17-May-18	1.05	2,000,000.00	1,997,580.00	1,999,372.22	0.00	0.00	(3,276.22)	2,000,000.00	1,996,346.00	1,999,622.22	2,566.67
FHLMC	29-Mar-19	1.42	2,000,000.00	1,994,950.00	2,000,000.00	0.00	0.00	(10,136.00)	2,000,000.00	1,989,864.00	2,000,000.00	7,257.78
FHLMC	28-Sep-18	1.01	2,000,000.00	1,992,488.00	2,000,000.00	0.00	0.00	(10,956.00)	2,000,000.00	1,989,044.00	2,000,000.00	5,218.33
FHLMC	28-Dec-18	1.05	2,000,000.00	1,988,352.00	1,999,503.33	0.00	0.00	(16,181.33)	2,000,000.00	1,983,422.00	1,999,603.33	175.00
FHLMC	20-Jul-18	1.00	2,000,000.00	1,994,492.00	2,000,000.00	0.00	0.00	(7,748.00)	2,000,000.00	1,992,252.00	2,000,000.00	8,944.44
FHLMC	25-Jan-19	1.35	2,000,000.00	1,995,952.00	2,000,000.00	0.00	0.00	(12,138.00)	2,000,000.00	1,987,862.00	2,000,000.00	11,700.00
FHLMC	28-Feb-19	1.38	2,000,000.00	1,994,928.00	2,000,000.00	0.00	0.00	(11,490.00)	2,000,000.00	1,988,510.00	2,000,000.00	9,395.83
MUNI	15-Oct-18	1.52	0.00	0.00	0.00	490,000.00	0.00	(1878.93)	490,000.00	488,500.60	490,379.53	1634.42
<b>Subtotal</b>			<u>32,000,000.00</u>	<u>31,893,024.00</u>	<u>31,972,205.39</u>	<u>4,490,000.00</u>	<u>(2,000,000.00)</u>	<u>(174,954.39)</u>	<u>34,490,000.00</u>	<u>34,278,198.60</u>	<u>34,453,152.99</u>	<u>86,867.18</u>
<b>Investment Class: Fair Value External Pool</b>												
Texpool			16,883,822.49	16,883,822.49	16,883,822.49	10,950,261.50	(16,000,000.00)	0.00	11,834,083.99	11,834,083.99	11,834,083.99	0.00
TexStar			18,465,482.76	18,465,482.76	18,465,482.76	41,770.43	(5,000,000.00)	0.00	13,507,253.19	13,507,253.19	13,507,253.19	0.00
Texas CLASS			42,576,444.09	42,576,444.09	42,576,444.09	142,206.27	0.00	0.00	42,718,650.36	42,718,650.36	42,718,650.36	0.00
TexPool Prime			0.00	0.00	0.00	5,011,187.18	0.00	0.00	5,011,187.18	5,011,187.18	5,011,187.18	0.00
Morgan Stanley			10,083,561.14	10,083,561.14	10,083,561.14	25,224.81	0.00	0.00	10,108,785.95	10,108,785.95	10,108,785.95	0.00
<b>Subtotal</b>			<u>88,009,310.48</u>	<u>88,009,310.48</u>	<u>88,009,310.48</u>	<u>16,170,650.19</u>	<u>(21,000,000.00)</u>	<u>0.00</u>	<u>83,179,960.67</u>	<u>83,179,960.67</u>	<u>83,179,960.67</u>	<u>0.00</u>
<b>Total Pool Investments</b>			<u>120,009,310.48</u>	<u>119,902,334.48</u>	<u>119,981,515.87</u>	<u>20,660,650.19</u>	<u>(23,000,000.00)</u>	<u>(174,954.39)</u>	<u>117,669,960.67</u>	<u>117,458,159.27</u>	<u>117,633,113.66</u>	<u>86,867.18</u>