

# CITY OF MESQUITE

## Quarterly Investment Report Overview

### Quarter Ending March 31, 2020



**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 2019	September 2019	December 2019	March 2020
<b>City Average Yield</b>	<b>2.47%</b>	<b>2.30%</b>	<b>1.96%</b>	<b>1.70%</b>
<b>Treasury Average Yield – 90 days</b>	<b>2.36%</b>	<b>2.03%</b>	<b>1.61%</b>	<b>1.17%</b>
<b>Treasury Average Yield – 180 days</b>	<b>2.36%</b>	<b>1.97%</b>	<b>1.62%</b>	<b>1.16%</b>
<b>Weighted Average Maturity</b>	<b>112 days</b>	<b>105 days</b>	<b>121 days</b>	<b>98 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, 2020</b>
<b>Certificates of Deposit</b>	<b>20%</b>	<b>2.48%</b>
<b>Federal Agency Coupons</b>	<b>100%</b>	<b>18.58%</b>
<b>State &amp; Local Agency Coupons</b>	<b>20%</b>	<b>0.00%</b>
<b>Managed Pools</b>	<b>80%</b>	<b>72.41%</b>
<b>Money Market Funds</b>	<b>50%</b>	<b>6.53%</b>
<b>Repurchase Agreements</b>	<b>20%</b>	<b>0.00%</b>
	<i>Days Parameter</i>	<i>Days as of 03/31/2020</i>
<b>Weighted Average Maturity</b>	<b>365 days</b>	<b>98 days</b>

#### INVESTMENT PORTFOLIO BALANCES

<b>Investment Quarter Ended</b>	<b>Book Value</b>	<b>Market Value</b>	<b>Unrealized Gain/(Loss)</b>
June 2019	<b>\$172,279,110</b>	<b>\$172,394,212</b>	<b>\$115,102</b>
September 2019	<b>\$152,255,172</b>	<b>\$152,344,325</b>	<b>\$89,153</b>
December 2019	<b>\$168,294,309</b>	<b>\$168,397,904</b>	<b>\$103,595</b>
March 2020	<b>\$161,318,686</b>	<b>\$161,625,914</b>	<b>\$307,228</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>9/30/2019</b>	<b>12/31/2019</b>	<b>3/31/2020</b>	<b>6/26/2020</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)	2.16%	1.62%	1.00%	0.21%
TexStar (Daily Rate)	2.11%	1.56%	0.96%	0.20%
Texas Class (Daily Rate)	2.20%	1.88%	1.47%	0.57%
TexPool Prime (Daily Rate)	2.27%	1.83%	1.34%	0.48%
<b><u>Treasury</u></b>				
3-month (90-days)	1.78%	1.51%	0.02%	0.14%
6-month	1.83%	1.59%	0.10%	0.16%
1 year	1.75%	1.48%	0.12%	0.17%
2 year	1.63%	1.57%	0.23%	0.19%
10 year	1.68%	1.88%	0.73%	0.69%
<b><u>Agency</u></b>				
2 year (callable)	1.88%	1.70%	1.05%	0.30%
2 year (bullet)	1.68%	1.59%	0.36%	0.27%
<b><u>CD's</u></b>				
6 month	1.90%	1.50%	0.25%	0.20%
9 month	1.80%	1.50%	0.20%	0.20%
12 month	1.75%	1.50%	0.15%	0.15%
15 month	1.75%	1.50%	0.15%	0.15%
18 month	1.75%	1.50%	0.15%	0.15%
21 month	n/a	n/a	n/a	n/a
24 month	n/a	n/a	n/a	n/a

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

While the Fed had no intentions of reducing rates again for 2020, the Federal Reserve officials reacted with growing alarm to market disruptions caused by the spreading coronavirus pandemic in March, prompting them to cut interest rates at two emergency meetings held on March 3, 2020 and March 15, 2020. The Fed cut interest rates by fifty basis points on March 3, 2020 and then another one percent on March 15, 2020 to a range between 0% and 0.25%. The Fed has signaled that it anticipates holding interest rates steady at near-zero through 2022 and forecasts the U.S. economy to contract by 6.5% and the unemployment rate to decline to 9.3% by year-end.

# CITY OF MESQUITE



## INVESTMENT REPORT

FOR

QUARTER ENDING

March 31, 2020

# INVESTMENT REPORT

FOR QUARTER ENDING March 31, 2020



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 62-2019 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*

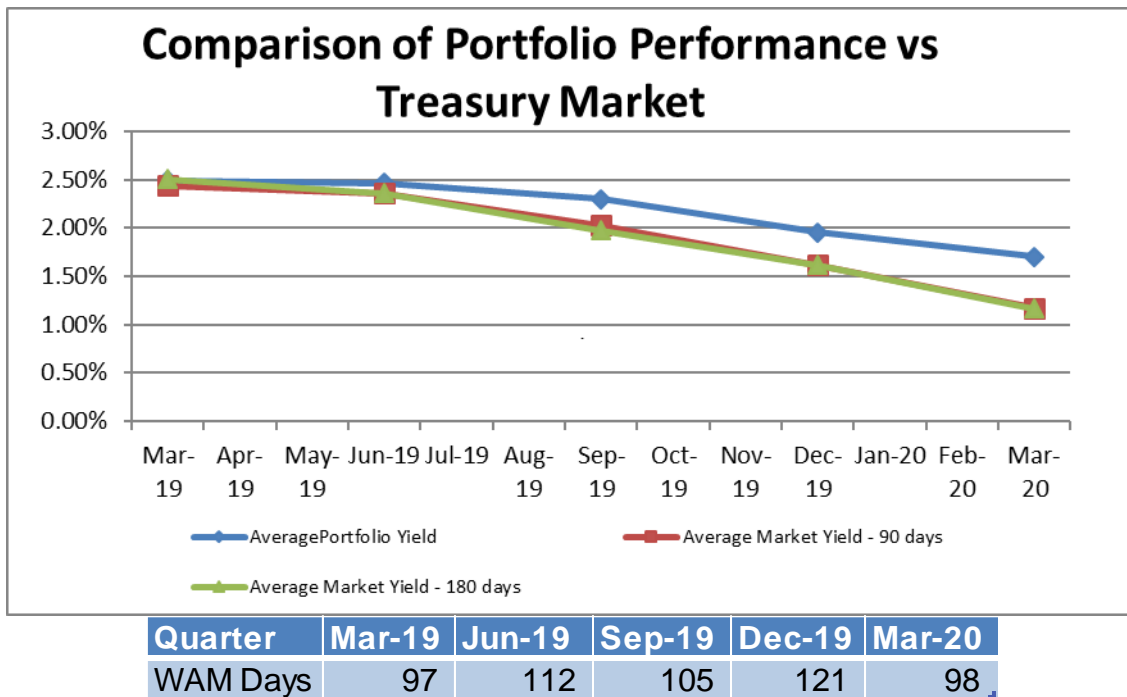
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Sheree Haynes, Manager of Accounting

## City of Mesquite Investment Report For Quarter Ending March 31, 2020

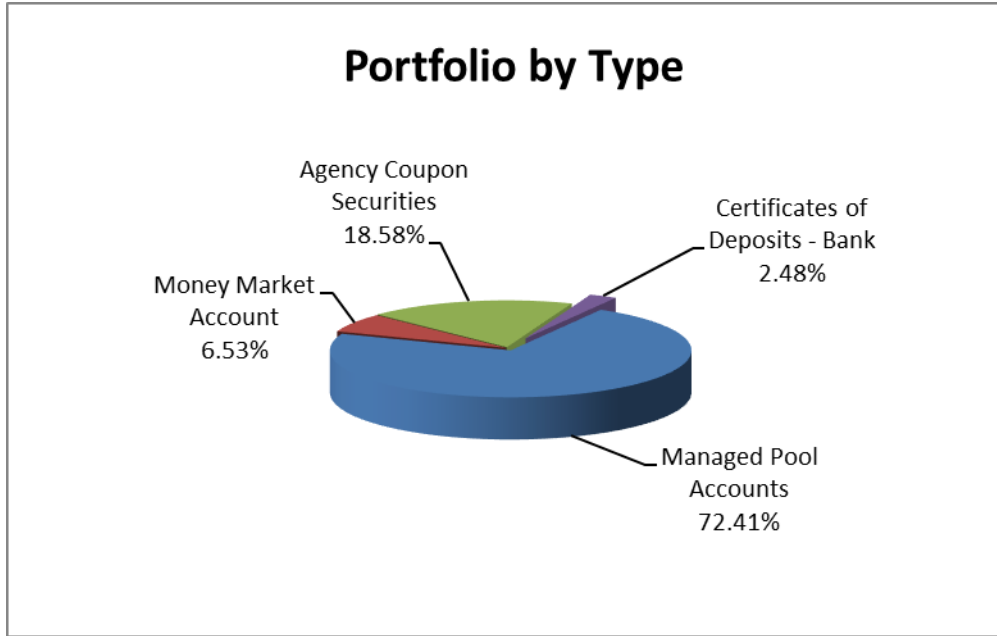
This report presents an overview of the City’s investment portfolio. It shows how the portfolio is structured and how it performed during the quarter.

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 98 days. The City had an average yield of 1.70%. The benchmark average treasury yield is 1.17% for 90 days and 1.16% 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.

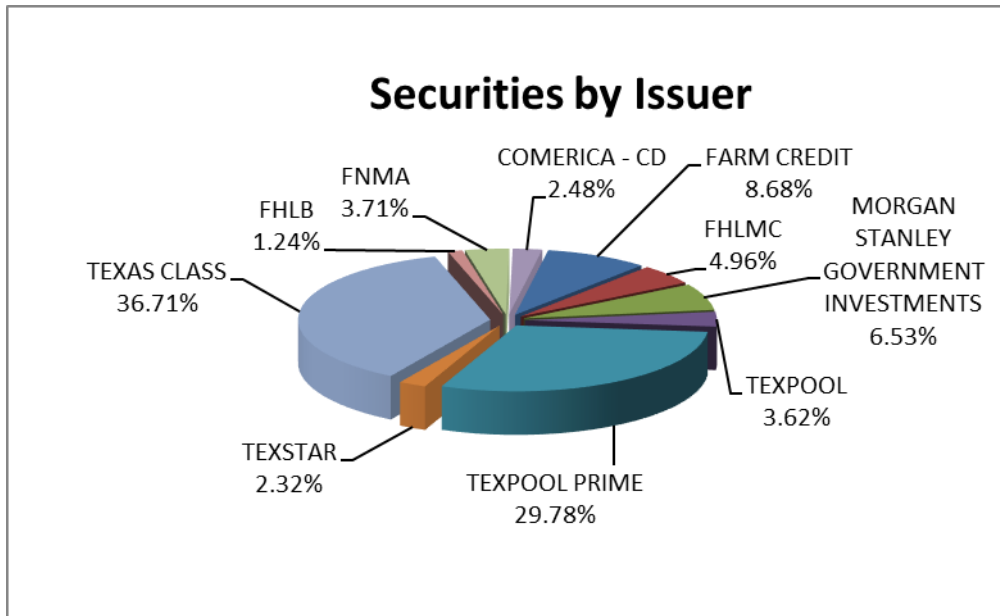


The City of Mesquite recognizes that portfolio diversification is an important factor in controlling risk. The City invests in coupon securities, certificates of deposits, managed pool accounts and a money market account. Coupon securities include Agency issues with a stated rate of interest in the form of a coupon. 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.

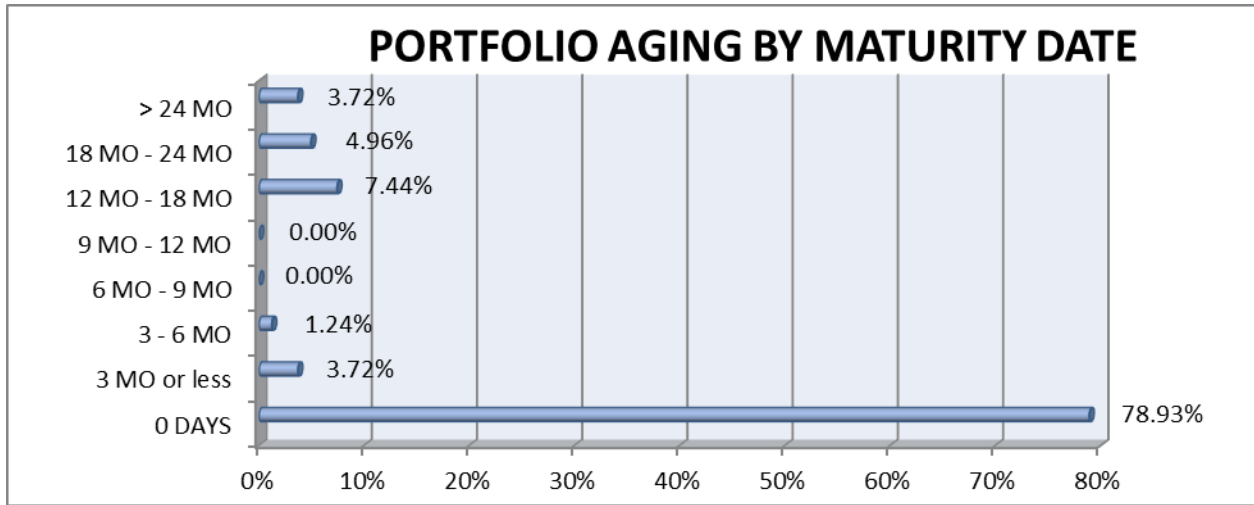
The following graph shows the percentage of the portfolio structure by type of investment.



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 \$161,318,685.47. The market value of the City’s portfolio was approximately \$161,625,913.72. The difference represents an unrealized gain of \$307,228.25. 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-20</b>	190,895,293.98	191,033,584.16	138,290.18
<b>Feb-20</b>	162,537,283.87	162,754,662.27	217,378.40
<b>Mar-20</b>	161,318,685.47	161,625,913.72	307,228.25

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, 2020

Investment Class		Par Value	Market Value	Book Value	Accrued Interest
Fair Value	Value at 01/01/2020	40,000,000.00	40,061,675.92	39,958,080.61	135,906.61
	Net Change	(6,000,000.00)	(5,779,835.44)	(5,983,468.38)	56,796.89
	Value ending 03/31/2020	34,000,000.00	34,281,840.48	33,974,612.23	192,703.50
Fair Value Ext Pool	Value at 01/01/2020	128,336,228.03	128,336,228.03	128,336,228.03	-
	Net Change	(992,154.79)	(992,154.79)	(992,154.79)	-
	Value ending 03/31/2020	127,344,073.24	127,344,073.24	127,344,073.24	-
<b>Total</b>	<b>Value at 01/01/2020</b>	<b>168,336,228.03</b>	<b>168,397,903.95</b>	<b>168,294,308.64</b>	<b>135,906.61</b>
	<b>Net Change</b>	<b>(6,992,154.79)</b>	<b>(6,771,990.23)</b>	<b>(6,975,623.17)</b>	<b>56,796.89</b>
	<b>Value ending 03/31/2020</b>	<b>161,344,073.24</b>	<b>161,625,913.72</b>	<b>161,318,685.47</b>	<b>192,703.50</b>

Investments	Par Value Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM
Managed Pool Accounts	116,817,968.73	116,817,968.73	116,817,968.73	72.41%	1	1.375
Certificates of Deposit - Bank	4,000,000.00	4,000,000.00	4,000,000.00	2.48%	283	1.600
Money Market Fund Accounts	10,526,104.51	10,526,104.51	10,526,104.51	6.53%	1	0.750
Agency Coupon Securities	30,000,000.00	30,281,840.48	29,974,612.23	18.58%	487	2.099
	<b>161,344,073.24</b>	<b>161,625,913.72</b>	<b>161,318,685.47</b>	<b>100.00%</b>	<b>98</b>	<b>1.474</b>



CITY OF MESQUITE

PORTFOLIO DETAILS

Jan 1 - Mar 31, 2020

ISSUER	Maturity DATE	COUPON	BEGINNING	BEGINNING	BEGINNING	PURCHASES	SALES /	UNREALIZED	ENDING	ENDING	ENDING	ENDING
			PAR VALUE	MARKET VALUE	BOOK VALUE		WITHDRAWALS	GAIN/ (LOSS)	PAR VALUE	MARKET VALUE	BOOK VALUE	ACCRUED INTEREST
COMERICA	25-Feb-20	170	2,000,000.00	2,000,000.00	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
COMERICA	25-May-20	165	2,000,000.00	2,000,000.00	2,000,000.00	0.00	0.00	0.00	2,000,000.00	2,000,000.00	2,000,000.00	11,391.78
COMERICA	25-Aug-21	155	0.00	0.00	0.00	2,000,000.00	0.00	0.00	2,000,000.00	2,000,000.00	2,000,000.00	3,057.53
FHLB	28-May-20	2.63	2,000,000.00	2,007,816.88	1,999,832.27	0.00	0.00	7,189.04	2,000,000.00	2,007,124.00	1,999,934.96	17,937.50
FHLB	26-Feb-21	188	2,000,000.00	1,997,842.56	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FC	30-Jan-20	2.05	2,000,000.00	2,001,109.58	1,999,160.10	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FC	5-Apr-21	2.54	2,000,000.00	2,024,300.20	2,000,983.79	0.00	0.00	45,382.93	2,000,000.00	2,046,171.70	2,000,788.77	24,835.56
FC	15-Apr-21	2.38	2,000,000.00	2,020,668.46	1,999,477.92	0.00	0.00	40,095.40	2,000,000.00	2,039,674.58	1,999,579.18	21,902.78
FC	14-May-21	2.40	2,000,000.00	2,001,914.24	2,000,000.00	0.00	0.00	3,779.02	2,000,000.00	2,003,779.02	2,000,000.00	18,266.67
FC	17-May-21	2.25	2,000,000.00	2,018,771.02	1,999,122.41	0.00	0.00	43,780.15	2,000,000.00	2,043,061.80	1,999,281.65	16,750.00
FC	16-Aug-21	155	2,000,000.00	1,999,726.70	1,997,119.42	0.00	0.00	29,832.15	2,000,000.00	2,027,394.74	1,997,562.59	3,875.00
FC	22-Feb-22	2.00	2,000,000.00	1,998,339.66	1,999,142.38	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FC	8-Nov-21	157	2,000,000.00	2,000,073.46	1,998,173.12	0.00	0.00	38,333.13	2,000,000.00	2,036,752.76	1,998,419.63	10,815.56
FC	2-Dec-21	162	2,000,000.00	2,000,602.06	2,000,000.00	0.00	0.00	17,665.66	2,000,000.00	2,017,665.66	2,000,000.00	10,710.00
FHLMC	28-Nov-22	175	2,000,000.00	2,000,041.50	1,999,031.45	0.00	0.00	5,044.89	2,000,000.00	2,004,159.60	1,999,114.71	12,055.56
FHLMC	26-Aug-22	180	2,000,000.00	2,000,023.26	1,999,420.63	0.00	0.00	4,560.43	2,000,000.00	2,004,035.66	1,999,475.23	3,500.00
FHLMC	26-Nov-21	175	2,000,000.00	2,000,108.78	1,999,809.46	0.00	0.00	3,741.69	2,000,000.00	2,003,576.18	1,999,834.49	12,055.56
FHLMC	27-May-22	175	2,000,000.00	1,998,627.60	2,000,000.00	0.00	0.00	3,966.98	2,000,000.00	2,003,966.98	2,000,000.00	12,055.56
FNMA	22-Jun-20	150	2,000,000.00	1,998,594.22	1,987,698.85	0.00	0.00	11,441.42	2,000,000.00	2,005,614.56	1,994,173.14	8,250.00
FNMA	30-Jul-20	150	2,000,000.00	1,998,135.64	1,984,876.54	0.00	0.00	17,295.05	2,000,000.00	2,008,684.08	1,991,389.03	5,083.33
FNMA	29-Sep-21	145	2,000,000.00	1,994,980.10	1,994,232.27	0.00	0.00	35,120.31	2,000,000.00	2,030,179.16	1,995,058.85	161.11
<b>Subtotal</b>			<b>40,000,000.00</b>	<b>40,061,675.92</b>	<b>39,958,080.61</b>	<b>2,000,000.00</b>	<b>(8,000,000.00)</b>	<b>307,228.25</b>	<b>34,000,000.00</b>	<b>34,281,840.48</b>	<b>33,974,612.23</b>	<b>192,703.50</b>
Investment Class: Fair Value External Pool												
Texpool			6,357,558.63	6,357,558.63	6,357,558.63	12,477,423.80	(13,000,000.00)	0.00	5,834,982.43	5,834,982.43	5,834,982.43	0.00
TexStar			3,724,245.34	3,724,245.34	3,724,245.34	12,575.32	0.00	0.00	3,736,820.66	3,736,820.66	3,736,820.66	0.00
Texas CLASS			58,963,077.33	58,963,077.33	58,963,077.33	249,309.22	0.00	0.00	59,212,386.55	59,212,386.55	59,212,386.55	0.00
TexPool Prime			48,804,495.83	48,804,495.83	48,804,495.83	28,229,283.26	(29,000,000.00)	0.00	48,033,779.09	48,033,779.09	48,033,779.09	0.00
Morgan Stanley			<u>10,486,850.90</u>	<u>10,486,850.90</u>	<u>10,486,850.90</u>	<u>39,253.61</u>	<u>0.00</u>	<u>0.00</u>	<u>10,526,104.51</u>	<u>10,526,104.51</u>	<u>10,526,104.51</u>	<u>0.00</u>
<b>Subtotal</b>			<b>128,336,228.03</b>	<b>128,336,228.03</b>	<b>128,336,228.03</b>	<b>41,007,845.21</b>	<b>(42,000,000.00)</b>	<b>0.00</b>	<b>127,344,073.24</b>	<b>127,344,073.24</b>	<b>127,344,073.24</b>	<b>0.00</b>
<b>Total Pool Investments</b>			<b><u>168,336,228.03</u></b>	<b><u>168,397,903.95</u></b>	<b><u>168,294,308.64</u></b>	<b><u>43,007,845.21</u></b>	<b><u>(50,000,000.00)</u></b>	<b><u>307,228.25</u></b>	<b><u>161,344,073.24</u></b>	<b><u>161,625,913.72</u></b>	<b><u>161,318,685.47</u></b>	<b><u>192,703.50</u></b>