

# CITY OF MESQUITE

## Quarterly Investment Report Overview

### Quarter Ending December 31, 2021



**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 2021	June 2021	September 2021	December 2021
<b><i>City Average Yield</i></b>	<b>0.25%</b>	<b>0.17%</b>	<b>0.12%</b>	<b>0.13%</b>
<b><i>Treasury Average Yield – 90 days</i></b>	<b>0.06%</b>	<b>0.02%</b>	<b>0.05%</b>	<b>0.05%</b>
<b><i>Treasury Average Yield – 180 days</i></b>	<b>0.07%</b>	<b>0.04%</b>	<b>0.06%</b>	<b>0.09%</b>
<b><i>Weighted Average Maturity</i></b>	<b>94 days</b>	<b>160 days</b>	<b>174 days</b>	<b>165 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 December 31, 2021</b>
<b>Certificates of Deposit</b>	<b>20%</b>	<b>1.81%</b>
<b>Federal Agency Coupons</b>	<b>100%</b>	<b>21.07%</b>
<b>State &amp; Local Agency Coupons</b>	<b>20%</b>	<b>0.91%</b>
<b>Managed Pools</b>	<b>80%</b>	<b>71.43%</b>
<b>Money Market Funds</b>	<b>50%</b>	<b>4.77%</b>
<b>Repurchase Agreements</b>	<b>20%</b>	<b>0.00%</b>
	<b><i>Days Parameter</i></b>	<b><i>Days as of 12/31/2021</i></b>
<b>Weighted Average Maturity</b>	<b>365 days</b>	<b>165 days</b>

#### INVESTMENT PORTFOLIO BALANCES

<b>Investment Quarter Ended</b>	<b>Book Value</b>	<b>Market Value</b>	<b>Unrealized Gain/(Loss)</b>
March 2021	<b>\$193,158,751</b>	<b>\$193,201,401</b>	<b>\$42,650</b>
June 2021	<b>\$183,174,757</b>	<b>\$183,144,980</b>	<b>(\$29,777)</b>
September 2021	<b>\$186,761,738</b>	<b>\$186,711,860</b>	<b>(\$49,878)</b>
December 2021	<b>\$220,761,877</b>	<b>\$220,411,153</b>	<b>(\$350,724)</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>6/30/2021</b>	<b>9/30/2021</b>	<b>12/31/2021</b>	<b>2/25/2022</b>
<b>Investment Type</b>	<b>Jun Rates</b>	<b>Sept Rates</b>	<b>Dec Rates</b>	<b>Current Rates</b>
<b><u>Pools</u></b>				
TexPool (Daily Rate)	0.01%	0.03%	0.04%	0.06%
TexStar (Daily Rate)	0.01%	0.01%	0.01%	0.01%
Texas Class (Daily Rate)	0.06%	0.04%	0.07%	0.12%
TexPool Prime (Daily Rate)	0.07%	0.06%	0.09%	0.11%
<b><u>Treasury</u></b>				
3-month (90-days)	0.04%	0.03%	0.03%	0.30%
6-month	0.05%	0.05%	0.17%	0.64%
1-year	0.07%	0.07%	0.36%	1.06%
2-year	0.25%	0.29%	0.72%	1.58%
10-year	1.47%	1.52%	1.51%	1.96%
<b><u>Agency</u></b>				
2-year (bullet)	0.25%	0.29%	0.75%	1.56%
<b><u>CD's</u></b>				
6-month	0.10%	n/a	n/a	n/a
9-month	0.10%	n/a	n/a	n/a
12-month	0.10%	n/a	n/a	n/a
15-month	0.10%	n/a	n/a	n/a
18-month	0.10%	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

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

After nearly two full years of pandemic-related turmoil, 2022 begins amidst a backdrop of cautious optimism and growing hopes that the darkest days of the pandemic have passed. In 2021, the United States made great progress towards recovery and reopening even with an uneven healing process beset by recurrent outbreaks of the virus. The turn of the year brings with it a more hopeful outlook as continued vaccine progress, new therapeutic treatments, and a broadening of population immunity gain traction against what appears to be a less virulent Omicron variant. The Federal Reserve is poised to begin unwinding its easy monetary policies with higher interest rates predicted for 2022. Incoming economic data remains consistent with the Consumer Price Index (CPI) that rose 7.0% on a year-over-year basis through December, marking its fastest annual pace since 1982 and underscoring the growing pressure on the Fed to raise interest rates. Overall, the outlook for labor markets in 2022 remains constructive as demand for workers remains robust and wages appear biased to the upside as businesses compete for scarce labor resources. Supply chain disruptions and wage increases are expected to keep inflation at elevated levels. With inflation high and labor market strong, the Federal Open Market Committee (FOMC) is on track for commencing rate increases in March. Quarterly projections in December indicated three 25-basis-point increases for 2022 while current market pricing estimates at least six 25-basis-point increases during 2022.

# CITY OF MESQUITE



## INVESTMENT REPORT

FOR

QUARTER ENDING

**December 31, 2021**

# INVESTMENT REPORT

FOR QUARTER ENDING December 31, 2021



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 54-2021 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*

---

Cindy L. Smith , Director of Finance

*Ashley Tierney*

---

Ashley Tierney, Manager of Accounting

*Myra E. Rogers*

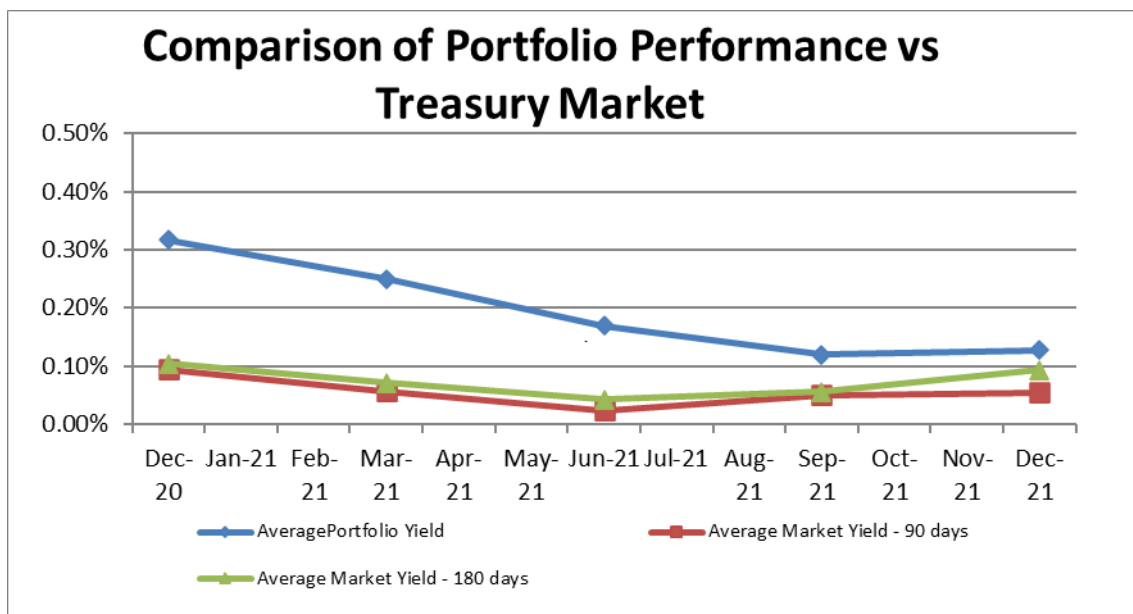
---

Myra E. Rogers, Manager of Budget and Treasury

## City of Mesquite Investment Report For Quarter Ending December 31, 2021

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.

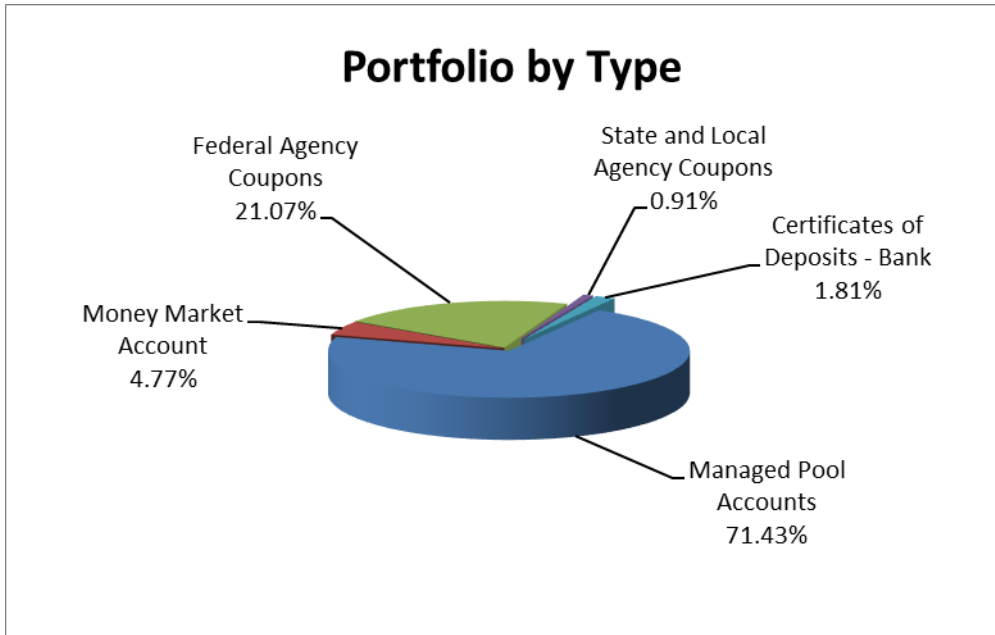
The City’s portfolio is designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury securities at a maturity level comparable to the City’s weighted average maturity in days. The City’s portfolio weighted average maturity was 165 days. The City had an average yield of 0.13%. The benchmark average treasury yield is 0.05% for 90 days and 0.09% 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.



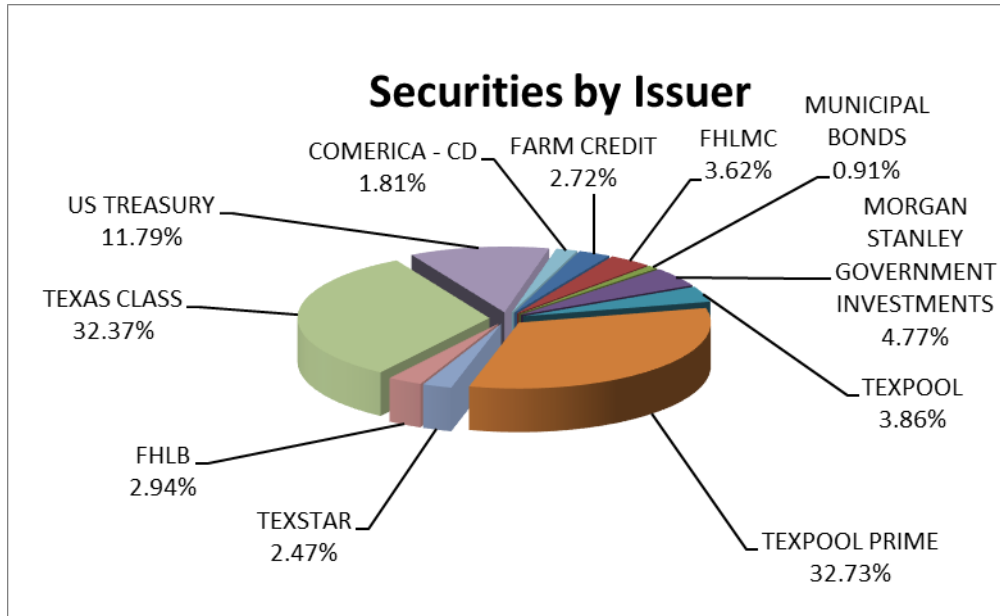
Quarter	20-Dec	21-Mar	21-Jun	21-Sep	21-Dec
WAM Days	115	94	160	174	165

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.

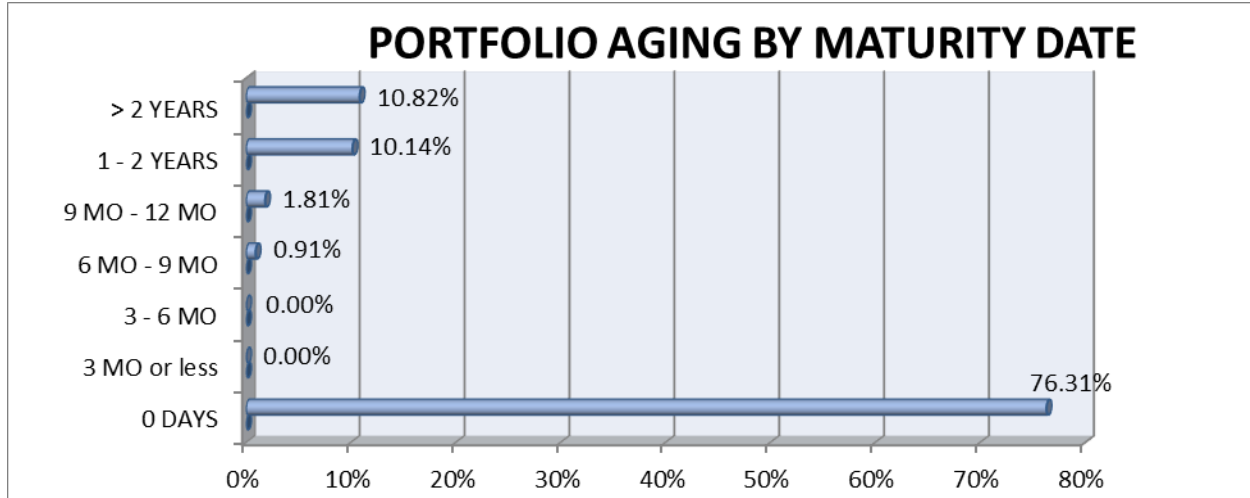
The following graph shows the percentage of the portfolio structure by type of investment.



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 \$220,761,877.40. The market value of the City’s portfolio was approximately \$220,411,153.55. The difference represents an unrealized loss of \$350,723.85. 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-21</b>	194,852,286.60	194,635,401.85	(216,884.75)
<b>Nov-21</b>	216,490,757.98	216,263,794.31	(226,963.67)
<b>Dec-21</b>	220,761,877.40	220,411,153.55	(350,723.85)

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 thru DEC 31, 2021

Investment Class		Par Value	Market Value	Book Value	Accrued Interest
Fair Value	Value at 09/30/2021	46,500,000.00	46,512,807.22	46,562,684.63	39,411.84
	Net Change	6,000,000.00	5,661,646.64	5,962,493.08	8,990.02
	Value ending 12/31/2021	52,500,000.00	52,174,453.86	52,525,177.71	48,401.86
Fair Value Ext Pool	Value at 09/30/2021	140,199,053.05	140,199,053.05	140,199,053.05	-
	Net Change	28,037,646.64	28,037,646.64	28,037,646.64	-
	Value ending 12/31/2021	168,236,699.69	168,236,699.69	168,236,699.69	-
<b>Total</b>	<b>Value at 09/30/2021</b>	<b>186,699,053.05</b>	<b>186,711,860.27</b>	<b>186,761,737.68</b>	<b>39,411.84</b>
	<b>Net Change</b>	<b>34,037,646.64</b>	<b>33,699,293.28</b>	<b>34,000,139.72</b>	<b>8,990.02</b>
	<b>Value ending 12/31/2021</b>	<b>220,736,699.69</b>	<b>220,411,153.55</b>	<b>220,761,877.40</b>	<b>48,401.86</b>

Investments	Par Value Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM
Managed Pool Accounts	157,696,529.38	157,696,529.38	157,696,529.38	71.43%	1	0.075
Certificates of Deposit - Bank	4,000,000.00	4,000,000.00	4,000,000.00	1.81%	222	0.125
Money Market Fund Accounts	10,540,170.31	10,540,170.31	10,540,170.31	4.77%	1	0.030
Federal Agency Coupons	46,500,000.00	46,186,093.86	46,525,177.71	21.07%	719	0.330
State and Local Agency Coupons	2,000,000.00	1,988,360.00	2,000,000.00	0.91%	989	0.790
	<b>220,736,699.69</b>	<b>220,411,153.55</b>	<b>220,761,877.40</b>	<b>100.00%</b>	<b>165</b>	<b>0.134</b>



**CITY OF MESQUITE**  
**PORTFOLIO DETAILS**  
**Oct 1 - Dec 31, 2021**

Maturity			BEGINNING	BEGINNING	BEGINNING	SALES /		UNREALIZED	ENDING	ENDING	ENDING	ENDING
ISSUER	DATE	COUPON	PAR	MARKET	BOOK	PURCHASES	WITHDRAWALS	GAIN/	PAR	MARKET	BOOK	ACCRUED
			VALUE	VALUE	VALUE		MATURITIES	(LOSS)	VALUE	VALUE	VALUE	INTEREST
COMERICA	23-Jun-22	0.1500	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	3,002.07
COMERICA	26-Sep-22	0.1000	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	1,507.35
TREAS	15-Jul-23	0.1800	2,000,000.00	1,995,782.00	1,997,897.70	0.00	0.00	(12,487.19)	2,000,000.00	1,985,704.00	1,998,191.19	1,154.89
TREAS	15-Jan-24	0.2600	2,000,000.00	1,989,140.00	1,993,957.74	0.00	0.00	(19,538.09)	2,000,000.00	1,975,078.00	1,994,616.09	1,154.89
TREAS	29-Feb-24	0.2900	2,000,000.00	2,095,234.00	2,100,082.83	0.00	0.00	(21,455.76)	2,000,000.00	2,068,124.00	2,089,579.76	16,139.50
TREAS	15-Mar-24	0.3000	2,000,000.00	1,992,890.00	1,997,561.69	0.00	0.00	(21,407.26)	2,000,000.00	1,976,406.00	1,997,813.26	1,491.71
TREAS	15-Apr-24	0.3200	2,000,000.00	1,997,500.00	2,002,582.16	0.00	0.00	(22,014.13)	2,000,000.00	1,980,312.00	2,002,326.13	1,607.14
TREAS	15-May-24	0.3200	2,000,000.00	1,990,078.00	1,996,103.46	0.00	0.00	(23,352.73)	2,000,000.00	1,973,124.00	1,996,476.73	649.17
TREAS	15-Apr-23	0.1800	2,000,000.00	2,001,328.00	2,002,181.42	0.00	0.00	(8,463.68)	2,000,000.00	1,993,360.00	2,001,823.68	1,071.43
TREAS	15-Jun-24	0.4000	2,000,000.00	1,988,594.00	1,991,979.34	0.00	0.00	(21,784.13)	2,000,000.00	1,970,938.00	1,992,722.13	233.52
TREAS	15-Jul-24	0.4200	2,000,000.00	1,994,218.00	1,997,440.67	0.00	0.00	(21,965.25)	2,000,000.00	1,975,704.00	1,997,669.25	2,669.86
TREAS	15-Aug-24	0.4400	2,000,000.00	1,992,500.00	1,996,382.75	0.00	0.00	(22,633.88)	2,000,000.00	1,974,062.00	1,996,695.88	2,669.84
TREAS	15-Sep-24	0.6800	0.00	0.00	0.00	2,000,000.00	0.00	(11,590.42)	2,000,000.00	1,972,188.00	1,983,778.42	1,512.43
TREAS	15-Oct-24	0.7100	0.00	0.00	0.00	2,000,000.00	0.00	(11,260.78)	2,000,000.00	1,984,218.00	1,995,478.78	2,506.87
TREAS	15-Nov-24	0.9400	0.00	0.00	0.00	2,000,000.00	0.00	(160.40)	2,000,000.00	1,989,218.00	1,989,378.40	1,616.02
FC	10-May-23	0.1900	2,000,000.00	1,997,809.76	1,997,940.16	0.00	0.00	(10,063.45)	2,000,000.00	1,988,199.42	1,998,262.87	354.17
FC	8-Nov-21	1.5700	2,000,000.00	2,003,054.46	1,999,897.18	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FC	23-Nov-22	0.1200	2,000,000.00	1,999,894.26	1,998,587.88	0.00	0.00	(3,024.30)	2,000,000.00	1,995,874.08	1,998,898.38	263.89
FC	2-Oct-23	0.2000	2,000,000.00	1,997,464.96	1,997,638.40	0.00	0.00	(5,871.68)	2,000,000.00	1,992,064.16	1,997,935.84	988.89
FHLB	17-Mar-23	0.1800	2,000,000.00	1,998,594.90	1,998,389.54	0.00	0.00	(7,855.80)	2,000,000.00	1,990,813.56	1,998,669.36	722.22
FHLB	2-Jun-23	0.1700	2,500,000.00	2,493,818.00	2,498,074.39	0.00	0.00	(15,952.49)	2,500,000.00	2,482,411.98	2,498,364.47	2,517.3
FHLB	8-Dec-23	0.2500	2,000,000.00	1,996,140.38	2,001,937.34	0.00	0.00	(20,179.93)	2,000,000.00	1,981,534.76	2,001,714.69	319.44
FHLMC	24-Aug-23	0.2500	2,000,000.00	1,999,126.64	1,999,958.82	0.00	0.00	(12,757.00)	2,000,000.00	1,987,207.24	1,999,964.24	1,763.89
FHLMC	8-Sep-23	0.2500	2,000,000.00	1,998,444.26	2,000,024.77	0.00	0.00	(13,400.63)	2,000,000.00	1,986,620.90	2,000,021.53	1,569.44
FHLMC	16-Oct-23	0.1200	2,000,000.00	1,992,303.04	1,994,778.85	0.00	0.00	(15,002.45)	2,000,000.00	1,980,421.08	1,995,423.53	520.83
FHLMC	6-Nov-23	0.2500	2,000,000.00	1,998,892.56	1,999,287.54	0.00	0.00	(16,862.42)	2,000,000.00	1,982,510.68	1,999,373.10	763.89
MUNI	1-Oct-24	0.7900	0.00	0.00	0.00	2,000,000.00	0.00	(11,640.00)	2,000,000.00	1,988,360.00	2,000,000.00	1,896.78
<b>Subtotal</b>			<b>46,500,000.00</b>	<b>46,512,807.22</b>	<b>46,562,684.63</b>	<b>8,000,000.00</b>	<b>(2,000,000.00)</b>	<b>(350,723.85)</b>	<b>52,500,000.00</b>	<b>52,174,453.86</b>	<b>52,525,177.71</b>	<b>48,401.86</b>
Investment Class: Fair Value External Pool												
Texpool	0.0380	5,501,298.64	5,501,298.64	5,501,298.64	13,514,964.13	(10,500,000.00)	0.00	8,516,262.77	8,516,262.77	8,516,262.77	0.00	
TexStar	0.0440	5,447,882.00	5,447,882.00	5,447,882.00	155.99	0.00	0.00	5,448,037.99	5,448,037.99	5,448,037.99	0.00	
Morgan Stanley	0.0300	10,539,487.43	10,539,487.43	10,539,487.43	682.88	0.00	0.00	10,540,170.31	10,540,170.31	10,540,170.31	0.00	
Texas CLASS	0.0690	61,458,151.34	61,458,151.34	61,458,151.34	10,009,548.25	0.00	0.00	71,467,699.59	71,467,699.59	71,467,699.59	0.00	
TexPool Prime	0.0900	57,252,233.64	57,252,233.64	57,252,233.64	15,012,295.39	0.00	0.00	72,264,529.03	72,264,529.03	72,264,529.03	0.00	
<b>Subtotal</b>			<b>140,199,053.05</b>	<b>140,199,053.05</b>	<b>140,199,053.05</b>	<b>38,537,646.64</b>	<b>(10,500,000.00)</b>	<b>0.00</b>	<b>168,236,699.69</b>	<b>168,236,699.69</b>	<b>168,236,699.69</b>	<b>0.00</b>
Total Pool Investments			<b>186,699,053.05</b>	<b>186,711,860.27</b>	<b>186,761,737.68</b>	<b>46,537,646.64</b>	<b>(12,500,000.00)</b>	<b>(350,723.85)</b>	<b>220,736,699.69</b>	<b>220,411,153.55</b>	<b>220,761,877.40</b>	<b>48,401.86</b>