



## INVESTMENT REPORT

**March 31, 2018**

The Quarterly Investment Report for the City of Athens, Texas, for the quarter ended March 31, 2018 is hereby submitted.

The current depository bank for the City of Athens is Prosperity Bank. The City maintains 14 money market accounts and earns a rate determined by the bank (approximately .35%) and to offset banking expenses for all accounts based on daily balance requirements. Interest bearing checking accounts are now considered an investment under the Public Funds Investment Act and per the 2017 legislative changes. See PFIA Section 2256.009(a), “clarifying that interest-bearing bank accounts insured by FDIC or the National Credit Union Share Insurance Fund are authorized investments.” HB 1003 modified in June 2017.

The City received \$12,175,837.20 of bond proceeds in January for the Series 2017 Certificates of Obligations and the monies were deposited into the Capital Improvement Fund in TexPool. The total interest earned at the bank and the pools was \$55,753.63 for the quarter.

TexPool average interest rate was 1.39% for the quarter with a weighted average maturity at 31 days. The total TexPool interest earned was \$50,268.57. TexPool’s liquid asset portfolio seeks to maintain a net asset value of \$1 per unit invested to preserve the principal of all pool participants.

Prosperity Bank earned a quarterly interest of \$5,485.06 for all accounts. The bank accounts are insured by a combination of FDIC insurance and pledged securities which are maintained at the HilltopBancSystems, a Division of Hilltop Securities with coverage at 102%.

This report is in compliance with the City of Athens’ investment policy and the Public Funds Investment Act.

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Elizabeth Borstad  
City Manager

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Mandie Quigg  
Investment Officer





# Monthly Newsletter: April 2018

## ANNOUNCEMENTS

**We welcome the following entities who joined TexPool in March 2018:**

**TexPool**

Eastland Memorial Hospital District

**TexPool Prime**

Eastland Memorial Hospital District  
Pearland ISD

**Upcoming Events**

Apr 15, 2018 - Apr 17, 2018,  
Renaissance, Austin  
GFOAT 2018 Spring Conference

Apr 16, 2018 - Apr 19, 2018,  
Embassy Suites Hotel, Spa and  
Convention Center, San Marcos  
2018 46th Annual County Treasurers  
Continuing Education

**TexPool Advisory Board Members**

|                    |                 |
|--------------------|-----------------|
| Jose Elizondo, Jr. | Vivian Wood     |
| Belinda Weaver     | Jerry Dale      |
| Patrick Krishock   | Sharon Matthews |
| Michele Tuttle     | David Landeros  |

Overseen by the State of Texas Comptroller of Public Accounts Glenn Hegar.

Operated under the supervision of the Texas Treasury Safekeeping Trust Company

## Economic and Market Commentary: Return voyage

April 1, 2018

Jerome Powell is not only the new chair of the Federal Reserve, he also essentially has a different job than its last two leaders. While Ben Bernanke had to bail water and Janet Yellen had to right the ship, Chair Powell is charged with steering the economy back into harbor. In the statement and projections from last month's Federal Open Market Committee (FOMC) meeting, the first led by Powell, policymakers saw employment firming, inflation building—not ballooning—and economic activity increasing over the next few years. They seem to be dropping “cautiously” from “cautiously optimistic” about the next couple of years. With rates normalizing and the Fed's balance sheet declining, monetary policy is getting more straightforward. In its place, however, is choppy water of a different sort, political and unpredictable: tariffs, taxes, walls, global relations, deficits and more.

What the U.S. economy needs now is a Fed that provides stability amid the uncertainty. Keeping things steady will be difficult, but if Powell can do it with the calm, confident and concise communication he showed in the press conference (only 43 minutes long!), it would be a major accomplishment. This is not a gender issue—both Ben Bernanke and Janet Yellen spoke in a stiff, academic style that was sometimes off-putting. Powell cut to the point in an

*(continued page 6)*

### Performance as of March 31, 2018

|                                    | TexPool             | TexPool Prime      |
|------------------------------------|---------------------|--------------------|
| Current Invested Balance           | \$19,272,850,011.55 | \$5,721,562,120.63 |
| Weighted Average Maturity          | 35                  | 36                 |
| Weighted Average Life              | 90                  | 69                 |
| Net Asset Value                    | 0.99981             | 0.99970            |
| Total Number of Participants       | 2,456               | 305                |
| Management Fee on Invested Balance | 0.0473%             | 0.0638%            |
| Interest Distributed               | \$25,586,096.21     | \$8,462,097.82     |
| Management Fee Collected           | \$747,255.87        | \$289,727.00       |
| Standard & Poor's Current Rating   | AAA <sub>m</sub>    | AAA <sub>m</sub>   |
| <b>Month Averages</b>              |                     |                    |
| Average Invested Balance           | \$19,901,625,057.91 | \$5,841,092,146.71 |
| Average Monthly Rate               | 1.5156%             | 1.7066%            |
| Average Weighted Average Maturity  | 31                  | 33                 |
| Average Weighted Average Life      | 87                  | 67                 |

*\*This average monthly rate for TexPool Prime for each date may reflect a waiver of some portion or all of each of the management fees.*

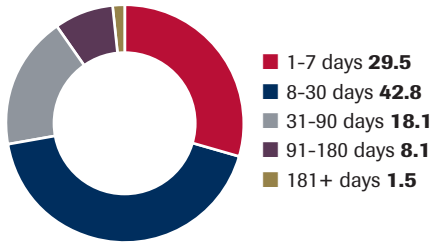
*\*\*See page 2 for definitions.*

*Past performance is no guarantee of future results.*



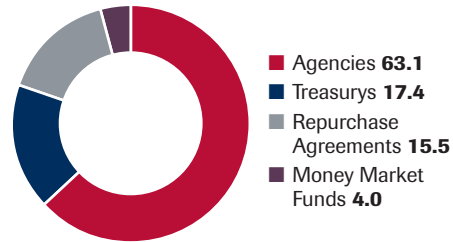
## Portfolio by Maturity (%)

As of March 31, 2018



## Portfolio by Type of Investment (%)

As of March 31, 2018



### Portfolio Asset Summary as of March 31, 2018

|  | Book Value                 | Market Value               |
|--|----------------------------|----------------------------|
| Uninvested Balance                           | -\$85.79                   | -\$85.79                   |
| Receivable for Investments Sold              | 0.00                       | 0.00                       |
| Accrual of Interest Income                   | 9,719,142.02               | 9,719,142.02               |
| Interest and Management Fees Payable         | -25,586,089.71             | -25,586,089.71             |
| Payable for Investments Purchased            | -249,374,305.55            | -249,374,305.55            |
| Accrued Expenses & Taxes                     | -70,614.78                 | -70,614.78                 |
| Repurchase Agreements                        | 3,039,473,000.00           | 3,039,473,000.00           |
| Mutual Fund Investments                      | 776,022,103.88             | 776,022,103.88             |
| Government Securities                        | 12,321,414,957.04          | 12,319,290,132.33          |
| U.S. Treasury Inflation Protected Securities | 2,140,257,849.46           | 2,139,067,997.71           |
| U.S. Treasury Bills                          | 961,250,443.26             | 961,277,165.98             |
| U.S. Treasury Notes                          | 299,743,611.72             | 299,337,793.00             |
| <b>Total</b>                                 | <b>\$19,272,850,011.55</b> | <b>\$19,269,156,239.09</b> |

Market value of collateral supporting the Repurchase Agreements is at least 102% of the Book Value. The portfolio is managed by Federated Investment Counseling and the assets are safe kept in a separate custodial account at State Street Bank in the name of TexPool. The only source of payment to the Participants is the assets of TexPool. There is no secondary source of payment for the pool such as insurance or State guarantee. Should you require a copy of the portfolio, please contact TexPool Participant Services.

### Participant Summary

|                  | Number of Participants | Balance            |
|------------------|------------------------|--------------------|
| School District  | 583                    | \$6,679,869,963.80 |
| Higher Education | 57                     | \$843,504,730.32   |
| Healthcare       | 82                     | \$909,464,288.61   |
| Utility District | 774                    | \$2,719,667,587.71 |
| City             | 458                    | \$4,420,238,490.83 |
| County           | 185                    | \$2,186,235,095.28 |
| Other            | 317                    | \$1,513,662,701.81 |

#### \*\*Definition of Weighted Average Maturity and Weighted Average Life

WAM is the mean average of the periods of time remaining until the securities held in TexPool (a) are scheduled to be repaid, (b) would be repaid upon a demand by TexPool, or (c) are scheduled to have their interest rate readjusted to reflect current market rates. Securities with adjustable rates payable upon demand are treated as maturing on the earlier of the two dates set forth in (b) and (c) if their scheduled maturity is 397 days or less; and the later of the two dates set forth in (b) and (c) if their scheduled maturity is more than 397 days. The mean is weighted based on the percentage of the amortized cost of the portfolio invested in each period.

WAL is calculated in the same manner as WAM, but is based solely on the periods of time remaining until the securities held in TexPool (a) are scheduled to be repaid or (b) would be repaid upon a demand by TexPool, without reference to when interest rates of securities within TexPool are scheduled to be readjusted.



## Daily Summary

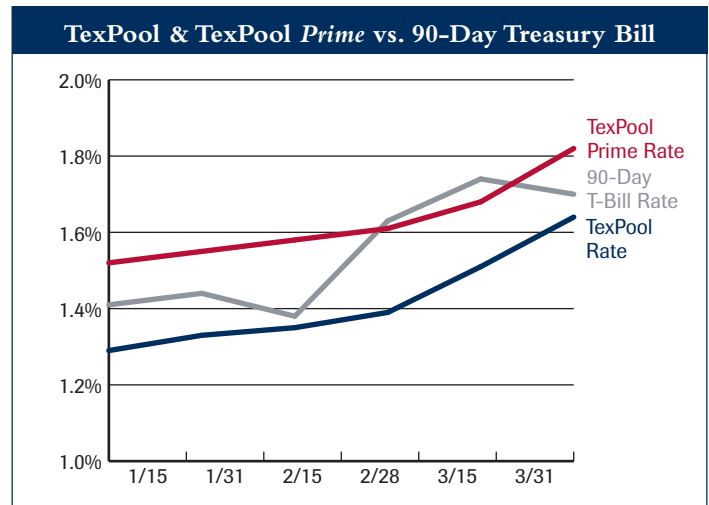
| Date            | Money Mkt. Fund<br>Equiv. (SEC Std.) | Dividend<br>Factor | TexPool Invested<br>Balance | NAV            | WAM Days  | WAL Days  |
|-----------------|--------------------------------------|--------------------|-----------------------------|----------------|-----------|-----------|
| 3/1             | 1.3978%                              | 0.000038296        | \$20,190,258,391.58         | 0.99990        | 28        | 86        |
| 3/2             | 1.4052%                              | 0.000038498        | \$20,171,968,304.73         | 0.99990        | 28        | 86        |
| 3/3             | 1.4052%                              | 0.000038498        | \$20,171,968,304.73         | 0.99990        | 28        | 86        |
| 3/4             | 1.4052%                              | 0.000038498        | \$20,171,968,304.73         | 0.99990        | 28        | 86        |
| 3/5             | 1.4056%                              | 0.000038510        | \$20,148,257,721.67         | 0.99987        | 26        | 84        |
| 3/6             | 1.4179%                              | 0.000038847        | \$20,037,307,263.81         | 0.99986        | 29        | 84        |
| 3/7             | 1.4194%                              | 0.000038888        | \$20,060,713,416.71         | 0.99986        | 29        | 83        |
| 3/8             | 1.4469%                              | 0.000039641        | \$20,115,330,275.19         | 0.99986        | 30        | 89        |
| 3/9             | 1.4490%                              | 0.000039699        | \$20,187,984,847.39         | 0.99986        | 30        | 88        |
| 3/10            | 1.4490%                              | 0.000039699        | \$20,187,984,847.39         | 0.99986        | 30        | 88        |
| 3/11            | 1.4490%                              | 0.000039699        | \$20,187,984,847.39         | 0.99986        | 30        | 88        |
| 3/12            | 1.4509%                              | 0.000039751        | \$20,121,928,362.03         | 0.99986        | 28        | 86        |
| 3/13            | 1.4634%                              | 0.000040092        | \$20,105,408,615.08         | 0.99982        | 28        | 80        |
| 3/14            | 1.5986%                              | 0.000043798        | \$20,020,481,542.57         | 0.99979        | 30        | 88        |
| 3/15            | 1.5120%                              | 0.000041424        | \$19,973,968,400.84         | 0.99977        | 30        | 88        |
| 3/16            | 1.5108%                              | 0.000041392        | \$19,980,687,206.34         | 0.99977        | 30        | 87        |
| 3/17            | 1.5108%                              | 0.000041392        | \$19,980,687,206.34         | 0.99977        | 30        | 87        |
| 3/18            | 1.5108%                              | 0.000041392        | \$19,980,687,206.34         | 0.99977        | 30        | 87        |
| 3/19            | 1.5229%                              | 0.000041724        | \$19,969,088,380.47         | 0.99976        | 30        | 86        |
| 3/20            | 1.5313%                              | 0.000041953        | \$19,985,516,221.77         | 0.99976        | 30        | 84        |
| 3/21            | 1.5444%                              | 0.000042312        | \$19,898,069,240.04         | 0.99977        | 31        | 87        |
| 3/22            | 1.5805%                              | 0.000043302        | \$19,816,205,578.22         | 0.99977        | 32        | 85        |
| 3/23            | 1.6017%                              | 0.000043881        | \$19,669,988,021.59         | 0.99979        | 34        | 90        |
| 3/24            | 1.6017%                              | 0.000043881        | \$19,669,988,021.59         | 0.99979        | 34        | 90        |
| 3/25            | 1.6017%                              | 0.000043881        | \$19,669,988,021.59         | 0.99979        | 34        | 90        |
| 3/26            | 1.6177%                              | 0.000044320        | \$19,620,270,605.64         | 0.99978        | 32        | 87        |
| 3/27            | 1.6208%                              | 0.000044405        | \$19,538,939,107.68         | 0.99979        | 35        | 88        |
| 3/28            | 1.6187%                              | 0.000044348        | \$19,498,198,497.09         | 0.99981        | 34        | 89        |
| 3/29            | 1.6444%                              | 0.000045053        | \$19,272,850,011.55         | 0.99981        | 35        | 90        |
| 3/30            | 1.6444%                              | 0.000045053        | \$19,272,850,011.55         | 0.99981        | 35        | 90        |
| 3/31            | 1.6444%                              | 0.000045053        | \$19,272,850,011.55         | 0.99981        | 35        | 90        |
| <b>Average:</b> | <b>1.5156%</b>                       | <b>0.000041522</b> | <b>\$19,901,625,057.91</b>  | <b>0.99982</b> | <b>31</b> | <b>87</b> |



Participant Services  
 1001 Texas Ave. 14th Floor  
 Houston, TX 77002

almost casual way. Of course, the real test will be if Powell can gather consensus within the Fed board—still largely unfilled—and with regional presidents. The FOMC vote to raise the fed funds target range from 1.25–1.50% to 1.50–1.75% was unanimous, but that isn't likely to continue. But for now, we'll take slow and steady.

For cash managers, it was particularly helpful that the March hike and the projections for two more this year and three in 2019 were in line with expectations because we have our hands full with the remarkable amount of short-term Treasury supply in the market. Ever since the suspension of the debt ceiling, the Treasury Department has been borrowing at an accelerated rate to fund increased government spending with less revenue from taxes and also to build up a cash balance. In fact, short Treasury yields were so elevated that overnight repo rates didn't rise much following the announcement of the hike because they already were nearly there. The London interbank offered rate (Libor) also spiked over the month due to a section of the tax overhaul requiring U.S.-based companies to repatriate overseas cash. That has slashed the demand for the short-term securities these companies traditionally buy with this money, driving up yields. Libor's vault over the month had 1-month closing at 1.88%, from 1.65% at the end of February; 3-month at 2.31%, from 1.99%; and 6-month at 2.45%, from 2.20%. The short end of the Treasury yield curve also increased over the quarter, with 1-month and 3-month Treasury yields rising from 1.50% to 1.71% and 1.65% to 1.76%, respectively.



*90-Day Treasury Bill is a short-term debt instrument backed by the national government. These are used to collect immediate cash to meet outstanding obligations.*

*Any private investor can invest in a Treasury bill. The 90-Day Treasury Bill is a weighted average rate of the weekly auctions of 90-Day Treasury Bills.*

*Past performance is no guarantee of future results.*

The weighted average maturity (WAM) of TexPool was 35 days, not quite matching that of TexPool Prime at 36 days.

# Pledge Security Listing

March 31, 2018

| ID                              | CUSIP     | Description  | Safekeeping Location | Safekeeping Receipt | Coupon | Maturity Date | Call Date | Moody | S&P | Fitch | ASC 320 | Face Amount       | Current Par         | Current Book Value  | Market Value        | Gain(Loss)          |
|---------------------------------|-----------|--------------|----------------------|---------------------|--------|---------------|-----------|-------|-----|-------|---------|-------------------|---------------------|---------------------|---------------------|---------------------|
| CITY OF ATHENS                  |           |              |                      |                     |        |               |           |       |     |       |         |                   |                     |                     |                     |                     |
| 2493                            | 31417ADJ5 | FNMA AB3704  | FHLB                 | x                   | 3.00   | 10/01/2021    |           | AAA   | AA+ | AAA   | HTM     | 1,707,164         | 190,602.08          | 191,447.57          | 191,588.84          | 141.26              |
| 2516                            | 3138AXXQ9 | FNMA AJ6086  | FHLB                 | x                   | 3.00   | 12/01/2026    |           | AAA   | AA+ | AAA   | HTM     | 1,100,000         | 305,689.45          | 307,815.19          | 306,579.23          | (1,235.97)          |
| 3544                            | 31417DRU9 | FNMA AB6798  | FHLB                 |                     | 2.00   | 11/01/2027    |           | AAA   | AA+ | AAA   | HTM     | 1,001,207         | 469,698.84          | 474,092.29          | 455,014.69          | (19,077.61)         |
| 3546                            | 31410LKN1 | FNMA 890501  | FHLB                 |                     | 2.00   | 11/01/2027    |           | AAA   | AA+ | AAA   | HTM     | 2,250,000         | 1,086,624.02        | 1,097,345.74        | 1,052,355.26        | (44,990.49)         |
| 3607                            | 3138EKLX1 | FNMA AL3041  | FHLB                 |                     | 2.00   | 02/01/2028    |           | AAA   | AA+ | AAA   | HTM     | 2,210,781         | 1,088,430.16        | 1,097,475.29        | 1,053,212.59        | (44,262.70)         |
| 3997                            | 3138WAR66 | FNMA AS1408  | FHLB                 |                     | 3.00   | 01/01/2029    |           | AAA   | AA+ | AAA   | HTM     | 1,009,042         | 464,504.04          | 471,738.26          | 463,040.85          | (8,697.42)          |
| 3999                            | 3128MMRT2 | FHLMC G18497 | FHLB                 |                     | 3.00   | 01/01/2029    |           | AAA   | AA+ | AAA   | HTM     | 1,000,000         | 479,602.35          | 485,640.35          | 478,091.60          | (7,548.75)          |
| 4002                            | 31418A6C7 | FNMA MA1766  | FHLB                 |                     | 2.50   | 01/01/2024    |           | AAA   | AA+ | AAA   | HTM     | 1,700,000         | 596,541.46          | 602,300.85          | 592,672.08          | (9,628.77)          |
| 4189                            | 3128MEBZ3 | FHLMC G15256 | FHLB                 |                     | 2.50   | 12/01/2029    |           | AAA   | AA+ | AAA   | HTM     | 776,235           | 431,008.39          | 436,512.67          | 420,637.25          | (15,875.42)         |
| 4238                            | 3128MMTJ2 | FHLMC G18552 | FHLB                 |                     | 3.00   | 05/01/2030    |           | AAA   | AA+ | AAA   | HTM     | 1,500,000         | 919,473.75          | 946,437.43          | 916,002.74          | (30,434.69)         |
| 4259                            | 3138WFAL0 | FNMA AS5410  | FHLB                 |                     | 2.50   | 07/01/2030    |           | AAA   | AA+ | AAA   | HTM     | 517,750           | 342,759.62          | 344,386.82          | 334,404.86          | (9,981.96)          |
| 4895                            | 3138WJKU1 | FNMA AS8406  | FHLB                 |                     | 2.50   | 11/01/2031    |           | AAA   | AA+ | AAA   | HTM     | 1,760,000         | 1,528,051.89        | 1,532,837.90        | 1,490,328.11        | (42,509.79)         |
| <b>Total for CITY OF ATHENS</b> |           |              |                      |                     |        |               |           |       |     |       |         | <b>16,532,179</b> | <b>7,902,986.05</b> | <b>7,988,030.36</b> | <b>7,753,928.10</b> | <b>(234,102.31)</b> |

**PROSPERITY BANK  
P O DRAWER G  
EL CAMPO, TX 77437  
979-541-4251 phone  
979-543-2971 fax**

March 31, 2018

City of Athens  
508 E Tyler  
Athens, TX 75751

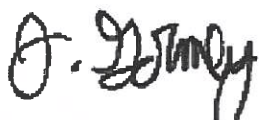
RE: Balance Confirmation

Please accept the following as confirmation of total deposit balances.

\$5,143,719.99

Please let me know if you need any additional information. I can be reached at (979) 541-4251.

Sincerely,



*Jonathon Gormey*

**Prosperity Bank**  
Banking Officer  
1301 N. Mechanic  
P O Drawer G  
El Campo, TX 77437

(979) 541-4227 Direct

(979) 543-2971 Fax

[jonathon.gormey@prosperitybankusa.com](mailto:jonathon.gormey@prosperitybankusa.com)