



## INVESTMENT REPORT

**June 30, 2021**

The Quarterly Investment Report for the City of Athens, Texas, for the quarter ended June 30, 2021 is hereby submitted.

The current depository bank for the City of Athens is Prosperity Bank. The City maintains 20 money market accounts and earns a rate determined by the bank (approximately .15%) and to offset banking expenses for all accounts based on daily balance requirements. Interest bearing checking accounts are considered an investment under the Public Funds Investment Act and per 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 2017 for Series 2017 Certificates of Obligations and the monies were deposited into the Capital Improvement Fund in TexPool. On October 1, 2019 the City defeased \$5,394,871.59 of Series 2017 CO funds as approved by Council in September 2019. The General Fund Emergency Reserve, as designated by Council, is held in a TexPool account in addition to General Investment funds of the General and Utility Funds. The Cain Center Capital Improvement Fund and Utility Capital Improvement Fund are held in a TexPool account. Series 2020 Debt Service Reserve Fund established per the bond covenant and related construction account is held at TexPool. Series 2020A Debt Service Reserve Fund established per the bond covenant and related construction account is held at TexPool.

Average monthly TexPool interest rates for the quarter were 0.01%, 0.01%, 0.01% with average weighted average maturity at 29, 30, and 29 days. Total TexPool interest earned was \$261.39. 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 \$4,885.19 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

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Rachel Proctor  
Investment Officer





## **PROSPERITY BANK<sup>®</sup>**

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July 1, 2021

City of Athens  
508 E Tyler  
Athens, TX 75751

RE: Balance Confirmation

Please accept the following as confirmation of total deposit balances.

\$10,302,821.22

Please let me know if you need any additional information.

Sincerely,

**Prosperity Bank**  
Banking Officer  
Accounting - Treasury

1301 N. Mechanic  
P O Drawer G  
El Campo, TX 77437

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# Pledge Security Listing

June 30, 2021

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)
<b>CITY OF ATHENS</b>																
2516	3138AXXQ9	FNMA #AJ6086	FHLB		3.00	12/01/2026		AAA	AA+	AAA	HTM	1,100,000	112,485.15	112,981.05	118,109.41	5,128.36
3296	3138EEBP3	FNMA #AK9045	FHLB		3.00	04/01/2027		AAA	AA+	AAA	HTM	3,500,000	410,144.11	413,291.96	430,651.31	17,359.35
3544	31417DRU9	FNMA #AB6798	FHLB		2.00	11/01/2027		AAA	AA+	AAA	HTM	2,002,414	416,642.10	419,388.19	428,880.96	9,492.78
3546	31410LKN1	FNMA #890501	FHLB		2.00	11/01/2027		AAA	AA+	AAA	HTM	2,250,000	463,166.44	466,302.28	476,771.95	10,469.67
3607	3138EKLX1	FNMA #AL3041	FHLB		2.00	02/01/2028		AAA	AA+	AAA	HTM	2,210,781	473,078.64	475,809.88	486,975.32	11,165.44
3997	3138WAR66	FNMA #AS1408	FHLB		3.00	01/01/2029		AAA	AA+	AAA	HTM	1,009,042	180,637.39	182,809.23	189,669.26	6,860.03
3999	3128MMRT2	FHLMC #G18497	FHLB		3.00	01/01/2029		AAA	AA+	AAA	HTM	1,000,000	203,868.54	205,858.68	214,061.97	8,203.28
4002	31418A6C7	FNMA #MA1766	FHLB		2.50	01/01/2024		AAA	AA+	AAA	HTM	1,700,000	125,482.20	126,042.63	126,963.95	921.32
4189	3128MEBZ3	FHLMC #G15256	FHLB		2.50	12/01/2029		AAA	AA+	AAA	HTM	776,235	186,252.03	188,133.39	193,702.11	5,568.72
4238	3128MMTJ2	FHLMC #G18552	FHLB		3.00	05/01/2030		AAA	AA+	AAA	HTM	1,500,000	392,657.93	401,899.76	412,290.82	10,391.07
4259	3138WFAL0	FNMA #AS5410	FHLB		2.50	07/01/2030		AAA	AA+	AAA	HTM	517,750	156,210.30	156,804.75	162,458.71	5,653.96
4895	3138WJKU1	FNMA #AS8406	FHLB		2.50	11/01/2031		AAA	AA+	AAA	HTM	1,760,000	731,131.84	732,937.19	760,377.12	27,439.93
5023	3140J9ZS3	FNMA #BM5252	FHLB		3.00	02/01/2038		AAA	AA+	AAA	HTM	550,000	266,048.85	263,039.03	273,076.37	10,037.34
5027	3140JAHL5	FNMA #BM5634	FHLB		4.00	03/01/2034		AAA	AA+	AAA	HTM	1,100,000	373,433.35	383,943.68	393,820.72	9,877.04
5474	3132D53T7	FR #SB8010	FHLB		2.50	10/01/2034		AAA	AA+	AAA	HTM	1,000,000	425,865.58	428,593.10	442,900.20	14,307.11
5513	3133JLMH9	FR #QU7560	FHLB		2.00	09/01/2050		AAA	AA+	AAA	HTM	1,000,000	896,363.75	916,652.60	894,575.46	(22,077.14)
5526	3132D56J6	FR #SB8073	FHLB		1.50	11/01/2035		AAA	AA+	AAA	HTM	2,100,000	1,906,974.32	1,950,406.96	1,921,276.63	(29,130.33)
5536	3133KYUY3	FR #RB5099	FHLB		1.50	02/01/2041		AAA	AA+	AAA	HTM	1,000,000	973,420.62	984,155.69	959,444.51	(24,711.18)
5549	31418DX80	FNMA #MA4302	FHLB		1.50	04/01/2036		AAA	AA+	AAA	HTM	1,100,000	1,078,049.53	1,091,626.19	1,086,134.90	(5,491.29)
5551	3132D57K2	FR #SB8098	FHLB		2.00	04/01/2036		AAA	AA+	AAA	HTM	1,500,000	1,466,410.74	1,510,439.71	1,509,486.56	(953.15)
<b>Total for CITY OF ATHENS</b>												<b>28,676,222</b>	<b>11,238,323.41</b>	<b>11,411,115.95</b>	<b>11,481,628.24</b>	<b>70,512.31</b>

10,302,821.22 6/30 BALANCE  
1.02 ×  
-----  
10,508,877.64 = REQUIRED COLLATERAL

11,481,628.24  
250,000 + FDIC  
-----  
11,731,628.24 = TOTAL COLLATERAL

10,508,877.64 -  
-----  
1,222,750.60 = EXCESS COLLATERAL





## Summary Statement



Deposit Reports	Withdrawal Report Scheduler	Transfer Report Access	Multi Transaction Statements Help / Contact Us	Vendor Payment Inquiry Update Profile	Maintenance Change Location Logout
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TexPool Participant Services  
1001 Texas Ave, Ste 1150  
Houston, TX 77002

CITY OF ATHENS  
ATN MANDIE QUIGG  
500 E TYLER  
ATHENS TX 75751

Statement Period      06/01/2021 - 06/30/2021  
Customer Services      1-866-TEX-POOL  
Location

#### UTILITY FUND OPERATING ACCT -

Pool Name	Beginning Balance	Total Deposit	Total Withdrawal	Total Interest	Current Balance	Average Balance
TexPool	\$1,501,137.12	\$0.00	\$0.00	\$16.19	\$1,501,153.31	\$1,501,137.66
<b>Total Dollar Value</b>	<b>\$1,501,137.12</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$16.19</b>	<b>\$1,501,153.31</b>	

#### CAPITAL IMPROVEMENT FUND -

Pool Name	Beginning Balance	Total Deposit	Total Withdrawal	Total Interest	Current Balance	Average Balance
TexPool	\$1,516,609.21	\$0.00	-\$101,686.56	\$15.82	\$1,414,938.47	\$1,471,575.59
<b>Total Dollar Value</b>	<b>\$1,516,609.21</b>	<b>\$0.00</b>	<b>-\$101,686.56</b>	<b>\$15.82</b>	<b>\$1,414,938.47</b>	

#### GENERAL FUND INVESTMENTS -

Pool Name	Beginning Balance	Total Deposit	Total Withdrawal	Total Interest	Current Balance	Average Balance
TexPool	\$1,148,495.31	\$0.00	\$0.00	\$12.37	\$1,148,507.68	\$1,148,495.72
<b>Total Dollar Value</b>	<b>\$1,148,495.31</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$12.37</b>	<b>\$1,148,507.68</b>	

#### GENERAL FUND EMERGENCY RESERVE -

Pool Name	Beginning Balance	Total Deposit	Total Withdrawal	Total Interest	Current Balance	Average Balance
TexPool	\$2,832,017.80	\$0.00	\$0.00	\$30.36	\$2,832,048.16	\$2,832,018.81
<b>Total Dollar Value</b>	<b>\$2,832,017.80</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$30.36</b>	<b>\$2,832,048.16</b>	

#### CAIN CENTER CAPITAL IMPROV FUND -

Pool Name	Beginning Balance	Total Deposit	Total Withdrawal	Total Interest	Current Balance	Average Balance
TexPool	\$52,497.73	\$0.00	\$0.00	\$0.46	\$52,498.19	\$52,497.75
<b>Total Dollar Value</b>	<b>\$52,497.73</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.46</b>	<b>\$52,498.19</b>	

#### SERIES 2020 W/WW REVENUE BONDS -

Pool Name	Beginning Balance	Total Deposit	Total Withdrawal	Total Interest	Current Balance	Average Balance
TexPool	\$554.60	\$0.00	\$0.00	\$0.00	\$554.60	\$554.60
<b>Total Dollar Value</b>	<b>\$554.60</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$554.60</b>	

#### SERIES 2020 DEBT SERVICE RESERVE -

Pool Name	Beginning Balance	Total Deposit	Total Withdrawal	Total Interest	Current Balance	Average Balance
TexPool	\$88,959.02	\$0.00	\$0.00	\$0.87	\$88,959.89	\$88,959.05
<b>Total Dollar Value</b>	<b>\$88,959.02</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.87</b>	<b>\$88,959.89</b>	

#### SERIES 2020A DS RESERVE PROJ 73885 -

Pool Name	Beginning Balance	Total Deposit	Total Withdrawal	Total Interest	Current Balance	Average Balance
TexPool	\$100,450.08	\$0.00	\$0.00	\$1.14	\$100,451.22	\$100,450.12
<b>Total Dollar Value</b>	<b>\$100,450.08</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$1.14</b>	<b>\$100,451.22</b>	

#### UTILITY CAPITAL PROJECTS FUND -

Pool Name	Beginning Balance	Total Deposit	Total Withdrawal	Total Interest	Current Balance	Average Balance
TexPool	\$1,335,510.73	\$0.00	\$0.00	\$14.37	\$1,335,525.10	\$1,335,511.21
<b>Total Dollar Value</b>	<b>\$1,335,510.73</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$14.37</b>	<b>\$1,335,525.10</b>	

#### Account Totals

Pool Name	Beginning Balance	Total Deposit	Total Withdrawal	Total Interest	Current Balance	Average Balance
TexPool	\$8,576,231.60	\$0.00	-\$101,686.56	\$91.58	\$8,474,636.62	
<b>Total Dollar Value</b>	<b>\$8,576,231.60</b>	<b>\$0.00</b>	<b>-\$101,686.56</b>	<b>\$91.58</b>	<b>\$8,474,636.62</b>	



# Monthly Newsletter: May 2021

## ANNOUNCEMENTS

**We welcome the following entities who joined TexPool in April 2021:**

### TexPool

Callahan County  
The Village of Jones Creek  
Williamson County MUD 29

### TexPool Prime

Callahan County  
Crane County  
Liberty Hill ISD

### Upcoming Events

June 14, 2021 - June 16, 2021,  
TASBO Summer Solutions Conference

### Round Rock

June 17, 2021 - June 19, 2021  
AWBD Annual Conference  
**Henry B. Gonzalez Convention Center**  
San Antonio, Texas

### TexPool Advisory Board Members

David Garcia	Jerry Dale
Patrick Krishock	David Landeros
Belinda Weaver	Sharon Matthews
Deborah Laudermilk	Vivian Wood

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: Not so smooth

May 1, 2021

Everyone knows you shouldn't try to time the market. Even traders should look for value, not arbitrage. So why are Federal Reserve policymakers, of all people, doing just that with overnight rates? In the Federal Open Market Committee's meeting last month, they passed on the opportunity to raise at least one of the Fed's administered rates, a move that likely would have alleviated the strains on the front end of the yield curve.

The reverse repo program (RRP) helps the Fed control how big banks, asset managers, government sponsored entities and others price overnight transactions. The repo market exists to connect participants who need cash with those who have excess funds. The Fed wants this to go "smoothly," so it offers a "floor" rate to counterparties to incentivize financial firms to lend if market rates are too low. But the overnight market hasn't been smooth for some time now. By setting the RRP at zero, all the Fed has accomplished is preventing trades with negative rates. That's important, of course, but not much incentive and not much good to end investors.

The Fed already said it is willing to raise the RRP rate (and also the interest paid on excess reserves, IOER). It even raised the counterparty limit on usage of the facility from \$30 billion to \$80 billion in anticipation of heightened demand. But it seems inclined to wait

*(continued page 6)*

### Performance as of April 30, 2021

	TexPool	TexPool Prime
Current Invested Balance	\$25,031,802,202.84	\$10,191,165,398.31
Weighted Average Maturity**	30	51
Weighted Average Life**	91	57
Net Asset Value	1.00015	1.00006
Total Number of Participants	2,647	444
Management Fee on Invested Balance	0.0450%	0.0550%
Interest Distributed	\$283,613.33	\$685,926.20
Management Fee Collected	943,038.75	423,198.93
Standard & Poor's Current Rating	AAAm	AAAm
<b>Month Averages</b>		
Average Invested Balance	\$25,858,653,774.18	\$10,067,655,325.20
Average Monthly Rate*	0.01%	0.08%
Average Weighted Average Maturity**	29	49
Average Weighted Average Life**	88	56

\*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.

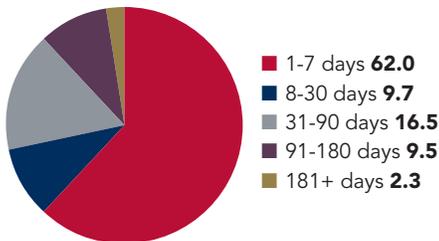
\*\* See page 2 for definitions.

Past performance is no guarantee of future results.



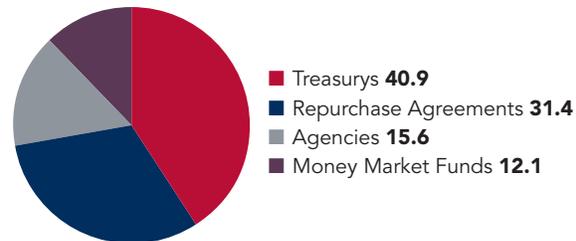
## Portfolio by Maturity (%)

As of April 30, 2021



## Portfolio by Type of Investment (%)

As of April 30, 2021



### Portfolio Asset Summary as of April 30, 2021

	Book Value	Market Value
Uninvested Balance	\$215.65	\$215.65
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	6,966,811.55	6,966,811.55
Interest and Management Fees Payable	-283,617.74	-283,617.74
Payable for Investments Purchased	-249,979,340.25	-249,979,340.25
Accrued Expenses & Taxes	-29,131.06	-29,131.06
Repurchase Agreements	7,932,220,893.00	7,932,220,893.00
Mutual Fund Investments	3,064,074,000.00	3,064,074,000.00
Government Securities	3,905,244,278.24	3,908,120,206.58
U.S. Treasury Bills	8,928,639,139.27	8,929,165,932.24
U.S. Treasury Notes	1,444,948,954.18	1,445,360,510.21
<b>Total</b>	<b>\$25,031,802,202.84</b>	<b>\$25,035,616,480.18</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	599	\$7,934,561,033.32
Higher Education	60	\$1,393,927,870.88
County	193	\$2,743,619,138.08
Healthcare	90	\$1,512,443,622.24
Utility District	840	\$3,575,907,923.94
City	484	\$6,429,162,461.44
Emergency Districts	98	\$293,635,777.97
Economic Development Districts	83	\$122,702,106.08
Other	200	\$1,025,828,449.23

#### \*\*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 Equiv. (SEC Std.)	Dividend Factor	TexPool Invested Balance	NAV	WAM Days	WAL Days
4/1	0.0150%	0.000000411	\$26,212,048,493.50	1.00017	30	90
4/2	0.0150%	0.000000411	\$26,212,048,493.50	1.00017	30	90
4/3	0.0150%	0.000000411	\$26,212,048,493.50	1.00017	30	90
4/4	0.0150%	0.000000411	\$26,212,048,493.50	1.00017	30	90
4/5	0.0208%	0.000000569	\$26,317,543,349.05	1.00015	27	86
4/6	0.0162%	0.000000445	\$26,299,669,870.41	1.00017	26	85
4/7	0.0114%	0.000000311	\$26,540,097,325.67	1.00016	27	85
4/8	0.0149%	0.000000407	\$26,383,698,980.50	1.00017	27	84
4/9	0.0252%	0.000000691	\$26,261,979,923.66	1.00016	27	85
4/10	0.0252%	0.000000691	\$26,261,979,923.66	1.00016	27	85
4/11	0.0252%	0.000000691	\$26,261,979,923.66	1.00016	27	85
4/12	0.0154%	0.000000422	\$25,804,635,751.25	1.00016	28	85
4/13	0.0123%	0.000000336	\$25,850,789,768.31	1.00016	29	86
4/14	0.0124%	0.000000339	\$25,795,913,458.64	1.00016	30	86
4/15	0.0105%	0.000000289	\$25,654,556,101.02	1.00016	30	89
4/16	0.0105%	0.000000289	\$25,567,393,029.34	1.00016	31	89
4/17	0.0105%	0.000000289	\$25,567,393,029.34	1.00016	31	89
4/18	0.0105%	0.000000289	\$25,567,393,029.34	1.00016	31	89
4/19	0.0103%	0.000000282	\$25,551,722,657.25	1.00016	31	88
4/20	0.0103%	0.000000283	\$25,437,187,789.26	1.00016	31	89
4/21	0.0103%	0.000000282	\$25,414,559,362.96	1.00016	31	88
4/22	0.0103%	0.000000282	\$25,555,711,960.86	1.00016	30	89
4/23	0.0103%	0.000000282	\$25,816,392,708.31	1.00015	31	88
4/24	0.0103%	0.000000282	\$25,816,392,708.31	1.00015	31	88
4/25	0.0103%	0.000000282	\$25,816,392,708.31	1.00015	31	88
4/26	0.0103%	0.000000282	\$25,721,280,696.46	1.00015	29	86
4/27	0.0103%	0.000000282	\$25,683,912,429.04	1.00015	28	89
4/28	0.0101%	0.000000277	\$25,603,053,272.71	1.00016	29	89
4/29	0.0101%	0.000000277	\$25,327,987,291.22	1.00016	29	89
4/30	0.0101%	0.000000277	\$25,031,802,202.84	1.00015	30	91
<b>Average:</b>	<b>0.0135%</b>	<b>0.000000369</b>	<b>\$25,858,653,774.18</b>	<b>1.00016</b>	<b>29</b>	<b>88</b>



Participant Services  
 1001 Texas Ave. Suite 1150  
 Houston, TX 77002

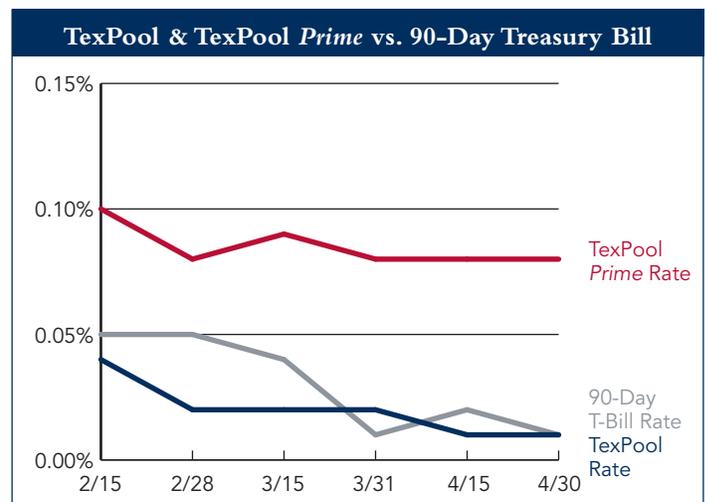
until stress is at its worst because the fed funds rate—an extremely thin market—is still at an acceptable level.

We think the time has come and the dithering is inappropriate. With demand for Treasury bills high amid low supply and increased participant dependence on the RRP, it's clear the overnight market is challenged by technical forces. A bump in the RRP would go a long way to normalizing it.

With the recent surge in retail sales and jump in gross domestic product growth, you would think the commercial paper market would be robust. But issuance has been flat, which tells us that the spike in bonds many companies offered in 2020 for insurance as the economy tanked has left them flush with cash. As the recovery gains more steam and inflation creeps up, we anticipate more paper to be issued.

Concerning inflation, it is curious how the market keeps trying to lead the Fed. While price pressures are increasing and many consumers are itching to spend stimulus checks, the Fed has been deflecting every suggestion of tightening. Investors don't seem to believe that the Fed wants the economy to be piping hot and that it considers the recent rise in activity as lukewarm. We think it could start to taper purchases this year, but no indication yet. These days, the Fed seems happy to make everyone wait.

Treasury yields ended April with 1-month at 0.01%, 3-month at 0.02%, 6-month at 0.03% and 12-month at 0.05%. The London



*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.*

interbank offered rate (Libor) ended the quarter with 1-month at 0.11%, 3-month at 0.18%, 6-month at 0.20% and 12-month at 0.28%. At month-end, the weighted average maturities (WAMs) of TexPool and TexPool Prime were 29 and 49 days, respectively.



# Monthly Newsletter: June 2021

## ANNOUNCEMENTS

**We welcome the following entities who joined TexPool in May 2021:**

**TexPool**

Westwood Management District  
McLennan County District Clerk

**TexPool Prime**

McLennan County District Clerk

**Upcoming Events**

June 14, 2021 - June 16, 2021,  
**TASBO Summer Solutions Conference**  
Round Rock

June 17, 2021 - June 19, 2021  
**AWBD Annual Conference**  
Henry B. Gonzalez Convention Center  
San Antonio, Texas

**TexPool Advisory Board Members**

David Garcia	Jerry Dale
Patrick Krishock	David Landeros
Belinda Weaver	Sharon Matthews
Deborah Lauder milk	Vivian Wood

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: A temporary dilemma

June 1, 2021

When the Federal Reserve first introduced the term “transitory” several months ago to describe budding inflation, it seemed typical Fed speak. Policymakers have long claimed that the disinflationary factors in place before the pandemic (demographics, globalization, automation, etc.) eventually will counter any emerging price pressures. They remain more concerned about avoiding Japan-like economic malaise. But as it has become apparent the U.S. recovery is robust, dismissing inflation is becoming dangerous. Even a temporary spike can have lasting consequences.

It really does come down to the definition of transitory. No one is expecting the Fed to predict the future. Yet its new average inflation targeting framework, which tolerates personal consumption expenditures (PCE) growth above 2% for “some time,” suggests it has a period in mind because it has to select a starting point. So, how far back is the Fed going? If it picks the months just before the pandemic, then “transitory” likely will be shorter than if it chooses, say, 2014.

This makes a difference, especially if the economy starts to boil rather than simmer. Take the labor market. Employment remains well short of prepandemic levels and the Fed

*(continued page 6)*

### Performance as of May 31, 2021

	TexPool	TexPool Prime
Current Invested Balance	\$24,705,953,565.60	\$10,292,737,697.13
Weighted Average Maturity**	32	53
Weighted Average Life**	95	58
Net Asset Value	1.00013	1.00008
Total Number of Participants	2,649	445
Management Fee on Invested Balance	0.0450%	0.0550%
Interest Distributed	\$214,188.84	\$671,019.60
Management Fee Collected	\$813,298.26	\$442,855.56
Standard & Poor's Current Rating	AAAm	AAAm
<b>Month Averages</b>		
Average Invested Balance	\$24,800,575,765.92	\$10,185,256,208.83
Average Monthly Rate*	0.01%	0.08%
Average Weighted Average Maturity**	30	53
Average Weighted Average Life**	90	58

\*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.

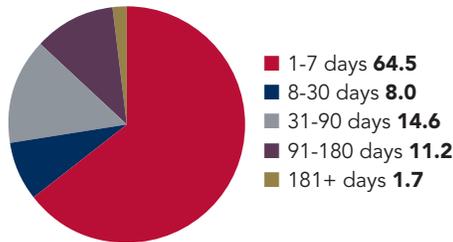
\*\*See page 2 for definitions.

Past performance is no guarantee of future results.



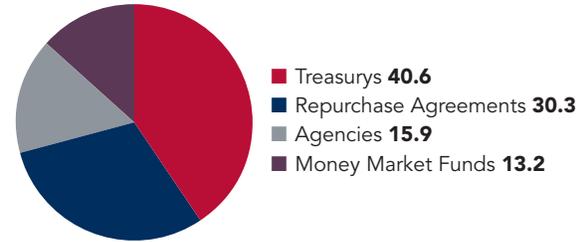
## Portfolio by Maturity (%)

As of May 31, 2021



## Portfolio by Type of Investment (%)

As of May 31, 2021



### Portfolio Asset Summary as of May 31, 2021

	Book Value	Market Value
Uninvested Balance	-\$337.93	-\$337.93
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	5,232,844.17	5,232,844.17
Interest and Management Fees Payable	-214,328.85	-214,328.85
Payable for Investments Purchased	-249,983,472.20	-249,983,472.20
Accrued Expenses & Taxes	-95,392.58	-95,392.58
Repurchase Agreements	7,558,298,139.00	7,558,298,139.00
Mutual Fund Investments	3,293,074,000.00	3,293,074,000.00
Government Securities	3,921,259,153.38	3,923,853,710.92
U.S. Treasury Bills	8,470,495,788.62	8,470,825,167.24
U.S. Treasury Notes	1,707,887,171.99	1,708,272,746.22
<b>Total</b>	<b>\$24,705,953,565.60</b>	<b>\$24,709,263,075.99</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	599	\$7,332,345,910.34
Higher Education	60	\$1,382,474,903.15
County	194	\$3,081,266,899.55
Healthcare	90	\$1,502,855,129.30
Utility District	840	\$3,580,893,734.16
City	484	\$6,346,181,559.49
Emergency Districts	98	\$309,856,452.66
Economic Development Districts	83	\$125,276,915.31
Other	201	\$1,044,790,548.78

#### \*\*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 Equiv. (SEC Std.)	Dividend Factor	TexPool Invested Balance	NAV	WAM Days	WAL Days
5/1	0.0101%	0.000000277	\$25,031,802,202.84	1.00015	30	91
5/2	0.0101%	0.000000277	\$25,031,802,202.84	1.00015	30	91
5/3	0.0101%	0.000000277	\$24,983,666,998.54	1.00015	28	89
5/4	0.0125%	0.000000342	\$24,961,870,932.44	1.00015	28	89
5/5	0.0101%	0.000000277	\$24,897,544,804.82	1.00015	28	89
5/6	0.0101%	0.000000277	\$24,830,376,805.78	1.00015	28	88
5/7	0.0101%	0.000000277	\$24,735,111,968.96	1.00015	29	89
5/8	0.0101%	0.000000277	\$24,735,111,968.96	1.00015	29	89
5/9	0.0101%	0.000000277	\$24,735,111,968.96	1.00015	29	89
5/10	0.0101%	0.000000277	\$24,764,723,595.12	1.00015	27	87
5/11	0.0101%	0.000000277	\$24,680,437,208.39	1.00015	28	88
5/12	0.0101%	0.000000277	\$24,551,475,976.54	1.00015	29	89
5/13	0.0101%	0.000000277	\$24,393,790,285.79	1.00015	29	89
5/14	0.0101%	0.000000277	\$24,516,675,643.79	1.00015	30	90
5/15	0.0101%	0.000000277	\$24,516,675,643.79	1.00015	30	90
5/16	0.0101%	0.000000277	\$24,516,675,643.79	1.00015	30	90
5/17	0.0101%	0.000000277	\$24,428,621,154.44	1.00015	29	88
5/18	0.0101%	0.000000277	\$24,577,761,520.50	1.00015	31	90
5/19	0.0101%	0.000000277	\$24,829,548,940.58	1.00015	31	91
5/20	0.0101%	0.000000277	\$24,785,086,063.62	1.00015	31	92
5/21	0.0101%	0.000000277	\$25,159,112,964.20	1.00014	32	91
5/22	0.0101%	0.000000277	\$25,159,112,964.20	1.00014	32	91
5/23	0.0101%	0.000000277	\$25,159,112,964.20	1.00014	32	91
5/24	0.0101%	0.000000277	\$25,055,501,972.19	1.00014	30	89
5/25	0.0101%	0.000000277	\$25,126,333,058.93	1.00014	30	88
5/26	0.0101%	0.000000277	\$25,001,311,969.56	1.00014	30	91
5/27	0.0101%	0.000000277	\$24,829,677,057.39	1.00014	31	94
5/28	0.0101%	0.000000277	\$24,705,953,565.60	1.00013	32	95
5/29	0.0101%	0.000000277	\$24,705,953,565.60	1.00013	32	95
5/30	0.0101%	0.000000277	\$24,705,953,565.60	1.00013	32	95
5/31	0.0101%	0.000000277	\$24,705,953,565.60	1.00013	32	95
<b>Average:</b>	<b>0.0102%</b>	<b>0.000000279</b>	<b>\$24,800,575,765.92</b>	<b>1.00015</b>	<b>30</b>	<b>90</b>

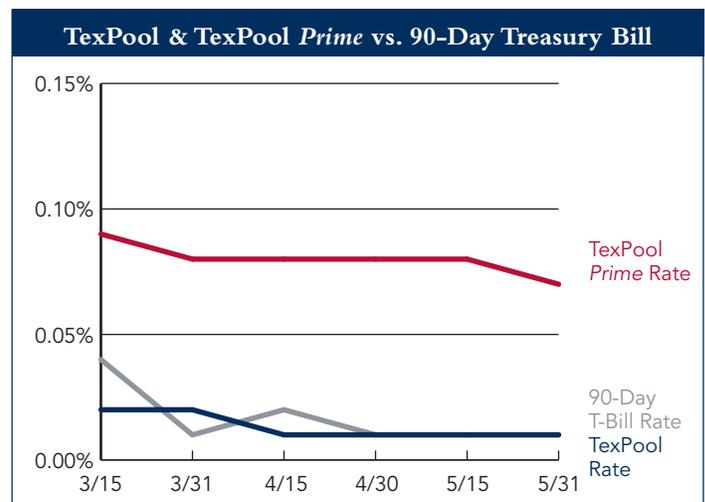


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wants to wait until it is running hot before acting. But when the stimulus flow ends in fall, we may see some skill-set mismatches and employers struggling to fill positions. Costs from increasing wages often are passed on to the market as price hikes—or they aren't and company margins shrink. Either could be damaging to the economy.

More to the point is the prevailing narrative that pent-up consumer demand will be exhausted by the end of summer. We don't think that is likely. It's true that many Americans have booked themselves silly with vacations, shelled out to renovate their homes and bought tickets to concerts, games and other entertainment. But they can't spend everything at once. The personal savings rate is high enough to support many months of trips and activities. "Save the date" requests proliferate and demand for some larger purchases, from cars to durables, will have to wait for inventory restocking. Many people have a war chest of money that will last a while.

There is real potential this temporary period of rising inflation will turn into, well, a period. The Fed might need to act before it wants to. It already is considering tapering its monthly purchases of government securities, mentioned in an incredibly hedged sentence in the minutes to its April policy meeting: "A number of participants suggested...it might be appropriate at some point in upcoming meetings to begin discussing a plan for adjusting the pace of asset purchases." Cash managers and investors will welcome that.



*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.*

At the end of May, yields on 1-, 3-, 6- and 12-month U.S. Treasuries were 0.00%, 0.01%, 0.03% and 0.04%, respectively; the 1-, 3-, 6- and 12-month London interbank offered rates (Libor) were 0.09%, 0.13%, 0.17% and 0.25%, respectively; and the weighted average maturities (WAMs) of TexPool and TexPool Prime were 30 and 53 days, respectively.



# Monthly Newsletter: July 2021

## ANNOUNCEMENTS

**We welcome the following entities who joined TexPool in June 2021:**

### TexPool

- Travis County MUD 19
- Leander MUD 1
- Leander MUD 3
- Kaufman County MUD 5
- Kaufman County MUD 6
- Kaufman County MUD 7
- Montgomery County MUD 115
- Fort Bend County MUD 190
- Harris County MUD 473

### TexPool Prime

No New Participants

### Upcoming Events

September 1 2021 - September 3 2021  
**TAC Legislative Conference**  
 Fairmount Austin Hotel, Austin, Texas

September 13 2021 - September 16 2021  
**CTAT Annual Conference**  
 The Bevy a Doubletree by Hilton,  
 Boerne, Texas

September 24 2021 - September 26 2021  
**TASA/TASB Annual Conference**  
 Dallas, Texas

### TexPool Advisory Board Members

- |                     |                 |
|---------------------|-----------------|
| David Garcia        | Jerry Dale      |
| Patrick Krishock    | David Landeros  |
| Belinda Weaver      | Sharon Matthews |
| Deborah Lauder milk | Vivian Wood     |

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: About time

July 1, 2021

The Fed finally raised the overnight reverse repo rate.

Economists tell us that monetary policy works with a lag. The idea is that it takes time for changes to take hold, especially broad shifts like altering the supply of money. But it also could apply to how slow policymakers generally are to make decisions in the first place.

While the speed with which the Federal Reserve responded to the pandemic was excellent, officials pondered adjusting the reverse repurchase agreement rate for too long. The overnight markets haven't been working as they should for some time now. At the June Federal Open Market Committee meeting, they finally increased the Reverse Repo Facility and the Interest on Excess Reserves by 5 basis points each, to 5 and 15 basis points, respectively. The money markets breathed a sigh of relief, but shouldn't have needed to hold their breath for so long.

It seems the Fed wanted to make the change in phases for maximum impact: first increase the total amount of available repo from \$30 billion to \$80 billion, then expand the number of counterparties by lowering the requirements for minimum asset size, then bump up the administered rates. But was that really necessary? The markets easily could have handled

*(continued page 6)*

### Performance as of June 30, 2021

	TexPool	TexPool Prime
Current Invested Balance	\$23,828,759,765.63	\$10,183,303,688.47
Weighted Average Maturity**	30 Days	45 Days
Weighted Average Life**	90 Days	57 Days
Net Asset Value	1.00009	1.00005
Total Number of Participants	2,658	445
Management Fee on Invested Balance	0.0450%	0.0550%
Interest Distributed	\$261,269.57	\$599,231.77
Management Fee Collected	\$779,707.27	\$434,784.01
Standard & Poor's Current Rating	AAAm	AAAm

### Month Averages

Average Invested Balance	\$24,392,540,901.06	\$10,304,982,385.57
Average Monthly Rate*	0.01%	0.07%
Average Weighted Average Maturity**	29	49
Average Weighted Average Life**	91	60

\*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.

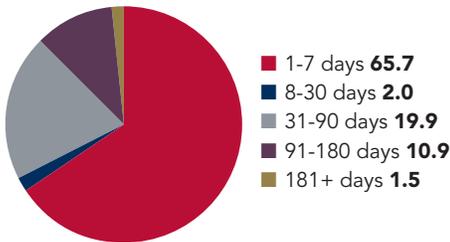
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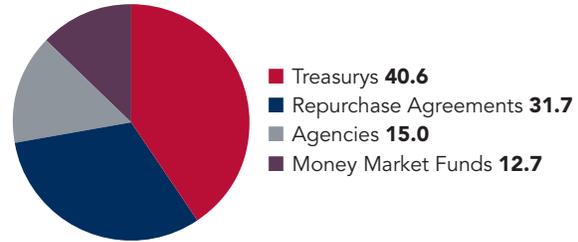
## Portfolio by Maturity (%)

As of June 30, 2021



## Portfolio by Type of Investment (%)

As of June 30, 2021



### Portfolio Asset Summary as of June 30, 2021

	Book Value	Market Value
Uninvested Balance	\$673.11	\$673.11
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	4,051,750.72	4,051,750.72
Interest and Management Fees Payable	-261,265.04	-261,265.04
Payable for Investments Purchased	-1,324,096,592.50	-1,324,096,592.50
Accrued Expenses & Taxes	-29,377.92	-29,377.92
Repurchase Agreements	8,024,081,000.00	8,024,081,000.00
Mutual Fund Investments	3,192,074,000.00	3,192,074,000.00
Government Securities	3,709,952,619.81	3,712,033,891.15
US Treasury Bills	8,350,726,740.80	8,350,585,078.59
US Treasury Notes	1,872,260,216.65	1,872,535,609.62
<b>Total</b>	<b>\$23,828,759,765.63</b>	<b>\$23,830,974,767.72</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	599	\$6,579,824,438.04
Higher Education	60	\$1,532,502,024.69
County	194	\$3,019,146,173.28
Healthcare	90	\$1,190,264,566.91
Utility District	849	\$3,637,189,579.70
City	484	\$6,442,418,775.54
Emergency Districts	98	\$321,443,872.35
Economic Development Districts	83	\$125,050,753.63
Other	201	\$977,295,224.57

#### \*\*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 Equiv. (SEC Std.)	Dividend Factor	TexPool Invested Balance	NAV	WAM Days	WAL Days
6/1	0.0101%	0.000000277	\$24,640,914,053.05	1.00014	31	94
6/2	0.0101%	0.000000277	\$24,774,332,134.52	1.00014	31	94
6/3	0.0101%	0.000000277	\$24,809,080,756.98	1.00013	30	93
6/4	0.0101%	0.000000277	\$24,704,747,778.81	1.00013	31	94
6/5	0.0101%	0.000000277	\$24,704,747,778.81	1.00013	31	94
6/6	0.0101%	0.000000277	\$24,704,747,778.81	1.00013	31	94
6/7	0.0101%	0.000000277	\$24,696,555,759.49	1.00013	30	92
6/8	0.0101%	0.000000277	\$24,383,169,236.83	1.00013	30	92
6/9	0.0101%	0.000000277	\$24,463,157,095.28	1.00013	30	92
6/10	0.0101%	0.000000277	\$24,404,256,359.28	1.00013	30	93
6/11	0.0101%	0.000000277	\$24,503,611,336.65	1.00012	31	93
6/12	0.0101%	0.000000277	\$24,503,611,336.65	1.00012	31	93
6/13	0.0101%	0.000000277	\$24,503,611,336.65	1.00012	31	93
6/14	0.0101%	0.000000277	\$24,416,614,947.58	1.00013	29	90
6/15	0.0101%	0.000000277	\$24,365,824,719.71	1.00013	29	90
6/16	0.0100%	0.000000274	\$24,349,432,565.71	1.00010	28	90
6/17	0.0114%	0.000000311	\$24,351,550,713.93	1.00010	28	90
6/18	0.0168%	0.000000461	\$24,297,882,144.53	1.00009	29	90
6/19	0.0168%	0.000000461	\$24,297,882,144.53	1.00009	29	90
6/20	0.0168%	0.000000461	\$24,297,882,144.53	1.00009	29	90
6/21	0.0161%	0.000000440	\$24,311,241,190.08	1.00009	26	87
6/22	0.0164%	0.000000450	\$24,234,956,162.88	1.00011	26	87
6/23	0.0163%	0.000000446	\$24,125,261,680.11	1.00010	26	90
6/24	0.0167%	0.000000458	\$24,037,109,283.38	1.00009	25	88
6/25	0.0173%	0.000000473	\$24,236,102,932.04	1.00009	27	90
6/26	0.0173%	0.000000473	\$24,236,102,932.04	1.00009	27	90
6/27	0.0173%	0.000000473	\$24,236,102,932.04	1.00009	27	90
6/28	0.0174%	0.000000478	\$24,201,592,886.32	1.00010	28	89
6/29	0.0164%	0.000000449	\$24,155,385,145.08	1.00009	30	90
6/30	0.0174%	0.000000477	\$23,828,759,765.63	1.00009	30	90
<b>Average:</b>	<b>0.0131%</b>	<b>0.000000358</b>	<b>\$24,392,540,901.06</b>	<b>1.00011</b>	<b>29</b>	<b>91</b>



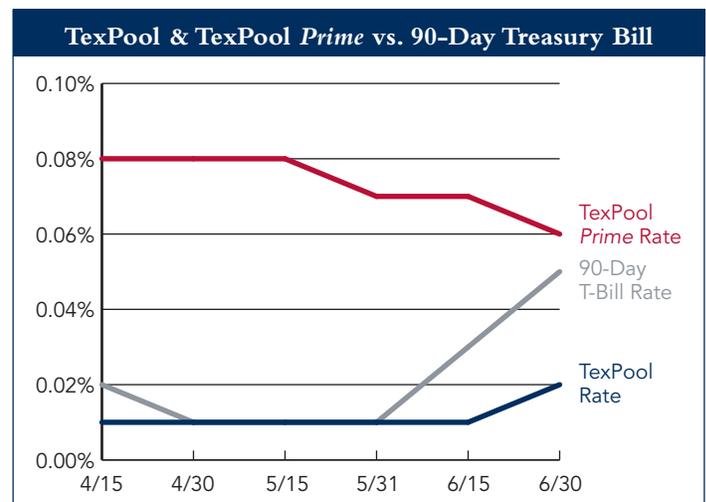
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implementing all of these in one week. We are not ungrateful. Since the move, the industry has seen higher gross yields, and overnight operations are much smoother. For instance, banks again have incentive to sponsor repo transactions. But the Fed's caution was overdone.

The real drama of the meeting was in the dot plot's suggestion that the fed funds liftoff might come earlier—welcome news, of course. But the theater has just begun. Fed members have started to diverge in their opinions of when this, and tapering of asset purchases, should happen. Differences surely will become more pronounced as the year progresses and new readings on inflation and gross domestic product (GDP) emerge. It won't be long before we see hawk and dove scorecards, and it will test Chair Jerome Powell's diplomacy to avoid dissent.

It's worth noting the details of the Summary of Projections beyond rates. Participants' personal consumption expenditures projections for 2021 rose from 2.4% in the March meeting to 3.4%, and they now forecast a GDP growth rate of 7% for this year compared to their previous call of 6.5%. But both measures retreat soon after, with inflation floating above 2%. Employment remains the wild card. If companies have found they can do without as many employees as before due to reorganization, automation or productivity from remote work, it might be hard for the unemployment rate to get to where the Fed wants to see it.

At the end of June, yields on 1-, 3-, 6- and 12-month U.S. Treasuries were 0.04%, 0.05%, 0.06% and 0.07%, respectively; the 1-, 3-, 6- and 12-month London interbank offered rates (Libor)



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*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.*

were 0.1%, 0.15%, 0.16% and 0.25%, respectively; and the weighted average maturities (WAMs) of TexPool and TexPool Prime were 30 and 45 days, respectively.