

**Finance Department**

Dianne Lawson, Assistant Finance Director

Phone: 972.377.1882

dlawson@littleelm.org

# TOWN COUNCIL CONSENT AGENDA

Date November 19, 2019

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**PROJECT**

Approve Quarterly Investment Report for the period ending September 30, 2019.

**BACKGROUND**

The purpose of this item is to provide Town Council an overview of the Town's cash and invested balances for the fiscal period ending September 30, 2019.

**FISCAL IMPACT**

Interest earnings for the quarter was \$479,107 with the year-do-date total earnings of \$1,686,871.

**RECOMMENDED ACTION**

The Assistant Finance Director recommends action to accept and approve Cash and Investment Report for Quarter Ending September 30, 2019.

**ATTACHMENTS**

Quarterly Investment Report

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**MEMORANDUM**

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**TO:** MATTHEW MUELLER, TOWN MANAGER  
**FROM:** DIANNE LAWSON, ASSISTANT DIRECTOR OF FINANCE  
**SUBJECT:** INVESTMENT REPORT FOR QUARTER ENDING SEPTEMBER 30, 2019  
**CC:** MAYOR AND COUNCIL

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Attached is the Quarterly Investment Report for the quarter ending September 30, 2019 of the fiscal year. This report complies with the requirements of the Town's Investment Policy and the Public Fund's Investment Act as amended. For the period ending September 30, 2019, the Town's portfolio consisted of the following investments:

<b>Portfolio by Type</b>	<b>Average Yield</b>	<b>Total Invested</b>	<b>Percent of Total</b>
Money Market - Independent Financial	2.38%	\$45,179,072	60%
TexPool/TexPool Prime	2.31%	\$24,577,080	33%
Certificate of Deposit	2.73%	\$5,068,346	7%
<b>Total Portfolio (Avg)</b>	<b>2.37%</b>	<b>\$74,824,498</b>	<b>100%</b>

The Town does not carry any security instruments (investment type) on its books that are traded on the open market; therefore all investments are listed at 100% of market value. All Funds on deposit with Independent Financial are fully secured and safeguarded. Total interest earned for the quarter ending September 30, 2019 was \$479,107. Year-to-date interest earnings are \$1,868,871.

Total cash and investments for the period ending September 30, 2019 was \$84,680,107 and the invested balances at September 30, 2019 were \$74,824,497, a net decrease of \$9,855,561. The strategy of the Finance Department is to maintain a high percentage of idle funds invested in safe and secure investment securities and pooled investment types. Daily operations account for 51% of invested fund balance. Capital infrastructure and other restricted cash and policy commitments account for the other 49%, or \$36,792,271.

The Town's current portfolio has same day access, which is sufficient to cover normal and seasonal operational costs. The Town's investment and cash management strategy will be to maintain operational and capital needs in money market accounts and liquid asset pools. The Town's funds are swept to the above accounts and withdrawn as needed for operational cash flow requirements.

The total portfolio yield fiscal year-to-date is 2.37%



## Quarterly Investment Report

For the Quarter Ended

September 30, 2019

Prepared by the Town of Little Elm Finance Department

### Overview of the Quarterly Investment Report

Town awarded Certification of Investment Policy for 24 months ending March 31, 2020. Funds on deposit with depository bank are fully collateralized.

- **YTD Cash and Investments on hand: \$74,824,497**
  - \$9,855,609 Decrease in Cash on hand since Third Quarter
  - 60% in depository bank
  - 40% invested in Pools or CDs
- **Interest Earnings**
  - \$1,868,871 YTD
  - \$479,07 July to September 2019
- **Average Yield on Portfolio**
  - 2.37% YTD
  - 2.33% at end of Fourth Quarter
- **Average Yield Benchmarks**
  - 2.02% Three Month Rolling Treasury Yield
  - 2.17% Six Month Rolling Treasury Yield
  - 2.16% TexPool Average Yield

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*The investment portfolio of the Town of Little Elm is in compliance with the Public Funds Investment Act and the investment Policy and Strategies.*

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Vacant, Chief Financial Officer

*Dianne Lawson*

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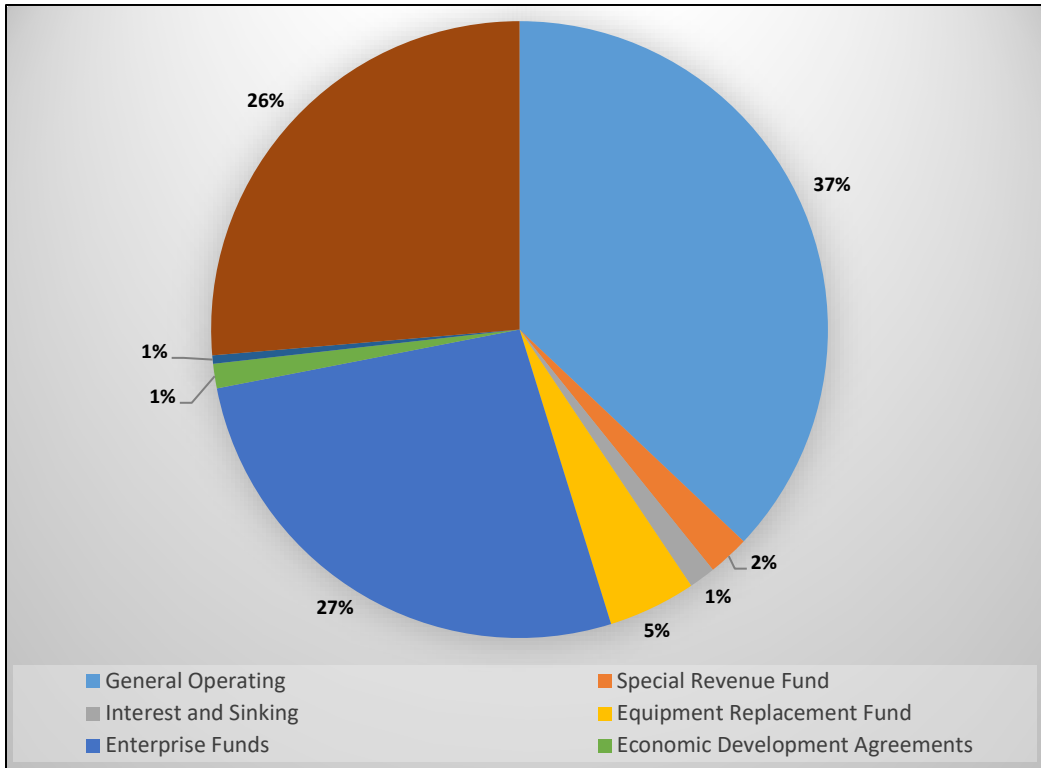
Dianne Lawson, Assistant Director of Finance

*Robin Bromiley*

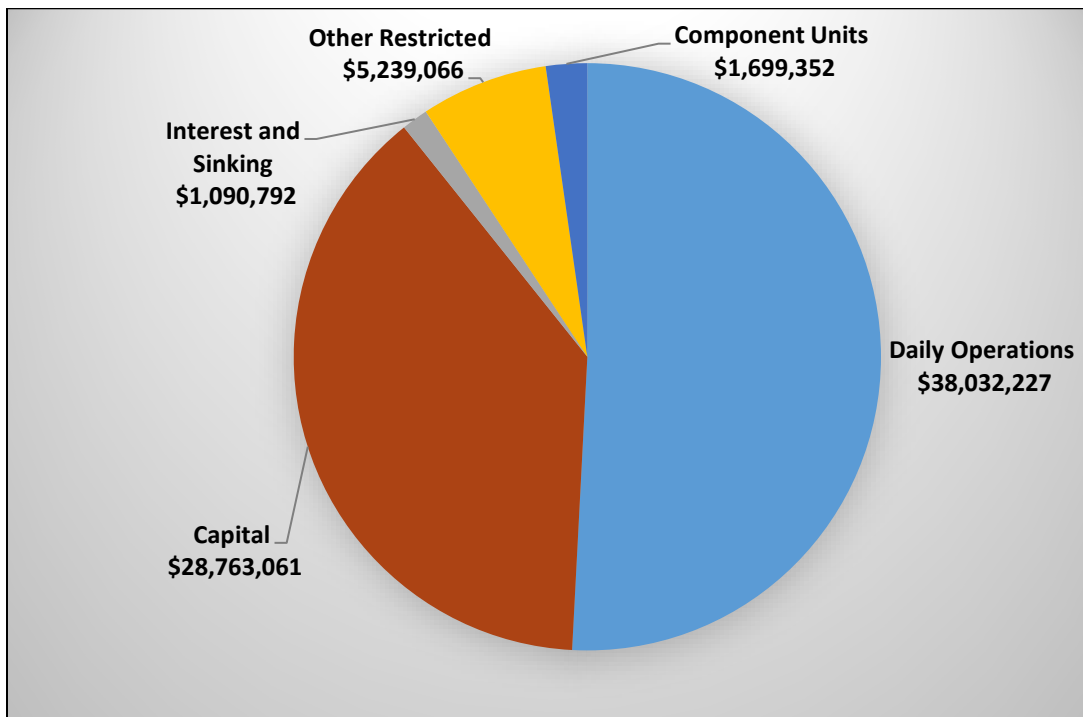
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Robin Bromiley, Controller

**Interest Earnings as of September 30, 2019**



**Allocation of Operations as of September 30, 2019**



### **Invested Balances Summary by Fund Type**

<b>Funds</b>	<b>12/31/17</b>	<b>3/31/18</b>	<b>6/30/18</b>	<b>9/30/18</b>	<b>12/31/18</b>	<b>3/31/19</b>	<b>6/30/19</b>	<b>9/30/19</b>	<b>Percentage</b>
General Operating	23,993,044	25,388,970	25,043,983	22,626,910	29,101,180	31,924,411	28,804,135	22,585,899	30%
Special Revenue Fund	646,792	966,225	1,185,796	1,193,372	1,150,079	1,453,177	1,689,721	1,658,718	2%
Interest and Sinking	4,757,045	5,141,646	5,015,802	1,133,298	5,129,366	4,629,570	5,067,808	1,090,792	1%
Internal Service Fund	2,404,097	2,264,008	3,158,020	2,821,052	2,472,032	2,020,370	3,640,999	3,580,348	5%
Enterprise Funds	16,722,718	17,494,164	17,252,920	16,457,131	17,811,031	17,660,767	15,825,297	15,446,328	21%
Enterprise Capital Project Funds	9,990,009	7,52,472	6,800,648	6,416,611	5,552,692	5,444,517	6,203,082	6,028,064	8%
Economic Agreements	260,258	294,808	257,168	475,736	711,262	769,085	973,341	1,255,140	2%
Economic Development 4A Corporation	0	0	0	0	0	0	0	0	-
Community Development 4B Corporation	457,841	345,290	428,155	239,775	581,009	818,936	168,333	444,212	1%
General Capital Project Funds	7,139,094	7,312,983	6,337,133	21,009,051	21,322,958	21,609,282	22,307,391	22,734,997	30%
<b>Total Cash Investments</b>	<b>66,370,897</b>	<b>66,960,567</b>	<b>65,479,625</b>	<b>72,372,936</b>	<b>83,831,609</b>	<b>86,330,114</b>	<b>84,680,107</b>	<b>74,824,497</b>	

### **Interest Earnings Summary by Fund Type**

<b>Funds</b>	<b>12/31/17</b>	<b>3/31/18</b>	<b>6/30/18</b>	<b>9/30/18</b>	<b>12/31/18</b>	<b>3/31/19</b>	<b>6/30/19</b>	<b>9/30/19</b>
General Operating	37,677	73,213	108,208	119,942	117,163	183,787	181,181	177,512
Special Revenue Fund	2,119	2,925	5,141	6,472	6,870	6,961	9,729	10,372
Interest and Sinking	3,980	13,214	19,298	5,742	13,238	24,995	29,467	6,643
Internal Service Fund	4,943	6,182	12,321	13,820	12,630	11,605	20,303	22,049
Enterprise Funds	53,366	68,015	92,930	103,666	115,274	121,301	127,384	128,105
Enterprise Capital Project Funds	-	-	-	-	-	-	-	-
Economic Agreements	452	816	1,178	9,233	3,303	22,404	4,620	6,151
Economic Development 4A Corporation	-	-	-	-	-	-	-	-
Community Development 4B Corporation	1,174	877	1,367	2,836	2,495	4,036	1,023	2,101
General Capital Project Funds	-	-	-	-	-	-	-	-
<b>Total Cash Investments</b>	<b>118,480</b>	<b>183,831</b>	<b>264,846</b>	<b>326,820</b>	<b>393,706</b>	<b>494,323</b>	<b>501,012</b>	<b>479,107</b>

**Interest Earnings**

<b>Funds</b>	<b>1st Qtr FY 2019</b>	<b>Jan-19</b>	<b>Feb-19</b>	<b>Mar-19</b>	<b>2nd Qtr FY 2019</b>	<b>Apr-19</b>	<b>May-19</b>	<b>Jun-19</b>	<b>3rd Qtr FY 2019</b>	<b>Jul-19</b>	<b>Aug-19</b>	<b>Sep-19</b>	<b>4th Qtr FY 2019</b>	<b>FY 2019 Interest Earnings</b>
General Operating	117,163	59,810	57,243	66,734	183,787	59,606	63,497	58,078	181,181	60,506	56,777	60,228	177,512	<b>659,642</b>
Special Revenue Fund	6,870	2,287	2,200	2,474	6,961	3,042	3,421	3,265	9,729	3,882	3,168	3,322	10,372	<b>33,932</b>
Interest and Sinking Equipment Replacement Fund	13,238	7,812	8,092	9,092	24,995	9,368	10,308	9,791	29,467	2,698	1,835	2,109	6,643	<b>74,343</b>
Enterprise Funds	115,274	40,800	37,809	42,693	121,301	38,709	44,365	44,310	127,384	44,027	40,081	43,997	128,105	<b>492,064</b>
Enterprise Capital Project Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic Agreements	3,303	1,356	10,054	10,995	22,404	1,337	1,405	1,878	4,620	2,219	1,896	2,036	6,151	<b>36,479</b>
Economic Development 4A Corporation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Development 4B Corporation	2,495	1,163	1,276	1,598	4,036	275	380	368	1,023	529	703	869	2,101	<b>9,655</b>
LE Redevelopment Authority	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General Capital Project Funds	122,735	46,649	36,979	35,605	119,233	39,794	44,412	43,099	127,305	47,626	39,390	39,159	126,174	<b>495,447</b>
<b>Total Cash and Investments</b>	<b>393,706</b>	<b>163,714</b>	<b>157,314</b>	<b>173,295</b>	<b>494,323</b>	<b>158,793</b>	<b>175,121</b>	<b>167,822</b>	<b>501,735</b>	<b>169,706</b>	<b>150,600</b>	<b>158,801</b>	<b>479,107</b>	<b>1,868,871</b>



# QUARTERLY INVESTMENT REPORT

**For the Quarter Ended  
September 30, 2019**

**Prepared by  
Valley View Consulting, L.L.C.**

The investment portfolio of the Town of Little Elm is in compliance with the Public Funds Investment Act and the Investment Policy and Strategies.

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Vacant, Chief Financial Officer

*Dianne Lawson*

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Dianne Lawson, Assistant Director of Finance

*Robin Bromiley*

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Robin Bromiley, Controller

Disclaimer: These reports were compiled using information provided by the City. No procedures were performed to test the accuracy or completeness of this information. The market values included in these reports were obtained by Valley View Consulting, L.L.C. from sources believed to be accurate and represent proprietary valuation. Due to market fluctuations these levels are not necessarily reflective of current liquidation values. Yield calculations are not determined using standard performance formulas, are not representative of total return yields, and do not account for investment advisor fees.

## Annual Comparison of Portfolio Performance

### FYE Results by Investment Category:

Asset Type	September 30, 2018			September 30, 2019		
	Ave. Yield	Book Value	Market Value	Ave. Yield	Book Value	Market Value
DDA	1.90%	\$ 72,372,936	\$ 72,372,936	2.38%	\$ 45,179,073	\$ 45,179,073
Pools	0.00%	–	–	2.27%	24,577,079	24,577,079
CDs	0.00%	–	–	2.73%	5,068,346	5,068,346
<b>Totals</b>		<b>\$ 72,372,936</b>	<b>\$ 72,372,936</b>		<b>\$ 74,824,498</b>	<b>\$ 74,824,498</b>
Fourth Quarter-End Yield	<b>1.90%</b>			<b>2.37%</b>		

### Average Quarter-End Yields (1):

	2018 Fiscal Year	2019 Fiscal Year
Little Elm	1.43%	2.33%
Rolling Three Month Treasury	1.69%	2.30%
Rolling Six Month Treasury	1.73%	2.37%
TexPool	1.62%	2.31%
<b>Fiscal YTD Interest Earnings</b>	<b>\$ 893,977</b>	<b>\$ 1,868,871</b>

(1) Average Quarterly Yield calculated using quarter-end report average yield and adjusted book value.



## Summary

### Quarter End Results by Investment Category:

Asset Type	June 30, 2019			September 30, 2019		
	Ave. Yield	Book Value	Market Value	Ave. Yield	Book Value	Market Value
DDA	2.38%	\$ 62,213,615	\$ 62,213,615	2.38%	\$ 45,179,073	\$ 45,179,073
Pools	2.52%	17,432,405	17,432,405	2.27%	24,577,079	24,577,079
CDs	2.73%	5,034,087	5,034,087	2.73%	5,068,346	5,068,346
<b>Totals</b>		<b>\$ 84,680,107</b>	<b>\$ 84,680,107</b>		<b>\$ 74,824,498</b>	<b>\$ 74,824,498</b>

#### Current Quarter Average Yield (1)

Total Portfolio	2.37%
Rolling Three Month Treasury	2.02%
Rolling Six Month Treasury	2.17%
TexPool	2.16%

#### Fiscal Year-to-Date Average Yield (2)

Total Portfolio	2.33%
Rolling Three Month Treasury	2.30%
Rolling Six Month Treasury	2.37%
TexPool	2.31%

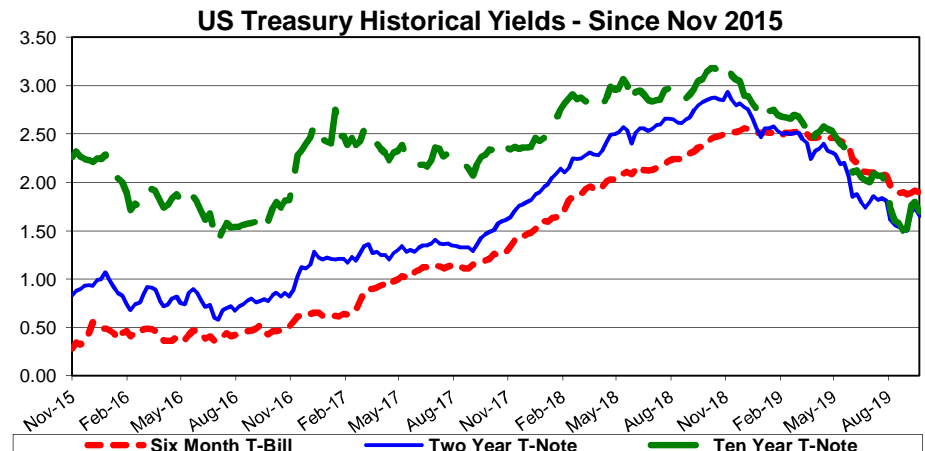
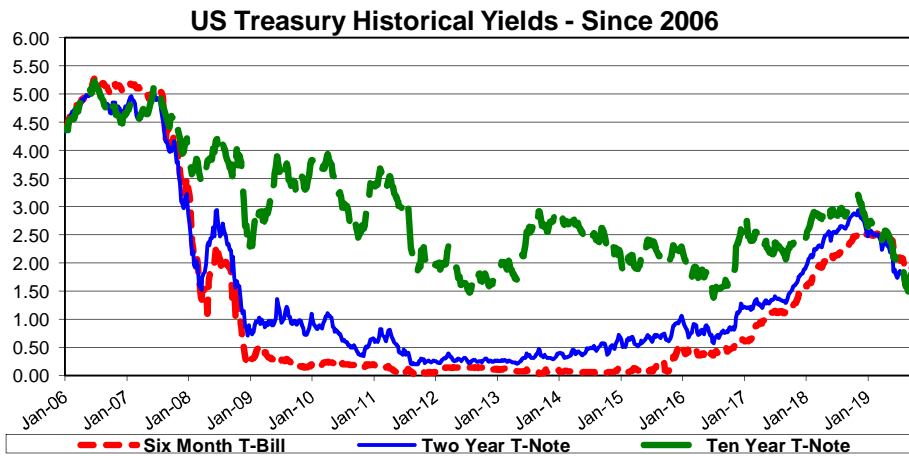
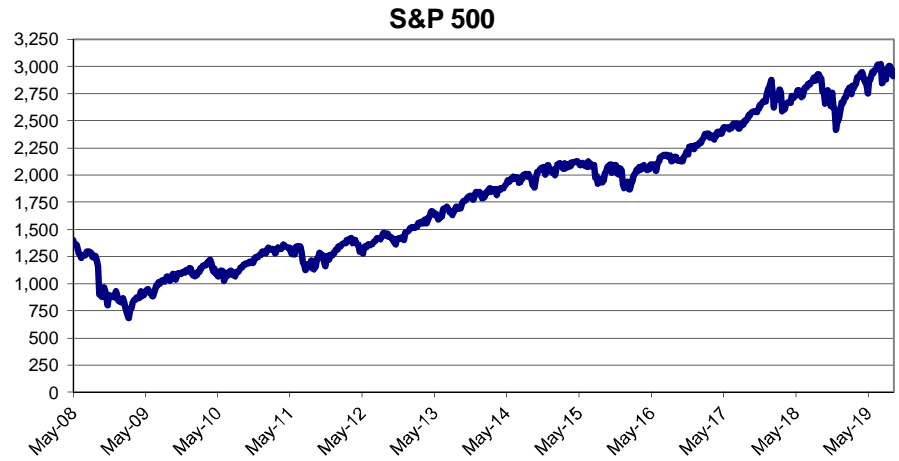
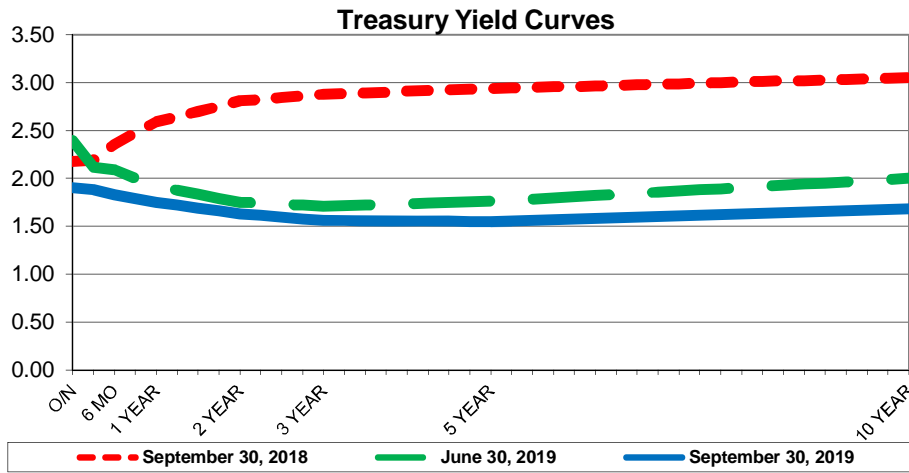
#### Interest Revenue

Quarterly Interest Income	\$ 479,104
Year-to-date Interest Income	\$ 1,868,871

(1) **Current Quarter Average Yield** - based on adjusted book value, realized and unrealized gains/losses and investment advisory fees are not considered. The yield for the reporting month is used for bank, pool, and money market balances.

(2) **Fiscal Year-to-Date Average Yields** calculated using quarter end report yields.

The Federal Open Market Committee (FOMC) reduced the Fed Funds target range to 1.75% - 2.00% (Effective Fed Funds are trading +/-1.83%). The Futures Market continues to project additional decreases. Gradual Federal Reserve Bank portfolio reduction ended. August Non Farm Payroll added 136,000 new jobs, with the rolling three month averaging 157,000. Crude oil settled back and trades +/- \$55. The Stock Markets waffled near the recent highs. Consumer spending continues albeit less robustly. Overall economic activity remains mostly positive with 2nd Quarter GDP recorded at 2.0%. Brexit, Chinese trade concerns, growth outlook, and other factors may weigh on US growth. The inverted Yield Curve persists with yields declining.



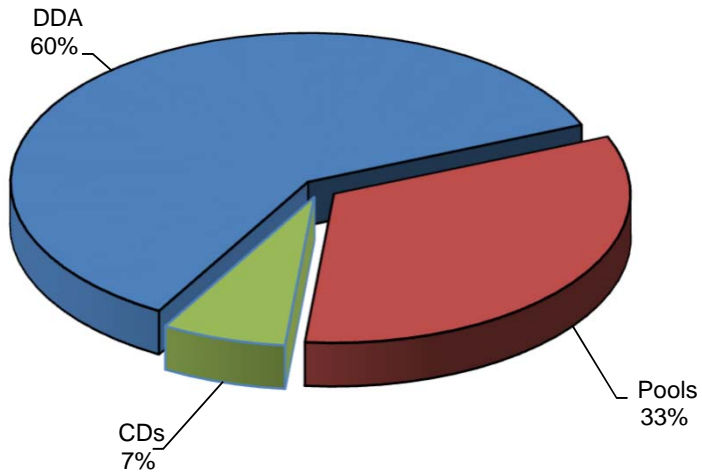
**Investment Holdings**  
**September 30, 2019**

<b>Description</b>	<b>Ratings</b>	<b>Coupon/ Discount</b>	<b>Maturity Date</b>	<b>Settlement Date</b>	<b>Par Value</b>	<b>Book Value</b>	<b>Market Price</b>	<b>Market Value</b>	<b>Life (days)</b>	<b>Yield</b>
DDA		2.38%	10/01/19	09/30/19	\$ 45,179,073	\$ 45,179,073	1.000	\$ 45,179,073	1	2.38%
TexPool	AAAm	2.16%	10/01/19	09/30/19	2,303	2,303	1.000	2,303	1	2.16%
TexPool Prime	AAAm	2.27%	10/01/19	09/30/19	24,574,776	24,574,776	1.000	24,574,776	1	2.27%
LegacyTexas Bank CD		2.70%	04/02/21	04/02/19	5,068,346	5,068,346	1.000	5,068,346	550	2.73%
					<b>\$ 74,824,498</b>	<b>\$ 74,824,498</b>		<b>\$ 74,824,498</b>	<b>38</b>	<b>2.37%</b>
									(1)	(2)

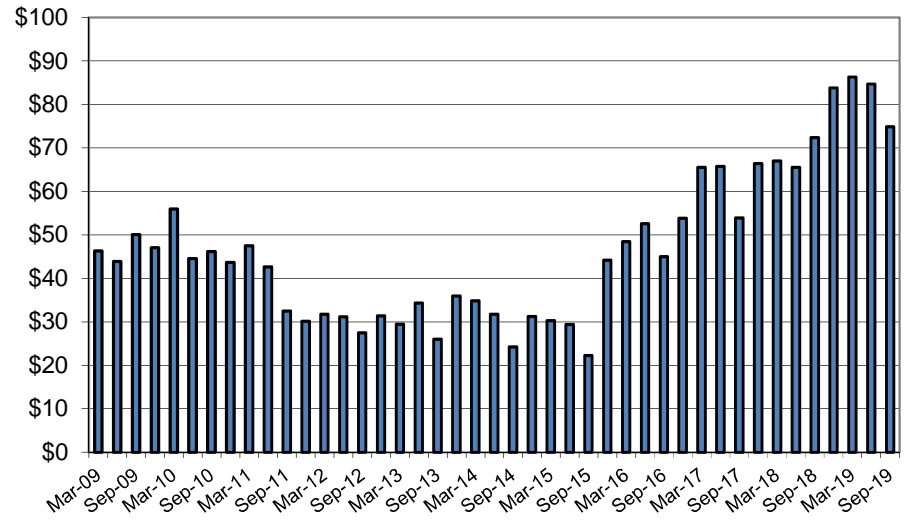
(1) **Weighted average life** - For purposes of calculating weighted average life, pool and bank account investments are assumed to have a one day maturity.

(2) **Weighted average yield to maturity** - The weighted average yield to maturity is based on adjusted book value, realized and unrealized gains/losses and investment advisory fees are not considered. The yield for the reporting month is used for pool and bank account investments.

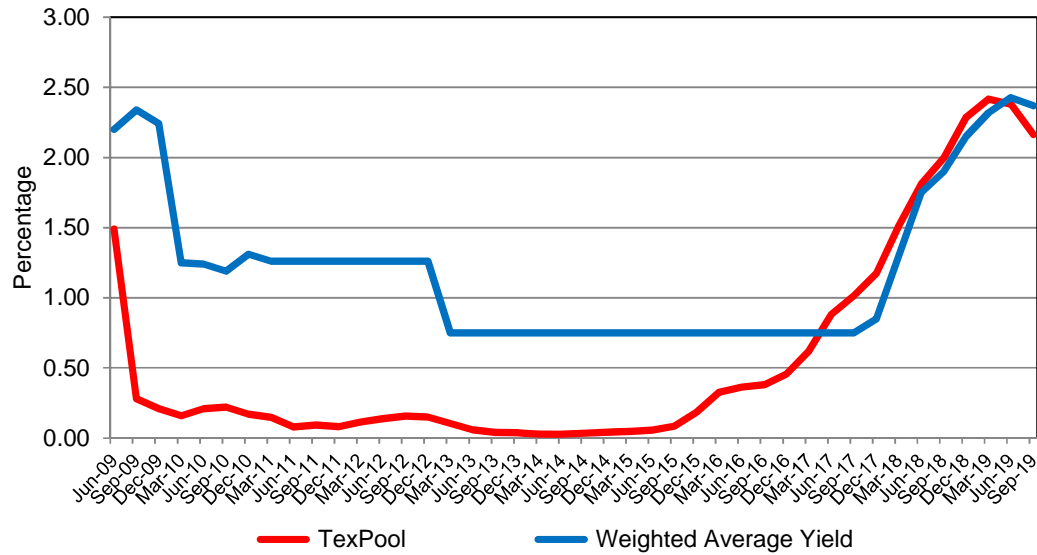
**Portfolio Composition**



**Total Portfolio (Millions)**



**Total Portfolio Performance**



## Book Value Comparison

Description	Coupon/ Discount	Maturity Date	June 30, 2019			September 30, 2019		
			Par Value	Book Value	Purchases/ Adjustments	Sales/Adjust/ Maturities	Par Value	Book Value
DDA	2.38%	10/01/19	\$ 62,213,615	\$ 62,213,615	\$ -	\$ (17,034,542)	\$ 45,179,073	\$ 45,179,073
TexPool	2.16%	10/01/19	2,290	2,290	13		2,303	2,303
TexPool Prime	2.27%	10/01/19	17,430,115	17,430,115	7,144,661		24,574,776	24,574,776
LegacyTexas Bank CD	2.70%	04/02/21	5,034,087	5,034,087	34,259		5,068,346	5,068,346
<b>TOTAL</b>			<b>\$ 84,680,107</b>	<b>\$ 84,680,107</b>	<b>\$ 7,178,933</b>	<b>\$ (17,034,542)</b>	<b>\$ 74,824,498</b>	<b>\$ 74,824,498</b>

## Market Value Comparison

Description	Coupon/ Discount	Maturity Date	June 30, 2019		Qtr to Qtr Change	September 30, 2019	
			Par Value	Market Value		Par Value	Market Value
DDA	2.38%	10/01/19	\$ 62,213,615	\$ 62,213,615	\$ (17,034,542)	\$ 45,179,073	\$ 45,179,073
TexPool	2.16%	10/01/19	2,290	2,290	13	2,303	2,303
TexPool Prime	2.27%	10/01/19	17,430,115	17,430,115	7,144,661	24,574,776	24,574,776
LegacyTexas Bank CD	2.70%	04/02/21	5,034,087	5,034,087	34,259	5,068,346	5,068,346
<b>TOTAL</b>			<b>\$ 84,680,107</b>	<b>\$ 84,680,107</b>	<b>\$ (9,855,609)</b>	<b>\$ 74,824,498</b>	<b>\$ 74,824,498</b>

**Allocation**

**September 30, 2019**

<b>Book &amp; Market Value</b>	<b>Total</b>	<b>General Operating</b>	<b>Special Revenue</b>	<b>Interest &amp; Sinking</b>	<b>Internal Service Fund</b>	<b>Enterprise Funds</b>	<b>Enterprise Capital Projects</b>	<b>CDC 4B</b>	<b>Economic Agreements</b>	<b>General Capital Projects</b>
DDA	\$ 45,179,073	\$ 5,008,820	\$ 1,658,718	\$ 1,090,792	\$ 3,580,348	\$ 10,377,982	\$ 6,028,064	\$ 444,212	\$ 1,255,140	\$ 15,734,997
TexPool	2,303	2,303	-	-	-	-	-	-	-	-
TexPool Prime	24,574,776	17,574,776	-	-	-	-	-	-	-	7,000,000
LegacyTexas Bank CD	5,068,346	-	-	-	-	5,068,346	-	-	-	-
<b>Totals</b>	<b>\$ 74,824,498</b>	<b>\$ 22,585,899</b>	<b>\$ 1,658,718</b>	<b>\$ 1,090,792</b>	<b>\$ 3,580,348</b>	<b>\$ 15,446,328</b>	<b>\$ 6,028,064</b>	<b>\$ 444,212</b>	<b>\$ 1,255,140</b>	<b>\$ 22,734,997</b>

**Allocation**

**June 30, 2019**

<b>Book &amp; Market Value</b>	<b>Total</b>	<b>General Operating</b>	<b>Special Revenue</b>	<b>Interest &amp; Sinking</b>	<b>Internal Service Fund</b>	<b>Enterprise Funds</b>	<b>Enterprise Capital Projects</b>	<b>CDC 4B</b>	<b>Economic Agreements</b>	<b>General Capital Projects</b>
DDA	\$ 62,213,615	\$ 11,371,730	\$ 1,689,721	\$ 5,067,808	\$ 3,640,999	\$ 10,791,210	\$ 6,203,082	\$ 168,333	\$ 973,341	\$ 22,307,391
TexPool	2,290	2,290	–	–	–	–	–	–	–	–
TexPool Prime	17,430,115	17,430,115	–	–	–	–	–	–	–	–
LegacyTexas Bank CD	5,034,087	–	–	–	–	5,034,087	–	–	–	–
<b>Totals</b>	<b>\$ 84,680,107</b>	<b>\$ 28,804,135</b>	<b>\$ 1,689,721</b>	<b>\$ 5,067,808</b>	<b>\$ 3,640,999</b>	<b>\$ 15,825,297</b>	<b>\$ 6,203,082</b>	<b>\$ 168,333</b>	<b>\$ 973,341</b>	<b>\$ 22,307,391</b>