

Nueces County Quarterly Investment Report June 30, 2020 (Unaudited)

*Prepared by Nueces
County Auditor's Office
and County Clerk
Treasury Division
901 Leopard Rm. 304
Corpus Christi TX
78401*



Nueces County

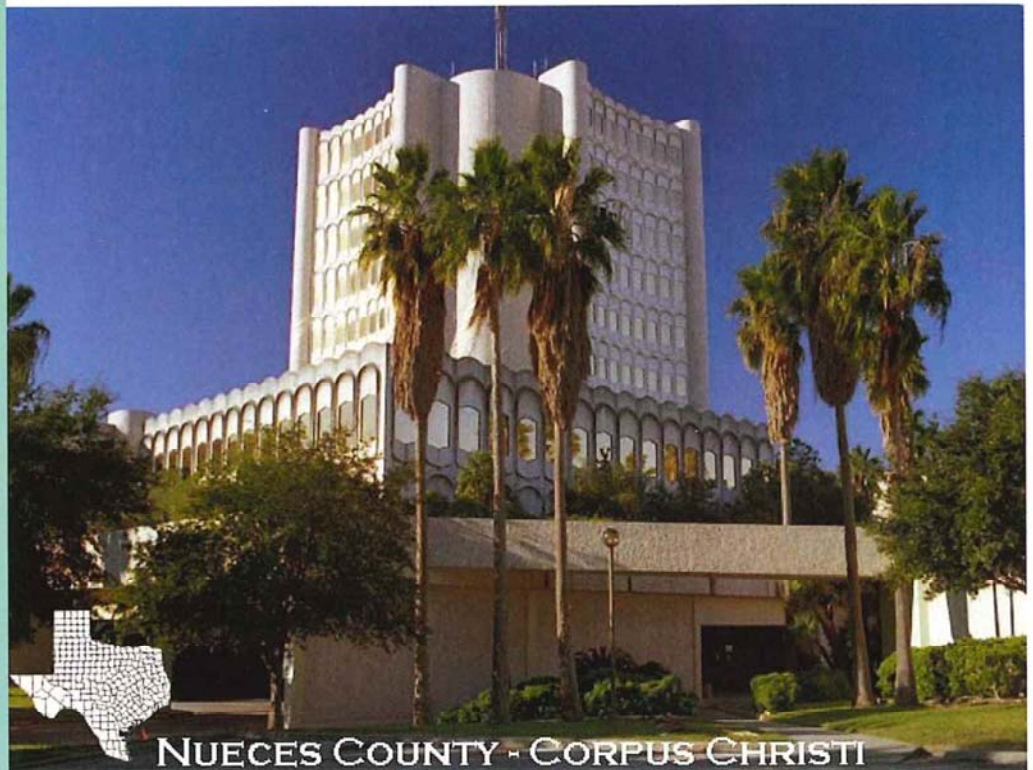
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Presented to Nueces County
Commissioners Court in
accordance with Government
Code 2255.023

Investment Committee Members

Barbara Canales – County Judge

Kara Sands – County Clerk

Laura Jimenez – County Attorney

Tyner Little – Commissioners Court Administration Manager

Kevin Kieschnick – Tax Assessor/Collector

Dale Atchley, CPA – County Auditor

County Investment Officers

Lorenzo Hernandez, III – Treasury Accountant

Lucio Cruz, III – Revenue/Cash Manager

Investment Report to Commissioners Court

As of June 30, 2020

Investments have been made in accordance with the requirements of the Nueces County Investment Policy and Government Code 2256. The investment committee is directed by the investment policy to meet certain requirements regarding investment strategy, earnings, diversity and liquidity. This report is presented in conformity with generally accepted accounting principles.

This report covers investment results on county-wide treasury accounts only. Interest income on departmental accounts such as the tax office, sheriff, and district clerk checking accounts are not included in this report.

Summary of Cash, Cash Equivalents and Investments

Total cash, cash equivalents, and investments as of June 30, 2020 have a current value of \$143,422,302. As compared to last report of March 31, 2020, total balances have decreased by \$(31,146,971) down from \$174,569,273.

Compliance Measures

- The weighted average maturity of the operating portfolio is 11 days and the county is in compliance with the investment policy. The policy limits the weighted average to 364 days. Compared to last report of March 31, 2020, the average maturity decreased by -2 days, due to reduction of cash equivalents and other called investments.
- Portfolio diversity is a test which indicates the county is in compliance with the percentages allowed by the investment policy for each investment type. The largest investment type is in cash equivalents which is 96.36% and the remainder is invested in brokered CDs, municipal bonds, and US Agencies which are 1.80%, 0.95%, and 0.89%, respectively.
- Cash and Cash Equivalents have exceeded the investment policy maximum of 85%. The reason for this can be explained on page 19, the interest rates for Texas Class are 2.50%, and the interest rates for the depository bank are 2.01%. With these high rates, it does not make fiscal sense to reduce liquidity by investing funds in either mid- or long-term investments. All other investments are in compliance with the Public Investment Act and the Nueces County Investment Policy.

Summary of Investment Results

Investment earnings are calculated under Government Accounting Standards Board (GASB) Statement #31. GASB #31 mandates that changes in the fair market value of investments longer than 1 year should be reported as revenues in the financial statements. Since our investment strategy has been to buy and hold until maturity, changes in market value are reflected as gains or losses in the value of the portfolios as if they had been liquidated on June 30, 2020. Brokered CD's, US agencies and Municipal bonds are being carried at market value.

Current quarterly earnings are \$286,224. Compared to the quarterly earnings ending June 30, 2019, earnings show an decrease of \$(480,509), down from \$766,734. The Decrease in earnings is due primarily to the decrease in interest rates during this period of pandemic outbreak.

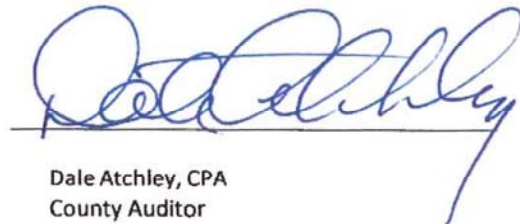
Investment Strategy

Only eligible investments, as defined by the Investment Policy may be used. Preservation and safety of principal is the number one consideration in selecting an investment instrument followed by the availability of funds (liquidity), diversification for further safeguarding of funds and laddering investments with varying maturity dates. While maximizing return on investment is an objective of the county investment policy, safety is always the first consideration in selecting investments.

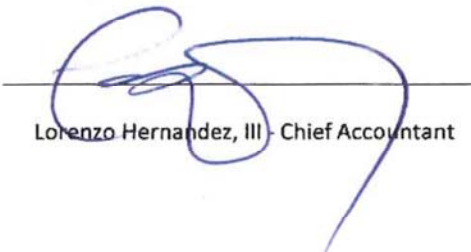
This report has been prepared jointly by the County Auditor's Office and the County Clerk Treasury Division and in accordance with Government Code 2256.023. The investment committee approved this report on July 21st, 2020 and herein presents to the Commissioners Court for final approval. Thank you.



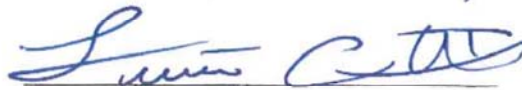
Barbara Canales. - County Judge and
Investment Committee Chair



Dale Atchley, CPA
County Auditor



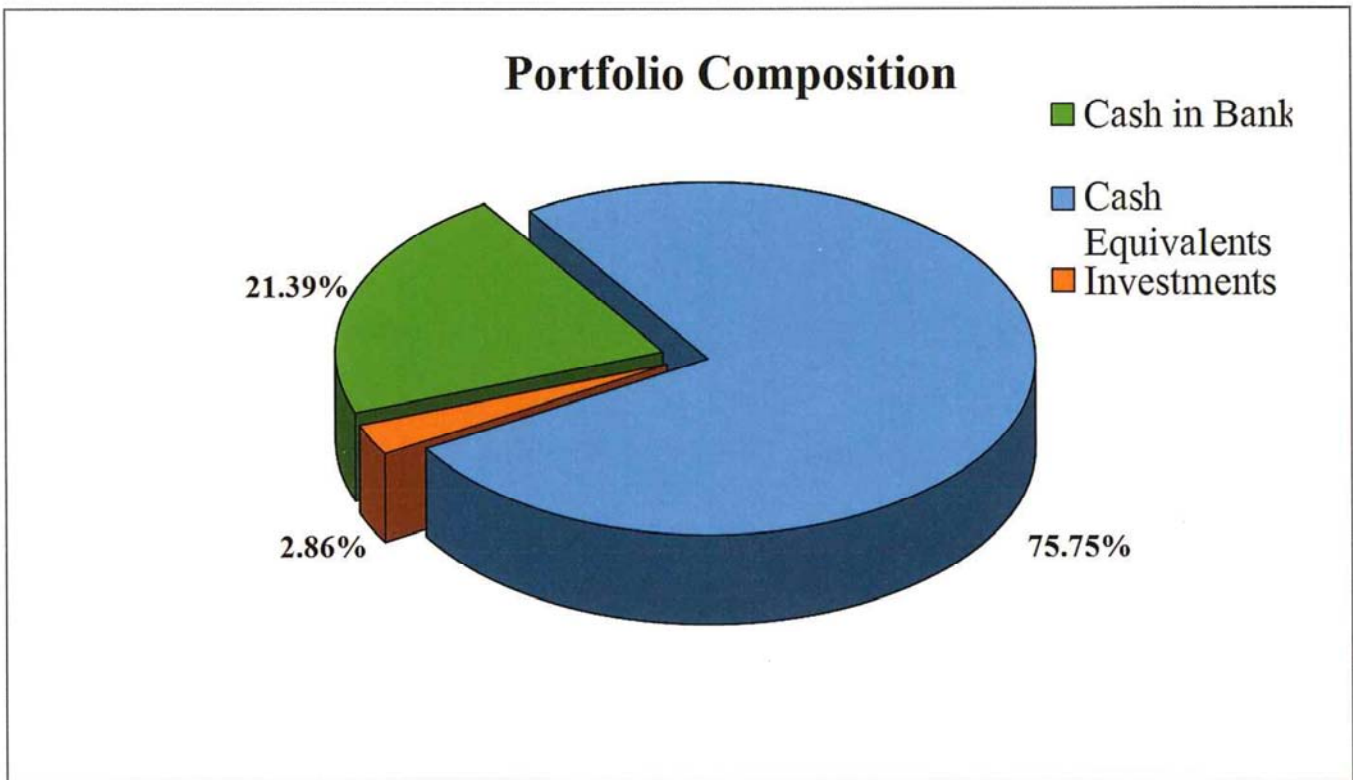
Lorenzo Hernandez, III - Chief Accountant



Lucio Cruz III - Revenue/Cash Manager

Cash, Cash Equivalents and Investments by Fund Group
June 30, 2020
(Unaudited)

	Operating Funds		Capital Projects Funds		Debt Service Funds		Other Funds		All Fund Groups Total	
Cash in Bank	\$20,084,057	36.03%	\$2,263,851	3.68%	\$885,066	12.54%	\$7,438,985	38.66%	\$30,673,369	21.39%
Cash Equivalents:										
Texas Class:	34,571,469	62.02%	57,331,830	93.41%	5,958,392	84.45%	10,783,187	56.03%	108,644,878	75.75%
Sub-Total Cash Equivalents	34,571,469	62.02%	57,331,830	93.41%	5,958,392	84.45%	10,783,187	56.03%	108,644,878	75.75%
Investments:										
Brokered CDs	540,259	0.97%	881,703	1.45%	105,146	1.49%	506,745	2.63%	2,033,853	1.42%
Municipal Bonds	283,614	0.51%	462,858	0.75%	55,197	0.78%	266,020	1.38%	1,067,690	0.74%
US Agencies	266,301	0.48%	434,603	0.71%	51,828	0.73%	249,781	1.30%	1,002,513	0.70%
Sub-Total Investments	1,090,174	1.96%	1,779,164	2.91%	212,171	3.01%	1,022,546	5.31%	4,104,056	2.86%
Total Cash, Cash Equivalents & Investments	\$55,747,111	100.00%	\$61,374,845	100.00%	\$7,055,629	100.00%	\$19,244,717	100.00%	\$143,422,302	100.00%



Operating Funds and Other Funds Groups

Cash, Cash Equivalents and Investments by Fund - (Unaudited)

June 30, 2020

Operating Funds:

	General Fund	Road Fund	Stadium/ Fairgrounds Fund
Cash	\$ 18,274,508	397,799	438,315
Cash Equivalents	31,440,381	620,180	1,834,070
Investments	<u>880,528</u>	<u>15,963</u>	<u>142,048</u>
Total as of June 30, 2020	50,595,417	1,033,942	2,414,433
Total as of June 30, 2019	42,247,468	1,365,165	2,614,311
Increase (Decrease) from one year ago	<u>\$ 8,347,949</u>	<u>(331,223)</u>	<u>(199,878)</u>

Other Funds:

	Self Insurance Fund	Special Fund	Main Grant Fund
Cash	\$ 1,298,150	5,933,220	(103,557)
Cash Equivalents	1,767,810	9,015,377	-
Investments	<u>58,932</u>	<u>963,614</u>	<u>-</u>
Total as of June 30, 2020	3,124,892	15,912,210	(103,557)
Total as of June 30, 2019	2,413,827	20,390,762	259,749
Increase (Decrease) from one year ago	<u>\$ 711,065</u>	<u>(4,478,552)</u>	<u>(353,306)</u>

Law Library	Airport	Inland Parks	Coastal Parks	Total
Fund	Fund	Fund	Fund	
17,456	95,835	499,840	361,715	\$ 20,085,468
74,619	100,227	0	501,993	34,571,469
10,202	-	-	41,434	1,090,174
102,276	196,061	499,840	905,142	55,747,111
122,708	187,555	824,672	1,132,776	48,494,656
<u>(20,433)</u>	<u>8,506</u>	<u>(324,832)</u>	<u>(227,634)</u>	<u>\$ 7,252,445</u>

TJJD Grant	
Fund	Total
311,172	\$ 7,438,985
-	10,783,187
-	1,022,546
311,172	19,244,717
348,009	23,406,798
<u>(36,837)</u>	<u>\$ (4,167,630)</u>

Portfolio Diversity

Test of Compliance with Investment Policy
All Fund Groups as of June 30, 2020
(Unaudited)

	Current Value	%	Investment Policy Maximum
Cash Equivalents	\$ 108,644,878	96.36%	90.00%
Brokered CDs	2,033,853	1.80%	75.00%
Municipal Bonds	1,067,690	0.95%	75.00%
US Agencies	1,002,513	0.89%	75.00%
Total Cash Equivalents and Investments (excludes cash in bank)	\$ <u>112,748,934</u>	<u>100.00%</u>	

Portfolio Liquidity

Test of Compliance with Investment Policy
Weighted Average Days to Maturity
Operating Funds Group as of June 30, 2020
(Unaudited)

	Fair Value	Weighted Average Days to Maturity	Investment Policy Maximum
Cash Equivalents	\$ 108,644,878	1	
Brokered CDs	2,033,853	222	
Municipal Bonds	1,067,690	609	
US Agencies	1,002,513	59	
Total Cash Equivalents and Investments-Operating Fund Group Only (excludes cash in bank)	\$ <u>112,748,934</u>	<u>11</u>	<u>364</u>

Statement of Changes in Investments

as of June 30, 2020

(Unaudited)

	Beginning Balance 03/31/2020	Additions	(Subtractions)	Market Adjustment	Ending Balance 06/30/2020
Brokered CDs	\$ 2,028,008	\$ -	\$ -	\$ 5,845	\$ 2,033,853
Municipal Bonds	1,047,270	-	-	20,420	1,067,690
US Agencies	1,005,414	-	-	(2,901)	1,002,513
Total	\$ 4,080,692	\$ -	\$ -	\$ 23,364	\$ 4,104,056

**Comprehensive Interest Earnings for All Fund Groups Compared to
Same Period Prior Year (Note1)**

(Unaudited)

	Quarterly Comparison			Year-to-Date Comparison		
	04/01/2019 06/30/2019	04/01/2020 06/30/2020	Increase/ (Decrease)	10/01/2018 06/30/2019	10/01/2019 06/30/2020	Increase/ (Decrease)
Operating Fund Group	\$ 352,924	\$ 92,217	\$ (260,707)	\$ 898,657	\$ 491,816	\$ (406,841)
Capital Projects Fund Group	215,353	140,342	(75,011)	663,620	693,288	29,668
Debt Service Fund Group	47,046	14,720	(32,326)	122,122	80,686	(41,436)
Other Funds Group	151,411	38,946	(112,465)	437,451	260,239	(177,212)
Total	\$ 766,734	\$ 286,224	\$ (480,509)	\$ 2,121,849	\$ 1,526,030	\$ (595,820)

Note 1: Comprehensive interest earnings include: interest on treasury demand deposits, coupon interest rates, amortization of discounts and premiums paid at the time of purchase, accrued interest, and adjustments to market value.

Listing of All Investments and Ladder Placement

June 30, 2020

(Unaudited)

VENDOR	Desc	Coupon	Yield	Duration in Yrs from Purchase	Days To MTY	Purchase Date	Maturity Date /Called Date
First Tennessee	MB	5.024%	5.024000%	3.6384	609	07/12/18	03/01/22
Frost Bank	FHLMC	1.750%	1.750000%	3.5397	59	02/13/17	08/28/20
Raymond James & Assoc.	CD	3.000%	3.000000%	3.0027	377	07/12/18	07/12/21
Raymond James & Assoc.	CD	3.000%	3.000000%	3.0027	378	07/13/18	07/13/21
Frost Bank	CD	3.000%	3.000000%	3.0055	384	07/18/18	07/19/21
Raymond James & Assoc.	CD	2.050%	2.050000%	5.0110	59	08/26/15	08/28/20
Raymond James & Assoc.	CD	1.850%	1.850000%	5.0110	59	08/26/15	08/28/20
First Tennessee	CD	2.900%	2.900000%	2.0027	16	07/16/18	07/16/20
First Tennessee	CD	3.050%	3.050000%	3.0055	384	07/18/18	07/19/21
Frost Bank	CD	2.750%	2.750000%	2.2521	122	07/31/18	10/30/20
			3.043500%	3.4378	278		Totals

CD - Brokered Certificates of Deposit

FFCB - Federal Farm Credit Bureau

FHLB-Federal Home Loan Bank

FHLMC-Federal Home Loan Mortgage Corporation

FNMA- Fannie Mae

† Weighted Averages are based on investment holdings as of the last day of the quarter using actual days remaining to maturity and are calculated based on Yields, Duration, Days to Maturity, Purchase Prices, and Total Purchase Price.

Listing of All Investments and Ladder Placement
June 30, 2020
(Unaudited)

Par Amount	Purchase Price	FMV 03/31/20	Additions (Subtractions)	Market Adjustments Increase (Decrease)	FMV 06/30/2020	Short-term Ladder <=12 mos	Mid-term Ladder > 12 mos < 3.5 yrs	Long-term Ladder 3.5 to 5 yrs	
1,000,000	1,065,640	1,047,270	-	20,420	1,067,690	-	-	1,067,690	
1,000,000	1,000,000	1,005,414	-	(2,901)	1,002,513	-	-	1,002,513	
250,000	250,000	*255,481	-	1,861	257,342	-	257,342	-	
250,000	250,000	255,492	-	1,869	257,361	-	257,361	-	
250,000	250,000	255,557	-	1,920	257,477	-	257,477	-	
250,000	250,000	251,059	-	(247)	250,812	-	-	250,812	
250,000	250,000	250,843	-	(126)	250,717	-	-	250,717	
250,000	250,000	251,402	-	(1,074)	250,328	-	250,328	-	
250,000	250,000	255,719	-	1,890	257,609	-	257,609	-	
250,000	250,000	252,455	-	(249)	252,206	-	252,206	-	
4,000,000	4,065,640	4,080,692	-	23,363	4,104,055	-	1,532,323	2,571,732	
						Investment Ladder Targets	<u>7,000,000</u>	<u>25,000,000</u>	<u>8,000,000</u>
						Investment Funds: Available/(Exceeded)	<u>7,000,000</u>	<u>23,467,677</u>	<u>5,428,268</u>

Listing of All Broked CDs and Ladder Placement
June 30, 2020
(Unaudited)

VENDOR	Bank Issuing CD	Coupon	Yield	Duration in Yrs from Purchase	Days To MTY	Purchase Date	Maturity Date /Called Date	Purchase Price at Par
Raymond James & Assoc.	ALLY BANK	3.000%	3.000000%	3.0027	377	07/12/18	07/12/21	250,000
Raymond James & Assoc.	CITIBANK NA	3.000%	3.000000%	3.0027	378	07/13/18	07/13/21	250,000
Frost Bank	DISCOVER BANK	3.000%	3.000000%	3.0055	384	07/18/18	07/19/21	250,000
Raymond James & Assoc.	EVERBANK / JACKSONVILLE FL	2.050%	2.050000%	5.0110	59	08/26/15	08/28/20	250,000
Raymond James & Assoc.	FARMERS & MERCHANT BK WISC	1.850%	1.850000%	5.0110	59	08/26/15	08/28/20	250,000
First Tennessee	FIRST TECHNOLOGY FEDERAL	2.900%	2.900000%	2.0027	16	07/16/18	07/16/20	250,000
First Tennessee	GOLDMAN SACHS BANK	3.050%	3.050000%	3.0055	384	07/18/18	07/19/21	250,000
Frost Bank	UNITED BANKERS	2.750%	2.750000%	2.2521	122	07/31/18	10/30/20	250,000
Weighted Average			<u>2.700000%</u>	<u>3.2866</u>	<u>222</u>	TOTAL		<u>2,000,000</u>

† Weighted Averages are based on investment holdings as of the last day of the quarter using actual days remaining to maturity and are calculated based on Yields, Duration, Days to Maturity, Purchase Prices, and Total Purchase Price.

Listing of All Broked CDs and Ladder Placement
 June 30, 2020
 (Unaudited)

Face Value 3/31/20	Additions	(Maturities)	Market Adjustments Increase (Decrease)	Market Value 6/30/20	Short-term Ladder <=12 mos	Mid-term Ladder > 12 mos < 3.5 yrs	Long-term Ladder 3.5 to 5 yrs
255,481	-	-	1,861	257,342	-	257,342	-
255,492	-	-	1,869	257,361	-	257,361	-
255,557	-	-	1,920	257,477	-	257,477	-
251,059	-	-	(247)	250,812	-	-	250,812
250,843	-	-	(126)	250,717	-	-	250,717
251,402	-	-	(1,074)	250,329	-	250,329	-
255,719	-	-	1,890	257,609	-	257,609	-
252,455	-	-	(249)	252,207	-	252,207	-
<u>2,028,008</u>	<u>-</u>	<u>-</u>	<u>5,845</u>	<u>2,033,853</u>	<u>-</u>	<u>1,532,324</u>	<u>501,529</u>

Listing of All Municipal Bonds and Ladder Placement

June 30, 2020

(Unaudited)

VENDOR	Rating	Description	Coupon	Yield	Duration in Yrs from Purchase	Days To MTY	Purchase Date	Maturity Date /Called Date
First Tennessee	AA	New York NY Build America Bonds	5.024%	5.02%	3.6384	609	07/12/18	03/01/22
† Weighted Averages				5.02%	3.6384	609	Totals	

† Weighted Averages are based on investment holdings as of the last day of the quarter using actual days remaining to maturity and are calculated based on Yields, Duration, Days to Maturity, Purchase Prices, and Total Purchase Price.

Listing of All Municipal Bonds and Ladder Placement
 June 30, 2020
 (Unaudited)

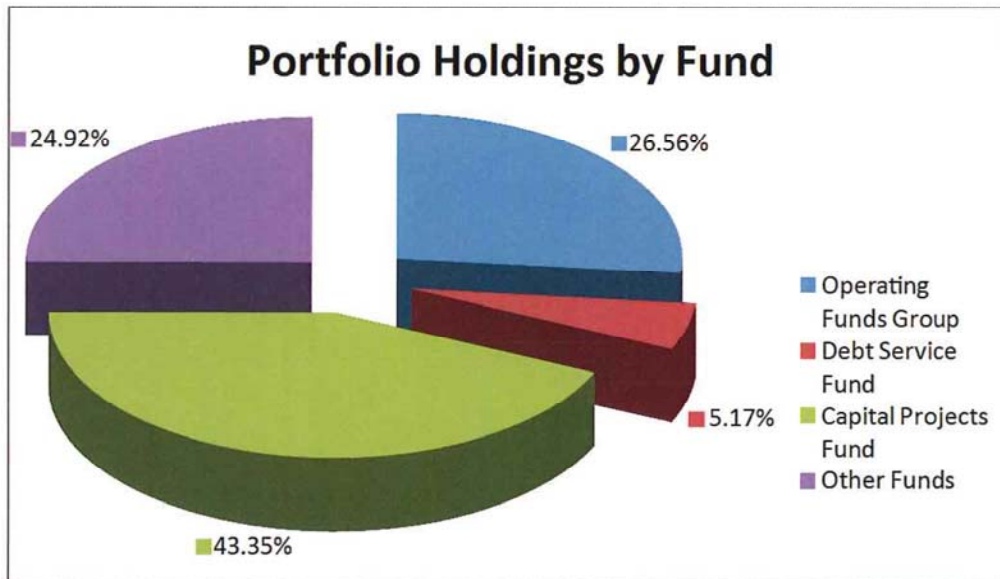
Par Amount	Purchase Price	FMV 03/31/20	Additions (Subtractions)	Market Adjustments Increase (Decrease)	FMV 06/30/20	Short-term Ladder <=12 mos	Mid-term Ladder > 12 mos < 3.5 yrs	Long-term Ladder 3.5 to 5 yrs
1,000,000	1,065,640	1,047,270	-	20,420	1,067,690	-	-	1,067,690
1,000,000	1,065,640	1,047,270	-	20,420	1,067,690	-	-	1,067,690

Portfolio Holdings by Fund

June 30, 2020

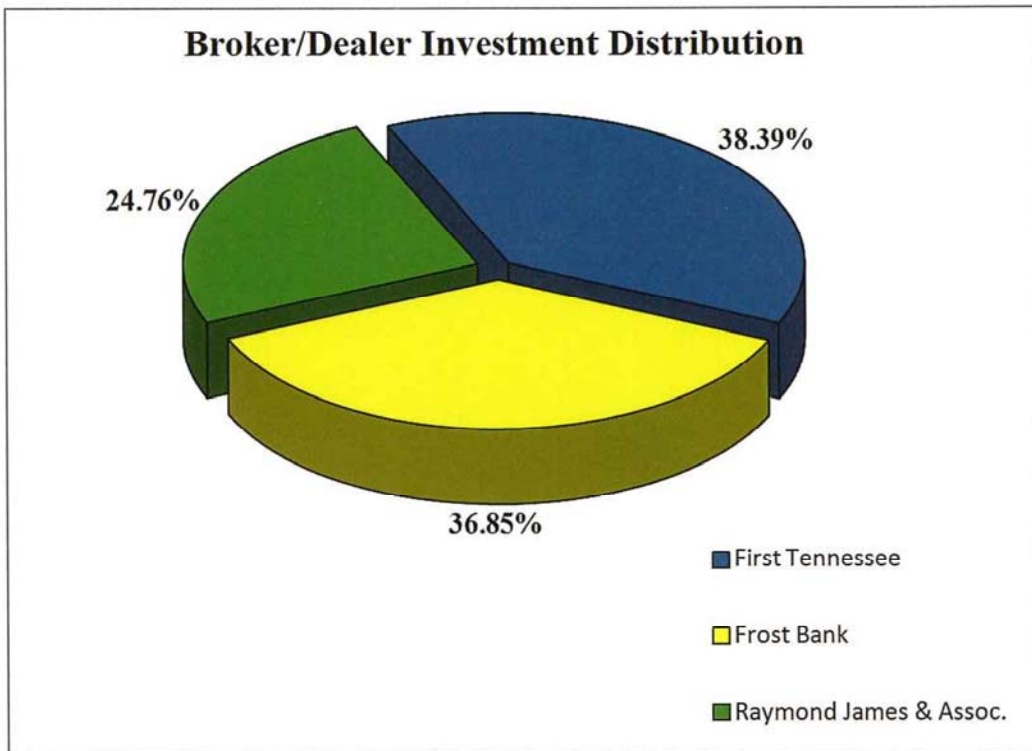
(Unaudited)

Fund	Operating Funds Groups:			
11	General Fund	\$880,528		21.46%
12	Road & Bridge Fund	15,963		0.39%
14	Stadium & Fairgrounds Fund	142,048		3.46%
15	Law Library Fund	10,202		0.25%
18	Coastal Parks Fund	41,434		1.01%
	Sub-Total Operating Funds		\$1,090,174	26.56%
09	Debt Service Fund		212,171	5.17%
19	Capital Projects Fund		1,779,164	43.35%
	Other Funds Groups:			
10	Self Insurance Fund	58,932		1.44%
13	Special Revenue Fund	963,614		23.48%
	Sub-total Other Funds		1,022,546	24.92%
	Total Holdings at Current Market Value		\$4,104,056	100.00%



**Distribution of Investments by
Broker/Dealer/Financial Institutions
June 30, 2020
(Unaudited)**

	Fair Market Value	Distribution %
First Tennessee	\$1,575,627	38.39%
Frost Bank	1,512,196	36.85%
Raymond James & Assoc.	1,016,232	24.76%
Total	\$4,104,055	100.00%



Distribution of Investments by

U. S Agencies Issuers

June 30, 2020

(Unaudited)

<u>Agency</u>		<u>Fair Market Value</u>	<u>Distribution %</u>
Fed Home Loan Freddie Mac	FHLMC	1,002,514	100.00%
		<u>\$1,002,514</u>	<u>100.00%</u>

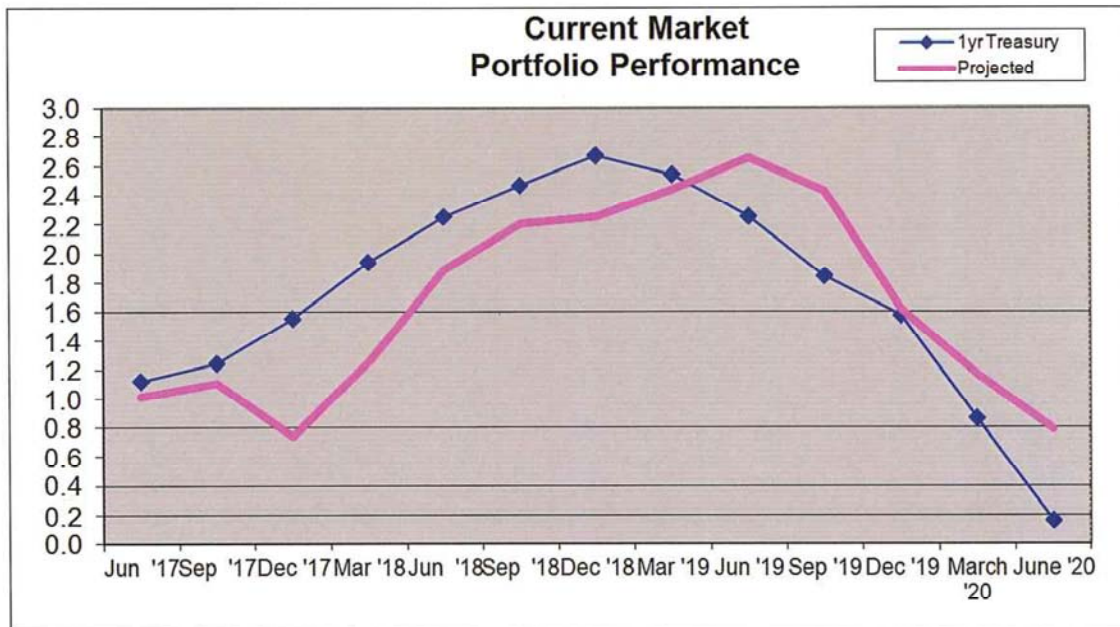
Agency

**Investments Performance
Compared to One-Year Treasury
June 30, 2020
(Unaudited)**

Quarter Ended	County Qrtly Avg Yield	Projected Annual County Yield	* 1yr Treasury
Sep-17	0.276%	1.073%	1.240%
Dec-17	0.185%	0.797%	1.553%
Mar-18	0.313%	1.306%	1.940%
Jun-18	0.472%	1.889%	2.250%
Sep-18	0.551%	2.203%	2.467%
Dec-18	0.563%	2.252%	2.670%
Mar-19	0.610%	2.439%	2.540%
Jun-19	0.664%	2.656%	2.253%
Sep-19	0.607%	2.429%	1.843%
Dec-19	0.404%	1.617%	1.576%
Mar-20	0.292%	1.170%	0.863%
Jun-20	0.196%	0.790%	0.163%

* An average of the three months for the quarter presented of the market yields on 1-year U.S. Treasury constant maturity (CMT), quoted on investment basis.

Source: www.federalreserve.gov



**Investments Performance
Compared to Two-Year Treasury
June 30, 2020
(Unaudited)**

Quarter Ended	County Two Year Moving Avg Annual Yield	* 2 yr Treasury (CMT)
Sep-17	0.727%	1.010%
Dec-17	0.794%	1.120%
Mar-18	0.873%	1.280%
Jun-18	1.028%	1.500%
Sep-18	1.178%	1.740%
Dec-18	1.444%	1.960%
Mar-19	1.612%	2.120%
Jun-19	1.817%	2.220%
Sep-19	1.982%	2.260%
Dec-19	2.092%	2.250%
Mar-20	2.082%	2.080%
Jun-20	1.940%	1.790%

* 2-year treasury rates are adjusted to a 24 month quarterly average yield. Twenty-four month moving average based on the 2 year CMT that changes monthly.

Source: www.federalreserve.gov



Comparison of Interest Rates on Liquid Investments

June 30, 2020

(Unaudited)

<u>Month</u>	<u>TexPool Average Monthly Rates</u>	<u>TexPool Prime Average Monthly Rates</u>	<u>Texas Class Average Monthly Rates</u>	<u>Depository (Note 1) Bank Rates</u>
September '17	1.0151%	1.2644%	1.25%	0.68%
October '17	1.0318%	1.2720%	1.27%	0.69%
November '17	1.0506%	1.2826%	1.30%	0.73%
December '17	1.1784%	1.3917%	1.41%	0.88%
January '18	1.2890%	1.5156%	1.56%	0.99%
February '18	1.3438%	1.5747%	1.62%	1.08%
March '18	1.5156%	1.7066%	1.75%	1.36%
April '18	1.6704%	1.9264%	1.95%	1.41%
May '18	1.7159%	2.0196%	2.06%	1.41%
June '18	1.8110%	2.0196%	2.16%	1.52%
July '18	1.8896%	2.1642%	2.24%	1.55%
August '18	1.9205%	2.1805%	2.24%	1.61%
September '18	1.9953%	2.2086%	2.26%	1.68%
October '18	2.1438%	2.3317%	2.34%	1.77%
November '18	2.2030%	2.3943%	2.42%	1.99%
December '18	2.2872%	2.4927%	2.50%	2.12%
January '19	2.3892%	2.6067%	2.62%	2.03%
February '19	2.3972%	2.5922%	2.63%	2.06%
March '19	2.4164%	2.5907%	2.61%	2.04%
April '19	2.4344%	2.5835%	2.58%	2.06%
May '19	2.4005%	2.5468%	2.56%	2.03%
June '19	2.3812%	2.5226%	2.50%	2.01%
July '19	2.3876%	2.4998%	2.41%	1.80%
August '19	2.1715%	2.3470%	2.28%	1.75%
September '19	2.1635%	2.2749%	2.20%	1.60%
October '19	1.9115%	2.0701%	2.09%	1.57%
November '19	1.6774%	1.8665%	1.94%	1.33%
December '19	1.6226%	1.8321%	1.88%	1.20%
January '20	1.5925%	1.8006%	1.82%	1.19%
February '20	1.5908%	1.7636%	1.74%	1.18%
March '20	1.0034%	1.3354%	1.23%	1.19%
April '20	0.4552%	0.9409%	1.02%	0.12%
May '20	0.2685%	0.7532%	0.65%	-0.20%
June '20	0.2165%	0.5240%	0.57%	0.01%

Note 1: The interest rate paid on demand deposits for the current month is based on the previous month's weighted average of the 13-week T-Bill auction rate less 35 basis points.