



# Quarterly Investment Report

## As of September 30, 2013

Tim Paulissen, Mayor

Andy Mann, Mayor Pro Tem

Dan Becker, Councilmember

Dennis O'Keeffe, Councilmember

Heidi Thiess, Councilmember

Todd Kinsey, Councilmember

Geri Bentley, Councilmember

Joanna Sharp Dawson, Councilmember

John Baumgartner, Interim City Manager

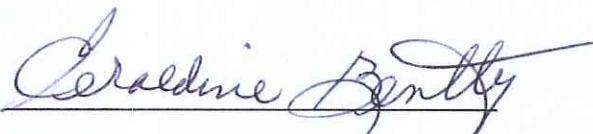
Rebecca Underhill, CPA, Finance Director

Compliance Certification

We certify that the Quarterly Investment Report represents the investment position of the City of League City as of September 30, 2013 and that all investments have been and are in compliance with the Texas Public Funds Investment Act and the City's Investment Policy as adopted by City Council on February 12, 2013.



John Baumgartner, Interim City Manager

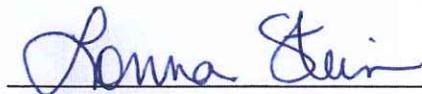


Geraldine Bentley, Council Member

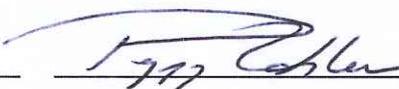


Rebecca Underhill, Finance Director

Dennis O'Keeffe, Council Member



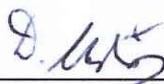
Lonna Stein, Controller



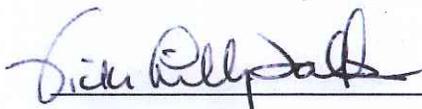
Peggy Zahler, Finance Committee



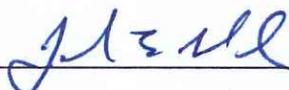
Quencelia Goins, Accounting Manager



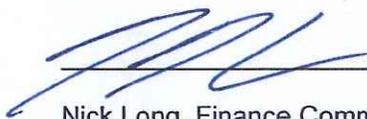
Darius Mistry, Finance Committee



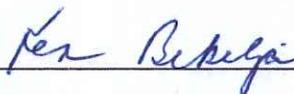
Vicki Lilly-Tallman, Finance Committee



John Babcock, Finance Committee



Nick Long, Finance Committee



Ken Bekelja, Finance Committee



Jean M. Kraus,  
Finance Committee

## Introduction

Under the Public Funds Investment Act (PFIA), the City is required to have City Council approved investment policies, defining authorized investments which are limited to those allowed by the Act. Quarterly reports are to be presented to the City Council to disclose the book and market values of the investments and to demonstrate compliance with the approved policy.

The City of League City is in compliance with PFIA and adopted policy. All investments purchased meet the three basic tenets of the investment policy – investment safety is first, followed by liquidity and yield.

The day to day management of the City's cash and investment position is the responsibility of the Finance Director, Controller and the Accounting Manager, who have been designated as the City's investment officers.

The investment activity of the City is reviewed by the Finance Committee prior to presentation to the City Council. The Investment Policy was again reviewed by the Government Treasurers' Organization of Texas (GTOT) for compliance with the Public Funds Investment Act and certified with the standards for prudent public investing established by the GTOT (see certificate attached at the end of the report).

## Quarterly Compliance Review

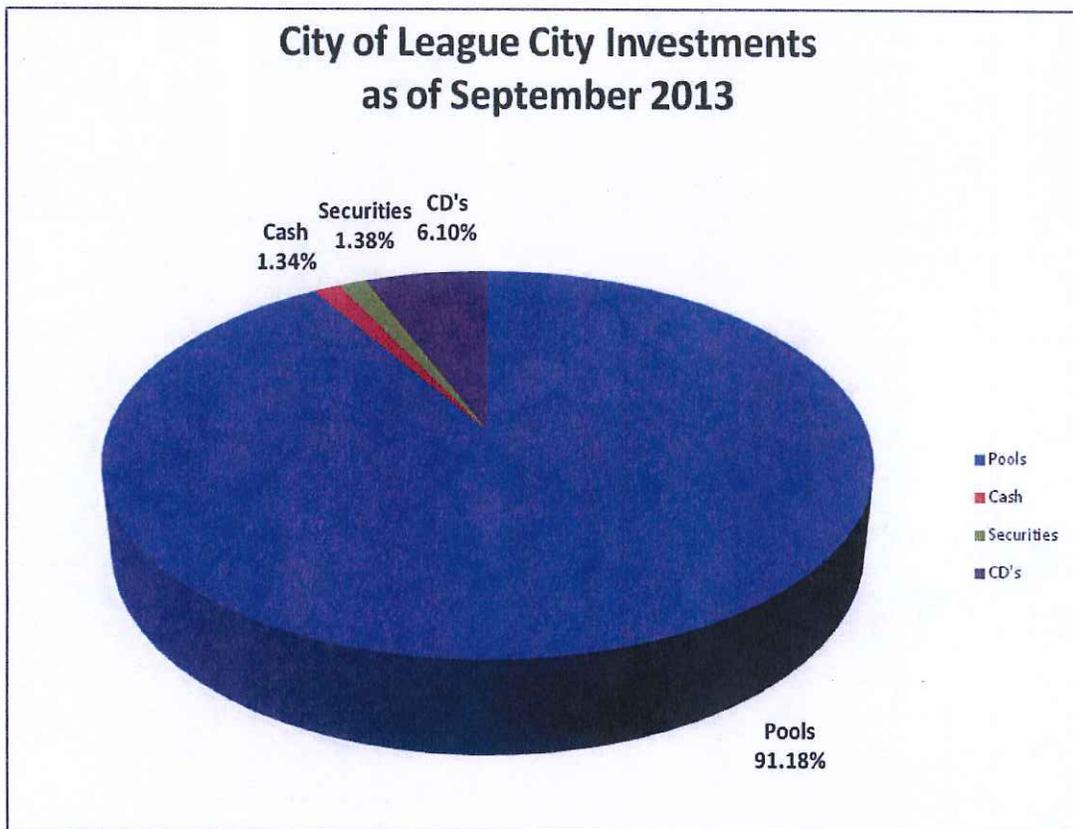
Investment Policy	Yes	Reviewed and Approved by Council 02/12/13
Distribution to brokers, entities	Yes	Distribution this year = 6
Returned Acknowledgements	Yes	Signed affidavits on file = 6
Investment Officers	Yes	Named by City Council - 2/12/13
Training	Yes	Investment officers completed 10 hours during FY 2012
Investments	Yes	As authorized by PFIA and COLC Policy
Collateral pledges	Yes	Minimum of 102% maintained
Ratings of Pools	Yes	AAAm - As required by PFIA and COLC Policy
Internal Reports	Yes	Quarterly reports reviewed by Finance Committee and City Council

## Investment Priorities and Compliance

**Safety** Ensuring the return of principle invested, credit risk is minimized by investing in highly rated investments as defined by the City of League City's investment policy and the Texas Public Funds Investment Act.

- Current Investments held
  - U.S. Agency Securities and Municipal Bonds are purchased directly by the City from investment brokerage firms approved to do business with the City. These securities are issued in the City's name, and held in safekeeping by JP Morgan Chase Bank.

- Certificates of Deposit are issued by commercial banks against funds deposited for specified periods and earn specified rates of interest. Funds in excess of \$250,000 FDIC coverage are collateralized by funds of the bank.
- Tex Pool is a public funds investment pool, rated AAAM and overseen by the State Comptroller's Office and administered and managed by Federated Investors.
- TexSTAR is a public funds investment pool, rated AAAM and administered by First Southwest Asset Management, Inc. and JP Morgan Fleming Investment Management, Inc.



**Liquidity** Ensuring funds are available to meet the cash flow needs of the City's operations.

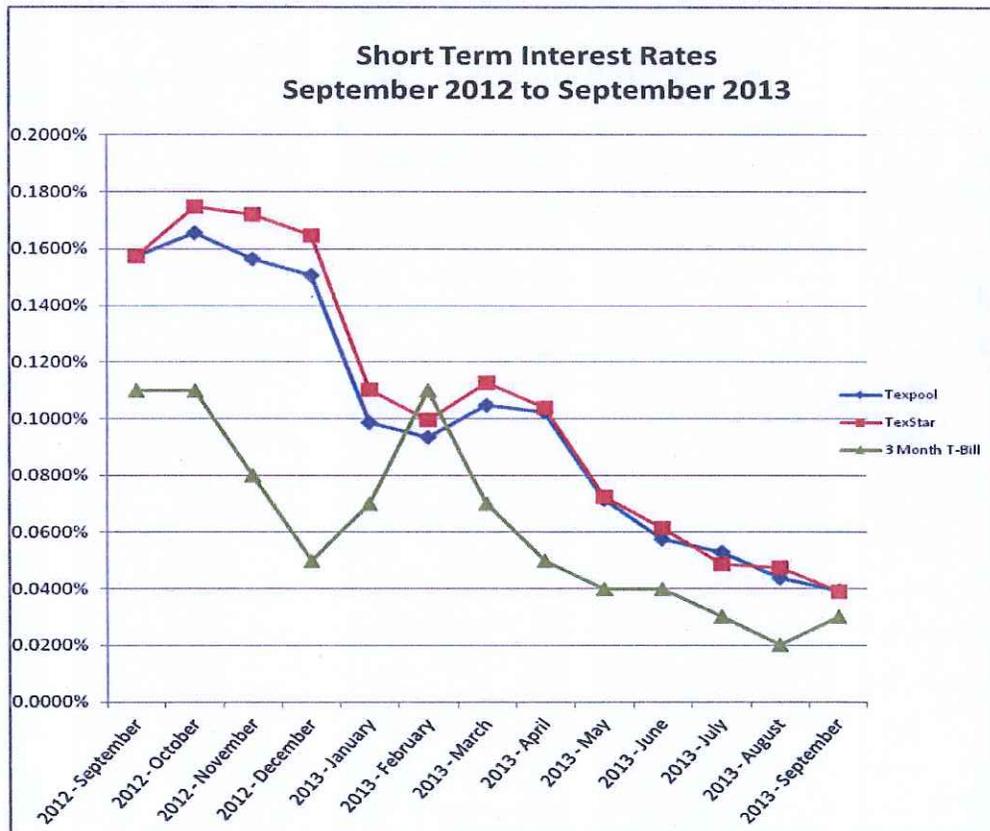
- Due to the state of investment returns, it has been difficult to attract higher rates by extending maturities. Therefore, as of September 30, 2013, approximately 92.51% of the City's investment portfolio was entirely liquid, in cash or investment pools.

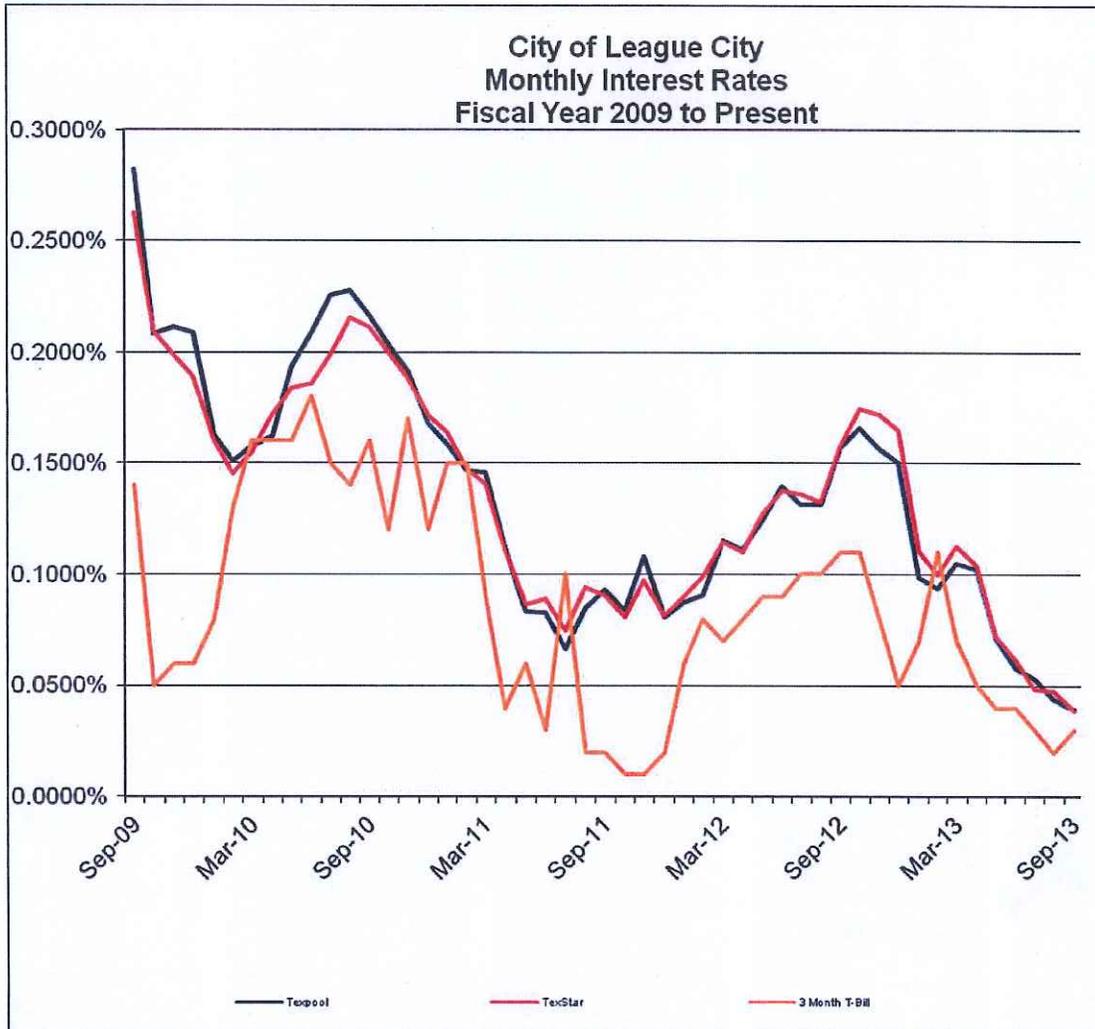
**Yield** Attaining a reasonable return without risking safety or liquidity needs.

- The yield outlook remains bleak, with the fed funds rate near 0%.

- As of September 30, 2013, the City has compared favorably to the benchmarks comparable to our investment strategy.

	<u>Sep-13</u>	<u>Jun-13</u>	<u>Mar-13</u>	<u>Dec-12</u>
Investment Earnings	\$ 28,254	\$ 42,708	\$ 55,279	\$ 81,027
City of League City Portfolio Return	0.0640%	0.0883%	0.1088%	0.1532%
<b>Benchmarks</b>				
TexPool	0.0454%	0.0771%	0.0989%	0.1576%
TexSTAR	0.0450%	0.0792%	0.1075%	0.1704%
3 month T Bill	0.0267%	0.0433%	0.0833%	0.0800%





Portfolio Activity for the Quarter

For the quarter, the total portfolio declined \$20.4 million. The change by fund type is as follows:

	<u>9/30/2013</u>	<u>6/30/2013</u>	<u>Change</u>
Major Operating Funds	\$37,091,557	\$43,505,191	\$(6,413,634)
Special Revenue Funds	5,722,105	5,523,940	198,165
Capital Project Funds	116,434,486	128,082,117	(11,647,631)
Internal Service Funds	2,132,660	2,257,550	(124,890)
Component Units	7,669,760	10,122,582	(2,452,822)
	<u>\$169,050,568</u>	<u>\$189,491,380</u>	<u>\$(20,440,812)</u>

The major funds show a decline in balance due to the cash flow cycle of the general fund. Property taxes are collected in the first two quarters of the fiscal year. These funds finance the general fund operations through the remainder of the year.

The capital project funds are also spending down as projects progress more quickly during the summer months.

**INVESTMENT ACTIVITY  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

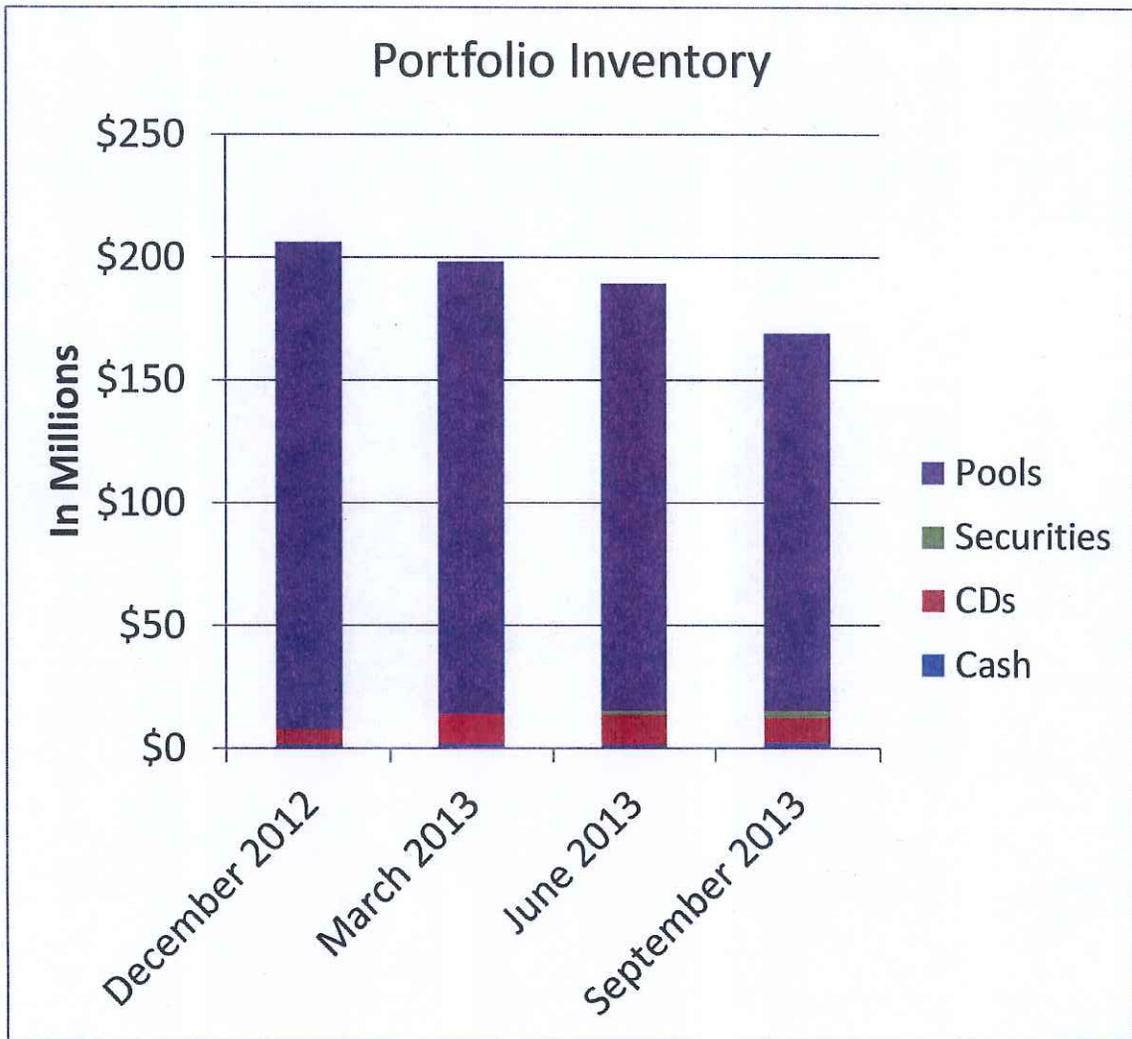
<u>Maturities</u>		<u>Purchases</u>	
CD - Amegy	\$ 5,040,277	Denton County	\$ 208,132
CD - Prosperity	1,052,833	FHLMC	700,000
		CD - Prosperity	1,053,895
		CD - Town North	250,000
		CD - Prosperity	3,000,000

**PORTFOLIO INVENTORY  
AT SEPTEMBER 30, 2013**

Investment Type	Maturity Date	Book Value 06/30/13	Market Value 06/30/13	Book Value 09/30/13	Market Value 09/30/13	Interest Rate
Cash	Open	\$ 1,412,266	\$ 1,412,266	\$ 2,267,870	\$ 2,267,870	0.0500%
TexPool	Open	126,305,525	126,305,525	110,273,342	110,273,342	0.0576%
TexSTAR	Open	48,241,540	48,241,540	43,855,223	43,855,223	0.0614%
FHLB - 04/22/13 3135G0VP5	10/22/2015	1,000,000	1,000,000	1,000,000	1,000,000	0.3750%
Alief ISD GO - 06/05/13 016249JF2	02/15/2015	430,514	429,084	428,886	426,153	0.4500%
Denton County GO - 08/01/13 248775L89	04/15/2016	-	-	206,525	206,026	0.7000%
FHLMC - 09/19/13 3134G4FK9	09/19/2016	-	-	700,000	700,000	1.0000%
CD Prosperity - 09/04/13	03/04/2015	1,052,833	1,052,833	1,053,895	1,053,895	0.4000%
CD Prosperity - 10/22/12	10/22/2013	5,008,721	5,008,721	5,013,091	5,013,091	0.3500%
CD Prosperity - 02/27/13	02/27/2014	1,000,988	1,000,988	1,001,736	1,001,736	0.3500%
CD Town North Bank - 08/26/13	08/26/2015	-	-	250,000	250,000	0.6000%
CD Prosperity - 09/17/13	09/17/2014	-	-	3,000,000	3,000,000	0.3500%
		<u>\$ 184,452,387</u>	<u>\$ 184,450,957</u>	<u>\$ 169,050,568</u>	<u>\$ 169,047,336</u>	

Weighted Maturity Average (WAM) for 09/30/13 is 21.30 days.

## Portfolio Inventory



CITY OF LEAGUE CITY  
MONTHLY INVESTMENT REPORT  
FOR THE MONTH ENDED JULY 31, 2013

Fund	Cash in Bank	Investment in TexPool	Investment in TexSTAR	Certificates of Deposit	(Book Value) Portfolio Investments	Total	Percent of Total Investments
<b>MAJOR FUNDS</b>							
General Fund	\$ 252,096	\$ 5,288,008	\$ 9,930,308	\$ 4,076,229	\$ -	\$ 19,546,642	10.52%
Debt Service	44,406	3,560,479	1,770,348	-	-	5,375,234	2.89%
W/WW Debt Service	49,157	2,220,785	1,260,355	-	-	3,530,297	1.90%
Water/Wastewater	252,400	8,581,630	3,849,061	2,015,597	1,429,966	16,128,652	8.68%
Subtotal Major Funds	\$ 598,059	\$ 19,650,902	\$ 16,810,072	\$ 6,091,826	\$ 1,429,966	\$ 44,580,825	23.99%
<b>SPECIAL REVENUE FUNDS</b>							
Police Activities Fund	\$ 179,245	\$ -	\$ -	\$ -	\$ -	\$ 179,245	0.10%
Animal Control Donation Fund	22,749	24,019	-	-	-	46,768	0.03%
Library Gift Fund	7,560	3,123	-	-	-	10,683	0.01%
Tree Preservation Fund	31,220	-	-	-	-	31,220	0.02%
Mun. Court Bldg Security Fund	2,495	21,261	-	-	-	23,757	0.01%
Emergency Mgmt Response Fd	7,166	48,629	-	-	-	55,795	0.03%
Mun. Court Technology Fund	8,236	4,071	-	-	-	12,308	0.01%
Hotel/Motel Tax	93,334	339,788	145,706	-	-	578,828	0.31%
SRL Grant	-	-	-	-	-	-	0.00%
Park Facilities & Maintenance	35,913	1,568,565	687,664	-	-	2,292,142	1.23%
Sidewalk Fund	3,252	111,550	-	-	-	114,802	0.06%
Safelight Fund	28,066	-	-	-	-	28,066	0.02%
Public Access Channel Fund	7,249	498,376	-	-	-	503,625	0.27%
Right of Way Fund	16,342	214,573	-	-	-	230,915	0.12%
Technology Fund	23,047	686,551	-	-	-	709,598	0.38%
Public Safety Tech Fund	44,815	-	-	-	-	44,815	0.02%
4B Industrial Dev Park Maint & Ops	167,889	701,155	-	-	-	869,045	0.47%
Subtotal Special Revenue Funds	\$ 678,578	\$ 4,219,661	\$ 833,370	\$ -	\$ -	\$ 5,731,609	3.08%
<b>CAPITAL PROJECT FUNDS</b>							
Water Capital Improvement	\$ 19,079	\$ 2,602,893	\$ 3,009,857	\$ -	\$ -	\$ 5,631,830	3.03%
Wastewater Capital Improvement	179,369	4,491,079	1,018,651	-	-	5,689,099	3.06%
Bayridge Utility District	4,748	3,258	-	-	-	8,006	0.00%
South Shore MUD #3	48,400	100,221	-	-	-	146,621	0.08%
South Shore MUD #2	46,825	951,961	-	-	-	998,786	0.54%
Misc Capital Project Fund	31,895	1,643,439	283,603	-	-	1,958,938	1.05%
W/W Capital Project Fund	106,019	1,237,732	892,926	-	-	2,236,677	1.20%
2008 Revenue Bonds	5,718	875,153	-	-	-	980,869	0.53%
2008 Certificates of Obligation	9,894	3,720,638	-	-	-	3,730,532	2.01%
2009 Revenue Bonds	8,666	8,696,095	45,448	-	-	8,750,209	4.71%
2009 Certificates of Obligation	10,026	8,655,063	-	-	-	8,665,089	4.66%
2011 Revenue Bond	4,466	-	4,637,973	-	-	4,642,439	2.50%
2011A Certificates of Obligation	8,850	20,183,512	-	5,013,091	-	25,205,453	13.57%
2012B Certificates of Obligation	10,467	-	19,887,317	1,000,988	-	20,898,772	11.25%
2011 Certificates of Obligation	9,641	1,231,590	-	-	-	1,241,231	0.67%
2012A Certificates of Obligation	14,527	33,432,419	-	-	-	33,446,946	18.00%
Subtotal Capital Project Funds	\$ 516,587	\$ 87,925,053	\$ 29,775,776	\$ 6,014,079	\$ -	\$ 124,231,494	66.86%
<b>INTERNAL SERVICE FUNDS</b>							
Motor Pool Fund	\$ 22,954	\$ 2,010,670	\$ 70,222	\$ -	\$ -	\$ 2,103,846	1.13%
Subtotal Internal Service Fund	\$ 22,954	\$ 2,010,670	\$ 70,222	\$ -	\$ -	\$ 2,103,846	1.13%
<b>COMPONENT UNITS</b>							
TIF #1-Magnolia Creek	\$ 35	\$ 2,268,694	\$ 83,675	\$ -	\$ -	\$ 2,352,404	1.27%
PID #1 Magnolia Creek	19,159	1,924,221	-	-	-	1,943,381	1.05%
TIF #2 Victory Lakes	30,274	3,737,942	670,418	-	-	4,438,634	2.39%
PID #2 Victory Lakes	28,451	5,390	-	-	-	33,841	0.02%
TIF #3 Centerpointe	15,904	-	-	-	-	15,904	0.01%
PID #3 Centerpointe	22,024	544	-	-	-	22,567	0.01%
TIF #4 Westwood	23,575	313,309	-	-	-	336,884	0.18%
PID #5 Park on Clear Creek	14,615	5,112	-	-	-	19,727	0.01%
Subtotal Component Units	\$ 154,038	\$ 8,255,211	\$ 754,093	\$ -	\$ -	\$ 9,163,342	4.93%
<b>TOTAL</b>	<b>\$ 1,970,216</b>	<b>\$ 122,061,496</b>	<b>\$ 48,243,534</b>	<b>\$ 12,105,905</b>	<b>\$ 1,429,966</b>	<b>\$ 185,811,116</b>	<b>100.00%</b>
Portfolio Diversification Ratio	1.06%	65.69%	25.96%	6.52%	0.77%	100.0%	
TexPool Average Yield Rate		0.0531%				\$ 5,038,993	09/16/2012
Texpool Interest Earned	\$	5,552				\$ 5,041,000	
						\$ 250,000	
TexSTAR Average Yield Rate		0.0487%				\$ 1,052,833	03/04/2012
TexSTAR Interest Earned	\$	1,994				\$ 5,013,091	10/22/2012
JPMorgan Chase Bank Collateral						\$ 1,000,988	02/27/2013
Par Value of Collateral	\$	3,000,000				\$ 7,066,912	
Market Value of Collateral	\$	2,995,133				\$ 10,527,595	
FDIC Insured	\$	250,000				\$ 250,000	
JPMorgan Chase Bank Sweep Account							
Bank Balance per Sweep Acct @0.05%	\$	1,884,242					
Par Value of Collateral	\$	1,823,363					
Market Value of Collateral	\$	1,921,924					

CITY OF LEAGUE CITY  
MONTHLY INVESTMENT REPORT  
FOR THE MONTH ENDED AUGUST 31, 2013

Fund	Cash in Bank	Investment in TexPool	Investment in TexSTAR	Certificates of Deposit	(Book Value) Portfolio Investments	Total	Percent of Total Investments
<b>MAJOR FUNDS</b>							
General Fund	\$ 181,038	\$ 3,698,866	\$ 9,930,708	\$ 4,076,229	\$ -	\$ 17,885,841	10.20%
Debt Service	39,775	1,200,732	1,770,420	250,000	-	3,260,926	1.86%
W/WW Debt Service	3,087	1,300,836	1,260,406	-	-	2,564,328	1.46%
Water/Wastewater	175	9,495,153	2,349,102	2,015,597	1,429,417	15,289,444	8.72%
Subtotal Major Funds	\$ 224,074	\$ 15,695,587	\$ 15,310,636	\$ 6,341,826	\$ 1,429,417	\$ 39,001,540	22.24%
<b>SPECIAL REVENUE FUNDS</b>							
Police Activities Fund	\$ 198,633	\$ -	\$ -	\$ -	\$ -	\$ 198,633	0.11%
Animal Control Donation Fund	20,208	24,020	-	-	-	44,227	0.03%
Library Gift Fund	6,808	3,123	-	-	-	9,929	0.01%
Tree Preservation Fund	31,222	-	-	-	-	31,222	0.02%
Mun. Court Bldg Security Fund	8,449	6,261	-	-	-	14,710	0.01%
Emergency Mgmt Response Fd	6,394	48,630	-	-	-	55,025	0.03%
Mun. Court Technology Fund	11,905	4,071	-	-	-	15,976	0.01%
Hotel/Motel Tax	39,786	339,801	205,715	-	-	585,281	0.33%
SRL Grant	65,707	-	-	-	-	65,707	0.04%
Park Facilities & Maintenance	26,037	1,388,619	687,682	-	-	2,102,348	1.20%
Sidewalk Fund	4,252	91,553	-	-	-	95,805	0.05%
Safelight Fund	28,536	-	-	-	-	28,538	0.02%
Public Access Channel Fund	59,054	496,396	-	-	-	555,450	0.32%
Right of Way Fund	37,393	214,581	-	-	-	251,975	0.14%
Technology Fund	23,048	686,577	-	-	-	709,626	0.40%
Public Safety Tech Fund	93,536	-	-	-	-	93,536	1.19%
4B Industrial Dev Park Maint & Ops	19,841	690,489	-	-	206,736	907,066	0.52%
Subtotal Special Revenue Funds	\$ 660,788	\$ 3,984,123	\$ 893,406	\$ -	\$ 206,736	\$ 5,765,054	3.29%
<b>CAPITAL PROJECT FUNDS</b>							
Water Capital Improvement	\$ 73,200	\$ 2,682,998	\$ 3,009,979	\$ -	\$ -	\$ 5,766,176	3.29%
Wastewater Capital Improvement	38,809	3,191,203	2,608,756	-	-	5,838,768	3.33%
Bayridge Utility District	4,748	3,258	-	-	-	8,006	0.00%
South Shore MUD #3	46,401	100,225	-	-	-	146,626	0.08%
South Shore MUD #2	46,827	951,998	-	-	-	998,825	0.57%
Misc Capital Project Fund	5,372	1,643,503	283,615	-	-	1,932,490	1.10%
W/W Capital Project Fund	36,061	1,302,066	892,962	-	-	2,231,089	1.27%
2008 Revenue Bonds	7,358	925,189	-	-	-	932,547	0.53%
2008 Certificates of Obligation	14,867	3,560,777	-	-	-	3,575,644	2.04%
2009 Revenue Bonds	6,315	6,550,252	45,450	-	-	6,602,017	3.77%
2009 Certificates of Obligation	10,592	8,295,387	-	-	-	8,305,979	4.74%
2011 Revenue Bond	21,626	-	4,548,209	-	-	4,569,835	2.61%
2011A Certificates of Obligation	14,757	19,505,568	-	5,013,840	-	24,534,164	13.99%
2012B Certificates of Obligation	7,114	-	19,828,116	1,000,988	-	20,836,217	265.91%
2011 Certificates of Obligation	11,545	1,161,635	-	-	-	1,173,181	0.67%
2012A Certificates of Obligation	1,500	33,088,319	-	-	-	33,089,819	422.03%
Subtotal Capital Project Funds	\$ 347,090	\$ 62,942,381	\$ 31,217,085	\$ 6,014,828	\$ -	\$ 120,521,383	68.74%
<b>INTERNAL SERVICE FUNDS</b>							
Motor Pool Fund	\$ 32,319	\$ 2,110,752	\$ 70,225	\$ -	\$ -	\$ 2,213,296	1.26%
Subtotal Internal Service Fund	\$ 32,319	\$ 2,110,752	\$ 70,225	\$ -	\$ -	\$ 2,213,296	1.26%
<b>COMPONENT UNITS</b>							
TIF #1-Magnolia Creek	\$ 2,023	\$ 2,258,782	\$ 83,679	\$ -	\$ -	\$ 2,344,484	1.34%
PID #1 Magnolia Creek	31,212	1,924,297	-	-	-	1,955,509	1.12%
TIF #2 Victory Lakes	30,275	2,385,034	670,445	-	-	3,085,754	1.76%
PID #2 Victory Lakes	31,468	5,390	-	-	-	36,857	0.02%
TIF #3 Centerpointe	15,905	-	-	-	-	15,905	0.01%
PID #3 Centerpointe	18,124	544	-	-	-	18,668	0.01%
TIF #4 Westwood	23,576	313,321	-	-	-	336,897	0.19%
PID #5 Park on Clear Creek	36,694	5,112	-	-	-	41,807	0.02%
Subtotal Component Units	\$ 189,278	\$ 6,892,479	\$ 754,123	\$ -	\$ -	\$ 7,835,880	4.47%
<b>TOTAL</b>	<b>\$ 1,473,549</b>	<b>\$ 111,625,321</b>	<b>\$ 48,245,476</b>	<b>\$ 12,356,653</b>	<b>\$ 1,636,153</b>	<b>\$ 175,337,153</b>	<b>100.00%</b>
Portfolio Diversification Ratio	0.84%	63.66%	27.52%	7.05%	0.93%	100.0%	
TexPool Average Yield Rate		0.0437%					
Texpool Interest Earned	\$	4,360		Amegy Certificate of Deposit	\$ 5,038,993	09/16/2012	
				Market Value Collateral	\$ 5,041,000		
				FDIC Insured	\$ 250,000		
TexSTAR Average Yield Rate		0.0474%					
TexSTAR Interest Earned	\$	1,942		Wells Fargo Certificate of Deposit	\$ 250,000	08/26/2013	
				Market Value Collateral	\$ -		
				FDIC Insured	\$ 250,000		
JPMorgan Chase Bank Collateral							
Par Value of Collateral	\$	3,000,000					
Market Value of Collateral	\$	2,992,851					
FDIC Insured	\$	250,000		Prosperity Certificate of Deposit	\$ 1,052,833	03/04/2012	
				Prosperity Certificate of Deposit	\$ 5,013,091	10/22/2012	
				Prosperity Certificate of Deposit	\$ 1,001,736	02/27/2013	
				Total - Prosperity	\$ 7,067,661		
JPMorgan Chase Bank Sweep Account				Market Value Collateral	\$ 10,223,853		
Bank Balance per Sweep Acct @0.05%	\$	1,742,290		FDIC Insured	\$ 250,000		
Par Value of Collateral	\$	1,713,470					
Market Value of Collateral	\$	1,777,125					

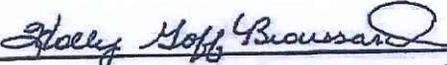


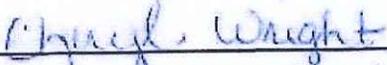
Government Treasurers' Organization of Texas  
**Certification of Investment Policy**

Presented to

*City of League City*

for developing an investment policy that meets the requirements of the Public Funds Investment Act and the standards for prudent public investing established by the Government Treasurers' Organization of Texas.

  
\_\_\_\_\_  
Government Treasurers' Organization of Texas  
President

  
\_\_\_\_\_  
Investment Policy Review Committee  
Chairperson

**For the two-year period ending September 30, 2015**