



## **AGENDA**

**City of Texarkana, Texas  
Regular Meeting of the Investment Committee  
Monday, November 11, 2013 at 2:00 P.M.  
Municipal Building, 220 Texas Blvd., Texarkana, TX 75501**

### **COMMITTEE MEMBERS**

- Council Member (appointed by the Mayor) Bob Bruggeman, Mayor
- City CEO/Manager John Whitson (or designee) \_\_\_\_\_
- City CFO/Finance Director Charles L. Bassett, Jr.
- City Financial Services Manager Kristin Peebles
- WU Finance Director Jim Cornelius
- WU Accounting/Human Resources Manager Paula Jeans

### **OTHER ATTENDEES**

- City Controller/Accounting Manager Jodie Lee
- Investment Advisor - Valley View Consulting Dick Long (via conference call)

#### **A. CALL TO ORDER** (General Comments)

#### **B. MINUTES**

1. Consider approval of the minutes of the Investment Committee meeting on July 22, 2013.

#### **C. NEW BUSINESS**

1. Receive a presentation of the Quarterly Investment Report for the period ending September 30, 2013, and take action as necessary.
2. Review the Collateral Report for the period ending September 30, 2013.
3. Execute Investment Report cover page.
4. Discuss the market outlook and appropriate investment strategy.
5. Discuss WF agreement requirements for WU balances.
6. Discuss City & WU utilization of GBB balance capacity to \$25 million cap.
7. Discuss bank documentation status.

8. Schedule the next Investment Committee meeting on 2/17/14.
9. Other.

**D. ADJOURNMENT**

Attachments:

- Minutes
- Investment Report
- Collateral Report
- Market Outlook

## Investment Committee Meeting July 22, 2013

---

Present: Kristin Peeples, Financial Services Manager  
Charles L. Bassett, Jr., Chief Financial Officer  
John Whitson, City Manager  
Bill Koch, Valley View Consulting

Absent: Bob Bruggeman, Mayor  
Jim Cornelius, Interim Finance Director, TWU  
Jodie Lee, Controller/Accounting Manager  
Paula Jeans, Accounting/HR Manager, TWU

- John Whitson made a motion to approve the minutes from the May 6, 2013 meeting. Kristin Peeples seconded the motion.
- Bill Koch presented the investment report for the quarter ended June 30, 2013 and noted the following:
  - Money market accounts compiled 95% of the portfolio
  - Certificates of deposit compiled 5% of the portfolio
- Kristin Peeples made a motion to approve the quarterly report for the quarter ended June 30, 2013. John Whitson seconded the motion.
- John Whitson made a motion to accept the collateral report for the quarter ended June 30, 2013. Kristin Peeples seconded the motion.
- It was noted that a change needed to be made to the TIB reference on the Guaranty Bond Bank Depository Services Agreement. It should say Federal Home Loan Bank.
  - Bill Koch will make the change and re-circulate to everyone for signature
  - The committee discussed the possibility of setting up a conference call with Steve Bledsoe at GBB for Bill to explain what has happened and to get everything finalized
- The Wells Fargo extension agreement expires July 31, 2013
  - Valley View will draft a new agreement
- Investment Policy and Council recommendation will be handled at the August 12, 2013 council meeting
  - Changes are small
  - Nothing that increases the risk of scope
  - Kristin Peeples made a motion to approve the changes to the Investment Policy as presented. John Whitson seconded the motion.
  - John Whitson made a motion to approve the changes to the broker/dealer list. Kristin Peeples seconded the motion.
- The committee discussed placing a nominal amount in the pools to keep them open

- The next investment committee meeting is scheduled for November 11, 2013 at 2:00 PM
- John Whitson made a motion to adjourn. Kristin Peebles seconded the motion.

# City of Texarkana, Texas


## QUARTERLY INVESTMENT REPORT

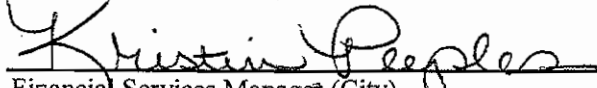
For the Quarter Ended  
September 30, 2013

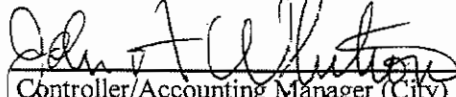
Prepared by

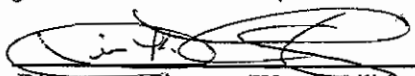
Valley View Consulting, L.L.C.


The investment portfolio of the City of Texarkana, TX is in compliance with the Public Funds Investment Act and the Investment Policy and Strategies.

  
CFO/Finance Director (City)

  
Financial Services Manager (City)

  
Controller/Accounting Manager (City)

  
Director of Finance (Water Utilities Department)

  
Accounting/Human Resources Manager (Water Utilities Department)

**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.

## City of Texarkana, Texas Annual Comparison of Portfolio Performance

The Federal Open Market Committee (FOMC) maintained the Fed Funds target range between 0.00% and 0.25% (actual Fed Funds traded +/- 10 bps). The FOMC shifted the Quantitative Easing (QE3) focus to target unemployment below 6.5% and inflation between 2.0% and 2.5%. International and domestic economic and employment data posted modest but erratic growth. Overall US economic activity remains low to moderate with GDP +/-2.0%. The US stock markets maintained their bullish tone, pushing to new highs. During the summer the FOMC discussed a tapered reduction of the monthly QE3 security purchases - although they chose not to at the September meeting. The market reacted quickly by pushing interest rates higher. The partial Federal Government shutdown and debt ceiling issues have increased uncertainty. Financial institution deposits and laddering targeted cash flows still provide the best interest earnings opportunity.

### FYE Results by Investment Category:

<u>Asset Type</u>	<u>September 30, 2013</u>			<u>September 30, 2012</u>		
	<u>Ave. Yield</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Ave. Yield</u>	<u>Book Value</u>	<u>Market Value</u>
DDA/MMA/Pools	0.30%	\$ 32,227,931	\$ 32,227,931	0.49%	\$ 34,020,277	\$ 34,020,277
CDs/Securities	0.33%	3,780,276	3,780,276	0.40%	4,773,266	4,773,266
<b>Totals</b>		<b>\$ 36,008,206</b>	<b>\$ 36,008,206</b>		<b>\$ 38,793,544</b>	<b>\$ 38,793,544</b>

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Total Portfolio	0.38%	0.43%	-0.06%
Rolling Three Mo. Treas. Yield	0.07%	0.07%	0.00%
Rolling Six Mo. Treas. Yield	0.11%	0.11%	0.00%
Quarterly TexPool Yield	0.09%	0.12%	-0.04%

(1) Average Yield calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

(2) Fiscal Year-to-Date Average Yields calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

**Strategy Summary:**

The Federal Open Market Committee (FOMC) maintained the Fed Funds target range between 0.00% and 0.25% (actual Fed Funds traded <10 bps). The FOMC continued Quantitative Easing (QE3), but openly discussed the potential tapering of the monthly security purchases. The fixed income market reacted quickly, raising 10 year rates over 1.00% to +/-2.75%. Mortgage rates also jumped quickly and dramatically. Domestic employment posted erratic, uninspiring growth. Overall economic activity remains moderate with second quarter GDP of 2.5%. The US stock markets touched new highs. The partial Federal Government shut down and debt ceiling cap increase uncertainty. Financial institution deposits and laddering targeted cash flows still provide the best interest earnings opportunity.

**Quarter End Results by Investment Category:**

<u>Asset Type</u>	<u>Ave. Yield</u>	<u>September 30, 2013</u>		<u>June 30, 2013</u>	
		<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>
DDA/MMA/Pools	0.30%	\$ 32,227,931	\$ 32,227,931	\$ 37,370,017	\$ 37,370,017
CDs/Securities	0.40%	3,780,276	3,780,276	1,827,342	1,827,342
<b>Totals</b>		<b>\$ 36,008,206</b>	<b>\$ 36,008,206</b>	<b>\$ 39,197,359</b>	<b>\$ 39,197,359</b>

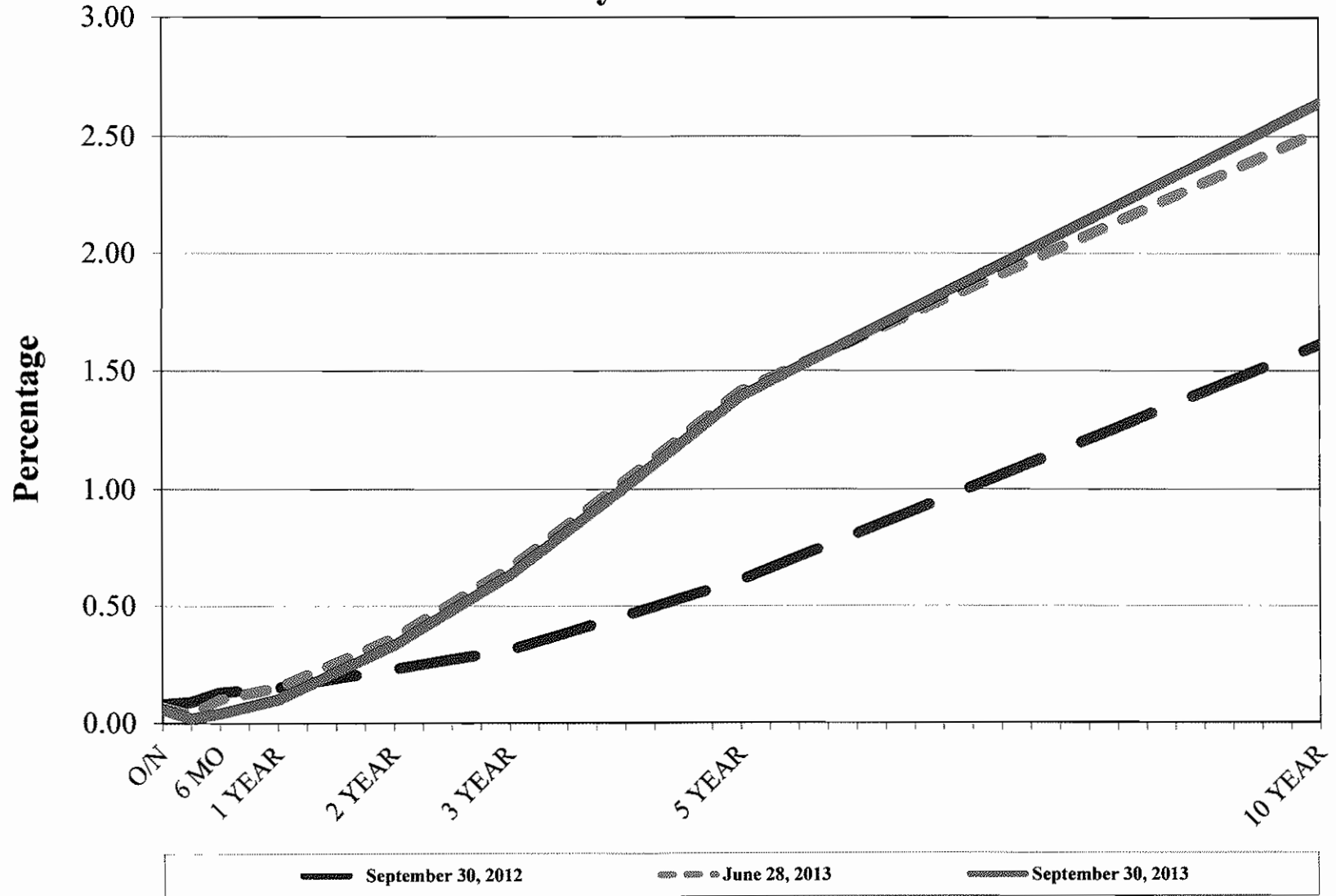
<u>Average Yield (1)</u>		<u>Fiscal Year-to-Date Average Yield (2)</u>	
Total Portfolio	0.31%	Total Portfolio	0.38%
Rolling Three Mo. Treas. Yield	0.03%	Rolling Three Mo. Treas. Yield	0.07%
Rolling Six Mo. Treas. Yield	0.08%	Rolling Six Mo. Treas. Yield	0.11%
		Quarterly TexPool Yield	0.09%
Quarterly Interest Income	\$ 36,036		
Year-to-date Interest Income	\$ 164,413		

(1) Average Yield calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

(2) Fiscal Year-to-Date Average Yields calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

Valley View Consulting, L.L.C. currently provides advisory services to the City.

# Treasury Yield Curves

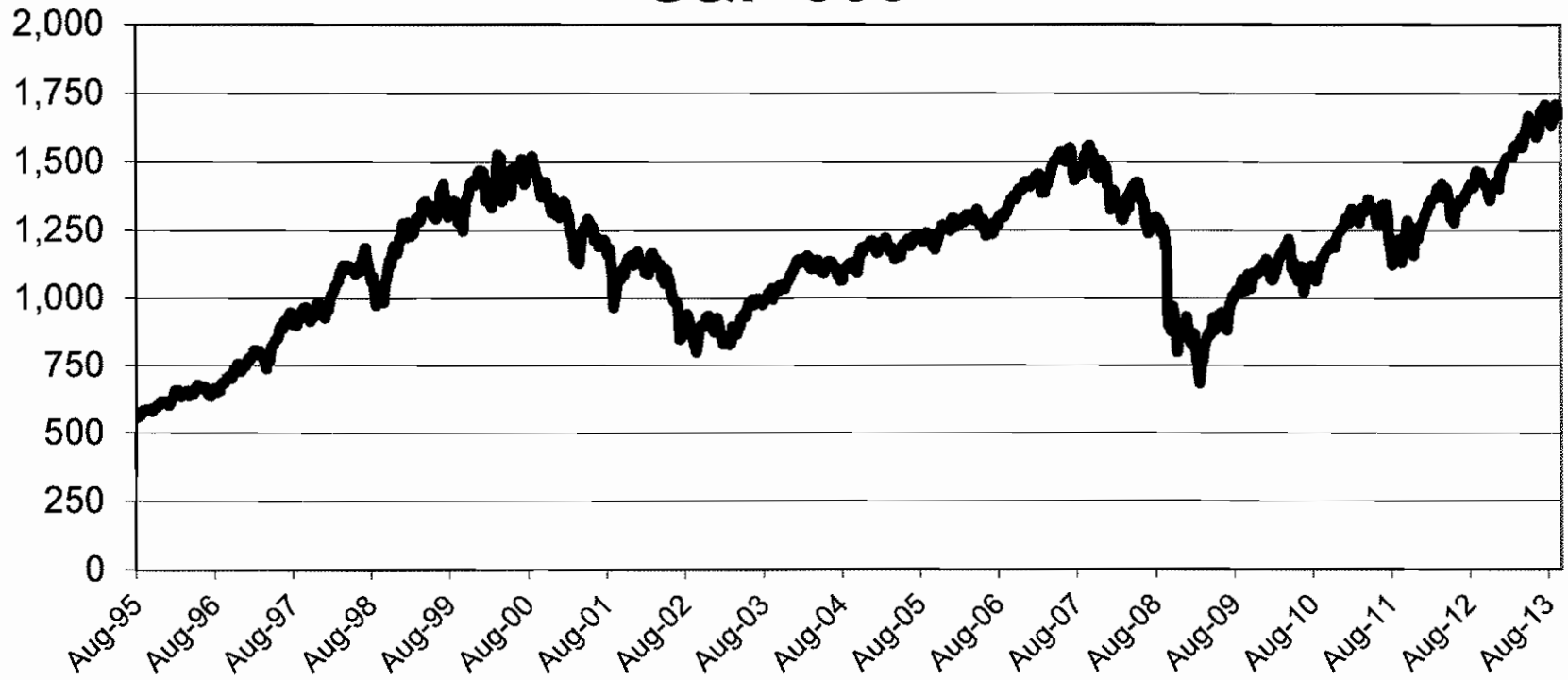




### US Treasury Historical Yields



# S&P 500



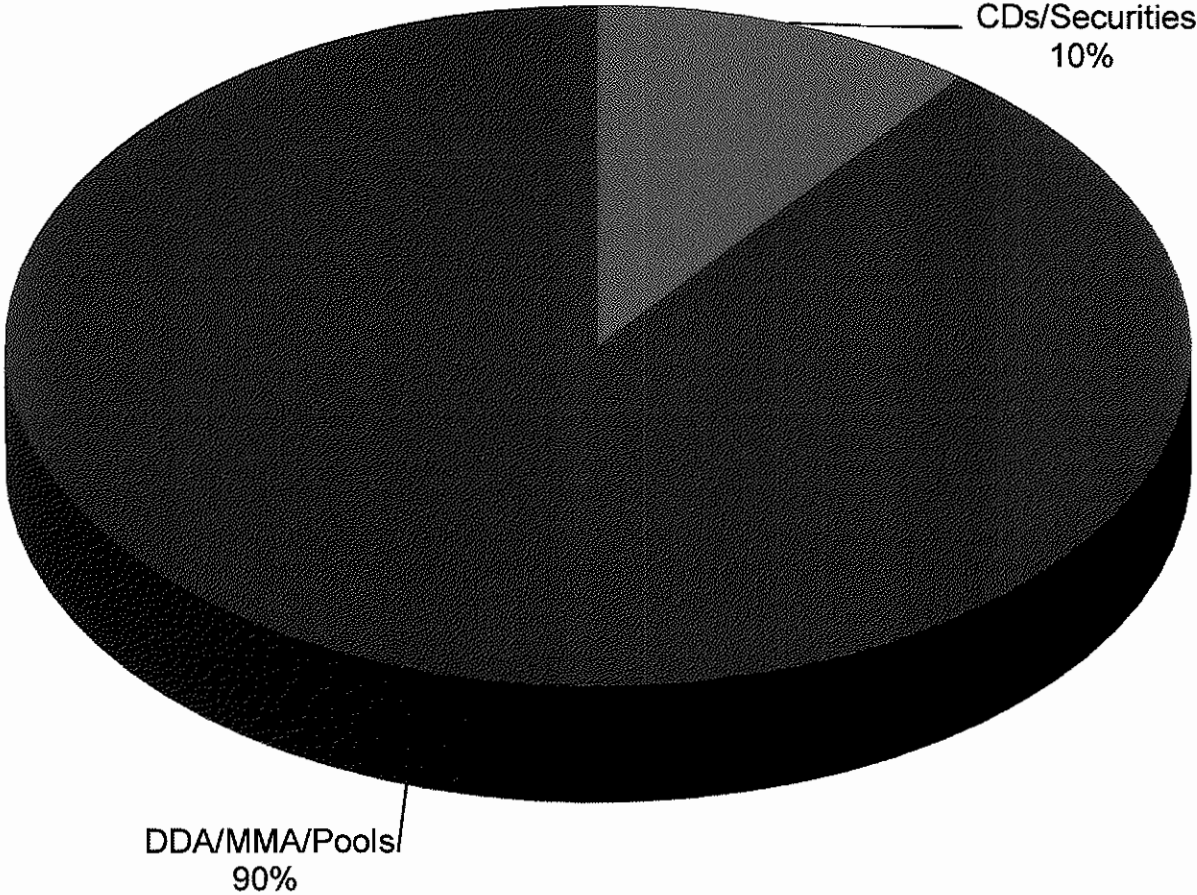
## Detail of Investment Holdings September 30, 2013

Description	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield
Wells Fargo MMA	0.42%	10/01/13	09/30/13	8,180,567	8,180,567.49	1.00	8,180,567	1	0.42%
Guaranty Bond MMA	0.30%	10/01/13	09/30/13	14,043,130	14,043,130.33	1.00	14,043,130	1	0.30%
Southside Bank MMA	0.19%	10/01/13	09/30/13	10,004,233	10,004,233	1.00	10,004,233	1	0.19%
Commercial National Bank CD	0.25%	03/04/14	09/04/13	500,000	500,000	100.00	500,000	155	0.25%
Commercial National Bank CD	0.25%	03/04/14	09/04/13	500,000	500,000	100.00	500,000	155	0.25%
Commercial National Bank CD	0.40%	04/26/14	04/26/13	1,280,276	1,280,276	100.00	1,280,276	208	0.40%
Commercial National Bank CD	0.40%	09/04/14	09/04/13	500,000	500,000	100.00	500,000	339	0.40%
Commercial National Bank CD	0.55%	03/04/15	09/04/13	1,000,000	1,000,000	100.00	1,000,000	520	0.55%
				<b>\$ 36,008,206</b>	<b>\$ 36,008,206</b>		<b>\$ 36,008,206</b>	<b>32</b>	<b>0.31%</b>
								<b>(1)</b>	<b>(2)</b>

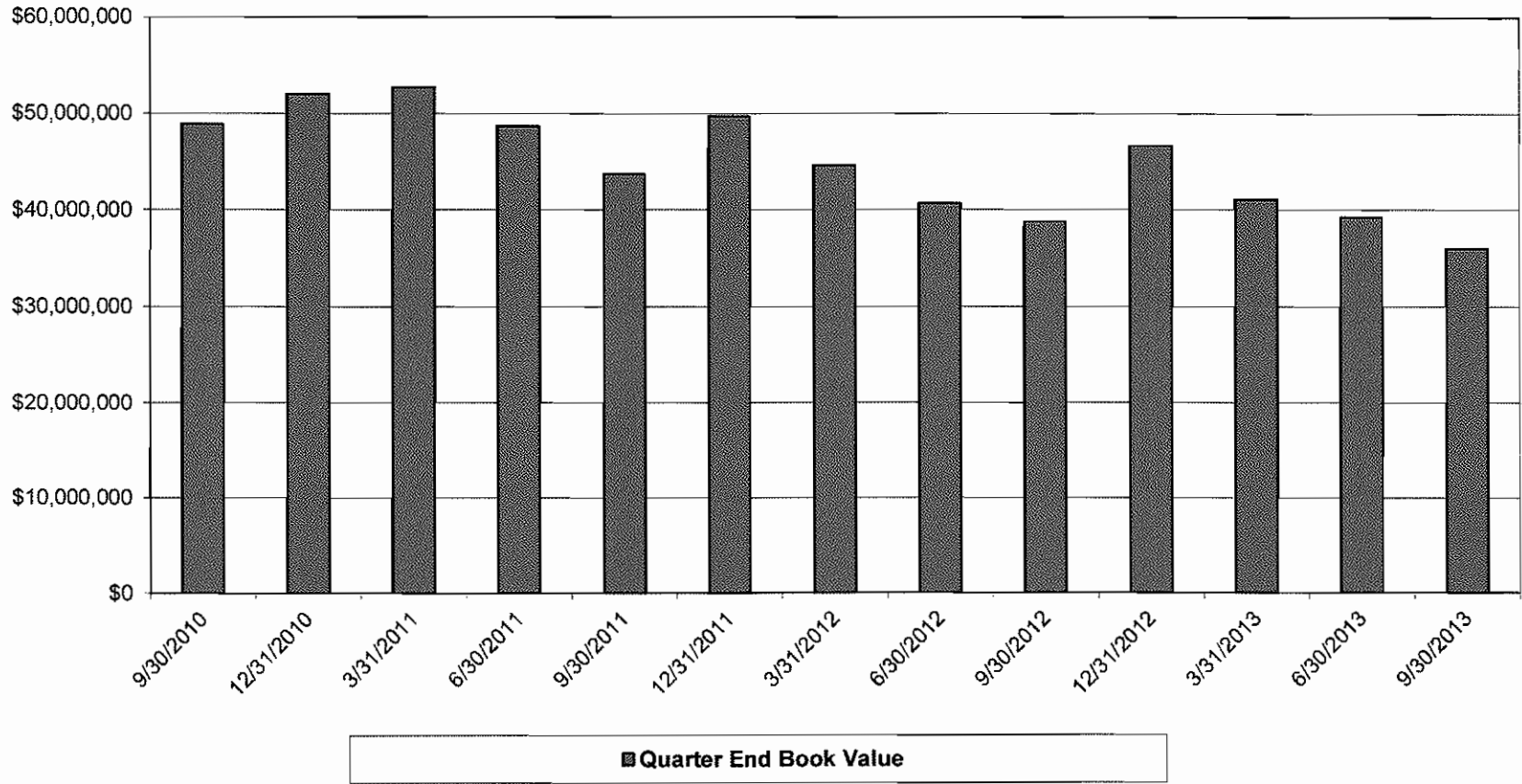
(1) **Weighted average life** - For purposes of calculating weighted average life, cash equivalent investments are assumed to have a one day maturity.

(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 cash equivalent investments.

# Portfolio Composition



# Total Portfolio



## Book Value Comparison

Description	Coupon/ Discount	Maturity Date	June 30, 2013		Purchases/ Adjustments	Sales/Adjust/ Maturities	September 30, 2013	
			Par Value	Book Value			Par Value	Book Value
Wells Fargo DDA	0.00%	10/01/13	\$ 426,017	\$ 426,017	\$ -	\$ (426,017)	\$ -	\$ -
Wells Fargo MMA	0.42%	10/01/13	11,781,086	11,781,086		(3,600,519)	8,180,567	8,180,567
Guaranty Bond MMA	0.30%	10/01/13	15,163,643	15,163,643		(1,120,513)	14,043,130	14,043,130
Southside Bank MMA	0.19%	10/01/13	9,999,271	9,999,271	4,962		10,004,233	10,004,233
Wells Fargo CD	0.34%	07/07/13	100,000	100,000		(100,000)		
Guaranty Bond CD	0.70%	08/01/13	448,342	448,342		(448,342)		
Commercial National Bank CD	0.25%	03/04/14			500,000		500,000	500,000
Commercial National Bank CD	0.25%	03/04/14			500,000		500,000	500,000
Commercial National Bank CD	0.40%	04/26/14	1,279,000	1,279,000	1,276		1,280,276	1,280,276
Commercial National Bank CD	0.40%	09/04/14			500,000		500,000	500,000
Commercial National Bank CD	0.55%	03/04/15			1,000,000		1,000,000	1,000,000
<b>TOTAL</b>			<b>\$ 39,197,359</b>	<b>\$ 39,197,359</b>	<b>\$ 2,506,237</b>	<b>\$ (5,695,390)</b>	<b>\$ 36,008,206</b>	<b>\$ 36,008,206</b>

## Market Value Comparison

Description	Coupon/ Discount	Maturity Date	June 30, 2013		Qtr to Qtr Change	September 30, 2013	
			Par Value	Market Value		Par Value	Market Value
Wells Fargo DDA	0.00%	10/01/13	\$ 426,017	\$ 426,017	\$ (426,017)	\$ -	\$ -
Wells Fargo MMA	0.42%	10/01/13	11,781,086	11,781,086	(3,600,519)	8,180,567	8,180,567
Guaranty Bond MMA	0.30%	10/01/13	15,163,643	15,163,643	(1,120,513)	14,043,130	14,043,130
Southside Bank MMA	0.19%	10/01/13	9,999,271	9,999,271	4,962	10,004,233	10,004,233
Wells Fargo CD	0.34%	07/07/13	100,000	100,000	(100,000)		
Guaranty Bond CD	0.70%	08/01/13	448,342	448,342	(448,342)		
Commercial National Bank CD	0.25%	03/04/14			500,000	500,000	500,000
Commercial National Bank CD	0.25%	03/04/14			500,000	500,000	500,000
Commercial National Bank CD	0.40%	04/26/14	1,279,000	1,279,000	1,276	1,280,276	1,280,276
Commercial National Bank CD	0.40%	09/04/14			500,000	500,000	500,000
Commercial National Bank CD	0.55%	03/04/15			1,000,000	1,000,000	1,000,000
<b>TOTAL</b>			<b>\$ 39,197,359</b>	<b>\$ 39,197,359</b>	<b>\$ (3,189,153)</b>	<b>\$ 36,008,206</b>	<b>\$ 36,008,206</b>

City Fund Allocation  
Book & Market Value

Fund #	Fund Name	Total	Guaranty Bond MMA	Southside Bank MMA	0.25 CNB CD 9/4/13-3/4/14	0.25 CNB CD 9/4/13-3/4/14	0.40 CNB CD 4/26/13 - 4/13/14	0.40 CNB CD 9/4/13 - 9/4/14	0.55 CNB CD 9/4/13 - 3/4/15
101	GENERAL FUND - Pooled Cash	\$ 10,360,877	\$ 7,360,378	\$ -	\$ 500,000	\$ 500,000	\$ 500,499	\$ 500,000	\$ 1,000,000
102	NARCOTICS DIVISION OPERATIONS ACCT.	187,278	187,278						
111	POLICE EVIDENCE ESCROW FUND	23,498	23,498						
113	ENERGY CONSERVATION REVOLVING LOAN ACCOUNT	22,470	22,470						
116	TIRZ #2	101,154	101,154						
213	PEROT THEATRE BLDG MAINT	500,499					500,499		
217	LAW ENFORCEMENT BLOCK GRANT	1,175	1,175						
219	LAW ENFORCEMENT PROGRAM	10,085	10,085						
415	2003 BOND FUND	624,623	624,623						
417	2005 BOND FUND	740,543	711,514				29,029		
420	2009 BOND FUND	8,410,058	552,637	7,607,171			250,249		
421	2010 CONV CTR BOND FUND	(270,705)	(270,705)						
422	TIRZ BOND FUND	3,573,992	1,176,930	2,397,062					
601	DRUG ESCROW	35,717	35,717						
605	FEDERAL ASSET FORFEITURE	107,783	107,783						
702	BENEFIT PAYMENT	(5,382)	(5,382)						
	<b>TOTAL</b>	<b>\$ 24,423,664</b>	<b>\$ 10,639,156</b>	<b>\$ 10,004,233</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ 1,280,276</b>	<b>\$ 500,000</b>	<b>\$ 1,000,000</b>

City Fund Allocation  
Book & Market Value

June 30, 2013

Fund #	Fund Name	Total	Wells Fargo DDA	Wells Fargo MMA	Guaranty Bond DDA	Guaranty Bond MMA	Southside Bank MMA	Guaranty Bond CD 8/1/12 - 8/1/13	CNB CD 4/26/13 - 4/13/14
101	GENERAL FUND - Pooled Cash	\$ 13,850,722	\$ 426,017	\$ 5,631,566	\$ -	\$ 7,293,139	\$ -	\$ -	\$ 500,000
102	NARCOTICS DIVISION OPERATIONS ACCT.	184,839				184,839			
111	POLICE EVIDENCE ESCROW FUND	23,515				23,515			
113	ENERGY CONSERVATION REVOLVING LOAN ACCOUNT	21,635				21,635			
116	TIRZ #2	4,402				4,402			
213	PEROT THEATRE BLDG MAINT	500,000							500,000
217	LAW ENFORCEMENT BLOCK GRANT	19,967				19,967			
219	LAW ENFORCEMENT PROGRAM	10,078				10,078			
410	1998 BOND FUND	3				3			
415	2003 BOND FUND	645,850				645,850			
417	2005 BOND FUND	739,800				262,458	448,342		29,000
420	2009 BOND FUND	8,042,521				189,123	7,603,398		250,000
421	2010 CONV CTR BOND FUND	7				7			
422	TIRZ BOND FUND	3,897,035				1,501,162	2,395,873		
601	DRUG ESCROW	35,826				35,826			
605	FEDERAL ASSET FORFEITURE	105,963				105,963			
	<b>TOTAL</b>	<b>\$ 28,142,713</b>	<b>\$ 426,017</b>	<b>\$ 5,631,566</b>	<b>\$ -</b>	<b>\$ 10,358,517</b>	<b>\$ 9,999,271</b>	<b>\$ 448,342</b>	<b>\$ 1,279,000</b>



**Water Fund Allocation  
September 30, 2013**

<b>Book &amp; Market Value</b>	<b>Total</b>	<b>Revenue</b>	<b>Customer Loan</b>	<b>Water Plant Construction</b>	<b>Technology</b>	<b>2004 Bond</b>	<b>2004 Construction</b>	<b>2005 Bond</b>	<b>2013 Bond</b>	<b>2013 Construction</b>
Wells Fargo MMA	\$ 8,180,567	\$ 9,901	\$ -	\$ -	\$ 61	\$ -	\$ -	\$ -	\$ -	\$ -
Guaranty Bond MMA	3,403,974	951,505	39,743	45	488,235	32,436	2,898	34,344	4,481	145,591
	<b>\$ 11,584,542</b>	<b>\$ 961,406</b>	<b>\$ 39,743</b>	<b>\$ 45</b>	<b>\$ 488,296</b>	<b>\$ 32,436</b>	<b>\$ 2,898</b>	<b>\$ 34,344</b>		<b>\$ 145,591</b>

**Water Fund Allocation  
September 30, 2013**

<b>Book &amp; Market Value</b>	<b>LTWSC Capital Improvement</b>	<b>Capital Improvement</b>	<b>Compost</b>	<b>Customer Deposit</b>	<b>Equipment Acquisition</b>	<b>Infrastructure</b>	<b>Personnel</b>	<b>Reserve</b>	<b>WWTP Depreciation</b>	<b>Waggoner Creek CIP</b>
Wells Fargo MMA	\$ 670,596	\$ 974,488	\$ 359,803	\$ 632,442	\$ 668,065	\$ 1,764,374	\$ 16	\$ 675,643	\$ 476,762	\$ 1,948,417
Guaranty Bond MMA	177,481	458,233	147,696	40,630	196,235	160,035	172,148	22,103	19,297	310,837
	<b>\$ 848,077</b>	<b>\$ 1,432,721</b>	<b>\$ 507,500</b>	<b>\$ 673,071</b>	<b>\$ 864,300</b>	<b>\$ 1,924,410</b>	<b>\$ 172,164</b>	<b>\$ 697,746</b>	<b>\$ 496,059</b>	<b>\$ 2,259,254</b>

**Water Fund Allocation  
June 30, 2013**

<b>Book &amp; Market Value</b>	<b>Total</b>	<b>Revenue</b>	<b>Customer Loan</b>	<b>Water Plant Construction</b>	<b>Technology</b>	<b>2004 Bond</b>	<b>2004 Construction</b>	<b>2005 Bond</b>	<b>LTWSC Capital Improvement</b>	<b>Capital Improvement</b>
Wells Fargo MMA	\$ 6,149,520	\$ 669,338					\$ 3		\$ 569,780	\$ 786,042
Guaranty Bond MMA	4,454,551	309,773	39,541	45	353,651	26,991	3,494	115,476	810,223	
07/07/13	100,000									
	<b>\$ 11,054,646</b>	<b>\$ 979,111</b>	<b>\$ 39,541</b>	<b>\$ 45</b>	<b>\$ 353,651</b>	<b>\$ 26,991</b>	<b>\$ 3,496</b>	<b>\$ 115,476</b>	<b>\$ 1,380,003</b>	<b>\$ 786,042</b>

**Water Fund Allocation  
June 30, 2013**

<b>Book &amp; Market Value</b>	<b>Compost</b>	<b>Customer Deposit</b>	<b>Equipment Acquisition</b>	<b>Infrastructure</b>	<b>Personnel</b>	<b>Reserve</b>	<b>WWTP Depreciation</b>	<b>Waggoner Creek CIP</b>
Wells Fargo MMA	\$ 309,420	\$ 256,792	\$ 644,810	\$ 1,262,637	\$ 87,978		\$ 450,799	\$ 1,111,921
Guaranty Bond MMA	113,861	429,876	191,596	568,326	79,407	697,048	24,247	1,041,572
07/07/13		100,000						
	<b>\$ 423,281</b>	<b>\$ 786,668</b>	<b>\$ 836,406</b>	<b>\$ 1,830,964</b>	<b>\$ 167,385</b>	<b>\$ 697,048</b>	<b>\$ 475,046</b>	<b>\$ 2,153,493</b>

## Collateral Position

September 30, 2013

	CITY				WATER UTILITY	
	Wells Fargo	Guaranty Bond	Southside Bank	Commercial National Bank	Wells Fargo	Guaranty Bond
Collateral Value	\$ 8,215,722	\$ 12,850,768	\$ 10,051,018	\$ 3,802,058	\$ 9,142,513	\$ 4,463,541
+ FDIC Insurance	-	252,195	250,000	250,000	250,000	250,000
<b>Total Enhancement</b>	<b>\$ 8,215,722</b>	<b>\$ 13,102,963</b>	<b>\$ 10,301,018</b>	<b>\$ 4,052,058</b>	<b>\$ 9,392,513</b>	<b>\$ 4,713,541</b>
Total Deposits	\$ -	\$ 10,639,156	\$ 10,004,233	\$ 3,780,276	\$ 8,180,567	\$ 3,403,974
<b>Excess Coverage</b>	<b>\$ 8,215,722</b>	<b>\$ 2,463,807</b>	<b>\$ 296,785</b>	<b>\$ 271,783</b>	<b>\$ 1,211,945</b>	<b>\$ 1,309,567</b>
Percentage Coverage	N/A	123%	103%	107%	115%	138%
Collateral Type:						
Treasuries						
Agency Bullets						
Agency Callable						
Munis						
Mortgage Backed Securities	\$ 8,215,722	\$ 12,850,768			\$ 9,142,513	\$ 4,463,541
Real Estate Mortgage Investment Conduits/ Collateralized Mortgage Obligations (1)			\$ 10,051,018	\$ 3,802,058		

(1) The Public Funds Collateral Act requires all REMIC/CMOs to have an expected weighted average life of 10 years or less and not constitute a high-risk security as determined by a 300 basis point market movement stress test.