

RICHARDSON, TX

FINANCE

1st Quarter Investment Report
(For the Quarter Ended December 31, 2022)
Fiscal Year 2022-23
City of Richardson, Texas

Investment Report Overview Quarter Ending December 31, 2022

Portfolio Balance

The Market Value of the City’s Investment Portfolio as of December 31, 2022 was \$328,071,988.

The City of Richardson maintains portfolios which utilize four specific investment strategy considerations designed to address the unique characteristics of the fund groups represented in the portfolios (Article XIII of the City’s Investment Policy). The four portfolios are Operating, Bond Proceeds and Capital Projects, Deposit, and Debt Service. More information on the funds and fund groups in each portfolio can be found on page 8 of this report.

Investment and Interest Rate Information

The Federal Open Market Committee (FOMC), a committee of the Federal Reserve Board, raised the target range for the federal funds rate at its December 14, 2022 and February 1, 2023 meetings from the prior quarter’s level of between 3.75% to 4% to the current target range of 4.5% to 4.75%. Rates last exceeded this current target range in August 2007, and the pace of rate changes has not been seen since 1994. Rapid increases in the federal funds rate result in securities previously purchased having a discounted market value to compensate for the higher interest rates. Although the City’s market value of securities is lower than the book value as reported on page 7, the City will receive full value for securities held to their maturity. The investment portfolio is structured so that all securities are held to maturity through staggering the maturities of the securities purchased and keeping adequate liquidity in pooled investments.

The FOMC is strongly committed to reducing inflation and continues to anticipate that ongoing rate increases will be appropriate before inflation can be reduced to its 2 percent objective. The City will continue to monitor this situation closely for potential impacts.

The portfolio yield was 3.06%, which is below the 4.04% 91-day Treasury Bill benchmark. The City should outpace the benchmark as older yielding securities mature and the City is able to replace them with securities yielding at or above the benchmark, thereby increasing the total portfolio yield.

Investment Type	Yield
Total Portfolio	3.06%
Securities	2.67%
Money Market Mutual Funds and Local Investment Pools	4.01%
<i>Reference: Benchmark 91-day Treasury Bill</i>	4.04%

The City has focused on preserving the safety of the investment portfolio while trying to keep a balance between maintaining adequate liquidity for ongoing operations and the ability to earn interest. The City continues to invest in U.S. Agency Securities, U.S. Treasury Notes, money market funds and local government investment pools which invest only in U.S. Treasuries and Agencies. The City requires that bank deposits are fully collateralized with Obligations, including letters of credit, of the United States or its agencies and instrumentalities. The portfolio contains a mix of investments in money market funds and local government investment pools for funds that will be used in the short term, and direct investments in Treasury and Agency Securities for funds that will be used in the future.

Earnings

Total interest earned on the City’s investments for the quarter was \$1,926,401. As interest rates have risen sharply, yields for investment pools and money market funds have adjusted, resulting in greater earnings during the quarter for the City’s liquid investments compared to prior years. Also, securities purchased during the quarter have had higher yields. The interest by Portfolio is listed in the chart below.

Portfolio	Interest 1st Quarter	Interest 2nd Quarter	Interest 3rd Quarter	Interest 4th Quarter	Interest YTD
Operating	\$ 934,637				\$ 934,637
Bond Proceeds & Capital Projects	955,829				955,829
Debt Service	23,831				23,831
Deposit	12,104				12,104
Total	\$ 1,926,401				\$ 1,926,401

Additional information on interest earned can be found on page 8 of this report.

Abbreviations

Throughout this report, the following common abbreviations are used for securities which are held in the City’s Portfolio.

Abbreviation	Official Name
FFCB	Federal Farm Credit Bank
FHLB	Federal Home Loan Bank
T-Note	U.S. Treasury Note

**City of Richardson, Texas
Investment Report
Investment Officers Signature Page
Quarter Ending December 31, 2022**

This report is in compliance with the investment strategy as established in the City's Investment Policy and the Public Funds Investment Act, Chapter 2256, Texas Government Code.

Prepared on: February 7, 2023

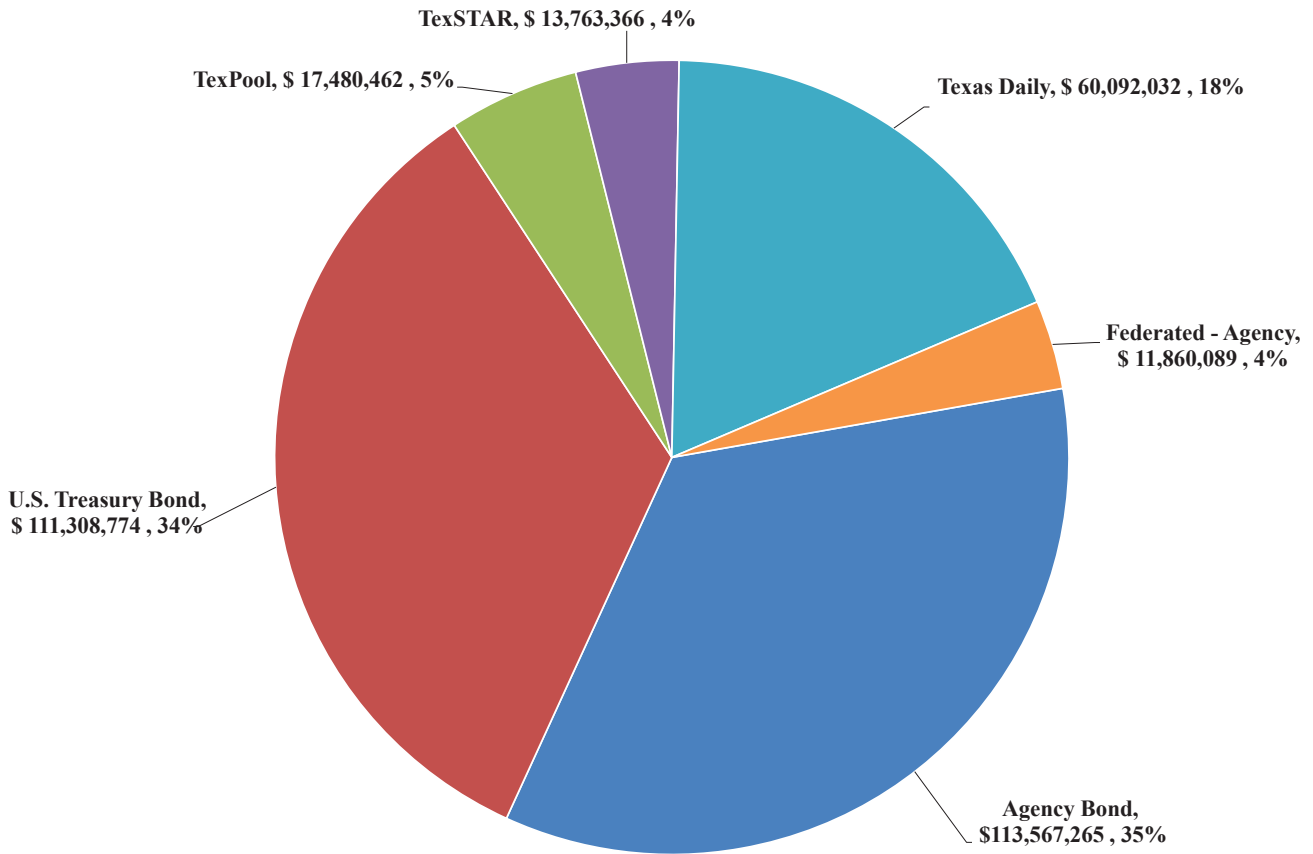

Kent Pfeil
Chief Financial Officer


Keith Dagen
Director of Finance

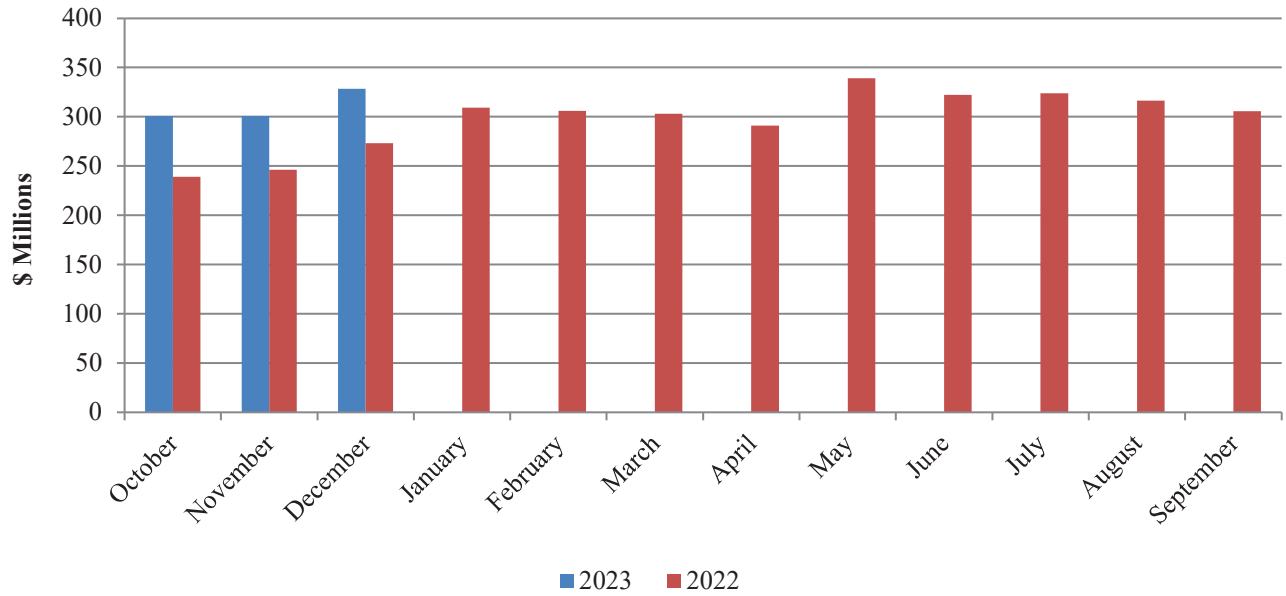

Todd Gastorf
Assistant Director of Finance


Herman Chavez
Controller

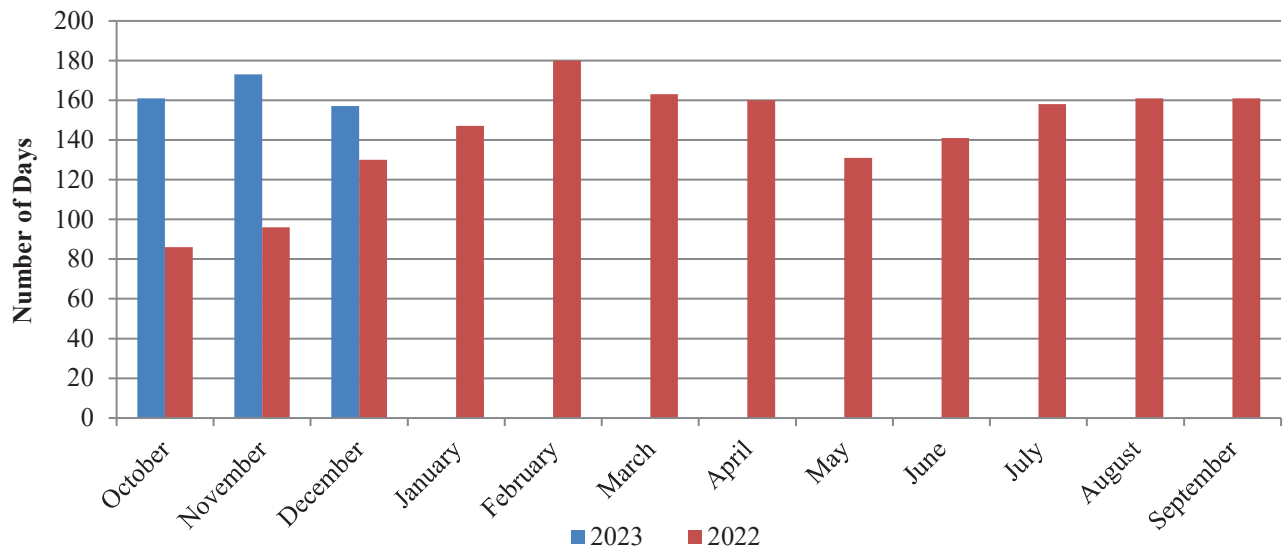
**Securities by Type
As of December 31, 2022
\$328,071,988**



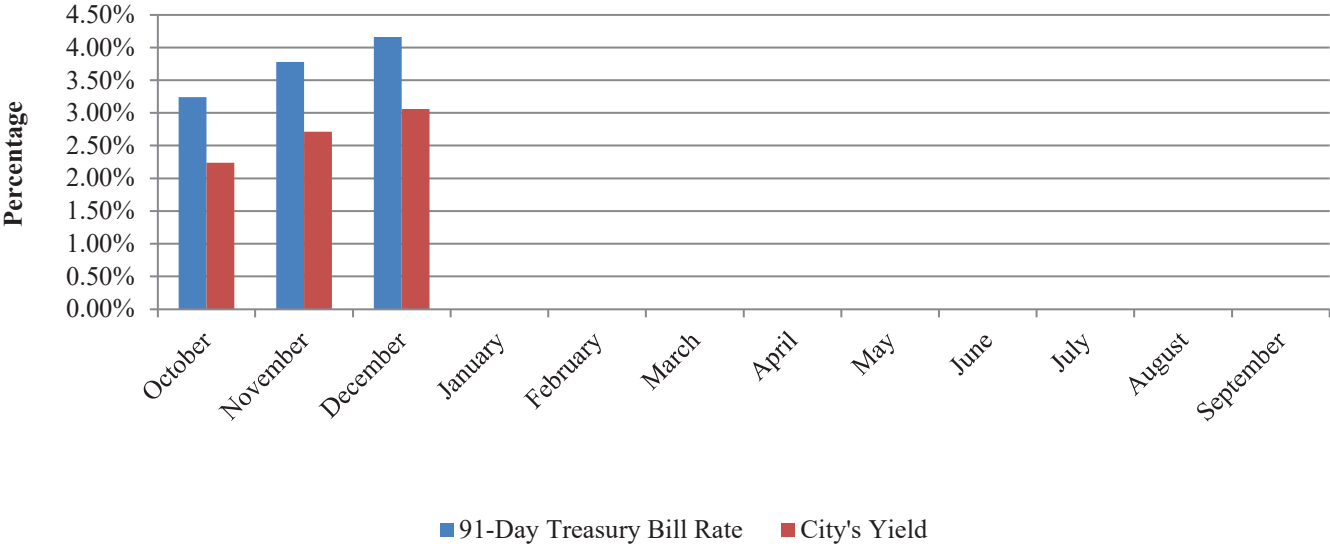
Investment Portfolio Balance Fiscal Year 2023



Weighted Average Maturity Total Portfolio Fiscal Year 2023



Comparison of the City's Yield to the 91-day Treasury Bill Rate Fiscal Year 2023



City of Richardson Investment Report
Schedule of Investments by Source of Funds

December 31, 2022

U.S. Treasury and Agency Securities										
Source of Funds	Type	Issue	Purchase Date	Maturity Date	# of Days	Market Value	Book Value	Yield	Callable	Purchased From
Bond Proceeds	Agency Bond	FHLB	10/17/22	01/09/23	84 days	4,996,750	4,995,761	3.85%	N/A	Daiwa
Operating	Agency Bond	FHLB	10/17/22	01/09/23	84 days	4,996,750	4,995,761	3.85%	N/A	Daiwa
Bond Proceeds	U.S. Treasury Bond	T-Note	11/04/21	01/31/23	453 days	4,982,813	4,999,537	0.24%	N/A	Wells Fargo
Operating	U.S. Treasury Bond	T-Note	02/09/22	01/31/23	356 days	9,965,625	9,993,555	0.92%	N/A	Daiwa
Bond Proceeds	U.S. Treasury Bond	T-Note	12/16/21	02/15/23	426 days	4,981,250	5,006,093	0.38%	N/A	Bank of America
Operating	U.S. Treasury Bond	T-Note	04/07/22	02/28/23	327 days	4,966,406	4,987,255	1.73%	N/A	Goldman Sachs
Operating	U.S. Treasury Bond	T-Note	11/15/21	03/31/23	501 days	7,916,250	7,996,380	0.31%	N/A	Wells Fargo
Bond Proceeds	U.S. Treasury Bond	T-Note	12/03/21	03/31/23	483 days	4,947,656	4,996,496	0.41%	N/A	Royal Bank of Canada
Operating	U.S. Treasury Bond	T-Note	05/18/22	03/31/23	317 days	4,964,063	4,993,445	2.04%	N/A	Goldman Sachs
Bond Proceeds	U.S. Treasury Bond	T-Note	10/17/22	04/13/23	178 days	4,943,403	4,941,091	4.31%	N/A	Wells Fargo
Operating	U.S. Treasury Bond	T-Note	10/17/22	04/13/23	178 days	4,943,403	4,941,091	4.31%	N/A	Wells Fargo
Operating	U.S. Treasury Bond	T-Note	10/15/21	04/15/23	547 days	5,235,406	5,300,040	0.25%	N/A	Goldman Sachs
Bond Proceeds	U.S. Treasury Bond	T-Note	12/16/21	04/15/23	485 days	4,939,063	4,996,889	0.47%	N/A	Wells Fargo
Bond Proceeds	Agency Bond	FHLB	05/31/22	05/12/23	346 days	4,952,765	5,001,153	2.06%	N/A	Wells Fargo
Operating	U.S. Treasury Bond	T-Note	12/03/21	05/31/23	544 days	4,909,375	4,992,971	0.47%	N/A	Royal Bank of Canada
Operating	U.S. Treasury Bond	T-Note	12/17/21	06/15/23	545 days	4,903,125	4,993,884	0.52%	N/A	Wells Fargo
Operating	Agency Bond	FHLB	06/23/22	06/23/23	365 days	4,956,695	5,000,000	2.50%	N/A	Piper Sandler
Bond Proceeds	Agency Bond	FFCB	07/01/22	06/26/23	360 days	4,927,130	4,970,700	3.00%	N/A	Royal Bank of Canada
Bond Proceeds	Agency Bond	FFCB	07/15/22	07/11/23	361 days	4,953,025	4,995,578	3.17%	N/A	Wells Fargo
Operating	U.S. Treasury Bond	T-Note	12/10/21	07/15/23	582 days	4,878,125	4,988,460	0.56%	N/A	Goldman Sachs
Operating	U.S. Treasury Bond	T-Note	01/10/22	08/15/23	582 days	4,859,375	4,980,694	0.75%	N/A	Goldman Sachs
Bond Proceeds	Agency Bond	FFCB	08/31/22	08/18/23	352 days	9,900,960	9,983,175	3.52%	N/A	Wells Fargo
Operating	U.S. Treasury Bond	T-Note	01/10/22	09/15/23	613 days	4,842,969	4,977,039	0.78%	N/A	Goldman Sachs
Bond Proceeds	Agency Bond	FFCB	09/30/22	09/29/23	364 days	4,825,015	4,842,946	4.29%	N/A	TD Securities
Operating	U.S. Treasury Bond	T-Note	01/18/22	10/15/23	635 days	4,823,438	4,971,925	0.84%	N/A	Goldman Sachs
Bond Proceeds	Agency Bond	FHLB	10/31/22	10/23/23	357 days	9,619,640	9,638,880	4.54%	N/A	UBS
Operating	U.S. Treasury Bond	T-Note	01/18/22	11/15/23	666 days	4,807,813	4,973,803	0.86%	N/A	Wells Fargo
Bond Proceeds	Agency Bond	FHLB	11/30/22	11/30/23	365 days	14,990,490	14,994,524	4.92%	N/A	Royal Bank of Canada
Operating	Agency Bond	FHLB	11/30/22	11/30/23	365 days	4,996,830	4,998,175	4.92%	N/A	Royal Bank of Canada
Operating	Agency Bond	FFCB	06/15/22	12/01/23	534 days	9,611,040	9,744,923	3.36%	N/A	Wells Fargo
Bond Proceeds	Agency Bond	FHLB	12/15/22	12/15/23	365 days	9,986,250	9,999,215	4.76%	N/A	Wells Fargo
Operating	U.S. Treasury Bond	T-Note	07/01/22	01/31/24	579 days	4,867,969	4,961,878	2.97%	N/A	Daiwa
Operating	U.S. Treasury Bond	T-Note	07/13/22	02/15/24	582 days	4,890,625	4,983,279	3.06%	N/A	Daiwa
Operating	Agency Bond	FHLB	09/16/22	02/28/24	530 days	4,934,180	4,970,541	4.15%	02/28/23	Wells Fargo
Operating	Agency Bond	FHLB	08/15/22	03/08/24	571 days	4,913,130	4,993,558	3.36%	N/A	Wells Fargo
Operating	U.S. Treasury Bond	T-Note	07/13/22	03/15/24	611 days	4,740,625	4,835,052	3.07%	N/A	Daiwa
Operating	Agency Bond	FHLB	11/16/22	05/16/24	547 days	4,997,040	5,000,000	5.00%	5/16/2023	UBS
Operating	Agency Bond	FHLB	12/15/22	06/14/24	547 days	5,009,575	5,018,457	4.60%	N/A	Piper Sandler
Total						\$ 224,876,039	\$ 226,954,199			

Money Market Funds and State Pools			
Source of Funds	Type	Market Value	Purchased From
Bond Proceeds & Capital Projects	State Pool	\$ 9,525,434	TexPool
Debt Service	State Pool	764,603	TexPool
Deposit	State Pool	274,647	TexPool
Operating	State Pool	6,915,779	TexPool
Bond Proceeds & Capital Projects	State Pool	7,499,918	TexSTAR
Debt Service	State Pool	602,016	TexSTAR
Deposit	State Pool	216,245	TexSTAR
Operating	State Pool	5,445,187	TexSTAR
Bond Proceeds & Capital Projects	State Pool	32,745,284	Texas Daily
Debt Service	State Pool	2,628,451	Texas Daily
Deposit	State Pool	944,144	Texas Daily
Operating	State Pool	23,774,153	Texas Daily
Bond Proceeds & Capital Projects	Money Market	6,462,786	Federated - Agency
Debt Service	Money Market	518,765	Federated - Agency
Deposit	Money Market	186,341	Federated - Agency
Operating	Money Market	4,692,196	Federated - Agency
Total		\$ 103,195,948	

Type	Market Value	Percentage
Securities		
Agency Bond	\$ 113,567,265	34.6%
U.S. Treasury Bond	111,308,774	33.9%
TexPool	17,480,462	5.3%
TexSTAR	13,763,366	4.2%
Texas Daily	60,092,032	18.3%
Federated - Agency	11,860,089	3.6%
Total Investments	\$ 328,071,988	100.0%

City of Richardson Investment Report

Schedule of Beginning and Ending Market Value and Interest Earned

December 31, 2022

Portfolio	Quarter Beginning Market Value	Quarter Ending Market Value	Interest Income Quarter	Interest Income YTD
Operating Portfolio				
General Fund	\$ 38,045,102	\$ 42,676,609	\$ 244,555	\$ 244,555
Special Police Funds	564,897	576,196	4,142	4,142
Municipal Court Building Security Fund	81,542	77,748	578	578
Technology Fund	255,319	263,830	1,883	1,883
Wireless 911 Fund	531,714	536,771	3,879	3,879
Municipal Jury Fund	1,813	1,823	13	13
Juvenile Case Manager Fund	119,526	118,621	868	868
Judicial Efficiency Fund	92,467	97,937	695	695
Federal Grants - American Recovery Plan Act	15,058,230	14,424,801	107,518	107,518
Hotel/ Motel Tax Fund	7,028,749	7,075,579	50,111	50,111
Tax Increment Financing Fund #1	11,796,058	11,364,817	83,783	83,783
Tax Increment Financing Fund #2	2,840,295	2,855,731	20,644	20,644
Tax Increment Financing Fund #3	537,900	541,812	3,912	3,912
Franchise PEG Fund	819,753	848,425	6,014	6,014
Drainage Fee Fund	2,941,490	2,507,980	18,580	18,580
Economic Development	4,659,371	6,076,130	42,361	42,361
Eisemann Endowment Fund	232,021	229,690	1,668	1,668
Water and Sewer Operating Fund	18,628,109	6,085,598	152,258	152,258
Water and Sewer Rate Stabilization Fund	2,968,436	2,999,647	21,601	21,601
Golf Fund	616,483	582,339	5,450	5,450
Solid Waste Services Fund	2,457,746	2,287,824	19,368	19,368
Central Services Fund	388,145	886,827	5,930	5,930
Insurance and Flexible Spending Fund	14,710,425	14,200,866	104,456	104,456
Tech Replacement Fund	3,277,210	4,535,261	34,369	34,369
Total Operating Portfolio	\$ 128,652,802	\$ 121,852,862	\$ 934,637	\$ 934,637

Bond Proceeds and Capital Projects Portfolio				
Capital Projects - Equipment Funds	\$ 3,063,162	\$ 2,798,737	\$ 17,355	\$ 17,355
Capital Projects - Major Projects Funds	67,605,991	61,607,523	367,073	367,073
Water and Sewer - Capital Project Funds	20,720,112	19,029,228	114,006	114,006
Solid Waste - Capital Projects Funds	1,075,704	1,081,924	6,298	6,298
Non-Bond Capital Projects:				
Special Projects Fund	38,753,627	39,926,384	204,537	204,537
Eisemann Center Capital Fund	528,004	570,228	3,227	3,227
Capital Equipment Replacement Fund	9,390,309	13,483,262	76,953	76,953
Golf Special Projects Fund	1,372,867	1,377,415	7,198	7,198
Street Rehabilitation Fund	4,086,241	9,652,615	52,447	52,447
Water Sewer Special Projects Fund	18,199,532	17,298,604	85,075	85,075
Solid Waste Special Projects Fund	3,998,447	3,992,464	21,660	21,660
Total Bond Proceeds & Capital Projects Portfolio	\$ 168,793,996	\$ 170,818,385	\$ 955,828	\$ 955,829

Debt Service Portfolio				
General Debt Service Fund	\$ 3,816,251	\$ 21,005,850	\$ 19,006	\$ 19,006
Water and Sewer Debt Service Fund	599,267	2,435,863	4,047	4,047
Solid Waste Debt Service Fund	115,356	468,737	779	779
Total Debt Service Portfolio	\$ 4,530,874	\$ 23,910,449	\$ 23,831	\$ 23,831

Deposit Portfolio				
Water and Sewer Deposit Fund	\$ 5,135,935	\$ 5,162,394	\$ 12,104	\$ 12,104
Total Deposit Portfolio	\$ 5,135,935	\$ 5,162,394	\$ 12,104	\$ 12,104

Total All Portfolios	\$ 307,113,607	\$ 321,744,090	\$ 1,926,401	\$ 1,926,401
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Note: Portfolio balances include (\$6,327,898) of cash in the bank on December 31, 2022. Negative cash is caused by the City writing checks that have not yet been presented for payment. The City accounts for these checks in its records but does not have to fund them until they are presented for payment.