

Nueces County Quarterly Investment Report March 31, 2021 (Unaudited)

*Prepared by Nueces County
Auditor's Office and
County Clerk Treasury
Division 901 Leopard Rm.
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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

Jenny P. Dorsey – 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 March 31, 2021

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 March 31, 2021 have a current value of \$147,928,010. As compared to last report of December 31, 2021, total balances have increased by \$22,107,634 up from \$125,820,376.

Compliance Measures

- The weighted average maturity of the operating portfolio is 8 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 December 31, 2020, the average maturity decreased by -3 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 96.91% and the remainder is invested in brokered CDs, municipal bonds, and US Agencies which are 1.52%, 1.57%, and 0.00%, respectively.
- Cash and Cash Equivalents have exceeded the investment policy maximum of 90%. The reason for this can be explained on page 19, the interest rates for Texas Class are .10%, and the interest rates for the depository bank are .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 March 31, 2021. Brokered CD's, US agencies and Municipal bonds are being carried at market value.

Current quarterly earnings are \$25,353. Compared to the quarterly earnings ending March 31, 2020, earnings shows an decrease of \$(589,295), down from \$614,648. The decrease in earnings is due primarily to lower interest rates and no new investments during this period.

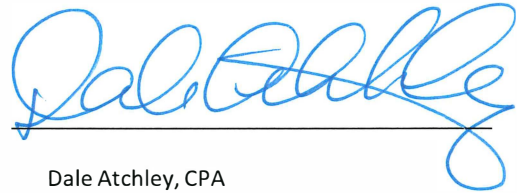
Investment Strategy

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.

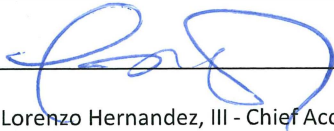
This report has been prepared jointly by the County Auditor's Office and the County Clerk Treasury Division and in accordance with Government Code 2256.023. The investment committee approved this report on date TBD and herein presents to the Commissioners Court for final approval. Thank you.



Barbara Canales - County Judge and
Investment Committee Chair



Dale Atchley, CPA
County Auditor



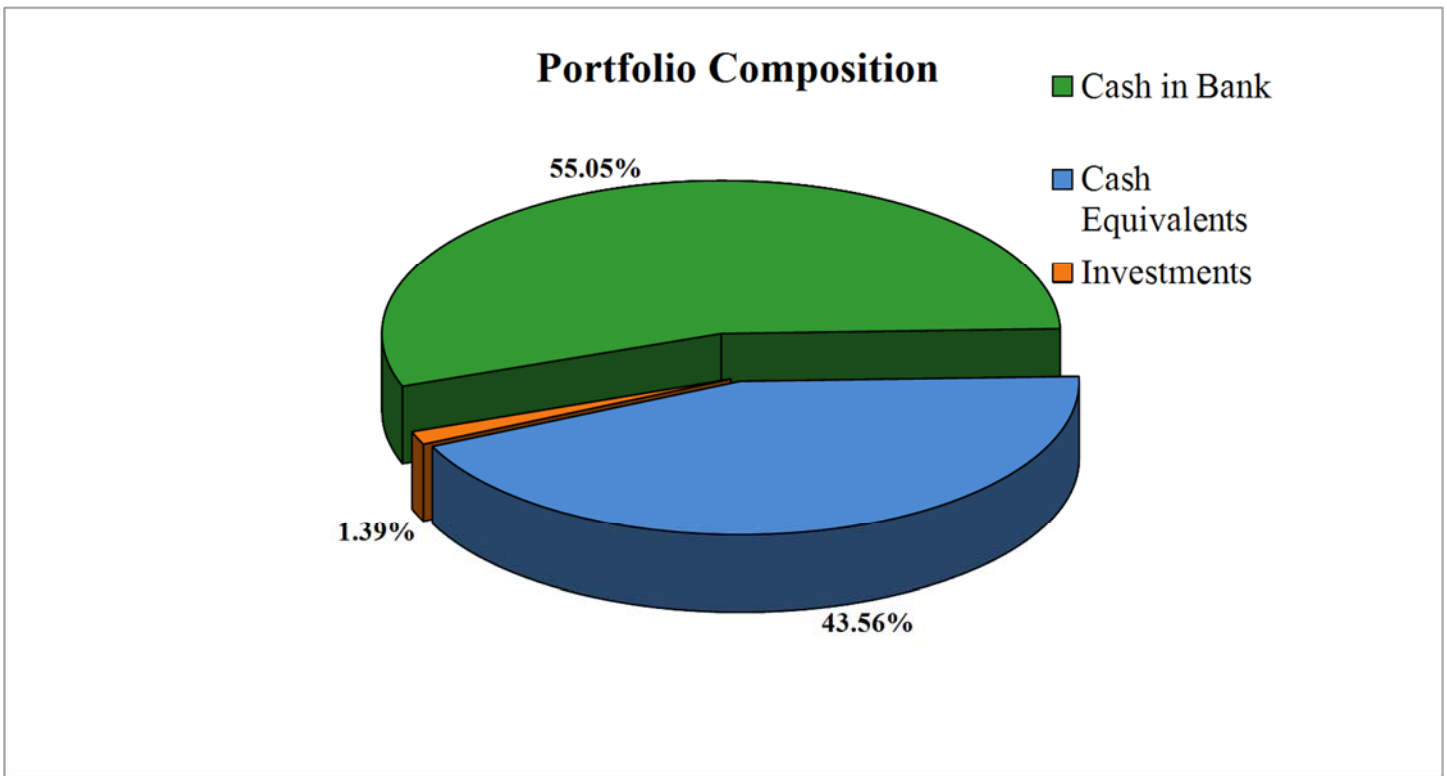
Lorenzo Hernandez, III - Chief Accountant



Lucio Cruz, III - Revenue/Cash Manager

Cash, Cash Equivalents and Investments by Fund Group
March 31, 2021
(Unaudited)

	Operating Funds		Capital Projects Funds		Debt Service Funds		Other Funds		All Fund Groups Total	
Cash in Bank	\$51,666,657	77.79%	\$7,992,162	17.25%	\$4,116,055	61.70%	\$17,659,588	61.96%	\$81,434,462	55.05%
Cash Equivalents:										
Texas Class	14,165,337	21.33%	37,542,547	81.02%	2,440,857	36.59%	10,289,987	36.09%	64,438,728	43.56%
Sub-Total Cash Equivalents	14,165,337	21.33%	37,542,547	81.02%	2,440,857	36.59%	10,289,987	36.09%	64,438,728	43.56%
Investments:										
Brokered CDs	288,983	0.44%	395,229	0.85%	56,242	0.84%	271,056	0.95%	1,011,510	0.68%
Municipal Bonds	298,068	0.45%	407,655	0.88%	58,010	0.87%	279,577	0.98%	1,043,310	0.71%
US Agencies	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Sub-Total Investments	587,050	0.88%	802,884	1.73%	114,253	1.71%	550,633	1.93%	2,054,820	1.39%
Total Cash, Cash Equivalents & Investments	\$66,419,044	100.00%	\$46,337,593	100.00%	\$6,671,164	100.00%	\$28,500,209	99.98%	\$147,928,010	100.00%



Operating Funds and Other Funds Groups

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

March 31, 2021

Operating Funds:

	General Fund	Road Fund	Stadium/ Fairgrounds Fund
Cash	\$ 48,565,675	1,116,380	861,854
Cash Equivalents	12,049,663	108,389	1,465,895
Investments	<u>478,942</u>	<u>8,596</u>	<u>76,492</u>
Total as of March 31, 2021	61,094,280	1,233,365	2,404,241
Total as of march 31, 2020	63,265,558	1,688,859	2,373,401
Increase (Decrease) from one year ago	\$ <u><u>(2,171,278)</u></u>	<u><u>(455,493)</u></u>	<u><u>30,840</u></u>

Other Funds:

	Self Insurance Fund	Special Fund	Main Grant Fund
Cash	\$ 3,193,108	12,894,738	1,142,943
Cash Equivalents	1,741,147	8,548,841	-
Investments	<u>31,735</u>	<u>518,899</u>	<u>-</u>
Total as of March 31, 2021	4,965,990	21,962,477	1,142,943
Total as of March 31, 2020	6,916,249	20,861,084	493,288
Increase (Decrease) from one year ago	\$ <u><u>(1,950,260)</u></u>	<u><u>1,101,392</u></u>	<u><u>649,654</u></u>

Law Library	Airport	Inland Parks	Coastal Parks	Total
Fund	Fund	Fund	Fund	
28,377	170,103	594,403	329,863	\$ 51,666,657
8,931	50,351	0	482,108	14,165,337
709	-	-	22,312	587,050
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
38,016	220,454	594,403	834,284	66,419,044
127,782	208,642	676,539	888,538	69,229,319
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<u><u>(89,766)</u></u>	<u><u>11,812</u></u>	<u><u>(82,136)</u></u>	<u><u>(54,254)</u></u>	\$ <u><u>(2,810,275)</u></u>

TJJD Grant	
Fund	Total
428,800	\$ 17,659,588
-	10,289,987
-	550,633
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428,800	28,500,209
389,350	28,659,972
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<u><u>39,450</u></u>	\$ <u><u>(159,763)</u></u>

Portfolio Diversity

Test of Compliance with Investment Policy

All Fund Groups as of March 31, 2021

(Unaudited)

	Current Value	%	Investment Policy Maximum
	<u> </u>	<u> </u>	<u> </u>
Cash Equivalents	\$ 64,438,728	96.91%	90.00%
Brokered CDs	1,008,781	1.52%	75.00%
Municipal Bonds	1,043,310	1.57%	75.00%
US Agencies	<u>0</u>	<u>0.00%</u>	75.00%
Total Cash Equivalents and Investments (excludes cash in bank)	<u>\$ 66,490,819</u>	<u>100.00%</u>	

Portfolio Liquidity

Test of Compliance with Investment Policy

Weighted Average Days to Maturity

Operating Funds Group as of March 31, 2021

(Unaudited)

	Fair Value	Weighted Average Days to Maturity	Investment Policy Maximum
	<u> </u>	<u> </u>	<u> </u>
Cash Equivalents	\$ 64,438,728	1	
Brokered CDs	1,008,781	107	
Municipal Bonds	1,043,310	335	
US Agencies	<u>-</u>	<u>0</u>	
Total Cash Equivalents and Investments-Operating Fund Group Only (excludes cash in bank)	<u>\$ 66,490,819</u>	<u>8</u>	<u>364</u>

Statement of Changes in Investments

as of March 31, 2021

(Unaudited)

	Beginning Balance <u>01/01/2021</u>	Additions	(Subtractions)	Market Adjustment	Ending Balance <u>03/31/2021</u>
Brokered CDs	\$ 1,016,168	\$ -	\$ -	\$ (7,387)	\$ 1,008,781
Municipal Bonds	1,053,030	-	-	(9,720)	1,043,310
US Agencies	<u>0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0</u>
Total	<u>\$ 2,069,198</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,107)</u>	<u>\$ 2,052,091</u>

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

(Unaudited)

	Quarterly Comparison			Year-to-Date Comparison		
	<u>01/01/2020 03/31/2020</u>	<u>01/01/2021 03/31/2021</u>	<u>Increase/ (Decrease)</u>	<u>10/01/19 03/31/2020</u>	<u>10/01/2020 03/31/2021</u>	<u>Increase/ (Decrease)</u>
Operating Fund Group	\$ 197,908	\$ 6,511	\$ (191,397)	\$ 399,600	\$ 15,143	\$ (384,457)
Capital Projects Fund Group	273,369	13,008	(260,361)	552,946	34,669	(518,277)
Debt Service Fund Group	30,047	1,128	(28,919)	65,966	2,503	(63,463)
Other Funds Group	<u>113,324</u>	<u>4,707</u>	<u>(108,617)</u>	<u>221,293</u>	<u>10,658</u>	<u>(210,636)</u>
Total	<u>\$ 614,648</u>	<u>\$ 25,353</u>	<u>\$ (589,295)</u>	<u>\$ 1,239,806</u>	<u>\$ 62,973</u>	<u>\$ (1,176,833)</u>

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

March 31, 2021

(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	335	07/12/18	03/01/22	
Raymond James & Assoc.	CD	3.000%	3.000000%	3.0027	103	07/12/18	07/12/21	
Raymond James & Assoc.	CD	3.000%	3.000000%	3.0027	104	07/13/18	07/13/21	
Frost Bank	CD	3.000%	3.000000%	3.0055	110	07/18/18	07/19/21	
First Tennessee	CD	3.050%	3.050000%	3.0055	110	07/18/18	07/19/21	
4.018250%				3.3212		220.8750		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 maturity and are calculated based on Yields, Duration, Days to Maturity, Purchase Prices, and Totals

Listing of All Investments and Ladder Placement
 March 31, 2021
 (Unaudited)

Par Amount	Purchase Price	FMV 12/31/20	Market Adjustments Increase (Decrease)	FMV 03/31/2021	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	1,053,030	(9,720)	1,043,310	-	-	1,043,310
250,000	250,000	253,948	(1,839)	252,109	-	252,109	-
250,000	250,000	253,968	(1,838)	252,130	-	252,130	-
250,000	250,000	254,091	(1,839)	252,252	-	252,252	-
250,000	250,000	254,160	(1,869)	252,291	-	252,291	-
2,000,000	2,065,640	2,069,197	(17,105)	2,052,092	-	1,008,782	1,043,310
				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>23,991,218</u>	<u>6,956,690</u>

Listing of All Broked CDs and Ladder Placement

March 31, 2021

(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%	3.0082	103	07/10/18	07/12/21	250,000
Raymond James & Assoc.	CITIBANK NA	3.000%	3.000000%	3.0110	104	07/10/18	07/13/21	250,000
Frost Bank	DISCOVER BANK	3.000%	3.000000%	3.0247	110	07/11/18	07/19/21	250,000
First Tennessee	GOLDMAN SACHS BANK	3.050%	3.050000%	3.0274	110	07/10/18	07/19/21	250,000
Weighted Average			<u>3.012500%</u>	<u>3.0178</u>	<u>107</u>	TOTAL		<u>1,000,000</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

March 31, 2021

(Unaudited)

Face Value 12/31/20	Additions	(Maturities)	Amortization of (Premium) Discount	Market Adjustments Increase (Decrease)	Market Value 03/31/21	Short-term Ladder <=12 mos	Mid-term Ladder > 12 mos < 3.5 yrs	Long-term Ladder 3.5 to 5 yrs
253,948	-	-	-	(1,839)	252,109	-	252,109	-
253,968	-	-	-	(1,838)	252,130	-	252,130	-
254,091	-	-	-	(1,839)	252,252	-	252,252	-
254,160	-	-	-	(1,869)	252,291	-	252,291	-
1,016,167	-	-	-	(7,385)	1,008,782	-	1,008,782	-

Listing of All Municipal Bonds and Ladder Placement

March 31, 2021

(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	335	07/12/18	03/01/22
† Weighted Averages				5.02%	3.6384	335	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
 March 31, 2021
 (Unaudited)

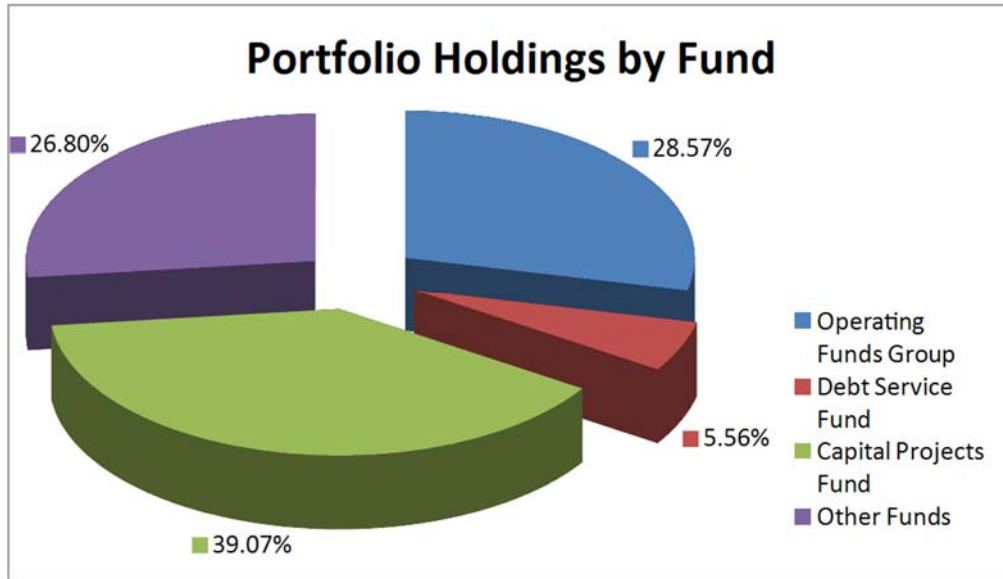
Par Amount	Purchase Price	FMV 12/31/20	Additions (Subtractions)	Market Adjustments Increase (Decrease)	FMV 12/31/20	Short-term Ladder <=12 mos	Mid-term Ladder > 12 mos < 3.5 yrs	Long-term Ladder 3.5 to 5 yrs
1,000,000	1,065,640	1,053,030	-	(9,720)	1,043,310	-	-	1,043,310
1,000,000	1,065,640	1,053,030	-	(9,720)	1,043,310	-	-	1,043,310

Portfolio Holdings by Fund

March 31, 2021

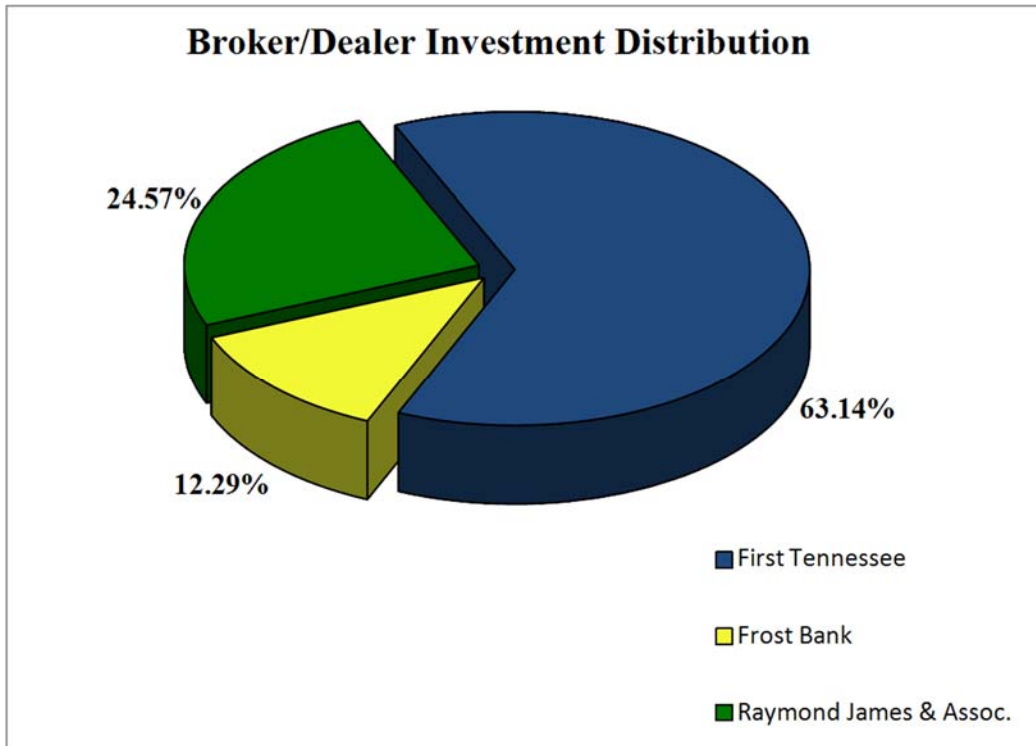
(Unaudited)

Fund	Operating Funds Groups:		
11	General Fund	\$478,942	23.31%
12	Road & Bridge Fund	8,596	0.42%
14	Stadium & Fairgrounds Fund	76,492	3.72%
15	Law Library Fund	709	0.03%
18	Coastal Parks Fund	<u>22,312</u>	<u>1.09%</u>
	Sub-Total Operating Funds	\$587,050	28.57%
09	Debt Service Fund	114,253	5.56%
19	Capital Projects Fund	802,884	39.07%
	Other Funds Groups:		
10	Self Insurance Fund	31,735	1.54%
13	Special Revenue Fund	<u>518,899</u>	<u>25.25%</u>
	Sub-total Other Funds	550,633	26.80%
	Total Holdings at Current Market Value	<u><u>\$2,054,820</u></u>	<u><u>100.00%</u></u>



**Distribution of Investments by
Broker/Dealer/Financial Institutions
March 31, 2021
(Unaudited)**

	Fair Market Value	Distribution %
First Tennessee	\$1,295,601	63.14%
Frost Bank	252,252	12.29%
Raymond James & Assoc.	504,239	24.57%
Total	\$2,052,092	100.00%

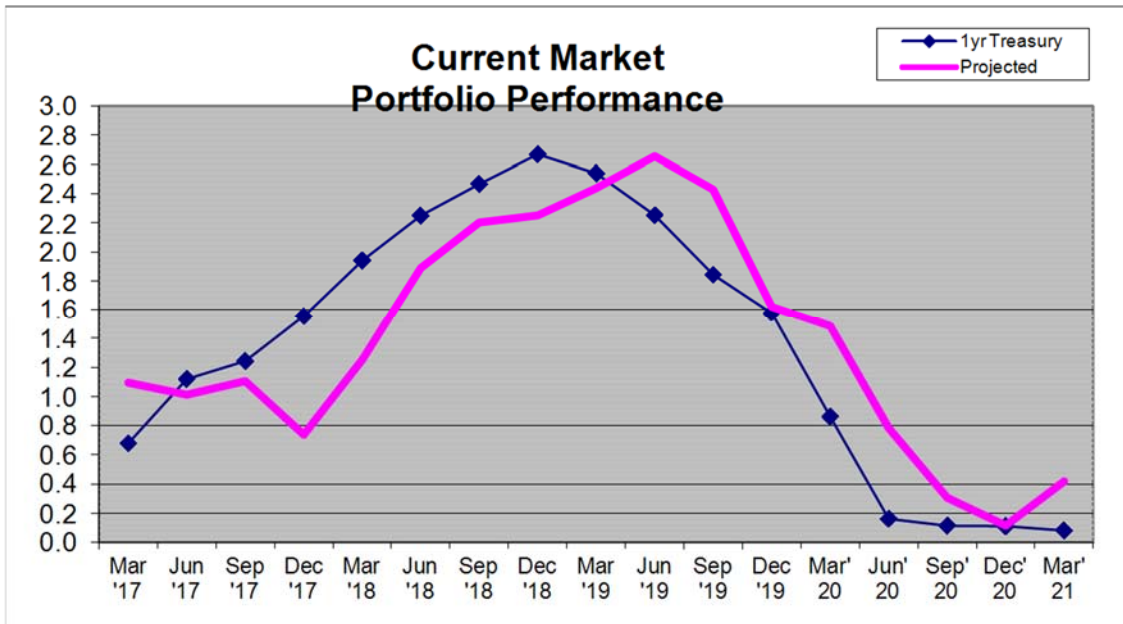


**Investments Performance
Compared to One-Year Treasury
March 31, 2021
(Unaudited)**

Quarter Ended	County Qrtly Avg Yield	Projected Annual County Yield	* 1yr Treasury
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%	2.657%	2.253%
Sep-19	0.607%	2.429%	1.843%
Dec-19	0.405%	1.620%	1.576%
Mar-20	0.371%	1.485%	0.863%
Jun-20	0.196%	0.785%	0.163%
Sep-20	0.077%	0.308%	0.116%
Dec-20	0.029%	0.117%	0.113%
Mar-21	0.105%	0.420%	0.083%

* 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

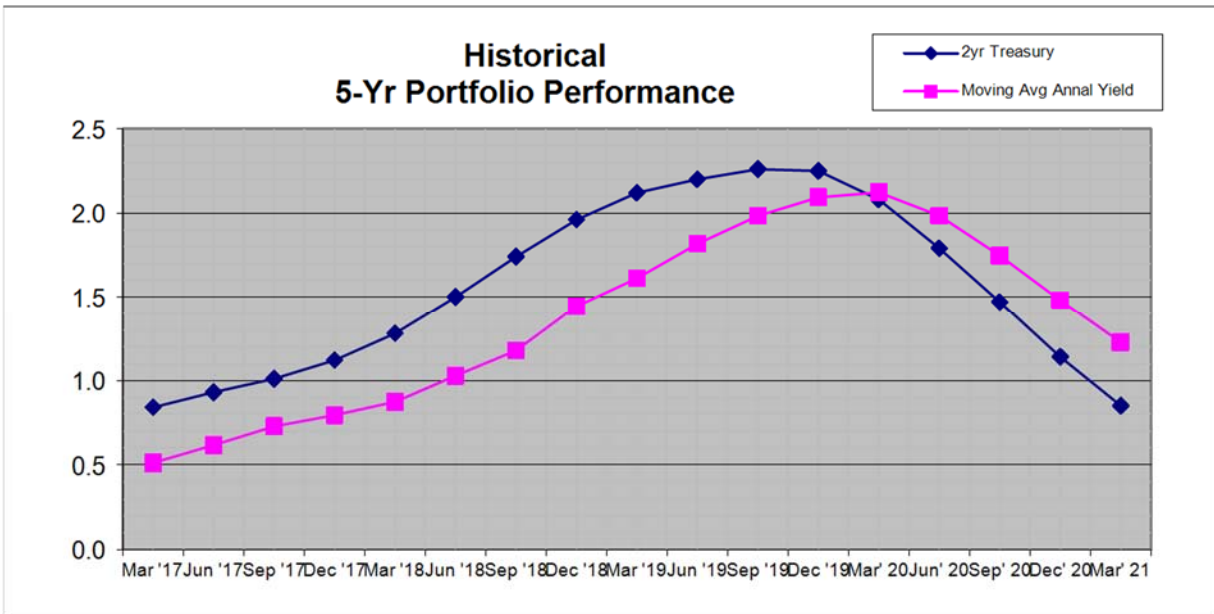


**Investments Performance
Compared to Two-Year Treasury
March 31, 2021
(Unaudited)**

Quarter Ended	County Two Year Moving Avg Annual Yield	* 2 yr Treasury (CMT)
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%	2.200%
Sep-19	1.983%	2.260%
Dec-19	2.093%	2.250%
Mar-20	2.122%	2.080%
Jun-20	1.984%	1.790%
Sep-20	1.747%	1.470%
Dec-20	1.480%	1.140%
Mar-21	1.228%	0.850%

* 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

March 31, 2021

(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>
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%	1.30%
November '19	1.6774%	1.8665%	1.94%	1.19%
December '19	1.6226%	1.8006%	1.88%	1.19%
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%
July '20	0.2082%	0.4179%	0.45%	0.01%
August '20	0.1768%	0.3404%	0.32%	0.01%
September '20	0.1474%	0.2619%	0.25%	0.01%
October '20	0.1335%	0.2281%	0.18%	0.01%
November '20	0.1231%	0.1625%	0.15%	0.01%
December '20	0.0909%	0.1431%	0.14%	0.01%
January '21	0.0793%	0.1192%	0.13%	0.01%
February '21	0.0431%	0.0973%	0.11%	0.01%
March '21	0.0187%	0.0916%	0.11%	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.