
MEMORANDUM

TO: MATTHEW MUELLER, TOWN MANAGER
FROM: KELLY WILSON, CHIEF FINANCIAL OFFICER
SUBJECT: INVESTMENT REPORT FOR QUARTER ENDING SEPTEMBER 30, 2023
CC: MAYOR AND COUNCIL

Attached is the Quarterly Investment Report for the first quarter ending September 30, 2023 Fiscal Year 2022-2023. This report complies with the requirements of the Town's Investment Policy and the Public Fund's Investment Act as amended. For the period ending September 30, 2023, the Town's portfolio consisted of the following investments:

Portfolio by Type	Average Yield	Total Invested	Percent of Total
Money Market - Independent Financial	5.64%	\$70,222,239.01	46.06%
TexPool/TexPool Prime/LOGIC Prime	5.40%	37,862,267.48	24.83%
Certificate of Deposit	4.89%	12,117,406.86	7.99%
US Treasury Notes	4.43%	9,697,075.00	6.56%
US Agency Bonds	3.73%	21,883,372.20	14.57%
Total Portfolio (Avg)	4.82%	\$151,782,360.55	100.00%

The Town has been actively diversifying the investment portfolio in order to minimize risk of over 50% of funds in one portfolio type as well as capturing a better yield. As interest rates are following the federal government increasing rates, the Town is actively participating in other higher yield investments. All Funds on deposit with Independent Financial are fully secured and safeguarded as well as collateralized. Total interest earned for the fourth quarter ending September 30, 2023 was \$1,927,812. The Town's year-to-date interest earnings for Fiscal Year 2022-2023 reflects \$6,526,924.

Total cash and investments for the period ending September 30, 2023 was \$151,782,360.55. The variance decrease of \$12,710,895.72 from the last quarterly investment report is primarily due to Town's operating and capital expenditures but there has also been an impact with the market value changes. The cash flow is important for Finance to monitor in order to provide cash availability for expenditures while minimizing risk, preventing early redemptions of investments, and maximizing interest earnings.

The Town's current portfolio has significant resources available for same day access in order to cover normal and seasonal operational costs. The Town's investment and cash management strategy will be to maintain operational and capital needs in money market accounts and liquid asset pools but investing in other instruments in order to capitalize on interest earnings while keeping risk to a minimum. The Town's funds are swept to the above accounts and withdrawn as needed for operational cash flow requirements.

The total portfolio yield fiscal year-to-date is 4.82%. While some benchmarks to reference the US Treasury T-bill rates for 3 months is 5.55%; 1 year is 5.46%; and a 2 year is 5.03% as of the date of this report. The

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QUARTERLY INVESTMENT REPORT

Town's portfolio yield at the time of this report does not exceed the 3-month benchmark but will continue to improve as we continue to invest in safe investments outlined in the Town's investment policy.

2023 Q4 Economic Recap and Rate Outlook

The headline consumer price index (CPI) rose +0.4% in September, down from +0.6% in August but above the +0.3% median forecast. The annual CPI rate, expected to be slightly lower in September, actually held steady at +3.7%. The primary culprits last month were an unanticipated increase in housing costs and higher gasoline prices.

Core CPI (Ex food and energy) rose +0.3% for the second straight month, matching expectations. On a year-over-year basis, core CPI declined from +4.3% to +4.1%.

Overall shelter costs were up +0.6%, halting a cooling trend with a higher-than expected gain in September. Housing costs (which fall into the service category) accounted for more than half of the annual headline increase and 70% of the core advance. Overall food prices increased by +0.4% last month, but the food at home sub-category (groceries) was up by just +0.1%.

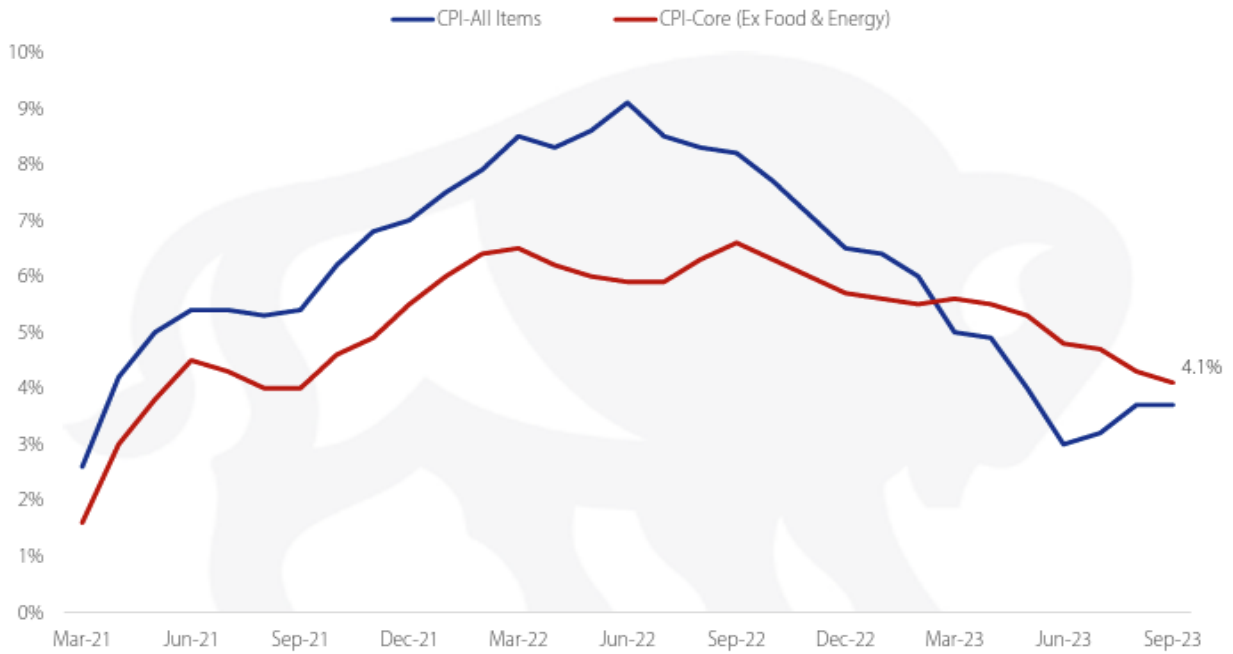
New vehicle prices rose +0.3%, while used vehicle prices fell -2.5% and are now -8% lower on an annual basis. Auto insurance rose +1.3% in September after a +2.4% August jump, but are still up almost +19% from a year ago.

The CPI "supercore", a recent addition to the report and a Fed focus point, jumped +0.6% last month. This measure of core service prices excluding shelter, was the highest in a year.

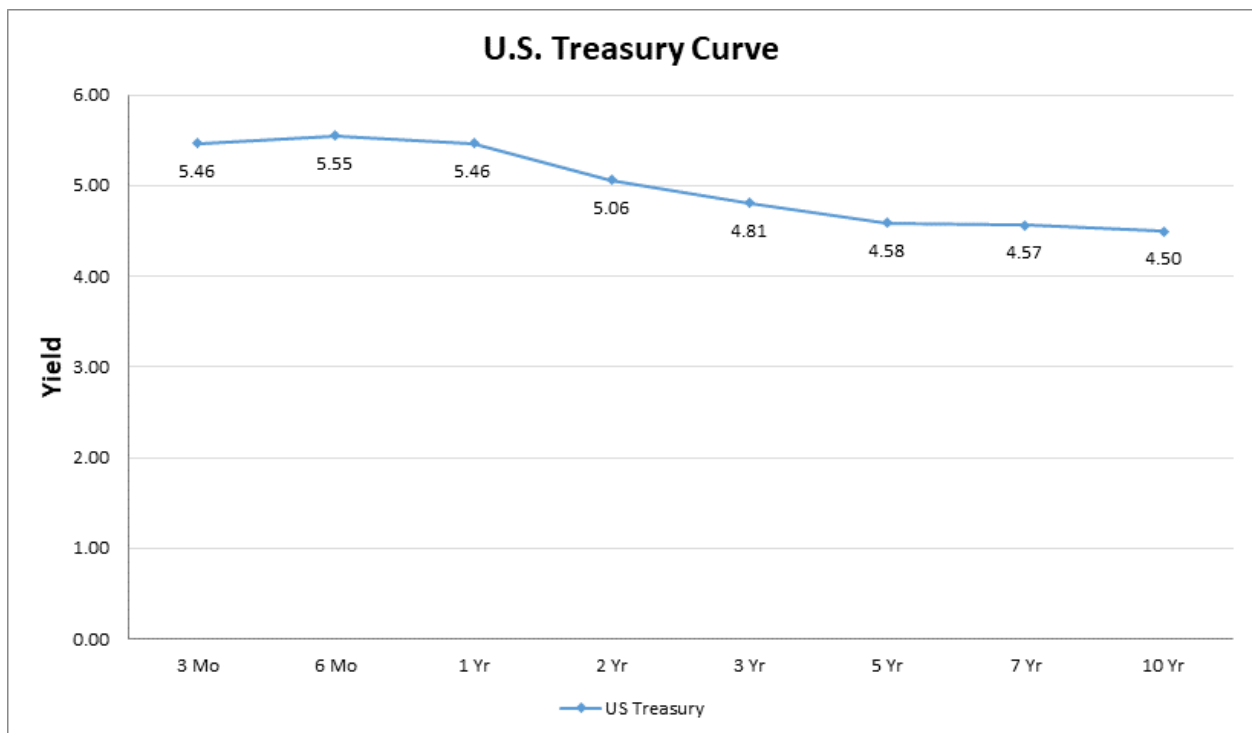
The entire yield curve has sold off in early trading as the expectation for another Fed rate hike rises slightly. The futures market is currently indicating a 12% possibility of a quarter point increase on November 1st, up from 8%, and a 45% possibility of an increase sometime between now and the January meeting.

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QUARTERLY INVESTMENT REPORT

Consumer Price Index (Year-over-Year Percent Change)



Source: Bureau of Labor Statistics



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Quarterly Investment Report

For the Quarter Ended

September 30, 2023

Prepared by the Town of Little Elm Finance Department

Overview of the Quarterly Investment Report

Funds on deposit with depository bank are fully collateralized.

- **YTD Cash and Investments on hand: \$151,782,360.55**
 - 46.06% in depository bank
 - 24.83% invested in Pools
 - 7.99% invested in CDs
 - 6.56% invested in US Treasury Notes
 - 14.57% invested in US Agency Bonds
- **Interest Earnings**
 - \$6,526,924 YTD
 - \$1,927,812 July-September 2023
- **Average Yield on Portfolio**
 - 4.82% YTD
 - 4.46% at end of 3rd Quarter – FY 2022-2023
- **Average Yield Benchmarks**
 - 5.55% Three Month Rolling Treasury Yield
 - 5.46% One Year Rolling Treasury Yield
 - 5.40% TexPool/Logic Average Yield
- **Certification of Investment Policy (Government Treasurers' Organization of Texas)**
 - Awarded for 2-year period ending March 31, 2024
 - Town has obtained re-certification

The investment portfolio of the Town of Little Elm is in compliance with the Public Funds Investment Act and the investment Policy and Strategies.

Kelly Wilson

Kelly Wilson, Chief Financial Officer

Betty Pamplin

Betty Pamplin, Assistant Director of Finance