



# MONTHLY FINANCIAL REPORT

## PERFORMANCE SUMMARY

*August 2011*

	Current Month	Year to Date	Chart
<b>GENERAL FUND</b>			
Total Revenues as a % of Budget Compared to Prior Year	N/A	POSITIVE	A
Total Expenditures as a % Budget Compared to Prior Year	N/A	NEGATIVE	B
Property Tax Collection Analysis	POSITIVE	POSITIVE	C
Sales Tax Collection Analysis	POSITIVE	POSITIVE	D
Expenditure Analysis	NEGATIVE	NEGATIVE	E
<b>ENTERPRISE FUND</b>			
Water Billing Analysis	POSITIVE	POSITIVE	F
Sewer Billing Analysis	POSITIVE	POSITIVE	G
Expense Analysis	POSITIVE	POSITIVE	H
<b>HOTEL OCCUPANCY TAX REVENUE</b>			
Hotel Tax Revenue Analysis	N/A	N/A	I
<b>SEDC</b>			
Sales Tax Collection Analysis	POSITIVE	POSITIVE	J
Expenditure Analysis	POSITIVE	POSITIVE	K
<b>CRIME DISTRICT</b>			
Sales Tax Collection Analysis	NEGATIVE	POSITIVE	L
Expenditure Analysis	NEGATIVE	NEGATIVE	M
<b>INVESTMENTS</b>			
Investment Report	N/A	N/A	N

**PERFORMANCE INDICATORS:**

<b>POSITIVE</b>
<b>NEGATIVE</b>

Positive = Positive variance as compared to seasonal trend.

Negative = Negative variance as compared to seasonal trend.

# GENERAL FUND



CHART A

## TOTAL REVENUE THROUGH AUGUST 31, 2011

	Budget	YTD Revenue	% of Budget Collected	Prior YTD % of Total Collected
Ad Valorem Taxes	3,876,367	3,877,895	100.04%	99.70%
Penalties & Interest	50,000	55,354	110.71%	92.81%
Sales Tax	1,350,000	1,282,003	94.96%	91.52%
Franchise Tax	670,000	682,284	101.83%	93.49%
Other Tax	100,000	66,771	66.77%	73.30%
License & Permits	225,000	188,263	83.67%	96.15%
Charges for Services	52,000	83,859	161.27%	92.67%
DOT Fines	125,000	84,507	67.61%	91.40%
Other Municipal Court Fees	347,500	506,080	145.63%	89.37%
Interest Income	4,605	3,788	82.25%	90.58%
Intergovernmental	387,129	480,972	124.24%	82.19%
Other Revenue	50,000	43,668	87.34%	81.27%
Transfers from Enterprise Fund	1,519,872	1,393,217	91.67%	91.67%
Payment for Services-EDC	<u>30,000</u>	<u>22,500</u>	<u>75.00%</u>	<u>54.55%</u>
<b>Total Revenues</b>	<b>8,787,473</b>	<b>8,771,160</b>	<b>99.81%</b>	<b>93.17%</b>

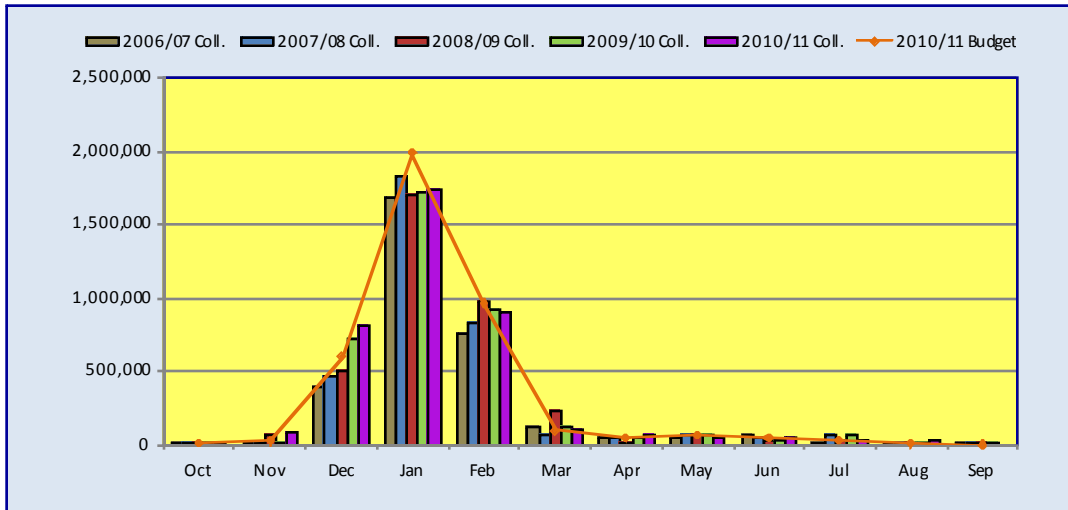
CHART B

## TOTAL EXPENDITURES THROUGH AUGUST 31, 2011

	Budget	YTD Expenditures	% of Budget Expended	Prior YTD % of Total Expended
Personnel	5,804,470	5,181,121	89.26%	91.24%
Supplies	309,550	254,712	82.28%	86.91%
Services	2,445,787	2,123,642	86.83%	92.57%
Capital	<u>158,381</u>	<u>319,488</u>	<u>201.72%</u>	<u>19.00%</u>
<b>Total Expenditures</b>	<b>8,718,188</b>	<b>7,878,963</b>	<b>90.37%</b>	<b>81.20%</b>

CHART C

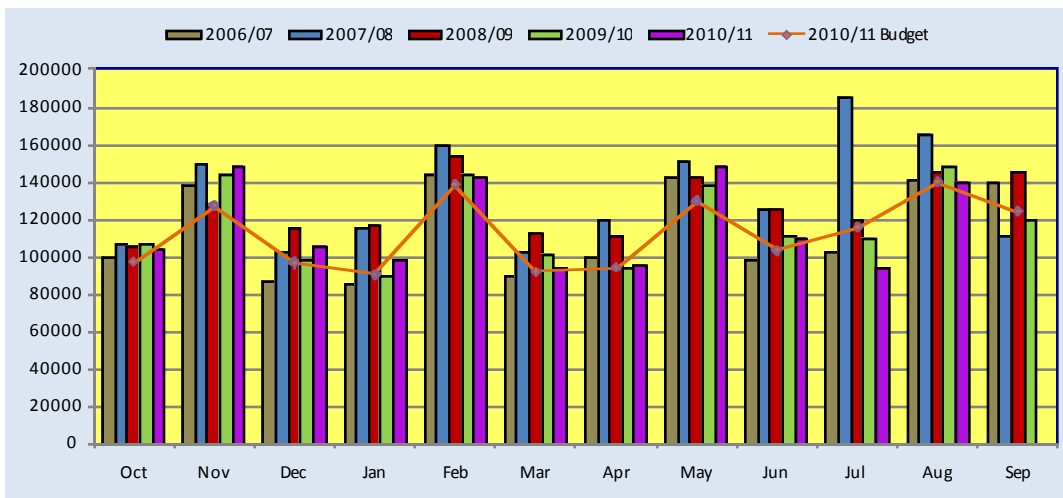
PROPERTY TAX ANALYSIS



2010/11 Budget is divided into months based on the monthly percentages of the last 5 years' collections.  
 January revenue only slightly below budget for the month but YTD revenue is higher than YTD budget

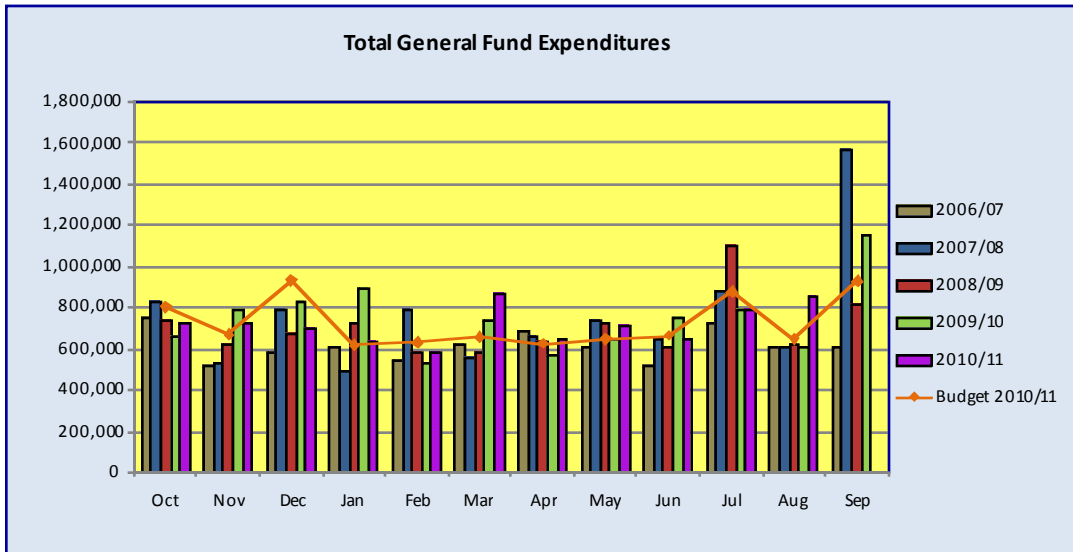
CHART D

SALES TAX ANALYSIS



2010/11 Budget is divided into months based on the monthly percentages of the last 5 years' activity of sales tax revenue.

EXPENDITURE ANALYSIS



High expenditures in September 2008 are a result of Hurricane Ike.

High expenditures in September 2010 are due to city hall A/C replacement.

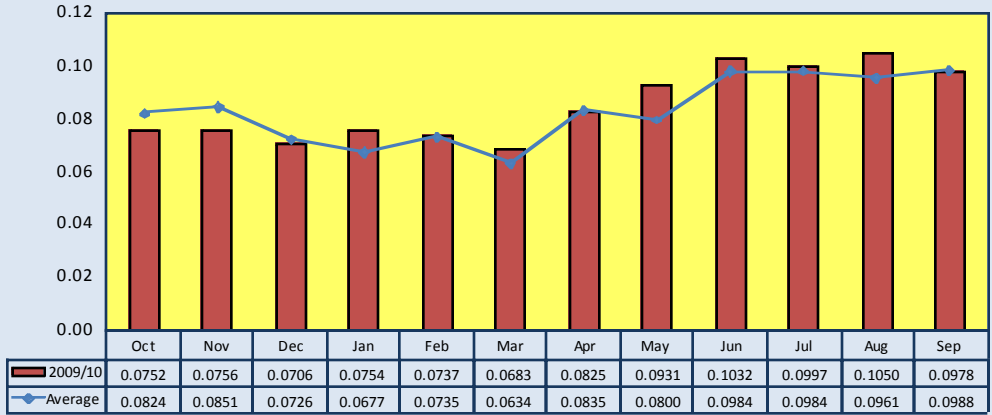
January expenditures slightly higher than January budget but YTD expenditures lower than YTD budget.



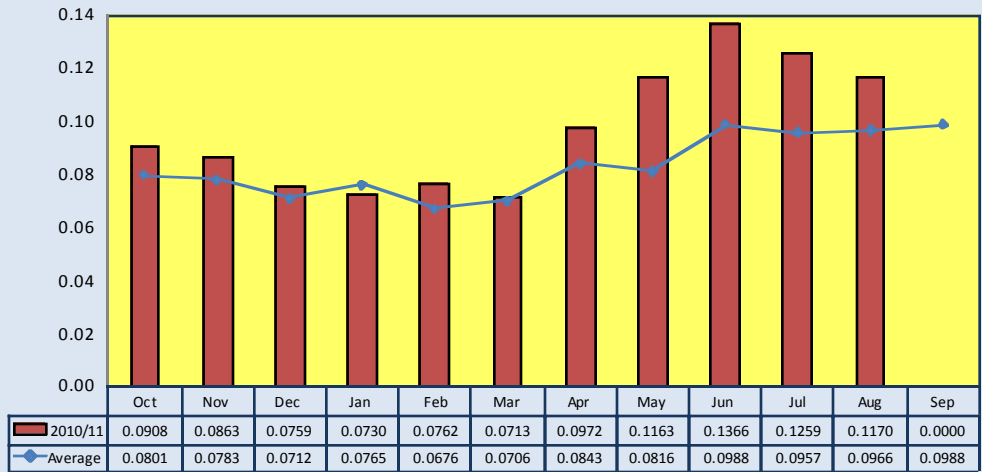
CHART F

WATER BILLING ANALYSIS

Average Percent of Water Billings by Month vs. 2009/10 Percent of Budgeted Billings



Average Percent of Water Billings by Month vs. 2010/11 Percent of Budgeted Billings



WASTEWATER BILLING ANALYSIS

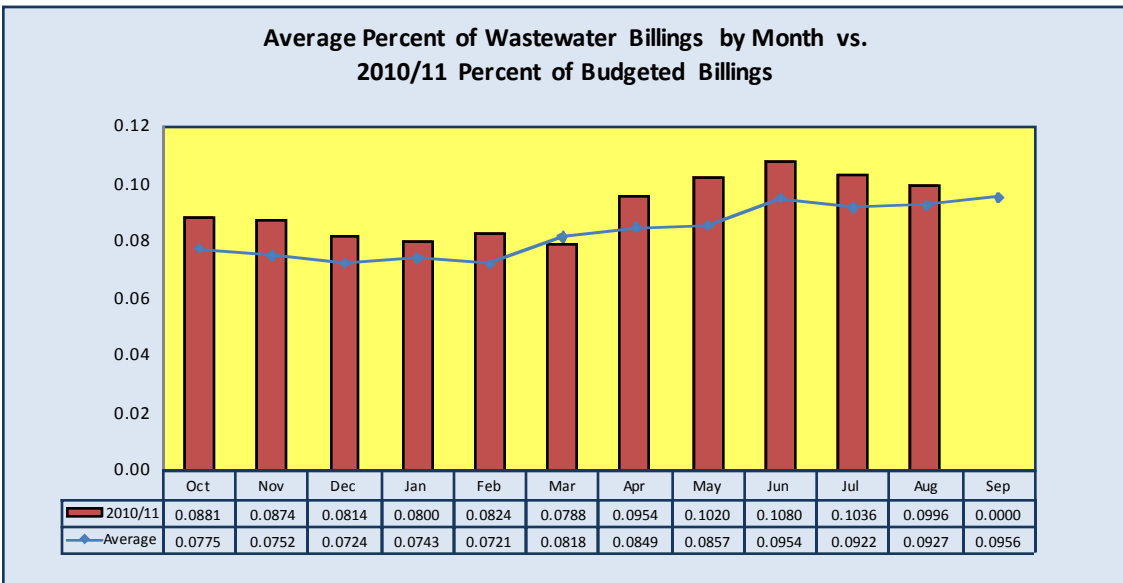
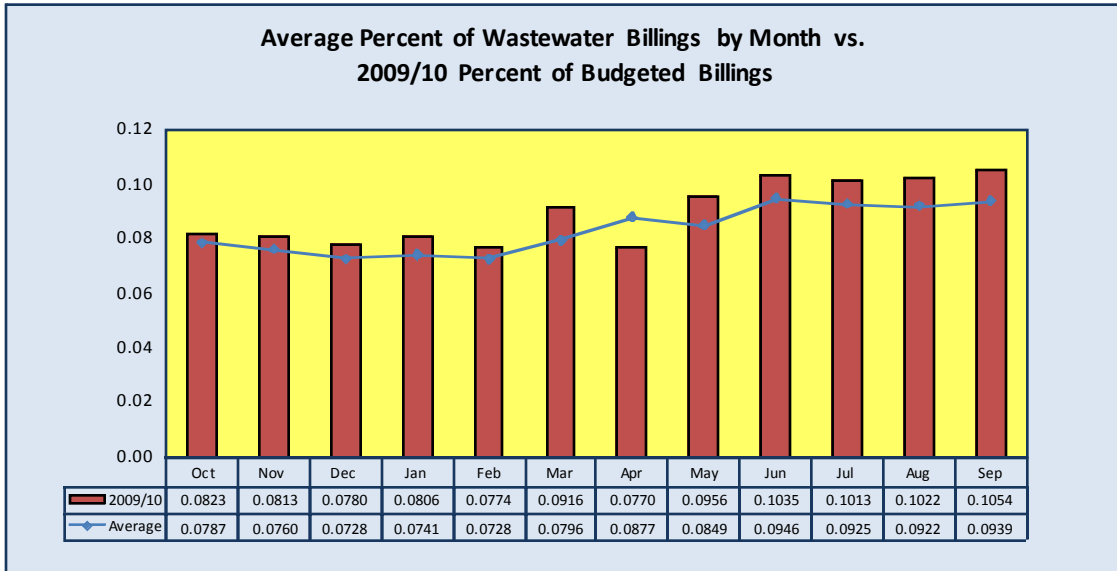
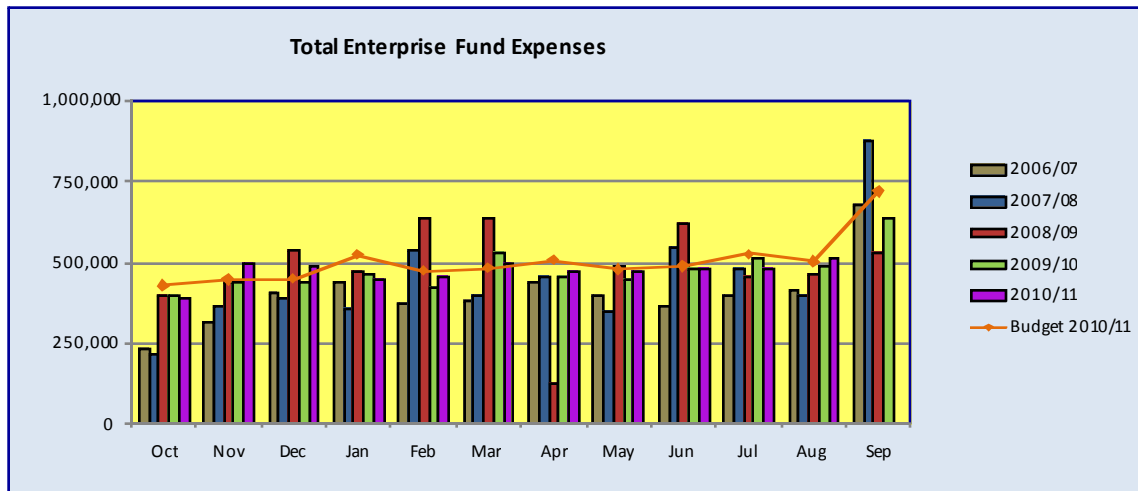


CHART H

EXPENDITURE ANALYSIS



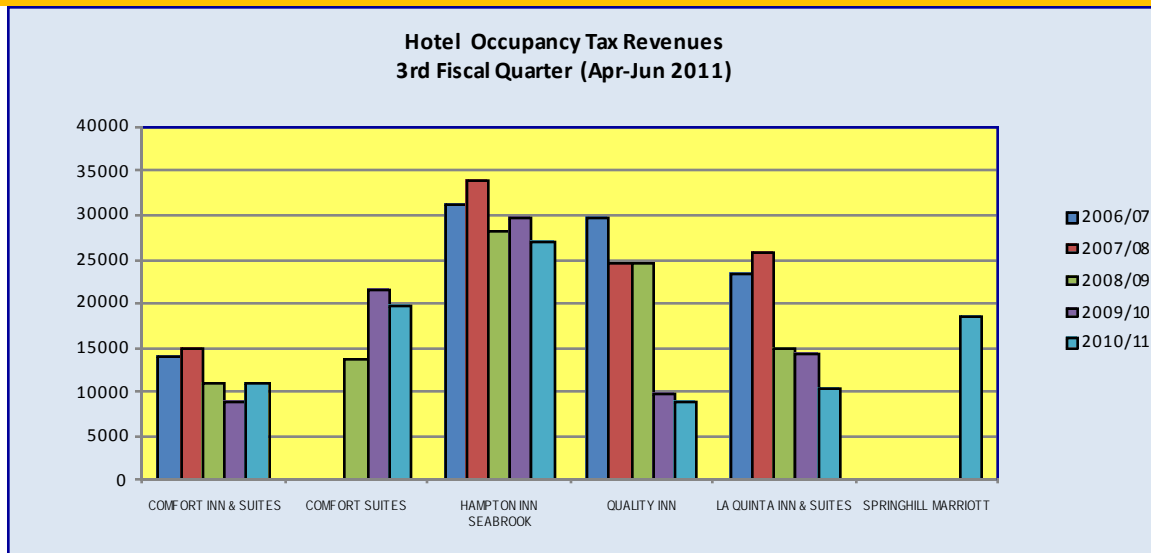
Low expenses April 2009 due to TML insurance reimbursement for IKE

HOTEL TAX FUND



CHART I

HOTEL TAX REVENUE ANALYSIS



Hotel occupancy tax is paid quarterly.  
Taxes for 3rd quarter 2010-11 (Apr-Jun 2011) was due July 31, 2011.

\*Comfort Suites-Bayport Blvd. opened 2008/09

\*\* Springhill Marriott opened last quarter 2010

# SEABROOK EDC



CHART J

## SALES TAX REVENUE ANALYSIS

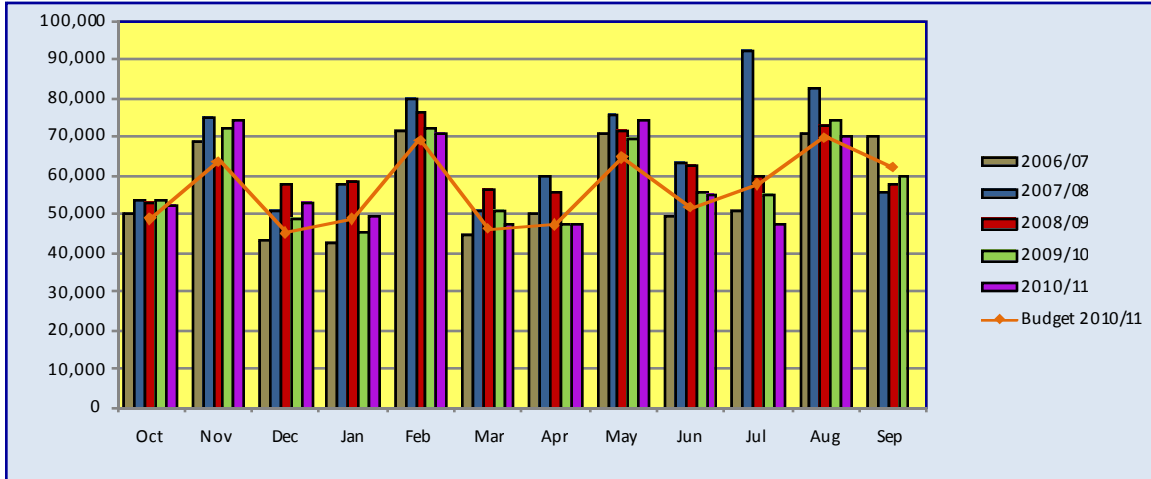
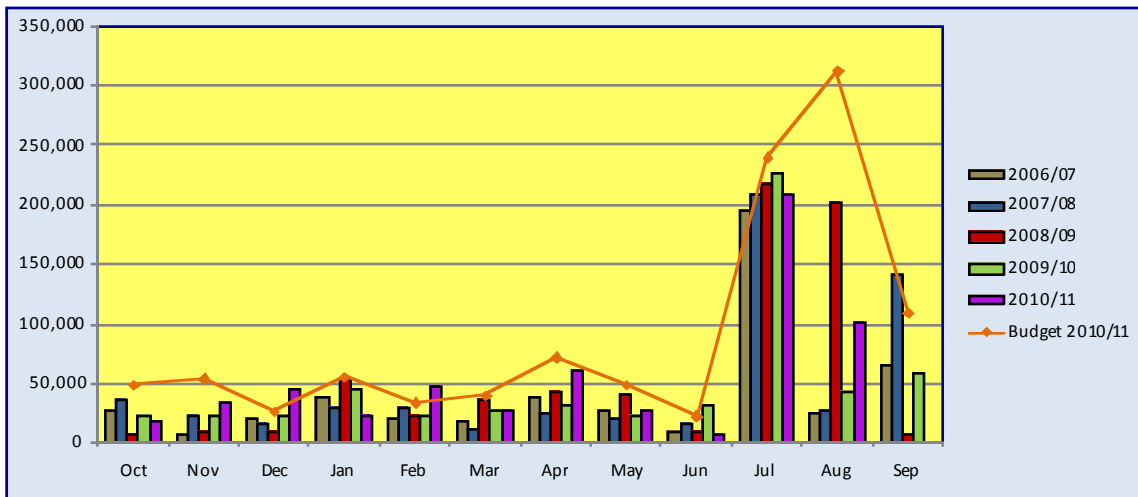


CHART K

## EXPENDITURE ANALYSIS





# CRIME DISTRICT



CHART L

## SALES TAX REVENUE ANALYSIS

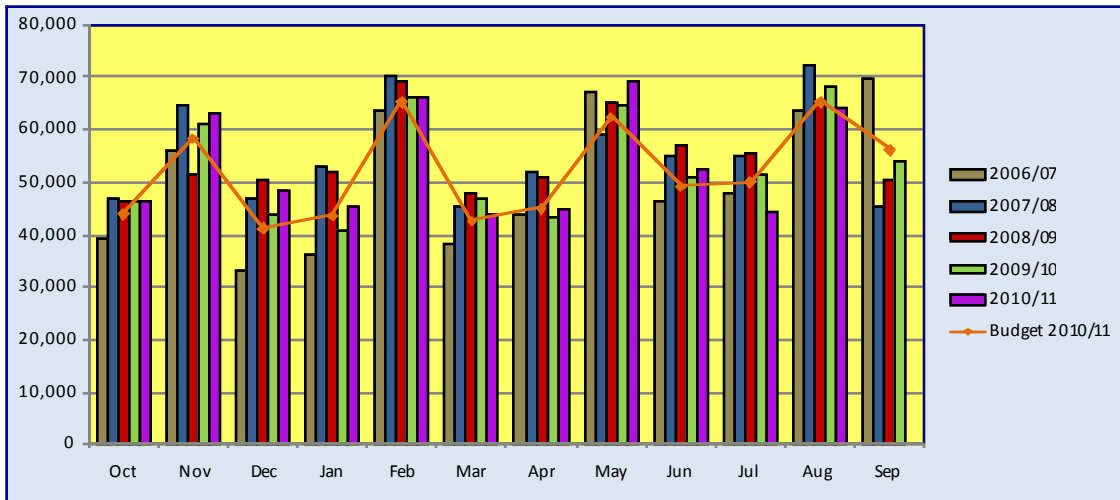
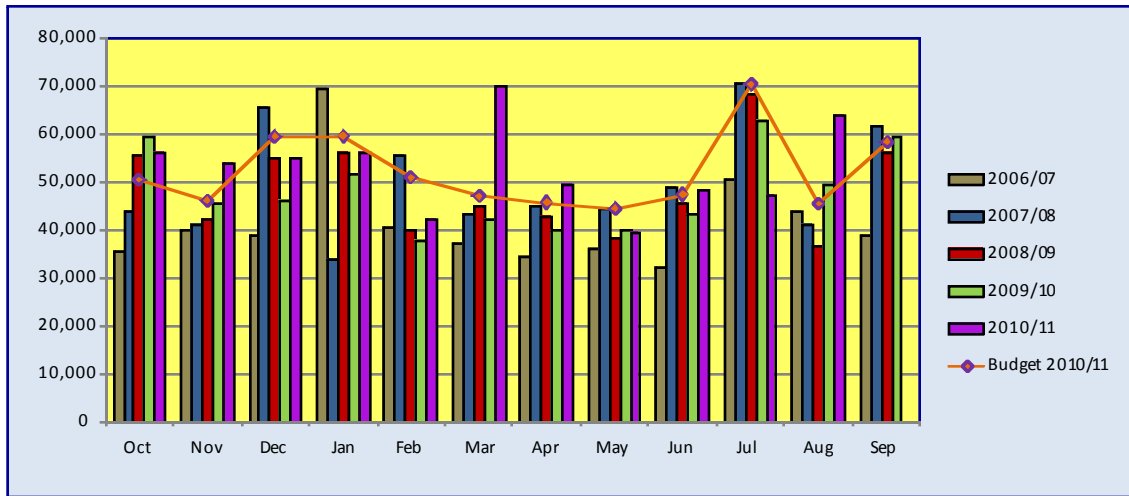


CHART M

## EXPENDITURE ANALYSIS



# INVESTMENTS



CHART N

## MONTHLY INVESTMENT REPORT

### TEXPOOL REPORT

MONTH OF AUGUST 2011  
AVG RATE .0851%

	BEGINNING BALANCE	TRANSFER IN/(OUT)	INT EARNED (Posted August)	ENDING BALANCE	PURPOSE OF FUND
GENERAL FUND - UNRESTRICTED	3,553,045.55	(305,308.66)	271.55	3,248,008.44	Working capital
ENTERPRISE FUND - UNRESTRIC	3,427,486.70	287,906.33	264.82	3,715,657.85	Working capital
ENTERPRISE FUND - RESTRICTEI	300,000.00	0.00	incl in above	300,000.00	Customer liability
CAPITAL IMPACT FEES	2,125,971.79	30,000.00	153.78	2,156,125.57	Water & sewer lines extensions & expansions
PARK FEES	15,680.61	0.00	1.13	15,681.74	Reserved for acquisition & development of park land
CHILD SAFETY PROGRAMS	15,062.21	0.00	1.09	15,063.30	Reserved for Child Safety/School Zones
FEDERAL SEIZURE	100,489.34	25,000.00	7.32	125,496.66	Criminal Investigation - Federal Funds
HOTEL/MOTEL FUND	738,420.51	88,514.28	53.55	826,988.34	Restricted for promotion of tourism
DEBT SERVICE FUND	2,641,445.35	(961,116.02)	181.92	1,680,511.25	Restricted for General fund reserves & yearly debt service
WTR/SWR BONDS	401,134.24	0.00	29.00	401,163.24	Funds transferred from Bond Mkt Acct to allow liquidity
FIRE BONDS	1,054,670.48	0.00	76.26	1,054,746.74	Funds transferred from Bond Mkt Acct to allow liquidity
STREET BONDS	128,856.01	0.00	9.32	128,865.33	Funds transferred from Bond Mkt Acct to allow liquidity
PINE GULLY PARK BONDS	0.00	0.00	0.00	0.00	Funds transferred from Bond Mkt Acct to allow liquidity
LIBRARY BONDS	22,872.85	0.00	1.65	22,874.50	Funds transferred from Bond Mkt Acct to allow liquidity
LAKESIDE DRIVE CERT DEP	400,749.78	15,000.00	29.01	415,778.79	
CRIME DISTRICT	215,374.22	5,890.75	15.59	221,280.56	Funds transferred from Bond Mkt Acct to allow liquidity
SEDC II - UNRESTRICTED	1,997,299.44	(224,886.68)	162.88	1,772,575.64	Seabrook Economic Development Corporation II
SEDC II - RESTRICTED FOR BONI	223,755.00	0.00	incl in above	223,755.00	SEDC II - Reserve for revenue bond debt service
SEDC II - RESTRICT FOR EMERG	180,000.00	0.00	incl in above	180,000.00	Emergency Reserve
STEP FUND	110,156.09	20,000.00	8.01	130,164.10	
PUBLIC SAFETY	40,006.49	25,000.00	2.94	65,009.43	
MUNI COURT - SECURITY FUND	47,087.18	(6,000.00)	3.33	41,090.51	Funds from fines to be used for security
COURT - TIME PAYMENT FEES	10,011.37	0.00	0.72	10,012.09	Funds from fines to be used to improve court
MUNI COURT - TECHNOLOGY FUNI	6,466.71	0.00	0.47	6,467.18	
<b>TOTAL TEXPOOL FUND</b>	<b>17,756,041.92</b>	<b>(1,000,000.00)</b>	<b>1,274.34</b>	<b>\$16,757,316.26</b>	

The investment portfolio of the City of Seabrook is in compliance with the investment strategies expressed in the City's Investment Policy and relevant provisions of Chapter 2256 of the Local Government Code.

*Pam Lab*

Finance Director

# TEXPOOL

## ANNOUNCEMENTS

We would like to recognize and welcome the following entity who joined the TexPool program in August, 2011:

1. Flatonia ISD (TexPool)

## Upcoming Events

09/18/11 – 09/21/11

CTAT Annual Conference, Tyler

09/30/11 – 10/02/11

TASA/TASB Annual Conference, Austin

10/11/11 – 10/14/11

TML Annual Conference, Houston

10/18/11 – 10/21/11

TACA Annual Conference, College Station

## TexPool Advisory Board Members

R.C. Allen	LaVonne Mason
Pati Buchenau	John McGrane
Jose Elizondo, Jr.	Clay McPhail
Ron Leverett	Vivian Wood

Overseen by the State of Texas Comptroller of Public Accounts Susan Combs.

Operated under the supervision of the Texas Treasury Safekeeping Trust Company.

## Additional information regarding TexPool is available upon request:

[www.texpool.com](http://www.texpool.com)

1-866-839-7665

(1-866-TEX-POOL)

Fax: 866-839-3291

## Federated.

Federated, founded in 1955, is a S&P 500 company that is a publicly traded on the NYSE. It is one of the largest managers of AAA-rated money market portfolios in the country (Source: *iMoneyNet* as of 5/31/2011).

Visit us at [FederatedInvestors.com](http://FederatedInvestors.com).

G35884-24 (9/11)

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Monthly Newsletter September 2011

## Economic and Market Commentary

Some cash yields ticked higher in August as sovereign debt issues that had been festering on both sides of the Atlantic were resolved, at least temporarily. With investors feeling more confident that another global financial crisis was not imminent — thus reducing the compulsion to hoard cash — one month Libor closed up 3 basis points to 0.22%, three month Libor climbed 7.2 basis points to 0.33%, six month Libor rose 5.6 basis points to 0.49%, and 12 month Libor increased by 4 basis points to 0.80%.

Offsetting those increases, however, were sharp drops at the extreme short- and long-term ends of the cash yield curve. As the month began, worries over funding stresses on some European banks had caused overnight rates to spike into the mid-teens; the resolution to Greece's debt drama subsequently pushed repo rates back down to the mid single-digits and Treasury bill yields to zero or below. The pattern was similar at the long end of the curve, with the yield on the Treasury's two-year note plunging to a record low of 0.19% in mid-August after the Federal Reserve pledged to keep benchmark interest rates at virtually zero for the next two years. Fed Chairman Ben Bernanke and other central bank officials subsequently tweaked the "free money for longer" message to give policymakers more flexibility in the event that inflation revives or the somnolent U.S. economy perks up faster than many now expect.

Not surprisingly, value in the cash market was in short supply. The unusually generous repo and Treasury bill rates that prevailed in early August were compelling while they lasted, but we made only modest forays out of the overnight market in search of longer term yield pickups due to concerns over possible withdrawals.

With investors fearing a reprise of the September 2008 banking crisis, we chose to maintain a high degree of liquidity to meet possible redemptions in the event of another global panic. We are pleased to report that no such rush for the exits occurred. A slight uptick in repo rates near the end of the month — a reflection of renewed jitters over the viability of the latest Greek bailout package — could present an attractive buying opportunity if the trend persists, given our view that most European banks are more than sufficiently capitalized.

Though Fed Chairman Bernanke's presentation at the global economic symposium in Jackson Hole, Wyoming in late August was arguably the most widely anticipated

(continued page 6)

## PERFORMANCE As of August 31, 2011

	TexPool	TexPool Prime
Current Invested Balance	\$14,212,784,933.32	\$1,006,532,754.45
Weighted Average Maturity (1)*	46 Days	31 Days
Weighted Average Maturity (2)*	82 Days	34 Days
Net Asset Value	1.00004	1.00002
Total Number of Participants	2,248	129
Management Fee on Invested Balance	0.0473%	0.0638%
Interest Distributed	\$1,055,235.97	\$103,090.99
Management Fee Collected	\$588,965.89	\$29,947.10
Standard & Poor's Current Rating	AAAm	AAAm

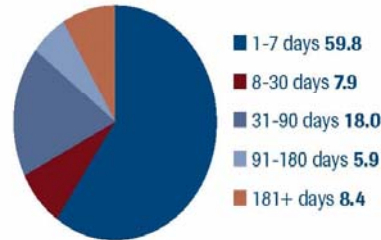
## September Averages

Average Invested Balance	\$14,596,120,185.28	\$1,149,198,612.63
Average Monthly Yield, on a simple basis (3)*	0.09%	0.10%
Average Weighted Average Maturity (1)*	46 Days	34 Days
Average Weighted Average Maturity (2)*	83 Days	37 Days

\*Definitions for Average Weighted Maturity can be found on Page 2.

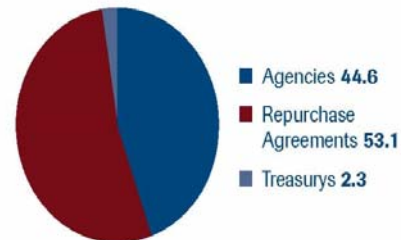
## Portfolio by Maturity

As of August 31, 2011



## Portfolio by Type of Investment

As of August 31, 2011



### PORTFOLIO ASSET SUMMARY AS OF August 31, 2011

	Book Value	Market Value
Uninvested Balance	(\$386.10)	(\$386.10)
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	6,917,197.43	6,917,197.43
Interest and Management Fees Payable	(1,055,324.42)	(1,055,324.42)
Payable for Investments Purchased	(234,000,000.00)	(234,000,000.00)
Repurchase Agreements	7,415,281,000.00	7,665,281,000.00
Mutual Fund Investments	0.00	0.00
Government Securities	6,443,530,839.14	6,443,799,010.54
US Treasury Bills	0.00	0.00
US Treasury Notes	582,111,607.27	332,305,499.00
<b>Total</b>	<b>\$14,212,784,933.32</b>	<b>\$14,213,246,996.45</b>

Market value of collateral supporting the Repurchase Agreements is at least 102% of the Book Value. The portfolio is managed by Federated Investment Counseling and the assets are safe kept in a separate custodial account at State Street Bank in the name of TexPool. The only source of payment to the Participants is the assets of TexPool. There is no secondary source of payment for the pool such as insurance or State guarantee. Should you require a copy of the portfolio, please contact TexPool Participant Services.

### PARTICIPANT SUMMARY

	Number of Participants	Balance
School District	565	\$4,180,790,773.85
Higher Education	55	\$1,826,905,255.35
Health Care	79	\$330,058,119.63
Utility District	688	\$1,395,220,639.73
City	437	\$4,295,102,715.83
County	171	\$1,098,071,237.81
Other	252	\$1,086,441,441.78

#### Definition of Weighted Average Maturity (1) & (2)

\*(1) This weighted average maturity calculation uses the SEC Rule 2A-7 definition for stated maturity for any floating rate instrument held in the portfolio to determine the weighted average maturity for the pool. This rule specifies that a variable rate instrument to be paid in 397 calendar days or less shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest rate.

\*(2) This weighted average maturity calculation uses the final maturity of any floating rate instruments held in the portfolio to calculate.

# TEXPOOL

## DAILY SUMMARY

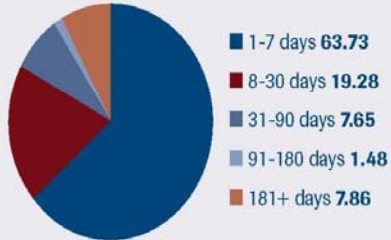
Date	Money Mkt Fund Equiv (SEC Std.)	Daily Allocation Factor	TexPool Invested Balance	Market Value Per Share	WAM Days (1)	WAM Days (2)
1-Aug	0.1977%	0.000005416	\$14,913,973,003.96	0.99999	44	80
2-Aug	0.1746%	0.000004784	\$14,902,049,841.21	0.99999	45	81
3-Aug	0.0967%	0.000002650	\$15,065,433,916.68	1.00001	45	80
4-Aug	0.0899%	0.000002464	\$15,018,490,904.10	1.00004	46	80
5-Aug	0.0618%	0.000001693	\$14,991,983,701.20	1.00004	46	83
6-Aug	0.0618%	0.000001693	\$14,991,983,701.20	1.00004	46	83
7-Aug	0.0618%	0.000001693	\$14,991,983,701.20	1.00004	46	83
8-Aug	0.1137%	0.000003116	\$14,810,796,770.99	0.99998	46	83
9-Aug	0.0725%	0.000001985	\$14,930,460,548.24	0.99997	46	83
10-Aug	0.0733%	0.000002007	\$14,900,809,610.53	1.00004	44	84
11-Aug	0.0775%	0.000002124	\$14,688,743,379.66	1.00003	46	86
12-Aug	0.1210%	0.000003314	\$14,403,022,549.99	1.00003	48	89
13-Aug	0.1210%	0.000003314	\$14,403,022,549.99	1.00003	48	89
14-Aug	0.1210%	0.000003314	\$14,403,022,549.99	1.00003	48	89
15-Aug	0.1191%	0.000003262	\$14,071,385,542.73	1.00003	47	84
16-Aug	0.0712%	0.000001952	\$14,441,748,972.18	1.00002	45	80
17-Aug	0.0722%	0.000001978	\$14,517,612,706.04	1.00003	45	80
18-Aug	0.0737%	0.000002019	\$14,477,391,652.99	1.00002	46	82
19-Aug	0.0761%	0.000002086	\$14,306,485,250.47	1.00002	47	84
20-Aug	0.0761%	0.000002086	\$14,306,485,250.47	1.00002	47	84
21-Aug	0.0761%	0.000002086	\$14,306,485,250.47	1.00002	47	84
22-Aug	0.0673%	0.000001843	\$14,280,566,409.73	1.00002	45	81
23-Aug	0.0565%	0.000001548	\$14,237,902,772.59	1.00002	47	84
24-Aug	0.0532%	0.000001458	\$14,243,925,740.61	1.00003	47	84
25-Aug	0.0575%	0.000001575	\$14,685,188,658.27	1.00003	45	81
26-Aug	0.0643%	0.000001762	\$14,562,474,269.75	1.00002	47	82
27-Aug	0.0643%	0.000001762	\$14,562,474,269.75	1.00002	47	82
28-Aug	0.0643%	0.000001762	\$14,562,474,269.75	1.00002	47	82
29-Aug	0.0713%	0.000001853	\$14,711,834,568.22	1.00002	44	79
30-Aug	0.0568%	0.000001555	\$14,576,728,497.26	1.00005	45	80
31-Aug	0.0749%	0.000002051	\$14,212,784,933.32	1.00004	46	82
<b>Averages</b>	<b>0.0851%</b>	<b>0.000002332</b>	<b>\$14,596,120,185.28</b>	<b>1.00000</b>	<b>46</b>	<b>83</b>

# TEXPOOL PRIME

September 2011

## Portfolio by Maturity

As of August 31, 2011



## Portfolio by Type of Investment

As of August 31, 2011



### PORTFOLIO ASSET SUMMARY AS OF July 31, 2011

	Book Value	Market Value
Uninvested Balance	(\$29,033.45)	(\$29,033.45)
Accrual of Interest Income	48,752.32	48,752.32
Interest and Management Fees Payable	(103,091.10)	(103,091.10)
Payable for Investments Purchased	(10,000,000.00)	(10,000,000.00)
Accrued Expenses & Taxes	551.52	551.52
Repurchase Agreements	607,841,000.00	607,841,000.00
Commercial Paper	233,779,718.91	233,776,770.00
Bank Instruments	0.00	0.00
Mutual Fund Investments	0.00	0.00
Government Securities	154,996,320.73	155,003,870.00
Variable Rate Notes	10,998,535.52	20,001,880.00
<b>Total</b>	<b>\$1,006,532,754.45</b>	<b>\$1,006,540,699.29</b>

Market value of collateral supporting the Repurchase Agreements is at least 102% of the Book Value. The portfolio is managed by Federated Investment Counseling and the assets are safe kept in a separate custodial account at Stato Street Bank in the name of TexPool Prime. The assets of TexPool Prime are the only source of payments to the Participants. There is no secondary source of payment for the pool such as insurance or State guarantee. Should you require a copy of the portfolio, please contact TexPool Participant Services.

### PARTICIPANT SUMMARY

	Number of Participants	Balance
School District	63	\$546,673,355.37
Higher Education	8	\$56,848,831.07
Health Care	6	\$24,949,066.47
Utility District	3	\$68,380,070.48
City	22	\$118,785,603.60
County	17	\$188,695,558.78
Other	10	\$2,187,984.86

\*(3) This current yield for TexPool Prime for each date may reflect a waiver of some portion or all of each of the management fees.

# TEXPOOL PRIME

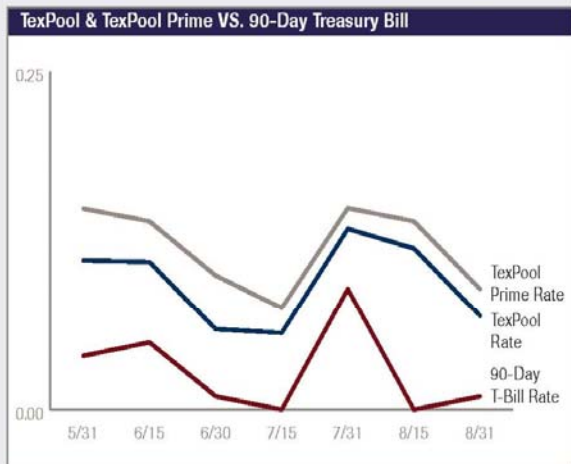
DAILY SUMMARY						
Date	Money Mkt Fund Equiv (SEC Std.)	Daily Allocation Factor	TexPool Invested Balance	Market Value Per Share	WAM Days (1)	WAM Days (2)
1-Aug	0.2163%	0.000005925	\$1,272,574,753.07	0.99997	31	35
2-Aug	0.1899%	0.000005204	\$1,269,596,158.41	0.99999	35	38
3-Aug	0.1195%	0.000003275	\$1,262,243,343.11	0.99998	36	40
4-Aug	0.1116%	0.000003058	\$1,251,100,140.20	1.00000	36	40
5-Aug	0.0827%	0.000002265	\$1,229,365,294.97	0.99999	38	42
6-Aug	0.0827%	0.000002265	\$1,229,365,294.97	0.99999	38	42
7-Aug	0.0827%	0.000002265	\$1,229,365,294.97	0.99999	38	42
8-Aug	0.1330%	0.000003643	\$1,215,775,359.00	1.00001	38	40
9-Aug	0.0948%	0.000002597	\$1,221,613,585.76	1.00002	37	39
10-Aug	0.0935%	0.000002562	\$1,245,781,468.70	1.00002	29	38
11-Aug	0.0983%	0.000002683	\$1,239,966,484.44	1.00001	32	41
12-Aug	0.1423%	0.000003899	\$1,184,042,524.06	1.00001	34	43
13-Aug	0.1423%	0.000003899	\$1,184,042,524.06	1.00001	34	43
14-Aug	0.1423%	0.000003899	\$1,184,042,524.06	1.00001	34	43
15-Aug	0.1406%	0.000003851	\$1,121,210,901.02	1.00001	34	36
16-Aug	0.0878%	0.000002405	\$1,120,864,920.75	1.00001	34	35
17-Aug	0.0892%	0.000002445	\$1,121,365,113.82	1.00002	34	36
18-Aug	0.0855%	0.000002342	\$1,121,698,006.62	1.00002	33	35
19-Aug	0.1009%	0.000002765	\$1,092,092,313.40	1.00001	35	37
20-Aug	0.1009%	0.000002765	\$1,092,092,313.40	1.00001	35	37
21-Aug	0.1009%	0.000002765	\$1,092,092,313.40	1.00001	35	37
22-Aug	0.0884%	0.000002422	\$1,081,639,951.78	1.00002	33	35
23-Aug	0.0760%	0.000002083	\$1,085,213,375.63	1.00003	32	34
24-Aug	0.0706%	0.000001933	\$1,077,030,861.16	1.00003	32	34
25-Aug	0.0757%	0.000002073	\$1,064,103,181.84	1.00003	32	34
26-Aug	0.0772%	0.000002115	\$1,073,058,909.42	1.00002	33	35
27-Aug	0.0772%	0.000002115	\$1,073,058,909.42	1.00002	33	35
28-Aug	0.0772%	0.000002115	\$1,073,058,909.42	1.00002	33	35
29-Aug	0.0904%	0.000002477	\$1,089,457,120.85	1.00002	30	32
30-Aug	0.0795%	0.000002178	\$1,021,712,385.51	1.00002	31	33
31-Aug	0.0873%	0.000002393	\$1,006,532,754.45	1.00002	31	34
<b>Averages</b>	<b>0.1044%</b>	<b>0.000002861</b>	<b>\$1,149,198,612.63</b>	<b>1.00000</b>	<b>34</b>	<b>37</b>

# TEXPOOL

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speech in recent financial market history, Bernanke did not announce any additional monetary measures to bolster the faltering recovery. Instead, Bernanke made it clear that fiscal policy now must do its part to restore confidence. Notably, a schism has formed on the Fed's rate-setting committee, with at least three members dissenting from the promise to keep rates at current levels through mid-2013. At a minimum, we expect the Fed to continue reinvesting proceeds of maturing agency and Treasury debt.

We wish to assure our clients that the downgrade of long-term United States sovereign debt by Standard & Poor's will have no material impact on TexPool or TexPool Prime. In fact, S&P reaffirmed its highest A-1+ rating for short-term U.S. debt securities, a staple of the cash market. The triple-A rating of TexPool was also affirmed by S&P. Of course, Federated will continue to monitor the nation's fiscal outlook carefully, and to make adjustments as necessary.



*90-Day Treasury Bill is a short term debt instrument backed by the national government. These are used to collect immediate cash to meet outstanding obligations.*

*Any private investor can invest in a treasury bill. The day Treasury bill is a weighted average rate of the weekly auctions of 90-day treasury bills.*