

# MONTHLY FINANCIAL REPORT

## PERFORMANCE SUMMARY

January 2016

	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	NEUTRAL	C
Sales Tax Collection Analysis	POSITIVE	POSITIVE	D
Expenditure Analysis	POSITIVE	NEGATIVE	E
<b>ENTERPRISE FUND</b>			
Water Billing Analysis	POSITIVE	POSITIVE	F
Sewer Billing Analysis	POSITIVE	POSITIVE	G
Expense Analysis	POSITIVE	NEUTRAL	H
<b>HOTEL OCCUPANCY TAX REVENUE</b>			
Hotel Tax Revenue Analysis (most recent quarter)	N/A	N/A	I
Hotel Tax Revenue Analysis (quarterly comparison for year)	N/A	N/A	J
<b>SEDC</b>			
Sales Tax Collection Analysis	POSITIVE	POSITIVE	J
Expenditure Analysis	POSITIVE	NEGATIVE	K
<b>CRIME DISTRICT</b>			
Sales Tax Collection Analysis	POSITIVE	POSITIVE	L
Expenditure Analysis	POSITIVE	POSITIVE	M
<b>INVESTMENTS</b>			
Investment Report	N/A	N/A	N

**PERFORMANCE INDICATORS:**

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

Positive = Positive variance as compared to seasonal trend.

Negative = Negative variance as compared to seasonal trend.

Neutral = Variance is less than 1%

# GENERAL FUND



CHART A

## TOTAL REVENUE THROUGH JANUARY 2016

	Budget	YTD Revenue	% of Budget Collected	Prior YTD % of Total Collected
Ad Valorem Taxes	4,358,162	3,074,072	70.54%	71.94%
Penalties & Interest	40,000	4,158	10.39%	19.63%
Sales Tax	1,600,000	576,267	36.02%	48.17%
Franchise Tax	725,000	207,891	28.67%	32.35%
Other Tax	150,000	38,621	25.75%	21.35%
License & Permits	225,000	37,233	16.55%	29.29%
Charges for Services	56,000	5,193	9.27%	7.96%
DOT Fines	30,000	22,073	73.58%	23.06%
Other Municipal Court Fees	369,100	116,322	31.52%	26.29%
Interest Income	750	3,267	435.65%	16.55%
Intergovernmental	368,184	213,548	58.00%	28.19%
Other Revenue	32,500	17,548	53.99%	24.78%
Transfers from Enterprise Fund	1,756,685	585,562	33.33%	33.33%
Payment for Services-EDC	<u>200,000</u>	<u>66,667</u>	<u>33.33%</u>	<u>33.33%</u>
<b>Total Revenues</b>	<b>9,911,381</b>	<b>4,968,422</b>	<b>50.13%</b>	<b>47.67%</b>

\$1,600,000 unbudgeted payment from PHA not included for comparison purposes

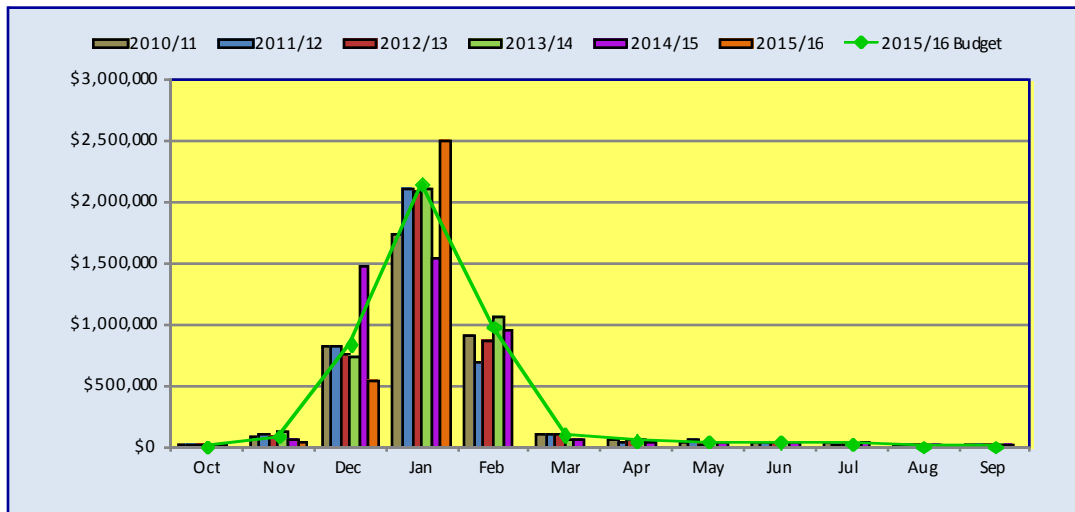
CHART B

## TOTAL EXPENDITURES THROUGH JANUARY 2016

	Budget	YTD Expenditures	% of Budget Expended	Prior YTD % of Total Expended
Personnel	6,576,490	2,134,100	32.45%	34.81%
Supplies	314,240	63,879	20.33%	22.26%
Services	2,652,709	1,001,197	37.74%	30.81%
Capital	247,680	197,291	79.66%	37.08%
Oper Transfer to Other Funds	0	0	0.00%	0.00%
<b>Total Expenditures</b>	<b>9,791,119</b>	<b>3,396,466</b>	<b>34.69%</b>	<b>33.28%</b>

CHART C

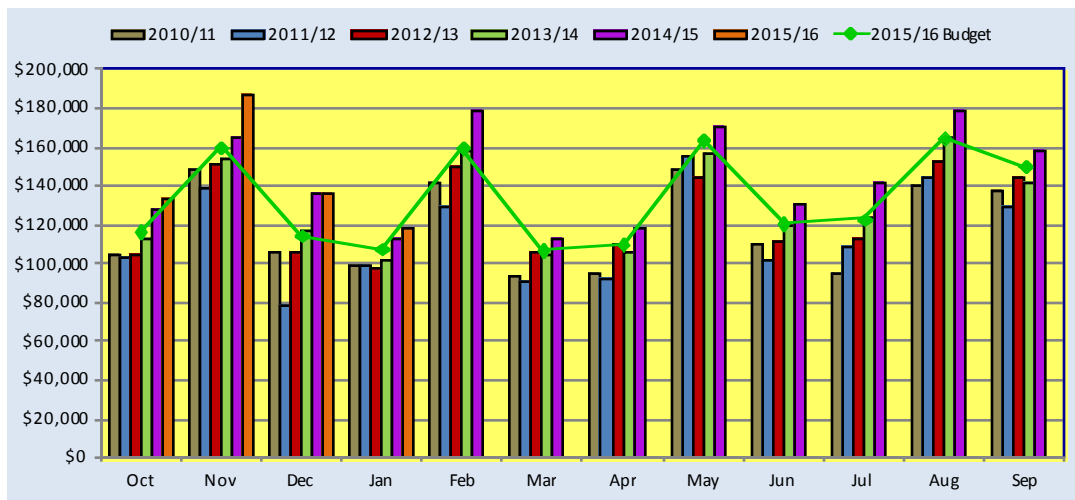
PROPERTY TAX ANALYSIS



Budget is divided into months based on the monthly percentages of the last 5 years' collections.  
 December collections were higher than the trend but were offset by lower collections in January

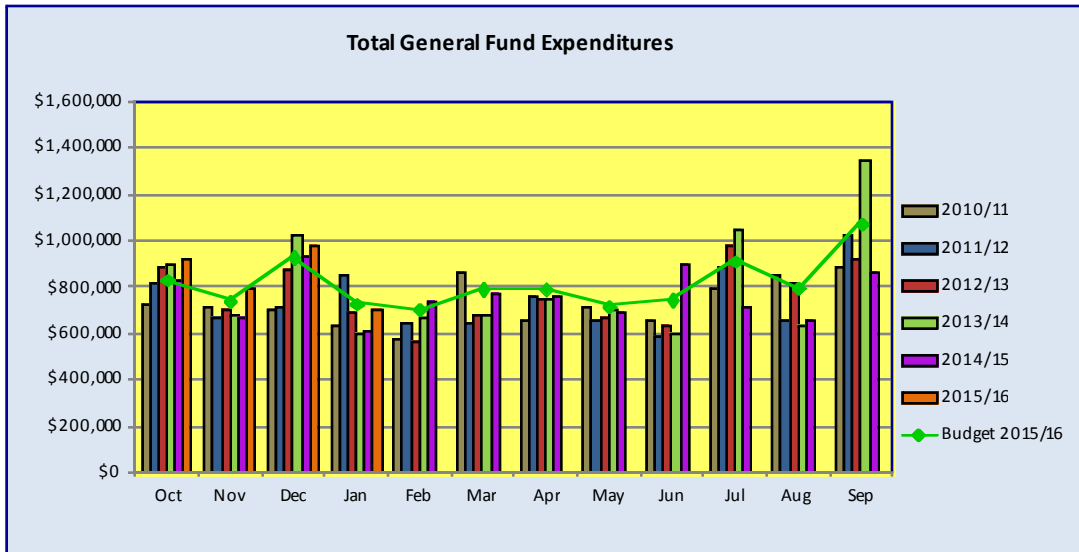
CHART D

SALES TAX ANALYSIS



2013/14 Budget is divided into months based on the monthly percentages of the last 5 years' activity of sales tax revenue.

EXPENDITURE ANALYSIS



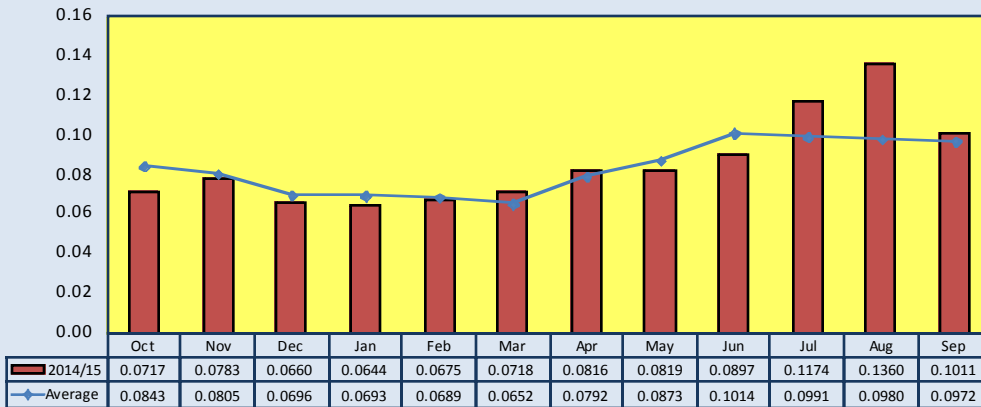
High expenditures in September 2010 are due to city hall A/C replacement.  
High expenditures in September 2014 are due to Seascapes road construction



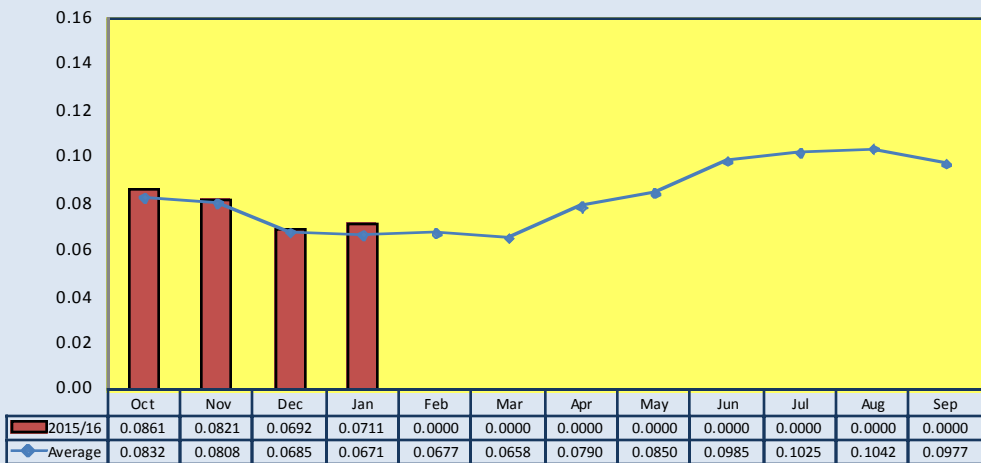
CHART F

WATER BILLING ANALYSIS

Average Percent of Water Billings by Month vs.  
2014/15 Percent of Budgeted Billings

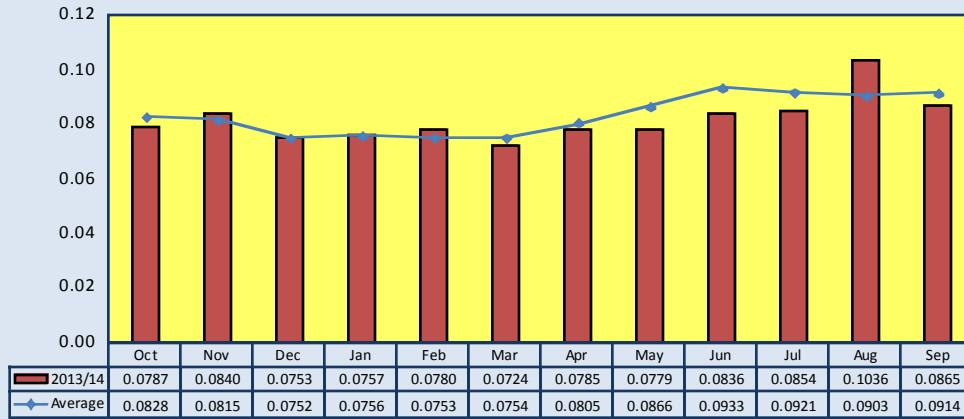


Average Percent of Water Billings by Month vs.  
2015/16 Percent of Budgeted Billings

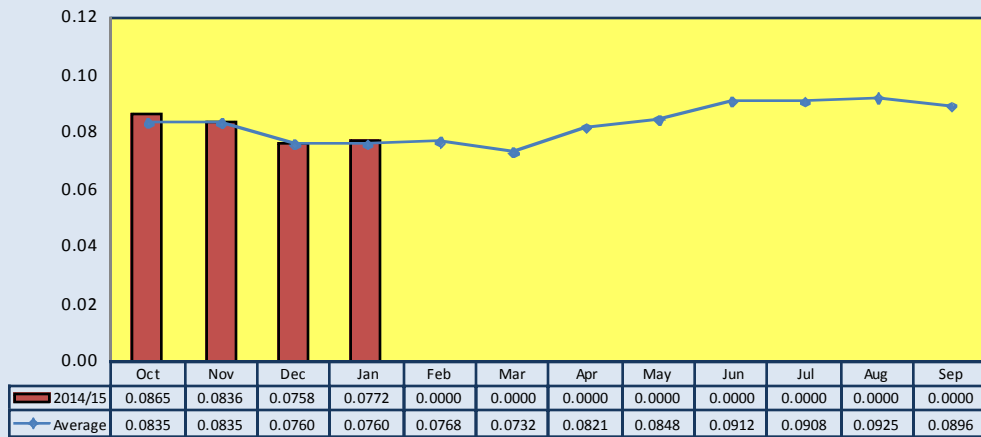


WASTEWATER BILLING ANALYSIS

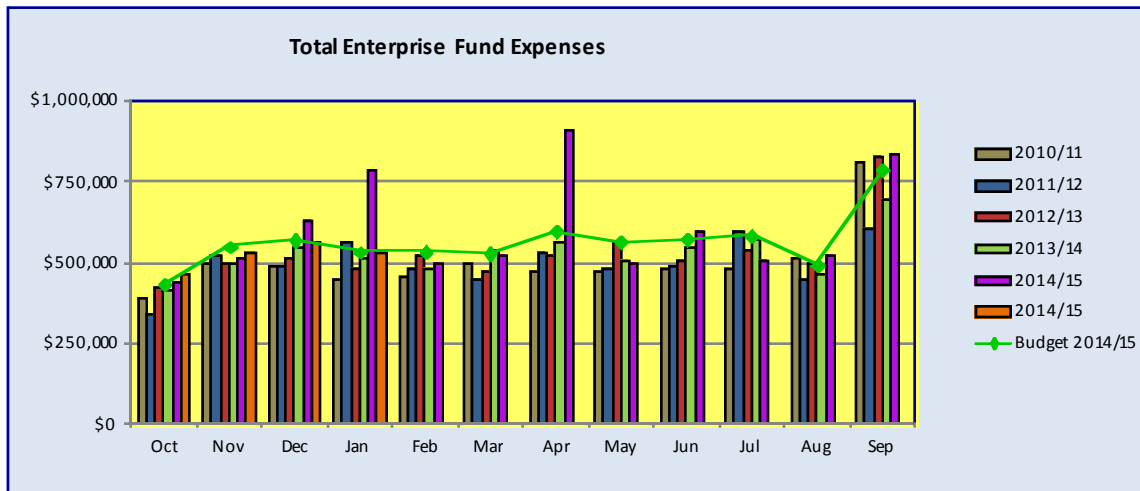
**Average Percent of Wastewater Billings by Month vs. 2014/15 Percent of Budgeted Billings**



**Average Percent of Wastewater Billings by Month vs. 2015/16 Percent of Budgeted Billings**



EXPENDITURE ANALYSIS



Sept 2013 and Nov 2013 EXCLUDE property acquisition

December 2014 & January 2015 expenses much higher than budgeted due to Lakeside lift station repairs

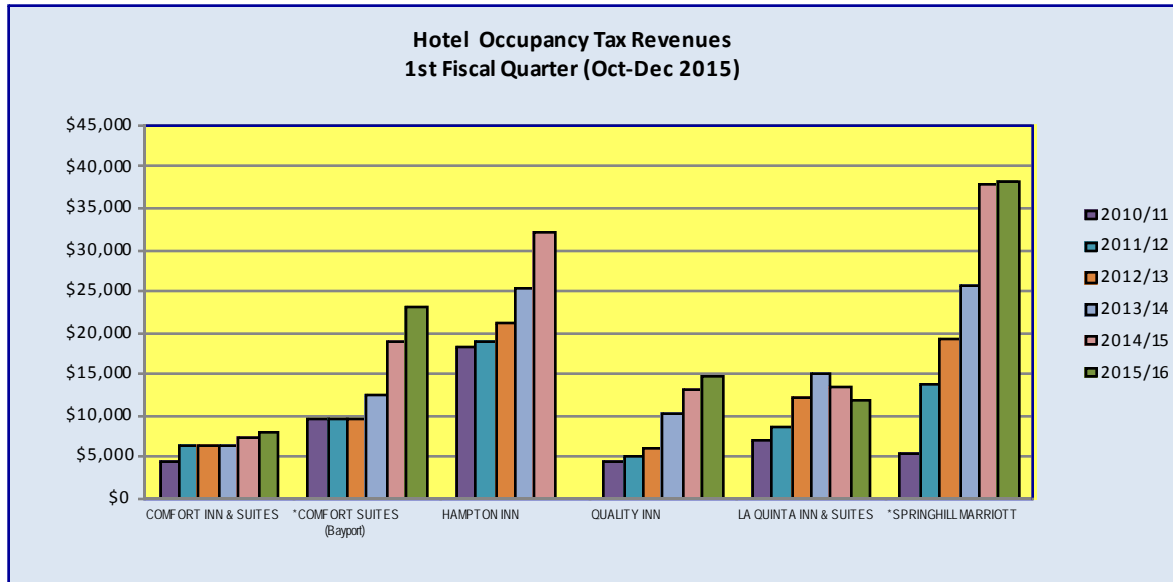
April 2015 expenses due to wastewater treatment plant upgrades

# HOTEL TAX FUND



CHART I

## HOTEL TAX REVENUE ANALYSIS

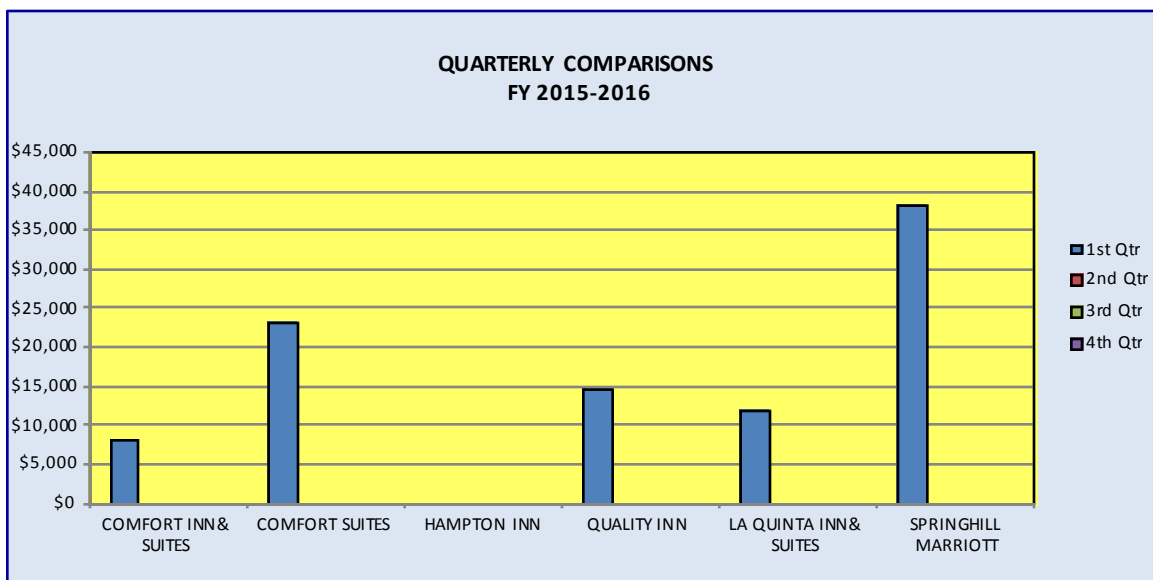


\*Springhill Marriott opened last quarter 2010

\*\* Hampton Inn closed 3rd quarter 2015 due to fire

CHART J

## HOTEL TAX REVENUE



\*\* Hampton Inn closed 3rd quarter 2015 due to fire



# SEABROOK EDC



CHART K

## SALES TAX REVENUE ANALYSIS

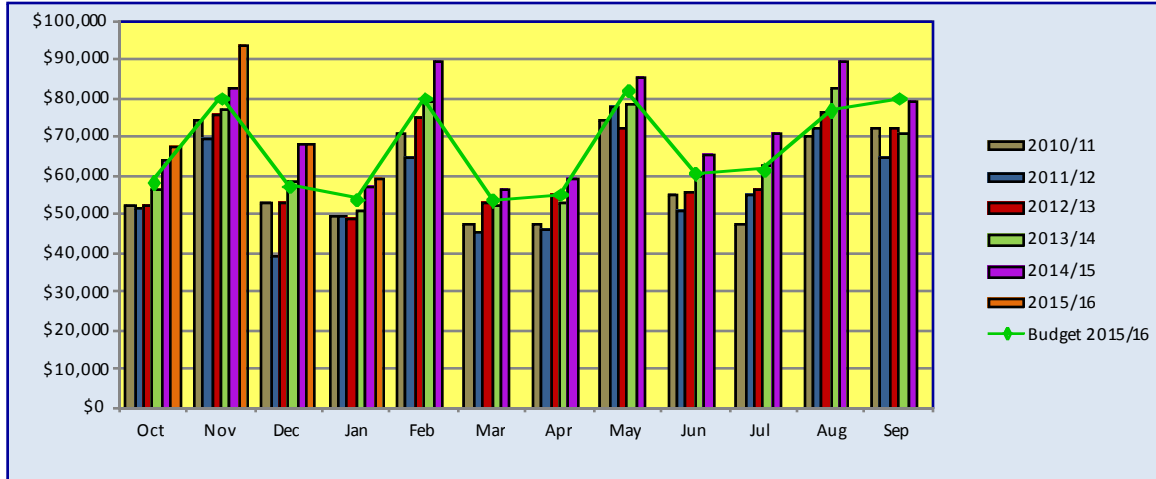
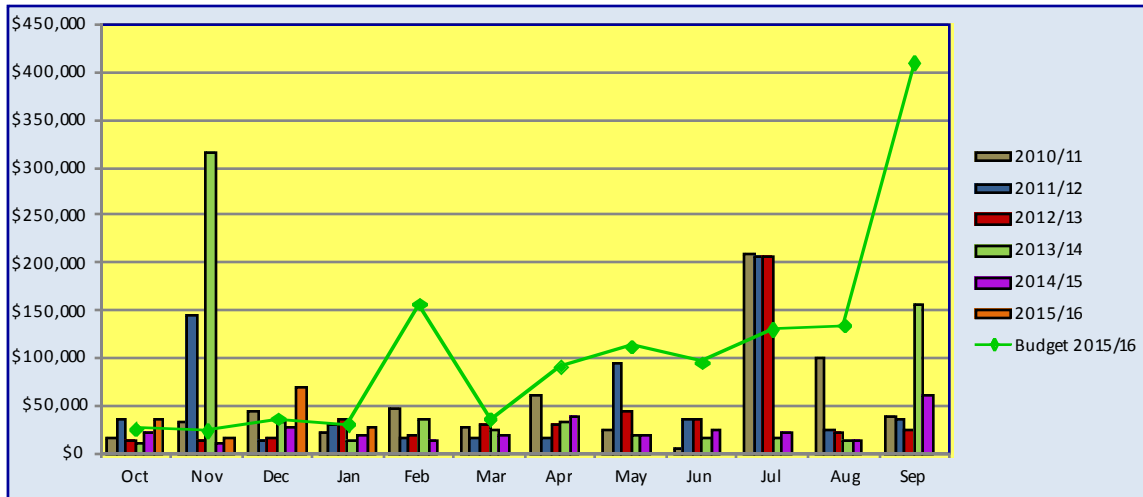


CHART L

## EXPENDITURE ANALYSIS



2015/16 September budget reflects appropriations for incentives and Business relocation off HWY 146  
 High exp in Nov 2011 was due to Gateway sign. High exp Nov 2014 was for the waterfront project July expenditures prior to 2013/14 included debt service payments.

# CRIME DISTRICT



CHART M

## SALES TAX REVENUE ANALYSIS

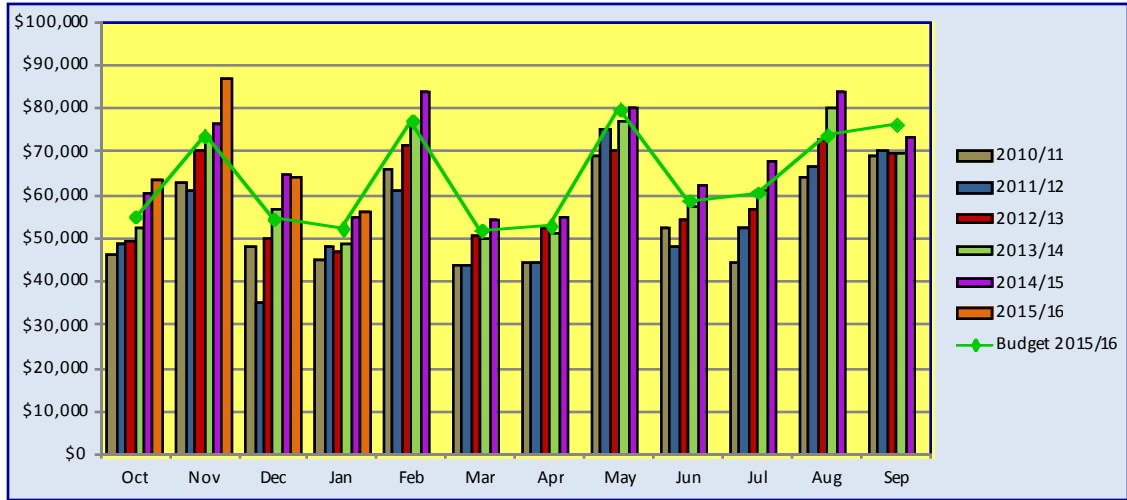
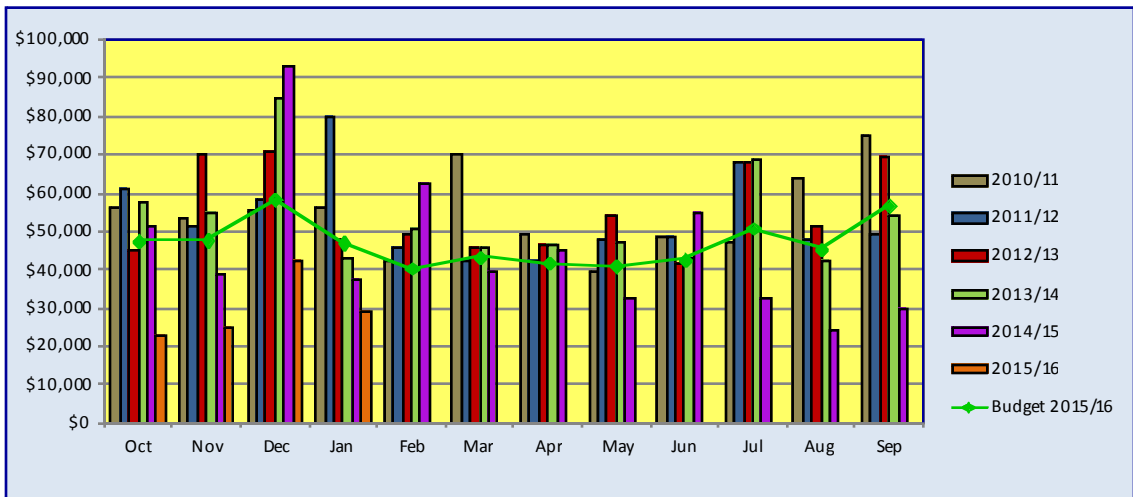


CHART N

## EXPENDITURE ANALYSIS



Large December expenditures included vehicles

# INVESTMENTS



CHART O

## MONTHLY INVESTMENT REPORT

### TEXPOOL REPORT

MONTH OF JANUARY 2016  
0.2674%

	BEGINNING BALANCE	TRANSFER IN/(OUT)	INT EARNED (Posted Jan)	ENDING BALANCE	PURPOSE OF FUND
GENERAL FUND - UNRESTRICTED	3,738,676.18	967,582.22	1,474.31	4,707,732.71	Working capital
GENERAL FUND - RESTRICTED	1,600,000.00	0.00	incl in above	1,600,000.00	
ENTERPRISE FUND - UNRESTRIC	1,542,494.81	(156,887.70)	383.42	1,385,990.53	Working capital
ENTERPRISE FUND - RESTRICTEI	300,000.00	0.00	incl in above	300,000.00	Customer liability
CAPITAL IMPACT FEES	2,477,804.87	0.00	562.70	2,478,367.57	Water & sewer lines extensions & expansions
PARK FEES	110,308.28	0.00	25.05	110,333.33	Reserved for acquisition & development of park land
SEIZURE	70,064.03	0.00	15.91	70,079.94	Solely to purchase equipment for Law Enforcement
CHILD SAFETY PROGRAMS	32,153.03	0.00	7.30	32,160.33	Reserved for Child Safety/School Zones
FEDERAL SEIZURE	15,019.50	0.00	3.41	15,022.91	Criminal Investigation - Federal Funds
HOTEL/MOTEL FUND	1,242,029.03	7,046.14	283.68	1,249,358.85	Restricted for promotion of tourism
DEBT SERVICE FUND	2,041,408.53	944,004.20	457.91	2,985,870.64	Restricted for General fund reserves & yearly debt service
WTR/SWR BONDS	292,090.33	0.00	66.34	292,156.67	Funds transferred from Bond Mkt Acct to allow liquidity
IT BONDS	362,349.69	0.00	82.29	362,431.98	Fiber Optics
PD & GF BONDS	6,702,792.49	(80,000.00)	1,521.55	6,624,314.04	Public Wokrks Facility
FIRE BONDS	23,592.52	0.00	5.36	23,597.88	Fire Engine
PARK BONDS	280,219.99	(200,000.00)	62.08	80,282.07	Splash Pad
PINE GULLY PARK BONDS	0.00	0.00	0.00	0.00	Funds transferred from Bond Mkt Acct to allow liquidity
LIBRARY BONDS	70.57	0.00	0.02	70.59	Funds transferred from Bond Mkt Acct to allow liquidity
LAKESIDE DRIVE CERT DEP	262,964.29	(5,000.00)	59.68	258,023.97	
CAROTHERS	85,366.49	0.00	19.39	85,385.88	
CRIME DISTRICT	680,592.89	(2,371.25)	154.15	678,375.79	Funds transferred from Bond Mkt Acct to allow liquidity
SEDC II - UNRESTRICTED	2,816,997.98	25,626.39	685.90	2,843,310.27	Seabrook Economic Development Corporation II
SEDC II - RESTRICTED FOR BONI	0.00	0.00	incl in above	0.00	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	70,518.83	0.00	16.01	70,534.84	
PUBLIC SAFETY	213,419.48	0.00	48.47	213,467.95	
MUNI COURT - SECURITY FUND	21,680.72	0.00	4.92	21,685.64	Funds from fines to be used for security
COURT - TIME PAYMENT FEES	14,951.39	0.00	3.40	14,954.79	Funds from fines to be used to improve court
MUNI COURT - TECHNOLOGY FUNI	6,351.10	0.00	1.44	6,352.54	
PEG Fund	70,461.12	0.00	16.00	70,477.12	
STABILIZATION FUND	802,240.91	0.00	182.19	802,423.10	
<b>TOTAL TEXPOOL FUND</b>	<b>26,056,619.05</b>	<b>1,500,000.00</b>	<b>6,142.88</b>	<b>\$27,562,761.93</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



# Monthly Newsletter: February 2016

## ANNOUNCEMENTS

We would like to recognize and welcome the following entity who joined the TexPool program in January 2016:

**TexPool**  
Kendall County MUD 1

### Upcoming Events

02/29/2016 – 03/04/2016  
TASBO Annual Conference  
Dallas

04/17/2016 – 04/20/2016  
GFOAT Spring Conference  
Austin

04/18/16 – 04/21/16  
County Treasurer's Education Seminar  
Austin

### TexPool Advisory Board Members

Jose Elizondo, Jr.	Vivian Wood
Georgia Sanchez	Jerry Dale
Patrick Krishock	Sharon Matthews
Michele Tuttle	David Landeros

Overseen by the State of Texas Comptroller of Public Accounts Glenn Hegar.

Operated under the supervision of the Texas Treasury Safekeeping Trust Company

For more information visit [www.texpool.com](http://www.texpool.com).

## Economic and Market Commentary: Can't blame the Fed this time

February 1, 2016

In December, the Federal Reserve took its customary two days to deliberate before releasing its decision to lift rates off near zero for the first time in seven years. But for the market, the verdict is still out. With the recent volatility, some are questioning if the hike was the correct move. We think it was and that the market turbulence has more to do with significant overseas economic issues and oil prices than a small, 25 basis-point increase in rates.

The reverse may be true, however: These external factors may very well have an impact on the Federal Open Market Committee (FOMC) going forward, delaying its plan to increase rates. Or, and this is just speculation, the Fed might be using the global worries as a scapegoat, as it is more concerned with the health of the U.S. economy than it would like to admit. Of course, that is its mandate, but the Fed would not be keen to communicate that the same economy it had enough faith in to hike rates, is now stalling only a month later. The statement from the most recent FOMC meeting in late January stated it can't ignore what is happening on a global basis. But it is easy for policymakers to say that rather than pointing to the domestic economy having taken a step back, especially as they likely still think it is on the right track in the medium to long term.

*(continued page 6)*

### Performance as of January 31, 2016

	TexPool	TexPool Prime
Current Invested Balance	\$16,610,883,862.88	\$1,916,115,241.44
Weighted Average Maturity**	40 Days	44 Days
Weighted Average Life**	66 Days	51 Days
Net Asset Value	0.99995	1.00005
Total Number of Participants	2,347	196
Management Fee on Invested Balance	0.0473%	0.0638%
Interest Distributed	\$3,528,039.24	\$625,020.86
Management Fee Collected	\$591,538.13	\$74,894.41
Standard & Poor's Current Rating	AAAm	AAAm
<b>Month Averages</b>		
Average Invested Balance	\$15,540,161,686.92	\$1,810,581,174.46
Average Monthly Rate*	0.27%	0.41%
Average Weighted Average Maturity**	45 Days	42 Days
Average Weighted Average Life**	72 Days	47 Days

\*This average monthly rate for TexPool Prime for each date may reflect a waiver of some portion or all of each of the management fees.  
\*\*See page 2 for definitions.

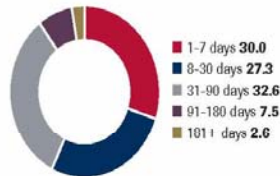
TexPool Participant Services  
1001 Texas Avenue, Suite 1400 · Houston, TX 77002  
Phone: 1-866-TEXPOOL (839-7665) · Fax: 1-866-839-3291 · [TexPool.com](http://TexPool.com)

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C35884-24 (2/16)



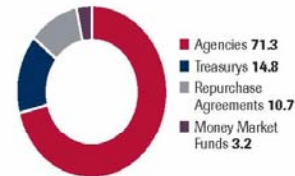
### Portfolio by Maturity (%)

As of January 31, 2016



### Portfolio by Type of Investment (%)

As of January 31, 2016



#### Portfolio Asset Summary as of January 31, 2016

	Book Value	Market Value
Uninvested Balance	\$399,571.14	\$399,571.14
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	17,038,567.31	17,038,567.31
Interest and Management Fees Payable	-3,528,403.33	-3,528,403.33
Payable for Investments Purchased	-454,682,355.12	-454,682,355.12
Accrued Expenses & Taxes	-61,240.92	-61,240.92
Repurchase Agreements	1,815,735,000.00	1,815,689,467.50
Mutual Fund Investments	555,022,103.88	555,022,103.88
Government Securities	11,335,977,902.69	11,335,669,696.20
US Treasury Bills	338,882,716.65	338,875,520.00
US Treasury Notes	3,005,100,000.58	3,004,674,756.40
<b>Total</b>	<b>\$16,610,883,862.88</b>	<b>\$16,610,097,683.06</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	575	\$5,710,774,040.84
Higher Education	57	\$1,268,949,537.99
Healthcare	81	\$710,938,312.84
Utility District	730	\$1,990,831,311.90
City	453	\$4,314,038,623.16
County	180	\$1,515,712,114.48
Other	271	\$1,081,724,654.09

#### \*\*Definition of Weighted Average Maturity and Weighted Average Life

WAM is the mean average of the periods of time remaining until the securities held in TexPool (a) are scheduled to be repaid, (b) would be repaid upon a demand by TexPool, or (c) are scheduled to have their interest rate readjusted to reflect current market rates. Securities with adjustable rates payable upon demand are treated as maturing on the earlier of the two dates set forth in (b) and (c) if their scheduled maturity is 397 days or less; and the later of the two dates set forth in (b) and (c) if their scheduled maturity is more than 397 days. The mean is weighted based on the percentage of the amortized cost of the portfolio invested in each period.

WAL is calculated in the same manner as WAM, but is based solely on the periods of time remaining until the securities held in TexPool (a) are scheduled to be repaid or (b) would be repaid upon a demand by TexPool, without reference to when interest rates of securities within TexPool are scheduled to be readjusted.



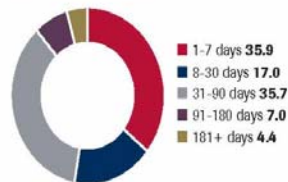
Daily Summary						
Date	Money Mkt. Fund Equiv. (SEC Std.)	Dividend Factor	TexPool Invested Balance	NAV	WAM Days	WAL Days
1/1	0.2496%	0.000006839	\$14,178,197,619.39	0.99992	49	76
1/2	0.2496%	0.000006839	\$14,178,197,619.39	0.99992	49	76
1/3	0.2496%	0.000006839	\$14,178,197,619.39	0.99992	49	76
1/4	0.2404%	0.000006585	\$14,490,058,680.66	0.99992	47	72
1/5	0.2553%	0.000006904	\$14,475,352,715.43	0.99991	48	73
1/6	0.2589%	0.000007091	\$14,734,230,019.02	0.99992	50	76
1/7	0.2581%	0.000007070	\$14,688,306,768.22	0.99992	49	75
1/8	0.2595%	0.000007110	\$14,952,432,699.76	0.99992	48	73
1/9	0.2595%	0.000007110	\$14,952,432,699.76	0.99992	48	73
1/10	0.2595%	0.000007110	\$14,952,432,699.76	0.99992	48	73
1/11	0.2618%	0.000007172	\$15,013,357,511.50	0.99992	45	71
1/12	0.2609%	0.000007148	\$15,201,061,209.34	0.99992	44	70
1/13	0.2618%	0.000007172	\$15,353,498,869.93	0.99990	43	69
1/14	0.2629%	0.000007200	\$15,539,264,973.60	0.99993	42	69
1/15	0.2797%	0.000007662	\$15,547,935,320.54	0.99995	44	72
1/16	0.2797%	0.000007662	\$15,547,935,320.54	0.99995	44	72
1/17	0.2797%	0.000007662	\$15,547,935,320.54	0.99995	44	72
1/18	0.2797%	0.000007662	\$15,547,935,320.54	0.99995	44	72
1/19	0.2781%	0.000007619	\$15,841,007,261.20	0.99995	42	71
1/20	0.2677%	0.000007333	\$15,967,207,979.25	0.99997	43	72
1/21	0.2689%	0.000007368	\$16,079,462,972.07	0.99996	44	71
1/22	0.2741%	0.000007509	\$16,277,686,649.53	0.99996	45	73
1/23	0.2741%	0.000007509	\$16,277,686,649.53	0.99996	45	73
1/24	0.2741%	0.000007509	\$16,277,686,649.53	0.99996	45	73
1/25	0.2746%	0.000007523	\$16,351,361,079.32	0.99994	42	70
1/26	0.2729%	0.000007477	\$16,411,212,071.29	0.99994	42	69
1/27	0.2729%	0.000007475	\$16,632,623,759.26	0.99994	41	68
1/28	0.2745%	0.000007520	\$16,717,662,647.74	0.99995	40	67
1/29	0.2838%	0.000007776	\$16,610,883,862.88	0.99995	40	66
1/30	0.2838%	0.000007776	\$16,610,883,862.88	0.99995	40	66
1/31	0.2838%	0.000007776	\$16,610,883,862.88	0.99995	40	66
<b>Average:</b>	<b>0.2674%</b>	<b>0.000007326</b>	<b>\$15,540,161,686.92</b>	<b>0.99994</b>	<b>45</b>	<b>72</b>



**TEXPOOL PRIME**

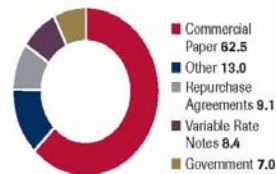
**Portfolio by Maturity (%)**

As of January 31, 2016



**Portfolio by Type of Investment (%)**

As of January 31, 2016



**Portfolio Asset Summary as of January 31, 2016**

	Book Value	Market Value
Uninvested Balance	-\$166.61	-\$166.61
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	895,852.37	895,852.37
Interest and Management Fees Payable	-625,206.09	-625,206.09
Payable for Investments Purchased	0.00	0.00
Accrued Expenses & Taxes	-7,741.41	-7,741.41
Repurchase Agreements	173,646,000.00	173,646,000.00
Commercial Paper	1,197,632,471.47	1,197,744,274.12
Bank Instruments	90,166,411.18	90,167,615.00
Mutual Fund Investments	249,018,802.03	249,018,802.03
Government Securities	44,989,694.72	44,989,775.00
Variable Rate Notes	160,388,123.78	160,380,789.00
<b>Total</b>	<b>\$1,916,115,241.44</b>	<b>\$1,916,210,003.41</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 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	85	\$1,183,883,452.35
Higher Education	8	\$59,025,982.96
Healthcare	10	\$19,341,745.97
Utility District	8	\$98,134,815.11
City	39	\$241,252,034.27
County	23	\$199,944,286.85
Other	23	\$108,552,483.00



## TEXPOOL *PRIME*

### Daily Summary

Date	Money Mkt. Fund Equiv. (SEC Std.)	Dividend Factor	TexPool Prime Invested Balance	NAV	WAM Days	WAL Days
1/1	0.3385%	0.000009274	\$1,800,364,944.28	0.99996	37	41
1/2	0.3385%	0.000009274	\$1,800,364,944.28	0.99996	37	41
1/3	0.3385%	0.000009274	\$1,800,364,944.28	0.99996	37	41
1/4	0.3423%	0.000009378	\$1,799,801,051.18	0.99996	37	41
1/5	0.3688%	0.000010105	\$1,653,198,870.96	0.99994	41	45
1/6	0.3888%	0.000010653	\$1,689,063,748.87	0.99994	44	48
1/7	0.3861%	0.000010579	\$1,684,143,079.16	0.99995	46	50
1/8	0.3903%	0.000010692	\$1,690,442,320.15	0.99994	46	50
1/9	0.3903%	0.000010692	\$1,690,442,320.15	0.99994	46	50
1/10	0.3903%	0.000010692	\$1,690,442,320.15	0.99994	46	50
1/11	0.4010%	0.000010986	\$1,721,433,591.15	0.99998	44	47
1/12	0.4036%	0.000011057	\$1,736,461,352.79	0.99999	44	47
1/13	0.3842%	0.000010526	\$1,772,357,417.04	0.99999	43	49
1/14	0.4082%	0.000011183	\$1,761,427,753.66	1.00001	43	49
1/15	0.4065%	0.000011136	\$1,802,847,489.98	1.00000	43	49
1/16	0.4065%	0.000011136	\$1,802,847,489.98	1.00000	43	49
1/17	0.4065%	0.000011136	\$1,802,847,489.98	1.00000	43	49
1/18	0.4065%	0.000011136	\$1,802,847,489.98	1.00000	43	49
1/19	0.4266%	0.000011688	\$1,830,560,102.25	1.00004	39	45
1/20	0.4172%	0.000011429	\$1,884,099,983.55	1.00005	38	46
1/21	0.4176%	0.000011440	\$1,882,956,241.67	1.00004	38	46
1/22	0.4313%	0.000011816	\$1,868,782,481.91	1.00002	41	48
1/23	0.4313%	0.000011816	\$1,868,782,481.91	1.00002	41	48
1/24	0.4313%	0.000011816	\$1,868,782,481.91	1.00002	41	48
1/25	0.4385%	0.000012014	\$1,902,444,573.70	1.00004	40	47
1/26	0.4332%	0.000011869	\$1,910,295,254.80	1.00006	41	48
1/27	0.4358%	0.000011939	\$1,935,717,127.37	1.00007	41	48
1/28	0.4496%	0.000012317	\$1,925,550,336.74	1.00007	43	50
1/29	0.4550%	0.000012466	\$1,916,115,241.44	1.00005	44	51
1/30	0.4550%	0.000012466	\$1,916,115,241.44	1.00005	44	51
1/31	0.4550%	0.000012466	\$1,916,115,241.44	1.00005	44	51
<b>Average:</b>	<b>0.4056%</b>	<b>0.000011111</b>	<b>\$1,810,581,174.46</b>	<b>1.00000</b>	<b>42</b>	<b>47</b>





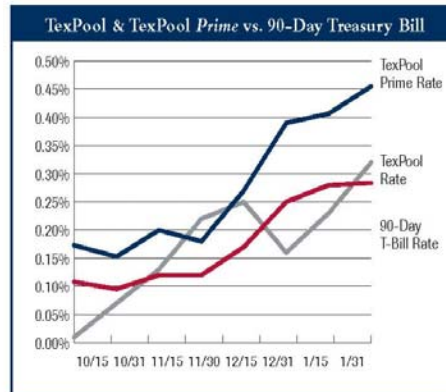
Participant Services  
1001 Texas Ave. 14th Floor  
Houston, TX 77002

This is not to suggest the policymakers are second guessing themselves at this point, but we do think they would like to make fewer hikes this year without looking like they are second-guessing themselves. The January statement did say they see strength in the economy despite the few pockets of weakness and low inflation in the near term. But they might delay or slow the hike schedule, possibly raising rates every third FOMC meeting rather than every other, waiting till the second quarter to hike and then enacting the every-other-meeting schedule. It will depend upon the domestic statistics; the global markets will have much less of an impact on the decisions. We think the more likely year-end federal funds level will be 1% rather than 1.75%. The London interbank offered rate (Libor) is certainly not pricing in a big move, staying steady over January at around 43, 61 and 85 basis points for 1-, 3- and 6-month, respectively.

Don't let all this attention paid to future actions make it seem like we are not appreciating liftoff. Like cash managers everywhere, it has been marvelous. Across the industry, there's been lots of cash flows into money market funds and plenty of rising yields. That's even the case for the Treasury sector, which had been held so low for so long. We have kept our Weighted Average Maturity (WAM) in the mid-thirties by shortening the long end of our barbell.

We went from purchasing fixed-rate securities with 9-12 month maturities to buying ones with maturities closer to six months.

The benefits of the Fed hike have also shown up in our overnight operations. For nearly the entire time that the U.S. Treasury has been offering a select list of money market managers a guaranteed



*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 90-Day Treasury Bill is a weighted average rate of the weekly auctions of 90-Day Treasury Bills.*

rate for buying of Treasuries—typically a floor of about five basis points. But since the hike, we have been able to trade with other counterparties and have not done much with the Fed, except at quarter-end. Throughout January, the market has been trading at about five basis points higher than the Fed's 25 basis points.

Things are starting to work like they are supposed to. For us, the verdict is definitely in favor of the Fed's hike.