

# MONTHLY FINANCIAL REPORT

## PERFORMANCE SUMMARY

March 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	NEUTRAL	B
Property Tax Collection Analysis	POSITIVE	POSITIVE	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	NEUTRAL	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	NEGATIVE	POSITIVE	K
<b>CRIME DISTRICT</b>			
Sales Tax Collection Analysis	POSITIVE	POSITIVE	L
Expenditure Analysis	NEGATIVE	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 MARCH 2016

	Budget	YTD Revenue	% of Budget Collected	Prior YTD % of Total Collected
Ad Valorem Taxes	4,358,162	4,214,206	96.70%	95.72%
Penalties & Interest	40,000	13,640	34.10%	43.74%
Sales Tax	1,600,000	882,350	55.15%	64.81%
Franchise Tax	725,000	392,932	54.20%	53.01%
Other Tax	150,000	38,621	25.75%	21.35%
License & Permits	225,000	62,086	27.59%	55.42%
Charges for Services	56,000	13,141	23.47%	18.55%
DOT Fines	30,000	39,283	130.94%	30.60%
Other Municipal Court Fees	369,100	204,905	55.51%	47.25%
Interest Income	750	7,799	1039.90%	28.22%
Intergovernmental	368,184	275,387	74.80%	47.38%
Other Revenue	32,500	33,710	103.72%	35.70%
Transfers from Enterprise Fund	1,756,685	878,343	50.00%	50.00%
Payment for Services-EDC	<u>200,000</u>	<u>100,000</u>	<u>50.00%</u>	<u>50.00%</u>
<b>Total Revenues</b>	<b>9,911,381</b>	<b>7,156,403</b>	<b>72.20%</b>	<b>67.76%</b>

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

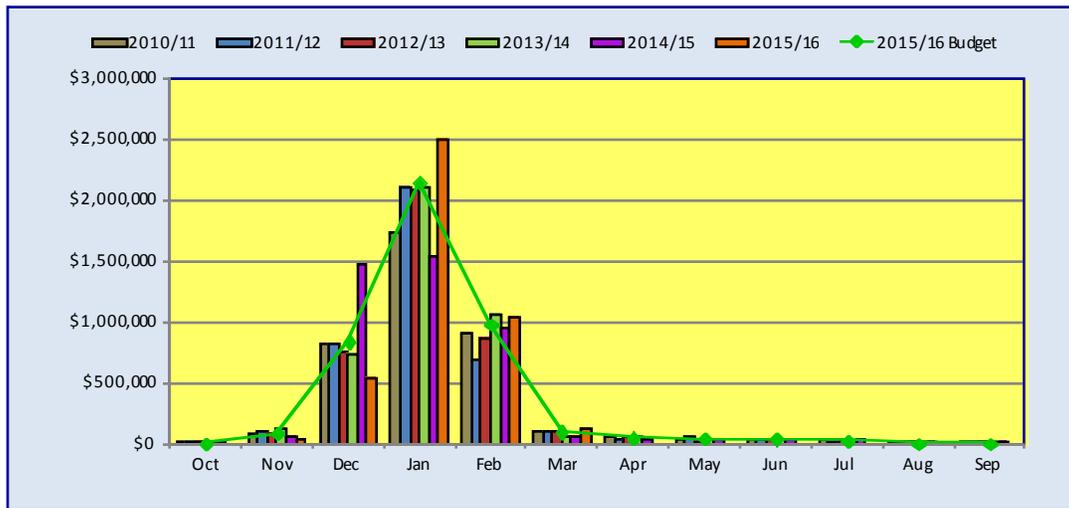
CHART B

## TOTAL EXPENDITURES THROUGH MARCH 2016

	Budget	YTD Expenditures	% of Budget Expended	Prior YTD % of Total Expended
Personnel	6,576,490	3,143,237	47.80%	50.34%
Supplies	314,240	118,014	37.56%	30.61%
Services	2,652,709	1,341,644	50.58%	50.25%
Capital	247,680	239,042	96.51%	61.85%
Oper Transfer to Other Funds	0	0	<u>0.00%</u>	<u>0.00%</u>
<b>Total Expenditures</b>	<b>9,791,119</b>	<b>4,841,938</b>	<b>49.45%</b>	<b>49.88%</b>

CHART C

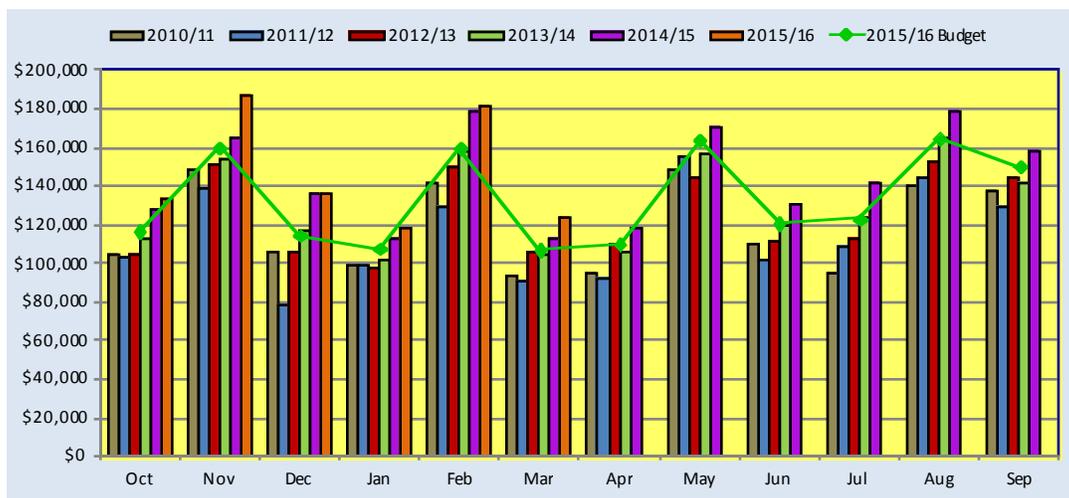
PROPERTY TAX ANALYSIS



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

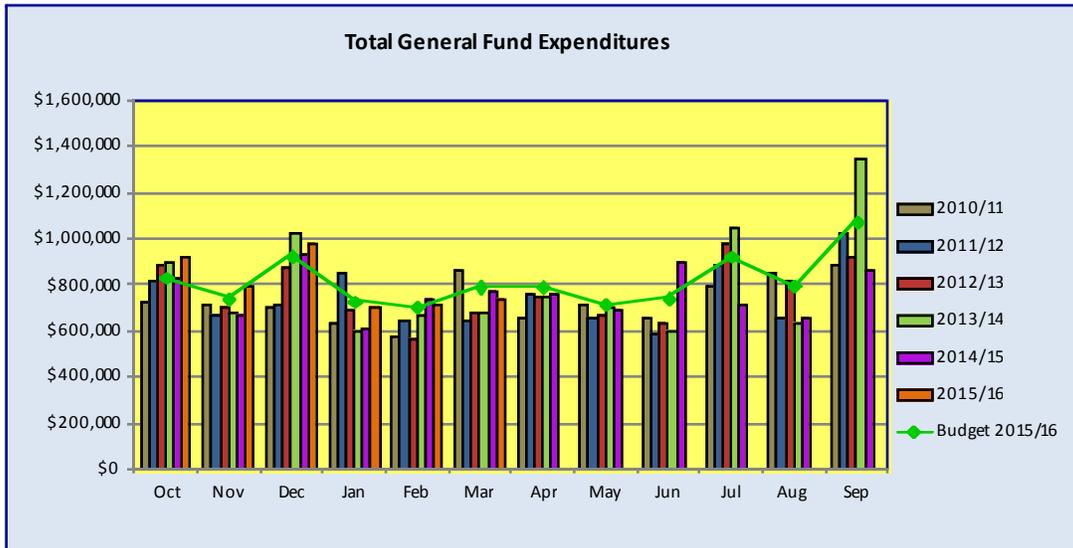
CHART D

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.

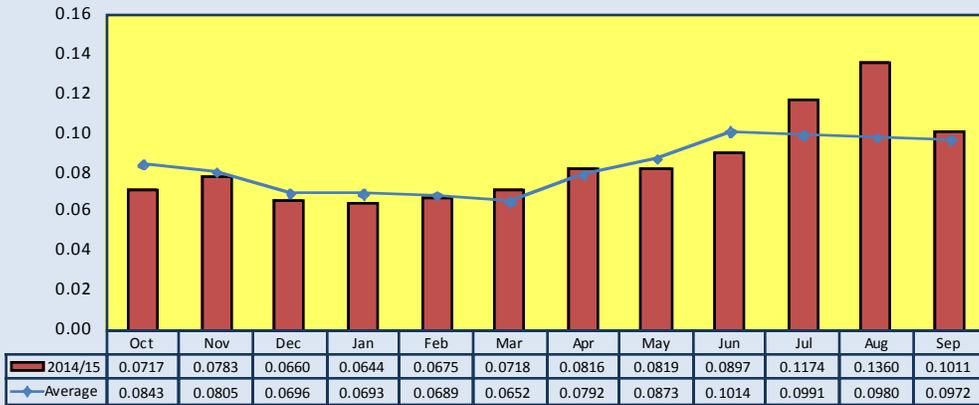
High expenditures in September 2014 are due to Seascapes road construction



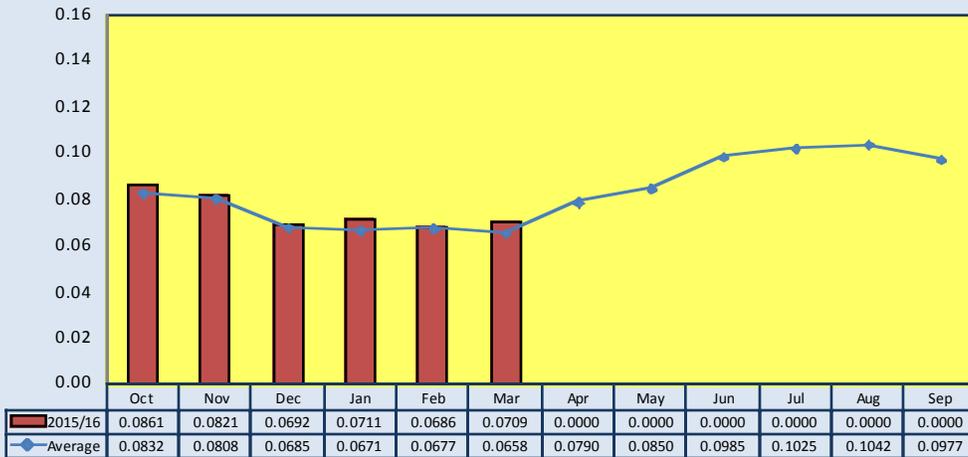
CHART F

WATER BILLING ANALYSIS

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

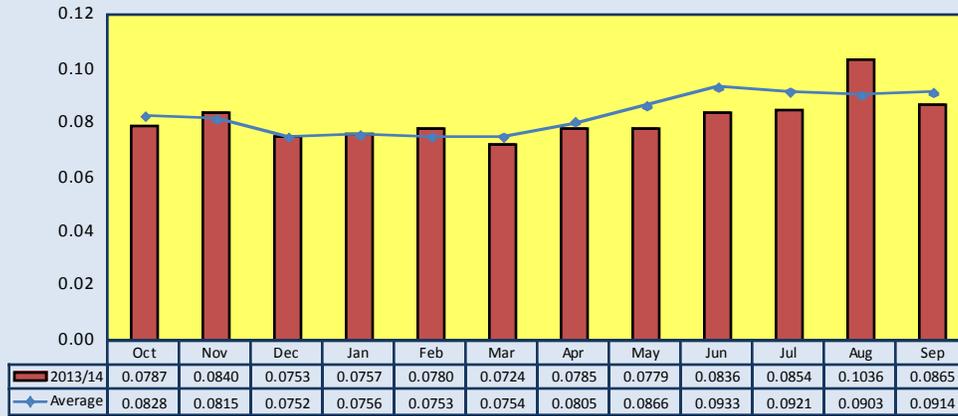


Average Percent of Water Billings by Month vs.  
2015/16 Percent of Budgeted Billings

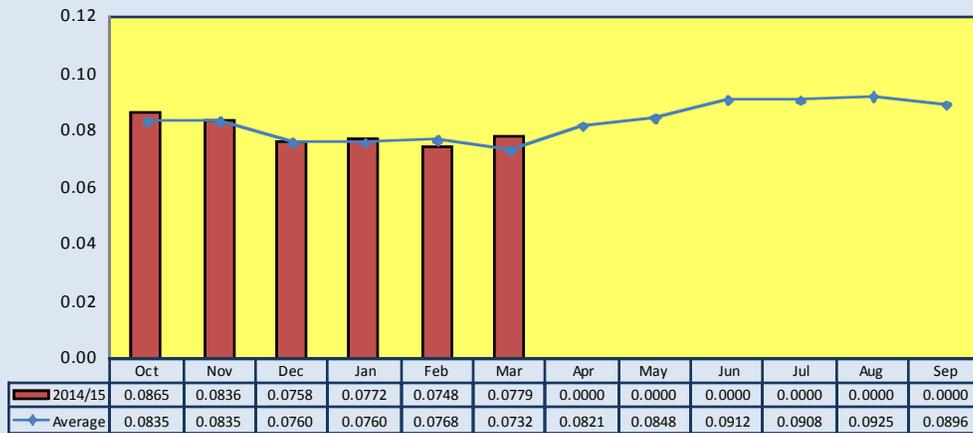


WASTEWATER BILLING ANALYSIS

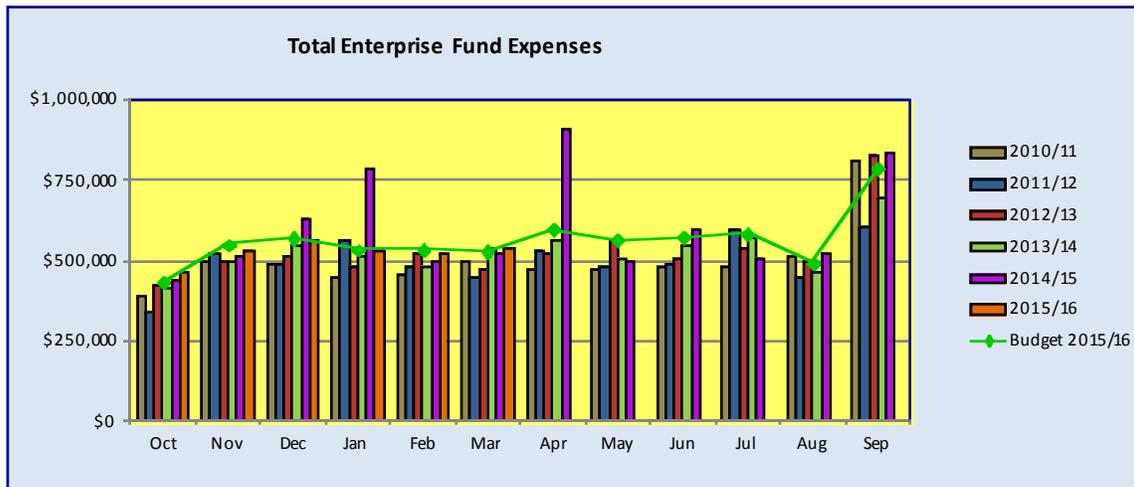
**Average Percent of Wastewater Billings by Month vs. 2014/15 Percent of Budgeted Billings**



**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

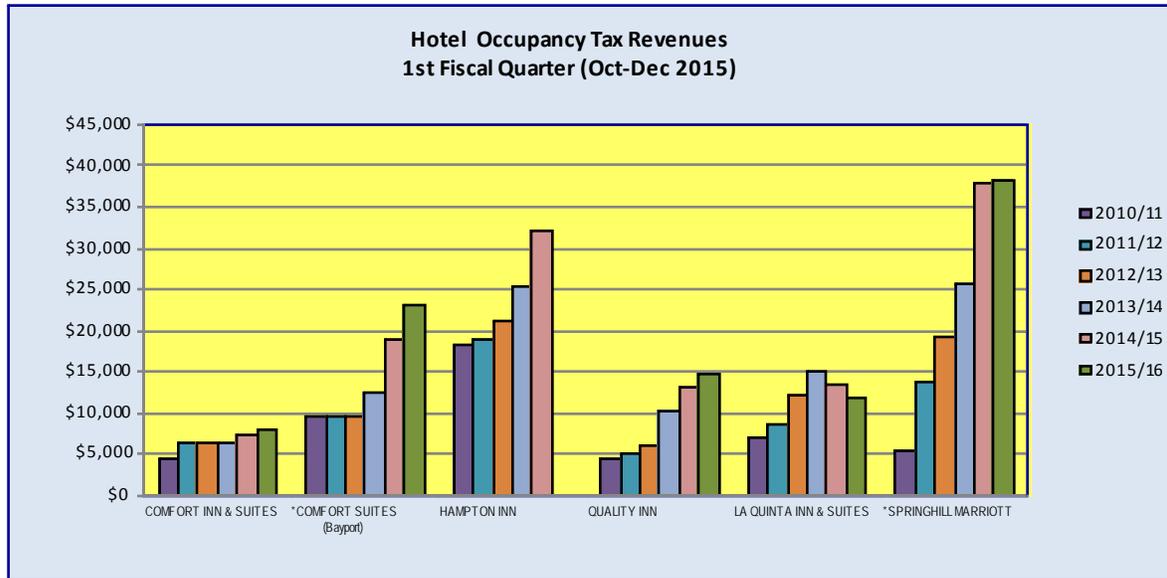
April 2015 expenses due to wastewater treatment plant upgrades

# HOTEL TAX FUND



CHART I

## HOTEL TAX REVENUE ANALYSIS

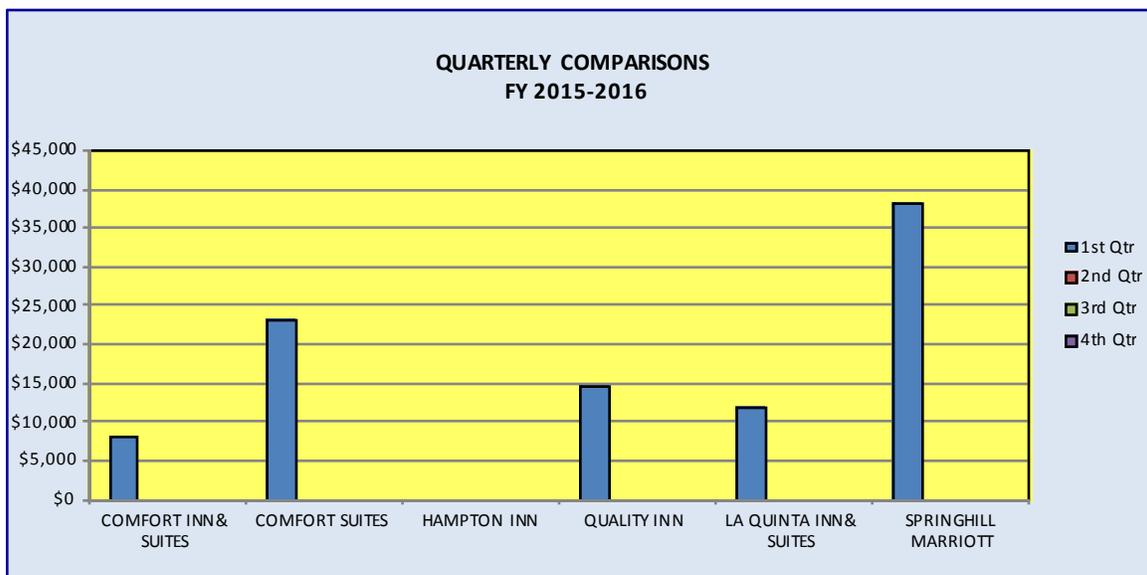


\*Springhill Marriott opened last quarter 2010

\*\* 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

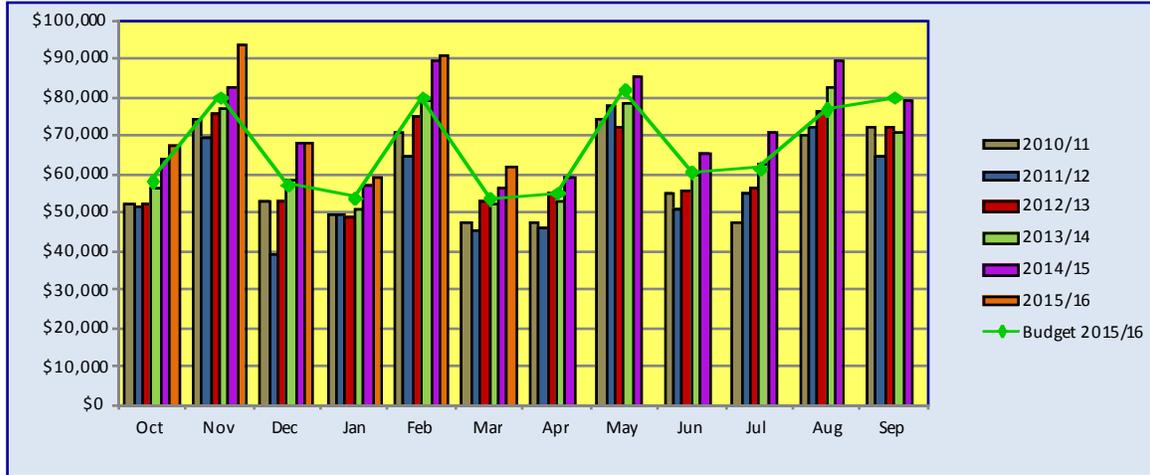
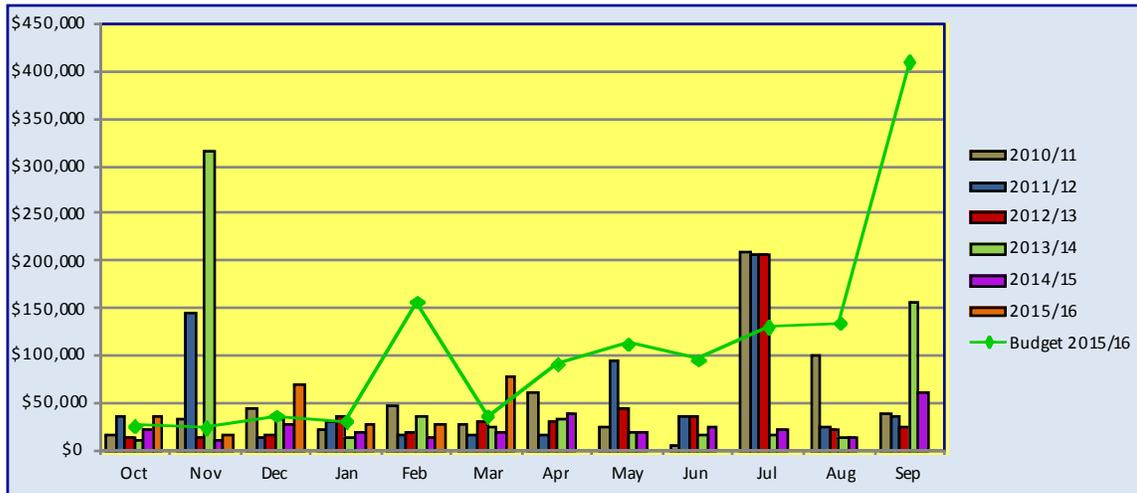


CHART L

## 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

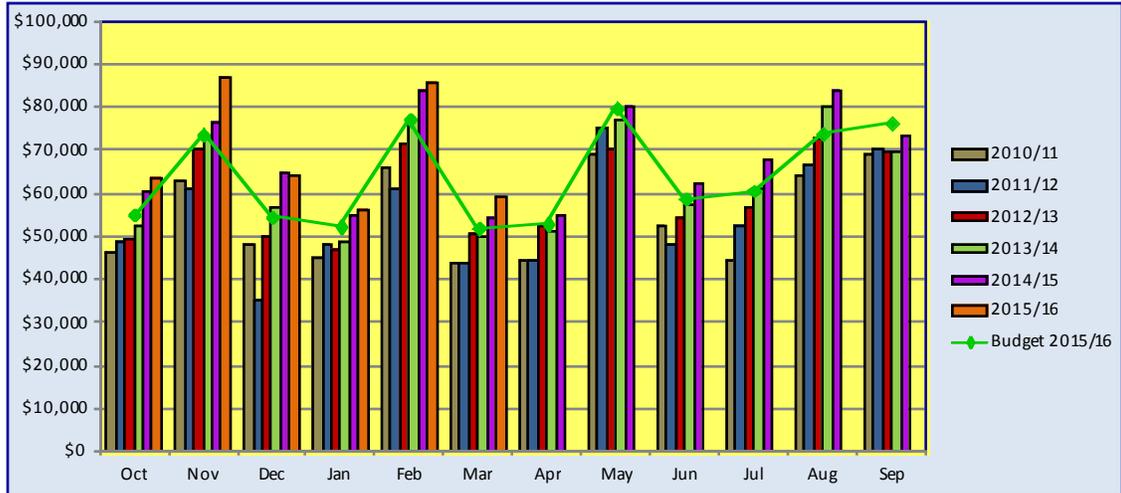
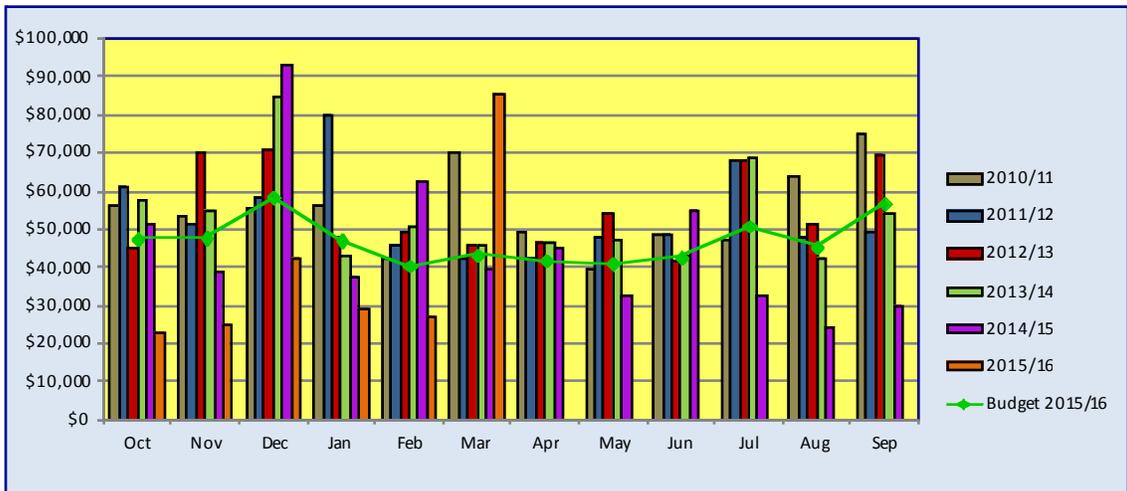


CHART N

## EXPENDITURE ANALYSIS



Large December expenditures included vehicles. March 2016 includes reallocation of personnel expense.

# INVESTMENTS



CHART O

## MONTHLY INVESTMENT REPORT

### TEXPOOL REPORT

MONTH OF MARCH 2016

0.3273%

	BEGINNING BALANCE	TRANSFER IN/(OUT)	INT EARNED (Posted Mar)	ENDING BALANCE	PURPOSE OF FUND
GENERAL FUND - UNRESTRICTED	7,232,694.98	67,018.99	2,546.82	7,302,260.79	Working capital
GENERAL FUND - RESTRICTED	1,600,000.00	0.00	incl in above	1,600,000.00	
ENTERPRISE FUND - UNRESTRIC	1,651,426.02	261,247.74	496.88	1,913,170.64	Working capital
ENTERPRISE FUND - RESTRICTE	300,000.00	0.00	incl in above	300,000.00	Customer liability
CAPITAL IMPACT FEES	2,478,960.38	(10,000.00)	688.98	2,469,649.36	Water & sewer lines extensions & expansions
PARK FEES	110,359.72	0.00	30.68	110,390.40	Reserved for acquisition & development of park land
SEIZURE	70,096.70	0.00	19.48	70,116.18	Solely to purchase equipment for Law Enforcement
CHILD SAFETY PROGRAMS	32,168.02	0.00	8.94	32,176.96	Reserved for Child Safety/School Zones
FEDERAL SEIZURE	15,026.50	0.00	4.18	15,030.68	Criminal Investigation - Federal Funds
HOTEL/MOTEL FUND	1,249,247.43	(525.27)	347.11	1,249,069.27	Restricted for promotion of tourism
DEBT SERVICE FUND	3,347,810.16	(52,376.38)	901.11	3,296,334.89	Restricted for General fund reserves & yearly debt service
WTR/SWR BONDS	292,226.56	2,466,001.44	618.44	2,758,846.44	Funds transferred from Bond Mkt Acct to allow liquidity
IT BONDS	222,509.15	(150,000.00)	60.44	72,569.59	Fiber Optics
PD & GF BONDS	6,625,898.53	(50,000.00)	1,841.33	6,577,739.86	Public Wokrks Facility
FIRE BONDS	23,603.52	0.00	6.56	23,610.08	Fire Engine
PARK BONDS	80,301.27	0.00	22.32	80,323.59	Splash Pad
LIBRARY BONDS	70.61	0.00	0.02	70.63	Funds transferred from Bond Mkt Acct to allow liquidity
LAKESIDE DRIVE CERT DEP	238,084.33	(50,000.00)	65.71	188,150.04	
CAROTHERS	85,406.30	0.00	23.74	85,430.04	
CRIME DISTRICT	816,262.51	(1,409.56)	216.52	815,069.47	Funds transferred from Bond Mkt Acct to allow liquidity
SEDC II - UNRESTRICTED	2,908,331.71	(13,606.96)	854.96	2,895,579.71	Seabrook Economic Development Corporation II
SEDC II - RESTRICT FOR EMERG	180,000.00	0.00	incl in above	180,000.00	Emergency Reserve
STEP FUND	70,551.71	0.00	19.61	70,571.32	
PUBLIC SAFETY	213,519.01	0.00	59.35	213,578.36	
MUNI COURT - SECURITY FUND	21,690.83	0.00	6.03	21,696.86	Funds from fines to be used for security
COURT - TIME PAYMENT FEES	14,958.37	0.00	4.16	14,962.53	Funds from fines to be used to improve court
MUNI COURT - TECHNOLOGY FUNI	6,354.06	0.00	1.77	6,355.83	
PEG Fund	79,661.63	0.00	22.14	79,683.77	
STABILIZATION FUND	802,615.03	0.00	223.10	802,838.13	
<b>TOTAL TEXPOOL FUND</b>	<b>30,769,835.04</b>	<b>2,466,350.00</b>	<b>9,090.38</b>	<b>\$33,245,275.42</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: April 2016

## ANNOUNCEMENTS

**We would like to recognize and welcome the following entities who joined the TexPool program in March 2016:**

**TexPool**

- Leander Todd MUD 1
- Sienna Plantation MUD 4
- Lone Star Regional Water Authority
- City of Roman Forest

**TexPool Prime**

- Houston Community College System
- City of Roman Forest
- City of San Antonio

**Upcoming Events**

- 04/17/2016 – 04/20/2016  
GFOAT Spring Conference  
Austin
- 04/18/16 – 04/21/16  
County Treasurer's Education Seminar  
Austin
- 5/3/2016 - 5/6/2016  
LEJ School/TACA  
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: Yellen cages the hawks

April 1, 2016

The first quarter of this year saw plenty of ups and downs. Certainly the markets were volatile, but so was economic data, amid overall softening. March in particular saw individual reports and surveys volleying positive and negative news, causing investors and cash managers the sort of neck pain you get watching a tennis match from midcourt. Employment and auto sales remained robust, manufacturing was still poor, consumer inflation picked up, but personal consumption expenditure data came in low. And so on. We keep track of what we think are the most important statistics released every month and have seen the same number of surprises to the upside as to the downside. It was no surprise that the Federal Open Market Committee (FOMC) did not raise rates at its mid-month meeting, in the process dialing back the projections for hikes this year to two from the four it had envisioned in December.

Why then did several Fed officials start emitting hawkish screeches not long after the meeting concluded? A string of speeches suggesting the economy is looking good enough for policy action was enough to build in at least the probability of a move at the April meeting from a federal funds futures perspective, and definitely put June in play. That turned out to be fleeting as Chair Janet Yellen dismissed the hawkish tone

*(continued page 6)*

### Performance as of March 31, 2016

	TexPool	TexPool Prime
Current Invested Balance	\$16,146,100,335.90	\$2,203,910,298.83
Weighted Average Maturity**	44 Days	40 Days
Weighted Average Life**	82 Days	54 Days
Net Asset Value	1.00007	1.00017
Total Number of Participants	2,352	199
Management Fee on Invested Balance	0.0473%	0.0638%
Interest Distributed	\$4,607,472.48	\$993,291.52
Management Fee Collected	\$627,093.91	\$92,677.50
Standard & Poor's Current Rating	AAAm	AAAm
<b>Month Averages</b>		
Average Invested Balance	\$16,605,945,114.13	\$2,278,173,926.21
Average Monthly Rate*	0.33%	0.51%
Average Weighted Average Maturity**	40 Days	41 Days
Average Weighted Average Life**	72 Days	54 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.

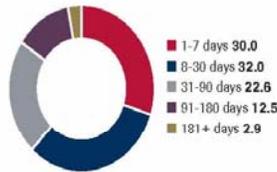
TexPool Participant Services  
1001 Texas Avenue, Suite 1400 • Houston, TX 77002  
Phone: 1-866-TEXPOOL (839-7665) • Fax: 1-866-839-3291 • [TexPool.com](http://www.texpool.com)

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G35884-24 (4/16)



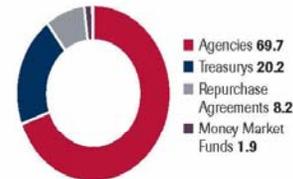
### Portfolio by Maturity (%)

As of March 31, 2016



### Portfolio by Type of Investment (%)

As of March 31, 2016



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

	Book Value	Market Value
Uninvested Balance	-541,693.44	-541,693.44
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	17,835,378.15	17,835,378.15
Interest and Management Fees Payable	-4,607,471.53	-4,607,471.53
Payable for Investments Purchased	-311,998,788.00	-311,998,788.00
Accrued Expenses & Taxes	-20,257.47	-20,257.47
Repurchase Agreements	1,341,659,000.00	1,341,607,355.00
Mutual Fund Investments	320,022,103.88	320,022,103.88
Government Securities	11,961,272,336.68	11,961,920,549.37
US Treasury Bills	88,876,750.00	88,887,100.00
US Treasury Notes	2,721,002,977.63	2,721,358,999.95
<b>Total</b>	<b>\$16,145,100,335.90</b>	<b>\$16,146,063,275.91</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	\$5,491,139,742.00
Higher Education	57	\$1,390,508,973.09
Healthcare	81	\$741,415,176.00
Utility District	733	\$2,110,831,039.51
City	454	\$3,959,640,190.16
County	180	\$1,304,222,269.45
Other	272	\$1,147,083,026.88

#### \*\*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.



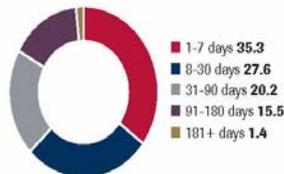
Daily Summary						
Date	Money Mkt. Fund Equiv. (SEC Std.)	Dividend Factor	TexPool Invested Balance	NAV	WAM Days	WAL Days
3/1	0.3078%	0.000008432	\$16,840,036,299.03	1.00002	37	65
3/2	0.3089%	0.000008463	\$16,873,937,127.23	1.00001	40	70
3/3	0.3113%	0.000008528	\$16,881,408,444.44	1.00001	41	70
3/4	0.3166%	0.000008673	\$16,861,881,391.07	1.00001	41	72
3/5	0.3166%	0.000008673	\$16,861,881,391.07	1.00001	41	72
3/6	0.3166%	0.000008673	\$16,861,881,391.07	1.00001	41	72
3/7	0.3164%	0.000008689	\$16,889,245,663.33	1.00001	39	70
3/8	0.3195%	0.000008754	\$16,921,976,019.57	1.00001	39	70
3/9	0.3219%	0.000008818	\$16,983,468,059.14	1.00001	38	69
3/10	0.3231%	0.000008853	\$16,881,170,041.39	1.00001	38	69
3/11	0.3241%	0.000008879	\$16,768,925,951.54	1.00001	37	69
3/12	0.3241%	0.000008879	\$16,768,925,951.54	1.00001	37	69
3/13	0.3241%	0.000008879	\$16,768,925,951.54	1.00001	37	69
3/14	0.3250%	0.000008903	\$16,649,317,145.51	1.00001	36	67
3/15	0.3245%	0.000008891	\$16,601,260,710.12	1.00001	37	67
3/16	0.3267%	0.000008951	\$16,528,549,693.72	0.99998	37	66
3/17	0.3313%	0.000009077	\$16,472,023,004.65	0.99998	42	71
3/18	0.3324%	0.000009108	\$16,486,259,659.72	0.99999	43	74
3/19	0.3324%	0.000009108	\$16,486,259,659.72	0.99999	43	74
3/20	0.3324%	0.000009108	\$16,486,259,659.72	0.99999	43	74
3/21	0.3327%	0.000009114	\$16,540,968,491.48	1.00001	41	71
3/22	0.3313%	0.000009076	\$16,531,932,562.55	1.00000	42	71
3/23	0.3341%	0.000009153	\$16,485,726,652.43	1.00000	43	74
3/24	0.3360%	0.000009205	\$16,318,691,490.54	1.00001	42	74
3/25	0.3360%	0.000009205	\$16,318,691,490.54	1.00001	42	74
3/26	0.3360%	0.000009205	\$16,318,691,490.54	1.00001	42	74
3/27	0.3360%	0.000009205	\$16,318,691,490.54	1.00001	42	74
3/28	0.3405%	0.000009330	\$16,390,189,581.96	1.00000	41	73
3/29	0.3389%	0.000009284	\$16,387,988,185.02	1.00001	41	73
3/30	0.3466%	0.000009496	\$16,164,032,551.28	1.00003	44	82
3/31	0.3423%	0.000009377	\$16,145,100,335.90	1.00007	44	82
<b>Average:</b>	<b>0.3273%</b>	<b>0.000008967</b>	<b>\$16,605,945,114.13</b>	<b>1.00001</b>	<b>40</b>	<b>72</b>



## TEXPOOL PRIME

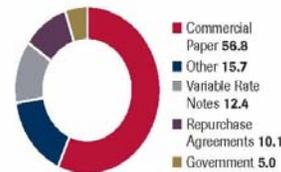
### Portfolio by Maturity (%)

As of March 31, 2016



### Portfolio by Type of Investment (%)

As of March 31, 2016



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

	Book Value	Market Value
Uninvested Balance	-\$587.41	-\$587.41
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	424,887.21	424,887.21
Interest and Management Fees Payable	-993,291.26	-993,291.26
Payable for Investments Purchased	0.00	0.00
Accrued Expenses & Taxes	-2,860.41	-2,860.41
Repurchase Agreements	212,650,000.00	212,650,000.00
Commercial Paper	1,322,345,991.86	1,322,584,425.61
Bank Instruments	80,074,033.99	80,112,480.00
Mutual Fund Investments	329,018,802.03	329,018,802.03
Government Securities	24,993,350.00	24,995,925.00
Variable Rate Notes	235,398,972.82	235,478,832.00
<b>Total</b>	<b>\$2,203,910,298.83</b>	<b>\$2,204,268,612.77</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	\$1,371,377,096.53
Higher Education	9	\$117,800,608.55
Healthcare	10	\$32,972,515.04
Utility District	8	\$88,388,394.79
City	41	\$258,885,053.27
County	23	\$181,888,145.55
Other	23	\$152,771,303.63



## TEXPOOL PRIME

### Daily Summary

Date	Money Mkt. Fund Equiv. (SEC Std.)	Dividend Factor	TexPool Prime Invested Balance	NAV	WAM Days	WAL Days
3/1	0.4850%	0.000013289	\$2,293,855,408.11	1.00007	36	44
3/2	0.4993%	0.000013679	\$2,297,845,443.75	1.00008	35	44
3/3	0.4931%	0.000013510	\$2,298,434,160.11	1.00008	35	46
3/4	0.4859%	0.000013311	\$2,288,616,452.30	1.00006	37	48
3/5	0.4859%	0.000013311	\$2,288,616,452.30	1.00006	37	48
3/6	0.4859%	0.000013311	\$2,288,616,452.30	1.00006	37	48
3/7	0.5052%	0.000013840	\$2,275,337,876.37	1.00010	36	49
3/8	0.4992%	0.000013676	\$2,281,400,904.92	1.00011	39	51
3/9	0.5029%	0.000013777	\$2,276,088,923.83	1.00011	39	54
3/10	0.5269%	0.000014435	\$2,248,472,894.40	1.00011	42	57
3/11	0.5129%	0.000014051	\$2,290,553,170.15	1.00009	41	56
3/12	0.5129%	0.000014051	\$2,290,553,170.15	1.00009	41	56
3/13	0.5129%	0.000014051	\$2,290,553,170.15	1.00009	41	56
3/14	0.5146%	0.000014098	\$2,290,699,223.85	1.00011	40	55
3/15	0.5119%	0.000014026	\$2,300,951,696.89	1.00011	39	54
3/16	0.5142%	0.000014089	\$2,305,518,338.88	1.00009	40	54
3/17	0.5090%	0.000013969	\$2,320,412,799.10	1.00011	41	55
3/18	0.5187%	0.000014212	\$2,318,149,474.03	1.00010	43	58
3/19	0.5187%	0.000014212	\$2,318,149,474.03	1.00010	43	58
3/20	0.5187%	0.000014212	\$2,318,149,474.03	1.00010	43	58
3/21	0.5243%	0.000014365	\$2,304,593,798.09	1.00013	43	57
3/22	0.5151%	0.000014113	\$2,294,738,249.51	1.00013	43	57
3/23	0.5210%	0.000014274	\$2,288,576,157.43	1.00014	43	57
3/24	0.5307%	0.000014540	\$2,233,641,572.95	1.00012	45	60
3/25	0.5307%	0.000014540	\$2,233,641,572.95	1.00012	45	60
3/26	0.5307%	0.000014540	\$2,233,641,572.95	1.00012	45	60
3/27	0.5307%	0.000014540	\$2,233,641,572.95	1.00012	45	60
3/28	0.5350%	0.000014658	\$2,259,169,530.54	1.00014	42	55
3/29	0.5285%	0.000014479	\$2,244,615,324.17	1.00014	41	55
3/30	0.5264%	0.000014421	\$2,212,247,162.47	1.00015	41	55
3/31	0.5299%	0.000014519	\$2,203,910,298.83	1.00017	40	54
<b>Average:</b>	<b>0.5135%</b>	<b>0.000014068</b>	<b>\$2,278,179,926.21</b>	<b>1.00011</b>	<b>41</b>	<b>54</b>

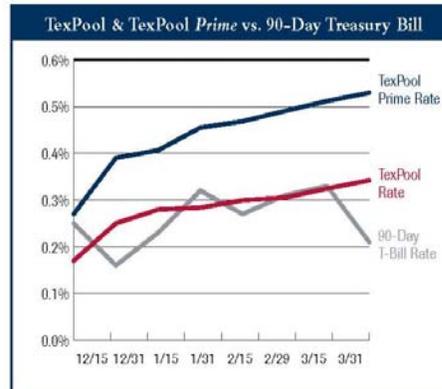


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in her own dovish speech at the end of the month at the Economic Club of New York. Her words quickly pushed market expectations out at least until September, which is unfortunate because our portfolio management thinks we are on track and the target of June for the next hike is realistic. So far, Yellen has been a consensus builder behind the scenes, but here seemed to be a public rebuke to some members, including St. Louis Fed's James Bullard.

Perhaps the bigger question is why Yellen would be against a hike when she herself has referred to them at this point as normalization, not tightening? In a sense, the offsetting domestic data makes the case for continued normalizing—especially because many headwinds are from external issues such as low oil prices, the strong dollar and slowing in China. Yellen has tried to be a shepherd of the economy so far in her tenure, but this month she turned more to herding.

While the clock is paused on rate hikes, it is ticking loudly toward the implementation of the SEC money market reforms in fall. We've seen action by some fund families to convert prime money market funds into government funds. But direct investors seem to be taking their time to make a decision, choosing to stay where they are and not move to different products despite the impending regulations. Spreads have widened between prime and government instruments, and that may yet prove to convince institutional investors to stay in the prime space in spite of floating NAVs and gates and fees. We will obviously not know until closer to October.



*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.*

The Fed drama and the plateauing of the London interbank offered rate (Libor) has led us to keep our weighted average maturities short, with WAM for prime portfolios in a 30-40 day range and government portfolios in a range five days further out. We have been buying more in the 3-6 month area for institutional products, not wanting to take the risk with longer-dated securities.