

MONTHLY FINANCIAL REPORT

PERFORMANCE SUMMARY

May 2017

	Current Month	Year to Date	Chart
GENERAL FUND			
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	POSITIVE	B
Property Tax Collection Analysis	NEGATIVE	NEUTRAL	C
Sales Tax Collection Analysis	POSITIVE	POSITIVE	D
Expenditure Analysis	POSITIVE	POSITIVE	E
ENTERPRISE FUND			
Water Billing Analysis	POSITIVE	POSITIVE	F
Sewer Billing Analysis	POSITIVE	POSITIVE	G
Expense Analysis	NEGATIVE	NEGATIVE	H
HOTEL OCCUPANCY TAX REVENUE			
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
SEDC			
Sales Tax Collection Analysis	POSITIVE	POSITIVE	J
Expenditure Analysis	POSITIVE	POSITIVE	K
CRIME DISTRICT			
Sales Tax Collection Analysis	POSITIVE	POSITIVE	L
Expenditure Analysis	NEUTRAL	POSITIVE	M
INVESTMENTS			
Investment Report	N/A	N/A	N

PERFORMANCE INDICATORS:

POSITIVE
NEGATIVE
NEUTRAL

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 MAY 2017

	Budget	YTD Revenue	% of Budget Collected	Prior YTD % of Total Collected
Ad Valorem Taxes	4,531,199	4,414,052	97.41%	97.83%
Penalties & Interest	39,000	35,482	90.98%	60.82%
Sales Tax	1,661,792	1,260,167	75.83%	65.24%
Franchise Tax	725,000	546,848	75.43%	70.35%
Other Tax	133,500	79,652	59.66%	41.82%
License & Permits	220,000	274,905	124.96%	55.27%
Charges for Services	60,500	28,031	46.33%	33.12%
DOT Fines	75,000	70,840	94.45%	56.72%
Other Municipal Court Fees	379,100	302,775	79.87%	63.68%
Interest Income	21,622	28,309	130.93%	57.39%
Intergovernmental	382,184	275,001	71.96%	61.13%
Other Revenue	46,800	30,052	64.21%	78.70%
Transfers from Enterprise Fund	1,774,820	1,178,213	66.38%	66.67%
Payment for Services-EDC	<u>200,000</u>	<u>133,333</u>	<u>66.67%</u>	<u>66.67%</u>
Total Revenues	10,250,517	8,657,661	84.46%	78.58%

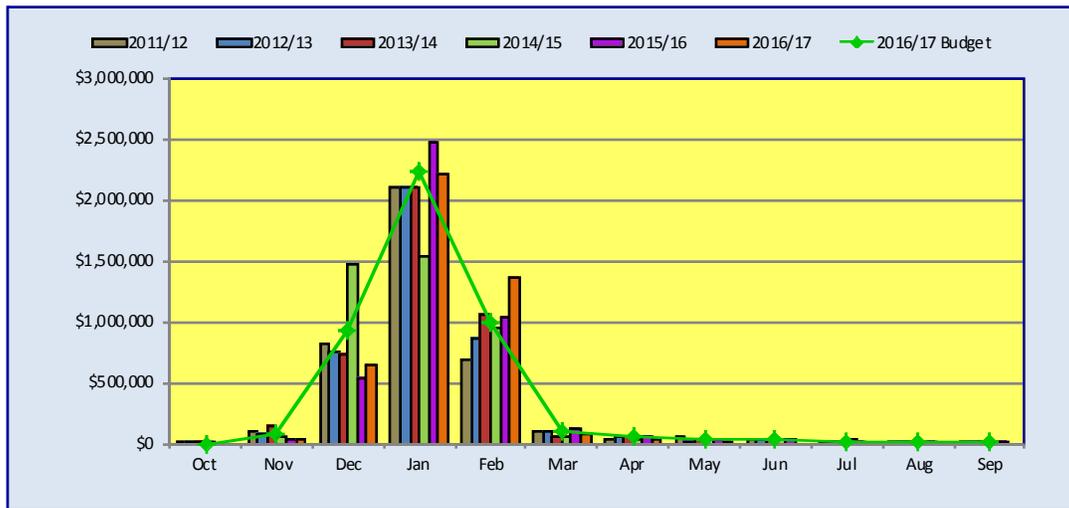
CHART B

TOTAL EXPENDITURES THROUGH MAY 2017

	Budget	YTD Expenditures	% of Budget Expended	Prior YTD % of Total Expended
Personnel	7,073,330	4,467,396	63.16%	67.38%
Supplies	299,850	118,591	39.55%	58.72%
Services	2,617,012	1,746,220	66.73%	66.17%
Capital	<u>260,013</u>	<u>97,465</u>	<u>37.48%</u>	<u>52.87%</u>
Total Expenditures	10,250,205	6,429,671	62.73%	66.01%

CHART C

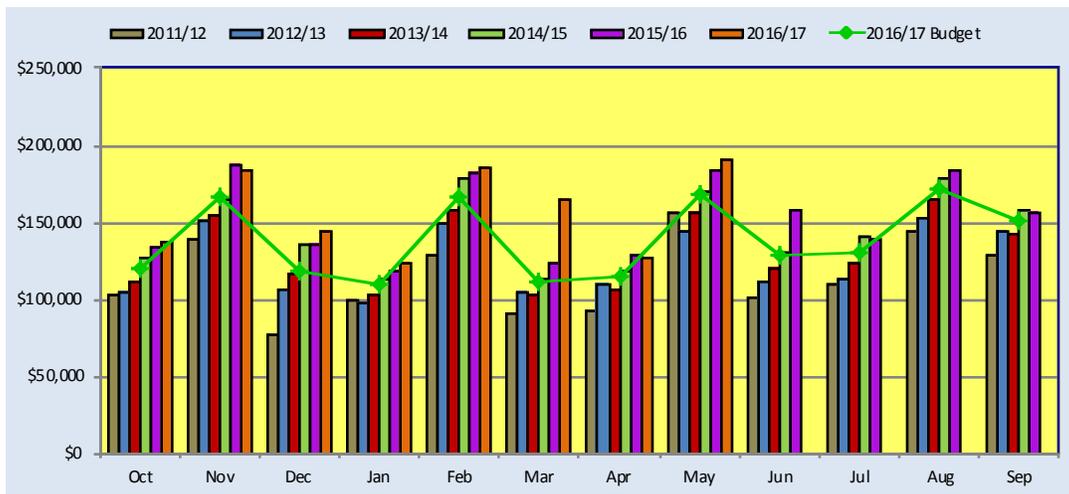
PROPERTY TAX ANALYSIS



Budget is divided into months based on the monthly percentages of the last 5 years' collections.
 2014/15 December collections were higher than the trend but were offset by lower collections in January

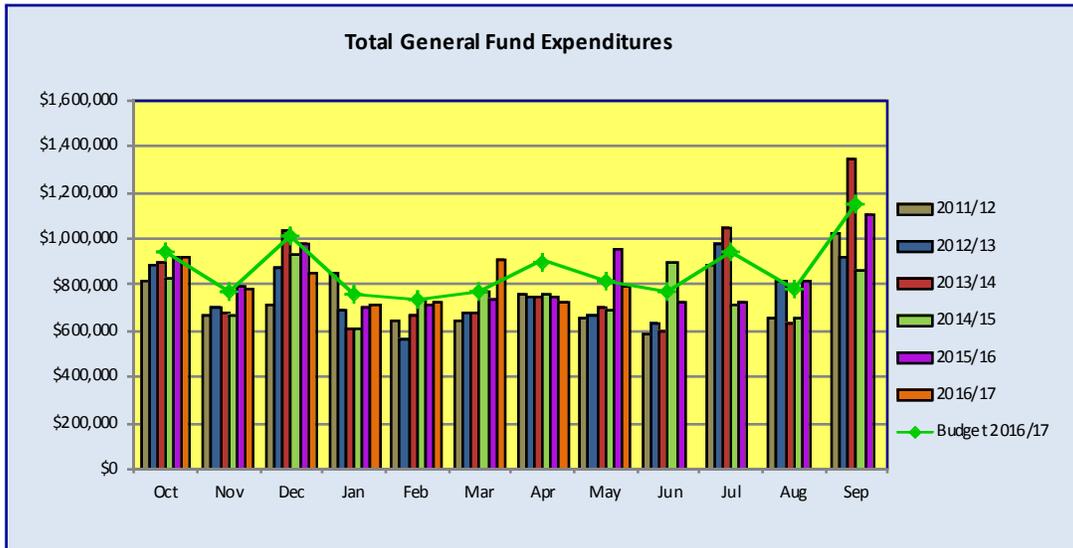
CHART D

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



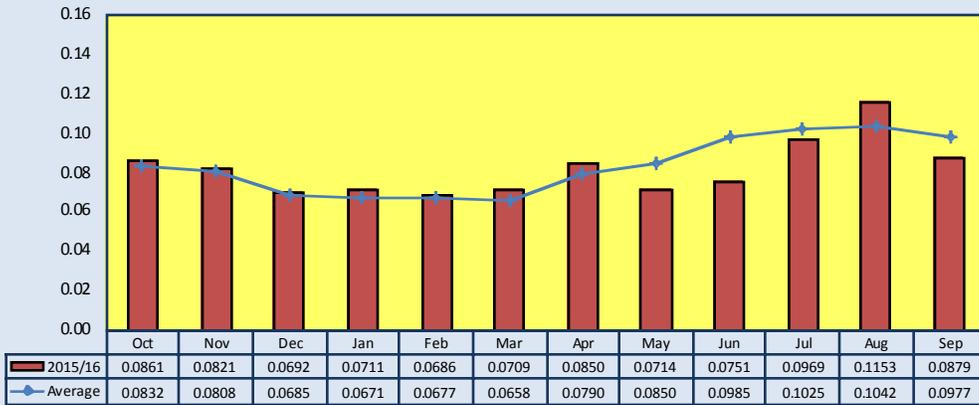
High expenditures in September 2010 are due to city hall A/C replacement.
 High expenditures in September 2014 are due to Seascape road construction



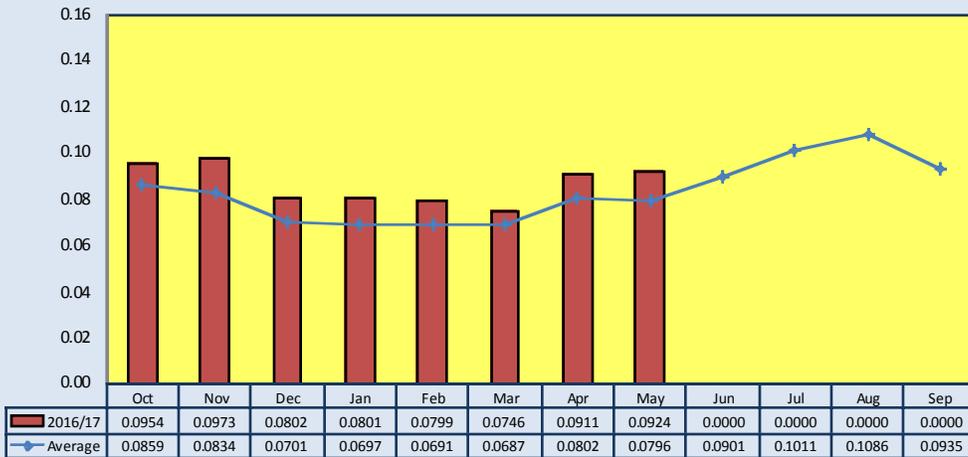
CHART F

WATER BILLING ANALYSIS

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

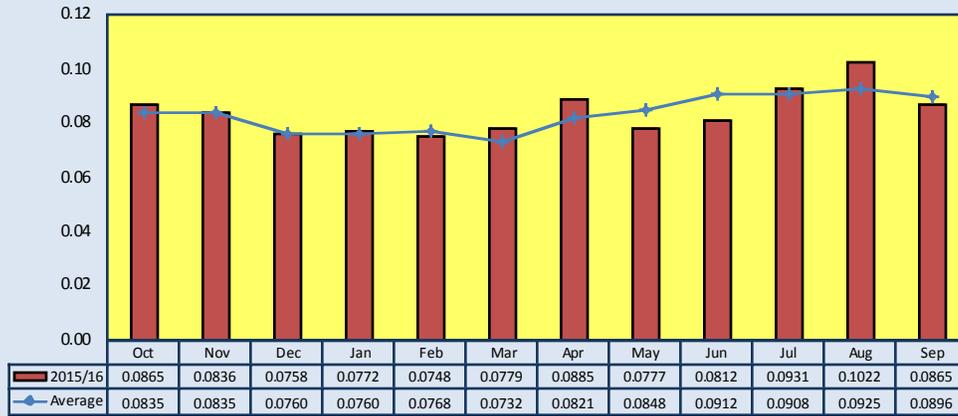


Average Percent of Water Billings by Month vs.
2016/17 Percent of Budgeted Billings

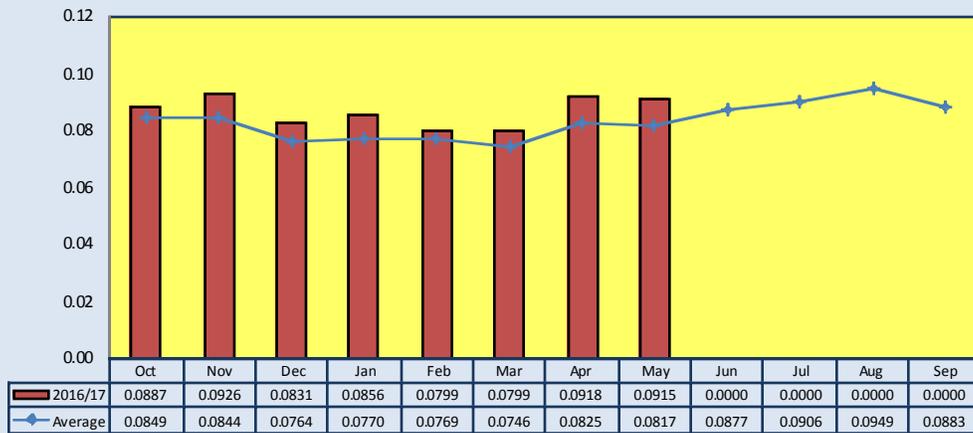


WASTEWATER BILLING ANALYSIS

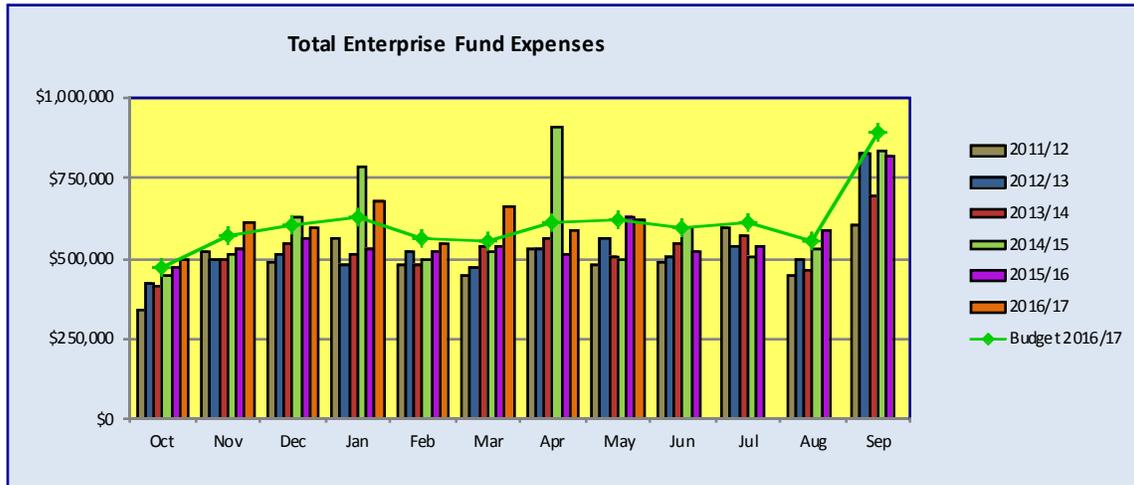
Average Percent of Wastewater Billings by Month vs. 2015/16 Percent of Budgeted Billings



Average Percent of Wastewater Billings by Month vs. 2016/17 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

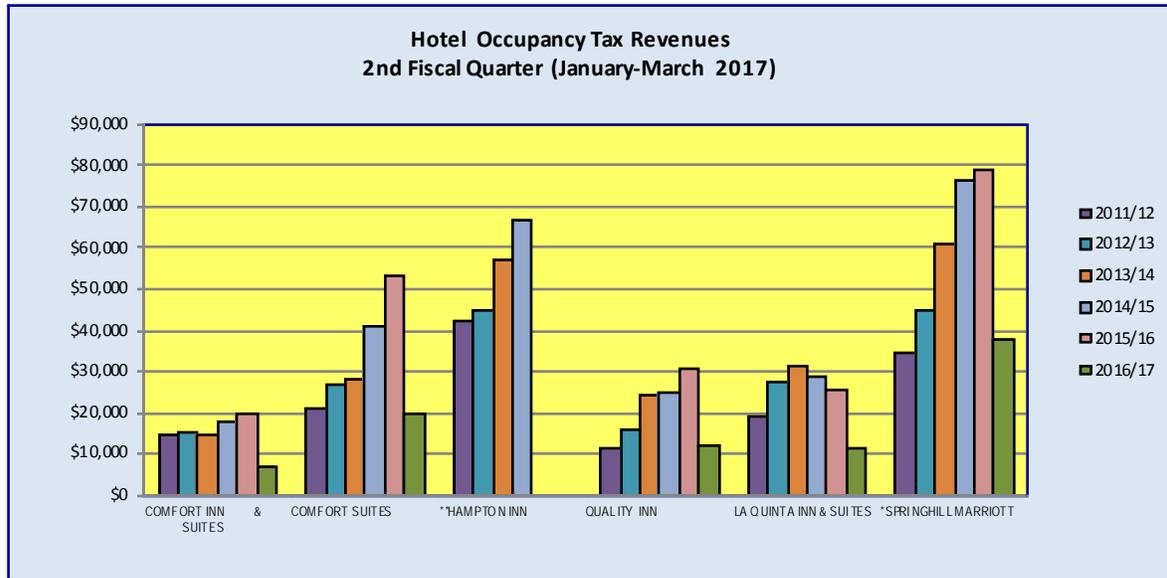
April 2015 expenses due to wastewater treatment plant upgrades

HOTEL TAX FUND



HOTEL TAX REVENUE ANALYSIS

CHART I

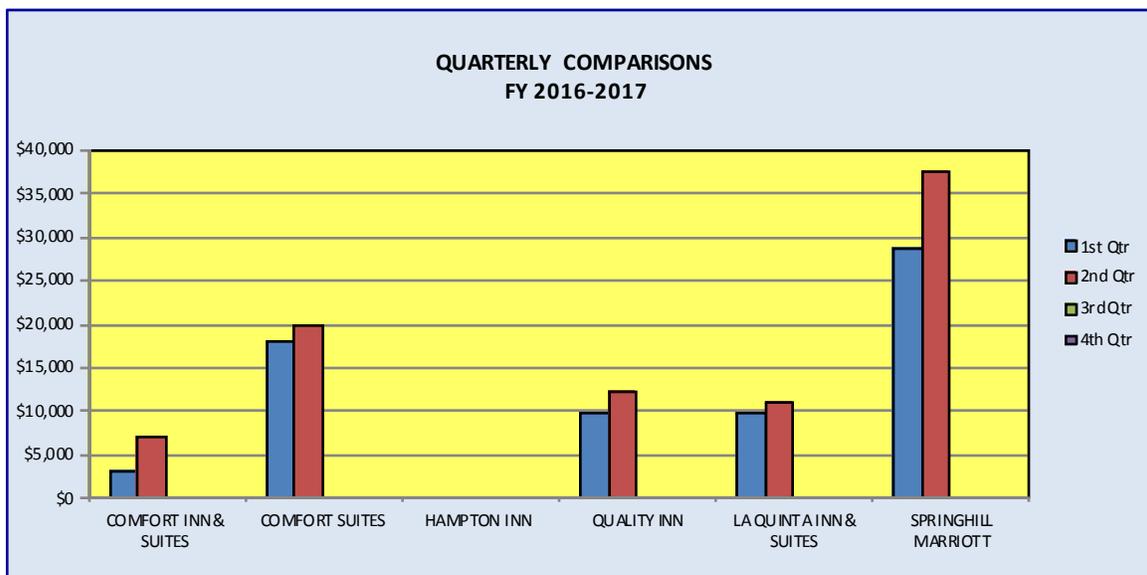


*Springhill Marriott opened last quarter 2010

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

HOTEL TAX REVENUE

CHART J



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

SEABROOK EDC



CHART K

SALES TAX REVENUE ANALYSIS

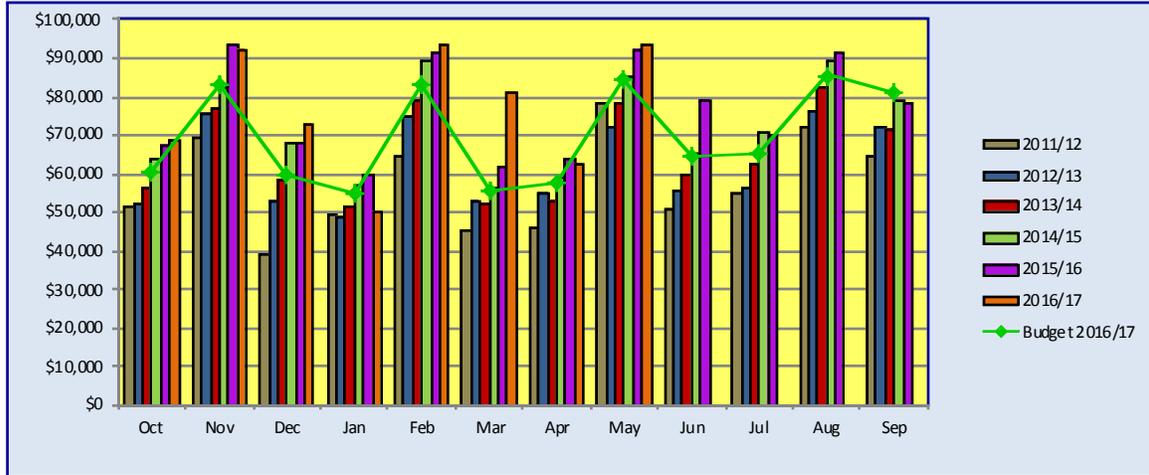
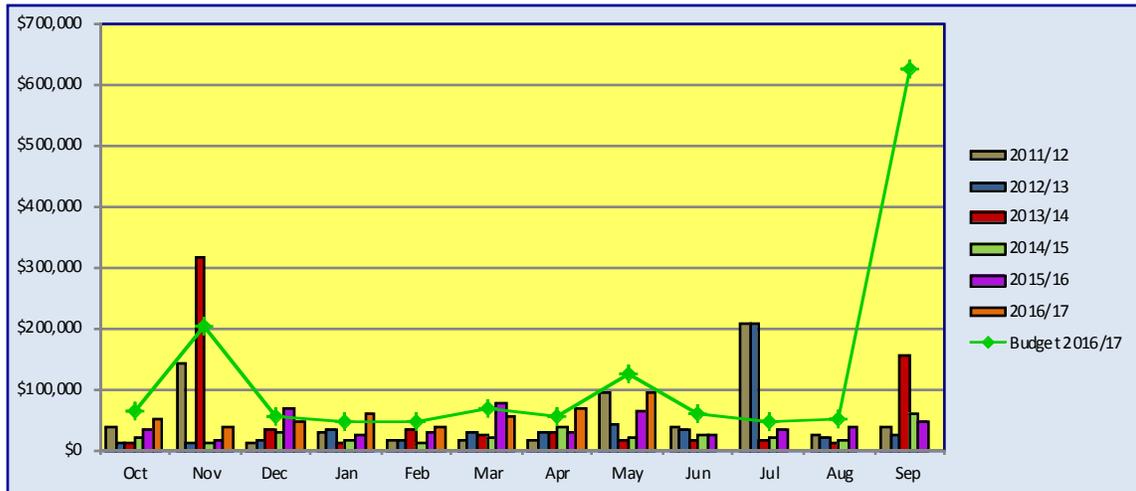


CHART L

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

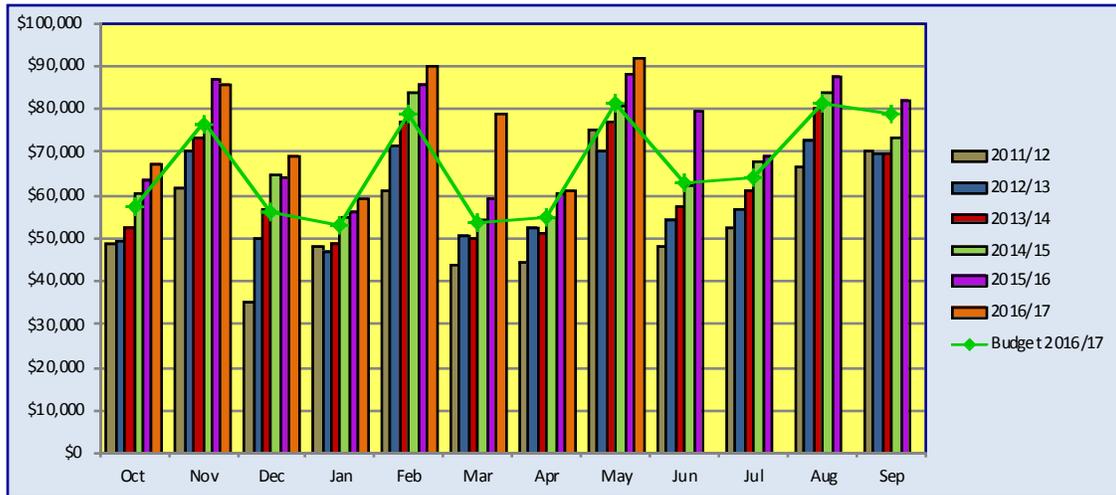
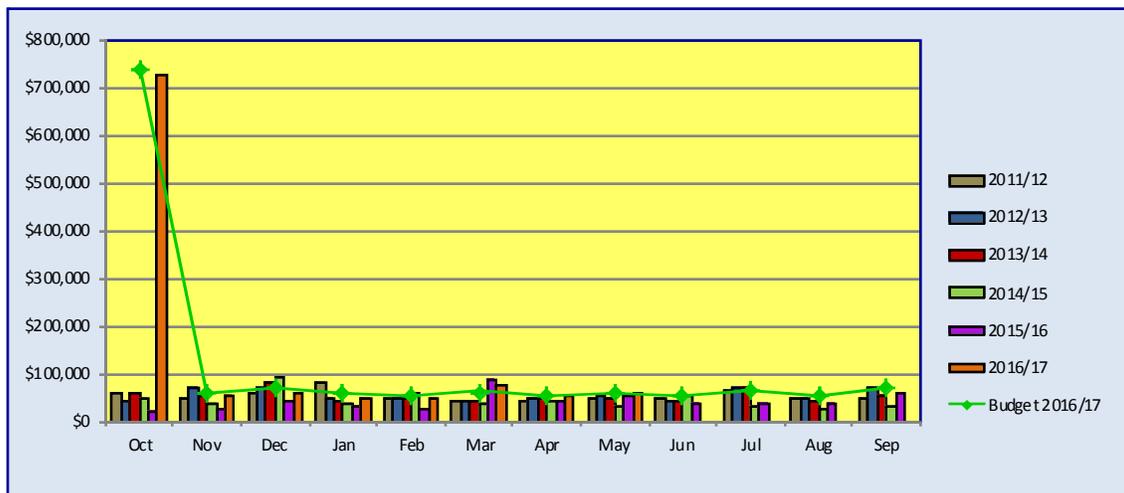


CHART N

EXPENDITURE ANALYSIS



Large December expenditures included vehicles. March 2016 includes reallocation of personnel expense.
 Large October expenditure includes initial payment to PSVERF.

INVESTMENTS



CHART O

MONTHLY INVESTMENT REPORT

TEXPOOL REPORT

MONTH OF MAY 2017

0.7689%

	BEGINNING BALANCE	TRANSFER IN/(OUT)	INT EARNED (Posted Apr)	ENDING BALANCE	PURPOSE OF FUND
GENERAL FUND - UNRESTRICTED	7,260,146.01	99,530.24	5,887.80	7,365,564.05	Working capital
GENERAL FUND - RESTRICTED	1,600,000.00	0.00	incl in above	1,600,000.00	Port Reserve
ENTERPRISE FUND - UNRESTRIC	2,408,711.19	156,441.67	1,682.55	2,566,835.41	Working capital
ENTERPRISE FUND - RESTRICTE	300,000.00	0.00	incl in above	300,000.00	Customer liability
CAPITAL IMPACT FEES	2,576,299.10	0.00	1,682.42	2,577,981.52	Water & sewer lines extensions & expansions
PARK FEES	65,528.33	570.00	43.16	66,141.49	Reserved for acquisition & development of park land
SEIZURE	33,666.67	0.00	21.99	33,688.66	Solely to purchase equipment for Law Enforcement
CHILD SAFETY PROGRAMS	32,333.34	0.00	21.11	32,354.45	Reserved for Child Safety/School Zones
FEDERAL SEIZURE	15,103.74	0.00	9.86	15,113.60	Criminal Investigation - Federal Funds
HOTEL/MOTEL FUND	1,151,067.61	100,000.00	753.87	1,251,821.48	Restricted for promotion of tourism
DEBT SERVICE FUND	3,345,808.66	11,697.99	2,185.19	3,359,691.84	Restricted for General fund reserves & yearly debt service
CAPITAL PROJECT BONDS	6,931,592.34	(95,000.00)	4,524.51	6,841,116.85	2016A CO WW Plant, Clarifier & Todville 2016 Sewer
WTR/SWR BONDS	2,096,668.78	(145,000.00)	1,366.04	1,953,034.82	Funds transferred from Bond Mkt Acct to allow liquidity
IT BONDS	57,881.30	0.00	37.80	57,919.10	Fiber Optics
PD & GF BONDS	1,121,665.02	(80,000.00)	730.75	1,042,395.77	Public Wokrks Facility
PD & GF BONDS (GEN FUND Reser	778,852.91	0.00	508.62	779,361.53	Public Wokrks Facility funds provided by GF Reserve
FIRE BONDS	25,310.83	0.00	16.53	25,327.36	Fire Engine
LAKESIDE DRIVE CERT DEP	134.54	0.00	0.09	134.63	
CAROTHERS	76,871.20	0.00	50.20	76,921.40	Carother Facility & Park
ANIMAL	752.04	0.00	0.49	752.53	Animal Shelter Needs - Donation
CRIME DISTRICT	321,974.76	27,833.35	200.84	350,008.95	Funds transferred from Bond Mkt Acct to allow liquidity
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	13,396.69	0.00	8.75	13,405.44	STEP Program
PUBLIC SAFETY	234,664.32	(35,000.00)	152.48	199,816.80	Public Safety Needs
MUNI COURT - SECURITY FUND	27,001.89	0.00	17.63	27,019.52	Funds from fines to be used for security
COURT - TIME PAYMENT FEES	15,035.24	0.00	9.82	15,045.06	Funds from fines to be used to improve court
MUNI COURT - TECHNOLOGY FUNI	18,134.39	(1,896.91)	11.03	16,248.51	Fund court on technology
PUBLIC SAFETY VERF	623,019.42	(42,250.58)	413.98	581,182.82	Public Safety Vehicle Equipment Replacement
PEG Fund	94,446.21	0.00	61.68	94,507.89	Public Education and Government Access
STABILIZATION FUND	806,739.63	0.00	526.83	807,266.46	Highway 146 Project
WATER RATE STABILIZATION	70,140.09	0.00	45.80	70,185.89	
TOTAL TEXPOOL FUND	35,565,823.84	0.00	23,225.77	\$35,589,049.61	

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.

Michael Gibbs

Finance Director



Monthly Newsletter: June 2017

ANNOUNCEMENTS

We welcome the following entities who joined TexPool in May 2017:

TexPool

- Lake Travis Community Library District
- Bosque County ESD 1
- Comal County WCID 6
- Fort Bend Municipal Management District 1
- Brazoria County MUD 36
- Far Hills Utility District
- City of Roanoke
- Greater Southeast Management District

TexPool Prime

- City of Bellaire
- Westbank Community Library District
- Lake Travis Community Library District
- Bosque County ESD 1
- Midland County
- Welder ISD
- Sienna Plantation MUD 10
- City of Roanoke
- Harris County MUD 168
- Erath County
- Harlingen Irrigation District Cameron County 1
- Greater Southeast Management District
- Brooksmith Special Utility District
- City of Santa Fe

Upcoming Events

- Jun 18, 2017 - Jun 21, 2017
TASBO Summer Conference | Galveston
- Jun 20, 2017 - Jun 23, 2017
TACCBO 2017 Conference | Dallas
- Jun 22, 2017 - Jun 24, 2017
AWBD Conference | Corpus Christi

TexPool Advisory Board Members

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

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

Operated under the supervision of the Texas Treasury Safekeeping Trust Company

Economic and Market Commentary: When \$1 ≠ \$1

June 1, 2017

As money market reform neared last year, many investors voiced concern about the possibility that the floating net asset value (FNAV) of institutional prime and tax-free money funds could slip below \$1, or more specifically below the new \$1.0000 reporting standard. Unlike stable NAV products, these institutional fund shares could lose actual value.

It was a legitimate worry, of course. But it turns out that since the recent reforms, FNAVs across the money market fund industry largely have been fractionally above \$1 (most coming in the fourth decimal place). That has led to a common question: Are we required to manage our funds to pull these FNAVs down to \$1.0000? The answer is simply no.

The confusion is understandable. For decades the tenet of money funds has been that shares remain at a dollar, with managers permitted to round by the penny to stay there. There is no such restriction for institutional prime and municipal money funds. Their FNAVs can end each trading day higher or lower than \$1.0000, increasing or decreasing total return.

So, we don't set out to exceed a dollar; it is just a function of how we manage. We make decisions based on our fundamental research about the credit of the issuers, our economic

(continued page 6)

Performance as of May 31, 2017

	TexPool	TexPool Prime
Current Invested Balance	\$17,703,427,842.31	\$4,026,530,675.86
Weighted Average Maturity**	37	36
Weighted Average Life**	102	56
Net Asset Value	1.00003	1.00021
Total Number of Participants	2,417	264
Management Fee on Invested Balance	0.0473%	0.0638%
Interest Distributed	\$11,670,906.32	\$3,770,722.20
Management Fee Collected	\$707,196.61	\$188,244.30
Standard & Poor's Current Rating	AAAm	AAAm
Month Averages		
Average Invested Balance	\$17,901,955,268.19	\$4,156,658,729.46
Average Monthly Rate*	0.77%	1.07%
Average Weighted Average Maturity**	39	42
Average Weighted Average Life**	104	63

*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.

Past performance is no guarantee of future results.

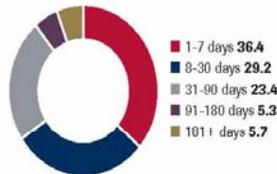
TexPool Participant Services
1001 Texas Avenue, Suite 1400 · Houston, TX 77002
Phone: 1-866-TEXPOOL (839-7665) · Fax: 1-866-839-3291 · TexPool.com

Managed and
Served by **Federated**
G35884-24 (6/17)



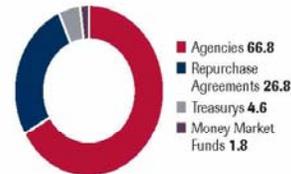
Portfolio by Maturity (%)

As of May 31, 2017



Portfolio by Type of Investment (%)

As of May 31, 2017



Portfolio Asset Summary as of May 31, 2017

	Book Value	Market Value
Uninvested Balance	\$21,642.47	\$21,642.47
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	11,080,135.12	11,080,135.12
Interest and Management Fees Payable	-11,671,031.85	-11,671,031.85
Payable for Investments Purchased	0.00	0.00
Accrued Expenses & Taxes	-22,538.32	-22,538.32
Repurchase Agreements	4,746,614,000.00	4,746,614,000.00
Mutual Fund Investments	315,022,103.88	315,022,103.88
Government Securities	11,829,268,384.47	11,830,205,230.06
U.S. Treasury Inflation Protected Securities	0.00	0.00
US Treasury Bills	174,317,572.91	174,282,325.00
US Treasury Notes	638,787,573.63	638,374,042.00
Total	\$17,703,427,842.31	\$17,703,915,908.26

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	582	\$5,468,105,158.25
Higher Education	57	\$1,358,261,156.82
Healthcare	81	\$665,320,847.61
Utility District	761	\$2,511,931,487.39
City	456	\$4,305,054,791.38
County	185	\$1,732,887,282.31
Other	285	\$1,659,747,532.93

**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.



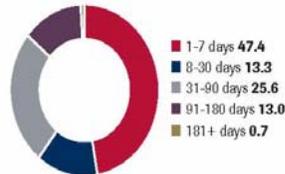
Daily Summary						
Date	Money Mkt. Fund Equiv. (SEC Std.)	Dividend Factor	TexPool Invested Balance	NAV	WAM Days	WAL Days
5/1	0.7424%	0.000020341	\$18,106,077,164.91	1.00008	41	108
5/2	0.7438%	0.000020379	\$18,167,240,209.52	1.00008	41	107
5/3	0.7425%	0.000020342	\$18,136,977,897.83	1.00007	40	104
5/4	0.7415%	0.000020316	\$18,081,718,182.52	1.00007	41	107
5/5	0.7512%	0.000020581	\$18,038,481,980.26	1.00007	41	106
5/6	0.7512%	0.000020581	\$18,038,481,980.26	1.00007	41	106
5/7	0.7512%	0.000020581	\$18,038,481,980.26	1.00007	41	106
5/8	0.7545%	0.000020670	\$18,023,205,697.09	1.00006	39	104
5/9	0.7516%	0.000020592	\$17,990,241,782.47	1.00006	39	102
5/10	0.7710%	0.000021124	\$17,984,986,645.20	1.00006	40	104
5/11	0.7682%	0.000021046	\$17,930,656,502.23	1.00006	39	104
5/12	0.7640%	0.000020931	\$18,102,350,857.08	1.00006	39	103
5/13	0.7640%	0.000020931	\$18,102,350,857.08	1.00006	39	103
5/14	0.7640%	0.000020931	\$18,102,350,857.08	1.00006	39	103
5/15	0.7667%	0.000021005	\$17,915,741,627.72	1.00005	37	101
5/16	0.7668%	0.000021008	\$17,908,968,486.71	1.00005	37	100
5/17	0.7709%	0.000021118	\$17,774,880,614.43	1.00006	37	101
5/18	0.7704%	0.000021107	\$18,009,810,348.15	1.00006	37	99
5/19	0.7732%	0.000021184	\$17,902,438,505.88	1.00005	39	103
5/20	0.7732%	0.000021184	\$17,902,438,505.88	1.00005	39	103
5/21	0.7732%	0.000021184	\$17,902,438,505.88	1.00005	39	103
5/22	0.7726%	0.000021167	\$17,895,344,600.06	1.00005	36	101
5/23	0.7722%	0.000021156	\$17,937,008,848.08	1.00004	37	98
5/24	0.7841%	0.000021481	\$17,870,801,049.00	1.00004	38	103
5/25	0.7897%	0.000021635	\$17,636,738,629.64	1.00003	42	107
5/26	0.7935%	0.000021741	\$17,554,961,623.04	1.00003	42	107
5/27	0.7935%	0.000021741	\$17,554,961,623.04	1.00003	42	107
5/28	0.7935%	0.000021741	\$17,554,961,623.04	1.00003	42	107
5/29	0.7935%	0.000021741	\$17,554,961,623.04	1.00003	42	107
5/30	0.7924%	0.000021709	\$17,537,126,664.26	1.00003	38	104
5/31	0.7952%	0.000021787	\$17,703,427,842.31	1.00003	37	102
Average:	0.7689%	0.000021066	\$17,901,955,268.19	1.00005	39	104



TEXPOOL PRIME

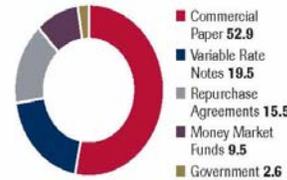
Portfolio by Maturity (%)

As of May 31, 2017



Portfolio by Type of Investment (%)

As of May 31, 2017



Portfolio Asset Summary as of May 31, 2017

	Book Value	Market Value
Uninvested Balance	\$731.29	\$731.29
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	1,108,298.28	1,108,298.28
Interest and Management Fees Payable	-3,770,721.40	-3,770,721.40
Payable for Investments Purchased	0.00	0.00
Accrued Expenses & Taxes	-5,840.59	-5,840.59
Repurchase Agreements	623,720,000.00	623,720,000.00
Commercial Paper	2,132,228,536.82	2,132,604,870.08
Bank Instruments	0.00	0.00
Mutual Fund Investments	382,099,710.68	382,205,023.70
Government Securities	105,979,996.17	105,906,410.00
Variable Rate Notes	785,168,964.61	785,634,170.50
Total	\$4,026,530,675.86	\$4,027,402,941.86

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	97	\$1,942,487,273.01
Higher Education	12	\$207,808,760.43
Healthcare	11	\$303,485,296.60
Utility District	18	\$246,118,103.46
City	54	\$395,409,148.43
County	30	\$370,288,103.65
Other	42	\$560,333,268.00



TEXPOOL PRIME

Daily Summary

Date	Money Mkt. Fund Equiv. (SEC Std.)	Dividend Factor	TexPool Prime Invested Balance	NAV	WAM Days	WAL Days
5/1	1.0614%	0.000029079	\$4,175,876,875.23	1.00017	44	65
5/2	1.0616%	0.000029084	\$4,163,972,357.67	1.00018	45	66
5/3	1.0622%	0.000029211	\$4,160,639,996.48	1.00020	45	68
5/4	1.0688%	0.000029281	\$4,160,485,189.38	1.00022	45	68
5/5	1.0709%	0.000029340	\$4,137,210,147.24	1.00018	46	69
5/6	1.0709%	0.000029340	\$4,137,210,147.24	1.00018	46	68
5/7	1.0709%	0.000029340	\$4,137,210,147.24	1.00018	46	68
5/8	1.0746%	0.000029441	\$4,129,008,239.21	1.00021	45	66
5/9	1.0689%	0.000029284	\$4,130,104,989.71	1.00021	45	66
5/10	1.0673%	0.000029242	\$4,142,796,892.45	1.00020	45	66
5/11	1.0596%	0.000029031	\$4,154,131,216.19	1.00020	44	65
5/12	1.0536%	0.000028867	\$4,298,606,207.89	1.00016	44	63
5/13	1.0536%	0.000028867	\$4,298,606,207.89	1.00016	44	63
5/14	1.0536%	0.000028867	\$4,298,606,207.89	1.00016	44	63
5/15	1.0650%	0.000029177	\$4,214,937,009.09	1.00021	42	61
5/16	1.0642%	0.000029156	\$4,223,983,133.92	1.00021	43	62
5/17	1.0668%	0.000029228	\$4,224,211,981.62	1.00022	43	62
5/18	1.0706%	0.000029332	\$4,207,808,875.79	1.00022	42	62
5/19	1.0702%	0.000029320	\$4,173,293,852.99	1.00018	42	62
5/20	1.0702%	0.000029320	\$4,173,293,852.99	1.00018	42	62
5/21	1.0702%	0.000029320	\$4,173,293,852.99	1.00018	42	62
5/22	1.0713%	0.000029352	\$4,156,271,830.94	1.00022	40	60
5/23	1.0699%	0.000029311	\$4,125,860,348.82	1.00021	40	60
5/24	1.0733%	0.000029406	\$4,103,526,972.00	1.00022	39	59
5/25	1.0644%	0.000029162	\$4,139,235,114.08	1.00019	38	58
5/26	1.0774%	0.000029518	\$4,085,026,485.83	1.00018	39	59
5/27	1.0774%	0.000029518	\$4,085,026,485.83	1.00018	39	59
5/28	1.0774%	0.000029518	\$4,085,026,485.83	1.00018	39	59
5/29	1.0774%	0.000029518	\$4,085,026,485.83	1.00018	39	59
5/30	1.0821%	0.000029646	\$4,049,602,347.29	1.00021	36	56
5/31	1.0682%	0.000029267	\$4,026,530,675.86	1.00021	36	56
Average:	1.0683%	0.000029269	\$4,156,658,729.46	1.00019	42	63



Participant Services
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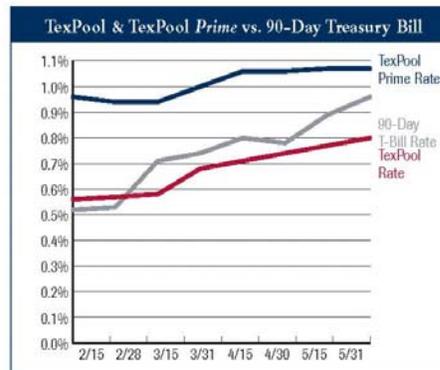
outlook and our predictions for Federal Reserve policy. That can result in FNAV appreciation or depreciation. But we don't consider the former a positive or the latter a negative—just the result of what value the market is providing at that time. That being said, it would take a major market moving event to pull the currently elevated FNAVs down significantly. Movement either way likely will be gradual.

Why have FNAVs risen in the first place? Usually when interest rates rise, prices go down. We think it's been due to a combination of the dramatic appreciation of floating-rate securities in late 2016 and early 2017, and enlarged spreads between government and prime securities—both a result of the reforms.

The spread contraction that followed was exacerbated by a mismatch between supply and demand in the money markets. Balancing that, yields on fixed-rate securities increased as the Fed has tightened in recent months, but not as much as we have seen historically. It will be intriguing to see if this continues as policymakers appear set to raise the target rate again in June to a range of 1% to 1.25%.

The Fed also is expected to discuss at its June meeting how and when it will pare its huge balance sheet. Most likely the route will be letting a small amount of securities mature without reinvesting the principal. The markets have been calm about this because policymakers are really jawboning to get people's expectations to where they want them to be before they actually set a schedule.

For the time being, the short end of the yield curve has flattened to the point that it is not worth the maturity risk to invest out any distance. We pulled in the target weighted average maturity (WAM)



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.

Past performance is no guarantee of future results.

of our government money funds by five days, bringing it in line with our municipal funds' WAM of 30-40 days, and kept the target WAM of 35-45 days for our prime products.