City of Colleyville
Audit Committee
Agenda

City Hall
100 Main Street
Colleyville, Texas 76034
817.503.1000
www.colleyville.com

Tuesday, March 5, 2019 — City Manager's Conference Room
4:30 p.m. — Third Floor – City Hall

1. **CALL TO ORDER**
2. **APPROVAL OF MINUTES**
   December 4, 2018
3. **REGULAR AGENDA ITEMS**
   - **3a** Discussion of the draft Fiscal Year 2018 (FY18) Audit and SAS 114 Letter
   - **3b** Quarterly Investment Report for the quarter ended December 31, 2018
4. **ADJOURNMENT**

I hereby certify this agenda was posted on City Hall bulletin boards Friday, March 8, 2019, by 5:00 p.m.

Christine Loven, TRMC
City Secretary

A quorum of the Colleyville City Council and/or any other Colleyville Board, Commission, or Committee may be in attendance at this meeting.

Any matter on this agenda may, at the discretion of the governing body, be opened for public comment and discussion.

If you plan to attend this public meeting and have a disability that requires special accommodations, please advise Executive Secretary at least 48 hours in advance at 817.503.1111, and reasonable accommodations will be made to assist you.

City of Colleyville
Audit Committee
MINUTES

City Hall
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Tuesday, December 4, 2018 — City Manager's Conference Room
5:00 p.m. — Third Floor – City Hall

Chief Financial Officer Shereen Gendy called the Audit Committee to order on December 4, 2018, at 5:00 p.m.

ROLL CALL: Committee members present George Dodson, Kathy Wheat, Bobby Lindamood, and Susan Mathisen

Also Present: Chief Financial Officer Shereen Gendy, City Manager Jerry Ducay, Assistant City Manager Mark Wood and City Secretary Christine Loven

2. APPROVAL OF MINUTES
June 5, 2018
August 28, 2018

Committee member Dodson made a motion to approve the Audit Committee minutes of June 5 and August 28, 2018, and Committee member Lindamood seconded the motion. All approved by acclamation.

3. REGULAR AGENDA ITEMS
3a Quarterly Investment Report for the quarter ended September 30, 2018

CFO Gendy stated the City has restructured the investment portfolio with an expansion to government only pools. She noted the benefits of government pools include a better interest rate, liquidity, daily compounded interest and diversification of the investments.

There was general discussion regarding sweep accounts, commercial CD's offering higher interest gains than CDARS (commercial offering 2.5% versus CDARS at .5%), and jumbo CDs.

CFO Gendy noted in this quarter one of the CDARS matured and they were able to negotiate a higher one year rate and the City is in compliance with the Act.

CFO Gendy stated after the audit, they will begin looking at a Banking RFP for 2020, however, it is a big project and will require some time.

The committee thanked CFO Gendy and her team for the work they have accomplished.

4. ADJOURNMENT

The meeting was adjourned at 5:15 p.m.

PASSED BY A VOTE OF _ AYES, _ NAYS, AND _ ABSTENTIONS, THIS 5TH DAY OF MARCH, 2019.

Minutes taken and prepared by:

Christine Loven

Christine Loven, TRMC
City Secretary

City of Colleyville
Audit Committee
Agenda Briefing

City Hall
100 Main Street
Colleyville, Texas 76034
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Agenda Number 3a **Agenda Date** 03/05/2019 **Number**
Type Presentation and Discussion
Department City Manager

Title
Discussion of the draft Fiscal Year 2018 (FY18) Audit and SAS 114 Letter

Strategic Plan
F1- Protect and preserve the City's top financial ratings

Explanation
Jennifer Ripka, Partner with Weaver, L.L.P., will meet with the Audit Committee to discuss the draft of the Fiscal Year September 30, 2018 audit and SAS 114 Letter.

Attachments

City of Colleyville
Audit Committee
Agenda Briefing

City Hall
100 Main Street
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Agenda Number 3b **Agenda Date** 03/05/2019 **Number**
Type Presentation
Department City Manager

Title
Quarterly Investment Report for the quarter ended December 31, 2018

Strategic Plan
1.4 Communicate thoroughly and strategically
1.3 Assure convenient access to public information
2.4 Demonstrate stewardship of public resources

Explanation
Investment Summary for period ending December 31, 2018:

Cash & Cash Equivalents (Local Government Investment Pools) were $70,266,800. The total funds held by the City equaled $88,164,452 and were allocated as follows:

	Current as of 12/31/2018	Last Quarter as of 9/30/2018
Cash	$ 5,660,207.69	$ 6,737,135.00
Sweep	13,338,876.81	20,763,304.00
Commercial Paper Investment Pool	2,419,045.00	439,754.00
Government Only Investment Pool	48,848,670.00	38,124,292.00
Government Issuances	14,582,431.19	15,583,011.00
CDARS	2,571,221.46	3,076,248.00
Certificates of Deposit	744,000.00	744,000.00
Total Cash & Investments	**$ 88,164,452.15**	**$ 85,467,744.00**

Investment Benchmark 2.13%	As of 12/31/2018
Bank Earned Income Credit	2.25%
Sweep	2.16%
Commercial Paper Investment Pool Average Quarterly Yield	2.41%
TexSTAR Government Only Investment Pool Average Quarterly Yield	2.17%
TexPOOL Government Only Investment Pool Average Quarterly Yield	2.11%
CLASS Government Only Investment Pool Average	2.25%

Quarterly Yield	
Total Government Only Investment Pool Average Quarterly Yield	2.18%
Average Weighted Yield: Agency	1.53%
Average Weighted Yield: CDARS	1.44%
Average Weighted Yield: CD'S	2.53%

Interest earnings for the quarter were $331,028 versus $221,568 for the prior quarter, an increase of $109,460 or 49% over last quarter. The significant increase is due to the 28% increase in funds invested in Government only investment pools and switching to a higher yielding sweep account.

These percentages are within the guidelines of the City investment policy.

Attachments

1. December 31 2018 - Quarterly Investment Report

QUARTERLY INVESTMENT REPORT

FOR QUARTER ENDING DECEMBER 31, 2018

THIS REPORT IS IN COMPLIANCE WITH THE PUBLIC FUNDS INVESTMENT ACT
AND ADOPTED INVESTMENT POLICY STRATEGY

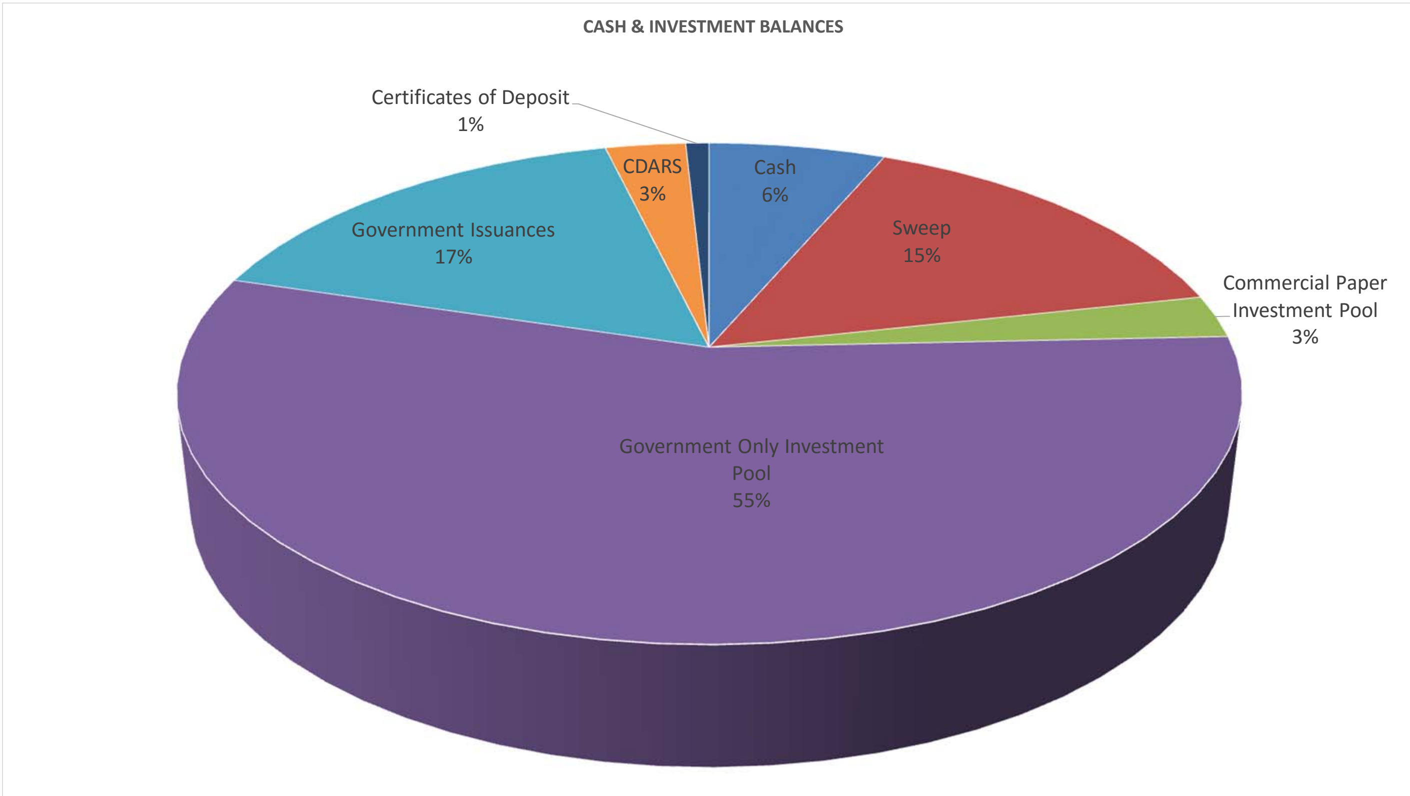
Shereen Gendy
Karen Hines

Portfolio Investment Report
for the Quarter Ending December 31, 2018
CONSOLIDATED INVESTMENT REPORT

Cash and Investment Balances	Current As of 12/31/2018	Last Quarter As of 9/30/2018
Cash	$ 5,660,208	$ 6,737,135
Sweep	$ 13,338,877	$ 20,763,304
Commercial Paper Investment Pool	$ 2,419,045	$ 439,754
Government Only Investment Pool	$ 48,848,670	$ 38,124,292
Government Issuances	$ 14,582,431	$ 15,583,011
CDARS	$ 2,571,221	$ 3,076,248
Certificates of Deposit	$ 744,000	$ 744,000
Total Cash & Investments	$ 88,164,452	$ 85,467,744

Investment Yields, Maturities, and Interest	Current As of 12/31/2018	Current As of 9/30/2018
Bank Earned Income Credit	2.25%	1.97%
Bank Earnings Allowance	$ 35,474	$ 34,139
13 Week Treasury Benchmark	2.31%	2.04%
Sweep	2.16%	0.18%
Commercial Paper Investment Pool Average Quarterly Yield	2.41%	2.19%
Commercial Paper Investment Pool Quarter's Average Weighted Maturity	43	33
TexSTAR Government Only Investment Pool Average Quarterly Yield	2.17%	1.94%
TexSTAR Government Only Investment Pool Quarter's Average Weighted Maturity	36	24
TexPOOL Government Only Investment Pool Average Quarterly Yield	2.11%	1.87%
TexPOOL Government Only Investment Pool Quarter's Average Weighted Maturity	31	27
CLASS Government Only Investment Pool Average Quarterly Yield	2.25%	1.99%
CLASS Government Only Investment Pool Quarter's Average Weighted Maturity	38	34
Total Government Only Investment Pool Average Quarterly Yield	2.18%	1.93%
Total Government Only Investment Pool Quarter's Average Weighted Maturity	35	28
Average Weighted Yield: Agency	1.53%	1.49%
Average Weighted Maturity in Days: Agency	252	319
Average Weighted Yield: CDARS	1.44%	0.63%
Average Weighted Maturity in Days: CDARS	250	285
Average Weighted Yield: CD'S	2.53%	2.53%
Average Weighted Maturity in Days: CD'S	455	581
Interest Earnings - Quarter	$ 331,028	$ 221,568

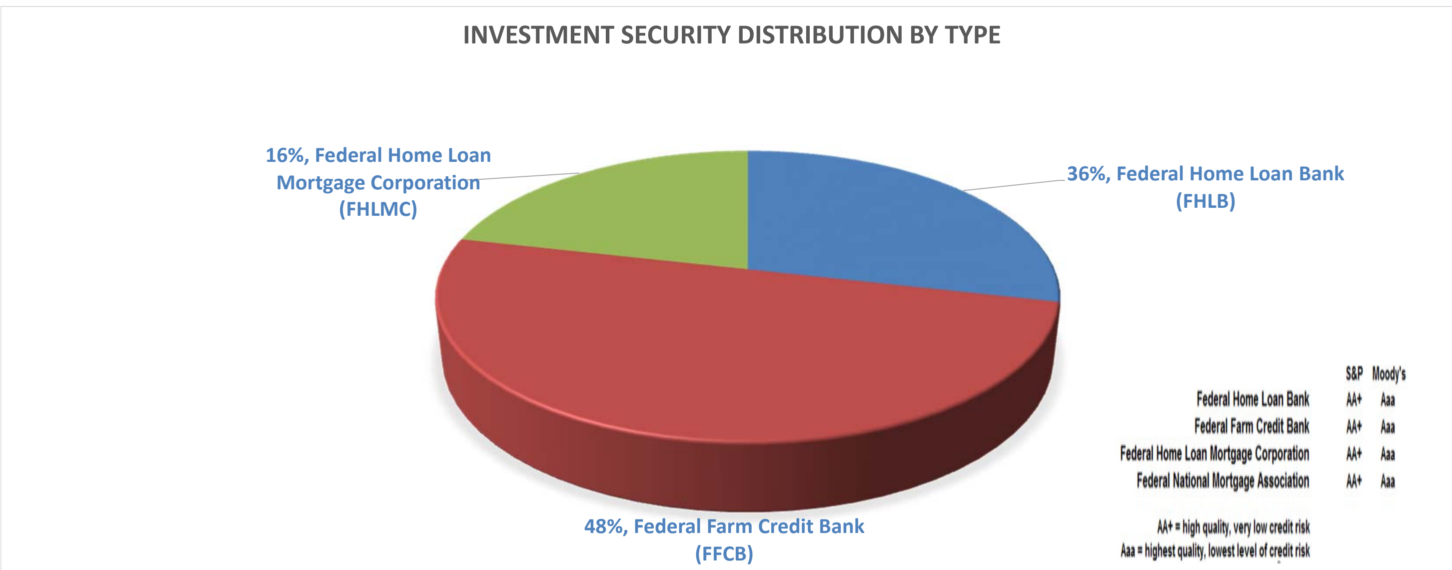
Portfolio Investment Report
for the Quarter Ending December 31, 2018
CONSOLIDATED INVESTMENT REPORT



Portfolio Investment Report
for the Quarter Ending December 31, 2018
CONSOLIDATED INVESTMENT REPORT

Outstanding Security Portfolio				Purchase Price	Percent (Value)		Market Value
Distribution by Maturity		**Number**					
	1 to 90 days	2	$	1,999,812	13.71%	$	1,998,001.00
	91 to 180 days	1	$	1,000,000	6.86%	$	996,310.00
	181 to 365 days	8	$	8,583,356	58.86%	$	8,520,921.19
	Over 365 days	3	$	2,999,263	20.57%	$	2,988,518.00
Total		14	$	14,582,431	100%	$	14,503,750

Outstanding Security Portfolio			Purchase Price	Percent (Value)		Market Value
Distribution by Type of Investment	**Number**					
Federal Home Loan Bank (FHLB)	4		$5,197,645	36%		$5,166,459
Federal Farm Credit Bank (FFCB)	7		$6,989,916	48%		$6,960,941
Federal Home Loan Mortgage Corporation (FHLMC)	3		$2,394,870	16%		$2,376,350
Total	14	$	14,582,431	100%	$	14,503,750



ALL FUNDS CASH & INVESTMENT REPORTS

CITY OF COLLEYVILLE
ALL FUNDS CASH & INVESTMENT REPORT - TOTAL BY FUND

		CASH & SWEEP	CP POOLS	GOV. POOLS	CASH & INVESTMENT INVESTMENTS	CDARS	CD'S	AS OF DEC 31, 2018
								Ran 2.20.19
GOVERNMENTAL FUNDS								
001	GENERAL FUND	-	-	5,143,819	3,794,835	1,543,297	744,000	11,225,951
036	STRATEGIC INITIATIVE	-	-	526,784	-	-	-	526,784
004	DEBT SERVICE FUND	1,374,245	-	35,165	-	-	-	1,409,409
003	CAPITAL PROJECTS	10,048,781	816,514	4,695,912	2,289,216	512,577	-	18,362,999
012	PARK LAND DEDICATION	-	-	247,211	1,210,000	-	-	1,457,211
032	VEHICLE AND CAPITAL REPLACEMENT	908,139	-	87,204	364,300	-	-	1,359,643
034	COLLEYVILLE TOMORROW	-	-	2,465,368	-	-	-	2,465,368
035	PARKS TOMORROW	-	-	1,056,547	-	-	-	1,056,547
005	VOLUNTARY PARK FUND	40,613	-	366,868	750,000	-	-	1,157,481
007	DONATIONS FUND	43,625	-	-	-	-	-	43,625
011	VOLUNTARY LIBRARY FUND	37,422	-	400,762	-	-	-	438,184
015	POLICE ASSET FORFEITURE	-	-	23,320	-	-	-	23,320
016	GRANTS (ADVANCE PAYMENTS)	462	-	-	-	-	-	462
018	TREE PRESERVATION	-	-	317,019	-	-	-	317,019
019	LIBRARY DONATION	-	-	34,777	-	-	-	34,777
020	RECREATIONAL EVENT	14,155	-	-	-	-	-	14,155
023	LEOSE	975	-	-	-	-	-	975
027	CRIME DISTRICT	-	-	792,208	-	-	-	792,208
028	KIDSVILLE MAINTENANCE	-	-	5,820	-	-	-	5,820
029	COURT TECHNOLOGY	329	-	5,964	-	-	-	6,292
030	COURT SECURITY	-	-	49,797	-	-	-	49,797
033	PUBLIC ART	-	-	7,913	-	-	-	7,913
037	JUVENILE CASE MANAGER	-	-	11,523	-	-	-	11,523
038	HOTEL / MOTEL FUND	-	-	305,691	-	-	-	305,691
ENTERPRISE FUNDS								
002	UTILITY FUND	-	-	5,735,098	2,704,116	515,348	-	8,954,562
039	UTILITY CAPITAL PROJECTS FUND	3,275,396	1,470,587	6,026,897	56,793	-	-	10,829,673
017	DRAINAGE FEE	-	131,928	1,398,625	200,000	-	-	1,730,554
041	DRAINAGE CAPITAL PROJECTS FUND	-	-	724,094	-	-	-	724,094
FIDUCIARY FUNDS								
006	SESQUICENTINIAL FUND	17,876	-	3,237	-	-	-	21,113
008	EMPLOYEE ACTIVITY	3,023	-	-	-	-	-	3,023
040	INSURANCE TRUST FUND (ADV PMNT)	(55,684)	-	-	-	-	-	(55,684)
COMPONENT UNIT								
026	TIF FUND	388,530	-	18,381,047	1,713,172	-	-	20,482,749
		16,097,888	**2,419,029**	**48,848,670**	**13,082,431**	**2,571,221**	**744,000**	**83,763,240**
COLLEYVILLE ECON DEV CORP								
024	CEDC	2,901,197	16	-	1,500,000	-	-	4,401,213
GRAND TOTAL		**18,999,085**	**2,419,045**	**48,848,670**	**14,582,431**	**2,571,221**	**744,000**	**88,164,452**

COLOR CODE
DEBT SERVICE FUNDS
CAPITAL PROJECT FUNDS
SPECIAL REVENUE FUNDS
ENTERPRISE FUNDS
FIDUCIARY FUNDS

Cash and cash equivalents are just one aspect of the City's overall financial status, and it is necessary to look at the complete financial statements/CAFR for a comprehensive assessment.

This is a management report prepared not in accordance with GASB

CITY OF COLLEYVILLE
ALL FUNDS CASH & INVESTMENT REPORT - RESTRICTIONS BY FUND

		Available Unrestricted	Available for Restricted Purpose	CASH & INVESTMENTS Approved Projects	Restricted Unavailable	AS OF DEC 31, 2018 Ran 2.20.19
GOVERNMENTAL FUNDS						
001	GENERAL FUND	11,108,490	32,548	-	84,913	**11,225,951**
036	STRATEGIC INITIATIVE	526,784	-	-	-	**526,784**
004	DEBT SERVICE FUND	-	1,409,409	-	-	**1,409,409**
003	CAPITAL PROJECTS	8,669,634	7,034,290	2,508,453	150,623	**18,362,999**
012	PARK LAND DEDICATION	-	1,457,211	-	-	**1,457,211**
032	VEHICLE AND CAPITAL REPLACEMENT	-	1,359,643	-	-	**1,359,643**
034	COLLEYVILLE TOMORROW	2,465,368	-	-	-	**2,465,368**
035	PARKS TOMORROW	1,056,547	-	-	-	**1,056,547**
005	VOLUNTARY PARK FUND	-	1,157,481	-	-	**1,157,481**
007	DONATIONS FUND	-	43,625	-	-	**43,625**
011	VOLUNTARY LIBRARY FUND	-	438,184	-	-	**438,184**
015	POLICE ASSET FORFEITURE		23,320			**23,320**
016	GRANTS	-	462	-	-	**462**
018	TREE PRESERVATION	-	317,019	-	-	**317,019**
019	LIBRARY DONATION	-	0	34,777	-	**34,777**
020	RECREATIONAL EVENT	-	14,155	-	-	**14,155**
023	LEOSE	-	975	-	-	**975**
027	CRIME DISTRICT	-	792,208	-	-	**792,208**
028	KIDSVILLE MAINTENANCE	-	5,820	-	-	**5,820**
029	COURT TECHNOLOGY	-	6,292	-	-	**6,292**
030	COURT SECURITY	-	49,797	-	-	**49,797**
033	PUBLIC ART	-	7,913	-	-	**7,913**
037	JUVENILE CASE MANAGER	-	11,523	-	-	**11,523**
038	HOTEL / MOTEL FUND	-	305,691	-	-	**305,691**
ENTERPRISE FUNDS						
002	UTILITY FUND	5,480,391	2,992,501	-	481,670	**8,954,562**
039	UTILITY CAPITAL PROJECTS FUND	4,672,919	4,853,123	1,247,861	55,770	**10,829,673**
017	DRAINAGE FEE	1,598,625	-	-	131,928	**1,730,554**
041	DRAINAGE CAPITAL PROJECTS FUND	724,094	-	-	-	**724,094**
FIDUCIARY FUNDS						
006	SESQUICENTINIAL FUND	3,237	17,876	-	-	**21,113**
008	EMPLOYEE ACTIVITY	-	-	-	3,023	**3,023**
040	INSURANCE TRUST FUND				(55,684)	**(55,684)**
COMPONENT UNIT						
026	TIF FUND	19,732,749	-	750,000	-	**20,482,749**
		56,038,839	**22,331,067**	**4,541,091**	**852,243**	**83,763,240**
COLLEYVILLE ECON DEV CORP						
024	CEDC	4,401,212.82	-	-	-	**4,401,212.82**
GRAND TOTAL		**60,440,052**	**22,331,067**	**4,541,091**	**852,243**	**88,164,453**

COLOR CODE
DEBT SERVICE FUNDS
CAPITAL PROJECT FUNDS
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CITY FUNDS - BACKGROUND

GOVERNMENTAL FUNDS	REVENUE SOURCE	PURPOSE/RESTRICTION
001 GENERAL FUND	M&O portion of tax rate, sales tax, charges for service, etc.	General government purposes
036 STRATEGIC INITIATIVES	Transfers from the General Fund	Programs/projects linked to the strategic plan; primarily used on eco. dev. incentives
004 DEBT SERVICE	Debt (I&S) portion of the tax rate	Payments on debt issued
003 CAPITAL PROJECTS	Transfers from the General Fund, street impact fees, escrows	Capital projects; some funding sources have restricted uses
012 PARK LAND DEDICATION	Fees on new residential & commercial development	Acquisition of land for new park sites or improvements/expansions of existing parks (no M&O)
032 VEHICLE AND CAPITAL REPLACEMENT	Transfers from the General Fund	Committed to server, equipment, and vehicle replacements
034 COLLEYVILLE TOMORROW	Gas leases on City property	Capital purchases/at Council discretion
035 PARKS TOMORROW	Gas leases on City park property	Parks capital projects
005 VOLUNTARY PARK FUND	Donations through utility bills	New or existing park capital costs (no M&O)
007 DONATIONS FUND	Donations	Only restricted if specified by donor
011 VOLUNTARY LIBRARY FUND	Donations through utility bills	Library activities- primarily purchase of books and materials (no M&O)
015 POLICE ASSET FORFEITURE	Seizures	Police operations as restricted by law
016 GRANTS	Grants	Track grant actvity
018 TREE PRESERVATION	Tree mitigation fees	Tree replanting on city-owned property
019 LIBRARY DONATION	Donations	Library needs or as specified by donor
020 RECREATIONAL EVENT	Event revenue (like sale of tables)	Special events expenses
023 LEOSE	State of Texas	Police training
027 CRIME DISTRICT (CCCPD)	0.5 cent sales tax	Public safety and crime control activities
028 KIDSVILLE MAINTENANCE	Remaining donations	Kidsville maintenance
029 COURT TECHNOLOGY	Municipal court technology fee	Court technology repairs, replacements, and upgrades
030 COURT SECURITY	Municipal court building security fee	Security-related expenses for the court (Bailiff)
033 PUBLIC ART	2008-9 Transfers from General, Utility, Drainage, CEDC Funds	Public Art
037 JUVENILE CASE MANAGER	Juvenile case manager fee	Staff who handle juvenile defendants and their training
038 HOTEL/MOTEL FUND	Hotel/Motel tax	Attract "heads in beds"; specific uses outlined in state law
ENTERPRISE FUNDS		
002 UTILITY OPERATING FUND	Water and wastewater base rates and volumetric rates	Utility operations and payments to TRA
017 DRAINAGE FEE FUND	Monthly drainage fee	Operations and capital projects related to drainage maintenance and improvement
039 UTILITY CAPITAL PROJECTS FUND	Transfers from Utility Operating Fund, impact fees, CIP base rate	Utility capital projects; water and wastewater impact fees have restricted uses
041 DRAINAGE- CAPITAL PROJECTS FUND	Transfers from Drainage Operating Fund	Drainage capital projects
FIDUCIARY FUNDS		
006 SESQUICENTINIAL FUND	Currently, sale of the Colleyville History book	Created for fund raising for festivities related to 150th anniversary of Texas' independence from Mexico (1986)
008 EMPLOYEE ACTIVITY	Employee contributions	Employee luncheons and other employee activities; governed by by-laws
040 INSURANCE TRUST FUND	Payroll deductions and city's contributions	Pass through trust fund used to account for employee insurance costs. Created cost savings for the city.
COMPONENT UNIT		
026 TIF FUND	Incremental A/V revenue in the TIF District	Projects in the Project Plan approved by all TIF partners
COLLEYVILLE ECON DEV CORP		
024 CEDC	0.5 cent sales tax	For Library, Parks, and Colleyville Center; max. 10% on promotional expenses and special events
025 CEDC - CAPITAL	Bond proceeds	Bond projects: Library, City Park, McPherson Park, Colleyville Center capital projects

COLOR CODE
DEBT SERVICE FUNDS
CAPITAL PROJECT FUNDS
SPECIAL REVENUE FUNDS
ENTERPRISE FUNDS
FIDUCIARY FUNDS

LISTING OF INVESTMENTS

BY TYPE

CDARS CERTIFICATES OF DEPOSIT

FUND ALLOCATION	AMOUNT	PURCHASE DATE	MATURITY DATE	INTEREST RATE	INTEREST EARNED DURING QUARTER
UTILITY FUND	$515,348	7/27/2017	7/25/2019	0.40%	$520
GENERAL FUND	$1,543,297	9/19/2018	9/19/2019	2.08%	$8,085
CAPITAL PROJECTS	$512,577	9/21/2017	9/19/2019	0.58%	$749
PURCHASED DURING THIS QUARTER					
	$0				$0
OUTSTANDING CDARS AT THE END OF THE QUARTER	**$2,571,221**				**$9,354**
MATURED DURING THIS QUARTER					
GENERAL FUND	$510,048	9/22/2016	10/2/2018	0.50%	$14
CDARS MATURED DURING THE QUARTER	**$510,048**				**$14**
GRAND TOTAL	**3,081,269**				**9,368**

CD'S - CERTIFICATES OF DEPOSIT

FUND ALLOCATION	AMOUNT	PURCHASE DATE	MATURITY/ SALE DATE	Market Value	INTEREST RATE	INTEREST EARNED DURING QUARTER
GENERAL FUND - CITIBANK	$248,000	3/29/2018	3/30/2020	247,276.09	2.50%	$1,563
GENERAL FUND - GOLDMAN SACHS BANK	$248,000	4/11/2018	4/13/2020	247,064.30	2.55%	$1,594
GENERAL FUND - HOPE BANK	$248,000	9/14/2018	3/16/2020	247,151.84	2.55%	$1,594
PURCHASED DURING THIS QUARTER						
	$0			-		$0
OUTSTANDING CD'S AT THE END OF THE QUARTER	**$744,000**					**$4,751**
MATURED/SOLD DURING THIS QUARTER						
	$0					$0
CD'S MATURED DURING THE QUARTER	**-**					**-**
GRAND TOTAL	**744,000**					**4,751**

CITY OF COLLEYVILLE INVESTMENT SECURITIES HELD JUNE 30 - SEPTEMBER 30, 2018

CUSIP	SECURITY	PURCHASE DATE	MATURITY DATE	PURCHASE PRICE	PAR VALUE	MARKET VALUE 9/30/2018	LESS MATURITY PROCEEDS	PLUS PERIOD PURCHASES	MARKET VALUE 12/31/2018	YIELD ON INVESTMENT	INTEREST	INTEREST TO MATURITY
3133EG5Q4	FFCB NOTE	2/1/2017	2/1/2019	$1,000,000	$1,000,000	$994,737			$999,219	1.300%	$3,277	$26,000
3133EHHN6	FFCB NOTE	5/3/2017	5/2/2019	$1,000,000	$1,000,000	$992,031			$996,310	1.350%	$3,403	$26,963
3130AAS41	FHLB NOTE	3/24/2017	2/8/2019	$999,812	$1,000,000	$994,232			$998,782	1.280%	$3,226	$24,057
3133EHP98	FFCB NOTE	11/6/2017	11/6/2019	$1,000,000	$1,000,000	$988,254			$990,968	1.600%	$4,033	$32,000
3137EAEH8	FHLMC NOTE	7/31/2017	8/15/2019	$500,000	$500,000	$494,145			$495,983	1.475%	$1,859	$15,053
313380FB8	FHLB NOTE	8/29/2017	9/13/2019	$1,000,000	$1,000,000	$988,026			$991,312	1.375%	$3,466	$28,065
3137EADM8	FHLMC NOTE	9/14/2017	10/2/2019	$998,788	$1,000,000	$907,435			$911,914.31	1.250%	$3,151	$25,616
3137EADM8	FHLMC NOTE	10/13/2017	10/2/2019	$896,082	$900,000	$963,696			$968,452.99	1.475%	$3,346	$26,150
3130ACLS1	FHLB NOTE	10/26/2017	10/11/2019	$2,200,000	$2,200,000	$2,175,149			$2,181,049	1.550%	$8,594	$66,794
3133EHV75	FFCB NOTE	12/8/2017	11/21/2019	$749,711	$750,000	$742,176			$743,639	1.730%	$3,270	$25,346
3133EGJ30	FFCB NOTE	12/29/2017	11/18/2019	$1,238,775	$1,255,000	$1,255,000			$1,237,603	1.100%	$3,480	$26,059
3133EJCN7	FFCB NOTE	2/14/2018	2/14/2020	$1,000,000	$1,000,000	$992,624			$995,052	2.070%	$5,218	$41,400
3130ADN32	FHLB NOTE	3/7/2018	2/11/2020	$997,834	$1,000,000	$993,892			$995,316	2.240%	$5,646	$43,327
3133EJHL6	FFCB NOTE	4/9/2018	3/27/2020	$1,001,430	$1,000,000	$996,916			$998,150	2.375%	$5,986	$46,719
PURCHASED DURING THIS QUARTER												
											$0	$0
OUTSTANDING SECURITIES AT THE END OF THE QUARTER				**14,582,431**	**14,605,000**	**14,478,313**	**-**	**-**	**14,503,750**		**57,954**	**453,549**
MATURED DURING THIS QUARTER												
3133EFX69	FFCB NOTE	10/17/2016	10/5/2018	$1,000,580	$1,000,000	$997,102			$999,873	0.930%	$127	$18,294
SECURITIES MATURED DURING THE QUARTER				**1,000,580**	**1,000,000**	**997,102**	**-**		**999,873**		**127**	**18,294**
GRAND TOTAL				**15,583,011**	**15,605,000**	**15,475,415**	**-**	**-**	**15,503,623**		**58,082**	**471,844**

INVESTMENT

DATE ACQUIRED

MATURITY DATE

26 WEEK T-BILL AUCTION DISCOUNT/WEEK OF PURCHASE
YIELD TO MATURITY

CUSIP#

ACCOUNT	ALLOCATION OF INVESTMENT	INVESTMENT- G/L TOTAL
001-1172	GENERAL FUND OPERATING	3,794,835.42
002-1172	UTILITY FUND OPERATING	2,231,432.70
002-1178	CUSTOMER DEPOSITS	472,683.04
039-1557	THE RESERVE LIFT STATION	56,792.76
003-1121	INV-PERIMETER FEES	1,965,370.14
003-1307	INV-ROAD RECONSTRUCTION	323,845.40
005-1172	VOLUNTARY PARK FUND	750,000.00
012-1172	PARK LAND DEDICATION FUND	1,210,000.00
017-1172	DRAINAGE FUND OPERATING	200,000.00
024-1172	CEDC OPERATING	1,500,000.00
026-1172	TIF OPERATING	1,713,171.73
032-1519	CAPITAL EQUIPMENT RESERVE	364,300.00

PER GENERAL LEDGER	14,582,431.19
VALUE AT MATURITY	14,605,000.00

INVESTMENT		FHLB NOTE	FFCB NOTE	FFCB NOTE	TREASURY NOTE
DATE ACQUIRED		42,818.00	42,767.00	42,858.00	42,947.00
MATURITY DATE		43,504.00	43,497.00	43,587.00	43,692.00
26 WEEK T-BILL AUCTION DISCOUNT/WEEK OF PURCHASE		0.01	0.01	0.01	0.01
YIELD TO MATURITY		0.01	0.01	0.01	0.01
CUSIP#		**3130AAS41**	**3133EG5Q4**	**3133EHHN6**	**3137EAEH8**
ACCOUNT	**ALLOCATION OF INVESTMENT**				
001-1172	GENERAL FUND OPERATING	500,000.00	1,000,000.00		
002-1172	UTILITY FUND OPERATING				
002-1178	CUSTOMER DEPOSITS				
039-1557	THE RESERVE LIFT STATION				
003-1121	INV-PERIMETER FEES				
003-1307	INV-ROAD RECONSTRUCTION				
005-1172	VOLUNTARY PARK FUND				
012-1172	PARK LAND DEDICATION FUND				
017-1172	DRAINAGE FUND OPERATING				
024-1172	CEDC OPERATING			1,000,000.00	500,000.00
026-1172	TIF OPERATING	499,811.73			
032-1519	CAPITAL EQUIPMENT RESERVE				
PER GENERAL LEDGER		999,811.73	1,000,000.00	1,000,000.00	500,000.00
VALUE AT MATURITY		1,000,000.00	1,000,000.00	1,000,000.00	500,000.00

INVESTMENT		FHLB NOTE	FHLMC NOTE	FHLMC NOTE	FHLB
DATE ACQUIRED		42,976.00	42,992.00	43,021.00	43,034.00
MATURITY DATE		43,721.00	43,740.00	43,740.00	43,749.00
26 WEEK T-BILL AUCTION DISCOUNT/WEEK OF PURCHASE		0.01	0.01	0.01	0.01
YIELD TO MATURITY		0.01	0.01	0.01	0.02
CUSIP#		**313380FB8**	**3137EADM8**	**3137EADM8**	**3130ACLS1**
ACCOUNT	**ALLOCATION OF INVESTMENT**				
001-1172	GENERAL FUND OPERATING				
002-1172	UTILITY FUND OPERATING	7,789.01		18,422.28	500,000.00
002-1178	CUSTOMER DEPOSITS				
039-1557	THE RESERVE LIFT STATION	56,792.76			
003-1121	INV-PERIMETER FEES	712,932.38	998,788.00		
003-1307	INV-ROAD RECONSTRUCTION	222,485.85			
005-1172	VOLUNTARY PARK FUND				500,000.00
012-1172	PARK LAND DEDICATION FUND				300,000.00
017-1172	DRAINAGE FUND OPERATING				200,000.00
024-1172	CEDC OPERATING				
026-1172	TIF OPERATING			513,360.00	700,000.00
032-1519	CAPITAL EQUIPMENT RESERVE			364,300.00	
PER GENERAL LEDGER		1,000,000.00	998,788.00	896,082.28	2,200,000.00
VALUE AT MATURITY		1,000,000.00	1,000,000.00	900,000.00	2,200,000.00

INVESTMENT		FFCB NOTE	FFCB NOTE	FFCB NOTE	FFCB NOTE
DATE ACQUIRED		43,045.00	43,077.00	43,098.00	43,145.00
MATURITY DATE		43,775.00	43,790.00	43,787.00	43,875.00
26 WEEK T-BILL AUCTION DISCOUNT/WEEK OF PURCHASE		0.01	0.01	0.02	0.02
YIELD TO MATURITY		0.02	0.02	0.01	0.02
CUSIP#		**3133EHP98**	**3133EHV75**	**3133EGJ30**	**3133EJCN7**
ACCOUNT	**ALLOCATION OF INVESTMENT**				
001-1172	GENERAL FUND OPERATING		-	255,571.93	1,000,000.00
002-1172	UTILITY FUND OPERATING	250,985.36	503,143.19	951,092.86	
002-1178	CUSTOMER DEPOSITS	194,005.33	246,567.66	32,110.05	
039-1557	THE RESERVE LIFT STATION				
003-1121	INV-PERIMETER FEES	253,649.76			
003-1307	INV-ROAD RECONSTRUCTION	101,359.55			
005-1172	VOLUNTARY PARK FUND				
012-1172	PARK LAND DEDICATION FUND	200,000.00			
017-1172	DRAINAGE FUND OPERATING				
024-1172	CEDC OPERATING				
026-1172	TIF OPERATING				
032-1519	CAPITAL EQUIPMENT RESERVE				
PER GENERAL LEDGER		1,000,000.00	749,710.85	1,238,774.84	1,000,000.00
VALUE AT MATURITY		1,000,000.00	750,000.00	1,255,000.00	1,000,000.00

		FHLB NOTE	FFCB NOTE
INVESTMENT		FHLB NOTE	FFCB NOTE
DATE ACQUIRED		43,166.00	43,199.00
MATURITY DATE		43,872.00	43,917.00
26 WEEK T-BILL AUCTION DISCOUNT/WEEK OF PURCHASE		0.02	0.02
YIELD TO MATURITY		0.02	0.02
CUSIP#		**3130ADN32**	**3133EJHL6**
ACCOUNT	**ALLOCATION OF INVESTMENT**		
001-1172	GENERAL FUND OPERATING	37,833.62	1,001,429.87
002-1172	UTILITY FUND OPERATING		
002-1178	CUSTOMER DEPOSITS		
039-1557	THE RESERVE LIFT STATION		
003-1121	INV-PERIMETER FEES		
003-1307	INV-ROAD RECONSTRUCTION		
005-1172	VOLUNTARY PARK FUND	250,000.00	
012-1172	PARK LAND DEDICATION FUND	710,000.00	
017-1172	DRAINAGE FUND OPERATING		
024-1172	CEDC OPERATING		
026-1172	TIF OPERATING		
032-1519	CAPITAL EQUIPMENT RESERVE		
PER GENERAL LEDGER		997,833.62	1,001,429.87
VALUE AT MATURITY		1,000,000.00	1,000,000.00

CITY OF COLLEYVILLE - INVESTMENT POOLS

LOCAL GOVERNMENT INVESTMENT COOPERATIVE / "LOGIC"
ACCOUNT ALLOCATION AT DECEMBER 2018

DESCRIPTION	BALANCE
UTILITY FUND - CAPITAL PROJECTS	
LOGIC POOL- WATER IMPACT FEES	$1,140,214
LOGIC-RES CASH-UTILITY LINE RE	$1,266
LOGIC - WW IMPACT FEES	$329,107
CAPITAL PROJECTS FUND	
LOGIC POOL-ROADS SA I CASH	$23,381
LOGIC-CAPITAL PROJ/STREET RESU	$793,133
DRAINAGE FUND	
LOGIC- I&S FUND/DRAINAGE	$131,928
Subtotal - LOGIC balances excluding CEDC	**$2,419,029**
CEDC Logic Balance	
LOGIC POOL- OPERATING CASH	$16
Total LOGIC Balance	**$2,419,045**
INTEREST EARNED	**$7,267**

TEXPOOL
ACCOUNT ALLOCATION AT DECEMBER 2018

DESCRIPTION	BALANCE
GENERAL FUND	
TEXPOOL - OPERATING CASH	$546,820
UTILITY FUND	
TEXPOOL - OPERATING CASH	$2,742,598
UTILITY FUND - CAPITAL PROJECTS	
TEXPOOL - WW IMPACT FEES	$686,694
TEXPOOL - WATER IMPACT FEE	$2,317,826
DEBT SERVICE FUND	
TEXPOOL - OPERATING CASH	$35,165
DRAINAGE FUND	
TEXPOOL - OPERATING CASH	$1,398,625
TIF FUND	
TEXPOOL - OPERATING CASH	$13,350,242
CCCPD FUND	
TEXPOOL - OPERATING CASH	$789,473
CAPITAL EQUIPMENT REPLACEMENT FUND	
TEXPOOL - OPERATING CASH	$85,009
COLLEYVILLE TOMORROW FUND	
TEXPOOL - OPERATING CASH	$1,732,033
PARKS TOMORROW FUND	
TEXPOOL - OPERATING CASH	$1,054,213
STRATEGIC INITIATIVES FUND	
TEXPOOL - OPERATING CASH	$502,809
Total TexPool Balance	**$25,241,506**
INTEREST EARNED	**$140,176**

TEXAS CLASS
ACCOUNT ALLOCATION AT DECEMBER 2018

DESCRIPTION	BALANCE
GENERAL FUND	
TEXAS CLASS	$1,348,847
CAPITAL PROJECTS FUND	
TEXAS CLASS	$4,695,912
UTILITY FUND - CAPITAL PROJECTS	
TEXAS CLASS	$3,022,377
TIF FUND	
TEXAS CLASS	$4,029,836
Total Texas CLASS Balance	**$13,096,972**
INTEREST EARNED	**$74,020**

TEXSTAR
ACCOUNT ALLOCATION AT DECEMBER 2018

DESCRIPTION	BALANCE
GENERAL FUND	
TEXSTAR - OPERATING CASH	$3,248,152
UTILITY FUND	
TEXSTAR - OPERATING CASH	$2,992,501
VOLUNTARY PARK FUND	
TEXSTAR - OPERATING CASH	$366,868
SESQUICENTINIAL FUND	
TEXSTAR - OPERATING CASH	$3,237
VOLUNTARY LIBRARY FUND	
TEXSTAR - OPERATING CASH	$400,762
PARK LAND DEDICATION FUND	
TEXSTAR - OPERATING CASH	$247,211
POLICE ASSET FORFEITURE FUND	
TEXSTAR - OPERATING CASH	$23,320
TREE PRESERVATION FUND	
TEXSTAR - OPERATING CASH	$317,019
LIBRARY DONATION FUND	
TEXSTAR - OPERATING CASH	$34,777
TIF FUND	
TEXSTAR - OPERATING CASH	$1,000,970
CRIME DISTRICT (CCCPD) FUND	
TEXSTAR - OPERATING CASH	$2,736
KIDSVILLE MAINTENANCE FUND	
TEXSTAR - OPERATING CASH	$5,820
COURT TECHNOLOGY FUND	
TEXSTAR - OPERATING CASH	$5,964
COURT SECURITY FUND	
TEXSTAR - OPERATING CASH	$49,797

VEHICLE AND CAPITAL REPLACEMENT FUND

TEXSTAR - OPERATING CASH	$2,195

PUBLIC ART FUND

TEXSTAR - OPERATING CASH	$7,913

COLLEYVILLE TOMORROW FUND

TEXSTAR - OPERATING CASH	$733,336

PARKS TOMORROW FUND

TEXSTAR - OPERATING CASH	$2,333

STRATEGIC INITIATIVES FUND

TEXSTAR - OPERATING CASH	$23,975

JUVENILE CASE MANAGER FUND

TEXSTAR - OPERATING CASH	$11,523

HOTEL/MOTEL FUND FUND

TEXSTAR - OPERATING CASH	$305,691

DRAINAGE- CAPITAL PROJECTS FUND

TEXSTAR - OPERATING CASH	$724,094

Total TexSTAR Balance	**$10,510,192**
INTEREST EARNED	**$3,394**

LOGIC Newsletter

December 2018

Performance

As of December 31, 2018

Current Invested Balance	$6,949,078,936.52
Weighted Average Maturity (1)*	35 Days
Weighted Average Maturity (2)*	56 Days
Net Asset Value	0.999870
Total Number of Participants	586
Management Fee on Invested Balance	0.0975%
Interest Distributed	$14,549,070.84
Management Fee Collected	$550,640.90
% of Portfolio Invested Beyond 1 Year	0.00%
Standard & Poor's Current Rating	AAAm

December Averages:

Average Invested Balance	$6,642,712,871.94
Average Monthly Yield, on a simple basis	2.4805%
Average Weighted Average Maturity (1)*	38 Days
Average Weighted Average Maturity (2)*	62 Days

*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 the weighted average maturity for the pool.

Rates reflect historical information and are not an indication of future performance.

News

New Participants

We would like to welcome the following entities who joined the LOGIC program in December:

★ City of Galveston
★ San Antonio Water System
★ The Village of Tiki Island

Holiday Reminders

In observance of Martin Luther King Jr. holiday, **LOGIC will be closed Monday, January 21, 2019.** All ACH transactions initiated on Friday, January 18th will settle on Tuesday, January 22nd.

Conferences

LOGIC Representatives look forward to visiting with those of you attending these upcoming events:

★ Government Treasurers' Organization of Texas
Winter Seminar February 25-27, 2019, San Antonio

★ Texas Association of School Business Officials
Annual Conference March 5-6, 2019, San Antonio

Economic Commentary

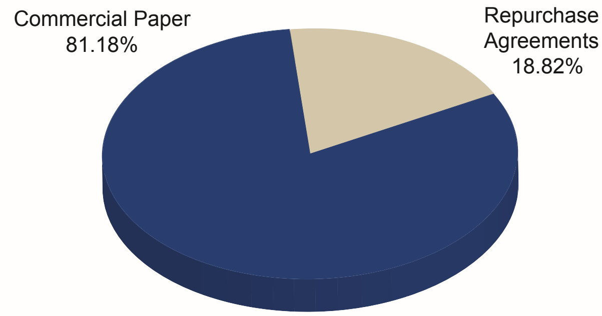
The fourth quarter was the most tumultuous of 2018 as uncertainty challenged the markets culminating in high volatility. Concerns about further escalations in the US-China trade dispute, a poorer earnings growth outlook, the threat of a global economic slowdown, and a plunge in energy prices weighed on sentiment. The Fed raised the fed funds rate by 25 bps to 2.25%-2.50% at its December Federal Open Market Committee meeting, a move that was widely anticipated. The median interest rate forecast "dot plot" was revised lower, now telegraphing two rate hikes in 2019 instead of three. The committee altered its statement slightly, recognizing the impact of volatility on financial conditions as well as the softening global economic backdrop. Nonetheless, the committee described risks as "roughly balanced" and still views further rates hikes as appropriate. Markets expected dovish Fed commentary to accompany the hike, but Powell failed to placate investors and the selling of risk accelerated. Our base case scenario remains above trend global growth led by the U.S. economy. The U.S. consumer remains resilient and the labor market has become increasingly tight. Wages are rising across developed markets while inflation remains subdued. Under this backdrop, we expect some additional rate hikes in the U.S. and the 10-year Treasury yields to rise back towards 3.25% over the coming quarters.

Three very real risks to our somewhat optimistic bias are looming larger on the horizon: tariffs, central bank policy and geopolitics. Further escalation of a trade war would damage growth and pull forward recession expectations. The pressure is significant to return policy rates to something that looks normal on a real yield basis. But rate increases from the Fed, ECB and the Bank of Japan - on top of quantitative tightening - are too much for the economy and the markets to absorb and may cause the Fed to pause on the balance sheet runoff. How the U.S. administration handles a gridlocked Congress will do a lot to shape the U.S. economy. Equally important will be how Europe handles Brexit, the Italian budget and the growing unrest in France. It is true that there are growing economic headwinds and a few risks to stability, but nothing of the magnitude reflected by many of the risk-assets markets. As risks have become magnified and central bank policy responses underappreciated, we are using the increased volatility to find opportunities.

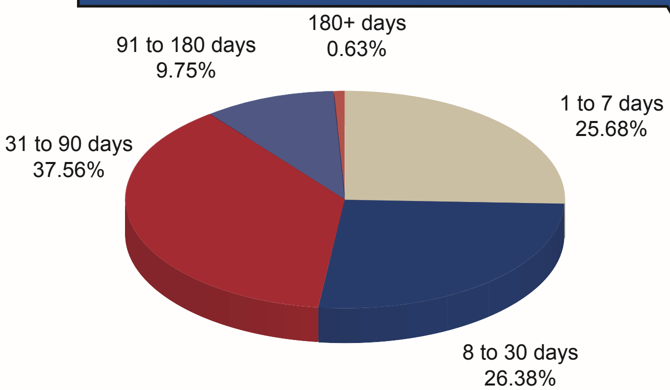
This information is an excerpt from an economic report dated December 2018 provided to LOGIC by JPMorgan Asset Management, Inc., the investment manager of the LOGIC pool.

Information at a Glance

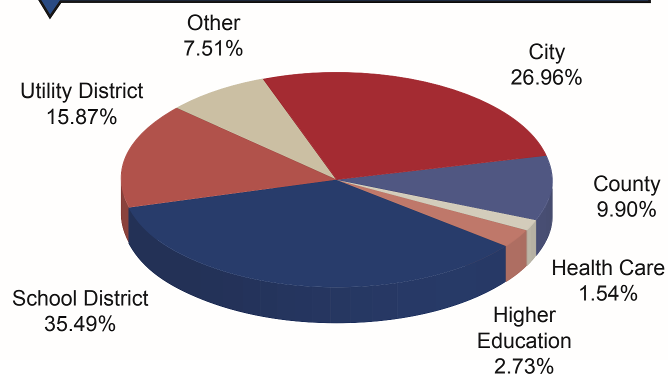
Portfolio by Type of Investment As of December 31, 2018



Portfolio by Maturity As of December 31, 2018



Distribution of Participants by Type As of December 31, 2018



History

Historical Program Information

Month	Average Rate	Book Value	Market Value	Net Asset Value	WAM (1)*	WAM (2)*	Number of Participants
Dec 18	2.4805%	$6,949,078,936.52	$6,948,456,687.31	0.999870	38	62	586
Nov 18	2.4072%	6,560,982,375.72	6,560,576,218.42	0.999938	45	78	583
Oct 18	2.3320%	6,022,652,132.65	6,022,591,550.03	0.999989	46	87	581
Sep 18	2.2112%	6,222,015,405.64	6,222,101,273.25	1.000013	34	69	576
Aug 18	2.1843%	6,457,668,295.78	6,458,782,262.06	1.000073	34	66	574
Jul 18	2.1750%	6,693,358,601.72	6,694,255,228.51	1.000133	30	59	573
Jun 18	2.1078%	6,880,746,236.77	6,881,359,093.55	1.000058	28	64	571
May 18	2.0273%	6,972,924,126.20	6,973,895,573.35	1.000139	30	66	568
Apr 18	1.9293%	6,434,872,331.82	6,434,646,379.96	0.999964	28	66	565
Mar 18	1.7228%	6,902,175,938.22	6,900,336,026.44	0.999705	28	71	563
Feb 18	1.5898%	7,170,298,263.14	7,170,001,932.73	0.999958	29	78	563
Jan 18	1.5224%	7,365,857,458.60	7,365,850,519.17	0.999999	29	80	561

Assets

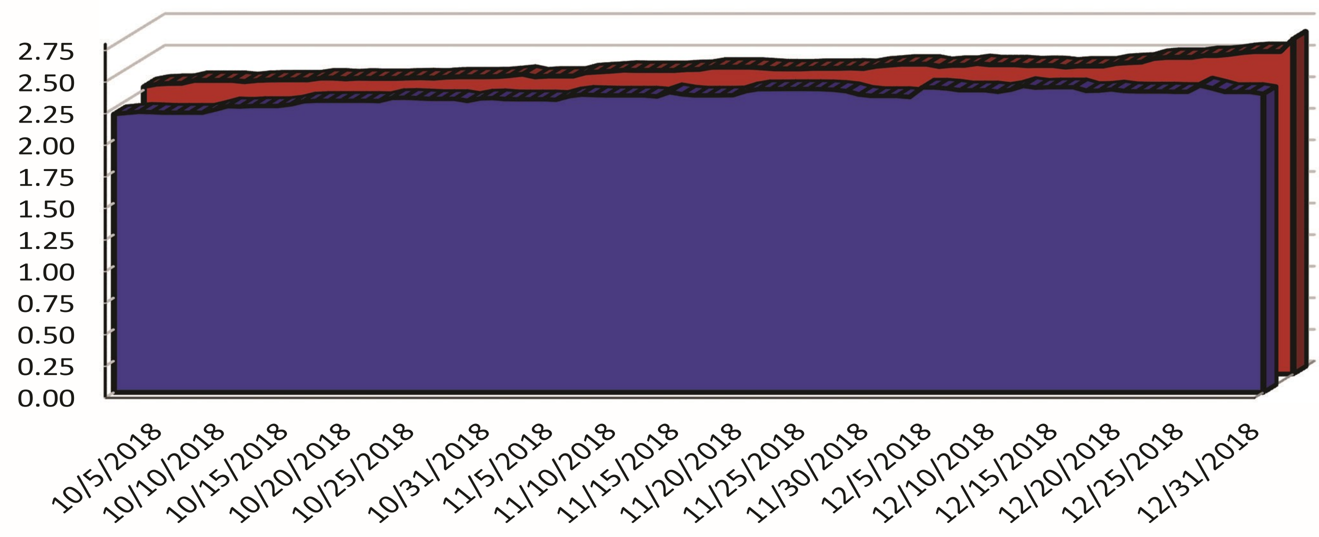
Portfolio Asset Summary as of December 31, 2018

	Book Value	Market Value
Uninvested Balance	$ (171,933.68)	$ (171,933.68)
Accrual of Interest Income	2,823,812.83	2,823,812.83
Interest and Management Fees Payable	(14,642,392.56)	(14,642,392.56)
Payable for Investment Purchased	(9,926,655.60)	(9,926,655.60)
Receivable for Investment Sold	0.00	0.00
Repurchase Agreements	1,312,027,999.86	1,312,027,999.86
Commercial Paper	5,658,968,105.67	5,658,345,856.46
Government Securities	0.00	0.00
Total	**$ 6,949,078,936.52**	**$ 6,948,456,687.31**

Market value of collateral supporting the Repurchase Agreements is at least 102% of the Book Value. The portfolio is managed by J.P. Morgan Chase & Co. and the assets are safekept in a separate custodial account at the Federal Reserve Bank in the name of LOGIC. The only source of payment to the Participants are the assets of LOGIC. There is no secondary source of payment for the pool such as insurance or guarantee. Should you require a copy of the portfolio, please contact LOGIC Participant Services.

Daily Rates

LOGIC versus 90-Day Treasury Bill



Daily Summary

Daily Summary for December 2018

Date	Mny Mkt Fund Equiv. [SEC Std.]	Daily Allocation Factor	LOGIC Invested Balance	Market Value Per Share	WAM Days (1)*	WAM Days (2)*
12/1/2018	2.4514%	0.000067162	$6,560,982,375.72	0.999862	42	70
12/2/2018	2.4514%	0.000067162	$6,560,982,375.72	0.999862	42	70
12/3/2018	2.4331%	0.000066661	$6,584,206,233.65	0.999963	42	70
12/4/2018	2.4423%	0.000066912	$6,363,809,289.11	0.999916	42	70
12/5/2018	2.4423%	0.000066912	$6,363,809,289.11	0.999916	42	70
12/6/2018	2.4565%	0.000067301	$6,413,493,622.70	0.999960	40	69
12/7/2018	2.4466%	0.000067029	$6,423,428,954.16	0.999871	39	66
12/8/2018	2.4466%	0.000067029	$6,423,428,954.16	0.999871	39	66
12/9/2018	2.4466%	0.000067029	$6,423,428,954.16	0.999871	39	66
12/10/2018	2.4392%	0.000066827	$6,410,783,550.38	0.999956	38	66
12/11/2018	2.4410%	0.000066876	$6,416,953,253.54	0.999945	40	67
12/12/2018	2.4402%	0.000066854	$6,469,972,389.09	0.999945	39	65
12/13/2018	2.4286%	0.000066538	$6,830,376,844.47	0.999933	37	62
12/14/2018	2.4366%	0.000066756	$6,799,016,048.17	0.999854	36	60
12/15/2018	2.4366%	0.000066756	$6,799,016,048.17	0.999854	36	60
12/16/2018	2.4366%	0.000066756	$6,799,016,048.17	0.999854	36	60
12/17/2018	2.4565%	0.000067302	$6,833,177,397.46	0.999931	35	59
12/18/2018	2.4631%	0.000067483	$6,830,794,842.94	0.999916	35	58
12/19/2018	2.4678%	0.000067611	$6,686,506,185.82	0.999911	35	58
12/20/2018	2.4967%	0.000068403	$6,574,383,088.66	0.999907	36	59
12/21/2018	2.5054%	0.000068640	$6,637,823,808.75	0.999823	36	58
12/22/2018	2.5054%	0.000068640	$6,637,823,808.75	0.999823	36	58
12/23/2018	2.5054%	0.000068640	$6,637,823,808.75	0.999823	36	58
12/24/2018	2.5200%	0.000069042	$6,740,949,922.44	0.999868	36	58
12/25/2018	2.5200%	0.000069042	$6,740,949,922.44	0.999868	36	58
12/26/2018	2.5292%	0.000069294	$6,739,938,130.03	0.999909	36	58
12/27/2018	2.5437%	0.000069690	$6,781,692,088.22	0.999901	39	61
12/28/2018	2.5514%	0.000069900	$6,830,150,953.00	0.999823	36	58
12/29/2018	2.5514%	0.000069900	$6,830,150,953.00	0.999823	36	58
12/30/2018	2.5514%	0.000069900	$6,830,150,953.00	0.999823	36	58
12/31/2018	2.6516%	0.000072647	$6,949,078,936.52	0.999870	35	56
Average	2.4805%	0.000067958	$6,642,712,871.94		38	62

LOGIC

LOGIC Board

LOGIC Board Members

Philip G. Roberson	Arlington ISD	Board President
Fred L. Werner	Qualified Non-Participant	Board Vice President
Sandra Newby	Tarrant Regional Water District	Board Member
Greg Jordan	City of Grapevine	Board Member
Erik Felthous	North Texas Municipal Water District	Board Member

Contacts

For more information, please contact
LOGIC Participant Services
1201 Elm Street, Suite 3500
Dallas, Texas 75270
1-800-895-6442
www.logic.org

HilltopSecurities
A Hilltop Holdings Company.

J.P.Morgan
Asset Management

TEXPOOL
AN INVESTMENT SERVICE FOR PUBLIC FUNDS

Monthly Newsletter: December 2018

ANNOUNCEMENTS

We welcome the following entities who joined TexPool in November 2018:

TexPool
Harris County MUD 171
Town of Shady Shores
Bexar Medina Atascosa WCID 1
City of Eagle Pass
Memorial-Heights Redevelopment Authority

TexPool *Prime*
City of Morgan's Point
Morgan's Point Development Corp
Town of Shady Shores
City of Fate
Bexar Medina Atascosa WCID 1
Memorial-Heights Redevelopment Authority
Bammel Utility District

Upcoming Events

Jan 26, 2019 - Jan 30, 2019
Austin
TASA Midwinter Conference

Feb 25, 2019 - Feb 27, 2019
San Antonio
GTOT Winter Conference

TexPool Advisory Board Members

Overseen 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: Neutral November

December 1, 2018

The buzzwords in November for cash managers were not "market volatility," but "neutral rate." Vice Chair Richard Clarida discussed it and Chair Powell made it a focus of public comments. Of course, Fed economists and officials view a neutral rate of interest, the level at which the economy doesn't need stimulus or tightening, as a central policy concept. Some even give it a number: 2.9%, making it seem a precisely calculated point. But there's nothing magical about 2.9%, and ultimately it is more confusing than helpful, especially when the head of the central bank waffles on it.

In early October, Powell said that interest rates were "a long way from neutral." Only a few weeks later, in his speech Wednesday at the Economic Club of New York, he said rates were "just below" that level. The markets were indeed volatile during that span, but economic data hardly changed, so perhaps his view of equilibrium has.

Powell's shifting stance is almost certainly not going to stop the Fed from raising rates 25 basis points to a 2.25-2.50% federal funds target range in its policy-making meeting later this month, as the increase is all but fully expected by the markets. The takeaway probably will be that the policymakers intimate only two hikes in 2019 instead of three. We also continue to expect the neutral rate will be reached in the first half of 2019.

(continued page 6)

Performance as of November 30, 2018

	TexPool	TexPool *Prime*
Current Invested Balance	$16,233,825,019.66	$5,071,543,374.80
Weighted Average Maturity**	32	31
Weighted Average Life**	99	65
Net Asset Value	0.99991	0.99989
Total Number of Participants	2515	354
Management Fee on Invested Balance	0.0473%	0.0638%
Interest Distributed	$29,744,579.20	$9,776,002.90
Management Fee Collected	$603,547.68	$234,438.31
Standard & Poor's Current Rating	AAAm	AAAm
Month Averages		
Average Invested Balance	$16,432,516,178.89	$4,968,193,239.17
Average Monthly Rate*	2.20%	2.39%
Average Weighted Average Maturity**	34	34
Average Weighted Average Life**	98	69

**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.

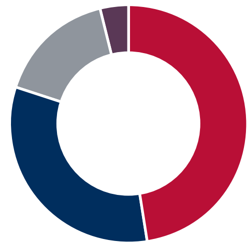
Portfolio by Maturity (%)

As of November 30, 2018

- 1-7 days **43.7**
- 8-30 days **23.7**
- 31-90 days **25.2**
- 91-180 days **5.7**
- 181+ days **1.7**

Portfolio by Type of Investment (%)

As of November 30, 2018



- Agencies **47.6**
- Repurchase Agreements **32.6**
- Treasurys **16.1**
- Money Market Funds **3.7**

Portfolio Asset Summary as of November 30, 2018

	Book Value	Market Value
Uninvested Balance	-$946,400.84	-$946,400.84
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	10,705,293.28	10,705,293.28
Interest and Management Fees Payable	-29,745,031.43	-29,745,031.43
Payable for Investments Purchased	-63,998,260.00	-63,998,260.00
Accrued Expenses & Taxes	-19,380.61	-19,380.61
Repurchase Agreements	5,330,064,000.00	5,330,064,000.00
Mutual Fund Investments	600,175,103.88	600,175,103.88
Government Securities	7,766,951,660.32	7,765,495,392.12
U.S. Treasury Inflation Protected Securities	162,986,336.72	163,023,321.73
US Treasury Bills	2,322,018,329.66	2,322,090,585.96
US Treasury Notes	135,633,368.68	135,594,995.18
Total	**$16,233,825,019.66**	**$16,232,439,619.26**

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	589	$4,688,577,931.24
Higher Education	58	$579,085,500.44
Healthcare	83	$458,414,540.60
Utility District	799	$2,430,259,886.25
City	463	$4,229,978,560.73
County	186	$1,583,972,347.20
Other	337	$2,257,178,231.00

****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.

TexPool

Daily Summary

Date	Money Mkt. Fund Equiv. (SEC Std.)	Dividend Factor	TexPool Invested Balance	NAV	WAM Days	WAL Days
11/1	2.1758%	0.000059612	$16,410,191,872.99	0.99988	32	96
11/2	2.1901%	0.000060003	$16,361,545,472.48	0.99988	33	98
11/3	2.1901%	0.000060003	$16,361,545,472.48	0.99988	33	98
11/4	2.1901%	0.000060003	$16,361,545,472.48	0.99988	33	98
11/5	2.1984%	0.000060229	$16,427,220,058.94	0.99988	32	96
11/6	2.1816%	0.000059770	$16,420,150,621.82	0.99988	32	94
11/7	2.1794%	0.000059710	$16,422,494,387.99	0.99988	33	97
11/8	2.1916%	0.000060045	$16,479,444,474.67	0.99987	35	98
11/9	2.1942%	0.000060114	$16,647,827,819.86	0.99987	36	99
11/10	2.1942%	0.000060114	$16,647,827,819.86	0.99987	36	99
11/11	2.1942%	0.000060114	$16,647,827,819.86	0.99987	36	99
11/12	2.1942%	0.000060114	$16,647,827,819.86	0.99987	36	99
11/13	2.1944%	0.000060120	$16,606,271,035.81	0.99988	35	96
11/14	2.1915%	0.000060040	$16,533,437,170.84	0.99988	35	96
11/15	2.2203%	0.000060830	$16,357,622,513.74	0.99988	36	99
11/16	2.2155%	0.000060698	$16,297,039,166.78	0.99989	36	100
11/17	2.2155%	0.000060698	$16,297,039,166.78	0.99989	36	100
11/18	2.2155%	0.000060698	$16,297,039,166.78	0.99989	36	100
11/19	2.2125%	0.000060617	$16,305,150,683.46	0.99989	35	99
11/20	2.2049%	0.000060409	$16,242,531,154.05	0.99988	35	99
11/21	2.1978%	0.000060215	$16,270,562,887.86	0.99986	35	98
11/22	2.1978%	0.000060215	$16,270,562,887.86	0.99986	35	98
11/23	2.2169%	0.000060738	$16,546,346,741.13	0.99988	34	96
11/24	2.2169%	0.000060738	$16,546,346,741.13	0.99988	34	96
11/25	2.2169%	0.000060738	$16,546,346,741.13	0.99988	34	96
11/26	2.2107%	0.000060567	$16,591,577,669.48	0.99988	32	93
11/27	2.2058%	0.000060434	$16,470,385,768.14	0.99988	32	93
11/28	2.2141%	0.000060660	$16,432,908,408.81	0.99988	32	98
11/29	2.2260%	0.000060987	$16,295,043,329.98	0.99988	32	99
11/30	2.2433%	0.000061460	$16,233,825,019.66	0.99991	32	99
Average	**2.2030%**	**0.000060356**	**$16,432,516,178.89**	**0.99988**	**34**	**98**

TEXPOOL *PRIME*

Portfolio by Maturity (%)

As of November 30, 2018

- 1-7 days **40.6**
- 8-30 days **29.0**
- 31-90 days **19.7**
- 91-180 days **10.8**
- 181+ days **0.0**

Portfolio by Type of Investment (%)

As of November 30, 2018

- Commercial Paper **38.4**
- Variable Rate Notes **29.2**
- Repurchase Agreements **22.1**
- Money Market Funds **9.3**
- Government **1.0**

Portfolio Asset Summary as of November 30, 2018

	Book Value	Market Value
Uninvested Balance	-$8,756.61	-$8,756.61
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	3,345,179.13	3,345,179.13
Interest and Management Fees Payable	-9,776,001.35	-9,776,001.35
Payable for Investments Purchased	0.00	0.00
Accrued Expenses & Taxes	-8,021.50	-8,021.50
Repurchase Agreements	1,119,936,000.00	1,119,936,000.00
Commercial Paper	1,951,013,588.36	1,950,627,577.56
Bank Instruments	0.00	0.00
Mutual Fund Investments	472,097,499.35	472,052,003.75
Government Securities	49,945,375.00	49,949,206.50
Variable Rate Notes	1,484,998,512.42	1,484,878,671.00
Total	**$5,071,543,374.80**	**$5,070,995,858.48**

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	117	$1,651,210,476.51
Higher Education	17	$615,654,251.08
Healthcare	14	$227,211,789.98
Utility District	32	$410,413,135.17
City	69	$838,076,977.78
County	38	$401,334,684.76
Other	67	$927,644,403.94

TexPool *PRIME*

Daily Summary

Date	Money Mkt. Fund Equiv. (SEC Std.)	Dividend Factor	TexPool *Prime* Invested Balance	NAV	WAM Days	WAL Days
11/1	2.3671%	0.000064851	$4,967,136,651.57	0.99995	35	72
11/2	2.3811%	0.000065236	$4,941,377,932.96	0.99988	36	74
11/3	2.3811%	0.000065236	$4,941,377,932.96	0.99988	36	74
11/4	2.3811%	0.000065236	$4,941,377,932.96	0.99988	36	74
11/5	2.3822%	0.000065266	$4,927,047,469.56	0.99992	34	71
11/6	2.3762%	0.000065100	$4,956,954,318.71	0.99989	34	71
11/7	2.3696%	0.000064921	$4,920,192,615.94	0.99988	34	71
11/8	2.3775%	0.000065137	$4,912,307,358.58	0.99988	36	70
11/9	2.3711%	0.000064963	$4,962,549,617.66	0.99981	35	70
11/10	2.3711%	0.000064963	$4,962,549,617.66	0.99981	35	70
11/11	2.3711%	0.000064963	$4,962,549,617.66	0.99981	35	70
11/12	2.3711%	0.000064963	$4,962,549,617.66	0.99981	35	70
11/13	2.3781%	0.000065154	$4,969,896,858.09	0.99989	33	68
11/14	2.3809%	0.000065229	$4,960,602,232.30	0.99989	33	67
11/15	2.3988%	0.000065721	$5,021,145,478.53	0.99988	33	67
11/16	2.4127%	0.000066102	$4,944,037,076.18	0.99983	35	70
11/17	2.4127%	0.000066102	$4,944,037,076.18	0.99983	35	70
11/18	2.4127%	0.000066102	$4,944,037,076.18	0.99983	35	70
11/19	2.4001%	0.000065757	$4,939,666,697.33	0.99989	33	67
11/20	2.4025%	0.000065822	$4,937,649,470.70	0.99988	33	68
11/21	2.3990%	0.000065726	$4,908,798,773.48	0.99984	33	68
11/22	2.3990%	0.000065726	$4,908,798,773.48	0.99984	33	68
11/23	2.4114%	0.000066066	$4,962,698,912.78	0.99985	32	66
11/24	2.4114%	0.000066066	$4,962,698,912.78	0.99985	32	66
11/25	2.4114%	0.000066066	$4,962,698,912.78	0.99985	32	66
11/26	2.4154%	0.000066175	$5,004,428,035.94	0.99992	30	64
11/27	2.4044%	0.000065873	$5,044,202,639.49	0.99992	30	66
11/28	2.4126%	0.000066099	$5,108,235,327.84	0.99990	30	65
11/29	2.4259%	0.000066463	$5,092,650,862.41	0.99989	31	65
11/30	2.4392%	0.000066827	$5,071,543,374.80	0.99989	31	65
Average	**2.3943%**	**0.000065597**	**$4,968,193,239.17**	**0.99987**	**34**	**69**

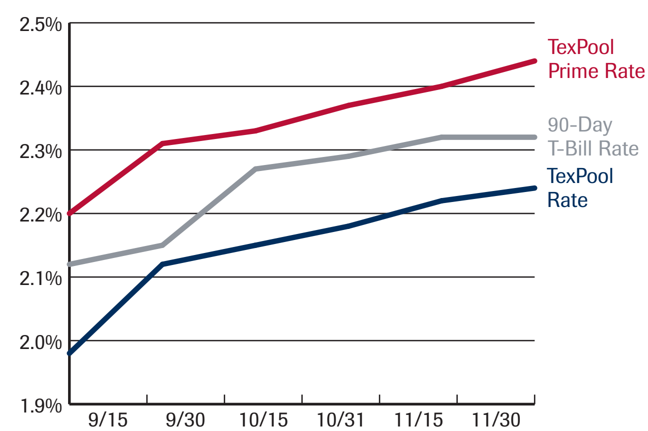
Participant Services
1001 Texas Ave. 14th Floor
Houston, TX 77002

Until that time it is normalizing—or dare we say neutralizing—rates, not tightening them. And that is a point often lost in the discussion and debate on monetary policy: the Fed isn't obligated to stop at neutral. If it still feels that the economy is overheating and causing inflationary pressures, it will push right past that. And if policymakers think the economy is slowing but inflation is growing, they will react to inflation.

It remains to be seen if the Fed addresses its plan for quantitative tightening at the meeting. We anticipate it to continue rolling off $50 billion of securities a month. The focus will be on the dots, which come with the statement in December. As for what those dots may indicate, we offer this suggestion: perhaps the Fed should leave neutral to electric wires and car transmissions.

In November, the London interbank offered rate (Libor) steepened over the course of month ahead of the likely December move. One-month rose from 2.30% to 2.35%, 3-month from 2.52% to 2.74% and 6-month from 2.78% to 2.89%. The weighted average maturity (WAM) target ranges of our funds were unchanged in November, with prime and municipal funds in a 30-40 day span and government funds in a 25-35 day range.

TexPool & TexPool *Prime* vs. 90-Day Treasury Bill



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.

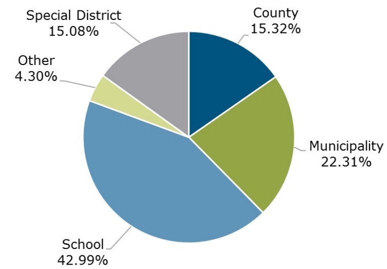
Any private investor can invest in a Treasury bill. The 90-Day Treasury Bill is a weighted average rate of the weekly auctions of 90-Day Treasury Bills.

Past performance is no guarantee of future results.

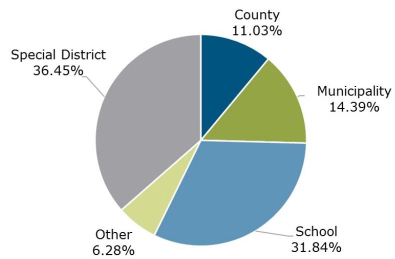
Texas CLASS Portfolio Characteristics

The following information is provided in accordance with Texas State Statute 2256.0016.

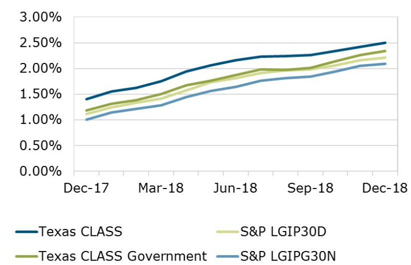
As of December 31, 2018:



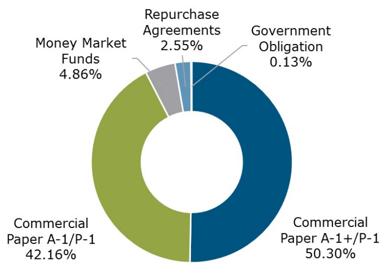
Participant Breakdown by Balance



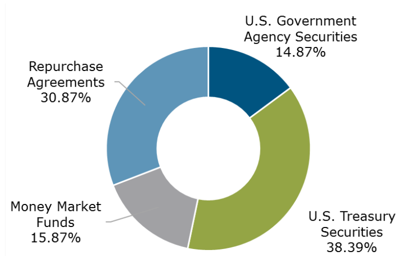
Participant Breakdown by Entity Type



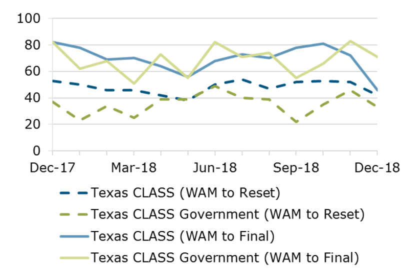
Performance vs. Benchmark S&P AAA/AA GIP* (Average Monthly Yields)



Texas CLASS Portfolio Breakdown



Texas CLASS Government Portfolio Breakdown



Weighted Average Maturity (In Days)

Texas CLASS Prior Month Comparison

Month End	Oct-18
Average Yield**	2.34%
Month Ending Assets	$6,627,088,330
Share Balance	$6,627,258,649
Market Value	$6,625,547,176
Amortized Cost	$6,625,717,494
NAV	1.00
WAM (Reset)***	53
WAM (Final)***	81

Month End	Nov-18
Average Yield**	2.42%
Month Ending Assets	$6,676,683,335
Share Balance	$6,677,594,401
Market Value	$6,675,726,558
Amortized Cost	$6,676,637,624
NAV	1.00
WAM (Reset)***	52
WAM (Final)***	72

Month End	**Dec-18**
Average Yield**	2.50%
Month Ending Assets	$7,879,926,736
Share Balance	$7,880,668,450
Market Value	$7,878,181,910
Amortized Cost	$7,878,923,624
NAV	1.00
WAM (Reset)***	42
WAM (Final)***	56

**Average monthly yield   ***As of the end of the last day of the month

Texas CLASS Government Prior Month Comparison

Month End	Oct-18
Average Yield**	2.14%
Month Ending Assets	$404,704,487
Share Balance	$404,738,381
Market Value	$404,478,214
Amortized Cost	$404,512,108
NAV	1.00
WAM (Reset)***	35
WAM (Final)***	66

Month End	Nov-18
Average Yield**	2.26%
Month Ending Assets	$423,554,985
Share Balance	$423,609,629
Market Value	$423,264,207
Amortized Cost	$423,318,851
NAV	1.00
WAM (Reset)***	46
WAM (Final)***	83

Month End	**Dec-18**
Average Yield**	2.34%
Month Ending Assets	$456,640,675
Share Balance	$456,671,551
Market Value	$456,348,062
Amortized Cost	$456,378,937
NAV	1.00
WAM (Reset)***	33
WAM (Final)***	71

**Average monthly yield ***As of the end of the last day of the month

Fund Highlights as of December, 31 2018 (Unaudited)

For the month of December 2018, the Program Administrator accrued fees of $591,316.10 and had average shares outstanding of $7,069,188,433.24 for Texas CLASS. For Texas CLASS Government, the Program Administrator accrued fees of $0.00 and had average shares outstanding of $434,184,263.60. The fees for both Texas CLASS and Texas CLASS Government are accrued on a daily basis by multiplying the investment property value by the applicable fee rate, and divided by 365 or 366 days in the event of a leap year. The investment property value shall be based on the current day's shares outstanding. For weekend days and holidays, the shares outstanding for the previous business day will be utilized for the calculation of fees. The applicable fee rate is located in Exhibit F of the Seventh Amended and Restated Trust Agreement. The Program Administrator reserves the right to abate fees listed in the Seventh Amended and Restated Trust Agreement. The monthly fee is the sum of all daily fee accruals for the month of December. The fees are paid monthly upon notification to the custodian bank. As of December 31, 2018 the fee for Texas CLASS was 10 basis points and the fee for Texas CLASS Government was 0.00 basis points.

- Both funds are rated 'AAAm' by S&P Global Ratings.
- Net Asset Value for both funds from December 1 to December 31, 2018 is equal to $1.00.
- The final maturity dates of all securities were less than one year.
- The custodian bank for Texas CLASS is Wells Fargo Bank, N.A.
- Total number of Participants is 716.
- There are currently no investments that have a stated maturity greater than one year.
- The portfolio managers for Texas CLASS are Randy Palomba, CFA and Neil Waud, CFA.
- All sources of payment are the underlying assets of the local government investment pool at market value.
- The Seventh Amended and Restated Trust Agreement was adopted by the Board of Trustees on August 5, 2016. You can access your copy of the Seventh Amended and Restated Trust Agreement by clicking here (https://texasclass.com/wp-

content/uploads/2017/06/2016-08-05-Seventh-Amended-and-Restated-Trust-Agreement.pdf).

Data unaudited. Charts may not equal 100% due to rounding. Performance results are shown net of all fees and expenses and reflect the reinvestment of dividends and other earnings. Many factors affect performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. Investment involves risk including the possible loss of principal. No assurance can be given that the performance objectives of a given strategy will be achieved. All comments and discussion presented are purely based on opinion and assumptions, not fact. These assumptions may or may not be correct based on foreseen and unforeseen events. The information presented should not be used in making any investment decisions. This material is not a recommendation to buy, sell, implement, or change any securities or investment strategy, function, or process. Any financial and/or investment decision should be made only after considerable research, consideration, and involvement with an experienced professional engaged for the specific purpose. Past performance is not an indication of future performance. Any financial and/or investment decision may incur losses. A 'AAAm' rating by S&P Global Ratings is obtained after S&P evaluates a number of factors including credit quality, market price exposure, and management. Ratings are subject to change and do not remove credit risk.

***The benchmark, the S&P US AAA & AA Rated GIP All 30 Day Net Yield (LGIP30D) is a performance indicator of rated GIPs that maintain a stable net asset value of $1.00 per share and is an unmanaged market index representative of the LGIP universe. The S&P benchmark utilized in this comparison is a composite of all rated stable net asset value pools. GIPs in the index include only those rated based on S&P's money market criteria. Pools rated 'AAAm' provide excellent safety and a superior capacity to maintain principal value while those rated 'AAm' offer very good safety and a strong capacity to maintain principal value (Source: S&P Global Ratings' website). The comparison between this index and the portfolio may differ in holdings, duration, fees, and percentage composition of each holding. Such differences may account for variances in yield.**

***The benchmark, the S&P AAA & AA Rated GIP Govt 30 Day Net Yield (LGIPG30N) is a performance indicator of rated GIPs that maintain a stable net asset value of $1.00 per share and is an unmanaged market index representative of the LGIP universe. The S&P benchmark utilized in this comparison is comprised of pools that invest in U.S. Government securities, U.S. Treasury securities, Repurchase agreements collateralized by U.S. government and treasury securities or any combination of the above. GIPs in the index include only those rated based on S&P's money market criteria. Pools rated 'AAAm' provide excellent safety and a superior capacity to maintain principal value while those rated 'AAm' offer very good safety and a strong capacity to maintain principal value (Source: S&P Global Ratings' website). The comparison between this index and the portfolio may differ in holdings, duration, fees, and percentage composition of each holding. Such differences may account for variances in yield.**

TexSTAR

Monthly Newsletter – December 2018

Performance

As of December 31, 2018

Current Invested Balance	$7,738,483,374.11
Weighted Average Maturity (1)	35 Days
Weighted Average Maturity (2)	82 Days
Net Asset Value	0.999940
Total Number of Participants	888
Management Fee on Invested Balance	0.06%*
Interest Distributed	$14,132,454.19
Management Fee Collected	$357,800.37
% of Portfolio Invested Beyond 1 Year	6.96%
Standard & Poor's Current Rating	AAAm

Rates reflect historical information and are not an indication of future performance.

December Averages

Average Invested Balance	$7,021,075,852.64
Average Monthly Yield, on a simple basis	2.3069%
Average Weighted Average Maturity (1)*	40 Days
Average Weighted Average Maturity (2)*	95 Days

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 the weighted average maturity for the pool.

* The maximum management fee authorized for the TexSTAR Cash Reserve Fund is 12 basis points. This fee may be waived in full or in part in the discretion of the TexSTAR co-administrators at any time as provided for in the TexSTAR Information Statement.

New Participants

We would like to welcome the following entities who joined the TexSTAR program in December:

★ Galveston County ESD No. 2 ★ North Collin Special Utility District

Holiday Reminders

In observance of Martin Luther King Jr. holiday, **TexSTAR will be closed Monday, January 21, 2019.** All ACH transactions initiated on Friday, January 18th will settle on Tuesday, January 22nd.

Economic Commentary

The fourth quarter was the most tumultuous of 2018 as uncertainty challenged the markets culminating in high volatility. Concerns about further escalations in the US-China trade dispute, a poorer earnings growth outlook, the threat of a global economic slowdown, and a plunge in energy prices weighed on sentiment. The Fed raised the fed funds rate by 25 bps to 2.25%-2.50% at its December Federal Open Market Committee meeting, a move that was widely anticipated. The median interest rate forecast "dot plot" was revised lower, now telegraphing two rate hikes in 2019 instead of three. The committee altered its statement slightly, recognizing the impact of volatility on financial conditions as well as the softening global economic backdrop. Nonetheless, the committee described risks as "roughly balanced" and still views further rates hikes as appropriate. Markets expected dovish Fed commentary to accompany the hike, but Powell failed to placate investors and the selling of risk accelerated. Our base case scenario remains above trend global growth led by the U.S. economy. The U.S. consumer remains resilient and the labor market has become increasingly tight. Wages are rising across developed markets while inflation remains subdued. Under this backdrop, we expect some additional rate hikes in the U.S. and the 10-year Treasury yields to rise back towards 3.25% over the coming quarters.

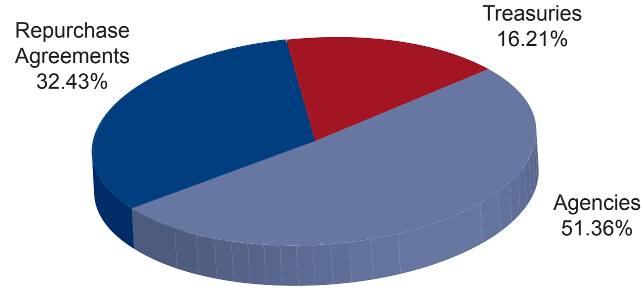
Three very real risks to our somewhat optimistic bias are looming larger on the horizon: tariffs, central bank policy and geopolitics. Further escalation of a trade war would damage growth and pull forward recession expectations. The pressure is significant to return policy rates to something that looks normal on a real yield basis. But rate increases from the Fed, ECB and the Bank of Japan - on top of quantitative tightening - are too much for the economy and the markets to absorb and may cause the Fed to pause on the balance sheet runoff. How the U.S. administration handles a gridlocked Congress will do a lot to shape the U.S. economy. Equally important will be how Europe handles Brexit, the Italian budget and the growing unrest in France. As a decade of quantitative easing proved to be more about asset price inflation than economic reflation, it stood to reason that quantitative tightening would cause some degree of asset price deflation. It is true that there are growing economic headwinds and a few risks to stability, but nothing of the magnitude reflected by many of the risk-assets markets. As risks have become magnified and central bank policy responses underappreciated, we are using the increased volatility to find opportunities.

This information is an excerpt from an economic report dated December 2018 provided to TexSTAR by JP Morgan Asset Management, Inc., the investment manager of the TexSTAR pool.

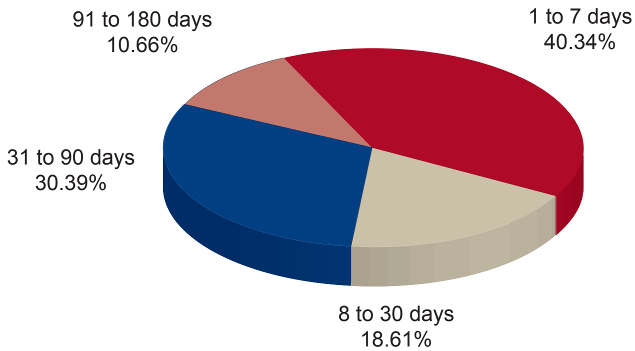
For more information about TexSTAR, please visit our web site at www.texstar.org.

Information at a Glance

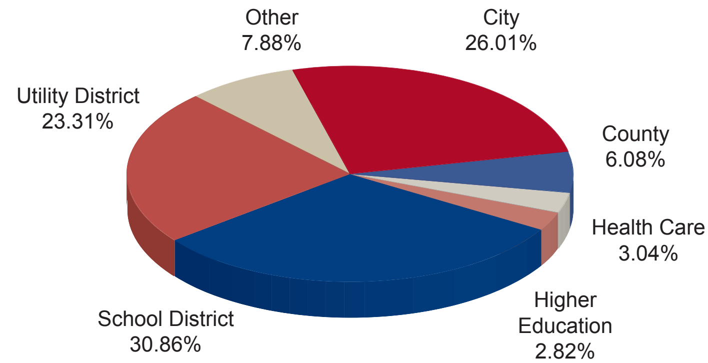
Portfolio by Type of Investment As of December 31, 2018



Portfolio by Maturity As of December 31, 2018



Distribution of Participants by Type As of December 31, 2018



Historical Program Information

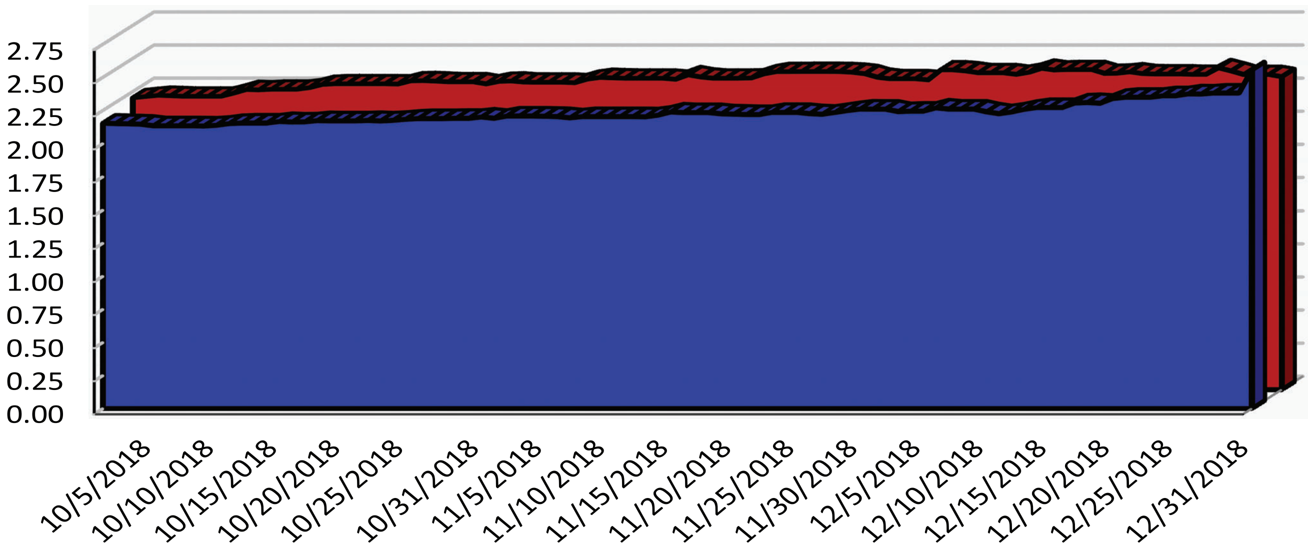
Month	Average Rate	Book Value	Market Value	Net Asset Value	WAM (1)*	WAM (2)*	Number of Participants
Dec 18	2.3069%	$7,738,483,374.11	$7,738,245,287.60	0.999940	40	95	888
Nov 18	2.2176%	6,683,233,268.87	6,682,898,473.43	0.999949	41	102	886
Oct 18	2.1615%	6,581,942,899.40	6,581,269,831.00	0.999897	41	101	884
Sep 18	1.9995%	6,458,418,968.50	6,458,002,746.78	0.999935	30	96	883
Aug 18	1.9225%	6,701,017,159.16	6,701,228,119.73	0.999971	24	91	879
Jul 18	1.8965%	6,837,425,331.68	6,837,427,966.67	1.000000	19	84	877
Jun 18	1.8300%	6,250,002,595.51	6,250,027,195.61	0.999991	26	99	874
May 18	1.7258%	6,489,773,533.02	6,489,474,005.73	0.999953	29	106	868
Apr 18	1.6304%	6,358,425,417.53	6,358,101,312.82	0.999949	18	99	861
Mar 18	1.4995%	6,461,363,510.56	6,460,804,379.93	0.999892	28	105	857
Feb 18	1.3518%	7,130,310,070.00	7,129,718,573.04	0.999917	28	97	854
Jan 18	1.2900%	7,090,345,755.93	7,090,199,741.00	0.999979	31	83	853

Portfolio Asset Summary as of December 31, 2018

	Book Value	Market Value
Uninvested Balance	$ 656.99	$ 656.99
Accrual of Interest Income	4,598,849.68	4,598,849.68
Interest and Management Fees Payable	(14,171,521.67)	(14,171,521.67)
Payable for Investment Purchased	0.00	0.00
Repurchase Agreement	2,512,506,999.80	2,512,506,999.80
Government Securities	5,235,548,389.31	5,235,310,302.80
Total	**$ 7,738,483,374.11**	**$ 7,738,245,287.60**

Market value of collateral supporting the Repurchase Agreements is at least 102% of the Book Value. The portfolio is managed by J.P. Morgan Chase & Co. and the assets are safekept in a separate custodial account at the Federal Reserve Bank in the name of TexSTAR. The only source of payment to the Participants are the assets of TexSTAR. There is no secondary source of payment for the pool such as insurance or guarantee. Should you require a copy of the portfolio, please contact TexSTAR Participant Services.

TexSTAR versus 90-Day Treasury Bill



This material is for information purposes only. This information does not represent an offer to buy or sell a security. The above rate information is obtained from sources that are believed to be reliable; however, its accuracy or completeness may be subject to change. The TexSTAR management fee may be waived in full or in part at the discretion of the TexSTAR co-administrators and the TexSTAR rate for the period shown reflects waiver of fees. This table represents historical investment performance/return to the customer, net of fees, and is not an indication of future performance. An investment in the security is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the issuer seeks to preserve the value of an investment at $1.00 per share, it is possible to lose money by investing in the security. Information about these and other program details are in the fund's Information Statement which should be read carefully before investing. The yield on the 90-Day Treasury Bill ("T-Bill Yield") is shown for comparative purposes only. When comparing the investment returns of the TexSTAR pool to the T-Bill Yield, you should know that the TexSTAR pool consist of allocations of specific diversified securities as detailed in the respective Information Statements. The T-Bill Yield is taken from Bloomberg Finance L.P. and represents the daily closing yield on the then current 90-day T-Bill. The TexSTAR yield is calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940 as promulgated from time to time by the federal Securities and Exchange Commission.

Daily Summary for December 2018

Date	Mny Mkt Fund Equiv. [SEC Std.]	Daily Allocation Factor	TexSTAR Invested Balance	Market Value Per Share	WAM Days (1)*	WAM Days (2)*
12/1/2018	2.2582%	0.000061869	$6,683,233,268.87	0.999892	41	101
12/2/2018	2.2582%	0.000061869	$6,683,233,268.87	0.999892	41	101
12/3/2018	2.2396%	0.000061360	$6,669,461,268.41	0.999891	41	100
12/4/2018	2.2431%	0.000061455	$6,673,994,024.30	0.999882	39	99
12/5/2018	2.2431%	0.000061455	$6,673,994,024.30	0.999882	39	99
12/6/2018	2.2676%	0.000062127	$6,745,323,131.99	0.999882	38	97
12/7/2018	2.2588%	0.000061884	$6,743,660,576.98	0.999891	37	95
12/8/2018	2.2588%	0.000061884	$6,743,660,576.98	0.999891	37	95
12/9/2018	2.2588%	0.000061884	$6,743,660,576.98	0.999891	37	95
12/10/2018	2.2379%	0.000061312	$6,702,503,302.01	0.999896	36	95
12/11/2018	2.2236%	0.000060921	$6,679,262,778.64	0.999913	36	95
12/12/2018	2.2371%	0.000061291	$6,636,266,496.58	0.999904	41	98
12/13/2018	2.2574%	0.000061847	$6,705,222,040.34	0.999898	44	100
12/14/2018	2.2705%	0.000062205	$6,839,954,019.88	0.999895	47	102
12/15/2018	2.2705%	0.000062205	$6,839,954,019.88	0.999895	47	102
12/16/2018	2.2705%	0.000062205	$6,839,954,019.88	0.999895	47	102
12/17/2018	2.3045%	0.000063138	$7,014,159,694.11	0.999903	45	99
12/18/2018	2.3088%	0.000063255	$7,025,102,103.69	0.999913	44	98
12/19/2018	2.3027%	0.000063088	$7,283,937,691.14	0.999927	42	94
12/20/2018	2.3386%	0.000064070	$7,305,316,080.72	0.999926	42	94
12/21/2018	2.3481%	0.000064331	$7,218,965,114.03	0.999918	41	93
12/22/2018	2.3481%	0.000064331	$7,218,965,114.03	0.999918	41	93
12/23/2018	2.3481%	0.000064331	$7,218,965,114.03	0.999918	41	93
12/24/2018	2.3597%	0.000064650	$7,259,974,683.13	0.999932	40	91
12/25/2018	2.3597%	0.000064650	$7,259,974,683.13	0.999932	40	91
12/26/2018	2.3739%	0.000065039	$7,335,089,989.69	0.999919	39	90
12/27/2018	2.3724%	0.000064998	$7,484,502,647.15	0.999929	39	88
12/28/2018	2.3802%	0.000065212	$7,562,192,582.63	0.999942	36	85
12/29/2018	2.3802%	0.000065212	$7,562,192,582.63	0.999942	36	85
12/30/2018	2.3802%	0.000065212	$7,562,192,582.63	0.999942	36	85
12/31/2018	2.5549%	0.000069998	$7,738,483,374.11	0.999940	35	82
Average	2.3069%	0.000063203	$7,021,075,852.64		40	95

TexSTAR Participant Services
1201 Elm Street, Suite 3500
Dallas, TX 75270
1-800-839-7827

HilltopSecurities
A Hilltop Holdings Company.

J.P.Morgan
Asset Management

ECONOMIC HIGHLIGHTS

PUBLIC TRUST ADVISORS

Investment Management Services for the Public Sector

Monthly Economic Review

January 2019

Losing Faith in the Fed

The outcome of the Federal Reserve's December meeting unleashed a tidal wave of volatility in the financial markets. While raising its target rate 25 basis points and indicating "some further gradual increases" are warranted, the Fed stoked concerns that it is ignoring market signals indicating the U.S. economy is cooling to a point where additional rate hikes may jeopardize the second longest economic expansion in U.S. history. As a result, equity markets were down sharply, and Treasury yields were considerably lower in the aftermath of the meeting.

Although the U.S. economy may be cooling, it is far from collapsing. Despite the sharp decline in the stock market, a government shutdown, and unprecedented open criticism of the Fed from President Trump, consumer spending appeared quite strong over the holiday season. With the unemployment rate historically low and wages on the rise, December's Fed rate hike was largely anticipated. However, the storm clouds on the horizon have given the market, but not the Fed, pause.

The laundry list of market concerns is well known from ongoing trade tensions between the U.S. and China to the upcoming U.K. vote on a Brexit deal and the budget showdown between President Trump and Congress. The market craves clarity, and in its absence, volatility typically ensues. The Fed's dubious track record forecasting economic growth and the lag in which monetary policy works have the markets concerned a policy error may occur.

Having acknowledged the need to monitor global economic and financial market events, it would be hard for the Fed to ignore the negative sentiment at year end. While the Fed may forge ahead with additional rate hikes in 2019, the impression that monetary policy is on auto-pilot has dented the market's confidence. If the Fed were to convey a bit more flexibility, it may find the road a bit less bumpy as we kick off the new year.

Current Economic Releases

Data	Period	Value
GDP QoQ	Q3' 18	3.40%
US Unemployment	Dec '18	3.90%
ISM Manufacturing	Dec '18	54.10
PPI YoY	Nov '18	1.60%
CPI YoY	Nov '18	2.20%
Fed Funds Target	Jan. 7, 2018	2.25% - 2.50%

Treasury Yields

Maturity	1/7/19	12/7/18	CHANGE
3-Month	2.366%	2.386%	**-0.020%**
6-Month	2.502%	2.533%	**-0.031%**
1-Year	2.567%	2.676%	**-0.108%**
2-Year	2.520%	2.711%	**-0.191%**
3-Year	2.500%	2.713%	**-0.213%**
5-Year	2.519%	2.689%	**-0.170%**
10-Year	2.682%	2.845%	**-0.163%**
30-Year	2.980%	3.140%	**-0.160%**

Agency Yields

Maturity	1/4/19	12/7/18	CHANGE
3-Month	2.514%	2.411%	**0.103%**
6-Month	2.603%	2.525%	**0.078%**
1-Year	2.709%	2.674%	**0.035%**
2-Year	2.584%	2.783%	**-0.199%**
3-Year	2.576%	2.809%	**-0.233%**
5-Year	2.662%	2.873%	**-0.211%**

Commercial Paper (A1/P1)

Maturity	1/4/19	12/7/18	CHANGE
1-Month	2.480%	2.350%	**0.130%**
3-Month	2.710%	2.680%	**0.030%**
6-Month	2.830%	2.850%	**-0.020%**
9-Month	2.900%	2.990%	**-0.090%**

Source: Bloomberg

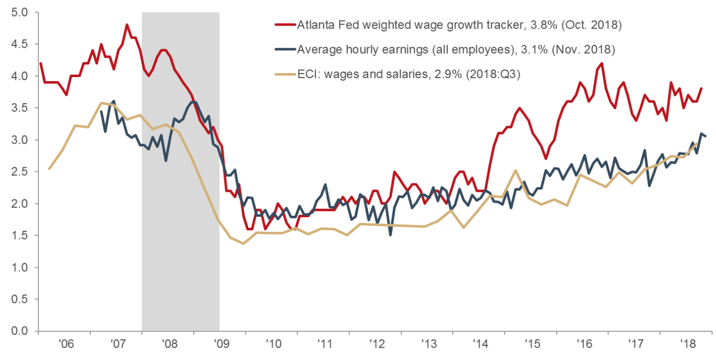
Economic Update
UNITED STATES
Federal Reserve Bank of Dallas

U.S. Economy Finishes the Year Strong

December 24, 2018

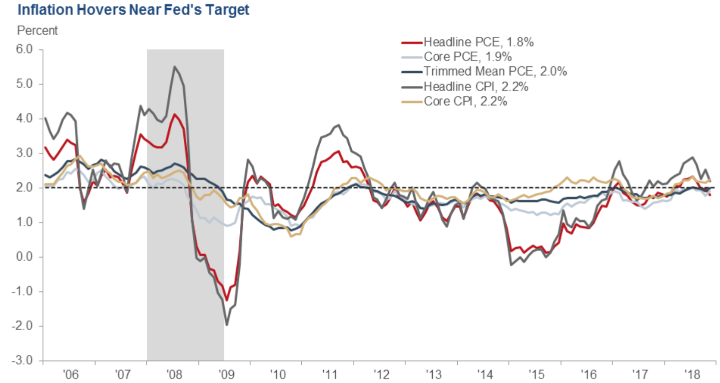
The U.S. economy continued its expansion in the fourth quarter, fueled in part by strong consumption and rising wage growth. Inflation remained at or around the Federal Reserve's 2 percent target. Volatility in financial markets persisted, but its effects on the near-term outlook remain murky.

Chart 1
Wage Growth Acceleration Consistent with a Tightening Labor Market



NOTES: ECI refers to the Employment Cost Index. Shaded area indicates National Bureau of Economic Research (NBER) recession.
SOURCES: Bureau of Labor Statistics; Federal Reserve Bank of Atlanta; NBER.

Chart 2
Inflation Hovers Near Fed's Target



NOTES: Shaded area indicates National Bureau of Economic Research (NBER) recession. CPI is consumer price index. PCE is personal consumption expenditures. Dashed line indicates Federal Reserve's target inflation rate.
SOURCES: Bureau of Labor Statistics; Bureau of Economic Analysis; Federal Reserve Bank of Cleveland; Federal Reserve Bank of Dallas; NBER.

Fourth-Quarter Growth Suggests Return to Normal Levels

Preliminary estimates suggest that output growth remains healthy but has slowed in the fourth quarter, following strong growth in the previous two quarters. Forecasts from the Survey of Professional Forecasters and the Atlanta and New York Federal Reserve Banks show fourth-quarter gross domestic product (GDP) growth of around 2.5 percent, a decline of nearly 1 percentage point from the third-quarter rate of 3.4 percent (third estimate). Weaker growth in the fourth quarter may be a result of the waning effects of the tax cuts enacted earlier this year and uncertainty surrounding current trade disputes.

A decomposition of third-quarter GDP shows personal consumption expenditures (PCE) and inventory investment were strong positive contributors to output growth at 2.5 and 2.3 percentage points, respectively. Drags on output included net exports (exports minus imports) and residential investment.

Labor Market Tightens, Wages Rise

Unemployment remained at 3.7 percent for the third straight month in November. Total nonfarm payrolls increased by 155,000 in November compared with October's 237,000 gain. The Job Openings and Labor Turnover Survey (JOLTS) provides data on labor market conditions two months prior to its release. Using JOLTS, labor market tightness can be estimated and is typically measured as the number of job openings per unemployed person. This value reached 1.18 in October, its highest level since the early 1970s. The JOLTS "quits rate," which measures voluntary departures (typically due to workers switching jobs) as a fraction of total employment, was 2.3 percent in October, close to its highest rate on record since 2000. This elevated quits rate suggests workers are increasingly being poached, further pressuring wages.

Wage growth continued its upward trajectory in November (*Chart 1*). Growth in average hourly earnings was 3.05 percent, near its October increase of 3.1 percent. October was the first time since the Great Moderation period (1985–2007) that growth in average hourly wages exceeded 3 percent. The Atlanta Fed Wage Tracker's three-month moving average and the Employment Cost Index, two other measures of wage growth, also saw slightly higher growth rates in their latest readings. Nominal wage growth is now outpacing inflation, indicating steady growth in real wages. After adjusting for inflation, the recent estimates of all three measures are about 1 percentage point above their 2008–13 averages.

Inflation Remains Near Fed's Target

Inflation remained at or close to the Federal Reserve's 2 percent target in November (*Chart 2*). The headline Consumer Price Index (CPI) experienced a modest decline, dropping from 2.5 percent in October to 2.2 percent in November. Similarly, headline PCE dipped to 1.8 percent in November from its October level of 2.0 percent.

Excluding energy and food from inflation estimates, rates were little changed from October to November. Core CPI inched up by 0.1 percent to 2.2 in November, while core PCE rose to 1.9 percent over the same period. Long-term inflation expectations remain stable as well. The Survey of

Professional Forecasters' five-year/five-year-forward median CPI expectation (expected average inflation over the five-year period beginning five years from now) remained at its third-quarter level of 2.2 percent in the fourth quarter.

Financial Sector Experiences Higher Volatility

In recent weeks, investors' unease has been reflected in Treasury note yield spreads. As of Dec. 14, the average 10-year Treasury yield for the month stands at 2.9 percent—its lowest monthly average since August. Similarly, yields of several other maturities have declined at varying rates during the past four weeks, leading to partial inversions of the yield curve. For instance, on Dec. 10, the difference between the five-year and three-year note yields turned negative. The 10-year/one-year and 10-year/two-year spreads have also seen steady declines since the beginning of the year and are currently hovering near 0.1 percent.

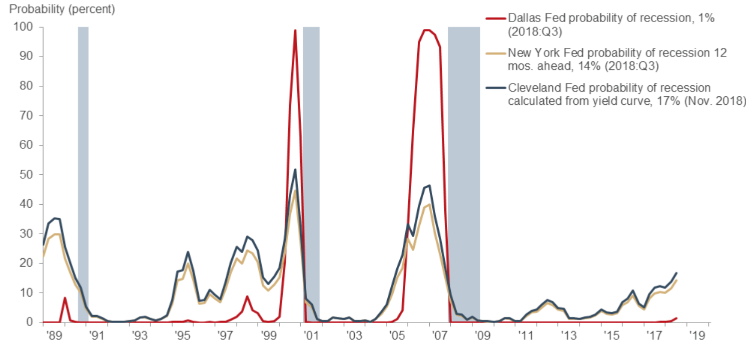
Financial markets pay close attention to yield-curve inversions due to their correspondence with a higher perceived probability of recession. The Federal Reserve Banks of Cleveland, Dallas and New York publish estimates on the probability of an impending recession (*Chart 3*). Though there has been an uptick in all three probability estimates, ranging from 1 to 17 percent, these values are still significantly below those observed prior to previous recessions. In addition, volatility in the financial sector has not yet spread to the real economy, though it does bear watching in the near term.

—Andrew Gross

About the Author

Gross is a research assistant in the Research Department at the Federal Reserve Bank of Dallas.

Chart 3
Implied Probability of Recession Remains Low



NOTES: Shaded areas indicate National Bureau of Economic Research (NBER) recessions. All series displayed give the probability of an impending recession.
SOURCES: Federal Reserve Bank of Dallas; Federal Reserve Bank of Cleveland; Federal Reserve Bank of New York; NBER.

Texas Economic Indicators

Federal Reserve Bank of Dallas

December 27, 2018

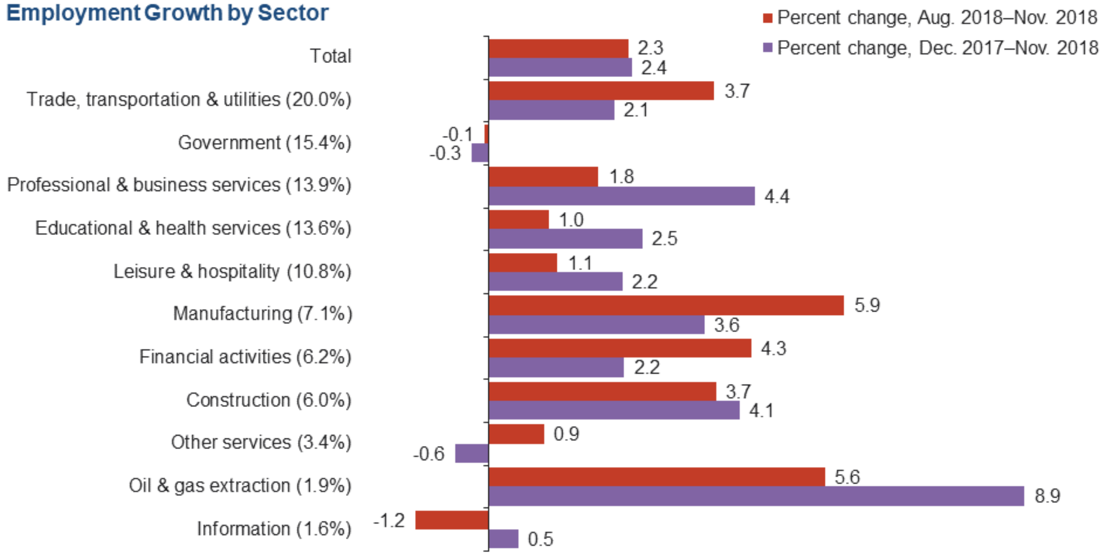
Texas economic growth moderated in November. The state added jobs at a softer pace, with employment declining in some metros and industries. Unemployment held steady in the state and nation at historically low levels, indicating that labor markets remain tight. The Texas Manufacturing Outlook Survey indicated that manufacturing output continued to expand in November, though at a notably slower pace than in October. Third-quarter exports and loan volumes and November home sales posted modest growth.

Labor Market

Employment Growth Downshifts

Texas employment expanded 1.4 percent in November following October's upwardly revised 3.1 percent growth, pulling the three-month annualized rate through November down to 2.3 percent (*Chart 1*). Year to date, the state has added jobs at a 2.4 percent annualized rate—above its long-run average of 2.0 percent but below previous estimates. The Dallas Fed's Texas Employment Forecast predicts 2.4 percent job growth in 2018 (December/December), with an 80 percent confidence band of 2.2 to 2.6 percent. The forecast shifted down in December due to downward revisions to second-quarter job growth, a decline in the Texas Leading Index, and November's slower job growth.

Chart 1
Employment Growth by Sector



NOTES: Data refer to seasonally adjusted, annualized percent change. Numbers in parentheses represent the share of total employment in November 2018.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

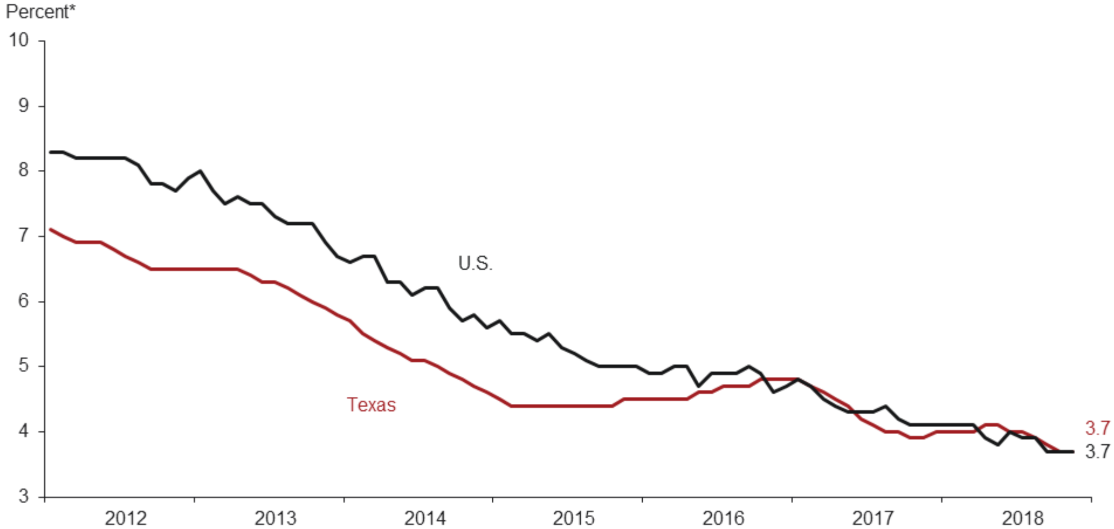
The November softening in job growth reflects a 6.4 percent drop in leisure and hospitality employment and a 3.4 percent decline in financial activities. Other sectors that declined less sharply in the month were education and health services, other services and information. However, only the government and other services sectors have shed jobs year to date. The manufacturing sector added jobs at the fastest rate in November, while the oil and gas extraction sector has expanded the most rapidly year to date.

El Paso employment declined 4.1 percent in November, and Austin employment dipped 0.3 percent. All other major metros saw employment increases, led by San Antonio's 7.3 percent growth. Year to date, all major metros have expanded payrolls, led by 3.1 percent growth in Austin.

Unemployment Holds Steady at Record Low

Unemployment rates held steady at 3.7 percent in November in both Texas and the U.S., indicating continued labor market tightness (*Chart 2*). Rates were unchanged in all the major metros except Fort Worth, where the rate ticked up. Jobless rates are significantly below postrecession averages in all major metros.

Chart 2
Unemployment Rate

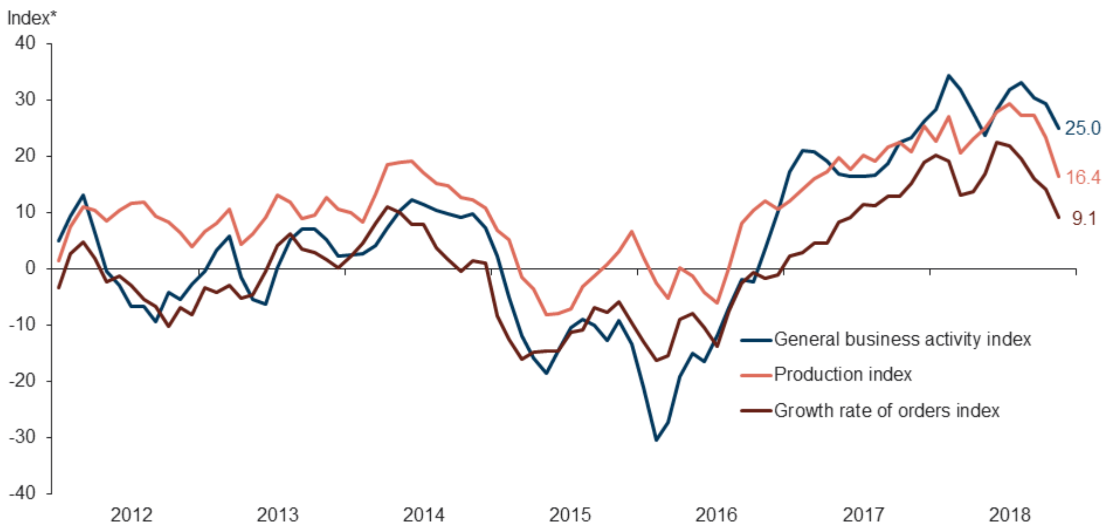


*Seasonally adjusted.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

Texas Business Outlook Surveys

Key indicators of manufacturing activity point to markedly slower growth in November, according to the Dallas Fed's Texas Manufacturing Outlook Survey (*Chart 3*). The three-month moving averages of the manufacturing production index, general business activity index and growth rate of orders index all declined in November, though they remained above their postrecession averages.

Chart 3
Texas Manufacturing Outlook Survey Indexes



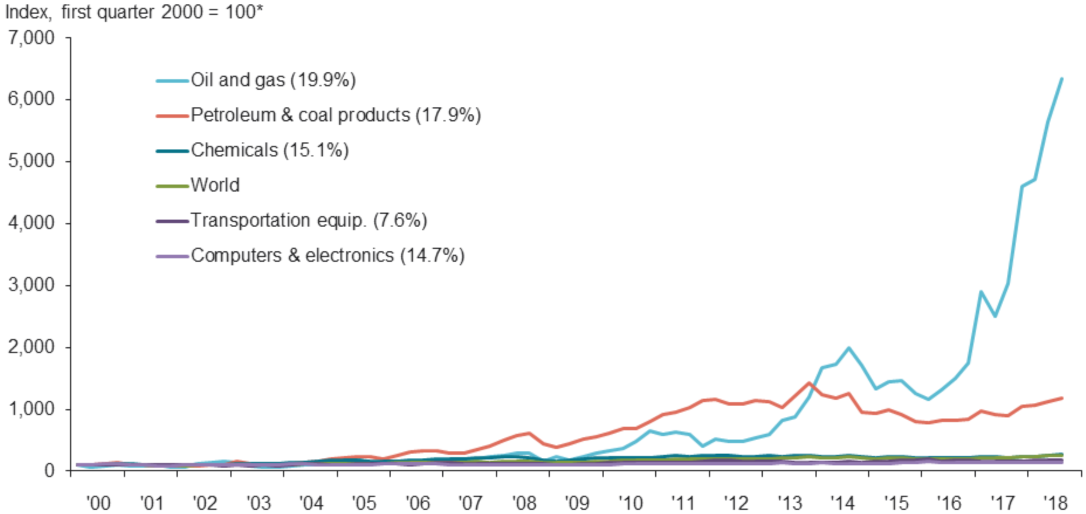
*Seasonally adjusted, three-month moving average.
SOURCE: Dallas Fed.

The three-month moving average of the Texas Service Sector Outlook Survey's headline index suggests that November growth was similar to that in October, while the Texas Retail Outlook Survey's headline index indicates that growth moderated in November. The three-month moving averages of both headline indexes were above their postrecession averages.

Exports

Texas exports expanded 1.2 percent in the third quarter, but changes in export volume were mixed across regions and industries. Oil and gas exports and petroleum and coal products exports—which accounted for the largest and second-largest shares of total Texas exports in the quarter—strengthened 12.4 percent and 5.3 percent, respectively (*Chart 4*). However, computers and electronics, transportation equipment, plastics and rubber, primary metals, agriculture, paper and apparel all declined.

Chart 4
Texas Exports



*Seasonally adjusted.
NOTES: Numbers in parentheses indicate share of total Texas exports in third quarter 2018. Industries displayed are the top five by share of Texas exports.
SOURCES: Census Bureau; WISERTrade; Bureau of Labor Statistics; adjustments by the Dallas Fed.

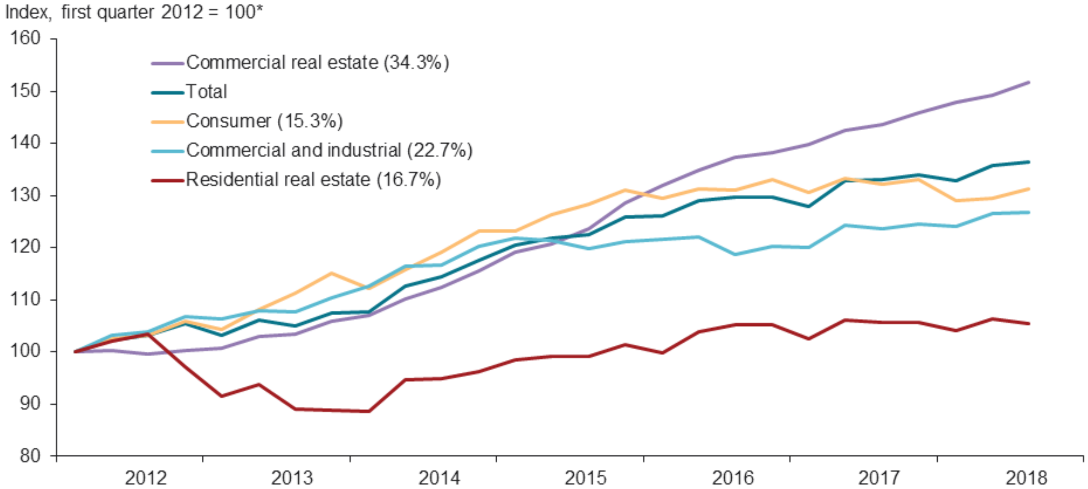
Exports to China—the destination of 5.4 percent of Texas exports—slumped 19.6 percent in the third quarter. Exports to Mexico—the destination of 33.7 percent of Texas exports—also declined but only by 1.8 percent. Texas exports to other major regions increased in the quarter.

Texas exports grew 0.9 percent in October, and U.S. exports inched up 0.4 percent. This year through October, exports have expanded 16.9 percent in Texas and 5.0 percent in the U.S. compared with the same period in 2017.

Banking

Loans held by banks headquartered in Texas edged up 0.4 percent to $315.4 billion in the third quarter compared with the previous quarter (*Chart 5*). Commercial real estate loans, which account for the largest share of these loans, rose 1.6 percent. Commercial and industrial loans and consumer loans expanded as well, while residential real estate loans edged down 0.9 percent. Year over year, statewide loan volume has grown 2.5 percent, bolstered by 5.6 percent growth in commercial real estate loans.

Chart 5
Texas Loan Volume by Type



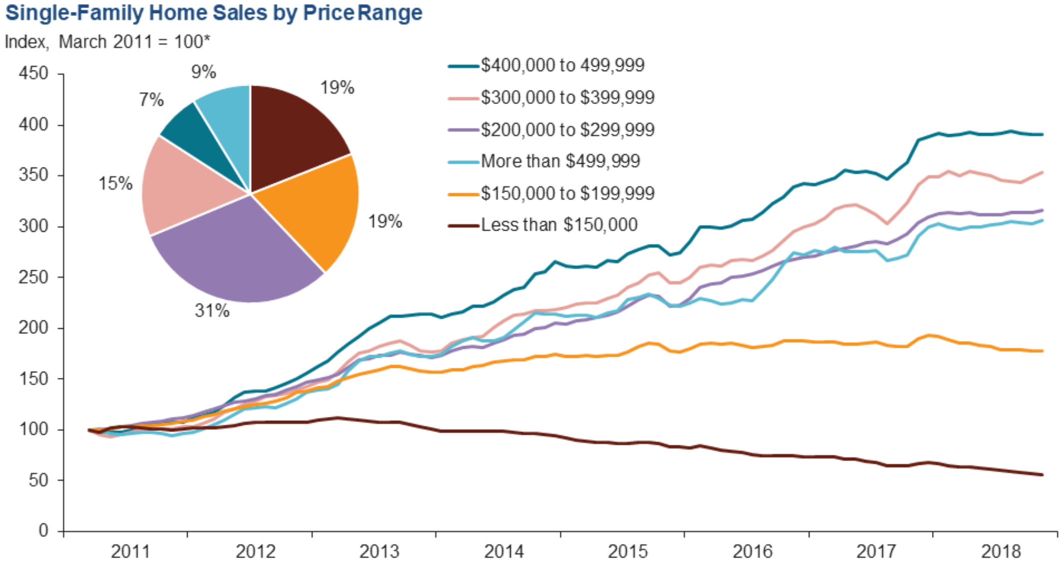
*Real dollars.
NOTES: Numbers in parentheses are shares of Texas loan volume in third quarter 2018. Data refer to the outstanding value of loans at commercial banks and savings associations that are chartered or headquartered in Texas, deflated using Texas' consumer price index.
SOURCES: Consolidated Reports of Condition and Income, Federal Financial Institutions Examination Council; adjustments by the Dallas Fed.

Loans at banks headquartered in Dallas–Fort Worth dipped 0.5 percent in the quarter but were up 2.9 percent year over year. Banks headquartered in DFW made up 39.7 percent of loans at banks with headquarters in the state.

Housing

Texas single-family home sales rose 1.2 percent in November. Sales have increased 1.8 percent this year through November compared with the same period in 2017. Growth in statewide home sales was damped during the month by a 3.1 percent decline in sales of homes priced under $150,000. Home sales in higher price ranges edged up, led by 4.1 percent growth in sales of homes for $500,000 or more (*Chart 6*). This year through November, homes sold for under $150,000 have declined 12.8 percent and homes sold for $150,000 to $199,999 have declined 2.6 percent from the same period last year, while sales of higher-priced homes ($200,000 or more) have risen 9.2 percent. Home inventories across most price ranges are below the six months of supply considered balanced, and they are lowest for the lower-priced homes.

Chart 6
Single-Family Home Sales by Price Range



*Three-month moving average, seasonally adjusted.
NOTES: Data are through November 2018. Pie chart data refer to year-to-date 2018 share of sales and are not seasonally adjusted.
SOURCES: Multiple Listing Service; Texas A&M Real Estate Center; seasonal and other adjustments by Dallas Fed.

NOTE: Data may not match previously published numbers due to revisions.

About Texas Economic Indicators

Questions can be addressed to Stephanie Gullo at stephanie.gullo@dal.frb.org. *Texas Economic Indicators* is published every month on the Monday after Texas employment data are released.

Dallas–Fort Worth Economic Indicators

Federal Reserve Bank of Dallas

December 31, 2018

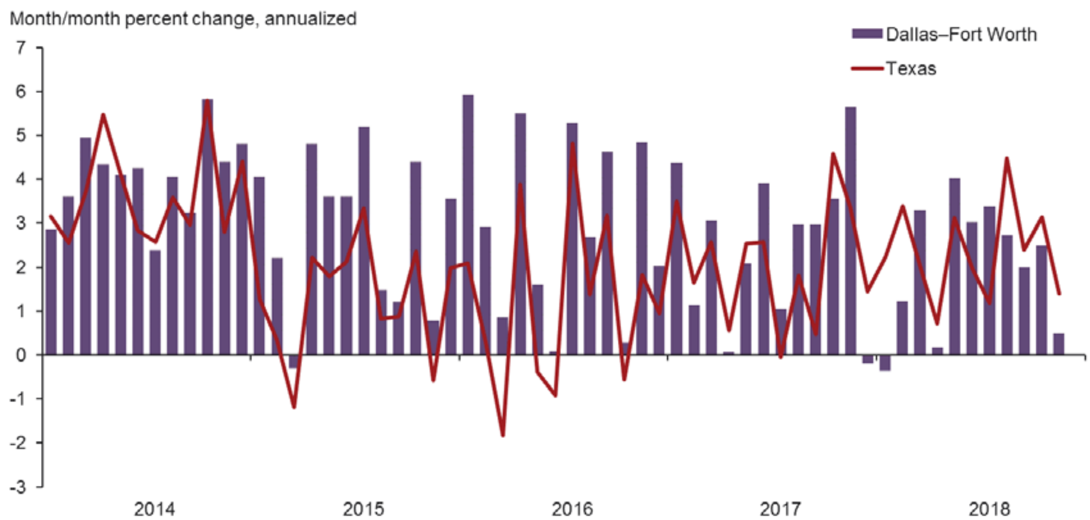
The Dallas–Fort Worth economy expanded at a modest pace. Employment growth was subdued in November, with DFW adding jobs at the slowest pace in seven months. Overall, the DFW economy remains solid, with 2 percent annualized job growth year to date (nearly 68,000 jobs). Business-cycle indexes for both metros pointed to continued expansion. Home sales fell for the second straight month in November, and inventory ticked up but remains tight. House price appreciation has moderated, particularly in Dallas.

Labor Market

Job Growth Slows in November

DFW payrolls grew by 1,560 jobs in November, or a 0.5 percent annualized increase, following gains of 7,600 in October (*Chart 1*). Year-to-date employment growth of 2 percent (annual rate) is lagging last year's 2.5 percent pace.

Chart 1
Employment Growth



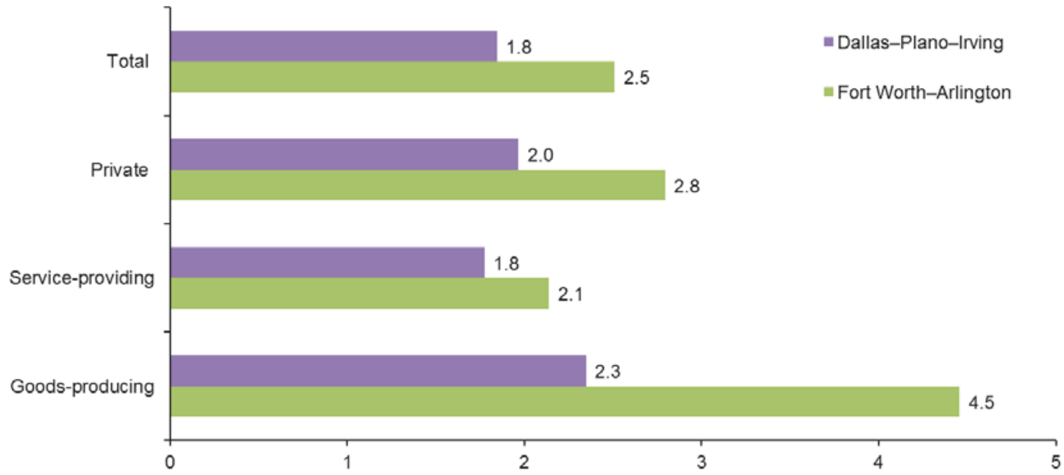
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by the Dallas Fed.

The November softening in job growth reflects weakness in the service sector. Employment in professional and business services saw a steep decline of 10.7 percent (annualized). Other sectors that fell less sharply in the month were leisure and hospitality, education and health services, and other services. However, only the other services sector has shed jobs year to date. Payroll growth in the goods-producing sector remained solid in November.

Goods-Producing Sector Outperforms Services

Payrolls in the goods-producing sector (manufacturing and construction and mining) have expanded at a faster clip than service-related employment year to date (*Chart 2*). Growth has been particularly strong at an annualized 4.5 percent in Fort Worth's goods-producing sector, which comprises 16 percent of its employment. This compares with a 2.1 percent increase in Fort Worth's service sector payrolls. Job growth in Dallas' goods-producing sector at 2.3 percent has also outpaced its services sector growth rate of 1.8 percent. Through November, payroll expansion in Fort Worth at 2.5 percent has outperformed that in Dallas.

Chart 2
Goods and Services Employment

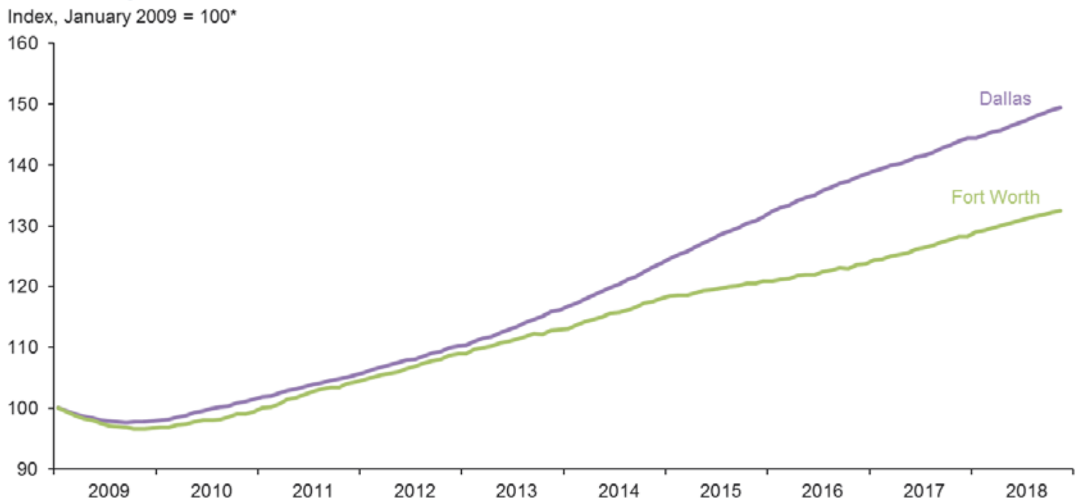


NOTES: Data show seasonally adjusted annualized percentage growth for December 2017–November 2018.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by the Dallas Fed.

Business-Cycle Indexes

Growth in the Dallas and Fort Worth business-cycle indexes was below its long-run average in November, partly due to tepid job growth during the month (*Chart 3*). The Dallas index expanded an annualized 3.1 percent, slower than October's 4.5 percent rate. Growth in the Fort Worth index decelerated to 2.0 percent from 3.7 percent in October. Year over year in November, the Dallas index rose 3.8 percent, and the Fort Worth index was up 3.3 percent.

Chart 3
Business-Cycle Indexes

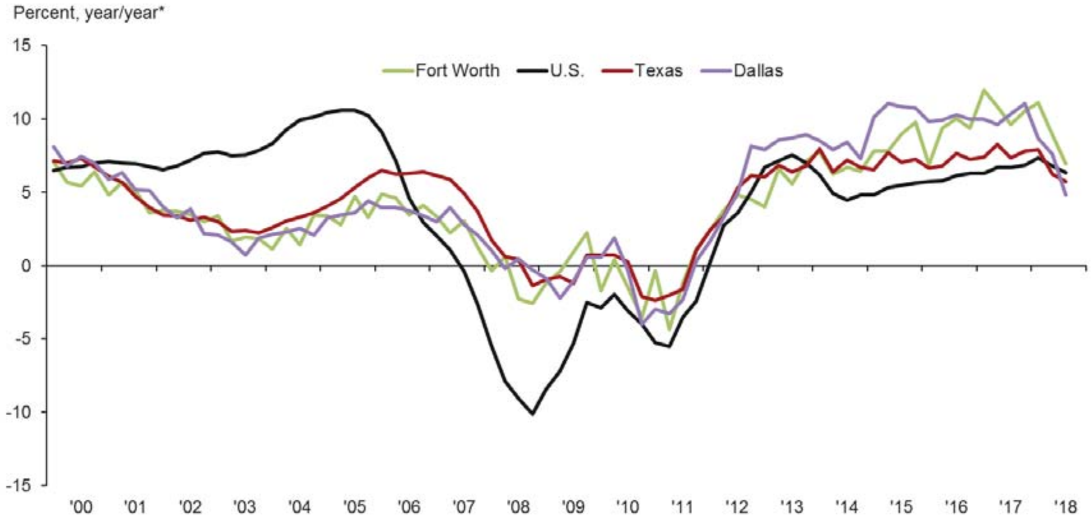


*Monthly, seasonally adjusted.
SOURCE: Dallas Fed.

Home-Price Appreciation Cools

DFW home prices edged up in third quarter 2018 as continued job creation and tight home inventories propelled price increases in the area. Prices rose 0.4 percent in Dallas and 0.3 percent in Fort Worth in the third quarter, but gains lagged the state's 1.1 percent and nation's 1.3 percent increase, according to the Federal Housing Finance Agency's house price purchase-only index. On a year-over-year basis, prices were up 4.8 percent in Dallas—slower than the Texas rate of 5.7 percent and the nation's 6.3 percent (*Chart 4*). Conversely, an annual increase of 7.0 percent in Fort Worth is ahead of both the state and national figures.

Chart 4
House Price Indexes

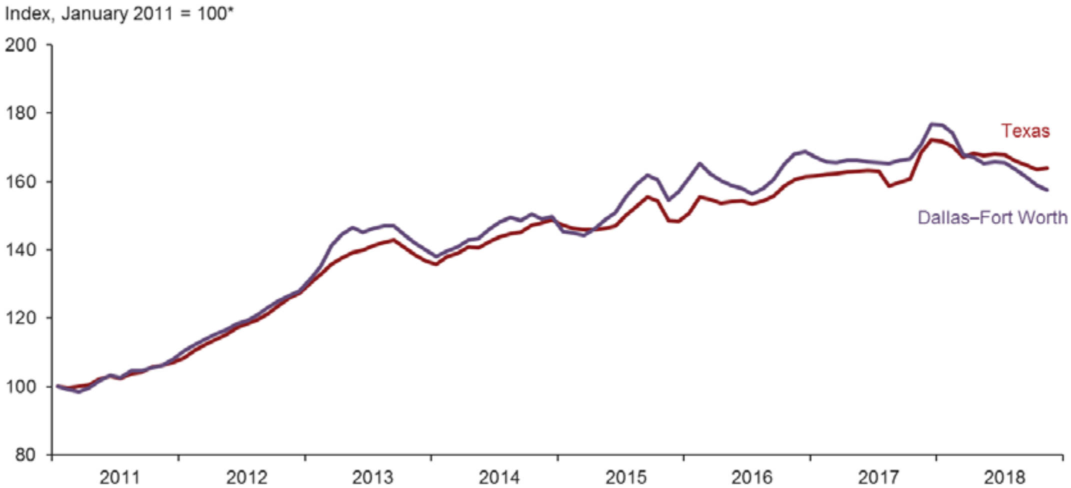


*Quarterly, seasonally adjusted.
SOURCE: Federal Housing Finance Agency.

Home Sales Soften Further

DFW existing-home sales (seasonally adjusted) edged down for the second straight month in November. The three-month moving average also shows sales steadily declining in the metroplex since mid-2018 (*Chart 5*). Through November, total home sales are trailing those for the same period in 2017 by 2.2 percent, while statewide sales are up 1.8 percent. Rising home prices and higher mortgage rates are likely affecting affordability, and hence, sales activity. Additionally, sales of entry-level homes (those priced below $200,000) have been sliding since 2014 due to a lack of inventory.

Chart 5
Home Sales

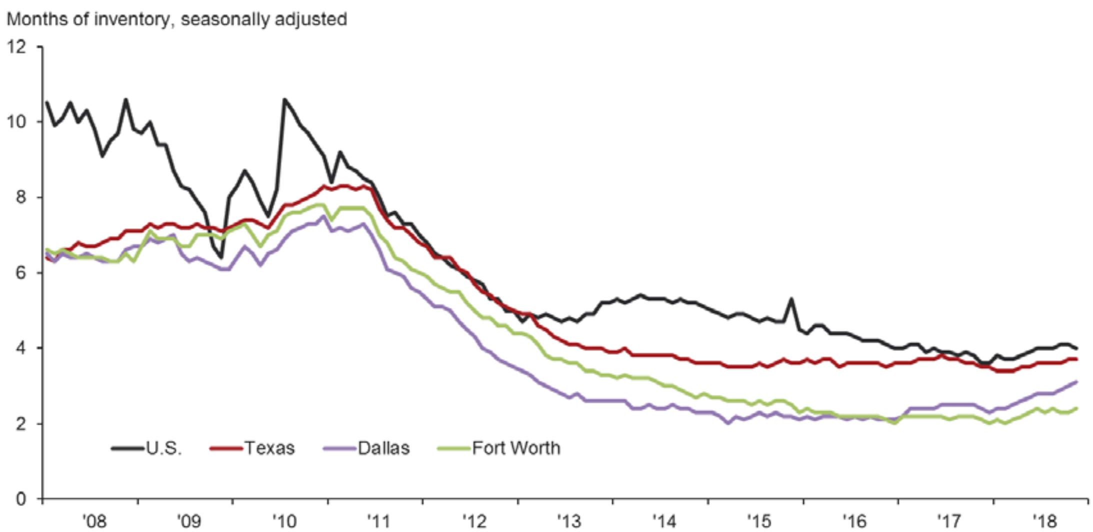


*Three-month moving average; seasonally adjusted.
SOURCES: Multiple Listing Service; Real Estate Center at Texas A&M.

Inventories Tick Up

DFW existing-home inventories remained tight and well below the six months' supply typically associated with a balanced market. In November, overall inventories edged up to 3.1 months in Dallas and 2.4 months in Fort Worth but remained below the U.S. and Texas levels (*Chart 6*). Inventories of entry-level homes (those priced below $200,000) remain the tightest at 1.5 months of supply or less. Inventories of mid-priced homes ($300,000–$499,999) are also low at 3.7 months but have been gradually moving up since earlier in the year.

Chart 6
Existing-Home Inventories



SOURCES: Multiple Listing Service; Real Estate Center at Texas A&M University.

NOTE: Data may not match previously published numbers due to revisions.

About Dallas–Fort Worth Economic Indicators

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