



AGENDA

**City of Texarkana, Texas
Regular Meeting of the Investment Committee
Monday, February 17, 2014 at 2:00 P.M.
Municipal Building, 220 Texas Blvd., Texarkana, TX 75501**

COMMITTEE MEMBERS

- Council Member (appointed by the Mayor) Bob Bruggeman, Mayor
- City CEO/Manager John Whitson (or designee) _____
- City CFO/Finance Director Charles L. Bassett, Jr.
- City Financial Services Manager Kristin Peeples
- WU Finance Director Jim Cornelius
- WU Accounting/Human Resources Manager Paula Jeans

OTHER ATTENDEES

- City Controller/Accounting Manager Jodie Lee
- Investment Advisor - Valley View Consulting Dick Long (via conference call)

A. CALL TO ORDER (General Comments)

B. MINUTES

1. Consider approval of the minutes of the Investment Committee meeting on November 11, 2013.

C. NEW BUSINESS

1. Receive a presentation of the Quarterly Investment Report for the period ending December 31, 2013, and take action as necessary.
2. Review the Collateral Report for the period ending December 31, 2013.
3. Execute Investment Report cover page.
4. Discuss the market outlook and appropriate investment strategy.
5. Discuss WU bank documentation status with WF.
6. Schedule the next Investment Committee meeting on May 5, 2014.
7. Other.

D. ADJOURNMENT

Attachments:

- Minutes
- Investment Report
- Collateral Report
- Market Outlook

Investment Committee Meeting

November 11, 2013

Present: Charles L. Bassett, Jr., Chief Financial Officer
Jim Cornelius, Interim Finance Director, TWU
Jodie Lee, Controller/Accounting Manager
Dick Long, Valley View Consulting (via conference call)
Paula Jeans, Accounting/HR Manager, TWU
Kristin Peebles, Financial Services Manager
John Whitson, City Manager

Absent: Bob Bruggeman, Mayor

- Paula Jeans made a motion to approve the minutes from the July 22, 2013 meeting. John Whitson seconded the motion.
- Dick Long presented the investment report for the quarter ended September 30, 2013 and noted the following:
 - Money market accounts compiled 90% of the portfolio
 - Certificates of deposit compiled 10% of the portfolio
 - There was a slight decrease in the portfolio of \$2,785,338 from this time last year
 - There was a slight decrease in the average yield of .05% from this time last year
 - The City and TWU are both well collateralized
- Jim Cornelius made a motion to approve the quarterly report for the quarter ended September 30, 2013. John Whitson seconded the motion.
- John Whitson made a motion to accept the collateral report for the quarter ended September 30, 2013. Paula Jeans seconded the motion.
- Discussion regarding the bank depository agreement with Wells Fargo
 - TWU will send Valley View a copy of their Wells Fargo analysis statement
 - Contact needs to be made with Wells Fargo to find out about the depository agreement
 - Valley View will draft a depository agreement to be sent to Wells Fargo on behalf of both the City and TWU
- Discussion regarding bank documentation status
 - All Commercial National Bank documents have been finalized
 - Guaranty Bond Bank is getting bank board minutes and PFIA certificate to finish up GBB documents
- The next investment committee meeting is scheduled for February 17, 2014 at 2:00 PM
- Jim Cornelius made a motion to adjourn. John Whitson seconded the motion.

Strategy Summary:

The Federal Open Market Committee (FOMC) maintained the Fed Funds target range between 0.00% and 0.25% (actual Fed Funds traded <10 bps). The FOMC continued Quantitative Easing (QE3), but announced the first tapering phase after their December meeting (\$75 billion per month down from \$85 billion). The fixed income market anticipated the change resulting in only modest yield curve adjustments. Domestic employment data remains erratic, with lingering concern over the U-6 and participation rates. Revised third quarter GDP surged to 4.1% - a very positive sign. The US stock markets held strong. Financial institution deposits and laddering targeted cash flows still provide the best interest earnings opportunity.

Quarter End Results by Investment Category:

| <u>Asset Type</u> | <u>Ave. Yield</u> | <u>December 31, 2013</u> | | <u>September 30, 2013</u> | |
|-------------------|-------------------|--------------------------|----------------------|---------------------------|----------------------|
| | | <u>Book Value</u> | <u>Market Value</u> | <u>Book Value</u> | <u>Market Value</u> |
| DDA/MMA/Pools | 0.31% | \$ 37,599,833 | \$ 37,599,833 | \$ 32,227,931 | \$ 32,227,931 |
| CDs/Securities | 0.40% | 3,784,059 | 3,784,059 | 3,780,276 | 3,780,276 |
| Totals | | \$ 41,383,892 | \$ 41,383,892 | \$ 36,008,206 | \$ 36,008,206 |

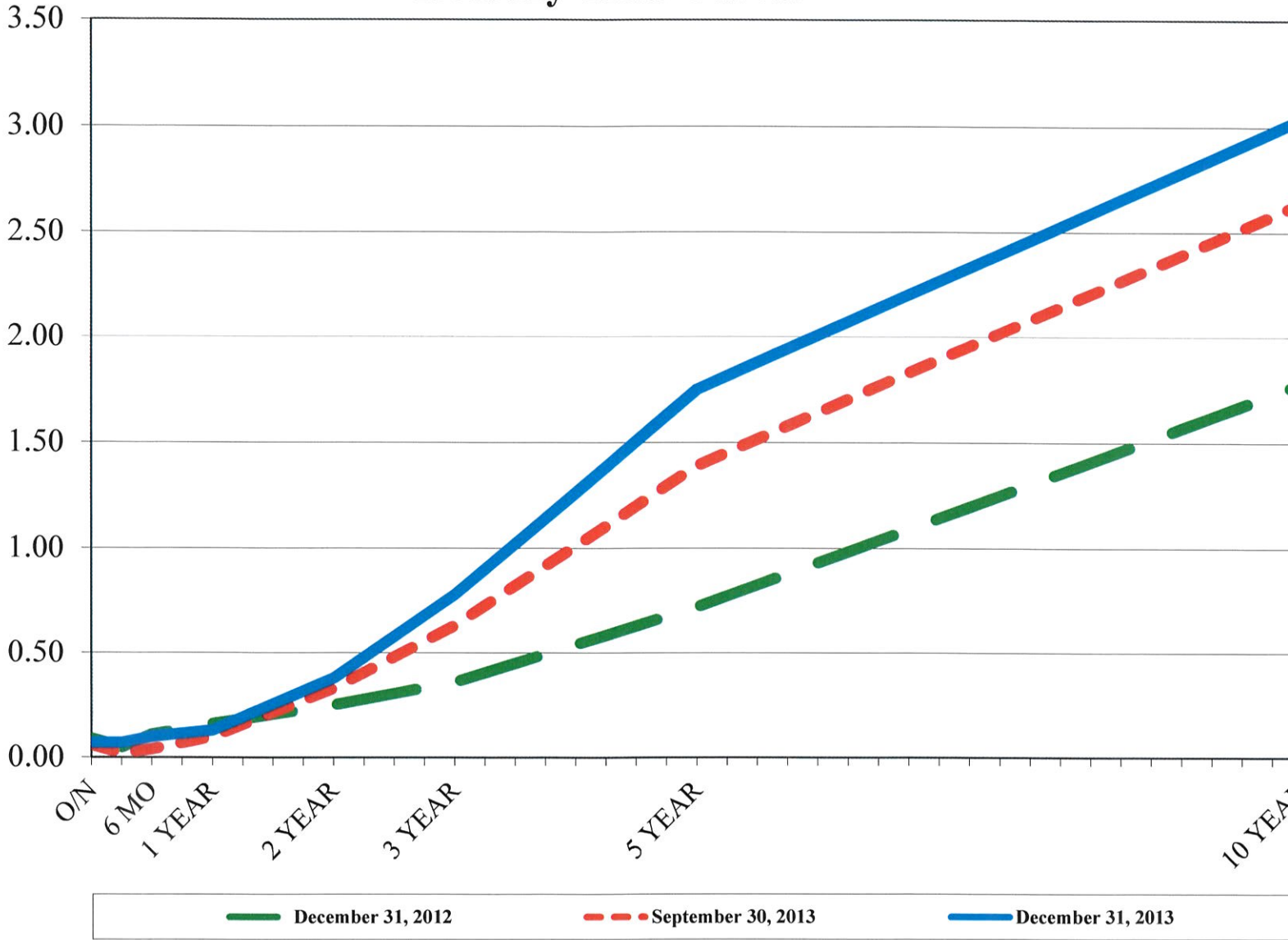
| | | | |
|--------------------------------|-----------|---------------------------------------|-------|
| Average Yield (1) | | Fiscal Year-to-Date Average Yield (2) | |
| Total Portfolio | 0.31% | Total Portfolio | 0.31% |
| Rolling Three Mo. Treas. Yield | 0.06% | Rolling Three Mo. Treas. Yield | 0.06% |
| Rolling Six Mo. Treas. Yield | 0.08% | Rolling Six Mo. Treas. Yield | 0.07% |
| | | Quarterly TexPool Yield | 0.04% |
| Quarterly Interest Income | \$ 33,425 | | |
| Year-to-date Interest Income | \$ 33,425 | | |

(1) Average Yield calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

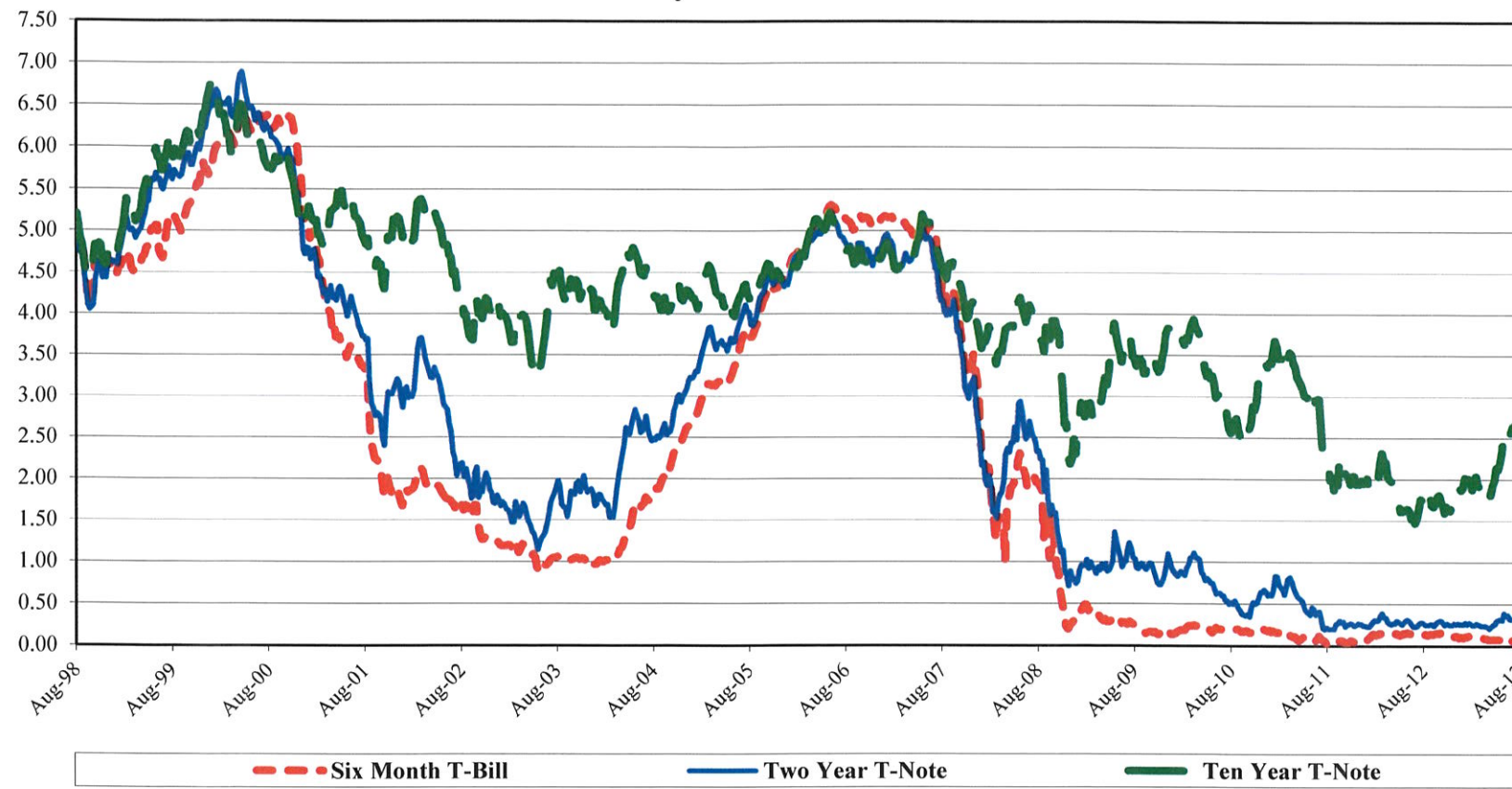
(2) Fiscal Year-to-Date Average Yields calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

Valley View Consulting, L.L.C. currently provides advisory services to the City.

Treasury Yield Curves

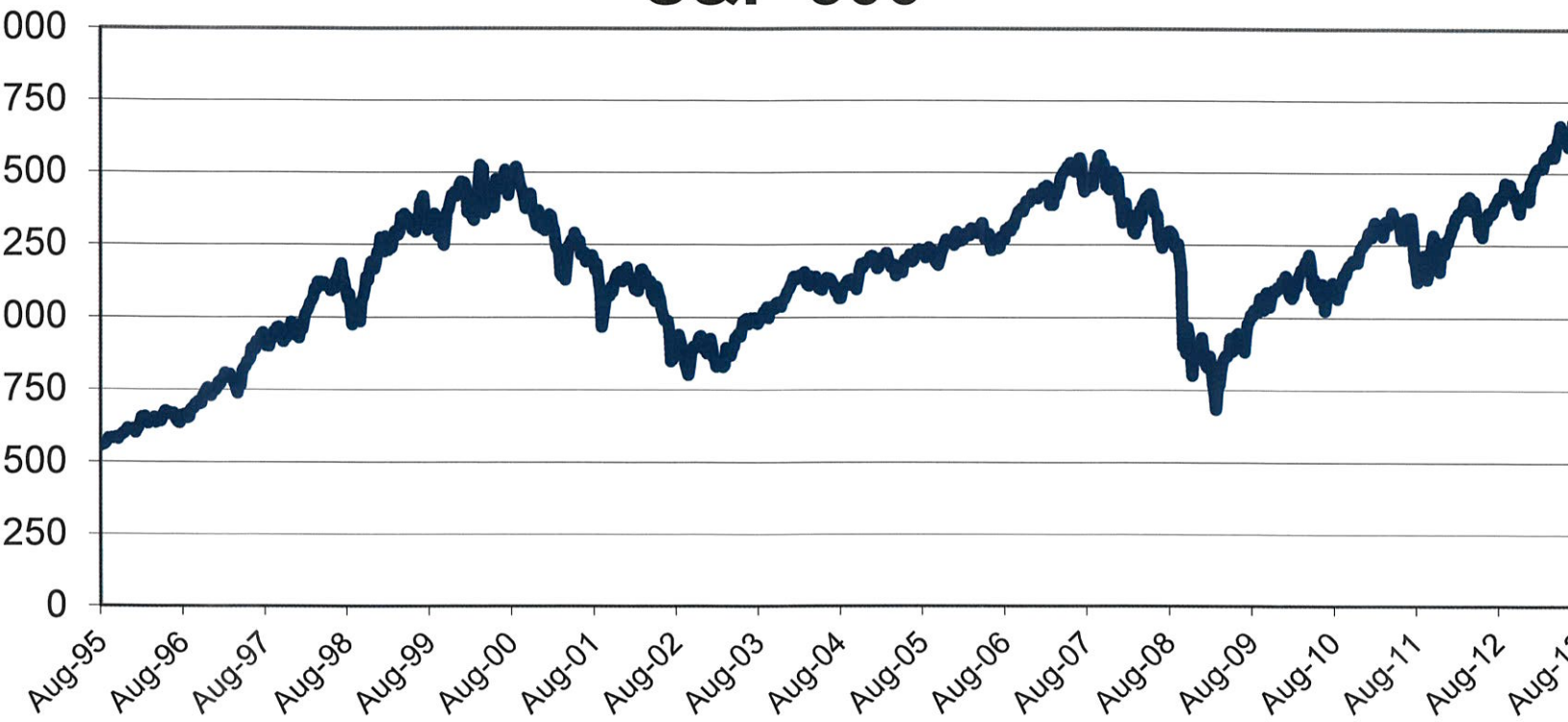


US Treasury Historical Yields



Valley View Consulting, L.L.C.

S&P 500



Detail of Investment Holdings December 31, 2013

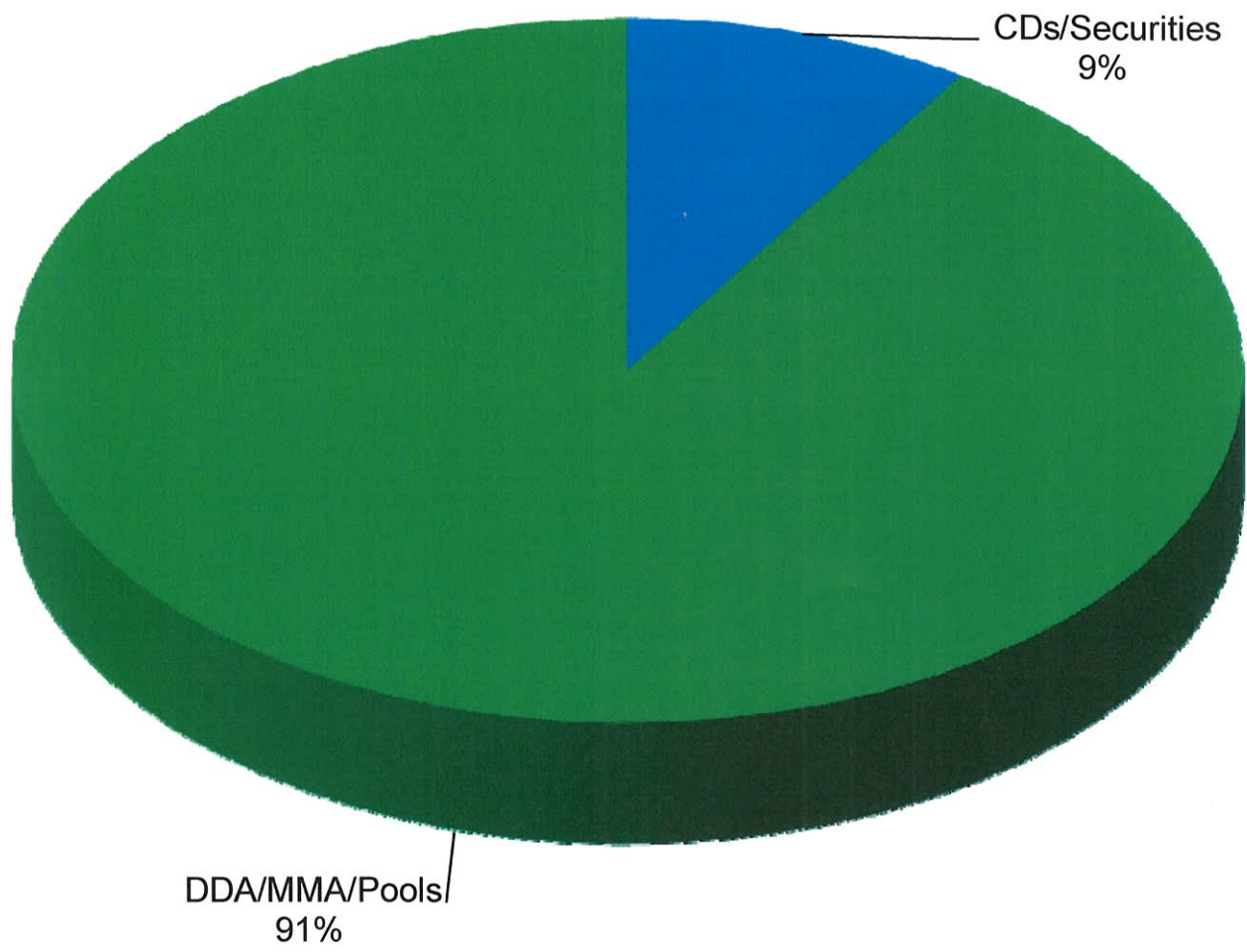
| Investment Description | Coupon/ Discount | Maturity Date | Settlement Date | Par Value | Book Value | Market Price | Market Value | Life (days) |
|-----------------------------|---------------------|------------------|--------------------|----------------------|----------------------|-----------------|----------------------|----------------|
| Wells Fargo MMA | 0.46% | 01/01/14 | 12/31/13 | 7,989,346 | 7,989,346 | 1.00 | 7,989,346 | 1 |
| Wells Fargo Bond MMA | 0.30% | 01/01/14 | 12/31/13 | 22,297,166 | 22,297,166 | 1.00 | 22,297,166 | 1 |
| Wells Fargo Bank MMA | 0.19% | 01/01/14 | 12/31/13 | 7,313,321 | 7,313,321 | 1.00 | 7,313,321 | 1 |
| Commercial National Bank CD | 0.25% | 03/04/14 | 09/04/13 | 500,600 | 500,600 | 100.00 | 500,600 | 63 |
| Commercial National Bank CD | 0.25% | 03/04/14 | 09/04/13 | 500,600 | 500,600 | 100.00 | 500,600 | 63 |
| Commercial National Bank CD | 0.40% | 04/26/14 | 04/26/13 | 1,281,062 | 1,281,062 | 100.00 | 1,281,062 | 116 |
| Commercial National Bank CD | 0.40% | 09/04/14 | 09/04/13 | 500,600 | 500,600 | 100.00 | 500,600 | 247 |
| Commercial National Bank CD | 0.55% | 03/04/15 | 09/04/13 | 1,001,199 | 1,001,199 | 100.00 | 1,001,199 | 428 |
| | | | | \$ 41,383,892 | \$ 41,383,892 | | \$ 41,383,892 | 19 |

(1)

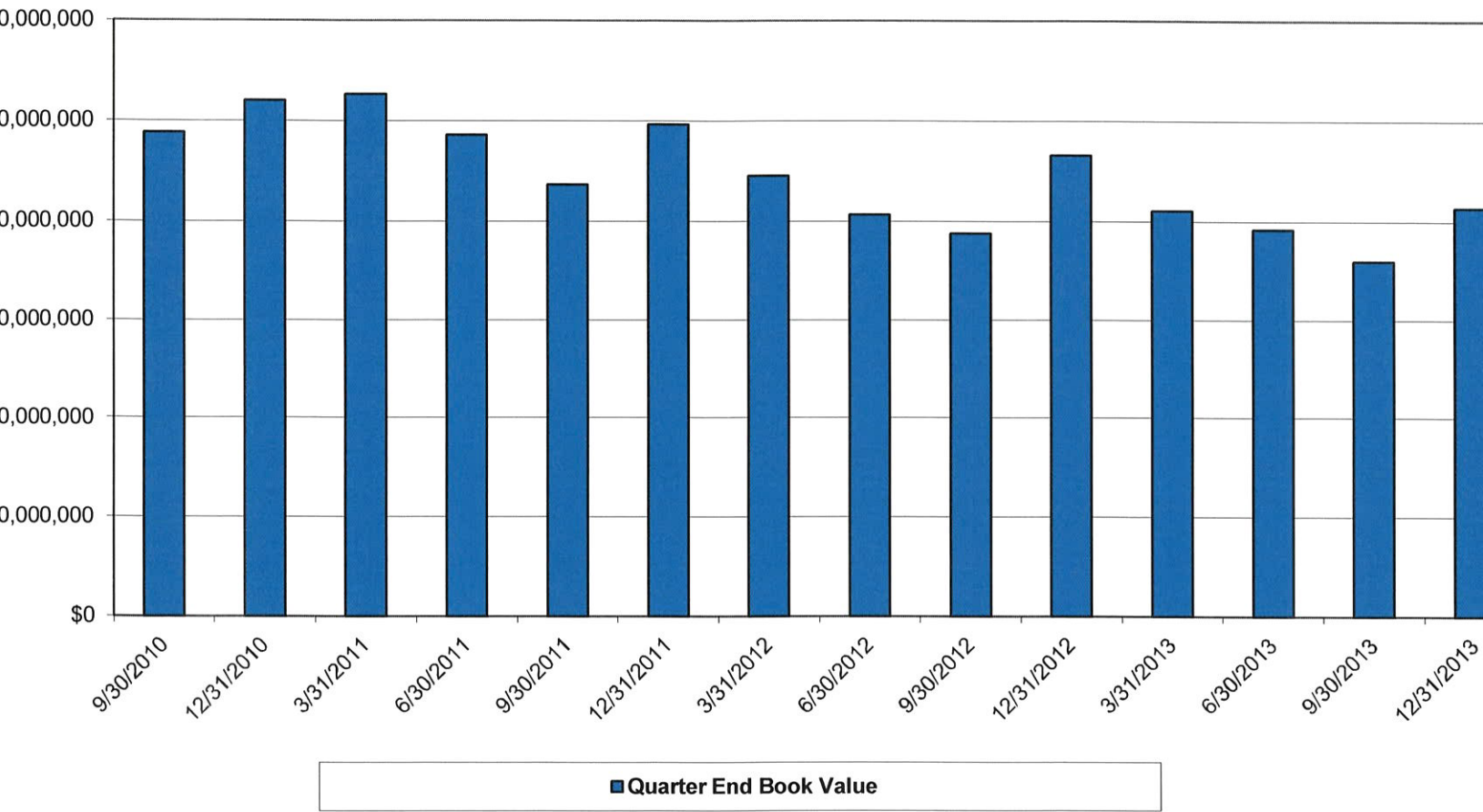
Weighted average life - For purposes of calculating weighted average life, cash equivalent investments are assumed to have a one day maturity.

Weighted average yield to maturity - The weighted average yield to maturity is based on adjusted book value, realized and unrealized gains/losses and investment advisory fees are not included. The yield for the reporting month is used for cash equivalent investments.

Portfolio Composition



Total Portfolio



Valley View Consulting, L.L.C.

Value Comparison

| Description | Coupon/ Discount | Maturity Date | September 30, 2013 | | Purchases/ Adjustments | Sales/Adjust/ Maturities | December 31, 2013 | |
|------------------|---------------------|------------------|----------------------|----------------------|---------------------------|-----------------------------|----------------------|----------------------|
| | | | Par Value | Book Value | | | Par Value | Book Value |
| MMA | 0.46% | 01/01/14 | \$ 8,180,567 | \$ 8,180,567 | | \$ (191,222) | \$ 7,989,346 | \$ 7,989,346 |
| Fixed MMA | 0.30% | 01/01/14 | 14,043,130 | 14,043,130 | 8,254,036 | | 22,297,166 | 22,297,166 |
| Bank MMA | 0.19% | 01/01/14 | 10,004,233 | 10,004,233 | | (2,690,912) | 7,313,321 | 7,313,321 |
| National Bank CD | 0.25% | 03/04/14 | 500,000 | 500,000 | 600 | | 500,600 | 500,600 |
| National Bank CD | 0.25% | 03/04/14 | 500,000 | 500,000 | 600 | | 500,600 | 500,600 |
| National Bank CD | 0.40% | 04/26/14 | 1,280,276 | 1,280,276 | 786 | | 1,281,062 | 1,281,062 |
| National Bank CD | 0.40% | 09/04/14 | 500,000 | 500,000 | 600 | | 500,600 | 500,600 |
| National Bank CD | 0.55% | 03/04/15 | 1,000,000 | 1,000,000 | 1,199 | | 1,001,199 | 1,001,199 |
| | | | \$ 36,008,206 | \$ 36,008,206 | \$ 8,257,819 | \$ (2,882,133) | \$ 41,383,892 | \$ 41,383,892 |

Value Comparison

| Description | Coupon/ Discount | Maturity Date | September 30, 2013 | | Qtr to Qtr Change | December 31, 2013 | |
|------------------|---------------------|------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | | | Par Value | Market Value | | Par Value | Market Value |
| MMA | 0.46% | 01/01/14 | \$ 8,180,567.49 | \$ 8,180,567.49 | \$ (191,221.64) | \$ 7,989,345.85 | \$ 7,989,345.85 |
| Fixed MMA | 0.30% | 01/01/14 | 14,043,130 | 14,043,130 | 8,254,036 | 22,297,166 | 22,297,166 |
| Bank MMA | 0.19% | 01/01/14 | 10,004,233 | 10,004,233 | (2,690,912) | 7,313,321 | 7,313,321 |
| National Bank CD | 0.25% | 03/04/14 | 500,000 | 500,000 | 600 | 500,600 | 500,600 |
| National Bank CD | 0.25% | 03/04/14 | 500,000 | 500,000 | 600 | 500,600 | 500,600 |
| National Bank CD | 0.40% | 04/26/14 | 1,280,276 | 1,280,276 | 786 | 1,281,062 | 1,281,062 |
| National Bank CD | 0.40% | 09/04/14 | 500,000 | 500,000 | 600 | 500,600 | 500,600 |
| National Bank CD | 0.55% | 03/04/15 | 1,000,000 | 1,000,000 | 1,199 | 1,001,199 | 1,001,199 |
| | | | \$ 36,008,206 | \$ 36,008,206 | \$ 5,375,686 | \$ 41,383,892 | \$ 41,383,892 |

**Allocation
Market Value
31, 2013**

| Fund Name | Total | Guaranty Bond MMA | Southside Bank MMA | 0.25 CNB CD 9/4/13-3/4/14 | 0.25 CNB CD 9/4/13-3/4/14 | 0.40 CNB CD 4/26/13 - 4/13/14 | 0.40 CNB CD 9/4/13 - 9/4/14 | 0.55 9/4/13 |
|------------------------------------|----------------------|------------------------------|-------------------------------|--------------------------------------|--------------------------------------|--|--|------------------------|
| GENERAL FUND - Pooled Cash | \$ 8,761,222 | \$ 6,258,224 | \$ - | \$ 500,600 | \$ 500,600 | | \$ 500,600 | \$ |
| GENERAL FUND | 2,237 | 2,237 | | | | | | |
| DRUGS DIVISION OPERATIONS | 226,812 | 226,812 | | | | | | |
| PERSONNEL POLICY | 640,535 | 640,535 | | | | | | |
| WORKER'S COMP | 409,412 | 409,412 | | | | | | |
| COURT SECURITY FUND | 311,383 | 311,383 | | | | | | |
| COURT PAYROLL ACCOUNT | 558 | 558 | | | | | | |
| GENERAL PROPERTY & LIAB | 53,487 | 53,487 | | | | | | |
| POLICE EVIDENCE ESCROW FUND | 23,515 | 23,515 | | | | | | |
| ENERGY CONSERVATION REVOLVING LOAN | 24,113 | 24,113 | | | | | | |
| COURT TECHNOLOGY FUND | (4,877) | (4,877) | | | | | | |
| TECHNOLOGY FUND | 162,975 | 162,975 | | | | | | |
| SRZ #2 | 373,613 | 373,613 | | | | | | |
| SUPPORTIVE HOUSING GRANT | (70,623) | (70,623) | | | | | | |
| CD FUND | 56,670 | 56,670 | | | | | | |
| PA PETROLEUM GRANT | 3,260 | 3,260 | | | | | | |
| PA JOB TRAINING GRANT | 58,609 | 58,609 | | | | | | |
| PA REVOLVING LOAN GRANT | 719 | 719 | | | | | | |
| PA MULTI-PURPOSE GRANT | 11,392 | 11,392 | | | | | | |
| HOME PROGRAM | 2,343 | 2,343 | | | | | | |
| TEEN COURT | (68) | (68) | | | | | | |
| THEATRE FUND | 92,205 | 92,205 | | | | | | |
| MOTEL/MOTEL TAX FD | 237,559 | 237,559 | | | | | | |
| THEATRE BLDG MAINT | 693,677 | 192,674 | | | | 501,003 | | |
| HOUSING FUND | 609,285 | 609,285 | | | | | | |
| LAW ENFORCEMENT BLOCK GRANT | 1,176 | 1,176 | | | | | | |
| LAW ENFORCEMENT PROGRAM | 9,281 | 9,281 | | | | | | |
| METRO PLANNING ORG | (27,083) | (27,083) | | | | | | |
| ECONOMIC DEVELOPMENT | 1,145,719 | 645,221 | | | | | 500,499 | |
| PA BROWNFIELD GRANT | 4,045 | 4,045 | | | | | | |
| INTEREST & SINKING | 2,673,011 | 2,673,011 | | | | | | |
| 03 BOND FUND | 618,298 | 618,298 | | | | | | |
| 05 BOND FUND | 741,111 | 712,052 | | | | | 29,058 | |
| 09 BOND FUND | 5,934,597 | 769,073 | 4,915,021 | | | | 250,502 | |
| SRZ BOND FUND | 3,108,079 | 709,779 | 2,398,300 | | | | | |
| HEALTH FUND | 186,329 | 186,329 | | | | | | |
| PUBLIC LIBRARY | 50,847 | 50,847 | | | | | | |
| TRUST ESCROW | 28,058 | 28,058 | | | | | | |
| FEDERAL ASSET FORFEITURE | 74,853 | 74,853 | | | | | | |
| EMPLOYEE BENEFIT | 1,221,155 | 1,221,155 | | | | | | |
| BENEFIT PAYMENT | 7,763 | 7,763 | | | | | | |
| MEET SERVICES | 92,851 | 92,851 | | | | | | |
| CAPITAL REPLACEMENT | 35,518 | 35,518 | | | | | | |
| MEMBER CITY WATER REVENUE | 31,373 | 31,373 | | | | | | |
| TOTAL | \$ 28,616,991 | \$ 17,519,610 | \$ 7,313,321 | \$ 500,600 | \$ 500,600 | \$ 1,281,062 | \$ 500,600 | \$ |

nd Allocation
 31, 2013

| Market Value | Total | Revenue | Customer Loan | Water Plant Construction | Technology | 2004 | | | | |
|--------------|----------------------|-------------------|------------------|-----------------------------|-------------------|-------------------|-----------------|------------------|------------------|-----------|
| | | | | | | 2004 Bond | Construction | 2005 Bond | 2013 Bond | Cons |
| no MMA | \$ 7,989,346 | \$ 9,914 | \$ - | \$ - | \$ 61 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Bond MMA | 4,777,556 | 956,035 | 39,827 | 45 | 580,659 | 153,788 | 2,901 | 48,379 | 47,994 | |
| | \$ 12,766,902 | \$ 965,949 | \$ 39,827 | \$ 45 | \$ 580,720 | \$ 153,788 | \$ 2,901 | \$ 48,379 | \$ 47,994 | \$ |

Allocation
31, 2013

| Market Value | LTWSC Capital Improvement | Capital Improvement | Compost | Customer Deposit | Equipment Acquisition | Infrastructure | Personnel | Reserve | WWTP Depreciation | |
|--------------|---------------------------|---------------------|------------------|-------------------|-----------------------|---------------------|-------------------|-------------------|-------------------|-----------|
| MMA | \$ 671,335 | \$ 975,561 | \$360,200 | \$ 633,138 | \$ 668,800 | \$ 1,766,317 | \$ 16 | \$ 676,341 | \$ 277,100 | \$ |
| ond MMA | 281,041 | 737,763 | 187,788 | 49,987 | 361,112 | 253,567 | 165,772 | 22,120 | 194,434 | |
| | \$ 952,375 | \$ 1,713,324 | \$547,988 | \$ 683,125 | \$ 1,029,912 | \$ 2,019,885 | \$ 165,788 | \$ 698,461 | \$ 471,534 | \$ |

Location
Net Value

| Fund Name | Total | Guaranty Bond MMA | Southside Bank MMA | 0.25 CNB CD 9/4/13-3/4/14 | 0.25 CNB CD 9/4/13-3/4/14 | 0.40 CNB CD 4/26/13 - 4/13/14 | 0.40 CNB CD 9/4/13 - 9/4/14 | 0.5 9/4/13 - 9/4/14 |
|---|----------------------|----------------------|-----------------------|------------------------------|------------------------------|----------------------------------|--------------------------------|------------------------|
| GENERAL FUND - Pooled Cash | \$ 10,360,877 | \$ 7,360,378 | \$ - | \$ 500,000 | \$ 500,000 | \$ 500,499 | \$ 500,000 | \$ |
| LABORATORICS DIVISION OPERATIONS ACCT. | 187,278 | 187,278 | | | | | | |
| LABORATORY EVIDENCE ESCROW FUND | 23,498 | 23,498 | | | | | | |
| LABORATORY CONSERVATION REVOLVING LOAN ACCOUNT #2 | 22,470 | 22,470 | | | | | | |
| LABORATORY #2 | 101,154 | 101,154 | | | | | | |
| LABORATORY THEATRE BLDG MAINT | 500,499 | | | | | 500,499 | | |
| LABORATORY ENFORCEMENT BLOCK GRANT | 1,175 | 1,175 | | | | | | |
| LABORATORY ENFORCEMENT PROGRAM | 10,085 | 10,085 | | | | | | |
| BOND FUND | 624,623 | 624,623 | | | | | | |
| BOND FUND | 740,543 | 711,514 | | | | 29,029 | | |
| BOND FUND | 8,410,058 | 552,637 | 7,607,171 | | | 250,249 | | |
| BOND FUND CONV CTR BOND FUND | (270,705) | (270,705) | | | | | | |
| BOND FUND | 3,573,992 | 1,176,930 | 2,397,062 | | | | | |
| BOND FUND ESCROW | 35,717 | 35,717 | | | | | | |
| BOND FUND GENERAL ASSET FORFEITURE | 107,783 | 107,783 | | | | | | |
| BOND FUND NET PAYMENT | (5,382) | (5,382) | | | | | | |
| TOTAL | \$ 24,423,664 | \$ 10,639,156 | \$ 10,004,233 | \$ 500,000 | \$ 500,000 | \$ 1,280,276 | \$ 500,000 | \$ |

Allocation
30, 2013

| Market Value | Total | Revenue | Customer Loan | Water Plant Construction | Technology | 2004 Bond | 2004 Construction | 2005 Bond | 2013 Bond | Cor |
|--------------|----------------------|-------------------|------------------|-----------------------------|-------------------|------------------|----------------------|------------------|-----------|-----------|
| MMA | \$ 8,180,567 | \$ 9,901 | \$ - | \$ - | \$ 61 | \$ - | \$ - | \$ - | \$ - | \$ - |
| nd MMA | 3,403,974 | 951,505 | 39,743 | 45 | 488,235 | 32,436 | 2,898 | 34,344 | 4,481 | |
| | \$ 11,584,542 | \$ 961,406 | \$ 39,743 | \$ 45 | \$ 488,296 | \$ 32,436 | \$ 2,898 | \$ 34,344 | | \$ |

ication
013

| Value | LTWSC Capital Improvement | Capital Improvement | Compost | Customer Deposit | Equipment Acquisition | Infrastructure | Personnel | Reserve | WWTP Depreciation |
|-------|---------------------------|---------------------|-------------------|-------------------|-----------------------|---------------------|-------------------|-------------------|-------------------|
| A | \$ 670,596 | \$ 974,488 | \$ 359,803 | \$ 632,442 | \$ 668,065 | \$ 1,764,374 | \$ 16 | \$ 675,643 | \$ 476,76 |
| MA | 177,481 | 458,233 | 147,696 | 40,630 | 196,235 | 160,035 | 172,148 | 22,103 | 19,29 |
| | \$ 848,077 | \$ 1,432,721 | \$ 507,500 | \$ 673,071 | \$ 864,300 | \$ 1,924,410 | \$ 172,164 | \$ 697,746 | \$ 496,05 |

Collateral Position

December 31, 2013

| | CITY | | | WATER UTILITY | | Com |
|-------------------------------------|---------------------|---------------------|--------------------------|---------------------|-------------------|--------------|
| | Guaranty Bond | Southside Bank | Commercial National Bank | Wells Fargo | Guaranty Bond | Guaran |
| Value | \$ 18,782,006 | \$ 10,139,299 | \$ 3,613,615 | \$ 8,755,150 | \$ 5,745,193 | \$ 24, |
| Insurance | 250,000 | 250,000 | 250,000 | 250,000 | - | |
| Amortization | \$ 19,032,006 | \$ 10,389,299 | \$ 3,863,615 | \$ 9,005,150 | \$ 5,745,193 | \$ 24, |
| Deposits | \$ 17,519,610 | \$ 7,313,321 | \$ 3,784,059 | \$ 7,989,346 | \$ 4,777,556 | \$ 22, |
| Coverage | \$ 1,512,396 | \$ 3,075,978 | \$ 79,556 | \$ 1,015,804 | \$ 967,637 | \$ 2, |
| Percentage Coverage | 109% | 142% | 102% | 113% | 120% | |
| Type: | | | | | | |
| Treasuries | | | | | | |
| Agency Bullets | | | | | | |
| Agency Callable | | | | | | |
| Munis | | | | | | |
| Mortgage Backed Securities | \$ 18,782,006 | | | \$ 8,755,150 | \$ 5,745,193 | \$ 24, |
| State Mortgage Investment | | | | | | |
| Securities/ Collateralized Mortgage | | | | | | |
| Obligations (1) | | \$ 10,139,299 | \$ 3,613,615 | | | |

Public Funds Collateral Act requires all REMIC/CMOs to have an expected weighted average life of 10 years or less and not constitute a high-risk security as determined by a 30-day interest rate movement stress test.

City of Texarkana, Texas


QUARTERLY INVESTMENT REPORT

For the Quarter Ended
December 31, 2013

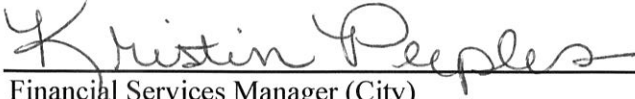
Prepared by

Valley View Consulting, L.L.C.

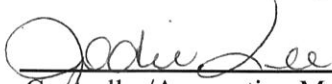
The investment portfolio of the City of Texarkana, TX is in compliance with the Public Funds Investment Act and the Investment Policy and Strategies



CFO/Finance Director (City)



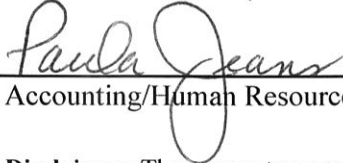
Financial Services Manager (City)



Controller/Accounting Manager (City)



Director of Finance (Water Utilities Department)



Accounting/Human Resources Manager (Water Utilities Department)

Disclaimer: These reports were compiled using information provided by the City. No procedures were performed to test the accuracy or completeness of this information. The market values included in these reports were obtained by Valley View Consulting, L.L.C. from sources believed to be accurate and represent proprietary valuation. Due to market fluctuations these levels are not necessarily reflective of current liquidation values. Yield calculations are not determined using standard performance formulas, are not representative of total return yields and do not account for investment advisor fees.