



QUARTERLY INVESTMENT REPORT

December 31, 2021

**City of Houston, Texas
Office of the City Controller**

**Chris Brown
City Controller**

**Charisse Mosely
Deputy City Controller**

**Han Au
Investment Manager**



**OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS**

January 27, 2022

To Mayor Turner, City Council Members and
The Citizens of Houston:

I am pleased to submit to you the City of Houston's Quarterly Investment Report for the quarter ended December 31, 2021. This report presents the composition of investment pools the City Controller's Office manages.

The Report is organized as follows: Investment Portfolio Summary and Composition of all pools; an analysis of the General and Tax-Exempt pools; security listings by maturity for the quarters ended December 31, 2021 and September 30, 2021.

I hope you find this data useful and informative.

Respectfully submitted,

Chris Brown
City Controller



OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

Quarterly Investment Report

We believe the data presented for the quarter ended December 31, 2021 is accurate in all material respects and presented in a manner that fairly sets forth the investment standing of the City of Houston.

This report was prepared in compliance with the City's Investment Policy and the Public Funds Investment Act of the State of Texas.

Chris Brown
City Controller

Charisse Mosely
Deputy City Controller
Treasury Division

Han Au
Investment Manager
Treasury Division

Table of Contents

Executive Summary	Page i
Investment Portfolio Summary	Page 1
Investment Portfolio Composition - General Pool	Page 3
Annual Portfolio Composition - General Pool	Page 4
Investment Portfolio Composition - Tax Exempt Pool	Page 5
Investments by Sector and Maturity as of December 31, 2021	Appendix I
Investments by Sector and Maturity as of September 30, 2021	Appendix II

CITY OF HOUSTON
QUARTERLY INVESTMENT REPORT
Executive Summary
For the Quarter Ended December 31, 2021

The accompanying Quarterly Investment Report lists in summary form and in detail the investment positions of the City of Houston investment pools as of December 31, 2021. As of that date, the City held total investments with a market value of \$5.01 billion. The majority of these funds, with the exception of about \$16 million that must be segregated per federal mandates, are held in the City's General Investment Pool. The General Investment Pool consists of working capital, construction funds, and debt service funds not subject to yield restriction under IRS arbitrage regulations. All investments are governed by state law and the City's Investment Policy, which dictates the following investment objectives, in order of priority:

1. Safety
2. Liquidity
3. Return on Investments
4. Other Legal Requirements

Approximately 37.2% of the City's holdings are currently invested in United States Treasuries. Other investment sectors include 30.6% allocation to US government-sponsored enterprises such as the Federal Home Loan Bank, Fannie Mae, Freddie Mac, and Farmer Mac, 6.2% to municipal notes and bonds, 14.3% to commercial paper, and 11.7% to high grade money market funds.

The weighted average maturity of the City's investments has historically ranged from about one year up to two years. The weighted average maturity is currently 1.53 years. From an operating standpoint, 25% of the funds invested are designated to be spent on capital projects such as roads and bridges, the water and sewer system and the airport system. Investment maturities are targeted to coincide with planned expenditures. Other investment maturities are targeted to meet short-term obligations such as payroll and debt service payments.

Fitch Ratings has assigned its AA+ credit rating and S1 volatility rating to the General Pool. The AA+ credit quality rating is the highest rating available from Fitch Ratings and reflects the extremely strong protection that the Pool's portfolio investments provide against losses from credit defaults or credit deteriorations. The S1 volatility rating recognizes the Pool's sensitivity to changing market conditions as a result of its low market risk profile and conservative investment policies.

At December 31, 2021, the general pool was yielding 0.702% based on the amortized cost of the portfolio.

**Investment Portfolio Summary
Activity For Quarter Ended
December 31, 2021**

General Pool 9900

	<u>12/31/2021</u>	<u>9/30/2021</u>	<u>Last Quarter Net Change</u>	<u>12/31/2020</u>	<u>Last Year Net Change</u>
Book Value	\$5,021,558,101	\$4,739,439,960	282,118,141	\$4,317,006,751	704,551,350
Market Value	\$5,014,151,975	\$4,760,717,012	253,434,963	\$4,376,863,541	637,288,434
Market/Book Ratio	0.9985	1.0045	-0.0060	1.0139	-0.0153
Accrued Interest	\$8,292,263	\$14,348,355	-6,056,092	\$9,694,413	-1,402,150

The General Pool consists of all working capital, construction, and debt service funds which are not subject to yield restriction under IRS arbitrage regulations. Combining the net cash-flows of all funds allows the City to invest in longer-term, higher-yielding securities without sacrificing the ability to meet short-term cash needs. The General Pool strategy, as outlined in the City's Investment Policy, combines a variation on the traditional laddered maturity strategy which matches assets and liabilities, with more active management strategies, such as yield curve analysis and bond swaps.

For the quarter ending December 31, 2021, the 3-month average yield was 0.712%. The weighted average maturity (WAM) as of December 31 was 560 days.



Fitch Ratings has assigned its AA+ credit rating and S1 volatility rating to the General Pool. The AA+ credit quality rating is the highest rating available from Fitch Ratings and reflects the extremely strong protection that the Pool's portfolio investments provide against losses from credit defaults or credit deterioration. The S1 volatility rating recognizes the Pool's sensitivity to changing market conditions as a result of its low market risk profile and conservative investment policies.

Tax Exempt Pool 9901

	<u>12/31/2021</u>	<u>9/30/2021</u>	<u>Last Quarter Net Change</u>	<u>12/31/2020</u>	<u>Last Year Net Change</u>
Book Value	\$8,205,398	\$8,232,070	-26,673	\$8,097,252	108,146
Market Value	\$8,234,397	\$8,280,626	-46,229	\$8,193,028	41,369
Market/Book Ratio	1.0035	1.0059	-0.0024	1.0118	-0.0083
Accrued Interest	\$99,425	\$56,300	43,125	\$133,175	-33,750

The Tax Exempt Pool consists of those funds which are subject to yield restriction and arbitrage regulation under the 1986 Tax Reform Act. This pool was created to do the following: demonstrate compliance with Internal Revenue Code regarding arbitrage, maximize the amount of interest earned and retained by the City from the investment of funds subject to the regulations, minimize the amount of rebate liability, and minimize the cost of administering the arbitrage tracking program. The Tax Exempt Pool strategy, as outlined in the City's Investment Policy, is to invest in high quality, short-term municipal bonds and one or more tax-exempt money market mutual funds in order to meet the liquidity demands of the City.

For the quarter ending December 31, 2021, the 3-month average yield was 1.009%. The WAM was 311 days at December 31, 2021.

**Investment Portfolio Summary
Activity For Quarter Ended
December 31, 2021**

Housing Department Section 108 Pool 9902

	<u>12/31/2021</u>	<u>9/30/2021</u>	<u>Last Quarter Net Change</u>	<u>12/31/2020</u>	<u>Last Year Net Change</u>
Book Value	\$7,999,325	\$7,999,646	-322	\$7,999,820	-495
Market Value	\$7,999,160	\$7,999,560	-400	\$7,999,300	-140
Market/Book Ratio	1.0000	1.0000	0.0000	0.9999	0.0000
Accrued Interest	\$0	\$0	0	\$0	0

The Housing Department Fund was created to comply with the U.S. Department of Housing and Urban Development (HUD), which requires a separate custodial account for HUD's benefit.

For the quarter ending December 31, 2021, the 3-month average yield was 0.042%. The WAM was 58 days at December 31, 2021.

Investment Portfolio Composition General Pool 9900 Percentages by Market Sector

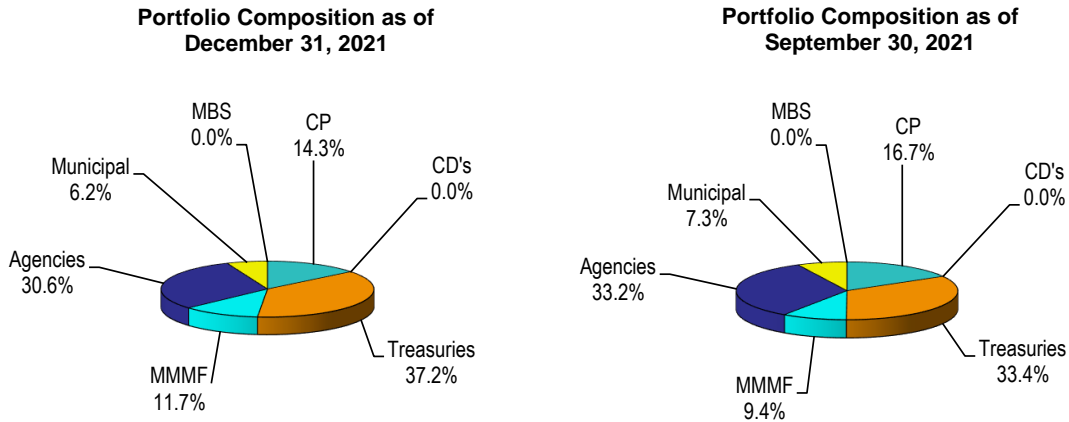


FIGURE 2
Source: City of Houston Controller's Office

Investment Policy Limitations

Money Market Mutual Funds (MMMF)	≤25%
Repurchase Agreements (Repo)	≤15%
Commercial Paper/Banker Acceptances (CP/BA)	≤20%
US Treasury Bills/Notes/Bonds	≥15%
US Agencies	≤85%
Municipal Bonds	≤20%
Mortgage-Backed Securities (MBS) & Collateralized Mortgage Obligations (CMO)	≤20%

The portfolio composition graph for the General Pool (Figure 2) shows the percentage of the pool held in U.S. Treasuries, U.S. Agencies, Mortgage-Backed Securities, Municipal Bonds and liquidity investments (MMMF, Repo and CP) positions. All investments are in compliance with the objectives and restrictions set forth in the City's Investment Policy and the Public Funds Investment Act of the State of Texas.

Annual Portfolio Composition General Pool 9900 January 2021 through December 2021

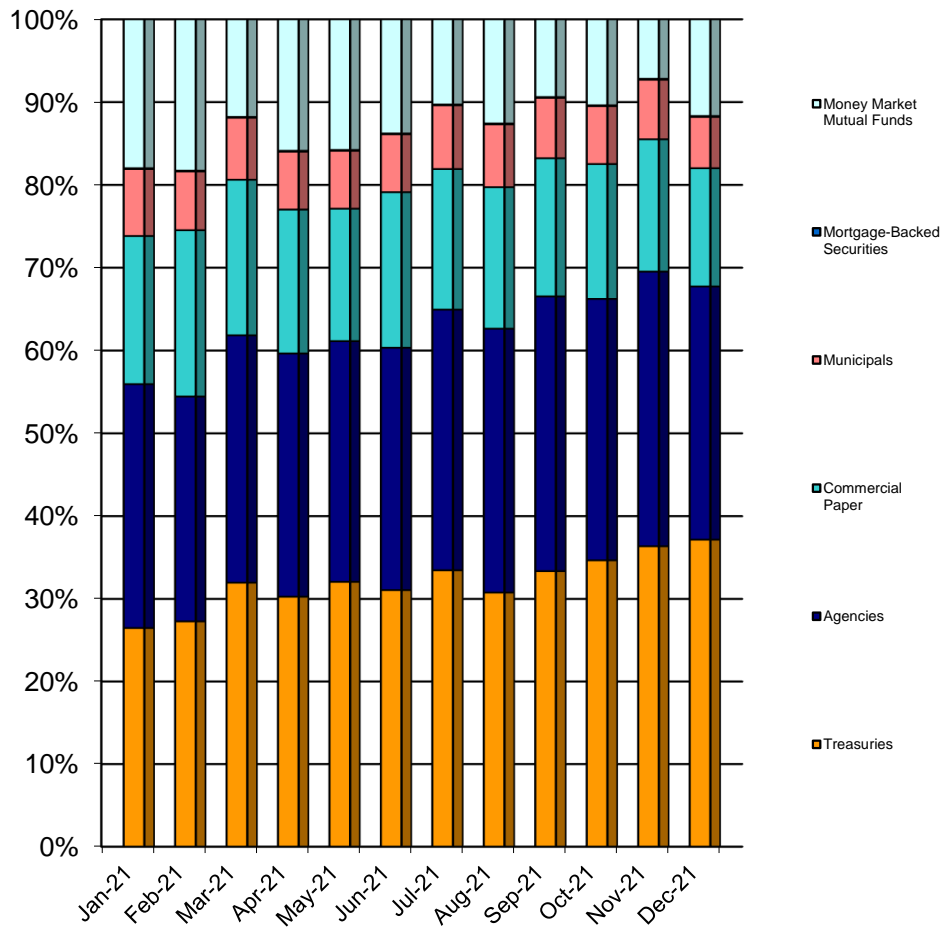
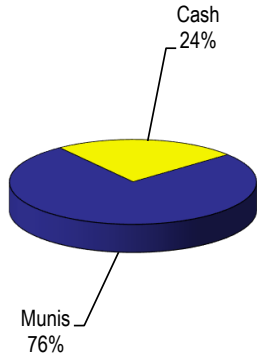


FIGURE 3
Source: City of Houston Controller's Office

**Investment Portfolio Composition
Tax Exempt Pool
Percentages by Market Sector**

**Portfolio Composition as of
December 31, 2021**



**Portfolio Composition as of
September 30, 2021**

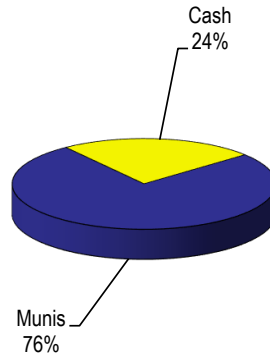


FIGURE 5
Source: City of Houston Controller's Office

Investment Policy Limitations

	<u>Maximum Level</u>
Money Market Mutual Funds (MMMF)	100%
Municipal Notes and Bonds (Including VRDSs)	100%

The portfolio composition graph for the Tax Exempt Pool (Figure 5) shows the percentage of the pool held in Municipal Notes/Bonds/VRDS's and Money Market Mutual Funds. All investments are in compliance with the objectives and restrictions set forth in the City's Investment Policy and the Public Funds Investment Act of the State of Texas.

Appendix I

Investments by Sector and Maturity as of December 31, 2021

INVESTMENT BY SECTOR AND MATURITY - GENERAL FUND 9900
AS OF December 31, 2021

Description	CUSIP	Coupon	Par Value	Maturity Date	Call Date Avg Life	Mod DTW	Purchase Date	Accrued Interest	Book Value	YTC	Current Yield	Market Value
MSLSCD 0.00 2-15-22	572682RS3	0.000%	1,000,000.00	2/15/2022		0.126	2/11/2021	0.00	999,606.07	0	0.313	999,760.00
MSLSCD 0.00 2-15-23	572682RT1	0.000%	1,000,000.00	2/15/2023		1.125	2/11/2021	0.00	995,369.26	0	0.413	994,100.00
MSLSCD 0.00 2-15-25	572682RV6	0.000%	1,000,000.00	2/15/2025		3.127	2/11/2021	0.00	973,231.22	0	0.873	953,280.00
JERDEV 1.50 5-26-22	476637AM5	1.500%	5,000,000.00	5/26/2022		0.400	5/26/2021	44,791.67	5,023,733.27	0	0.320	5,020,350.00
WCCSCD 0.938 8-1-25	9523474V1	0.938%	3,625,000.00	8/1/2025		3.519	6/17/2021	14,167.71	3,646,695.43	0	0.768	3,557,647.50
SMTSCD 3.22 9-1-24	799017KY3	3.220%	1,000,000.00	9/1/2024		2.556	8/5/2021	10,733.33	1,071,891.44	0	0.499	1,056,760.00
FLSPOL 2.0 1-15-23	343246EL4	2.000%	1,000,000.00	1/15/2023		1.024	9/2/2021	9,222.22	1,018,495.82	0	0.220	1,015,100.00
COLWTR 1.932 2-1-23	198504ZZ8	1.932%	1,500,000.00	2/1/2023		1.069	10/8/2021	12,075.00	1,526,447.32	0	0.300	1,521,015.00
HIDUTL 4.0 9-1-23	429335LP5	4.000%	1,000,000.00	9/1/2023		1.617	10/14/2021	8,555.56	1,060,314.97	0	0.366	1,051,750.00
TXS 2.515 10-1-22	8827237L7	2.515%	1,500,000.00	10/1/2022		0.744	10/14/2021	9,431.25	1,526,585.75	0	0.150	1,523,295.00
BRE 1.0 11-10-22	107727WA3	1.000%	3,390,000.00	11/10/2022		0.856	11/10/2021	4,802.50	3,413,294.95	0	0.200	3,406,577.10
Subtotal Municipal Bonds		2.155%	309,010,000.00	1/5/2024		1.981		1,975,041.58	314,253,443.51		1.218	313,970,773.15
Money Market Mutual Funds												
CHASE MONEY MARKET F		0.010%	0.00	1/1/2022		0.000	2/1/2008	0.00	0.00	0	0.010	0.00
TexStar960 Cash Rese		0.013%	588,914,696.01	1/1/2022		0.003	7/31/2019	0.00	588,914,696.01	0	0.013	588,914,696.01
Subtotal Money Market Mutual Funds		0.134%	588,914,696.01	1/1/2022		0.003		0.00	588,914,696.01		0.013	588,914,696.01
TOTAL FUND 9900		1.053%	4,991,968,735.88	9/20/2023		1.694		8,292,263.17	5,021,558,101.42		0.702	5,014,151,974.63

INVESTMENT BY SECTOR AND MATURITY - TAX EXEMPT FUND 9901
AS OF December 31, 2021

Description	CUSIP	Coupon	Par Value	Maturity Date	Call Date	Mod DTW	Purchase Date	Accrued Interest	Book Value	YTC	Current Yield	Market Value
Municipal Bonds												
WIL 5.0 2-15-22	969887P36	5.000%	1,000,000.00	2/15/2022		0.126	3/20/2019	18,888.89	1,004,049.44	0	1.640	1,005,160.00
MDS 5.0 3-15-23 TE P	574193NE4	5.000%	1,310,000.00	3/15/2023		1.170	3/18/2020	19,286.11	1,369,146.41	0	1.180	1,384,146.00
MON 5.0 12-1-22 TE P	6133405U8	5.000%	1,500,000.00	12/1/2022		0.905	3/18/2020	6,250.00	1,547,455.19	0	1.470	1,565,175.00
TXS 6.0 8-1-23	882723RY7	6.000%	2,200,000.00	8/1/2023		1.503	8/18/2020	55,000.00	2,395,702.32	0	0.350	2,390,872.00
Subtotal Municipal Bonds		5.361%	6,010,000.00	2/7/2023		1.065		99,425.00	6,316,353.36		1.009	6,345,353.00
TOTAL FUND 9901		5.361%	6,010,000.00	2/7/2023		1.065		99,425.00	6,316,353.36		1.009	6,345,353.00

INVESTMENT BY SECTOR AND MATURITY - HOUSING DEPARTMENT SECTION 108 FUND 9902
AS OF December 31, 2021

Description	CUSIP	Coupon	Par Value	Maturity Date	Call Date	Mod DTW	Purchase Date	Accrued Interest	Book Value	YTC	Current Yield	Market Value
Treasury Bills												
B .045 1-11-22	912796Q69	0.05%	4,000,000.00	1/11/2022		0.03	11/18/2021	0	3,999,948.78	0	0.045	4,000,000.00
B 0.054 4-14-22	912796P29	0.05%	4,000,000.00	4/14/2022		0.285	12/29/2021	0	3,999,376.00	0	0.054	3,999,160.00
Subtotal Treasury Bills		0.050%	8,000,000.00	2/26/2022		0.157		0.00	7,999,324.78		0.050	7,999,160.00
TOTAL FUND 9902		0.050%	8,000,000.00	2/26/2022		0.157		0.00	7,999,324.78		0.050	7,999,160.00
GRAND TOTALS		1.056%	5,005,978,735.88	9/18/2023		1.690		8,391,688.17	5,035,873,779.56		0.701	5,028,496,487.63

Appendix II

Investments by Sector and Maturity as of September 30, 2021

INVESTMENT BY SECTOR AND MATURITY - GENERAL FUND 9900
AS OF September 30, 2021

Description	CUSIP	Coupon	Par Value	Maturity Date	Call Date Avg Life	Mod DTW	Purchase Date	Accrued Interest	Book Value	YTC	Current Yield	Market Value
MDS 5.0 3-15-23 TE P	574193NE4	5.000%	1,310,000.00	3/15/2023		1.423	3/18/2020	2,911.11	1,381,392.92	0	1.180	1,401,451.10
MON 5.0 12-1-22 TE P	6133405U8	5.000%	1,500,000.00	12/1/2022		1.134	3/18/2020	25,000.00	1,560,371.27	0	1.470	1,584,255.00
TXS 6.0 8-1-23	882723RY7	6.000%	2,200,000.00	8/1/2023		1.755	8/18/2020	22,000.00	2,426,566.52	0	0.350	2,425,676.00
Subtotal Municipal Bonds		5.366%	6,010,000.00	2/7/2023		1.312		56,300.00	6,380,525.93		1.008	6,429,082.10
TOTAL FUND 9901		5.366%	6,010,000.00	2/7/2023		1.312		56,300.00	6,380,525.93		1.008	6,429,082.10

INVESTMENT BY SECTOR AND MATURITY - HOUSING DEPARTMENT SECTION 108 FUND 9902
AS OF September 30, 2021

Description	CUSIP	Coupon	Par Value	Maturity Date	Call Date	Mod DTW	Purchase Date	Accrued Interest	Book Value	YTC	Current Yield	Market Value
Treasury Bills												
B 0.015 11-12-21	912796H51	0.02%	4,000,000.00	11/12/2021		0.118	5/27/2021	0	3,999,929.57	0	0.015	3,999,800.00
B 0.045 11-26-21	912796H77	0.05%	4,000,000.00	11/26/2021		0.156	8/12/2021	0	3,999,716.74	0	0.045	3,999,760.00
Subtotal Treasury Bills		0.003%	8,000,000.00	11/18/2021		0.137		0.00	7,999,646.31		0.030	7,999,560.00
TOTAL FUND 9902		0.003%	8,000,000.00	11/18/2021		0.137		0.00	7,999,646.31		0.030	7,999,560.00
GRAND TOTALS		1.121%	4,717,224,520.40	7/8/2023		1.742		14,404,655.07	4,753,820,132.27		0.736	4,775,145,653.72