

# MONTHLY FINANCIAL REPORT

## PERFORMANCE SUMMARY

July 2017

	Current Month	Year to Date	Chart
<b>GENERAL FUND</b>			
Total Revenues as a % of Budget Compared to Prior Year	N/A	POSITIVE	A
Total Expenditures as a % Budget Compared to Prior Year	N/A	POSITIVE	B
Property Tax Collection Analysis	NEGATIVE	NEGATIVE	C
Sales Tax Collection Analysis	POSITIVE	POSITIVE	D
Expenditure Analysis	POSITIVE	POSITIVE	E
<b>ENTERPRISE FUND</b>			
Water Billing Analysis	NEUTRAL	POSITIVE	F
Sewer Billing Analysis	POSITIVE	POSITIVE	G
Expense Analysis	POSITIVE	NEGATIVE	H
<b>HOTEL OCCUPANCY TAX REVENUE</b>			
Hotel Tax Revenue Analysis (most recent quarter)	N/A	N/A	I
Hotel Tax Revenue Analysis (quarterly comparison for year)	N/A	N/A	J
<b>SEDC</b>			
Sales Tax Collection Analysis	POSITIVE	POSITIVE	J
Expenditure Analysis	NEGATIVE	POSITIVE	K
<b>CRIME DISTRICT</b>			
Sales Tax Collection Analysis	POSITIVE	POSITIVE	L
Expenditure Analysis	POSITIVE	POSITIVE	M
<b>INVESTMENTS</b>			
Investment Report	N/A	N/A	N

**PERFORMANCE INDICATORS:**

<b>POSITIVE</b>
<b>NEGATIVE</b>
<b>NEUTRAL</b>

Positive = Positive variance as compared to seasonal trend.

Negative = Negative variance as compared to seasonal trend.

Neutral = Variance is less than 1%

# GENERAL FUND



CHART A

## TOTAL REVENUE THROUGH JULY 2017

	Budget	YTD Revenue	% of Budget Collected	Prior YTD % of Total Collected
Ad Valorem Taxes	4,531,199	4,451,825	98.25%	99.33%
Penalties & Interest	39,000	41,742	107.03%	84.06%
Sales Tax	1,661,792	1,617,964	97.36%	81.47%
Franchise Tax	725,000	614,859	84.81%	80.44%
Other Tax	133,500	124,734	93.43%	73.69%
License & Permits	220,000	324,926	147.69%	71.96%
Charges for Services	60,500	58,085	96.01%	81.86%
DOT Fines	75,000	92,679	123.57%	84.22%
Other Municipal Court Fees	379,100	391,381	103.24%	81.49%
Interest Income	21,622	41,461	191.75%	80.26%
Intergovernmental	382,184	348,779	91.26%	76.18%
Other Revenue	46,800	37,065	79.20%	93.32%
Transfers from Enterprise Fund	1,774,820	1,472,767	82.98%	83.33%
Payment for Services-EDC	<u>200,000</u>	<u>166,667</u>	<u>83.33%</u>	<u>83.33%</u>
<b>Total Revenues</b>	<b>10,250,517</b>	<b>9,784,933</b>	<b>95.46%</b>	<b>88.87%</b>

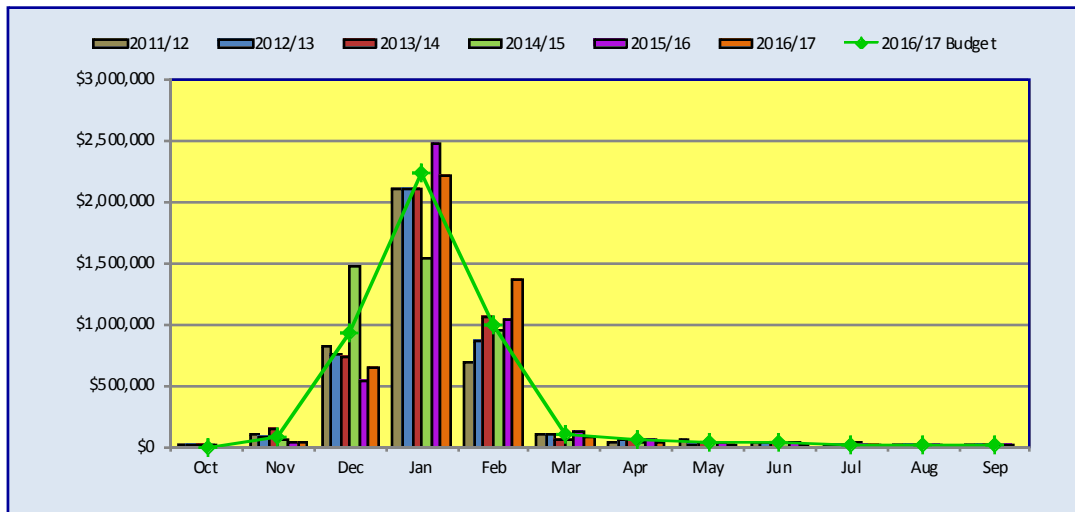
CHART B

## TOTAL EXPENDITURES THROUGH JULY 2017

	Budget	YTD Expenditures	% of Budget Expended	Prior YTD % of Total Expended
Personnel	7,073,330	5,492,634	77.65%	83.02%
Supplies	299,850	154,371	51.48%	72.25%
Services	2,617,012	2,076,849	79.36%	80.23%
Capital	<u>260,013</u>	<u>230,262</u>	<u>88.56%</u>	<u>57.84%</u>
<b>Total Expenditures</b>	<b>10,250,205</b>	<b>7,954,117</b>	<b>77.60%</b>	<b>80.57%</b>

CHART C

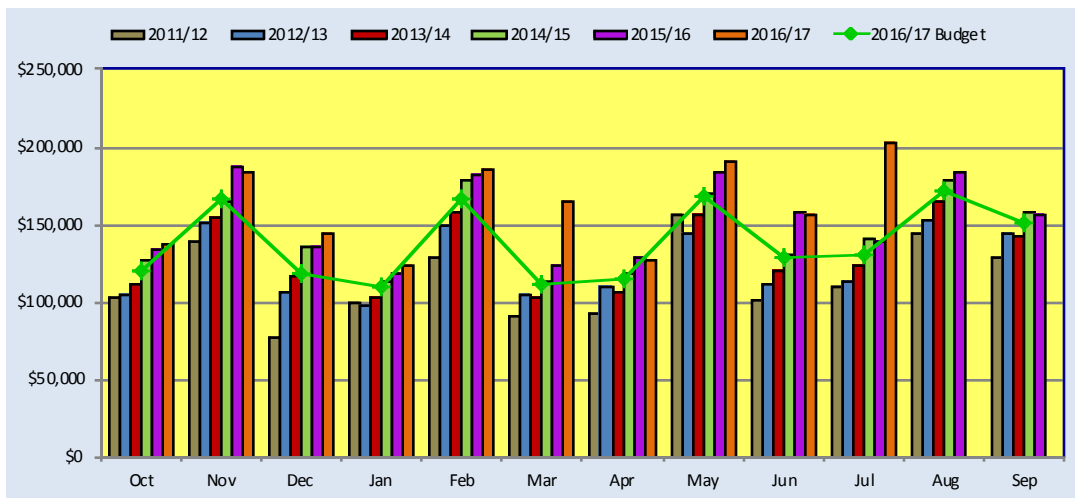
PROPERTY TAX ANALYSIS



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

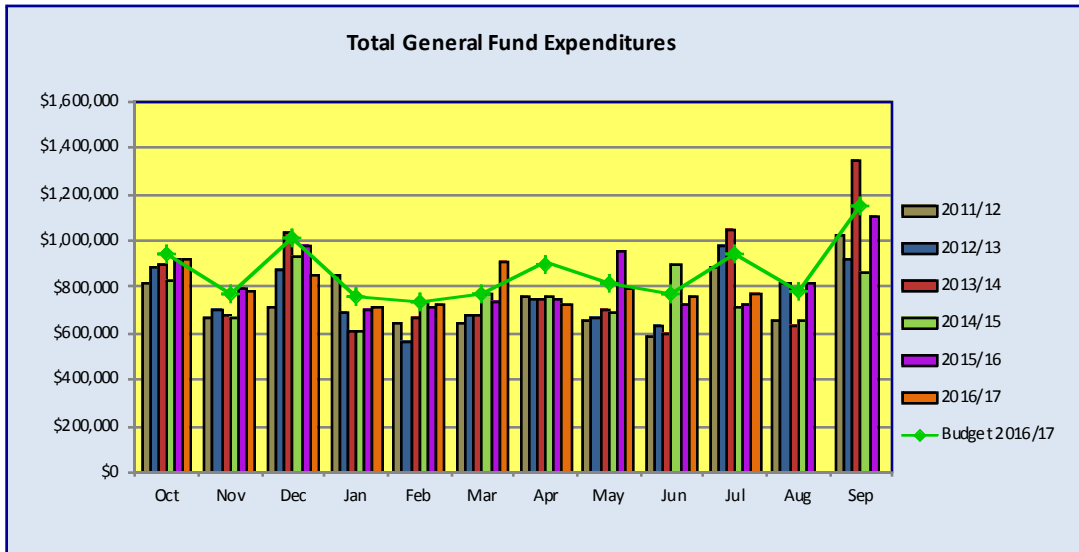
CHART D

SALES TAX ANALYSIS



2013/14 Budget is divided into months based on the monthly percentages of the last 5 years' activity of sales tax revenue.

EXPENDITURE ANALYSIS



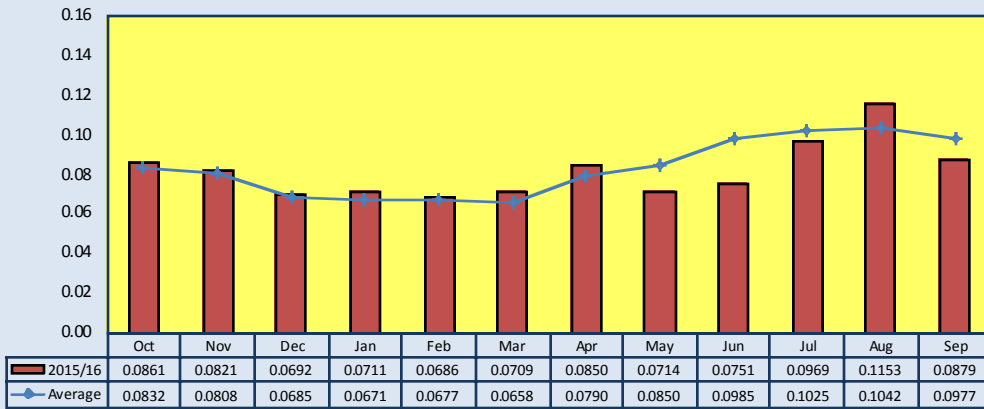
High expenditures in September 2010 are due to city hall A/C replacement.  
High expenditures in September 2014 are due to Seascapc road construction



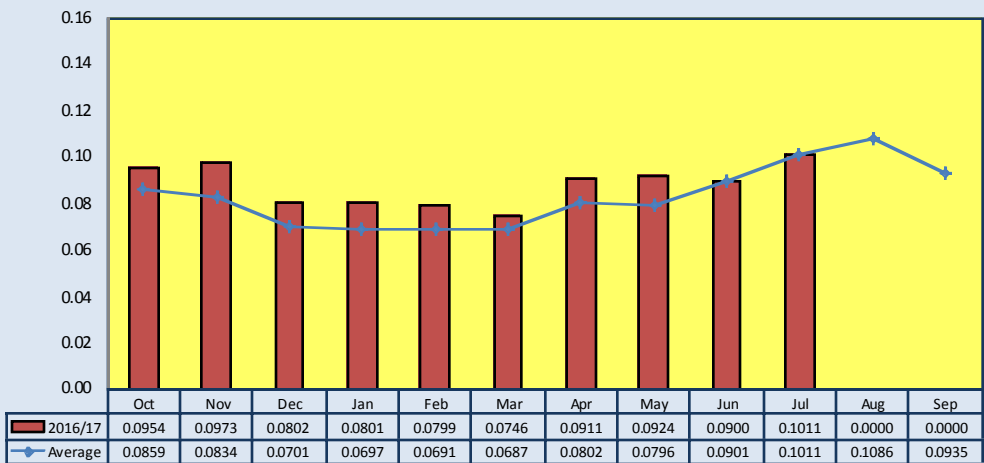
CHART F

WATER BILLING ANALYSIS

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

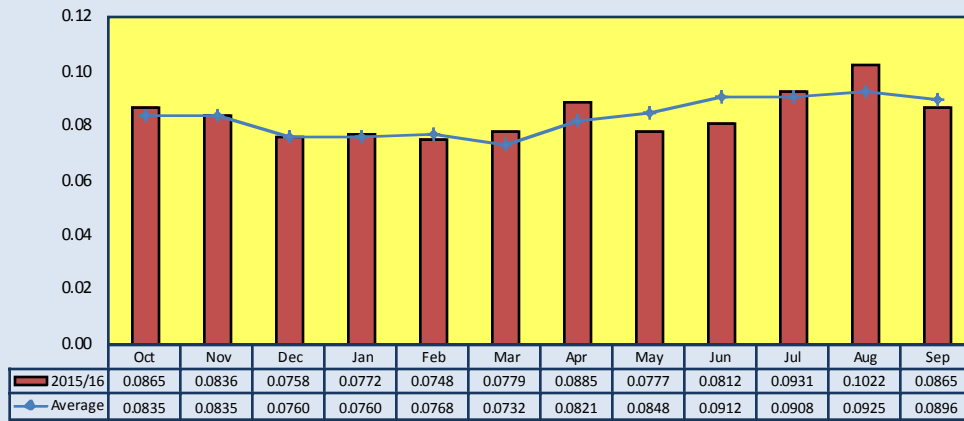


Average Percent of Water Billings by Month vs.  
2016/17 Percent of Budgeted Billings

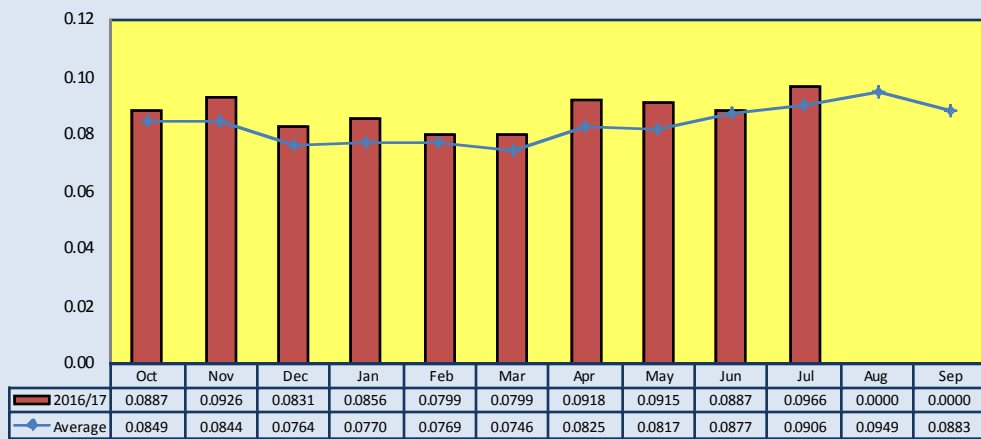


WASTEWATER BILLING ANALYSIS

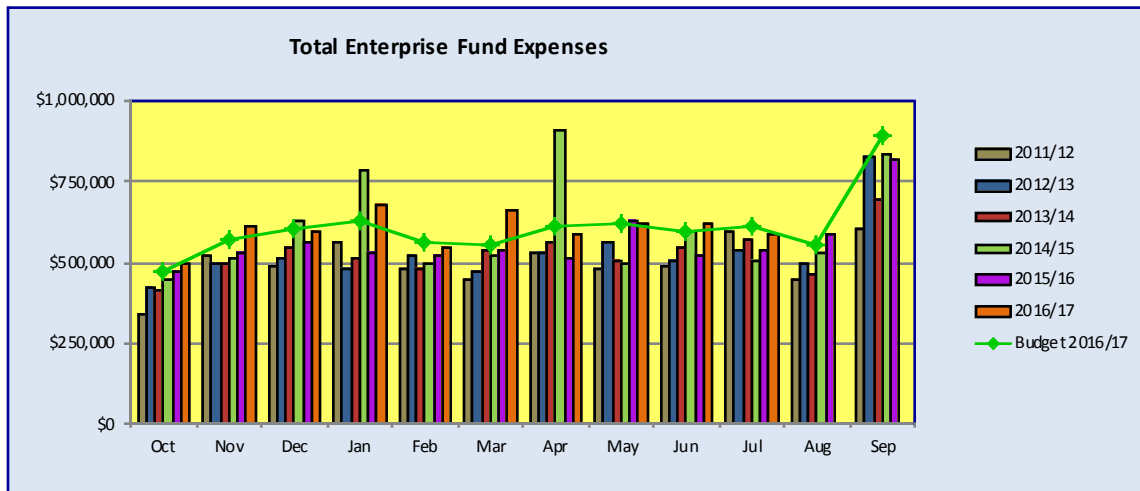
Average Percent of Wastewater Billings by Month vs. 2015/16 Percent of Budgeted Billings



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



EXPENDITURE ANALYSIS



Sept 2013 and Nov 2013 EXCLUDE property acquisition

December 2014 & January 2015 expenses much higher than budgeted due to Lakeside lift station repairs

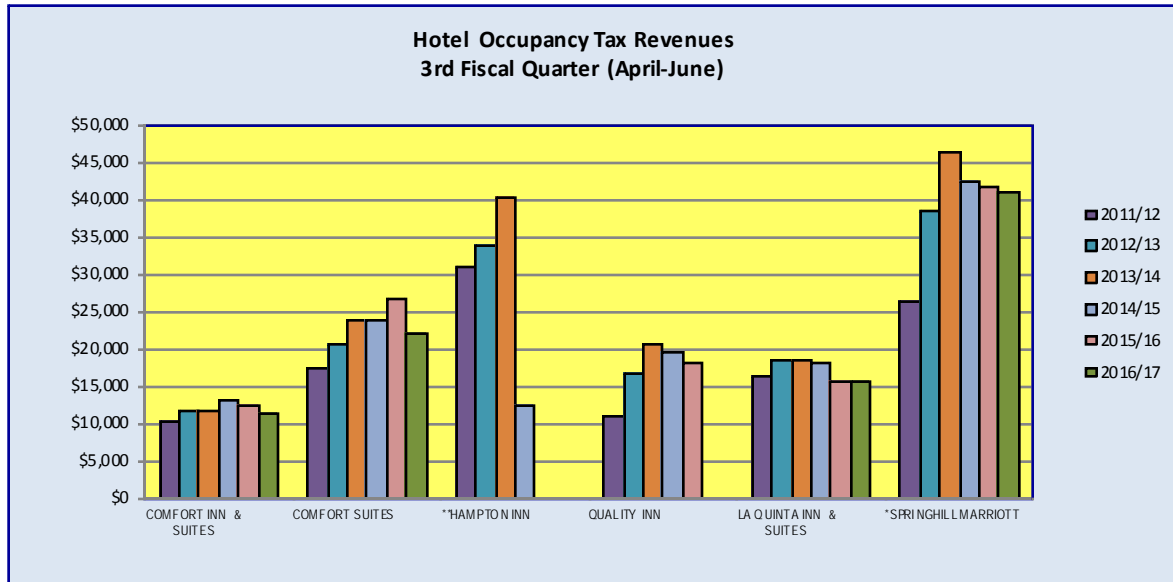
April 2015 expenses due to wastewater treatment plant upgrades

# HOTEL TAX FUND



CHART I

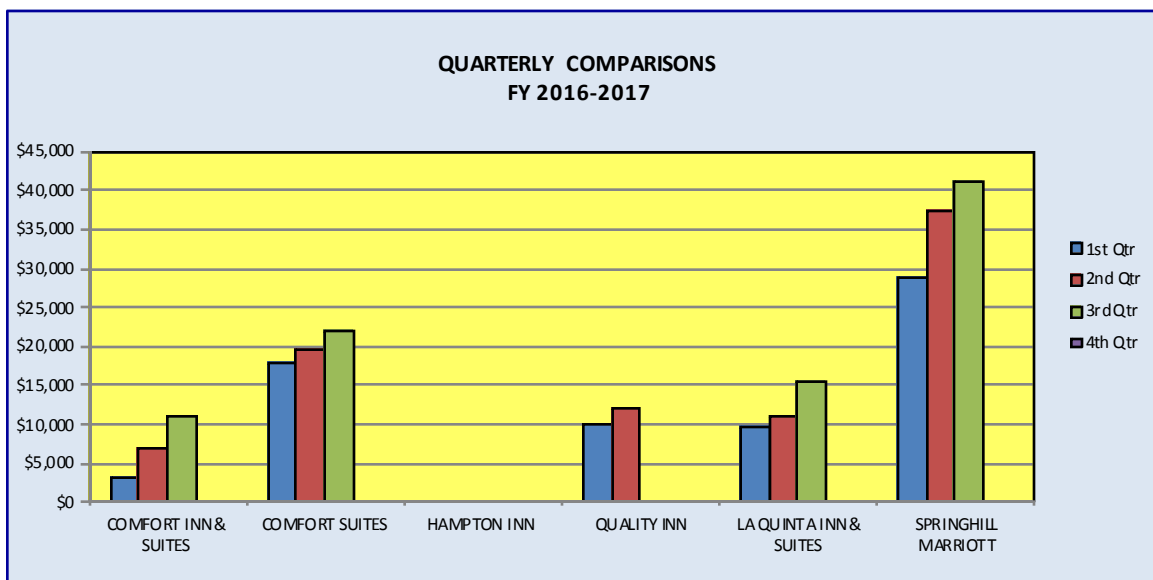
## HOTEL TAX REVENUE ANALYSIS



\*Springhill Marriott opened last quarter 2010  
 \*\* Hampton Inn closed 3rd quarter 2015 due to fire

CHART J

## HOTEL TAX REVENUE



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



# SEABROOK EDC



CHART K

## SALES TAX REVENUE ANALYSIS

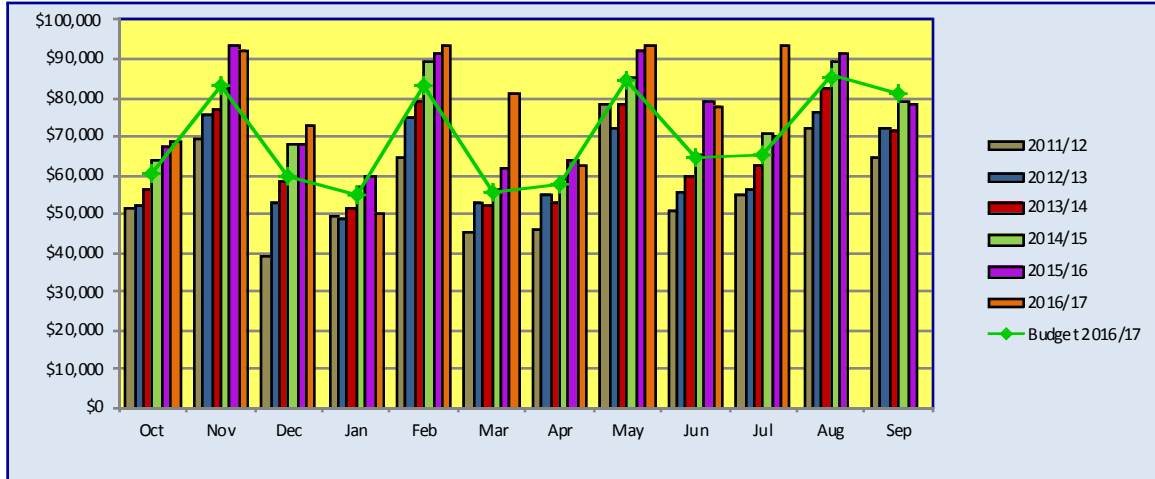
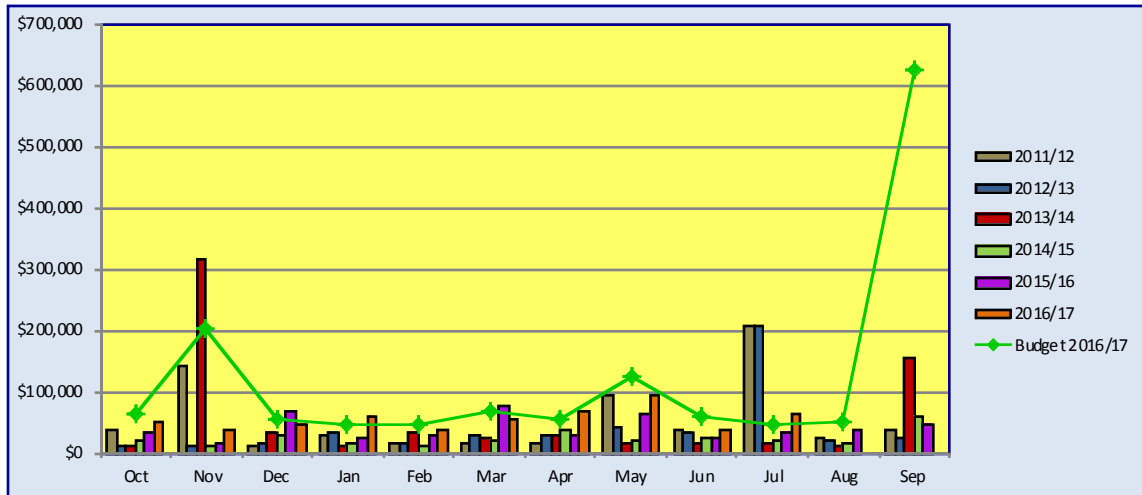


CHART L

## EXPENDITURE ANALYSIS



2015/16 September budget reflects appropriations for incentives and Business relocation off HWY 146  
 High exp in Nov 2011 was due to Gateway sign. High exp Nov 2014 was for the waterfront project July expenditures prior to 2013/14 included debt service payments.

# CRIME DISTRICT



CHART M

## SALES TAX REVENUE ANALYSIS

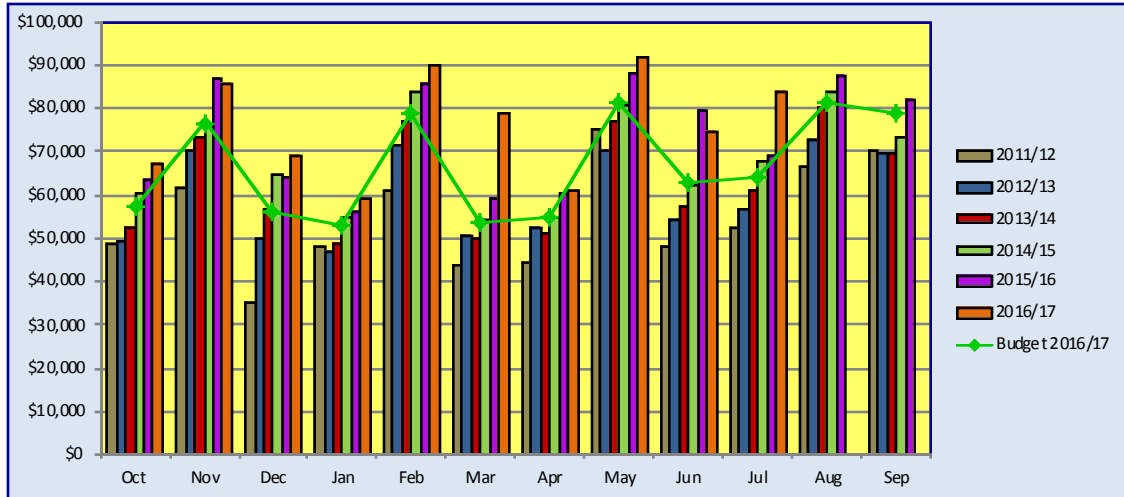
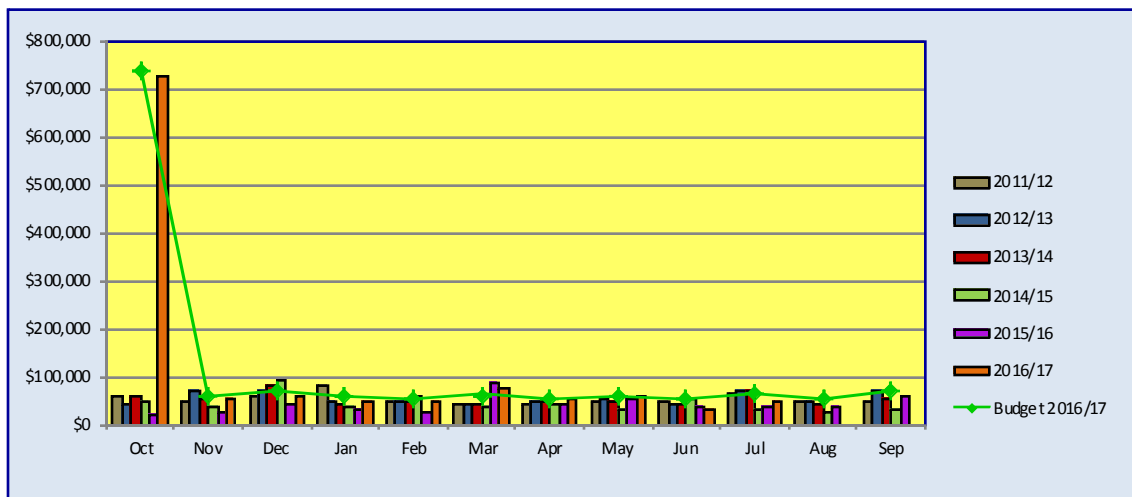


CHART N

## EXPENDITURE ANALYSIS



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

# INVESTMENTS



CHART O

## MONTHLY INVESTMENT REPORT

### TEXPOOL REPORT

MONTH OF JULY 2017  
0.9714%

	BEGINNING BALANCE	TRANSFER IN/(OUT)	INT EARNED (Posted July)	ENDING BALANCE	PURPOSE OF FUND
GENERAL FUND - UNRESTRICTED	6,693,008.11	(132,649.73)	6,922.69	6,567,281.07	Working capital
GENERAL FUND - RESTRICTED	1,600,000.00	0.00	incl in above	1,600,000.00	
ENTERPRISE FUND - UNRESTRIC	2,624,754.95	(140,625.52)	2,297.80	2,486,427.23	Working capital
ENTERPRISE FUND - RESTRICTE	300,000.00	0.00	incl in above	300,000.00	Customer liability
CAPITAL IMPACT FEES	2,579,849.77	85,000.00	2,130.73	2,666,980.50	Water & sewer lines extensions & expansions
PARK FEES	66,189.42	30,000.00	55.42	96,244.84	Reserved for acquisition & development of park land
SEIZURE	33,713.07	0.00	27.81	33,740.88	Solely to purchase equipment for Law Enforcement
CHILD SAFETY PROGRAMS	32,377.90	0.00	26.71	32,404.61	Reserved for Child Safety/School Zones
FEDERAL SEIZURE	15,124.55	0.00	12.48	15,137.03	Criminal Investigation - Federal Funds
HOTEL/MOTEL FUND	1,197,727.23	18,000.00	988.64	1,216,715.87	Restricted for promotion of tourism
DEBT SERVICE FUND	3,264,183.48	10,183.40	2,693.29	3,277,060.17	Restricted for General fund reserves & yearly debt service
CAPITAL PROJECT BONDS	6,766,072.46	(90,000.00)	5,572.37	6,681,644.83	2016A CO WW Plant, Clarifier & Todville 2016 Sewer
WTR/SWR BONDS	1,849,447.42	(300,000.00)	1,493.28	1,550,940.70	Funds transferred from Bond Mkt Acct to allow liquidity
IT BONDS	57,961.07	0.00	47.82	58,008.89	Fiber Optics
PD & GF BONDS	257,927.95	(100,000.00)	201.95	158,129.90	Public Wokrks Facility
PD & GF BONDS (GEN FUND Reser	779,926.33	0.00	643.45	780,569.78	Public Wokrks Facility funds provided by GF Reserve
FIRE BONDS	25,345.71	0.00	20.91	25,366.62	Fire Engine
LAKESIDE DRIVE CERT DEP	134.73	0.00	0.11	134.84	
CAROTHERS	76,977.14	0.00	63.51	77,040.65	Carother Facility & Park
ANIMAL	753.08	0.00	0.62	753.70	Animal Shelter Needs - Donation
CRIME DISTRICT	490,264.21	66,569.29	402.41	557,235.91	Funds transferred from Bond Mkt Acct to allow liquidity
SEDC II - RESTRICTED FOR BONI	0.00	0.00	incl in above	0.00	SEDC II - Reserve for revenue bond debt service
SEDC II - RESTRICT FOR EMERG	180,000.00	0.00	incl in above	180,000.00	Emergency Reserve
STEP FUND	13,415.15	0.00	11.07	13,426.22	
PUBLIC SAFETY	199,961.61	90,000.00	174.74	290,136.35	Public Safety Needs
MUNI COURT - SECURITY FUND	27,039.10	0.00	22.31	27,061.41	Funds from fines to be used for security
COURT - TIME PAYMENT FEES	15,055.96	0.00	12.42	15,068.38	Funds from fines to be used to improve court
MUNI COURT - TECHNOLOGY FUNI	16,260.29	(4,560.86)	11.94	11,711.37	Fund court on technology
PUBLIC SAFETY VERF	594,362.66	(64,501.16)	491.11	530,352.61	Public Safety Vehicle Equipment Replacement
PEG Fund	94,576.38	0.00	78.03	94,654.41	Public Education and Government Access
STABILIZATION FUND	807,851.48	0.00	666.49	808,517.97	Highway 146 Project
WATER RATE STABILIZATION	70,236.75	0.00	57.95	70,294.70	
<b>TOTAL TEXPOOL FUND</b>	<b>34,066,042.83</b>	<b>(600,000.00)</b>	<b>28,040.01</b>	<b>\$33,494,082.84</b>	

The investment portfolio of the City of Seabrook is in compliance with the investment strategies expressed in the City's Investment Policy and relevant provisions of Chapter 2256 of the Local Government Code.

*Michael Gibbs*

Finance Director



# Monthly Newsletter: August 2017

## ANNOUNCEMENTS

### We welcome the following entities who joined TexPool in July 2017:

**TexPool**  
 Nederland Economic Development Corporation  
 Frisco ISD

**TexPool Prime**  
 Nederland Economic Development Corporation  
 Frisco ISD  
 Texas State University  
 Premont ISD  
 Atascosa County  
 White Settlement ISD  
 City of Fort Worth  
 Ricardo Water Supply Corporation  
 Nueces Water Supply Corporation

### Upcoming Events

Aug 23, 2017 - Aug 25  
 TAC Legislative Conference  
 Austin

Sep 11, 2017 - Sep 14, 2017  
 69th Annual County Treasurers' of Texas  
 Annual Conference  
 Dallas/Addison

Oct 03, 2017 - Oct 06, 2017  
 TML Conference  
 Houston

Oct 06, 2017 - Oct 08, 2017  
 TASA/TASB Annual Conference  
 Dallas

### TexPool Advisory Board Members

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

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

Operated under the supervision of the Texas Treasury Safekeeping Trust Company

## Economic and Market Commentary: Libor's long goodbye

August 1, 2017

If any field operates better under a deadline, it's the financial industry. That may be the reasoning behind the Financial Conduct Authority's announcement late in July of a time frame for phasing out the London interbank offered rate (Libor). The catch is that the date is so far out (year-end 2021) to be much of an immediate incentive. It points to that other near-given when it comes to the financial sphere: change takes a long time to implement.

Libor is the benchmark for short-term interest rates of most prime cash-management instruments, including many of those held in investment pools such as TexPool Prime (in contrast, the benchmark for TexPool's holdings is the U.S. Treasury yield curve). We have known Libor's time was numbered for some time now. The long time frame until its termination reflects the ongoing debate about what the replacement should be. We expect the solution will come from the same regulator, but others have been pushing for a rate based off Treasury repo and other options. It is now time to cease arguing about pluses and minuses of various replacements and put forth effort to decide on one and work to fine-tune it. As far as cash managers are concerned, the issue mostly concerns floating-rate securities, which use Libor for price or on the spread between Libors of differing maturities.

(continued page 6)

### Performance as of July 31, 2017

	TexPool	TexPool Prime
Current Invested Balance	\$16,864,283,002.80	\$4,280,732,870.16
Weighted Average Maturity**	34	51
Weighted Average Life**	93	73
Net Asset Value	1.00	1.00005
Total Number of Participants	2,424	278
Management Fee on Invested Balance	0.0473%	0.0638%
Interest Distributed	\$14,066,347.90	\$4,370,380.81
Management Fee Collected	\$675,678.31	\$193,650.88
Standard & Poor's Current Rating	AAAm	AAAm
<b>Month Averages</b>		
Average Invested Balance	\$17,260,996,138.56	\$4,258,650,446.97
Average Monthly Rate*	0.9714%	1.2082%
Average Weighted Average Maturity**	36	47
Average Weighted Average Life**	99	65

\*This average monthly rate for TexPool Prime for each date may reflect a waiver of some portion or all of each of the management fees.

\*\*See page 2 for definitions.

Past performance is no guarantee of future results.

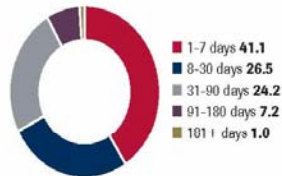
TexPool Participant Services  
 1001 Texas Avenue, Suite 1400 · Houston, TX 77002  
 Phone: 1-866-TEXPOOL (839-7665) · Fax: 1-866-839-3291 · TexPool.com

Managed and  
 Serviced by **Federated**  
 G35884-24 (8/17)



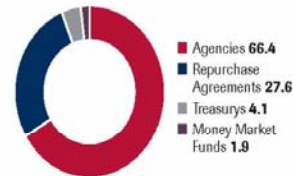
### Portfolio by Maturity (%)

As of July 31, 2017



### Portfolio by Type of Investment (%)

As of July 31, 2017



### Portfolio Asset Summary as of July 31, 2017

	Book Value	Market Value
Uninvested Balance	-5192.28	-5192.28
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	5,627,483.54	5,627,483.54
Interest and Management Fees Payable	-14,086,343.77	-14,086,343.77
Payable for Investments Purchased	0.00	0.00
Accrued Expenses & Taxes	-21,261.88	-21,261.88
Repurchase Agreements	4,660,818,000.00	4,660,818,000.00
Mutual Fund Investments	315,022,103.88	315,022,103.88
Government Securities	11,203,857,546.94	11,204,020,105.05
U.S. Treasury Inflation Protected Securities	0.00	0.00
US Treasury Bills	354,118,295.61	354,101,960.00
US Treasury Notes	338,927,360.76	338,766,860.00
<b>Total</b>	<b>16,864,283,002.80</b>	<b>16,864,268,724.54</b>

Market value of collateral supporting the Repurchase Agreements is at least 102% of the Book Value. The portfolio is managed by Federated Investment Counseling and the assets are safe kept in a separate custodial account at State Street Bank in the name of TexPool. The only source of payment to the Participants is the assets of TexPool. There is no secondary source of payment for the pool such as insurance or State guarantee. Should you require a copy of the portfolio, please contact TexPool Participant Services.

### Participant Summary

	Number of Participants	Balance
School District	583	\$5,178,032,888.40
Higher Education	57	\$816,621,634.71
Healthcare	81	\$606,213,627.35
Utility District	764	\$2,665,274,600.86
City	456	\$4,243,825,819.09
County	185	\$1,856,445,834.76
Other	298	\$1,696,800,352.47

### \*\*Definition of Weighted Average Maturity and Weighted Average Life

WAM is the mean average of the periods of time remaining until the securities held in TexPool (a) are scheduled to be repaid, (b) would be repaid upon a demand by TexPool, or (c) are scheduled to have their interest rate readjusted to reflect current market rates. Securities with adjustable rates payable upon demand are treated as maturing on the earlier of the two dates set forth in (b) and (c) if their scheduled maturity is 397 days or less; and the later of the two dates set forth in (b) and (c) if their scheduled maturity is more than 397 days. The mean is weighted based on the percentage of the amortized cost of the portfolio invested in each period.

WAL is calculated in the same manner as WAM, but is based solely on the periods of time remaining until the securities held in TexPool (a) are scheduled to be repaid or (b) would be repaid upon a demand by TexPool, without reference to when interest rates of securities within TexPool are scheduled to be readjusted.

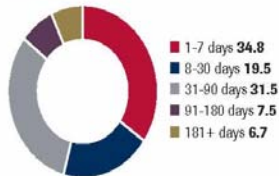


Daily Summary						
Date	Money Mkt. Fund Equiv. (SEC Std.)	Dividend Factor	TexPool Invested Balance	NAV	WAM Days	WAL Days
7/1	0.9566%	0.000026207	\$17,629,314,686.85	0.99999	38	103
7/2	0.9566%	0.000026207	\$17,629,314,686.85	0.99999	38	103
7/3	0.9596%	0.000026290	\$17,519,213,178.93	0.99997	37	103
7/4	0.8596%	0.000026290	\$17,519,213,178.93	0.99997	37	103
7/5	0.9574%	0.000026229	\$17,572,943,757.32	0.99997	36	101
7/6	0.9556%	0.000026182	\$17,585,654,848.93	0.99997	36	98
7/7	0.9591%	0.000026276	\$17,555,613,526.13	0.99997	37	102
7/8	0.9591%	0.000026276	\$17,555,613,526.13	0.99997	37	102
7/9	0.9591%	0.000026276	\$17,555,613,526.13	0.99997	37	102
7/10	0.9605%	0.000026314	\$17,527,162,664.21	0.99997	35	100
7/11	0.9611%	0.000026332	\$17,525,756,187.02	0.99998	35	97
7/12	0.9619%	0.000026352	\$17,432,695,908.32	0.99998	36	100
7/13	0.9635%	0.000026397	\$17,394,258,345.06	0.99998	37	99
7/14	0.9552%	0.000026171	\$17,377,382,952.92	0.99998	38	101
7/15	0.9552%	0.000026171	\$17,377,382,952.92	0.99998	38	101
7/16	0.9552%	0.000026171	\$17,377,382,952.92	0.99998	38	101
7/17	0.9777%	0.000026785	\$17,013,138,297.38	0.99999	37	101
7/18	0.9776%	0.000026784	\$16,967,398,476.44	0.99998	36	100
7/19	0.9790%	0.000026821	\$16,942,717,464.92	0.99999	36	100
7/20	0.9802%	0.000026855	\$16,914,651,165.96	0.99998	36	99
7/21	0.9812%	0.000026882	\$16,922,147,284.81	0.99998	36	99
7/22	0.9812%	0.000026882	\$16,922,147,284.81	0.99998	36	99
7/23	0.9812%	0.000026882	\$16,922,147,284.81	0.99998	36	99
7/24	0.9872%	0.000027047	\$16,883,285,405.61	0.99998	35	97
7/25	0.9895%	0.000027109	\$17,196,628,907.09	0.99998	35	95
7/26	0.9933%	0.000027215	\$17,189,470,596.82	0.99998	36	94
7/27	0.9900%	0.000027123	\$17,073,236,782.02	0.99999	36	95
7/28	0.9890%	0.000027096	\$17,048,391,154.15	1.00000	36	95
7/29	0.9890%	0.000027096	\$17,048,391,154.15	1.00000	36	95
7/30	0.9890%	0.000027096	\$17,048,391,154.15	1.00000	36	95
7/31	0.9929%	0.000027204	\$16,864,283,002.80	1.00000	34	93
<b>Average:</b>	<b>0.9714%</b>	<b>0.000026613</b>	<b>\$17,260,998,138.56</b>	<b>.99998</b>	<b>36</b>	<b>99</b>

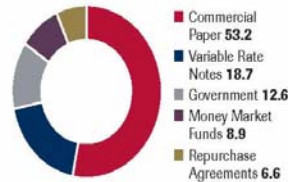


**TEXPOOL PRIME**

**Portfolio by Maturity (%)**  
As of July 31, 2017



**Portfolio by Type of Investment (%)**  
As of July 31, 2017



**Portfolio Asset Summary as of July 31, 2017**

	Book Value	Market Value
Uninvested Balance	\$361.50	\$361.50
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	1,260,949.14	1,260,949.14
Interest and Management Fees Payable	-4,370,380.09	-4,370,380.09
Payable for Investments Purchased	0.00	0.00
Accrued Expenses & Taxes	-6,274.03	-6,274.03
Repurchase Agreements	283,368,000.00	283,368,000.00
Mutual Fund Investments	2,279,284,362.80	2,279,320,055.20
Government Securities	0.00	0.00
U.S. Treasury Inflation Protected Securities	382,099,478.39	382,129,013.10
US Treasury Bills	538,938,801.17	538,888,430.00
US Treasury Notes	800,157,571.28	800,362,787.50
<b>Total</b>	<b>4,280,732,870.16</b>	<b>4,280,952,942.32</b>

Market value of collateral supporting the Repurchase Agreements is at least 102% of the Book Value. The portfolio is managed by Federated Investment Counseling and the assets are safe kept in a separate custodial account at State Street Bank in the name of TexPool Prime. The assets of TexPool Prime are the only source of payments to the Participants. There is no secondary source of payment for the pool such as insurance or State guarantee. Should you require a copy of the portfolio, please contact TexPool Participant Services.

**Participant Summary**

	Number of Participants	Balance
School District	100	\$1,819,305,738.72
Higher Education	14	\$544,007,349.35
Healthcare	11	\$260,556,538.56
Utility District	22	\$254,838,916.19
City	56	\$541,682,361.60
County	31	\$355,213,236.23
Other	44	\$505,137,676.70



## TEXPOOL PRIME

### Daily Summary

Date	Money Mkt. Fund Equiv. (SEC Std.)	Dividend Factor	TexPool Prime Invested Balance	NAV	WAM Days	WAL Days
7/1	1.1860%	0.000032494	\$4,091,205,021.24	1.00005	37	58
7/2	1.1860%	0.000032494	\$4,091,205,021.24	1.00005	37	58
7/3	1.1888%	0.000032569	\$4,079,666,589.99	1.00005	35	55
7/4	1.1888%	0.000032569	\$4,079,666,589.99	1.00005	35	55
7/5	1.1912%	0.000032635	\$4,088,608,297.10	1.00006	36	55
7/6	1.2036%	0.000032975	\$4,095,090,613.00	1.00005	41	59
7/7	1.2011%	0.000032907	\$4,109,088,293.41	0.99999	42	60
7/8	1.2011%	0.000032907	\$4,109,088,293.41	0.99999	42	60
7/9	1.2011%	0.000032907	\$4,109,088,293.41	0.99999	42	60
7/10	1.2111%	0.000033182	\$4,130,690,624.95	1.00003	44	62
7/11	1.2090%	0.000033124	\$4,122,451,603.88	1.00003	45	63
7/12	1.2104%	0.000033161	\$4,124,672,166.77	1.00004	48	65
7/13	1.2211%	0.000033455	\$4,061,166,156.00	1.00002	50	67
7/14	1.2233%	0.000033516	\$4,079,639,764.41	1.00000	50	67
7/15	1.2233%	0.000033516	\$4,079,639,764.41	1.00000	50	67
7/16	1.2233%	0.000033516	\$4,079,639,764.41	1.00000	50	67
7/17	1.1988%	0.000032845	\$4,509,516,607.10	1.00005	44	59
7/18	1.2136%	0.000033248	\$4,494,545,999.24	1.00004	48	63
7/19	1.2182%	0.000033374	\$4,443,183,246.28	1.00004	51	65
7/20	1.2175%	0.000033357	\$4,463,102,395.75	1.00003	54	70
7/21	1.2209%	0.000033448	\$4,446,744,400.66	0.99999	55	70
7/22	1.2209%	0.000033448	\$4,446,744,400.66	0.99999	55	70
7/23	1.2209%	0.000033448	\$4,446,744,400.66	0.99999	55	70
7/24	1.2090%	0.000033124	\$4,444,574,068.11	1.00002	53	71
7/25	1.2137%	0.000033253	\$4,379,330,886.40	1.00003	54	72
7/26	1.2109%	0.000033174	\$4,461,495,176.34	1.00004	52	73
7/27	1.2095%	0.000033136	\$4,503,094,342.13	1.00004	52	72
7/28	1.2056%	0.000033031	\$4,389,222,724.66	1.00001	53	74
7/29	1.2056%	0.000033031	\$4,389,222,724.66	1.00001	53	74
7/30	1.2056%	0.000033031	\$4,389,222,724.66	1.00001	53	74
7/31	1.2138%	0.000033254	\$4,280,732,870.16	1.00005	51	73
<b>Average:</b>	<b>1.2082%</b>	<b>0.000033101</b>	<b>\$4,258,650,445.97</b>	<b>1.00002</b>	<b>47</b>	<b>65</b>



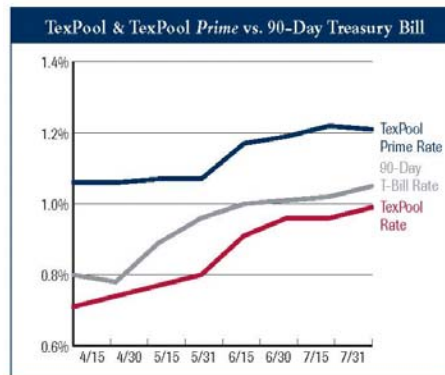


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We think the ultimate solution for a replacement will vary according to what will work best for each portion of the market and the types of securities used. The replacements don't all have to be the same. We would caution against using Treasuries as a benchmark, however, because they are flight-to-quality securities often moving due to global developments. You want to use a measure that is mostly dependent on market conditions. Bottom line for us is that our cash products are not immediately affected by the announcement and any adjustment down the line won't be disruptive.

Libor wasn't the only rate making news last month. U.S. policymakers have been telegraphing the imminent wind down of its massive balance sheet, and we think that will start to take place in September, likely pushing the final fed funds hike of 2017 until December. Some market participants at this point actually see 2018 as more probable. It's all a reflection of an economy that has definitely not caught on fire from an economic growth standpoint, yet is performing OK. Also, there appears to be a re-evaluation of inflation goals. Should 2% be the actual neutral rate that the Fed needs to hit, and does it need to get to that level in the next year? Or should that target be lower, with two years to hit it? At the core, changes in the yield curve reflect a market trying to size up how to process expectations from both an inflationary and an economic standpoint.

The weighted average maturities (WAM) of our cash products in July was 30-40 days for government funds and with prime increasing to 40-50 days from 35-45. Returning to Libor, it rose over July, with



*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.*

1-month increasing from 1.06% to 1.23%, 3-month from 1.21% to 1.31% and 6-month from 1.42% to 1.46%. The short end of the Treasury curve also rose, with 1-month and 3-month Treasury yields rising from 0.89% to 0.98% and 1.00% to 1.07%, respectively.