



CITY COUNCIL CONSIDERATION ITEM

CITY OF FAIR OAKS RANCH, TEXAS

November 17, 2022

AGENDA TOPIC: Consideration and possible action to approve a Resolution authorizing the City to participate in Texas CLASS Investment Pool

DATE: November 17, 2022

DEPARTMENT: Finance

PRESENTED BY: Rosie G. Vela, Director of Finance

INTRODUCTION/BACKGROUND:

The City currently uses TexPool as an investment tool to keep currently available funds working to earn interest for the City. Another option, Texas CLASS, is available and provides an opportunity to increase interest income for the City because it compounds and *pays* interest daily. Other pools compound daily but do not pay daily. This creates additional income since the interest paid is now earning additional interest. As of October 5, 2022, Texas CLASS and Texas CLASS Government earned yields as follows:

	Daily Net Yield	7-day Net Yield
Texas CLASS	3.1600%	3.1365%
Texas CLASS Government	2.5514%	2.5262%

Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) was created in 1996 as a local government investment pool pursuant to the Public Funds Investment Act (PFIA). Texas CLASS has four general objectives: legality, safety, liquidity, and yield. Texas CLASS has 950 participating Texas public entities including some of our peer cities such as Boerne, Kerrville, Marble Falls, Bulverde, and Shavano Park.

Texas CLASS invests in U.S. Government securities and repurchase agreements, FDIC insured and collateralized bank deposits, money market funds and in the highest rated commercial paper (CP) in accordance with the Texas Public Funds Investment Act (PFIA) 2256.

Commercial paper refers to short-term, unsecured debt obligations that are issued by financial institutions and large corporations as an alternative to costlier methods of funding. Many governments invest in commercial paper as a short-term investment for funds not immediately required, and to provide diversification and competitive rates of return. Commercial Paper is a short-term investment not registered with the SEC and usually has a maximum maturity of 270 days. It is a trillion-dollar market, and the Local Government Investment Pools in Texas can only buy A1+, P1 and A1, P1 rated securities. Texas CLASS has five credit analysts' whose job is to monitor the credit behind these investments.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

The City can increase its interest earnings by using this additional pool, thus relying less on other income sources.

LONGTERM FINANCIAL & BUDGETARY IMPACT:

Additional interest income will allow the City to rely less on other revenue sources.

LEGAL ANALYSIS:

Approved as to form.

RECOMMENDATION/PROPOSED MOTION:

I move to approve the Resolution authorizing the City to participate in Texas CLASS Investment Pool.