



**FARMERS  
BRANCH**

# **MEMORANDUM**

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## FINANCE

**TO:** Mayor Robert C. Dye and the  
City Council

**THRU:** Charles S. Cox  
City Manager

**FROM:** Sherrelle Evans-Jones, CPA  
Director of Finance

**DATE:** April 23, 2019

**SUBJECT:** Financial Report – March 2019

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Revenue and Expenditure Reports for March 2019 are attached. Revenues for this report include a column entitled "Expected as % of Budget Year-to-Date." This column, used primarily for revenues with budgets exceeding \$200,000, is used to more quickly identify revenue fluctuations based on a five-year historical trend.

The attached Pooled Cash and Investments report represents cash and investment totals by fund as of the end of March 2019.

Attachments

**GENERAL FUND  
STATEMENT OF REVENUES  
March 2019  
(UNAUDITED)**

	<b>ACTUAL REVENUES FY 16/17</b>	<b>ACTUAL REVENUES FY 17/18</b>	<b>ADOPTED BUDGET 2018-19</b>	<b>ACTUAL REVENUES Y-T-D 03/31/19</b>	<b>ACTUAL AS % OF BUDGET (Y-T-D)</b>	<b>EXPECTED AS % OF BUDGET (Y-T-D)</b>	<b>ACTUAL AS % OF EXPECTED (Y-T-D)</b>
<b><u>TAXES</u></b>							
PROPERTY TAXES	\$24,078,709	\$25,580,994	\$27,665,000	\$26,865,476	97.11%	99.43%	97.67%
SALES & USE TAXES	13,853,562	14,532,631	14,700,000	8,320,099	56.60%	50.11%	112.95%
MIXED BEVERAGE	82,775	85,810	85,000	41,048	48.29%		
FRANCHISE FEES	4,187,078	4,142,530	4,269,500	2,120,057	49.66%	50.00%	99.31%
PENALTIES & INTEREST	84,936	128,565	130,000	40,307	31.01%		
<i>SUB-TOTAL</i>	<u>\$42,287,060</u>	<u>\$44,470,530</u>	<u>\$46,849,500</u>	<u>\$37,386,988</u>	<u>79.80%</u>	<u>79.00%</u>	<u>101.02%</u>
<b><u>LICENSES &amp; PERMITS</u></b>							
HEALTH	\$49,765	\$44,820	\$40,000	\$23,180	57.95%		
BUILDING	1,508,010	4,152,320	4,121,000	1,378,927	33.46%	46.00%	72.74%
PLUMBING	131,367	291,023	259,000	147,739	57.04%		
ELECTRICAL	129,061	268,503	250,000	172,975	69.19%		
HVAC	101,582	168,128	185,000	91,853	49.65%		
MULTI-FAMILY INSPECTION	104,668	91,213	100,000	84,780	84.78%		
INTERGOV'T'L REVENUE	150,000	250,000	0	0	0.00%		
<i>SUB-TOTAL</i>	<u>\$2,174,453</u>	<u>\$5,266,007</u>	<u>\$4,955,000</u>	<u>\$1,899,453</u>	<u>38.33%</u>	<u>47.00%</u>	<u>81.56%</u>
<b><u>CHARGES FOR SERVICES</u></b>							
ZONING	\$24,630	\$43,775	\$37,000	\$14,099	38.10%		
PRINTING & DUPLICATING	11,821	20,917	15,500	6,048	39.02%		
POLICE SERVICES	203,913	179,290	203,500	123,917	60.89%	50.00%	121.79%
AMBULANCE & 911	1,449,237	1,331,592	1,505,000	592,049	39.34%	47.00%	83.70%
FIRE SERVICES	23,027	39,413	135,000	29,687	21.99%		
REFUSE SERVICES	2,587,264	3,319,450	3,350,000	1,593,650	47.57%	43.00%	110.63%
HEALTH & INSPECTION FEE	30,612	34,245	30,000	19,624	65.41%		
ANIMAL CONTROL & SHELTER	25,975	29,589	35,000	10,876	31.07%		
AQUATIC CENTER FEES	367,187	365,466	335,000	73,011	21.79%	18.00%	121.08%
SENIOR CENTER FEES	29,004	32,467	42,000	19,812	47.17%		
PARKS & REC CONCESSIONS	212,498	216,736	238,200	128,675	54.02%	50.00%	108.04%
BUILDING USE FEES	486,762	545,114	624,000	221,208	35.45%	34.00%	104.26%
EVENTS	35,449	99,722	70,000	7,662	10.95%		
<i>SUB-TOTAL</i>	<u>\$5,487,379</u>	<u>\$6,257,776</u>	<u>\$6,620,200</u>	<u>\$2,840,318</u>	<u>42.90%</u>	<u>43.00%</u>	<u>99.78%</u>
<b><u>FINES, FORFEITS &amp; ASSESSMENTS</u></b>							
COURT	\$2,140,085	\$1,772,306	\$2,146,900	\$841,896	39.21%	49.00%	80.03%
LIBRARY	112,960	49,098	40,000	17,261	43.15%		
<i>SUB-TOTAL</i>	<u>\$2,253,045</u>	<u>\$1,821,404</u>	<u>\$2,186,900</u>	<u>\$859,156</u>	<u>39.29%</u>	<u>49.00%</u>	<u>80.18%</u>

**GENERAL FUND  
STATEMENT OF REVENUES  
March 2019  
(UNAUDITED)**

	<b>ACTUAL REVENUES FY 16/17</b>	<b>ACTUAL REVENUES FY 17/18</b>	<b>ADOPTED BUDGET 2018-19</b>	<b>ACTUAL REVENUES Y-T-D 03/31/19</b>	<b>ACTUAL AS % OF BUDGET (Y-T-D)</b>	<b>EXPECTED AS % OF BUDGET (Y-T-D)</b>	<b>ACTUAL AS % OF EXPECTED (Y-T-D)</b>
<b>INTEREST/RENTS/CONTRIBUTIONS</b>							
INTEREST	\$207,404	\$384,356	\$500,000	\$340,840	68.17%		
RENTS	545,394	496,537	589,800	246,191	41.74%	56.00%	74.54%
<i>SUB-TOTAL</i>	<u>\$752,798</u>	<u>\$880,893</u>	<u>\$1,089,800</u>	<u>\$587,032</u>	<u>53.87%</u>	<u>52.00%</u>	<u>103.59%</u>
<b>MISCELLANEOUS</b>							
MISCELLANEOUS	\$81,801	\$94,009	\$76,000	\$39,769	52.33%		
RECYCLING	9,066	6,887	7,000	4,021	57.45%		
SALE OF ASSETS	23,607	18,594	20,000	3,400	17.00%		
DEVELOPER ADVANCE	125,000	0	0	0	0.00%		
INSURANCE RECOVERY	59,927	15,159	20,000	7,370	36.85%		
<i>SUB-TOTAL</i>	<u>\$299,401</u>	<u>\$134,649</u>	<u>\$123,000</u>	<u>\$54,559</u>	<u>44.36%</u>	<u>50.00%</u>	<u>88.71%</u>
<b>GRAND TOTAL</b>	<b><u><u>\$53,254,136</u></u></b>	<b><u><u>\$58,831,259</u></u></b>	<b><u><u>\$61,824,400</u></u></b>	<b><u><u>\$43,627,506</u></u></b>	<b><u><u>70.57%</u></u></b>	<b><u><u>71.00%</u></u></b>	<b><u><u>99.39%</u></u></b>

**ENTERPRISE FUNDS  
STATEMENT OF REVENUES  
March 2019  
(UNAUDITED)**

	ACTUAL REVENUES FY 16/17	ACTUAL REVENUES FY 17/18	ADOPTED BUDGET 2018-19	ACTUAL REVENUES Y-T-D 03/31/19	ACTUAL AS % OF BUDGET (Y-T-D)	EXPECTED AS % OF BUDGET (Y-T-D)	ACTUAL AS % OF EXPECTED (Y-T-D)
<b><u>INTEREST/RENTS/CONTRIBUTIONS</u></b>							
INTEREST	(\$6,660)	(\$6,436)	(\$9,000)	\$5,446	-60.51%		
SUB-TOTAL	(\$6,660)	(\$6,436)	(\$9,000)	\$5,446	-60.51%	0.00%	0.00%
<b><u>MISCELLANEOUS</u></b>							
RECONNECTS/SVC CHARGE	\$43,075	\$40,075	\$40,000	\$21,425	53.56%		
LATE FEES	177,895	235,212	225,000	116,493	51.77%		
SALE OF ASSETS	644	0	1,000	0	0.00%		
INSURANCE RECOVERY	0	606	0	0	N/A		
MISCELLANEOUS	3,839	7,363	4,100	5,500	134.15%		
SUB-TOTAL	\$225,453	\$283,256	\$270,100	\$143,418	53.10%	50.00%	106.20%
<b><u>WATER/SEWER SALES</u></b>							
WATER SALES	\$13,460,167	\$15,950,712	\$15,837,400	\$6,476,429	40.89%	45.00%	90.87%
SEWER SERVICE	6,203,535	7,414,912	7,478,300	3,651,679	48.83%	48.00%	101.73%
ADDISON SEWER	20,969	35,660	24,400	29,306	120.11%		
BACKFLOW PROGRAM	35,165	40,415	35,000	27,250	77.86%		
TAPPING FEES	2,300	3,000	3,400	1,150	33.82%		
SUB-TOTAL	\$19,722,136	\$23,444,699	\$23,378,500	\$10,185,814	43.57%	46.00%	94.72%
<b><u>STORMWATER UTILITIES</u></b>							
CHARGES FOR SERVICES	\$1,322,296	\$1,375,210	\$1,445,000	\$742,743	51.40%	50.00%	102.80%
SUB-TOTAL	\$1,322,296	\$1,375,210	\$1,445,000	\$742,743	51.40%	50.00%	102.80%
<b>GRAND TOTAL</b>	<b>\$21,263,225</b>	<b>\$25,096,729</b>	<b>\$25,084,600</b>	<b>\$11,077,420</b>	<b>44.16%</b>	<b>46.00%</b>	<b>96.00%</b>

**HOTEL/MOTEL FUND**  
**STATEMENT OF REVENUES**  
**March 2019**  
**(UNAUDITED)**

	ACTUAL REVENUES FY 16/17	ACTUAL REVENUES FY 17/18	ADOPTED BUDGET 2018-19	ACTUAL REVENUES Y-T-D 03/31/19	ACTUAL AS % OF BUDGET (Y-T-D)	EXPECTED AS % OF BUDGET (Y-T-D)	ACTUAL AS % OF EXPECTED (Y-T-D)
<u>OTHER TAXES</u>							
HOTEL/MOTEL TAX	\$2,892,656	\$2,849,667	\$3,050,000	\$1,451,463	47.59%	47.00%	101.25%
SUB-TOTAL	<u>\$2,892,656</u>	<u>\$2,849,667</u>	<u>\$3,050,000</u>	<u>\$1,451,463</u>	<u>47.59%</u>	<u>47.00%</u>	<u>101.25%</u>
<u>INTEREST/RENTS/CONTRIBUTIONS</u>							
INTEREST	\$29,075	\$25,666	\$35,000	\$22,070	63.06%		
SUB-TOTAL	<u>\$29,075</u>	<u>\$25,666</u>	<u>\$35,000</u>	<u>\$22,070</u>	<u>63.06%</u>	<u>50.00%</u>	<u>126.11%</u>
<u>SPECIAL REVENUES</u>							
MISCELLANEOUS	\$1,133	\$2,233	\$2,000	\$770	38.52%		
HISTORICAL PARK RENTALS	15,761	9,506	16,000	9,098	56.86%		
HISTORICAL PARK TEAS	5,650	5,275	7,500	4,760	63.47%		
EVENTS	21,735	46,583	35,000	14,527	41.51%		
SUB-TOTAL	<u>\$44,279</u>	<u>\$63,597</u>	<u>\$60,500</u>	<u>\$29,155</u>	<u>48.19%</u>	<u>50.00%</u>	<u>96.38%</u>
<b>GRAND TOTAL</b>	<b><u><u>\$2,966,010</u></u></b>	<b><u><u>\$2,938,930</u></u></b>	<b><u><u>\$3,145,500</u></u></b>	<b><u><u>\$1,502,688</u></u></b>	<b><u><u>47.77%</u></u></b>	<b><u><u>47.00%</u></u></b>	<b><u><u>101.64%</u></u></b>

**GENERAL FUND**  
**STATEMENT OF EXPENDITURES**  
**March 2019**  
**(UNAUDITED)**

DIVISION	ACTUAL	ACTUAL	ADJUSTED	ACTUAL	ACTUAL
	EXPENDITURES	EXPENDITURES	BUDGET	EXPENDITURES	AS % OF
	FY 16/17	FY 17/18	2018-19	AND ENCUMBRANCES 3/31/2019	BUDGET (Y-T-D)
GENERAL GOVERNMENT	\$181,071	\$168,274	\$201,100	\$128,121	63.71%
GENERAL CONTRACTS	292,000	292,000	285,000	145,000	50.88%
ADMINISTRATION	671,385	964,667	1,081,000	548,005	50.69%
LEGAL	443,147	455,960	445,400	144,456	32.43%
NON-DEPARTMENTAL	(3,607,691)	(1,699,013)	767,200	(234,748)	-30.60%
COMMUNICATIONS	614,133	638,328	726,700	314,684	43.30%
ECONOMIC DEVELOPMENT	607,475	405,225	448,300	231,925	51.73%
HUMAN RESOURCES	899,901	926,297	1,074,000	484,024	45.07%
FINANCE ADMINISTRATION	695,219	727,593	771,200	451,099	58.49%
ACCOUNTING	787,702	865,348	901,100	418,671	46.46%
INFORMATION SERVICES	2,701,935	2,496,665	2,729,300	1,420,544	52.05%
MUNICIPAL COURT	588,407	558,866	675,000	289,929	42.95%
PURCHASING	120,676	123,371	132,200	63,502	48.03%
PLANNING	353,658	386,282	704,100	243,959	34.65%
COMMUNITY SERVICES ADMIN.	417,361	393,132	371,400	172,798	46.53%
BUILDING INSPECTION	1,130,637	1,229,733	1,320,000	632,523	47.92%
PUBLIC WORKS ADMINISTRATION	663,793	670,453	740,500	343,843	46.43%
SUSTAINABILITY	2,483,063	2,770,335	3,670,500	1,266,690	34.51%
STREET MAINTENANCE	3,886,553	4,279,064	4,142,000	1,538,264	37.14%
ANIMAL SERVICES	771,723	689,363	802,400	304,714	37.98%
ENVIRONMENTAL SERVICES	350,847	359,198	464,700	176,408	37.96%
POLICE ADMINISTRATION	1,436,590	1,663,281	1,697,800	808,831	47.64%
POLICE INVESTIGATIONS	1,997,853	1,890,953	2,205,400	1,118,084	50.70%
POLICE PATROL	6,542,508	6,820,864	7,152,700	3,402,850	47.57%
POLICE DETENTION	1,145,241	1,219,102	1,331,500	583,674	43.84%
POLICE COMMUNICATIONS	1,665,618	1,770,749	1,804,100	1,266,997	70.23%
POLICE TRAINING	150,272	157,446	159,000	86,830	54.61%
FIRE ADMINISTRATION	1,337,402	1,294,487	1,242,700	650,074	52.31%
FIRE PREVENTION	542,216	573,243	593,500	303,793	51.19%
FIRE OPERATIONS	9,883,181	9,627,787	10,144,500	5,174,543	51.01%
PARKS & RECREATION ADMIN.	520,531	536,011	588,200	279,344	47.49%
PARK MAINTENANCE	4,989,440	5,202,811	5,786,200	2,258,248	39.03%
RECREATION	1,747,113	1,763,466	1,913,800	713,105	37.26%
AQUATICS CENTER	998,848	966,734	1,080,400	332,730	30.80%
SENIOR CENTER	721,841	800,519	797,900	324,878	40.72%
PARK BOARD	3,388	3,937	9,800	1,068	10.90%
SENIOR ADVISORY BOARD	3,647	3,179	4,800	1,909	39.78%
EVENTS	920,555	832,097	985,000	453,483	46.04%
LIBRARY	1,777,288	1,869,714	1,870,700	895,338	47.86%
<b>GRAND TOTAL</b>	<b>\$51,436,527</b>	<b>\$54,697,521</b>	<b>\$61,821,100</b>	<b>\$27,740,191</b>	<b>44.87%</b>

**ENTERPRISE FUNDS**  
**STATEMENT OF EXPENDITURES**  
**March 2019**  
**(UNAUDITED)**

<b>DIVISION</b>	<b>ACTUAL EXPENDITURES FY 16/17</b>	<b>ACTUAL EXPENDITURES FY 17/18</b>	<b>ADJUSTED BUDGET 2018-19</b>	<b>ACTUAL EXPENDITURES AND ENCUMBRANCES 03/31/19</b>	<b>ACTUAL AS % OF BUDGET (Y-T-D)</b>
WATER & SEWER ADMINISTRATION	\$4,597,366	\$4,533,619	\$4,631,600	\$2,315,544	49.99%
WATER & SEWER OPERATIONS	15,386,315	17,322,514	18,542,300	\$8,372,489	45.15%
STORMWATER UTILITIES	261,954	571,307	1,449,000	\$687,915	47.48%
<b>GRAND TOTAL</b>	<b><u><u>\$20,245,635</u></u></b>	<b><u><u>\$22,427,440</u></u></b>	<b><u><u>\$24,622,900</u></u></b>	<b><u><u>\$11,375,948</u></u></b>	<b><u><u>46.20%</u></u></b>

**HOTEL/MOTEL FUND**  
**STATEMENT OF EXPENDITURES**  
**March 2019**  
**(UNAUDITED)**

<b>DIVISION</b>	<b>ACTUAL EXPENDITURES FY 16/17</b>	<b>ACTUAL EXPENDITURES FY 17/18</b>	<b>ADJUSTED BUDGET 2018-19</b>	<b>ACTUAL EXPENDITURES AND ENCUMBRANCES 03/31/19</b>	<b>ACTUAL AS % OF BUDGET (Y-T-D)</b>
HISTORICAL PRESERVATION	\$2,305,788	\$1,969,717	\$1,566,800	\$586,587	37.44%
PROMOTION OF TOURISM	1,135,789	1,292,010	1,431,900	525,548	36.70%
CONVENTION CENTER	<u>393,558</u>	<u>5,934</u>	<u>19,000</u>	<u>0</u>	<u>0.00%</u>
<b>GRAND TOTAL</b>	<b><u><u>\$3,835,135</u></u></b>	<b><u><u>\$3,267,661</u></u></b>	<b><u><u>\$3,017,700</u></u></b>	<b><u><u>\$1,112,134</u></u></b>	<b><u><u>36.85%</u></u></b>



**Pooled Cash and Investments**  
Including Premiums/(Discounts)



March, 2019 (unaudited)

**Cash and Investments**

**FARMERS  
BRANCH**

<u>Fund No.</u>	<u>Fund Name</u>	<u>Mar-31-2018</u>	<u>Oct-01-2018</u>	<u>Mar-31-2019</u>
<b>General Fund:</b>				
101	General	\$21,727,858	\$12,507,611	\$30,095,856
102	Payroll (reported in 101 as of Feb 2019)	1,054,312	1,376,164	0
103	Fixed Assets	1,747,180	1,725,182	2,356,305
105	Economic Development	2,171,350	2,955,698	192,453
Sub-Total		<u>26,700,701</u>	<u>18,564,655</u>	<u>32,644,613</u>
<b>Special Revenue Fund:</b>				
201	Hotel-Motel	1,162,212	1,052,053	1,275,670
202	Police Forfeitures	147,113	169,749	145,733
203	Special Revenue Donations	447,440	455,995	316,010
205	Youth Scholarship	17,762	17,703	17,269
206	Grant	4,125	0	1,101
207	Building Security	30,582	29,364	22,142
208	LF Closure/Post Closure	2,304,210	2,310,429	2,345,015
209	Court Technology	23,661	37,283	41,247
212	Cemetery	5,456	5,499	6,776
214	Photographic Light System	829,843	998,016	987,675
216	PEG Access Channel	136,812	146,072	121,070
217	Farmers Branch Local Government Corp.	40,683	40,683	40,683
218	Joint Fire Training	31,843	15,163	35,294
222	Police Forfeitures - Federal	47,568	67,279	150,299
223	TIF District #3	162,350	157,597	1,383,450
225	Residential Revitalization	0	789,367	629,301
228	Huffines Extension	706,567	710,319	721,015
233	Fixed Assets	212,968	179,639	220,530
Sub-Total		<u>6,311,195</u>	<u>7,182,211</u>	<u>8,460,279</u>
<b>Capital Fund:</b>				
301	Non-Bond Capital Improvement Programs	3,184,181	3,378,225	4,078,026
303	Hotel/Motel Capital Improvement	1,303,505	1,258,051	79,281
309	Radio System	(1,052,591)	310,558	291,181
320	Fire Station #2 / Landfill	0	10,899,806	10,516,665
323	Aquatics Center	13,390	0	0
327	* Non-Bond Utility	5,044,544	5,282,867	5,611,759
328	TIF District #1	881,618	13,952	1,221,977
329	TIF District #2	341,125	301,162	788,773
330	Consolidated Dispatch	99,191	100,541	277,908
331	Justice Center Improvements	88,314	45,352	46,188
332	Street Improvements	2,712,099	10,315,765	9,095,219
333	Trails and Sidewalks	0	4,011,349	4,044,235
Sub-Total		<u>12,615,376</u>	<u>35,917,628</u>	<u>36,051,213</u>
<b>Debt Service Fund:</b>				
401	Debt Service	1,354,948	512,342	1,984,125
402	Landfill	0	3,510	1,024,067
403	Stars Center	271,765	499,623	263,231
Sub-Total		<u>1,626,713</u>	<u>1,015,475</u>	<u>3,271,422</u>
<b>Enterprise Fund:</b>				
501	Water and Sewer	(1,558,123)	514,272	(91,958)
503	Fixed Assets - Water and Sewer	572,615	683,681	815,450
511	Stormwater Utility	2,060,151	2,524,080	2,298,814
513	Fixed Assets - Stormwater	53	53	53
Sub-Total		<u>1,074,696</u>	<u>3,722,086</u>	<u>3,022,360</u>
<b>Internal Service Fund:</b>				
601	Internal Services	1,002,529	1,264,514	458,604
602	Workers' Compensation	825,557	847,781	916,002
603	Fixed Assets	142,415	155,419	140,276
604	Health Claims	969,775	829,410	985,487
Sub-Total		<u>2,940,277</u>	<u>3,097,124</u>	<u>2,500,368</u>
<b>GRAND TOTAL</b>		<u>\$51,268,957</u>	<u>\$69,499,179</u>	<u>\$85,950,255</u>

\* Reported in Enterprise Fund at year-end.

**City of Farmers Branch  
Portfolio Summary Report  
Quarter Ending 3/31/19**

This quarterly report is in full compliance with the City of Farmers Branch's investment strategy as established for operating and pooled funds and the Public Funds Investment Act (Chapter 2256). Beginning period information is as of December 31, 2018.

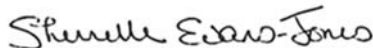
Beginning Book Value	\$71,513,757
Beginning Market Value	\$71,404,240
WAM <sup>1</sup> at Beginning Date	279 days
Ending Book Value	\$87,583,171
Ending Market Value	\$87,592,540
Unrealized Gain/(Loss)	\$ (9,369)
WAM at Ending Date	174 days
Change in Market Value	\$ 16,188,300 <sup>2</sup>
Yield Calculated on Weighted Average of Total Portfolio's Average Daily Balance	2.437%
Fiscal Year to Date Average Monthly Yield	2.355%
174 Day T-Bill at 3/31/19	2.400%

<sup>1</sup> WAM = Weighted Average Maturity

<sup>2</sup> Change in market value is due primarily to cash flow changes or new investments and investment maturities during the period. Cash from maturing investments is either reinvested or used to pay the City's bills.

The City follows a policy of holding investments to maturity. This policy would prevent any unrealized loss (or gain) noted above from actually occurring.

Approved by:



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Sherrelle Evans-Jones  
Finance Director

# Growth in Texas Economy Downshifts

February 1, 2019

The Texas economy experienced another downshift in growth over the last two months, although the level of activity remains strong. Job growth decelerated slightly in the fourth quarter, and the Dallas Fed's Texas Business Outlook Surveys (TBOS) suggest a slowing in output growth in December and January.

Expectations have also slumped; the 2019 job growth forecast for Texas is now between 1 and 2 percent, and survey contacts' outlooks have notably deteriorated since November. Headwinds include lower oil prices, a strong dollar, tariffs, higher interest rates, labor constraints and increased uncertainty. Wage and price inflation may also be moderating; survey data point to softer growth in the second half of 2018 and expectations for slower growth in 2019.

## Activity Remains Strong, Growth Moderates

Texas added jobs at a moderate 2.5 percent pace in the fourth quarter, slightly slower than the third-quarter growth of 2.7 percent (*Chart 1*). The gap between Texas and U.S. job growth narrowed in the second half of 2018 as U.S. payroll growth increased from 1.5 percent in the third quarter to 2.1 percent in the fourth. Most Texas metros experienced slower growth in the fourth quarter, with the exception of Fort Worth and San Antonio.

While Texas economic activity remains robust, a broad-based deceleration was seen in December and January across the manufacturing, services and retail sectors. The latest data from TBOS show notable declines in the production and revenue indexes (*Chart 2*). While these indexes are roughly in line with their postrecession averages, the recent declines point to slowing output growth from 2018 levels.

## Manufacturing Activity Solid but Slowing

The Texas manufacturing sector remains strong, although production growth appears to be moderating for both durables and nondurables. The marked slowdown in manufacturing is not limited to Texas, as the new orders indexes from the four other Federal Reserve Banks' manufacturing surveys also declined (from high levels) in December and January, and the national Manufacturing ISM Report for Business came in weaker than expected at year-end (*Chart 3*).

## Less Optimism in Outlooks

The Texas Leading Index declined sharply in November and December, due in large part to lower oil prices and lower stock prices of Texas companies (*Chart 4*). The drop in the leading index coupled with slower employment growth in the fourth quarter resulted in a downward revision to the 2019 Texas employment forecast to a range of 1 to 2 percent, from 2.0 percent in December.

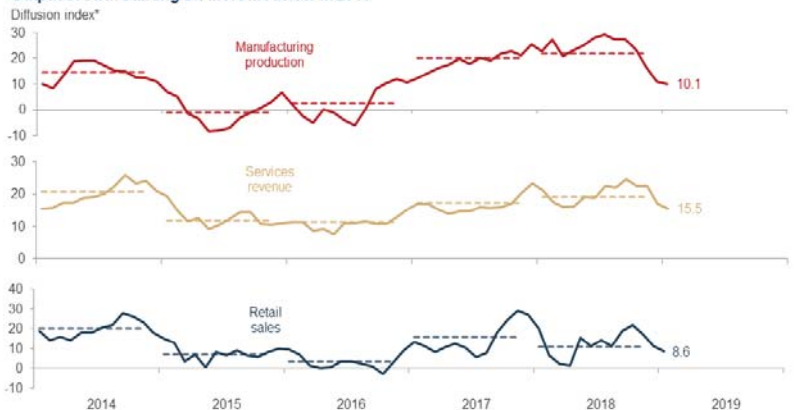
A rather dramatic slowdown in outlooks among TBOS contacts was seen in December and January, lending further support for weaker expected growth this year. Texas business executives are now fairly balanced as to whether their company's six-month outlook has improved or worsened from last month, quite a deterioration from what was seen through November 2018, when far more con-

**Chart 1**  
Texas Employment Growth Slows Slightly in Fourth Quarter  
Job growth (percent), quarter/quarter\*



\*Seasonally adjusted, annualized rate.  
NOTES: Last data points are December 2018/September 2018 annualized growth for the U.S. and Texas. Dotted lines are average growth from January 1990 to present.  
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by the Federal Reserve Bank of Dallas.

**Chart 2**  
Output Growth Starting Off More Moderate in 2019  
Diffusion index\*



\*Seasonally adjusted, three-month moving average.  
NOTES: Data are through January 2019. Dashed lines denote annual averages.  
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

**Chart 3**  
Manufacturing Demand Decelerates Further in January, According to Fed Surveys  
Diffusion index\*



\*Seasonally adjusted, three-month moving average.  
NOTE: Data are through January 2019.  
SOURCES: Federal Reserve Bank of Dallas; Federal Reserve Bank of Richmond; Federal Reserve Bank of Philadelphia; Federal Reserve Bank of Kansas City; Federal Reserve Bank of New York; Institute for Supply Management (ISM); authors' calculations.

tacts noted improved outlooks month to month. Contacts cited declining oil prices, labor constraints, increased stock market volatility and reduced activity in the housing and energy sectors as factors damping outlooks.

### Wage and Price Growth Tempers

Texas businesses expect wage and price growth to abate somewhat in 2019 but still remain elevated. Respondents to December TBOS special questions expect wage growth to moderate from 4.5 percent in 2018 to 4.0 percent in 2019 and input price growth to be nearly 1 percentage point lower in 2019, on average (*Table 1*). Businesses expect to raise selling prices by 2.8 percent in 2019, on average, down slightly from 2018 and a distinctly slower pace than the expected rise in labor and nonlabor costs. As with wages, these price expectations are still quite elevated but do suggest that inflationary pressures may have topped out last year.

### Texas Businesses Report Narrower Margins

Results from December TBOS Special Questions shed some light on why selling price growth is not keeping pace with wage and other input price increases. While a majority of survey respondents noted passing at least some of their costs on to customers, only 8 percent said they were passing all cost increases through, compared with nearly a quarter of firms who reported not passing on any of their higher costs.

With Texas businesses reporting selling price growth lagging input price growth, it's not surprising that 45 percent of respondents to December's TBOS special questions noted decreased operating margins over the past six months (*Chart 5*). Thirty percent reported increased margins, while almost a quarter noted no change. Margin erosion appears particularly severe in the retail sector, with nearly two-thirds of respondents reporting lower margins versus six months ago. Retail contacts point to internet pricing putting downward pressure on prices, particularly for auto dealers.

### Housing Market Indicators Slow

The housing market appears to be slowing from elevated levels in 2018. Texas home sales began to wane in the second half of 2018, and single-family housing permits fell off sharply in October (*Chart 6*). Construction and real estate contacts expect flat housing starts and home sales in 2019 and further deceleration in house price appreciation. Builders report several headwinds to affordability, including elevated land, labor and construction costs.

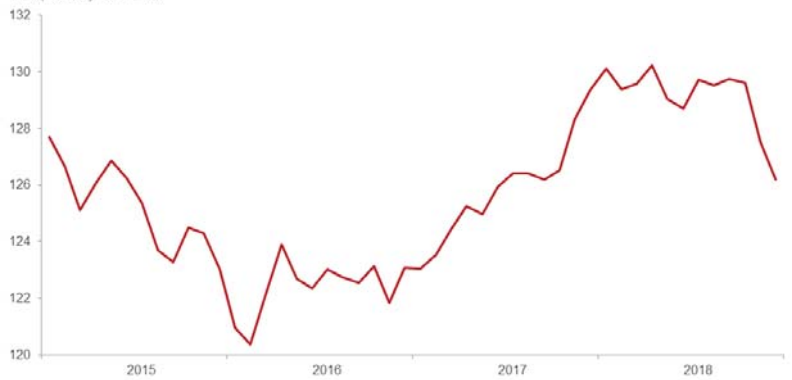
—Emily Kerr and Benjamin Meier

### About the Authors

Kerr is a senior business economist and Meier is a research assistant in the Research Department at the Federal Reserve Bank of Dallas.

**Chart 4**  
Texas Leading Index Drops in November, December

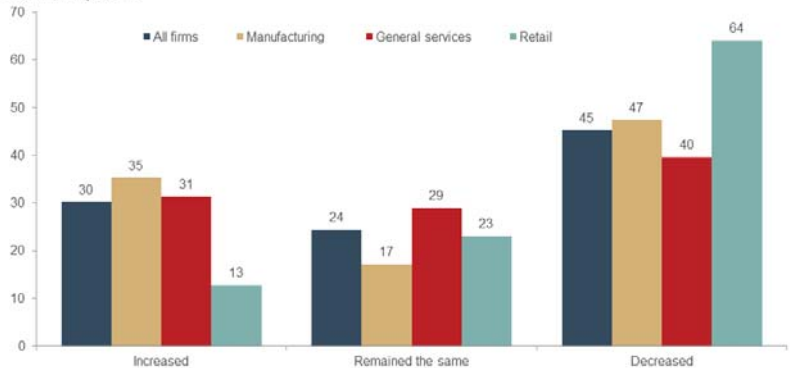
Index, January 1987 = 100



NOTES: Data are through December 2018. Texas trade-weighted value of the dollar is estimated.  
SOURCE: Federal Reserve Bank of Dallas.

**Chart 5**  
Nearly Half of Businesses Report Decreased Margins over Past Six Months

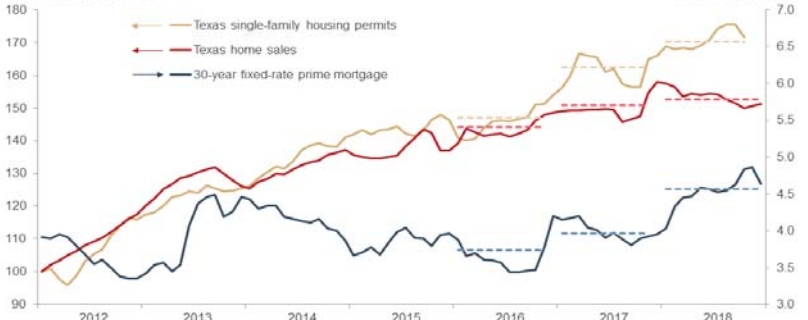
Percent of respondents



NOTES: Respondents were asked, "How has your firm's operating margin (defined as earnings before interest and taxes (EBIT) as a share of total revenue) changed over the past six months?" Data were collected Dec. 18–26, and 311 Texas business executives responded to the question.  
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

**Chart 6**  
Growth in Housing Activity Leveling Off

Index, January 2012 = 100\*



\*Three-month moving average, seasonally adjusted.  
NOTES: Dashed lines show annual averages. Single-family permits through October 2018. Texas home sales and interest rates are through December 2018. Interest rate is monthly average of closed 30-year, fixed-rate prime mortgages.  
SOURCES: Multiple Listing Service; Real Estate Center at Texas A&M University; Freddie Mac Primary Mortgage Market Survey; Census Bureau

**Table 1: Texas Firms Report on Annual Percent Changes in Wages and Prices**

	2017 (actual)	2018 (actual)	2019 (expected)
Wages	3.8%	4.5%	4.0%
Input prices (excluding wages)	3.1%	4.7%	3.8%
Selling prices	2.3%	3.1%	2.8%

NOTES: Shown are the trimmed means with the lowest and highest 5 percent of responses omitted. 2017 figures were collected in May 2018, and 216 firms responded to this question. 2018 and 2019 figures were collected in December 2018, and 258 firms responded.

SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

The City of Farmers Branch

Investment Portfolio

March 31, 2019

Trade Date	Maturity Date	Rating Moody/S&P	Type/ Broker Dealer	CUSIP	Weighted Average Maturity	Coupon	Yield	PAR Value	Purchase Principal	Market Value Mar-2019	Current Book Value	Unrealized Gain/(Loss)	Accrued Interest Receivable	Percent of of Total Portfolio
Nov-16-2018	May-31-2019	Aaa	US Treasury Cantor Fitzgerald	912828WL0	10	1.500%	2.499%	5,000,000	4,973,438	4,991,524	4,993,359	(1,836)	25,000	5.70%
Nov-16-2018	Aug-15-2019	Aaa	US Treasury FTN Financial	912828B5	23	0.750%	2.609%	5,000,000	4,931,641	4,967,637	4,965,820	1,816	3,125	5.70%
Nov-20-2018	Nov-30-2019	Aaa	US Treasury BOSC/Bank of Tx	912828G61	24	1.500%	2.712%	3,000,000	2,963,400	2,981,531	2,977,125	4,406	15,000	3.42%
Feb-01-2018	Apr-30-2020	Aaa	US Treasury BOSC/Bank of Tx	912828K58	99	1.375%	2.194%	7,600,000	7,464,625	7,517,053	7,534,916	(17,863)	43,542	8.67%
May-17-2018	May-31-2019	Aaa	US Treasury Cantor Fitzgerald	912828SX9	10	1.125%	2.331%	5,000,000	4,938,477	4,988,574	4,992,310	(3,736)	18,750	5.70%
May-17-2018	Nov-30-2019	Aaa	US Treasury Raymond James	9128283H1	37	1.750%	2.508%	4,500,000	4,448,848	4,479,908	4,478,687	1,222	26,250	5.13%
TOTAL US TREASURY NOTES					203	1.319%	2.435%	30,100,000	29,720,427	29,926,227	29,942,217	(15,990)	131,667	34.32%
Jan-09-2017	Jul-01-2019	Aa3/AA	Florida State Board of Admin Wells Fargo	341271AA2	11	2.163%	1.850%	6,255,000	6,302,163	6,255,000	6,260,502	(5,502)	22,549	7.13%
Jan-16-2018	Dec-01-2019	Aa2/AA	Columbus OH City School Hilltop Securities	1995072R4	14	2.286%	2.075%	2,900,000	2,911,165	2,896,172	2,904,126	(7,954)	16,574	3.31%
Jan-16-2018	Feb-01-2020	Aaa/AAA	Georgia St GO Hilltop Securities	373384K88	12	2.750%	2.050%	2,090,000	2,119,093	2,095,392	2,102,219	(6,827)	4,790	2.38%
Feb-01-2018	Apr-01-2020	Aaa/AAA	Texas ST Trans Comm Cantor Fitzgerald	882722VG3	3	3.373%	2.300%	400,000	409,012	403,448	404,333	(885)	5,622	0.46%
Jun-07-2018	Jun-01-2020	Aa2/	Tulsa Cnty OK ISD Wells Fargo	899593LZ8	25	3.000%	2.759%	3,050,000	3,064,061	3,067,660	3,058,495	9,165	68,625	3.48%
May-17-2018	Jul-01-2020	Aa3/AA	Florida State Hur. Catastrophe Wells Fargo	34074GDH4	65	2.995%	2.900%	7,285,000	7,298,987	7,323,465	7,293,339	30,126	36,364	8.31%
TOTAL MUNICIPAL OBLIGATIONS					130	2.649%	2.381%	21,980,000	22,104,480	22,041,137	22,023,014	18,123	154,523	25.06%
Nov-20-2018	Nov-19-2019	Aaa/AA+	FHLB BOSC/Bank of Tx	3130AFGD3	233	2.750%	2.735%	7,000,000	7,001,050	7,007,893	7,000,656	7,236	68,903	7.98%
TOTAL AGENCY OBLIGATIONS					233	2.750%	2.735%	7,000,000	7,001,050	7,007,893	7,000,656	7,236	68,903	7.98%
Mar-31-2019	Mar-31-2019	FDIC/Col	DEPOSITORY JPMorgan-Chase		1	0.910%	0.910%	105,637	105,637	105,637	105,637	0	0	0.12%
TOTAL DEPOSITORY (Collateralized)					1	0.910%	0.910%	105,637	105,637	105,637	105,637	0	0	0.12%
Mar-31-2019	Mar-31-2019	AAAm	POOL TexPool		27	2.416%	2.416%	28,511,647	28,511,647	28,511,647	28,511,647	0	0	32.51%
TOTAL REPO AGREEMENTS (Collateralized)					27	2.416%	2.416%	28,511,647	28,511,647	28,511,647	28,511,647	0	0	32.51%

TOTAL INVESTMENTS **2.122%** **87,697,284** **87,443,242** **87,592,540** **87,583,171** **9,369** **355,093** **100.00%**

This Month's Yield Calculated on Weighted Average of Total Portfolio 2.437%

Year to Date Average Monthly Yield through March 31, 2019 2.355%

174 Day T-Bill Dated As of March 31, 2019 Sep-2019 2.400%

Portfolio Weighted Average Maturity (WAM) in Days 174

Portfolio Market to Book Value Percentage Gain/Loss 0.01%

All securities are recorded in a commingled pool entitled "Pooled Equity Fund".

For purposes of this report, all repurchase agreements are assumed to mature as of the reporting period end date.

Key: CDAR = Certificate of Deposit Account Registry Service, TB= US Treasury Bill, TN = US Treasury Note, FHLB = Federal Home Loan Bank Note, Repo = Repurchase Agreement, FFCB - Federal Farm Credit Bank Note, FNDN = Fannie Mae Discount Note, SLMA = Student Loan Marketing Association Note, FNMA = Fannie Mae Note, FHLMC = Freddie Mac, FAMCA = Farmer Mac Note

*Sherrill Evans-Jones*

Director of Finance

ALL INSTRUMENTS ARE HELD TO MATURITY