

Memorandum



CITY OF DALLAS

DATE August 21, 2009

TO Members of the Budget, Finance & Audit Committee:
Chair Jerry Allen, Vice-Chair Ann Margolin, Vonciel Jones Hill, Angela Hunt, Delia Jasso, Ron Natinsky, David Neumann

SUBJECT Quarterly Investment Report as of June 30, 2009

Each quarter, the quarterly investment report is provided to the Budget, Finance & Audit Committee as an informational item. For this quarter, a background/review is also provided.

The City of Dallas Investment Policy, adopted by the City Council on November 10, 2008 requires that the City Council and City Manager receive quarterly investment reports. A copy of the 2008 investment policy has been included for your review. The City's Investment Policy provides the general framework for the investment of City funds, both operating and capital. Bond funds, including debt service and reserve funds, are managed by governing bond ordinances as well as the Investment Policy and the Tax Reform Act of 1986. The Policy emphasizes the City's investment objectives of safety, liquidity and yield, in that order, and complies with the Public Funds Investment Act as amended September 1, 2007.

The purpose of this report is to provide a means for Council members, Council committee members and staff to regularly review and monitor the City's investment position and to demonstrate compliance with the City's Investment Policy and the Public Funds Investment Act. Detail and summary reports on each of the City's portfolios are included as well as summary information on the portfolio as a whole. Trade activity for the quarter is shown on page sixteen and includes the percentages of opportunities offered and awarded to M/WBE dealers.

For the quarter ended June 30, 2009 the City's individual portfolios and the combined portfolio are in compliance with the relevant provisions of the City's Investment Policy and the Public Funds Investment Act.

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Finally, the cash balance in the bank was increased beginning in April to take advantage of the premium earnings credit rate offered by Bank of America. The City was able to reduce bank service charges for the quarter by \$90,765 compared to an estimated \$43,828 in forgone interest earnings had the cash been invested in TexPool. This equated to a \$46,937 savings for the quarter. All non-interest bearing bank deposits are FDIC insured through December 31, 2009.

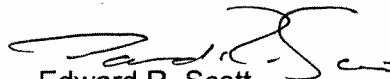
Month	Closing Available Cash			Actual		TexPool	
	Closing Available Cash	ECR	Total Service Charge	Earnings Credit	Service Charge ¹	Avg Rate	Estimated Earnings
Apr 09	21,177,720	1.00%	46,950	9,501	37,449	0.48%	8,374
May 09	53,777,906	1.00%	45,845	42,576	3,269	0.41%	18,137
Jun 09	52,445,605	0.90%	50,111	38,688	11,423	0.40%	17,317
Total			142,906	90,765	52,141		43,828

Total reductions in service charges due to earnings credit	\$ 90,765
Less: Total estimated interest forgone on TexPool for the quarter	<u>43,828</u>
Estimated Net Saving	<u>\$ 46,937</u>

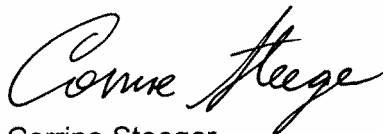
1) Represents the service charge after the earnings credit reduction.



David Cook
Chief Financial Officer



Edward R. Scott
City Controller



Corrine Steeger
Treasury Manager/Assistant Director

c: Honorable Mayor & Members of the City Council
Mary K. Suhm, City Manager
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Forest E. Turner, Assistant City Manager
Craig Kinton, City Auditor

CITY OF DALLAS

REVIEW OF CITY INVESTMENTS

Budget, Finance & Audit Committee

August 25, 2009



Public Funds Management

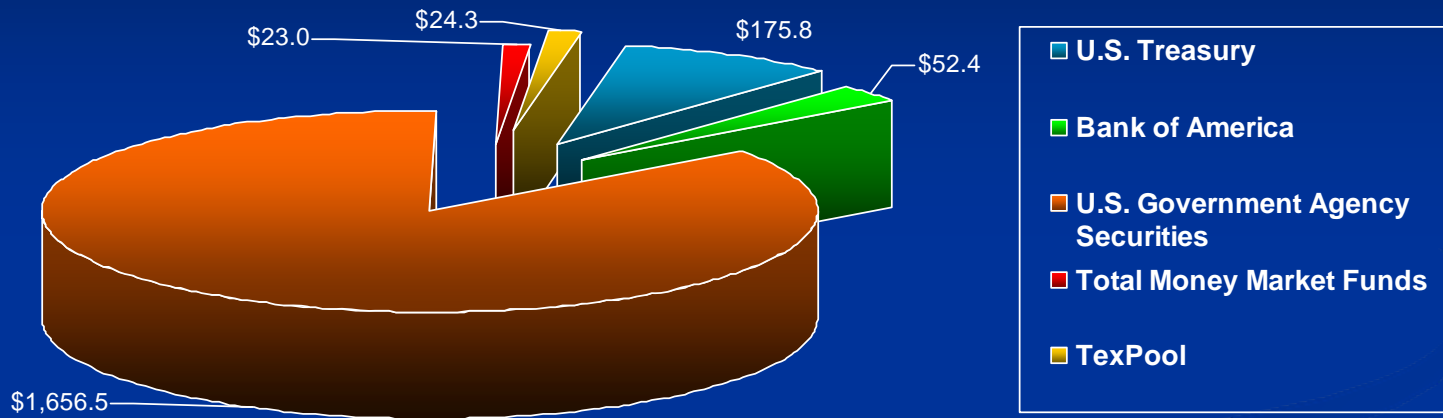
- Federal Regulations
- State Statutes
 - Public Funds Investment Act
 - Public Funds Collateral Act
 - Depositories for Municipal Funds
- City Charter and Code

Public Funds Investment Act

- Requires a written investment policy annually reviewed by the City Council
- Requires the policy to address:
 - Safety, liquidity, yield, and diversification
 - Investment strategy
 - Authorized investments

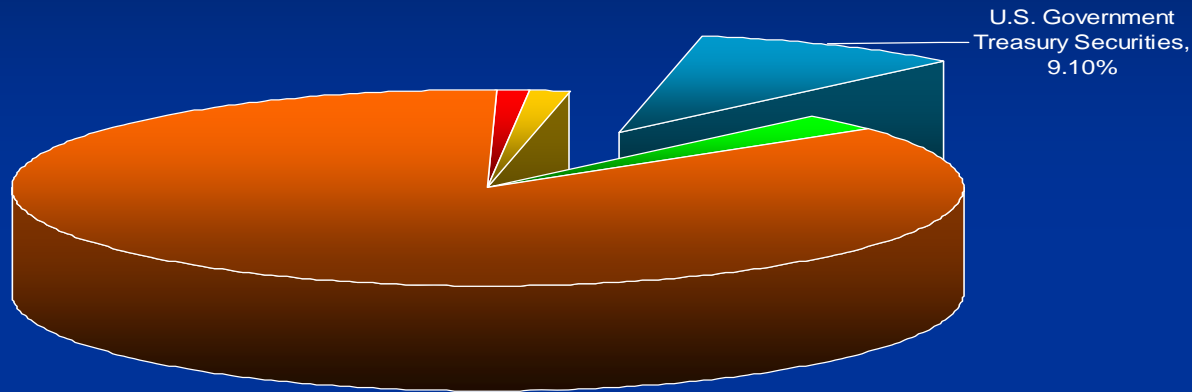
City of Dallas Investment Pool

(\$ in Millions)



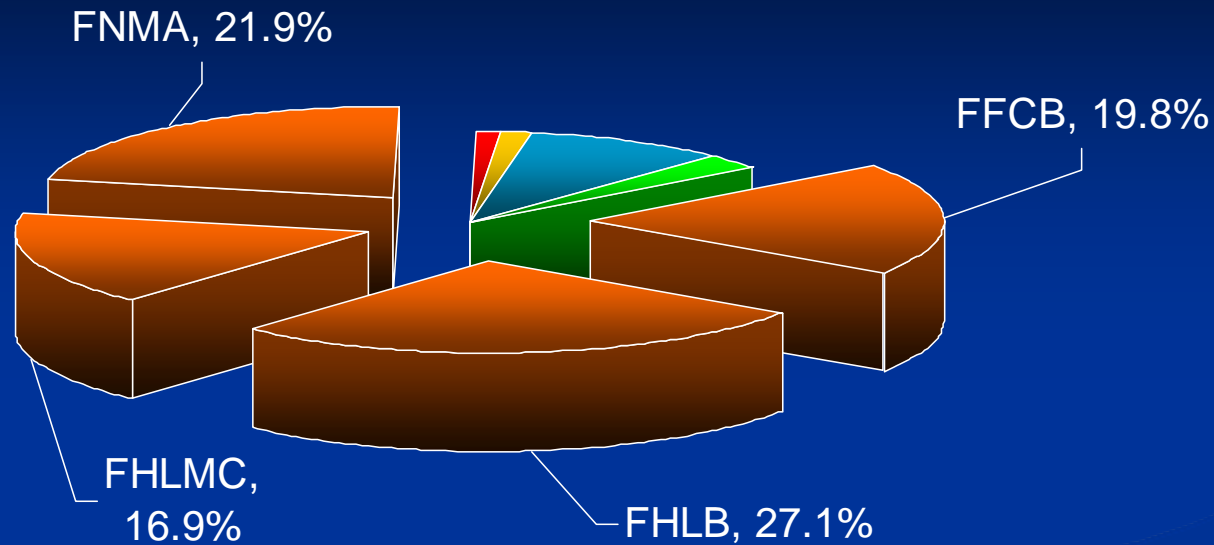
- The City's investment pool includes the following:
 - U.S. Treasury Securities
 - U.S. Government Agency Securities
 - Local Government Investment Pool
 - Money Market Funds
- The total market value of the City's investment pool as of June 30, 2009 is \$1,932,135,344. This includes a cash balance of \$52,445,605 held with Bank of America.

U.S. Treasury Securities



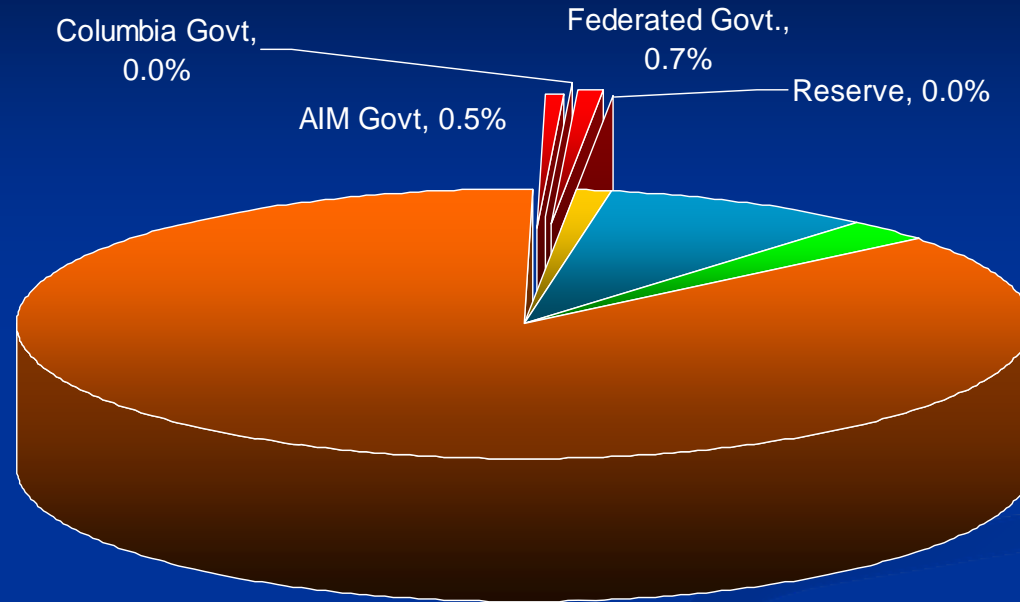
- Direct obligations of the U.S. Treasury
- City's investment policy permits 100% of the total portfolio to be invested in U.S. Treasury securities
- Currently, represents 9.10% of the investment pool.
- Market value as of June 30, 2009 is \$175,771,874.

U.S. Government Agency Securities



- City's investment policy permits 30% of the book value of the total portfolio to be invested in the obligations of a single agency
- Investment Pool market value as of June 30, 2009 by agency:
 - Federal Farm Credit Bank (FFCB) = \$382,913,813
 - Federal Home Loan Bank (FHLB) = \$524,161,038
 - Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac) = \$325,593,058
 - Federal National Mortgage Association (FNMA or Fannie Mae) = \$423,865,548

Money Market Mutual Funds

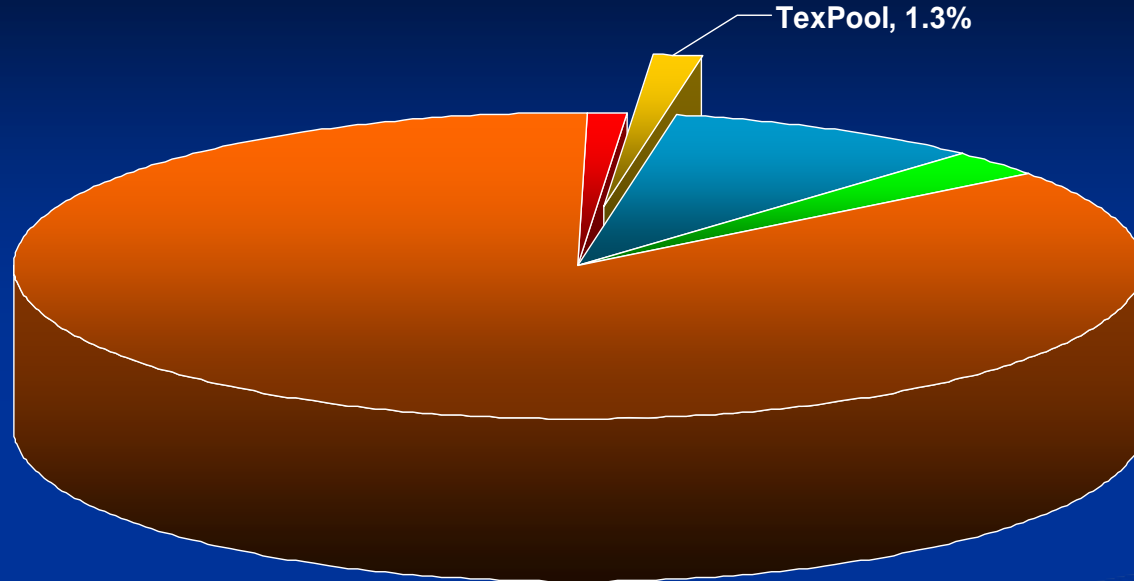


- The City's investment policy permits the City to invest in any single fund either the lesser of \$100 million or 5% of the total assets of the fund.
- All money market mutual funds must be AAA rated
- Market value as of June 30, 2009 by fund:
 - AIM Government & Agency Portfolio = \$9,195,118
 - Federated Government Obligations = \$12,819,119
 - Columbia Government Fund = \$817,885

Money Market Mutual Funds (cont.)

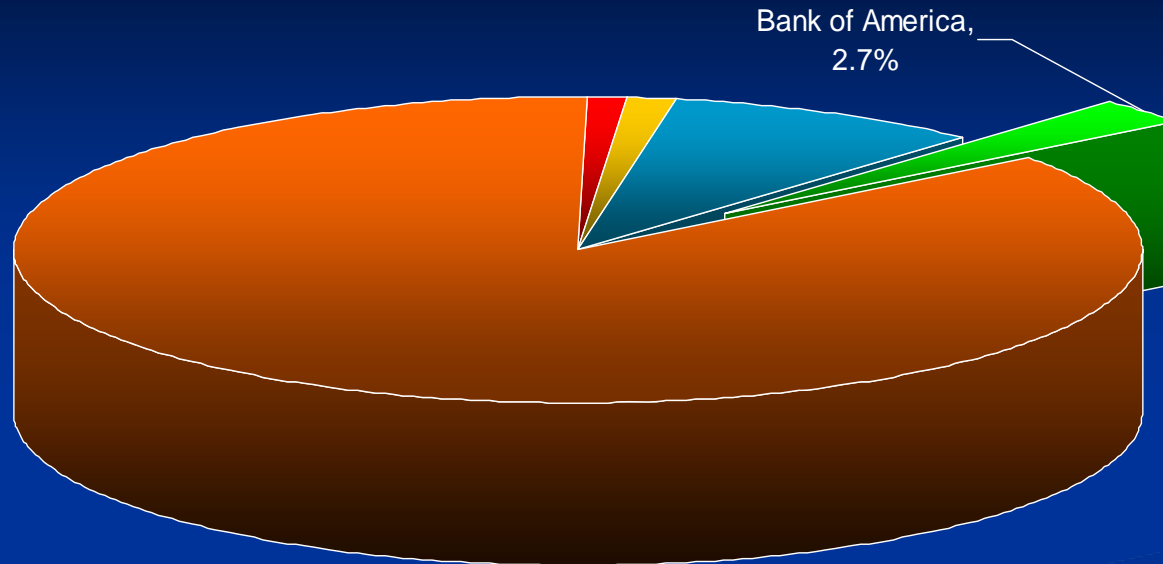
- The Reserve Primary Fund
 - On September 16th, 2008, the Reserve Primary Fund's net asset value fell below \$1 a share to \$0.97 and as a result ceased to allow withdrawals due to investment losses in its portfolio.
 - The value of the city's investment was \$2,075,221.
 - Since then, the Reserve Primary Fund has made four distributions totaling \$1,867,014 (90% of the balance as of September 16, 2008).
 - As of June 30, 2009 the remaining balance is \$208,207.

Local Government Investment Pool



- The City is currently invested in TexPool.
 - TexPool is the largest and oldest local government investment pool in the State of Texas.
 - Overseen by the State Comptroller of Public Accounts.
 - Federated Investors is the full service provider to the pool managing the assets.
 - As of June 30, 2009, the market value was \$24,344,081

Bank of America



- Bank of America is the City's Depository.
 - As of June 30, 2009, the closing available balance was \$52,445,605
 - Bank of America's participation in the Temporary Liquidity Guarantee Program (TLGP) means that all non-interest bearing deposits are FDIC insured through December 31, 2009.
 - Bank of America increased its Earnings Credit Rate for customers to coincide with its participation in the TLGP
 - The City increased its cash balance in Bank of America in April to benefit from the higher Earnings Credit Rate
 - Banking service charges for the quarter ended June 30th were reduced by \$90,765

Separately Managed Funds

- The City's investment policy also governs some funds that are invested separately from the investment pool.
- Oncor and NTTA Escrow Funds are invested in money market mutual funds:
 - Columbia Government Reserve (North Texas Tollway Authority) = \$4,705,653
 - Columbia Treasury Reserve (Onco Electric) = \$4,550,366
- DWU Commercial Paper proceeds are invested in tax-exempt money market mutual funds:
 - BlackRock Muni Funds = \$5,756,095
 - Federated Tax-Free Obligation Fund = \$1,345,050

Conclusion

- City staff will continue to provide quarterly investment reports.
- No action requested.
- Questions?