

Memorandum



CITY OF DALLAS

DATE January 29, 2016

TO Members of the Budget, Finance & Audit Committee: Jennifer S. Gates (Chair), Philip T. Kingston (Vice Chair), Erik Wilson, Rickey D. Callahan, Scott Griggs, Lee M. Kleinman

SUBJECT Quarterly Investment Report as of December 31, 2015

The City of Dallas Investment Policy, in accordance with the Texas Public Funds Investment Act, requires that the City Council and City Manager receive quarterly investment reports. 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. Summary reports on each of the City's portfolios are included as well as summary information on the portfolio as a whole.

For the quarter ended December 31, 2015 the City's individual portfolios and the combined portfolio are in compliance with the relevant provisions of the Public Funds Investment Act and the investment strategies adopted in Sec. 17.0 of the City's Investment Policy.

Please let me know if you need additional information.


Jeanne Chipperfield
Chief Financial Officer

Attachment

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager

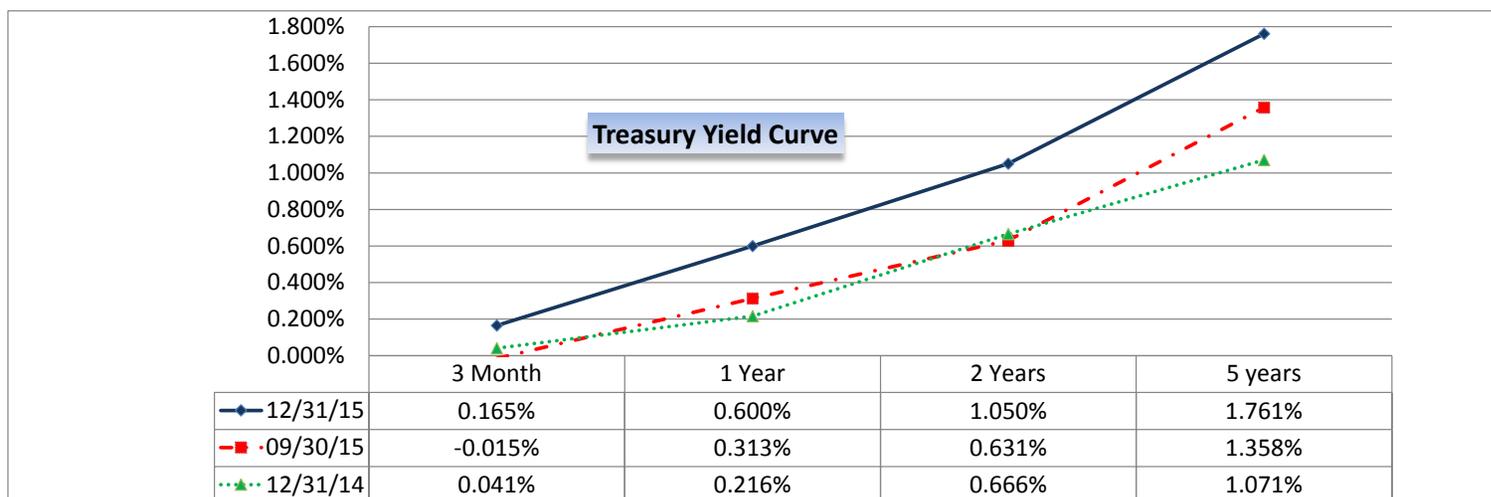
Quarterly National Economic and Market Update
 Quarter Ended December 31, 2015

- Economic activity has been expanding at a moderate pace. Household spending and business fixed investment have been increasing at solid rates, and the housing sector has improved further; however, net exports have been soft. Labor market indicators show further improvement and confirms that underutilization of labor resources has diminished appreciably since early 2015.
- Inflation has continued to run below the Federal Open Market Committee's (FOMC's) 2 percent longer-run objective, partly reflecting declines in energy prices and in prices of non-energy imports.
- Given the economic outlook, and recognizing the time it takes for policy actions to affect future economic outcomes, the FOMC decided to raise the target range for the federal funds rate to 0.25 to 0.50 percent from the 0.00 to 0.25 percent range. Further increases will depend upon changes in labor market conditions and inflation.

Source: FOMC December 16, 2015 Statement

National Economic Data	12/31/2014	12/31/2015
Fed Funds Effective Rate Target	0.00% -0.25%	0.25% -0.50%
2 Years Treasury Note	0.666%	1.050%
10 Years Treasury Note	2.172%	2.270%
Monthly Unemployment Rate	5.60%	5.00%
Weekly Initial Jobless Claims	293,000	287,000
Monthly Change in Nonfarm Payrolls	329,000	292,000
Monthly New Housing Starts	1,087,000	1,149,000

Source: Bloomberg



Source: Bloomberg

City of Dallas
Portfolio Holdings
Combined Investment Summary
As of 12/31/2015

Portfolio Description	Face Amount	Book Value	Market Value	Accrued Interest	Market Value + Accrued Interest	*Unrealized Gain/(Loss)	Weighted Average Yield To Maturity
01 The City's Investment Pool	1,631,255,000	1,632,080,645	1,630,259,711	2,225,584	1,632,485,294	(1,820,935)	0.84%
02 Convention Center Reserve	18,900,000	18,900,000	18,922,090	54,630	18,976,720	22,090	1.29%
03 Water Reserve	90,000,000	89,923,120	89,938,120	275,668	90,213,788	15,000	1.13%
04 Art Endowment	2,235,000	2,235,000	2,223,908	9,983	2,233,891	(11,092)	1.20%
05 Ida Green Library Fund	1,000,000	1,000,000	996,799	1,200	997,999	(3,201)	1.20%
10 DWU Commercial Paper Program	4,432	4,432	4,432	0	4,432	-	0.02%
11 GO Commercial Paper	27,880,000	27,880,000	27,880,000	0	27,880,000	-	0.02%
14 Trinity Parkway Escrow	546,850	546,850	546,850	0	546,850	-	0.27%

*Unrealized gain/loss is the difference between the market value and book value and does not represent an actual gain or loss. Gains and losses are realized only when a security is sold prior to maturity. Since it is the City's practice to hold investments until they mature, the temporary gains and losses are unlikely to be realized.

City of Dallas
Trade Activity by Portfolio
As of: 09/30/2015 - 12/31/2015

Portfolio Description	Beginning Face Amount	Beginning Weighted Average Yield To Maturity	Purchased/Deposited	Matured/Called/Redeemed	Ending Face Amount	Ending Weighted Average Yield To Maturity
City's Investment Pool*						
Federal Agricultural Mortgage Corp.	194,770,000	0.91%	13,000,000	30,000,000	177,770,000	0.98%
Federal Farm Credit Bank	100,000,000	0.78%	40,000,000	-	140,000,000	0.90%
Federal Home Loan Bank	225,135,000	0.74%	155,000,000	66,500,000	313,635,000	1.16%
Federal Home Loan Mortgage Corp.	337,000,000	0.90%	60,000,000	35,000,000	362,000,000	0.94%
Federal National Mortgage Assoc.	294,930,000	0.89%	-	35,100,000	259,830,000	0.96%
Total Portfolio	1,151,835,000	0.86%	268,000,000	166,600,000	1,253,235,000	1.00%
<i>*Trade activity excludes local government investment pools and money market mutual funds.</i>						
Convention Center Reserve						
Federal Home Loan Bank	15,000,000	1.30%	-	-	15,000,000	1.30%
Federal National Mortgage Assoc.	3,900,000	1.23%	-	-	3,900,000	1.23%
Total Portfolio	18,900,000	1.29%	-	-	18,900,000	1.29%
Water Reserve						
Federal Farm Credit Bank	5,000,000	0.30%	-	5,000,000	-	-
Federal Home Loan Bank	55,000,000	1.07%	5,000,000	-	60,000,000	1.11%
Federal Home Loan Mortgage Corp.	20,000,000	1.21%	-	-	20,000,000	1.21%
Federal National Mortgage Assoc.	10,000,000	-	-	-	10,000,000	1.14%
Total Portfolio	90,000,000	1.07%	5,000,000	5,000,000	90,000,000	1.13%
Art Endowment						
Federal Home Loan Bank	2,235,000	1.20%	-	-	2,235,000	1.20%
Total Portfolio	2,235,000	1.20%	-	-	2,235,000	1.20%
Ida Green Library Endowment						
Federal Home Loan Bank	1,000,000	1.20%	-	-	1,000,000	1.20%
Total Portfolio	1,000,000	1.20%	-	-	1,000,000	1.20%
DWU Commercial Paper						
Money Market - Tax Exempt	2,187	0.01%	2,246	-	4,433	0.02%
Total Portfolio	2,187	0.01%	2,246	-	4,433	0.02%
GO Commercial Paper						
Money Market - Tax Exempt	27,880,000	0.02%	-	-	27,880,000	0.02%
Total Portfolio	27,880,000	0.02%	-	-	27,880,000	0.02%
Trinity Parkway Escrow						
Money Market	546,634	0.08%	216	-	546,850	0.27%
Total Portfolio	546,634	0.08%	216	-	546,850	0.27%

City of Dallas
Summary Statement by Portfolio
As of: 09/30/2015 - 12/31/2015

Portfolio Description	Beginning Face Amount	Ending Face Amount	Beginning Book Value	Ending Book Value	Beginning Market Value	Ending Market Value	Deposits/ (Redemptions)	Change in Market Value	Accrued Interest	Ending Weighted Average Yield To Maturity
City's Investment Pool¹										
Local Govt. Investment Pool	100,020,000	202,020,000	100,020,000	202,020,000	100,020,000	202,020,000	102,000,000	-	-	0.32%
Money Market	153,000,000	176,000,000	153,000,000	176,000,000	153,000,000	176,000,000	23,000,000	-	-	0.28%
US Agency	1,151,835,000	1,253,235,000	1,152,941,788	1,254,060,645	1,156,180,997	1,252,239,711	101,400,000	(5,314,146)	2,225,584	1.00%
*Total Portfolio	1,404,855,000	1,631,255,000	1,405,961,788	1,632,080,645	1,409,200,997	1,630,259,711	226,400,000	(5,314,146)	2,225,584	0.84%
Convention Center Reserve²										
US Agency	18,900,000	18,900,000	18,900,000	18,900,000	18,975,166	18,922,090	-	(53,076)	54,630	1.29%
Total Portfolio	18,900,000	18,900,000	18,900,000	18,900,000	18,975,166	18,922,090	-	(53,076)	54,630	1.29%
Water Reserve²										
US Agency	90,000,000	90,000,000	89,912,277	89,923,120	90,374,880	89,938,120	-	(436,760)	275,668	1.13%
Total Portfolio	90,000,000	90,000,000	89,912,277	89,923,120	90,374,880	89,938,120	-	(436,760)	275,668	1.13%
Art Endowment³										
US Agency	2,235,000	2,235,000	2,235,000	2,235,000	2,233,990	2,223,908	-	(10,082)	9,983	1.20%
Total Portfolio	2,235,000	2,235,000	2,235,000	2,235,000	2,233,990	2,223,908	-	(10,082)	9,983	1.20%
Ida Green Library Endowment⁴										
US Agency	1,000,000	1,000,000	1,000,000	1,000,000	1,002,901	996,799	-	(6,102)	1,200	1.20%
Total Portfolio	1,000,000	1,000,000	1,000,000	1,000,000	1,002,901	996,799	-	(6,102)	1,200	1.20%
DWU Commercial Paper⁵										
Money Market - Tax Exempt	2,187	4,433	2,187	4,433	2,187	4,433	2,246	-	-	0.02%
Total Portfolio	2,187	4,433	2,187	4,433	2,187	4,433	2,246	-	-	0.02%
GO Commercial Paper⁵										
Money Market - Tax Exempt	27,880,000	27,880,000	27,880,000	27,880,000	27,880,000	27,880,000	-	-	-	0.02%
Total Portfolio	27,880,000	27,880,000	27,880,000	27,880,000	27,880,000	27,880,000	-	-	-	0.02%
Trinity Parkway Escrow⁶										
Money Market	546,634	546,850	546,634	546,850	546,634	546,850	216	-	-	0.27%
Total Portfolio	546,634	546,850	546,634	546,850	546,634	546,850	216	-	-	0.27%

Notes 1-6: See Page 6 for Strategy Statement by Portfolio.

*Numbers may not sum due to rounding

City of Dallas
Strategy Statement and Compliance by Portfolio
As of: 09/30/2015 - 12/31/2015

STRATEGY COMPLIANCE STATEMENT

For the quarter ended December 31, 2015 the portfolios are in compliance with the relevant provisions of the Public Fund Investment Act and the investment strategies adopted in Sec. 17.0 of the City's Investment Policy.

STRATEGY STATEMENT BY PORTFOLIO

1) City's Investment Pool

The City's Investment Pool is an aggregation of the majority of City funds that includes tax receipts, enterprise fund revenues, fine and fee revenues, as well as some, but not all, bond proceeds, grants, gifts and endowments. This portfolio is maintained to meet anticipated daily cash needs for City of Dallas operations, capital projects and debt service. In order to ensure the ability of the City to meet obligations and to minimize potential liquidation losses, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years.

2) Convention Center Bond Reserve and Water Bond Reserve

Non-pooled reserve funds for outstanding revenue bonds (Convention Center and Water) are set at levels required by their respective bond ordinances. These funds will be used to pay principal and/or interest at final maturity or if called prior to final maturity.

3) Art Endowment

The Art Endowment Fund was created by the City from a \$1,285,026 repayment to the General Fund from the Convention Center. Pursuant to Resolution No. 84-311 dated September 26, 1984, this endowment fund was created to provide additional monies for the arts, not to replace the current level of support. Funds received as gifts to the City with instructions that the income generated by the investment of said funds be used for specified purposes are invested as separate non-pooled portfolios in order to maximize return.

4) Ida Green Library Endowment

The Ida M. Green Endowment Fund was created with the proceeds from the sale of stock from the estate of Ms. Green pursuant to Resolution No. 87-0836. Its purpose is to provide funds for the operating and capital expenses of the library's Texas Center for the Book and Children's Center. Funds received as gifts to the City with instructions that the income generated by the investment of said funds be used for specified purposes are invested as separate non-pooled portfolios in order to maximize return.

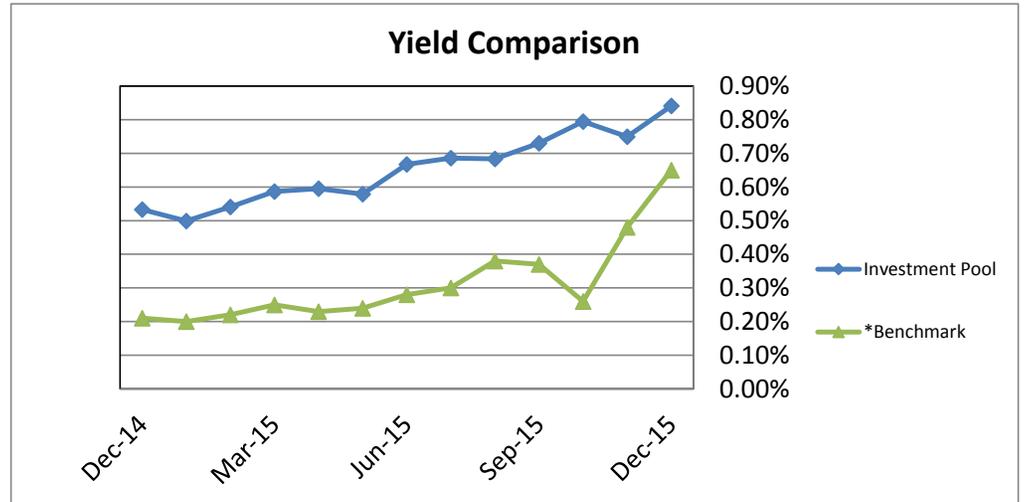
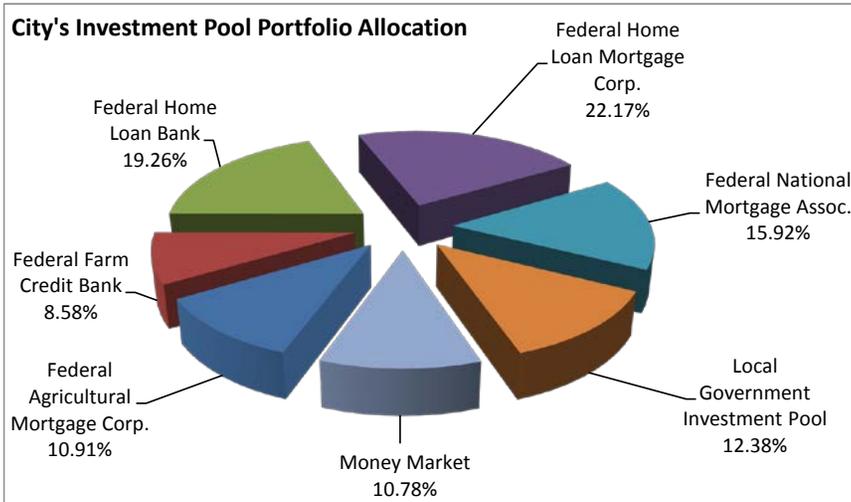
5) DWU Commercial Paper Program and GO Commercial Paper Program

The City issues tax-exempt commercial paper notes as an interim financing tool for construction and capital projects. Proceeds from the issuance of commercial paper debt must be liquid in order to fund periodic payments to contractors and may be invested in tax-exempt securities in order to avoid costly and complex arbitrage rebate computations. In order to meet these objectives, commercial paper proceeds may either be invested in tax-exempt securities or expended subject to a reimbursement program.

6) Trinity Parkway Escrow

The Trinity Parkway Escrow portfolio was created with the deposit of \$5,000,000 on November 16, 1999 in an escrow account in accordance with an agreement dated as of January 1, 1999 between the City and the North Texas Tollway Authority ("NTTA") pertaining to development of the Trinity Parkway. A subsequent deposit of \$4,500,000 was made in June 2009. These funds will be used to reimburse NTTA for specified payment related to project feasibility. Permitted investments for this account are defined in the Escrow Agreement as those that are consistent with the Public Funds Investment Act.

City of Dallas
City's Investment Pool Portfolio Allocation
Investment Summary
As of 12/31/2015



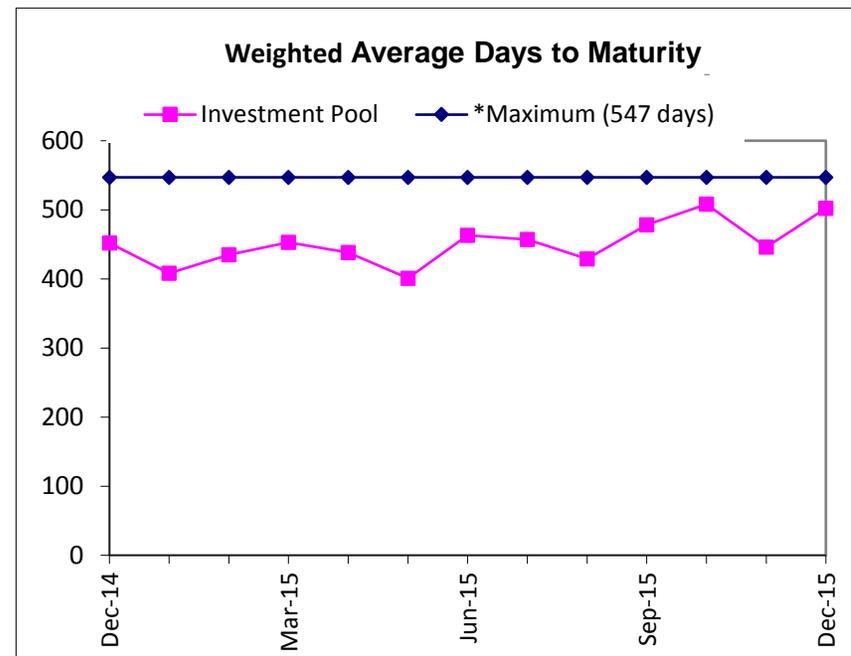
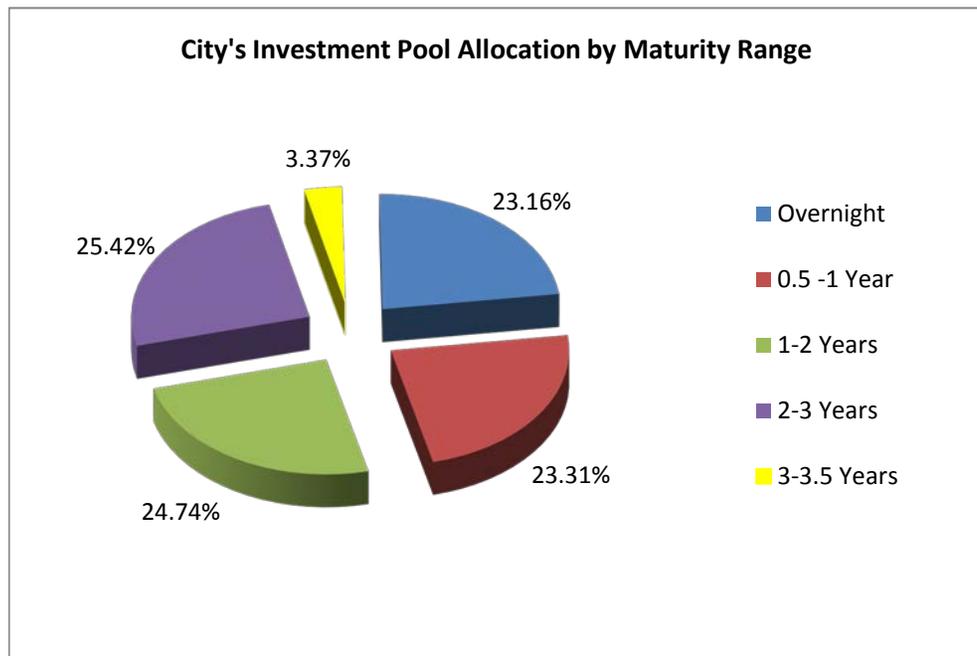
Description	Face Amount	Book Value	Market Value	**Unrealized Gain/(Loss)	Weighted Average Days To Maturity	Weighted Average Yield To Maturity	% of Portfolio
Federal Agricultural Mortgage Corp.	177,770,000	178,072,363	177,869,791	(202,572)	586	0.98%	10.91%
Federal Farm Credit Bank	140,000,000	139,963,536	139,707,110	(256,426)	584	0.90%	8.58%
Federal Home Loan Bank	313,635,000	314,336,572	313,746,413	(590,158)	800	1.16%	19.26%
Federal Home Loan Mortgage Corp.	362,000,000	361,835,794	361,420,307	(415,487)	600	0.94%	22.17%
Federal National Mortgage Assoc.	259,830,000	259,852,381	259,496,090	(356,291)	632	0.97%	15.92%
Local Government Investment Pool	202,020,000	202,020,000	202,020,000	-	1	0.32%	12.38%
Money Market	176,000,000	176,000,000	176,000,000	-	1	0.28%	10.78%
***Total Portfolio	1,631,255,000	1,632,080,645	1,630,259,711	(1,820,935)	502	0.84%	100.00%

*As per Section 17.1 of the City's Investment Policy, the benchmark for the Investment Pool is the 12-month moving average yield on treasury 1-year constant maturities as reported by Federal Reserve Statistical Release H.15.

** Unrealized gain/loss is the difference between the market value and book value and does not represent an actual gain or loss. Gains and losses are realized only when a security is sold prior to maturity. Since it is the City's strategy to hold investments until they mature, the temporary gains and losses are unlikely to be realized.

*** Numbers may not sum due to rounding

City of Dallas
City's Investment Pool Allocation by Maturity Range
As of 12/31/2015



Description	Face Amount/Shares	Book Value	Market Value	Weighted Average Yield To Maturity	Weighted Average Days To Maturity	% of Portfolio
Overnight	378,020,000	378,020,000	378,020,000	0.30%	1	23.16%
0.5 - 1 Year	379,785,000	380,406,549	380,268,160	0.70%	302	23.31%
1-2 Years	403,830,000	403,764,669	403,232,643	0.96%	555	24.74%
2-3 Years	414,620,000	414,899,404	413,836,393	1.25%	992	25.42%
3-3.5 Years	55,000,000	54,990,023	54,902,515	1.54%	1,242	3.37%
**Total Portfolio	1,631,255,000	1,632,080,645	1,630,259,711	0.84%	502	100%

*As per Section 17.1 of the City's Investment Policy, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years (547 days).

** Numbers may not sum due to rounding

City of Dallas
Date To Date
Broker/Dealer Activity
As of: FY 15-16 to Date

FY 15-16 to Date		
Description	Awarded	%
Primary Dealers		
Bank of America	\$8,000,000	2.93%
Cantor Fitzgerald	0	0.00%
Jefferies & Co.	20,000,000	7.33%
Secondary Dealers		
Coastal Securities	40,000,000	14.65%
First Southwest	20,000,000	7.33%
Mutual Securities	20,000,000	7.33%
Raymond James and Associates	0	0.00%
Samco Capital Market	45,000,000	16.48%
Vining Sparks	53,000,000	19.41%
Wells Fargo	0	0.00%
Secondary Dealers - M/WBE		
Bonwick Capital - M/WBE	47,000,000	17.22%
Duncan Williams - M/WBE	0	0.00%
Loop Capital - M/WBE	20,000,000	7.33%
Ramirez & Co. - M/WBE	0	0.00%
Rice Financial - M/WBE	0	0.00%
Williams Capital - M/WBE	0	0.00%
Total	\$273,000,000	100.00%

Notes:

Section 9 of the City's investment Policy requires the investment committee to annually review and adopt a list of qualified broker/dealers. These firms represent the broker dealer firms that are currently approved by the Investment Committee as of October 2015.

It is the City's Practice to solicit three or more competitive bids/offers each trade except for agency securities purchased at issue.

Q1 FY 15-16		
Description	Awarded	%
Bank of America	\$8,000,000	2.93%
Bonwick Capital - M/WBE	47,000,000	17.22%
Coastal Securities	40,000,000	14.65%
First Southwest	20,000,000	7.33%
Jefferies & Co.	20,000,000	7.33%
Loop Capital - M/WBE	20,000,000	7.33%
Mutual Securities	20,000,000	7.33%
Samco Capital Market	45,000,000	16.48%
Vining Sparks	53,000,000	19.41%
Total	\$273,000,000	100.00%

Broker/Dealer Activity FY15-16 to Date



CITY OF DALLAS

QUARTERLY INVESTMENT REPORT

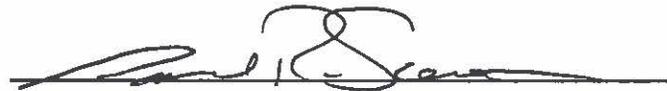
December 31, 2015

For the quarter ended December 31, 2015 the portfolios are in compliance with the relevant provisions of the Public Funds Investment Act and the investment strategies adopted in Sec. 17.0 of the City's Investment Policy.

Chief Financial Officer:



City Controller:



Treasury Manager: