

# Memorandum



CITY OF DALLAS

DATE March 17, 2017

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 December 31, 2016 Quarterly Investment Report

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. We have included summary reports on each of the City's individual portfolios, as well as summary information on the combined portfolio.

For the quarter ended December 31, 2016 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.

A handwritten signature in blue ink that reads "M. Elizabeth Reich".

M. Elizabeth Reich  
Chief Financial Officer

## Attachment

c: Honorable Mayor and Members of the City Council  
T.C. Broadnax, City Manager  
Larry Casto, City Attorney  
Craig D. Kinton, City Auditor  
Rosa A. Rios, City Secretary  
Daniel F. Solis, Administrative Judge  
Kimberly Bizer Tolbert, Chief of Staff to the City Manager  
Majed A. Al-Ghafry, Assistant City Manager  
Theresa O'Donnell, Interim Chief of Economic Development & Neighborhood Services

Mark McDaniel, Assistant City Manager  
Eric D. Campbell, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Joey Zapata, Assistant City Manager  
Alan E. Sims, Interim Chief of Community Services  
Directors and Assistant Directors



CITY OF DALLAS

**December 31, 2016**

**QUARTERLY INVESTMENT REPORT**

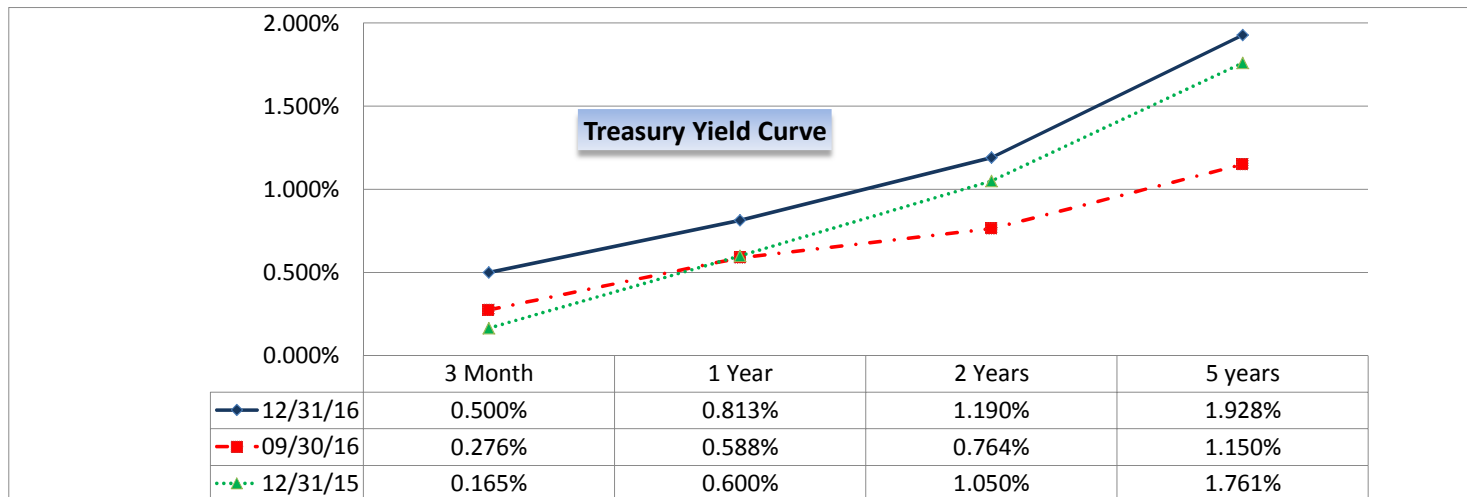
Budget, Finance, & Audit Committee  
March 20, 2017

- Labor market continued to strengthen and growth of economic activity continued at the modest pace that began at mid-year 2016.
- Job gains remained solid as in recent months and the unemployment rate declined
- Household spending rose moderately but business fixed investment remained soft
- Inflation increased since earlier 2016 but was still below the 2 percent longer-term objective, partly reflecting earlier declines in energy prices and in prices of non-energy imports
- The Federal Open Market Committee (FOMC) decided to raise the top of the target range for the federal funds rate to 0.50 to 0.75 percent.

Source: FOMC December 14, 2016 Statement

National Economic Data	12/31/2015	12/31/2016
Fed Funds Effective Rate Target	0.25% -0.50%	0.50%-0.75%
2 Years Treasury Note	1.050%	1.190%
10 Years Treasury Note	2.270%	2.445%
Monthly Unemployment Rate	5.00%	4.70%
Weekly Initial Jobless Claims	285,000	235,000
Monthly Change in Nonfarm Payrolls	262,000	156,000
Monthly New Housing Starts	1,143,000	1,226,000

Source: Bloomberg



Source: Bloomberg

**City of Dallas**  
**Portfolio Holdings**  
**Combined Investment Summary**  
**As of 12/31/2016**

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	1,586,470,000	1,586,549,469	1,585,033,108	2,263,885	1,587,296,993	(1,516,360)	1.07%
02 Convention Center Reserve	23,000,000	23,000,000	22,459,774	8,400	22,468,174	(540,226)	1.34%
03 Water Reserve	90,000,000	89,969,928	88,908,200	261,833	89,170,033	(1,061,728)	1.26%
04 Art Endowment	2,235,000	2,235,000	2,194,902	10,899	2,205,801	(40,098)	1.32%
05 Ida Green Library Fund	1,000,000	1,000,000	988,928	833	989,761	(11,072)	1.25%
10 DWU Commercial Paper Program	17,180	17,180	17,180	0	17,180	-	0.40%
14 Trinity Parkway Escrow	548,793	548,793	548,793	0	548,793	-	0.42%

\*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: 09/30/2016 - 12/31/2016

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
<b>City's Investment Pool*</b>						
Federal Agricultural Mortgage Corp.	232,270,000	0.95%	86,000,000	101,500,000	216,770,000	1.12%
Federal Farm Credit Bank	285,000,000	0.91%	-	20,000,000	265,000,000	0.92%
Federal Home Loan Bank	209,850,000	1.11%	35,000,000	70,000,000	174,850,000	1.15%
Federal Home Loan Mortgage Corp.	374,000,000	0.98%	145,000,000	80,000,000	439,000,000	1.21%
Federal National Mortgage Assoc.	154,830,000	1.15%	-	-	154,830,000	1.15%
<b>Total Portfolio</b>	<b>1,255,950,000</b>	<b>1.00%</b>	<b>266,000,000</b>	<b>271,500,000</b>	<b>1,250,450,000</b>	<b>1.12%</b>

\*Trade activity excludes local government investment pools and money market mutual funds.

<b>Convention Center Reserve</b>						
Federal Home Loan Mortgage Corp.	4,000,000	1.25%	-	-	4,000,000	1.25%
Federal National Mortgage Assoc.	19,000,000	1.36%	-	-	19,000,000	1.36%
<b>Total Portfolio</b>	<b>23,000,000</b>	<b>1.34%</b>	<b>-</b>	<b>-</b>	<b>23,000,000</b>	<b>1.34%</b>

<b>Water Reserve</b>						
Federal Home Loan Bank	5,000,000	1.50%	-	-	5,000,000	1.50%
Federal Home Loan Mortgage Corp.	30,000,000	1.22%	-	-	30,000,000	1.22%
Federal National Mortgage Assoc.	55,000,000	1.26%	-	-	55,000,000	1.26%
<b>Total Portfolio</b>	<b>90,000,000</b>	<b>1.26%</b>	<b>-</b>	<b>-</b>	<b>90,000,000</b>	<b>1.26%</b>

<b>Art Endowment</b>						
Federal Home Loan Mortgage Corp.	2,235,000	1.32%	-	-	2,235,000	1.32%
<b>Total Portfolio</b>	<b>2,235,000</b>	<b>1.32%</b>	<b>-</b>	<b>-</b>	<b>2,235,000</b>	<b>1.32%</b>

<b>Ida Green Library Endowment</b>						
Federal Agricultural Mortgage Corp.	1,000,000	1.25%	-	-	1,000,000	1.25%
<b>Total Portfolio</b>	<b>1,000,000</b>	<b>1.25%</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>	<b>1.25%</b>

<b>DWU Commercial Paper</b>						
Money Market - Tax Exempt	15,404	0.27%	1,776	-	17,180	0.40%
<b>Total Portfolio</b>	<b>15,404</b>	<b>0.27%</b>	<b>1,776</b>	<b>-</b>	<b>17,180</b>	<b>0.40%</b>

<b>Trinity Parkway Escrow</b>						
Money Market	548,341	0.37%	452	-	548,793	0.42%
<b>Total Portfolio</b>	<b>548,341</b>	<b>0.37%</b>	<b>452</b>	<b>-</b>	<b>548,793</b>	<b>0.42%</b>

City of Dallas  
 Summary Statement by Portfolio  
 As of: 09/30/2016 - 12/31/2016

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
<b>City's Investment Pool<sup>1</sup></b>										
Local Govt. Investment Pool	256,020,000	327,020,000	256,020,000	327,020,000	256,020,000	327,020,000	71,000,000	-	-	0.89%
Money Market	53,000,000	9,000,000	53,000,000	9,000,000	53,000,000	9,000,000	(44,000,000)	-	-	0.42%
US Agency	1,255,950,000	1,250,450,000	1,256,062,222	1,250,529,469	1,258,642,977	1,249,013,108	(5,500,000)	(4,123,869)	2,263,885	1.12%
<b>*Total Portfolio</b>	<b>1,564,970,000</b>	<b>1,586,470,000</b>	<b>1,565,082,222</b>	<b>1,586,549,469</b>	<b>1,567,662,977</b>	<b>1,585,033,108</b>	<b>21,500,000</b>	<b>(4,123,869)</b>	<b>2,263,885</b>	<b>1.07%</b>
<b>Convention Center Reserve<sup>2</sup></b>										
US Agency	23,000,000	23,000,000	23,000,000	23,000,000	22,961,871	22,459,774	-	(502,097)	8,400	1.34%
<b>Total Portfolio</b>	<b>23,000,000</b>	<b>23,000,000</b>	<b>23,000,000</b>	<b>23,000,000</b>	<b>22,961,871</b>	<b>22,459,774</b>	<b>-</b>	<b>(502,097)</b>	<b>8,400</b>	<b>1.34%</b>
<b>Water Reserve<sup>2</sup></b>										
US Agency	90,000,000	90,000,000	89,959,757	89,969,928	89,953,500	88,908,200	-	(1,045,300)	261,833	1.26%
<b>Total Portfolio</b>	<b>90,000,000</b>	<b>90,000,000</b>	<b>89,959,757</b>	<b>89,969,928</b>	<b>89,953,500</b>	<b>88,908,200</b>	<b>-</b>	<b>(1,045,300)</b>	<b>261,833</b>	<b>1.26%</b>
<b>Art Endowment<sup>3</sup></b>										
US Agency	2,235,000	2,235,000	2,235,000	2,235,000	2,232,669	2,194,902	-	(37,767)	10,899	1.32%
<b>Total Portfolio</b>	<b>2,235,000</b>	<b>2,235,000</b>	<b>2,235,000</b>	<b>2,235,000</b>	<b>2,232,669</b>	<b>2,194,902</b>	<b>-</b>	<b>(37,767)</b>	<b>10,899</b>	<b>1.32%</b>
<b>Ida Green Library Endowment<sup>4</sup></b>										
US Agency	1,000,000	1,000,000	1,000,000	1,000,000	998,150	988,928	-	(9,222)	833	1.25%
<b>Total Portfolio</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>998,150</b>	<b>988,928</b>	<b>-</b>	<b>(9,222)</b>	<b>833</b>	<b>1.25%</b>
<b>DWU Commercial Paper<sup>5</sup></b>										
Money Market - Tax Exempt	15,404	17,180	15,404	17,180	15,404	17,180	1,776	-	-	0.40%
<b>Total Portfolio</b>	<b>15,404</b>	<b>17,180</b>	<b>15,404</b>	<b>17,180</b>	<b>15,404</b>	<b>17,180</b>	<b>1,776</b>	<b>-</b>	<b>-</b>	<b>0.40%</b>
<b>Trinity Parkway Escrow<sup>6</sup></b>										
Money Market	548,341	548,793	548,341	548,793	548,341	548,793	452	-	-	0.42%
<b>Total Portfolio</b>	<b>548,341</b>	<b>548,793</b>	<b>548,341</b>	<b>548,793</b>	<b>548,341</b>	<b>548,793</b>	<b>452</b>	<b>-</b>	<b>-</b>	<b>0.42%</b>

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: 09/30/2016 - 12/31/2016**

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**STRATEGY COMPLIANCE STATEMENT**

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For the quarter ended December 31, 2016 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.

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**STRATEGY STATEMENT BY PORTFOLIO**

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**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.

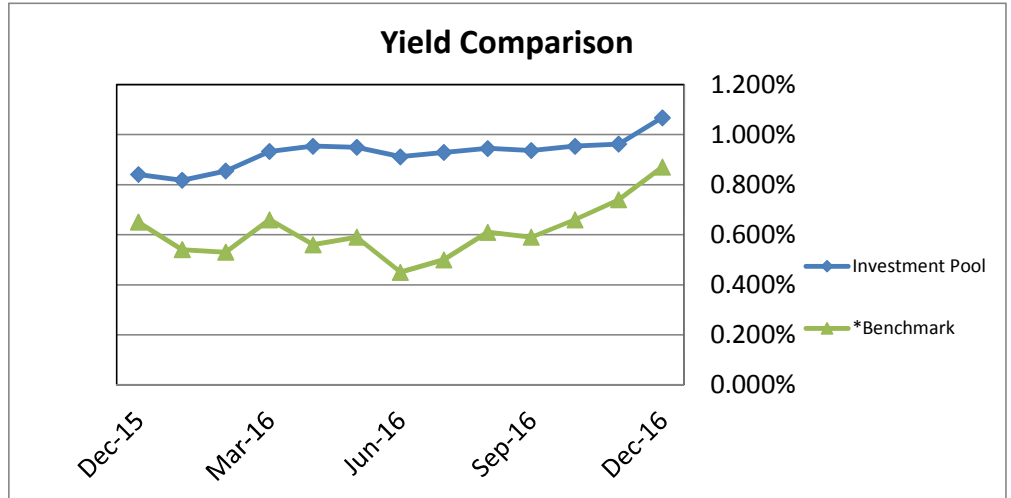
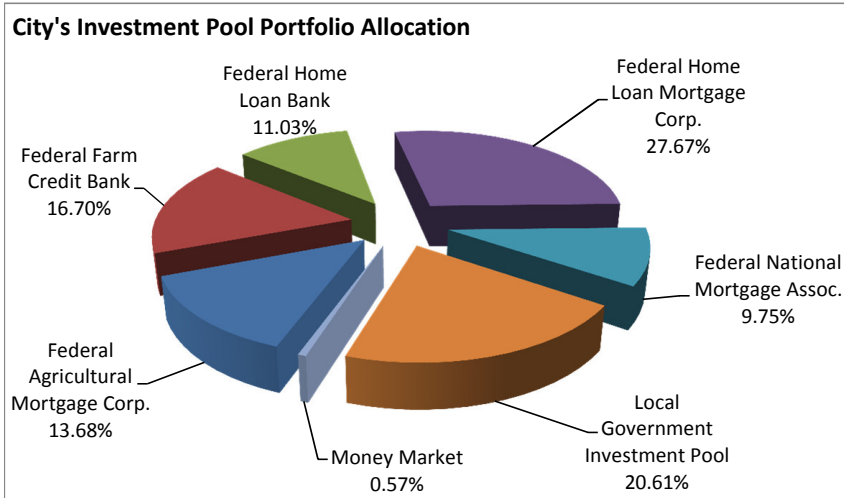
**5) DWU Commercial Paper Program and GO Commercial Paper Program**

The City issues tax-exempt commercial paper notes as an interim financing tool for construction and capital projects. The investment of the proceeds from the issuance of commercial paper debt should have a high degree of liquidity in order to fund payments to contractors.

**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, North Texas Tollway Authority ("NTTA"), and TxDOT pertaining to development of the Trinity Parkway. 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 12/31/2016**



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.	216,770,000	216,965,515	216,717,198	(248,317)	511	1.12%	13.68%
Federal Farm Credit Bank	265,000,000	264,978,298	264,398,665	(579,633)	462	0.92%	16.70%
Federal Home Loan Bank	174,850,000	174,944,558	174,695,197	(249,361)	599	1.15%	11.03%
Federal Home Loan Mortgage Corp.	439,000,000	438,926,787	438,594,473	(332,314)	583	1.22%	27.67%
Federal National Mortgage Assoc.	154,830,000	154,714,311	154,607,575	(106,735)	500	1.15%	9.75%
Local Government Investment Pool	327,020,000	327,020,000	327,020,000	-	1	0.89%	20.61%
Money Market	9,000,000	9,000,000	9,000,000	-	1	0.42%	0.57%
<b>***Total Portfolio</b>	<b>1,586,470,000</b>	<b>1,586,549,469</b>	<b>1,585,033,108</b>	<b>(1,516,360)</b>	<b>423</b>	<b>1.07%</b>	<b>100.00%</b>

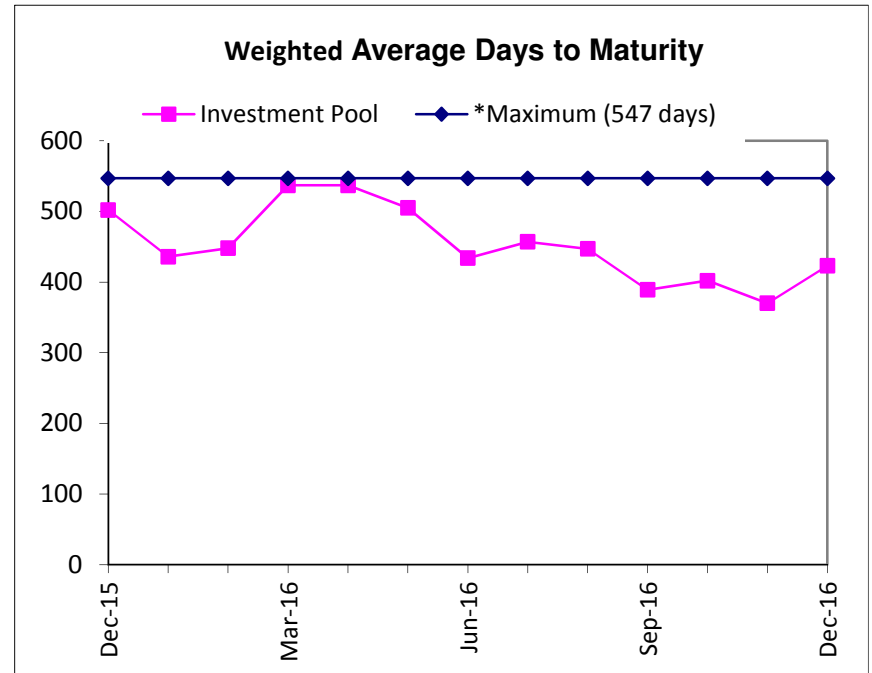
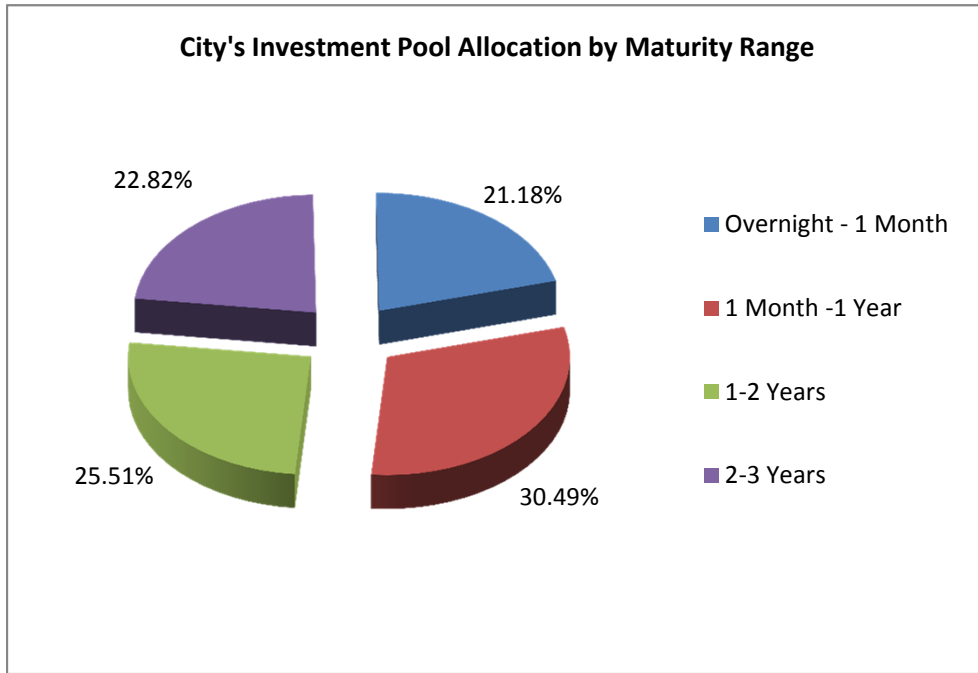
\*As per Section 17.1 of the City's Investment Policy, the benchmark for the Investment Pool is the 12-month moving average yield on treasury 1-year constant maturities as reported by Federal Reserve Statistical Release H.15.

\*\* 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 12/31/2016**



Description	Face Amount/Shares	Book Value	Market Value	Weighted Average Yield To Maturity	Weighted Average Days To Maturity	% of Portfolio
Overnight - 1 Month	336,020,000	336,020,000	336,020,000	0.88%	1	21.18%
1 Month - 1 Year	483,830,000	483,673,203	483,737,184	0.88%	232	30.49%
1-2 Years	404,620,000	404,766,611	404,309,185	1.18%	593	25.51%
2-3 Years	362,000,000	362,089,655	360,966,739	1.37%	880	22.82%
<b>**Total Portfolio</b>	<b>1,586,470,000</b>	<b>1,586,549,469</b>	<b>1,585,033,108</b>	<b>1.07%</b>	<b>423</b>	<b>100%</b>

\*As per Section 13.0 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 16-17 Year to Date

FY 16-17 Year to Date		
Description	Awarded	%
<b>Primary Dealers</b>		
Bank of America	\$30,000,000	11.28%
Daiwa Capital Markets	0	0.00%
Morgan Stanley	0	0.00%
Jefferies & Co.	0	0.00%
Wells Fargo	0	0.00%
<b>Secondary Dealers</b>		
Coastal Securities	50,000,000	18.80%
Hilltop Securities Inc.	25,000,000	9.40%
Mutual Securities	0	0.00%
Piper Jaffray & Co.	0	0.00%
Samco Capital Market	40,000,000	15.04%
SunTrust Robinson Humphrey, Inc.	15,000,000	5.64%
Vining Sparks	56,000,000	21.05%
<b>Secondary Dealers - M/WBE</b>		
Bonwick Capital - M/WBE	0	0.00%
Loop Capital - M/WBE	0	0.00%
Ramirez & Co. - M/WBE	20,000,000	7.52%
Rice Financial - M/WBE	10,000,000	3.76%
Stern Brothers & Co. - M/WBE	20,000,000	7.52%
<b>Total</b>	<b>\$266,000,000</b>	<b>100.00%</b>

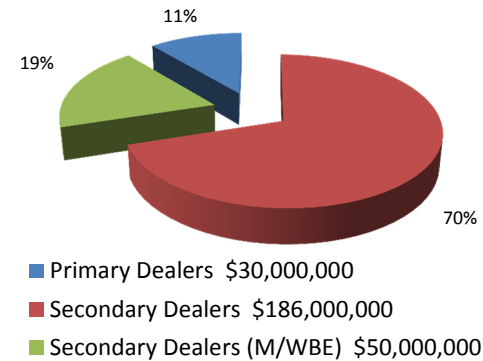
Notes:

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 January 2016.

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

Q1 FY 16-17		
Description	Awarded	%
Bank of America	\$30,000,000	11.28%
Coastal Securities	50,000,000	18.80%
Hilltop Securities Inc.	25,000,000	9.40%
Ramirez & Co. - M/WBE	20,000,000	7.52%
Rice Financial - M/WBE	10,000,000	3.76%
Samco Capital Market	40,000,000	15.04%
Stern Brothers & Co. - M/WBE	20,000,000	7.52%
SunTrust Robinson Humphrey, Inc.	15,000,000	5.64%
Vining Sparks	56,000,000	21.05%
<b>Total</b>	<b>\$266,000,000</b>	<b>100.00%</b>

Broker/Dealer Activity FY16-17 to Date



# CITY OF DALLAS

December 31, 2016

## QUARTERLY INVESTMENT REPORT

For the quarter ended December 31, 2016 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: M. Elizabeth Reich

City Controller: [Signature]

Treasury Manager: Conni Heege