

# Memorandum



CITY OF DALLAS

DATE June 1, 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 March 31, 2017 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 ending March 31, 2017, 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 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  
Raquel Favela, Chief of Economic Development & Neighborhood Services

Jo M. (Jody) Puckett, P.E., Assistant City Manager (Interim)  
Jill A. Jordan, P.E., Assistant City Manager  
Joey Zapata, Assistant City Manager  
Nadia Chandler Hardy, Chief of Community Services  
Theresa O'Donnell, Chief of Resilience  
Directors and Assistant Directors



CITY OF DALLAS

March 31, 2017

## QUARTERLY INVESTMENT REPORT



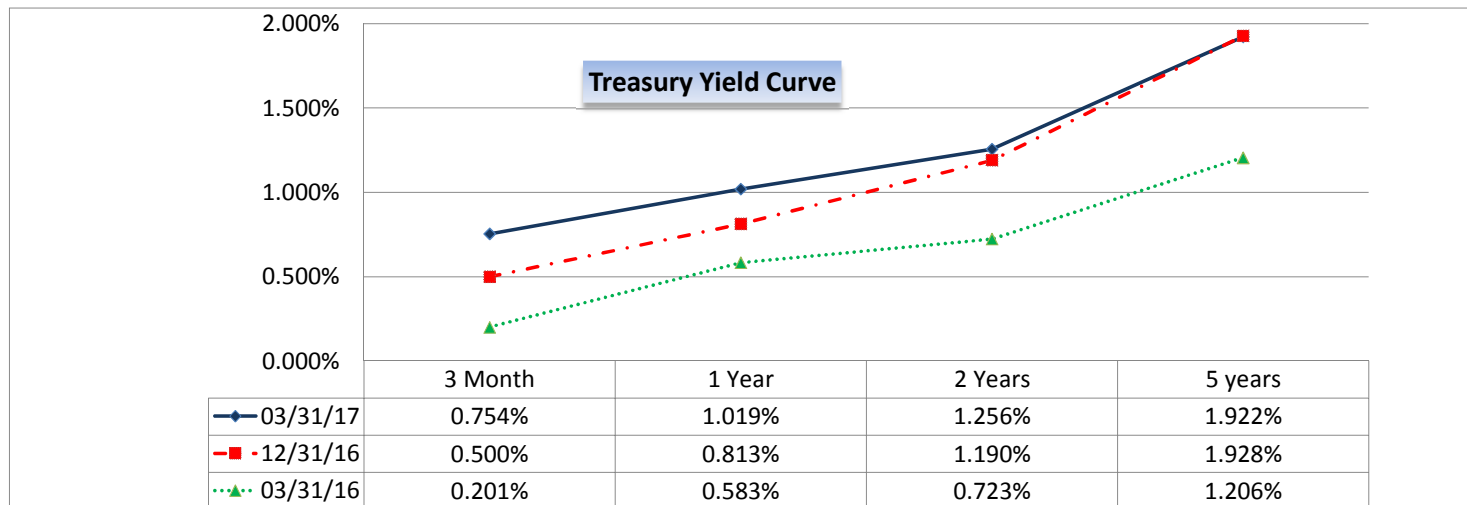
Quarterly National Economic and Market Update  
 Quarter Ended March 31, 2017

- Labor market continued to strengthen and economic activity continued to expand at a moderate pace
- Job gains remained solid and the unemployment rate little changed in recent months
- Household spending continued to rise moderately while business fixed investment appeared to have firmed somewhat
- Inflation increased in recent quarters, moving close to the Committee's 2% longer-term objective
- The Federal Open Market Committee (FOMC) decided to raise the top of the target range for the federal funds rate from 0.50% - 0.75% to 0.75% - 1%.

Source: FOMC March 15, 2017 Statement

National Economic Data	3/31/2016	3/31/2017
Fed Funds Effective Rate Target Range	0.25% -0.50%	0.75%-1.00%
2 Years Treasury Note Yield	0.723%	1.256%
10 Years Treasury Note Yield	1.770%	2.388%
Monthly Unemployment Rate	5.00%	4.50%
Weekly Initial Jobless Claims	276,000	235,000
Monthly Change in Nonfarm Payrolls	208,000	79,000
Monthly New Housing Starts	1,099,000	1,215,000

Source: Bloomberg



Source: Bloomberg

**City of Dallas**  
**Portfolio Holdings**  
**Combined Investment Summary**  
**As of 03/31/2017**

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	1,856,745,000	1,856,734,282	1,855,687,041	3,175,749	1,858,862,790	(1,047,241)	1.12%
02 Convention Center Reserve	23,000,000	23,000,000	22,500,694	85,650	22,586,344	(499,306)	1.34%
03 Water Reserve	90,000,000	89,979,878	89,006,765	157,792	89,164,557	(973,113)	1.26%
04 Art Endowment	2,235,000	2,235,000	2,198,963	3,278	2,202,241	(36,037)	1.32%
05 Ida Green Library Fund	1,000,000	1,000,000	990,628	3,958	994,586	(9,372)	1.25%
10 DWU Commercial Paper Program	13,960	13,960	13,960	0	13,960	-	0.59%
14 Trinity Parkway Escrow	549,384	549,384	549,384	0	549,384	-	0.59%

\*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: 12/31/2016 - 03/31/2017

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.	216,770,000	1.12%	30,000,000	27,000,000	219,770,000	1.18%
Federal Farm Credit Bank	265,000,000	0.92%	54,275,000	-	319,275,000	1.00%
Federal Home Loan Bank	174,850,000	1.15%	100,000,000	-	274,850,000	1.24%
Federal Home Loan Mortgage Corp.	439,000,000	1.21%	-	60,000,000	379,000,000	1.26%
Federal National Mortgage Assoc.	154,830,000	1.15%	-	-	154,830,000	1.15%
<b>Total Portfolio</b>	<b>1,250,450,000</b>	<b>1.12%</b>	<b>184,275,000</b>	<b>87,000,000</b>	<b>1,347,725,000</b>	<b>1.17%</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	17,180	0.40%	13,960	17,180	13,960	0.59%
<b>Total Portfolio</b>	<b>17,180</b>	<b>0.40%</b>	<b>13,960</b>	<b>17,180</b>	<b>13,960</b>	<b>0.59%</b>

<b>Trinity Parkway Escrow</b>						
Money Market	548,793	0.42%	591	-	549,384	0.59%
<b>Total Portfolio</b>	<b>548,793</b>	<b>0.42%</b>	<b>591</b>	<b>-</b>	<b>549,384</b>	<b>0.59%</b>

City of Dallas  
Summary Statement by Portfolio  
As of: 12/31/2016 - 03/31/2017

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	327,020,000	458,020,000	327,020,000	458,020,000	327,020,000	458,020,000	131,000,000	-	-	1.04%
Money Market	9,000,000	51,000,000	9,000,000	51,000,000	9,000,000	51,000,000	42,000,000	-	-	0.59%
US Agency	1,250,450,000	1,347,725,000	1,250,529,469	1,347,714,282	1,249,013,108	1,346,667,041	97,275,000	482,733	3,175,749	1.17%
<b>*Total Portfolio</b>	<b>1,586,470,000</b>	<b>1,856,745,000</b>	<b>1,586,549,469</b>	<b>1,856,734,282</b>	<b>1,585,033,108</b>	<b>1,855,687,041</b>	<b>270,275,000</b>	<b>482,733</b>	<b>3,175,749</b>	<b>1.12%</b>
<b>Convention Center Reserve<sup>2</sup></b>										
US Agency	23,000,000	23,000,000	23,000,000	23,000,000	22,459,774	22,500,694	-	40,920	85,650	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>22,459,774</b>	<b>22,500,694</b>	<b>-</b>	<b>40,920</b>	<b>85,650</b>	<b>1.34%</b>
<b>Water Reserve<sup>2</sup></b>										
US Agency	90,000,000	90,000,000	89,969,928	89,979,878	88,908,200	89,006,765	-	98,565	157,792	1.26%
<b>Total Portfolio</b>	<b>90,000,000</b>	<b>90,000,000</b>	<b>89,969,928</b>	<b>89,979,878</b>	<b>88,908,200</b>	<b>89,006,765</b>	<b>-</b>	<b>98,565</b>	<b>157,792</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	2,194,902	2,198,963	-	4,061	3,278	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>2,194,902</b>	<b>2,198,963</b>	<b>-</b>	<b>4,061</b>	<b>3,278</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	988,928	990,628	-	1,700	3,958	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>988,928</b>	<b>990,628</b>	<b>-</b>	<b>1,700</b>	<b>3,958</b>	<b>1.25%</b>
<b>DWU Commercial Paper<sup>5</sup></b>										
Money Market - Tax Exempt	17,180	13,960	17,180	13,960	17,180	13,960	(3,220)	-	-	0.59%
<b>Total Portfolio</b>	<b>17,180</b>	<b>13,960</b>	<b>17,180</b>	<b>13,960</b>	<b>17,180</b>	<b>13,960</b>	<b>(3,220)</b>	<b>-</b>	<b>-</b>	<b>0.59%</b>
<b>Trinity Parkway Escrow<sup>6</sup></b>										
Money Market	548,793	549,384	548,793	549,384	548,793	549,384	591	-	-	0.59%
<b>Total Portfolio</b>	<b>548,793</b>	<b>549,384</b>	<b>548,793</b>	<b>549,384</b>	<b>548,793</b>	<b>549,384</b>	<b>591</b>	<b>-</b>	<b>-</b>	<b>0.59%</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: 12/31/2016 - 03/31/2017**

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**STRATEGY COMPLIANCE STATEMENT**

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For the quarter ended March 31, 2017 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.

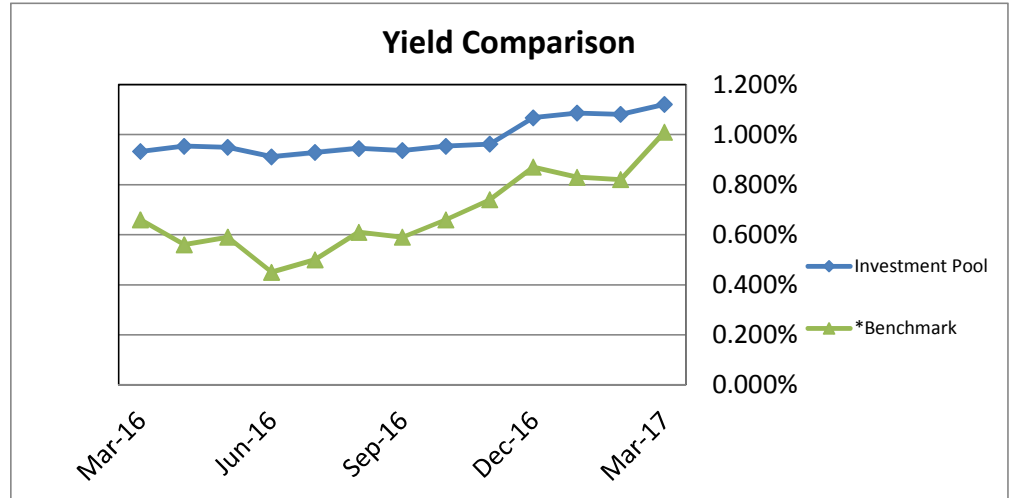
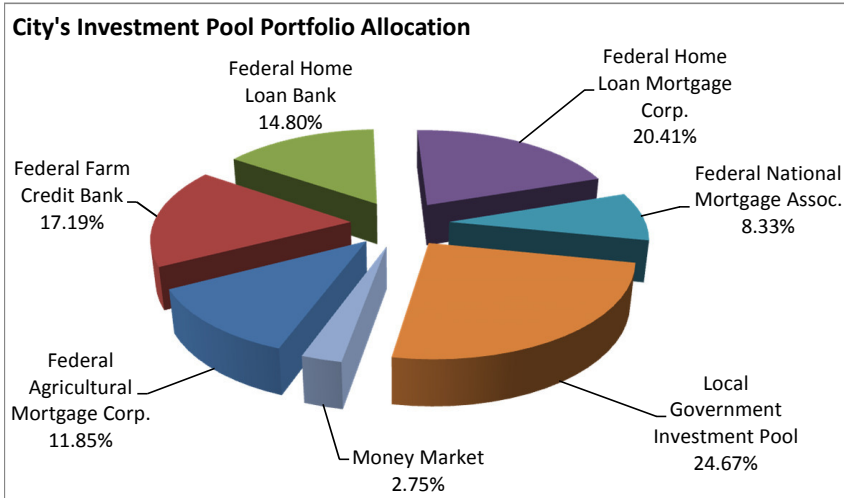
**5) DWU Commercial Paper Program and GO Commercial Paper Program**

The City issues tax-exempt commercial paper notes as an interim financing tool for construction of 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 share costs for the studies and design efforts related to the Trinity Parkway project. 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 03/31/2017**



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.	219,770,000	219,932,712	219,803,439	(129,273)	496	1.18%	11.85%
Federal Farm Credit Bank	319,275,000	319,239,978	318,890,679	(349,299)	425	1.00%	17.19%
Federal Home Loan Bank	274,850,000	274,854,668	274,747,335	(107,332)	587	1.24%	14.80%
Federal Home Loan Mortgage Corp.	379,000,000	378,942,723	378,621,512	(321,211)	574	1.26%	20.41%
Federal National Mortgage Assoc.	154,830,000	154,744,201	154,604,075	(140,126)	410	1.15%	8.33%
Local Government Investment Pool	458,020,000	458,020,000	458,020,000	-	1	1.04%	24.67%
Money Market	51,000,000	51,000,000	51,000,000	-	1	0.59%	2.75%
<b>***Total Portfolio</b>	<b>1,856,745,000</b>	<b>1,856,734,282</b>	<b>1,855,687,041</b>	<b>(1,047,241)</b>	<b>370</b>	<b>1.12%</b>	<b>100.00%</b>

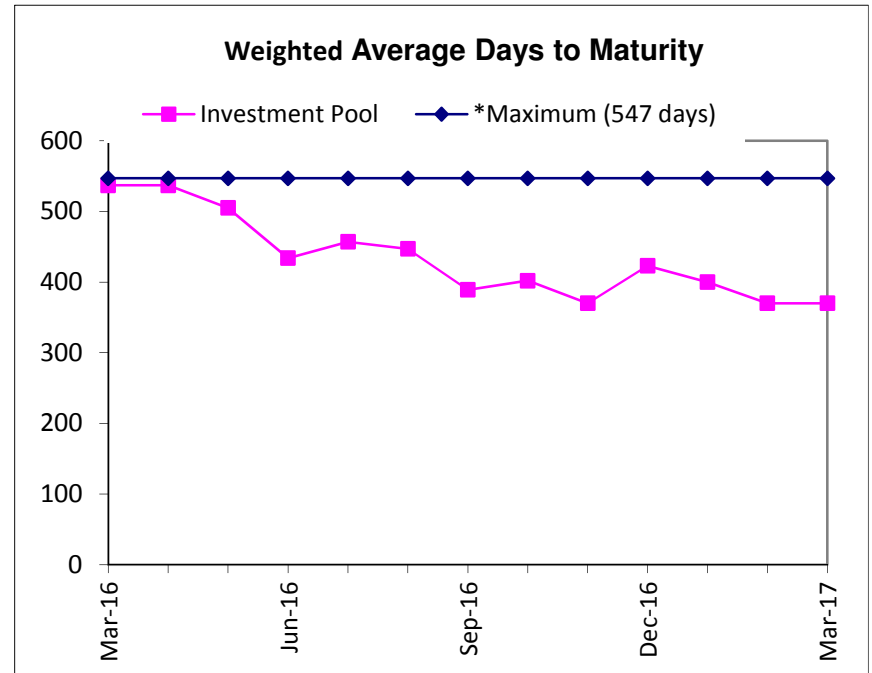
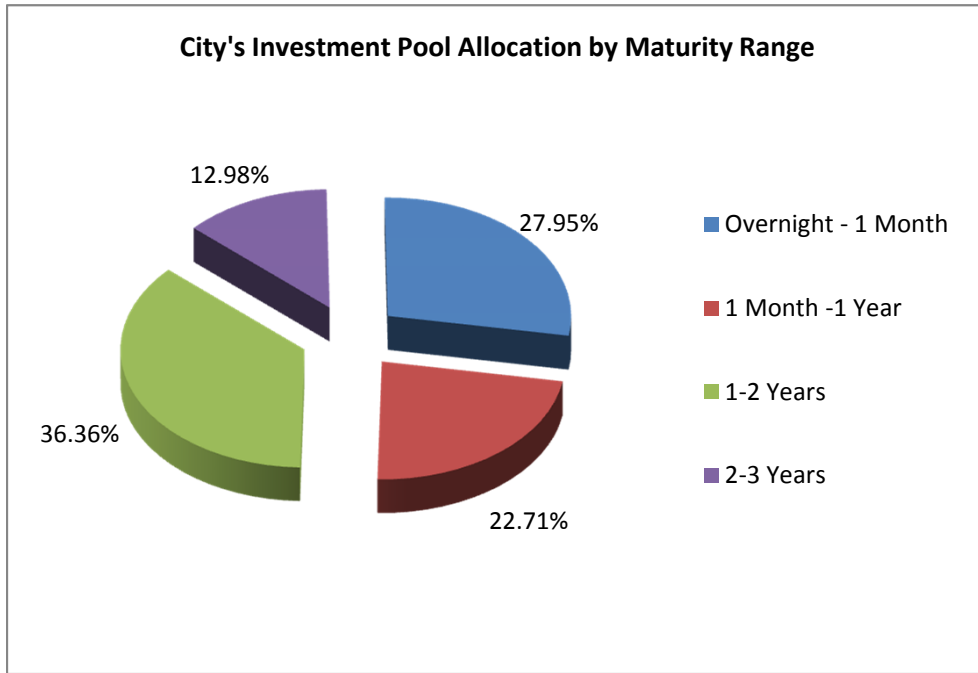
\*As per Section 17.1 of the City's Investment Policy, the benchmark for the Investment Pool is the 12-month moving average yield on treasury 1-year constant maturities as reported by Federal Reserve Statistical Release H.15.

\*\* 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 03/31/2017**



Description	Face Amount/Shares	Book Value	Market Value	Weighted Average Yield To Maturity	Weighted Average Days To Maturity	% of Portfolio
Overnight - 1 Month	519,020,000	519,020,000	519,020,540	0.99%	1	27.95%
1 Month - 1 Year	421,830,000	421,715,941	421,683,776	0.91%	194	22.71%
1-2 Years	674,895,000	675,044,505	674,245,733	1.20%	589	36.36%
2-3 Years	241,000,000	240,953,836	240,736,992	1.54%	861	12.98%
<b>**Total Portfolio</b>	<b>1,856,745,000</b>	<b>1,856,734,282</b>	<b>1,855,687,041</b>	<b>1.12%</b>	<b>370</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	6.97%
Jefferies & Co.	15,000,000	3.49%
Morgan Stanley	0	0.00%
RBC Capital Markets, LLC	0	0.00%
Wells Fargo	0	0.00%
<b>Secondary Dealers</b>		
FTN Financials	70,000,000	16.27%
Hilltop Securities Inc.	40,000,000	9.30%
Intl Fcstone Financial Inc.	19,275,000	4.48%
Multi Bank Securities	10,000,000	2.32%
Piper Jaffray & Co.	40,000,000	9.30%
Samco Capital Market	50,000,000	11.62%
SunTrust Robinson Humphrey, Inc.	15,000,000	3.49%
Vining Sparks	56,000,000	13.01%
<b>Secondary Dealers - M/WBE</b>		
Capital Institutional Services, Inc.	10,000,000	2.32%
Loop Capital	20,000,000	4.65%
Rice Financial	10,000,000	2.32%
Stern Brothers & Co.	45,000,000	10.46%
<b>Total</b>	<b>\$430,275,000</b>	<b>100.00%</b>

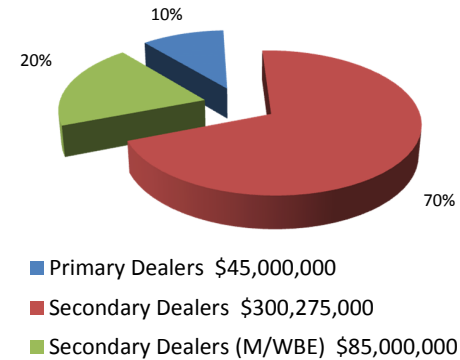
Notes:

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 February 2017.

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

Q2 FY 16-17		
Description	Awarded	%
Capital Institutional Services, Inc.	\$10,000,000	5.43%
FTN Financials	20,000,000	10.85%
Hilltop Securities Inc.	15,000,000	8.14%
Intl Fcstone Financial Inc.	19,275,000	10.46%
Jefferies & Co.	15,000,000	8.14%
Loop Capital	20,000,000	10.85%
Multi Bank Securities	10,000,000	5.43%
Piper Jaffray & Co.	40,000,000	21.71%
Samco Capital Market	10,000,000	5.43%
Stern Brothers & Co.	25,000,000	13.57%
<b>Total</b>	<b>\$184,275,000</b>	<b>100.00%</b>

Broker/Dealer Activity FY16-17 to Date



**CITY OF DALLAS**

**March 31, 2017**

**QUARTERLY INVESTMENT REPORT**

For the quarter ended March 31, 2017 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.

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Chief Financial Officer: *M. Elizabeth Reich*

City Controller: *Samuel R. Scott*

Treasury Manager: *Connie Hayes*