

Memorandum



DATE August 23, 2024

CITY OF DALLAS

Honorable Members of the Government Performance and Financial Management
TO Committee: Chad West (Chair), Paula Blackmon (Vice Chair), Cara Mendelsohn, Jesse
Moreno, Jaime Resendez

SUBJECT **Quarterly Investment Report – 3rd Quarter FY2023-24**

Please find attached the Quarterly Investment Report for the 3rd quarter of FY 2023-24, ending June 2024. The report was prepared by the City's Investment Advisor, Meeder Public Funds Patterson Group ("Meeder") and presented to the City's Investment Committee on August 19, 2024. This report was produced in compliance with the State of Texas Public Funds Investment Act, and the City's Investment Policy which was approved by City Council on April 10, 2024.

The Quarterly Investment Report provides information on the performance of the City's Operating portfolio. As of June 30, 2024, the Operating portfolio's balance was **\$4,274,232,330**, which is the highest in the past 5 years.

The interest earned for the quarter was **\$47,797,453** which is also the highest in the past 5 years. The Operating portfolio has a weighted average yield of **4.56%** and a weighted average maturity of **1.88** years.

Portfolio Summary – Investment Pool

As of 6/30/2024

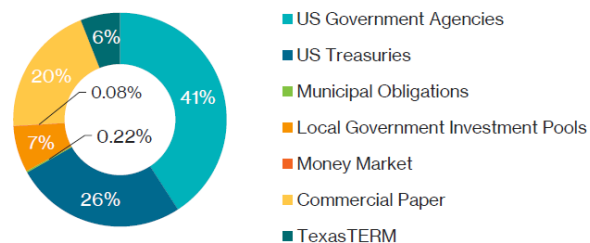
Your Portfolio

Cash	\$291,296,780
Securities Book Value	\$3,982,935,550
Total Portfolio Book Value	\$4,274,232,330

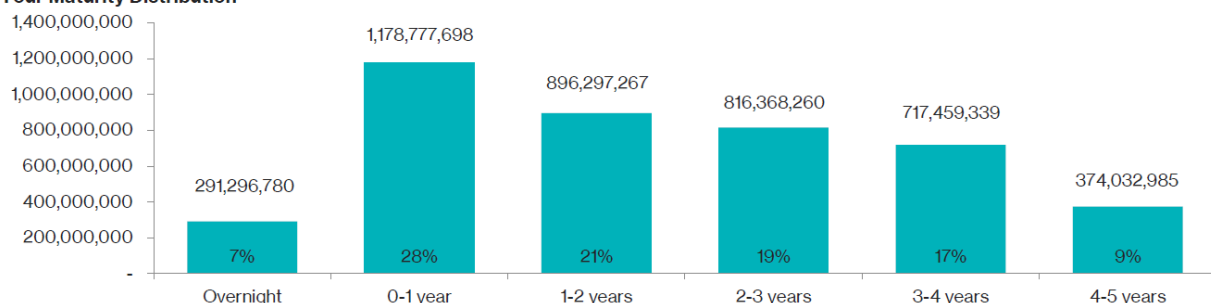
Your Securities

Weighted Average Maturity	1.88 years
Weighted Average Yield	4.56%
Quarterly Interest Earnings	\$47,797,453
Year-to-Date Earnings	\$130,150,519

Your Asset Allocation



Your Maturity Distribution



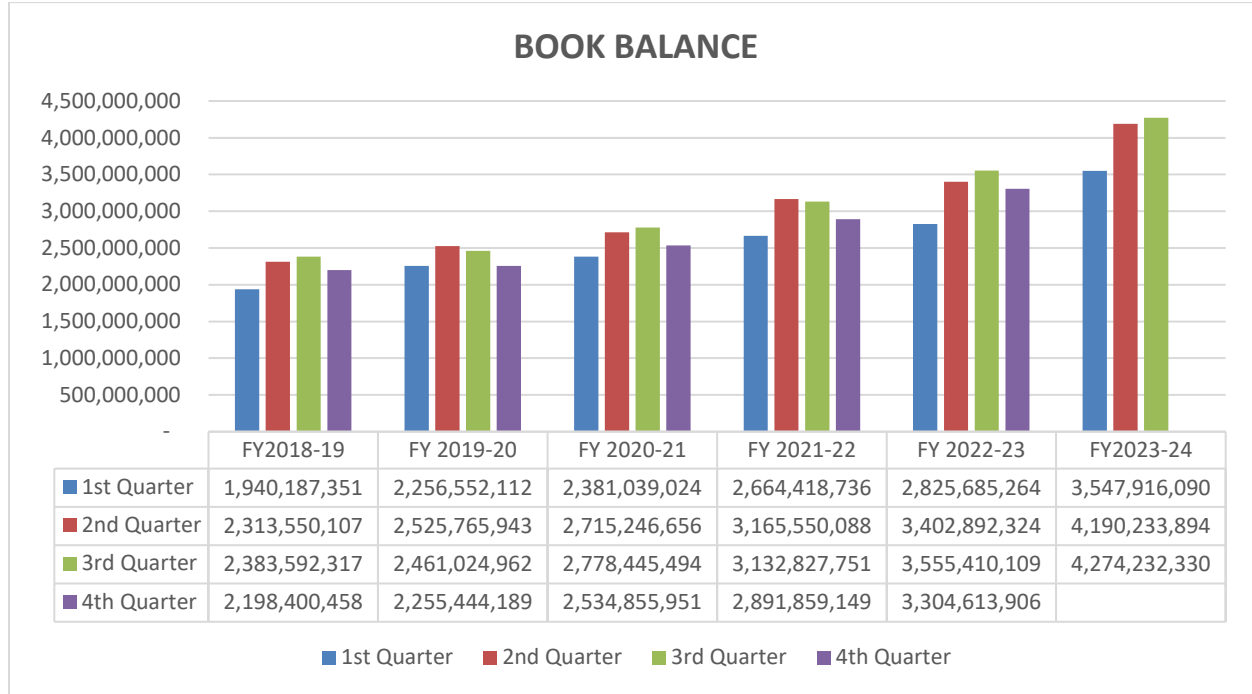
YIELD AND INTEREST INCOME INFORMATION IS ANNUALIZED. ALL YIELD INFORMATION IS SHOWN GROSS OF ANY ADVISORY AND CUSTODY FEES AND IS BASED ON YIELD TO MATURITY AT COST. PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS.

DATE
SUBJECT

August 23, 2024
Quarterly Investment Report – 2nd Quarter FY2023-24

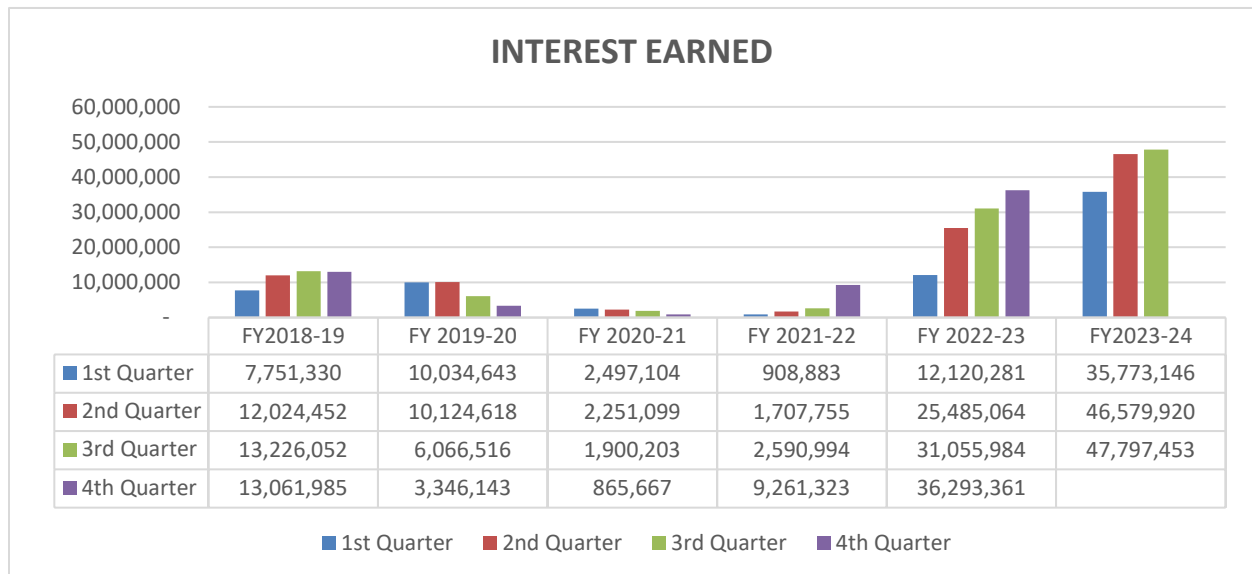
Book Balance

The City's overall balances continue to trend higher over the past five fiscal years. Compared with last quarter, book balance for the 3rd quarter of FY 2023-24 increased from **\$4,190,233,894** to **\$4,274,232,330**.



Interest Earned

Interest earned for the 3rd quarter of FY 2023-24 reached the highest level of the last five fiscal years at **\$47,797,453**. Assuming the portfolio's book balance remains high, we expect interest earnings to continue trending higher than previous fiscal years.



Asset Composition

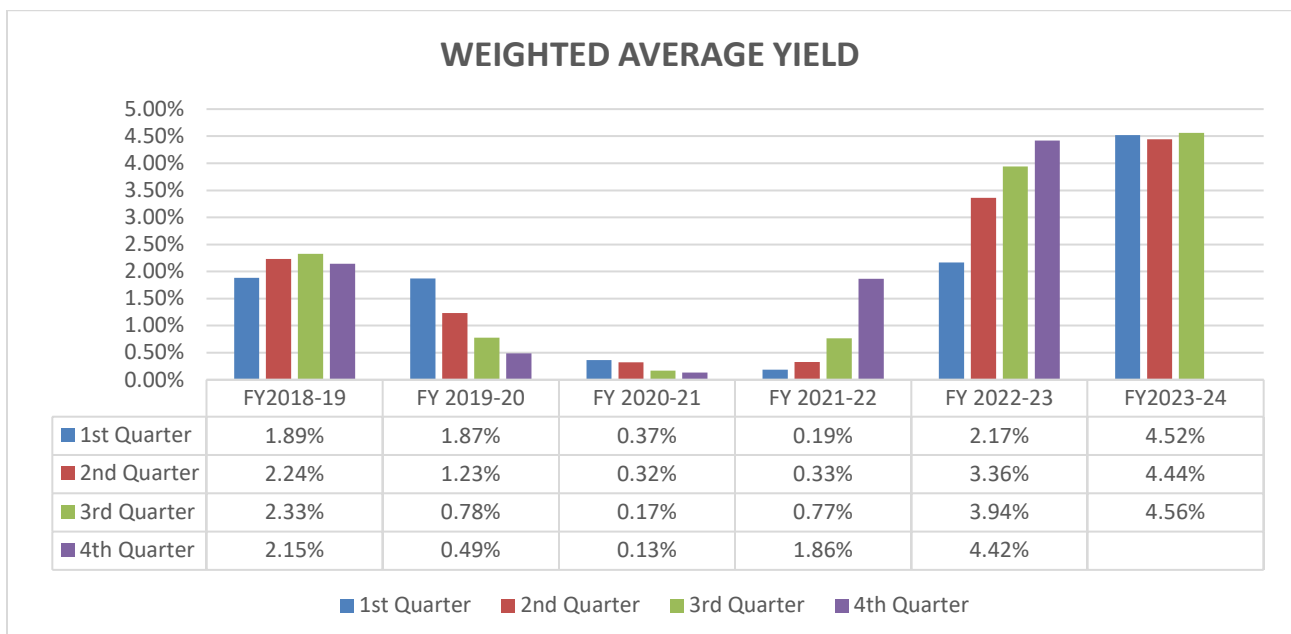
To ensure the ability of the City to meet obligations and to minimize potential liquidation losses, Section 13.0 of the City's Investment Policy establishes the appropriate diversification of assets and the maximum maturity of each investment category. Safety of principal is the primary objective of the City's Investment Policy, and adequate diversification of assets helps us mitigate credit risk.

Following this guidance, the asset composition for the 3rd quarter for FY 2023-24 included treasuries, agencies, commercial paper, and municipal obligations which were maintained within approved levels, while reducing our liquid position in the areas of cash, and money market.

Asset Composition – Q3	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24
Cash & Equivalents	7.05%	3.49%	0.03%	0.04%	0.00%
Money Market	17.34%	5.97%	0.75%	0.10%	0.08%
LGIPs	44.28%	42.10%	18.65%	10.43%	12.35%
Commercial Paper	0.00%	0.00%	0.00%	14.36%	20.40%
Municipal Obligations	0.00%	0.00%	0.00%	0.28%	0.23%
U.S. Government Agencies	22.43%	46.70%	69.42%	47.51%	40.67%
U.S. Treasury Securities	8.90%	1.74%	11.16%	27.28%	26.27%

Weighted Average Yield

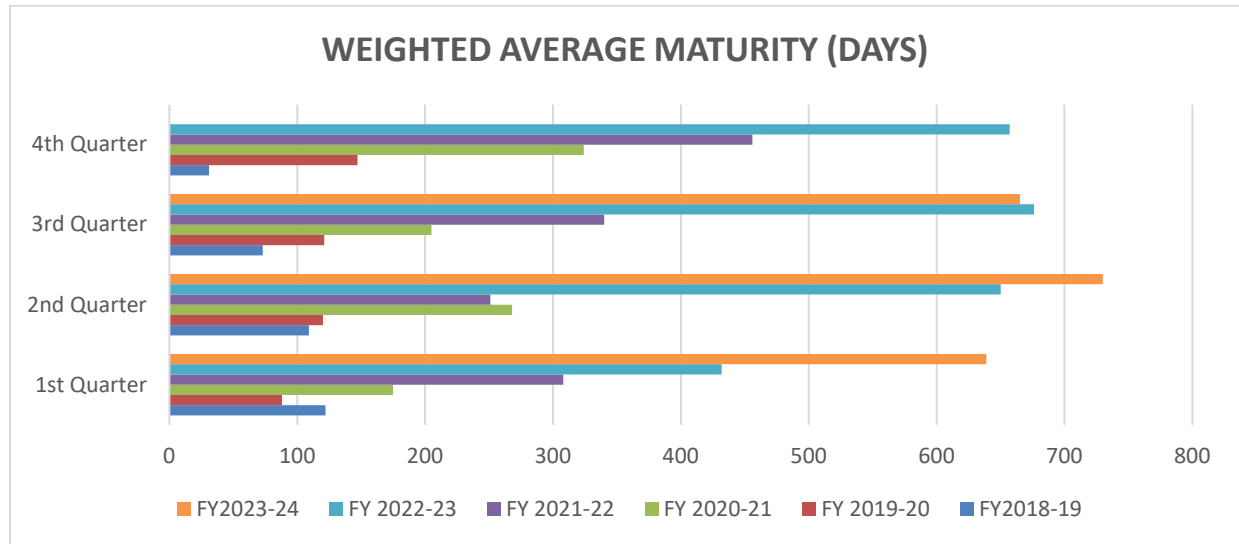
The portfolio's weighted average yield for the 3rd quarter of FY 2023-24 increased slightly from **4.44%** to **4.56%**.



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Weighted Average Maturity (“WAM”)

Weighted Average Maturity (“WAM”) is the average time it takes for securities in a portfolio to mature, weighted in proportion to the dollar amount that is invested in the portfolio. The portfolio’s WAM is determined by cash flow demands, interest rate outlook and the overall size of the portfolio. The portfolio’s WAM as of June 30, 2024 dropped from **730 days** to **665 days**.



In addition to the performance of the portfolios, the Quarterly Investment Report includes an Executive Summary, an Economic Update including regional economic information, and Compliance Certification. You may access all published reports on the City’s Financial Transparency website.

(<https://dallascityhall.com/departments/budget/financialtransparency/Pages/current-financial-reports.aspx>)

If you have any questions, please contact Jenny Kerzman, Assistant Director of Treasury.

Jack Ireland
Chief Financial Officer

[Attachment]

c: Kimberly Bizzor Tolbert, City Manager (I)
Tammy L. Palomino, City Attorney
Mark Swann, City Auditor
Billerae Johnson, City Secretary
Preston Robinson, Administrative Judge
Dominique Artis, Chief of Public Safety (I)
Dev Rastogi, Assistant City Manager

M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Alina Ciocan, Assistant City Manager
Donzell Gipson, Assistant City Manager (I)
Robin Bentley, Assistant City Manager (I)
Elizabeth Saab, Chief of Strategy, Engagement, and Alignment (I)
Directors and Assistant Directors



City of Dallas

Quarterly Investment Report

PRESENTED BY:

SCOTT GRUBER, CMT – DIRECTOR, ADVISORY SERVICES

JUNE 30, 2024



MEEDER
PUBLIC FUNDS



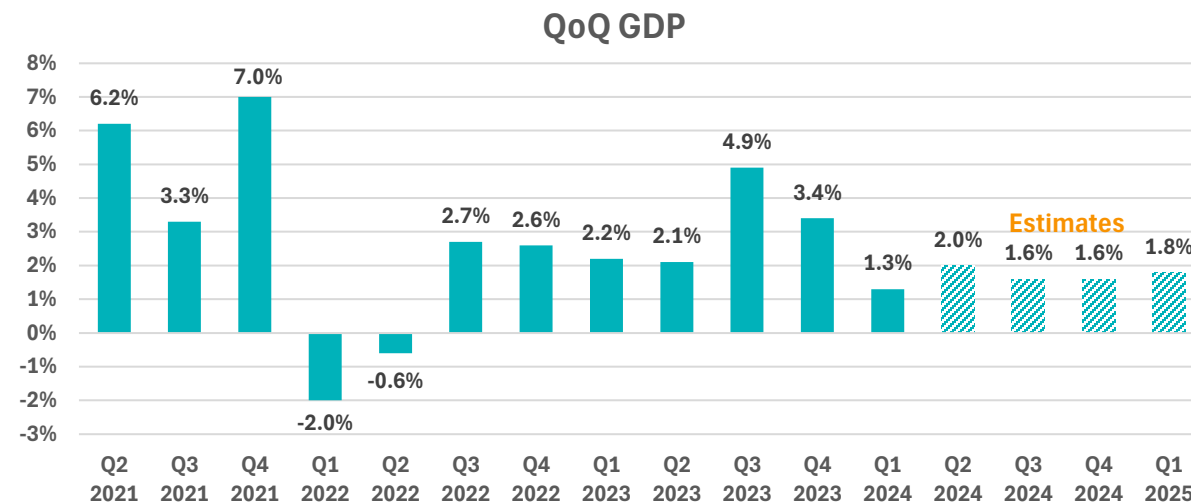
Economic Update

OBSERVATIONS

- U.S. economic growth should slow in the second half of 2024, but not be negative
- The unemployment rate pushed above 4% in May from the cycle low of 3.4%
- Fed Funds futures are pointing to two .25% cuts this year and four next year
- Intermediate-term rates have increased this year, but are lower than last year's peak

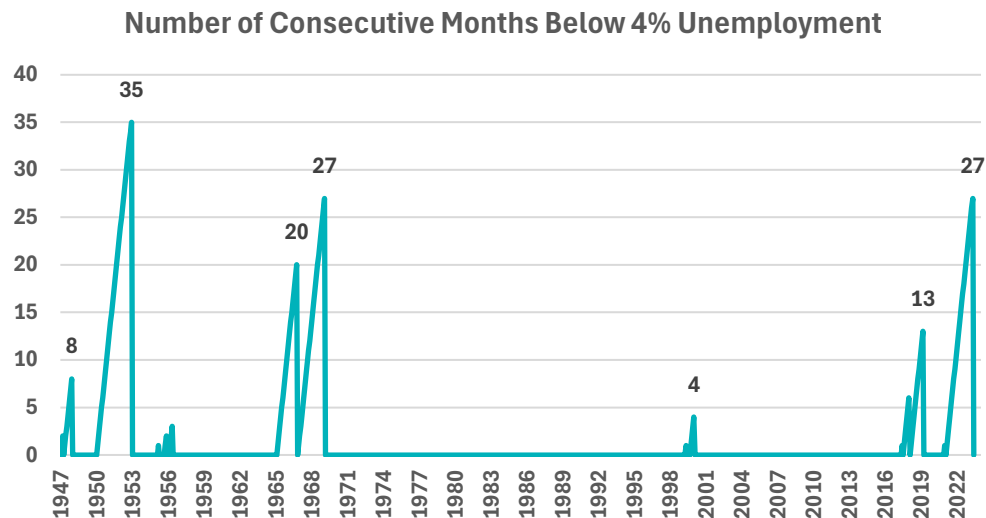
Expected Downshift in Economic Growth

- Economists surveyed by Bloomberg are expecting growth to slow in the coming quarters.
- Higher inflation and interest rates have put a crimp in consumer spending.



SOURCE: BLOOMBERG, BUREAU OF ECONOMIC ANALYSIS,

The Unemployment Rate Climbed Above 4%



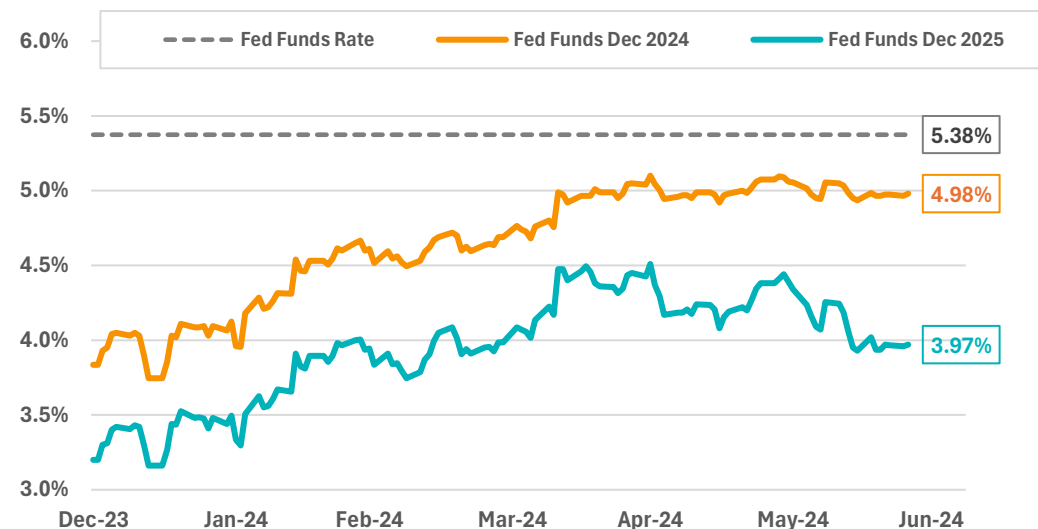
SOURCE: BLOOMBERG, BUREAU OF LABOR STATISTICS

The Fed vs. The Market

- The Federal Reserve is expecting one .25% cut this year to the Fed Funds Rate and four next year.
- The Fed Funds futures market is expecting two .25% cuts this year and four next year to push the Fed Funds rate down to 3.97% from its current rate of 5.38%

- The U.S. just finished its second longest streak of having the unemployment rate below 4%.
- The Federal Reserve and most economists expect the unemployment rate to push higher with job growth slowing later this year.

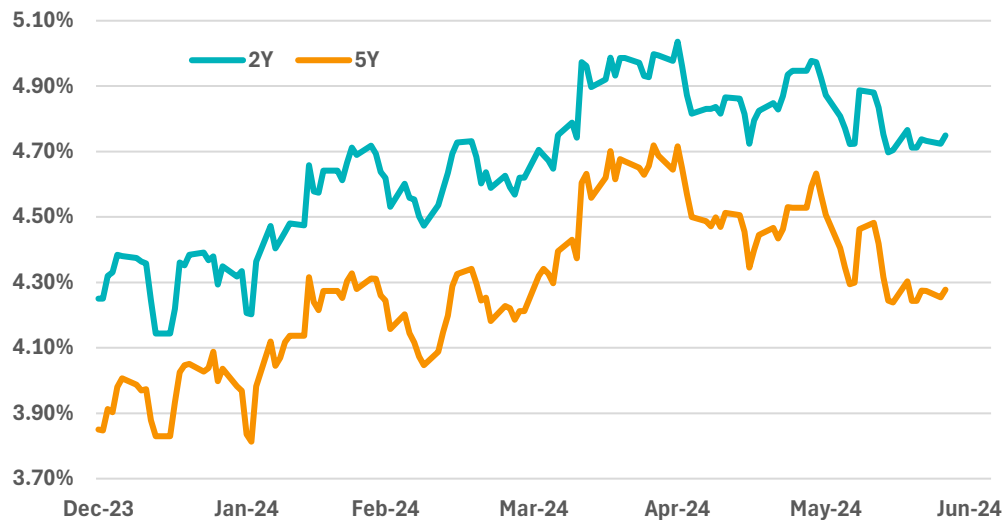
Current Fed Funds Rate vs. Dec 2024 Fed Funds Futures Rate vs. Dec 2025
Fed Funds Futures Rate



SOURCE: BLOOMBERG

Intermediate-Term Rates Higher In 2024

YTD 2Y and 5Y Treasury Rates



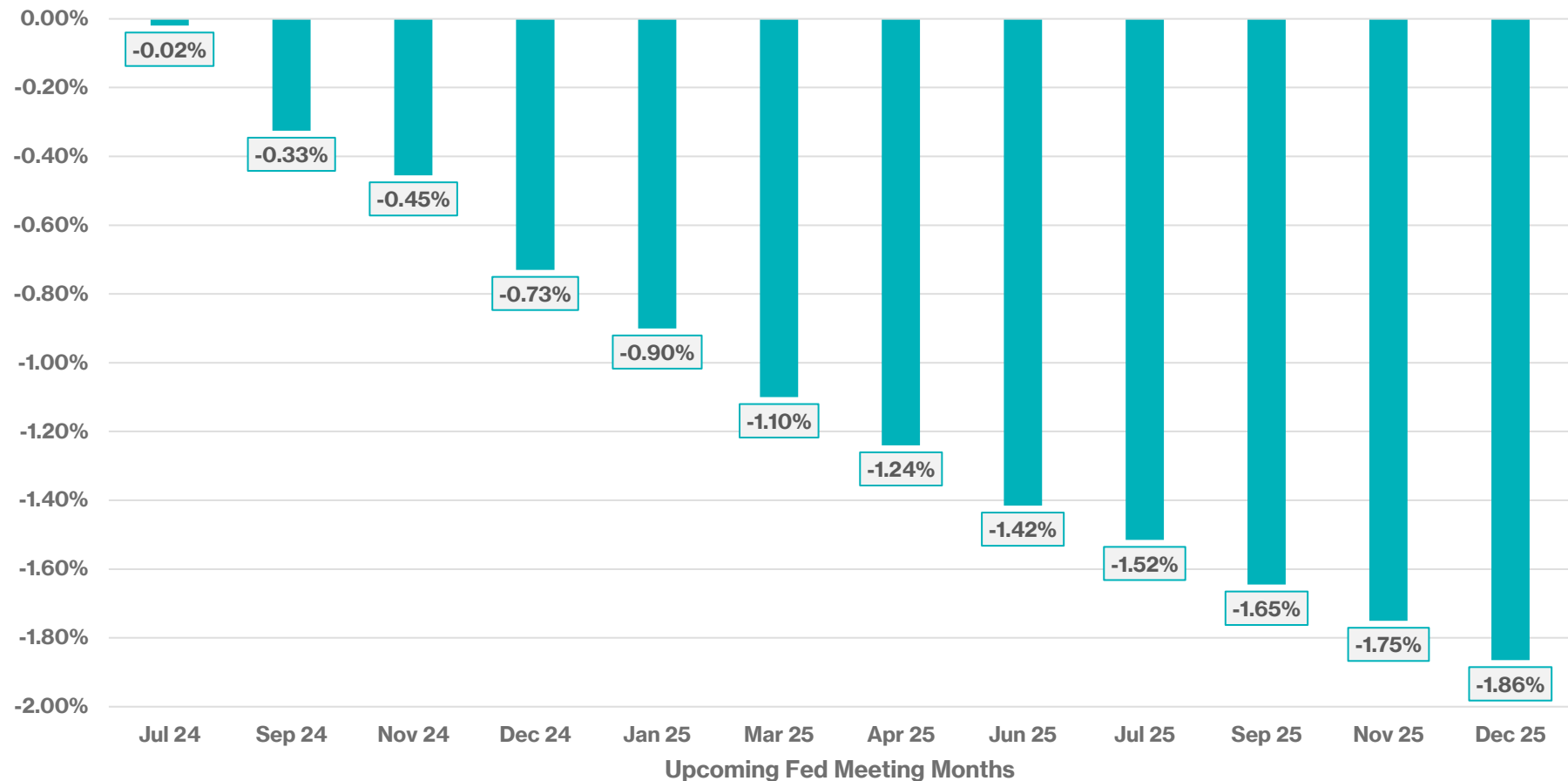
SOURCE: BLOOMBERG

- Both the 2-year and 5-year U.S. Treasury rates had their cycle peaks last October at 5.22% and 4.96%, respectively.
- Intermediate-term U.S. Treasury rates have climbed higher this year as market participants realized inflation remains sticky and Fed will cut the Fed Funds rate fewer times than was anticipated at the start of 2024.

Takeaways • With intermediate-term interest rates near their highest levels since 2007, locking in those yields will most likely prove prudent.

- It will be interesting to observe Federal Reserve policy later this year as inflation probably remains above their target, with unemployment increasing.

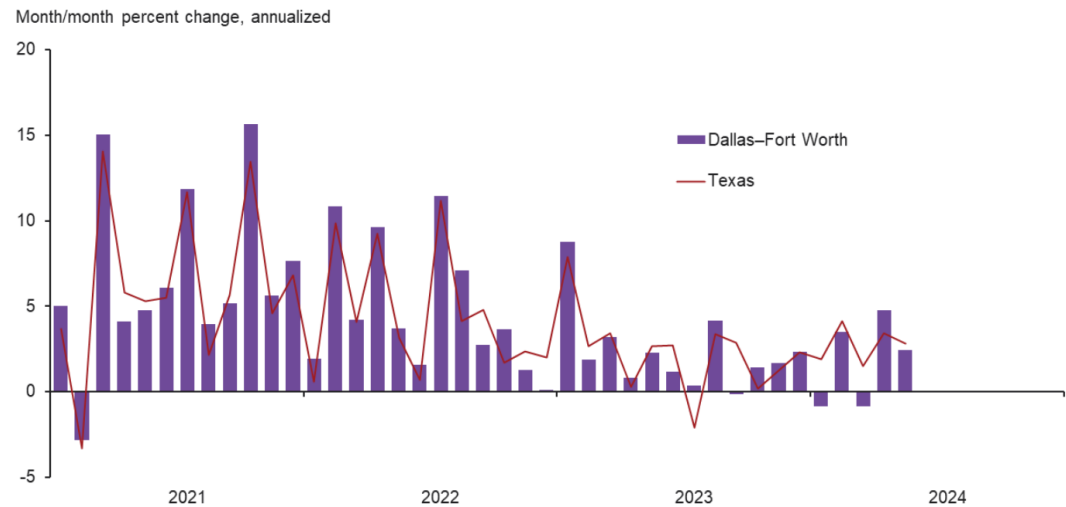
Fed Funds Rate Declines Priced In Per Futures Market



- After four quarter point hikes in 2023, the Federal Reserve has held this rate steady since last July.
- At the last Federal Open Market Committee Meeting (FOMC) press conference, Chair Powell stated, “so far this year, the data have not given us that greater confidence” to lower the Fed Funds rate.
- Currently, the futures market is implying almost three .25% Fed cuts between now and the end of the year.

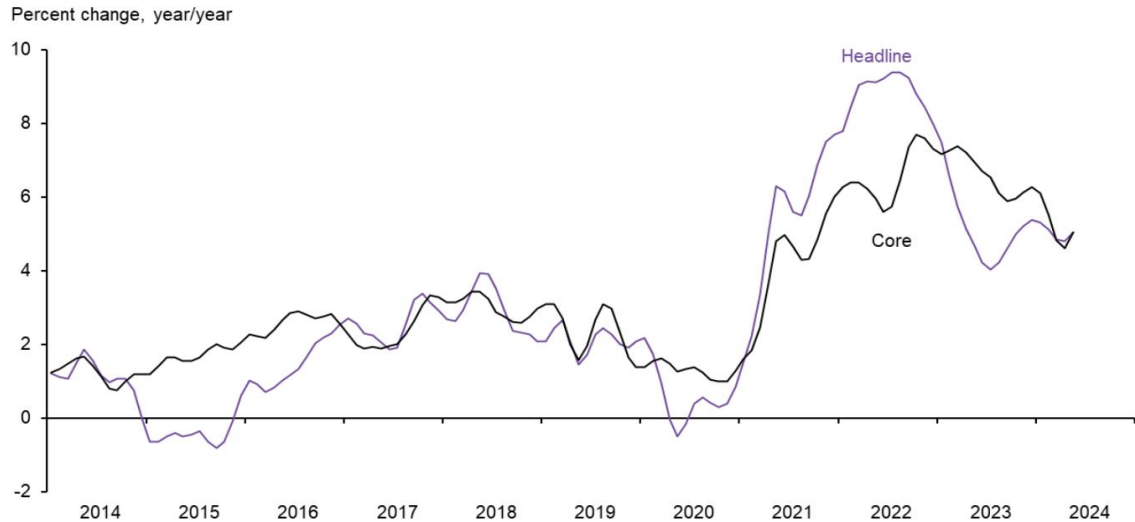
Regional Economic Information

Job Growth mixed



SOURCE: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by the Dallas Fed.

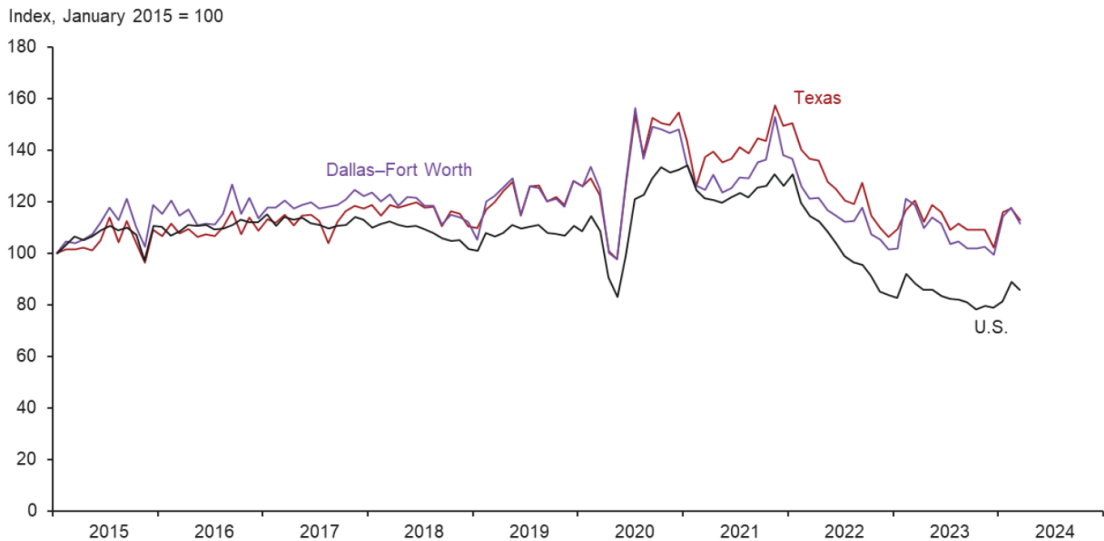
Dallas Consumer Price Indexes



NOTE: Data are monthly through May 2024.
SOURCE: Bureau of Labor Statistics.

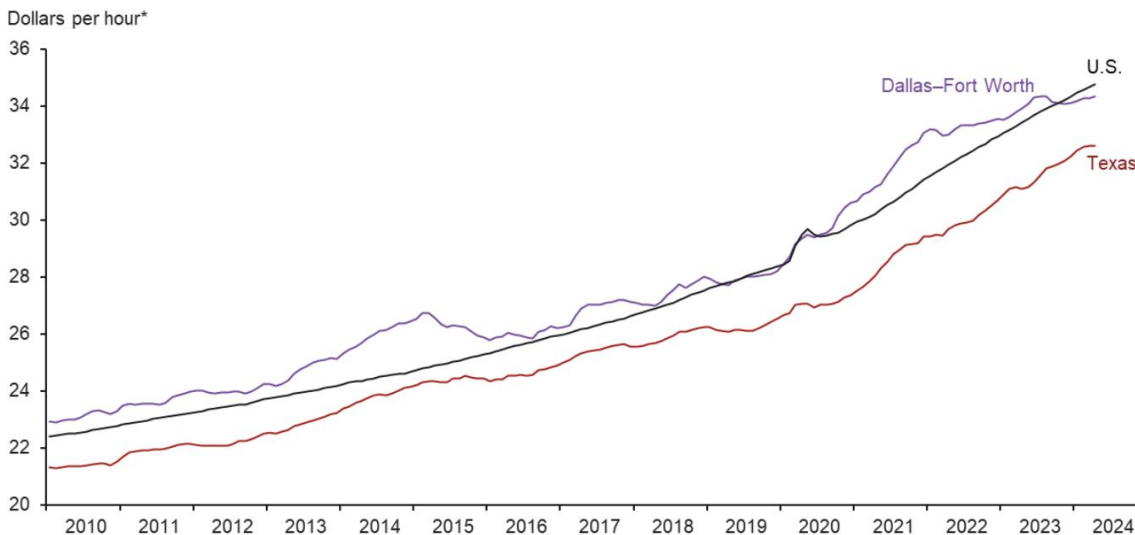
Federal Reserve Bank of Dallas

Existing-home sales dip



SOURCE: Multiple Listing Service; Real Estate Center at Texas A&M University.

Hourly wages flat



*Seasonally adjusted, three-month centered moving average.
SOURCE: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.



MEEDER

PUBLIC FUNDS

Portfolio Review

Quarterly Portfolio Summary – All Funds



This quarterly report is prepared in compliance with the Investment Policy and Strategy of the City of Dallas and the Public Funds Investment Act (Chapter 2256, Texas Government Code).

Portfolio as of March 31, 2024		Portfolio as of June 30, 2024	
Beginning Book Value	\$4,338,157,647	Ending Book Value	\$4,422,156,083
Beginning Market Value	\$4,301,185,275	Ending Market Value	\$4,383,651,851
		Investment Income for the period	\$49,730,427
Unrealized Gain/(Loss)	(\$36,972,372)	Unrealized Gain/(Loss)	(\$38,504,232)
		Change in Unrealized Gain/(Loss)	(\$1,531,860)
Weighted Average Maturity		Weighted Average Maturity	664 days
Weighted Average Yield		Weighted Average Yield	4.59%

Portfolio Summary – Investment Pool

As of 6/30/2024



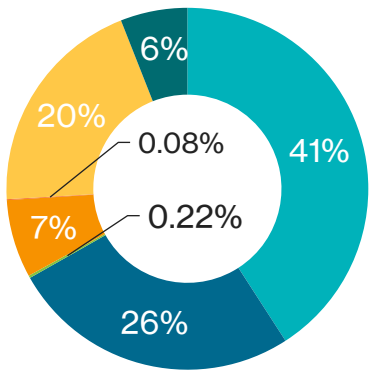
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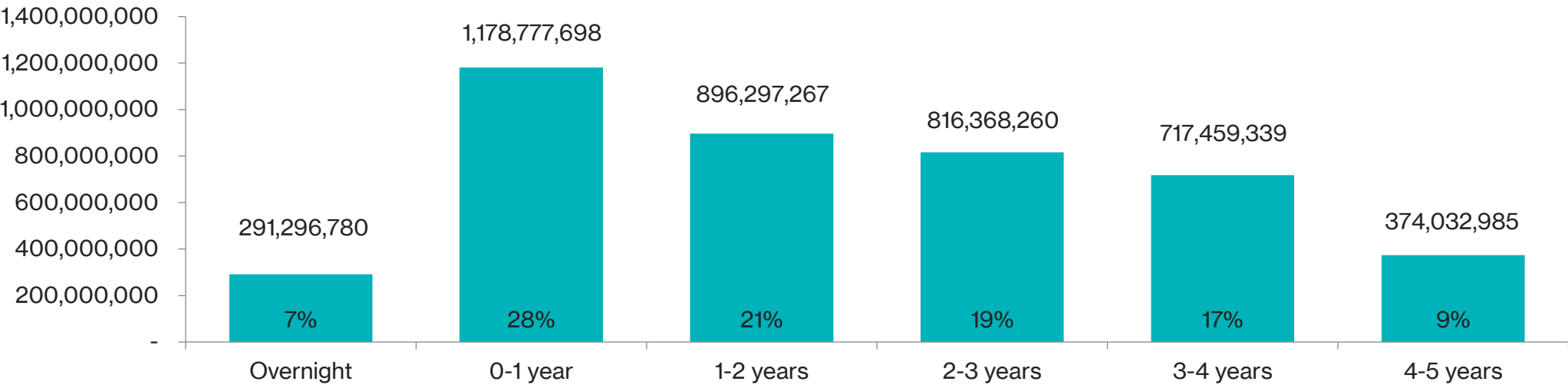
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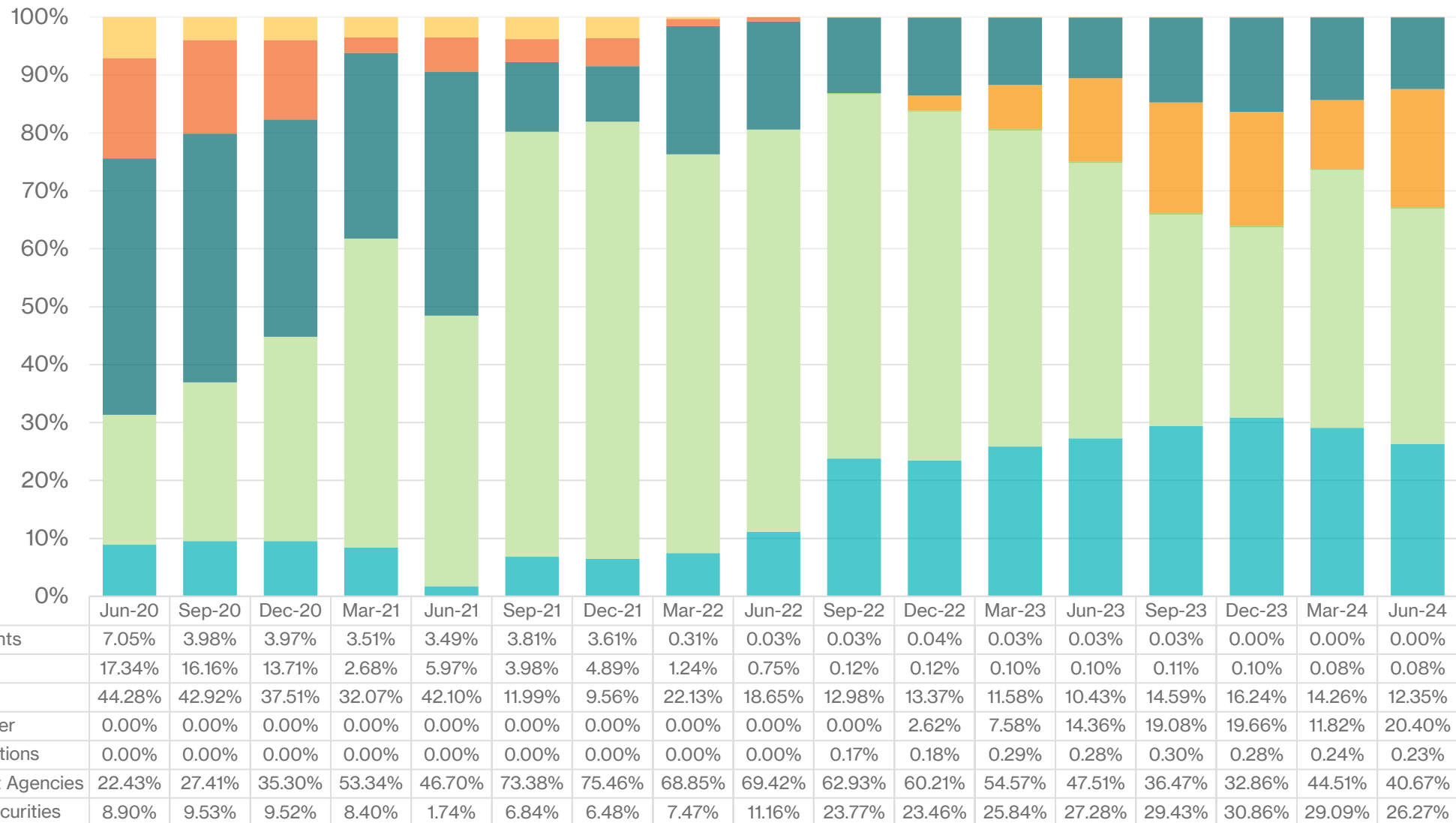
- US Government Agencies
- US Treasuries
- Municipal Obligations
- Local Government Investment Pools
- Money Market
- Commercial Paper
- TexasTERM

Your Maturity Distribution

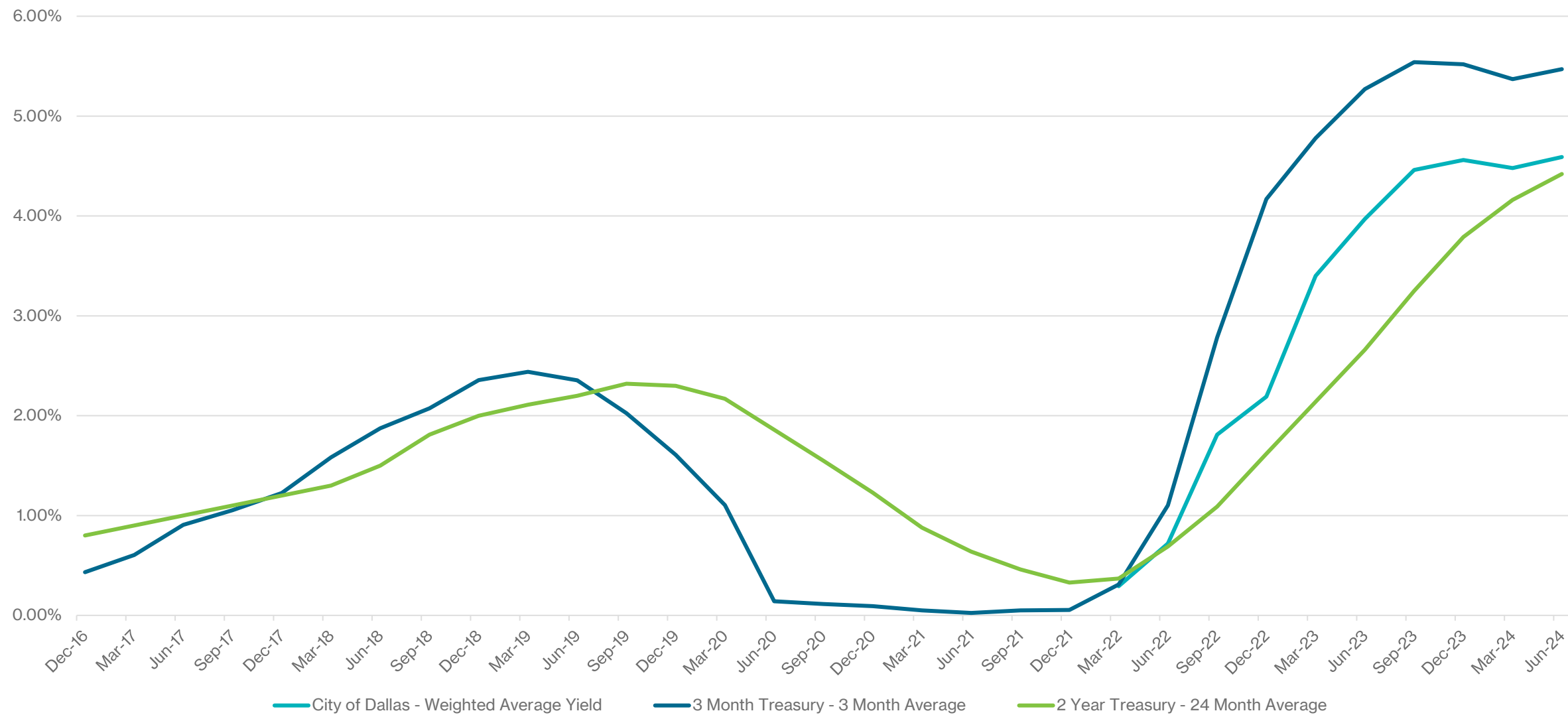


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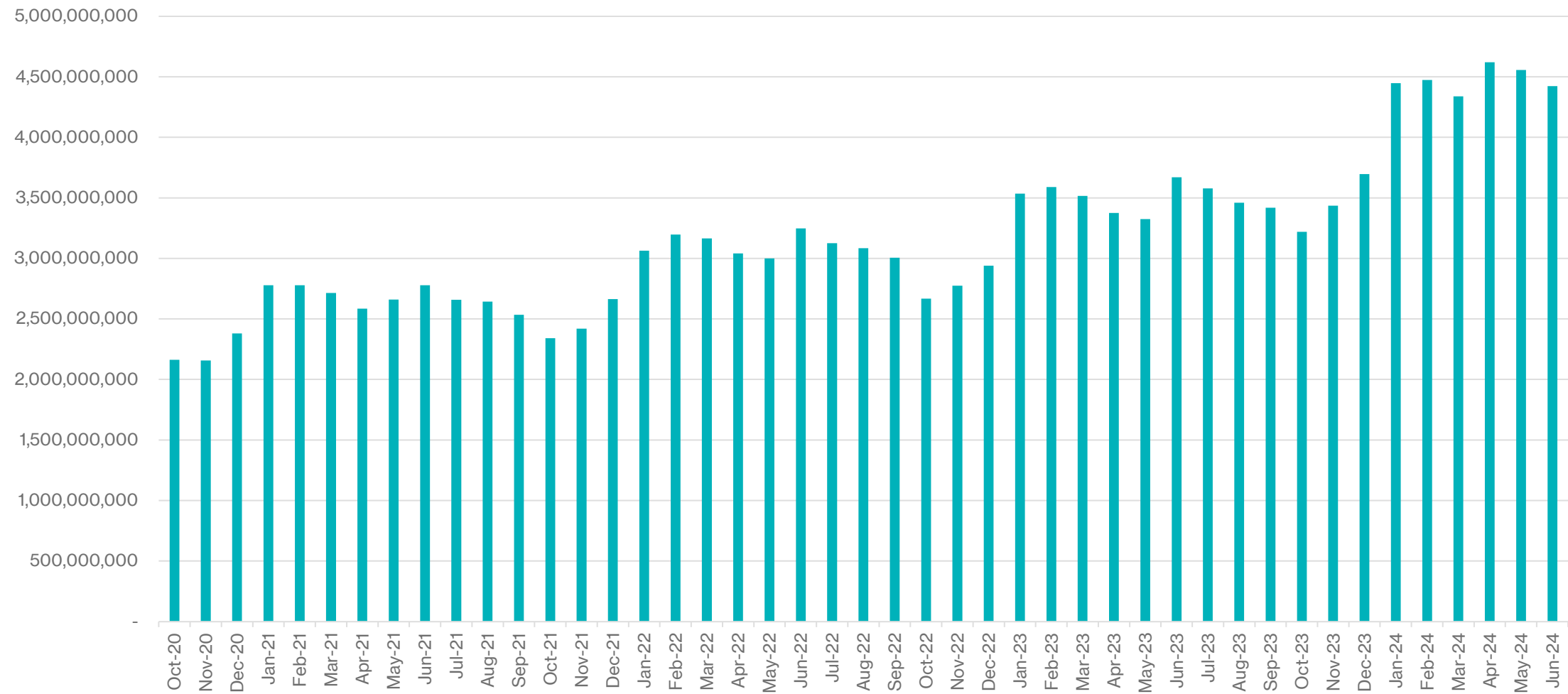
Asset Composition



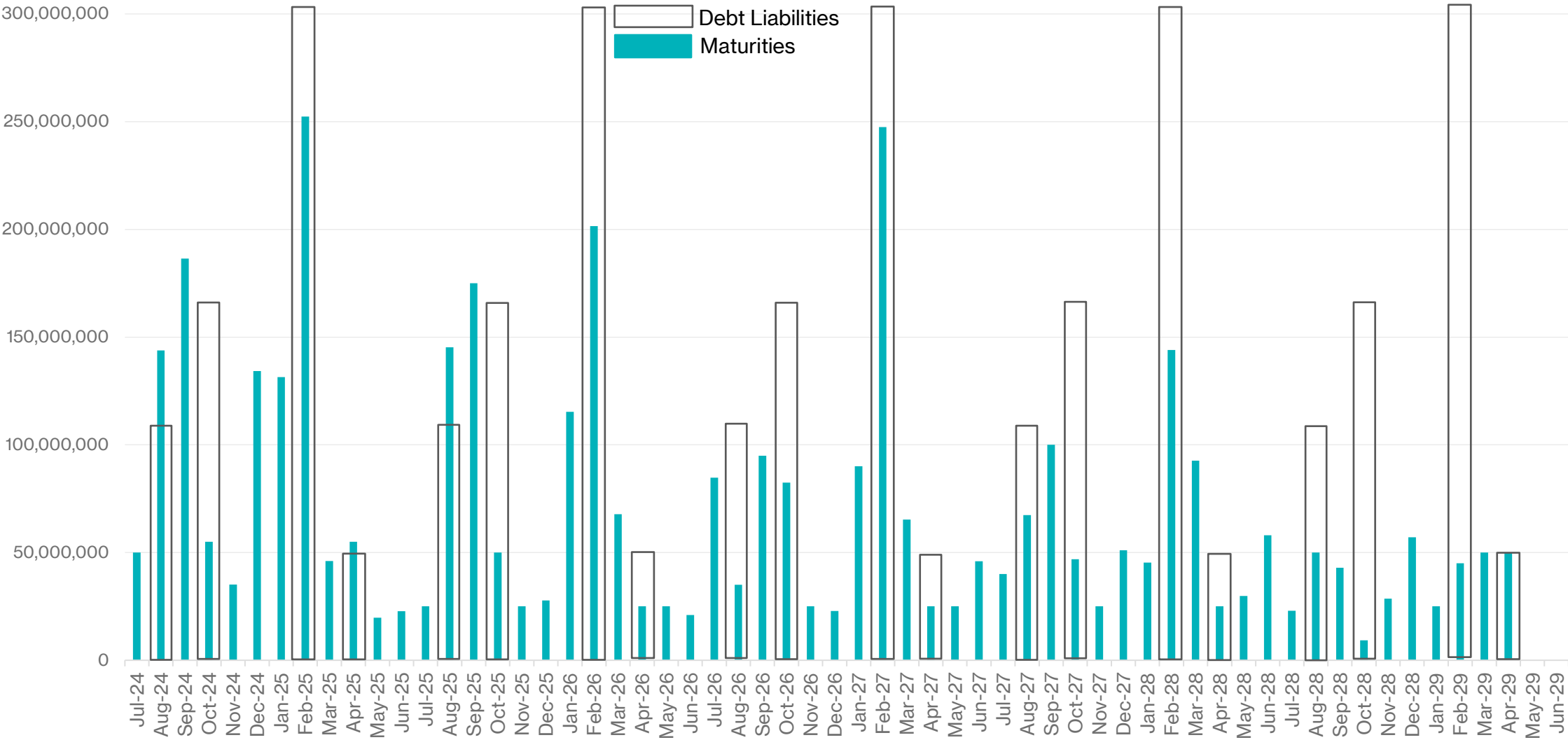
Investment Portfolio Statistics– All Funds



Historical Balances – Book Value



Maturity Distributions



Compliance Certification



The undersigned have acknowledged that they have reviewed this quarterly investment report for the period ending June 30, 2024. The City officials designated as investment officers by the City’s Investment Policy attest that all investments are in compliance with the Texas Public Funds Investment Act and the City’s Investment Policy as adopted in Sec. 17.0 of the City’s Investment Policy.

Chief Financial Officer

City Controller

Treasury Manager

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

Opinions and forecasts regarding markets, securities, products, portfolios or holdings are given as of the date provided and are subject to change at any time. No offer to sell, solicitation, or recommendation of any security or investment product is intended. Certain information and data has been supplied by unaffiliated third-parties as indicated. Although Meeder believes the information is reliable, it cannot warrant the accuracy, timeliness or suitability of the information or materials offered by third-parties.

Estimates and illustrations of expected yield for illustrated portfolios is hypothetical in nature, does not reflect actual investment results, and does not guarantee future returns. Hypothetical illustrations are offered to illustrate the yield expected from classes of securities and do not reflect actual securities available for investment. Estimates of current yield are generated from indexes and other information deemed by the adviser to provide a reliable estimate of the current yield available from investments in that asset class. Securities indices are unmanaged and investments cannot be made directly in an index. Yield assumptions were developed with the benefit of hindsight and the securities purchased for such an account may generate more or less than the illustrated yield.

Investment advisory services provided by Meeder Public Funds, Inc.

Meeder Public Funds

901 Mopac Expressway South
Building 1, Suite 300
Austin, TX 78746

866.633.3371



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