

# Memorandum



CITY OF DALLAS

DATE May 29, 2015

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair),  
Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT Quarterly Investment Report as of March 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 March 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



**CITY OF DALLAS**

**QUARTERLY INVESTMENT REPORT**

**March 31, 2015**

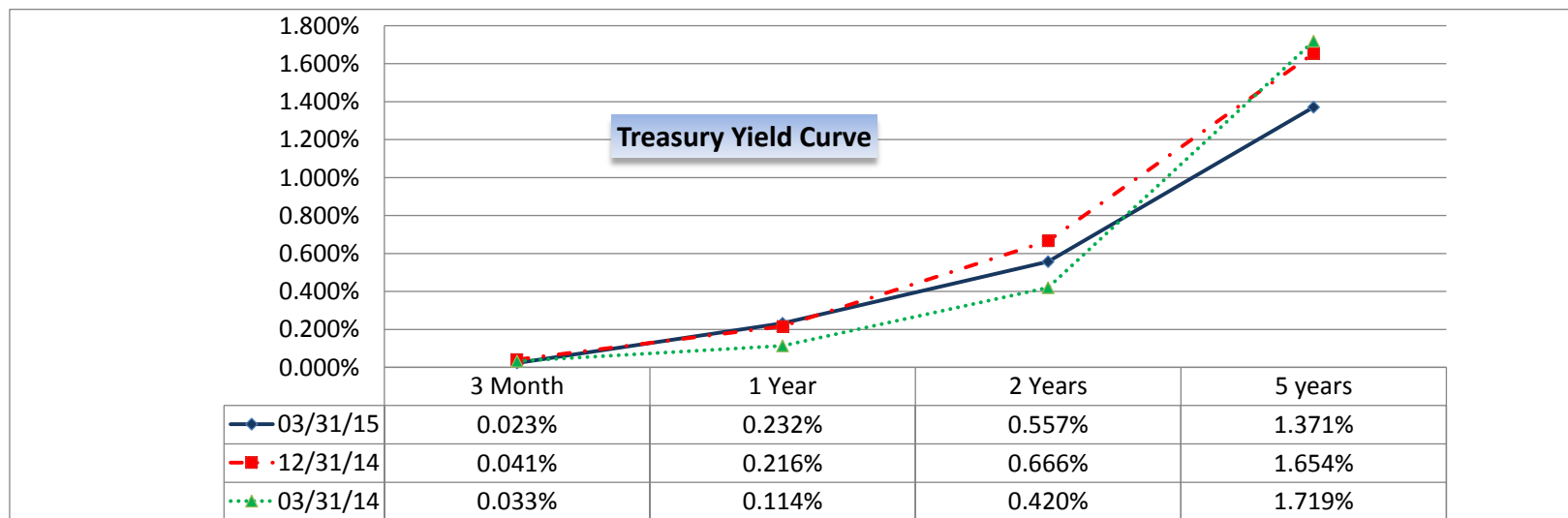
**Quarterly National Economic and Market Update**  
**Quarter Ended March 31, 2015**

- Economic growth slowed during the first quarter. The pace of job gains moderated, and the unemployment rate remained steady.
- Inflation has declined further below the Federal Open Market Committee's (FOMC) 2 percent longer-run objective, largely reflecting declines in energy prices.
- The FOMC anticipates that it will be appropriate to raise the target range for the federal funds rate when it has seen further improvement in the labor market and is reasonably confident that inflation will move back to its 2 percent objective over the medium term.

Source: FOMC March 18, 2015 and April 29, 2015 Statements

National Economic Data	3/31/2015	3/31/2014
Fed Funds Effective Rate	0.00% -0.25%	0.00% -0.25%
2 Years Treasury Note	0.557%	0.420%
10 Years Treasury Note	1.927%	2.719%
Monthly Unemployment Rate	5.50%	6.60%
Weekly Initial Jobless Claims	267,000	329,000
Monthly Change in Nonfarm Payrolls	126,000	225,000
Monthly New Housing Starts	926,000	950,000

Source: Bloomberg



Source: Bloomberg

**City of Dallas**  
**Portfolio Holdings**  
**Combined Investment Summary**  
**As of 03/31/2015**

Portfolio Description	Face Amount	Book Value	Market Value	Accrued Interest	Market Value + Accrued Interest	*Unrealized Gain/(Loss)	Yield To Maturity
01 The City's Investment Pool	1,623,573,000	1,625,846,497	1,628,324,427	2,028,822	1,630,353,249	2,477,930	0.59%
02 Convention Center Reserve	18,900,000	18,900,000	18,990,095	6,717	18,996,812	90,095	1.14%
03 Water Reserve	90,000,000	89,900,002	90,175,190	129,962	90,305,152	275,188	0.96%
04 Art Endowment	2,235,000	2,235,000	2,236,484	1,304	2,237,788	1,484	0.35%
05 Ida Green Library Fund	1,000,000	1,000,000	1,000,667	4,100	1,004,767	667	1.20%
10 DWU Commercial Paper Program	2,929,162	2,929,162	2,929,162	0	2,929,162	-	0.02%
14 Trinity Parkway Escrow	546,498	546,498	546,498	0	546,498	-	0.00%
17 GO Commercial Paper Program	89,318	89,318	89,318	0	89,318	-	0.02%

\*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: 12/31/14 - 03/31/15

Portfolio Description	Beginning Face Amount	Beginning Yield To Maturity	Purchased/Deposited	Matured/Called/ Redeemed	Ending Face Amount	Ending Yield To Maturity
<b>City's Investment Pool*</b>						
Federal Agricultural Mortgage Corp.	106,000,000	0.58%	95,000,000	26,000,000	175,000,000	0.66%
Federal Farm Credit Bank	190,430,000	0.40%	30,000,000	5,000,000	215,430,000	0.43%
Federal Home Loan Bank	277,310,000	0.78%	115,000,000	30,000,000	362,310,000	0.75%
Federal Home Loan Mortgage Corp.	278,355,000	0.71%	100,000,000	-	378,355,000	0.77%
Federal National Mortgage Assoc.	224,458,000	0.70%	-	-	224,458,000	0.70%
<b>Total</b>	<b>1,076,553,000</b>	<b>0.66%</b>	<b>340,000,000</b>	<b>61,000,000</b>	<b>1,355,553,000</b>	<b>0.68%</b>

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

<b>Convention Center Reserve</b>						
Federal Home Loan Bank	-	-	15,000,000	-	15,000,000	1.30%
Federal National Mortgage Assoc.	18,900,000	0.39%	-	15,000,000	3,900,000	0.50%
<b>Total</b>	<b>18,900,000</b>	<b>0.39%</b>	<b>15,000,000</b>	<b>15,000,000</b>	<b>18,900,000</b>	<b>1.14%</b>

<b>Water Reserve</b>						
Federal Farm Credit Bank	5,000,000	0.30%	-	-	5,000,000	0.30%
Federal Home Loan Bank	20,000,000	0.37%	10,000,000	10,000,000	20,000,000	0.98%
Federal Home Loan Mortgage Corp.	60,000,000	0.97%	-	-	60,000,000	0.97%
Federal National Mortgage Assoc.	5,000,000	-	-	-	5,000,000	1.38%
<b>Total</b>	<b>90,000,000</b>	<b>0.82%</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>90,000,000</b>	<b>0.96%</b>

<b>Art Endowment</b>						
Federal Farm Credit Bank	2,235,000	0.35%	-	-	2,235,000	0.35%
<b>Total</b>	<b>2,235,000</b>	<b>0.35%</b>	<b>-</b>	<b>-</b>	<b>2,235,000</b>	<b>0.35%</b>

<b>Ida Green Library Endowment</b>						
Federal National Mortgage Assoc.	1,000,000	1.20%	-	-	1,000,000	1.20%
<b>Total</b>	<b>1,000,000</b>	<b>1.20%</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>	<b>1.20%</b>

<b>DWU Commercial Paper</b>						
Money Market - Tax Exempt	407,022	0.01%	30,003,258	27,481,118	2,929,162	0.02%
<b>Total</b>	<b>407,022</b>	<b>0.01%</b>	<b>30,003,258</b>	<b>27,481,118</b>	<b>2,929,162</b>	<b>0.02%</b>

<b>GO Commercial Paper</b>						
Money Market - Tax Exempt	89,318	0.02%	-	-	89,318	0.02%
<b>Total</b>	<b>89,318</b>	<b>0.02%</b>	<b>-</b>	<b>-</b>	<b>89,318</b>	<b>0.02%</b>

<b>Trinity Parkway Escrow</b>						
Money Market	546,484	0.00%	14	-	546,498	0.00%
<b>Total</b>	<b>546,484</b>	<b>0.00%</b>	<b>14</b>	<b>-</b>	<b>546,498</b>	<b>0.00%</b>

City of Dallas  
 Summary Statement by Portfolio  
 As of: 12/31/14 - 03/31/15

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 Yield To Maturity
<b>City's Investment Pool<sup>1</sup></b>										
Local Govt. Investment Pool	225,020,000	202,020,000	225,020,000	202,020,000	225,020,000	202,020,000	(23,000,000)	-	-	0.10%
Money Market	70,000,000	66,000,000	70,000,000	66,000,000	70,000,000	66,000,000	(4,000,000)	-	-	0.07%
US Agency	1,076,553,000	1,355,553,000	1,079,387,510	1,357,826,497	1,079,151,825	1,360,304,427	279,000,000	1,831,501	2,028,822	0.68%
<b>*Total</b>	<b>1,371,573,000</b>	<b>1,623,573,000</b>	<b>1,374,407,510</b>	<b>1,625,846,497</b>	<b>1,374,171,825</b>	<b>1,628,324,427</b>	<b>252,000,000</b>	<b>1,831,501</b>	<b>2,028,822</b>	<b>0.59%</b>
<b>Convention Center Reserve<sup>2</sup></b>										
US Agency	18,900,000	18,900,000	18,900,338	18,900,000	18,910,964	18,990,095	-	79,131	6,717	1.14%
<b>Total</b>	<b>18,900,000</b>	<b>18,900,000</b>	<b>18,900,338</b>	<b>18,900,000</b>	<b>18,910,964</b>	<b>18,990,095</b>	<b>-</b>	<b>79,131</b>	<b>6,717</b>	<b>1.14%</b>
<b>Water Reserve<sup>2</sup></b>										
US Agency	90,000,000	90,000,000	89,896,562	89,900,002	89,875,190	90,175,190	-	300,000	129,962	0.96%
<b>Total</b>	<b>90,000,000</b>	<b>90,000,000</b>	<b>89,896,562</b>	<b>89,900,002</b>	<b>89,875,190</b>	<b>90,175,190</b>	<b>-</b>	<b>300,000</b>	<b>129,962</b>	<b>0.96%</b>
<b>Art Endowment<sup>3</sup></b>										
US Agency	2,235,000	2,235,000	2,235,000	2,235,000	2,233,409	2,236,484	-	3,075	1,304	0.35%
<b>Total</b>	<b>2,235,000</b>	<b>2,235,000</b>	<b>2,235,000</b>	<b>2,235,000</b>	<b>2,233,409</b>	<b>2,236,484</b>	<b>-</b>	<b>3,075</b>	<b>1,304</b>	<b>0.35%</b>
<b>Ida Green Library Endowment<sup>4</sup></b>										
US Agency	1,000,000	1,000,000	1,000,000	1,000,000	996,563	1,000,667	-	4,104	4,100	1.20%
<b>Total</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>996,563</b>	<b>1,000,667</b>	<b>-</b>	<b>4,104</b>	<b>4,100</b>	<b>1.20%</b>
<b>DWU Commercial Paper<sup>5</sup></b>										
Money Market - Tax Exempt	407,022	2,929,162	407,022	2,929,162	407,022	2,929,162	2,522,140	-	-	0.02%
<b>Total</b>	<b>407,022</b>	<b>2,929,162</b>	<b>407,022</b>	<b>2,929,162</b>	<b>407,022</b>	<b>2,929,162</b>	<b>2,522,140</b>	<b>-</b>	<b>-</b>	<b>0.02%</b>
<b>GO Commercial Paper<sup>5</sup></b>										
Money Market - Tax Exempt	89,318	89,318	89,318	89,318	89,318	89,318	-	-	-	0.02%
<b>Total</b>	<b>89,318</b>	<b>89,318</b>	<b>89,318</b>	<b>89,318</b>	<b>89,318</b>	<b>89,318</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.02%</b>
<b>Trinity Parkway Escrow<sup>6</sup></b>										
Money Market	546,484	546,498	546,484	546,498	546,484	546,498	14	-	-	0.00%
<b>Total</b>	<b>546,484</b>	<b>546,498</b>	<b>546,484</b>	<b>546,498</b>	<b>546,484</b>	<b>546,498</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>0.00%</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: 12/31/14 - 03/31/15**

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**STRATEGY COMPLIANCE STATEMENT**

For the quarter ended March 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.

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**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**

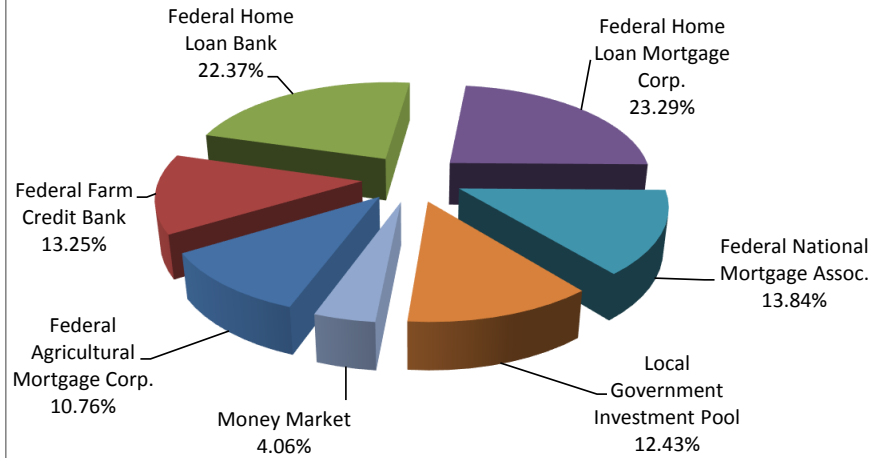
The City issues tax-exempt commercial paper notes as an interim financing tool for construction and capital projects. Proceeds from the issuance of commercial paper debt must be liquid in order to fund periodic payments to contractors and must be invested in tax-exempt securities in order to avoid costly and complex arbitrage rebate computations. In order to meet these requirements, commercial paper proceeds will be invested in tax-exempt money market mutual funds.

**6) Trinity Parkway Escrow**

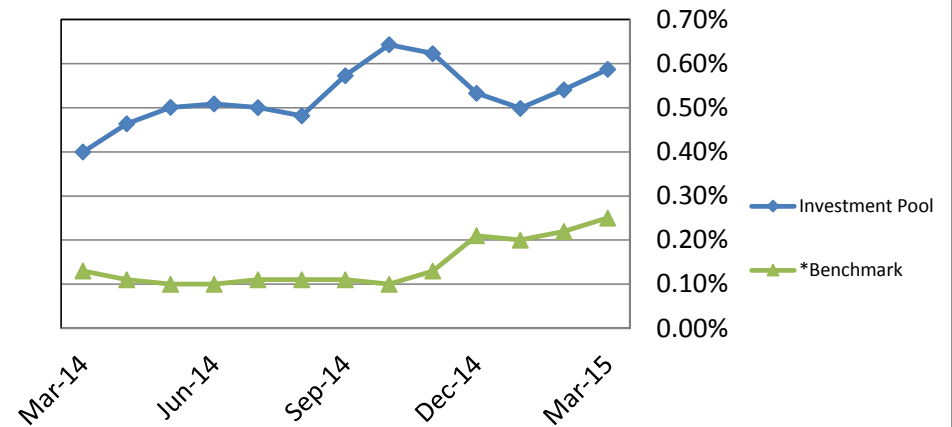
The Trinity Parkway Escrow portfolio was created with the deposit of \$5,000,000 on November 16, 1999 in an escrow account in accordance with an agreement dated as of January 1, 1999 between the City and the North Texas Tollway Authority ("NTTA") pertaining to development of the Trinity Parkway. A subsequent 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 03/31/2015**

**City's Investment Pool Portfolio Allocation**



**Yield Comparison**



Description	Face Amount	Book Value	Market Value	**Unrealized Gain/(Loss)	Weighted Average Days To Maturity	Yield To Maturity	% of Portfolio
Federal Agricultural Mortgage Corp.	175,000,000	174,933,199	175,199,200	266,001	526	0.66%	10.76%
Federal Farm Credit Bank	215,430,000	215,367,525	215,609,887	242,362	270	0.43%	13.25%
Federal Home Loan Bank	362,310,000	363,769,344	364,309,887	540,543	578	0.75%	22.37%
Federal Home Loan Mortgage Corp.	378,355,000	378,719,643	379,501,476	781,834	657	0.77%	23.29%
Federal National Mortgage Assoc.	224,458,000	225,036,786	225,683,977	647,191	567	0.70%	13.84%
Local Government Investment Pool	202,020,000	202,020,000	202,020,000	-	1	0.10%	12.43%
Money Market	66,000,000	66,000,000	66,000,000	-	1	0.07%	4.06%
<b>***Total</b>	<b>1,623,573,000</b>	<b>1,625,846,497</b>	<b>1,628,324,427</b>	<b>2,477,930</b>	<b>453</b>	<b>0.59%</b>	<b>100.00%</b>

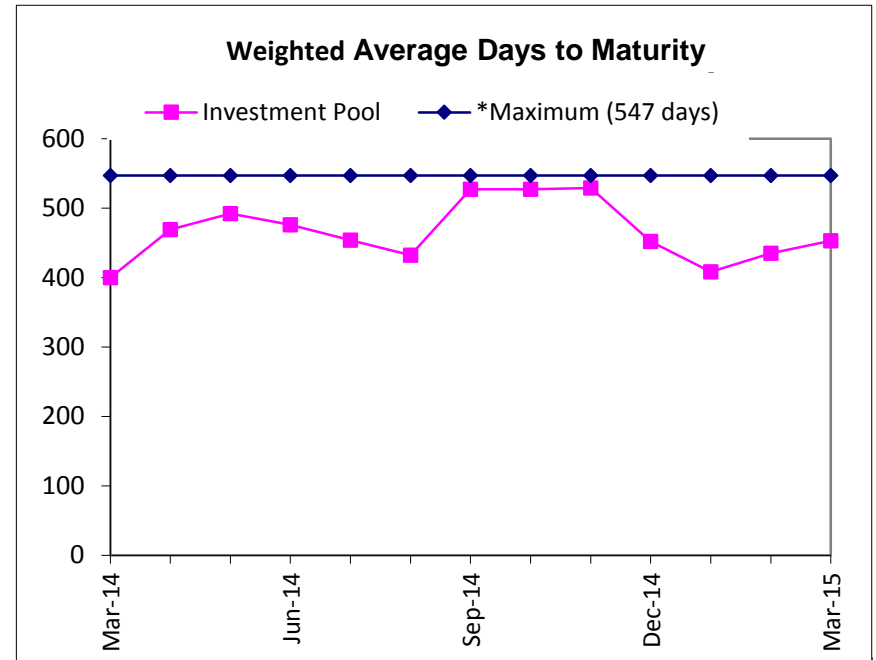
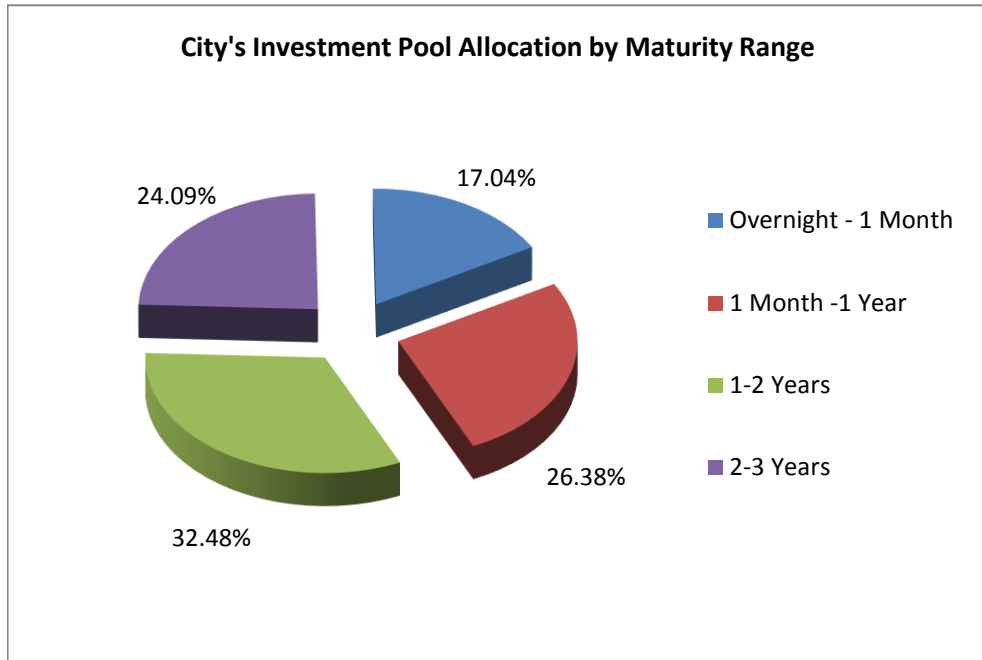
\*As per Section 17.1 of the City's Investment Policy, the benchmark for the Investment Pool is the 12-month moving average yield on treasury 1-year constant maturities as reported by Federal Reserve Statistical Release H.15.

\*\* 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 03/31/2015**



Description	Face Amount/Shares	Book Value	Market Value	Yield To Maturity	Weighted Average Days To Maturity	% of Portfolio
Overnight - 1 Month	277,020,000	277,020,000	277,020,945	0.11%	1	17.04%
1 Month -1 Year	427,938,000	428,997,671	429,164,274	0.29%	158	26.38%
1-2 Years	526,785,000	528,129,982	529,215,496	0.73%	609	32.48%
2-3 Years	391,830,000	391,698,845	392,923,712	1.06%	887	24.09%
<b>**Total</b>	<b>1,623,573,000</b>	<b>1,625,846,497</b>	<b>1,628,324,427</b>	<b>0.59%</b>	<b>453</b>	<b>100%</b>

\*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 14-15 to Date**

FY 14-15 to Date		
Description	Awarded	%
<b>Primary Dealers</b>		
Bank of America	\$35,430,000	5.11%
Cantor Fitzgerald	5,000,000	0.72%
Jefferies & Co.	0	0.00%
<b>Secondary Dealers</b>		
Coastal Securities	45,000,000	6.49%
First Southwest	78,030,000	11.25%
Mutual Securities	20,000,000	2.88%
Raymond James and Associates	25,000,000	3.60%
Samco Capital Market	51,500,000	7.42%
Vining Sparks	55,000,000	7.93%
Wells Fargo	110,000,000	15.86%
<b>Secondary Dealers - M/WBE</b>		
Duncan Williams - M/WBE	15,000,000	2.16%
Loop Capital - M/WBE	20,000,000	2.88%
Ramirez & Co. - M/WBE	100,000,000	14.42%
Rice Financial - M/WBE	133,663,000	19.27%
Williams Capital - M/WBE	0	0.00%
<b>Total</b>	<b>\$693,623,000</b>	<b>100.00%</b>

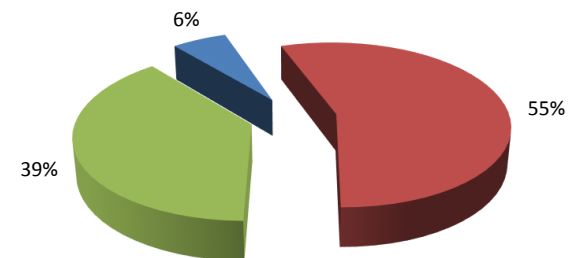
**Notes:**

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 2015.

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

Q2 FY 14-15		
Description	Awarded	%
Cantor Fitzgerald	\$5,000,000	1.37%
Coastal Securities	15,000,000	4.11%
Duncan Williams - M/WBE	15,000,000	4.11%
First Southwest	60,000,000	16.44%
Loop Capital - M/WBE	10,000,000	2.74%
Mutual Securities	20,000,000	5.48%
Ramirez & Co. - M/WBE	55,000,000	15.07%
Raymond James and Associates	25,000,000	6.85%
Rice Financial - M/WBE	45,000,000	12.33%
Samco Capital Market	20,000,000	5.48%
Vining Sparks	55,000,000	15.07%
Wells Fargo	40,000,000	10.96%
<b>Total</b>	<b>\$365,000,000</b>	<b>100.00%</b>

**Broker/Dealer Activity FY14-15 to Date**



- Primary Dealers \$40,430,000
- Secondary Dealers \$384,530,000
- Secondary Dealers (M/WBE) \$268,663,000

# CITY OF DALLAS

## QUARTERLY INVESTMENT REPORT

March 31, 2015

For the quarter ended March 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.

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Chief Financial Officer:

  
\_\_\_\_\_

City Controller:

  
\_\_\_\_\_

Treasury Manager:

  
\_\_\_\_\_