

# Memorandum



CITY OF DALLAS

DATE May 13, 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 March 31, 2016

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, 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.

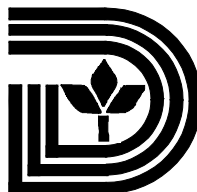
Please let me know if you need additional information.

  
Jeanne Chipperfield  
Chief Financial Officer

## Attachment

c: Honorable Mayor and Members of City Council  
A.C. Gonzalez, City Manager  
Christopher D. Bowers, Interim City Attorney  
Craig D. Kinton, City Auditor  
Rosa A. Rios, City Secretary  
Daniel F. Solis, Administrative Judge

Ryan S. Evans, First Assistant City Manager  
Eric D. Campbell, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Mark McDaniel, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Sana Syed, Public Information Officer  
Elsa Cantu, Assistant to the City Manager – Mayor & Council



**CITY OF DALLAS**

**QUARTERLY INVESTMENT REPORT**

**March 31, 2016**

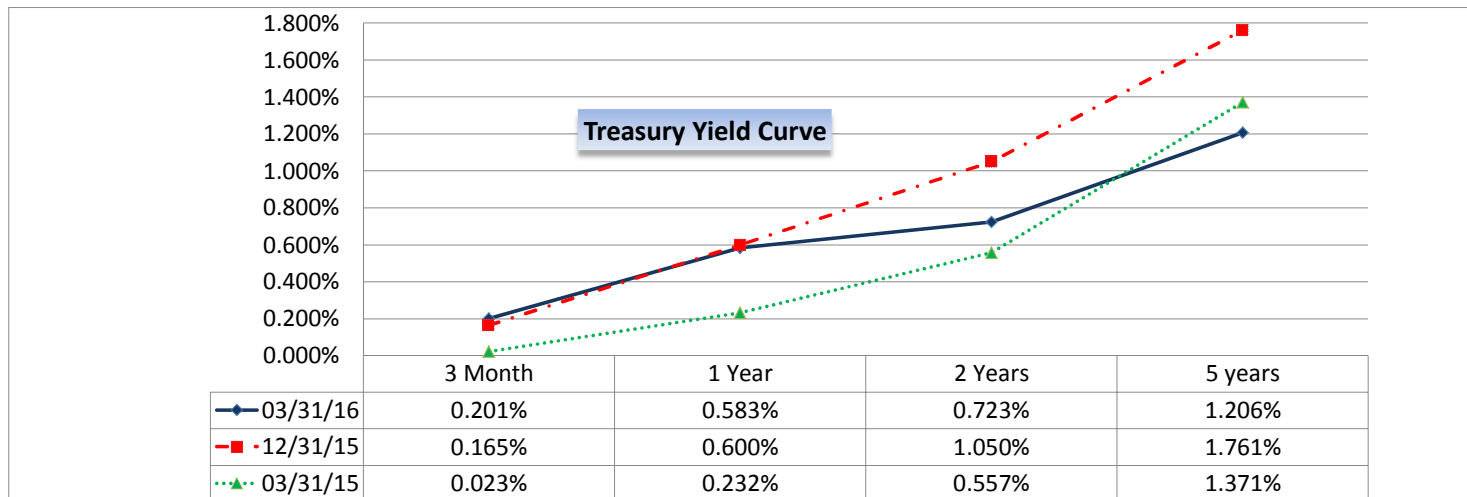
Quarterly National Economic and Market Update  
 Quarter Ended March 31, 2016

- Economic activity has been expanding at a moderate pace. Household spending has been increasing at a moderate rate, and the housing sector has improved further; however, business fixed investment and net exports have been soft. Strong job gains point to additional strengthening of the labor market.
- Inflation has continued to run below the Federal Open Market Committee's (FOMC's) 2 percent long-term objective, partly reflecting declines in energy prices and in prices of non-energy imports.
- Global economic and financial developments continue to pose risks.
- The FOMC decided to maintain the target range for the federal funds rate at 0.25 to 0.50 percent. Further increases will depend upon changes in labor market conditions and inflation.

Source: FOMC March 16, 2016 Statement

National Economic Data	3/31/2015	3/31/2016
Fed Funds Effective Rate Target	0.00% -0.25%	0.25% -0.50%
2 Years Treasury Note	0.557%	0.723%
10 Years Treasury Note	1.924%	1.770%
Monthly Unemployment Rate	5.50%	5.00%
Weekly Initial Jobless Claims	267,000	276,000
Monthly Change in Nonfarm Payrolls	85,000	215,000
Monthly New Housing Starts	944,000	1,089,000

Source: Bloomberg



Source: Bloomberg

**City of Dallas**  
**Portfolio Holdings**  
**Combined Investment Summary**  
**As of 3/31/2016**

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	1,891,254,000	1,891,523,895	1,895,609,397	2,524,450	1,898,133,848	4,085,502	0.93%
02 Convention Center Reserve	22,900,000	22,900,000	22,907,515	22,134	22,929,649	7,515	1.39%
03 Water Reserve	90,000,000	89,933,845	90,224,545	150,347	90,374,892	290,700	1.24%
04 Art Endowment	2,235,000	2,235,000	2,237,783	3,278	2,241,061	2,783	1.20%
05 Ida Green Library Fund	1,000,000	1,000,000	1,000,318	4,200	1,004,518	318	1.20%
10 DWU Commercial Paper Program	8,463	8,463	8,463	0	8,463	-	0.16%
11 GO Commercial Paper	244	244	244	0	244	-	0.26%
14 Trinity Parkway Escrow	547,205	547,205	547,205	0	547,205	-	0.40%

\*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: 01/01/2016 - 03/31/2016

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.	177,770,000	0.98%	74,500,000	-	252,270,000	0.93%
Federal Farm Credit Bank	140,000,000	0.90%	95,000,000	-	235,000,000	0.95%
Federal Home Loan Bank	313,635,000	1.16%	139,810,000	45,000,000	408,445,000	1.01%
Federal Home Loan Mortgage Corp.	362,000,000	0.94%	147,039,000	10,000,000	499,039,000	1.07%
Federal National Mortgage Assoc.	259,830,000	0.96%	41,650,000	60,000,000	241,480,000	0.96%
Treasury Note	-	-	10,000,000	-	10,000,000	0.56%
<b>Total Portfolio</b>	<b>1,253,235,000</b>	<b>1.00%</b>	<b>507,999,000</b>	<b>115,000,000</b>	<b>1,646,234,000</b>	<b>1.00%</b>
<i>*Trade activity excludes local government investment pools and money market mutual funds.</i>						
<b>Convention Center Reserve</b>						
Federal Home Loan Bank	15,000,000	1.30%	-	15,000,000	-	-
Federal Home Loan Mortgage Corp.	-	-	15,000,000	-	15,000,000	1.45%
Federal National Mortgage Assoc.	3,900,000	1.23%	4,000,000	-	7,900,000	1.27%
<b>Total Portfolio</b>	<b>18,900,000</b>	<b>1.29%</b>	<b>19,000,000</b>	<b>15,000,000</b>	<b>22,900,000</b>	<b>1.39%</b>
<b>Water Reserve</b>						
Federal Home Loan Bank	60,000,000	1.11%	10,000,000	10,000,000	60,000,000	1.24%
Federal Home Loan Mortgage Corp.	20,000,000	1.21%	10,000,000	-	30,000,000	1.22%
Federal National Mortgage Assoc.	10,000,000	1.14%	-	10,000,000	-	-
<b>Total Portfolio</b>	<b>90,000,000</b>	<b>1.13%</b>	<b>20,000,000</b>	<b>20,000,000</b>	<b>90,000,000</b>	<b>1.24%</b>
<b>Art Endowment</b>						
Federal Home Loan Bank	2,235,000	1.20%	-	-	2,235,000	1.20%
<b>Total Portfolio</b>	<b>2,235,000</b>	<b>1.20%</b>	<b>-</b>	<b>-</b>	<b>2,235,000</b>	<b>1.20%</b>
<b>Ida Green Library Endowment</b>						
Federal Home Loan Bank	1,000,000	1.20%	-	-	1,000,000	1.20%
<b>Total Portfolio</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	4,433	0.02%	4,030	-	8,463	0.16%
<b>Total Portfolio</b>	<b>4,433</b>	<b>0.02%</b>	<b>4,030</b>	<b>-</b>	<b>8,463</b>	<b>0.16%</b>
<b>GO Commercial Paper</b>						
Money Market - Tax Exempt	27,880,000	0.02%	244	27,880,000	244	0.26%
<b>Total Portfolio</b>	<b>27,880,000</b>	<b>0.02%</b>	<b>244</b>	<b>27,880,000</b>	<b>244</b>	<b>0.26%</b>
<b>Trinity Parkway Escrow</b>						
Money Market	546,850	0.27%	426	70	547,206	0.40%
<b>Total Portfolio</b>	<b>546,850</b>	<b>0.27%</b>	<b>426</b>	<b>70</b>	<b>547,206</b>	<b>0.40%</b>

City of Dallas  
 Summary Statement by Portfolio  
 As of: 01/01/2016 - 03/31/2016

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	202,020,000	203,020,000	202,020,000	203,020,000	202,020,000	203,020,000	1,000,000	-	-	0.53%
Money Market	176,000,000	42,000,000	176,000,000	42,000,000	176,000,000	42,000,000	(134,000,000)	-	-	0.42%
US Agency	1,253,235,000	1,636,234,000	1,254,060,645	1,636,505,746	1,252,239,711	1,640,585,687	382,999,000	5,559,818	2,516,209	1.00%
US Treasury	-	10,000,000	-	9,998,149	-	10,003,710	10,000,000	6,835	8,242	0.56%
<b>*Total Portfolio</b>	<b>1,631,255,000</b>	<b>1,891,254,000</b>	<b>1,632,080,645</b>	<b>1,891,523,895</b>	<b>1,630,259,711</b>	<b>1,895,609,397</b>	<b>259,999,000</b>	<b>5,566,653</b>	<b>2,524,450</b>	<b>0.93%</b>
<b>Convention Center Reserve<sup>2</sup></b>										
US Agency	18,900,000	22,900,000	18,900,000	22,900,000	18,922,090	22,907,515	4,000,000	(14,575)	22,134	1.39%
<b>Total Portfolio</b>	<b>18,900,000</b>	<b>22,900,000</b>	<b>18,900,000</b>	<b>22,900,000</b>	<b>18,922,090</b>	<b>22,907,515</b>	<b>4,000,000</b>	<b>(14,575)</b>	<b>22,134</b>	<b>1.39%</b>
<b>Water Reserve<sup>2</sup></b>										
US Agency	90,000,000	90,000,000	89,923,120	89,933,845	89,938,120	90,224,545	-	286,425	150,347	1.24%
<b>Total Portfolio</b>	<b>90,000,000</b>	<b>90,000,000</b>	<b>89,923,120</b>	<b>89,933,845</b>	<b>89,938,120</b>	<b>90,224,545</b>	<b>-</b>	<b>286,425</b>	<b>150,347</b>	<b>1.24%</b>
<b>Art Endowment<sup>3</sup></b>										
US Agency	2,235,000	2,235,000	2,235,000	2,235,000	2,223,908	2,237,783	-	13,875	3,278	1.20%
<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>2,223,908</b>	<b>2,237,783</b>	<b>-</b>	<b>13,875</b>	<b>3,278</b>	<b>1.20%</b>
<b>Ida Green Library Endowment<sup>4</sup></b>										
US Agency	1,000,000	1,000,000	1,000,000	1,000,000	996,799	1,000,318	-	3,519	4,200	1.20%
<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>996,799</b>	<b>1,000,318</b>	<b>-</b>	<b>3,519</b>	<b>4,200</b>	<b>1.20%</b>
<b>DWU Commercial Paper<sup>5</sup></b>										
Money Market - Tax Exempt	4,433	8,463	4,433	8,463	4,433	8,463	4,030	-	-	0.16%
<b>Total Portfolio</b>	<b>4,433</b>	<b>8,463</b>	<b>4,433</b>	<b>8,463</b>	<b>4,433</b>	<b>8,463</b>	<b>4,030</b>	<b>-</b>	<b>-</b>	<b>0.16%</b>
<b>GO Commercial Paper<sup>5</sup></b>										
Money Market - Tax Exempt	27,880,000	244	27,880,000	244	27,880,000	244	(27,879,756)	-	-	0.26%
<b>Total Portfolio</b>	<b>27,880,000</b>	<b>244</b>	<b>27,880,000</b>	<b>244</b>	<b>27,880,000</b>	<b>244</b>	<b>(27,879,756)</b>	<b>-</b>	<b>-</b>	<b>0.26%</b>
<b>Trinity Parkway Escrow<sup>5</sup></b>										
Money Market	546,850	547,206	546,850	547,206	546,850	547,206	356	-	-	0.40%
<b>Total Portfolio</b>	<b>546,850</b>	<b>547,206</b>	<b>546,850</b>	<b>547,206</b>	<b>546,850</b>	<b>547,206</b>	<b>356</b>	<b>-</b>	<b>-</b>	<b>0.40%</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: 01/01/2016 - 03/31/2016**

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**STRATEGY COMPLIANCE STATEMENT**

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For the quarter ended March 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.

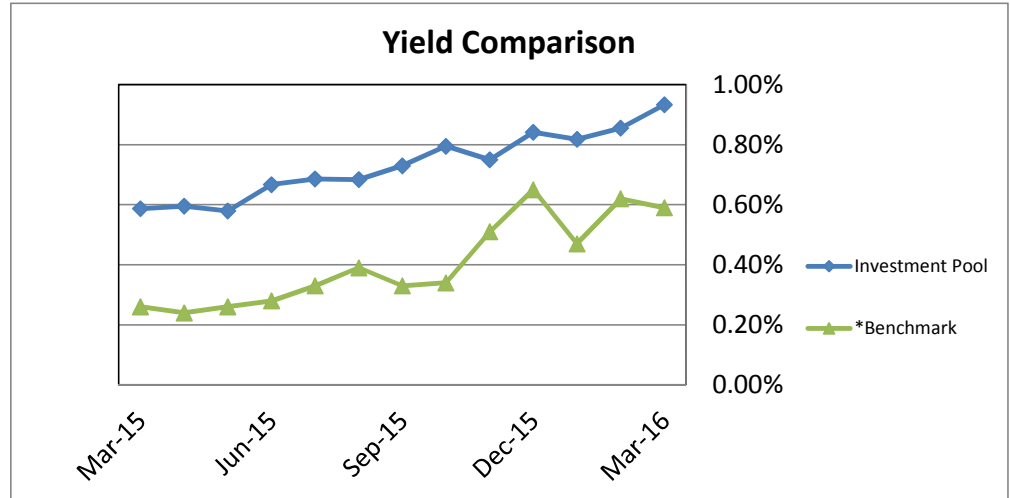
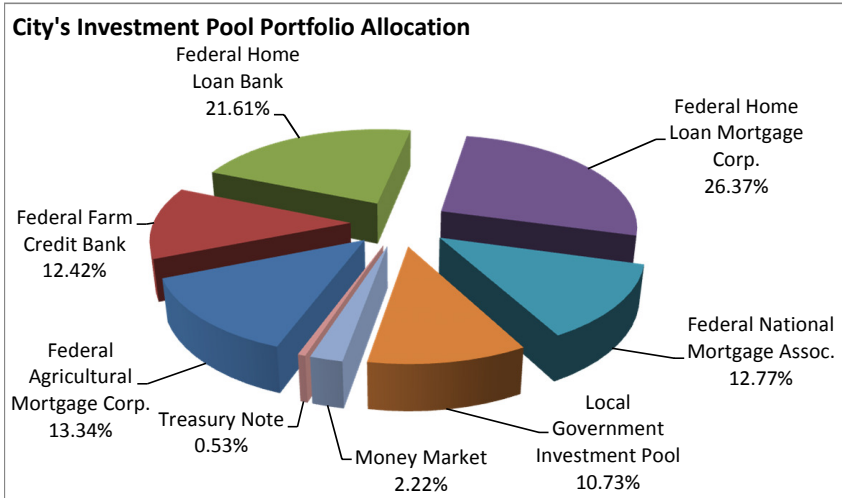
**5) DWU Commercial Paper Program and GO Commercial Paper Program**

The City issues tax-exempt commercial paper notes as an interim financing tool for construction and capital projects. 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 3/31/2016**



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.	252,270,000	252,418,804	253,142,972	724,169	586	0.93%	13.34%
Federal Farm Credit Bank	235,000,000	234,954,278	235,782,225	827,947	584	0.95%	12.42%
Federal Home Loan Bank	408,445,000	408,811,731	409,618,288	806,557	800	1.01%	21.61%
Federal Home Loan Mortgage Corp.	499,039,000	498,863,708	499,908,922	1,045,214	600	1.07%	26.37%
Federal National Mortgage Assoc.	241,480,000	241,457,225	242,133,280	676,055	632	0.96%	12.77%
Local Government Investment Pool	203,020,000	203,020,000	203,020,000	-	1	0.53%	10.73%
Money Market	42,000,000	42,000,000	42,000,000	-	1	0.42%	2.22%
Treasury Note	10,000,000	9,998,149	10,003,710	5,561	1	0.56%	0.53%
<b>***Total Portfolio</b>	<b>1,891,254,000</b>	<b>1,891,523,895</b>	<b>1,895,609,397</b>	<b>4,085,502</b>	<b>537</b>	<b>0.93%</b>	<b>100.00%</b>

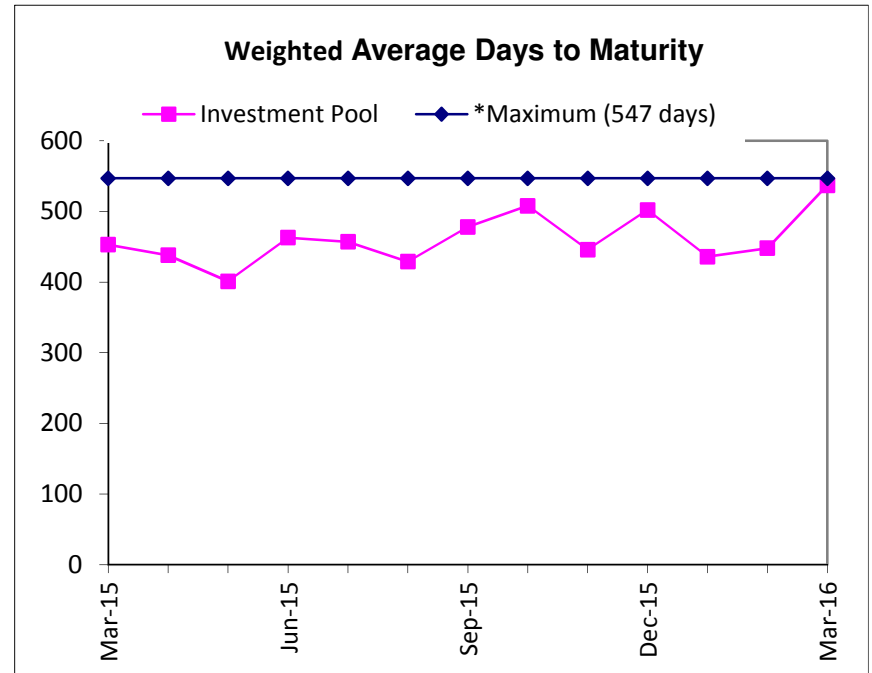
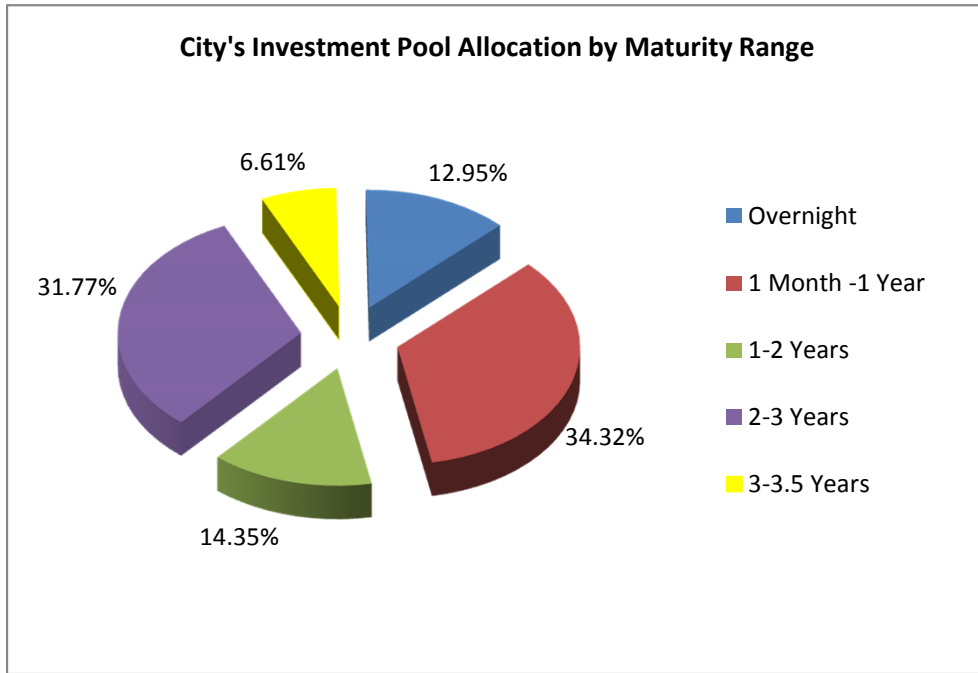
\*As per Section 17.1 of the City's Investment Policy, the benchmark for the Investment Pool is the 12-month moving average yield on treasury 1-year constant maturities as reported by Federal Reserve Statistical Release H.15.

\*\* 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 3/31/2016**



Description	Face Amount/Shares	Book Value	Market Value	Weighted Average Yield To Maturity	Weighted Average Days To Maturity	% of Portfolio
Overnight	245,020,000	245,020,000	245,020,000	0.51%	1	12.95%
1 Month -1 Year	648,784,000	649,042,201	649,709,230	0.67%	208	34.32%
1-2 Years	271,830,000	271,498,239	272,683,177	1.03%	548	14.35%
2-3 Years	600,620,000	600,975,468	603,080,026	1.22%	958	31.77%
3-3.5 Years	125,000,000	124,987,988	125,116,965	1.51%	1,252	6.61%
<b>**Total Portfolio</b>	<b>1,891,254,000</b>	<b>1,891,523,895</b>	<b>1,895,609,397</b>	<b>0.93%</b>	<b>537</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 15-16 to Date**

FY 15-16 to Date		
Description	Awarded	%
<b>Primary Dealers</b>		
Bank of America	\$38,000,000	4.63%
Daiwa Capital Markets	20,000,000	2.44%
Morgan Stanley	50,000,000	6.10%
Jefferies & Co.	30,000,000	3.66%
<b>Secondary Dealers</b>		
Coastal Securities	102,010,000	12.44%
Hilltop Securities Inc.	80,000,000	9.76%
Mutual Securities	20,000,000	2.44%
Piper Jaffray & Co.	40,000,000	4.88%
Samco Capital Market	75,000,000	9.15%
SunTrust Robinson Humphrey, Inc.	30,000,000	3.66%
Vining Sparks	67,400,000	8.22%
Wells Fargo	32,000,000	3.90%
<b>Secondary Dealers - M/WBE</b>		
Bonwick Capital - M/WBE	94,539,000	11.53%
Loop Capital - M/WBE	35,000,000	4.27%
Ramirez & Co. - M/WBE	39,000,000	4.76%
Rice Financial - M/WBE	37,050,000	4.52%
Stern Brothers & Co. - M/WBE	30,000,000	3.66%
<b>Total</b>	<b>\$819,999,000</b>	<b>100.00%</b>

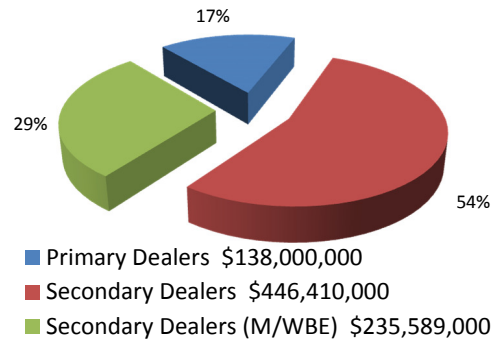
**Notes:**

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 Practice to solicit three or more competitive bids/offers each trade except for agency securities purchased at issue.

Q2 FY 15-16		
Description	Awarded	%
Bank of America	\$30,000,000	5.48%
Bonwick Capital - M/WBE	47,539,000	8.69%
Coastal Securities	62,010,000	11.34%
Daiwa Capital Markets	20,000,000	3.66%
Hilltop Securities Inc.	60,000,000	10.97%
Jefferies & Co.	10,000,000	1.83%
Loop Capital - M/WBE	15,000,000	2.74%
Morgan Stanley	50,000,000	9.14%
Piper Jaffray & Co.	40,000,000	7.31%
Ramirez & Co. - M/WBE	39,000,000	7.13%
Rice Financial - M/WBE	37,050,000	6.77%
Samco Capital Market	30,000,000	5.48%
Stern Brothers & Co. - M/WBE	30,000,000	5.48%
SunTrust Robinson Humphrey, Inc.	30,000,000	5.48%
Vining Sparks	14,400,000	2.63%
Wells Fargo	32,000,000	5.85%
<b>Total</b>	<b>\$546,999,000</b>	<b>100.00%</b>

**Broker/Dealer Activity FY15-16 to Date**



# CITY OF DALLAS

## QUARTERLY INVESTMENT REPORT

March 31, 2016

For the quarter ended March 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.

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Chief Financial Officer: 

City Controller: 

Treasury Manager: 