

Memorandum



CITY OF DALLAS

DATE March 15, 2018

Honorable Members of the Government Performance & Financial Management
Committee: Jennifer S. Gates (Chair), Scott Griggs (Vice Chair), Sandy Greyson,
TO Lee M. Kleinman, Philip T. Kingston, Tennell Atkins, Kevin Felder

SUBJECT **December 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 ended December 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 the City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Biliera Johnson, City Secretary (Interim)
Daniel F. Solis, Administrative Judge
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
Jo M. (Jody) Puckett, P.E., Assistant City Manager (Interim)
Nadia Chandler Hardy, Chief of Community Services
Raquel Favela, Chief of Economic Development & Neighborhood Services
Theresa O'Donnell, Chief of Resilience
Directors and Assistant Directors



CITY OF DALLAS

December 31, 2017

QUARTERLY INVESTMENT REPORT

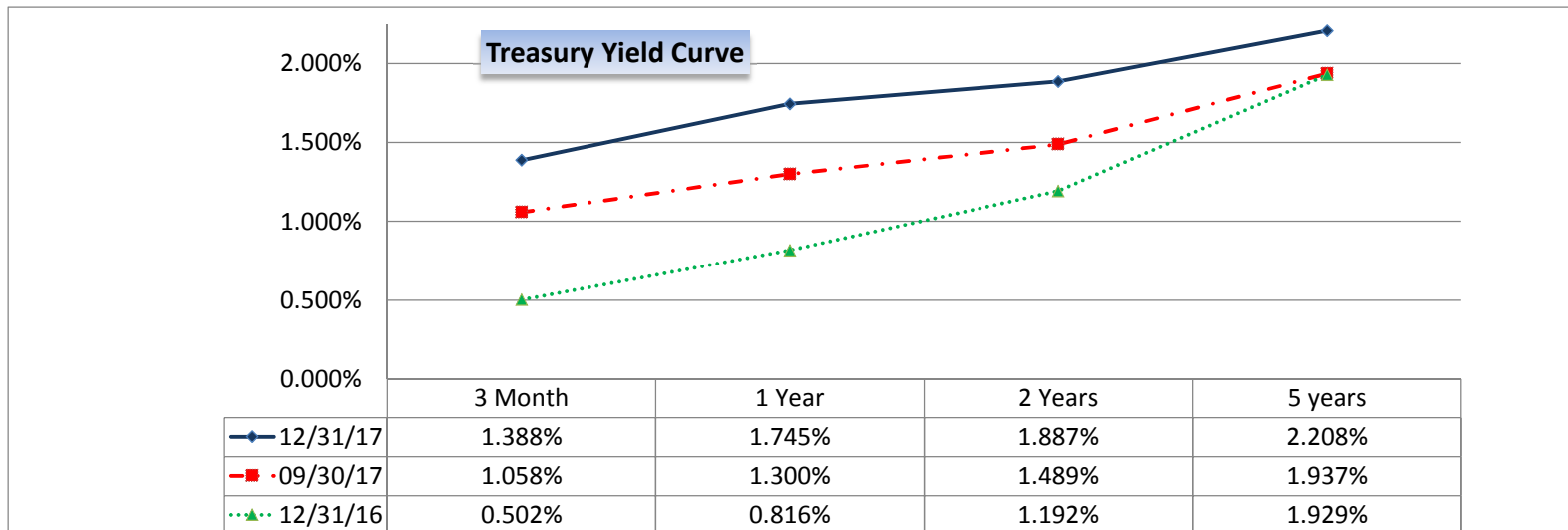
Quarterly National Economic and Market Update
 Quarter Ended December 31, 2017

- Labor market continued to strengthen and economic activity rose at a solid rate
- Job gains were solid and the unemployment rate declined further
- Household spending expanded at a moderate rate
- The Federal Open Market Committee (FOMC) raised the top of the target range for the federal funds rate from 1.00% - 1.25% to 1.25% - 1.50%.

Source: FOMC December 13, 2017 Statement

National Economic Data	12/31/2016	12/31/2017
Fed Funds Effective Rate Target Range	0.50% - 0.75%	1.25% - 1.50%
2 Years Treasury Note Yield	1.192%	1.887%
10 Years Treasury Note Yield	2.446%	2.407%
Monthly Unemployment Rate	4.7%	4.1%
Weekly Initial Jobless Claims	237,000	250,000
Monthly Change in Nonfarm Payrolls	157,000	148,000
Monthly New Housing Starts	1,279,000	1,192,000

Source: Bloomberg



Source: Bloomberg

City of Dallas
Portfolio Holdings
Combined Investment Summary
As of 12/31/2017

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	1,919,915,000	1,919,973,287	1,913,208,177	2,974,693	1,916,182,870	(6,765,110)	1.36%
02 Convention Center Reserve	23,000,000	23,000,000	22,454,082	8,400	22,462,482	(545,918)	1.34%
03 Water Reserve	90,000,000	89,995,056	88,810,185	274,522	89,084,707	(1,184,871)	1.30%
04 Arts Endowment	2,235,000	2,235,000	2,196,504	10,654	2,207,158	(38,496)	1.32%
05 Ida Green Library Fund	1,000,000	1,000,000	986,184	833	987,017	(13,816)	1.25%
10 DWU Commercial Paper Program	13,960	13,960	13,960	0	13,960	-	1.20%
11 GO Commercial Paper Program	3,500,000	3,500,000	3,500,000	0	3,500,000	-	1.23%

*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: 09/30/2017 - 12/31/2017

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
City's Investment Pool*						
Federal Agricultural Mortgage Corp.	344,770,000	1.27%	30,000,000	30,000,000	344,770,000	1.35%
Federal Farm Credit Bank	289,275,000	1.07%	20,000,000	80,000,000	229,275,000	1.25%
Federal Home Loan Bank	358,850,000	1.31%	53,000,000	-	411,850,000	1.38%
Federal Home Loan Mortgage Corp.	311,000,000	1.29%	-	70,000,000	241,000,000	1.45%
Federal National Mortgage Assoc.	110,000,000	1.18%	-	15,000,000	95,000,000	1.19%
Total Portfolio	1,413,895,000	1.24%	103,000,000	195,000,000	1,321,895,000	1.35%
<i>*Trade activity excludes local government investment pools and money market mutual funds.</i>						
Convention Center Reserve						
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%
Total Portfolio	23,000,000	1.34%	-	-	23,000,000	1.34%
Water Reserve						
Federal Agricultural Mortgage Corp.	-	0.00%	20,000,000	-	20,000,000	1.52%
Federal Farm Credit Bank	10,000,000	0.00%	-	-	10,000,000	1.31%
Federal Home Loan Bank	5,000,000	1.50%	-	-	5,000,000	1.50%
Federal Home Loan Mortgage Corp.	10,000,000	1.25%	-	-	10,000,000	1.25%
Federal National Mortgage Assoc.	45,000,000	1.20%	-	-	45,000,000	1.20%
Total Portfolio	70,000,000	1.24%	20,000,000	-	90,000,000	1.30%
Arts Endowment						
Federal Home Loan Mortgage Corp.	2,235,000	1.32%	-	-	2,235,000	1.32%
Total Portfolio	2,235,000	1.32%	-	-	2,235,000	1.32%
Ida Green Library Endowment						
Federal Agricultural Mortgage Corp.	1,000,000	1.25%	-	-	1,000,000	1.25%
Total Portfolio	1,000,000	1.25%	-	-	1,000,000	1.25%
DWU Commercial Paper Program						
Money Market	13,960	0.92%	-	-	13,960	1.20%
Total Portfolio	13,960	0.92%	-	-	13,960	1.20%
Trinity Parkway Escrow						
Money Market	551,425	0.93%	855	552,280	-	
Total Portfolio	551,425	0.93%	855	552,280	-	
GO Commercial Paper Program						
Money Market			3,500,000	-	3,500,000	1.23%
Total Portfolio			3,500,000	-	3,500,000	1.23%

City of Dallas
Summary Statement by Portfolio
As of: 09/30/2017 - 12/31/2017

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
City's Investment Pool¹										
Local Govt. Investment Pool	53,020,000	398,020,000	53,020,000	398,020,000	53,020,000	398,020,000	345,000,000	-	-	1.46%
Money Market	120,000,000	200,000,000	120,000,000	200,000,000	120,000,000	200,000,000	80,000,000	-	-	1.20%
US Agency	1,413,895,000	1,321,895,000	1,413,976,242	1,321,953,287	1,411,099,645	1,315,188,177	(92,000,000)	(3,911,468)	2,974,693	1.35%
*Total Portfolio	1,586,915,000	1,919,915,000	1,586,996,242	1,919,973,287	1,584,119,645	1,913,208,177	333,000,000	(3,911,468)	2,974,693	1.36%
Convention Center Reserve²										
US Agency	23,000,000	23,000,000	23,000,000	23,000,000	22,566,423	22,454,082	-	(112,341)	8,400	1.34%
Total Portfolio	23,000,000	23,000,000	23,000,000	23,000,000	22,566,423	22,454,082	-	(112,341)	8,400	1.34%
Water Reserve²										
US Agency	70,000,000	90,000,000	69,993,656	89,995,056	69,168,575	88,810,185	20,000,000	(358,390)	274,522	1.30%
Total Portfolio	70,000,000	90,000,000	69,993,656	89,995,056	69,168,575	88,810,185	20,000,000	(358,390)	274,522	1.30%
Arts Endowment³										
US Agency	2,235,000	2,235,000	2,235,000	2,235,000	2,211,553	2,196,504	-	(15,048)	10,654	1.32%
Total Portfolio	2,235,000	2,235,000	2,235,000	2,235,000	2,211,553	2,196,504	-	(15,048)	10,654	1.32%
Ida Green Library Endowment⁴										
US Agency	1,000,000	1,000,000	1,000,000	1,000,000	990,010	986,184	-	(3,826)	833	1.25%
Total Portfolio	1,000,000	1,000,000	1,000,000	1,000,000	990,010	986,184	-	(3,826)	833	1.25%
DWU Commercial Paper⁵										
Money Market	13,960	13,960	13,960	13,960	13,960	13,960	-	-	-	1.20%
Total Portfolio	13,960	13,960	13,960	13,960	13,960	13,960	-	-	-	1.20%
Trinity Parkway Escrow⁶										
Money Market	551,425	-	551,425	-	551,425	-	(551,425)	-	-	
Total Portfolio	551,425	0	551,425	-	551,425	-	(551,425)	-	-	
GO Commercial Paper⁵										
Money Market	-	3,500,000	-	3,500,000	-	3,500,000	3,500,000	-	-	1.23%
Total Portfolio	-	3,500,000	-	3,500,000	-	3,500,000	3,500,000	-	-	1.23%

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: 09/30/2017 - 12/31/2017

STRATEGY COMPLIANCE STATEMENT

For the quarter ended December 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.

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) Arts Endowment

The Arts 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

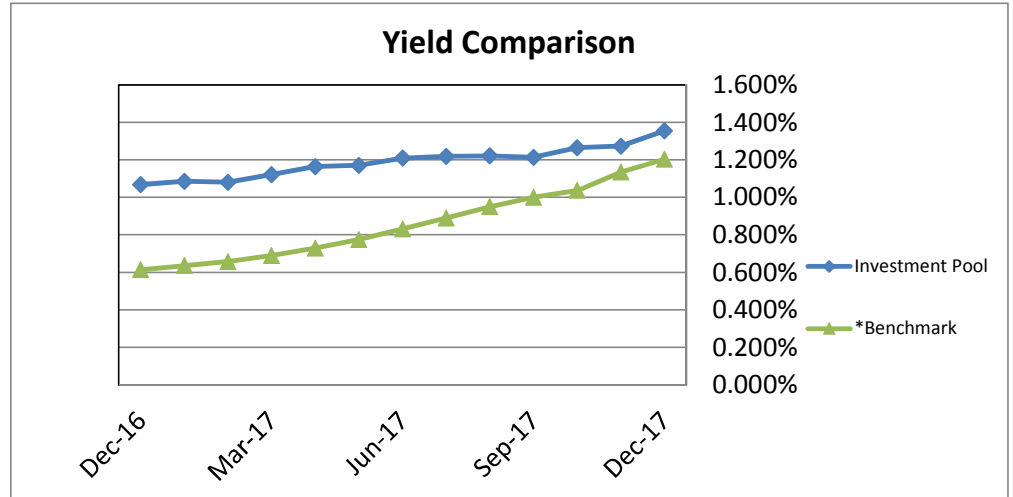
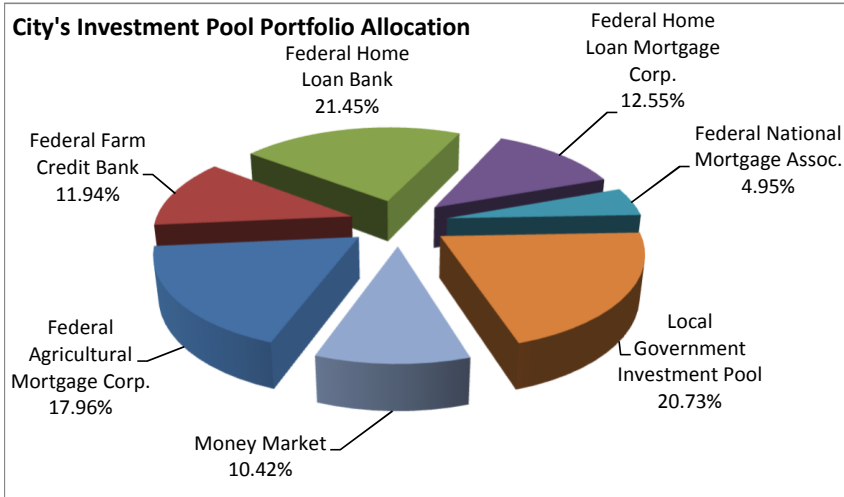
The City issues tax-exempt commercial paper notes as an interim financing tool for construction of capital projects. The investment of the proceeds from the issuance of commercial paper debt should have a high degree of liquidity in order to fund payments to contractors.

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.

* The City and NTTA closed Trinity Parkway Escrow account in November 2017.

City of Dallas
City's Investment Pool Portfolio Allocation
Investment Summary
As of 12/31/2017



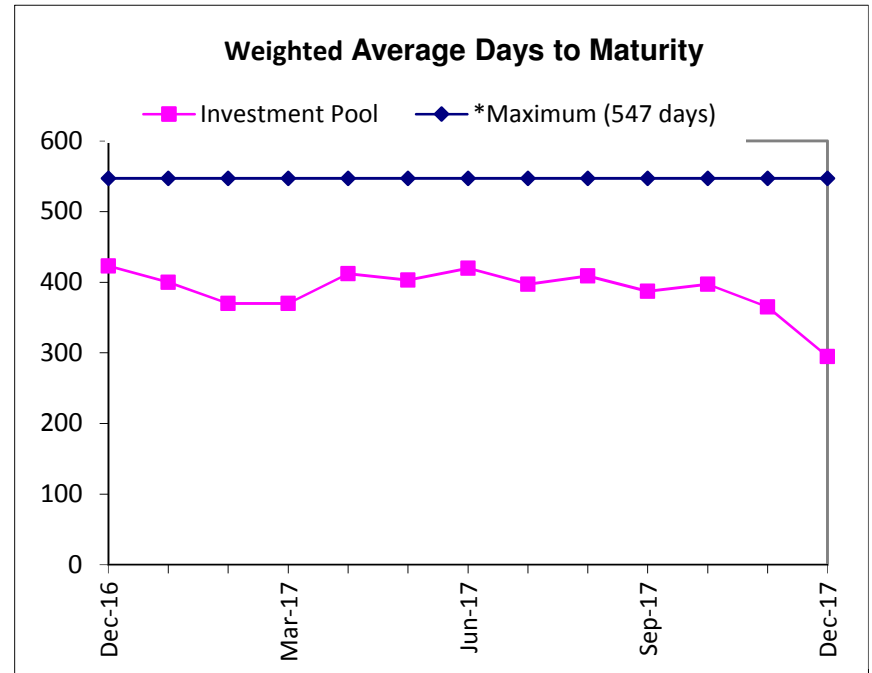
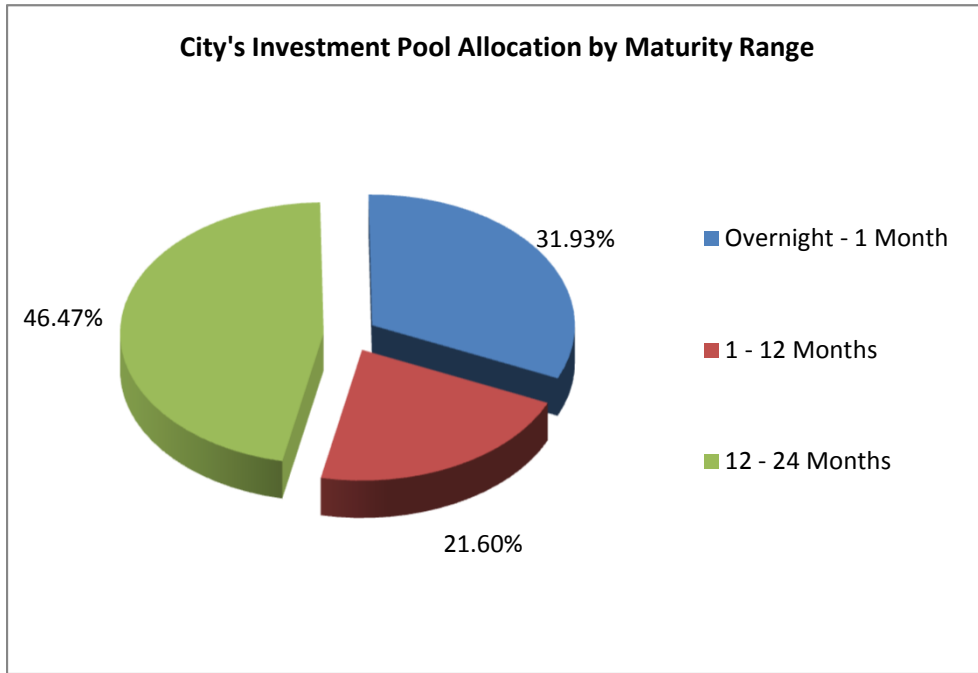
Description	Face Amount	Book Value	Market Value	**Unrealized Gain/(Loss)	Weighted Average Days To Maturity	Weighted Average Yield To Maturity	% of Portfolio
Federal Agricultural Mortgage Corp.	344,770,000	344,825,231	343,669,337	(1,155,894)	369	1.35%	17.96%
Federal Farm Credit Bank	229,275,000	229,256,126	228,074,147	(1,181,979)	378	1.25%	11.94%
Federal Home Loan Bank	411,850,000	411,887,694	409,641,530	(2,246,164)	457	1.38%	21.45%
Federal Home Loan Mortgage Corp.	241,000,000	241,000,000	239,259,323	(1,740,677)	564	1.45%	12.55%
Federal National Mortgage Assoc.	95,000,000	94,984,236	94,543,840	(440,396)	292	1.19%	4.95%
Local Government Investment Pool	398,020,000	398,020,000	398,020,000	-	1	1.46%	20.73%
Money Market	200,000,000	200,000,000	200,000,000	-	1	1.20%	10.42%
***Total Portfolio	1,919,915,000	1,919,973,287	1,913,208,177	(6,765,110)	295	1.36%	100.00%

*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 12/31/2017



Description	Face Amount/Shares	Book Value	Market Value	Weighted Average Yield To Maturity	Weighted Average Days To Maturity	% of Portfolio
Overnight - 1 Month	613,020,000	613,020,000	613,019,925	1.36%	1	31.93%
1 - 12 Months	414,620,000	414,660,458	413,323,144	1.18%	236	21.60%
12 - 24 Months	892,275,000	892,292,829	886,865,108	1.43%	524	46.47%
**Total Portfolio	1,919,915,000	1,919,973,287	1,913,208,177	1.36%	295	100%

*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 17-18 Year to Date

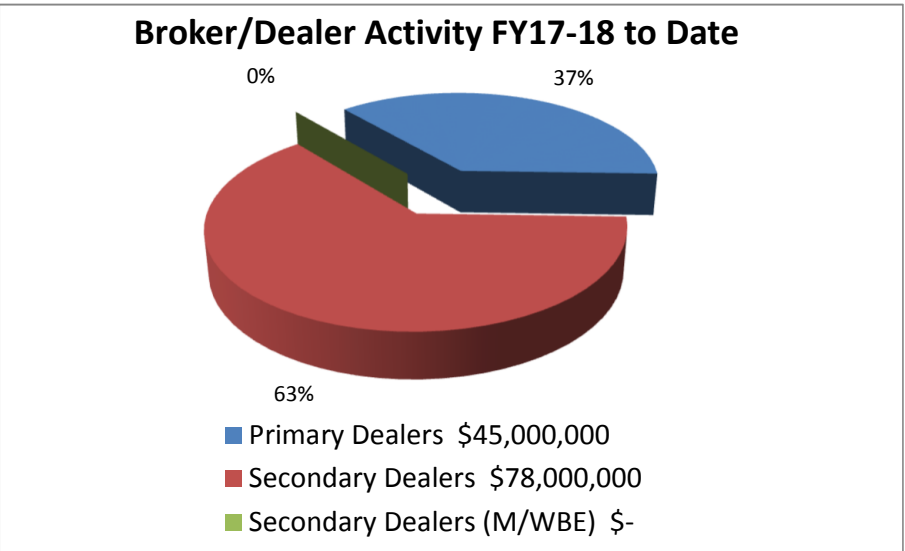
FY 17-18 Year to Date		
Description	Awarded	%
Primary Dealers		
Bank of America	\$25,000,000	20.33%
Jefferies & Co.	20,000,000	16.26%
Morgan Stanley	0	0.00%
RBC Capital Markets, LLC	0	0.00%
Wells Fargo	0	0.00%
Secondary Dealers		
FTN Financials	0	0.00%
Hilltop Securities Inc.	0	0.00%
Intl Fcstone Financial Inc.	0	0.00%
Multi Bank Securities	20,000,000	16.26%
Piper Jaffray & Co.	0	0.00%
Samco Capital Market	0	0.00%
SunTrust Robinson Humphrey, Inc.	0	0.00%
Vining Sparks	58,000,000	47.15%
Secondary Dealers - M/WBE		
Capital Institutional Services, Inc.	0	0.00%
Loop Capital	0	0.00%
Rice Financial	0	0.00%
Stern Brothers & Co.	0	0.00%
Total	\$123,000,000	100.00%

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.

Q1 FY 17-18		
Description	Awarded	%
Bank of America	\$25,000,000	20.33%
Jefferies & Co.	20,000,000	16.26%
Multi Bank Securities	20,000,000	16.26%
Vining Sparks	58,000,000	47.15%
Total	\$123,000,000	100.00%



CITY OF DALLAS

December 31, 2017

QUARTERLY INVESTMENT REPORT

For the quarter ended December 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.

Chief Financial Officer:

M. Elizabeth Reich

City Controller:

David R. Sims

Treasury Manager:

Connie Steege