

RECEIVED

GOVERNMENT PERFORMANCE & FINANCIAL MANAGEMENT  
DALLAS CITY COUNCIL COMMITTEE AGENDA

2018 JUL 30 AM 9:56

CITY SECRETARY  
DALLAS, TEXAS

MONDAY, AUGUST 6, 2018  
CITY HALL  
COUNCIL BRIEFING ROOM, 6ES  
1500 MARILLA STREET  
DALLAS, TEXAS 75201  
2:00 P.M. – 3:30 P.M.

**Chair**, Councilmember Jennifer S. Gates  
**Vice-Chair**, Councilmember Scott Griggs  
Councilmember Sandy Greyson  
Councilmember Lee M. Kleinman  
Councilmember Philip T. Kingston  
Councilmember Tennell Atkins  
Councilmember Kevin Felder

Call to Order

1. Consideration of Minutes from the June 18, 2018 Government Performance & Financial Management Committee meeting
2. Consideration of Upcoming Agenda Items for August 8, 2018 City Council Meeting

**BRIEFINGS**

3. Employees' Retirement Fund of the City of Dallas Update *Cheryl Alston, Director, Employees' Retirement Fund*
4. Office of the City Auditor – Fiscal Year 2018 Fourth Quarter Update *Carol Smith, First Assistant City Auditor*
5. City Auditor Nomination and Appointment *Councilmember Gates*

**FYI**

6. FY 2017-18 Financial Forecast Report
7. June Quarterly Investment Report
8. Annual Investment Policy Review

Adjourn



Jennifer S. Gates, Chair  
Government Performance & Financial Management Committee

A quorum of the City Council may attend this Council Committee meeting

A closed executive session may be held if the discussion of any of the above agenda items concerns one of the following:

1. seeking the advice of its attorney about pending or contemplated litigation, settlement offers, or any matter in which the duty of the attorney to the City Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the Texas Open Meetings Act. [Tex. Govt. Code §551.071]
2. deliberating the purchase, exchange, lease, or value of real property if deliberation in an open meeting would have a detrimental effect on the position of the city in negotiations with a third person. [Tex. Govt. Code §551.072]
3. deliberating a negotiated contract for a prospective gift or donation to the city if deliberation in an open meeting would have a detrimental effect on the position of the city in negotiations with a third person. [Tex. Govt. Code §551.073]
4. deliberating the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee; or to hear a complaint or charge against an officer or employee unless the officer or employee who is the subject of the deliberation or hearing requests a public hearing. [Tex. Govt. Code §551.074]
5. deliberating the deployment, or specific occasions for implementation, of security personnel or devices. [Tex. Govt. Code §551.076]
6. discussing or deliberating commercial or financial information that the city has received from a business prospect that the city seeks to have locate, stay or expand in or near the city and with which the city is conducting economic development negotiations; or deliberating the offer of a financial or other incentive to a business prospect. [Tex Govt. Code §551.087]
7. deliberating security assessments or deployments relating to information resources technology, network security information, or the deployment or specific occasions for implementations of security personnel, critical infrastructure, or security devices. [Tex. Govt. Code §551.089]

#### Handgun Prohibition Notice for Meetings of Governmental Entities

"Pursuant to Section 30.06, Penal Code (trespass by license holder with a concealed handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a concealed handgun."

*"De acuerdo con la sección 30.06 del código penal (ingreso sin autorización de un titular de una licencia con una pistola oculta), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola oculta."*

"Pursuant to Section 30.07, Penal Code (trespass by license holder with an openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a handgun that is carried openly."

*"De acuerdo con la sección 30.07 del código penal (ingreso sin autorización de un titular de una licencia con una pistola a la vista), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola a la vista."*

# GOVERNMENT PERFORMANCE & FINANCIAL MANAGEMENT

## Meeting Record

**Meeting Date:** June 18, 2018

**Convened:** 2:05 pm

**Adjourned:** 2:45 pm

### Committee Members Present:

Jennifer S. Gates, Chair  
Scott Griggs, Vice Chair (LS)  
Sandy Greyson

Philip Kingston  
Tennell Atkins  
Kevin Felder

### Committee Members Absent:

Lee Kleinman

### Other Council Members Present:

### Staff Present:

Elizabeth Reich  
Akilah McLaughlin  
Jack Ireland  
Sheri Kowalski  
Lance Sehorn  
Mike Frosch

Corrine Steeger  
Jenifer West  
Renee Hayden  
Zarin Gracey  
Carlos Brown  
Monica Anderson

Anna Gonzalez  
Nina Arias  
Connie Tankersley  
Barbara McAninch  
Nathalie Chavez

### Others Present:

### AGENDA:

#### Call to Order

1. Consideration of the June 4, 2018 Minutes

Presenter(s): N/A

Information Only: \_

Action Taken/Committee Recommendation(s): *Approved*

Motion was made to approve the June 4, 2018 minutes. Motion passed unanimously.

Motion made by: Sandy Greyson

Motion seconded by: Tennell Atkins

2. Consideration of Upcoming Agenda Items for June 27, 2018 City Council Meeting

Presenter(s): N/A

Information Only: \_

Action Taken/Committee Recommendation(s):

Motion was made to send items to City Council with recommendation for approval. Motion failed for lack of a second.

Motion made by: Tennell Atkins

Motion seconded by: None

# GOVERNMENT PERFORMANCE & FINANCIAL MANAGEMENT

## Meeting Record

### Briefings

3. **Nomination and Appointment of the City Auditor**

Presenter(s): Craig Kinton, *City Auditor*

Information Only:

Action Taken/Committee Recommendation(s):

Chair Jennifer Gates will lead the process of appointing a nominating commission per City Charter, since the current City Auditor has announced he will leave the City at the conclusion of his term on September 5, 2018. The City Auditor stated he is willing to work until December 2018 if needed.

Motion made by: None

Motion seconded by: None

### FYI

4. **Financial Forecast Report**

Presenter(s):

Information Only:

Action Taken/Committee Recommendation(s):

Motion made by: N/A

Motion seconded by: N/A

5. **Human Capital Management System Implementation**

Presenter(s):

Information Only:

Action Taken/Committee Recommendation(s):

Motion made by: N/A

Motion seconded by: N/A

6. **Wage Floor Update**

Presenter(s):

Information Only:

Action Taken/Committee Recommendation(s):

Motion made by: N/A

Motion seconded by: N/A

Adjourn

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Jennifer S. Gates, Chair  
Government Performance & Financial Management

**AGENDA ITEM # 3**

**STRATEGIC PRIORITY:** Government Performance and Financial Management

**AGENDA DATE:** August 8, 2018

**COUNCIL DISTRICT(S):** N/A

**DEPARTMENT:** City Controller's Office  
Water Utilities Department

**CMO:** Elizabeth Reich, 670-7804  
Majed Al-Ghafry, 670-3302

**MAPSCO:** N/A

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**SUBJECT**

An ordinance authorizing the issuance and sale of City of Dallas, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2018C, in a principal amount not to exceed \$165,000,000; establishing parameters regarding the sale of the bonds; approving the execution of agreements in connection with the sale of the bonds; and all other matters related thereto - Not to exceed \$512,360 - Financing: Water Utilities Current Funds

**BACKGROUND**

This proposed revenue bond sale is for the refunding of commercial paper notes issued for interim financing of improvements to the City's water and wastewater system.

Issuance of revenue bonds for refunding up to \$165,000,000 in commercial paper notes is in accordance with the capital program for water and wastewater improvements, and is within the Fiscal Year 2017-18 operating and capital budgets for the Dallas Water Utilities Department.

The City's Co-Financial Advisors, Hilltop Securities, Inc. and Estrada Hinojosa, recommend a competitive sale based on favorable market conditions and Dallas Water Utilities' stable credit profile.

**ESTIMATED SCHEDULE OF PROJECT**

Authorized preparation for issuance of bonds	June 27, 2018
Approval of parameters ordinance	August 8, 2018
Pricing	August 29, 2018 (no later than)
Delivery of proceeds	September 26, 2018 (no later than)

**PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)**

The Government Performance and Financial Management Committee was briefed regarding this item on June 4, 2018.

On June 27, 2018, City Council authorized preparation of plans for the issuance of the City of Dallas, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2018C, by Resolution No. 18-0896.

**FISCAL INFORMATION**

Water Utilities Current Funds - \$512,360

See Attachment I.

**M/WBE INFORMATION**

Attachment I provides an estimate of bond issuance costs for the proposed bonds and the M/WBE participation.

**AGENDA ITEM # 20**

**STRATEGIC PRIORITY:** Government Performance and Financial Management

**AGENDA DATE:** August 8, 2018

**COUNCIL DISTRICT(S):** N/A

**DEPARTMENT:** Office of Budget

**CMO:** Elizabeth Reich, 670-7804

**MAPSCO:** N/A

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**SUBJECT**

Authorize a public hearing to be held on August 22, 2018 to receive comments on the FY 2018-19 Operating, Capital, and Grant & Trust Budgets - Financing: No cost consideration to the City

**BACKGROUND**

Each year the City of Dallas holds public hearings to provide the citizens of Dallas the opportunity to speak on the upcoming year's budget. This public hearing is one of three to be held at Dallas City Hall on March 28, 2018, May 9, 2018, and August 22, 2018. Citizen input is an important part of the budget development process.

**PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)**

This item has no prior action.

**FISCAL INFORMATION**

No cost consideration to the City.

**STRATEGIC PRIORITY:** Public Safety

**AGENDA DATE:** August 8, 2018

**COUNCIL DISTRICT(S):** All

**DEPARTMENT:** Office of Procurement Services  
Department of Aviation  
Department of Equipment and Building Services  
Department of Sanitation Services  
Department of Trinity Watershed Management  
Water Utilities Department

**CMO:** Elizabeth Reich, 670-7804  
T.C. Broadnax, 670-3297  
Majed Al-Ghafry, 670-3302

**MAPSCO:** N/A

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**SUBJECT**

Authorize a three-year service price agreement for analytical laboratory testing services – Technical Testing International, LLC dba TTI Environmental Laboratories in the amount of \$4,985,725 and Ana-Lab Corporation in the amount of \$114,112, lowest responsible bidders of four - Total not to exceed \$5,099,837 - Financing: General Funds (\$470), Water Utilities Current Funds (\$4,643,240), Stormwater Drainage Management Current Funds (\$342,175), Sanitation Current Funds (\$103,206), and Aviation Current Funds (\$10,746) (subject to annual appropriations)

**BACKGROUND**

This action does not encumber funds; the purpose of a service contract is to establish firm pricing for services, for a specific term, which are ordered on an as needed basis.

This service price agreement will provide for analytical laboratory testing services. The service contract will allow City departments such as Water Utilities Department, the Department of Trinity Watershed Management, the Department of Sanitation Services, the Department of Aviation, and the Department of Equipment and Building Services to utilize certified, independent laboratories to conduct analytical laboratory testing services. The contractor will analyze samples for compliance with state and federal regulations including The Clean Water Act, Safe Drinking Water Act, Clean Air Act, Comprehensive Environmental Response, Compensation and Liability Act, Resource Conservation and Recovery Act, and Solid Waste Disposal Act.



## **BACKGROUND** (continued)

The analytical services will be used to support stormwater monitoring, illicit discharge investigations, enforcement investigations, hazardous and non-hazardous waste management, industrial waste monitoring, publicly owned treatment works influent and effluent monitoring, enforcement investigations, and other water/wastewater testing for the City. The independent laboratories under this contract will be required to perform mandated Environmental Protection Agency analysis in situations where the City of Dallas laboratories lack the proper equipment, lab instrumentation, and resources to perform the needed tasks.

As part of the solicitation process and in an effort to increase competition, the Office of Procurement Services used its procurement system to send out 1,861 email bid notifications to vendors registered under respective commodities. To further increase competition, the Office of Procurement Services uses historical solicitation information, the internet, and vendor contact information obtained from user departments to contact additional vendors by phone. Additionally, in an effort to secure more bids, the Office of Business Diversity sent notifications to 25 chambers of commerce and advocacy groups to ensure maximum vendor outreach.

On November 10, 2015, City Council authorized the wage floor rate of \$10.94, by Resolution No. 15-2141; the selected vendor meets this requirement.

## **PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)**

On December 11, 2013, City Council authorized a three-year service contract for analytical laboratory testing services with Technical Testing International, LLC dba TTI Environmental Laboratories, B&A Laboratories, Inc. dba Xenco Laboratories and Environmental Science Corporation dba ENVISCI, Inc. by Resolution No. 13-2048.

On October 26, 2016, City Council authorized rescinding the service contract with Technical Testing International, LLC dba TTI Environmental Laboratories, previously approved on December 11, 2013, by Resolution No. 13-2048, for analytical laboratory services; and a service contract for analytical laboratory testing services through December 10, 2017 with Pace Analytical Services, Inc. by Resolution No. 16-1723.

The Government Performance & Financial Management Committee will receive this item for consideration on August 6, 2018.

## **FISCAL INFORMATION**

General Funds - \$470.00 (subject to annual appropriations)  
Water Utilities Current Funds - \$4,643,240.00 (subject to annual appropriations)  
Stormwater Drainage Management Current Funds - \$342,175.00 (subject to annual appropriations)  
Sanitation Services Current Funds - \$103,206.00 (subject to annual appropriations)  
Aviation Current Funds - \$10,746.00 (subject to annual appropriations)

## **M/WBE INFORMATION**

In accordance with the City's Business Inclusion and Development Plan adopted on October 22, 2008, by Resolution No. 08-2826, as amended, the M/WBE participation on this contract is as follows:

<b><u>Contract Amount</u></b>	<b><u>Category</u></b>	<b><u>M/WBE Goal</u></b>	<b><u>M/WBE %</u></b>	<b><u>M/WBE \$</u></b>
\$5,099,837.00	Other Services	23.80%	89.82%	\$4,580,884.13

- This contract exceeds the M/WBE goal of 23.80%

## **BID INFORMATION**

The Office of Procurement Services received the following bids from solicitation number BP1702. We opened them on September 1, 2017. We recommend the City Council award this service contract to the lowest responsive and responsible bidders by group. Information related to this solicitation is available upon request.

\*Denotes successful bidders

<b><u>Bidders</u></b>	<b><u>Address</u></b>	<b><u>Amount</u></b>
*Technical Testing International, LLC dba TTI Environmental Laboratories	800 106th Street Arlington, TX 76011	Multiple Groups
*Ana-Lab Corporation	2600 Dudley Road Kilgore, TX 75662	Multiple Groups
Pace Analytical Service, Inc.	400 W. Bethany Road Suite #190 Allen, TX 75013	Multiple Groups
B&A Laboratories, Inc. dba Xenco Laboratories	9701 Harry Hines Boulevard Dallas, TX 75220	Multiple Groups

## **OWNERS**

### **Technical Testing International, LLC dba TTI Environmental Laboratories**

Meera Neb, President  
Hardy Pabley, Vice President

### **Ana-Lab Corporation**

Mel Yarbrough, President  
Bill Peery, Vice President

**STRATEGIC PRIORITY:** Public Safety

**AGENDA DATE:** August 8, 2018

**COUNCIL DISTRICT(S):** All

**DEPARTMENT:** Office of Procurement Services  
Fire-Rescue Department

**CMO:** Elizabeth Reich, 670-7804  
Jon Fortune, 670-1204

**MAPSCO:** N/A

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**SUBJECT**

Authorize a three-year service price agreement for vehicle exhaust extraction parts and maintenance for the Fire-Rescue Department - Air Cleaning Technologies, Inc., sole source - Not to exceed \$330,265 - Financing: General Funds (subject to annual appropriations)

**BACKGROUND**

This action does not encumber funds; the purpose of a service price agreement is to establish firm pricing for services for a specific term, which are ordered on an as needed basis.

This service price agreement will provide for vehicle exhaust extraction system parts and maintenance for the Fire-Rescue Department. This exhaust system, with hoses that connect directly to exhaust pipes of the vehicles, serves as a ventilation source to reduce the amount of exhaust created when a vehicle is started inside the fire garage. Fire fighters are exposed to carbon monoxide and other particulates from breathing the air in the fire stations as well as exposure through absorption. All 57 City fire stations are equipped with exhaust extraction equipment. Additionally, maintenance of this system allows the Fire-Rescue Department to remain compliant with National Fire Protection Agency regulations.

On November 10, 2015, City Council authorized the wage floor rate of \$10.94, by Resolution No. 15-2141; the selected vendor meets this requirement.

**PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)**

The Government Performance & Financial Management Committee will receive this item for consideration on August 6, 2018.

**FISCAL INFORMATION**

General Funds - \$330,265.00 (subject to annual appropriations)

**M/WBE INFORMATION**

In accordance with the City's Business Inclusion and Development Plan adopted on October 22, 2008, by Resolution No. 08-2826, as amended, the M/WBE participation on this contract is as follows:

<u>Contract Amount</u>	<u>Category</u>	<u>M/WBE Goal</u>	<u>M/WBE %</u>	<u>M/WBE \$</u>
\$330,265.00	Sole Source	N/A	N/A	N/A

- The Business Inclusion and Development Plan does not apply to Sole Source

**BID INFORMATION**

<u>Bidder</u>	<u>Address</u>	<u>Amount</u>
Air Cleaning Technologies, Inc.	1300 West Detroit Street Broken Arrow, OK 74012	\$330,265.00

Note: The Office of Procurement Services conducted a sole source review and found no exceptions.

**OWNER**

**Air Cleaning Technologies, Inc.**

Dave L. Duncan, President  
Rod C. Davis, Vice President  
Rebecca Davis, Secretary  
Monte Duncan, Treasurer

**AGENDA ITEM # 26**

**STRATEGIC PRIORITY:** Government Performance and Financial Management

**AGENDA DATE:** August 8, 2018

**COUNCIL DISTRICT(S):** All

**DEPARTMENT:** Office of Procurement Services  
Park & Recreation Department

**CMO:** Elizabeth Reich, 670-7804  
Willis Winters, 670-4071

**MAPSCO:** N/A

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**SUBJECT**

Authorize a three-year service price agreement for the maintenance, repair, and restoration of multi-sport court surfaces for the Park and Recreation Department - Hellas Construction, Inc., lowest responsible bidder of three - Not to exceed \$526,425 - Financing: General Funds (subject to annual appropriations)

**BACKGROUND**

This action does not encumber funds; the purpose of a service price agreement is to establish firm pricing for services, for a specific term, which are ordered on an as needed basis.

This service price agreement will allow for the maintenance, repair, and restoration of multi-sport court surfaces throughout the City for the Park and Recreation Department. All work shall comply with the applicable standards for tennis, pickleball, and basketball court surfacing as prescribed by ASTM International, United States Tennis Association, United States of America Pickleball Association, National Collegiate Athletic Association, and the manufacturer's recommendations for application of court surfacing materials.

The work will include the following services:

- Full court surface restoration
- General maintenance and repairs
- Paint and line stripping

**BACKGROUND** (continued)

As part of the solicitation process and in an effort to increase competition, the Office of Procurement Services used its procurement system to send out 1,220 email bid notifications to vendors registered under respective commodities. To further increase competition, the Office of Procurement Services uses historical solicitation information, the internet, and vendor contact information obtained from user departments to contact additional vendors by phone. Additionally, in an effort to secure more bids, the Office of Business Diversity sent notifications to 25 chambers of commerce and advocacy groups to ensure maximum vendor outreach.

On November 10, 2015, City Council authorized the wage floor rate of \$10.94, by Resolution No. 15-2141; the selected vendor meets this requirement.

**PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)**

On June 21, 2018, the Park and Recreation Board authorized a three-year service price agreement with Hellas Construction, Inc.

The Government Performance & Financial Management Committee will receive this item for consideration on August 6, 2018.

**FISCAL INFORMATION**

General Funds - \$526,425.00 (subject to annual appropriations)

**M/WBE INFORMATION**

In accordance with the City's Business Inclusion and Development Plan adopted on October 22, 2008, by Resolution No. 08-2826, as amended, the M/WBE participation on this contract is as follows:

<u>Contract Amount</u>	<u>Category</u>	<u>M/WBE Goal</u>	<u>M/WBE %</u>	<u>M/WBE \$</u>
\$526,425.00	Other Services	23.80%	84.66%	\$445,675.00

- This contract exceeds the M/WBE goal of 23.80%

**BID INFORMATION**

The Office of Procurement Services received the following bids from solicitation number BI1807. We opened them on May 3, 2018. We recommend the City Council award this service price agreement in its entirety to the lowest responsive and responsible bidder.

**BID INFORMATION** (continued)

\*Denotes successful bidder

<b><u>Bidder</u></b>	<b><u>Address</u></b>	<b><u>Amount</u></b>
*Hellas Construction, Inc.	12710 Research Blvd. Suite 240 Austin, TX 78759	\$ 526,425.00
Masterpiece Resurfacing LLC	312 West Main St. Celina, TX 75009	\$ 718,900.00
Aquatex Waterproofing and Caulking, LLC	3821 Fortune Ln. Dallas, TX 75216	\$1,814,750.00

**OWNER**

**Hellas Construction, Inc.**

Reed Seaton, President  
Bob Allison, Vice President  
Dan Schlapkohl, Secretary  
Frank Petrini, Treasurer



**AGENDA ITEM # 27**

**STRATEGIC  
PRIORITY:**

Government Performance and Financial Management

**AGENDA DATE:**

August 8, 2018

**COUNCIL DISTRICT(S):**

All

**DEPARTMENT:**

Office of Procurement Services  
Department of Trinity Watershed Management  
Water Utilities Department

**CMO:**

Elizabeth Reich, 670-7804  
T.C. Broadnax, 670-3297  
Majed Al-Ghafry, 670-3302

**MAPSCO:**

N/A

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**SUBJECT**

Authorize a three-year service price agreement for sewer and storm drain camera repair services, parts, and accessories – CLS Sewer Equipment Co., Inc. in the amount of \$597,675, Green Equipment Company in the amount of \$335,000, and Reliability Point LLC in the amount of \$155,000, lowest responsible bidders of three - Total not to exceed \$1,087,675 - Financing: Water Utilities Current Funds (\$645,000) and Stormwater Drainage Management Current Funds (\$442,675) (subject to annual appropriations)

**BACKGROUND**

This action does not encumber funds; the purpose of a service price agreement is to establish firm pricing for services for a specific term, which are ordered on an as needed basis.

This service price agreement will provide for sewer and storm drain camera repair services, parts, and accessories for camera systems utilized by various departments. The cameras are used to inspect sewer and storm drains for structural integrity and/or failures. Additionally, as part of the structural integrity inspection process, the Water Utilities Department and the Department of Trinity Watershed Management use the cameras as a proactive measure to aid in preventative maintenance against build-up of debris in sewer and storm drains which can cause overflows.

These cameras aid in identifying potential drain pipe backups before they can occur which prioritizes maintenance. They also aid in cleaning and repairs ensuring drains operate at full capacity thus aiding in odor control and reduce the potential for localized flooding.

**BACKGROUND** (continued)

The City utilizes various types of cameras, some containing crawlers, cables, and winches in addition to 14 carriage/camera transporters, and 12 cable reel systems. Cameras and related equipment are serviced monthly due to the caustic environment in which the equipment is used. Normal damage is caused by caved in pipe, protruding lateral pipe cables, and frequent utilization.

Maintaining this equipment in operational readiness is essential in ensuring the City's 4,200 miles of wastewater mains and 1,800 miles of storm sewers are structurally sound and operating as intended.

This solicitation required bidders to submit a response using unit pricing. This bid resulted in a 4.76 percent increase over comparable unit prices for services. Additionally, this solicitation also required bidders to submit discounts/markups on parts to be ordered from manufacturer's catalogs. Therefore this bid also resulted in an average percentage discount from manufacturer's catalog of 1.83 percent compared to an average discount of 2.00 percent for the bid awarded in the bid awarded in 2016.

As part of the solicitation process and in an effort to increase competition, the Office of Procurement Services used its procurement system to send out 742 email bid notifications to vendors registered under respective commodities. To further increase competition, the Office of Procurement Services uses historical solicitation information, the internet, and vendor contact information obtained from user departments to contact additional vendors by phone. Additionally, in an effort to secure more bids, the Office of Business Diversity sent notifications to 25 chambers of commerce and advocacy groups to ensure maximum vendor outreach.

On November 10, 2015, City Council authorized the wage floor rate of \$10.94, by Resolution No. 15-2141; the selected vendor meets this requirement.

**PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)**

On February 24, 2016, City Council authorized a three-year service contract for sewer camera maintenance, repairs and parts with CLS Sewer Equipment Co., Inc., Green Equipment Company and Atlas Inspection Technologies, LLC by Resolution No. 16-0325.

The Government Performance & Financial Management Committee will receive this item for consideration on August 6, 2018.

**FISCAL INFORMATION**

Water Utilities Current Funds - \$645,000.00 (subject to annual appropriations)  
Stormwater Drainage Management Current Funds - \$442,675.00 (subject to annual appropriations)

## **M/WBE INFORMATION**

In accordance with the City's Business Inclusion and Development Plan adopted on October 22, 2008, by Resolution No. 08-2826, as amended, the M/WBE participation on this contract is as follows:

<b><u>Contract Amount</u></b>	<b><u>Category</u></b>	<b><u>M/WBE Goal</u></b>	<b><u>M/WBE %</u></b>	<b><u>M/WBE \$</u></b>
\$1,087,675.00	Other Services	23.80%	0.05%	\$550.00

- This contract does not meet the M/WBE goal of 23.80% and does not comply with good faith efforts.

## **BID INFORMATION**

The Office of Procurement Services received the following bids from solicitation number BM1808. We opened them on February 23, 2018. We recommend the City Council award this service price agreement to the lowest responsive and responsible bidders by group. Information related to this solicitation is available upon request.

\*Denotes successful bidders

<b><u>Bidders</u></b>	<b><u>Address</u></b>	<b><u>Amount</u></b>
*CLS Sewer Equipment Co., Inc.	726 S. Sherman St. Richardson, TX 75081	Multiple Groups
*Green Equipment Company	2563 Gravel Dr. Fort Worth, TX 76118	Multiple Groups
*Reliability Point LLC	2946 Ponce De Leon St. New Orleans, LA 70119	Multiple Groups

## **OWNERS**

### **CLS Sewer Equipment Co., Inc.**

Jerry Sonnier, President  
Jennifer Sonnier, Treasurer

### **Green Equipment Company**

Edgar L. Green, President  
Zane S. Smith, Vice President  
Carol Morris, Treasurer

**OWNERS** (continued)

**Reliability Point LLC**

Robert L Arnold Jr., President

Carl E. Eyman III, Vice President

**AGENDA ITEM # 28**

**STRATEGIC PRIORITY:** Government Performance and Financial Management

**AGENDA DATE:** August 8, 2018

**COUNCIL DISTRICT(S):** All

**DEPARTMENT:** Office of Procurement Services  
Department of Trinity Watershed Management

**CMO:** Elizabeth Reich, 670-7804  
T.C. Broadnax, 670-3297

**MAPSCO:** N/A

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**SUBJECT**

Authorize a three-year service price agreement for grounds, creeks, and channel maintenance of floodway sumps for the Department of Trinity Watershed Management - Moir Watershed Services, LLC, lowest responsible bidder of three - Not to exceed \$3,090,995 - Financing: Stormwater Drainage Management Current Funds (subject to annual appropriations)

**BACKGROUND**

This action does not encumber funds; the purpose of a service price agreement is to establish firm pricing for services, for a specific term, which are ordered on an as needed basis.

This service price agreement will provide for grounds, creeks, and channel maintenance of floodway sumps for the Department of Trinity Watershed Management. Routine sump mowing and vegetation management is needed to ensure proper water flow and to allow for visual inspection of the sumps during flood events. Minor handwork includes removal of trash and debris for aesthetic reasons, to ensure safety, and avoid damage to machinery. Major handwork includes removal of cattails, tires, couches, etc. to ensure the healthy and safety of the public and area wildlife.

Under this service price agreement grounds, creeks, and channel maintenance will be provided for approximately 39,382 acres of flood control sumps, which include services such as mowing, litter removal, weed trimming, minor handwork, tree removal, and approximately 554,400 square feet of aquatic plant removal from the creek channels. The projected number of mowing cycles for the sumps is 12 per year; creeks and channel projected maintenance is 6 times per year. Cycle frequencies will be adjusted to accommodate weather conditions.

**BACKGROUND** (continued)

As part of the solicitation process and in an effort to increase competition, the Office of Procurement Services used its procurement system to send out 801 email bid notifications to vendors registered under respective commodities. To further increase competition, the Office of Procurement Services uses historical solicitation information, the internet, and vendor contact information obtained from user departments to contact additional vendors by phone. Additionally, in an effort to secure more bids, the Office of Business Diversity sent notifications to 25 chambers of commerce and advocacy groups to ensure maximum vendor outreach.

On November 10, 2015, City Council authorized the wage floor rate of \$10.94, by Resolution No. 15-2141; the selected vendor meets this requirement.

**PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)**

On August 13, 2014, City Council authorized a three-year service contract for grounds, creeks and channels maintenance of floodway sumps for Trinity Watershed Management with Good Earth Corporation by Resolution No. 14-1206.

The Government Performance & Financial Management Committee will receive this item for consideration on August 6, 2018.

**FISCAL INFORMATION**

Stormwater Drainage Management Current Funds - \$3,090,995.00 (subject to annual appropriations)

**MWBE INFORMATION**

In accordance with the City's Business Inclusion and Development Plan adopted on October 22, 2008, by Resolution No. 08-2826, as amended, the M/WBE participation on this contract is as follows:

<u>Contract Amount</u>	<u>Category</u>	<u>M/WBE Goal</u>	<u>M/WBE %</u>	<u>M/WBE \$</u>
\$3,090,995.00	Other Services	23.80%	21.35%	\$660,000.00

- This contract does not meet the M/WBE goal of 23.80%, but complies with good faith efforts

## **BID INFORMATION**

The Office of Procurement Services received the following bids from solicitation number BI1814. We opened them on April 19, 2018. We recommend the City Council award this service price agreement in its entirety to the lowest responsive and responsible bidder.

\*Denotes successful bidder

<b><u>Bidder</u></b>	<b><u>Address</u></b>	<b><u>Amount</u></b>
*Moir Watershed Services, LLC	4134 FM 66 Waxahachie, TX 75167	\$3,090,995.00
Good Earth Corporation	7922 Forney Rd. Dallas, TX 75227	\$5,286,300.00
Gregory Jackson Landscape	6514 Puttinggreen Dr. Dallas, TX 75232	Non-responsive**

\*\*Gregory Jackson Landscape was deemed non-responsive due to not meeting specifications.

## **OWNER**

### **Moir Watershed Services, LLC**

James Moir, President

**AGENDA ITEM # 29**

**STRATEGIC  
PRIORITY:**

Government Performance and Financial Management

**AGENDA DATE:**

August 8, 2018

**COUNCIL DISTRICT(S):**

All

**DEPARTMENT:**

Office of Procurement Services  
Department of Aviation  
Department of Convention and Event Services  
Department of Sanitation Services  
Department of Trinity Watershed Management  
Water Utilities Department

**CMO:**

Elizabeth Reich, 670-7804  
T.C. Broadnax, 670-3297  
Joey Zapata, 670-3009  
Majed Al-Ghafry, 670-3302

**MAPSCO:**

N/A

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**SUBJECT**

Authorize a two-year master agreement for the purchase of pumps and parts - Xylem Water Solutions USA, Inc. in the amount of \$1,778,000, FCX Performance, Inc. dba Pierce Pump Company in the amount of \$1,287,754, Master Pumps & Equipment in the amount of \$555,000, Environmental Improvements, Inc. in the amount of \$373,000, MaCaulay Controls Company in the amount of \$105,000, and United Rentals (North America), Inc. in the amount of \$50,000, lowest responsible bidders of thirteen - Total not to exceed \$4,148,754 - Financing: General Funds (\$303,500), Water Utilities Current Funds (\$2,555,254), Convention and Event Services Current Funds (\$855,000), Stormwater Drainage Management Current Funds (\$268,000), Sanitation Current Funds (\$160,000), and Aviation Current Funds (\$7,000)

**BACKGROUND**

This action does not encumber funds; the purpose of a master agreement is to establish firm pricing for goods, for a specific term, which are ordered on an as needed basis.

This master agreement will allow various City departments to continue to purchase pumps and parts of various types, brands, and sizes.



## **BACKGROUND** (continued)

Purchases made through this master agreement will replace pumps that have become cost prohibitive to maintain and the purchase of parts for necessary repairs.

Pumps utilized by the Water Utilities Department distribute an average of 417 million gallons of treated water and 167 million gallons of wastewater daily.

Below are examples of pumps that will be purchased under this agreement:

- Circulating pumps
- Centrifugal pumps
- Propeller pumps
- Sampling pump systems
- Proportioning pumps
- Sewage and sludge pumps
- Sump pumps

In this solicitation, the Office of Procurement Services required bidders to submit a response using discounts/markups on parts to be ordered from manufacturer's catalogs. This bid resulted in a 14 percent discount over comparable discount of 11 percent for the bid awarded in 2015.

As part of the solicitation process and in an effort to increase competition, the Office of Procurement Services used its procurement system to send out 359 email bid notifications to vendors registered under respective commodities. To further increase competition, the Office of Procurement Services uses historical solicitation information, the internet, and vendor contact information obtained from user departments to contact additional vendors by phone. Additionally, in an effort to secure more bids, the Office of Business Diversity sent notifications to 25 chambers of commerce and advocacy groups to ensure maximum vendor outreach.

## **PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)**

On May 27, 2015, City Council authorized a three-year master agreement for the purchase of pumps and parts with FCX Performance, Inc. dba Pierce Pump Company, Xylem Water Solutions USA, Inc., Austin Pump & Supply Company, Master Pumps & Equipment, Hartwell Environmental Corporation, Pump Solutions, Inc., McCaulay Controls Company, and HD Supply Facilities Maintenance dba USA Bluebook by Resolution No. 15-0933.

The Government Performance & Financial Management Committee will receive this item for consideration on August 6, 2018.

## **FISCAL INFORMATION**

General Funds - \$303,500.00  
Water Utilities Current Funds - \$2,555,254.00  
Convention and Event Services Current Funds - \$855,000.00  
Stormwater Drainage Management Current Funds - \$268,000.00  
Sanitation Current Funds - \$160,000.00  
Aviation Current Funds - \$7,000.00

## **M/WBE INFORMATION**

In accordance with the City's Business Inclusion and Development Plan adopted on October 22, 2008, by Resolution No. 08-2826, as amended, the M/WBE participation on this contract is as follows:

<b><u>Contract Amount</u></b>	<b><u>Category</u></b>	<b><u>M/WBE Goal</u></b>	<b><u>M/WBE %</u></b>	<b><u>M/WBE \$</u></b>
\$4,148,754.00	Goods	18.00%	1.55%	\$64,387.70

- This contract does not meet the M/WBE goal of 18.00%, but complies with good faith efforts.

## **BID INFORMATION**

The Office of Procurement Services received the following bids from solicitation number BM1806. We opened them on March 16, 2018. We recommend the City Council award this master agreement to the lowest responsive and responsible bidders by line. Information related to this solicitation is available upon request.

\*Denotes successful bidders

<b><u>Bidders</u></b>	<b><u>Address</u></b>	<b><u>Amount</u></b>
*Xylem Water Solutions USA, Inc.	2400 Tarpley Rd. Carrollton, TX 75006	Multiple Lines
*FCX Performance, Inc. dba Pierce Pump Company	9010 John W. Carpenter Frwy. Dallas, TX 75247	Multiple Lines
*Master Pumps & Equipment	805 Port America Pl. #100 Grapevine, TX 76051	Multiple Lines
*Environmental Improvements, Inc.	517 N. Kealy Ave. Lewisville, TX 75057	Multiple Lines

**BID INFORMATION** (continued)

<b><u>Bidders</u></b>	<b><u>Address</u></b>	<b><u>Amount</u></b>
*MaCaulay Controls Company	13920 Osprey Ct. Suite E Webster, TX 77598	Multiple Lines
*United Rentals (North America), Inc.	1009 Enterprise Pl. Arlington, TX 76001	Multiple Lines
Jersey Equipment Co.	217 S. Stemmons Expwy. Suite 204 Lewisville, TX 76067	Multiple Lines
Anytime Pump Service Company dba CIE	1222 S. Cedar Ridge Dr. Duncanville, TX 75137	Non-responsive**
Argent Associates, Inc.	2800 E. Plano Pkwy. Suite 400 Plano, TX 75074	Non-responsive**
Babtex, Inc.	3100 Randall Mill Rd. Arlington, TX 76011	Non-responsive**
Mavich LLC	525 Commerce St. Southlake, TX 76092	Non-responsive**
North Texas Pump Co.	190 E. Industrial Blvd. Suite C McKinney, TX 75069	Non-responsive**
Westcoast Rotor, Inc.	119 W. 154 St. Gardena, CA 90248	Non-responsive**

\*\*Anytime Pump Service Company dba CIE, Argent Associates, Inc., Babtex, Inc., Mavich LLC, North Texas Pump Co., and Westcoast Rotor, Inc. were deemed non-responsive due to not meeting specifications.

**OWNERS**

**Xylem Water Solutions USA, Inc.**

Ron C. Askin, President  
Patrick Rienks, Vice President  
Jane Dobson, Secretary  
Matthew Fisher, Treasurer

**OWNERS** (continued)

**FCX Performance, Inc. dba Pierce Pump Company**

Tom Cox, President

**Master Pumps & Equipment**

Don Moilan Jr., President

Kevin Figge, Secretary

**Environmental Improvements, Inc.**

Lyle Milstead, President

Eric Fields, Treasurer

**MaCaulay Controls Company**

Kair Hollway, President

Jim Hollway, Vice President

Becky Robertson, Secretary

**United Rentals (North America), Inc.**

Michael Kneeland, President

William Plummer, Vice President

Joli Gross, Secretary

Irene Moshouris, Treasurer

**STRATEGIC PRIORITY:** Public Safety

**AGENDA DATE:** August 8, 2018

**COUNCIL DISTRICT(S):** N/A

**DEPARTMENT:** Office of Strategic Partnerships & Government Affairs

**CMO:** Kimberly Bizer Tolbert, 670-3302

**MAPSCO:** N/A

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**SUBJECT**

Authorize the **(1)** acceptance of a grant from the U.S. Department of Justice, Bureau of Justice Assistance for a broad range of activities to help control and prevent crime, and to improve the criminal justice system (Grant No. 2017-DJ-BX-0834, CFDA No. 16.738), in the amount of \$900,568 for the period October 1, 2016 through September 30, 2020; **(2)** receipt and deposit of funds in an amount not to exceed \$900,568 in the Bureau of Justice Assistance Grant FY17 16-20 Fund; **(3)** establishment of appropriations in an amount not to exceed \$900,568 in the Bureau of Justice Assistance Grant FY17 16-20 Fund; and **(4)** execution of the grant agreement – Not to exceed \$900,568 – Financing: U.S. Department of Justice Grant Funds

**BACKGROUND**

Part E of Title 1 of the Omnibus Crime Control and Safe Streets Act of 1968, as amended, and the Edward Byrne Memorial Justice Assistance Grant (JAG) Program (the “JAG Program”) authorize the Bureau of Justice Assistance (the “BJA”) to make funds available to units of local government in order to support a broad range of activities to prevent and control crime and to improve the criminal justice system.

The JAG Program is the primary provider of federal criminal justice funding to state and local jurisdictions. JAG funds can support all components of the criminal justice system from multijurisdictional drug and gang task forces to crime prevention and domestic violence programs, courts, corrections, treatment, and justice information sharing initiatives. JAG funded projects may address crime through the provision of services directly to individuals and/or communities and by improving the effectiveness and efficiency of criminal justice systems, processes, and procedures.

**BACKGROUND** (continued)

The City of Dallas, Dallas County, and certain units of local government designated by the BJA are eligible for 2017 JAG funding and have been certified by the BJA as a disparate jurisdiction. The application guidelines ask for one fiscal agent to apply, accept, and disburse funds throughout the disparate jurisdiction. Dallas County and all eligible units of local government in the disparate jurisdiction have agreed to designate the City of Dallas as the applicant and fiscal agent for the JAG Program.

Dallas County and the eligible cities agree and acknowledge that as a certified disparate jurisdiction, the Parties must reach an agreement regarding the sharing of funds prior to submitting a JAG application with the BJA. Accordingly, this resolution will authorize the City Manager to set forth the following: (i) the amount of funds originally allocated by the BJA before the Parties were certified to be disparate jurisdictions; (ii) the amounts to be transferred among the respective jurisdictions, including the amount to be paid to the City of Dallas as the fiscal agent for the jurisdiction; and (iii) the final amount for each of the Parties.

**Initial Allocations**

For 2017, the BJA has determined the Initial Allocations of JAG Funds for the parties as follows:

Dallas County	\$ 0.00
Balch Springs	\$ 17,457.00
Carrollton	\$ 14,043.00
Dallas	\$662,975.00
DeSoto	\$ 12,682.00
Duncanville	\$ 11,193.00
Garland	\$ 47,929.00
Grand Prairie	\$ 37,327.00
Irving	\$ 38,790.00
Lancaster	\$ 12,194.00
Mesquite	\$ 33,810.00
Richardson	<u>\$ 12,168.00</u>
Total	\$900,568.00

**BACKGROUND** (continued)

Amounts to be Transferred

All jurisdictions, with the exception of the City of Richardson, have agreed that 30 percent of their funds will be allocated to Dallas County per Department of Justice (DOJ) guidelines that require fund sharing with any unit of government that bears more than 50 percent of the costs of prosecution or incarceration. Richardson has chosen to reallocate its total award of \$12,168.00 to the County.

The eligible cities agree to have the following funds transferred to Dallas County pursuant to the Funds Sharing and Fiscal Agency Agreement as follows:

Dallas County	\$ 0.00
Balch Springs	\$ 5,237.10
Carrollton	\$ 4,212.90
Dallas	\$ 198,892.50
DeSoto	\$ 3,804.60
Duncanville	\$ 3,357.90
Garland	\$ 14,378.70
Grand Prairie	\$ 11,198.10
Irving	\$ 11,637.00
Lancaster	\$ 3,658.20
Mesquite	\$ 10,143.00
Richardson	<u>\$ 12,168.00</u>
Total	\$278,688.00

Fiscal Agent Grant Administration Fees

The following amounts reflect each participant's grant administration fee, which shall be transferred to the Fiscal Agent, the City of Dallas.

Dallas County	\$ 19,508.16
Balch Springs	\$ 855.39
Carrollton	\$ 688.11
Dallas	\$ 59,502.81
DeSoto	\$ 621.42
Duncanville	\$ 548.46
Garland	\$ 2,348.52
Grand Prairie	\$ 1,829.02
Irving	\$ 1,900.71
Lancaster	\$ 597.51
Mesquite	\$ 1,656.69
Richardson	<u>\$ 0.00</u>
Total	\$ 90,056.80

**BACKGROUND** (continued)

Final Allocations

The following amounts reflect the JAG funds each jurisdiction shall receive upon acceptance of and disbursements of funds from the BJA in accordance with the Funds Sharing and Fiscal Agency Agreement.

Dallas County	\$ 259,179.84
Balch Springs	\$ 11,364.51
Carrollton	\$ 9,141.99
Dallas	\$ 494,636.49
DeSoto	\$ 8,255.98
Duncanville	\$ 7,286.64
Garland	\$ 31,201.78
Grand Prairie	\$ 24,299.88
Irving	\$ 25,252.29
Lancaster	\$ 7,938.29
Mesquite	\$ 22,010.31
Richardson	\$ <u>0.00</u>
Total	\$900,586.00

The City of Dallas will use the bulk of its allocation to fund salaries and associated costs for three Community Prosecutors. 10 percent of the total award is also used to reimburse administrative expenses associated with managing the grant and acting as the fiscal agent.

In addition to the standard requirements common to many federal grant programs, the Department of Justice has added some additional requirements to the FY2017 JAG awards at both the state and local level with regards to sanctuary cities, including a requirement to provide advance notice to the Department of Homeland Security (DHS) regarding the schedule release date and time of an alien in a jurisdiction's custody if DHS has requested such notice. These new requirements are applicable to the City Detention Center run by the Dallas City Marshal's Office.

This resolution will authorize the City of Dallas to accept and execute the award agreement with the Department of Justice.



## **PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)**

On September 25, 2013, City Council authorized an application for and acceptance of the FY 2013 Edward Byrne Memorial Justice Assistance Grant from the U.S. Department of Justice to be used for a broad range of activities to help control and prevent crime, and to improve the criminal justice system for the period of October 1, 2012 through September 30, 2016; execution of the Fiscal Agency and Funds Sharing Agreement between the City of Dallas, Dallas County and eligible units of local government; and execution of the grant agreement by Resolution No. 13-1687.

On May 28, 2014, City Council authorized an application for and acceptance of the FY 2014 Edward Byrne Memorial Justice Assistance Grant from the U.S. Department of Justice to be used for a broad range of activities to help control and prevent crime, and to improve the criminal justice system for the period of October 1, 2013 through September 30, 2017; execution of the Fiscal Agency and Funds Sharing Agreement between the City of Dallas, Dallas County and eligible units of local government; and execution of the grant agreement by Resolution No. 14-0828.

On June 10, 2015, City Council authorized an application for and acceptance of the FY 2015 Edward Byrne Memorial Justice Assistance Grant from the U.S. Department of Justice to be used for a broad range of activities to help control and prevent crime, and to improve the criminal justice system for the period of October 1, 2014 through September 30, 2018; execution of the Fiscal Agency and Funds Sharing Agreement between the City of Dallas, Dallas County and eligible units of local government; and execution of the grant agreement by Resolution No. 15-1056.

On June 22, 2016, City Council authorized an application for and acceptance of the FY 2016 Edward Byrne Memorial Justice Assistance Grant from the U.S. Department of Justice to be used for a broad range of activities to help control and prevent crime, and to improve the criminal justice system for the period of October 1, 2015 through September 30, 2019; execution of the Fiscal Agency and Funds Sharing Agreement between the City of Dallas, Dallas County and eligible units of local government; and execution of the grant agreement by Resolution No. 16-1064.

On September 13, 2017, City Council authorized an application for the FY 2017 Edward Byrne Memorial Justice Assistance Grant from the U.S. Department of Justice to be used for a broad range of activities to help control and prevent crime, and to improve the criminal justice system for the period of October 1, 2016 through September 30, 2020; and the execution of the Fiscal Agency and Funds Sharing Agreement between the City of Dallas, Dallas County and eligible units of local government by Resolution No. 17-1424.

The Government Performance & Financial Management Committee will receive this item for consideration on August 6, 2018.

**FISCAL INFORMATION**

U.S. Department of Justice Grant Funds - \$900,568

**STRATEGIC PRIORITY:** Economic and Neighborhood Vitality

**AGENDA DATE:** August 8, 2018

**COUNCIL DISTRICT(S):** 2, 7

**DEPARTMENT:** Office of Procurement Services  
Office of Economic Development

**CMO:** Elizabeth Reich, 670-7804  
Raquel Favela, 670-3309

**MAPSCO:** N/A

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**SUBJECT**

Authorize **(1)** the rejection of the proposals received for a six-year management contract to manage the existing South Dallas/Fair Park Public Improvement District; and **(2)** the re-advertisement for a new solicitation - Financing: No cost consideration to the City (This item was deferred on June 27, 2018)

**BACKGROUND**

This action will authorize the rejection of the proposals received for solicitation BYZ1812 for a six-year management contract to manage the existing South Dallas/Fair Park Public Improvement District. The Office of Economic Development will review and modify the specifications before re-advertisement.

**PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)**

The Economic Development and Housing Committee was briefed by memorandum regarding this matter on June 18, 2018.

On June 27, 2018, this item was deferred by Councilmember Tennell Atkins.

The Government Performance & Financial Management Committee will receive this item for consideration on August 6, 2018.

**FISCAL INFORMATION**

No cost consideration to the City.

# Memorandum



CITY OF DALLAS

DATE July 30, 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 **Employees' Retirement Fund of the City of Dallas Update**

On Monday, August 6, 2018, Cheryl Alston, Director of the Employees' Retirement Fund, will provide the Government Performance & Financial Management Committee an update on the Employees' Retirement Fund. I have attached the briefing for your review.

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  
Billierae Johnson, City Secretary  
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  
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

# Employees' Retirement Fund of the City of Dallas Update



**Government Performance and Financial Management Committee  
August 6, 2018**



# Background

History	Established in 1944
Type Plan	Single employer defined benefit plan that provides retirement, disability and death benefits for the permanent civilian employees of the City of Dallas
Governance	Seven member board consisting of three persons appointed by the City Council, three employees elected by the membership, and the City Auditor, ex officio
Design	City of Dallas does not participate in Social Security. City of Dallas does not provide disability insurance. Dallas ERF does not have a Deferred Retirement Option Program ("DROP"). Cost of Living Adjustments based on Consumer Price Index (CPI)



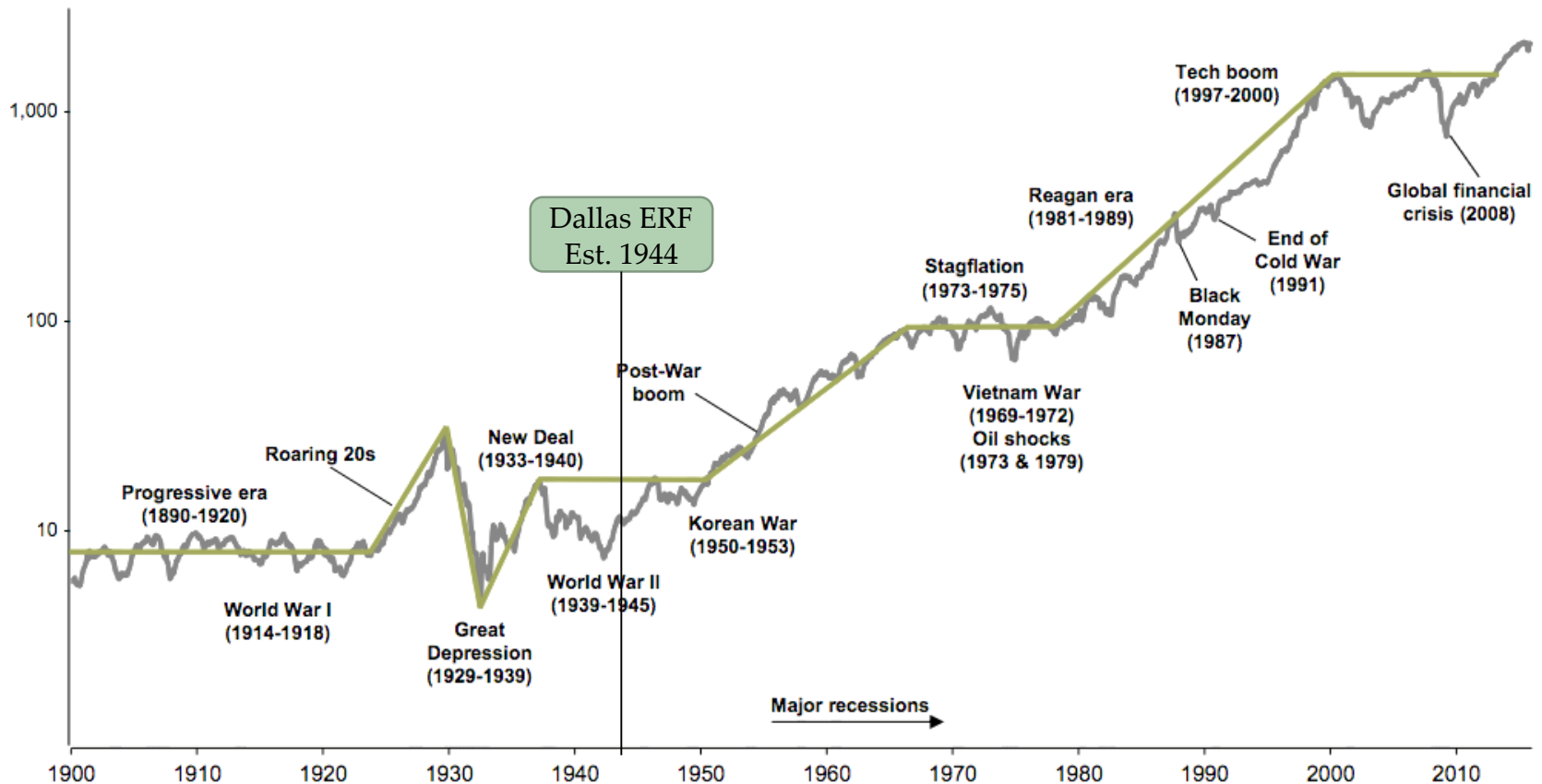
# Dallas ERF has a Long Term Horizon

## Stock market since 1900

GTM - U.S. | 15

### S&P Composite Index

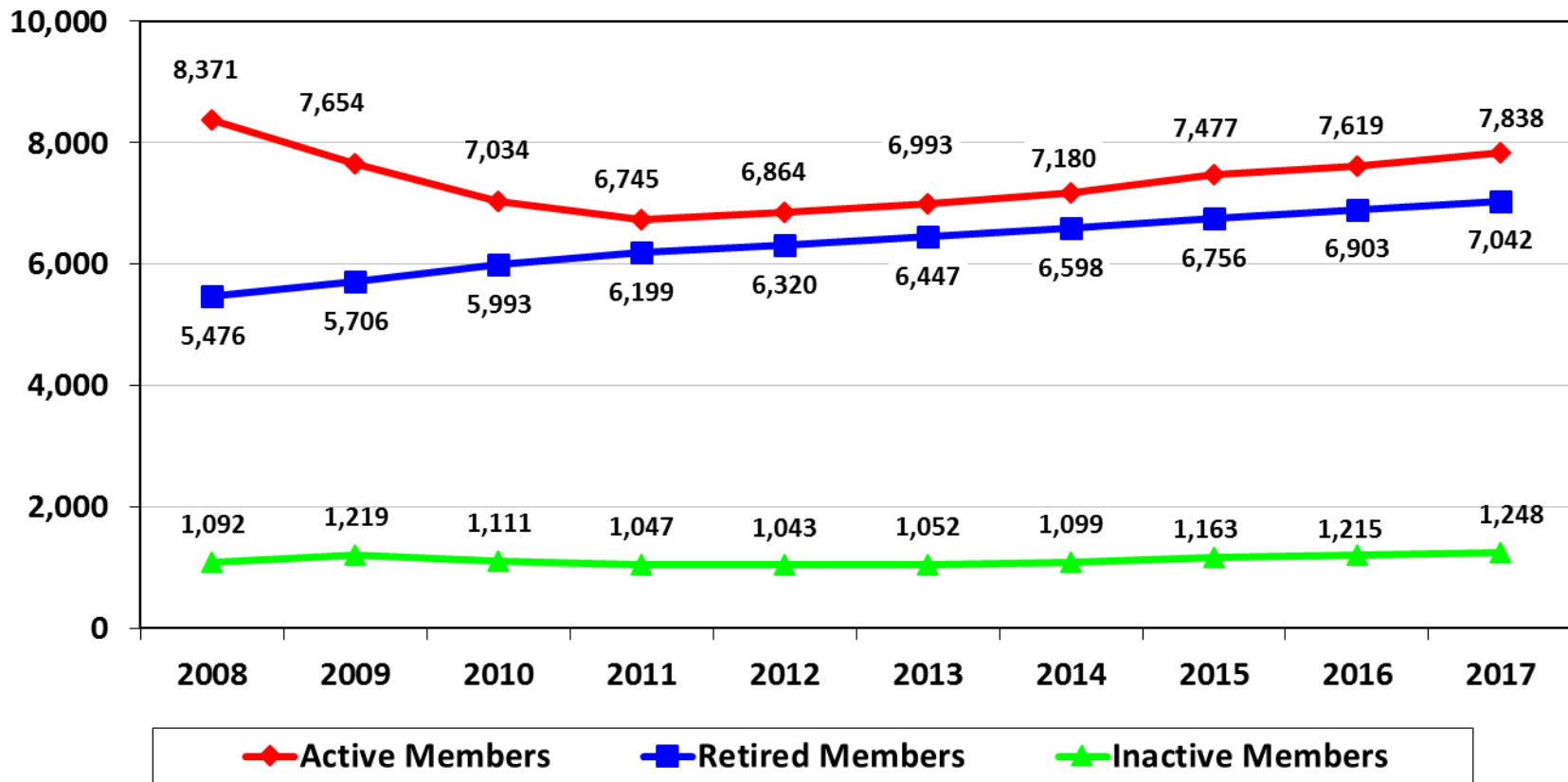
Log scale, annual





# City of Dallas employs over 7,800 civilian employees to deliver City services to an estimated 1.3 million citizens.

*The Fund has given a benefit promise to over 16,000 families in the DFW area.*



*Note: Active membership increased 2.9% over last year.*





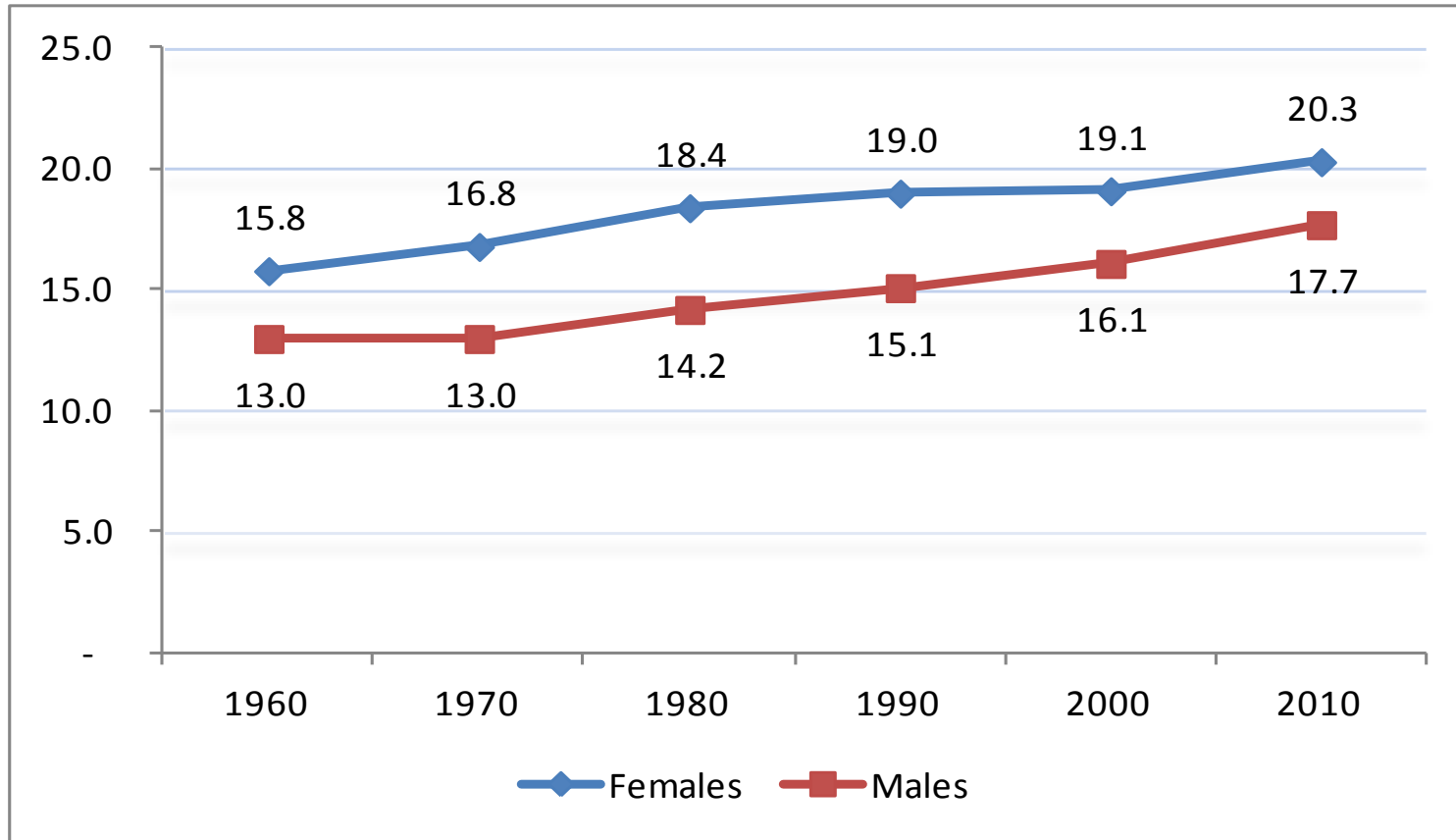
# Membership Statistics

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- Oldest employee born in 1934 (83 years old)
- Youngest employee born in 1998 (19 years old)
- 1,100 employees are eligible to retire.
- Oldest service retiree born in 1916 (101 years old)
- 2 beneficiaries born in 1914 (103 years old)
- Retiree has been in payment status for 43+ years (retired prior to 1974).



# ERF adjusted benefits for employees hired on and after January 1, 2017 due to people living and working longer.



**Since 2010, life expectancies continue to increase. The latest published rates (2012) are 20.5 years for females and 17.9 years for males, both from age 65.**

Source: National Vital Statistics Reports



# Chapter 40A Amendment Process

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- Chapter 40A Amendment process requires all interested parties to approve any changes not required by Federal law.
- The Dallas ERF Board, Dallas City Council, and the voters of the City of Dallas must approve the changes.
  - Dallas ERF Board unanimously approved in August 2016.
  - Dallas City Council approved changes in August 2016.
  - City of Dallas voters approved changes in November 2016 (69% of voters approved).
- Chapter 40A Amendment became effective on January 1, 2017.



# Approved Changes to Chapter 40A – Projected to Decrease Normal Cost\* from 20.36% to 12.96% over Next 30 Years

- Normal cost decreased from 20.75% last year to 20.04% in 2017.
- We expect the normal cost to decline each year for the foreseeable future (20+ years).

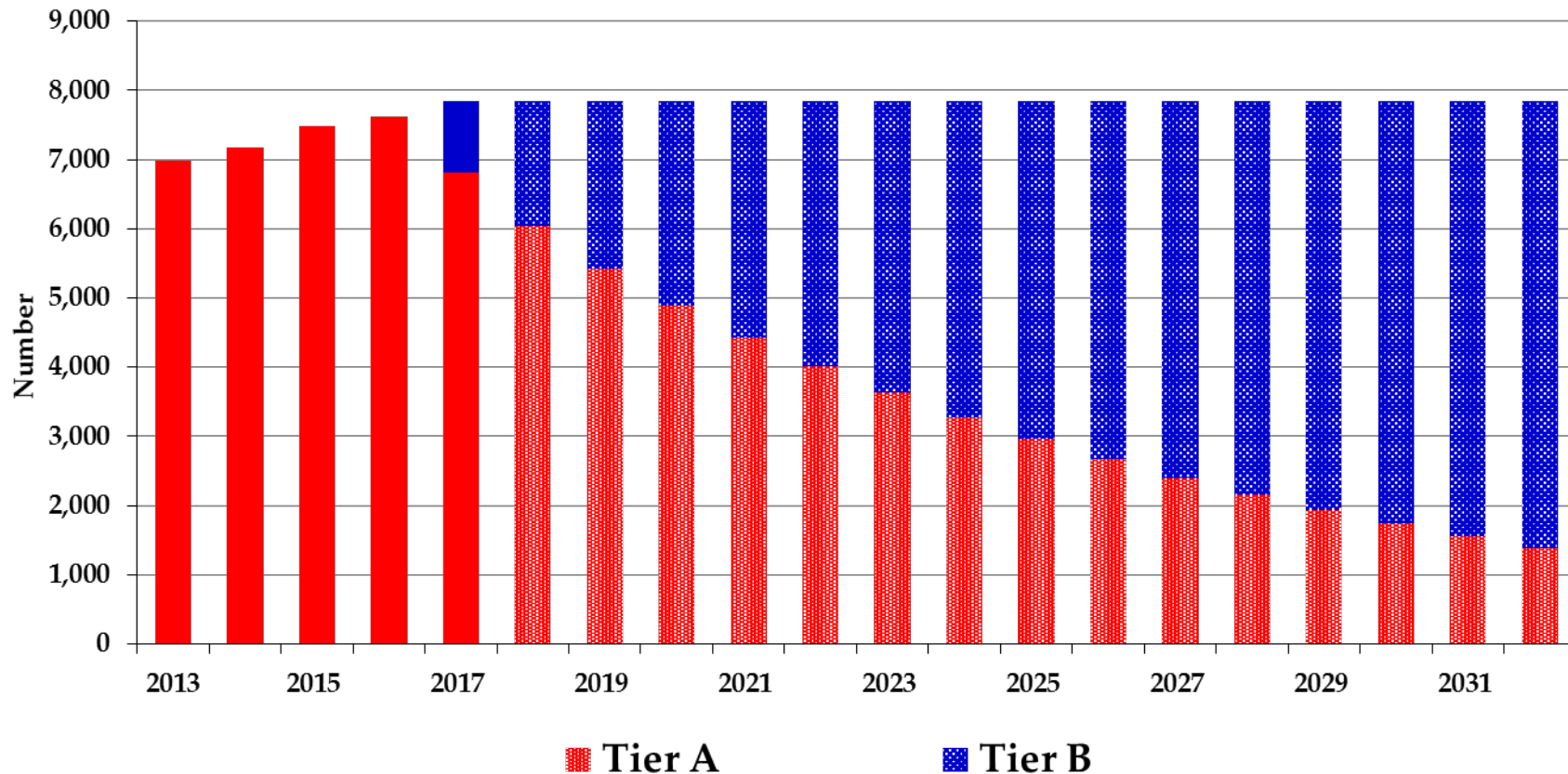
Benefit Factors	Plan Changes for New Employees Hired on and after January 1, 2017
Retirement Eligibility	<ul style="list-style-type: none"> <li>• Changed from Age 60 to 65 w/5 years of credited service</li> <li>• From 30 years to 40 years of service (unreduced)</li> <li>• Rule of 78 (unreduced <math>\geq 50</math> YOA ) to Rule of 80 (actuarially reduced <math>&lt; 65</math> years of age)</li> <li>• Restricted Prior Service Credit</li> </ul>
Benefit Multiplier	<ul style="list-style-type: none"> <li>• Reduced from 2.75% to 2.5%</li> </ul>
CPI Cost of Living Adjustment (COLA)	<ul style="list-style-type: none"> <li>• Reduced from a maximum of 5% to a maximum of 3%</li> </ul>
Average Monthly Earnings	<ul style="list-style-type: none"> <li>• Changed from 3 to 5 year average</li> </ul>
Health Benefit Supplement	<ul style="list-style-type: none"> <li>• Eliminated \$125 monthly Health Supplement</li> </ul>

\* The “normal cost” of a defined-benefit plan is the annual cost of the future liability associated with the benefits earned in that particular year.



# Projected Active Membership – 13% of Active Members in Tier B as of 12/31/17

## Projected Number of Tier A and Tier B Employees



Note: The projected total number of employees is assumed to remain a constant 7,619.

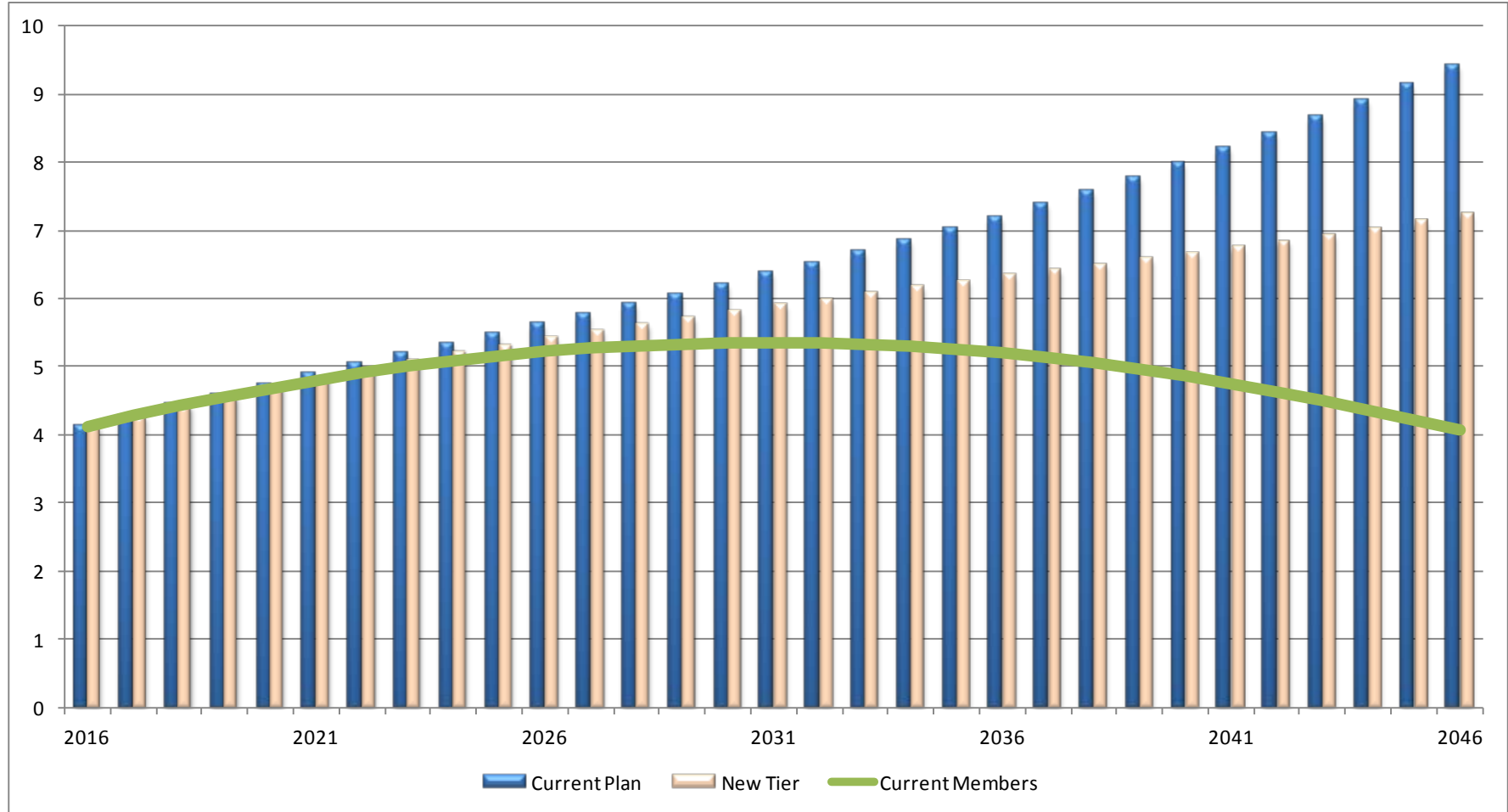
Source: GRS

**50% of Active Employees Will Be in New Tier in 5 Years.**



# Chapter 40A Changes implemented in Jan 2017 are on track to reduce future liabilities by \$2.15 Billion.

\$ in Billions





Employees' Retirement Fund  
of the City of DALLAS

# Conservative Global Liquid Investment Portfolio







# Fund Value and Funding Ratio

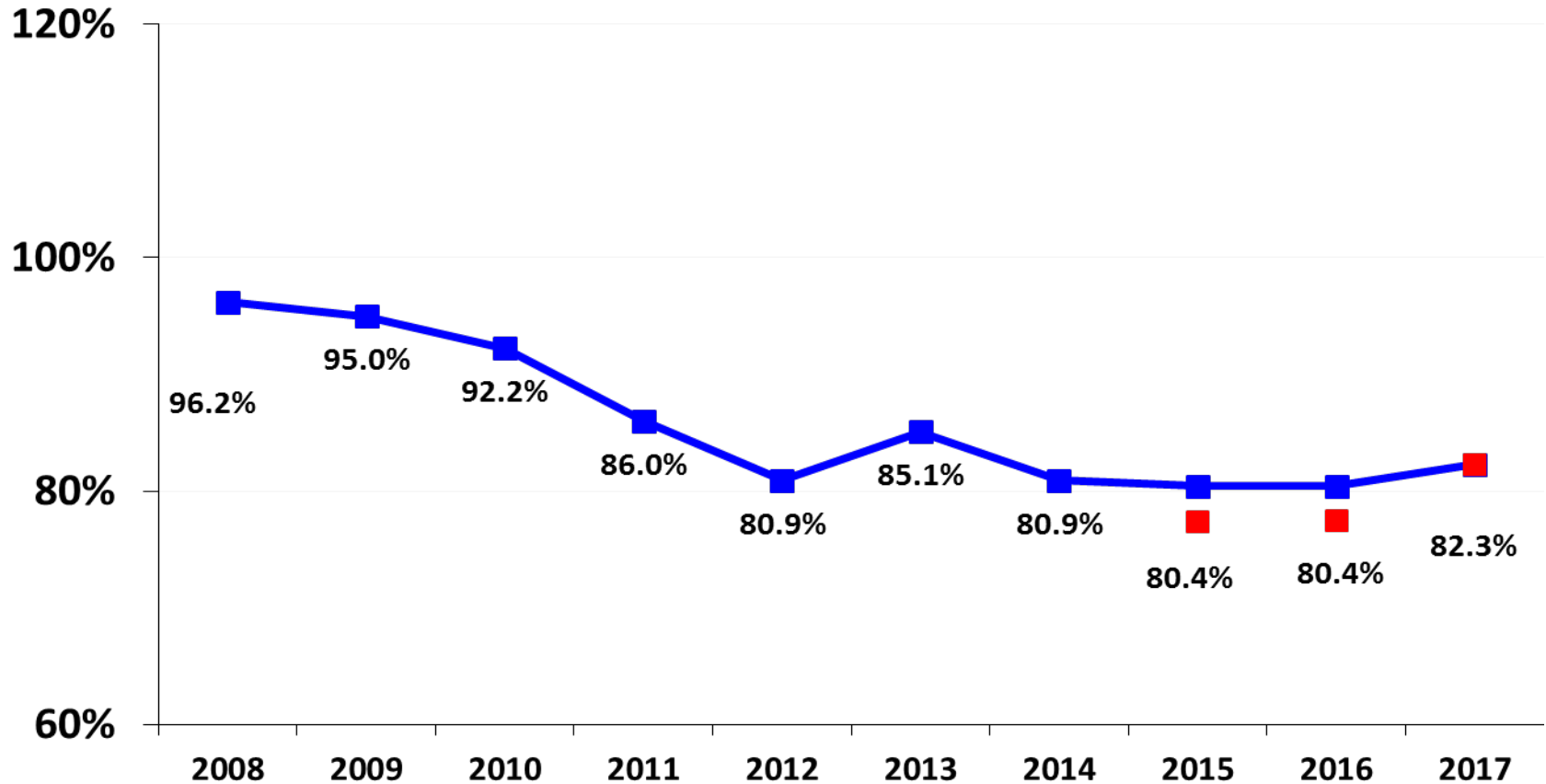
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- Assets under Management (12/31/17) – \$3.6 billion
- Investment Returns (as of 12/31/2017) exceed actuarial rate of return of 7.75%
  - 1 year return – 13.3%
  - 5 year return – 8.65%
  - 30 year return – 8.68%
- Funding Ratio (12/31/17) of 82.3%, increase from 80.4% of 12/31/16.
- Dallas ERF's 82.3% funded ratio ranks in the **top 25th** percentile (better than 75%) according to Wilshire's State Funding Study for 2017 nationwide.





# Historical Funded Ratios



■ Funded ratio using market value of assets as of December 31, 2015 is 77.4%.  
■ Funded ratio using market value of assets as of December 31, 2016 is 77.5%.  
■ Funded ratio using market value of assets as of December 31, 2017 is 82.3%.



# Fund's Target Asset Allocation

Asset Class		Percentage
Domestic Equity		15.0%
International Equity		15.0%
Global Equity		5.0%
Global Low Volatility Equity		10.0%
Private Equity		<u>5.0%</u>
<b>Total Growth/Equity</b>		<b>50.0%</b>
Public Real Assets (MLP)		10.0%
Real Estate Investment Trust (REIT)		5.0%
Private Real Estate		<u>5.0%</u>
<b>Total Inflation Hedging</b>		<b>20.0%</b>
Global Fixed Income		15.0%
Opportunistic Credit		2.5%
High Yield		<u>12.5%</u>
<b>Total Risk Reduction/Mitigation</b>		<b>30.0%</b>
<b>Total</b>		<b>100.0%</b>

As of December 31, 2017



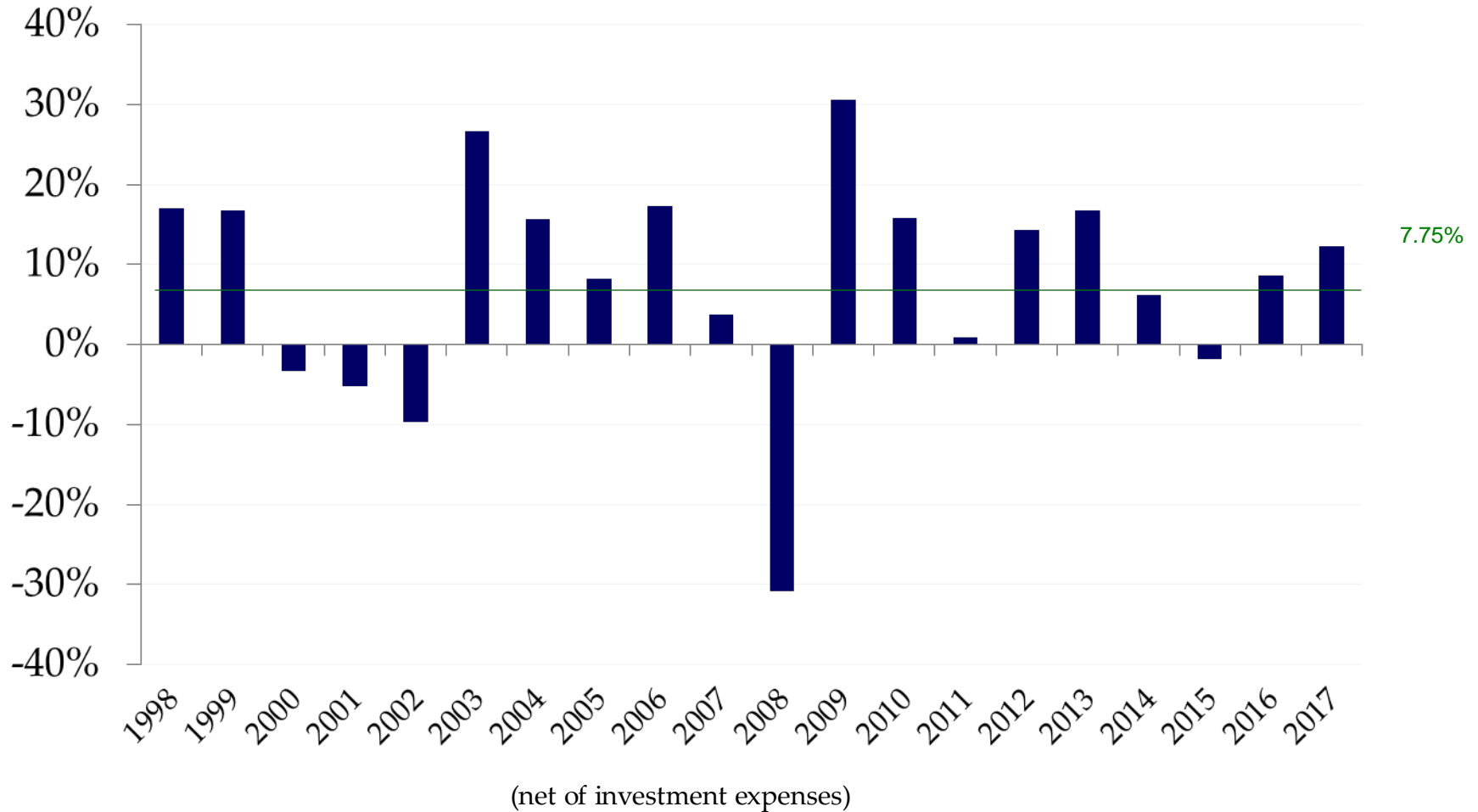
# Asset Class Performance

<b>Top Performing Asset Classes</b>	<b>1 Year Return as of 12/31/17</b>
International Equity	29.9%
Global Equity	24.5%
Domestic Equity	21.5%

<b>Lowest Performing Asset Classes</b>	<b>1 Year Return as of 12/31/17</b>
Public Real Assets	-6.5%
Global Fixed Income	4.2%



# History of Fund Returns (Market)





## Conclusion – 2017 was a positive year for the Fund.

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- Actuarial Gain on Assets
  - Conservative Global Investment Portfolio with 90% valued daily
  - Marked actuarial value to market value
  - Investment Returns (as of 12/31/2017) exceed actuarial rate of return of 7.75%
    - 1 year return – 13.3%
    - 5 year return – 8.65%
    - 30 year return – 8.68%
    - CYTD return as of 6/30/18 is flat at 0.64%
  
- Positive liability experience in 2017
  - Lower than expected salary increases
  - Lower than expected cost of living adjustments
    - COLA of 2.053% vs Assumption of 2.75%
  - 13% of Actives are Tier B with lower normal cost.

# Memorandum



CITY OF DALLAS

**DATE:** July 30, 2018

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

**SUBJECT:** Office of the City Auditor - Fiscal Year 2018 Fourth Quarter Update

Carol A. Smith, First Assistant City Auditor, will provide a briefing to the members of the Government Performance and Financial Management Committee on Monday, August 6, 2018 regarding:

- Office of the City Auditor – FY 2018 Fourth Quarter Update

Respectfully,

A handwritten signature in black ink that reads "Craig D. Kinton".

Craig D. Kinton  
City Auditor

c: Honorable Mayor and Members of the City Council  
T.C. Broadnax, City Manager  
Larry Casto, City Attorney  
M. Elizabeth Reich, Chief Financial Officer  
Biliera Johnson, City Secretary  
Daniel F. Solis, Administrative Judge  
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager

Jon Fortune, Assistant City Manager  
Majed A. Al-Ghafry, Assistant City Manager  
Joey Zapata, Assistant City Manager  
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

# **Office of the City Auditor – Fiscal Year 2018 Fourth Quarter Update**

**Government Performance & Financial  
Management Committee  
August 6, 2018**

**Craig D. Kinton, City Auditor  
Office of the City Auditor  
City of Dallas**



# Audit and Attestation Services

Fourth Quarter Update

Government Performance & Financial Management



City of Dallas



# Reports Issued

Third Quarter Fiscal Year 2018 (April 1 – June 30)

---

## Performance Audits

- Continuity of Operations Audit Follow-Up – Multiple Departments
- Records Management System – Dallas Police Department
- Fiscal Year 2018 Audit Follow-Up of Prior Recommendations – Multiple Departments



# Continuity of Operations Audit Follow-Up

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Release Date: June 15, 2018

Objectives: Evaluate whether, as of December 31, 2017, certain FY 2013\* prior audit recommendations were implemented

Conclusion: Between FY 2013 and FY 2017, the Office of Emergency Management (OEM), with the assistance of a consulting firm and certain department directors, identified and prioritized the City of Dallas' (City) mission essential functions and updated the City's Continuity of Operations (COOP) Basic Plan and department specific annexes

- This updated information was used by the Department of Communication and Information Services (CIS) to develop a framework for a comprehensive Disaster Recovery Plan
- Although annual updates are required, in FY 2017, most departments' annexes were not updated

*\* Certain other matters, procedures, and transactions outside that period were reviewed to understand and verify information during the audit period.*



# Continuity of Operations Audit Follow-Up

---

## Conclusion (continued...)

Despite measurable progress by OEM and CIS, the three recommendations included in the original audit, *Audit of the Design of the City of Dallas' Pandemic Influenza Continuity of Operations Basic Plan*, Report No. A13-009, September 13, 2013 were not fully implemented

- *The City Manager and/or designated continuity personnel develop and implement the ten COOP Plan*
- *The City Manager and/or designated continuity personnel provide periodic updates to the City Council on the project to ensure transparency*
- *The City Manager and the Director of CIS develop a Disaster Recovery Plan using the information from the ten Continuity Management Functions of the COOP Plan*



# Continuity of Operations Audit Follow-Up

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## Conclusion (continued...)

Full recommendation implementation required City management to:

- Address 50 critical characteristics identified in the original audit as missing components from the ten Continuity Management Functions
- Communicate with City Council
- Develop a comprehensive Disaster Recovery Plan



# Continuity of Operations Audit Follow-Up

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## We recommended:

- The **City Manager** in coordination with the **Directors of OEM and CIS**:
  - Develop an administrative directive that establishes the City's policy regarding business continuity planning and the COOP Basic Plan at both a citywide and departmental level
  - Establish an organizational structure that clearly defines roles, responsibilities, and accountability related to business continuity planning and the COOP Basic Plan
  - Dedicate continuity of operations personnel with the appropriate authority and resources
  - Obtain departmental commitment to ensure: (1) the City's COOP Basic Plan and the departments' annexes are complete, including adequate information technology (IT) resources and other supplies necessary to restore and maintain essential functions for 30 days; (2) regularly updated (at least annually); and, (3) properly tested

# Continuity of Operations Audit Follow-Up

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(continued...)

- Develop or obtain IT systems to document the departments' annexes and monitor annual updates
  - Reach a consensus among departments regarding which IT systems must be restored
- The **City Manager** in coordination with the **Director of CIS**:
- Develop a comprehensive Disaster Recovery Plan by establishing a formal plan that includes measurable interim milestones to demonstrate progress
- The **City Manager**<sup>1</sup> periodically briefs the City Council on the City's business continuity

1. Based on management's response, OEM and CIS will provide periodic updates to City Council upon completion of each milestone noted in the second recommendation.

# Records Management System

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Release Date: June 22, 2018

Objectives: Determine if the Records Management System (RMS) has adequate internal controls to ensure that all crime related data are processed efficiently and effectively (Note: This is the revised objective<sup>2</sup>)

Scope: RMS crime incidents reported from June 1, 2014 to June 30, 2017\*

Conclusion: For the audit period, (June 1, 2014 through June 30, 2017), the Dallas Police Department (DPD) had adequate internal controls to ensure that all crime related data were processed efficiently and effectively

2. The original objective was to determine whether the City of Dallas' (City) goals for implementing the Record Management System (RMS) achieved anticipated results (specifically cost, project schedule, functions implemented, and shadow systems eliminated) and whether the RMS includes appropriate controls.

\* Certain other matters, procedures, and transactions occurring outside that period may have been reviewed to understand and verify information related to the audit period



# Records Management System

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## Conclusion (continued...)

The DPD reported complete, correctly classified, and accurate counts of serious crime incidents and arrests to the Texas Department of Public Safety (TX DPS). As a result, the citizens of Dallas, the TX DPS, and the United States Federal Bureau of Investigation (FBI) can rely on the crime statistics reported by DPD.

The DPD's internal controls related to the Records Management System (RMS), however, are not sufficient to:

- Prevent and detect unauthorized deletions or alterations of RMS data
- Ensure only users who need access to RMS to perform their job responsibilities have access





# Records Management System

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## We recommended the Chief of Police:

- Implements formal policies and procedures to ensure:
  - Any legitimate alteration and expungement of data from RMS is formally requested, authorized, and documented by DPD management
  - Crime data unit logs are preserved, and regularly reviewed for indications of inappropriate or unusual activity
- Develops a matrix of user access privileges in RMS that would ensure segregation of incompatible duties and the assignment of least privileges to each user that are essential to perform the user's assigned duties
- Uses the matrix of user access privileges to re-assign user access in RMS based on the principles of segregation of incompatible duties and the assignment of least privileges to each user that are essential to perform the user's intended duties



# Records Management System

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(continued):

- Implements formal policies and procedures to perform an annual comparison of user access privileges in RMS to the matrix of user access privileges
- Deactivates RMS user accounts of users who are no longer employed by the City
- Ensures DPD complies with the City's Enterprise Information Security Standard (EISS), specifically:
  - Assigns a unique personal user account to every RMS user
  - Limits temporary access to an elevated privilege, such as an administrator, to seven days
  - Disables and locks RMS users accounts when the individual has not accessed RMS for any consecutive 90 day period



# Records Management System

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(continued...):

- Deactivates/disables vendor accounts if the accounts have not been used in any consecutive 90 day period
- Revokes user access to RMS immediately upon termination of employment
- Logs the activities of all elevated accounts and reviews the logs regularly to ensure that inappropriate activities are identified early and resolved

## **We recommended the Director of CIS:**

- Performs security reviews and security assessments of RMS in accordance with the EISS



# Fiscal Year 2018 Audit Follow-Up of Prior Audit Recommendations

---

Release Date: June 22, 2018

Objectives: Evaluate whether, as of September 30, 2017, certain Fiscal Years (FY) 2016 and 2017 prior audit recommendations were implemented

Conclusion: The Fiscal Year 2018 Audit Follow-Up of Prior Audit Recommendations (Follow-Up Audit) covered 43 recommendations that were included in five audit reports issued in Fiscal Year (FY) 2016 and FY 2017. The City of Dallas' (City) management agreed to implement these recommendations by September 30, 2017

The Office of the City Auditor's verification results showed City management implemented 19 of the 43 recommendations, or 44 percent



# Fiscal Year 2018 Audit Follow-Up of Prior Audit Recommendations

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## Conclusion (continued...)

While City management made concerted efforts, recommendations were not considered fully implemented if the underlying risks identified in the prior audits were not sufficiently mitigated. The Office of the City Auditor identified opportunities to improve the following:

- Policies and procedures necessary to establish an internal control framework
- Monitoring of the timeliness, effectiveness, and consistency of the established internal controls
- Proper and consistent documentation of transactions, internal controls, and organizational events
- Appropriate design and implementation of information systems

Recommendations: (None)



# Investigative Services

Fourth Quarter Update

Government Performance & Financial Management



City of Dallas

# Investigative Services Performed

Third Quarter Fiscal Year 2018 (April 1 – June 30)

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Investigative Services opened 34 cases during the third quarter. Examples of allegations received include:

- Conflicts of interest
- Discrimination
- Theft of time
- Misuse of City services



# Investigative Services Performed

Third Quarter Fiscal Year 2018 (April 1 – June 30)

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Twenty-six cases were closed during the period resulting in five substantiated complaints related to employee relations, employee pay and improper notification of a vehicle accident. The substantiated complaints led to accountability actions including:

- An employee resignation
- Letters of counseling
- Training
- Salary adjustment





# Anticipated Report Releases

Fourth Quarter Fiscal Year 2018 (July 1 – September 30)

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## Performance Audits

- Business Partner Oversight – Park and Recreation
- Miscellaneous Permit Fee Revenues – Dallas Water Utilities
- Off-Duty Employment Administration – Dallas Police Department

## Attestation Engagement

- Agreed-Upon Procedures for Petition Processing by the City Secretary's Office



# Projects in Progress

Fourth Quarter Fiscal Year 2018 (July 1 – September 30)

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## Performance Audits

- Dallas Convention & Visitors Bureau (VisitDallas) – Convention and Events Center
- Open Records Request Process – City Secretary’s Office
- Performance Measurement Process – Multiple Departments
- Surveillance Camera Oversight – Multiple Departments
- Water Quality and Safety, Testing, and Monitoring – Dallas Water Utilities
- Security and Safety Protocols for Large Public Venues Owned or Managed by the City – Multiple Departments



# Projects in Progress

Fourth Quarter Fiscal Year 2018 (July 1 – September 30)

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## Performance Audits (continued...)

- Franchise Fees Review through Third-Party Vendor (*Ongoing*)
- Sales/Use Tax Compliance Review through Third-Party Vendor (*Ongoing*)



# Anticipated Project Starts

Fourth Quarter Fiscal Year 2018 (July 1 – September 30)

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## Performance Audits

- Dallas Police Department's Complaint Process
- Economic Development Programs and Incentives – Office of Economic Development
- Management of the City's Surplus Real Properties – Department of Sustainable Development and Construction
- Revenue Estimates – Office of Budget



# Appendix – Report Links

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## Performance Audits

- [Continuity of Operations Audit Follow-Up](#)
- [Records Management System](#)
- [Fiscal Year 2018 Audit Follow-up of Prior Audit Recommendations](#)



# **Office of the City Auditor – Fiscal Year 2018 Fourth Quarter Update**

**Government Performance & Financial  
Management Committee  
August 6, 2018**

**Craig D. Kinton, City Auditor  
Office of the City Auditor  
City of Dallas**



# City Auditor Nominating Commission

Government Performance & Financial Management Committee  
August 6, 2018

Councilmember Jennifer S. Gates,  
GPFM Chair  
Mayor and City Council Office  
City of Dallas



# Background

- June 5: Mayor Rawlings informed Council of City Auditor Craig Kinton's decision to not seek another term (see p.11)
- June 18: City Auditor Craig Kinton gave a presentation to the GPFM Committee, which outlined the process to select a new City Auditor, including creating a five-member nominating commission
- June 21: My office sent a memo to Council detailing the criteria City Code requires of a nominating commission, and asked Council to submit suggestions for appointments





# Nominating Commission

- Nominating procedure requirements are codified in City Code, Chapter 2, Section 2-17.2
- Section (a) requires Council to appoint a five-member nominating commission meeting certain requirements:

## **Two members meeting the following qualifications:**

- One member selected by the Dallas Chapter/Texas Society of Certified Public Accountants' board of directors
- One member who is the regional director of the U.S. Government Accountability Office (or highest-ranking member of the Dallas division)

## **Three members meeting one of the following qualifications:**

- Managing partner in multi-national public accounting firm with an office in Dallas
- Chief Executive Officer/Chief Financial Officer/Chief Audit Executive of a publicly-traded company headquartered in Dallas County (\$1B annual revenue)
- Former Dallas Mayor or Councilmember
- Current or former Dallas City Auditor



# Changes to City Code Section 2-17.2

Since the Government Accountability Office declined to participate in the nominating commission due to potential conflicts of interest (see p.12), and we had difficulty finding potential commission members who met the qualifications, we recommend amending the code to:

1. Expand the pool for the one representative selected by the board of directors of the Dallas Chapter of a professional organization to include any organization experienced in accounting and auditing, such as the Texas Society of Certified Public Accountants, Institute for Internal Auditors, Information System Audit and Control Association, Inc., Financial Executives International, and Association of Government Accountants.
2. Delete the requirement than one member must be from the Dallas division of the Government Accountability Office.
3. Change the qualifications for potential members from multi-national, public accounting firms to include current and former managing or founding partners.



# Changes to City Code Section 2-17.2, cont.

4. Change the qualifications for potential members from publicly traded companies to include not only current, but also former CEOs/CFOs/CAOs, and reduce the annual revenue requirement from \$1 billion to \$500 million

Further, in 2-17.2 (f), we made changes to the Committee name to reflect the current title: “Government Performance and Financial Management”



# Nominating Commission Candidates

- **Ann Margolin**  
Former City of Dallas Councilmember  
Nominated by CMs Kingston and Gates
- **Tim Pike**  
Selected by the Dallas Chapter/Texas Society of Certified Public Accountants  
Nominated by CM Gates
- **Maxine Thornton**  
Former City of Dallas Councilmember  
Nominated by CM Felder
- **Kenneth Travis**  
Retired founding partner of Travis Wolff LLP  
Nominated by CM Gates
- **Michelle Vopni**  
Managing Partner in a multi-national public accounting firm (EY)  
Nominated by CM Gates



# Requirements of nominating commission

- Meet within 15 days of appointment
- Nominate one or more candidates to City Council within 180 days of first meeting
- Serve until the City Council accepts a candidate



# Requirements of City Council

- Accept one candidate or reject all within 30 days of receipt of nomination
- Immediately notify the nominating commission if candidates are rejected



# Next Steps

- GPFM Committee recommends nominating commission candidates on August 6
- City Council to amend proposed changes to City Code Chapter 2, Section 2-17.2 to address GAO conflict-of-interest issue on August 22
- Commission candidates presented to City Council for approval on August 22
- City Council will name interim City Auditor on August 22, effective September 28 (see p.13)



# Appendix

1. Page 11: Mayor Rawlings' memo
2. Page 12: GAO/Hilary Sullivan conflict email
3. Page 13: Craig Kinton's memo





# Memorandum



CITY OF DALLAS

DATE July 27, 2018

TO Honorable Mayor and Members of the City Council

SUBJECT **FY 2017-18 Financial Forecast Report**

Please find attached the Financial Forecast Report (FFR) based on information through May 2018. This report forecasts revenues and expenditures to the end of the current fiscal year (9/30/18).

After eight months of this fiscal year, we forecast general fund revenues will be \$8.4 million over the amended budget and expenses will be \$6.3 million over the amended budget. Sales tax, franchise fees, and other charges for service are trending better than budget, accounting for the revenue variance. On the expense side, the projected year-end variance is due to overtime usage within Dallas Fire-Rescue (DFR).

DFR is forecast to exceed budget by \$11.8 million, primarily due to attrition, which has a negative impact on the Department's daily minimum staffing model. As the Department continues to catch-up from excessive attrition of 182 firefighters last year and an estimated 154 firefighters this year, it is using overtime to meet the daily minimum staffing requirement. Although we are able to partially offset DFR's overtime expense with savings from other general fund departments, we will be asking City Council to increase the general fund budget and use excess revenue to cover the remainder of DFR's overtime.

On September 4, we will brief GPFM on a complete package of FY 2017-18 appropriation adjustments, including this requested adjustment. We will also prepare an agenda item for City Council consideration in September to amend the current year budget.

Details related to budget variances may be found throughout the report. We will continue to closely monitor revenues and expenditures and keep you informed.

A handwritten signature in blue ink that reads "M. Elizabeth Reich".

M. Elizabeth Reich  
Chief Financial Officer

Attachment

c: T.C. Broadnax, City Manager  
Larry Casto, City Attorney  
Craig D. Kinton, City Auditor  
Billierae Johnson, City Secretary  
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  
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

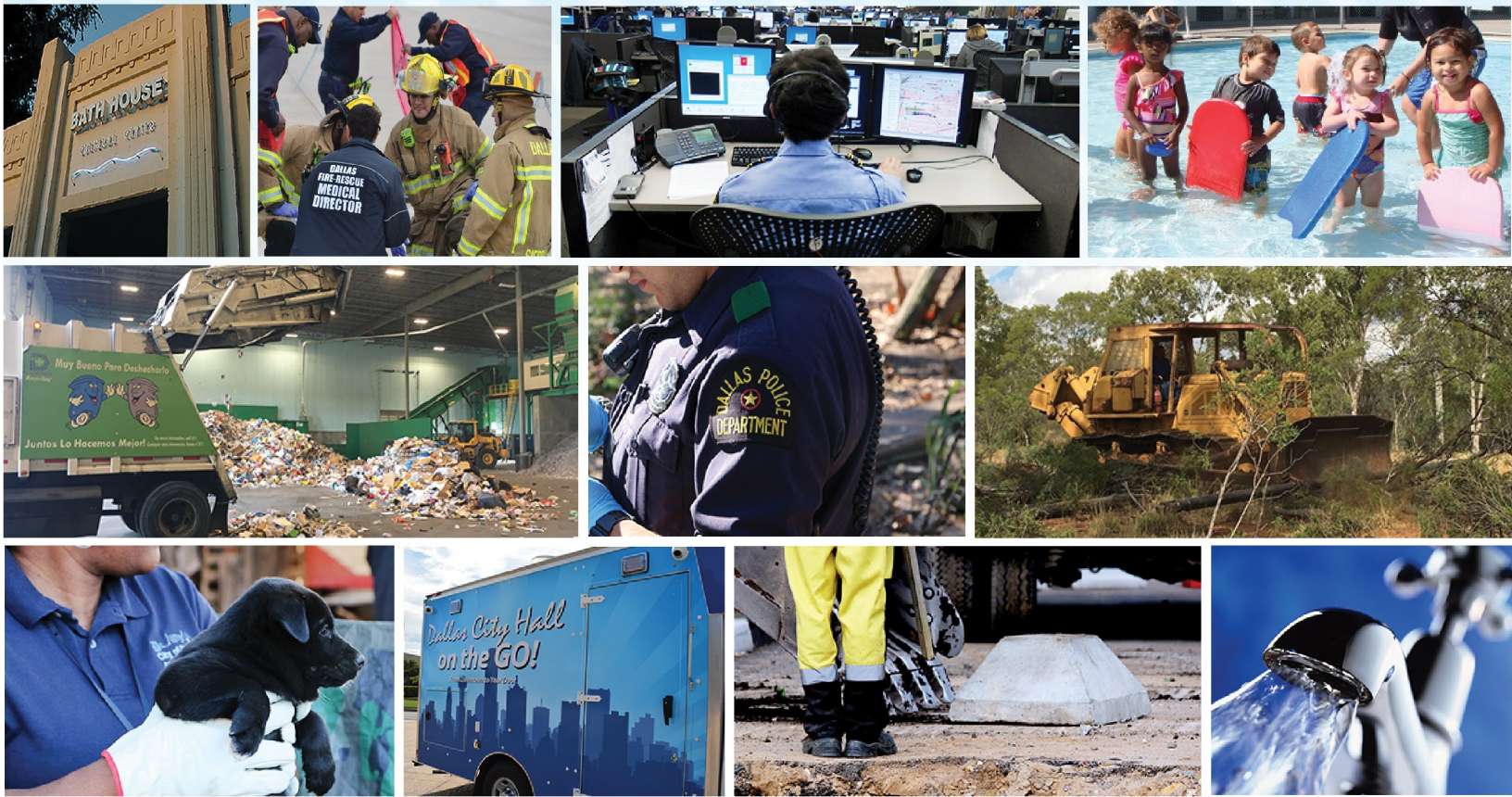




# FY 2017-18 FINANCIAL FORECAST REPORT

Information as of May 30, 2018

## SERVICE FIRST





# GENERAL FUND OVERVIEW

As of May 30, 2018

	FY 2017-18 Adopted Budget	FY 2017-18 Amended Budget	YTD Actual	YE Forecast	Variance
Beginning Fund Balance	\$160,617,192	\$160,617,192		\$171,747,804	\$11,130,612
Revenues	1,276,420,942	1,282,512,888	991,853,127	1,290,897,705	8,384,817
Expenditures	1,276,420,942	1,282,512,888	782,287,030	1,288,814,657	6,301,769
Ending Fund Balance	\$160,617,192	\$160,617,192		\$173,830,852	\$13,213,660

## SUMMARY

The General Fund overview provides a summary of financial activity through May 30, 2018. The Adopted Budget reflects the budget adopted by City Council on September 20, 2017 effective October 1 through September 30. The Amended Budget column reflects City Council approved transfers between funds and programs and approved use of contingency.

**Fund Balance.** The summary includes fund balance with the year-end revenue and expenditure forecasts. As of May 30, 2018, the Year-End Forecast beginning fund balance represents the FY 2016-17 audited unassigned ending fund balance and includes FY 2016-17 year-end savings.

**Revenues.** Through May 30, 2018, General Fund revenues are projected to be above budget by \$8.4 million primarily due to electric, fiber optic, and natural gas franchise fees; sales tax; Fire Watch fees; and a new contract with the State Fair for patrol services.

**Expenditures.** Through May 30, 2018, General Fund expenditures are projected to be above budget by \$6.3 million. The primary driver of the overrun is greater than anticipated use of overtime by Dallas Fire Department.

**Amendments.** The General Fund budget was amended on:

- October 25, 2017 by resolution #17-1652 in the amount of \$120,000 for a Regional Assessment of Fair Housing;
- November 8, 2017 by resolution #17-1735 in the amount of \$139,000 to reimburse the AT&T Performing Arts Center (ATTPAC) for emergency flood remediation and repairs at the Dee and Charles Wyly Theatre;
- January 17, 2018 by resolution #18-0125 in the amount of \$1,640,000 to continue the operation of the Dallas County Schools school crossing guard program through the end of the current school year;
- February 14, 2018 by resolution #18-0282 in the amount of \$303,000 to accept donations from the Communities Foundation of Texas on behalf of various contributors to the Dallas Cultural Plan 2018;
- March 28, 2018 by resolution #18-0442 in the amount of \$189,300 for emergency flood remediation and related repairs related to the theater automation system at the Dee and Charles Wyly Theater;
- April 25, 2018 by ordinance #30843 for mid-year appropriation ordinance adjustments consisting of a \$294,000 appropriation decrease in Non-Departmental, \$165,000 appropriation increase in Housing and Neighborhood Revitalization, \$60,300 appropriation increase in 311 Customer Service Center, \$68,700 appropriation increase in Office of Community Care, \$115,000 transfer of appropriations from Dallas Police Department to Transportation; and \$3,700,000 appropriation increase in Dallas Fire Rescue from excess revenue.

# GENERAL FUND REVENUES

As of May 30, 2018

Revenue Category	FY 2017-18 Adopted Budget	FY 2017-18 Amended Budget	YTD Actual	YE Forecast	Variance
Property Tax <sup>1</sup>	\$652,067,958	\$653,667,958	\$648,547,880	\$653,733,742	\$65,784
Sales Tax <sup>2</sup>	303,349,086	303,349,086	153,568,703	304,904,662	1,555,576
Franchise & Other <sup>3</sup>	135,319,609	135,319,609	101,191,057	140,085,777	4,766,168
Charges for Services <sup>4</sup>	103,578,036	104,878,036	46,845,066	106,453,883	1,575,847
Fines and Forfeitures <sup>5</sup>	36,515,082	36,515,082	16,160,884	34,980,750	(1,534,332)
Operating Transfers In <sup>6</sup>	22,777,865	25,169,811	9,453,237	25,359,111	189,300
Intergovernmental	9,548,046	9,548,046	3,282,437	9,765,015	216,969
Miscellaneous <sup>7</sup>	6,580,004	7,380,004	6,314,157	7,815,480	435,476
Licenses & Permits	4,668,685	4,668,685	3,685,889	4,713,208	44,523
Interest <sup>8</sup>	2,016,571	2,016,571	2,803,817	3,086,077	1,069,506
<b>Total Revenue</b>	<b>\$1,276,420,942</b>	<b>\$1,282,512,888</b>	<b>\$991,853,127</b>	<b>\$1,290,897,705</b>	<b>\$8,384,817</b>

## VARIANCE NOTES

General Fund revenue variance notes are provided below for revenue categories with year-end (YE) forecast variances of +/- five percent and revenue with an Amended Budget.

**1 Property Tax.** Property Tax budgeted revenue was increased by \$1.6 million on April 25, 2018 by ordinance 30843 due to higher current year collections.

**2 Sales Tax.** Sales tax revenues are forecast to be 0.5 percent (\$1,555,000) greater than budget based on most recent sales tax receipts. Sales tax receipts have increased by 3.7 percent over the most recent 12 months.

**3 Franchise and Other.** Franchise and other revenues are projected to be 3.52 percent (\$4,766,000) over budget primary due to electric, fiber optics, and natural gas.

**4 Charges for Service.** Charges for services revenues are forecast to be 1.50 percent (\$1,576,000) greater than budget primarily due to \$1.0 million from Fire Watch inspection fees resulting from multiple hard freezes in the winter affecting sprinkler systems at various locations and a new agreement signed with State Fair for police patrol services in which FY 2017-18 received \$1.0 million in revenue for prior years State Fairs. Overages are offset by a decrease of 758,000 in swimming pool charges due to the delayed opening of three aquatic centers. Charges for Services budgeted revenue was increased by \$1.3 million on April 25, 2018 by ordinance 30843 due to additional Emergency Ambulance supplemental payment revenue.

**5 Fines and Forfeitures.** Fines and forfeitures are projected to be 4.2 percent (\$1,534,000) under budget as a result of a decrease in parking citations issued due to staff turnover in the Parking Management and Enforcement division of Transportation (\$849,000); a decrease of 8,000 traffic citations over the same time period last year (\$578,000); and a decrease in forfeiture hearings due to compliance of bond terms by defendants (\$289,000).

**6 Operating Transfer In.** The revenue budget for Operating Transfer In was amended on:

- October 25, 2017 by resolution #17-1652 for a Regional Assessment of Fair Housing;
- November 8, 2017 by resolution #17-1735 to reimburse the AT&T Performing Arts Center (ATTPAC) for emergency flood remediation and repairs at the Dee and Charles Wily Theatre;
- January 17, 2018 by resolution #18-0125 to continue the operation of the Dallas County Schools school crossing guard program through the end of the current school year;
- February 14, 2018 by resolution #18-0282 to accept donations from the Communities Foundation of Texas on behalf of various contributors to the Dallas Cultural Plan 2018; and
- March 28, 2018 by resolution #18-0422 for emergency flood remediation and related repairs related to

# VARIANCE NOTES

the theater automation system at the Dee and Charles Wyly Theater.

**7 Miscellaneous.** Miscellaneous budgeted revenue was increased \$800,000 on April 25, 2018 by ordinance 30843 due to additional one-time revenue from Atmos Energy for the City's support provided to residents affected by the gas emergency. Reimbursement from Atmos was greater than anticipated (\$1,120,000).

**8 Interest.** Interest earned revenues are projected to be 53.0 percent (\$1,070,000) over budget based on current trends.

# GENERAL FUND EXPENDITURES

As of May 30, 2018

Expenditure Category	FY 2017-18 Adopted Budget	FY 2017-18 Amended Budget	YTD Actual	YE Forecast	Variance
Civilian Pay	\$233,174,548	\$235,952,119	\$140,489,370	\$226,499,684	(\$9,452,435)
Civilian Overtime	6,087,198	6,078,044	5,690,042	8,885,476	2,807,432
Civilian Pension	33,654,027	33,952,850	20,454,216	32,495,770	(1,457,080)
Uniform Pay	397,751,284	401,698,616	257,182,518	392,436,236	(9,262,380)
Uniform Overtime	32,141,841	35,897,371	33,085,918	52,659,106	16,761,735
Uniform Pension	151,450,013	153,665,564	97,258,715	153,665,564	0
Health Benefits	62,526,985	62,812,518	38,655,958	62,812,518	0
Workers Comp	10,211,638	10,211,638	0	10,211,638	0
Other Personnel Services	11,798,743	11,952,376	7,162,427	12,516,490	564,114
Total Personnel Services <sup>1</sup>	938,796,277	952,221,096	599,979,165	952,182,482	(38,614)
Supplies <sup>2</sup>	76,688,160	77,667,357	47,337,706	79,597,842	1,930,485
Contractual Services <sup>3</sup>	341,963,586	342,922,349	162,455,820	349,906,512	6,984,163
Capital Outlay <sup>4</sup>	8,000,250	8,329,492	4,541,339	9,791,870	1,462,378
Reimbursements <sup>5</sup>	(89,027,331)	(98,627,406)	(32,027,000)	(102,664,049)	(4,036,643)
Total Expenditures	\$1,276,420,942	\$1,282,512,888	\$782,287,030	\$1,288,814,657	\$6,301,769

## VARIANCE NOTES

**1 Personnel Services.** Current year-end forecast is \$39,000 below budget primarily due to greater than anticipated use of overtime by Dallas Fire Department. Uniform overtime YE forecast assumes \$5.3 million for the Dallas Police Department and \$11.5 million for Dallas Fire Rescue. Uniform pension YE forecast equals budget and includes the \$150.7 million contribution required to fund the police and fire pension as enacted by the Texas State Legislature through House Bill 3158, and additional funding for supplemental pension.

**2 Supplies.** Current year-end forecast is \$1.9 million above budget resulting from the purchase of ballistic helmets for the Dallas Police Department, software maintenance of an automated fingerprint identification system for the Dallas Police Department, and software purchases for various other departments.

**3 Contractual Services.** Current year-end forecast is \$7.0 million over budget primarily due to contract temporary help, day labor, equipment rental, security services, and Dallas Fire Rescue unbudgeted increase in emergency ambulance supplement contract payment.

**4 Capital Outlay.** Current year-end forecast is \$1.5 million over budget due primarily to vehicles purchased by Dallas Animal Services that will be reimbursed by an unbudgeted reimbursement, an approved purchase of a nuisance abatement brush truck using salary savings in Code Compliance, and the purchase of Gator vehicles by Code Compliance to better move in and out from alleys and back streets to clean litter, tires, and trash.

**5 Reimbursements.** General Fund reimbursements reflects contributions from various agencies, including federal and state funds, internal service fund departments, and enterprise fund departments. Current year-end forecasts are \$4.0 million greater than budget, primarily due to:

- \$1.7 million greater than budgeted reimbursement to Dallas Fire Rescue from the 9-1-1 System Operations Fund;
- \$600,000 greater than budgeted reimbursement to Dallas Fire Rescue from Building Inspections for new construction inspections and Aviation for two full-time paramedics assigned to Love Field Airport,
- \$720,000 reimbursement from a Police Donation Fund for overtime expenses incurred in FY 2016-17 for increased patrols in the Oak Lawn area; and \$347,000 greater than budgeted department support reimbursement.

# VARIANCE NOTES

- \$350,000 Dallas Animal Services reimbursement from a special revenue fund for vehicles;
- \$151,000 Courts and Detention Services unbudgeted reimbursement from the City Attorney's Office for three full-time staff dedicated to the Community Courts; and
- \$161,000 Park and Recreation greater than budgeted reimbursement for overtime work at Fair Park performed by Facility Services.

# GENERAL FUND EXPENDITURES

As of May 30, 2018

Expenditure By Department	FY 2017-18 Adopted Budget	FY 2017-18 Amended Budget	YTD Actual	YE Forecast	Variance
Building Services	\$28,590,583	\$28,667,529	\$18,586,856	\$28,667,529	\$0
City Attorney's Office	16,788,175	16,788,175	10,308,390	16,740,025	(48,150)
City Auditor's Office <sup>1</sup>	3,360,043	3,360,043	1,848,977	3,083,365	(276,678)
City Controller's Office	5,351,812	5,379,331	3,533,780	5,379,331	0
Independent Audit	891,157	891,157	0	891,157	0
City Manager's Office	2,266,902	2,344,267	1,575,693	2,334,829	(9,438)
City Secretary <sup>2</sup>	2,367,327	2,632,693	1,611,300	2,631,747	(946)
Civil Service	3,080,815	3,080,815	1,832,734	3,066,463	(14,352)
Code Compliance	30,438,826	30,438,826	17,365,698	30,188,826	(250,000)
Court Services	11,627,393	11,627,393	7,967,993	11,401,449	(225,944)
Jail Contract	8,484,644	8,484,644	4,949,376	8,484,644	0
Dallas Animal Services	14,007,159	14,007,159	9,454,620	13,832,122	(175,037)
Dallas Fire Department <sup>3</sup>	267,026,909	270,726,909	178,574,361	282,538,369	11,811,460
Dallas Police Department <sup>4</sup>	465,522,805	464,648,484	294,110,639	462,048,484	(2,600,000)
Housing and Neighborhood Services <sup>5</sup>	3,668,283	4,010,682	2,576,831	4,010,682	0
Human Resources <sup>6</sup>	5,234,618	5,234,618	3,435,983	4,929,012	(305,606)
Judiciary	3,454,079	3,454,079	2,282,524	3,453,375	(704)
Library	31,279,877	31,279,877	20,000,663	30,918,264	(361,613)
Office of Management Services					
311 Customer Services <sup>7</sup>	3,509,120	3,569,390	1,910,751	3,565,945	(3,445)
Center for Performance Excellence	1,265,811	1,265,811	906,529	1,265,811	0
Council Agenda Office	224,495	245,628	121,843	245,628	0
EMS Compliance Program	340,988	340,988	185,407	327,641	(13,347)
Ethics and Diversity	97,631	119,855	39,819	119,855	0
Fair Housing <sup>8</sup>	278,274	397,837	285,253	397,837	0
Office of Strategic Partnerships <sup>9</sup>	726,947	3,126,947	542,495	3,031,537	(95,410)
Office of Business Diversity <sup>10</sup>	793,297	793,297	523,733	741,970	(51,327)
Office of Community Care <sup>11</sup>	4,932,564	5,001,285	2,924,984	4,975,093	(26,192)
Office of Emergency Management	715,020	715,020	348,172	715,020	0
Office of Environmental Quality <sup>12</sup>	1,197,487	1,197,487	1,154,109	1,006,369	(191,118)
Office of Homeless Solutions	10,081,328	10,081,328	6,983,717	10,081,328	0
Public Affairs and Outreach <sup>13</sup>	1,666,011	1,400,645	790,322	1,190,870	(209,775)
Resiliency Office	353,875	353,875	213,955	353,636	(239)
Welcoming Communities	428,845	428,845	239,378	428,845	0
Mayor and City Council	4,820,561	4,827,575	2,917,952	4,827,575	0
Non-Departmental <sup>14</sup>	77,323,336	77,029,345	10,737,597	76,603,864	(425,481)
Office of Budget	3,406,338	3,406,338	2,065,992	3,364,909	(41,429)
Office of Cultural Affairs <sup>15</sup>	20,268,063	20,899,767	17,568,625	20,899,767	0
Office of Economic Development	4,840,594	4,840,594	3,649,324	4,840,594	0
Park and Recreation	98,005,546	98,269,651	62,258,338	98,183,669	(85,982)
Planning and Urban Design	2,911,297	2,911,297	1,783,759	2,897,693	(13,604)
Procurement Services	2,389,442	2,461,754	1,523,904	2,461,754	0
Public Works	73,137,927	73,137,927	57,012,253	73,096,472	(41,455)
Sustainable Development	1,656,869	1,656,869	1,368,485	1,614,450	(42,419)
Transportation <sup>16</sup>	44,325,574	44,440,574	23,695,811	44,440,574	0
Trinity Watershed Management	1,302,754	1,302,754	518,105	1,302,754	0
<b>Total Departments</b>	<b>\$1,264,441,401</b>	<b>\$1,271,279,364</b>	<b>\$782,287,030</b>	<b>\$1,277,581,133</b>	<b>\$6,301,769</b>
Liability/Claim Fund Transfer	4,642,666	4,642,666	0	4,642,666	0
Contingency Reserve	4,686,875	4,686,875	0	4,686,875	0
Salary and Benefit Reserve <sup>17</sup>	2,650,000	1,903,983	0	1,903,983	0
<b>Total Expenditures</b>	<b>\$1,276,420,942</b>	<b>\$1,282,512,888</b>	<b>\$782,287,030</b>	<b>\$1,288,814,657</b>	<b>\$6,301,769</b>



# VARIANCE NOTES

General Fund variance notes are provided below for departments with YE forecast variances of +/- five percent, departments with an Amended Budget, and for departments with YE forecast projected to exceed budget.

**1 City Auditor's Office.** City Auditor's Office expenditures are forecast to be \$277,000 below budget due to salary savings associated with five vacant positions. Four positions were filled in April 2018, and one in May 2018.

**2 City Secretary.** City Secretary Office's budget was increased by \$265,000 on October 11, 2017 by CR#17-1608 for oversight and responsibility of the open records function transferred from the Office of Management Services (Public Affairs and Outreach).

**3 Dallas Fire Department.** Dallas Fire Department budget was increased by \$3.7 million on April 25, 2018 by ordinance 30843 for overruns in uniform overtime due to higher than expected attrition. Dallas Fire Department expenditures are forecast to be \$11.8 million greater than budget primarily due to uniform overtime expenses. The primary driving factor of the greater than budgeted use of overtime includes the impact of attrition in prior fiscal years that has exceeded hiring which has affected mandatory minimum staffing. The department is reviewing options to reduce and/or defer expenses in order to reduce the impact of uniform overtime.

**4 Dallas Police Department.** Dallas Police Department budget was decreased by \$759,000 on January 17, 2018 by CR 18-0125 to reallocate Child Safety Funds held by the Dallas Police Department to Management Services (Office of Strategic Partnerships) and decreased by \$115,000 on April 25, 2018 by ordinance 30843 to transfer Parking Enforcement division overtime and merit funding to Transportation. Dallas Police Department expenditures are forecast to be \$2,600,000 below budget primarily due to hiring 34 fewer officers than planned in FY 2017-18 and unplanned uniform attrition at the end of FY 2016-17.

**5 Housing and Neighborhood Services.** Housing and Neighborhood Services budget was increased by \$165,000 on April 25, 2018 by ordinance 30843 to fund a caseworker for the High Impact Landlord Initiative, additional home repair work at eight Home Repair Program properties and expenses associated with moving support staff from Bexar Street offices back to City Hall.

**6 Human Resources.** Human Resources expenditures are forecast to be \$306,000 below budget due to salary savings associated with vacancies, including 5 vacant positions at the end of May.

**7 311 Customer Services.** 311 Customer Services budget was increased by \$60,300 by City Council on April 25, 2018 by ordinance 30843 due to higher than expected usage of the Language Line, a third-party vendor that is used to translate calls for non-English speakers when bilingual 311 Customer Services agents are not available.

**8 Fair Housing Office.** Fair Housing Office budget was increased by \$120,000 on October 25, 2017 by CR#17-1652 for a Regional Assessment of Fair Housing.

**9 Office of Strategic Partnerships.** Office of Strategic Partnerships budget was increased by \$2.4 million on January 17, 2018 by CR #18-0125 to appropriate funds for the Dallas County School Dissolution Committee Crossing Guard payroll.

**10 Office of Business Diversity.** Office of Business Diversity expenditures are forecast to be \$51,000 below budget due to salary savings associated with vacancies.

**11 Office of Community Care.** Office of Community Care's budget was increased by \$69,000 on April 25, 2018 by ordinance 30843 for unbudgeted contract temporary help, overtime, and building maintenance expenses.

**12 Office of Environmental Quality.** Office of Environmental Quality is forecast to be \$191,000 under budget due to salary savings associated with seven vacancies and frequent turnover in key positions.

# VARIANCE NOTES

**13 Public Affairs and Outreach.** Public Affairs and Outreach budget was decreased by \$265,000 on October 11, 2017 by CR#17-1608 for oversight and responsibility of the open records function transferred to the City Secretary. Public Affairs and Outreach expenditures are forecast to be \$210,000 under budget primarily due to salary savings associated with three vacant management positions.

**14 Non-Departmental.** Non-Departmental budget was decreased by \$294,000 on April 25, 2018 by ordinance 30843 for mid-year appropriation adjustments. Non-Departmental expenditures are forecast to be \$426,000 less than budget primarily due to a delay in Master Lease draw for new equipment purchase which will occur in fall of FY 2018-19.

**15 Office of Cultural Affairs.** Office of Cultural Affairs budget was increased by \$139,000 on November 8, 2017 by resolution # 17-1735 and by \$189,300 on March 28, 2018 by resolution #18-0442 (approved use of contingency reserve funds) to reimburse the ATTPAC for emergency flood remediation and repairs at the Dee and Charles Wyly Theatre, and on February 14, 2018 by resolution #18-0282 in the amount of \$303,000 to accept donations from the Communities Foundation of Texas on behalf of various contributors to the Dallas Cultural Plan 2018.

**16 Transportation.** Transportation budget was increased by \$115,000 on April 25, 2018 by ordinance 30843 to transfer Parking Enforcement division overtime and merit funding from Police to Transportation.

**17 Salary and Benefit Reserve.** Salary and Benefit Reserve funds totaling \$746,000 were allocated to Building Services (\$77,000), the City Controller's Office (\$27,000), the City Manager's Office (\$77,000), Housing and Neighborhood Revitalization (\$177,000), City Agenda Office (\$21,000), Ethics and Diversity (\$22,000), Mayor and Council (\$7,000), Park and Recreation (\$264,000), and Procurement Services (\$74,000) for personnel related expenditures, primarily unbudgeted vacation/sick termination payments.

# ENTERPRISE FUNDS

As of May 30, 2018

Department	FY 2017-18 Adopted Budget	FY 2017-18 Amended Budget	YTD Actual	YE Forecast	Variance
<b>AVIATION</b>					
Beginning Fund Balance	\$13,811,768	\$13,811,768		\$14,111,807	\$300,039
Total Revenues:	127,028,405	127,028,405	69,749,351	127,029,201	796
Total Expenditures:	127,028,405	127,028,405	54,297,941	126,811,603	(216,802)
Ending Fund Balance	\$13,811,768	\$13,811,768		\$14,329,405	\$517,638
<b>CONVENTION AND EVENT SERVICES<sup>1</sup></b>					
Beginning Fund Balance	\$32,258,124	\$32,258,124		\$33,234,399	\$976,275
Total Revenues:	97,787,266	101,187,266	56,075,537	102,365,086	1,177,820
Total Expenditures:	97,787,266	99,371,106	45,626,165	101,043,544	1,672,438
Ending Fund Balance	\$32,258,124	\$34,074,284		\$34,555,940	\$481,656
<b>MUNICIPAL RADIO<sup>2</sup></b>					
Beginning Fund Balance	\$1,217,847	\$1,217,847		\$1,087,586	(\$130,261)
Total Revenues:	2,098,813	2,098,813	1,102,728	2,015,000	(83,813)
Total Expenditures:	2,051,318	2,051,318	1,136,161	1,974,411	(76,907)
Ending Fund Balance	\$1,265,342	\$1,265,342		\$1,128,175	(\$137,167)
<b>SANITATION SERVICES<sup>3</sup></b>					
Beginning Fund Balance	\$22,431,707	\$22,431,707		\$29,641,449	\$7,209,742
Total Revenues:	102,279,097	106,579,097	64,341,035	106,974,517	395,420
Total Expenditures:	102,279,097	104,419,917	41,403,761	104,419,917	0
Ending Fund Balance	\$22,431,707	\$24,590,887		\$32,196,049	\$7,605,162
<b>STORM DRAINAGE MANAGEMENT</b>					
Beginning Fund Balance	\$4,546,490	\$4,546,490		\$7,593,575	\$3,047,085
Total Revenues:	55,987,895	55,987,895	32,551,825	55,705,089	(282,806)
Total Expenditures:	55,936,837	55,936,837	28,535,410	55,592,877	(343,960)
Ending Fund Balance	\$4,597,548	\$4,597,548		\$7,705,787	\$3,108,239
<b>SUSTAINABLE DEVELOPMENT AND CONSTRUCTION<sup>4</sup></b>					
Beginning Fund Balance	\$37,809,029	\$37,809,029		\$43,778,944	\$5,969,915
Total Revenues:	31,711,218	31,711,218	20,028,321	31,764,764	53,546
Total Expenditures:	32,376,190	32,376,190	16,614,921	32,375,277	(913)
Ending Fund Balance	\$37,144,057	\$37,144,057		\$43,168,431	\$6,024,374
Note: FY 2017-18 Budget reflects planned use of fund balance.					
<b>DALLAS WATER UTILITIES<sup>5</sup></b>					
Beginning Fund Balance	\$84,788,025	\$84,788,025		\$95,808,193	\$11,020,168
Total Revenues:	667,471,388	667,471,388	355,656,200	667,471,388	0
Total Expenditures:	667,471,388	667,471,388	298,260,918	649,048,060	(18,423,328)
Ending Fund Balance	\$84,788,025	\$84,788,025		\$114,231,522	\$29,443,497

# INTERNAL SERVICES FUNDS

As of May 30, 2018

Department	FY 2017-18 Adopted Budget	FY 2017-18 Amended Budget	YTD Actual	YE Forecast	Variance
<b>INFORMATION TECHNOLOGY<sup>6</sup></b>					
Beginning Fund Balance	\$10,959,687	\$10,959,687		\$10,747,503	(\$212,184)
Total Revenues:	67,963,283	67,963,283	32,986,045	68,590,020	626,737
Total Expenditures:	70,242,680	70,242,680	43,052,385	69,673,911	(568,769)
Ending Fund Balance	\$8,680,290	\$8,680,290		\$9,663,612	\$983,322
Note: FY 2017-18 Budget reflects planned use of fund balance.					
<b>RADIO SERVICES</b>					
Beginning Fund Balance	\$2,537,356	\$2,537,356		\$1,087,586	(\$1,449,770)
Total Revenues:	4,823,063	4,823,063	1,102,564	4,842,427	19,364
Total Expenditures:	4,823,063	4,823,063	2,093,688	4,779,926	(43,137)
Ending Fund Balance	\$2,537,356	\$2,537,356		\$1,150,087	(\$1,387,269)
<b>EQUIPMENT SERVICES<sup>7</sup></b>					
Beginning Fund Balance	\$5,611,863	\$5,611,863		\$7,726,208	\$2,114,345
Total Revenues:	52,652,059	54,152,059	25,704,660	54,110,256	(41,803)
Total Expenditures:	52,652,059	54,417,268	24,697,294	54,417,268	0
Ending Fund Balance	\$5,611,863	\$5,346,654		\$7,419,196	\$2,072,542
<b>EXPRESS BUSINESS CENTER<sup>8</sup></b>					
Beginning Fund Balance	\$2,011,100	\$2,011,100		\$1,700,445	(\$310,655)
Total Revenues:	4,231,450	4,231,450	1,977,403	2,756,467	(1,474,983)
Total Expenditures:	3,740,420	3,740,420	1,049,816	2,108,350	(1,632,070)
Ending Fund Balance	\$2,502,130	\$2,502,130		\$2,348,563	(\$153,567)

# OTHER FUNDS

As of May 30, 2018

Department	FY 2017-18 Adopted Budget	FY 2017-18 Amended Budget	YTD Actual	YE Forecast	Variance
<b>9-1-1 SYSTEM OPERATIONS<sup>9</sup></b>					
Beginning Fund Balance	\$5,941,912	\$5,941,912		\$12,060,896	\$6,118,984
Total Revenues:	12,539,195	12,539,195	6,768,410	12,276,357	(262,838)
Total Expenditures:	15,048,378	16,748,378	6,748,292	16,665,942	(82,436)
Ending Fund Balance	\$3,432,729	\$1,732,729		\$7,671,311	\$5,938,582
Note: FY 2017-18 Budget reflects planned use of fund balance.					
<b>DEBT SERVICE<sup>10</sup></b>					
Beginning Fund Balance	\$13,769,804	\$13,769,804		\$12,613,280	(\$1,156,524)
Total Revenues:	278,149,358	278,149,358	262,447,064	279,561,773	1,412,415
Total Expenditures:	267,322,998	267,322,998	0	267,322,998	0
Ending Fund Balance	\$24,596,164	\$24,596,164		\$24,852,055	\$255,891
<b>EMPLOYEE BENEFITS<sup>11</sup></b>					
City Contributions	\$86,088,120	\$86,088,120	\$48,595,828	\$86,088,120	\$0
Employee Contributions	38,086,396	38,086,396	24,621,905	38,086,396	0
Retiree	30,118,491	30,118,491	15,536,511	30,118,491	0
Other	0	0	(46,669)	(39,109)	(39,109)
Total Revenues:	154,293,007	154,293,007	88,707,575	154,253,898	(39,109)
Total Expenditures:	\$154,293,007	\$154,293,007	\$72,289,958	\$154,293,007	\$0
Note: The FY 2017-18 YE forecast reflect claim expenses expected to occur in the fiscal year. Fund balance (not included) reflects incurred but not reported claims (IBNR).					
<b>RISK MANAGEMENT<sup>12</sup></b>					
Worker's Compensation	\$13,219,304	\$13,219,304	\$282,713	\$13,219,304	\$0
Third Party Liability	10,203,093	10,203,093	691,532	10,203,093	0
Purchased Insurance	3,090,183	3,090,183	(389)	3,090,183	0
Interest and Other	406,970	406,970	0	406,970	0
Total Revenues:	26,919,550	26,919,550	973,856	26,919,550	0
Total Expenditures:	\$29,406,225	\$29,406,225	\$11,438,759	\$23,043,523	(\$6,362,702)
Note: The FY 2017-18 YE forecast reflect claim expenses expected to occur in the fiscal year. Fund balance (not included) reflects the total current liability for Risk Management (Worker's Compensation/Liability/Property Insurance).					

# VARIANCE NOTES

The Enterprise, Internal Service, and Other Funds summary includes the beginning fund balance with the YE revenue and expenditure forecasts. As of May 30, 2018, the Year-End Forecast beginning fund balance represents the FY 2016-17 audited ending fund balance. Variance notes are provided below for funds with a YE forecast variance of +/- five percent, funds with YE forecast projected to exceed budget, and funds with projected use of fund balance.

**1 Convention and Event Services.** Convention and Event Services budget was increased by \$1.6 million on April 25, 2018 by ordinance 30843 due to increased food and beverage expenses and by an offsetting \$3.4 million increase in catering service revenues. Convention and Event Services revenues are projected to exceed budget by \$1.2 million primarily due to greater than projected Hotel Occupancy Tax collections. Expenditures are projected to be \$1.7 million greater than budget primarily due to an increased food and beverage expenses fully offset by additional catering revenue.

**2 Municipal Radio.** Municipal Radio FY 2017-18 revenues are projected to be lower than budget by \$84,000 due a decrease in projected local radio advertisement sales. Local arts groups and small retailers (which account for the largest portion of local sales) have difficulty with the cost of media buys in DFW's large media market. Expenditures are projected to be \$77,000 below budget primarily due to hiring delays for four vacant positions.

**3 Sanitation Services.** Sanitation Services budget was increased by \$2.1 million on April 25, 2018 by ordinance 30843 for increased landfill disposal fees paid to Texas Commission on Environmental Quality (TCEQ), Equipment Services maintenance charges and master lease payments and by an offsetting \$4.3 million increase in landfill revenues. Sanitation Services revenues are projected to be \$395,000 over budget primarily due to greater than budgeted collection charges.

**4 Sustainable Development and Construction.** Sustainable Development and Construction FY 2017-18 YE forecast expenditures will exceed revenue due to planned use of fund balance.

**5 Dallas Water Utilities.** Water Utilities expenditures are projected to be \$18.4 million less than budget due to a settlement of potential litigation with Sabine River Authority (SRA). The escrow payment savings will be used to minimize future rate increases. City Council was briefed on this topic in February 2018.

**6 Information Technology.** Information Technology FY 2017-18 YE forecast expenditures will exceed revenue due to planned use of fund balance.

**7 Equipment Services.** Equipment Services budget was increased by \$475,000 on April 11, 2018 by ordinance for a fleet consultant study, and by \$1.2 million on April 25, 2018 by ordinance 30843. The amendment on April 25, 2018 was due to unbudgeted equipment maintenance charges for retained vehicles, increased motor pool use, and increased costs for make ready of new vehicles offset by a \$1.5 million increase in revenues. Equipment Services FY 2017-18 YE forecast expenditures will exceed revenue due to planned use of fund balance to fund a fleet consultant study.

**8 Express Business Center.** Express Business Center expenditures are projected to be \$1.6 million less than budget and revenues \$1.5 million less than budget primarily due to the transfer of the water bill printing services to Dallas Water Utilities (DWU) at the end of September 2017. Water bill printing services will be provided by a vendor and expensed in DWU.

**9 9-1-1 System Operations.** 9-1-1 System Operations budget was increased by \$1.7 million on April 25, 2018 by ordinance 30843 for a greater than budgeted \$1.7 million reimbursement to Dallas Fire Rescue. 9-1-1 System Operations FY 2017-18 YE forecast expenditures will exceed revenue due to planned use of fund balance.

**10 Debt Service Fund.** Debt Service Fund FY 2017-18 YE forecast revenues will exceed budget by \$1.4 million due to property tax collections trending above average.

**11 Employee Benefits.** Employee Benefits FY 2017-18 YE forecast expenditures will exceed revenue due to an unbudgeted refund.

# VARIANCE NOTES

**12 Risk Management.** Risk Management FY 2017-18 YE forecast expenditures are less than budget due to planned resolution of settlements in the current year moving to FY 2018-19 (\$6,363,000).





# City of Dallas Contact Information

Financial Transparency

[financialtransparency@dallascityhall.com](mailto:financialtransparency@dallascityhall.com)

Dallas City Hall

1500 Marilla St.

Room 4-F-North

Dallas, Texas 75201

[Phone: \(214\) 670-3659](tel:(214)670-3659)

Fax: (214) 670-7008





# Memorandum



CITY OF DALLAS

DATE July 30, 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 **June 30, 2018 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 June 30, 2018, 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  
Billierae Johnson, City Secretary  
Daniel F. Solis, Administrative Judge  
Kimberly Bizer 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  
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

**June 30, 2018**

**QUARTERLY INVESTMENT REPORT**

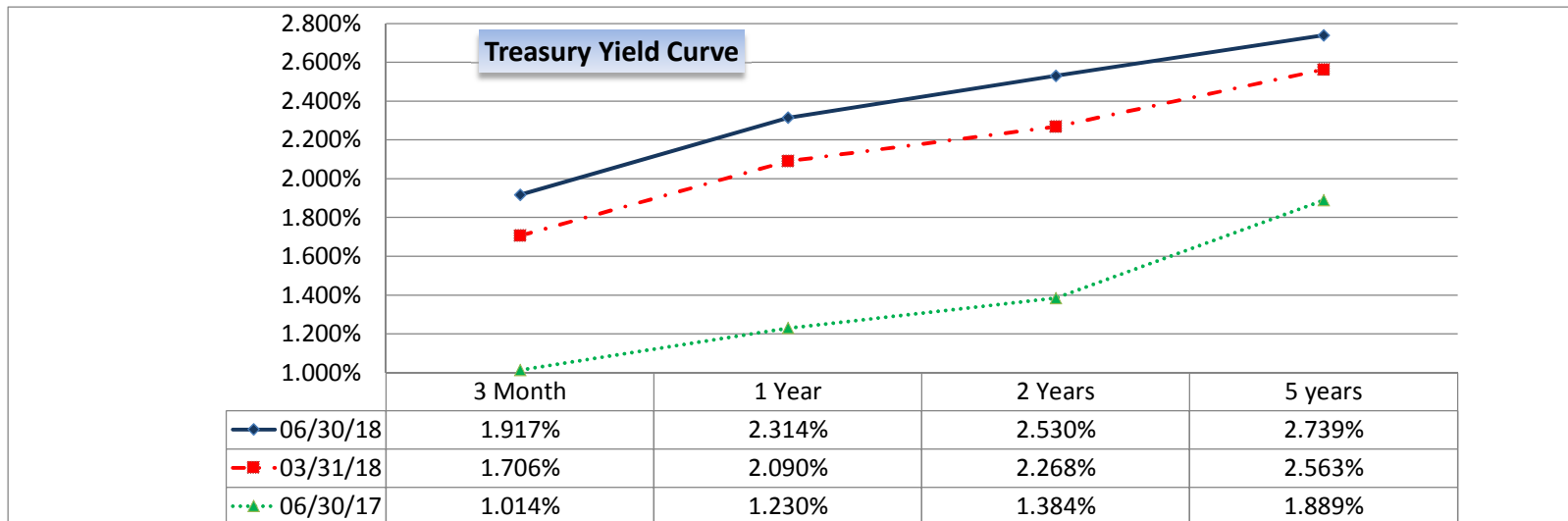
Quarterly National Economic and Market Update  
 Quarter Ended June 30, 2018

- Labor market continued to strengthen and economic activity rose at a solid rate
- Job gains were strong and the unemployment rate declined
- Household spending picked up, while business fixed investment continued to grow strongly
- The Federal Open Market Committee (FOMC) raised the top of the target range for the federal funds rate from 1.50% - 1.75% to 1.75% - 2.00%.

Source: FOMC June 13, 2018 Statement

National Economic Data	6/30/2017	6/30/2018
Fed Funds Effective Rate Target Range	1.00% - 1.25%	1.75% - 2.00%
2 Years Treasury Note Yield	1.384%	2.530%
10 Years Treasury Note Yield	2.305%	2.861%
Monthly Unemployment Rate	4.3%	4.0%
Weekly Initial Jobless Claims	250,000	231,000
Monthly Change in Nonfarm Payrolls	231,000	213,000
Monthly New Housing Starts	1,213,000	1,173,000

Source: Bloomberg



Source: Bloomberg

City of Dallas  
Portfolio Holdings  
Combined Investment Summary  
As of 6/30/2018

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	2,079,074,012	2,079,059,808	2,069,182,291	7,081,600	2,076,263,890	(9,877,517)	1.62%
02 Convention Center Reserve	23,000,000	23,000,000	22,546,227	8,117	22,554,344	(453,773)	1.34%
03 Water Reserve	90,000,000	89,997,809	88,761,870	342,900	89,104,770	(1,235,939)	1.30%
04 Arts Endowment	2,235,000	2,235,000	2,185,624	10,572	2,196,196	(49,376)	1.32%
05 Ida Green Library Fund	1,000,000	1,000,000	989,245	799	990,044	(10,755)	1.25%
10 DWU Commercial Paper Program	13,960	13,960	13,960	-	13,960	-	1.85%
11 GO Commercial Paper Program	3,500,000	3,500,000	3,500,000	-	3,500,000	-	1.87%

\*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 unrealized gains and losses due to market changes occurring prior to an investment's maturity are unlikely to be realized.

City of Dallas  
Trade Activity by Portfolio  
As of: 3/31/2018 - 6/30/2018

Portfolio Description	Beginning Face Amount	Beginning Weighted Average Yield To Maturity	Purchased/Deposited	Matured	Ending Face Amount	Ending Weighted Average Yield To Maturity
<b>City's Investment Pool*</b>						
Federal Agricultural Mortgage Corp.	558,770,000	1.57%	-	108,770,000	450,000,000	1.66%
Federal Farm Credit Bank	244,275,000	1.37%	-	10,000,000	234,275,000	1.38%
Federal Home Loan Bank	531,850,000	1.53%	-	29,550,000	502,300,000	1.55%
Federal Home Loan Mortgage Corp.	241,000,000	1.45%	-	-	241,000,000	1.45%
Federal National Mortgage Assoc.	95,000,000	1.19%	-	-	95,000,000	1.19%
<b>Total Portfolio</b>	<b>1,670,895,000</b>	<b>1.49%</b>	<b>-</b>	<b>148,320,000</b>	<b>1,522,575,000</b>	<b>1.52%</b>
<i>*Trade activity excludes bank investment holding account, local government investment pools and money market mutual funds.</i>						
<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 Agricultural Mortgage Corp.	20,000,000	1.52%	-	-	20,000,000	1.52%
Federal Farm Credit Bank	10,000,000	1.31%	-	-	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%
<b>Total Portfolio</b>	<b>90,000,000</b>	<b>1.30%</b>	<b>-</b>	<b>-</b>	<b>90,000,000</b>	<b>1.30%</b>
<b>Arts 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 Program</b>						
Money Market	13,960	1.58%	-	-	13,960	1.85%
<b>Total Portfolio</b>	<b>13,960</b>	<b>1.58%</b>	<b>-</b>	<b>-</b>	<b>13,960</b>	<b>1.85%</b>
<b>GO Commercial Paper Program</b>						
Money Market	3,500,000	1.61%	-	-	3,500,000	1.87%
<b>Total Portfolio</b>	<b>3,500,000</b>	<b>1.61%</b>	<b>-</b>	<b>-</b>	<b>3,500,000</b>	<b>1.87%</b>

City of Dallas  
 Summary Statement by Portfolio  
 As of: 3/31/2018 - 6/30/2018

Portfolio Description	Beginning Face Amount	Ending Face Amount	Beginning Book Value	Ending Book Value	Beginning Market Value	Ending Market Value	Net Deposits/ (Redemptions)	Change in Market Value	Accrued Interest	Ending Weighted Average Yield To Maturity
<b>City's Investment Pool<sup>1</sup></b>										
*Public Funds Interest Checking (PFIC) Account	100,013,189	100,322,314	100,013,189	100,322,314	100,013,189	100,322,314	309,125	-	-	1.25%
Local Govt. Investment Pool	361,020,000	421,176,698	361,020,000	421,176,698	361,020,000	421,176,698	60,156,698	-	-	2.08%
Money Market	55,000,000	35,000,000	55,000,000	35,000,000	55,000,000	35,000,000	(20,000,000)	-	-	1.84%
US Agency	1,670,895,000	1,522,575,000	1,670,888,897	1,522,560,796	1,660,779,129	1,512,683,279	(148,320,000)	224,150	7,081,600	1.52%
<b>**Total Portfolio</b>	<b>2,186,928,189</b>	<b>2,079,074,012</b>	<b>2,186,922,086</b>	<b>2,079,059,808</b>	<b>2,176,812,318</b>	<b>2,069,182,291</b>	<b>(107,854,177)</b>	<b>224,150</b>	<b>7,081,600</b>	<b>1.62%</b>
<b>Convention Center Reserve<sup>2</sup></b>										
US Agency	23,000,000	23,000,000	23,000,000	23,000,000	22,568,556	22,546,227	-	(22,329)	8,117	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>22,568,556</b>	<b>22,546,227</b>	<b>-</b>	<b>(22,329)</b>	<b>8,117</b>	<b>1.34%</b>
<b>Water Reserve<sup>2</sup></b>										
US Agency	90,000,000	90,000,000	89,996,425	89,997,809	88,760,075	88,761,870	-	1,795	342,900	1.30%
<b>Total Portfolio</b>	<b>90,000,000</b>	<b>90,000,000</b>	<b>89,996,425</b>	<b>89,997,809</b>	<b>88,760,075</b>	<b>88,761,870</b>	<b>-</b>	<b>1,795</b>	<b>342,900</b>	<b>1.30%</b>
<b>Arts Endowment<sup>3</sup></b>										
US Agency	2,235,000	2,235,000	2,235,000	2,235,000	2,187,410	2,185,624	-	(1,786)	10,572	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>2,187,410</b>	<b>2,185,624</b>	<b>-</b>	<b>(1,786)</b>	<b>10,572</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	988,977	989,245	-	268	799	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>988,977</b>	<b>989,245</b>	<b>-</b>	<b>268</b>	<b>799</b>	<b>1.25%</b>
<b>DWU Commercial Paper<sup>5</sup></b>										
Money Market	13,960	13,960	13,960	13,960	13,960	13,960	-	-	-	1.85%
<b>Total Portfolio</b>	<b>13,960</b>	<b>13,960</b>	<b>13,960</b>	<b>13,960</b>	<b>13,960</b>	<b>13,960</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.85%</b>
<b>GO Commercial Paper<sup>5</sup></b>										
Money Market	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	-	-	-	1.87%
<b>Total Portfolio</b>	<b>3,500,000</b>	<b>3,500,000</b>	<b>3,500,000</b>	<b>3,500,000</b>	<b>3,500,000</b>	<b>3,500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.87%</b>

Notes 1-5: See Page 6 for Strategy Statement by Portfolio.

\*Public Funds Interest Checking (PFIC) Account is fully collateralized, interest-bearing account with liquidity equal to that of a money market mutual fund

\*\*Numbers may not sum due to rounding

## City of Dallas

### Strategy Statement and Compliance by Portfolio

As of: 3/31/2018 - 6/30/2018

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#### STRATEGY COMPLIANCE STATEMENT

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For the quarter ended June 30, 2018 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) 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.

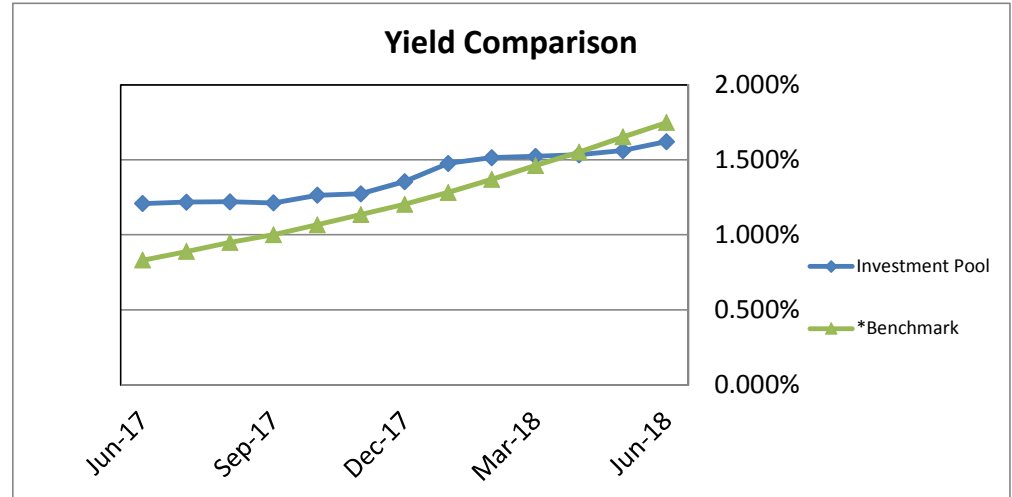
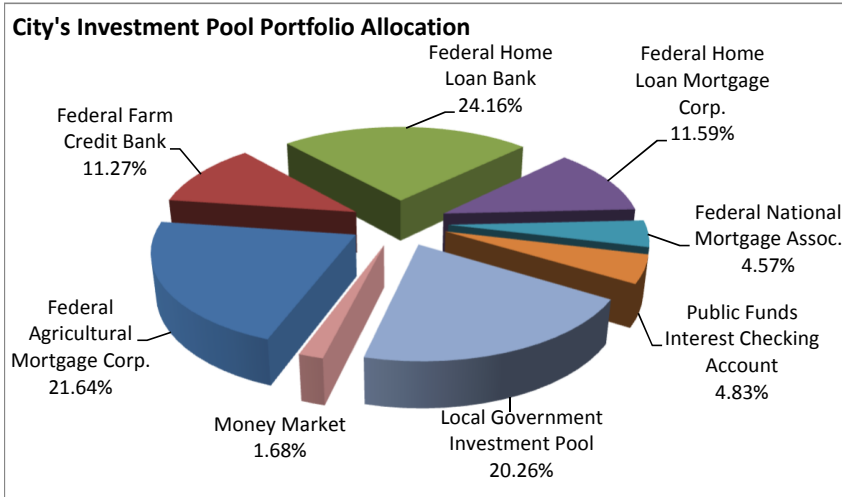
##### 4) Ida Green Library Endowment

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.

**City of Dallas**  
**City's Investment Pool Portfolio Allocation**  
**Investment Summary**  
**As of 6/30/2018**



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.	450,000,000	450,000,453	447,731,910	(2,268,543)	284	1.66%	21.64%
Federal Farm Credit Bank	234,275,000	234,260,198	232,931,161	(1,329,036)	264	1.38%	11.27%
Federal Home Loan Bank	502,300,000	502,301,714	498,646,448	(3,655,266)	351	1.55%	24.16%
Federal Home Loan Mortgage Corp.	241,000,000	241,000,000	238,646,565	(2,353,435)	383	1.45%	11.59%
Federal National Mortgage Assoc.	95,000,000	94,998,431	94,727,195	(271,236)	111	1.19%	4.57%
Public Funds Interest Checking Account	100,322,314	100,322,314	100,322,314	-	1	1.25%	4.83%
Local Government Investment Pool	421,176,698	421,176,698	421,176,698	-	23	2.08%	20.26%
Money Market	35,000,000	35,000,000	35,000,000	-	1	1.84%	1.68%
<b>***Total Portfolio</b>	<b>2,079,074,012</b>	<b>2,079,059,808</b>	<b>2,069,182,291</b>	<b>(9,877,517)</b>	<b>230</b>	<b>1.62%</b>	<b>100.00%</b>

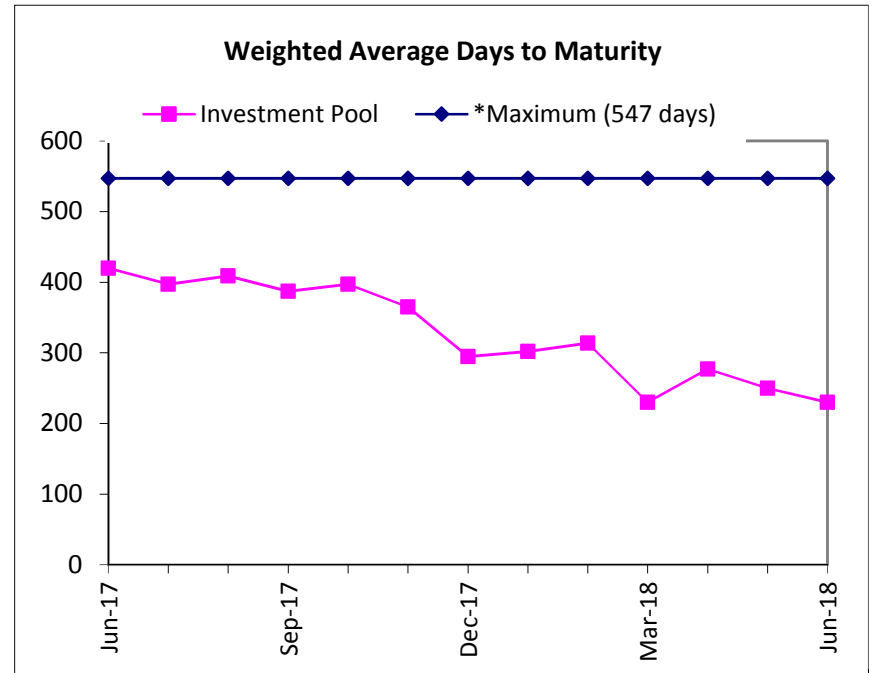
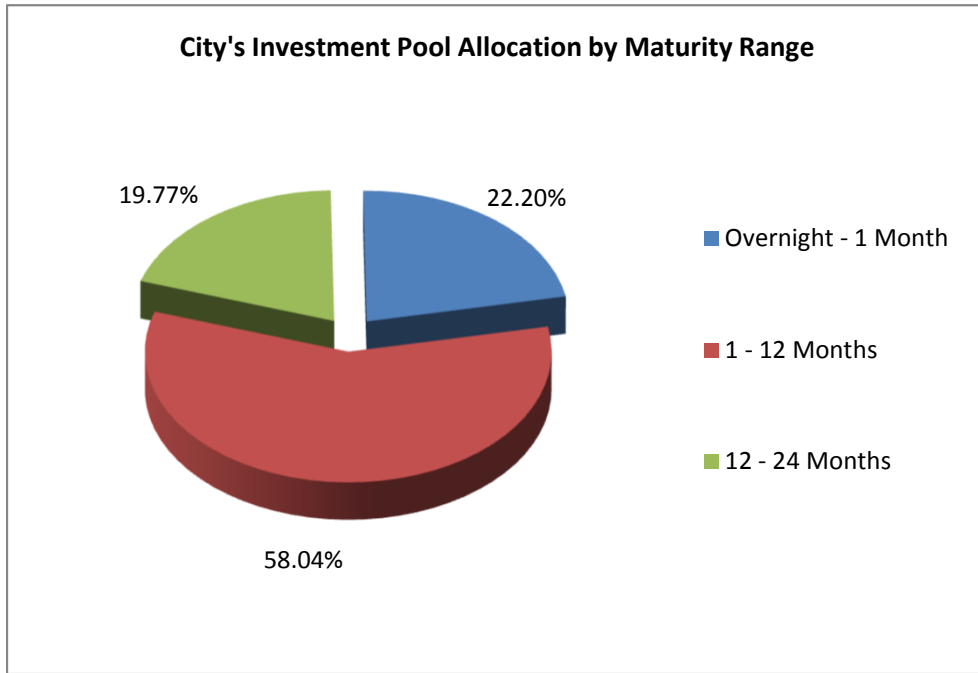
\*As per Section 17.1 of the City's Investment Policy, the benchmark for the Investment Pool is the 12-month moving average yield on treasury 1-year constant maturities as reported by Federal Reserve Statistical Release H.15.

\*\* 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 practice to hold investments until they mature, the unrealized gains and losses due to market changes occurring prior to an investment's maturity 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 6/30/2018**



Description	Face Amount/Shares	Book Value	Market Value	Weighted Average Yield To Maturity	Weighted Average Days To Maturity	% of Portfolio
Overnight - 1 Month	461,499,012	461,497,443	461,484,327	1.86%	4	22.20%
1 - 12 Months	1,206,575,000	1,206,558,598	1,200,714,098	1.48%	221	58.04%
12 - 24 Months	411,000,000	411,003,767	406,983,866	1.76%	512	19.77%
<b>**Total Portfolio</b>	<b>2,079,074,012</b>	<b>2,079,059,808</b>	<b>2,069,182,291</b>	<b>1.62%</b>	<b>230</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 17-18 Year to Date**

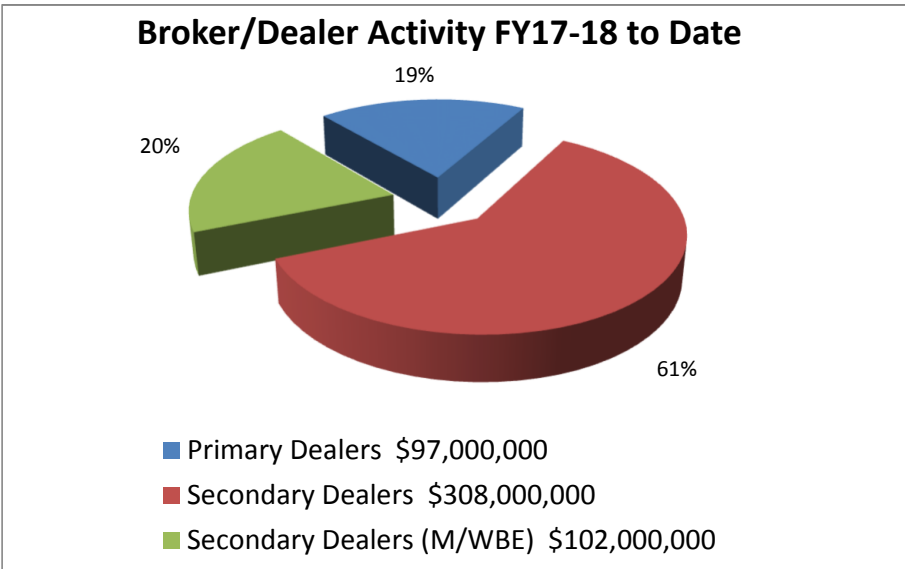
FY 17-18 Year to Date		
Description	Awarded	%
<b>Primary Dealers</b>		
Bank of America	\$57,000,000	11.24%
Jefferies & Co.	40,000,000	7.89%
RBC Capital Markets, LLC	0	0.00%
Wells Fargo	0	0.00%
<b>Secondary Dealers</b>		
FTN Financials	30,000,000	5.92%
Hilltop Securities Inc.	15,000,000	2.96%
Intl Fcstone Financial Inc.	15,000,000	2.96%
Multi Bank Securities	135,000,000	26.63%
Piper Jaffray & Co.	40,000,000	7.89%
Samco Capital Market	15,000,000	2.96%
SunTrust Robinson Humphrey, Inc.	0	0.00%
Vining Sparks	58,000,000	11.44%
<b>Secondary Dealers - M/WBE</b>		
Capital Institutional Services, Inc.	0	0.00%
Loop Capital	40,000,000	7.89%
Rice Financial	42,000,000	8.28%
Stern Brothers & Co.	20,000,000	3.94%
<b>Total</b>	<b>\$507,000,000</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 2018.

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

Q3 FY 17-18		
Description	Awarded	%
<b>No Broker/Dealer Activity in Q3 FY 17-18</b>		



# CITY OF DALLAS

June 30, 2018

## QUARTERLY INVESTMENT REPORT

For the quarter ended June 30, 2018 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:

Sheri Kowalski

Treasury Manager:

Corrie Steege

# Memorandum



CITY OF DALLAS

DATE July 30, 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 **Annual Investment Policy Review**

The Public Funds Investment Act (Chapter 2256, Texas Government Code) requires the City Council to adopt a resolution annually stating that it has reviewed the City's Investment Policy and approved any amendments. On July 19, 2018, the Investment Committee, which is composed of the Chief Financial Officer, City Controller, and Treasury Manager, met to review the policy and approve several recommended changes:

- Amend Section 4.0, "Delegation of Authority", to add to the Policy the complete location reference in the City Code section defining the duties of the Chief Financial Officer, which include directing the cash management program of the City.
- Amend Section 17.0, "Investment Strategies", to remove Section 17.6, which applied to the Trinity Parkway Escrow investments. The City closed that escrow in November 2017.
- Amend Section 18.0, "Reporting", to clarify that the investment reports provided to the Investment Committee and to the standing finance committee of the Council, as referenced in the City Charter, are submitted quarterly as required by the Public Funds Investment Act.

Please find attached a redlined copy of the City's approved Investment Policy with our recommended actions.

We would appreciate your review of the proposed amendments and would be happy to address any questions or concerns in the Government Performance & Financial Management committee meeting on August 6. We further request your support of the amendments when the City Council considers them on September 12, 2018.

DATE July 30, 2018  
SUBJECT **Annual Investment Policy Review**

Thank you for your continued commitment to prudent financial management practices. Please let me know if you need additional information.



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  
Billieae Johnson, City Secretary  
Daniel F. Solis, Administrative Judge  
Kimberly Bizer 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  
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

## INVESTMENT POLICY

As adopted by City Council  
~~September 13, 2017~~ September 12, 2018

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## **1.0 Policy**

It is the policy of the City of Dallas to invest public funds in a manner which will provide security and optimize interest earnings to the maximum extent possible while meeting the daily cash flow demands of the City and conforming to all federal, state and local statutes, rules and regulations governing the investment of public funds. This Policy sets forth the investment program of the City of Dallas and the guidelines to be followed in achieving its objectives.

Not less than annually, City Council shall adopt a written instrument by resolution stating that it has reviewed the Investment Policy and investment strategies and that the written instrument so adopted shall record any changes made to the Investment Policy or investment strategies.

This Policy is intended to satisfy the requirements of the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA" or the "Act") that an investing entity such as the City of Dallas adopt and review an investment policy governing the investment by the investing entity of its funds and funds under its control.

## **2.0 Scope**

This Policy governs the investment of all funds of the City except those that are identified in Section 2.2 below. With respect to the funds of non-profit corporations that are established by City resolution and act on behalf of the City in accordance with State law, this Policy shall prevail in the absence of a specific investment policy adopted by the non-profit corporation. In addition to this Policy, the investment of bond proceeds and other bond funds (including debt service and reserve funds) of the City or of a non-profit corporation established by City resolution and acting on behalf of the City in accordance with State law shall be governed and controlled by their governing ordinance, resolution or trust indenture, including the authorization of eligible investments, and by the provisions of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), including all regulations and rulings promulgated thereunder applicable to the issuance of tax-exempt obligations.

- 2.1 All funds are managed as a pooled fund group, referenced in this Policy as the City's investment pool, with the exception of the following, which are managed as separately invested assets:
  - 2.1.1 Bond Funds - funds established with the proceeds from specific bond issues when it is determined that segregating these funds from the City's investment pool will result in maximum interest earnings retention under the provisions of the Internal Revenue Code.
  - 2.1.2 Bond Reserve Funds - funds set at prescribed levels by certain bond ordinances to pay principal and/or interest if required to prevent default.
  - 2.1.3 Endowment Funds - funds given to the City with the instructions that the principal is to remain intact, unless otherwise agreed to, and the income generated by the investments will be used for specified purposes.
  - 2.1.4 Commercial Paper Funds - unexpended proceeds from the issuance of commercial paper notes.
- 2.2 Funds not governed by this Policy include:
  - 2.2.1 Employees' Retirement Fund
  - 2.2.2 Dallas Police and Fire Pension System
  - 2.2.3 Deferred Compensation Funds
  - 2.2.4 Private Donations – investments donated to the City are excluded from this Policy if separately managed under terms of use specified by the donor.



### 3.0 Objective

Investment of the funds covered by this Policy shall be governed by the following investment objectives, in order of priority:

- 3.1 **Safety:** Safety of principal is the primary objective of the Investment Policy. Investment of the City's funds shall be undertaken in a manner that seeks to ensure the preservation of capital for the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

The City will mitigate credit risk, which is the risk of loss due to the failure of the issuer or backer, by:

- Limiting investments to the types listed in Section 8.0 ("Authorized and Suitable Investments") of this Policy
- Qualifying the broker/dealers and financial institutions with which the City may engage in an investment transaction in accordance with Section 9.0 ("Authorized Broker/Dealers and Financial Institutions")
- Diversifying the investment portfolio so that the impact of potential losses from any one type of investment or from any one individual issuer will be minimized (see Section 13.0 "Diversification and Maximum Maturities").

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities prior to maturity
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar local government investment pools and limiting the weighted average maturity of the portfolio in accordance with this Policy (see Section 17.0 "Investment Strategies").

- 3.2 **Liquidity:** The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. This is accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands. A portion of the portfolio will be placed in money market mutual funds or local government investment pools offering same-day liquidity to meet unanticipated demands.

- 3.3 **Yield:** The City's investment portfolio shall be designed with the objective of attaining a market rate of return, throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

### 4.0 Delegation of Authority

The Chief Financial Officer, under the direction and authority of the City Manager, shall direct the cash management program of the City as defined in [Article XV](#), Section 2-134, "Duties of the Chief Financial Officer", [Volume I](#), Chapter 2 "Administration" of the Dallas City Code, as amended. City Council shall designate the Chief Financial Officer, City Controller, and the Assistant Director/Treasury Manager as Investment Officers responsible for the investment of its funds, under the direction and authority of the City Manager.

The City's Investment Officers shall establish written procedures for the operation of the investment program consistent with this Investment Policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy and the written procedures. Authority granted to a person to invest the City's funds is effective until rescinded or until termination of the person's employment by the City. The Investment Officers shall be responsible for all transactions undertaken and shall establish a system of controls, to be reviewed by the City Auditor, to regulate the activities of subordinate officials. In order to assure quality and capability of investment management, the Investment Officers shall possess sufficient working knowledge of economics and securities markets, as well as the supervisory experience and judgment necessary to carry out the responsibilities outlined in this Policy.

## 5.0 Prudence

Investments shall be made with judgment and care - under circumstances then prevailing - which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

- 5.1 The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment Officers acting in accordance with written procedures and the Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.
- 5.2 In determining whether an investment official has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the investment of all funds over which the official had responsibility rather than consideration as to the prudence of a single investment and, whether the investment decision was consistent with the City’s Investment Policy and written investment procedures.

## 6.0 Ethics and Conflicts of Interest

Investment Officers who have a personal business relationship with a business organization offering to engage in an investment transaction with the City shall refrain from activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

- 6.1 Investment Officers shall sign annual statements agreeing to abide by this section of the Investment Policy and affirming no known conflicts of interest.
- 6.2 Investment Officers must file a disclosure statement with the Texas Ethics Commission and City Council if:
  - a) the Investment Officer has a personal business relationship with a business organization offering to engage in an investment transaction with the City; or
  - b) the Investment Officer is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to transact investment business with the City.
- 6.3 An Investment Officer has a personal business relationship with a business organization if:
  - a) the Investment Officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
  - b) funds received by the Investment Officer from the business organization exceed 10 percent of his/her gross income for the previous year; or
  - c) the Investment Officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for his/her personal account.

## 7.0 Training

The Investment Officers and the persons authorized to execute investment transactions shall attend at least one 10 hour investment training session within 12 months after taking office or assuming duties and receive not less than 8 hours of instruction relating to investment responsibilities during a two-year period that begins on the first day of the City’s fiscal year following the initial 10 hours of instruction and consists of the two consecutive fiscal years after that date. Training must be received from an independent source approved by the City’s Investment Committee and must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio and compliance with the Act.

## 8.0 Authorized and Suitable Investments

City funds governed by this Policy may be invested in the instruments described below, all of which are authorized by Chapter 2256 of the Government Code (Public Funds Investment Act).

- 8.1 Direct obligations of the United States, its agencies or instrumentalities, and other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States or its respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.  

The City will restrict investments in eligible securities described in this section to discount notes and callable or non-callable fixed-rate securities with a fixed principal repayment amount.
- 8.2 Direct obligations of states and local governments rated not less than Aa3 or its equivalent (long-term rating) or an equivalent short-term rating by at least one nationally recognized investment rating firm.
- 8.3 Fully collateralized Certificates of Deposit/Share Certificates that are issued by a bank or credit union that has its main office or branch office within the City and are:
  - a) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; or
  - b) secured by obligations in accordance with Section 11.0 herein.

If the certificate of deposit is collateralized by pledged securities the City must have on file a signed Depository Agreement, approved as to form by the City Attorney, which details eligible collateral, collateralization ratios for pledged securities, standards for collateral custody and control of pledged securities, collateral valuation of pledged securities, and conditions for agreement termination.
- 8.4 Certificates of Deposit obtained through a depository institution or a broker approved by the City's Investment Committee under the provisions of Section 9.0 of this Policy that has its main office or branch office within the City and that contractually agrees to place the funds in federally insured depository institutions in accordance with the conditions prescribed in Section 2256.010(b) of the Act.
- 8.5 Fully collateralized repurchase agreements in accordance with the conditions prescribed in Section 2256.011 of the Act. Prior to investment in a repurchase agreement, the City must have on file a signed Master Repurchase Agreement, approved as to form by the City Attorney, which details eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, and conditions for agreement termination and provided the repurchase agreement:
  - a) has a defined termination date;
  - b) is secured by a combination of cash and obligations of the United States or its agencies and instrumentalities described by Section 2256.009(a) (1) of the Act. Securities received for repurchase agreements must have a market value greater than or equal to 103% at the time the investment is made and throughout the terms of the repurchase agreement;
  - c) requires the securities being purchased by the City or cash held by the City to be assigned to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City; and
  - d) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state, and which is rated no less than A or its equivalent by two nationally recognized rating services.
- 8.6 A securities lending program is an authorized investment if it meets the following conditions:
  - a) A loan made under the program must allow for termination at any time;
  - b) A loan made under the program must be placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state that is rated no less than A or its equivalent by two nationally recognized rating services. An agreement to lend securities must have a term of one year or less and shall comply with the provisions of section 1058 of the Internal Revenue Code;
  - c) A loan made under the program must be secured as prescribed in Section 2256.0115(b)(3) of the Act. Securities being held as collateral must be pledged to the City, held in the City's name, and deposited at the time the investment is made with a third party approved by the City;

d) The amount of collateral must not be less than 100% of the market value of securities loaned, including accrued income. The market value of securities loaned shall be determined daily. Cash received as collateral shall not be invested for a term later than the expiration date of the securities lending agreement and may only be invested in investments as authorized by this Policy.

- 8.7 No-load money market mutual funds that are registered with and regulated by the Securities and Exchange Commission that meet the requirements of the PFIA, and, in addition:
- a) are rated not less than Aaa or an equivalent rating by at least one nationally recognized rating service. A rating is not required for a sweep account investment, which is part of the city's depository contract; and,
  - b) have provided the City with a prospectus and other information as may be required by law.

Investments will be made in a money market mutual fund only after a thorough investigation of the fund and approval by the Investment Committee which shall, at least annually, review, revise and adopt a list of approved funds.

- 8.8 No-load mutual funds that are registered with and regulated by the Securities and Exchange Commission that meet the requirements of the PFIA and have provided the City with an offering circular and other information required by the Act.

Investments will be made in a mutual fund only after a thorough investigation of the fund and approval by the Investment Committee which shall, at least annually, review, revise and adopt a list of approved funds.

- 8.9 Local government investment pools which are organized in conformity with Chapter 791 (Interlocal Cooperation Contracts Act) and meet the requirements of the PFIA that:
- a) are rated not less than Aaa or an equivalent rating by at least one nationally recognized rating service; and
  - b) have provided the City with an offering circular and other information required by the Act.

To become eligible, investment pools must be approved by City Council action. Investments will be made in a local government investment pool only after a thorough investigation of the pool and approval by the Investment Committee which shall, at least annually, review, revise and adopt a list of approved pools. A pool approved by the Investment Committee shall invest its funds in investment types consistent with the Act and the pool's own adopted investment policies and objectives. An approved pool is not required to invest its funds in investment types according to the investment policies and objectives adopted by its participants.

The Investment Officers may at times restrict or prohibit the purchase of specific issues due to current market conditions. An investment that requires a minimum rating under this section does not qualify as an authorized investment during the period the investment does not have the minimum rating. Ratings shall be monitored using nationally recognized financial information sources, including actions published on rating agency websites. The City shall take all prudent measures consistent with the Act to liquidate an investment that does not have the minimum rating required by the Act.

## **9.0 Authorized Broker/Dealers and Financial Institutions**

The Investment Committee shall, at least annually, review, revise, and adopt a list of qualified broker/dealers and financial institutions authorized to engage in the purchase and sale of obligations of the U.S. Government, its agencies or instrumentalities with the City. In order to be considered, those firms that desire to become qualified bidders for securities transactions will be required to provide information regarding creditworthiness, experience and reputation. Authorized firms may include primary dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule).

A written copy of this Investment Policy shall be presented to any person offering to engage in an investment transaction with the City. Investments shall only be made with those business organizations (including money market mutual funds and local government investment pools) which have provided the City with a written instrument executed by a qualified representative of the firm, acknowledging that the business organization has received and reviewed the City's Investment Policy in satisfaction of the business organization's duties under Financial Industry Regulatory Authority (FINRA) Rule 2111 (Suitability).

## **10.0 Competitive Bidding**

It is the policy of the City to require competitive bidding for all individual security purchases and sales except for:

- a) transactions with money market mutual funds and local government investment pools (which are deemed to be made at prevailing market rates)
- b) treasury and agency securities purchased at issue through an approved broker/dealer or financial institution
- c) automatic overnight "sweep" transactions with the City Depository
- d) fully insured certificates of deposit placed in accordance with the conditions prescribed in Section 2256.010(b) of the Act or placed with the City's Depository if so authorized by the City Depository Contract.

At least three bids or offers must be solicited for all other transactions involving individual securities. The City's investment advisor is also required to solicit at least three bids or offers when transacting trades on the City's behalf. In situations where the exact security being offered is not offered by other dealers, offers on the closest comparable investment may be used to establish a fair market price for the security. Bids for certificates of deposit may be solicited in any manner permitted by the Act.

## **11.0 Collateralization of Deposits**

The City requires that all uninsured collected balances plus accrued interest, if any, in depository accounts be secured in accordance with the requirements of this Policy and Chapter 2257, Government Code ("Public Funds Collateral Act") and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). Financial institutions serving as City depositories will be required to sign a Depository Agreement with the City which details securities that can serve as eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, rights of substitution and conditions for agreement termination.

Pledged securities serving as collateral will always be held by an independent third party with which the City has a current custodial agreement and shall be reviewed at least monthly to ensure that the market value of the pledged securities is at least 102%. Eligible collateral are as follows:

### **Eligible Collateral**

- 1) Direct obligations of the United States or other obligations of the United States or other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States.
- 2) Direct debt obligations of an agency or instrumentality of the United States.
- 3) Mortgage-backed securities issued directly by an agency or instrumentality of the United States eligible under the Public Funds Collateral Act.
- 4) Direct debt obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

The use of a letter of credit issued to the City by the Federal Home Loan Bank may be considered by the City to provide collateral for bank deposits and for certificates of deposit.

The City's Investment Officers reserve the right to accept or reject any form of collateral or enhancement at their sole discretion.

## **12.0 Safekeeping and Custody**

Safekeeping and custody of investment securities shall be in accordance with applicable law and accounting standards. All securities transactions, except local government investment pool and money market mutual fund transactions, shall be conducted on a delivery versus payment (DVP) basis. Investment securities will be held by a third party custodian designated by the City, and be required to issue safekeeping receipts clearly detailing that the securities are owned by the City.

Safekeeping and custody of collateral shall be in accordance with applicable law and accounting standards. Pledged securities serving as collateral will be held by a third party custodian designated by the City, and pledged to the City as evidenced by safekeeping receipts of the institution with which the securities are deposited.

**13.0 Diversification and Maximum Maturities**

The City’s Investment Pool will be diversified to limit market and credit risk by observing the limitations at the time of purchase as listed below. 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 at the time investments are purchased for the Investment Pool. Funds managed as separately invested assets in Section 2.1 of the Policy are subject to all of the following with the exception of the Issuer Limitation on investment in U.S. Agencies and Instrumentalities. Funds managed as separately invested assets may be invested 100% in the obligations of any one U.S. Agency or Instrumentality.

	<b>Maximum Stated Maturity<sup>1</sup></b>	<b>Issuer Limitations</b>
U.S. Treasuries	5 Years	100% of the City’s investment pool may be invested in obligations of the U.S. Treasury.
U.S. Agencies/Instrumentalities	5 Years	No more than 30% of the book value of the City’s investment pool may be invested in the obligations of any one issuer.
Municipal Notes and Bonds	5 Years	The City may not own more than the lesser of \$5 million or 20% of any single issue.
Repurchase Agreements	30 Days	No more than 15% of the City’s investment pool may be invested with one counterparty, excluding flexible repurchase agreements for investment of bond proceeds.
Mutual Funds	N/A	The City may not own more than the lesser of \$100 million or 5% of the total assets of any one fund, excluding mutual funds for investment of commercial paper proceeds.
Local Government Investment Pools	N/A	The City may not own more than the lesser of \$400 million or 10% of the total assets of any one pool.
Certificates of Deposit	5 Years	The City may not own more than \$50 million of any single financial institution’s certificates of deposit at any one time, excluding certificates of deposit placed with the City’s Depository if so authorized by the City Depository Contract.

In addition to the above limitations, the City's investment pool shall be diversified by market sector as follows:

	<b>Maximum Percentage of Investment Pool</b>
U.S. Treasuries	100%
U.S. Agencies/Instrumentalities	100% (maximum 30% callable)
Municipal Notes and Bonds	15%
Repurchase Agreements	15%*
Mutual Funds	15%
Local Government Investment Pools	45%
Certificates of Deposit	20%**

\* Excluding flexible repurchase agreements for bond proceeds.

\*\*Excluding certificates of deposit placed with the City's Depository if so authorized by the City Depository Contract.

- (1) Purchases of securities with stated maturities greater than the maximum authorized under this section require prior City Council approval. With respect to bond proceeds and other bond funds, the City may, in the bond ordinance, specifically authorize investments in repurchase agreements with maturities in excess of 30 days subject to any required approvals from bond insurers.

#### **14.0 Sale of Securities**

The City's policy is to hold securities to maturity. However, securities may be sold:

- (a) in order to minimize the potential loss of principal on a security whose credit quality has declined;
- (b) in order to reposition the portfolio for the purpose of improving the quality, yield, or target duration of the portfolio; or
- (c) in order to meet unanticipated liquidity needs of the portfolio.

#### **15.0 Investment Committee**

An Investment Committee shall be established and meet quarterly to determine investment guidelines, general strategies, and monitor performance. Members of the Investment Committee will include the Investment Officers, the Cash and Investment Manager and the City's Investment Advisor if the City has contracted with an Advisor. The Investment Advisor is a non-voting member of the Investment Committee.

#### **16.0 Investment Advisor**

The City may retain the services of an Investment Advisor to assist in the review of cash flow requirements, the formulation of investment strategies, and the execution of security purchases, sales and deliveries.

#### **17.0 Investment Strategies**

The City of Dallas maintains separate portfolios for individual funds or groups of funds (as listed under Sec. 2.0 of this Policy) which are managed according to the terms of this Policy and the corresponding investment strategies listed below. The investment strategy for portfolios established after the annual Investment Policy adoption will be managed in accordance with the terms of this Policy and applicable agreements until the next annual review when a specific strategy will be adopted.

- 17.1 Investment Pool Strategy - The City's Investment Pool is an aggregation of the majority of City funds which 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. The objectives of this portfolio are to:
  - a) ensure safety of principal by investing only in high-quality securities for which a strong secondary market exists;
  - b) ensure that anticipated cash flows are matched with adequate investment liquidity;
  - c) limit market and credit risk through diversification; and
  - d) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy by managing the portfolio to meet or exceed the 12 month moving average yield on treasury one-year constant maturities as reported by Federal Reserve Statistical Release H.15.

- 17.2 Bond Funds Strategy - Occasionally, separate non-pooled portfolios are established with the proceeds from bond sales in order to maximize earnings within the constraints of arbitrage regulations. The objectives of these portfolios are to:
- a) ensure safety of principal by investing only in high-quality securities for which a strong secondary market exists or by maintaining the security of the investment through collateralization according to the standards approved in Section 8.4 of this Policy;
  - b) ensure that anticipated cash flows are matched with adequate investment liquidity or that the terms of the secured investment agreement permit maximum flexibility for the City in making withdrawals;
  - c) manage market and credit risk through diversification and control of counterparty risk; and
  - d) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and the bond ordinance by managing the portfolio to meet or exceed the bond yield
- 17.3 Bond Reserve Fund Strategy - Non-pooled reserve funds for outstanding revenue bonds are set at levels required by their respective bond ordinances. These funds will be used to pay the final principal and/or interest due on outstanding bonds that are similarly secured or to make up any shortfalls in debt service funds as required by the bond ordinance. The objectives of Bond Reserve Fund Portfolios are to:
- a) ensure safety of principal by investing only in high-quality securities for which a strong secondary market exists or by maintaining the security of the investment through collateralization according to the standards approved in Section 8.4 of this Policy;
  - b) ensure that anticipated cash flows are matched with adequate investment liquidity or that the terms of the secured investment agreement permit maximum flexibility for the City in making withdrawals;
  - c) manage market and credit risk through diversification and control of counterparty risk; and
  - d) attain a market rate of return commensurate with the objectives and the restrictions set forth in this Policy and the bond ordinance by managing the portfolio to meet or exceed the bond yield.
- 17.4 Endowment Funds Strategy - Funds received as gifts to the City with instructions that the income generated by the investment of said funds be used for specified purposes may be invested as separate non-pooled portfolios if required by the terms of the gift. The objectives of Endowment Portfolios are to:
- a) ensure safety of principal and sufficient liquidity by investing only in high-quality securities for which a strong secondary market exists;
  - b) manage market and credit risk through the use of a competitive process to place investments;
  - c) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and the terms of the gift.
- 17.5 Commercial Paper Funds Strategy – The City issues tax-exempt commercial paper notes as an interim financing tool for construction 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. The objectives of this portfolio are to:
- a) ensure safety of principal and sufficient liquidity by investing in money market mutual funds or short-term high-quality securities for which a strong secondary market exists;
  - b) manage market and credit risk through diversification of funds and/or securities. Funds must be rated AAA by at least one nationally recognized rating agency; and
  - c) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and governing bond ordinances.
- ~~17.6 Trinity Parkway Escrow Strategy – This escrow was established pursuant to an Agreement dated as of January 1, 1999 with the North Texas Tollway Authority (“NTTA”) pertaining to development of the Trinity Parkway. These funds will be used to reimburse NTTA for specified payments related to project feasibility. Permitted investments for this portfolio are defined in the Escrow Agreement as those that are consistent with the Act. The objectives of this portfolio are to:~~
- ~~a) ensure safety of principal and sufficient liquidity by investing only in high-quality securities for which a strong secondary market exists;~~
  - ~~b) ensure that anticipated cash flows are matched with adequate investment liquidity;~~



- ~~e) manage market and credit risk through diversification of funds and requirement of AAA rating;~~  
~~and~~
- ~~d) attain a market rate of return commensurate with the objectives and restrictions set forth in this Policy and the Agreement.~~

### **18.0 Reporting**

Investment performance is regularly monitored by investment staff and reported to the Investment Committee on a ~~monthly~~ quarterly basis. Month-end market prices on each security are obtained from nationally recognized securities databases including those provided by the City's depository bank through its safekeeping services and Bloomberg Professional Services. These prices are recorded in the City's portfolio database and included in all management reports as well as the City's Comprehensive Annual Financial Report.

Not less than quarterly the Investment Officers will submit to the ~~city council finance committee~~ standing finance committee of the city council described in ~~Chapter III, Section 13 of the~~ Dallas City Charter, Chapter III, Section 13 (2), the City Manager, and the Mayor and City Council a written report of the status of the current investment portfolio. The report must meet the requirements of the Act.

An independent auditor shall formally review the quarterly reports prepared under this section at least annually, and that auditor shall report the results of the review to City Council.

### **19.0 Annual Compliance Audit**

In conjunction with the annual financial audit, a compliance audit shall be performed which includes an audit of management controls on investments and adherence to the City's established investment policy.

### **20.0 Investment Policy Adoption**

The City's Investment Policy is hereby adopted by resolution of the City Council on ~~September 28, 2016~~ September 12, 2018 in accordance with the PFIA.

## GLOSSARY

**ACCRETION OF DISCOUNT:** Periodic straight-line increases in the book or carrying value of a security so the amount of the purchase price discount below face value is completely eliminated by the time the bond matures or by the call date, if applicable.

**ACCRUED INTEREST:** The interest accumulated on a security from its issue date or since the last payment of interest up to but not including the purchase date. The purchaser of the security pays to the seller the market price plus accrued interest.

**AMORTIZATION OF PREMIUM:** Periodic straight-line decreases in the book or carrying value of a security so the premium paid for a bond above its face value or call price is completely eliminated.

**ASK:** The price at which securities are offered by sellers.

**BARBELL MATURITY STRATEGY:** A maturity pattern within a portfolio in which maturities of the assets in the portfolio are concentrated in both the short and long ends of the maturity spectrum.

**BASIS POINT:** One one-hundredth (1/100) of one percent; 0.0001 in decimal form.

**BENCHMARK:** A comparative base for performance evaluation. A benchmark can be a broad-based bond index, a customized bond index, or a specific objective.

**BID:** The price offered for securities by purchasers. (When selling securities, one asks for a bid.)

**BOND EQUIVALENT YIELD:** Used to compare yields available from discounted securities that pay interest at maturity with yields available from securities that pay interest semi-annually.

**BOOK ENTRY SECURITIES:** Stocks, bonds, other securities, and some certificates of deposit that are purchased, sold, and held as electronic computer entries on the records of a central holder. These securities are not available for purchase in physical form; buyers get a receipt or confirmation as evidence of ownership.

**BOOK VALUE:** The original cost of the security as adjusted for amortization of any premium paid or accretion of discount since the date of purchase.

**BROKER:** A party who brings buyers and sellers together. Brokers do not take ownership of the property being traded. They are compensated by commissions. They are not the same as dealers; however, the same firms that act as brokers in some transactions may act as dealers in other transactions.

**CALLABLE BOND:** A bond that the issuer has the right to redeem prior to maturity at a specified price. Some callable bonds may be redeemed on one call date while others may have multiple call dates. Some callable bonds may be redeemed at par while others can be redeemed only at a premium. Some callable bonds are step-up bonds that pay an initial coupon rate for the first period, and then the coupon rate increases for the following periods if the bonds are not called by the issuer.

**CERTIFICATE OF DEPOSIT (CD):** A time deposit with a specific maturity evidenced by a certificate. Large-denomination (over \$100,000) CD's are typically negotiable.

**CODE:** The Internal Revenue Code of 1986, as amended.

**COLLATERAL:** Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**COLLATERALIZED MORTGAGE OBLIGATION (CMO):** A type of mortgage-backed security created by dividing the rights to receive the principal and interest cash flows from an underlying pool of mortgages in separate classes or tiers.

**COMMERCIAL PAPER:** Short-term unsecured promissory notes issued by corporations for a maturity specified by the buyer. It is used primarily by corporations for short-term financing needs at a rate which is generally lower than the prime rate.

**CONFIRMATION:** The document used to state in writing the terms of the trade which had previously been agreed to verbally.

**COUPON RATE:** The stated annual rate of interest payable on a coupon bond expressed as a percentage of the bond's face value.

**CREDIT RISK:** The risk that (1) the issuer is downgraded to a lower quality category and/or (2) the issuer fails to make timely payments of interest or principal.

**CUSIP NUMBER:** A nine-digit number established by the Committee on Uniform Securities Identification Procedures that is used to identify publicly traded securities. Each publicly traded security receives a unique CUSIP number when the security is issued.

**CUSTODY:** The service of an organization, usually a financial institution, of holding (and reporting) a customer's securities for safekeeping. The financial institution is known as the custodian.

**DEALER:** A firm which buys and sells for its own account. Dealers have ownership, even if only for an instant, between a purchase from one party and a sale to another party. They are compensated by the spread between the price they pay and the price they receive. Dealers are not the same as brokers; however, the same firms which act as dealers in some transactions may act as brokers in other transactions.

**DELIVERY VERSUS PAYMENT (DVP):** The safest method of settling a trade involving a book entry security. In a DVP settlement, the funds are wired from the buyer's account and the security is delivered from the seller's account in simultaneous, interdependent wires.

**DEPOSITORY TRUST COMPANY (DTC):** An organization that holds physical certificates for stocks and bonds and issues receipts to owners. Securities held by DTC are immobilized so that they can be traded on a book entry basis.

**DERIVATIVE:** A security that derives its value from an underlying asset, group of assets, reference rate, or an index value. Some derivatives can be highly volatile and result in a loss of principal in changing interest rate environments.

**DISCOUNT:** The amount by which the price paid for a security is less than its face value.

**DISCOUNT SECURITIES:** Securities that do not pay periodic interest. Investors earn the difference between the discount issue price and the full face value paid at maturity.

**DIVERSIFICATION:** Dividing investment funds among a variety of securities offering independent returns, to reduce risk inherent in particular securities.

**DURATION:** A sophisticated measure of the weighted average maturity of a bond's cash flow stream, where the present values of the cash flows serve as the weights.

**ECONOMIC CYCLE (BUSINESS CYCLE):** As the economy moves through the business cycle, interest rates tend to follow the levels of production, output, and consumption - rising as the economy expands and moves out of recession and declining after the economy peaks, contracts, and heads once again into recession.

**EFFECTIVE MATURITY:** The average maturity of a bond, given the potential for early call. For a non-callable bond, the final maturity date serves as the effective maturity. For a callable bond, the effective maturity is bounded by the first call date and the final maturity date; the position within this continuum is a function of the call price, the current market price, and the reinvestment rate assumed.

**FACE VALUE:** The principal amount due and payable to a bondholder at maturity; par value. Also, the amount on which coupon interest is computed.

**FAIL:** The event of a securities purchase or sale transaction not settling as intended by the parties.

**FAIR VALUE:** The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):** A federal agency that insures bank deposits.

**FEDERAL FARM CREDIT BANKS (FFCB):** A government-sponsored corporation that was created in 1916 and is a nationwide system of banks and associations providing mortgage loans, credit, and related services to farmers, rural homeowners, and agricultural and rural cooperatives. The banks and associations are cooperatively owned, directly or indirectly, by their respective borrowers. The Federal Farm Credit System is supervised by the Farm Credit Administration, an independent agency of the U.S. government. (See Government Sponsored Enterprise)

**FEDERAL FUNDS:** Monies within the Federal Reserve System representing a member bank's surplus reserve funds. Banks with excess funds may sell their surplus to other banks whose funds are below required reserve levels. Normally, Federal funds are employed in settling all government securities transactions. The Federal Funds Rate is the rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

**FEDERAL HOME LOAN BANKS (FHLB):** Government-sponsored wholesale banks (currently twelve regional banks) which lend funds and provide correspondent banking services to member commercial bank, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank. (See Government Sponsored Enterprises)

**FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or "Freddie Mac"):** A government-sponsored corporation that was created in July 1970, by the enactment of Title III of the Emergency Home Finance Act of 1970. Freddie Mac was established to help maintain the availability of mortgage credit for residential housing, primarily through developing and maintaining an active, nationwide secondary market in conventional residential mortgages. (See Government Sponsored Enterprises)

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae):** FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae is a private stockholder-owned corporation. FNMA securities are highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest. (See Government Sponsored Enterprises)

**FEDERAL OPEN MARKET COMMITTEE (FOMC):** Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank presidents. The president of the New York Federal Reserve Bank is a permanent member while the other presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

**FEDERAL RESERVE SYSTEM:** The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., twelve regional banks and about 5700 commercial banks that are members of the system.

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA):** A not-for-profit organization authorized by Congress to ensure investor protection and market integrity through regulation of broker-dealers.

**FINRA RULE 2111 (SUITABILITY):** FINRA Rule 2111 requires, in part, that a broker-dealer or associated person "have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the [firm] or associated person to ascertain the customer's investment profile."

**FIXED-INCOME SECURITY:** A financial instrument promising a fixed amount of periodic income over a specified future time span.

**GOVERNMENT-SPONSORED ENTERPRISES (GSE's):** Payment of principal and interest on securities issued by these corporations is not guaranteed explicitly by the U.S. government, however, most investors consider these securities to carry an implicit U.S. government guarantee. The debt is fully guaranteed by the issuing corporations. GSE's include: Farm Credit System, Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association.

**INSTRUMENTALITIES:** See Government-Sponsored Enterprises

**INTEREST RATE RISK:** The risk that the general level of interest rates will change, causing unexpected price appreciations or depreciations.

**LADDERED MATURITY STRATEGY:** A maturity pattern within a portfolio in which maturities of the assets in the portfolio are equally spaced. Over time, the shortening of the remaining lives of the assets provides a steady source of liquidity or cash flow. Given a normal yield curve with a positive slope this passive strategy provides the benefit of being able to take advantage of the higher, longer-term yields without sacrificing safety or liquidity.

**LIQUIDITY:** An entity's capacity to meet future monetary outflows (whether they are required or optional) from available resources. Liquidity is often obtained from reductions of cash or by converting assets into cash.

**LIQUIDITY RISK:** The risk that an investment will be difficult to sell at a fair market price in a timely fashion.

**MARKET RISK:** The risk that the value of a security will rise or decline as a result of changes in market conditions. It is that part of a security's risk that is common to all securities of the same general class (stocks and bonds) and thus cannot be eliminated by diversification; also known as systematic risk.

**MARKET VALUE:** The price at which a security is trading and could presumably be purchased or sold.

**MARKING-TO-MARKET:** The practice of valuing a security or portfolio according to its market value, rather than its cost or book value.

**MASTER REPURCHASE AGREEMENT:** A written contract covering all future transactions between the parties to repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer to liquidate the underlying securities in the event of default by the seller.

**MATURITY DATE:** The date on which the principal or face value of an investment becomes due and payable.

**MONEY MARKET INSTRUMENT:** Generally, a short-term debt instrument that is purchased from a broker, dealer, or bank. Sometimes the term "money market" with "short-term", defines an instrument with no more than 12 months remaining from the purchase date until the maturity date. Sometimes the term "money market" is used more restrictively to mean only those instruments that have active secondary markets.

**MORTGAGE-BACKED SECURITIES (MBS):** Securities composed of, or collateralized by, loans that are themselves collateralized by liens on real property.

**OFFER:** The price asked by a seller of securities. (When purchasing securities, one asks for an offer.)

**OPEN MARKET OPERATIONS:** Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

**OPPORTUNITY COST:** The cost of pursuing one course of action measured in terms of the foregone return that could have been earned on an alternative course of action that was not undertaken.

**PAR:** See Face Value

**PFFIA OR ACT:** The Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended.

**POOLED FUND GROUP:** An internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested (as defined by the Public Funds Investment Act).

**PREMIUM:** The amount by which the price paid for a security exceeds its face value.

**PRIMARY DEALER:** A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

**PRINCIPAL:** The face or par value of an instrument, exclusive of accrued interest.

**PRUDENT PERSON RULE:** An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the state. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

**QUALIFIED REPRESENTATIVE:** A person who holds a position with - and is authorized to act on behalf of - a business organization (as defined by the Public Funds Investment Act).

**RATE OF RETURN:** The amount of income received from an investment, expressed as a percentage. A market rate of return is the yield that an investor can expect to receive in the current interest-rate environment utilizing a buy-and-hold to maturity investment strategy.

**REINVESTMENT RATE:** The interest rate earned on the reinvestment of coupon payments.

**REINVESTMENT RATE RISK:** The risk that the actual reinvestment rate falls short of the expected or assumed reinvestment rate.

**REPURCHASE AGREEMENT (RP or REPO):** An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price on demand or at a specified later date. The difference between the selling price and the repurchase price provides the interest income to the party that provided the funds. Every transaction where a security is sold under an agreement to be repurchased is a repo from the seller/borrower's point of view and a reverse repo from the buyer/lender's point of view.

**REVERSE REPURCHASE AGREEMENT:** (See Repurchase Agreement)

**SAFEKEEPING:** A procedure where securities are held by a third party acting as custodian for a fee.

**SECONDARY MARKET:** A market made for the purchase and sale of outstanding issues following the initial distribution.

**SECURITIES AND EXCHANGE COMMISSION (SEC):** Agency created by Congress to protect investors in securities transactions by administering securities legislation.

**SECURITIES LENDING:** The temporary transfer of securities by one party, the lender, to another, the borrower. The securities borrower is required to provide acceptable assets as collateral to the securities lender in the form of cash or other securities. If the borrower provides securities as collateral to the lender, it pays a fee to borrow the lent securities. If it provides cash as collateral, the lender pays interest to the borrower and reinvests the cash at a higher rate.

**SEC RULE 15C3-1:** See Uniform Net Capital Rule

**STRUCTURED NOTES:** Debt obligations whose principal or interest payments are determined by an index or formula.

**SEPARATELY INVESTED ASSET:** An account or fund of a state agency or local government that is not invested in a pooled fund group (as defined by the Public Funds Investment Act).

**SPREAD:** Most commonly used when referring to the difference between the bid and asked prices in a quote. Additionally, it may also refer to additional basis points that a non-Treasury security earns over and above a Treasury with a comparable maturity date.

**STRIPS:** Separation of the principal and interest cash flows due from any interest-bearing securities into different financial instruments. Each coupon payment is separated from the underlying investment to create a separate security. Each individual cash flow is sold at a discount. The amount of the discount and the time until the cash flow is paid determine the investor's return.

**SWAP:** The trading of one asset for another. Sometimes used in active portfolio management to increase investment returns by "swapping" one type of security for another.

**TOTAL RETURN:** Interest income plus capital gains (or minus losses) on an investment.

**TREASURY BILLS:** A non-interest bearing discount security issued by the U.S. Treasury, generally having initial maturities of 3 months, 6 months, or 1 year.

**TREASURY BONDS:** Long-term, coupon bearing U.S. Treasury securities having initial maturities of more than 10 years.

**TREASURY NOTES:** Intermediate-term, coupon bearing U.S. Treasury securities having initial maturities of 2 - 10 years.

**UNIFORM NET CAPITAL RULE:** Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called *net capital rule* and *net capital ratio*. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

**YIELD TO MATURITY (YTM):** The promised return assuming all interest and principal payments are made and reinvested at the same rate taking into account price appreciation (if priced below par) or depreciation (if priced above par).

**APPENDIX A**  
**PUBLIC FUNDS INVESTMENT ACT**



GOVERNMENT CODE

TITLE 10. GENERAL GOVERNMENT

SUBTITLE F. STATE AND LOCAL CONTRACTS AND FUND MANAGEMENT

CHAPTER 2256. PUBLIC FUNDS INVESTMENT

SUBCHAPTER A. AUTHORIZED INVESTMENTS FOR GOVERNMENTAL ENTITIES

Sec. 2256.001. SHORT TITLE. This chapter may be cited as the Public Funds Investment Act.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.002. DEFINITIONS. In this chapter:

- (1) "Bond proceeds" means the proceeds from the sale of bonds, notes, and other obligations issued by an entity, and reserves and funds maintained by an entity for debt service purposes.
- (2) "Book value" means the original acquisition cost of an investment plus or minus the accrued amortization or accretion.
- (3) "Funds" means public funds in the custody of a state agency or local government that:
  - (A) are not required by law to be deposited in the state treasury; and
  - (B) the investing entity has authority to invest.
- (4) "Institution of higher education" has the meaning assigned by Section [61.003](#), Education Code.
- (5) "Investing entity" and "entity" mean an entity subject to this chapter and described by Section [2256.003](#).
- (6) "Investment pool" means an entity created under this code to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are:
  - (A) preservation and safety of principal;
  - (B) liquidity; and
  - (C) yield.

(7) "Local government" means a municipality, a county, a school district, a district or authority created under Section [52](#)(b)(1) or (2), Article III, or Section [59](#), Article XVI, Texas Constitution, a fresh water supply district, a hospital district, and any political subdivision, authority, public corporation, body politic, or instrumentality of the State of Texas, and any nonprofit corporation acting on behalf of any of those entities.

(8) "Market value" means the current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.

(9) "Pooled fund group" means an internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested.

(10) "Qualified representative" means a person who holds a position with a business organization, who is authorized to act on behalf of the business organization, and who is one of the following:

(A) for a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers;

(B) for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution;

(C) for an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the written instrument on behalf of the investment pool; or

(D) for an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or, if not subject to registration under that Act, registered with the State Securities Board, a person who is an officer or principal of the investment management firm.

(11) "School district" means a public school district.

(12) "Separately invested asset" means an account or fund of a state agency or local government that is not invested in a pooled fund group.

(13) "State agency" means an office, department, commission, board, or other agency that is part of any branch of state government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 1, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 1, eff. Sept. 1, 1999.

Sec. 2256.003. AUTHORITY TO INVEST FUNDS; ENTITIES SUBJECT TO THIS CHAPTER. (a) Each governing body of the following entities may purchase, sell, and invest its funds and funds under its control in investments authorized under this subchapter in compliance with investment policies approved by the governing body and according to the standard of care prescribed by Section [2256.006](#):

- (1) a local government;
- (2) a state agency;
- (3) a nonprofit corporation acting on behalf of a local government or a state agency; or
- (4) an investment pool acting on behalf of two or more local governments, state agencies, or a combination of those entities.

(b) In the exercise of its powers under Subsection (a), the governing body of an investing entity may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control. A contract made under authority of this subsection may not be for a term longer than two years. A renewal or extension of the contract must be made by the governing body of the investing entity by order, ordinance, or resolution.

(c) This chapter does not prohibit an investing entity or investment officer from using the entity's employees or the services of a contractor of the entity to aid the investment officer in the execution of the officer's duties under this chapter.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 2, eff. Sept. 1, 1999.

Sec. 2256.004. APPLICABILITY. (a) This subchapter does not apply to:

- (1) a public retirement system as defined by Section [802.001](#);
- (2) state funds invested as authorized by Section [404.024](#);
- (3) an institution of higher education having total endowments of at least \$150 million in book value on September 1, 2017;
- (4) funds invested by the Veterans' Land Board as authorized by Chapter [161](#), [162](#), or [164](#), Natural Resources Code;
- (5) registry funds deposited with the county or district clerk under Chapter [117](#), Local Government Code; or
- (6) a deferred compensation plan that qualifies under either Section 401(k) or 457 of the Internal Revenue Code of 1986 (26 U.S.C. Section 1 et seq.), as amended.

(b) This subchapter does not apply to an investment donated to an investing entity for a particular purpose or under terms of use specified by the donor.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 505, Sec. 24, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 2, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 62, Sec. 8.21, eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 1454, Sec. 3, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 1, eff. June 14, 2017.

Sec. 2256.005. INVESTMENT POLICIES; INVESTMENT STRATEGIES; INVESTMENT OFFICER. (a) The governing body of an investing entity shall adopt by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control.

(b) The investment policies must:

- (1) be written;
- (2) primarily emphasize safety of principal and liquidity;
- (3) address investment diversification, yield, and maturity and the quality and capability of investment management; and
- (4) include:
  - (A) a list of the types of authorized investments in which the investing entity's funds may be invested;
  - (B) the maximum allowable stated maturity of any individual investment owned by the entity;
  - (C) for pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio;
  - (D) methods to monitor the market price of investments acquired with public funds;
  - (E) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and
  - (F) procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section [2256.021](#).

(c) The investment policies may provide that bids for certificates of deposit be solicited:

- (1) orally;
- (2) in writing;
- (3) electronically; or
- (4) in any combination of those methods.

(d) As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance:

- (1) understanding of the suitability of the investment to the financial requirements of the entity;
- (2) preservation and safety of principal;
- (3) liquidity;
- (4) marketability of the investment if the need arises to liquidate the investment before maturity;

- (5) diversification of the investment portfolio; and
- (6) yield.

(e) The governing body of an investing entity shall review its investment policy and investment strategies not less than annually. The governing body shall adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

(f) Each investing entity shall designate, by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees of the state agency, local government, or investment pool as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity. If the governing body of an investing entity has contracted with another investing entity to invest its funds, the investment officer of the other investing entity is considered to be the investment officer of the first investing entity for purposes of this chapter. Authority granted to a person to invest an entity's funds is effective until rescinded by the investing entity, until the expiration of the officer's term or the termination of the person's employment by the investing entity, or if an investment management firm, until the expiration of the contract with the investing entity. In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs, but the governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity.

(g) Subsection (f) does not apply to a state agency, local government, or investment pool for which an officer of the entity is assigned by law the function of investing its funds.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 685, Sec. 1

(h) An officer or employee of a commission created under Chapter [391](#), Local Government Code, is ineligible to be an investment officer for the commission under Subsection (f) if the officer or employee is an investment officer designated under Subsection (f) for another local government.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 1421, Sec.

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(h) An officer or employee of a commission created under Chapter [391](#), Local Government Code, is ineligible to be designated as an investment officer under Subsection (f) for any investing entity other than for that commission.

(i) An investment officer of an entity who has a personal business relationship with a business organization offering to engage in an investment transaction with the entity shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter [573](#), to an individual seeking to sell an investment to the investment officer's entity shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the entity. For purposes of this subsection, an investment officer has a personal business relationship with a business organization if:

(1) the investment officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;

(2) funds received by the investment officer from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or

(3) the investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.

(j) The governing body of an investing entity may specify in its investment policy that any investment authorized by this chapter is not suitable.

(k) A written copy of the investment policy shall be presented to any business organization offering to engage in an investment transaction with an investing entity. For purposes of this subsection and Subsection (1), "business organization" means an investment pool or investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio that has accepted authority granted by the entity under the contract to exercise investment discretion in regard to the investing entity's funds. Nothing in this subsection relieves the investing entity of the responsibility for monitoring the investments made by the investing entity to determine that they are in compliance with the investment policy. The qualified representative of the business organization offering to engage in an investment transaction with an investing entity shall execute a written instrument in a form acceptable to the investing entity and the business organization substantially to the effect that the business organization has:

(1) received and reviewed the investment policy of the entity; and

(2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the entity's investment policy, except to the extent that this authorization:

(A) is dependent on an analysis of the makeup of the entity's entire portfolio;

(B) requires an interpretation of subjective investment standards; or

(C) relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

(1) The investment officer of an entity may not acquire or otherwise obtain any authorized investment described in the investment



policy of the investing entity from a business organization that has not delivered to the entity the instrument required by Subsection (k).

(m) An investing entity other than a state agency, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the entity's established investment policies.

(n) Except as provided by Subsection (o), at least once every two years a state agency shall arrange for a compliance audit of management controls on investments and adherence to the agency's established investment policies. The compliance audit shall be performed by the agency's internal auditor or by a private auditor employed in the manner provided by Section [321.020](#). Not later than January 1 of each even-numbered year a state agency shall report the results of the most recent audit performed under this subsection to the state auditor. Subject to a risk assessment and to the legislative audit committee's approval of including a review by the state auditor in the audit plan under Section [321.013](#), the state auditor may review information provided under this section. If review by the state auditor is approved by the legislative audit committee, the state auditor may, based on its review, require a state agency to also report to the state auditor other information the state auditor determines necessary to assess compliance with laws and policies applicable to state agency investments. A report under this subsection shall be prepared in a manner the state auditor prescribes.

(o) The audit requirements of Subsection (n) do not apply to assets of a state agency that are invested by the comptroller under Section [404.024](#).

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 685, Sec. 1, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 3, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 4, eff. Sept. 1, 1999; Acts 2003, 78th Leg., ch. 785, Sec. 41, eff. Sept. 1, 2003.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 1, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 149 (H.B. [1701](#)), Sec. 1, eff. September 1, 2017.

Sec. 2256.006. STANDARD OF CARE. (a) Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority:

- (1) preservation and safety of principal;
- (2) liquidity; and
- (3) yield.

(b) In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

(1) the investment of all funds, or funds under the entity's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and

(2) whether the investment decision was consistent with the written investment policy of the entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.007. INVESTMENT TRAINING; STATE AGENCY BOARD MEMBERS AND OFFICERS. (a) Each member of the governing board of a state agency and its investment officer shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties.

(b) The Texas Higher Education Coordinating Board shall provide the training under this section.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) An investment officer shall attend a training session not less than once each state fiscal biennium and may receive training from

any independent source approved by the governing body of the state agency. The investment officer shall prepare a report on this subchapter and deliver the report to the governing body of the state agency not later than the 180th day after the last day of each regular session of the legislature.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 73, Sec. 1, eff. May 9, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 4, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 5, eff. Sept. 1, 1999.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 2, eff. June 17, 2011.

Sec. 2256.008. INVESTMENT TRAINING; LOCAL GOVERNMENTS.

(a) Except as provided by Subsections (a-1), (b), (b-1), (e), and (f), the treasurer, the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a local government shall:

(1) attend at least one training session from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government and containing at least 10 hours of instruction relating to the treasurer's or officer's responsibilities under this subchapter within 12 months after taking office or assuming duties; and

(2) attend an investment training session not less than once in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government.

(a-1) In addition to the requirements of Subsection (a)(1), the treasurer, or the chief financial officer if the treasurer is not the

chief financial officer, and the investment officer of a school district or a municipality shall attend an investment training session not less than once in a two-year period that begins on the first day of the school district's or municipality's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than eight hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the school district or municipality, or by a designated investment committee advising the investment officer as provided for in the investment policy of the school district or municipality.

(b) An investing entity created under authority of Section [52\(b\)](#), Article III, or Section [59](#), Article XVI, Texas Constitution, that has contracted with an investment management firm under Section [2256.003\(b\)](#) and has fewer than five full-time employees or an investing entity that has contracted with another investing entity to invest the entity's funds may satisfy the training requirement provided by Subsection (a) (2) by having an officer of the governing body attend four hours of appropriate instruction in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date. The treasurer or chief financial officer of an investing entity created under authority of Section [52\(b\)](#), Article III, or Section [59](#), Article XVI, Texas Constitution, and that has fewer than five full-time employees is not required to attend training required by this section unless the person is also the investment officer of the entity.

(b-1) A housing authority created under Chapter [392](#), Local Government Code, may satisfy the training requirement provided by Subsection (a) (2) by requiring the following person to attend, in each two-year period that begins on the first day of that housing authority's fiscal year and consists of the two consecutive fiscal years after that date, at least five hours of appropriate instruction:

(1) the treasurer, or the chief financial officer if the treasurer is not the chief financial officer, or the investment officer; or

(2) if the authority does not have an officer described by Subdivision (1), another officer of the authority.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) Not later than December 31 each year, each individual, association, business, organization, governmental entity, or other person that provides training under this section shall report to the comptroller a list of the governmental entities for which the person provided required training under this section during that calendar year. An individual's reporting requirements under this subsection are satisfied by a report of the individual's employer or the sponsoring or organizing entity of a training program or seminar.

(e) This section does not apply to a district governed by Chapter [36](#) or [49](#), Water Code.

(f) Subsection (a) (2) does not apply to an officer of a municipality or housing authority if the municipality or housing authority:

(1) does not invest municipal or housing authority funds, as applicable; or

(2) only deposits those funds in:

(A) interest-bearing deposit accounts; or

(B) certificates of deposit as authorized by Section

[2256.010](#).

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 5, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 6, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 69, Sec. 4, eff. May 14, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 3, eff. June 17, 2011.

Acts 2015, 84th Leg., R.S., Ch. 222 (H.B. [1148](#)), Sec. 1, eff. September 1, 2015.

Acts 2015, 84th Leg., R.S., Ch. 1248 (H.B. [870](#)), Sec. 1, eff. September 1, 2015.

Acts 2017, 85th Leg., R.S., Ch. 324 (S.B. [1488](#)), Sec. 8.015, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 1000 (H.B. [1238](#)), Sec. 1, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 1000 (H.B. [1238](#)), Sec. 2, eff. September 1, 2017.

Sec. 2256.009. AUTHORIZED INVESTMENTS: OBLIGATIONS OF, OR GUARANTEED BY GOVERNMENTAL ENTITIES. (a) Except as provided by Subsection (b), the following are authorized investments under this subchapter:

(1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;

(2) direct obligations of this state or its agencies and instrumentalities;

(3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;

(4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;

(5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;

(6) bonds issued, assumed, or guaranteed by the State of Israel;

(7) interest-bearing banking deposits that are guaranteed or insured by:

(A) the Federal Deposit Insurance Corporation or its successor; or

(B) the National Credit Union Share Insurance Fund or its successor; and

(8) interest-bearing banking deposits other than those described by Subdivision (7) if:

(A) the funds invested in the banking deposits are invested through:

(i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section [2256.025](#); or

(ii) a depository institution with a main office or branch office in this state that the investing entity selects;

(B) the broker or depository institution selected as described by Paragraph (A) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account;

(C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and

(D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account:

(i) the depository institution selected as described by Paragraph (A);

(ii) an entity described by Section [2257.041](#) (d);  
or

(iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3).

(b) The following are not authorized investments under this section:

(1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

(2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;

(3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and

(4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 7, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 558, Sec. 1, eff. Sept. 1, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 4, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 2, eff. June 14, 2017.

Acts 2017, 85th Leg., R.S., Ch. 863 (H.B. [2647](#)), Sec. 1, eff. June 15, 2017.

Acts 2017, 85th Leg., R.S., Ch. 874 (H.B. [2928](#)), Sec. 1, eff. September 1, 2017.

Sec. 2256.010. AUTHORIZED INVESTMENTS: CERTIFICATES OF DEPOSIT AND SHARE CERTIFICATES. (a) A certificate of deposit or share certificate is an authorized investment under this subchapter if the certificate is issued by a depository institution that has its main office or a branch office in this state and is:

(1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;

(2) secured by obligations that are described by Section [2256.009](#)(a), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section [2256.009](#)(b); or

(3) secured in accordance with Chapter [2257](#) or in any other manner and amount provided by law for deposits of the investing entity.

(b) In addition to the authority to invest funds in certificates of deposit under Subsection (a), an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this subchapter:



- (1) the funds are invested by an investing entity through:
  - (A) a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by Section [2256.025](#); or
  - (B) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;
- (2) the broker or the depository institution selected by the investing entity under Subdivision (1) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity;
- (3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and
- (4) the investing entity appoints the depository institution selected by the investing entity under Subdivision (1), an entity described by Section [2257.041](#) (d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity.

Amended by Acts 1995, 74th Leg., ch. 32, Sec. 1, eff. April 28, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 6, eff. Sept. 1, 1997.

Amended by:

Acts 2005, 79th Leg., Ch. 128 (H.B. [256](#)), Sec. 1, eff. September 1, 2005.

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 5, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 874 (H.B. [2928](#)), Sec. 2, eff. September 1, 2017.

Sec. 2256.011. AUTHORIZED INVESTMENTS: REPURCHASE AGREEMENTS.

(a) A fully collateralized repurchase agreement is an authorized investment under this subchapter if the repurchase agreement:

(1) has a defined termination date;

(2) is secured by a combination of cash and obligations described by Section [2256.009](#)(a)(1); and

(3) requires the securities being purchased by the entity or cash held by the entity to be pledged to the entity, held in the entity's name, and deposited at the time the investment is made with the entity or with a third party selected and approved by the entity; and

(4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

(b) In this section, "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section [2256.009](#)(a)(1), at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

(c) Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

(d) Money received by an entity under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

(e) Section [1371.059](#)(c) applies to the execution of a repurchase agreement by an investing entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 6, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 3, eff. June 14, 2017.

Sec. 2256.0115. AUTHORIZED INVESTMENTS: SECURITIES LENDING PROGRAM. (a) A securities lending program is an authorized investment under this subchapter if it meets the conditions provided by this section.

(b) To qualify as an authorized investment under this subchapter:

(1) the value of securities loaned under the program must be not less than 100 percent collateralized, including accrued income;

(2) a loan made under the program must allow for termination at any time;

(3) a loan made under the program must be secured by:

(A) pledged securities described by Section [2256.009](#);

(B) pledged irrevocable letters of credit issued by a bank that is:

(i) organized and existing under the laws of the United States or any other state; and

(ii) continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent; or

(C) cash invested in accordance with Section:

(i) 2256.009;

(ii) 2256.013;

(iii) 2256.014; or

(iv) 2256.016;

(4) the terms of a loan made under the program must require that the securities being held as collateral be:

(A) pledged to the investing entity;

(B) held in the investing entity's name; and

(C) deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity;

(5) a loan made under the program must be placed through:

(A) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003; or

(B) a financial institution doing business in this state; and

(6) an agreement to lend securities that is executed under this section must have a term of one year or less.

Added by Acts 2003, 78th Leg., ch. 1227, Sec. 1, eff. Sept. 1, 2003.

Sec. 2256.012. AUTHORIZED INVESTMENTS: BANKER'S ACCEPTANCES. A bankers' acceptance is an authorized investment under this subchapter if the bankers' acceptance:

(1) has a stated maturity of 270 days or fewer from the date of its issuance;

(2) will be, in accordance with its terms, liquidated in full at maturity;

(3) is eligible for collateral for borrowing from a Federal Reserve Bank; and

(4) is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.013. AUTHORIZED INVESTMENTS: COMMERCIAL PAPER. Commercial paper is an authorized investment under this subchapter if the commercial paper:

(1) has a stated maturity of 270 days or fewer from the date of its issuance; and

(2) is rated not less than A-1 or P-1 or an equivalent rating by at least:

(A) two nationally recognized credit rating agencies;

or

(B) one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.014. AUTHORIZED INVESTMENTS: MUTUAL FUNDS.

(a) A no-load money market mutual fund is an authorized investment under this subchapter if the mutual fund:

(1) is registered with and regulated by the Securities and Exchange Commission;

(2) provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and

(3) complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.).

(b) In addition to a no-load money market mutual fund permitted as an authorized investment in Subsection (a), a no-load mutual fund is an authorized investment under this subchapter if the mutual fund:

(1) is registered with the Securities and Exchange Commission;

(2) has an average weighted maturity of less than two years; and

(3) either:

(A) has a duration of one year or more and is invested exclusively in obligations approved by this subchapter; or

(B) has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

(c) An entity is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in Subsection (b);

(2) invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds described in Subsection (b); or

(3) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in

any one mutual fund described in Subsection (a) or (b) in an amount that exceeds 10 percent of the total assets of the mutual fund.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 7, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 8, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 4, eff. June 14, 2017.

Sec. 2256.015. AUTHORIZED INVESTMENTS: GUARANTEED INVESTMENT CONTRACTS. (a) A guaranteed investment contract is an authorized investment for bond proceeds under this subchapter if the guaranteed investment contract:

(1) has a defined termination date;

(2) is secured by obligations described by Section [2256.009](#)(a)(1), excluding those obligations described by Section [2256.009](#)(b), in an amount at least equal to the amount of bond proceeds invested under the contract; and

(3) is pledged to the entity and deposited with the entity or with a third party selected and approved by the entity.

(b) Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested under this subchapter in a guaranteed investment contract with a term of longer than five years from the date of issuance of the bonds.

(c) To be eligible as an authorized investment:

(1) the governing body of the entity must specifically authorize guaranteed investment contracts as an eligible investment in the order, ordinance, or resolution authorizing the issuance of bonds;

(2) the entity must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received;

(3) the entity must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received;

(4) the price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and

(5) the provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

(d) Section [1371.059](#)(c) applies to the execution of a guaranteed investment contract by an investing entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 8, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 9, 10, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 5, eff. June 14, 2017.

Sec. 2256.016. AUTHORIZED INVESTMENTS: INVESTMENT POOLS. (a) An entity may invest its funds and funds under its control through an eligible investment pool if the governing body of the entity by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by this subchapter. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this subchapter and the investment policies and objectives adopted by the investment pool.

(b) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

(1) the types of investments in which money is allowed to be invested;

(2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;

(3) the maximum stated maturity date any investment security within the portfolio has;

- (4) the objectives of the pool;
  - (5) the size of the pool;
  - (6) the names of the members of the advisory board of the pool and the dates their terms expire;
  - (7) the custodian bank that will safekeep the pool's assets;
  - (8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
  - (9) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
  - (10) the name and address of the independent auditor of the pool;
  - (11) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool;
  - (12) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios; and
  - (13) the pool's policy regarding holding deposits in cash.
- (c) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity:
- (1) investment transaction confirmations; and
  - (2) a monthly report that contains, at a minimum, the following information:
    - (A) the types and percentage breakdown of securities in which the pool is invested;
    - (B) the current average dollar-weighted maturity, based on the stated maturity date, of the pool;
    - (C) the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;
    - (D) the book value versus the market value of the pool's portfolio, using amortized cost valuation;
    - (E) the size of the pool;



- (F) the number of participants in the pool;
- (G) the custodian bank that is safekeeping the assets

of the pool;

(H) a listing of daily transaction activity of the entity participating in the pool;

(I) the yield and expense ratio of the pool, including a statement regarding how yield is calculated;

(J) the portfolio managers of the pool; and

(K) any changes or addenda to the offering circular.

(d) An entity by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

(e) In this section, "yield" shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the federal Securities and Exchange Commission.

(f) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool that uses amortized cost or fair value accounting must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a \$1.00 net asset value, when rounded and expressed to two decimal places. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, the governing body of the public funds investment pool shall take action as the body determines necessary to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing participants, including a sale of portfolio holdings to attempt to maintain the ratio between 0.995 and 1.005. In addition to the requirements of its investment policy and any other forms of reporting, a public funds investment pool that uses amortized cost shall report yield to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds.

(g) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool must have an advisory board composed:

(1) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter [791](#) and managed by a state agency; or

(2) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

(h) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

(i) If the investment pool operates an Internet website, the information in a disclosure instrument or report described in Subsections (b), (c)(2), and (f) must be posted on the website.

(j) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must make available to the entity an annual audited financial statement of the investment pool in which the entity has funds invested.

(k) If an investment pool offers fee breakpoints based on fund balances invested, the investment pool in advertising investment rates must include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 9, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 7, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 6, eff. June 14, 2017.

Sec. 2256.017. EXISTING INVESTMENTS. Except as provided by Chapter [2270](#), an entity is not required to liquidate investments that were authorized investments at the time of purchase.

Added by Acts 1995, 74th Leg., ch. 76, Sec. 5.46(a), eff. Sept. 1, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.  
Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 10, eff. Sept. 1, 1997.  
Amended by:

Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. [253](#)), Sec. 2, eff. May 23, 2017.

Sec. 2256.019. RATING OF CERTAIN INVESTMENT POOLS. A public funds investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.  
Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 11, eff. Sept. 1, 1997.  
Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 8, eff. June 17, 2011.

Sec. 2256.020. AUTHORIZED INVESTMENTS: INSTITUTIONS OF HIGHER EDUCATION. In addition to the authorized investments permitted by this subchapter, an institution of higher education may purchase, sell, and invest its funds and funds under its control in the following:

(1) cash management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501(f), Internal Revenue Code of 1986 (26 U.S.C. Section 501(f));

(2) negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency; and

(3) corporate bonds, debentures, or similar debt obligations rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradations within those categories.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.0201. AUTHORIZED INVESTMENTS; MUNICIPAL UTILITY. (a)

A municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may enter into a hedging contract and related security and insurance agreements in relation to fuel oil, natural gas, coal, nuclear fuel, and electric energy to protect against loss due to price fluctuations. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the Securities and Exchange Commission. If there is a conflict between the municipal charter of the municipality and this chapter, this chapter prevails.

(b) A payment by a municipally owned electric or gas utility under a hedging contract or related agreement in relation to fuel supplies or fuel reserves is a fuel expense, and the utility may credit any amounts it receives under the contract or agreement against fuel expenses.

(c) The governing body of a municipally owned electric or gas utility or the body vested with power to manage and operate the municipally owned electric or gas utility may set policy regarding hedging transactions.

(d) In this section, "hedging" means the buying and selling of fuel oil, natural gas, coal, nuclear fuel, and electric energy futures or options or similar contracts on those commodities and related transportation costs as a protection against loss due to price fluctuation.

Added by Acts 1999, 76th Leg., ch. 405, Sec. 48, eff. Sept. 1, 1999.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 7 (S.B. [495](#)), Sec. 1, eff. April 13, 2007.

Sec. 2256.0202. AUTHORIZED INVESTMENTS: MUNICIPAL FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, a municipality may invest funds received by the municipality from a lease or contract for the management and development of land owned by the municipality and leased for oil, gas, or other mineral development in any investment

authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by a municipality under this section shall be segregated and accounted for separately from other funds of the municipality.

Added by Acts 2009, 81st Leg., R.S., Ch. 1371 (S.B. [894](#)), Sec. 1, eff. September 1, 2009.

Sec. 2256.0203. AUTHORIZED INVESTMENTS: PORTS AND NAVIGATION DISTRICTS. (a) In this section, "district" means a navigation district organized under Section [52](#), Article III, or Section [59](#), Article XVI, Texas Constitution.

(b) In addition to the authorized investments permitted by this subchapter, a port or district may purchase, sell, and invest its funds and funds under its control in negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency.

Added by Acts 2011, 82nd Leg., R.S., Ch. 804 (H.B. [2346](#)), Sec. 1, eff. September 1, 2011.

Sec. 2256.0204. AUTHORIZED INVESTMENTS: INDEPENDENT SCHOOL DISTRICTS. (a) In this section, "corporate bond" means a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a debt obligation that:

(1) on conversion, would result in the holder becoming a stockholder or shareholder in the entity, or any affiliate or subsidiary of the entity, that issued the debt obligation; or

(2) is an unsecured debt obligation.

(b) This section applies only to an independent school district that qualifies as an issuer as defined by Section [1371.001](#).

(c) In addition to authorized investments permitted by this subchapter, an independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased.

(d) An independent school district subject to this section is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds, reserves, and other funds held for the payment of debt service, in corporate bonds; or

(2) invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity.

(e) An independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds if the governing body of the district:

(1) amends its investment policy to authorize corporate bonds as an eligible investment;

(2) adopts procedures to provide for:

(A) monitoring rating changes in corporate bonds acquired with public funds; and

(B) liquidating the investment in corporate bonds; and

(3) identifies the funds eligible to be invested in corporate bonds.

(f) The investment officer of an independent school district, acting on behalf of the district, shall sell corporate bonds in which the district has invested its funds not later than the seventh day after the date a nationally recognized investment rating firm:

(1) issues a release that places the corporate bonds or the domestic business entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated "AA-" or the equivalent at the time the release is issued; or

(2) changes the rating on the corporate bonds to a rating lower than "AA-" or the equivalent.

(g) Corporate bonds are not an eligible investment for a public funds investment pool.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1347 (S.B. [1543](#)), Sec. 1, eff. June 17, 2011.

Sec. 2256.0205. AUTHORIZED INVESTMENTS; DECOMMISSIONING TRUST.

(a) In this section:

(1) "Decommissioning trust" means a trust created to provide the Nuclear Regulatory Commission assurance that funds will be available for decommissioning purposes as required under 10 C.F.R. Part 50 or other similar regulation.

(2) "Funds" includes any money held in a decommissioning trust regardless of whether the money is considered to be public funds under this subchapter.

(b) In addition to other investments authorized under this subchapter, a municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may invest funds held in a decommissioning trust in any investment authorized by Subtitle B, Title 9, Property Code.

Added by Acts 2005, 79th Leg., Ch. 121 (S.B. [1464](#)), Sec. 1, eff. September 1, 2005.

Text of section as added by Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 7

For text of section as added by Acts 2017, 85th Leg., R.S., Ch. 344 (H.B. [1472](#)), Sec. 1, see other Sec. 2256.0206.

Sec. 2256.0206. AUTHORIZED INVESTMENTS: HEDGING TRANSACTIONS.

(a) In this section:

(1) "Eligible entity" means a political subdivision that has:

- (A) a principal amount of at least \$250 million in:
  - (i) outstanding long-term indebtedness;
  - (ii) long-term indebtedness proposed to be

issued; or

(iii) a combination of outstanding long-term indebtedness and long-term indebtedness proposed to be issued; and

(B) outstanding long-term indebtedness that is rated in one of the four highest rating categories for long-term debt instruments by a nationally recognized rating agency for municipal securities, without regard to the effect of any credit agreement or other form of credit enhancement entered into in connection with the obligation.

(2) "Eligible project" has the meaning assigned by Section [1371.001](#).

(3) "Hedging" means acting to protect against economic loss due to price fluctuation of a commodity or related investment by entering into an offsetting position or using a financial agreement or producer price agreement in a correlated security, index, or other commodity.

(b) This section prevails to the extent of any conflict between this section and:

(1) another law; or

(2) an eligible entity's municipal charter, if applicable.

(c) The governing body of an eligible entity shall establish the entity's policy regarding hedging transactions.

(d) An eligible entity may enter into hedging transactions, including hedging contracts, and related security, credit, and insurance agreements in connection with commodities used by an eligible entity in the entity's general operations, with the acquisition or construction of a capital project, or with an eligible project. A hedging transaction must comply with the regulations of the federal Commodity Futures Trading Commission and the federal Securities and Exchange Commission.

(e) An eligible entity may pledge as security for and to the payment of a hedging contract or a security, credit, or insurance agreement any general or special revenues or funds the entity is authorized by law to pledge to the payment of any other obligation.

(f) Section [1371.059](#)(c) applies to the execution by an eligible entity of a hedging contract and any related security, credit, or insurance agreement.



(g) An eligible entity may credit any amount the entity receives under a hedging contract against expenses associated with a commodity purchase.

(h) An eligible entity's cost of or payment under a hedging contract or agreement may be considered:

- (1) an operation and maintenance expense of the eligible entity;
- (2) an acquisition expense of the eligible entity;
- (3) a project cost of an eligible project; or
- (4) a construction expense of the eligible entity.

Added by Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 7, eff. June 14, 2017.

Text of section as added by Acts 2017, 85th Leg., R.S., Ch. 344 (H.B. [1472](#)), Sec. 1

For text of section as added by Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 7, see other Sec. 2256.0206.

Sec. 2256.0206. AUTHORIZED INVESTMENTS: PUBLIC JUNIOR COLLEGE DISTRICT FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, the governing board of a public junior college district may invest funds received by the district from a lease or contract for the management and development of land owned by the district and leased for oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by the governing board of a public junior college district under this section shall be segregated and accounted for separately from other funds of the district.

Added by Acts 2017, 85th Leg., R.S., Ch. 344 (H.B. [1472](#)), Sec. 1, eff. September 1, 2017.

Sec. 2256.021. EFFECT OF LOSS OF REQUIRED RATING. An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not

have the minimum rating. An entity shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.022. EXPANSION OF INVESTMENT AUTHORITY. Expansion of investment authority granted by this chapter shall require a risk assessment by the state auditor or performed at the direction of the state auditor, subject to the legislative audit committee's approval of including the review in the audit plan under Section [321.013](#).

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by Acts 2003, 78th Leg., ch. 785, Sec. 42, eff. Sept. 1, 2003.

Sec. 2256.023. INTERNAL MANAGEMENT REPORTS. (a) Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of investment transactions for all funds covered by this chapter for the preceding reporting period.

(b) The report must:

- (1) describe in detail the investment position of the entity on the date of the report;
- (2) be prepared jointly by all investment officers of the entity;
- (3) be signed by each investment officer of the entity;
- (4) contain a summary statement of each pooled fund group that states the:

- (A) beginning market value for the reporting period;
- (B) ending market value for the period; and
- (C) fully accrued interest for the reporting period;

(5) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;

(6) state the maturity date of each separately invested asset that has a maturity date;

(7) state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and

(8) state the compliance of the investment portfolio of the state agency or local government as it relates to:

(A) the investment strategy expressed in the agency's or local government's investment policy; and

(B) relevant provisions of this chapter.

(c) The report shall be presented not less than quarterly to the governing body and the chief executive officer of the entity within a reasonable time after the end of the period.

(d) If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 12, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 9, eff. June 17, 2011.

Sec. 2256.024. SUBCHAPTER CUMULATIVE. (a) The authority granted by this subchapter is in addition to that granted by other law. Except as provided by Subsection (b) and Section [2256.017](#), this subchapter does not:

(1) prohibit an investment specifically authorized by other law; or

(2) authorize an investment specifically prohibited by other law.

(b) Except with respect to those investing entities described in Subsection (c), a security described in Section [2256.009](#)(b) is not an authorized investment for a state agency, a local government, or

another investing entity, notwithstanding any other provision of this chapter or other law to the contrary.

(c) Mortgage pass-through certificates and individual mortgage loans that may constitute an investment described in Section [2256.009](#)(b) are authorized investments with respect to the housing bond programs operated by:

(1) the Texas Department of Housing and Community Affairs or a nonprofit corporation created to act on its behalf;

(2) an entity created under Chapter [392](#), Local Government Code; or

(3) an entity created under Chapter [394](#), Local Government Code.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. [253](#)), Sec. 3, eff. May 23, 2017.

Sec. 2256.025. SELECTION OF AUTHORIZED BROKERS. The governing body of an entity subject to this subchapter or the designated investment committee of the entity shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

Sec. 2256.026. STATUTORY COMPLIANCE. All investments made by entities must comply with this subchapter and all federal, state, and local statutes, rules, or regulations.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

#### SUBCHAPTER B. MISCELLANEOUS PROVISIONS

Sec. 2256.051. ELECTRONIC FUNDS TRANSFER. Any local government may use electronic means to transfer or invest all funds collected or controlled by the local government.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.052. PRIVATE AUDITOR. Notwithstanding any other law, a state agency shall employ a private auditor if authorized by the legislative audit committee either on the committee's initiative or on request of the governing body of the agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.053. PAYMENT FOR SECURITIES PURCHASED BY STATE. The comptroller or the disbursing officer of an agency that has the power to invest assets directly may pay for authorized securities purchased from or through a member in good standing of the National Association of Securities Dealers or from or through a national or state bank on receiving an invoice from the seller of the securities showing that the securities have been purchased by the board or agency and that the amount to be paid for the securities is just, due, and unpaid. A purchase of securities may not be made at a price that exceeds the existing market value of the securities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.67, eff. Sept. 1, 1997.

Sec. 2256.054. DELIVERY OF SECURITIES PURCHASED BY STATE. A security purchased under this chapter may be delivered to the comptroller, a bank, or the board or agency investing its funds. The delivery shall be made under normal and recognized practices in the securities and banking industries, including the book entry procedure of the Federal Reserve Bank.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.68, eff. Sept. 1, 1997.

Sec. 2256.055. DEPOSIT OF SECURITIES PURCHASED BY STATE. At the direction of the comptroller or the agency, a security purchased under this chapter may be deposited in trust with a bank or federal reserve bank or branch designated by the comptroller, whether in or outside the

state. The deposit shall be held in the entity's name as evidenced by a trust receipt of the bank with which the securities are deposited.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995;  
Acts 1997, 75th Leg., ch. 1423, Sec. 8.69, eff. Sept. 1, 1997.

**APPENDIX B**

**COUNCIL RESOLUTION**

**September 13, 2017 September 12, 2018**

**WHEREAS**, in 1987 the City Council adopted the City's Investment Policy which was in compliance with the federal and state law and the City Charter; and

**WHEREAS**, in 1995 and 1997 through ~~2016~~2017, the City Council amended the City's Investment Policy to incorporate amendments to the Public Funds Investment Act, improve management of the City's investments and reflect organizational changes; and

**WHEREAS**, the Public Funds Investment Act requires that the investment shall be made in accordance with written policies approved, at least annually, by the governing body; and

**WHEREAS**, investment policies must address safety of principal, liquidity, yield, diversification and maturity, with primary emphasis on safety of principal. **Now, Therefore,**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:**

**Section 1.** That the attached City of Dallas Investment Policy and investment strategies have been reviewed by the City Council and shall be adopted as the guiding policy in the ongoing management of the specified funds in accordance with Federal and State law and the City Charter.

**Section 2.** That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas and it is accordingly so resolved.