

Memorandum



CITY OF DALLAS

DATE November 14, 2014

TO The Honorable Mayor and Members of the City Council

SUBJECT Quarterly Investment Report as of September 30, 2014

The City of Dallas Investment Policy, in accordance with the Texas Public Funds Investment Act, requires that the City Council and City Manager receive quarterly investment reports. The purpose of this report is to provide a means for Council members, Council committee members and staff to regularly review and monitor the City's investment position and to demonstrate compliance with the City's Investment Policy and the Public Funds Investment Act. Summary reports on each of the City's portfolios are included as well as summary information on the portfolio as a whole.

For the quarter ended September 30, 2014 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.

In FY 2014, staff implemented a revised cash forecast, which allowed the extension of the weighted average maturity of the City's Investment Pool Portfolio. Taking advantage of slightly higher yield on longer term securities increased the portfolio yield from 0.32% to 0.57%. It is estimated that this enhancement will increase the interest earned on the Investment Pool by approximately \$3 million annually. The executed September 30, 2014 quarterly investment report is attached.

Please let me know if you need additional information.

A handwritten signature in blue ink that reads "Jeanne Chipperfield".

Jeanne Chipperfield
Chief Financial Officer

Attachment

c: A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager



CITY OF DALLAS

QUARTERLY INVESTMENT REPORT

September 30, 2014

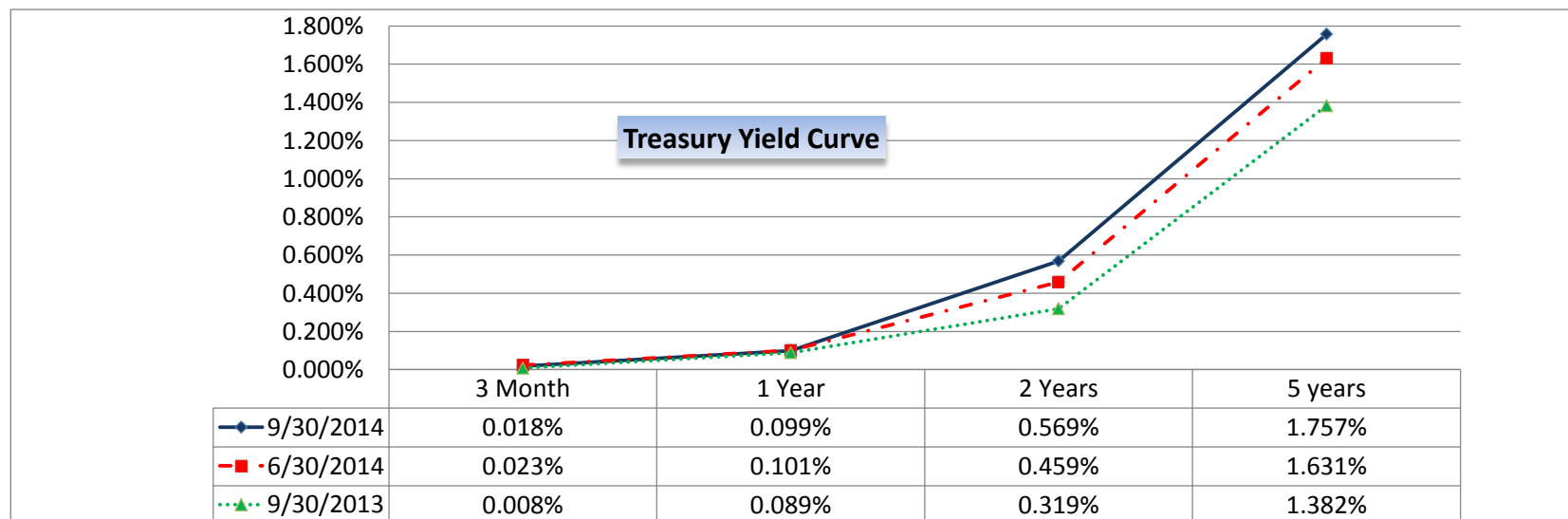
Quarterly National Economic and Market Update
 Quarter Ended September 30, 2014

- Economic activity is expanding at a moderate pace. Labor market conditions improved somewhat further; however, the unemployment rate is little changed and there remains significant underutilization of labor resources.
- Inflation has been running below the Federal Open Market Committee's (FOMC) longer-run objectives.
- The FOMC sees Quantitative Easing (QE) ending at its next meeting (October 29, 2014).
- The FOMC is likely to maintain the current target range for the federal funds rate for a considerable time after the QE ends.

Source: FOMC September 17, 2014 Meeting Statement and Minutes

National Economic Data	9/30/2013	9/30/2014
Fed Funds Effective Rate	0.00% -0.25%	0.00% -0.25%
2 Years Treasury Note	0.319%	0.569%
10 Years Treasury Note	2.611%	2.490%
Monthly Unemployment Rate	7.20%	5.90%
Weekly Initial Jobless Claims	318,000	288,000
Monthly Change in Nonfarm Payrolls	164,000	248,000
Monthly New Housing Starts	863,000	1,017,000

Source: Bloomberg



Source: Bloomberg

City of Dallas
Portfolio Holdings
Combined Investment Summary
As of 09/30/2014

Portfolio Description	Face Amount	Book Value	Market Value	Accrued Interest	Market Value + Accrued Interest	*Unrealized Gain/(Loss)	Yield To Maturity
01 The City's Investment Pool	1,071,040,604	1,072,570,757	1,072,457,487	1,241,919	1,073,699,406	(113,270)	0.57%
02 Convention Center Reserve	18,900,000	18,900,752	18,924,877	8,850	18,933,727	24,124	0.39%
03 Water Reserve	89,975,000	89,881,856	89,931,798	83,537	90,015,335	49,943	0.73%
04 Art Endowment	2,235,000	2,235,000	2,238,822	1,304	2,240,126	3,822	0.35%
05 Ida Green Library Fund	1,000,000	999,769	999,982	0	999,982	213	0.16%
10 DWU Commercial Paper Program	132,252	132,252	132,252	0	132,252	-	0.02%
14 Trinity Parkway Escrow	546,400	546,400	546,400	0	546,400	-	0.00%
16 Oncor Electric Escrow	54,597	54,597	54,597	0	54,597	-	0.01%
17 GO Commercial Paper Program	89,318	89,318	89,318	0	89,318	-	0.02%

*Unrealized gain/loss is the difference between the market value and book value and does not represent an actual gain or loss. Gains and losses are realized only when a security is sold prior to maturity. Since it is the City's practice to hold investments until they mature, the temporary gains and losses are unlikely to be realized.

City of Dallas
Trade Activity by Portfolio
As of: 06/30/14 - 09/30/14

Portfolio Description	Beginning Face Amount	Beginning Yield To Maturity	Purchased/Deposited	Matured/Called/ Redeemed	Ending Face Amount	Ending Yield To Maturity
City's Investment Pool*						
Federal Agricultural Mortgage Corp.	82,000,000	0.60%	-	15,000,000	67,000,000	0.69%
Federal Farm Credit Bank	232,768,000	0.38%	-	72,768,000	160,000,000	0.40%
Federal Home Loan Bank	315,000,000	0.55%	35,000,000	95,000,000	255,000,000	0.71%
Federal Home Loan Mortgage Corp.	303,853,000	0.60%	35,000,000	146,853,000	192,000,000	0.81%
Federal National Mortgage Assoc.	220,100,000	0.51%	49,830,000	30,000,000	239,930,000	0.65%
Total	1,153,721,000	0.52%	119,830,000	359,621,000	913,930,000	0.66%
<i>*Trade activity excludes local government investment pools and money market mutual funds.</i>						
Convention Center Reserve						
Federal National Mortgage Assoc.	18,900,000	0.39%	-	-	18,900,000	0.39%
Total	18,900,000	0.39%	-	-	18,900,000	0.39%
Water Reserve						
Federal Farm Credit Bank	5,000,000	0.30%	-	-	5,000,000	0.30%
Federal Home Loan Bank	30,000,000	0.68%	-	10,000,000	20,000,000	0.37%
Federal Home Loan Mortgage Corp.	54,975,000	0.79%	10,000,000	-	64,975,000	0.87%
Total	89,975,000	0.73%	10,000,000	10,000,000	89,975,000	0.73%
Art Endowment						
Federal Farm Credit Bank	2,235,000	0.35%	-	-	2,235,000	0.35%
Total	2,235,000	0.35%	-	-	2,235,000	0.35%
Ida Green Library Endowment						
Federal National Mortgage Assoc.	1,000,000	0.16%	-	-	1,000,000	0.16%
Total	1,000,000	0.16%	-	-	1,000,000	0.16%
DWU Commercial Paper						
Money Market - Tax Exempt	116,523	0.02%	21,310,729	21,295,000	132,252	0.02%
Total	116,523	0.02%	21,310,729	21,295,000	132,252	0.02%
GO Commercial Paper						
Money Market - Tax Exempt	98,588	0.02%	-	9,271	89,318	0.02%
Total	98,588	0.02%	-	9,271	89,318	0.02%
Trinity Parkway Escrow						
Money Market	546,386	0.01%	14	-	546,400	0.00%
Total	546,386	0.01%	14	-	546,400	0.00%
Oncor Electric Escrow						
Money Market	54,596	0.01%	1	-	54,597	0.01%
Total	54,596	0.01%	1	-	54,597	0.01%

City of Dallas
Summary Statement by Portfolio
As of: 06/30/14 - 09/30/14

Portfolio Description	Beginning Face Amount	Ending Face Amount	Beginning Book Value	Ending Book Value	Beginning Market Value	Ending Market Value	Deposits/ (Redemptions)	Change in Market Value	Accrued Interest	Ending Yield To Maturity
City's Investment Pool¹										
Local Govt. Investment Pool	27,106,533	96,106,533	27,106,533	96,106,533	27,106,533	96,106,533	69,000,000	-	-	0.08%
Money Market	14,004,071	61,004,071	14,004,071	61,004,071	14,004,071	61,004,071	47,000,000	-	-	0.04%
US Agency	1,153,721,000	913,930,000	1,155,910,516	915,460,153	1,156,976,876	915,346,883	(239,791,000)	(1,913,431)	1,241,919	0.66%
*Total	1,194,831,604	1,071,040,604	1,197,021,120	1,072,570,757	1,198,087,480	1,072,457,487	(123,791,000)	(1,913,431)	1,241,919	0.57%
Convention Center Reserve²										
US Agency	18,900,000	18,900,000	18,901,167	18,900,752	18,936,391	18,924,877	-	(11,515)	8,850	0.39%
Total	18,900,000	18,900,000	18,901,167	18,900,752	18,936,391	18,924,877	-	(11,515)	8,850	0.39%
Water Reserve²										
US Agency	89,975,000	89,975,000	89,883,853	89,881,856	90,028,955	89,931,798	-	(97,157)	83,537	0.73%
Total	89,975,000	89,975,000	89,883,853	89,881,856	90,028,955	89,931,798	-	(97,157)	83,537	0.73%
Art Endowment³										
US Agency	2,235,000	2,235,000	2,235,000	2,235,000	2,238,496	2,238,822	-	326	1,304	0.35%
Total	2,235,000	2,235,000	2,235,000	2,235,000	2,238,496	2,238,822	-	326	1,304	0.35%
Ida Green Library Endowment⁴										
US Agency	1,000,000	1,000,000	999,360	999,769	999,762	999,982	-	220	-	0.16%
Total	1,000,000	1,000,000	999,360	999,769	999,762	999,982	-	220	-	0.16%
DWU Commercial Paper⁵										
Money Market - Tax Exempt	116,523	132,252	116,523	132,252	116,523	132,252	15,729	-	-	0.02%
Total	116,523	132,252	116,523	132,252	116,523	132,252	15,729	-	-	0.02%
GO Commercial Paper⁵										
Money Market - Tax Exempt	98,588	89,318	98,588	89,318	98,588	89,318	(9,271)	-	-	0.02%
Total	98,588	89,318	98,588	89,318	98,588	89,318	(9,271)	-	-	0.02%
Trinity Parkway Escrow⁶										
Money Market	546,386	546,400	546,386	546,400	546,386	546,400	14	-	-	0.00%
Total	546,386	546,400	546,386	546,400	546,386	546,400	14	-	-	0.00%
Oncor Electric Escrow⁷										
Money Market	54,596	54,597	54,596	54,597	54,596	54,597	1	-	-	0.01%
Total	54,596	54,597	54,596	54,597	54,596	54,597	1	-	-	0.01%

Notes 1-7: See Page 6 for Strategy Statement by Portfolio.

*Numbers may not sum due to rounding

City of Dallas
Strategy Statement and Compliance by Portfolio
As of: 06/30/14 - 09/30/14

STRATEGY COMPLIANCE STATEMENT

For the quarter ended September 30, 2014 the portfolios are in compliance with the relevant provisions of the Public Fund Investment Act and the investment strategies adopted in Sec. 17.0 of the City's Investment Policy.

STRATEGY STATEMENT BY PORTFOLIO

1) City's Investment Pool

The City's Investment Pool is an aggregation of the majority of City funds that includes tax receipts, enterprise fund revenues, fine and fee revenues, as well as some, but not all, bond proceeds, grants, gifts and endowments. This portfolio is maintained to meet anticipated daily cash needs for City of Dallas operations, capital projects and debt service. In order to ensure the ability of the City to meet obligations and to minimize potential liquidation losses, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years.

2) Convention Center Bond Reserve and Water Bond Reserve

Non-pooled reserve funds for outstanding revenue bonds (Convention Center and Water) are set at levels required by their respective bond ordinances. These funds will be used to pay principal and/or interest at final maturity or if called prior to final maturity.

3) Art Endowment

The Art Endowment Fund was created by the City from a \$1,285,026 repayment to the General Fund from the Convention Center. Pursuant to Resolution No. 84-311 dated September 26, 1984, this endowment fund was created to provide additional monies for the arts, not to replace the current level of support. Funds received as gifts to the City with instructions that the income generated by the investment of said funds be used for specified purposes are invested as separate non-pooled portfolios in order to maximize return.

4) Ida Green Library Endowment

The Ida M. Green Endowment Fund was created with the proceeds from the sale of stock from the estate of Ms. Green pursuant to Resolution No. 87-0836. Its purpose is to provide funds for the operating and capital expenses of the library's Texas Center for the Book and Children's Center. Funds received as gifts to the City with instructions that the income generated by the investment of said funds be used for specified purposes are invested as separate non-pooled portfolios in order to maximize return.

5) DWU Commercial Paper Program and GO Commercial Paper Program

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

6) Trinity Parkway Escrow

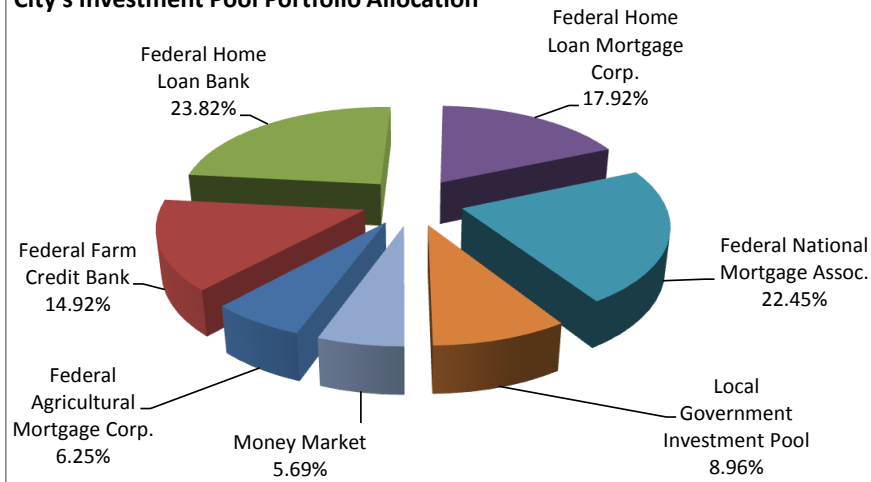
The Trinity Parkway Escrow portfolio was created with the deposit of \$5,000,000 on November 16, 1999 in an escrow account in accordance with an agreement dated as of January 1, 1999 between the City and the North Texas Tollway Authority ("NTTA") pertaining to development of the Trinity Parkway. A subsequent deposit of \$4,500,000 was made in June 2009. These funds will be used to reimburse NTTA for specified payment related to project feasibility. Permitted investments for this account are defined in the Escrow Agreement as those that are consistent with the Public Funds Investment Act.

7) Oncor Electric Escrow

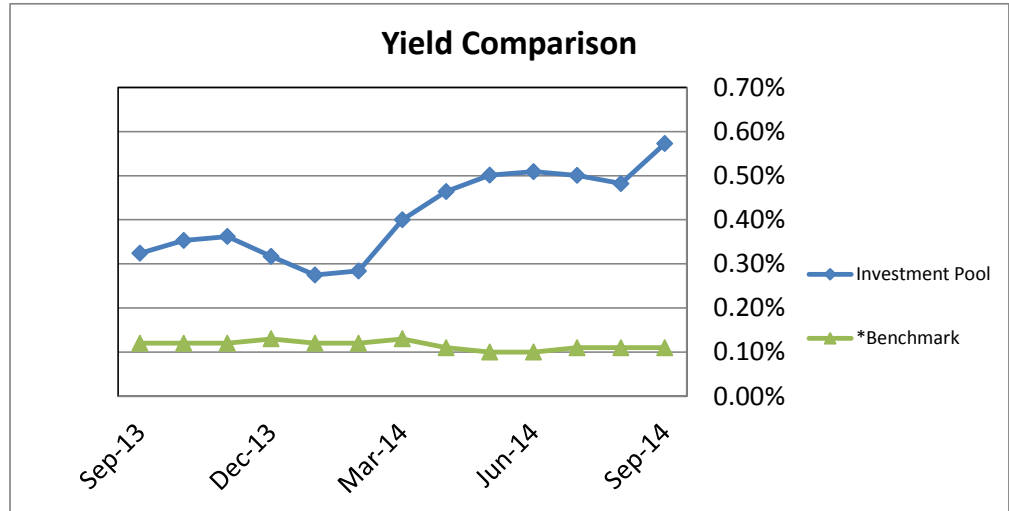
The Oncor Electric Escrow portfolio was created with the deposit of \$4,500,000 in December 2007 in an escrow account in accordance with an agreement dated as of July 13, 2007 between the City and the Oncor Electric Delivery Company LLC pertaining to the development of the West Levee to Norwood Transmission Line. These funds will be used to reimburse Oncor for specified payments related to project feasibility. Permitted investments for this account are defined in the Escrow Agreement as those that are consistent with the Public Funds Investment Act.

City of Dallas
City's Investment Pool Portfolio Allocation
Investment Summary
As of 09/30/2014

City's Investment Pool Portfolio Allocation



Yield Comparison



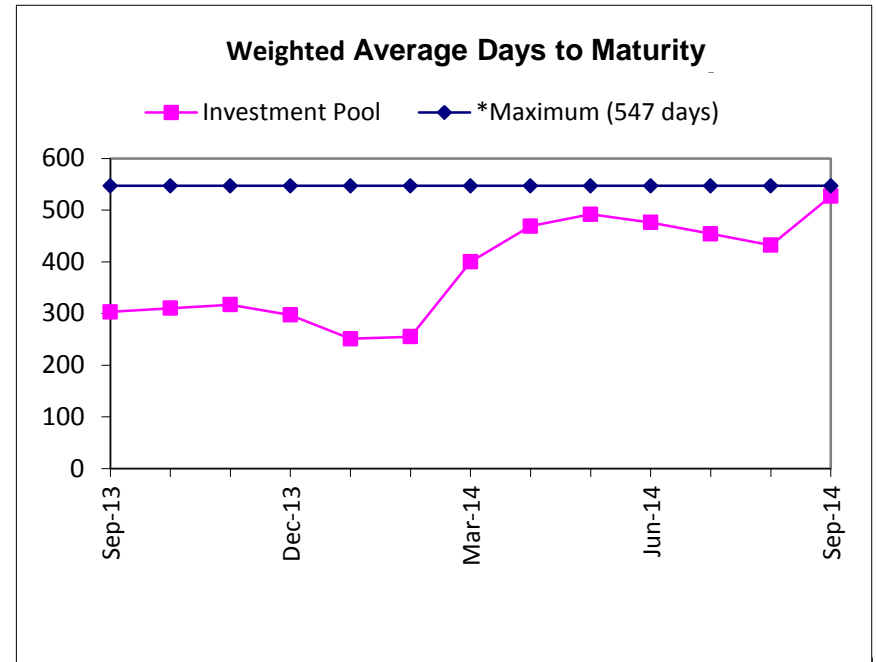
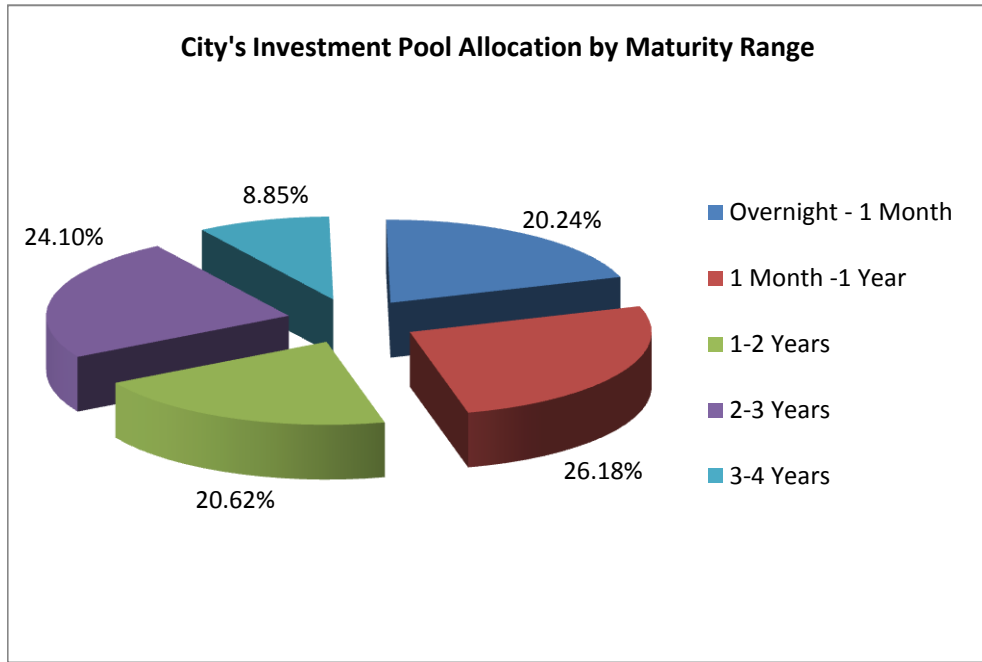
Description	Face Amount	Book Value	Market Value	**Unrealized Gain/(Loss)	Weighted Average Days To Maturity	Yield To Maturity	% of Portfolio
Federal Agricultural Mortgage Corp.	67,000,000	66,989,031	67,121,556	132,525	416	0.69%	6.25%
Federal Farm Credit Bank	160,000,000	159,983,731	160,117,080	133,349	323	0.40%	14.92%
Federal Home Loan Bank	255,000,000	255,468,383	255,325,989	(142,394)	639	0.71%	23.82%
Federal Home Loan Mortgage Corp.	192,000,000	192,251,252	192,165,872	(85,380)	825	0.82%	17.92%
Federal National Mortgage Assoc.	239,930,000	240,767,755	240,616,386	(151,370)	680	0.65%	22.45%
Local Government Investment Pool	96,106,533	96,106,533	96,106,533	-	1	0.08%	8.96%
Money Market	61,004,071	61,004,071	61,004,071	-	1	0.04%	5.69%
***Total	1,071,040,604	1,072,570,757	1,072,457,487	(113,270)	527	0.57%	100.00%

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

** Unrealized gain/loss is the difference between the market value and book value and does not represent an actual gain or loss. Gains and losses are realized only when a security is sold prior to maturity. Since it is the City's strategy to hold investments until they mature, the temporary gains and losses are unlikely to be realized.

*** Numbers may not sum due to rounding

City of Dallas
City's Investment Pool Allocation by Maturity Range
As of 09/30/2014



Description	Face Amount/Shares	Book Value	Market Value	Yield To Maturity	Weighted Average Days To Maturity	% of Portfolio
Overnight - 1 Month	217,110,604	217,109,447	217,111,359	0.09%	4	20.24%
1 Month -1 Year	280,000,000	280,846,460	281,181,159	0.36%	239	26.18%
1-2 Years	220,100,000	221,215,359	221,151,851	0.58%	632	20.62%
2-3 Years	258,830,000	258,515,441	258,337,474	0.95%	964	24.10%
3-4 Years	95,000,000	94,884,050	94,675,644	1.26%	1,141	8.85%
**Total	1,071,040,604	1,072,570,757	1,072,457,487	0.57%	527	100%

*As per Section 17.1 of the City's Investment Policy, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years (547 days).

** Numbers may not sum due to rounding

City of Dallas
Date To Date
Broker/Dealer Activity
As of: FY 13-14 to Date

FY 13-14 to Date		
Description	Awarded	%
Primary Dealers		
Bank of America	\$20,000,000	2.62%
Cantor Fitzgerald	\$15,000,000	1.97%
Jefferies & Co.	\$20,000,000	2.62%
JPMorgan*	\$81,000,000	10.62%
Secondary Dealers		
Coastal Securities	50,000,000	6.55%
First Southwest	120,100,000	15.74%
Mutual Securities	14,830,000	1.94%
Raymond James and Associates	57,000,000	7.47%
Samco Capital Market	65,000,000	8.52%
Vining Sparks	10,000,000	1.31%
Wells Fargo	60,000,000	7.86%
Secondary Dealers - M/WBE		
Duncan Williams - M/WBE	15,000,000	1.97%
Loop Capital - M/WBE	35,000,000	4.59%
Ramirez & Co. - M/WBE	85,000,000	11.14%
Rice Financial - M/WBE	109,975,000	14.42%
Williams Capital - M/WBE	5,000,000	0.66%
Total	\$762,905,000	100.00%

Notes:

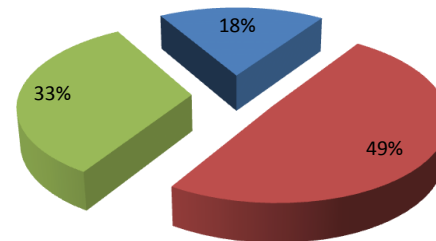
Section 9 of the City's investment Policy requires the investment committee to annually review and adopt a list of qualified broker/dealers. These firms represent the broker dealer firms that are currently approved by the Investment Committee as of February 2014.

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

* JPMorgan was removed, at their request, from the City's approved broker-dealer list in February 2014.

Q4 FY 13-14		
Description	Awarded	%
Coastal Securities	15,000,000	11.55%
First Southwest	15,000,000	11.55%
Mutual Securities	4,830,000	3.72%
Ramirez & Co. - M/WBE	15,000,000	11.55%
Raymond James and Associates	30,000,000	23.11%
Samco Capital Market	30,000,000	23.11%
Wells Fargo	20,000,000	15.40%
Total	\$129,830,000	100.00%

Broker/Dealer Activity FY13-14 to Date



- Primary Dealers \$136,000,000
- Secondary Dealers \$376,930,000
- Secondary Dealers (M/WBE) \$249,975,000

CITY OF DALLAS

QUARTERLY INVESTMENT REPORT

September 30, 2014

For the quarter ended September 30, 2014 the portfolios are in compliance with the relevant provisions of the Public Funds Investment Act and the investment strategies adopted in Sec. 17.0 of the City's Investment Policy.

Chief Financial Officer: 

City Controller: 

Treasury Manager: 