

# Memorandum



CITY OF DALLAS

DATE August 23, 2019

TO Honorable Mayor and Members of the City Council

SUBJECT **June 30, 2019 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, 2019, 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

cc: T.C. Broadnax, City Manager  
Chris Caso, City Attorney (Interim)  
Mark Swann, City Auditor  
Biliera Johnson, City Secretary  
Preston Robinson, 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, Assistant City Manager and Chief of Resilience  
Michael Mendoza, Chief of Economic Development & Neighborhood Services  
Laila Alequresh, Chief Innovation Officer  
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion  
Directors and Assistant Directors



**CITY OF DALLAS**

**June 30, 2019**

**QUARTERLY INVESTMENT REPORT**

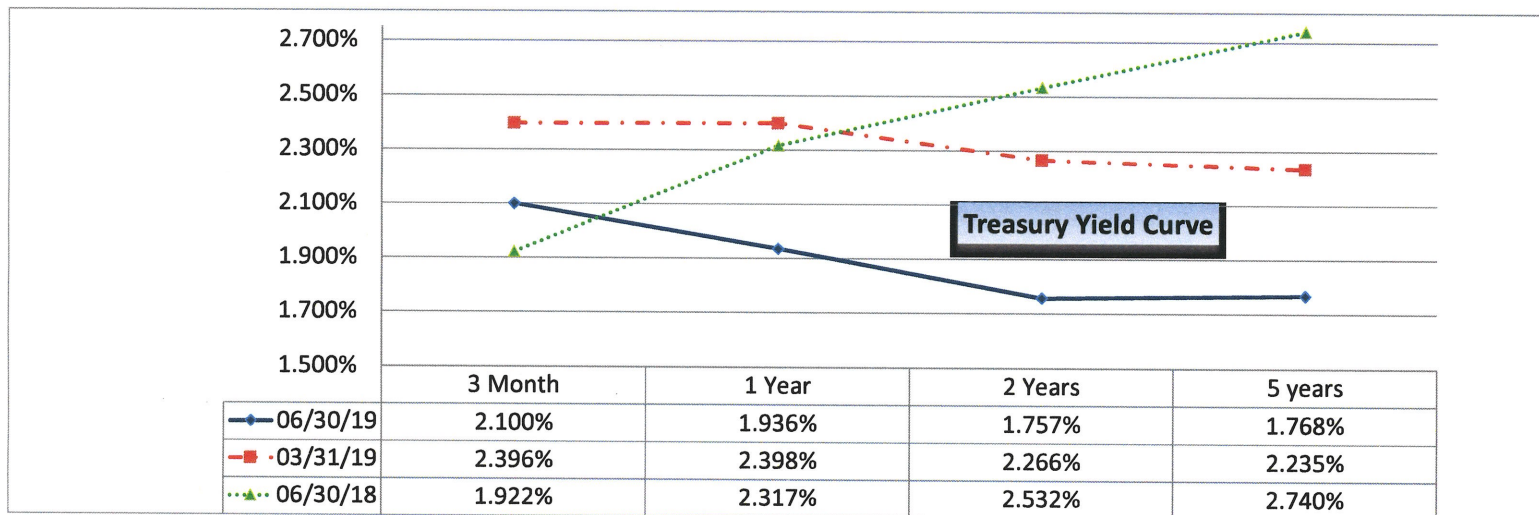
**Quarterly National Economic and Market Update**  
**Quarter Ended June 30, 2019**

- Labor market remained strong and economic activity had been rising at a moderate rate
- Job gains had been solid and the unemployment rate remained low
- Although growth of household spending had picked up from earlier in the year, growth of business fixed investment had been soft
- The Federal Open Market Committee (FOMC) decided to lower the top of the target range for the federal funds rate at 2.00 % - 2.25%.

Source: FOMC July 31, 2019 Statement

National Economic Data	6/30/2018	6/30/2019
Fed Funds Effective Rate Target Range	1.75% - 2.00%	2.25% - 2.50%
2 Years Treasury Note Yield	2.532%	1.757%
10 Years Treasury Note Yield	2.861%	2.007%
Monthly Unemployment Rate	4.0%	3.7%
Weekly Initial Jobless Claims	232,000	222,000
Monthly Change in Nonfarm Payrolls	248,000	224,000
Monthly New Housing Starts	1,158,000	1,253,000

Source: Bloomberg



Source: Bloomberg

**City of Dallas**  
**Portfolio Holdings**  
**Combined Investment Summary**  
**As of 06/30/2019**

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	2,385,945,960	2,383,592,317	2,383,960,738	7,129,711	2,391,090,450	368,422	2.33%
02 Convention Center Reserve	23,000,000	23,000,000	22,912,794	12,973	22,925,767	(87,206)	1.55%
03 Water Reserve	90,000,000	90,000,000	89,767,460	604,329	90,371,789	(232,540)	1.79%
04 Arts Endowment	2,235,000	2,235,000	2,224,066	10,572	2,234,638	(10,934)	1.32%
05 Ida Green Library Fund	1,000,000	1,000,000	1,000,000	1,578	1,001,578	-	2.40%
10 DWU Commercial Paper Program	13,960	13,960	13,960	-	13,960	-	2.30%
11 GO Commercial Paper Program	3,524,424	3,524,424	3,524,424	-	3,524,424	-	2.31%

\*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: 03/31/2019 - 06/30/2019**

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.	321,000,000	1.90%	25,000,000	150,000,000	196,000,000	2.25%
Federal Farm Credit Bank	140,000,000	2.29%	-	15,000,000	125,000,000	2.39%
Federal Home Loan Bank	408,000,000	1.98%	226,500,000	84,000,000	550,500,000	2.17%
Federal Home Loan Mortgage Corp.	209,000,000	1.48%	-	135,000,000	74,000,000	1.43%
Federal National Mortgage Assoc.	30,000,000	2.62%	-	-	30,000,000	2.62%
<b>Total Portfolio</b>	<b>1,108,000,000</b>	<b>1.92%</b>	<b>251,500,000</b>	<b>384,000,000</b>	<b>975,500,000</b>	<b>2.17%</b>

\*Trade activity excludes bank investment holding account, local government investment pools and money market mutual funds.

<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%	-	4,000,000	15,000,000	1.38%
<b>Total Portfolio</b>	<b>23,000,000</b>	<b>1.34%</b>	<b>-</b>	<b>4,000,000</b>	<b>19,000,000</b>	<b>1.35%</b>

\*\*Trade activity excludes local government investment pools.

<b>Water Reserve***</b>						
Federal Home Loan Bank	5,000,000	1.50%	-	5,000,000	-	-
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>60,000,000</b>	<b>1.23%</b>	<b>-</b>	<b>5,000,000</b>	<b>55,000,000</b>	<b>1.21%</b>

\*\*\*Trade activity excludes local government investment pools.

<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	-	-
<b>Total Portfolio</b>	<b>1,000,000</b>	<b>1.25%</b>	<b>-</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>

\*\*\*\*Trade activity excludes local government investment pools.

<b>DWU Commercial Paper Program</b>						
Money Market	13,960	2.46%	-	-	13,960	2.30%
<b>Total Portfolio</b>	<b>13,960</b>	<b>2.46%</b>	<b>-</b>	<b>-</b>	<b>13,960</b>	<b>2.30%</b>

<b>GO Commercial Paper Program</b>						
Money Market	3,524,424	2.44%	-	-	3,524,424	2.31%
<b>Total Portfolio</b>	<b>3,524,424</b>	<b>2.44%</b>	<b>-</b>	<b>-</b>	<b>3,524,424</b>	<b>2.31%</b>

City of Dallas  
 Summary Statement by Portfolio  
 As of: 03/31/2019 - 06/30/2019

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	100,396,076	100,797,092	100,396,076	100,797,092	100,396,076	100,797,092	401,017	-	-	1.60%
Local Govt. Investment Pool	940,207,138	1,052,648,867	940,207,138	1,052,648,867	940,207,138	1,052,648,867	112,441,729	-	-	2.55%
Money Market	166,000,000	257,000,000	166,000,000	257,000,000	166,000,000	257,000,000	91,000,000	-	-	2.32%
US Agency	1,108,000,000	975,500,000	1,106,946,893	973,146,357	1,105,241,574	973,514,779	(132,500,000)	2,776,979	7,129,711	2.17%
<b>**Total Portfolio</b>	<b>2,314,603,214</b>	<b>2,385,945,960</b>	<b>2,313,550,107</b>	<b>2,383,592,317</b>	<b>2,311,844,788</b>	<b>2,383,960,738</b>	<b>71,342,746</b>	<b>2,776,979</b>	<b>7,129,711</b>	<b>2.33%</b>
<b>Convention Center Reserve<sup>2</sup></b>										
Local Govt. Investment Pool	-	4,000,000	-	4,000,000	-	4,000,000	4,000,000	-	10,056	2.48%
US Agency	23,000,000	19,000,000	23,000,000	19,000,000	22,773,483	18,912,794	(4,000,000)	139,311	2,917	1.35%
<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>22,773,483</b>	<b>22,912,794</b>	<b>-</b>	<b>139,311</b>	<b>12,973</b>	<b>1.55%</b>
<b>Water Reserve<sup>2</sup></b>										
Local Govt. Investment Pool	30,000,000	35,000,000	30,000,000	35,000,000	30,000,000	35,000,000	5,000,000	-	-	2.71%
US Agency	60,000,000	55,000,000	60,000,000	55,000,000	59,470,265	54,767,460	(5,000,000)	297,195	604,329	1.21%
<b>Total Portfolio</b>	<b>90,000,000</b>	<b>90,000,000</b>	<b>90,000,000</b>	<b>90,000,000</b>	<b>89,470,265</b>	<b>89,767,460</b>	<b>-</b>	<b>297,195</b>	<b>604,329</b>	<b>1.79%</b>
<b>Arts Endowment<sup>3</sup></b>										
US Agency	2,235,000	2,235,000	2,235,000	2,235,000	2,212,610	2,224,066	-	11,457	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>2,212,610</b>	<b>2,224,066</b>	<b>-</b>	<b>11,457</b>	<b>10,572</b>	<b>1.32%</b>
<b>Ida Green Library Endowment<sup>4</sup></b>										
Local Govt. Investment Pool	-	1,000,000	-	1,000,000	-	1,000,000	1,000,000	-	1,578	2.40%
US Agency	1,000,000	-	1,000,000	-	997,881	-	(1,000,000)	2,119	-	-
<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>997,881</b>	<b>1,000,000</b>	<b>-</b>	<b>2,119</b>	<b>1,578</b>	<b>2.40%</b>
<b>DWU Commercial Paper<sup>5</sup></b>										
Money Market	13,960	13,960	13,960	13,960	13,960	13,960	-	-	-	2.30%
<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>2.30%</b>
<b>GO Commercial Paper<sup>5</sup></b>										
Money Market	3,524,424	3,524,424	3,524,424	3,524,424	3,524,424	3,524,424	-	-	-	2.31%
<b>Total Portfolio</b>	<b>3,524,424</b>	<b>3,524,424</b>	<b>3,524,424</b>	<b>3,524,424</b>	<b>3,524,424</b>	<b>3,524,424</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.31%</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: 03/31/2019 - 06/30/2019

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#### STRATEGY COMPLIANCE STATEMENT

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For the quarter ended June 30, 2019 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.

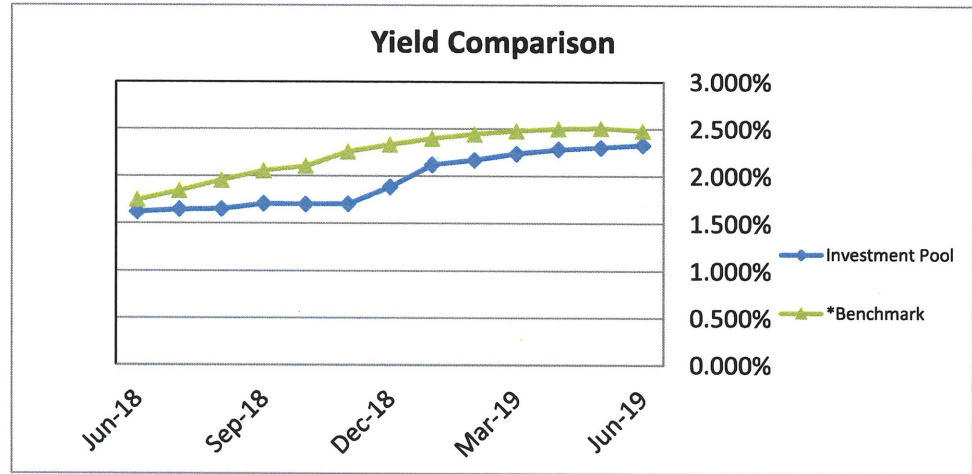
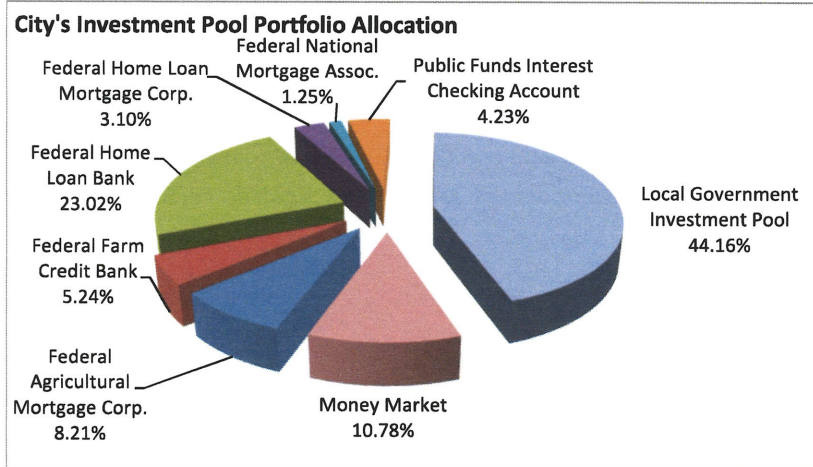
##### 4) Ida Green Library Endowment

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 06/30/2019**



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.	196,000,000	195,777,813	195,804,163	26,351	163	2.25%	8.21%
Federal Farm Credit Bank	125,000,000	124,996,897	125,264,665	267,768	188	2.39%	5.24%
Federal Home Loan Bank	550,500,000	548,589,740	548,721,575	131,834	163	2.17%	23.02%
Federal Home Loan Mortgage Corp.	74,000,000	74,000,000	73,839,666	(160,334)	109	1.43%	3.10%
Federal National Mortgage Assoc.	30,000,000	29,781,907	29,884,710	102,804	243	2.62%	1.25%
Public Funds Interest Checking Account	100,797,092	100,797,092	100,797,092	-	1	1.60%	4.23%
Local Government Investment Pool	1,052,648,867	1,052,648,867	1,052,648,867	-	14	2.55%	44.16%
Money Market	257,000,000	257,000,000	257,000,000	-	1	2.32%	10.78%
<b>***Total Portfolio</b>	<b>2,385,945,960</b>	<b>2,383,592,317</b>	<b>2,383,960,738</b>	<b>368,422</b>	<b>73</b>	<b>2.33%</b>	<b>100.00%</b>

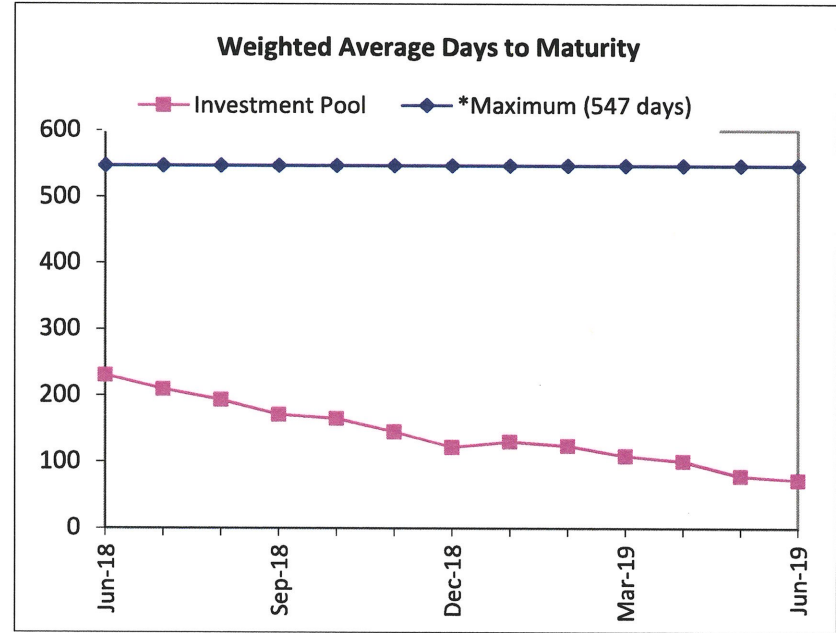
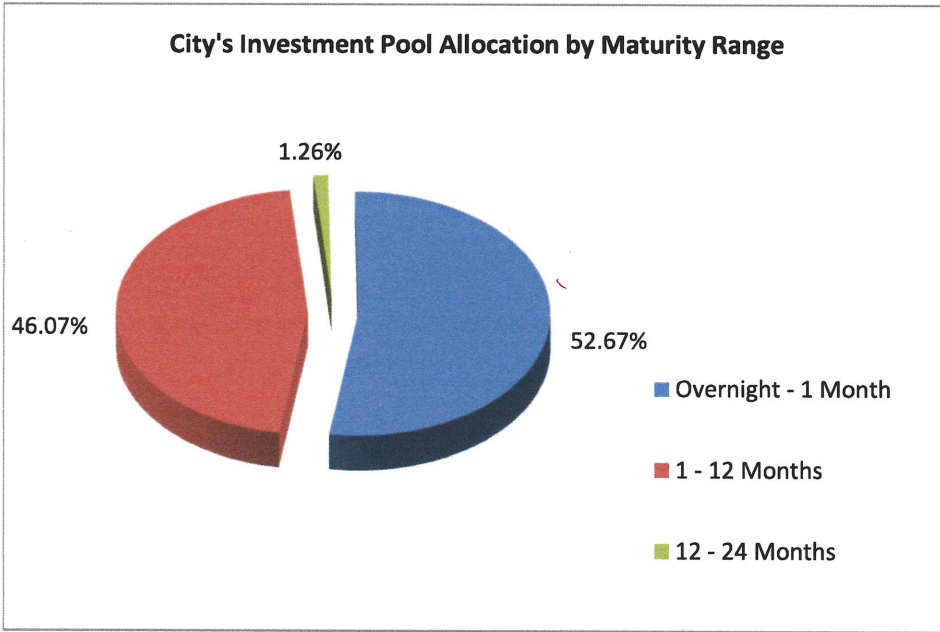
\*As per Section 17.1 of the City's Investment Policy, the benchmark for the Investment Pool is the 12-month moving average yield on treasury 1-year constant maturities as reported by Federal Reserve Statistical Release H.15.

\*\* 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 06/30/2019**



Description	Face Amount/Shares	Book Value	Market Value	Weighted Average Yield To Maturity	Weighted Average Days To Maturity	% of Portfolio
Overnight - 1 Month	1,255,445,960	1,255,445,960	1,255,441,400	2.38%	1	52.67%
1 - 12 Months	1,100,500,000	1,098,146,357	1,098,498,609	2.27%	146	46.07%
12 - 24 Months	30,000,000	30,000,000	30,020,730	2.62%	404	1.26%
<b>**Total Portfolio</b>	<b>2,385,945,960</b>	<b>2,383,592,317</b>	<b>2,383,960,738</b>	<b>2.33%</b>	<b>72</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 18-19 Year to Date**

FY 18-19 Year to Date		
Description	Awarded	%
<b>Primary Dealers</b>		
Bank of America	\$75,000,000	12.94%
Jefferies & Co.	0	0.00%
RBC Capital Markets, LLC	30,000,000	5.18%
Wells Fargo	38,000,000	6.56%
<b>Secondary Dealers</b>		
FTN Financials	30,000,000	5.18%
Hilltop Securities Inc.	55,000,000	9.49%
Multi Bank Securities	85,000,000	14.67%
Piper Jaffray & Co.	101,500,000	17.52%
Samco Capital Market	80,000,000	13.81%
SunTrust Robinson Humphrey, Inc.	0	0.00%
Vining Sparks	50,000,000	8.63%
<b>Secondary Dealers - M/WBE</b>		
Capital Institutional Services, Inc.	0	0.00%
Loop Capital	35,000,000	6.04%
Rice Financial	0	0.00%
Stern Brothers & Co.	0	0.00%
<b>Total</b>	<b>\$579,500,000</b>	<b>100.00%</b>

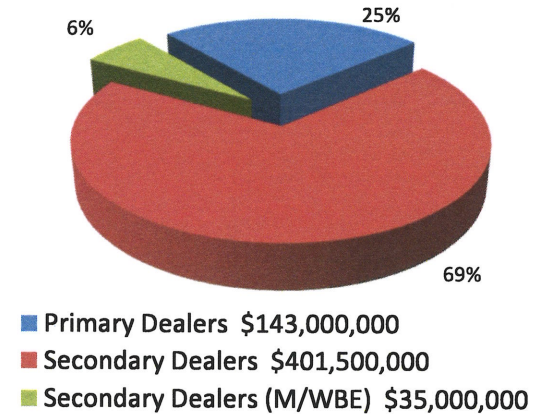
**Notes:**

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 18-19		
Description	Awarded	%
Bank of America	\$75,000,000	29.82%
Hilltop Securities Inc.	30,000,000	11.93%
Multi Bank Securities	25,000,000	9.94%
Piper Jaffray & Co.	61,500,000	24.45%
RBC Capital Markets, LLC	30,000,000	11.93%
Samco Capital Market	30,000,000	11.93%
<b>Total</b>	<b>\$251,500,000</b>	<b>100.00%</b>

**Broker/Dealer Activity FY18-19 to Date**





**CITY OF DALLAS**

**June 30, 2019**

**QUARTERLY INVESTMENT REPORT**

For the quarter ended June 30, 2019 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 Kowalskie

Treasury Manager: [Signature]