

# Memorandum

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CITY SECRETARY  
DALLAS, TEXAS



DATE May 16, 2014

TO Members of the Budget, Finance & Audit Committee:  
Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT Budget, Finance & Audit Committee Meeting

**Monday, May 19, 2014, 1:00 p.m.**

Dallas City Hall - 6ES, 1500 Marilla St., Dallas, TX 75201

The agenda for the meeting is as follows:

1. Consideration of minutes from the May 5, 2014 Budget, Finance & Audit Committee meeting
2. Office of the City Auditor Fiscal Year 2014  
Third Quarter Update  
Craig D. Kinton  
City Auditor
3. Upcoming Agenda Item: Global Positioning System  
for City Vehicles  
Kelly High, Director  
Sanitation Services  
  
Errick Thompson, Director  
Equipment and Building Services

## FYI

4. Quarterly Investment Report as of March 31, 2014

Jerry R. Allen, Chair  
Budget, Finance & Audit Committee

c: Honorable Mayor and Members of City Council  
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, Interim First Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager

Forest E. Turner, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Charles M. Cato, Interim Assistant City Manager  
Theresa O'Donnell, Interim Assistant City Manager  
Jeanne Chipperfield, Chief Financial Officer  
Shawn Williams, Interim Public Information Officer  
Elsa Cantu, Assistant to the City Manager

A quorum of the Dallas 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. Contemplated or pending litigation or matters where legal advice is requested of the City Attorney. Section 551.071 of the Texas Open Meetings Act.
2. The purchase, exchange, lease or value of real property, if the deliberation in an open meeting would have a detrimental effect on the position of the City in negotiations with a third person. Section 551.072 of the Texas Open Meetings Act.
3. A contract for a prospective gift or donation to the City, if the deliberation in an open meeting would have a detrimental effect on the position of the City in negotiations with a third person. Section 551.073 of the Texas Open Meetings Act.
4. Personnel matters involving the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee or to hear a complaint against an officer or employee. Section 551.074 of the Texas Open Meetings Act.
5. The deployment, or specific occasions for implementation of security personnel or devices. Section 551.076 of the Texas Open Meetings Act.

# **Budget, Finance & Audit Committee**

## **Meeting Record**

**Meeting Date:** 5.05.2014

**Convened:** 1:05 p.m.

**Adjourned:** 2:18 p.m.

### **Committee Members Present:**

Jerry R. Allen, Chair  
Sheffie Kadane

Jennifer S. Gates, Vice-Chair  
Tennell Atkins

Philip T. Kingston

### **Committee Members Absent:**

N/A

### **Other Council Members Present:**

N/A

### **Staff Present:**

Jeanne Chipperfield  
Jack Ireland  
Zeronda Smith  
Michael Frosch  
Ileana Fernandez

Craig Kinton  
Edward Scott  
Lance Sehorn  
Donna Lowe  
Priscylla Bento

Renee Hayden  
Forest Turner  
Nick Fehrenbach  
Ron King  
Errick Thompson

Barbara McAninch  
Daisy Fast  
Don Knight  
La Toya Jackson  
Filicia Hernandez

### **Others Present:**

Norman Gordon  
Jack Pous

### **AGENDA:**

#### **1. Approval of the April 21, 2014 Minutes**

**Presenter(s):**

**Information Only:** —

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

A motion was made to approve the April 21, 2014 minutes. Motion passed unanimously.

Motion made by: Philip T. Kingston

Motion seconded by: Sheffie Kadane

#### **2. Atmos Energy Corporation: Dallas Annual Rate Review**

**Presenter(s):** Jack Ireland, Director, Office of Financial Services

**Information Only:** —

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

A motion was made to forward to the City Council for consideration on Wednesday, May 14, 2014. Motion passed on a divided vote, with Councilmember Kingston voting in opposition.

Motion made by: Tennell Atkins

Motion seconded by: Sheffie Kadane

#### **3. FY 2014-15 Budget: Citizen Engagement Survey**

**Presenter(s):** Jack Ireland, Director, Office of Financial Services

**Information Only:** X

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

N/A

# **Budget, Finance & Audit Committee**

## **Meeting Record**

4. **Scrap Upcoming Agenda Item: Bids for Event Set-up and Janitorial Services at the Kay Bailey Hutchison Convention Center Dallas**

**Presenter(s): Ron King, Director, Convention and Event Services**

**Information Only: X**

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

A motion was made to forward to the City Council for consideration on Wednesday, May 14, 2014. Motion passed unanimously.

Motion made by: Tennell Atkins

Motion seconded by: Sheffie Kadane

**FYI**

5. **Upcoming Agenda Item: Supplemental Agreement No. 1 to the Contract for Service, Parts and Heating, Ventilation and Air Conditioning Equipment**

**Presenter(s):**

**Information Only: X**

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

A motion was made to forward to the City Council for consideration on Wednesday, May 14, 2014. Motion passed unanimously.

Motion made by: Tennell Atkins

Motion seconded by: Sheffie Kadane

6. **March 2014 Financial Forecast Report**

**Presenter(s):**

**Information Only: X**

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

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Jerry R. Allen, Chair  
Budget, Finance & Audit Committee

## Memorandum



**DATE:** May 15, 2014

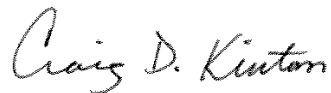
**TO:** Honorable Members of the Budget, Finance & Audit Committee –  
Jerry R. Allen (Chair); Jennifer Staubach Gates (Vice Chair);  
Tennell Atkins, Mayor Pro Tem; Sheffie Kadane; Philip T. Kingston

**SUBJECT:** Presentation to the Budget, Finance & Audit Committee:  
Office of the City Auditor Fiscal Year 2014 – Third Quarter Update

I will provide a briefing to the members of the Budget, Finance & Audit Committee on Monday, May 19, 2014 regarding:

- Office of the City Auditor Fiscal Year 2014 – Third Quarter Update

Sincerely,



Craig D. Kinton  
City Auditor

# Budget, Finance and Audit Committee

## Office of the City Auditor Fiscal Year 2014 – Third Quarter Update



City of Dallas  
Office of the City Auditor  
May 19, 2014



# Audit and Attestation Services Reports Issued

Second Quarter, Fiscal Year 2014

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- Audit of City of Dallas' Self-Insured Medical Program
- Audit of Arts and Cultural Program Funding
- Special Audit of the Accounts of Former City Attorney, Thomas P. Perkins, Jr.
- Audit of Contract Compliance – Office Depot
- Independent Auditor's Reports on Applying Agreed-Upon Procedures: Fiscal Year 2013 # 3 Weapons Destruction

# Audit and Attestation Services Reports Issued

Third Quarter to date, Fiscal Year 2014

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- Audit of the Department of Dallas Water Utilities' Wastewater Collection and Treatment Operations – Internal Controls over Chemical Supplies
- Confidential Limited Use Report: Audit of the Department of Dallas Water Utilities' Wastewater Collection and Treatment Operations – Internal Controls over Chemical Supplies
- Audit of Software License Compliance
- Special Audit of the Accounts of Former City Manager, Mary K. Suhm
- Fiscal Year 2013 Audit Follow-Up of Prior Audit Recommendations for Fiscal Years 2010 to 2012



# Audit and Attestation Services Reports Issued

Third Quarter to date, Fiscal Year 2014

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- Independent Auditor's Reports on Applying Agreed-Upon Procedures
  - Sole Source Procurement: AirIT Content Management Application – Renewals for Software License, Hardware Warranty and Support

# Investigative Services Reports Issued

Third Quarter to date, Fiscal Year 2014

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- Department of Sustainable Development and Construction – Harassment of Citizen

# Audit and Attestation Services

## Anticipated Report Releases

Third Quarter, Fiscal Year 2014

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- May 11, 2013 Election Costs Invoiced by Dallas County Elections Department
- Patriot's Crossing Development

# Audit and Attestation Services Projects In-Progress

Third Quarter, Fiscal Year 2014

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- Franchise Fees Review Through MuniServices (*Ongoing*)
- Sales/Use Tax Compliance Review Through MuniServices (*Ongoing*)
- Convention and Event Services – Controls over Cash Receipts and Collections
- South Dallas Fair Park Trust Fund
- Water Customer Billings
- Contract Monitoring
- Employees' Retirement Fund / Dallas Police Fire Pension System
- Parking Management Contract Oversight
- Payroll Audit
- Purchasing / Contracting Processes
- Tracking Firearms and Equipment
- Building Permits
- Fleet Maintenance
- Maintenance of Infrastructure
- Paving and Maintenance Program / Capital Program Streets and Thoroughfares



# **Audit and Attestation Services**

## **Anticipated Project Starts**

Third Quarter, Fiscal Year 2014

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- Revenue Estimates – Budgeted Revenues for Fiscal Year 2014-2015
- Agreed-Upon Procedures for Single Bid and Sole Source Engagements (as requested)

# Audit and Attestation Services Highlights

## Second Quarter, Fiscal Year 2014

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### ■ **Audit City of Dallas' Self-Insured Medical Program (February 14, 2014)**

- The City of Dallas' (City) Department of Human Resources (HR) has opportunities to improve administration and internal controls over the Self-Insured Medical Program (Program). Specifically:
  - Independent audits are not completed timely to verify Third Party Administrators (TPA) processed and paid medical and pharmacy claims in accordance with Program guidelines.
  - The HR does not have written procedures to ensure administrative fee payments are processed accurately and consistently.
  - Checks received in the benefits area are not routinely deposited by the next business day as required by Administrative Directive 4-13, *Cash and Debt Management Policies and Procedures*.
  - The HR does not always receive and review the TPAs' performance guarantee reports timely.
  - The City has not performed ongoing compliance monitoring activities and cannot ensure Protected Health Information (PHI) is properly protected as required by law.

# Audit and Attestation Services Highlights

Second Quarter, Fiscal Year 2014

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- **Audit of Arts and Cultural Program Funding (February 21, 2014)**
  - The Office of Cultural Affairs (OCA) has designed a process to demonstrate applications for funding are evaluated objectively and available funds are distributed fairly for the two main Cultural Contracts Programs: the Cultural Organization Program and the Cultural Projects Program.
  - The process includes: (1) application submission; (2) eligibility determination; (3) funding recommendations; (4) contracting; and, (4) expenditure reimbursement.
  - Monitoring controls, segregation of duties, and documentation for the Cultural Programs funding processes, however, can be improved to maximize efficiency and effectiveness.

# Audit and Attestation Services Highlights

Second Quarter, Fiscal Year 2014

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- **Special Audit of the Accounts of Former City Attorney, Thomas P. Perkins, Jr. (February 28, 2014)**
  - Accounts were in order
  - Access to the City of Dallas (City) systems was timely removed
  - No debt was owed to the City
  - All City items assigned were substantiated
  - Management Letter was issued that included certain compliance issues noted during the Special Audit; no formal response to these issues was requested of management and the Office will follow-up on these issues during subsequent audits to determine whether corrective actions were taken



# Audit and Attestation Services Highlights

Second Quarter, Fiscal Year 2014

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## ■ Audit of Contract Compliance – Office Depot (February 28, 2014)

- Between January 2006 and August 2010, the City of Dallas (City) incurred financial losses estimated to be between \$1.3 million to \$3.6 million resulting from Office Depot's non-compliance with certain terms of Master Agreement Number 42595 (contract). (Note: Office Depot disagreed with this conclusion.)
- The Department of Business Development and Procurement Services (BDPS) did not have formal contract monitoring policies and procedures in place to guide BDPS personnel in establishing monitoring oversight responsibilities and conducting routine monitoring activities to verify that Office Depot and City departments complied with the contract.
- Between June 2009 and August 2010, BDPS increased the Office Depot contract by approximately \$900,000 (14 percent of the original \$6.5 million contract) by processing 35 individual change orders. While allowable under Administrative Directive 4-5, Contracting Policy, the total result was a significant increase in purchasing authority under the contract without additional oversight or approval by the City Council.
- The City also paid \$272,373 for 941 office products which each exceeded the authorized limit of \$150 per Council Resolutions.

# Audit and Attestation Services Highlights

Second Quarter, Fiscal Year 2014

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## ■ Independent Auditor Reports on Applying Agreed-Upon Procedures

### □ Fiscal Year 2013 # 3 Weapons Destruction (January 15, 2014)

- 1,024 weapons were destroyed according to Agreed-Upon Procedures to assist the Dallas Police Department

#### *Exceptions Noted:*

- Seven weapons had incorrect serial numbers recorded in *Evidence Manager*. The serial numbers were re-run through the National Crime Information Center (NCIC) with no match.
- Two weapons had incorrect blue tag seal numbers.
- One weapon had an incorrect description.
- One weapon had an incorrect service number.

All discrepancies were corrected in *Evidence Manager* and verified by City Auditor personnel prior to the date of destruction.

# Audit and Attestation Services Highlights

Third Quarter to date, Fiscal Year 2014

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- **Audit of the Department of Dallas Water Utilities' Wastewater Collection and Treatment Operations – Internal Controls over Chemical Supplies (April 11, 2014)**
  - The Department of Dallas Water Utilities (DWU) Wastewater Collection and Treatment facilities have established certain controls over chemical supplies used in the wastewater treatment process.
  - Central and Southside facilities personnel do not have a formal receiving process to independently determine the reasonableness of the amount of chemical supplies received. As a result, DWU cannot readily determine that the City only pays for amounts received.
  - In Fiscal Year (FY) 2013, Budget versus Actual Reports showed expenditures for chemical supplies totaled \$4,024,442, or 27 percent, of the \$14,770,335 total supply expenditures at the wastewater facilities.

# Audit and Attestation Services Highlights

Third Quarter to date, Fiscal Year 2014

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- **Confidential Limited Use Report: Audit of the Department of Dallas Water Utilities' Wastewater Collection and Treatment Operations – Internal Controls over Chemical Supplies (April 11, 2014)**
  - The report issues and associated recommendations related to security over chemical supplies are omitted from the publicly released report based upon:
    - Government Auditing Standards, December 2011, Revision, Section 7.39 – 7.43, *Reporting Confidential and Sensitive Information*

# Audit and Attestation Services Highlights

Third Quarter to date, Fiscal Year 2014

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## ■ **Audit of Software License Compliance (April 11, 2014)**

- The City of Dallas (City) does not have an effective software asset management plan for the acquisition, use, and disposal of software. The City also cannot properly track software and assess software license compliance. Specifically:
  - Software licenses' usage and compliance cannot be readily identified
  - Administrative Directives are not consistently followed or clear
  - Annual software licenses' costs are not readily identifiable
  - Software license policy is not communicated effectively

# Audit and Attestation Services Highlights

Third Quarter to date, Fiscal Year 2014

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- **Special Audit of the Accounts of Former City Manager, Mary K. Suhm (May 2, 2014)**
  - Accounts were in order except for the following payroll software application calculation errors:
    - The employee's contribution amount to the Employees' Retirement Fund (ERF) (13.06 percent of the employee's final regular payroll and applicable lump sum payment) was incorrectly calculated. As a result, Ms. Suhm's ERF contribution was \$4,823.90 less than required.
    - The City of Dallas' (City) ERF contribution amount (12.94 percent of the employee's final regular payroll and applicable lump sum payment) was also incorrectly calculated. As a result, the City's ERF contribution was \$1,516.83 more than required.
  - Access to City systems was timely removed
  - All City items assigned were substantiated
  - Management Letter was issued that included an issue noted related to compliance with an Administrative Directive; no formal was requested of management and the Office will follow-up during subsequent audits to determine whether corrective actions were taken

# Audit and Attestation Services Highlights

Third Quarter to date, Fiscal Year 2014

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## ■ **Fiscal Year 2013 Audit Follow-Up of Prior Audit Recommendations for Fiscal Years 2010 to 2012 (May 9, 2014)**

- The City of Dallas (City) does not have adequate internal controls in place to ensure that audit recommendations (recommendations) are timely implemented and that identified financial, compliance, and operational risks are appropriately mitigated.
- The 38 percent implementation rate for the recommendations evaluated during the Fiscal Year (FY) 2013 follow-up audit was consistent with the two previous years' implementation rates of 35 percent (FY 2011) and 19 percent (FY 2012).
- The City is not adequately improving: (1) accountability through stronger financial controls; (2) compliance with laws and regulations; and, (3) service delivery by becoming more efficient and effective.
- While overall implementation rates were low, certain departments demonstrated commendable efforts to implement recommendations:
  - Equipment and Building Services
  - Aviation
  - Business Development and Procurement Services
  - Public Works

# Audit and Attestation Services Highlights

Third Quarter to date, Fiscal Year 2014



COMMITTEE OF SPONSORING  
ORGANIZATIONS OF THE TREADWAY COMMISSION

## Control Environment

1. Demonstrates commitment to integrity and ethical values
2. Exercises oversight responsibility
3. Establishes structure, authority and responsibility
4. Demonstrates commitment to competence
5. Enforces accountability

## Risk Assessment

6. Specifies suitable objectives
7. Identifies and analyzes risk
8. Assesses fraud risk
9. Identifies and analyzes significant change

## Control Activities

10. Selects and develops control activities
11. Selects and develops general controls over technology
12. Deploys through policies and procedures

## Information & Communication

13. Uses relevant information
14. Communicates internally
15. Communicates externally

## Monitoring Activities

16. Conducts ongoing and/or separate evaluations
17. Evaluates and communicates deficiencies



# Audit and Attestation Services Highlights

Third Quarter to date, Fiscal Year 2014

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- **Independent Auditor Reports on Applying Agreed-Upon Procedures**
  - **Sole Source Procurement: AirIT Content Management Application – Renewals for Software License, Hardware Warranty and Support, \$286,751 (April 10, 2014)**
    - The procurement met the exemptions from competitive bidding as specified in the State of Texas Local Government Code, Chapter 252.022, **General Exemptions (a) (7)** – *a procurement of items that are available from only one source.*

No exceptions were noted.

# Investigative Services Highlights

Third Quarter to date, Fiscal Year 2014

- **Department of Sustainable Development and Construction – Harassment of Citizen (April 2, 2014)**
  - Summarizes the results of an investigation of an allegation involving a Department of Sustainable Development and Construction (SDC) Senior Inspector harassing a City of Dallas (City) citizen.
  - Allegations were investigated by the Dallas Police Department – Public Integrity Unit (DPD-PIU); however, the citizen did not want to press charges. The Office of the City Auditor began its investigation and concluded that the Senior Inspector’s conduct violated numerous City Personnel Rules.
  - The SDC: (1) reviewed the allegations and evidence; (2) considered the seriousness of the allegations along with other concerns about the Senior Inspector’s job performance; and, (3) determined the appropriate disciplinary action was termination of employment.
  - The SDC and the Department of Human Resources initiated the termination procedure and, upon receiving the pre-termination hearing letter, the employee decided to retire as of March 18, 2014.

# QUESTIONS?



**City of Dallas  
Office of the City Auditor  
May 19, 2014**



# Memorandum



DATE: May 16, 2014

TO: Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair), Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT: Upcoming Agenda Item: Global Positioning System for City Vehicles

The May 28, 2014 Council Agenda includes an item for your consideration authorizing Supplemental Agreement Number 4 with Telogis, Inc. for support of the GPS system deployed in Sanitation Services' fleet for a five month term; not to exceed \$45,661 from \$821,715 to \$867,376. Staff is working on a new, Multi-Year GPS master agreement that would replace Sanitation Services' existing contract and make GPS services, and associated benefits, available to other departments and services at a lower, volume-based cost. This extension will ensure that the existing GPS services used by Sanitation Services remain active until a new GPS system is in place.

Multiple work groups have expressed interest in utilizing GPS services in order to realize safety and operational benefits just as Sanitation Services has since 2009 and private sector operation based entities have for several years. Sanitation Services' expiring contract provides an opportunity to seek a single, citywide agreement for GPS services; providing the City with increased buying power and reduced costs. Such an agreement offer numerous safety benefits and operational efficiencies, such as

- Theft deterrence;
- Solo driver emergency notification buttons;
- Data to enhance driver safety programs that recognize and reinforce desired driver behavior;
- Daily route progress monitoring, to allow supervisors to reallocate resources when needed;
- Route auditing capabilities (planned vs. actual) to allow management to identify areas of improvement;
- Enhanced dispatching to aid in sending the closest available vehicle to service calls; and
- Force multiplying by enabling staff in the field to capture and record specific locations of issues (i.e., code compliance issues, recycling participation rate, instances of blocked access, etc.).

A future master agreement would not encumber funds, but would establish firm pricing for equipment and services over a multi-year term. Implementation (equipment and services) would be ordered using the master agreement on an as needed basis for those services and vehicles where GPS could result in more efficient and effective service delivery. Pending

Council feedback, staff would anticipate having a proposed master agreement for Council consideration later this spring or in August.

Please let me know if you need additional information.



Forest E. Turner  
Assistant City Manager

cc: 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, Interim First Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Joey Zapata, Assistant City Manager  
Charles M. Cato, Interim Assistant City Manager  
Theresa O'Donnell, Interim Assistant City Manager  
Jeanne Chipperfield, Chief Financial Officer  
Shawn Williams, Interim Public Information Officer  
Elsa Cantu, Assistant to the City Manager –Mayor and Council

# Memorandum



CITY OF DALLAS

DATE May 16, 2014

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair),  
Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT Quarterly Investment Report as of March 31, 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 March 31, 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.

The agenda for the Monday, May 19, 2014 Budget Finance and Audit committee meeting includes the March 31, 2014 quarterly investment report. The executed quarterly investment report is attached.

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

Jeanne Chipperfield  
Chief Financial Officer

## Attachment

c: Honorable Mayor and Members of City Council  
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, Interim First Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
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Theresa O'Donnell, Interim Assistant City Manager  
Shawn Williams, Interim Public Information Officer  
Elsa Cantu, Assistant to the City Manager



**CITY OF DALLAS**

**QUARTERLY INVESTMENT REPORT**

**March 31, 2014**

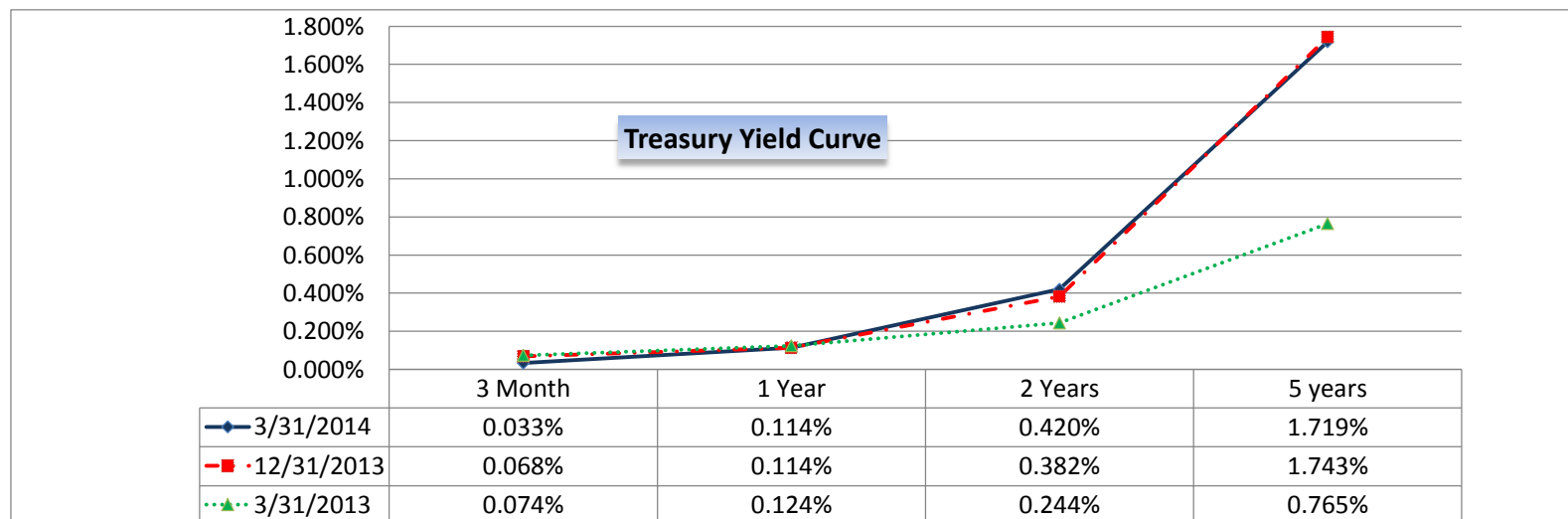
Quarterly National Economic and Market Update  
 Quarter Ended March 31, 2014

- Growth in economic activity slowed during the winter months, in part reflecting adverse weather conditions.
- With appropriate policy accommodation, economic activity will expand at a moderate pace and labor market conditions will continue to improve gradually.
- The Federal Open Market Committee (FOMC) affirmed its view that a highly accommodative stance of monetary policy remains appropriate.
- The FOMC anticipated that, even after employment and inflation are near mandate-consistent levels, economic conditions may, for some time, warrant keeping the target federal funds rate below levels the Committee views as normal in the longer run.

Source: FOMC Statement March 19, 2014

National Economic Data	3/31/2013	3/31/2014
Fed Funds Rate	0.00% -0.25%	0.00% -0.25%
2 Years Treasury Note	0.244%	0.420%
10 Years Treasury Note	1.849%	2.719%
Monthly Unemployment Rate	7.50%	6.70%
Weekly Initial Jobless Claims	388,000	332,000
Monthly Change in Nonfarm Payrolls	141,000	192,000
Monthly New Housing Starts	1,005,000	946,000

Source: Bloomberg



Source: Bloomberg



**City of Dallas**  
**Portfolio Holdings**  
**Combined Investment Summary**  
**As of 03/31/2014**

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	1,338,071,604	1,341,507,916	1,341,658,917	1,475,871	1,343,134,788	151,002	0.40%
02 Convention Center Reserve	18,900,000	18,901,577	18,943,788	9,060	18,952,848	42,211	0.39%
03 Water Reserve	90,000,000	89,900,265	89,910,680	86,153	89,996,833	10,415	0.58%
04 Art Endowment	2,235,000	2,235,000	2,237,470	1,304	2,238,773	2,470	0.35%
05 Ida Green Library Fund	1,000,000	998,956	999,545	0	999,545	589	0.16%
10 DWU Commercial Paper Program	1,240,196	1,240,196	1,240,196	0	1,240,196	-	0.02%
14 Trinity Parkway Escrow	546,373	546,373	546,373	0	546,373	-	0.01%
16 Oncor Electric Escrow	54,595	54,595	54,595	0	54,595	-	0.01%
17 GO Commercial Paper Program	853,347	853,347	853,347	0	853,347	-	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: 12/31/13 - 03/31/14

Portfolio Description	Beginning Face Amount	Beginning Yield To Maturity	Purchased/Deposited	Matured/Called/ Redeemed	Ending Face Amount	Ending Yield To Maturity
<b>City's Investment Pool*</b>						
Federal Agricultural Mortgage Corp.	70,000,000	0.56%	12,000,000	-	82,000,000	0.60%
Federal Farm Credit Bank	252,768,000	0.38%	5,000,000	30,000,000	227,768,000	0.39%
Federal Home Loan Bank	226,000,000	0.34%	80,000,000	61,000,000	245,000,000	0.38%
Federal Home Loan Mortgage Corp.	266,853,000	0.38%	142,000,000	85,000,000	323,853,000	0.57%
Federal National Mortgage Assoc.	169,340,000	0.27%	100,000,000	45,000,000	224,340,000	0.45%
<b>Total</b>	<b>984,961,000</b>	<b>0.36%</b>	<b>339,000,000</b>	<b>221,000,000</b>	<b>1,102,961,000</b>	<b>0.47%</b>
<i>*Trade activity excludes local government investment pools and money market mutual funds.</i>						
<b>Convention Center Reserve</b>						
Federal National Mortgage Assoc.	18,900,000	0.39%	-	-	18,900,000	0.39%
<b>Total</b>	<b>18,900,000</b>	<b>0.39%</b>	<b>-</b>	<b>-</b>	<b>18,900,000</b>	<b>0.39%</b>
<b>Water Reserve</b>						
Federal Farm Credit Bank	5,000,000	-	-	-	5,000,000	0.30%
Federal Home Loan Bank	40,000,000	0.28%	-	20,000,000	20,000,000	0.37%
Federal Home Loan Mortgage Corp.	45,000,000	0.46%	20,000,000	-	65,000,000	0.67%
<b>Total</b>	<b>90,000,000</b>	<b>0.36%</b>	<b>20,000,000</b>	<b>20,000,000</b>	<b>90,000,000</b>	<b>0.58%</b>
<b>Art Endowment</b>						
Federal Farm Credit Bank	2,235,000	0.35%	-	-	2,235,000	0.35%
<b>Total</b>	<b>2,235,000</b>	<b>0.35%</b>	<b>-</b>	<b>-</b>	<b>2,235,000</b>	<b>0.35%</b>
<b>Ida Green Library Endowment</b>						
Federal National Mortgage Assoc.	1,000,000	0.16%	-	-	1,000,000	0.16%
<b>Total</b>	<b>1,000,000</b>	<b>0.16%</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>	<b>0.16%</b>
<b>DWU Commercial Paper</b>						
Money Market - Tax Exempt	4,354,929	0.04%	129,185	3,243,917	1,240,196	0.02%
<b>Total</b>	<b>4,354,929</b>	<b>0.04%</b>	<b>129,185</b>	<b>3,243,917</b>	<b>1,240,196</b>	<b>0.02%</b>
<b>GO Commercial Paper</b>						
Money Market - Tax Exempt	1	0.02%	853,347	1	853,347	0.02%
<b>Total</b>	<b>1</b>	<b>0.02%</b>	<b>853,347</b>	<b>1</b>	<b>853,347</b>	<b>0.02%</b>
<b>Trinity Parkway Escrow</b>						
Money Market	546,359	0.01%	14	-	546,373	0.01%
<b>Total</b>	<b>546,359</b>	<b>0.01%</b>	<b>14</b>	<b>-</b>	<b>546,373</b>	<b>0.01%</b>
<b>Oncor Electric Escrow</b>						
Money Market	54,594	0.01%	1	-	54,595	0.01%
<b>Total</b>	<b>54,594</b>	<b>0.01%</b>	<b>1</b>	<b>-</b>	<b>54,595</b>	<b>0.01%</b>

City of Dallas  
Summary Statement by Portfolio  
As of: 12/31/13 - 03/31/14

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
<b>City's Investment Pool<sup>1</sup></b>										
Local Govt. Investment Pool	132,106,533	184,106,533	132,106,533	184,106,533	132,106,533	184,106,533	52,000,000	-	-	0.09%
Money Market	54,984,071	51,004,071	54,984,071	51,004,071	54,984,071	51,004,071	(3,980,000)	-	-	0.05%
US Agency	984,961,000	1,102,961,000	988,166,855	1,106,397,312	988,852,827	1,106,548,313	118,000,000	(1,678,854)	1,475,871	0.47%
<b>*Total</b>	<b>1,172,051,604</b>	<b>1,338,071,604</b>	<b>1,175,257,459</b>	<b>1,341,507,916</b>	<b>1,175,943,431</b>	<b>1,341,658,917</b>	<b>166,020,000</b>	<b>(1,678,854)</b>	<b>1,475,871</b>	<b>0.40%</b>
<b>Convention Center Reserve<sup>2</sup></b>										
US Agency	18,900,000	18,900,000	18,901,982	18,901,577	18,934,440	18,943,788	-	9,348	9,060	0.39%
<b>Total</b>	<b>18,900,000</b>	<b>18,900,000</b>	<b>18,901,982</b>	<b>18,901,577</b>	<b>18,934,440</b>	<b>18,943,788</b>	<b>-</b>	<b>9,348</b>	<b>9,060</b>	<b>0.39%</b>
<b>Water Reserve<sup>2</sup></b>										
US Agency	90,000,000	90,000,000	90,052,436	89,900,265	90,101,500	89,910,680	-	(48,420)	86,153	0.58%
<b>Total</b>	<b>90,000,000</b>	<b>90,000,000</b>	<b>90,052,436</b>	<b>89,900,265</b>	<b>90,101,500</b>	<b>89,910,680</b>	<b>-</b>	<b>(48,420)</b>	<b>86,153</b>	<b>0.58%</b>
<b>Art Endowment<sup>3</sup></b>										
US Agency	2,235,000	2,235,000	2,235,000	2,235,000	2,234,676	2,237,470	-	2,794	1,304	0.35%
<b>Total</b>	<b>2,235,000</b>	<b>2,235,000</b>	<b>2,235,000</b>	<b>2,235,000</b>	<b>2,234,676</b>	<b>2,237,470</b>	<b>-</b>	<b>2,794</b>	<b>1,304</b>	<b>0.35%</b>
<b>Ida Green Library Endowment<sup>4</sup></b>										
US Agency	1,000,000	1,000,000	998,556	998,956	998,835	999,545	-	710	-	0.16%
<b>Total</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>998,556</b>	<b>998,956</b>	<b>998,835</b>	<b>999,545</b>	<b>-</b>	<b>710</b>	<b>-</b>	<b>0.16%</b>
<b>DWU Commercial Paper<sup>5</sup></b>										
Money Market - Tax Exempt	4,354,929	1,240,196	4,354,929	1,240,196	4,354,929	1,240,196	(3,114,732)	-	-	0.02%
<b>Total</b>	<b>4,354,929</b>	<b>1,240,196</b>	<b>4,354,929</b>	<b>1,240,196</b>	<b>4,354,929</b>	<b>1,240,196</b>	<b>(3,114,732)</b>	<b>-</b>	<b>-</b>	<b>0.02%</b>
<b>GO Commercial Paper<sup>5</sup></b>										
Money Market - Tax Exempt	1	853,347	1	853,347	1	853,347	853,346	-	-	0.02%
<b>Total</b>	<b>1</b>	<b>853,347</b>	<b>1</b>	<b>853,347</b>	<b>1</b>	<b>853,347</b>	<b>853,346</b>	<b>-</b>	<b>-</b>	<b>0.02%</b>
<b>Trinity Parkway Escrow<sup>6</sup></b>										
Money Market	546,359	546,373	546,359	546,373	546,359	546,373	14	-	-	0.01%
<b>Total</b>	<b>546,359</b>	<b>546,373</b>	<b>546,359</b>	<b>546,373</b>	<b>546,359</b>	<b>546,373</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>0.01%</b>
<b>Oncor Electric Escrow<sup>7</sup></b>										
Money Market	54,594	54,595	54,594	54,595	54,594	54,595	1	-	-	0.01%
<b>Total</b>	<b>54,594</b>	<b>54,595</b>	<b>54,594</b>	<b>54,595</b>	<b>54,594</b>	<b>54,595</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>0.01%</b>

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: 12/31/13 - 03/31/14**

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**STRATEGY COMPLIANCE STATEMENT**

For the quarter ended March 31, 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.

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**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**

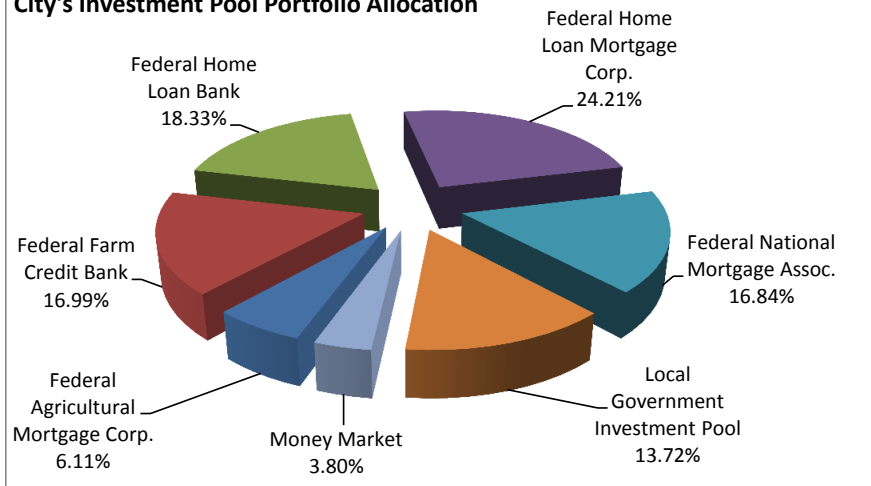
The Trinity Parkway Escrow portfolio was created with the deposit of \$5,000,000 on November 16, 1999 in an escrow account in accordance with an agreement dated as of January 1, 1999 between the City and the North Texas Tollway Authority ("NTTA") pertaining to development of the Trinity Parkway. A subsequent 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**

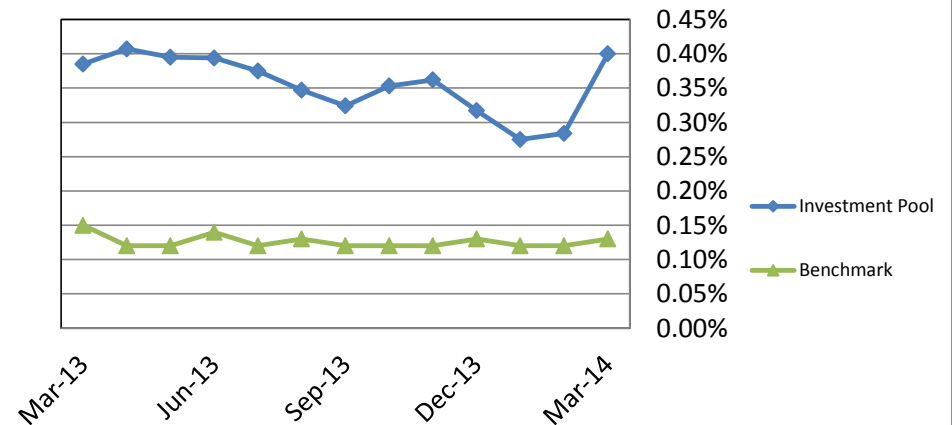
The Oncor Electric Escrow portfolio was created with the deposit of \$4,500,000 in December 2007 in an escrow account in accordance with an agreement dated as of July 13, 2007 between the City and the Oncor Electric Delivery Company LLC pertaining to the development of the West Levee to Norwood Transmission 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 03/31/2014**

**City's Investment Pool Portfolio Allocation**



**Yield Comparison**



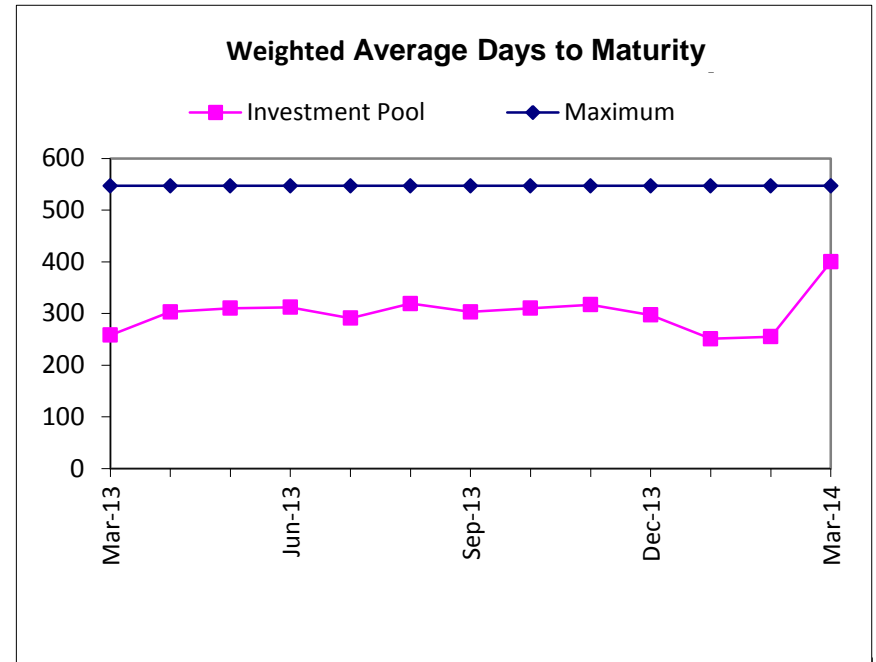
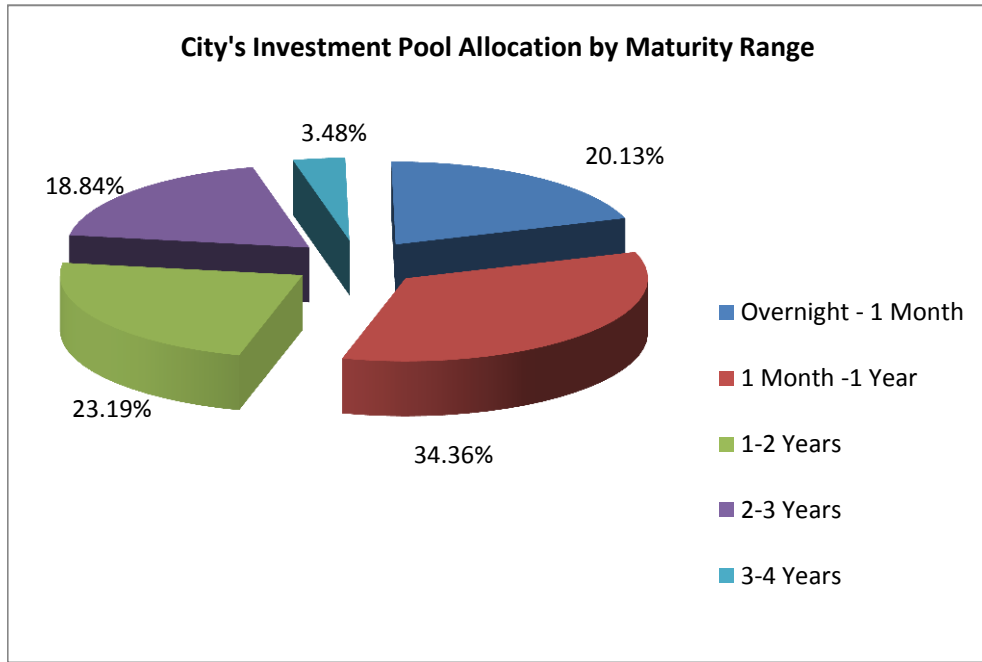
Description	Face Amount	Book Value	Market Value	*Unrealized Gain/(Loss)	Weighted Average Days To Maturity	Yield To Maturity	% of Portfolio
Federal Agricultural Mortgage Corp.	82,000,000	81,972,387	82,102,684	130,297	520	0.60%	6.11%
Federal Farm Credit Bank	227,768,000	227,901,832	228,115,551	213,719	299	0.39%	16.99%
Federal Home Loan Bank	245,000,000	245,855,869	245,909,350	53,481	422	0.38%	18.33%
Federal Home Loan Mortgage Corp.	323,853,000	324,737,372	324,669,457	(67,915)	601	0.57%	24.21%
Federal National Mortgage Assoc.	224,340,000	225,929,852	225,751,272	(178,580)	559	0.45%	16.84%
Local Government Investment Pool	184,106,533	184,106,533	184,106,533	-	1	0.09%	13.72%
Money Market	51,004,071	51,004,071	51,004,071	-	1	0.05%	3.80%
<b>**Total</b>	<b>1,338,071,604</b>	<b>1,341,507,916</b>	<b>1,341,658,917</b>	<b>151,002</b>	<b>400</b>	<b>0.40%</b>	<b>100.00%</b>

\* 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

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.

**City of Dallas**  
**City's Investment Pool Allocation by Maturity Range**  
**As of 03/31/2014**



Description	Face Amount/Shares	Book Value	Market Value	Yield To Maturity	Weighted Average Days To Maturity	% of Portfolio
Overnight - 1 Month	270,110,604	270,110,530	270,110,604	0.15%	1	20.13%
1 Month - 1 Year	459,861,000	460,945,748	461,342,855	0.30%	172	34.36%
1-2 Years	309,100,000	311,043,580	311,311,212	0.38%	507	23.19%
2-3 Years	252,000,000	252,755,014	252,272,455	0.71%	947	18.84%
3-4 Years	47,000,000	46,653,043	46,621,791	1.22%	1,278	3.48%
<b>*Total</b>	<b>1,338,071,604</b>	<b>1,341,507,916</b>	<b>1,341,658,917</b>	<b>0.40%</b>	<b>400</b>	<b>100%</b>

\* 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	%
<b>Primary Dealers</b>		
Bank of America	\$20,000,000	3.98%
Jefferies & Co.	20,000,000	3.98%
Cantor Fitzgerald	15,000,000	2.98%
JPMorgan*	81,000,000	16.10%
<b>Secondary Dealers</b>		
Coastal Securities	30,000,000	5.96%
First Southwest	75,100,000	14.93%
Raymond James and Associates	22,000,000	4.37%
Vining Sparks	5,000,000	0.99%
Samco Capital Market	25,000,000	4.97%
Wells Fargo	40,000,000	7.95%
<b>Secondary Dealers - M/WBE</b>		
Duncan Williams - M/WBE	15,000,000	2.98%
Loop Capital - M/WBE	30,000,000	5.96%
Ramirez & Co. - M/WBE	20,000,000	3.98%
Rice Financial - M/WBE	100,000,000	19.88%
Williams Capital - M/WBE	5,000,000	0.99%
<b>Total</b>	<b>\$503,100,000</b>	<b>100.00%</b>

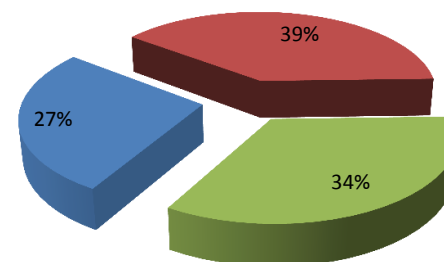
Notes:  
 Section 9 of the City's investment Policy requires the investment committee to annually review and adopt a list of qualified broker/dealers. These firms represent the broker dealer firms that are currently approved by the Investment Committee as of February 2014.

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.

Q2 FY 13-14		
Description	Awarded	%
Bank of America	\$20,000,000	5.76%
Cantor Fitzgerald	15,000,000	4.32%
Coastal Securities	15,000,000	4.32%
Duncan Williams - M/WBE	5,000,000	1.44%
First Southwest	50,000,000	14.41%
Jefferies & Co.	15,000,000	4.32%
JPMorgan*	35,000,000	10.09%
Loop Capital - M/WBE	5,000,000	1.44%
Ramirez & Co. - M/WBE	20,000,000	5.76%
Raymond James and Associates	22,000,000	6.34%
Rice Financial - M/WBE	75,000,000	21.61%
Samco Capital Market	25,000,000	7.20%
Wells Fargo	40,000,000	11.53%
Williams Capital - M/WBE	5,000,000	1.44%
<b>Total</b>	<b>\$347,000,000</b>	<b>100.00%</b>

**Broker/Dealer Activity FY13-14 to Date**



- Primary Dealers \$136,000,000
- Secondary Dealers \$197,100,000
- Secondary Dealers (M/WBE) \$170,000,000

**CITY OF DALLAS**  
**QUARTERLY INVESTMENT REPORT**

**March 31, 2014**

For the quarter ended March 31, 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.

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Chief Financial Officer: 

City Controller: 

Treasury Manager: 