

Memorandum



CITY OF DALLAS

DATE November 1, 2013

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

SUBJECT Quarterly Investment Report as of September 30, 2013

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, 2013 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, November 4, 2013 Budget Finance and Audit committee meeting includes the September 30, 2013 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: A.C. Gonzalez, Interim City Manager
Warren M.S. Ernst, City Attorney
Rosa Rios, City Secretary
Craig Kinton, City Auditor
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
Edward Scott, City Controller
Elsa Cantu, Assistant to the City Manager



CITY OF DALLAS

QUARTERLY INVESTMENT REPORT

September 30, 2013

Quarterly National Economic and Market Update
 Quarter Ended September 30, 2013

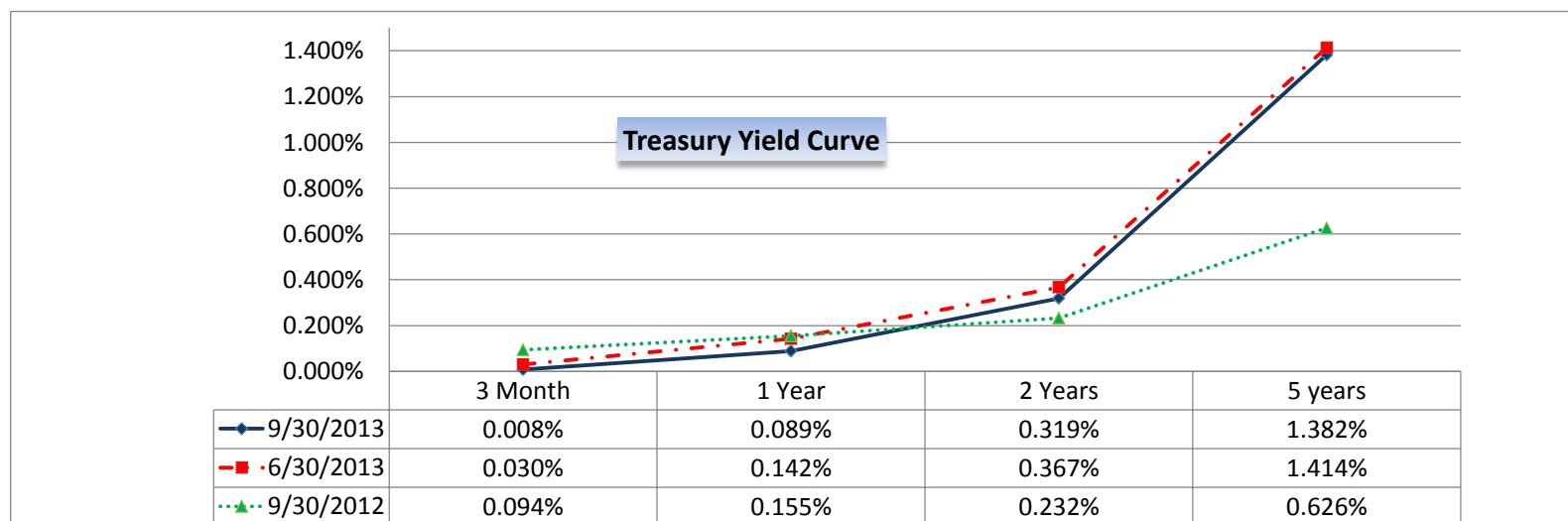
- Moderate economic expansion slower than had been anticipated, with rising fiscal policy risk
- Continued improvement in the housing sector, supported by rising employment and income and by improved credit availability
- Inflation was anticipated to rise gradually over the next few years, with expected inflation to not exceed the two percent objective in 2016.
- Federal funds rate would remain at low level for the next few years
- Federal Open Market Committee (FOMC) decided on September 18, 2013 to maintain its current pace of asset purchase at \$85 billion per month

Source: FOMC Statement and Minutes September 18, 2013

National Economic Data	9/30/2012	9/30/2013
Fed Funds Rate	0.00% -0.25%	0.00% -0.25%
2 Years Treasury Note	0.232%	0.367%
10 Years Treasury Note	1.634%	2.611%
Monthly Unemployment Rate	7.80%	7.3%*
Weekly Initial Jobless Claims	368,000	308,000
Monthly Change in Nonfarm Payrolls	138,000	169,000*
Monthly New Housing Starts	854,000	891,000*

Note: *August 2013 data. In October 2013, the U.S. Federal Government experienced a partial shutdown resulting in the delay of economic data.

Source: Bloomberg



Source: Bloomberg

City of Dallas
Portfolio Holdings
Combined Investment Summary
As of 09/30/2013

Portfolio Description	Face Amount	Book Value	Market Value	Accrued Interest	Market Value + Accrued Interest	*Unrealized Gain/(Loss)	Weighted Average Days To Maturity	Yield To Maturity	% of Portfolio
01 The City's Investment Pool	1,197,951,604	1,201,799,847	1,202,916,584	1,504,190	1,204,420,774	1,116,737	303	0.32%	91.26%
02 Convention Center Reserve	18,900,000	18,902,397	18,936,768	8,850	18,945,618	34,371	547	0.39%	1.44%
03 Water Reserve	80,000,000	80,063,500	80,130,240	95,165	80,225,405	66,740	503	0.44%	6.08%
04 Art Endowment	2,235,000	2,235,000	2,234,368	1,304	2,235,671	(633)	668	0.35%	0.17%
05 Ida Green Library Fund	1,000,000	999,803	1,000,459	1,281	1,001,740	656	58	0.50%	0.08%
10 DWU Commercial Paper Program	4,496,941	4,496,941	4,496,941	0	4,496,941	-	1	0.02%	0.34%
14 Trinity Parkway Escrow	602,683	602,683	602,683	0	602,683	-	1	0.01%	0.05%
16 Oncor Electric Escrow	54,592	54,592	54,592	0	54,592	-	1	0.01%	0.00%
17 GO Commercial Paper Program	7,737,404	7,737,404	7,737,404	0	7,737,404	-	1	0.02%	0.59%
**Total	1,312,978,224	1,316,892,167	1,318,110,038	1,610,790	1,319,720,828	1,217,871	316	0.33%	100.00%

*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.

** Numbers may not sum due to rounding

City of Dallas
Trade Activity by Portfolio
As of: 06/30/13 - 09/30/13

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.	50,000,000	0.72%	-	-	50,000,000	0.72%
Federal Farm Credit Bank	232,768,000	0.46%	60,000,000	25,000,000	267,768,000	0.44%
Federal Home Loan Bank	326,000,000	0.39%	-	155,000,000	171,000,000	0.40%
Federal Home Loan Mortgage Corp.	271,853,000	0.40%	50,000,000	25,000,000	296,853,000	0.38%
Federal National Mortgage Assoc.	189,240,000	0.47%	-	80,000,000	109,240,000	0.29%
Total	1,069,861,000	0.44%	110,000,000	285,000,000	894,861,000	0.41%

*Trade activity excludes local government investment pools and money market mutual funds.

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 Home Loan Bank	47,000,000	0.30%	-	7,000,000	40,000,000	0.28%
Federal Home Loan Mortgage Corp.	30,000,000	0.46%	-	-	30,000,000	0.46%
Federal National Mortgage Assoc.	10,000,000	1.05%	-	-	10,000,000	1.05%
Total	87,000,000	0.44%	-	7,000,000	80,000,000	0.44%

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 Home Loan Bank	1,000,000	0.50%	-	-	1,000,000	0.50%
Total	1,000,000	0.50%	-	-	1,000,000	0.50%

DWU Commercial Paper						
Money Market - Tax Exempt	3,473,840	0.02%	1,023,101	-	4,496,941	0.02%
Total	3,473,840	0.02%	1,023,101	-	4,496,941	0.02%

GO Commercial Paper						
Money Market - Tax Exempt	12,380,781	0.02%	-	4,643,377	7,737,404	0.02%
*Total	12,380,781	0.02%	-	4,643,377	7,737,404	0.02%

Trinity Parkway Escrow						
Money Market	846,415	0.00%	20	243,753	602,683	0.01%
Total	846,415	0.00%	20	243,753	602,683	0.01%

Oncor Electric Escrow						
Money Market	54,591	0.01%	1	-	54,592	0.01%
Total	54,591	0.01%	1	-	54,592	0.01%

* Numbers may not sum due to rounding

City of Dallas
Summary Statement by Portfolio
As of: 06/30/13 - 09/30/13

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	64,106,533	207,106,533	64,106,533	207,106,533	64,106,533	207,106,533	143,000,000	-	-	0.09%
Money Market	77,984,071	95,984,071	77,984,071	95,984,071	77,984,071	95,984,071	18,000,000	-	-	0.06%
US Agency	1,069,861,000	894,861,000	1,075,048,873	898,709,243	1,075,667,846	899,825,980	(175,000,000)	(799,337)	1,504,190	0.41%
Total	1,211,951,604	1,197,951,604	1,217,139,477	1,201,799,847	1,217,758,450	1,202,916,584	(14,000,000)	(799,337)	1,504,190	0.32%
Convention Center Reserve²										
US Agency	18,900,000	18,900,000	18,902,811	18,902,397	18,908,011	18,936,768	-	28,757	8,850	0.39%
Total	18,900,000	18,900,000	18,902,811	18,902,397	18,908,011	18,936,768	-	28,757	8,850	0.39%
Water Reserve²										
US Agency	87,000,000	87,000,000	87,083,516	80,063,500	87,095,353	80,130,240	(7,000,000)	34,887	95,165	0.44%
Total	87,000,000	87,000,000	87,083,516	80,063,500	87,095,353	80,130,240	(7,000,000)	34,887	95,165	0.44%
Art Endowment³										
US Agency	2,235,000	2,235,000	2,235,000	2,235,000	2,227,258	2,234,368	-	7,110	1,304	0.35%
Total	2,235,000	2,235,000	2,235,000	2,235,000	2,227,258	2,234,368	-	7,110	1,304	0.35%
Ida Green Library Endowment⁴										
US Agency	1,000,000	1,000,000	999,490	999,803	1,000,952	1,000,459	-	(493)	1,281	0.50%
Total	1,000,000	1,000,000	999,490	999,803	1,000,952	1,000,459	-	(493)	1,281	0.50%
DWU Commercial Paper⁵										
Money Market - Tax Exempt	3,473,840	4,496,941	3,473,840	4,496,941	3,473,840	4,496,941	1,023,101	-	-	0.02%
Total	3,473,840	4,496,941	3,473,840	4,496,941	3,473,840	4,496,941	1,023,101	-	-	0.02%
GO Commercial Paper⁵										
Money Market - Tax Exempt	12,380,781	7,737,404	12,380,781	7,737,404	12,380,781	7,737,404	(4,643,377)	-	-	0.02%
Total	12,380,781	7,737,404	12,380,781	7,737,404	12,380,781	7,737,404	(4,643,377)	-	-	0.02%
Trinity Parkway Escrow⁶										
Money Market	846,415	602,683	846,415	602,683	846,415	602,683	(243,733)	-	-	0.01%
Total	846,415	602,683	846,415	602,683	846,415	602,683	(243,733)	-	-	0.00%
Oncor Electric Escrow⁷										
Money Market	54,591	54,592	54,591	54,592	54,591	54,592	1	-	-	0.01%
*Total	54,591	54,592	54,591	54,592	54,591	54,592	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: 06/30/13 - 09/30/13

STRATEGY COMPLIANCE STATEMENT

For the quarter ended September 30, 2013 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

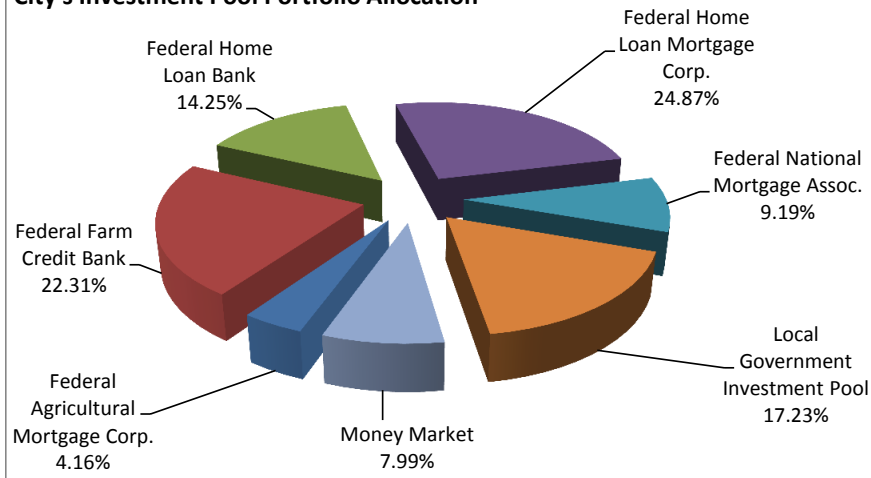
The Trinity Parkway Escrow portfolio was created with the deposit of \$5,000,000 on November 16, 1999 in an escrow account in accordance with an agreement dated as of January 1, 1999 between the City and the North Texas Tollway Authority ("NTTA") pertaining to development of the Trinity Parkway. A subsequent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

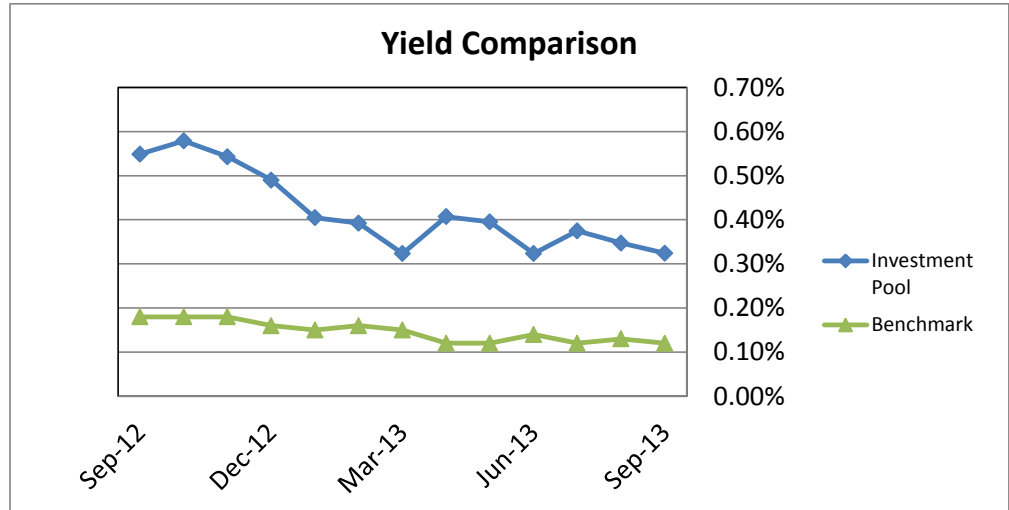
The Oncor Electric Escrow portfolio was created with the deposit of \$4,500,000 in December 2007 in an escrow account in accordance with an agreement dated as of July 13, 2007 between the City and the Oncor Electric Delivery Company LLC pertaining to the development of the West Levee to Norwood Transmission 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 09/30/2013

City's Investment Pool Portfolio Allocation



Yield Comparison



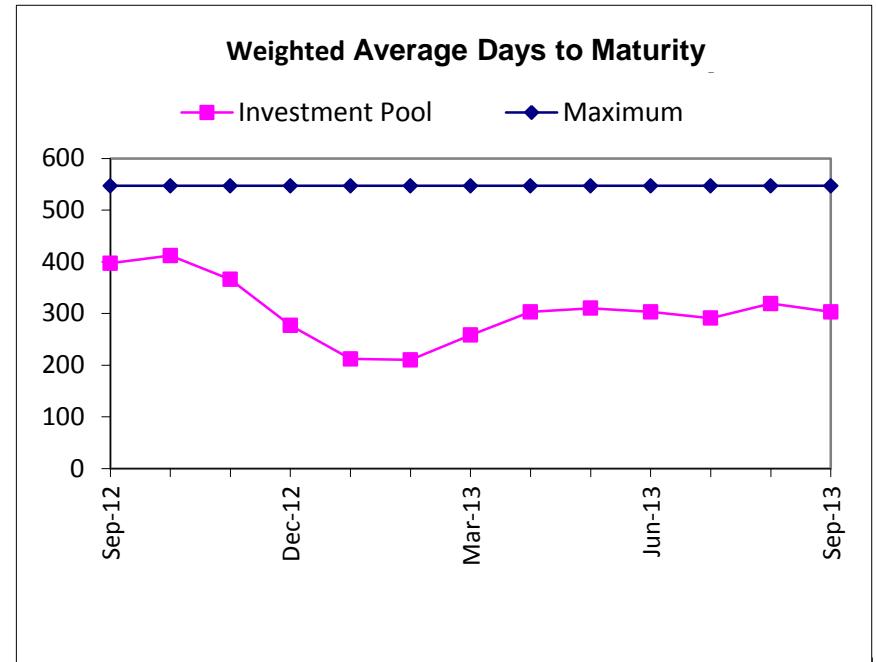
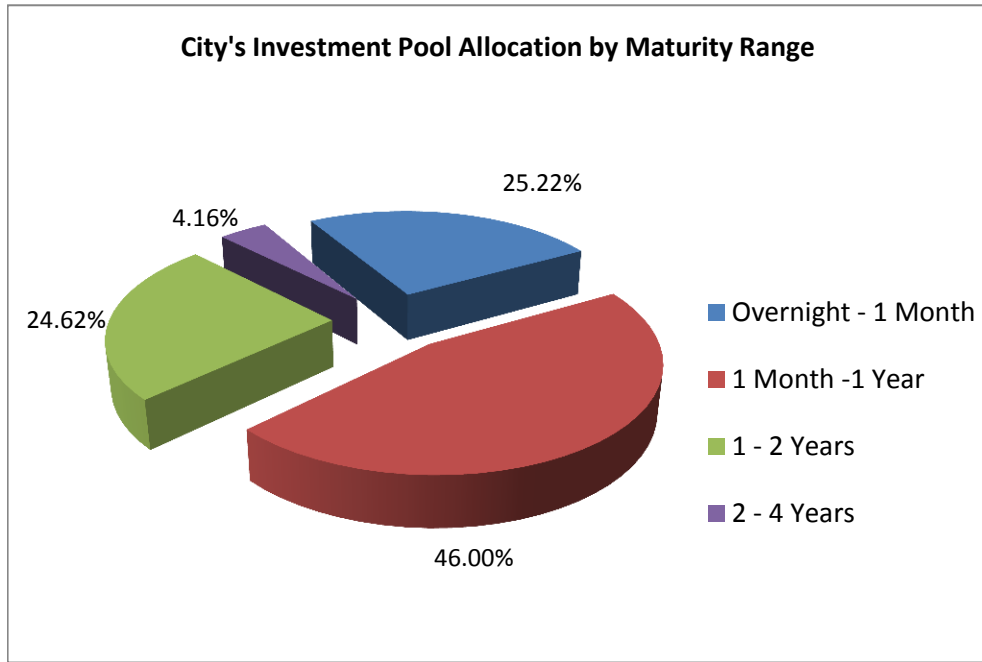
Description	Face Amount	Book Value	Market Value	*Unrealized Gain/(Loss)	Weighted Average Days To Maturity	Yield To Maturity	% of Portfolio
Federal Agricultural Mortgage Corp.	50,000,000	50,000,000	50,222,010	222,010	704	0.72%	4.16%
Federal Farm Credit Bank	267,768,000	268,080,695	268,360,719	280,024	428	0.44%	22.31%
Federal Home Loan Bank	171,000,000	171,307,064	171,550,806	243,742	322	0.39%	14.25%
Federal Home Loan Mortgage Corp.	296,853,000	298,932,384	299,236,377	303,994	409	0.37%	24.87%
Federal National Mortgage Assoc.	109,240,000	110,389,101	110,456,068	66,967	333	0.29%	9.19%
Local Government Investment Pool	207,106,533	207,106,533	207,106,533	-	1	0.09%	17.23%
Money Market	95,984,071	95,984,071	95,984,071	-	1	0.06%	7.99%
**Total	1,197,951,604	1,201,799,847	1,202,916,584	1,116,737	303	0.32%	100.00%

* 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 09/30/2013



Description	Face Amount/Shares	Book Value	Market Value	Yield To Maturity	Weighted Average Days To Maturity	% of Portfolio
Overnight - 1 Month	303,090,604	303,090,604	303,090,604	0.08%	1	25.22%
1 Month - 1 Year	549,861,000	552,865,507	553,601,500	0.36%	237.02	46.00%
1 - 2 Years	295,000,000	295,843,736	296,083,515	0.42%	628	24.62%
2 - 4 Years	50,000,000	50,000,000	50,140,965	0.88%	944	4.16%
*Total	1,197,951,604	1,201,799,847	1,202,916,584	0.32%	303	100.00%

* Numbers may not sum due to rounding

City of Dallas
 Date To Date
 Broker/Dealer Activity
 As of: FY 12-13 to Date

FY 12-13 to Date		
Description	Awarded	%
Primary Dealers		
Bank of America	60,000,000	9.44%
Jefferies & Co.	15,000,000	2.36%
JPMorgan	118,653,000	18.67%
Secondary Dealers		
Coastal Securities	50,000,000	7.87%
Comerica Securities	5,000,000	0.79%
Crews and Associates	10,000,000	1.57%
First Southwest	90,000,000	14.16%
Raymond James and Associates	10,000,000	1.57%
Oppenheimer & Co.	17,000,000	2.67%
Vining Sparks	15,000,000	2.36%
Wells Fargo	10,000,000	1.57%
Secondary Dealers - MWBE		
Duncan Williams - MWBE	55,000,000	8.65%
Loop Capital - MWBE	15,000,000	2.36%
Rice Financial - MWBE	145,003,000	22.81%
Williams Capital - MWBE	20,000,000	3.15%
Total	635,656,000	100.00%

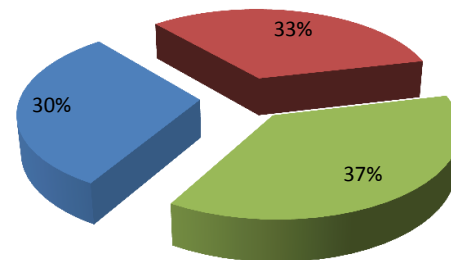
Notes:

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 2013.

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

Q4 FY 12-13		
Description	Awarded	%
Comerica Securities	5,000,000	4.55%
Crews and Associates	10,000,000	9.09%
Duncan Williams	20,000,000	18.18%
First Southwest	20,000,000	18.18%
Jefferies & Co.	10,000,000	9.09%
Rice Financial	35,000,000	31.82%
Wells Fargo	10,000,000	9.09%
Total	110,000,000	100.00%

Broker/Dealer Activity FY12-13 to Date



- Primary Dealers 193,653,000
- Secondary Dealers 207,000,000
- Secondary Dealers (MWBE) 235,003,000

CITY OF DALLAS
QUARTERLY INVESTMENT REPORT

September 30, 2013

For the quarter ended September 30, 2013 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: 