

Memorandum



CITY OF DALLAS

DATE September 2, 2016

TO Members of the Budget, Finance & Audit Committee: Jennifer S. Gates (Chair), Philip T. Kingston (Vice Chair), Erik Wilson, Rickey D. Callahan, Scott Griggs, Lee M. Kleinman

SUBJECT June 30, 2016 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. 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 June 30, 2016 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.


Jeanne Chipperfield
Chief Financial Officer

Attachment

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Christopher D. Bowers, Interim City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge

Ryan S. Evans, First Assistant City Manager
Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor & Council



CITY OF DALLAS

June 30, 2016

QUARTERLY INVESTMENT REPORT



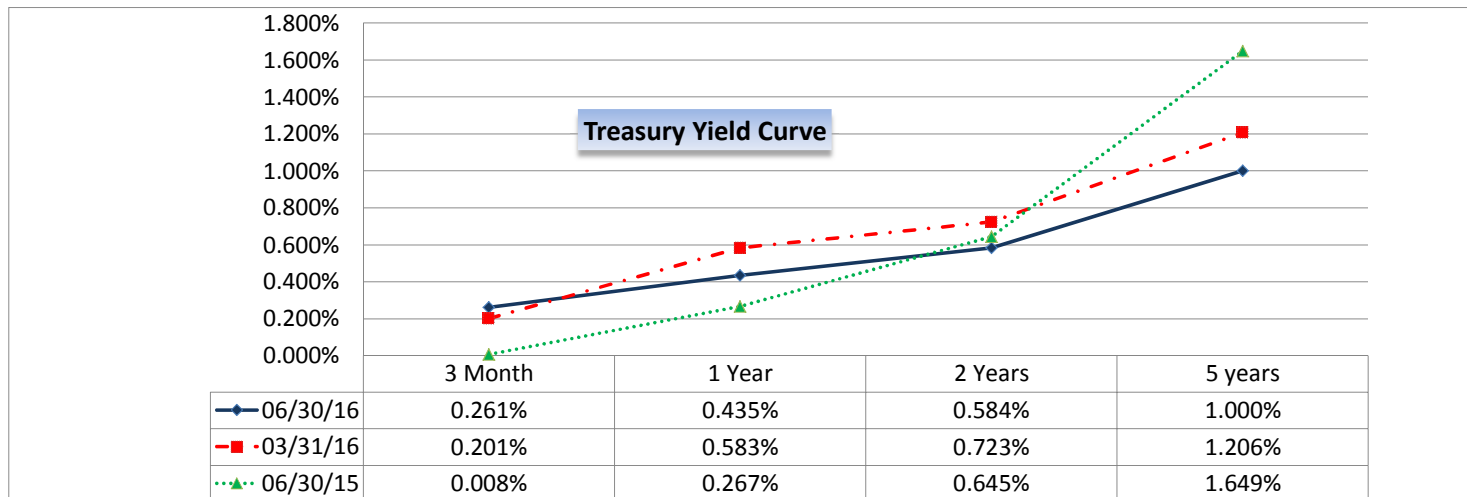
Quarterly National Economic and Market Update
 Quarter Ended June 30, 2016

- The pace of improvement in the labor market had slowed while growth in economic activity appeared to have picked up. Although the unemployment rate had declined, job gains had diminished. Growth in household spending had strengthened. Business fixed investment had been soft.
- Inflation had continued to run below the Federal Open Market Committee's (FOMC's) 2 percent long-term objective, partly reflecting declines in energy prices and in prices of non-energy imports.
- The FOMC decided to maintain the target range for the federal funds rate at 0.25 to 0.50 percent. Further increases will depend upon changes in labor market conditions and inflation.

Source: FOMC June 15, 2016 Statement

National Economic Data	6/30/2015	6/30/2016
Fed Funds Effective Rate Target	0.00% -0.25%	0.25% -0.50%
2 Years Treasury Note	0.645%	0.584%
10 Years Treasury Note	2.354%	1.471%
Monthly Unemployment Rate	5.30%	4.90%
Weekly Initial Jobless Claims	282,000	270,000
Monthly Change in Nonfarm Payrolls	231,000	287,000
Monthly New Housing Starts	1,204,000	1,189,000

Source: Bloomberg



Source: Bloomberg

City of Dallas
Portfolio Holdings
Combined Investment Summary
As of 6/30/2016

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	1,744,254,000	1,744,463,155	1,749,498,606	2,884,460	1,752,383,066	5,035,451	0.91%
02 Convention Center Reserve	23,000,000	23,000,000	23,015,314	62,492	23,077,806	15,314	1.39%
03 Water Reserve	90,000,000	89,949,585	90,187,655	284,931	90,472,586	238,070	1.28%
04 Art Endowment	2,235,000	2,235,000	2,236,466	9,909	2,246,375	1,466	1.20%
05 Ida Green Library Fund	1,000,000	1,000,000	1,003,059	799	1,003,858	3,059	1.25%
10 DWU Commercial Paper Program	11,244	11,244	11,244	0	11,244	-	0.24%
11 GO Commercial Paper	244	244	244	0	244	-	0.22%
14 Trinity Parkway Escrow	547,784	547,784	547,784	0	547,784	-	0.40%

*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: 03/31/2016 - 06/30/2016

Portfolio Description	Beginning Face Amount	Beginning Weighted Average Yield To Maturity	Purchased/Deposited	Matured/Called/ Redeemed	Ending Face Amount	Ending Weighted Average Yield To Maturity
City's Investment Pool*						
Federal Agricultural Mortgage Corp.	252,270,000	0.93%	-	-	252,270,000	0.93%
Federal Farm Credit Bank	235,000,000	0.95%	30,000,000	-	265,000,000	0.93%
Federal Home Loan Bank	408,445,000	1.01%	-	130,000,000	278,445,000	0.96%
Federal Home Loan Mortgage Corp.	499,039,000	1.07%	-	50,000,000	449,039,000	1.04%
Federal National Mortgage Assoc.	241,480,000	0.96%	-	5,000,000	236,480,000	0.95%
Treasury Note	10,000,000	-	-	-	10,000,000	0.56%
Total Portfolio	1,646,234,000	1.00%	30,000,000	185,000,000	1,491,234,000	0.97%
<i>*Trade activity excludes local government investment pools and money market mutual funds.</i>						
Convention Center Reserve						
Federal Home Loan Mortgage Corp.	15,000,000	1.45%	4,000,000	-	19,000,000	1.41%
Federal National Mortgage Assoc.	7,900,000	1.27%	-	3,900,000	4,000,000	1.30%
Total Portfolio	22,900,000	1.39%	4,000,000	3,900,000	23,000,000	1.39%
Water Reserve						
Federal Home Loan Bank	60,000,000	1.24%	-	15,000,000	45,000,000	1.28%
Federal Home Loan Mortgage Corp.	30,000,000	1.22%	-	-	30,000,000	1.22%
Federal National Mortgage Assoc.	-	-	15,000,000	-	15,000,000	1.42%
Total Portfolio	90,000,000	1.24%	15,000,000	15,000,000	90,000,000	1.28%
Art Endowment						
Federal Home Loan Bank	2,235,000	1.20%	-	-	2,235,000	1.20%
Total Portfolio	2,235,000	1.20%	-	-	2,235,000	1.20%
Ida Green Library Endowment						
Federal Agricultural Mortgage Corp.	-	-	1,000,000	-	1,000,000	1.25%
Federal Home Loan Bank	1,000,000	1.20%	-	1,000,000	-	-
Total Portfolio	1,000,000	1.20%	1,000,000	1,000,000	1,000,000	1.25%
DWU Commercial Paper						
Money Market - Tax Exempt	8,463	0.16%	2,781	-	11,244	0.24%
Total Portfolio	8,463	0.16%	2,781	-	11,244	0.24%
GO Commercial Paper						
Money Market - Tax Exempt	244	0.26%	244	244	244	0.22%
Total Portfolio	244	0.26%	244	244	244	0.22%
Trinity Parkway Escrow						
Money Market	547,205	0.40%	579	-	547,784	0.40%
Total Portfolio	547,205	0.40%	579	-	547,784	0.40%

City of Dallas
 Summary Statement by Portfolio
 As of: 03/31/2016 - 06/30/2016

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 Weighted Average Yield To Maturity
City's Investment Pool¹										
Local Govt. Investment Pool	203,020,000	237,020,000	203,020,000	237,020,000	203,020,000	237,020,000	34,000,000	-	-	0.57%
Money Market	42,000,000	16,000,000	42,000,000	16,000,000	42,000,000	16,000,000	(26,000,000)	-	-	0.45%
US Agency	1,636,234,000	1,481,234,000	1,636,505,746	1,481,443,625	1,640,585,687	1,486,476,056	(155,000,000)	890,368	2,863,719	0.97%
US Treasury	10,000,000	10,000,000	9,998,149	9,999,530	10,003,710	10,002,550	-	(1,160)	20,742	0.56%
*Total Portfolio	1,891,254,000	1,744,254,000	1,891,523,895	1,744,463,155	1,895,609,397	1,749,498,606	(147,000,000)	889,208	2,884,460	0.91%
Convention Center Reserve²										
US Agency	22,900,000	23,000,000	22,900,000	23,000,000	22,907,515	23,015,314	100,000	7,799	62,492	1.39%
Total Portfolio	22,900,000	23,000,000	22,900,000	23,000,000	22,907,515	23,015,314	100,000	7,799	62,492	1.39%
Water Reserve²										
US Agency	90,000,000	90,000,000	89,933,845	89,949,585	90,224,545	90,187,655	-	(36,890)	284,931	1.28%
Total Portfolio	90,000,000	90,000,000	89,933,845	89,949,585	90,224,545	90,187,655	-	(36,890)	284,931	1.28%
Art Endowment³										
US Agency	2,235,000	2,235,000	2,235,000	2,235,000	2,237,783	2,236,466	-	(1,316)	9,909	1.20%
Total Portfolio	2,235,000	2,235,000	2,235,000	2,235,000	2,237,783	2,236,466	-	(1,316)	9,909	1.20%
Ida Green Library Endowment⁴										
US Agency	1,000,000	1,000,000	1,000,000	1,000,000	1,000,318	1,003,059	-	2,741	799	1.25%
Total Portfolio	1,000,000	1,000,000	1,000,000	1,000,000	1,000,318	1,003,059	-	2,741	799	1.25%
DWU Commercial Paper⁵										
Money Market - Tax Exempt	8,463	11,244	8,463	11,244	8,463	11,244	2,781	-	-	0.24%
Total Portfolio	8,463	11,244	8,463	11,244	8,463	11,244	2,781	-	-	0.24%
GO Commercial Paper⁵										
Money Market - Tax Exempt	244	244	244	244	244	244	-	-	-	0.22%
Total Portfolio	244	244	244	244	244	244	-	-	-	0.22%
Trinity Parkway Escrow⁵										
Money Market	547,205	547,784	547,205	547,784	547,205	547,784	579	-	-	0.40%
Total Portfolio	547,205	547,784	547,205	547,784	547,205	547,784	579	-	-	0.40%

Notes 1-6: 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: 03/31/2016 - 06/30/2016

STRATEGY COMPLIANCE STATEMENT

For the quarter ended June 30, 2016 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.

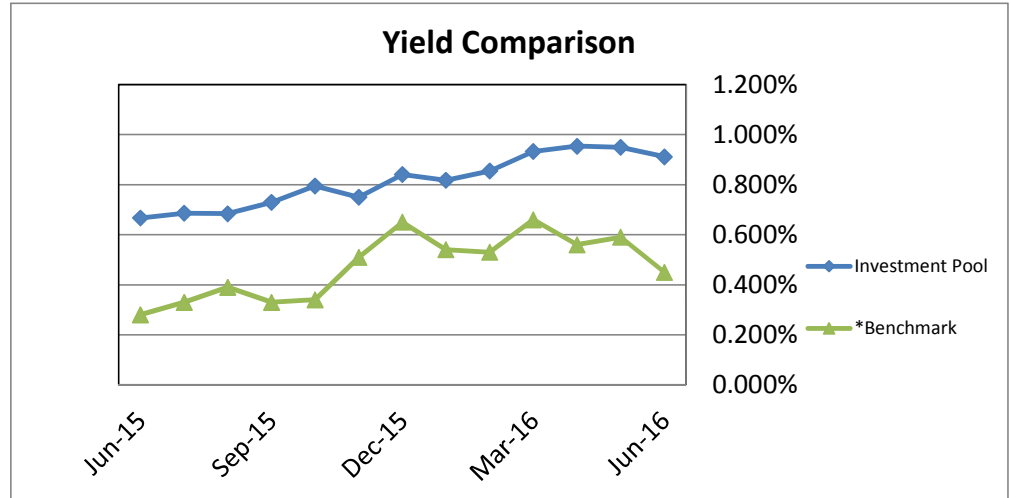
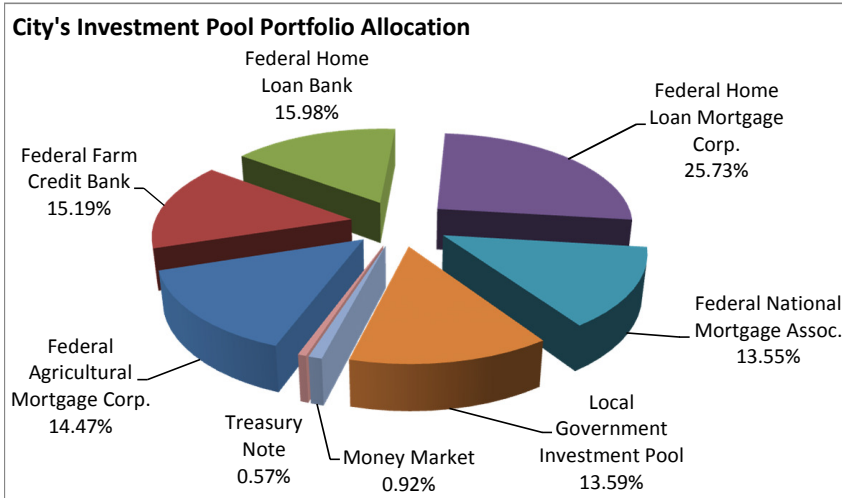
5) DWU Commercial Paper Program and GO Commercial Paper Program

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 may be invested in tax-exempt securities in order to avoid costly and complex arbitrage rebate computations. In order to meet these objectives, commercial paper proceeds may either be invested in tax-exempt securities or expended subject to a reimbursement program.

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.

City of Dallas
City's Investment Pool Portfolio Allocation
Investment Summary
As of 6/30/2016



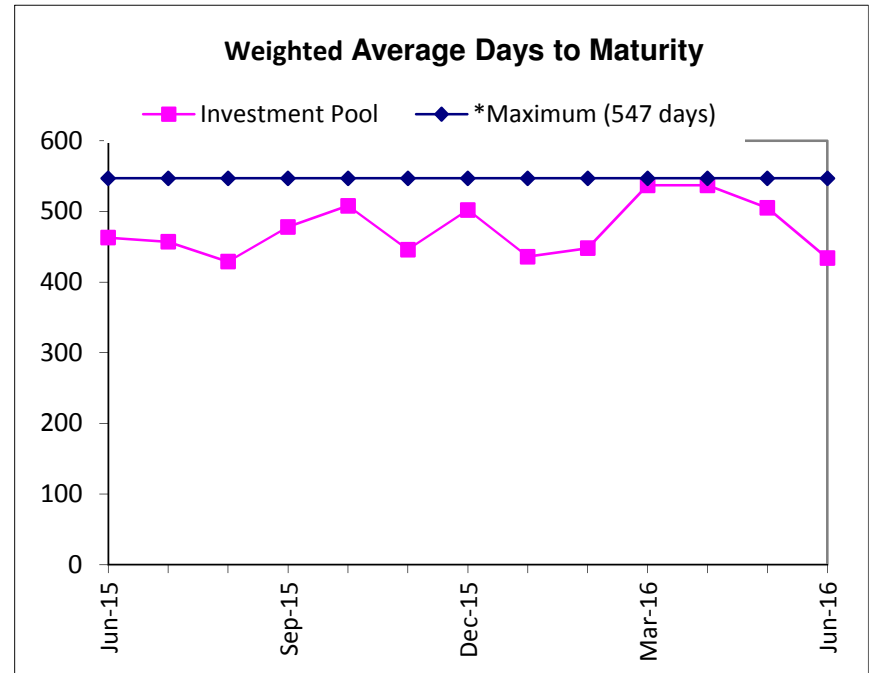
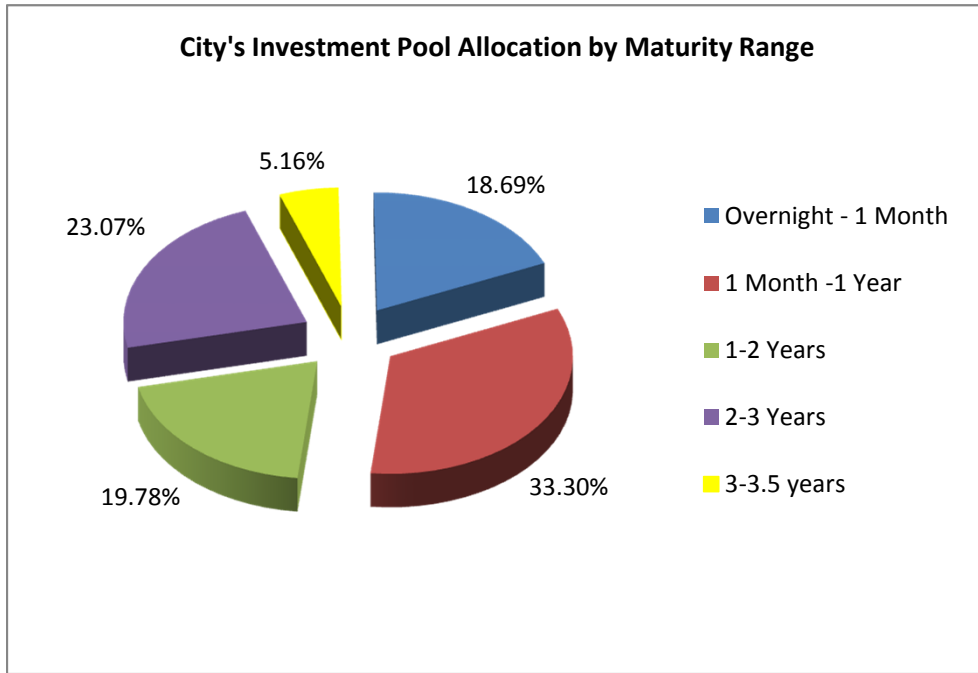
Description	Face Amount	Book Value	Market Value	**Unrealized Gain/(Loss)	Weighted Average Days To Maturity	Weighted Average Yield To Maturity	% of Portfolio
Federal Agricultural Mortgage Corp.	252,270,000	252,453,818	253,381,767	927,950	424	0.93%	14.47%
Federal Farm Credit Bank	265,000,000	264,962,428	266,098,960	1,136,532	571	0.93%	15.19%
Federal Home Loan Bank	278,445,000	278,717,841	279,592,798	874,958	515	0.96%	15.98%
Federal Home Loan Mortgage Corp.	449,039,000	448,912,975	450,231,524	1,318,549	555	1.04%	25.73%
Federal National Mortgage Assoc.	236,480,000	236,396,565	237,171,006	774,441	444	0.96%	13.55%
Local Government Investment Pool	237,020,000	237,020,000	237,020,000	-	1	0.57%	13.59%
Money Market	16,000,000	16,000,000	16,000,000	-	1	0.45%	0.92%
Treasury Note	10,000,000	9,999,530	10,002,550	3,020	31	0.56%	0.57%
***Total Portfolio	1,744,254,000	1,744,463,155	1,749,498,606	5,035,451	434	0.91%	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 6/30/2016**



Description	Face Amount/Shares	Book Value	Market Value	Weighted Average Yield To Maturity	Weighted Average Days To Maturity	% of Portfolio
Overnight - 1 Month	326,109,000	326,095,387	326,105,873	0.56%	4	18.69%
1 Month - 1 Year	580,695,000	580,879,826	581,580,294	0.72%	161	33.30%
1-2 Years	345,150,000	345,114,665	347,096,109	1.08%	549	19.78%
2-3 Years	402,300,000	402,375,829	404,512,710	1.20%	909	23.07%
3-3.5 years	90,000,000	89,997,448	90,203,620	1.50%	1,187	5.16%
**Total Portfolio	1,744,254,000	1,744,463,155	1,749,498,606	0.91%	434	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 15-16 Year to Date

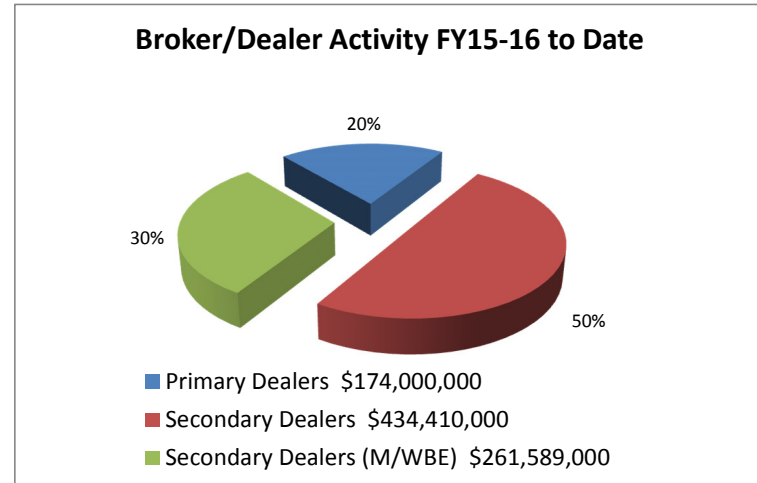
FY 15-16 Year to Date		
Description	Awarded	%
Primary Dealers		
Bank of America	\$38,000,000	4.37%
Daiwa Capital Markets	20,000,000	2.30%
Morgan Stanley	50,000,000	5.75%
Jefferies & Co.	30,000,000	3.45%
Wells Fargo	36,000,000	4.14%
Secondary Dealers		
Coastal Securities	102,010,000	11.73%
Hilltop Securities Inc.	85,000,000	9.77%
Mutual Securities	20,000,000	2.30%
Piper Jaffray & Co.	40,000,000	4.60%
Samco Capital Market	90,000,000	10.34%
SunTrust Robinson Humphrey, Inc.	30,000,000	3.45%
Vining Sparks	67,400,000	7.75%
Secondary Dealers - M/WBE		
Bonwick Capital - M/WBE	119,539,000	13.74%
Loop Capital - M/WBE	35,000,000	4.02%
Ramirez & Co. - M/WBE	40,000,000	4.60%
Rice Financial - M/WBE	37,050,000	4.26%
Stern Brothers & Co. - M/WBE	30,000,000	3.45%
Total	\$869,999,000	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 January 2016.

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

Q3 FY 15-16		
Description	Awarded	%
Bonwick Capital - M/WBE	\$25,000,000	50.00%
Hilltop Securities Inc.	5,000,000	10.00%
Ramirez & Co. - M/WBE	1,000,000	2.00%
Samco Capital Market	15,000,000	30.00%
Wells Fargo	4,000,000	8.00%
Total	\$50,000,000	100.00%



CITY OF DALLAS
QUARTERLY INVESTMENT REPORT

June 30, 2016

For the quarter ended June 30, 2016 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: *Glenn Chappell*

City Controller: *Paul R. Sca*

Treasury Manager: *Connie Keese*