

Memorandum



CITY OF DALLAS

DATE October 31, 2018

Honorable Members of the Government Performance & Financial Management
Committee: Jennifer S. Gates (Chair), Scott Griggs (Vice Chair), Sandy Greyson,
TO Lee M. Kleinman, Philip T. Kingston, Tennell Atkins, Kevin Felder

SUBJECT **September 30, 2018 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 September 30, 2018, 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

c: Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Chris Caso, City Attorney (Interim)
Carol A. Smith, City Auditor (Interim)
Billerae Johnson, City Secretary
Judge Preston Robinson, Administrative Judge

Kimberly Bizzor Tolbert, Chief of Staff to the City Manager
Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
Majed A. Al-Ghafry, Assistant City Manager
Nadia Chandler Hardy, Assistant City Manager and Chief of Resilience Officer
Directors and Assistant Directors



CITY OF DALLAS

September 30, 2018

QUARTERLY INVESTMENT REPORT

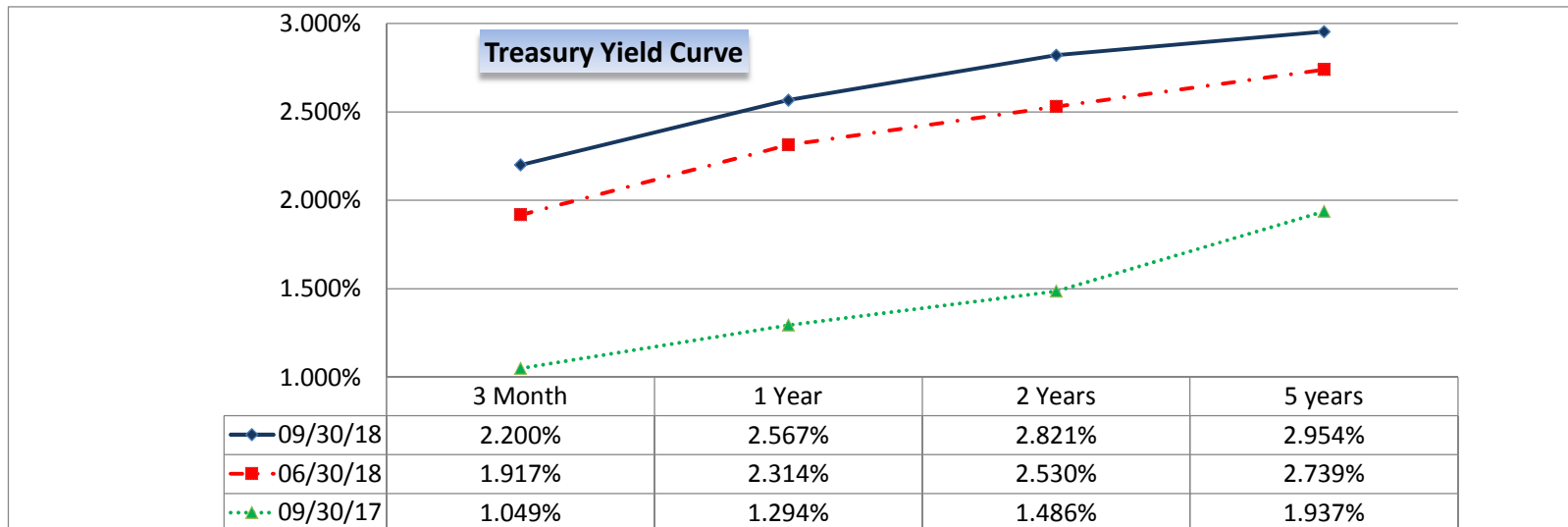
Quarterly National Economic and Market Update
 Quarter Ended September 30, 2018

- Labor market continued to strengthen and economic activity rose at a strong rate
- Job gains were strong and the unemployment rate stayed low
- Household spending and business fixed investment grew strongly
- The Federal Open Market Committee (FOMC) raised the top of the target range for the federal funds rate from 1.75% - 2.00% to 2.00% - 2.25%.

Source: FOMC September 26, 2018 Statement

National Economic Data	9/30/2017	9/30/2018
Fed Funds Effective Rate Target Range	1.00% - 1.25%	2.00% - 2.25%
2 Years Treasury Note Yield	1.486%	2.821%
10 Years Treasury Note Yield	2.335%	3.062%
Monthly Unemployment Rate	4.2%	3.7%
Weekly Initial Jobless Claims	258,000	207,000
Monthly Change in Nonfarm Payrolls	18,000	134,000
Monthly New Housing Starts	1,135,000	1,201,000

Source: Bloomberg



Source: Bloomberg

City of Dallas
Portfolio Holdings
Combined Investment Summary
As of 9/30/2018

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	1,952,364,880	1,952,357,407	1,944,000,936	4,821,899	1,948,822,835	(8,356,471)	1.71%
02 Convention Center Reserve	23,000,000	23,000,000	22,546,991	85,367	22,632,358	(453,009)	1.34%
03 Water Reserve	90,000,000	89,999,209	88,838,690	220,844	89,059,534	(1,160,519)	1.30%
04 Arts Endowment	2,235,000	2,235,000	2,191,071	3,196	2,194,267	(43,929)	1.32%
05 Ida Green Library Fund	1,000,000	1,000,000	991,561	3,924	995,485	(8,439)	1.25%
10 DWU Commercial Paper Program	13,960	13,960	13,960	-	13,960	-	2.04%
11 GO Commercial Paper Program	3,524,424	3,524,424	3,524,424	-	3,524,424	-	2.06%

*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: 6/30/2018 - 9/30/2018

Portfolio Description	Beginning Face Amount	Beginning Weighted Average Yield To Maturity	Purchased/Deposited	Matured	Ending Face Amount	Ending Weighted Average Yield To Maturity
City's Investment Pool*						
Federal Agricultural Mortgage Corp.	450,000,000	1.66%	-	35,000,000	415,000,000	1.67%
Federal Farm Credit Bank	234,275,000	1.38%	-	10,000,000	224,275,000	1.41%
Federal Home Loan Bank	502,300,000	1.55%	-	23,300,000	479,000,000	1.57%
Federal Home Loan Mortgage Corp.	241,000,000	1.45%	-	-	241,000,000	1.45%
Federal National Mortgage Assoc.	95,000,000	1.19%	-	60,000,000	35,000,000	1.15%
Total Portfolio	1,522,575,000	1.52%	-	128,300,000	1,394,275,000	1.54%
<i>*Trade activity excludes bank investment holding account, local government investment pools and money market mutual funds.</i>						
Convention Center Reserve						
Federal Home Loan Mortgage Corp.	4,000,000	1.25%	-	-	4,000,000	1.25%
Federal National Mortgage Assoc.	19,000,000	1.36%	-	-	19,000,000	1.36%
Total Portfolio	23,000,000	1.34%	-	-	23,000,000	1.34%
Water Reserve						
Federal Agricultural Mortgage Corp.	20,000,000	1.52%	-	-	20,000,000	1.52%
Federal Farm Credit Bank	10,000,000	1.31%	-	-	10,000,000	1.31%
Federal Home Loan Bank	5,000,000	1.50%	-	-	5,000,000	1.50%
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%
Total Portfolio	90,000,000	1.30%	-	-	90,000,000	1.30%
Arts Endowment						
Federal Home Loan Mortgage Corp.	2,235,000	1.32%	-	-	2,235,000	1.32%
Total Portfolio	2,235,000	1.32%	-	-	2,235,000	1.32%
Ida Green Library Endowment						
Federal Agricultural Mortgage Corp.	1,000,000	1.25%	-	-	1,000,000	1.25%
Total Portfolio	1,000,000	1.25%	-	-	1,000,000	1.25%
DWU Commercial Paper Program						
Money Market	13,960	1.85%	-	-	13,960	2.04%
Total Portfolio	13,960	1.85%	-	-	13,960	2.04%
GO Commercial Paper Program						
Money Market	3,500,000	1.87%	24,424	-	3,524,424	2.06%
Total Portfolio	3,500,000	1.87%	24,424	-	3,524,424	2.06%

City of Dallas
Summary Statement by Portfolio
As of: 6/30/2018 - 9/30/2018

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
City's Investment Pool¹										
*Public Funds Interest Checking (PFIC) Account	100,322,314	100,716,835	100,322,314	100,716,835	100,322,314	100,716,835	394,521	-	-	1.60%
Local Govt. Investment Pool	421,176,698	379,373,045	421,176,698	379,373,045	421,176,698	379,373,045	(41,803,653)	-	-	2.29%
Money Market	35,000,000	78,000,000	35,000,000	78,000,000	35,000,000	78,000,000	43,000,000	-	-	2.02%
US Agency	1,522,575,000	1,394,275,000	1,522,560,796	1,394,267,527	1,512,683,279	1,385,911,056	(128,300,000)	1,527,777	4,821,899	1.54%
**Total Portfolio	2,079,074,012	1,952,364,880	2,079,059,808	1,952,357,407	2,069,182,291	1,944,000,936	(126,709,132)	1,527,777	4,821,899	1.71%
Convention Center Reserve²										
US Agency	23,000,000	23,000,000	23,000,000	23,000,000	22,546,227	22,546,991	-	764	85,367	1.34%
Total Portfolio	23,000,000	23,000,000	23,000,000	23,000,000	22,546,227	22,546,991	-	764	85,367	1.34%
Water Reserve²										
US Agency	90,000,000	90,000,000	89,997,809	89,999,209	88,761,870	88,838,690	-	76,820	220,844	1.30%
Total Portfolio	90,000,000	90,000,000	89,997,809	89,999,209	88,761,870	88,838,690	-	76,820	220,844	1.30%
Arts Endowment³										
US Agency	2,235,000	2,235,000	2,235,000	2,235,000	2,185,624	2,191,071	-	5,447	3,196	1.32%
Total Portfolio	2,235,000	2,235,000	2,235,000	2,235,000	2,185,624	2,191,071	-	5,447	3,196	1.32%
Ida Green Library Endowment⁴										
US Agency	1,000,000	1,000,000	1,000,000	1,000,000	989,245	991,561	-	2,316	3,924	1.25%
Total Portfolio	1,000,000	1,000,000	1,000,000	1,000,000	989,245	991,561	-	2,316	3,924	1.25%
DWU Commercial Paper⁵										
Money Market	13,960	13,960	13,960	13,960	13,960	13,960	-	-	-	2.04%
Total Portfolio	13,960	13,960	13,960	13,960	13,960	13,960	-	-	-	2.04%
GO Commercial Paper⁵										
Money Market	3,500,000	3,524,424	3,500,000	3,524,424	3,500,000	3,524,424	24,424	-	-	2.06%
Total Portfolio	3,500,000	3,524,424	3,500,000	3,524,424	3,500,000	3,524,424	24,424	-	-	2.06%

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: 6/30/2018 - 9/30/2018

STRATEGY COMPLIANCE STATEMENT

For the quarter ended September 30, 2018 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) 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.

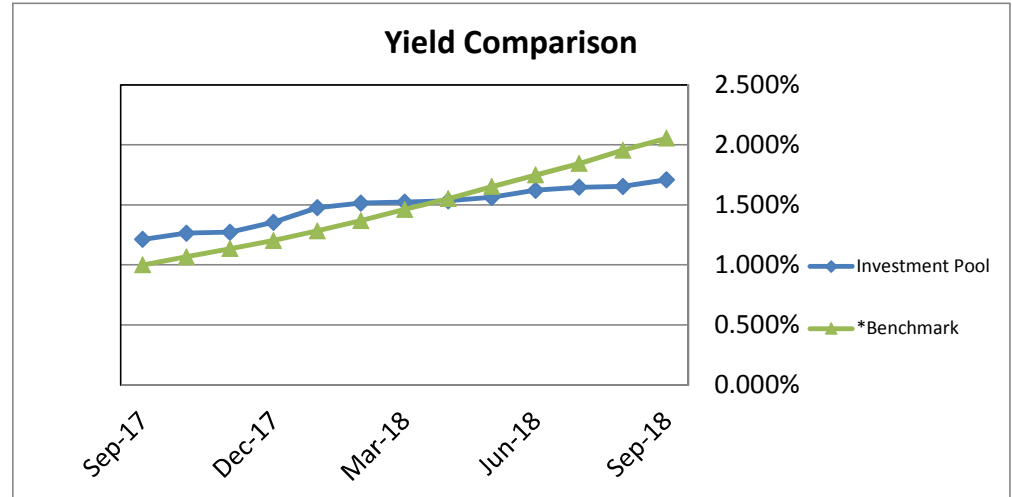
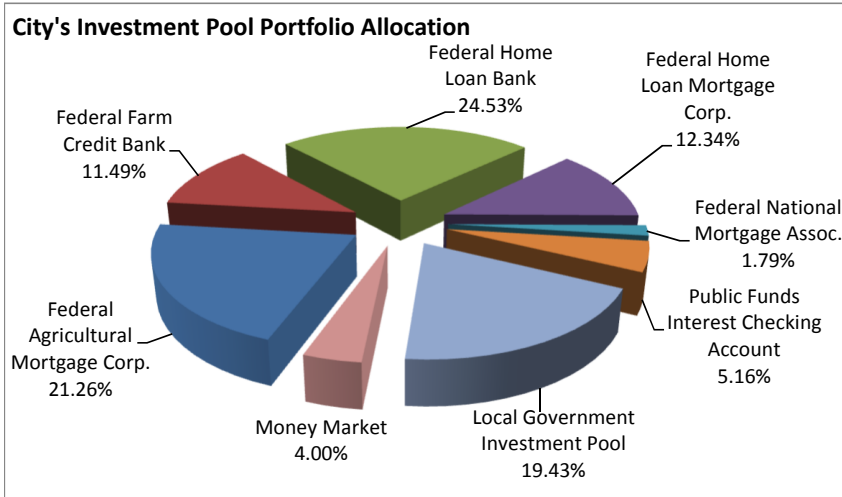
4) Ida Green Library Endowment

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 9/30/2018



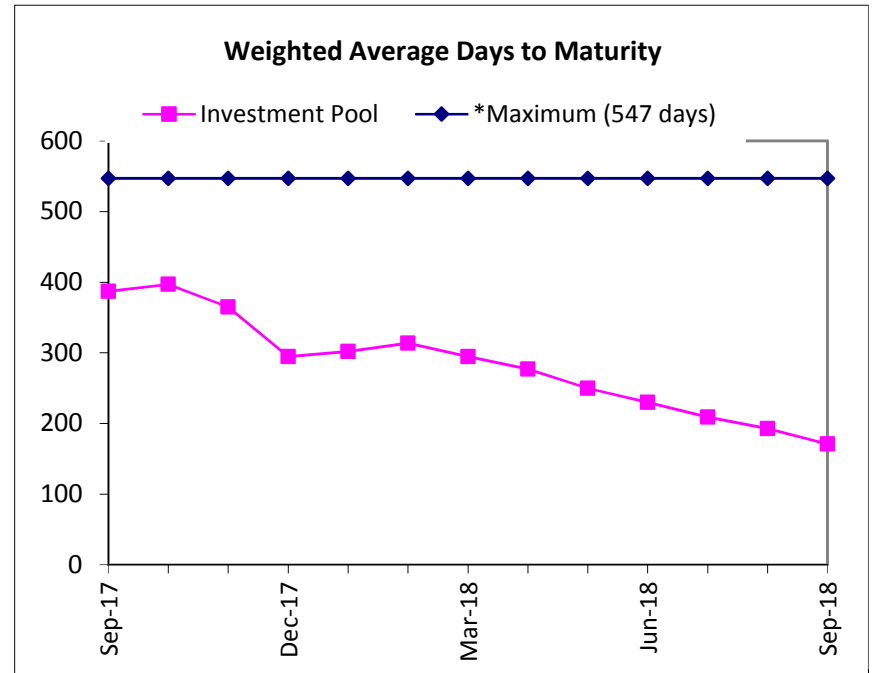
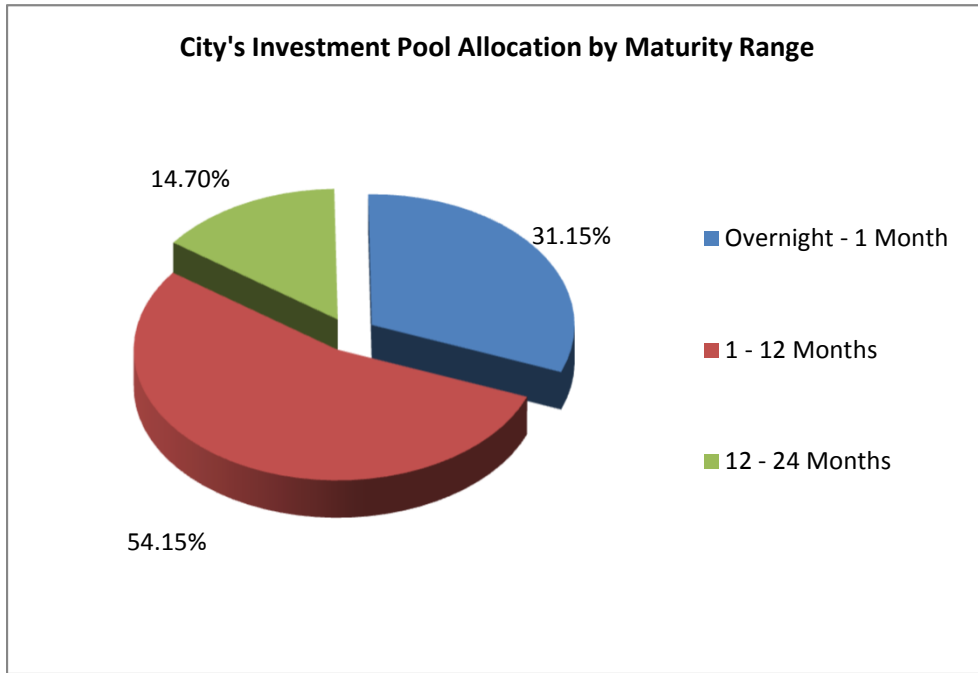
Description	Face Amount	Book Value	Market Value	**Unrealized Gain/(Loss)	Weighted Average Days To Maturity	Weighted Average Yield To Maturity	% of Portfolio
Federal Agricultural Mortgage Corp.	415,000,000	415,000,042	413,166,425	(1,833,617)	214	1.67%	21.26%
Federal Farm Credit Bank	224,275,000	224,265,864	223,231,199	(1,034,665)	182	1.41%	11.49%
Federal Home Loan Bank	479,000,000	479,001,621	475,646,844	(3,354,777)	272	1.57%	24.53%
Federal Home Loan Mortgage Corp.	241,000,000	241,000,000	238,980,178	(2,019,822)	291	1.45%	12.34%
Federal National Mortgage Assoc.	35,000,000	35,000,000	34,886,410	(113,590)	105	1.15%	1.79%
Public Funds Interest Checking Account	100,716,835	100,716,835	100,716,835	-	1	1.60%	5.16%
Local Government Investment Pool	379,373,045	379,373,045	379,373,045	-	1	2.29%	19.43%
Money Market	78,000,000	78,000,000	78,000,000	-	1	2.02%	4.00%
***Total Portfolio	1,952,364,880	1,952,357,407	1,944,000,936	(8,356,471)	171	1.71%	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 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 9/30/2018



Description	Face Amount/Shares	Book Value	Market Value	Weighted Average Yield To Maturity	Weighted Average Days To Maturity	% of Portfolio
Overnight - 1 Month	608,089,880	608,089,880	608,056,060	2.04%	3	31.15%
1 - 12 Months	1,057,275,000	1,057,264,626	1,052,047,261	1.49%	192	54.15%
12 - 24 Months	287,000,000	287,002,901	283,897,615	1.82%	450	14.70%
**Total Portfolio	1,952,364,880	1,952,357,407	1,944,000,936	1.71%	171	100%

*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 17-18 Year to Date

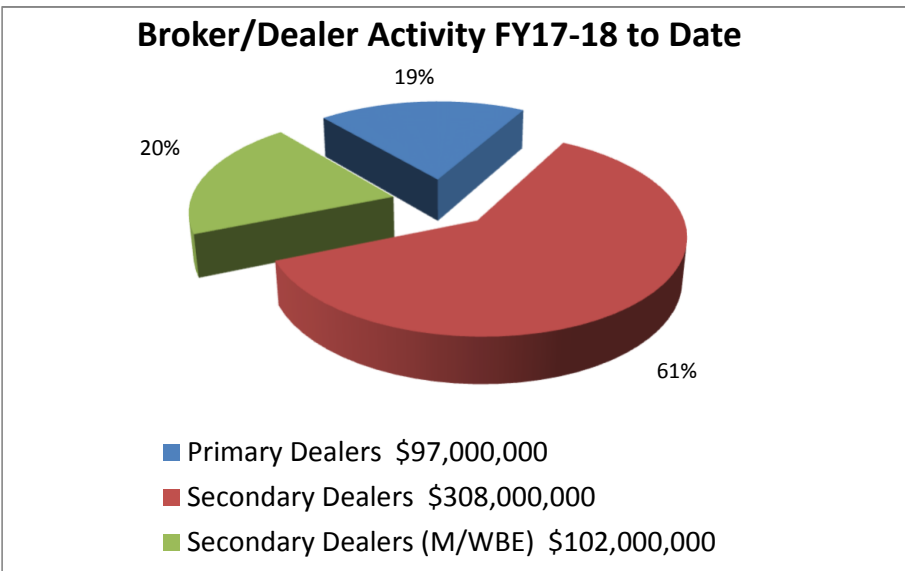
FY 17-18 Year to Date		
Description	Awarded	%
Primary Dealers		
Bank of America	\$57,000,000	11.24%
Jefferies & Co.	40,000,000	7.89%
RBC Capital Markets, LLC	0	0.00%
Wells Fargo	0	0.00%
Secondary Dealers		
FTN Financials	30,000,000	5.92%
Hilltop Securities Inc.	15,000,000	2.96%
Intl Fcstone Financial Inc.	15,000,000	2.96%
Multi Bank Securities	135,000,000	26.63%
Piper Jaffray & Co.	40,000,000	7.89%
Samco Capital Market	15,000,000	2.96%
SunTrust Robinson Humphrey, Inc.	0	0.00%
Vining Sparks	58,000,000	11.44%
Secondary Dealers - M/WBE		
Capital Institutional Services, Inc.	0	0.00%
Loop Capital	40,000,000	7.89%
Rice Financial	42,000,000	8.28%
Stern Brothers & Co.	20,000,000	3.94%
Total	\$507,000,000	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 2018.

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

Q4 FY 17-18		
Description	Awarded	%
No Broker/Dealer Activity in Q4 FY 17-18		



CITY OF DALLAS

September 30, 2018

QUARTERLY INVESTMENT REPORT

For the quarter ended September 30, 2018 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: M. Elizabeth Reich

City Controller: Shari Kavalshi

Treasury Manager: [Signature]