

# Memorandum



CITY OF DALLAS

DATE October 30, 2017

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, 2017 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, 2017, 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  
Larry Casto, City Attorney  
Craig D. Kinton, City Auditor  
Billierae Johnson, City Secretary (Interim)  
Daniel F. Solis, Administrative Judge  
Kimberly Bizer Tolbert, Chief of Staff to the City Manager  
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Jo M. (Jody) Puckett, P.E., Assistant City Manager (Interim)  
Nadia Chandler Hardy, Chief of Community Services  
Raquel Favela, Chief of Economic Development & Neighborhood Services  
Theresa O'Donnell, Chief of Resilience  
Directors and Assistant Directors



CITY OF DALLAS

**September 30, 2017**

**QUARTERLY INVESTMENT REPORT**

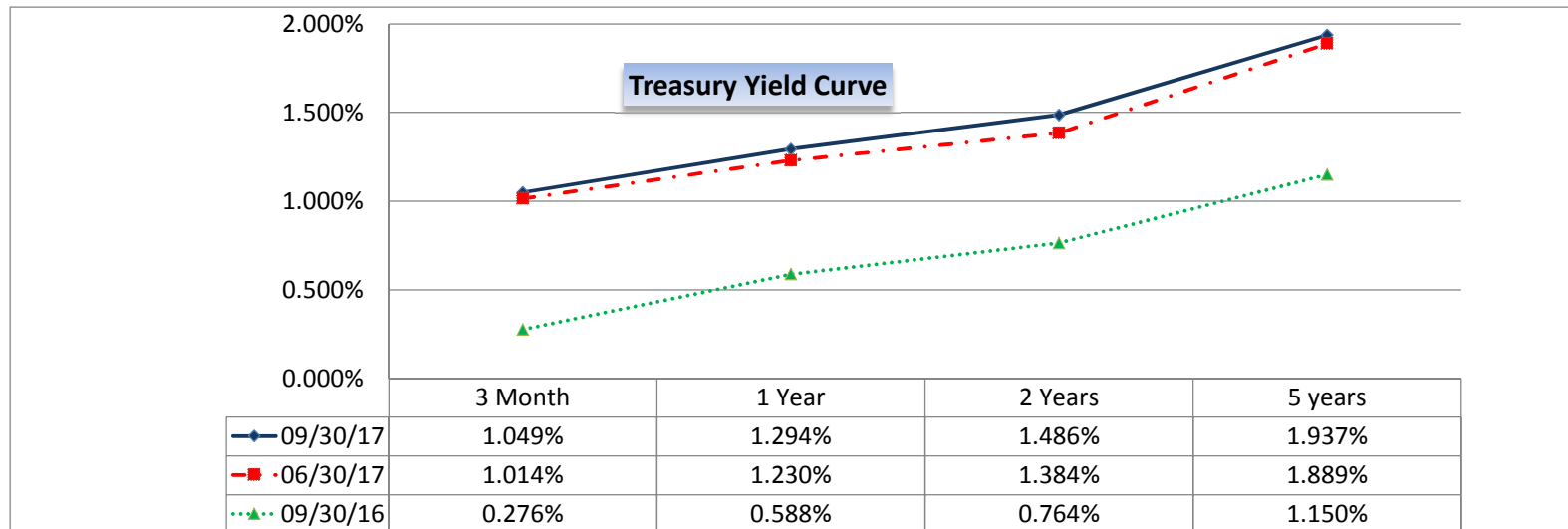
Quarterly National Economic and Market Update  
 Quarter Ended September 30, 2017

- Labor market had continued to strengthen and economic activity had been rising moderately for 2017
- Job gains had remained solid in recent months and the unemployment rate had stayed low
- Household spending had been expanding at a moderate rate, and growth in business fixed investment had picked up in recent quarters
- The Federal Open Market Committee (FOMC) decided to keep the top of the target range for the federal funds rate at 1.00% - 1.25%.

Source: FOMC September 20, 2017 Statement

National Economic Data	9/30/2016	9/30/2017
Fed Funds Effective Rate Target Range	0.25% - 0.50%	1.00% - 1.25%
2 Years Treasury Note Yield	0.764%	1.486%
10 Years Treasury Note Yield	1.595%	2.334%
Monthly Unemployment Rate	4.900%	4.200%
Weekly Initial Jobless Claims	246,000	260,000
Monthly Change in Nonfarm Payrolls	191,000	-33,000
Monthly New Housing Starts	1,054,000	1,127,000

Source: Bloomberg



Source: Bloomberg

City of Dallas  
Portfolio Holdings  
Combined Investment Summary  
As of 09/30/2017

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	1,586,915,000	1,586,996,242	1,584,119,645	4,281,930	1,588,401,575	(2,876,597)	1.21%
02 Convention Center Reserve	23,000,000	23,000,000	22,566,423	85,367	22,651,790	(433,577)	1.34%
03 Water Reserve	70,000,000	69,993,656	69,168,575	158,917	69,327,492	(825,081)	1.24%
04 Art Endowment	2,235,000	2,235,000	2,211,553	3,196	2,214,749	(23,447)	1.32%
05 Ida Green Library Fund	1,000,000	1,000,000	990,010	3,924	993,934	(9,990)	1.25%
10 DWU Commercial Paper Program	13,960	13,960	13,960	0	13,960	-	0.92%
14 Trinity Parkway Escrow	551,425	551,425	551,425	0	551,425	-	0.93%

\*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: 06/30/2017 - 09/30/2017

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
<b>City's Investment Pool*</b>						
Federal Agricultural Mortgage Corp.	324,770,000	1.26%	20,000,000	-	344,770,000	1.27%
Federal Farm Credit Bank	324,275,000	1.04%	-	35,000,000	289,275,000	1.07%
Federal Home Loan Bank	358,850,000	1.33%	20,000,000	20,000,000	358,850,000	1.31%
Federal Home Loan Mortgage Corp.	388,000,000	1.25%	-	77,000,000	311,000,000	1.29%
Federal National Mortgage Assoc.	144,830,000	1.18%	-	34,830,000	110,000,000	1.18%
<b>Total Portfolio</b>	<b>1,540,725,000</b>	<b>1.22%</b>	<b>40,000,000</b>	<b>166,830,000</b>	<b>1,413,895,000</b>	<b>1.24%</b>

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

<b>Convention Center Reserve</b>						
Federal Home Loan Mortgage Corp.	4,000,000	1.25%	-	-	4,000,000	1.25%
Federal National Mortgage Assoc.	19,000,000	1.36%	-	-	19,000,000	1.36%
<b>Total Portfolio</b>	<b>23,000,000</b>	<b>1.34%</b>	<b>-</b>	<b>-</b>	<b>23,000,000</b>	<b>1.34%</b>

<b>Water Reserve</b>						
Federal Farm Credit Bank	10,000,000	0.00%	-	-	10,000,000	1.31%
Federal Home Loan Bank	5,000,000	1.50%	-	-	5,000,000	1.50%
Federal Home Loan Mortgage Corp.	30,000,000	1.22%	-	20,000,000	10,000,000	1.25%
Federal National Mortgage Assoc.	45,000,000	1.20%	-	-	45,000,000	1.20%
<b>Total Portfolio</b>	<b>90,000,000</b>	<b>1.23%</b>	<b>-</b>	<b>20,000,000</b>	<b>70,000,000</b>	<b>1.24%</b>

<b>Art Endowment</b>						
Federal Home Loan Mortgage Corp.	2,235,000	1.32%	-	-	2,235,000	1.32%
<b>Total Portfolio</b>	<b>2,235,000</b>	<b>1.32%</b>	<b>-</b>	<b>-</b>	<b>2,235,000</b>	<b>1.32%</b>

<b>Ida Green Library Endowment</b>						
Federal Agricultural Mortgage Corp.	1,000,000	1.25%	-	-	1,000,000	1.25%
<b>Total Portfolio</b>	<b>1,000,000</b>	<b>1.25%</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>	<b>1.25%</b>

<b>DWU Commercial Paper</b>						
Money Market	13,960	0.85%	-	-	13,960	0.92%
<b>Total Portfolio</b>	<b>13,960</b>	<b>0.85%</b>	<b>-</b>	<b>-</b>	<b>13,960</b>	<b>0.92%</b>

<b>Trinity Parkway Escrow</b>						
Money Market	550,239	0.86%	1,186	-	551,425	0.93%
<b>Total Portfolio</b>	<b>550,239</b>	<b>0.86%</b>	<b>1,186</b>	<b>-</b>	<b>551,425</b>	<b>0.93%</b>

City of Dallas  
 Summary Statement by Portfolio  
 As of: 06/30/2017 - 09/30/2017

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
<b>City's Investment Pool<sup>1</sup></b>										
Local Govt. Investment Pool	202,020,000	53,020,000	202,020,000	53,020,000	202,020,000	53,020,000	(149,000,000)	-	-	1.26%
Money Market	35,000,000	120,000,000	35,000,000	120,000,000	35,000,000	120,000,000	85,000,000	-	-	0.93%
US Agency	1,540,725,000	1,413,895,000	1,540,746,722	1,413,976,242	1,538,346,543	1,411,099,645	(126,830,000)	(411,398)	4,281,930	1.24%
<b>*Total Portfolio</b>	<b>1,777,745,000</b>	<b>1,586,915,000</b>	<b>1,777,766,722</b>	<b>1,586,996,242</b>	<b>1,775,366,543</b>	<b>1,584,119,645</b>	<b>(190,830,000)</b>	<b>(411,398)</b>	<b>4,281,930</b>	<b>1.21%</b>
<b>Convention Center Reserve<sup>2</sup></b>										
US Agency	23,000,000	23,000,000	23,000,000	23,000,000	22,528,467	22,566,423	-	37,956	85,367	1.34%
<b>Total Portfolio</b>	<b>23,000,000</b>	<b>23,000,000</b>	<b>23,000,000</b>	<b>23,000,000</b>	<b>22,528,467</b>	<b>22,566,423</b>	<b>-</b>	<b>37,956</b>	<b>85,367</b>	<b>1.34%</b>
<b>Water Reserve<sup>2</sup></b>										
US Agency	90,000,000	70,000,000	89,982,196	69,993,656	89,047,390	69,168,575	(20,000,000)	121,185	158,917	1.24%
<b>Total Portfolio</b>	<b>90,000,000</b>	<b>70,000,000</b>	<b>89,982,196</b>	<b>69,993,656</b>	<b>89,047,390</b>	<b>69,168,575</b>	<b>(20,000,000)</b>	<b>121,185</b>	<b>158,917</b>	<b>1.24%</b>
<b>Art Endowment<sup>3</sup></b>										
US Agency	2,235,000	2,235,000	2,235,000	2,235,000	2,208,886	2,211,553	-	2,666	3,196	1.32%
<b>Total Portfolio</b>	<b>2,235,000</b>	<b>2,235,000</b>	<b>2,235,000</b>	<b>2,235,000</b>	<b>2,208,886</b>	<b>2,211,553</b>	<b>-</b>	<b>2,666</b>	<b>3,196</b>	<b>1.32%</b>
<b>Ida Green Library Endowment<sup>4</sup></b>										
US Agency	1,000,000	1,000,000	1,000,000	1,000,000	989,954	990,010	-	56	3,924	1.25%
<b>Total Portfolio</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>989,954</b>	<b>990,010</b>	<b>-</b>	<b>56</b>	<b>3,924</b>	<b>1.25%</b>
<b>DWU Commercial Paper<sup>5</sup></b>										
Money Market	13,960	13,960	13,960	13,960	13,960	13,960	-	-	-	0.92%
<b>Total Portfolio</b>	<b>13,960</b>	<b>13,960</b>	<b>13,960</b>	<b>13,960</b>	<b>13,960</b>	<b>13,960</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.92%</b>
<b>Trinity Parkway Escrow<sup>6</sup></b>										
Money Market	550,239	551,425	550,239	551,425	550,239	551,425	1,186	-	-	0.93%
<b>Total Portfolio</b>	<b>550,239</b>	<b>551,425</b>	<b>550,239</b>	<b>551,425</b>	<b>550,239</b>	<b>551,425</b>	<b>1,186</b>	<b>-</b>	<b>-</b>	<b>0.93%</b>

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: 06/30/2017 - 09/30/2017**

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**STRATEGY COMPLIANCE STATEMENT**

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For the quarter ended September 30, 2017 the portfolios are in compliance with the relevant provisions of the Public Fund Investment Act and the investment strategies adopted in Sec. 17.0 of the City's Investment Policy.

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**STRATEGY STATEMENT BY PORTFOLIO**

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**1) City's Investment Pool**

The City's Investment Pool is an aggregation of the majority of City funds that includes tax receipts, enterprise fund revenues, fine and fee revenues, as well as some, but not all, bond proceeds, grants, gifts and endowments. This portfolio is maintained to meet anticipated daily cash needs for City of Dallas operations, capital projects and debt service. In order to ensure the ability of the City to meet obligations and to minimize potential liquidation losses, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years.

**2) Convention Center Bond Reserve and Water Bond Reserve**

Non-pooled reserve funds for outstanding revenue bonds (Convention Center and Water) are set at levels required by their respective bond ordinances. These funds will be used to pay principal and/or interest at final maturity or if called prior to final maturity.

**3) 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**

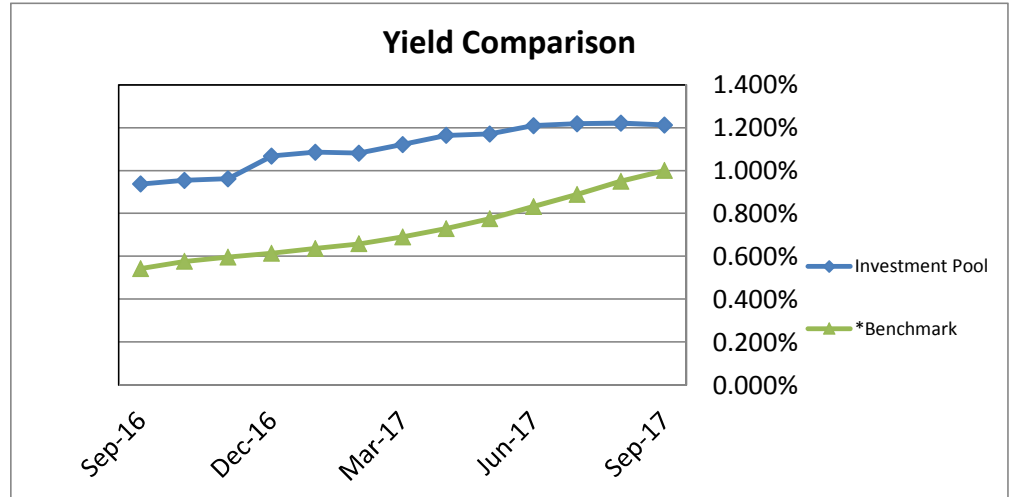
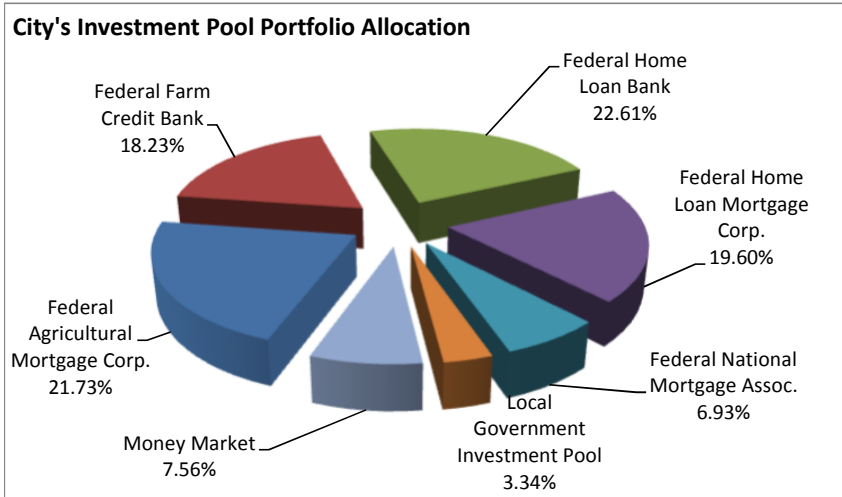
The City issues tax-exempt commercial paper notes as an interim financing tool for construction of capital projects. The investment of the proceeds from the issuance of commercial paper debt should have a high degree of liquidity in order to fund payments to contractors.

**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, North Texas Tollway Authority ("NTTA"), and TxDOT pertaining to development of the Trinity Parkway. These funds will be used to share costs for the studies and design efforts related to the Trinity Parkway project. Permitted investments for this account are defined in the Escrow Agreement as those that are consistent with the Public Funds Investment Act.

\* As of September 30, 2017, the City and NTTA are in the process of closing Trinity Parkway Escrow account and anticipate to close the account by October 31, 2017.

**City of Dallas**  
**City's Investment Pool Portfolio Allocation**  
**Investment Summary**  
**As of 09/30/2017**



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.	344,770,000	344,859,026	344,368,105	(490,921)	406	1.27%	21.73%
Federal Farm Credit Bank	289,275,000	289,248,485	288,662,124	(586,361)	325	1.07%	18.23%
Federal Home Loan Bank	358,850,000	358,896,139	358,069,830	(826,309)	511	1.31%	22.61%
Federal Home Loan Mortgage Corp.	311,000,000	310,998,228	310,314,805	(683,423)	515	1.29%	19.60%
Federal National Mortgage Assoc.	110,000,000	109,974,364	109,684,780	(289,584)	335	1.18%	6.93%
Local Government Investment Pool	53,020,000	53,020,000	53,020,000	-	1	1.26%	3.34%
Money Market	120,000,000	120,000,000	120,000,000	-	1	0.93%	7.56%
<b>***Total Portfolio</b>	<b>1,586,915,000</b>	<b>1,586,996,242</b>	<b>1,584,119,645</b>	<b>(2,876,597)</b>	<b>387</b>	<b>1.21%</b>	<b>100.00%</b>

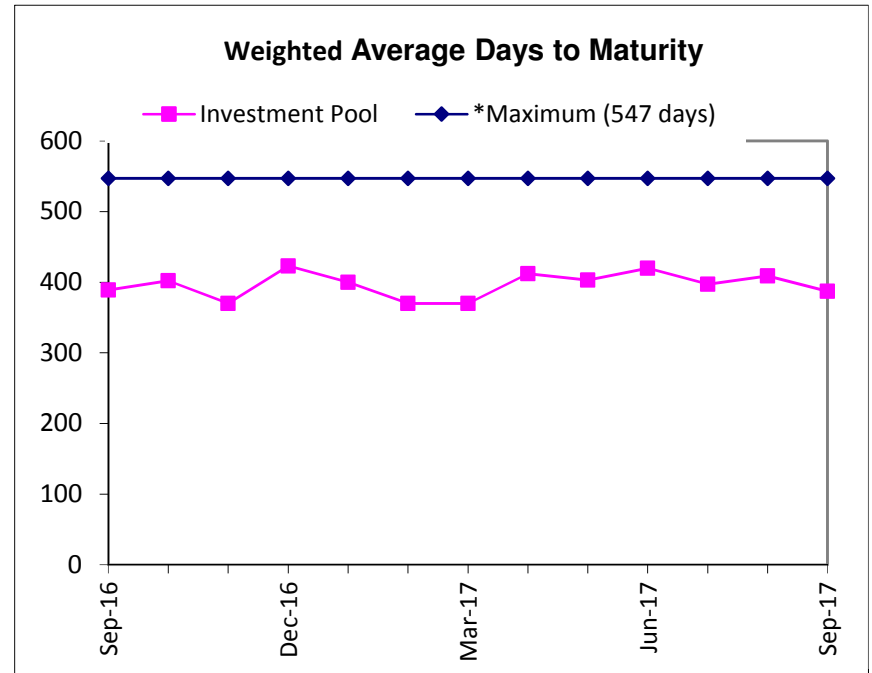
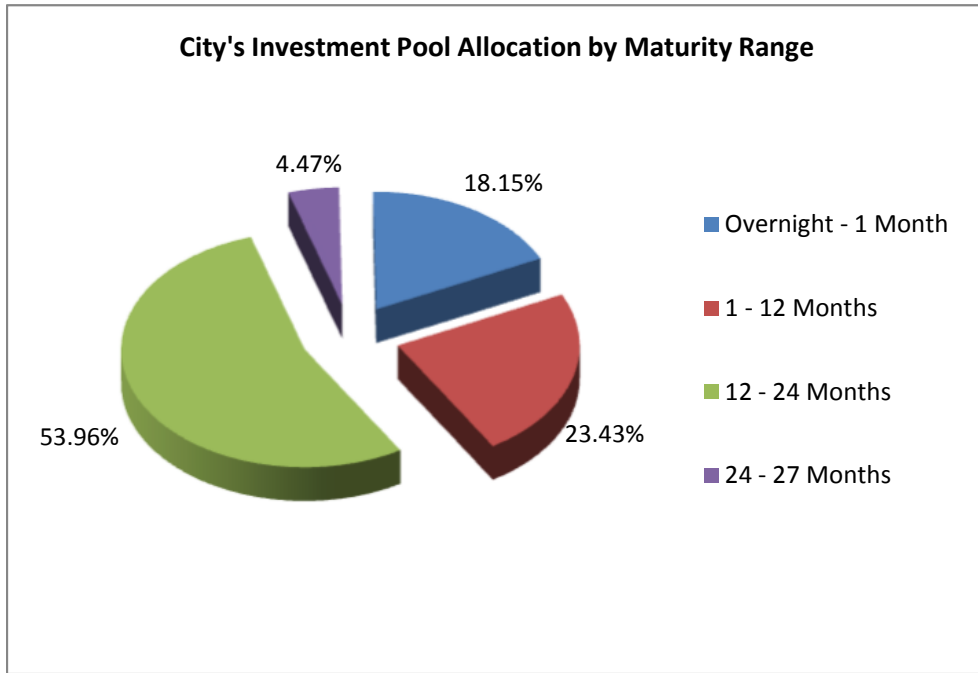
\*As per Section 17.1 of the City's Investment Policy, the benchmark for the Investment Pool is the 12-month moving average yield on treasury 1-year constant maturities as reported by Federal Reserve Statistical Release H.15.

\*\* Unrealized gain/loss is the difference between the market value and book value and does not represent an actual gain or loss. Gains and losses are realized only when a security is sold prior to maturity. Since it is the City's 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 09/30/2017**



Description	Face Amount/Shares	Book Value	Market Value	Weighted Average Yield To Maturity	Weighted Average Days To Maturity	% of Portfolio
Overnight - 1 Month	288,020,000	288,017,343	288,010,255	0.90%	5	18.15%
1 - 12 Months	371,620,000	371,686,741	371,363,584	1.13%	231	23.43%
12 - 24 Months	856,275,000	856,282,402	853,952,378	1.33%	551	53.96%
24 - 27 Months	71,000,000	71,009,756	70,793,427	1.52%	782	4.47%
<b>**Total Portfolio</b>	<b>1,586,915,000</b>	<b>1,586,996,242</b>	<b>1,584,119,645</b>	<b>1.21%</b>	<b>387</b>	<b>100%</b>

\*As per Section 13.0 of the City's Investment Policy, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years (547 days).

\*\* Numbers may not sum due to rounding

**City of Dallas**  
**Date To Date**  
**Broker/Dealer Activity**  
**As of: FY 16-17 Year to Date**

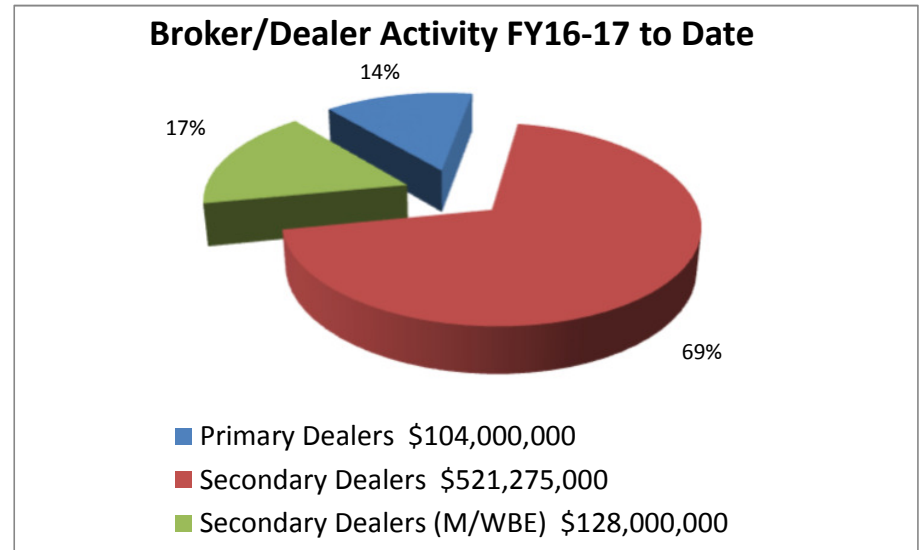
FY 16-17 Year to Date		
Description	Awarded	%
<b>Primary Dealers</b>		
Bank of America	\$48,000,000	6.37%
Jefferies & Co.	27,000,000	3.58%
Morgan Stanley	15,000,000	1.99%
RBC Capital Markets, LLC	14,000,000	1.86%
Wells Fargo	0	0.00%
<b>Secondary Dealers</b>		
FTN Financials	95,000,000	12.61%
Hilltop Securities Inc.	60,000,000	7.97%
Intl Fcstone Financial Inc.	39,275,000	5.21%
Multi Bank Securities	66,000,000	8.76%
Piper Jaffray & Co.	54,000,000	7.17%
Samco Capital Market	75,000,000	9.96%
SunTrust Robinson Humphrey, Inc.	60,000,000	7.97%
Vining Sparks	72,000,000	9.56%
<b>Secondary Dealers - M/WBE</b>		
Capital Institutional Services, Inc.	40,000,000	5.31%
Loop Capital	20,000,000	2.66%
Rice Financial	23,000,000	3.05%
Stern Brothers & Co.	45,000,000	5.97%
<b>Total</b>	<b>\$753,275,000</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 2017.

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 16-17		
Description	Awarded	%
Intl Fcstone Financial Inc.	\$10,000,000	25.00%
Multi Bank Securities	20,000,000	50.00%
SunTrust Robinson Humphrey, Inc.	10,000,000	25.00%
<b>Total</b>	<b>\$40,000,000</b>	<b>100.00%</b>



**CITY OF DALLAS**

**September 30, 2017**

**QUARTERLY INVESTMENT REPORT**

For the quarter ended September 30, 2017 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 Leich

City Controller: [Signature]

Treasury Manager: Conor Steege