

Memorandum



CITY OF DALLAS

DATE May 17, 2018

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

SUBJECT **March 31, 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 March 31, 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
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Billierae Johnson, City Secretary
Daniel F. Solis, Administrative Judge
Kimberly Bizzor 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

March 31, 2018

QUARTERLY INVESTMENT REPORT

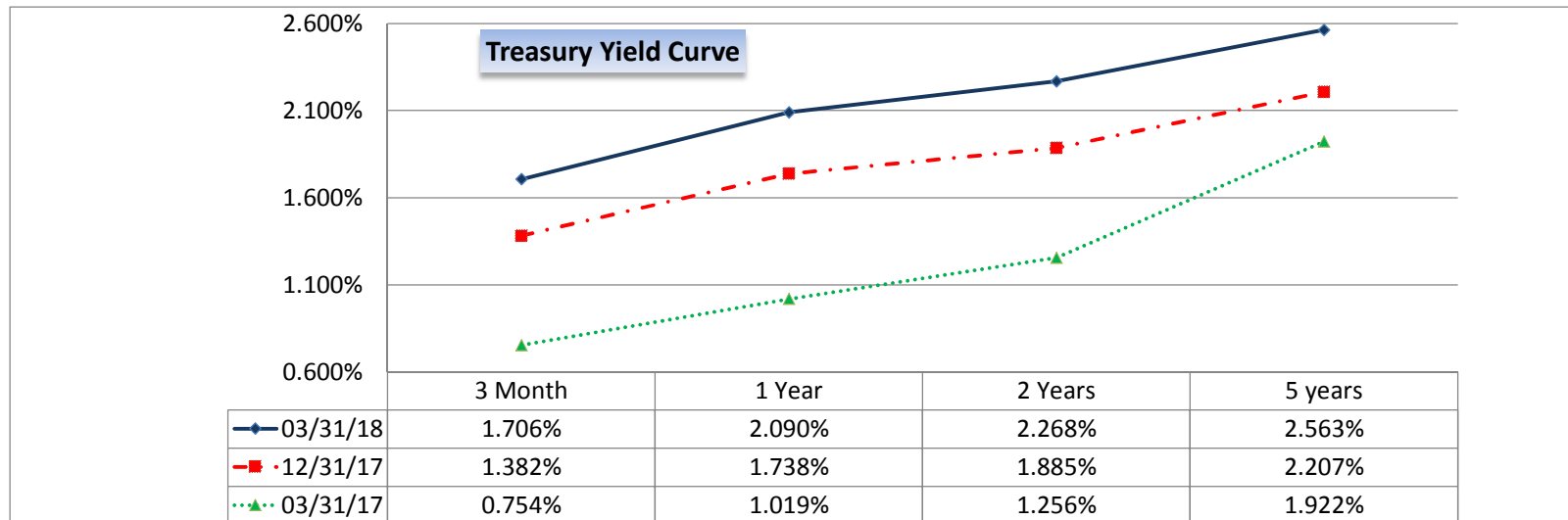
Quarterly National Economic and Market Update
 Quarter Ended March 31, 2018

- Labor market continued to strengthen and economic activity rose at a moderate rate
- Job gains were strong and the unemployment rate stayed low
- Household spending growth rate had moderated
- The Federal Open Market Committee (FOMC) raised the top of the target range for the federal funds rate from 1.25% - 1.50% to 1.50% - 1.75%.

Source: FOMC March 21, 2018 Statement

National Economic Data	3/31/2017	3/31/2018
Fed Funds Effective Rate Target Range	0.75% - 1.00%	1.50% - 1.75%
2 Years Treasury Note Yield	1.256%	2.268%
10 Years Treasury Note Yield	2.388%	2.740%
Monthly Unemployment Rate	4.5%	4.1%
Weekly Initial Jobless Claims	235,000	242,000
Monthly Change in Nonfarm Payrolls	79,000	103,000
Monthly New Housing Starts	1,203,000	1,319,000

Source: Bloomberg



Source: Bloomberg

City of Dallas
Portfolio Holdings
Combined Investment Summary
As of 3/31/2018

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	2,186,915,000	2,186,908,897	2,176,799,129	6,017,000	2,182,816,129	(10,109,769)	1.52%
02 Convention Center Reserve	23,000,000	23,000,000	22,568,556	85,650	22,654,206	(431,444)	1.34%
03 Water Reserve	90,000,000	89,996,425	88,760,075	222,508	88,982,583	(1,236,350)	1.30%
04 Arts Endowment	2,235,000	2,235,000	2,187,410	3,278	2,190,688	(47,590)	1.32%
05 Ida Green Library Fund	1,000,000	1,000,000	988,977	3,958	992,935	(11,023)	1.25%
10 DWU Commercial Paper Program	13,960	13,960	13,960	-	13,960	-	1.58%
11 GO Commercial Paper Program	3,500,000	3,500,000	3,500,000	-	3,500,000	-	1.61%

*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: 12/31/2017 - 3/31/2018

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.	344,770,000	1.35%	214,000,000	-	558,770,000	1.57%
Federal Farm Credit Bank	229,275,000	1.25%	35,000,000	20,000,000	244,275,000	1.37%
Federal Home Loan Bank	411,850,000	1.38%	135,000,000	15,000,000	531,850,000	1.53%
Federal Home Loan Mortgage Corp.	241,000,000	1.45%	-	-	241,000,000	1.45%
Federal National Mortgage Assoc.	95,000,000	1.19%	-	-	95,000,000	1.19%
Total Portfolio	1,321,895,000	1.35%	384,000,000	35,000,000	1,670,895,000	1.53%

*Trade activity excludes bank investment holding account, local government investment pools and money market mutual funds.

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	1.20%	-	0	13,960	1.58%
Total Portfolio	13,960	1.20%	-	0	13,960	1.58%

GO Commercial Paper Program						
Money Market	3,500,000	1.23%	-	-	3,500,000	1.61%
Total Portfolio	3,500,000	1.23%	-	-	3,500,000	1.61%

City of Dallas
 Summary Statement by Portfolio
 As of: 12/31/2017 - 3/31/2018

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	-	100,000,000	-	100,000,000	-	100,000,000	100,000,000	-	-	0.90%
Local Govt. Investment Pool	398,020,000	361,020,000	398,020,000	361,020,000	398,020,000	361,020,000	(37,000,000)	-	-	1.85%
Money Market	200,000,000	55,000,000	200,000,000	55,000,000	200,000,000	55,000,000	(145,000,000)	-	-	1.57%
US Agency	1,321,895,000	1,670,895,000	1,321,953,287	1,670,888,897	1,315,188,177	1,660,779,129	349,000,000	(3,368,750)	6,017,000	1.49%
**Total Portfolio	1,919,915,000	2,186,915,000	1,919,973,287	2,186,908,897	1,913,208,177	2,176,799,129	267,000,000	(3,368,750)	6,017,000	1.52%
Convention Center Reserve²										
US Agency	23,000,000	23,000,000	23,000,000	23,000,000	22,454,082	22,568,556	-	114,474	85,650	1.34%
Total Portfolio	23,000,000	23,000,000	23,000,000	23,000,000	22,454,082	22,568,556	-	114,474	85,650	1.34%
Water Reserve²										
US Agency	90,000,000	90,000,000	89,995,056	89,996,425	88,810,185	88,760,075	-	(50,110)	222,508	1.30%
Total Portfolio	90,000,000	90,000,000	89,995,056	89,996,425	88,810,185	88,760,075	-	(50,110)	222,508	1.30%
Arts Endowment³										
US Agency	2,235,000	2,235,000	2,235,000	2,235,000	2,196,504	2,187,410	-	(9,094)	3,278	1.32%
Total Portfolio	2,235,000	2,235,000	2,235,000	2,235,000	2,196,504	2,187,410	-	(9,094)	3,278	1.32%
Ida Green Library Endowment⁴										
US Agency	1,000,000	1,000,000	1,000,000	1,000,000	986,184	988,977	-	2,793	3,958	1.25%
Total Portfolio	1,000,000	1,000,000	1,000,000	1,000,000	986,184	988,977	-	2,793	3,958	1.25%
DWU Commercial Paper⁵										
Money Market	13,960	13,960	13,960	13,960	13,960	13,960	-	-	-	1.58%
Total Portfolio	13,960	13,960	13,960	13,960	13,960	13,960	-	-	-	1.58%
GO Commercial Paper⁵										
Money Market - Tax Exempt	-	-	-	-	-	-	-	-	-	-
Total Portfolio	-	-	-	-	-	-	-	-	-	-
GO Commercial Paper⁵										
Money Market	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	-	-	-	1.61%
Total Portfolio	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	-	-	-	1.61%

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: 12/31/2017 - 3/31/2018

STRATEGY COMPLIANCE STATEMENT

For the quarter ended March 31, 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.

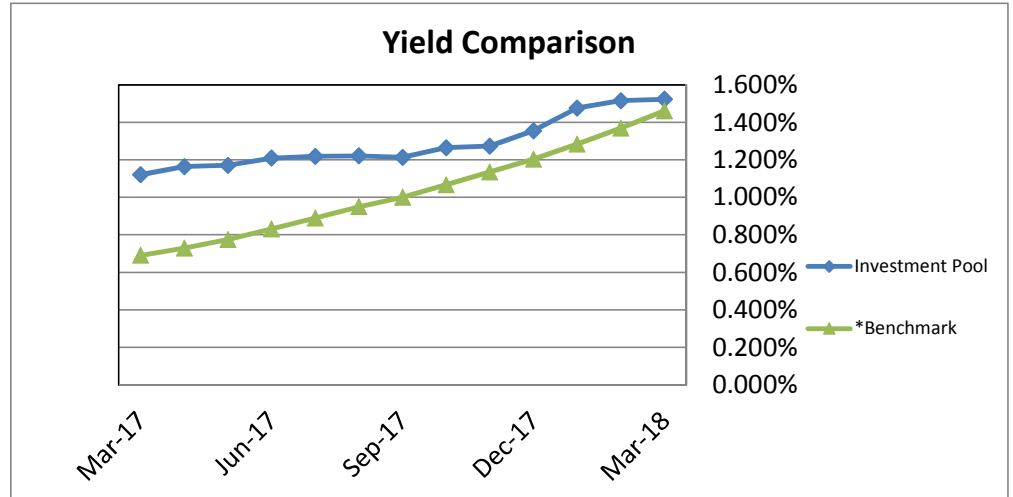
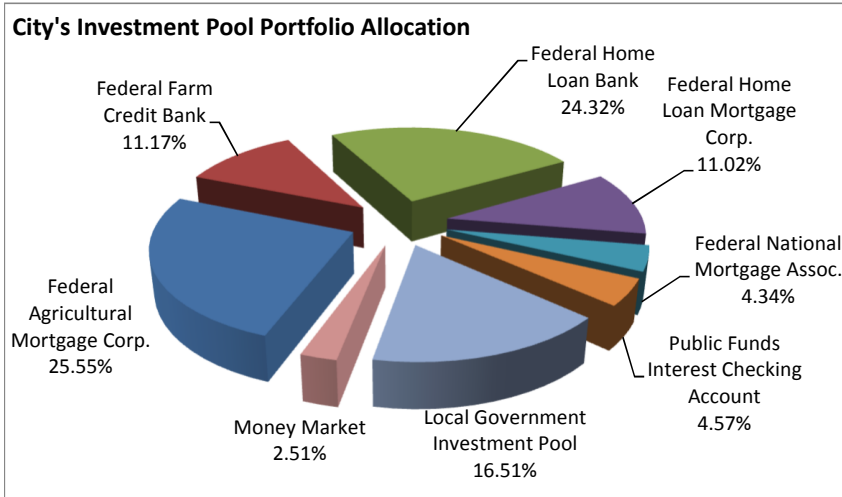
4) Ida Green Library Endowment

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 3/31/2018



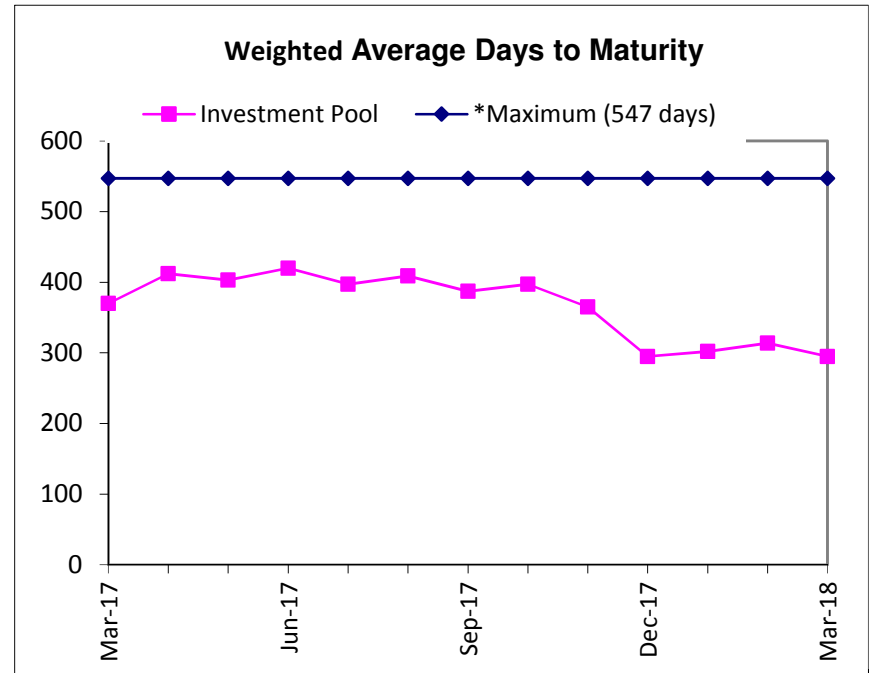
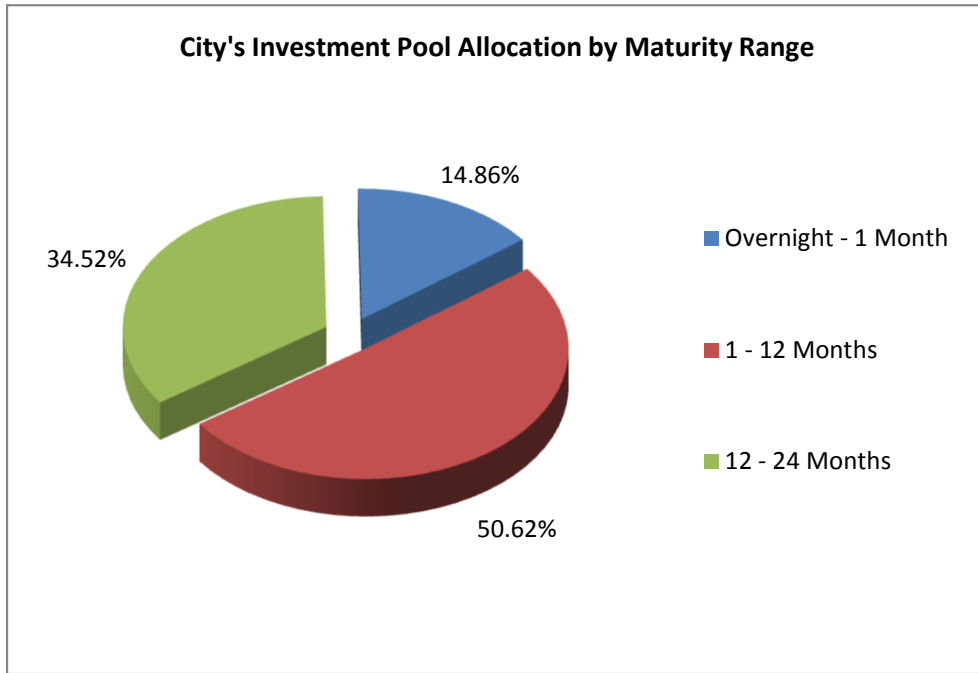
Description	Face Amount	Book Value	Market Value	**Unrealized Gain/(Loss)	Weighted Average Days To Maturity	Weighted Average Yield To Maturity	% of Portfolio
Federal Agricultural Mortgage Corp.	558,770,000	558,792,171	556,510,271	(2,281,900)	317	1.57%	25.55%
Federal Farm Credit Bank	244,275,000	244,253,093	242,864,127	(1,388,966)	344	1.37%	11.17%
Federal Home Loan Bank	531,850,000	531,852,339	528,203,260	(3,649,080)	422	1.53%	24.32%
Federal Home Loan Mortgage Corp.	241,000,000	241,000,000	238,656,062	(2,343,938)	474	1.45%	11.02%
Federal National Mortgage Assoc.	95,000,000	94,991,295	94,545,410	(445,885)	202	1.19%	4.34%
Public Funds Interest Checking Account	100,000,000	100,000,000	100,000,000	-	1	0.90%	4.57%
Local Government Investment Pool	361,020,000	361,020,000	361,020,000	-	73	1.85%	16.51%
Money Market	55,000,000	55,000,000	55,000,000	-	1	1.57%	2.51%
***Total Portfolio	2,186,915,000	2,186,908,897	2,176,799,129	(10,109,769)	295	1.52%	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 3/31/2018**



Description	Face Amount/Shares	Book Value	Market Value	Weighted Average Yield To Maturity	Weighted Average Days To Maturity	% of Portfolio
Overnight - 1 Month	325,020,000	325,019,735	325,019,584	1.50%	1	14.86%
1 - 12 Months	1,106,895,000	1,106,887,849	1,103,159,762	1.46%	227	50.62%
12 - 24 Months	755,000,000	755,001,313	748,619,783	1.62%	522	34.52%
**Total Portfolio	2,186,915,000	2,186,908,897	2,176,799,129	1.52%	295	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%

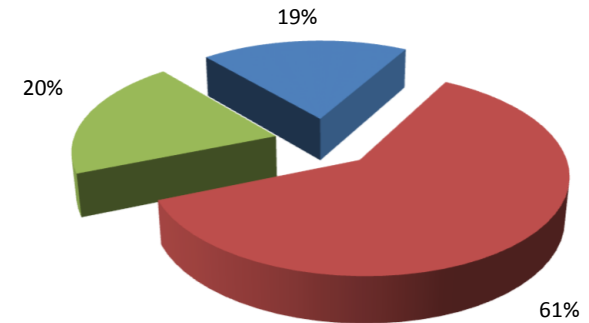
Notes:

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.

Q2 FY 17-18		
Description	Awarded	%
Bank of America	\$32,000,000	8.33%
FTN Financials	30,000,000	7.81%
Hilltop Securities Inc.	15,000,000	3.91%
Intl Fcstone Financial Inc.	15,000,000	3.91%
Jefferies & Co.	20,000,000	5.21%
Loop Capital - M/WBE	40,000,000	10.42%
Multi Bank Securities	115,000,000	29.95%
Piper Jaffray & Co.	40,000,000	10.42%
Rice Financial - M/WBE	42,000,000	10.94%
Samco Capital Market	15,000,000	3.91%
Stern Brothers & Co. - M/WBE	20,000,000	5.21%
Total	\$384,000,000	100.00%

Broker/Dealer Activity FY17-18 to Date



- Primary Dealers \$97,000,000
- Secondary Dealers \$308,000,000
- Secondary Dealers (M/WBE) \$102,000,000

CITY OF DALLAS

March 31, 2018

QUARTERLY INVESTMENT REPORT

For the quarter ended March 31, 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

Interim City Controller: Rance Shon

Treasury Manager: Corrine Steeger