

Memorandum



CITY OF DALLAS

DATE February 24, 2011

TO Members of the Budget, Finance & Audit Committee:
Chair Jerry Allen, Vice-Chair Ann Margolin, Vonciel Jones Hill, Angela Hunt, Delia D. Jasso, Ron Natinsky, David Neumann

SUBJECT Quarterly Investment Report as of December 31, 2010

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 December 31, 2010 the City's individual portfolios and the combined portfolio are in compliance with the relevant provisions of the City's Investment Policy and the Public Funds Investment Act.

The format and presentation of the quarterly investment report have changed due to a new investment reporting system. The February 28, 2011 Budget, Finance & Audit meeting agenda includes a briefing on the new investment report. In addition to the new quarterly investment report, a short presentation that outlines the changes to the report is attached.

Jeanne Chipperfield
Chief Financial Officer

Edward R. Scott
City Controller

Corrine Steeger
Treasury Manager

Attachments

C: Honorable Mayor & Members of the City Council
Mary K. Suhm, City Manager
Deborah A. Watkins, City Secretary
Tom P. Perkins, City Attorney
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Forest E. Turner, Assistant City Manager
Craig Kinton, City Auditor



CITY OF DALLAS

QUARTERLY INVESTMENT REPORT

December 31, 2010

(New Format)

City of Dallas
Portfolio Holdings
Combined Investment Summary
As of 12/31/2010

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	1,359,104,766	1,370,819,064	1,372,111,234	8,597,398	1,380,708,632	1,292,170	233	0.74%	90.50%
02 Convention Center Reserve	22,900,000	22,928,305	22,983,560	64,586	23,048,146	55,255	319	0.74%	1.53%
03 Water Reserve	65,770,000	66,230,525	66,581,499	274,482	66,855,981	350,974	398	0.98%	4.38%
04 Art Endowment	2,540,000	2,541,200	2,545,580	662	2,546,242	4,380	168	0.57%	0.17%
05 Ida Green Library Fund	1,000,000	1,001,717	1,001,266	1,375	1,002,641	(451)	273	0.32%	0.07%
10 DWU Commercial Paper Program	47,812,486	47,812,486	47,812,486	-	47,812,486	-	1	0.14%	3.18%
14 Trinity Parkway Escrow	1,887,385	1,887,385	1,887,385	-	1,887,385	-	1	0.16%	0.13%
16 Oncor Electric Escrow	540,047	540,047	540,047	-	540,047	-	1	0.16%	0.04%
Total	1,501,554,684	1,513,760,730	1,515,463,058	8,938,503	1,524,401,560	1,702,328	234	0.73%	100.00%

* Accrued Interest represents the amount of coupon interest earned (but not received) from the previous coupon date to a subsequent date. Interest on money market mutual funds and local government investment pools is received monthly typically on the first business day of the following month and is not accrued for accounting purposes during the month due to daily fluctuations in principal amount invested and interest rate.

**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: 9/30/2010 - 12/31/2010

Portfolio Description	Beginning Face Amount	Beginning Yield To Maturity	Purchased	Matured/Called	Ending Face Amount	Ending Yield To Maturity
City's Investment Pool						
Federal Farm Credit Bank	170,250,000	1.03%	61,875,000	20,250,000	211,875,000	0.85%
Federal Home Loan Bank	275,530,000	0.88%	32,675,000	58,250,000	249,955,000	0.70%
Federal Home Loan Mortgage Corp.	304,629,000	1.01%	25,000,000	50,000,000	279,629,000	0.89%
Federal National Mortgage Assoc.	316,370,000	0.96%	70,000,000	35,000,000	351,370,000	0.89%
Local Government Investment Pool	187,424,534	0.24%	355,349,000	385,000,000	157,773,534	0.18%
Money Market	12,002,232	0.11%	21,500,000	-	33,502,232	0.07%
Treasury Note	75,000,000	0.74%	-	-	75,000,000	0.74%
Total	1,341,205,766	0.85%	566,399,000	548,500,000	1,359,104,766	0.74%
Convention Center Reserve						
Federal Farm Credit Bank	5,600,000	0.99%	-	-	5,600,000	0.99%
Federal Home Loan Bank	17,300,000	0.66%	-	-	17,300,000	0.66%
Total	22,900,000	0.74%	-	-	22,900,000	0.74%
Water Reserve						
Federal Farm Credit Bank	10,000,000	0.80%	-	-	10,000,000	0.80%
Federal Home Loan Bank	55,770,000	1.02%	-	-	55,770,000	1.02%
Federal Home Loan Mortgage Corp.	16,772,000	2.44%	-	16,772,000	-	0.00%
Total	82,542,000	1.28%	-	16,772,000	65,770,000	0.98%
Art Endowment						
Federal Home Loan Bank	2,540,000	0.57%	-	-	2,540,000	0.57%
Total	2,540,000	0.57%	-	-	2,540,000	0.57%
Ida Green Library Endowment						
Federal Farm Credit Bank	1,000,000	0.32%	-	-	1,000,000	0.32%
Total	1,000,000	0.32%	-	-	1,000,000	0.32%
DWU Commercial Paper						
Money Market	52,497,332	0.14%	-	4,684,846	47,812,486	0.32%
Total	52,497,332	0.14%	-	4,684,846	47,812,486	0.32%
Trinity Parkway Escrow						
Money Market	2,021,480	0.12%	633	134,728	1,887,385	0.16%
Total	2,021,480	0.12%	633	134,728	1,887,385	0.16%
Oncor Electric Escrow						
Money Market	539,876	0.13%	172	-	540,047	0.16%
Total	539,876	0.13%	172	-	540,047	0.16%
Grand Total	1,505,246,454	0.84%	566,399,805	570,091,575	1,501,554,684	0.73%

City of Dallas
Summary Statement by Portfolio
As of: 9/30/2010 - 12/31/2010

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	187,424,534	157,773,534	187,424,534	157,773,534	187,424,534	157,773,534	(29,651,000)	-	-	0.18%
Money Market	12,002,232	33,502,232	12,002,232	33,502,232	12,002,232	33,502,232	21,500,000	-	-	0.70%
US Agency	1,066,779,000	1,092,829,000	1,079,865,809	1,103,813,437	1,082,847,554	1,104,842,113	-	21,994,560	8,261,763	0.84%
US Treasury	75,000,000	75,000,000	75,960,083	75,729,862	76,293,175	75,993,355	-	(299,820)	335,635	0.74%
Total	1,341,205,766	1,359,104,766	1,355,252,657	1,370,819,064	1,358,567,495	1,372,111,234	(8,151,000)	21,694,740	8,597,398	0.74%
Convention Center Reserve²										
US Agency	22,900,000	22,900,000	22,935,676	22,928,305	23,018,582	22,983,560	-	(35,021)	64,586	0.74%
Total	22,900,000	22,900,000	22,935,676	22,928,305	23,018,582	22,983,560	-	(35,021)	64,586	0.74%
Water Reserve²										
US Agency	82,542,000	65,770,000	83,154,916	66,230,525	83,686,095	66,581,499	-	(17,104,596)	274,482	0.98%
Total	82,542,000	65,770,000	83,154,916	66,230,525	83,686,095	66,581,499	-	(17,104,596)	274,482	0.98%
Art Endowment³										
US Agency	2,540,000	2,540,000	2,541,858	2,541,200	2,546,391	2,545,580	-	(810)	662	0.57%
Total	2,540,000	2,540,000	2,541,858	2,541,200	2,546,391	2,545,580	-	(810)	662	0.57%
Ida Green Library Endowment⁴										
US Agency	1,000,000	1,000,000	1,002,296	1,001,717	1,002,090	1,001,266	-	(824)	1,375	0.32%
Total	1,000,000	1,000,000	1,002,296	1,001,717	1,002,090	1,001,266	-	(824)	1,375	0.32%
DWU Commercial Paper⁵										
Money Market	52,497,332	47,812,486	52,497,332	47,812,486	52,497,332	47,812,486	(4,684,846)	-	-	0.14%
Total	52,497,332	47,812,486	52,497,332	47,812,486	52,497,332	47,812,486	(4,684,846)	-	-	0.14%
Trinity Parkway Escrow⁶										
Money Market	2,021,480	1,887,385	2,021,480	1,887,385	2,021,480	1,887,385	(134,095)	-	-	0.16%
Total	2,021,480	1,887,385	2,021,480	1,887,385	2,021,480	1,887,385	(134,095)	-	-	0.16%
Oncor Electric Escrow⁷										
Money Market	539,876	540,047	539,876	540,047	539,876	540,047	172	-	-	0.16%
Total	539,876	540,047	539,876	540,047	539,876	540,047	172	-	-	0.16%

* Accrued Interest represents the amount of coupon interest earned (but not received) from the previous coupon date to a subsequent date. Interest on money market mutual funds and local government investment pools is received monthly typically on the first business day of the following month and is not accrued for accounting purposes during the month due to daily fluctuations in principal amount invested and interest rate.

City of Dallas
Strategy Statement and Compliance by Portfolio
As of: 9/30/2010 - 12/31/2010

OBJECTIVES

The objectives of the portfolios are to: a) ensure safety of principal by investing only in high-quality securities for which a strong secondary market exists; b) ensure that anticipated cash flows are matched with adequate investment liquidity; c) manage market and credit risk through diversification; and d) attain the best feasible yield commensurate with the objectives and the restrictions set forth in the investment policy and the bond ordinance by managing the portfolio to meet or exceed the bond yield.

STRATEGY COMPLIANCE STATEMENT

For the quarter ending December 31, 2010 the portfolios are in compliance with the provisions of the Public Fund Investment Act and the investment strategy adopted in Sec. 17.0 of the City's Investment Policy.

STRATEGY STATEMENT

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 Reserve and Water 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

Water Utilities issues tax-exempt commercial paper notes as an interim financing tool for construction 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.

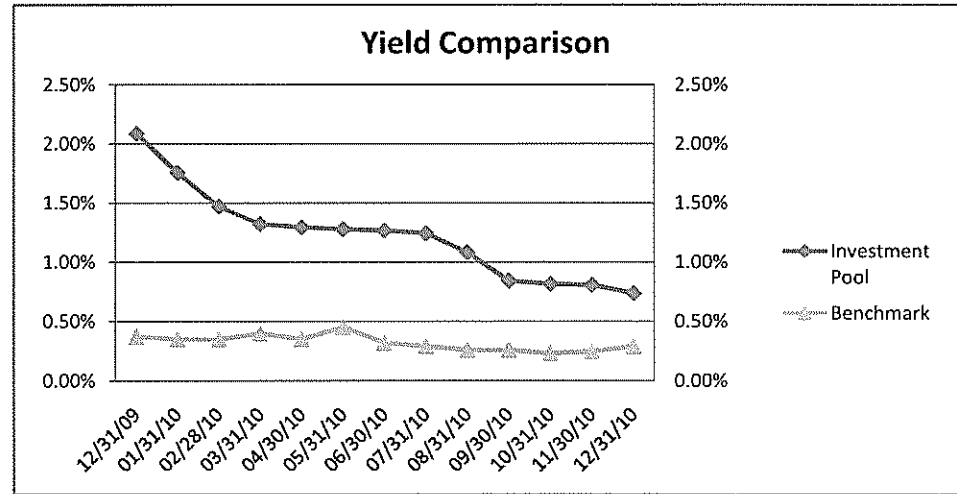
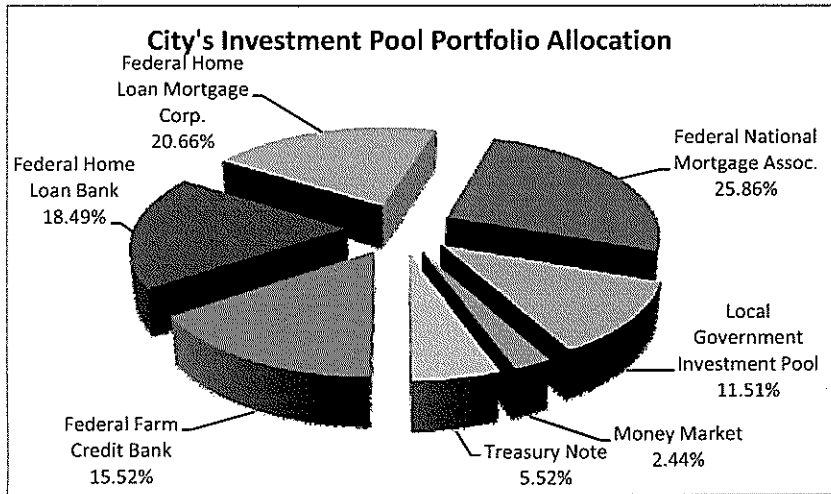
6) Trinity Parkway Escrow

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 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.

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 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 12/31/2010



Description	Face Amount	Book Value	Market Value	*Unrealized Gain/(Loss)	Weighted Average Days To Maturity	Yield To Maturity	% of Portfolio
Federal Farm Credit Bank	211,875,000	212,683,916	212,668,898	(15,018)	367	0.85%	15.52%
Federal Home Loan Bank	249,955,000	253,460,310	253,567,159	106,849	295	0.69%	18.49%
Federal Home Loan Mortgage Corp.	279,629,000	283,190,594	283,691,340	500,746	190	0.89%	20.66%
Federal National Mortgage Assoc.	351,370,000	354,478,617	354,914,717	436,100	266	0.89%	25.86%
Local Government Investment Pool	157,773,534	157,773,534	157,773,534	-	1	0.18%	11.51%
Money Market	33,502,232	33,502,232	33,502,232	-	1	0.07%	2.44%
Treasury Note	75,000,000	75,729,862	75,993,355	263,493	261	0.74%	5.52%
Total	1,359,104,766	1,370,819,064	1,372,111,234	1,292,170	234	0.73%	100.00%

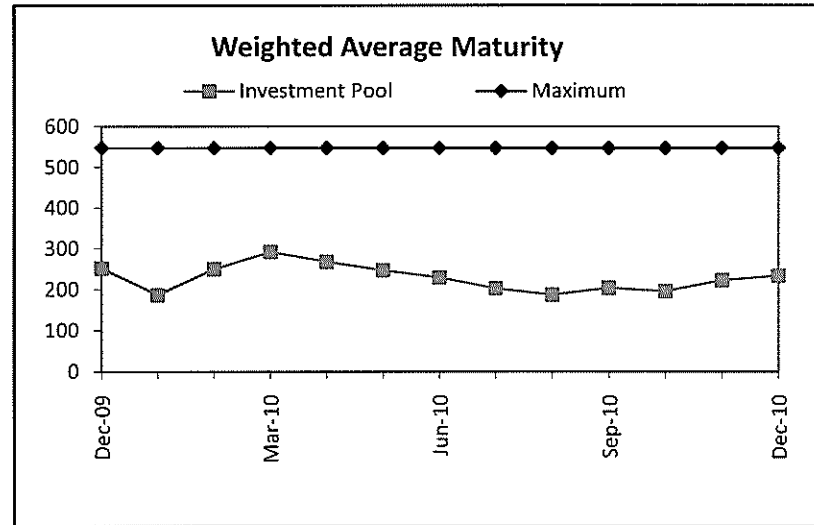
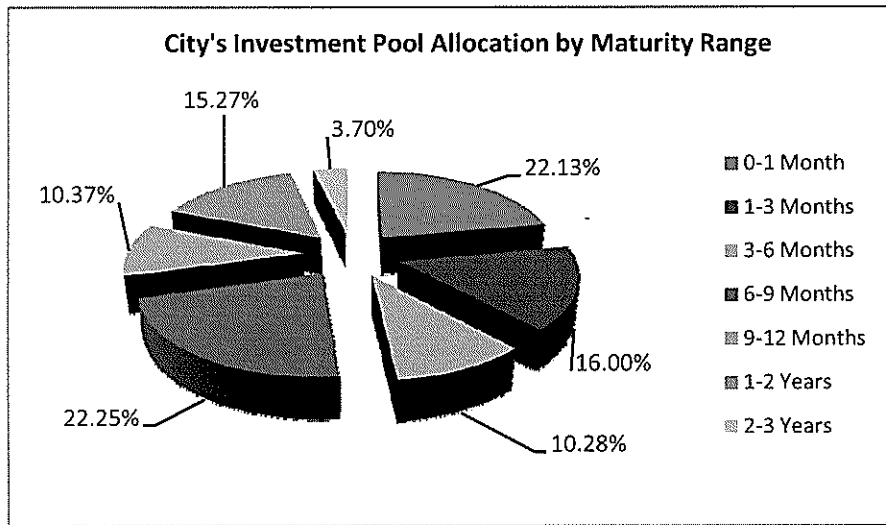
* Unrealized gain/loss is the difference between the market value and book value and does not represent an actual gain or loss. Gains and losses are realized only when a security is sold prior to maturity. Since it is the City's strategy to hold investments until they mature, the temporary gains and losses are unlikely to be realized.

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.

COMPLIANCE STATEMENT

For the quarter ending December 31, 2010 the City's Investment Pool is in compliance with the provisions adopted in Sec. 13.0 of the City's Investment Policy.

City of Dallas
 City's Investment Pool Allocation by Maturity Range
 As of 12/31/2010



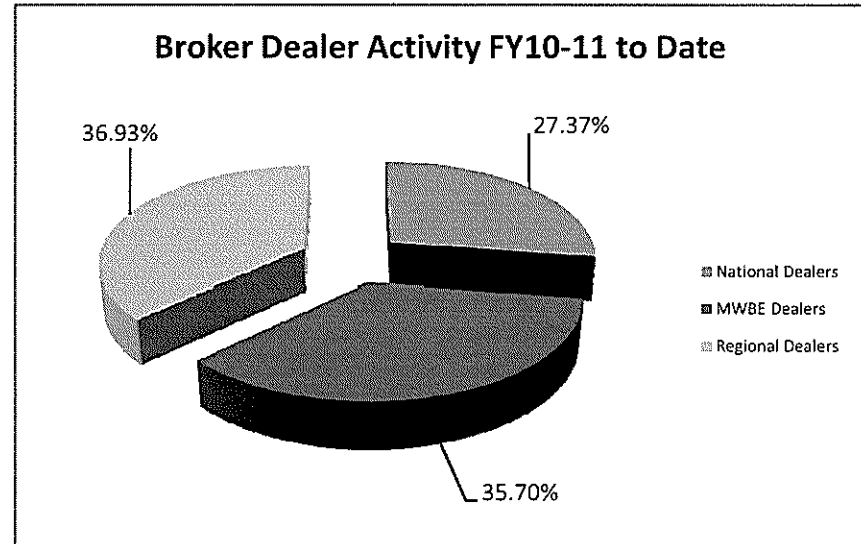
Description	Face Amount/Shares	Book Value	Market Value	Yield To Maturity	Weighted Average Days To Maturity	% of Portfolio
0-1 Month	303,325,766	303,415,181	303,495,229	0.60%	7	22.13%
1-3 Months	218,754,000	219,389,724	219,725,231	0.95%	57	16.00%
3-6 Months	139,570,000	140,970,872	141,458,804	1.11%	139	10.28%
6-9 Months	301,000,000	304,986,418	305,583,111	0.62%	235	22.25%
9-12 Months	140,000,000	142,209,867	142,598,750	0.69%	293	10.37%
1-2 Years	206,455,000	209,292,072	208,848,219	0.54%	566	15.27%
2-3 Years	50,000,000	50,554,931	50,401,890	1.32%	1,084	3.70%
Total	1,359,104,766	1,370,819,064	1,372,111,234	0.74%	234	100.00%

City of Dallas
 Date To Date
 Broker Dealer Activity
 As of: FY 10-11 to Date

FY 10-11 to Date		
Description	Awarded	%
Bank of America	-	0.00%
Coastal Securities	10,000,000	5.28%
First Southwest	35,000,000	18.46%
Jefferies & Co.	51,875,000	27.37%
JPMorgan	-	0.00%
Loop Capital - MWBE	22,675,000	11.96%
Morgan Keegan & Co.	-	0.00%
Rice Financial - MWBE	35,000,000	18.46%
Wells Fargo	25,000,000	13.19%
Williams Capital - MWBE	10,000,000	5.28%
Total	189,550,000	100.00%

Description	Awarded	%
National Dealers	51,875,000	27.37%
MWBE Dealers	67,675,000	35.70%
Regional Dealers	70,000,000	36.93%
Total	189,550,000	100.00%

Q1 FY11		
Description	Awarded	%
Coastal Securities	10,000,000	5.28%
First Southwest	35,000,000	18.46%
Jefferies & Co.	51,875,000	27.37%
Loop Capital - MWBE	22,675,000	11.96%
Rice Financial - MWBE	35,000,000	18.46%
Wells Fargo	25,000,000	13.19%
Williams Capital - MWBE	10,000,000	5.28%
Total	189,550,000	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 October 16, 2009.

It is the City's practice to solicit three or more competitive bids/offers each trade.