

Memorandum



CITY OF DALLAS

DATE February 16, 2012

TO Honorable Members of the Budget, Finance & Audit Committee: Jerry Allen (Chair), Tennell Atkins (Vice Chair), Monica R. Alonzo, Scott Griggs, Ann Margolin

SUBJECT Quarterly Investment Report as of December 31, 2011

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, 2011 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.

Please contact me if you require additional information.

Jeanne Chipperfield
Chief Financial Officer

Edward R. Scott
City Controller

Corrine Steeger
Treasury Manager

C: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Rosa A. Rios, Acting City Secretary
Thomas P. Perkins, Jr., City Attorney
Craig D. Kinton, City Auditor
C. Victor Lander, Administrative Judge
A.C. Gonzalez, First Assistant City Manager
Ryan S. Evans, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Stephanie Pegues-Cooper, Assistant to the City Manager



CITY OF DALLAS

QUARTERLY INVESTMENT REPORT

December 31, 2011

City of Dallas
 Portfolio Holdings
 Combined Investment Summary
 As of 12/31/2011

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	1,180,347,604	1,186,158,838	1,189,800,487	3,492,572	1,193,293,059	3,641,649	450	0.65%	92.60%
02 Convention Center Reserve	17,810,000	17,820,174	17,823,994	61,808	17,885,802	3,820	34	0.62%	1.39%
03 Water Reserve	71,670,000	71,751,455	71,991,941	117,954	72,109,895	240,486	405	0.87%	5.60%
04 Art Endowment	2,192,000	2,274,108	2,276,692	37,264	2,313,956	2,585	394	0.50%	0.18%
05 Ida Green Library Fund	1,000,000	997,632	998,885	354	999,239	1,253	697	0.50%	0.08%
10 DWU Commercial Paper Program	193,119	193,119	193,119	-	193,119	-	1	0.02%	0.02%
14 Trinity Parkway Escrow	1,201,671	1,201,671	1,201,671	-	1,201,671	-	1	0.01%	0.09%
16 Oncor Electric Escrow	540,437	540,437	540,437	-	540,437	-	1	0.01%	0.04%
Total	1,274,954,830	1,280,937,434	1,284,827,226	3,709,953	1,288,537,179	3,889,792	441	0.66%	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 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: 10/01/2011 - 12/31/11

Portfolio Description	Beginning Face Amount	Beginning Yield To Maturity	Purchased/Deposited	Matured/Called/ Redeemed	Ending Face Amount	Ending Yield To Maturity
City's Investment Pool						
Federal Farm Credit Bank	316,875,000	0.82%	32,755,000	95,000,000	254,630,000	0.84%
Federal Home Loan Bank	294,630,000	0.61%	50,000,000	40,000,000	304,630,000	0.55%
Federal Home Loan Mortgage Corp.	202,685,000	0.74%	65,000,000	-	267,685,000	0.67%
Federal National Mortgage Assoc.	281,000,000	0.74%	-	10,000,000	271,000,000	0.74%
Treasury Note	20,000,000	0.92%	-	20,000,000	-	0.00%
Total	1,115,190,000	0.66%	147,755,000	165,000,000	1,097,945,000	0.65%
<i>Trade activity includes agencies and treasuries only and excludes local government investment pools and money market mutual funds.</i>						
Convention Center Reserve						
Federal Farm Credit Bank	9,500,000	0.71%	-	-	9,500,000	0.71%
Federal Home Loan Bank	13,300,000	0.64%	-	4,990,000	8,310,000	0.52%
Total	22,800,000	0.67%	-	4,990,000	17,810,000	0.62%
Water Reserve						
Federal Farm Credit Bank	10,000,000	0.80%	-	10,000,000	-	0.00%
Federal Home Loan Bank	46,670,000	0.92%	-	-	46,670,000	0.92%
Federal National Mortgage Assoc.	15,000,000	0.60%	10,000,000	-	25,000,000	0.78%
Total	71,670,000	0.84%	10,000,000	10,000,000	71,670,000	0.87%
Art Endowment						
Federal National Mortgage Assoc.	2,192,000	0.50%	-	-	2,192,000	0.50%
Total	2,192,000	0.50%	-	-	2,192,000	0.50%
Ida Green Library Endowment						
Federal Farm Credit Bank*	-	0.00%	1,000,000	-	1,000,000	0.50%
Total	-	0.00%	1,000,000	-	1,000,000	0.50%
<i>* Security matured 09/30/11 and was reinvested the first week in October.</i>						
DWU Commercial Paper						
Money Market	193,119	0.03%	-	-	193,119	0.02%
Total	193,119	0.03%	-	-	193,119	0.02%
Trinity Parkway Escrow						
Money Market	1,473,891	0.03%	110	272,331	1,201,671	0.01%
Total	1,473,891	0.03%	110	272,331	1,201,671	0.01%
Oncor Electric Escrow						
Money Market	540,393	0.30%	44	-	540,437	0.01%
Total	540,393	0.30%	44	-	540,437	0.01%
Grand Total	1,214,059,403	0.67%	158,755,154	180,262,331	1,192,552,227	0.66%

City of Dallas
 Summary Statement by Portfolio
 As of: 10/01/2011 - 12/31/11

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	150,298,533	82,398,533	150,298,533	82,398,533	150,298,533	82,398,533	(67,900,000)	-	-	0.09%
Money Market	4,308	4,071	4,308	4,071	4,308	4,071	(237)	-	-	0.00%
US Agency	1,095,190,000	1,097,945,000	1,102,536,687	1,103,756,234	1,106,207,273	1,107,397,883	-	1,190,610	3,492,572	0.69%
US Treasury	20,000,000	-	20,062,119	-	20,069,540	-	-	(20,069,540)	-	0.00%
Total	1,265,692,841	1,180,347,604	1,272,901,647	1,186,158,838	1,276,579,654	1,189,800,487	(67,900,237)	(18,678,930)	3,492,572	0.65%
Convention Center Reserve²										
US Agency	22,800,000	17,810,000	22,824,526	17,820,174	22,853,335	17,823,994	-	(5,029,341)	61,808	0.62%
Total	22,800,000	17,810,000	22,824,526	17,820,174	22,853,335	17,823,994	-	(5,029,341)	61,808	0.62%
Water Reserve²										
US Agency	71,670,000	71,670,000	71,802,430	71,751,455	72,086,714	71,991,941	-	(94,773)	117,954	0.87%
Total	71,670,000	71,670,000	71,802,430	71,751,455	72,086,714	71,991,941	-	(94,773)	117,954	0.87%
Art Endowment²										
US Agency	2,192,000	2,192,000	2,293,280	2,274,108	2,293,367	2,276,692	-	(16,675)	37,264	0.50%
Total	2,192,000	2,192,000	2,293,280	2,274,108	2,293,367	2,276,692	-	(16,675)	37,264	0.50%
Ida Green Library Endowment⁴										
US Agency	-	1,000,000	-	997,632	-	998,885	-	998,885	354	0.50%
Total	-	1,000,000	-	997,632	-	998,885	-	998,885	354	0.50%
DMU Commercial Paper⁴										
Money Market	193,119	193,119	193,119	193,119	193,119	193,119	-	-	-	0.02%
Total	193,119	193,119	193,119	193,119	193,119	193,119	-	-	-	0.02%
Trinity Parkway Escrow⁶										
Money Market	1,473,891	1,201,671	1,473,891	1,201,671	1,473,891	1,201,671	(272,220)	-	-	0.01%
Total	1,473,891	1,201,671	1,473,891	1,201,671	1,473,891	1,201,671	(272,220)	-	-	0.01%
Oncor Electric Escrow⁷										
Money Market	540,393	540,437	540,393	540,437	540,393	540,437	44	-	-	0.01%
Total	540,393	540,437	540,393	540,437	540,393	540,437	44	-	-	0.01%

City of Dallas
Strategy Statement and Compliance by Portfolio
As of: 10/01/2011 - 12/31/11

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, 2011 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.

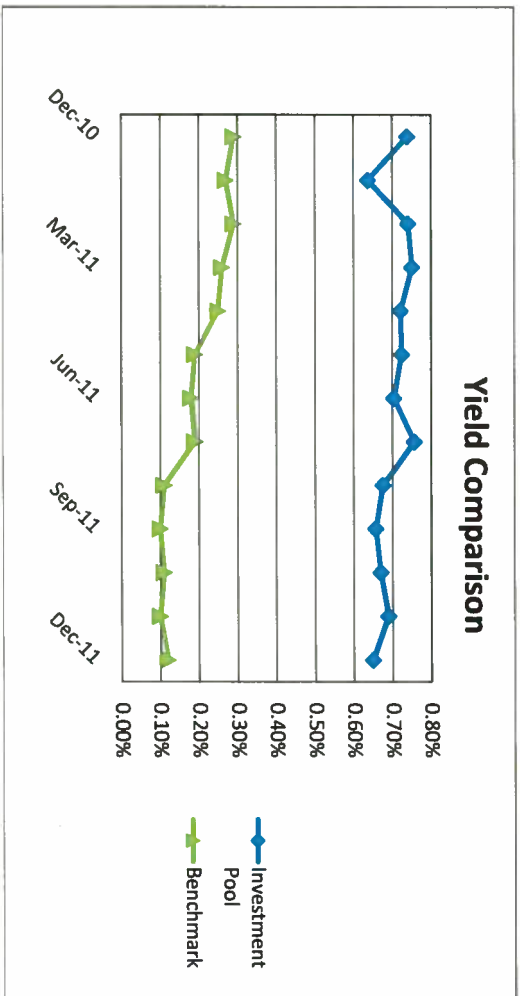
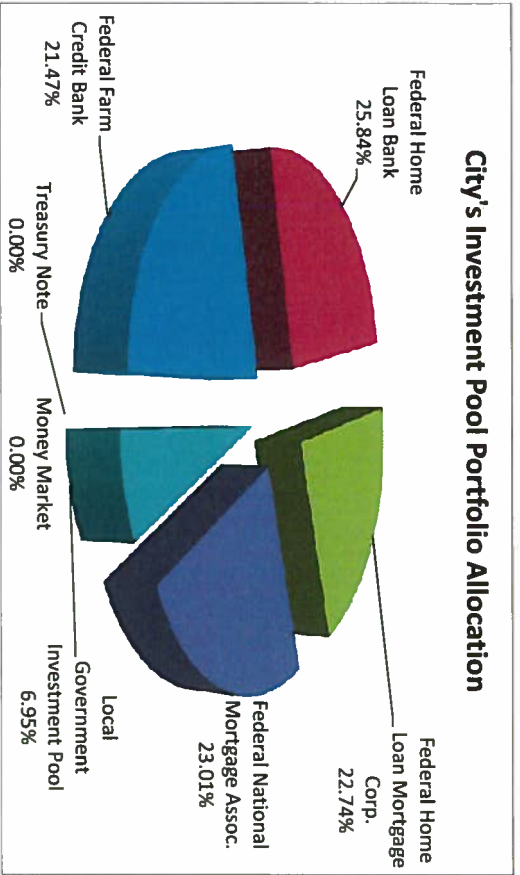
6) Trinity Parkway Escrow

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 payment related to project feasibility. Permitted investment 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 12/31/2011



Description	Face Amount	Book Value	Market Value	*Unrealized Gain/(Loss)	Weighted Average Days To Maturity	Yield To Maturity	% of Portfolio
Federal Farm Credit Bank	254,630,000	254,612,211	255,752,771	1,140,560	642	0.84%	21.47%
Federal Home Loan Bank	304,630,000	306,467,486	307,056,156	588,670	384	0.55%	25.84%
Federal Home Loan Mortgage Corp.	267,685,000	269,768,316	270,587,468	819,151	447	0.67%	22.74%
Federal National Mortgage Assoc.	271,000,000	272,908,221	274,001,488	1,093,267	182	0.74%	23.01%
Local Government Investment Pool	82,398,533	82,398,533	82,398,533	-	1	0.86%	6.95%
Money Market	4,071	4,071	4,071	-	1	0.00%	0.00%
Treasury Note	-	-	-	-	0	0.00%	0.00%
Total	1,180,347,604	1,186,158,838	1,189,800,487	3,641,649	450	0.65%	100.00%

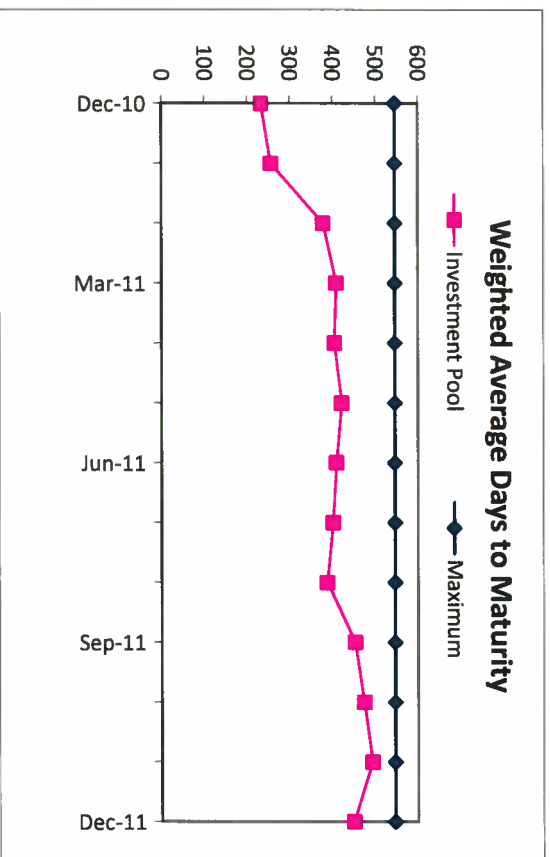
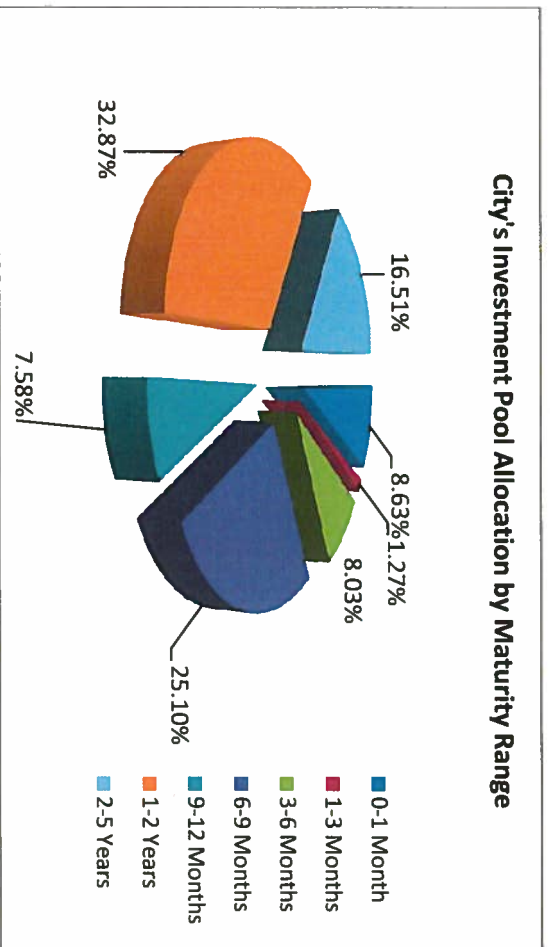
* Unrealized gain/loss is the difference between the market value and book value and does not represent an actual gain or loss. Gains and losses are realized only when a security is sold prior to maturity. Since it is the City's strategy to hold investments until they mature, the temporary gains and 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, 2011 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 12/31/2011



Description	Face Amount/Shares	Book Value	Market Value	Yield To Maturity	Weighted Average Days To Maturity	% of Portfolio
0-1 Month	102,402,604	102,405,973	102,410,544	0.16%	7	8.63%
1-3 Months	15,000,000	15,017,874	15,027,615	0.49%	69	1.27%
3-6 Months	94,675,000	95,285,051	95,349,509	0.32%	148	8.03%
6-9 Months	296,905,000	297,765,746	298,387,389	0.51%	241	25.10%
9-12 Months	88,800,000	89,952,597	90,179,638	0.54%	298	7.58%
1-2 Years	386,685,000	389,869,576	392,041,233	0.80%	542	32.87%
2-5 Years	195,880,000	195,862,022	196,404,559	1.14%	1312	16.51%
Total	1,180,347,604	1,186,158,838	1,189,800,487	0.65%	450	100.00%

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

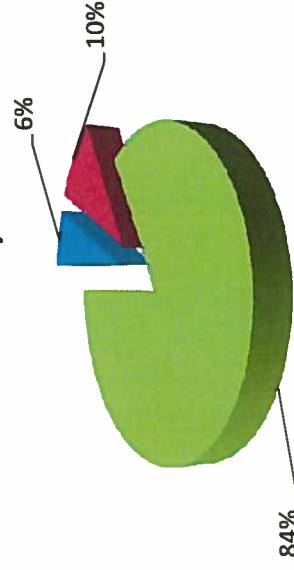
FY 11-12 to Date			
Description	Primary Dealers	Awarded	%
Bank of America	-	-	0.00%
Jefferies & Co.	10,000,000	10,000,000	6.30%
JPMorgan	-	-	0.00%
Secondary Dealers			
Coastal Securities	15,000,000	15,000,000	9.45%
Comerica Securities	21,000,000	21,000,000	13.23%
Crews and Associates	-	-	0.00%
First Southwest	30,000,000	30,000,000	18.90%
Morgan Keegan & Co.	-	-	0.00%
Oppenheimer & Co.	-	-	0.00%
Vining Sparks	27,755,000	27,755,000	17.48%
Wells Fargo	40,000,000	40,000,000	25.20%
Secondary Dealers - MWBE			
Duncan Williams - MWBE	-	-	0.00%
Loop Capital - MWBE	-	-	0.00%
Rice Financial - MWBE	-	-	0.00%
Williams Capital - MWBE	15,000,000	15,000,000	9.45%
Total		158,755,000	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 2011

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

Q1 FY12			
Description	Awarded	%	
Coastal Securities	15,000,000	9.45%	
Comerica Securities	21,000,000	13.23%	
First Southwest	30,000,000	18.90%	
Jefferies & Co.	10,000,000	6.30%	
Vining Sparks	27,755,000	17.48%	
Wells Fargo	40,000,000	25.20%	
Williams Capital - MWBE	15,000,000	9.45%	
	-	0.00%	
	-	0.00%	
	-	0.00%	
Total	158,755,000	100.00%	

Broker Dealer Activity FY11-12 to Date



■ Primary Dealers 10,000,000
 ■ Secondary Dealers (MWBE) 15,000,000
 ■ Secondary Dealers 133,755,000