

Memorandum



CITY OF DALLAS

DATE March 1, 2013

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

SUBJECT Local Government Investment Cooperative (LOGIC) and TexPool
Prime – Additions to Authorized Local Government Investment Pools

A local government investment pool is a vehicle for the pooled investment of public moneys of participating governmental units. Participants purchase shares or units in the pool, and the pool's assets are invested under the legal authority establishing the pool. In Texas, the Public Funds Investment Act (PFIA) permits cities to invest in pools if pools are listed as an authorized investment in a city's investment policy. In addition, a city's governing body also approves participation in a particular pool by separate resolution. A local government investment pool in Texas can only invest in investments permitted by the PFIA.

The City's approved investment policy authorizes investment in local government investment pools that comply with the Public Funds Investment Act (PFIA). The PFIA requires that investment pools, among other requirements, be rated in the highest (AAA) category by at least one national rating service. Currently, the City participates in both TexPool and TexSTAR (Texas Short Term Asset Reserve), which are rated AAAM by Standard & Poor's. Staff recommends approval of two more investment pools to increase diversification.

TexPool Prime, rated AAAM by Standard & Poor's, is overseen by the Texas Comptroller of Public Accounts and managed by Federated Investors, which is the same team that administers TexPool. In addition to the investments authorized for TexPool, TexPool Prime's investments include highly rated corporate commercial paper. Established in 2002, TexPool Prime currently has 153 participants and over \$1 billion in assets. TexPool Prime's average interest rate has been slightly higher than TexPool's over the last year, primarily due to the inclusion of commercial paper in the portfolio.

The Local Government Investment Cooperative (LOGIC), rated AAAM by Standard & Poor's, is a joint venture between JPMorgan Investment Management and First Southwest Company, which is the same team that administers TexSTAR. As with TexPool Prime and TexPool, the main difference between LOGIC and TexSTAR is the inclusion of commercial paper in LOGIC's investment portfolio. Established in 1994, LOGIC currently has 448 participants and over \$3.5 billion in assets. LOGIC's average interest rate has also exceeded TexSTAR's over the last year.

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Page 2

Items approving participation in TexPool Prime and LOGIC are on the March 27th City Council agenda. In addition, there is a third agenda item for March 27th, which is a resolution updating the list of City staff members authorized to conduct transactions with TexSTAR. TexPool's list of authorized representatives for the City will automatically be updated with the approval of participation in TexPool Prime.

Please contact me if you require additional information.



Jeanne Chipperfield
Chief Financial Officer

c: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Thomas P. Perkins, Jr., City Attorney
Rosa Rios, City Secretary
Craig D. Kinton, City Auditor
Daniel F. Solis, 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