

# Memorandum



CITY OF DALLAS

DATE August 30, 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 June 30, 2012

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 June 30, 2012 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 agenda for Tuesday, September 4, 2012 Budget Finance and Audit committee meeting included the June 30, 2012 quarterly investment report. The executed quarterly investment report is attached.

Handwritten signature of Jeanne Chipperfield in black ink.

Jeanne Chipperfield  
Chief Financial Officer

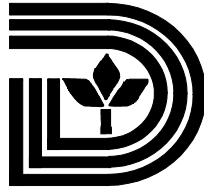
Handwritten signature of Edward R. Scott in black ink.

Edward R. Scott  
City Controller

Handwritten signature of Corrine Steeger in black ink.

Corrine Steeger  
Treasury Manager

c: Mary K. Suhm, City Manager  
Tomas P. Perkins, City Attorney  
Rosa Rios, City Secretary  
Craig Kinton, City Auditor  
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  
Joey Zapata, Assistant City Manager  
Edward Scott, City Controller  
Stephanie Pegues-Cooper, Assistant to the Mayor



**CITY OF DALLAS**

**QUARTERLY INVESTMENT REPORT**

**June 30, 2012**

City of Dallas  
Portfolio Holdings  
Combined Investment Summary  
As of 06/30/2012

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	1,316,735,604	1,323,026,043	1,326,056,053	4,156,777	1,330,212,830	3,030,010	421	0.59%	93.36%
02 Convention Center Reserve	18,900,000	18,899,587	18,896,824	14,796	18,911,619	(2,763)	288	0.22%	1.33%
03 Water Reserve	64,000,000	64,099,410	64,293,154	53,194	64,346,348	193,744	587	0.81%	4.52%
04 Art Endowment	2,192,000	2,236,180	2,237,182	37,020	2,274,202	1,002	212	0.50%	0.16%
05 Ida Green Library Fund	1,000,000	998,251	1,000,660	344	1,001,004	2,409	515	0.50%	0.07%
10 DWU Commercial Paper Program	1,433,005	1,433,005	1,433,005	-	1,433,005	-	1	0.05%	0.10%
14 Trinity Parkway Escrow	839,536	839,536	839,536	-	839,536	-	1	0.05%	0.06%
16 Oncor Electric Escrow	540,549	540,549	540,549	-	540,549	-	1	0.06%	0.04%
17 GO Commercial Paper Program	5,001,495	5,001,495	5,001,495	-	5,001,495	-	1	0.09%	0.35%
<b>Total</b>	<b>1,410,642,188</b>	<b>1,417,074,055</b>	<b>1,420,298,456</b>	<b>4,262,131</b>	<b>1,424,560,588</b>	<b>3,224,402</b>	<b>424</b>	<b>0.60%</b>	<b>100.00%</b>

\*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: 03/31/12 - 06/30/12**

Portfolio Description	Beginning Face Amount	Beginning Yield To Maturity	Purchased/Deposited	Matured/Called/Redeemed	Ending Face Amount	Ending Yield To Maturity
<b>City's Investment Pool</b>						
Federal Agricultural Mortgage Corp.	69,000,000	0.65%	9,000,000	-	78,000,000	0.65%
Federal Farm Credit Bank	259,630,000	0.72%	-	7,755,000	251,875,000	0.70%
Federal Home Loan Bank	367,505,000	0.44%	10,000,000	88,675,000	288,830,000	0.49%
Federal Home Loan Mortgage Corp.	346,200,000	0.61%	-	-	346,200,000	0.61%
Federal National Mortgage Assoc.	325,240,000	0.68%	10,000,000	41,000,000	294,240,000	0.66%
<b>Total</b>	<b>1,367,575,000</b>	<b>0.59%</b>	<b>29,000,000</b>	<b>137,430,000</b>	<b>1,259,145,000</b>	<b>0.59%</b>
<i>Trade activity includes agencies and treasuries only and excludes local government investment pools and money market mutual funds.</i>						
<b>Convention Center Reserve</b>						
Federal Farm Credit Bank	3,900,000	0.31%	-	3,900,000	-	0.00%
Federal Home Loan Bank	15,000,000	0.15%	-	-	15,000,000	0.15%
Federal National Mortgage Assoc.	-	0.00%	3,900,000	-	3,900,000	0.50%
<b>Total</b>	<b>18,900,000</b>	<b>0.46%</b>	<b>3,900,000</b>	<b>3,900,000</b>	<b>18,900,000</b>	<b>0.22%</b>
<b>Water Reserve</b>						
Federal Home Loan Bank	29,000,000	1.16%	-	10,000,000	19,000,000	1.14%
Federal Home Loan Mortgage Corp.	20,000,000	0.54%	-	-	20,000,000	0.54%
Federal National Mortgage Assoc.	25,000,000	0.78%	-	-	25,000,000	0.78%
<b>Total</b>	<b>74,000,000</b>	<b>0.87%</b>	<b>-</b>	<b>10,000,000</b>	<b>64,000,000</b>	<b>0.81%</b>
<b>Art Endowment</b>						
Federal National Mortgage Assoc.	2,192,000	0.50%	-	-	2,192,000	0.50%
<b>Total</b>	<b>2,192,000</b>	<b>0.50%</b>	<b>-</b>	<b>-</b>	<b>2,192,000</b>	<b>0.50%</b>
<b>Ida Green Library Endowment</b>						
Federal Farm Credit Bank*	1,000,000	0.50%	-	-	1,000,000	0.50%
<b>Total</b>	<b>1,000,000</b>	<b>0.50%</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>	<b>0.50%</b>
<b>DWU Commercial Paper</b>						
Money Market	1,014,262	0.04%	418,743	-	1,433,005	0.05%
<b>Total</b>	<b>1,014,262</b>	<b>0.04%</b>	<b>418,743</b>	<b>-</b>	<b>1,433,005</b>	<b>0.05%</b>
<b>Trinity Parkway Escrow</b>						
Money Market	1,058,400	0.03%	164	219,028	839,536	0.05%
<b>Total</b>	<b>1,058,400</b>	<b>0.01%</b>	<b>164</b>	<b>219,028</b>	<b>839,536</b>	<b>0.05%</b>
<b>Oncor Electric Escrow</b>						
Money Market	540,460	0.03%	88	-	540,549	0.06%
<b>Total</b>	<b>540,460</b>	<b>0.03%</b>	<b>88</b>	<b>-</b>	<b>540,549</b>	<b>0.06%</b>
<b>GO Commercial Paper</b>						
Money Market	8,174,207	0.06%	-	3,172,712	5,001,495	0.09%
<b>Total</b>	<b>8,174,207</b>	<b>0.06%</b>	<b>-</b>	<b>3,172,712</b>	<b>5,001,495</b>	<b>0.09%</b>

City of Dallas  
Summary Statement by Portfolio  
As of: 03/31/12 - 06/30/12

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
<b>City's Investment Pool<sup>1</sup></b>										
Local Govt. Investment Pool	20,206,533	57,206,533	20,206,533	57,206,533	20,206,533	57,206,533	-	-	-	0.14%
Money Market	21,384,071	384,071	21,384,071	384,071	21,384,071	384,071	-	-	-	0.20%
US Agency	1,367,575,000	1,259,145,000	1,375,838,538	1,265,435,439	1,378,363,619	1,268,465,449	-	(109,898,170)	4,156,777	0.61%
<b>Total</b>	<b>1,409,165,604</b>	<b>1,316,735,604</b>	<b>1,417,429,142</b>	<b>1,323,026,043</b>	<b>1,419,954,223</b>	<b>1,326,056,053</b>	<b>-</b>	<b>(109,898,170)</b>	<b>4,156,777</b>	<b>0.59%</b>
<b>Convention Center Reserve<sup>2</sup></b>										
US Agency	18,900,000	18,900,000	18,900,898	18,899,587	18,900,534	18,896,824	-	(12,410)	14,796	0.22%
<b>Total</b>	<b>18,900,000</b>	<b>18,900,000</b>	<b>18,900,898</b>	<b>18,899,587</b>	<b>18,900,534</b>	<b>18,896,824</b>	<b>-</b>	<b>(12,410)</b>	<b>14,796</b>	<b>0.22%</b>
<b>Water Reserve<sup>2</sup></b>										
US Agency	74,000,000	64,000,000	74,116,070	64,099,410	74,278,651	64,293,154	-	(9,985,497)	53,194	0.81%
<b>Total</b>	<b>74,000,000</b>	<b>64,000,000</b>	<b>74,116,070</b>	<b>64,099,410</b>	<b>74,278,651</b>	<b>64,293,154</b>	<b>-</b>	<b>(9,985,497)</b>	<b>53,194</b>	<b>0.81%</b>
<b>Art Endowment<sup>3</sup></b>										
US Agency	2,192,000	2,192,000	2,255,144	2,236,180	2,257,626	2,237,182	-	(20,445)	37,020	0.50%
<b>Total</b>	<b>2,192,000</b>	<b>2,192,000</b>	<b>2,255,144</b>	<b>2,236,180</b>	<b>2,257,626</b>	<b>2,237,182</b>	<b>-</b>	<b>(20,445)</b>	<b>37,020</b>	<b>0.50%</b>
<b>Ida Green Library Endowment<sup>4</sup></b>										
US Agency	1,000,000	1,000,000	997,942	998,251	1,000,203	1,000,660	-	457	344	0.50%
<b>Total</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>997,942</b>	<b>998,251</b>	<b>1,000,203</b>	<b>1,000,660</b>	<b>-</b>	<b>457</b>	<b>344</b>	<b>0.50%</b>
<b>DWU Commercial Paper<sup>5</sup></b>										
Money Market	1,014,262	1,433,005	1,014,262	1,433,005	1,014,262	1,433,005	-	-	-	0.05%
<b>Total</b>	<b>1,014,262</b>	<b>1,433,005</b>	<b>1,014,262</b>	<b>1,433,005</b>	<b>1,014,262</b>	<b>1,433,005</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.05%</b>
<b>Trinity Parkway Escrow<sup>6</sup></b>										
Money Market	1,058,400	839,536	1,058,400	839,536	1,058,400	839,536	-	-	-	0.05%
<b>Total</b>	<b>1,058,400</b>	<b>839,536</b>	<b>1,058,400</b>	<b>839,536</b>	<b>1,058,400</b>	<b>839,536</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.05%</b>
<b>Oncor Electric Escrow<sup>7</sup></b>										
Money Market	540,460	540,549	540,460	540,549	540,460	540,549	-	-	-	0.06%
<b>Total</b>	<b>540,460</b>	<b>540,549</b>	<b>540,460</b>	<b>540,549</b>	<b>540,460</b>	<b>540,549</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.06%</b>
<b>GO Commercial Paper<sup>8</sup></b>										
Money Market	8,174,207	5,001,495	8,174,207	5,001,495	8,174,207	5,001,495	-	-	-	0.09%
<b>Total</b>	<b>8,174,207</b>	<b>5,001,495</b>	<b>8,174,207</b>	<b>5,001,495</b>	<b>8,174,207</b>	<b>5,001,495</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.09%</b>

## City of Dallas

### Strategy Statement and Compliance by Portfolio

As of: 03/31/12 - 06/30/12

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#### 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.

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#### STRATEGY COMPLIANCE STATEMENT

For the quarter ending June 30, 2012 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.

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#### 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 fund 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.

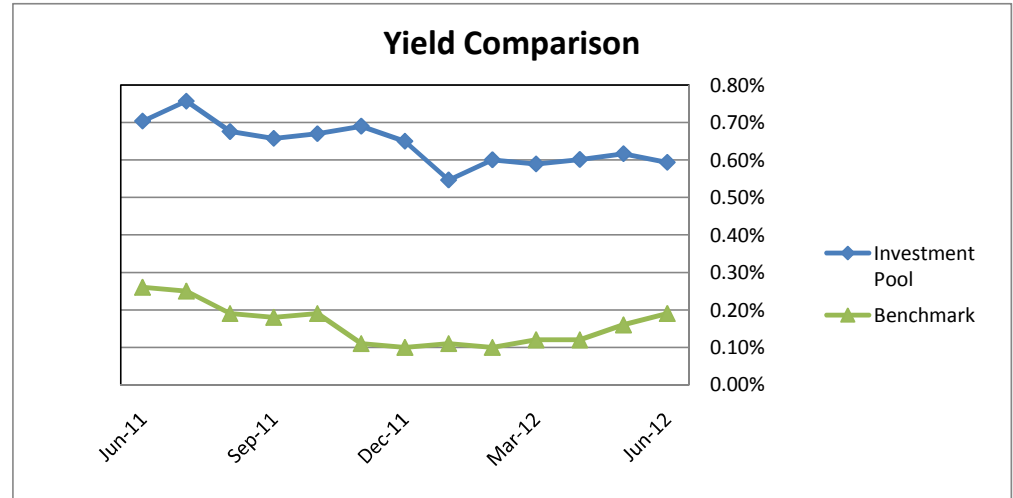
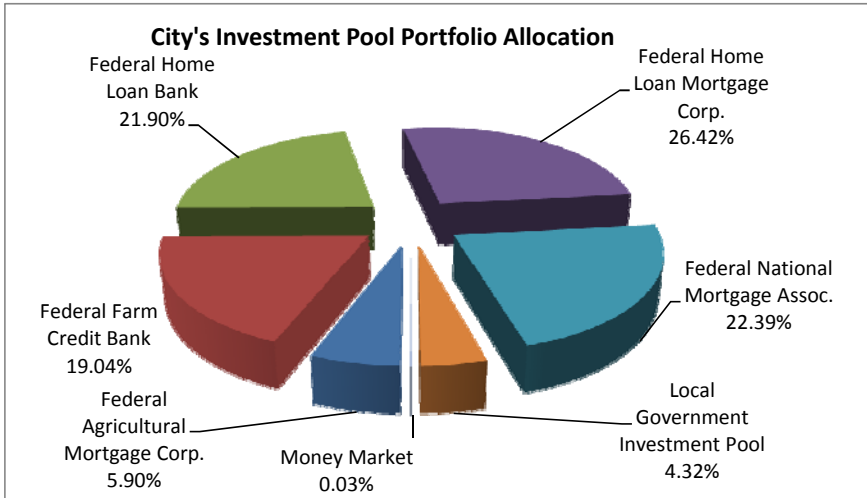
##### 7) Oncor Electric Escrow

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.

##### 8) GO Commercial Paper Program

The City issues tax-exempt commercial paper notes as an interim financing tool for capital 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.

**City of Dallas**  
**City's Investment Pool Portfolio Allocation**  
**Investment Summary**  
**As of 06/30/2012**



Description	Face Amount	Book Value	Market Value	*Unrealized Gain/(Loss)	Weighted Average Days To Maturity	Yield To Maturity	% of Portfolio
Federal Agricultural Mortgage Corp.	78,000,000	78,000,000	78,219,375	219,375	981	0.65%	5.90%
Federal Farm Credit Bank	251,875,000	251,871,853	252,828,844	956,992	417	0.70%	19.04%
Federal Home Loan Bank	288,830,000	289,758,911	290,246,185	487,274	439	0.49%	21.90%
Federal Home Loan Mortgage Corp.	346,200,000	349,524,357	350,230,039	705,682	402	0.61%	26.42%
Federal National Mortgage Assoc.	294,240,000	296,280,318	296,941,006	660,688	365	0.66%	22.39%
Local Government Investment Pool	57,206,533	57,206,533	57,206,533	-	1	0.14%	4.32%
Money Market	384,071	384,071	384,071	-	1	0.20%	0.03%
<b>Total</b>	<b>1,316,735,604</b>	<b>1,323,026,043</b>	<b>1,326,056,053</b>	<b>3,030,010</b>	<b>421</b>	<b>0.59%</b>	<b>100.00%</b>

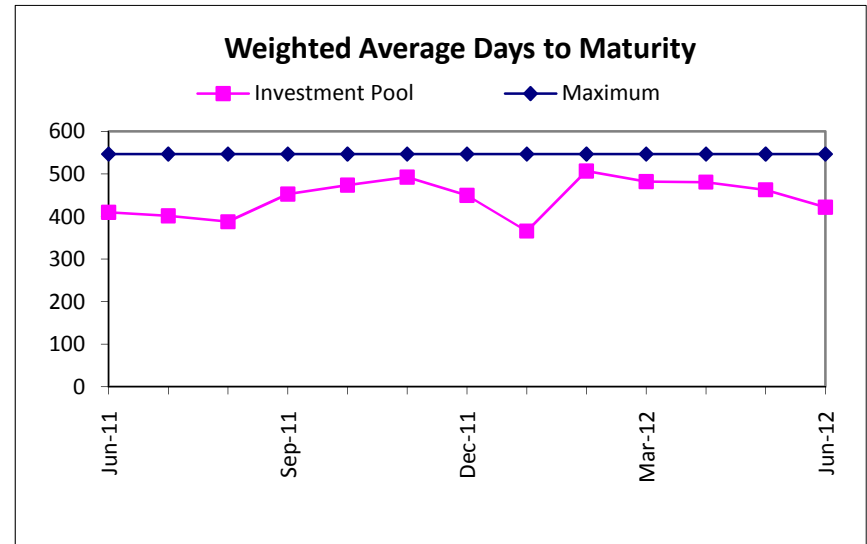
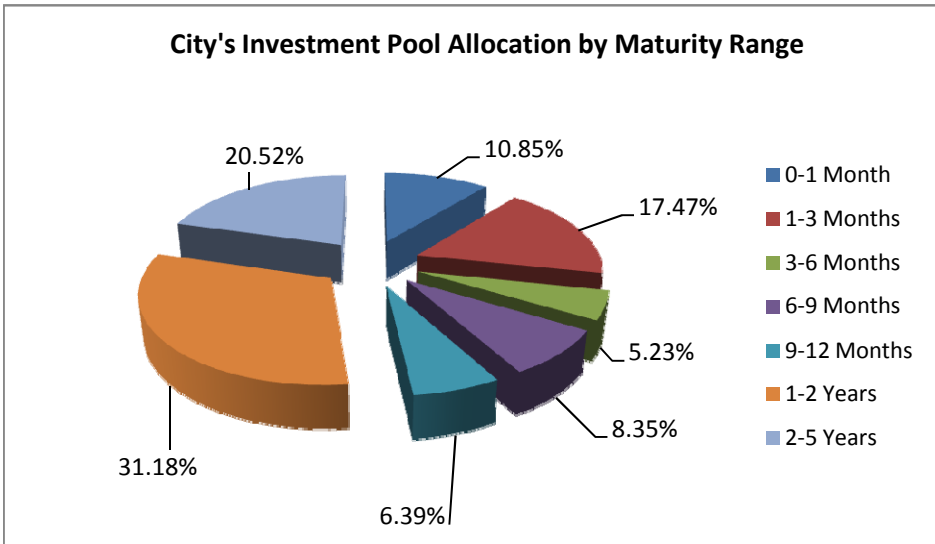
\* Unrealized gain/loss is the difference between the market value and book value and does not represent an actual gain or loss. Gains and losses are realized only when a security is sold prior to maturity. Since it is the City's strategy to hold investments until they mature, the temporary gains and 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 June 30, 2012 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 06/30/2012**



Description	Face Amount/Shares	Book Value	Market Value	Yield To Maturity	Weighted Average Days To Maturity	% of Portfolio
0-1 Month	143,495,604	143,519,749	143,537,882	0.37%	16	10.85%
1-3 Months	231,000,000	231,188,408	231,347,680	0.49%	74	17.47%
3-6 Months	68,800,000	69,238,634	69,339,724	0.62%	123	5.23%
6-9 Months	110,000,000	110,494,878	110,701,540	0.60%	236	8.35%
9-12 Months	84,000,000	84,566,617	84,911,707	0.76%	295	6.39%
1-2 Years	410,240,000	412,506,779	413,881,809	0.58%	487	31.18%
2-5 Years	269,200,000	271,510,977	272,335,712	0.89%	1215	20.52%
<b>Total</b>	<b>1,316,735,604</b>	<b>1,323,026,043</b>	<b>1,326,056,053</b>	<b>0.59%</b>	<b>421</b>	<b>100.00%</b>



**City of Dallas**  
**Date To Date**  
**Broker Dealer Activity**  
**As of: FY 11-12 to Date**

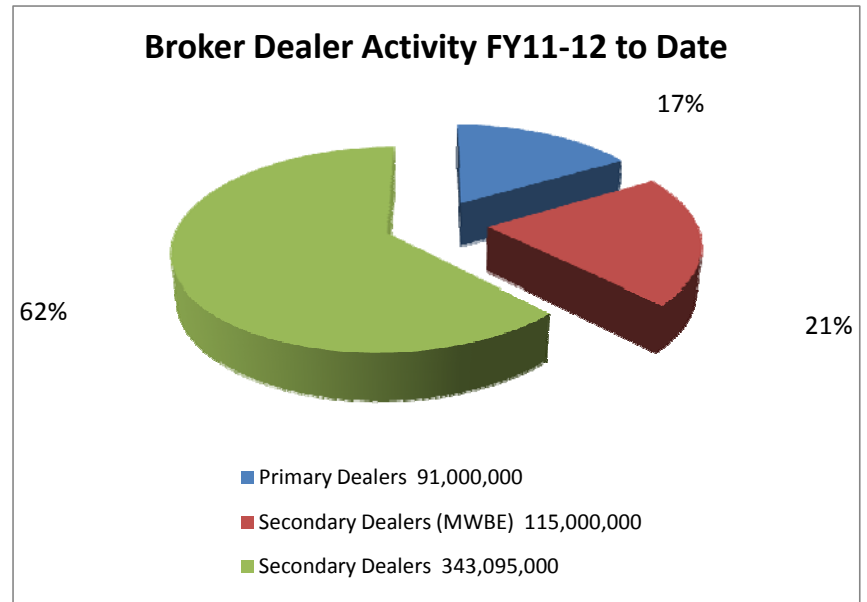
FY 11-12 to Date		
Description	Awarded	%
<b>Primary Dealers</b>		
Bank of America	15,000,000	2.73%
Jefferies & Co.	61,000,000	11.11%
JPMorgan	15,000,000	2.73%
<b>Secondary Dealers</b>		
Coastal Securities	59,240,000	10.79%
Comerica Securities	-	0.00%
Crews and Associates	46,000,000	8.38%
First Southwest	71,200,000	12.97%
Morgan Keegan & Co.	-	0.00%
Oppenheimer & Co.	50,000,000	9.11%
Vining Sparks	46,655,000	8.50%
Wells Fargo	70,000,000	12.75%
<b>Secondary Dealers - MWBE</b>		
Duncan Willams - MWBE	30,000,000	5.46%
Loop Capital - MWBE	20,000,000	3.64%
Rice Financial - MWBE	50,000,000	9.11%
Williams Capital - MWBE	15,000,000	2.73%
<b>Total</b>	<b>549,095,000</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 3, 2011.

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

Q3 FY12		
Description	Awarded	%
Bank of America	-	0.00%
Coastal Securities	10,000,000	16.95%
Crews and Associates	-	0.00%
Duncan Williams	-	0.00%
First Southwest	10,000,000	16.95%
Jefferies & Co.	-	0.00%
JP Morgan	-	0.00%
Loop Capital	-	0.00%
Oppenheimer & Co.	-	0.00%
Rice Financial	-	0.00%
Vining Sparks	39,000,000	66.10%
Wells Fargo	-	0.00%
<b>Total</b>	<b>59,000,000</b>	<b>100.00%</b>



# CITY OF DALLAS

## QUARTERLY INVESTMENT REPORT

**June 30, 2012**

For the quarter ended June 30, 2012 the portfolios are in compliance with the provisions of the Public Funds Investment Act and the investment strategy adopted in Sec. 17.0 of the City's Investment Policy.

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Chief Financial Officer:

  
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City Controller:

  
\_\_\_\_\_

Treasury Manager:

  
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