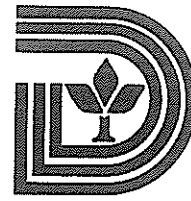


Memorandum

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CITY SECRETARY
DALLAS, TEXAS



CITY OF DALLAS

DATE October 21, 2010

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

SUBJECT **Budget, Finance & Audit Committee Meeting**
Monday, October 25, 2010, 9:30 – 11:30 a.m.
1500 Marilla Street, City Hall, Room 6ES, Dallas, Texas 75201

AGENDA

1. Consideration of minutes from the October 11, 2010 Budget, Finance and Audit Committee Meeting
2. General Obligation Commercial Paper Program
Selection of Service Providers Corrine Steeger, Assistant Director
City Controller's Office
3. Annual Investment Policy Review Corrine Steeger, Assistant Director
City Controller's Office

FYI:

4. Arbitrage Rebate Calculation and Compliance Services Memo
5. Extension of Financial Advisory Services Contracts Memo
6. Quarterly Investment Report



Jerry R. Allen, Chair
Budget, Finance & Audit Committee

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

A closed executive session may be held if the discussion concerns one of the following:

1. Contemplated or pending litigation or matter where legal advice is requested of the City Attorney. Section 551.071 of the Texas Open Meetings Act.
2. Personnel matters involving discussions of the qualifications for performance of identifiable individuals already employed or being considered for employment by the City. Section 551.074 of the Texas Open Meetings Act.
3. The deployment, or specific occasions for implementation of security personnel or devices. Section 551.074 of the Texas Open Meetings Act.
4. Discussions concerning sale or lease of real property, or negotiated contracts for donations to the City, when such discussions would have a detrimental effect on negotiating position of the City. Section 551.072 of the Texas Open Meetings Act.

**BUDGET, FINANCE, AND AUDIT COMMITTEE
DRAFT MEETING MINUTES
October 11, 2010**

The Council's Budget, Finance, and Audit Committee meetings are recorded. Agenda materials and audiotapes may be reviewed by contacting the City Manager's Office Staff Coordinator Laura L. Carrillo at 214-670-7804.

Meeting Date: October 11, 2010

Committee Members Present:

Jerry R. Allen, Chair, Ann Margolin, Vice – Chair, Vonciel Jones Hill, Angela Hunt, Ron Natinsky, David A. Neumann

Committee Members Absent:

Delia D. Jasso (pending approval of City Council)

Other Council members present who attended a partial or duration of the meeting:

None

Staff Members Present:

Jeanne Chipperfield, Laura Carrillo, Shelia Robinson, Chan Williams, Edward Scott, Lance Sehorn, Rocky Vaz, Rosa Fleming, Jerry Killingsworth, Craig Kinton, Rhonn Ramirez, Jeannie Eneh, Donna Lowe

Meeting called to order at 9:38 a.m.

AGENDA:

1. **Consideration of Minutes from September 27, 2010 Budget, Finance, and Audit**

Presenter(s):

Information Only:

Action Taken/Committee Recommendation(s):

Motion made by: Ron Natinsky

Motion seconded by: David A. Neumann

Note: The motion passed unanimously

Follow up:

2. **Communications Related to the FY 209 – 10 Audit**

Presenter(s): Ben Kohnle

Information Only: Yes

Action Taken/Committee Recommendation(s):

Motion made by:

Motion seconded by:

Note:

Follow up:

3. **American Recovery and Reinvestment Act (ARRA) Status Report**

Presenter(s): Rocky Vaz

Information Only: Yes

Action Taken/Committee Recommendation(s):

Motion made by:

Note:

Follow up:

BUDGET, FINANCE, AND AUDIT COMMITTEE
DRAFT MEETING MINUTES
Page 2 of 2

FYI Only:

4. **August 2010 Financial Forecast Report**
Presenter(s): Jeanne Chipperfield
Information Only: Yes
Action Taken/Committee Recommendation(s):
Motion made by:
Note:
Follow up:

Meeting adjourned at 10:01 a.m.

Memorandum



CITY OF DALLAS

DATE October 22, 2010

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

SUBJECT General Obligation Commercial Paper Program Selection of
Service Providers

The October 25, 2010 Budget, Finance & Audit Committee meeting agenda includes a briefing on the General Obligation Commercial Paper Program. Attached is a copy of the briefing.

Please let me know if you need additional information.

A handwritten signature in cursive script that reads "Jeanne Chipperfield".

Jeanne Chipperfield
Chief Financial Officer

Attachment

c: Honorable Mayor & Members of the City Council
Mary K. Suhm, City Manager
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Frank Libro, Public Information Office
Helena Stevens-Thompson, Assistant to the City Manager

CITY OF DALLAS

GENERAL OBLIGATION COMMERCIAL PAPER PROGRAM SELECTION OF SERVICE PROVIDERS

BUDGET, FINANCE & AUDIT
COMMITTEE

October 25, 2010



COMMERCIAL PAPER PROGRAM BACKGROUND

- Provides an alternative funding option for capital programs
- Allows “just-in-time-borrowing”
 - Contracts for eligible projects are awarded based on the authorization to issue commercial paper
 - Commercial paper is issued as invoices for project expenditures are paid
- Serves as an interim financing mechanism
- Reissued at maturity until retired with permanent financing (GO refunding bonds)

COMMERCIAL PAPER PROGRAM BACKGROUND

- Dallas Water Utilities has successfully used commercial paper to finance capital projects for over 20 years
- Commercial paper is used for capital project financing by many cities in Texas, including Austin and Houston

COMMERCIAL PAPER PROGRAM BACKGROUND

- Commercial paper program requires three service contracts
 - CP Dealer sells the notes to investors
 - Majority of investors are mutual funds
 - Notes mature in 1 to 270 days (60-day average maturity)
 - CP Liquidity Facility (line of credit) required to support the notes from one or more highly rated banks (Liquidity Provider)
 - Line of credit can be used if notes cannot be remarketed by CP Dealer
 - Rating agencies rate the CP program based on the rating of the Liquidity Provider banks
 - CP Issuing and Paying Agent bank sends principal and interest payments to investors when notes mature

COMMERCIAL PAPER PROGRAM PROCESS

- RFP issued for Commercial Paper Dealer, Liquidity Provider, and Issuing and Paying Agent
 - 9 responses for Commercial Paper Dealer and Remarketing Agent
 - 3 responses for Liquidity Provider
 - 3 responses for Issuing and Paying Agent Bank

COMMERCIAL PAPER PROGRAM CONTRACTED SERVICES

- Evaluation team reviewed responses and submitted recommendations to Business Development and Procurement Services
 - Team members represented City departments and the City's Co-Financial Advisors:
 - Executive General Manager, City Manager's Office
 - Interim Assistant Director of Business Operations, Water Utilities
 - Assistant Director/Treasury Manager, City Controller's Office
 - First Southwest Company, Co-Financial Advisor
 - Estrada Hinojosa, Co-Financial Advisor

COMMERCIAL PAPER PROGRAM CONTRACTED SERVICES

■ Evaluation Criteria

- Firms invited to propose for one or more of the program services
- Evaluation based on:
 - Cost, consistent with other criteria
 - Demonstrated ability to meet service requirements
 - Proposal responsiveness
 - Most favorable terms and conditions (liquidity provider)
 - Minority Women and Business Enterprise (M/WBE) participation

COMMERCIAL PAPER PROGRAM

COMMERCIAL PAPER DEALER

- Recommend award of commercial paper dealer and remarketing agent contract to Jefferies
 - Investment banking firm in existence for 48 years
 - Lowest annual fee of 9 responses received
 - 4 basis points, based on the outstanding balance of commercial paper
 - Recently expanded commercial paper trading through hiring experienced staff from Bear Stearns and JPMorgan Chase
 - Locations include Dallas office
 - References include Texas Public Finance Authority

COMMERCIAL PAPER PROGRAM LIQUIDITY FACILITY

- Recommend award of liquidity facility provider to syndicate led by JPMorgan Chase
 - Most favorable terms of the 3 responses received
 - Financial Advisors recommend implementing a three-year liquidity agreement at an annual fee of 57.5 basis points, based on the commitment amount
 - Rating of the City's commercial paper program will be based on the short-term rating of the liquidity providers. Each syndicate member is rated in the highest category:

■ JPMorgan Chase	P1/A1/F1+
■ US Bank	P1/A1/F1+
■ Wells Fargo	P1/A1/F1+

COMMERCIAL PAPER PROGRAM ISSUING AND PAYING AGENT

- Recommend award of issuing and paying agent contract to US Bank
 - Lowest cost of the 3 responses received, based on a minimum of 60 transactions annually
 - Dallas Water Utilities' commercial paper program experienced in excess of 100 transactions annually in 2008 and 2009
 - US Bank currently serves as issuing and paying agent on the DWU commercial paper program

RECOMMENDATION

- Approval of ordinance on November 10th City Council agenda to establish general obligation commercial paper program, including award of service contracts for commercial paper dealer and remarketing agent, liquidity facility, and issuing and paying agent

Appendix

- Commercial Paper Dealer Annual Cost (estimated) – Page 13
- Commercial Paper Program Closing Costs – Page 14

COMMERCIAL PAPER PROGRAM

ANNUAL COSTS (estimated)

Liquidity Facility Fees, Amendment and Draw Fees (if needed) - JPMorgan	\$2,166,000
Issuing and Paying Agent - US Bank	\$3,750
Dealer Agent Fee - Jefferies	\$136,500
Ratings Fee – Moody's/S & P	\$23,300
CUSIP Numbers	\$1,000
TOTAL	\$2,330,550

COMMERCIAL PAPER PROGRAM CLOSING COSTS

Co-Bond Counsel (V&E/ West & Assoc.)	\$225,000
Co- Bond Financial Advisor (FSW/EH)	\$237,000
Liquidity Facility Syndicate Bond Counsel	\$50,000
Ratings Fee – Moody's/S & P	\$29,600
Attorney General Fee	\$28,500
TOTAL	\$570,100

Memorandum



CITY OF DALLAS

DATE October 21, 2010

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

SUBJECT Annual Investment Policy Review

The October 25, 2010 Budget, Finance & Audit meeting agenda includes a briefing of the Annual Investment Policy Review. Attached is a copy of the briefing, the redline copy of the recommended 2010 Investment Policy (to show changes from the 2009 policy) and the recommended 2010 Investment Policy.

Please let me know if you need additional information.

A handwritten signature in cursive script that reads "Jeanne Chipperfield".

Jeanne Chipperfield
Chief Financial Officer

Attachment

c: Honorable Mayor & Members of the City Council
Mary K. Suhm, City Manager
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Craig D. Kinton, City Auditor

CITY OF DALLAS

ANNUAL INVESTMENT POLICY REVIEW

**BUDGET, FINANCE & AUDIT
COMMITTEE**

October 25, 2010



BACKGROUND

- City Council adopted the original investment policy in 1987.
- The Texas Public Funds Investment Act (PFIA) requires City Council, not less than annually, to review the investment policy and approve any changes.
- City Council approved the current investment policy on November 9, 2009.

BACKGROUND

- Changes in the investment policy are typically made:
 - To incorporate amendments to the Texas Public Funds Investment Act
 - To improve management of the City's investments
 - To increase diversification and reduce risk
 - To reflect organizational changes within the City

BACKGROUND

- Characteristics of the City's investment policy:
 - Guides the investment process
 - Emphasizes safety, liquidity and yield in that order
 - Complies with all state and federal laws governing management of public funds

INVESTMENT POLICY AMENDMENTS

The following are highlights of changes recommended by the Investment Committee (see the attached policy for details):

- **Section 1 – Policy**

- Adds the statement that the intent of the Policy is to satisfy the Public Funds Investment Act requirements to adopt and review a policy governing the investment of the City's funds

INVESTMENT POLICY AMENDMENTS

■ Section 2 – Scope

- Clarifies that City funds pooled for investment purposes are referenced in the Policy as the City's investment pool

INVESTMENT POLICY AMENDMENTS

- **Section 6 – Ethics and Conflicts of Interest**
 - Make the requirements of this section consistent with State law
 - Clarify that this section applies to the City's Investment Officers as designated in Section 4 of the Policy (Chief Financial Officer, City Controller, and Assistant Director/Treasury Manager)

INVESTMENT POLICY AMENDMENTS

- **Section 13 – Diversification and Maximum Maturities**
 - Clarifies that funds managed as separately invested assets are not subject to the limitations by issuer in this section
 - Funds, such as bond reserve funds, may be invested 100% in the obligations of any one United States agency
 - Excludes the proceeds of commercial paper issuances from limitations on investment in tax-exempt money market mutual funds in this section

INVESTMENT POLICY AMENDMENTS

- **Section 13 – Diversification and Maximum Maturities**
 - Increases the maximum amount that may be invested in any one local government investment pool from \$200 million to \$250 million
 - Increases the percentage of the City's investment pool that may be invested in local government investment pools from 25% to 30%

Key Dates

- Investment Committee review and recommendation –
October 15, 2010
- Budget, Finance & Audit Committee briefing –
October 25, 2010
- Council consideration of the City's investment policy –
November 10, 2010

Memorandum



CITY OF DALLAS

DATE October 22, 2010

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

SUBJECT Arbitrage Rebate Calculation and Compliance Services

The November 10th Council Agenda will include an item to award a five-year contract for arbitrage rebate calculation and compliance services to First Southwest Asset Management, Inc. in a not-to-exceed amount of \$38,000 annually beginning January 1st 2011 through December 31st 2016. The contract will be for all applicable debt obligations outstanding and debt issued during contract period.

Compliance with Internal Revenue Code Section 148 is required for all issuers of debt that offers interest exempt from Federal income taxes. Arbitrage is the difference between the interest paid on tax-exempt bonds and the interest earned by investing the proceeds of the bonds in higher-yielding taxable securities. Federal income tax laws generally restrict the ability to earn arbitrage in connection with tax-exempt bonds. In addition, issuers of Build America Bonds, which are taxable, are also required to demonstrate compliance with this section of the Internal Revenue Code. There are currently over 40 outstanding bond issues for the City for which arbitrage calculations will be performed. Additionally, any bonds issued subsequently may require computations during the term of the contract. Specifically, the contract includes the following services:

- Performing annual arbitrage calculations as of September 30th for all eligible outstanding obligations
- Monitoring all required Internal Revenue Service filing dates
- Post-issuance record retention policies and procedures compliance monitoring with IRS Regulations

The successful proposer was selected by the committee on the basis of demonstrated competence and qualifications under the following criteria:

- | | |
|---|-----|
| • Cost | 30% |
| • Overall Approach and Methodology | 30% |
| • Firm Experience | 25% |
| • Business Inclusion and Development Plan | 15% |

Of the seven responses received, First Southwest Asset Management, Inc. best met all of the qualifications and conditions listed in the Request for Proposals. First Southwest Asset management is the current contractor for this service.

As part of the solicitation process and in an effort to increase competition, Business Development and Procurement Services (BDPS) used its procurement system to send out 141 email bid notifications to vendors registered under respective commodities. To further increase competition, BDPS uses historical solicitation information, the internet, and vendor contract information obtained from user departments to contract additional vendors by phone. Additionally, in an effort to secure more bids, notifications were sent by the BDPS' ResourceLINK Team (RLT) to 25 chambers of commerce, the DFW Minority Business Council and the Women's Business Council – Southwest, to ensure maximum vendor outreach.

Please let me know if you need additional information.



Jeanne Chipperfield
Chief Financial Officer

c: Honorable Mayor & Members of the City Council
Mary K. Suhm, City Manager
Deborah A. Watkins, City Secretary
Tom P. Perkins, City Attorney
Craig D. Kinton, City Auditor
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Deborah A. Watkins, City Secretary
Frank Libro, Public Information Office
Helena Stevens-Thompson, Assistant to the City Manager

Memorandum



CITY OF DALLAS

DATE October 22, 2010

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

SUBJECT Extension of Financial Advisory Services Contracts

The City of Dallas' contracts with First Southwest Company and Estrada Hinojosa for financial advisory services expire on December 31, 2010. Several complex financings are currently underway that may extend beyond this date and, in the case of the General Obligation Commercial Paper program, will also require the financial advisors' expertise to assist staff in implementation. Staff recommends extending the existing contracts on the same terms and conditions for an additional nine months through September 30, 2011. Both companies have agreed to the extension of their contracts.

Current financings requiring ongoing involvement and assistance from the Co-Financial Advisors include:

- Issuance of General Obligation Refunding Bonds and Equipment Acquisition Notes
- Issuance of Love Field Airport Modernization Corporation Special Facilities Revenue Bonds (Southwest Airlines – Love Field Modernization Program Project)
- Implementation and initial start-up of the General Obligation Commercial Paper program

Assistance with implementation of the commercial paper program is expected to be completed by the end of March 2011. At that time, a Request for Proposals for Financial Advisory Services would be released with award anticipated in August. A resolution extending the existing contract through September 30, 2011, will be presented for approval to City Council on the November 10th addendum.

Please let me know if you need additional information.


For: Jeanne Chipperfield
Chief Financial Officer

c: Honorable Mayor & Members of the City Council
Mary K. Suhm, City Manager
Deborah A. Watkins, City Secretary
Tom P. Perkins, City Attorney
Craig D. Kinton, City Auditor
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Forest E. Turner, Assistant City Manager
Frank Libro, Public Information Office
Helena Stevens-Thompson, Assistant to the City Manager

Memorandum



CITY OF DALLAS

DATE October 20, 2010

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 September 30, 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 September 30, 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.

Handwritten signature of Jeanne Chipperfield in cursive.

Jeanne Chipperfield
Chief Financial Officer

Handwritten signature of Edward R. Scott in cursive.

Edward R. Scott
City Controller

Handwritten signature of Corrine Steeger in cursive.

Corrine Steeger
Treasury Manager

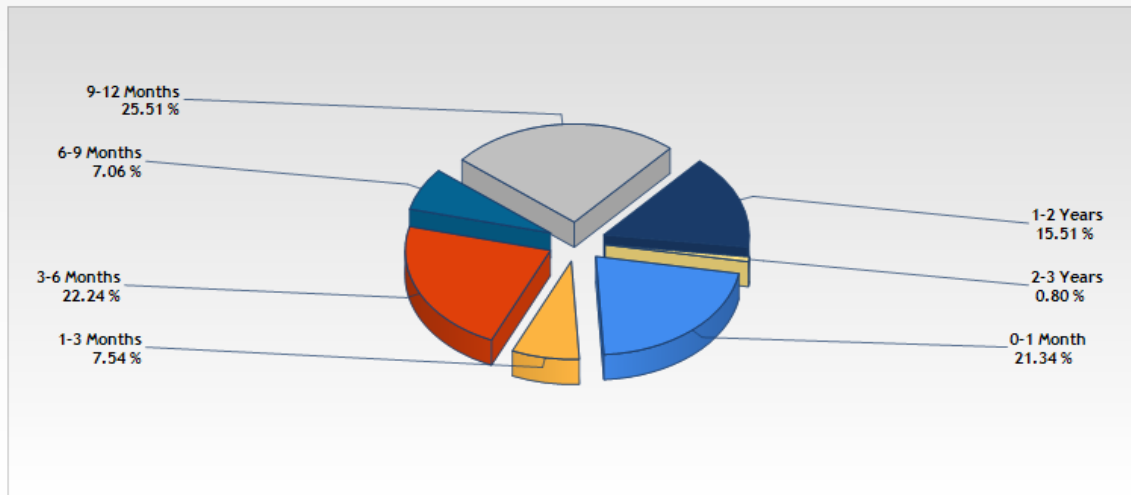
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A.C. Gonzalez, Assistant City Manager
Forest E. Turner, Assistant City Manager
Craig Kinton, City Auditor

City of Dallas
Cash and Investment Summary
September 30, 2010

Portfolio Summary			
	09/30/10	06/30/10	Net Change
Face Value	\$ 1,505,246,454	\$ 1,606,414,677	\$ (101,168,223)
Book Value	1,519,946,090	1,626,301,915	(106,355,825)
Market Value	1,523,879,340	1,631,986,186	(108,106,846)
Accrued Interest	8,486,447	14,420,090	(5,933,643)
Cash Value	1,532,365,787	1,646,406,276	(114,040,489)
Unrealized Gain (Loss)	3,933,250	5,684,271	(1,751,021)
Weighted Average Maturity (days)	211	236	-25
Buy Yield	0.84%	1.28%	-0.44%

Investment Summary by Type		
Cash and Investments by Type	Book Value	% of Portfolio
U.S. Government Treasury Securities	\$ 75,960,083	5.00%
U.S. Government & Agency Securities		
Federal Farm Credit Bank (FFCB)	188,278,548	12.39%
Federal Home Loan Bank (FHLB)	353,853,682	23.28%
Federal Home Loan Mortgage Corporation (FHLMC)	326,829,048	21.50%
Federal National Mortgage Association (FNMA)	320,539,276	21.09%
Total U.S. Government & Agency Securities	\$ 1,189,500,554	78.26%
Local Government Investment Pool (TexPool)	\$ 187,424,534	12.33%
Money Market Mutual Funds	\$ 67,060,920	4.41%
Total Investments	\$ 1,519,946,090	100.00%

Portfolio Holdings Distribution by Maturity Range



City of Dallas, Texas
Investment Summary by Portfolio Type
For the quarter ending September 30, 2010

By Portfolio	ID #	Face Value	Book Value	Market Value	Accrued Interest	Cash Value (Mkt Val + Acc Int)	*Unrealized Gain(Loss)	Weighted Average Maturity (days)	Buy Yield
Investment Pool	1	\$ 1,341,205,766	\$ 1,355,252,657	\$ 1,358,567,495	\$ 7,939,677	\$ 1,366,507,172	\$ 3,314,837	204	0.84%
Convention Center Reserve	2	22,900,000	22,935,676	23,018,582	42,181	23,060,763	82,906	411	0.74%
Water Reserve	3	82,542,000	83,154,916	83,686,095	493,415	84,179,510	531,180	401	1.28%
Art Endowment	4	2,540,000	2,541,858	2,546,391	4,869	2,551,260	4,533	260	0.57%
Ida Green Library Fund	5	1,000,000	1,002,296	1,002,090	-	1,002,090	(206)	365	0.32%
DWU Commercial Paper Program	10	52,497,332	52,497,332	52,497,332	6,039	52,503,371	-	1	0.14%
Trinity Parkway Escrow	14	2,021,480	2,021,480	2,021,480	211	2,021,691	-	1	0.12%
Cityplace TIF Reserve	15	-	-	-	-	-	-	0	0.00%
Oncor Electric Escrow	16	539,876	539,876	539,876	55	539,930	-	1	0.13%
Total Portfolio		\$ 1,505,246,454	\$ 1,519,946,090	\$ 1,523,879,340	\$ 8,486,447	\$ 1,532,365,787	\$ 3,933,250	211	0.84%

Note: For all non-pooled portfolios, these values do not exactly correspond to the accounting balances for the respective funds. This report summarizes direct investments only; a fund's accounting balance also includes its equity in the Investment Pool (see individual portfolio summary pages for Investment Pool balances).

* 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 shown above are unlikely to be realized.

City of Dallas, Texas
Investment Summary by Security Type & Agency Issuer
For the quarter ending September 30, 2010

All Portfolios Combined								
By Security Type	Face Value	Book Value	Market Value	*Unrealized Gain(Loss)	Weighted Average Maturity (days)	Buy Yield	% of Total Portfolio	
Money Market Mutual Funds	\$ 67,060,920	\$ 67,060,920	\$ 67,060,920	\$ -	1	0.13%	4.41%	
Local Government Investment Pools	187,424,534	187,424,534	187,424,534	-	1	0.24%	12.33%	
Treasury Securities	75,000,000	75,960,083	76,293,175	333,092	353	0.74%	5.00%	
Agency Securities	1,175,761,000	1,189,500,554	1,193,100,711	3,600,158	248	0.98%	78.26%	
Total Portfolio	\$ 1,505,246,454	\$ 1,519,946,090	\$ 1,523,879,340	\$ 3,933,250	211	0.84%	100.00%	
Agency Securities By Issuer	Face Value	Book Value	Market Value	*Unrealized Gain(Loss)	% of Total Portfolio	S&P/Moody's Ratings		
Federal National Mortgage Assoc. (FNMA)	\$ 316,370,000	\$ 320,539,276	\$ 321,654,596	\$ 1,115,320	21.09%	AAA/Aaa		
Federal Home Loan Mortgage Corp. (FHLMC)	321,401,000	326,829,048	327,791,350	962,302	21.50%	AAA/Aaa		
Federal Home Loan Bank (FHLB)	351,140,000	353,853,682	354,879,390	1,025,709	23.28%	AAA/Aaa		
Federal Farm Credit Bank (FFCB)	186,850,000	188,278,548	188,775,376	496,828	12.39%	AAA/Aaa		
Total Agency Securities	\$ 1,175,761,000	\$ 1,189,500,554	\$ 1,193,100,711	\$ 3,600,158	78.26%	AAA/Aaa		

* 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, Texas
 Activity Summary - All Portfolios Combined
 For the quarter ending September 30, 2010

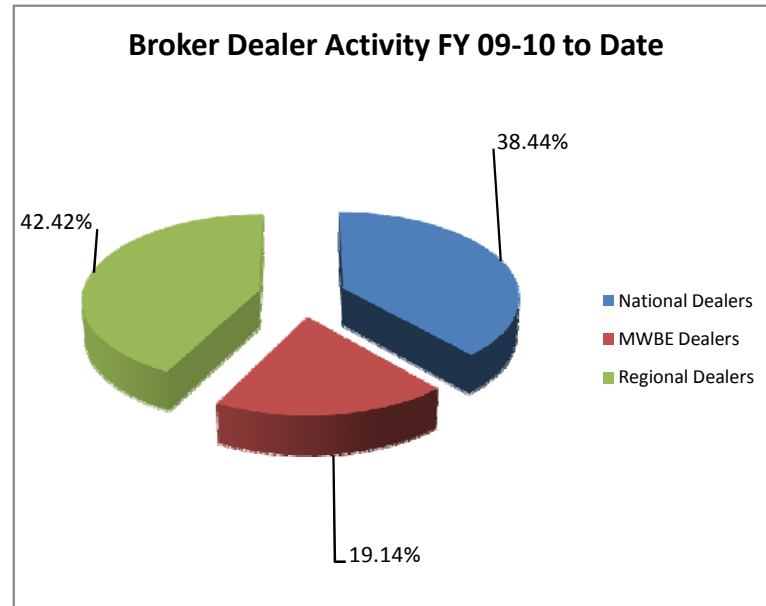
Trade Activity						
Description	Beginning Face Amount/Shares	Beginning YTM	Purchased	Matured/Called	Ending Face Amount/Shares	Ending YTM
FFCB Bond	326,394,000	1.45	11,000,000	150,544,000	186,850,000	1.02
FHLB Bond	373,820,000	1.84	147,885,000	170,565,000	351,140,000	0.89
FHLMC Bond	445,227,000	1.10	-	123,826,000	321,401,000	1.08
FNMA Bond	311,370,000	1.09	16,000,000	11,000,000	316,370,000	0.96
Local Government Investment Pool	43,346,534	0.15	519,578,000	375,500,000	187,424,534	0.24
Money Market	31,257,143	0.10	42,079,625	6,275,848	67,060,920	0.13
Treasury Bond	75,000,000	0.74	-	-	75,000,000	0.74
Total / Average	1,606,414,677	1.28	736,542,625	837,710,848	1,505,246,454	0.84

City of Dallas, Texas
 Activity Summary - All Portfolios Combined
 For the quarter ending September 30, 2010

Dealer Activity FY10		
Broker/Dealer	Awarded	%
Bank of America - National	145,000,000	16.08%
Coastal Securities - Regional	147,405,000	16.35%
First Southwest - Regional	143,990,000	15.97%
Jefferies & Co. - National	110,000,000	12.20%
JPMorgan - National	91,570,000	10.16%
Loop Capital - MWBE	107,000,000	11.87%
Morgan Keegan & Co. - Regional	50,000,000	5.55%
Rice Financial - MWBE	48,140,000	5.34%
Wells Fargo - Regional	41,000,000	4.55%
Williams Capital - MWBE	17,410,000	1.93%
Total	\$ 901,515,000	100.00%

Description	Awarded	%
National Dealers	346,570,000	38.44%
MWBE Dealers	172,550,000	19.14%
Regional Dealers	382,395,000	42.42%
Total	\$ 901,515,000	100.00%

Q4 FY10		
Broker/Dealer	Awarded	%
Bank of America - National	15,000,000	8.58%
Coastal Securities - Regional	55,575,000	31.78%
First Southwest - Regional	55,000,000	31.45%
Jefferies & Co. - National	10,000,000	5.72%
JPMorgan - National	10,000,000	5.72%
Loop Capital - MWBE	-	0.00%
Morgan Keegan & Co. - Regional	-	0.00%
Rice Financial - MWBE	20,000,000	11.44%
Wells Fargo - Regional	1,000,000	0.57%
Williams Capital - MWBE	8,310,000	4.75%
Total	\$174,885,000	100.00%



Section 9 of the City's investment Policy requires the annual review and adoption of 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.

SUMMARY STATEMENT

	Current 9/30/2010	Prior Qtr 6/30/2010	Period Net Change
Money Market Mutual Funds & Pools	\$ 199,426,766	\$ 55,357,160	\$ 144,069,606
Face Value - Treasuries	75,000,000	75,000,000	-
Face Value - Agencies	1,066,779,000	1,346,100,000	(279,321,000)
Total Face Value	\$ 1,341,205,766	\$ 1,476,457,160	\$ (135,251,394)
Money Market Mutual Funds & Pools	\$ 199,426,766	\$ 55,357,160	\$ 144,069,606
Book Value - Treasuries	75,960,083	76,190,303	(230,220)
Book Value - Agencies	1,079,865,809	1,364,002,079	(284,136,270)
Total Book Value	\$ 1,355,252,657	\$ 1,495,549,542	\$ (140,296,885)
Money Market Mutual Funds & Pools	\$ 199,426,766	\$ 55,357,160	\$ 144,069,606
Market Value - Treasuries	76,293,175	76,478,120	(184,945)
Market Value - Agencies	1,082,847,554	1,368,793,216	(285,945,662)
Total Market Value	\$ 1,358,567,495	\$ 1,500,628,496	\$ (142,061,001)
Accrued Interest	7,939,677	13,606,284	\$ (5,666,607)
Cash Value (Total Market Value + Accrued Interest)	1,366,507,172	1,514,234,780	\$ (147,727,608)
Unrealized Gain(Loss)	3,314,837	5,078,954	\$ (1,764,117)
Weighted Average Days to Maturity	204	230	(26)
Buy Yield	0.84%	1.27%	-0.43%
Portfolio Composition - % of Book Value			
Money Market Mutual Funds and Pools	14.72%	3.70%	11.00%
Treasuries	5.60%	5.09%	0.50%
Agencies	79.68%	91.20%	-11.52%
	100.00%	100.00%	

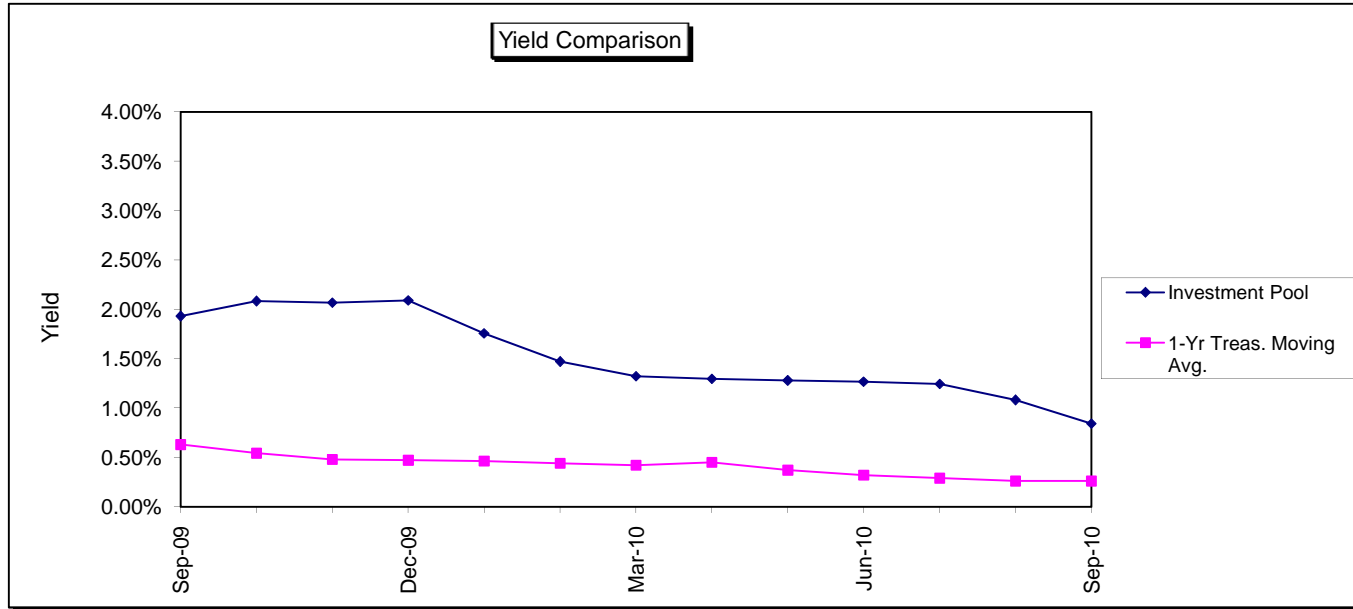
STRATEGY STATEMENT

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. The objectives of this portfolio 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) limit market and credit risk through diversification; and d) attain a market rate of return commensurate with the objectives and restrictions set forth in the Investment Policy by managing the portfolio to meet or exceed the 12 month moving average yield on treasury one-year constant maturities as reported by Federal Reserve Statistical Release H.15.

STRATEGY COMPLIANCE STATEMENT

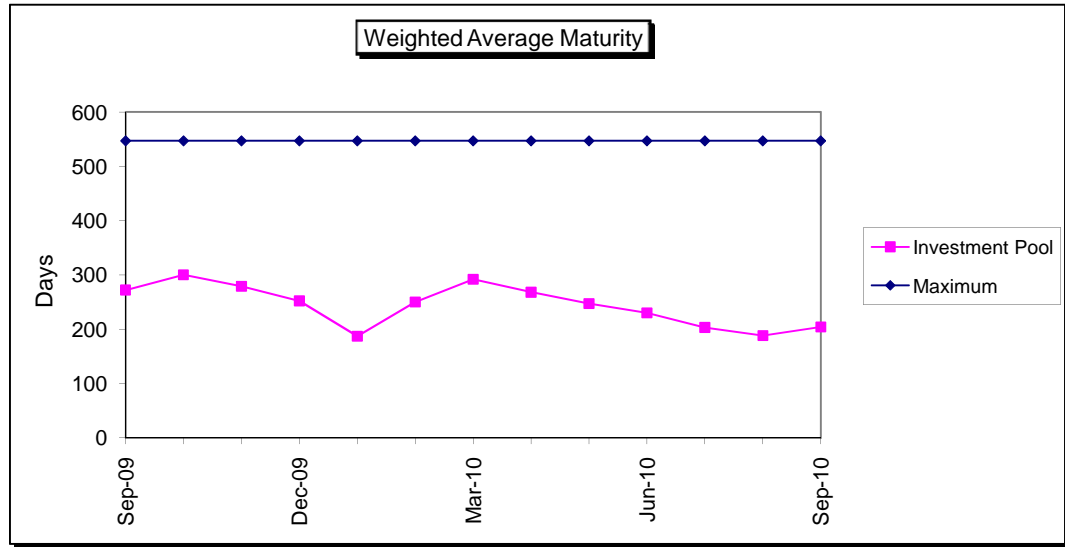
For the quarter ending September 30, 2010, the Investment Pool is in compliance with the relevant provisions of the Public Funds Investment Act and the investment strategy adopted in Sec. 17.1 of the City's Investment Policy.

City of Dallas, Texas
Yield Comparison - Investment Pool
For the quarter ending September 30, 2010



* 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.

City of Dallas, Texas
Maturity Analysis - Investment Pool
For the quarter ending September 30, 2010



Investment Maturity Schedule - % of Total Pool					
Mnths/Yrs to Maturity	Current 9/30/2010	3rd Qtr 6/30/2010	3 Months Net Change	1 Year Ago 9/30/2009	1 Year Net Change
Less than 3 months:	27.1%	27.0%	0.1%	19.4%	7.7%
3 months to 6 months:	24.7%	14.3%	10.3%	21.5%	3.2%
6 months to 9 months:	7.1%	22.4%	-15.4%	6.3%	0.7%
9 months to 1 year:	28.0%	9.5%	18.6%	22.3%	5.7%
1 year to 2 years:	13.2%	26.8%	-13.7%	29.3%	-16.1%
2 years to 5 years:	0.0%	0.0%	0.0%	1.2%	-1.2%
Total:	100.0%	100.0%		100.0%	

City of Dallas, Texas
Convention Center Reserve
For the quarter ending September 30, 2010

SUMMARY STATEMENT

	Current 9/30/2010	Prior Qtr 6/30/2010	Period Net Change
Face Value -Treasuries	\$ -	\$ -	\$ -
Face Value - Agencies	22,900,000	22,734,000	166,000
Total Face Value	\$ 22,900,000	\$ 22,734,000	\$ 166,000
Book Value - Treasuries	\$ -	\$ -	\$ -
Book Value - Agencies	22,935,676	22,765,542	170,134
Total Book Value	\$ 22,935,676	\$ 22,765,542	\$ 170,134
Market Value - Treasuries	\$ -	\$ -	\$ -
Market Value - Agencies	23,018,582	22,835,299	183,282
Total Market Value	\$ 23,018,582	\$ 22,835,299	\$ 183,283
Accrued Interest	\$ 42,181	\$ 183,799	\$ (141,618)
Cash Value (Market Value + Accrued Interest)	23,060,763	23,019,098	41,664
Unrealized Gain(Loss)	82,906	69,758	13,149
Weighted Average Days to Maturity	411	304	107
Buy Yield	0.74%	1.57%	-0.83%
Portfolio Composition - % of Book Value			
Treasuries	0.00%	0.00%	0.00%
Agencies	100.00%	100.00%	0.00%

STRATEGY STATEMENT

Non-pooled reserve funds for outstanding revenue bonds 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. The objectives of this portfolio 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 September 30, 2010 the Convention Center Reserve portfolio is in compliance with the relevant provisions of the Public Funds Investment Act and the investment strategy adopted in Sec. 17.3 of the City's Investment Policy.

NOTE: This report summarizes direct investments only; a fund's accounting balance also includes its equity in the Investment Pool.

City of Dallas, Texas
Water Reserve
For the quarter ending September 30, 2010

SUMMARY STATEMENT

	Current 9/30/2010	Prior Qtr 6/30/2010	Period Net Change
Face Value -Treasuries	\$ -	\$ -	\$ -
Face Value - Agencies	82,542,000	82,252,000	290,000
Total Face Value	\$ 82,542,000	\$ 82,252,000	\$ 290,000
Book Value - Treasuries	\$ -	\$ -	\$ -
Book Value - Agencies	83,154,916	83,007,096	147,820
Total Book Value	\$ 83,154,916	\$ 83,007,096	\$ 147,820
Market Value - Treasuries	\$ -	\$ -	\$ -
Market Value - Agencies	83,686,095	83,535,678	150,418
Total Market Value	\$ 83,686,095	\$ 83,535,678	\$ 150,418
Accrued Interest	\$ 493,415	\$ 581,699	\$ (88,284)
Cash Value (Market Value + Accrued Interest)	84,179,510	84,117,377	62,134
Unrealized Gain(Loss)	531,180	528,582	2,598
Weighted Average Days to Maturity	401	378	23
Buy Yield	1.28%	1.80%	-0.52%
Portfolio Composition - % of Book Value			
Treasuries	0.00%	0.00%	0.00%
Agencies	100.00%	100.00%	0.00%

STRATEGY STATEMENT

Non-pooled reserve funds for outstanding revenue bonds 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. The objectives of this portfolio 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 September 30, 2010 the Water Reserve portfolio is in compliance with the relevant provisions of the Public Funds Investment Act and the investment strategy adopted in Sec. 17.3 of the City's Investment Policy.

NOTE: This report summarizes direct investments only; a fund's accounting balance also includes its equity in the Investment Pool.

SUMMARY STATEMENT

	Current 9/30/2010	Prior Qtr 6/30/2010	Period Net Change
Face Value -Treasuries	\$ -	\$ -	\$ -
Face Value - Agencies	2,540,000	2,540,000	-
Total Face Value	\$ 2,540,000	\$ 2,540,000	\$ -
Book Value - Treasuries	\$ -	\$ -	\$ -
Book Value - Agencies	2,541,858	2,542,515	(657)
Total Book Value	\$ 2,541,858	\$ 2,542,515	\$ (657)
Market Value - Treasuries	\$ -	\$ -	\$ -
Market Value - Agencies	2,546,391	2,545,556	834
Total Market Value	\$ 2,546,391	\$ 2,545,556	\$ 834
Accrued Interest	\$ 4,869	\$ 615	\$ 4,254
Cash Value (Market Value + Accrued Interest)	2,551,260	2,546,171	5,088
Unrealized Gain(Loss)	4,533	3,041	1,492
Weighted Average Days to Maturity	260	352	(92.00)
Buy Yield	0.57%	0.57%	0.00%
Portfolio Composition - % of Book Value			
Treasuries	0.00%	0.00%	0.00%
Agencies	100.00%	100.00%	0.00%

STRATEGY STATEMENT

The Art Endowment Fund was created from a repayment to the General Fund from the Convention Center pursuant to Resolution No. 84-311. 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. The objectives of this portfolio 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 a market value commensurate with the objectives and the restrictions set forth in the Investment Policy.

STRATEGY COMPLIANCE STATEMENT

For the quarter ending September 30, 2010 the Art Endowment portfolio is in compliance with the relevant provisions of the Public Funds Investment Act and the investment strategy adopted in Sec. 17.4 of the City's Investment Policy.

NOTE: This report summarizes direct investments only; a fund's accounting balance also includes its equity in the Investment Pool.

SUMMARY STATEMENT

	Current 9/30/2010	Prior Qtr 6/30/2010	Period Net Change
Face Value -Treasuries	\$ -	\$ -	\$ -
Face Value - Agencies	1,000,000	1,000,000	-
Total Face Value	\$ 1,000,000	\$ 1,000,000	\$ -
Book Value - Treasuries	\$ -	\$ -	\$ -
Book Value - Agencies	1,002,296	999,972	2,324
Total Book Value	\$ 1,002,296	\$ 999,972	\$ 2,324
Market Value - Treasuries	\$ -	\$ -	\$ -
Market Value - Agencies	1,002,090	1,002,813	(723)
Total Market Value	\$ 1,002,090	\$ 1,002,813	\$ (723)
Accrued Interest	\$ -	\$ 4,333	\$ (4,333)
Cash Value (Market Value + Accrued Interest)	1,002,090	1,007,146	(5,057)
Unrealized Gain(Loss)	(206)	2,841	(3,047)
Weighted Average Days to Maturity	365	78	287
Buy Yield	0.32%	1.51%	-1.19%
Portfolio Composition - % of Book Value			
Treasuries	0.00%	0.00%	0.00%
Agencies	100.00%	100.00%	0.00%

STRATEGY STATEMENT

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. The objectives of this portfolio 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 a market value commensurate with the objectives and the restrictions set forth in the Investment Policy.

STRATEGY COMPLIANCE STATEMENT

For the quarter ending September 30, 2010 the Ida Green Library Fund portfolio is in compliance with the relevant provisions of the Public Funds Investment Act and the investment strategy adopted in Sec. 17.4 of the City's Investment Policy.

NOTE: This report summarizes direct investments only; a fund's accounting balance also includes its equity in the Investment Pool.

SUMMARY STATEMENT

	Current 9/30/2010	Prior Qtr 6/30/2010	Period Net Change
Face Value - Money Market Mutual Funds	\$ 52,497,332	\$ 16,518,379	\$ 35,978,953
Book Value - Money Market Mutual Funds	\$ 52,497,332	\$ 16,518,379	\$ 35,978,953
Market Value - Money Market Mutual Funds	\$ 52,497,332	\$ 16,518,379	\$ 35,978,953
Accrued Interest	\$ 6,039	\$ 1,044	\$ 4,995
Cash Value (Market Value + Accrued Interest)	52,503,371	16,519,423	35,983,948
Unrealized Gain(Loss)	-	-	-
Weighted Average Days to Maturity	1	1	0
Buy Yield	0.14%	0.11%	0.03%
Portfolio Composition - % of Book Value			
Money Market Mutual Funds	100.00%	100.00%	0.00%

STRATEGY STATEMENT

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. The objectives of this portfolio are to: a) ensure safety of principal by investing only in AAA-rated tax-exempt money market mutual funds; b) ensure that anticipated cash flows are matched with adequate investment liquidity; c) manage market and credit risk through diversification; and d) attain a market value commensurate with the objectives and the restrictions set forth in the Investment Policy and governing bond ordinances.

STRATEGY COMPLIANCE STATEMENT

For the quarter ending September 30, 2010 the Water Commercial Paper Program Portfolio is in compliance with the relevant provisions of the Public Funds Investment Act and the investment strategy adopted in Sec. 17.7 of the City's Investment Policy.

City of Dallas, Texas
 Trinity Parkway Escrow
 For the quarter ending September 30, 2010

SUMMARY STATEMENT

	Current 9/30/2010	Prior Qtr 6/30/2010	Period Net Change
Face Value - Money Market Mutual Funds	\$ 2,021,480	\$ 2,188,446	\$ (166,966)
Book Value - Money Market Mutual Funds	\$ 2,021,480	\$ 2,188,446	\$ (166,966)
Market Value - Money Market Mutual Funds	\$ 2,021,480	\$ 2,188,446	\$ (166,966)
Accrued Interest	\$ 211	\$ 302	\$ (91)
Cash Value (Market Value + Accrued Interest)	2,021,691	2,188,748	(167,057)
Unrealized Gain(Loss)	-	-	-
Weighted Average Days to Maturity	1	1	0
Buy Yield	0.12%	0.17%	-0.05%
Portfolio Composition - % of Book Value			
Money Market Mutual Funds	100.00%	100.00%	0.00%

STRATEGY STATEMENT

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. 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. The objectives of this portfolio 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 a market rate of return commensurate with the objectives and restrictions set forth in the Agreement.

STRATEGY COMPLIANCE STATEMENT

For the quarter ending September 30, 2010 the Trinity Parkway Escrow portfolio is in compliance with the provisions of the Public Funds Investment Act and the investment strategy adopted in Sec. 17.8 of the City's Investment Policy.

SUMMARY STATEMENT

	Current 9/30/2010	Prior Qtr 6/30/2010	Period Net Change
Face Value -Treasuries	\$ -	\$ -	\$ -
Face Value - Agencies	-	2,185,000	(2,185,000)
Total Face Value	\$ -	\$ 2,185,000	\$ (2,185,000)
Book Value - Treasuries	\$ -	\$ -	\$ -
Book Value - Agencies	-	2,190,732	(2,190,732)
Total Book Value	\$ -	\$ 2,190,732	\$ (2,190,732)
Market Value - Treasuries	\$ -	\$ -	\$ -
Market Value - Agencies	-	2,191,828	(2,191,828)
Total Market Value	\$ -	\$ 2,191,828	\$ (2,191,828)
Accrued Interest	-	43,360	(43,360)
Cash Value (Market Value + Accrued Interest)	-	2,235,188	(2,235,188)
Unrealized Gain(Loss)	-	1,096	(1,095)
Weighted Average Days to Maturity	0	28	-28
Buy Yield	0.00%	1.25%	-1.25%
Portfolio Composition - % of Book Value			
Treasuries	0.00%	0.00%	0.00%
Agencies	0.00%	0.00%	0.00%

STRATEGY STATEMENT

Non-pooled reserve funds for outstanding revenue bonds 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. The objectives of this portfolio 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 a market rate of return 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 September 30, 2010 the Cityplace TIF Reserve portfolio is in compliance with the relevant provisions of the Public Funds Investment Act and the investment strategy adopted in Sec. 17.3 of the City's Investment Policy.

NOTE: The CityPlace TIF Bonds were called in August 2010 and the principal and interest from the above security was used in conjunction with additional cash to call the bonds

City of Dallas, Texas
 Oncor Electric Escrow
 For the quarter ending September 30, 2010

SUMMARY STATEMENT

	Current 9/30/2010	Prior Qtr 6/30/2010	Period Net Change
Face Value - Money Market Mutual Funds	\$ 539,876	\$ 539,692	\$ 184
Book Value - Money Market Mutual Funds	\$ 539,876	\$ 539,692	\$ 184
Market Value - Money Market Mutual Funds	\$ 539,876	\$ 539,692	\$ 184
Accrued Interest	\$ 55	\$ 70	\$ (16)
Cash Value (Market Value + Accrued Interest)	539,930	539,762	168
Unrealized Gain(Loss)	-	-	-
Weighted Average Days to Maturity	1	1	0
Buy Yield	0.13%	0.17%	-0.04%
Portfolio Composition - % of Book Value			
Money Market Mutual Funds	100.00%	100.00%	0.00%

STRATEGY COMPLIANCE STATEMENT

For the quarter ending September 30, 2010 the Oncor Electric Escrow portfolio is in compliance with the provisions of the Public Funds Investment Act and the investment strategy adopted in Sec. 17.8 of the City's Investment Policy.