

# Memorandum



CITY OF DALLAS

DATE November 19, 2008

TO Members of the Finance, Audit & Accounting Committee:  
Chair Mitchell Rasansky, Vice-Chair Jerry Allen, Mayor Pro-Tem Elba Garcia,  
Vonciel Jones Hill, Angela Hunt, Ron Natinsky, David Neumann

SUBJECT Review of City Investments

This information will be presented at the November 24, 2008 Finance Audit and Accountability meeting and is being provided in advance for your review.

On November 12, 2008, a memo from Council Member Rasansky was received requesting City staff compile information concerning how City funds are invested. Specifically, Mr. Rasansky requested City staff:

1. **To provide the names of all of the financial institutions where City funds are held.**
  - See attached summary.
2. **To provide the ratings for each of these institutions.**
  - See attached summary.
3. **To provide the liquidity percentages for these bank institutions.**
  - The liquidity ratios for Bank of America are as follows:

<u>Liquidity Ratios</u>	<u>2007</u>
Loans & Leases/Deposits	126%
Loans & Leases/Earning Assets	56%
Total Securities/Earning Assets	13%
Market Based Assets/Earning Assets	30%

As required by state law and the City's depository contract, Bank of America has pledged a U.S. Government Security to the City in excess of City funds in its bank account. These securities are held at the Federal Reserve Bank.

4. **To list, if any, of the financial institutions that have requested bail-out assistance from the Federal Government.**
  - a. **The following institutions are participating in the one or more of the U.S. Government assistance programs:**
    - i. **Fannie Mae and Freddie Mac**

On September 7, 2008 Fannie Mae (FNMA) and Freddie Mac (FHLMC) were placed into conservatorship by the U.S. Government. What this means is that both companies are being managed by the U.S. Government. One hundred billion dollars has been made available to each company by the Federal Government in order to assure that the companies maintain ongoing liquidity.
    - ii. **City Money Market Mutual Funds**

On September 19, 2008 in an effort to calm investors, the U.S. Treasury introduced a Temporary Guarantee Program for money market funds. The program provides a guarantee to shareholders of participating funds. Currently all of the City's money market funds are participating in this program.

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### iii. Bank of America

On October 13, 2008 the U.S. Treasury convened a meeting with nine banks (including BofA) and presented them with terms for investment by the U.S. Treasury. BofA indicated that they did not require such an investment. However, the U.S. Treasury insisted upon universal acceptance of its investments to prevent the market from viewing acceptance of the investment as a sign of weakness. BofA agreed to the investment to support a broader effort to resolve the financial crisis.

A summary of the City's funds as of October 31, 2008 is included in the following chart for your convenience. Additionally, more detailed information can be found in the powerpoint presentation.



David Cook  
Chief Financial Officer

c: Honorable Mayor & Members of the City Council  
Mary K. Suhm, City Manager  
Ryan S. Evans, First Assistant City Manager  
Ramon F. Miguez, P.E., Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
A.C. Gonzalez, Assistant City Manager  
Forest E. Turner, Interim Assistant City Manager  
Craig Kinton, City Auditor

City of Dallas  
Cash and Investment Summary  
As of 10/31/08

Cash and Investments by Type	Market Value	% of Total Portfolio	Ratings			Maximum Maturity
			Moody's	S&P	Fitch	
<b>U.S. Government Treasury Securities</b>	<b>\$ 218,603,750.00</b>	<b>12.70%</b>	Aaa	AAAm	AAA	<b>02/15/10</b>
<b>U.S. Government &amp; Agency Securities</b>						
Federal Farm Credit Bank (FFCB)	291,070,501.87	16.91%	Aaa	AAAm	AAA	<b>10/04/10</b>
Federal Home Loan Bank (FHLB)	517,001,993.75	30.03%	Aaa	AAAm	AAA	<b>09/29/10</b>
Federal Home Loan Mortgage Corporation (FHLMC)	336,079,922.19	19.52%	Aaa	AAAm	AAA	<b>10/18/10</b>
Federal National Mortgage Association (FNMA)	229,750,908.75	13.34%	Aaa	AAAm	AAA	<b>07/14/10</b>
<b>Total U.S. Government &amp; Agency Securities</b>	<b>1,373,903,326.56</b>	<b>79.80%</b>				
<b>Local Government Investment Pool</b>						
Texpool	<b>29,136,837.00</b>	<b>1.69%</b>	N/A	AAAm	N/A	
<b>Money Market Mutual Funds</b>						
AIM Government & Agency Portfolio	5,914,516.35	0.34%	Aaa	AAAm	AAA	
American Beacon U.S. Government MMkt	-	0.00%	N/A	AAAm	N/A	
Federated Government Obligations	14,060,000.00	0.82%	Aaa	AAAm	AAA	
Fidelity Institutional Money Market Funds Government Portfolio	-	0.00%	Aaa	AAAm	N/A	
Black Rock Muni Funds	5,754,815.86	0.33%	N/A	AAAm	AAA	
AIM Tax-Free	-	0.00%	Aaa	AAAm	AAA	
Federated Tax-Free	66,606,289.71	3.87%	Aaa	N/A	AAA	
The Reserve Primary Fund <sup>1</sup>	1,020,056.00	0.06%	N/A	Dm	N/A	
<b>Total Money Market Mutual Funds</b>	<b>93,355,677.92</b>	<b>5.42%</b>				
<b>Escrow Funds (BONY Mellon)</b>						
Columbia Treasury Reserve (NTTA)	1,245,208.87	0.07%	N/A	N/A	N/A	
Columbia Treasury Reserve (Oncor)	4,543,982.57	0.26%	N/A	N/A	N/A	
<b>Total Escrow Funds</b>	<b>5,789,191.44</b>	<b>0.34%</b>				
<b>BofA Depository Closing Available Cash</b>	<b>966,794.43</b>	<b>0.06%</b>	Aaa	AA	N/A	
<b>Total Cash and Investments</b>	<b>\$ 1,721,755,577.35</b>	<b>100.00%</b>				

1) On September 17, 2009, the City attempted to redeem \$2,073,000. The City received a partial redemption totaling \$1,052,943.97 on October 31, 2008. The Reserve indicates that future distributions will be made as cash accumulates either through the maturing of portfolio holdings or their sale.

# CITY OF DALLAS

## REVIEW OF CITY INVESTMENTS

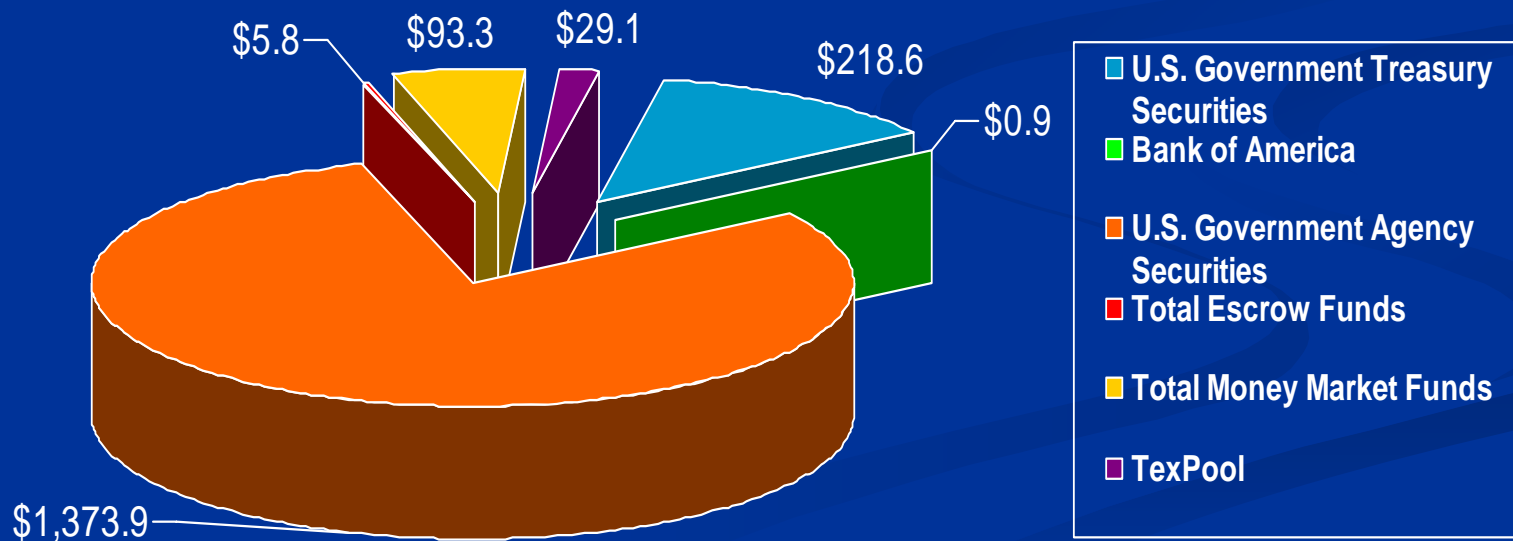
November 24, 2008



# City of Dallas Investment Portfolio

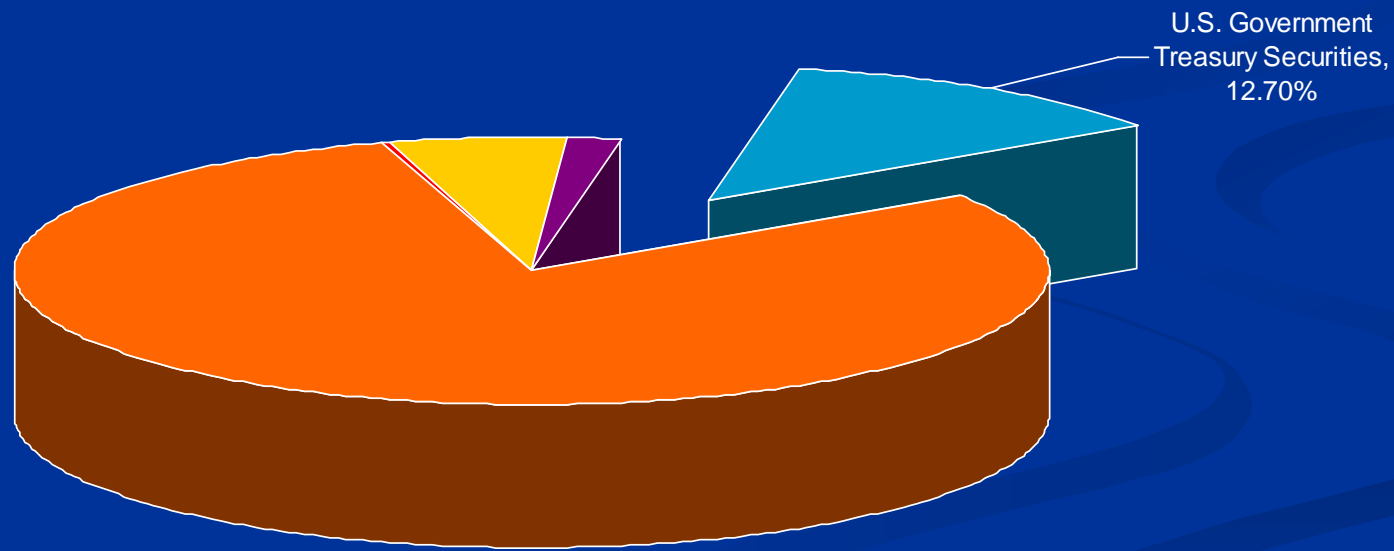
(\$ in Millions)

- The City's portfolio is made up of the following investment types:
  - U.S. Government Treasury Securities
  - U.S. Government Agency Securities
  - Local Government Investment Pool
  - Seven Money Market Funds
  - Two Escrow Funds
  - Bank of America Depository Account
- The total market value of the portfolio is \$1,721,755,577.35

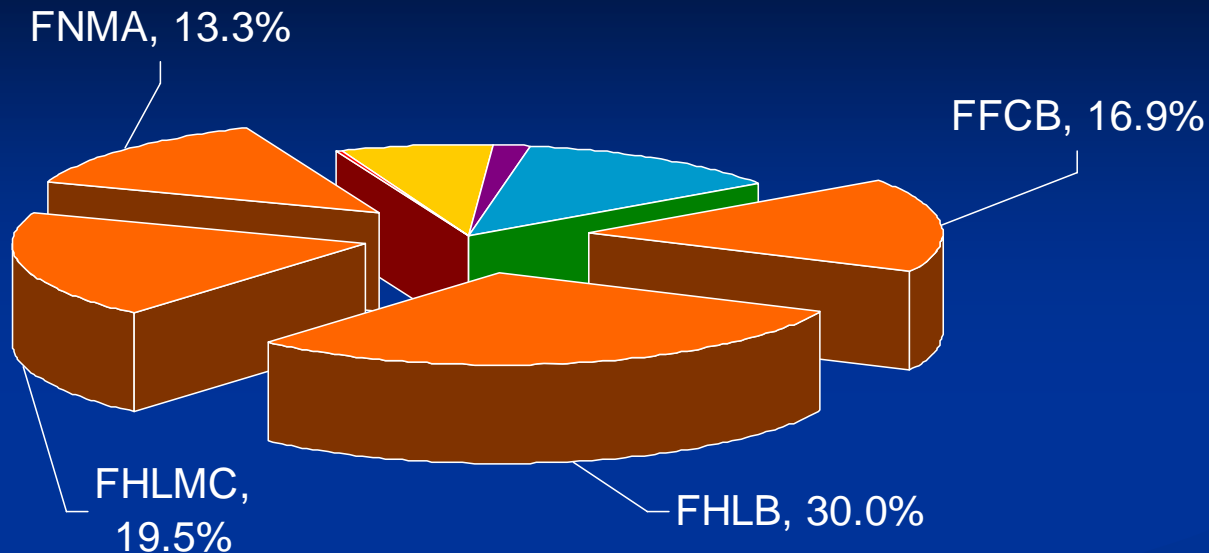


# U.S. Government Treasury Securities

- Backed by the full faith and credit of the United States Government.
- Represent 12.70% of the portfolio.
- The Market value as of October 31, 2008 is \$218,603,750.



# U.S. Government Agency Securities



- The City's investment in U.S. Government Agencies consist of the following (Market Value):
  - Federal Farm Credit Bank (FFCB) = \$291,070,501.87
    - In accordance with the Investment Policy, FFCB represents 16.85% of the portfolio on a book value basis.
  - Federal Home Loan Bank (FHLB) = \$517,001,993.75
    - FHLB is slightly higher than the investment policy requires at 30.07%. However this will decrease dramatically on November 25 when the City receives bond proceeds and tax revenue.
  - Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac) = \$336,079,922.19
    - In accordance with the Investment Policy, FHLMC represents 19.45% of the portfolio on a book value basis.
  - Federal National Mortgage Association (FNMA or Fannie Mae) = \$229,750,908.75
    - In accordance with the Investment Policy, FNMS represents 13.31% of the portfolio on a book value basis.

# Money Market Mutual Funds

- The Investment Committee has approved four government money market mutual funds and the City currently has funds in two of the four.
  - AIM Government & Agency Portfolio = \$5,914,516.35
    - Moody's = Aaa, S&P = AAAm, Fitch = AAA
    - Rate as of 10/31/08 = 1.17%
  - Federated Government Obligations = \$14,060,000.00
    - Moody's = Aaa, S&P = AAAm, Fitch = AAA
    - Rate as of 10/31/08 = 1.45%
  - Purchases into American Beacon U.S. Government Money Market Select Fund and Fidelity Institutional Money Market Funds Government Portfolio will be made when bond proceeds are delivered on November 25, 2008.
    - American Beacon is currently rated "AAAm" by S&P.
    - Fidelity is rated "AAAm" by S&P and "Aaa" by Moody's.



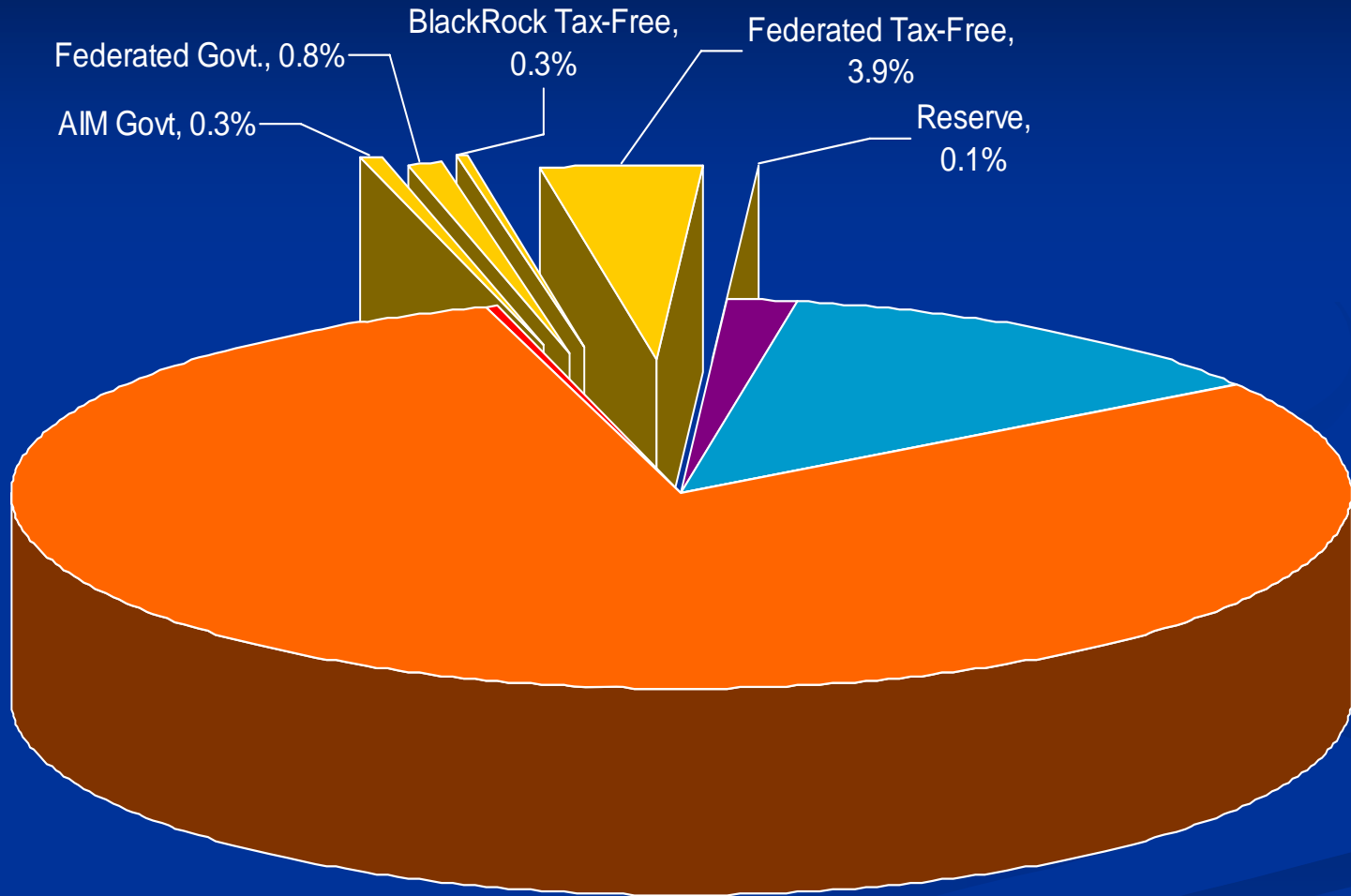
# Money Market Mutual Funds (cont.)

- The Investment Committee has approved three tax-free money market mutual funds for the DWU Commercial Paper Program and the City currently has funds in two of the three.
  - BlackRock Muni Funds = \$5,754,815.86
    - S&P = AAAm, Fitch = AAA
    - The rate as of 10/31/08 = 1.88%
  - Federated Tax-Free Obligation Fund = \$66,606,289.71
    - Moody's = Aaa, Fitch = AAA
    - The rate as of 10/31/08 = 2.32
  - AIM Tax-Free currently has a \$0.00 balance.

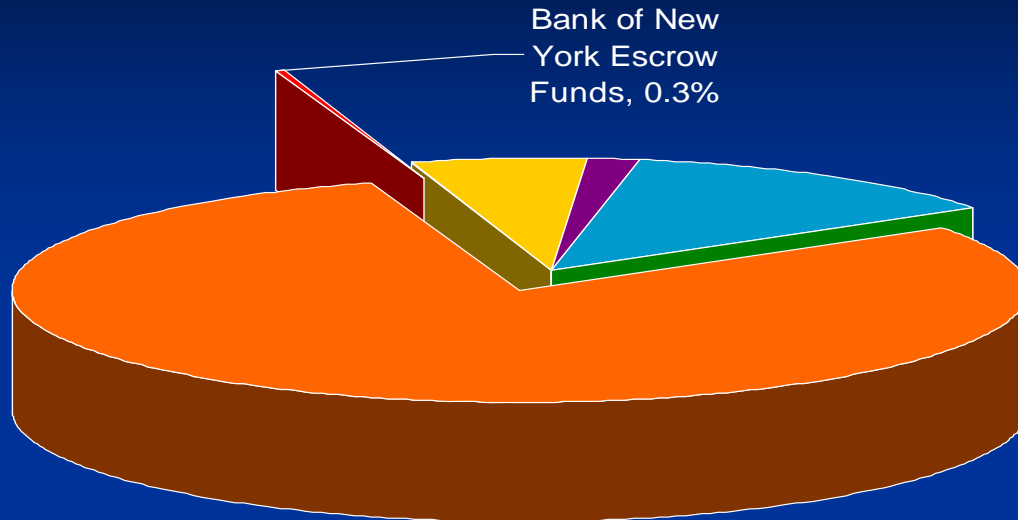
# Money Market Mutual Funds (cont.)

- The Reserve Primary Fund
  - On October 31, 2008 the City received 50.79% partial redemption of the \$2,073,000 remaining balance for a cash receipt of \$1,052,943.97.
  - The Reserve Primary Fund = \$1,020,056.00
    - S&P = Dm
    - S&P downgraded The Reserve Primary Fund from “AAAm” to “Dm” on September 16, 2008.

# Money Market Mutual Funds

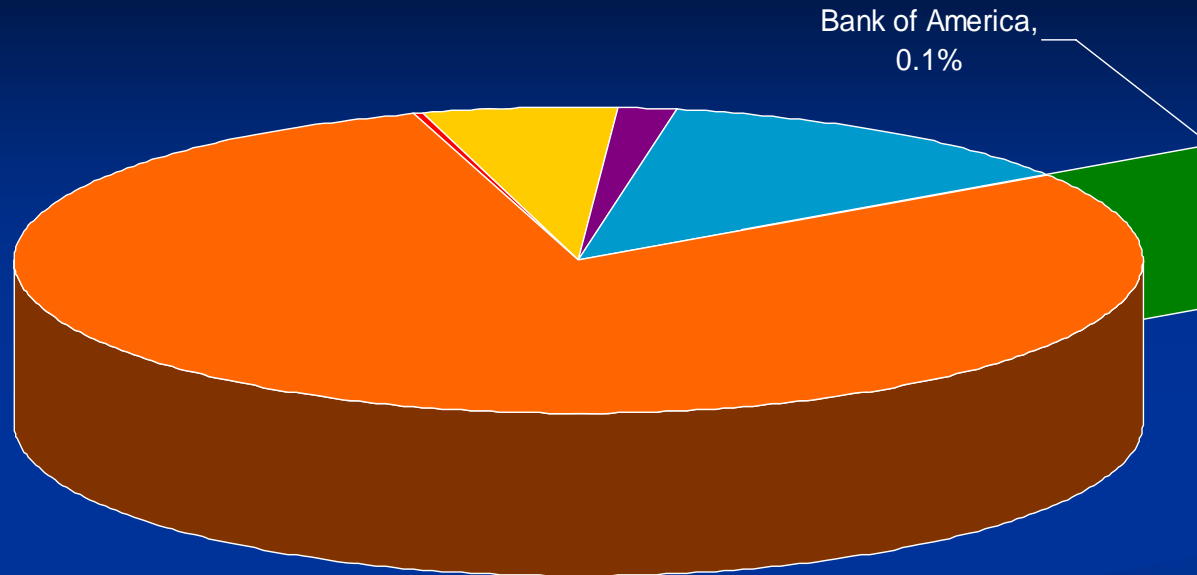


# Escrow Funds



- The City currently has two escrow accounts with Bank of New York Mellon that make up less than 1% of the portfolio.
  - Columbia Treasury Reserve (North Texas Tollway Authority) = \$1,245,208.87
  - Columbia Treasury Reserve (Oncor Electric) = \$4,543,982.57
- Escrow Funds are not rated.

# Bank of America



- Bank of America is the City's Depository.
  - An average of \$1 – \$3 million is left in the account on a nightly basis.
    - On November 10, 2008, City Council approved the 2008 investment policy which will allow the City to use a sweep account. The sweep account will allow the City to maximize its dollar by increasing the amount of funds being invested on a daily basis.
  - As of October 31, 2008, the closing available balance was \$966,794.43
  - As required by state law and the City's depository contract, Bank of America has pledged a U.S. Government Security to the City in excess of City funds in its bank account. This security is held at the Federal Reserve Bank.

# Conclusion

- City staff will continue to provide quarterly investment reports.
- No action requested.
- Questions?