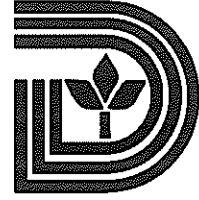


Memorandum



CITY OF DALLAS

DATE December 10, 2009

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

SUBJECT Review of Investment Strategies

The December 14, 2009 Budget, Finance & Audit meeting agenda includes a briefing of the City's Investment Strategies. Attached is a copy of the briefing.

A handwritten signature in black ink, appearing to read 'D. Cook'.

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

CITY OF DALLAS

REVIEW OF INVESTMENT STRATEGIES

**BUDGET, FINANCE & AUDIT
COMMITTEE**

December 14, 2009

INVESTMENT STRATEGIES

- “As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control.”

Chapter 2256.005(d), Texas Public Funds Investment Act

INVESTMENT STRATEGIES

- Cash flow needs determine the appropriate investment strategy
 - Short term – current needs (0 to 1 year)
 - Medium term – liability matching horizon (1 to 3 years)
 - Long term – dedicated purpose (3 to 5 years)

INVESTMENT POOL STRATEGY

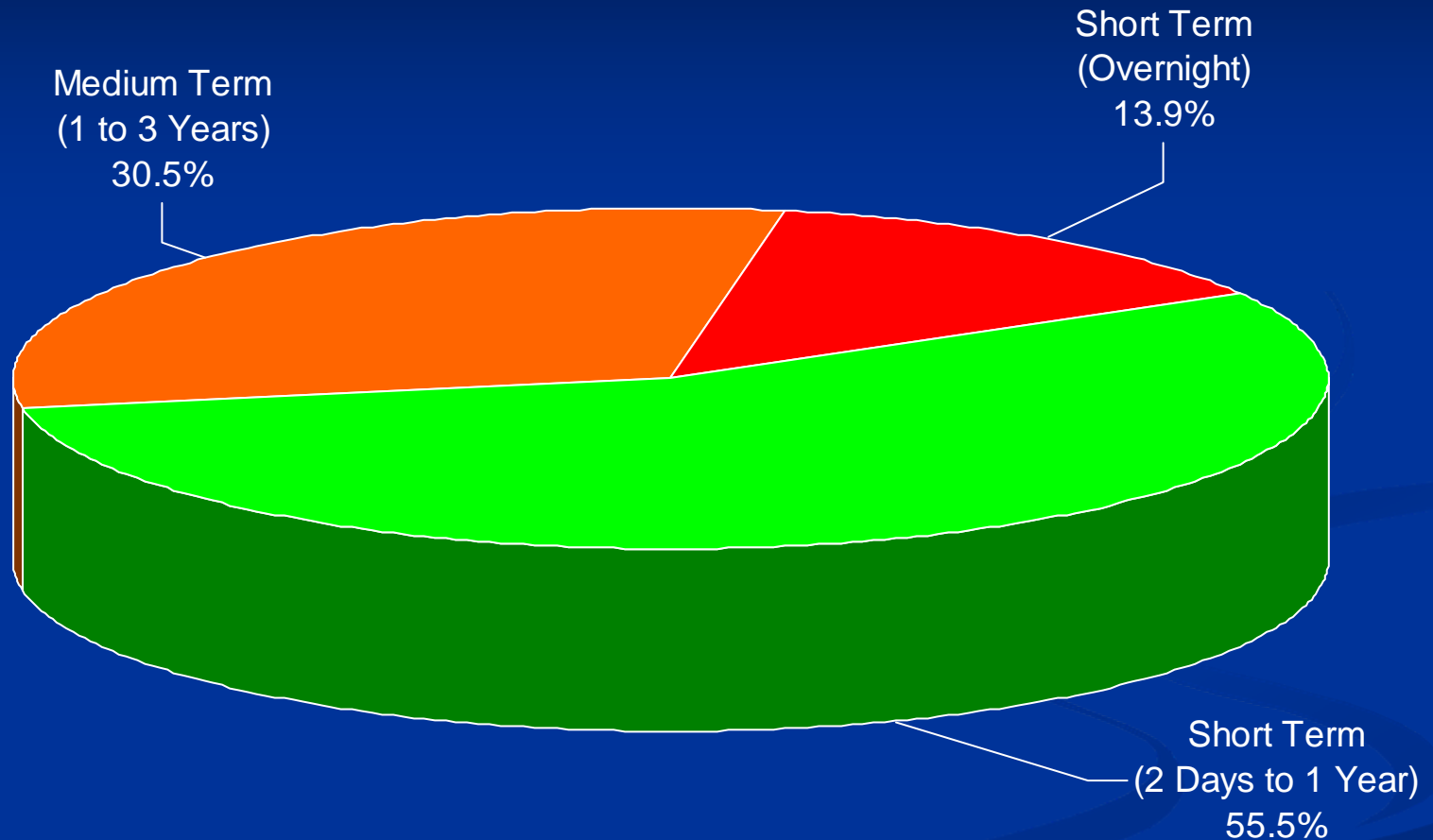
- The majority of City revenues are pooled internally for investment
 - Tax receipts
 - Enterprise fund revenues
 - Fine and fee revenues
 - Some bond proceeds, grants and gifts

INVESTMENT POOL STRATEGY

■ Objectives

- Keep adequate liquidity to meet short term needs
 - Money market mutual funds
 - Local government investment pools
 - Short term securities with maturities of one year or less
 - Certificates of deposit
- Match medium term investments to known future cash flow needs (payroll, debt service payments, etc.)
 - U.S. treasury and agency securities
- Limit weighted average maturity of the pool to 1.5 years

INVESTMENT POOL STRATEGY PORTFOLIO BY MATURITY AS OF 9/30/09



BOND RESERVE FUND STRATEGY

- Some bond reserve funds are invested separately
- Objectives
 - Use long term investments to optimize interest earnings
 - Subject to rebate under federal tax regulations
 - Keep investment market values at levels required by bond ordinances
 - U.S. treasury and agency securities
 - Keep investment maturities less than final maturity of the bonds
 - Investment policy limits maximum maturity to 5 years