

Memorandum



CITY OF DALLAS

DATE March 16, 2020

Honorable Members of the Government Performance & Financial Management
TO Committee: Jennifer S. Gates (Chair), Cara Mendelsohn (Vice Chair),
Carolyn King Arnold, Adam Bazaldua, Lee M. Kleinman, Omar Narvaez, Casey
Thomas, II

SUBJECT **December 31, 2019 Quarterly Investment Report**

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. We have included summary reports on each of the City's individual portfolios, as well as summary information on the combined portfolio.

For the quarter ended December 31, 2019, the City's individual portfolios and the combined portfolio are in compliance with the relevant provisions of the Public Funds Investment Act and the investment strategies adopted in Sec. 17.0 of the City's Investment Policy.

Please let me know if you need additional information.

A handwritten signature in blue ink that reads "M. Elizabeth Reich".

M. Elizabeth Reich
Chief Financial Officer

Attachment

cc: Honorable Mayor and Members of City Council
T.C. Broadnax, City Manager
Chris Caso, City Attorney (Interim)
Mark Swann, City Auditor
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
Nadia Chandler Hardy, Assistant City Manager
Dr. Eric A. Johnson, Chief of Economic Development & Neighborhood Services
Laila Alequresh, Chief Innovation Officer
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors



CITY OF DALLAS

December 31, 2019

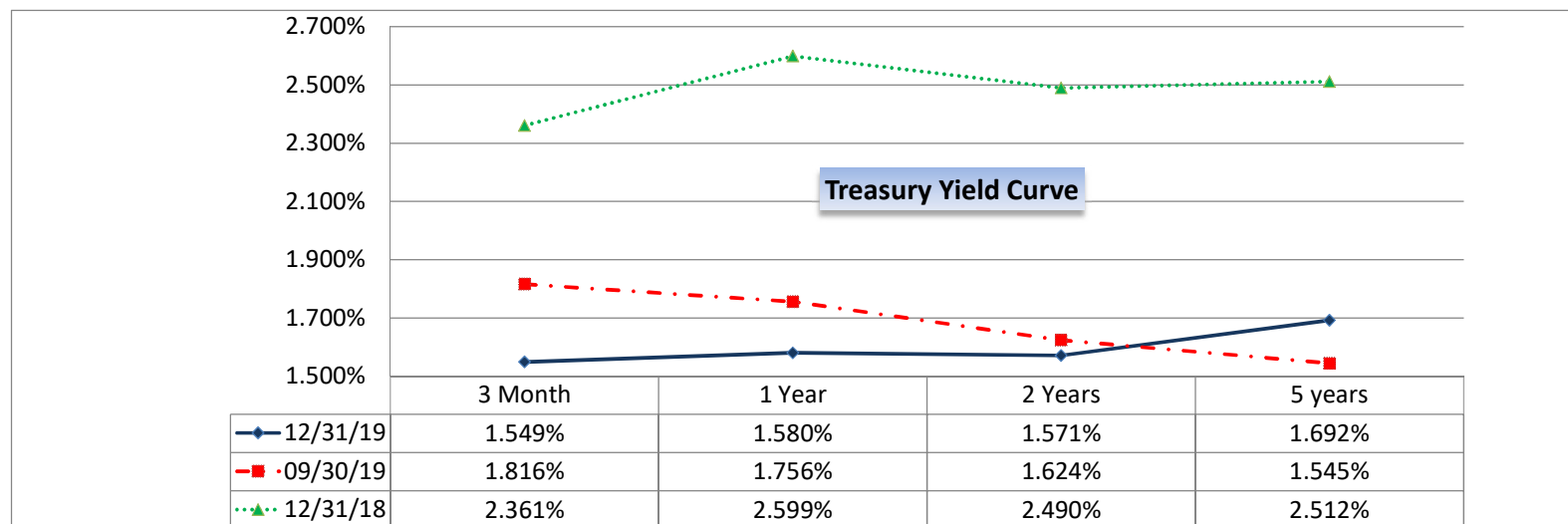
QUARTERLY INVESTMENT REPORT

Quarterly National Economic and Market Update
Quarter Ended December 31, 2019

- Labor market remained strong and economic activity had been rising at a moderate rate
- Job gains had been solid and the unemployment rate remained low
- Although household spending had been rising at a moderate pace, business fixed investment and exports remained weak
- The Federal Open Market Committee (FOMC) decided to remain the target range for the federal funds rate at 1.50 % - 1.75%.

Source: FOMC January 29, 2020 Statement

National Economic Data	9/30/2018	12/31/2019
Fed Funds Effective Rate Target Range	2.00% - 2.25%	1.50% - 1.75%
2 Years Treasury Note Yield	2.490%	1.571%
10 Years Treasury Note Yield	2.686%	1.919%
Monthly Unemployment Rate	3.90%	3.50%
Weekly Initial Jobless Claims	233,000	223,000
Monthly Change in Nonfarm Payrolls	222,000	145,000
Monthly New Housing Starts	1,037,000	1,608,000



Source: Bloomberg

City of Dallas
Portfolio Holdings
Combined Investment Summary
As of 12/31/2019

Portfolio Description	Face Amount	Book Value	Market Value	Accrued Interest	Market Value + Accrued Interest	*Unrealized Gain/(Loss)	Weighted Average Yield To Maturity
01 The City's Investment Pool	2,257,428,355	2,256,552,112	2,257,003,960	4,279,110	2,261,283,070	451,848	1.87%
02 Convention Center Reserve	23,000,000	23,000,000	22,995,038	64,440	23,059,477	(4,962)	1.65%
03 Water Reserve	90,000,000	90,000,000	89,986,774	328,947	90,315,721	(13,226)	1.59%
04 Arts Endowment	2,235,000	2,235,000	2,233,863	10,654	2,244,516	(1,137)	1.32%
05 Ida Green Library Fund	1,000,000	1,000,000	1,000,000	4,413	1,004,413	-	1.90%
10 DWU Commercial Paper Program	13,960	13,960	13,960	-	13,960	-	1.57%
11 GO Commercial Paper Program	3,524,424	3,524,424	3,524,424	-	3,524,424	-	1.64%

*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 unrealized gains and losses due to market changes occurring prior to an investment's maturity are unlikely to be realized.

City of Dallas

Trade Activity by Portfolio

As of: 09/30/2019 - 12/31/2019

Portfolio Description	Beginning Face Amount	Beginning Weighted Average Yield To Maturity	Purchased/Deposited	Matured	Ending Face Amount	Ending Weighted Average Yield To Maturity
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City's Investment Pool*

Federal Agricultural Mortgage Corp.	146,000,000	2.37%	90,000,000	31,000,000	205,000,000	2.09%
Federal Farm Credit Bank	125,000,000	2.39%	50,000,000	20,000,000	155,000,000	2.21%
Federal Home Loan Bank	550,500,000	2.12%	280,000,000	417,500,000	413,000,000	1.88%
Federal Home Loan Mortgage Corp.	15,000,000	1.54%	-	15,000,000	-	0.00%
Federal National Mortgage Assoc.	80,000,000	2.29%	-	50,000,000	30,000,000	2.62%
Federal National Mortgage Assoc.	-	0.00%	150,000,000	-	150,000,000	1.67%
Total Portfolio	916,500,000	2.20%	570,000,000	533,500,000	953,000,000	1.97%

*Trade activity excludes bank investment holding account, local government investment pools and money market mutual funds.

Convention Center Reserve**

Federal Home Loan Mortgage Corp.	4,000,000	1.25%	-	4,000,000	-	0.00%
Federal National Mortgage Assoc.	15,000,000	1.38%	-	-	15,000,000	1.38%
Total Portfolio	19,000,000	1.35%	-	4,000,000	15,000,000	1.38%

**Trade activity excludes local government investment pools.

Water Reserve***

Federal National Mortgage Assoc.	40,000,000	1.21%	-	-	40,000,000	1.21%
Total Portfolio	40,000,000	1.21%	-	-	40,000,000	1.21%

***Trade activity excludes local government investment pools.

Arts Endowment

Federal Home Loan Mortgage Corp.	2,235,000	1.32%	-	-	2,235,000	1.32%
Total Portfolio	2,235,000	1.32%	-	-	2,235,000	1.32%

****Trade activity excludes local government investment pools.

DWU Commercial Paper Program

Money Market	13,960	2.05%	-	-	13,960	1.57%
Total Portfolio	13,960	2.05%	-	-	13,960	1.57%

GO Commercial Paper Program

Money Market	3,524,424	2.03%	-	-	3,524,424	1.64%
Total Portfolio	3,524,424	2.03%	-	-	3,524,424	1.64%

City of Dallas
Summary Statement by Portfolio
As of: 09/30/2019 - 12/31/2019

Portfolio Description	Beginning Face Amount	Ending Face Amount	Beginning Book Value	Ending Book Value	Beginning Market Value	Ending Market Value	Net Deposits/ (Redemptions)	Change in Market Value	Accrued Interest	Ending Weighted Average Yield To Maturity
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City's Investment Pool¹

*Public Funds Interest Checking (PFIC) Account	100,123,382	100,422,538	100,123,382	100,422,538	100,123,382	100,422,538	299,157	-	-	1.60%
Local Govt. Investment Pool	929,584,468	956,005,817	929,584,468	956,005,817	929,584,468	956,005,817	26,421,349	-	-	1.88%
Money Market	253,000,000	248,000,000	253,000,000	248,000,000	253,000,000	248,000,000	(5,000,000)	-	-	1.55%
US Agency	916,500,000	803,000,000	915,692,608	801,867,611	916,375,988	802,175,155	(113,500,000)	1,047,299	Accrued Interest	2.02%
US Agency	-	150,000,000	-	150,256,146	-	150,400,450	150,000,000	134,544	4,279,110	1.67%
**Total Portfolio	2,199,207,850	2,257,428,355	2,198,400,458	2,256,552,112	2,199,083,838	2,257,003,960	58,220,505	1,181,843	4,279,110	1.87%

Convention Center Reserve²

Local Govt. Investment Pool	4,000,000	8,000,000	4,000,000	8,000,000	4,000,000	8,000,000	4,000,000	-	64,440	2.15%
US Agency	19,000,000	15,000,000	19,000,000	15,000,000	18,958,028	14,995,038	(4,000,000)	37,009	-	1.38%
Total Portfolio	23,000,000	23,000,000	23,000,000	23,000,000	22,958,028	22,995,038	-	37,009	64,440	1.65%

Water Reserve²

Local Govt. Investment Pool	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	-	-	-	1.89%
US Agency	40,000,000	40,000,000	40,000,000	40,000,000	39,900,476	39,986,774	-	86,298	328,947	1.21%
Total Portfolio	90,000,000	90,000,000	90,000,000	90,000,000	89,900,476	89,986,774	-	86,298	328,947	1.59%

Arts Endowment³

US Agency	2,235,000	2,235,000	2,235,000	2,235,000	2,230,465	2,233,863	-	3,398	10,654	1.32%
Total Portfolio	2,235,000	2,235,000	2,235,000	2,235,000	2,230,465	2,233,863	-	3,398	10,654	1.32%

Ida Green Library Endowment⁴

Local Govt. Investment Pool	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	-	-	4,413	1.90%
Total Portfolio	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	-	-	4,413	1.90%

DWU Commercial Paper⁵

Money Market	13,960	13,960	13,960	13,960	13,960	13,960	-	-	-	1.57%
Total Portfolio	13,960	13,960	13,960	13,960	13,960	13,960	-	-	-	1.57%

GO Commercial Paper⁵

Money Market	3,524,424	3,524,424	3,524,424	3,524,424	3,524,424	3,524,424	-	-	-	1.64%
Total Portfolio	3,524,424	3,524,424	3,524,424	3,524,424	3,524,424	3,524,424	-	-	-	1.64%

Notes 1-5: See Page 6 for Strategy Statement by Portfolio.

*Public Funds Interest Checking (PFIC) Account is fully collateralized, interest-bearing account with liquidity equal to that of a money market mutual fund

**Numbers may not sum due to rounding

City of Dallas
Strategy Statement and Compliance by Portfolio
As of: 09/30/2019 - 12/31/2019

STRATEGY COMPLIANCE STATEMENT

For the quarter ended December 31, 2019 the portfolios are in compliance with the relevant provisions of the Public Fund Investment Act and the investment strategies adopted in Sec. 17.0 of the City's Investment Policy.

STRATEGY STATEMENT BY PORTFOLIO

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 Bond Reserve and Water Bond 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) Arts Endowment

The Arts 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.

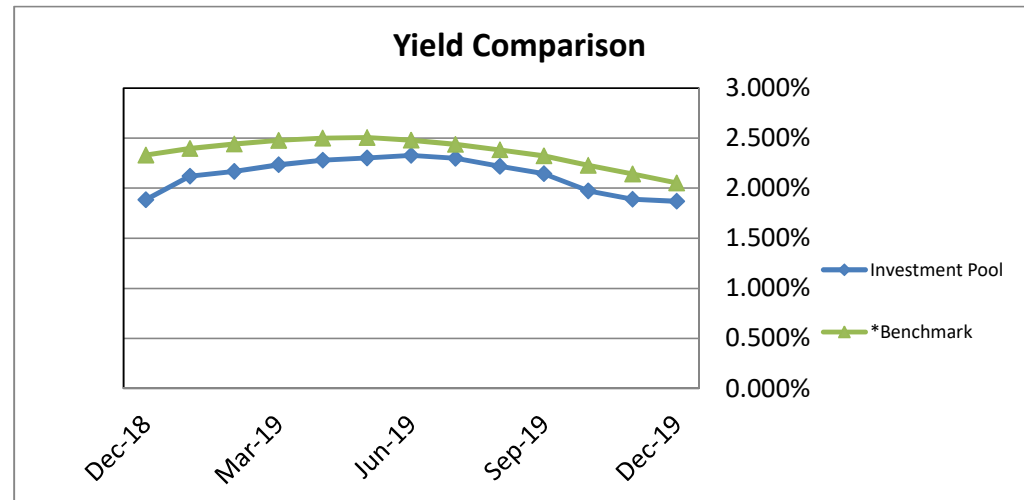
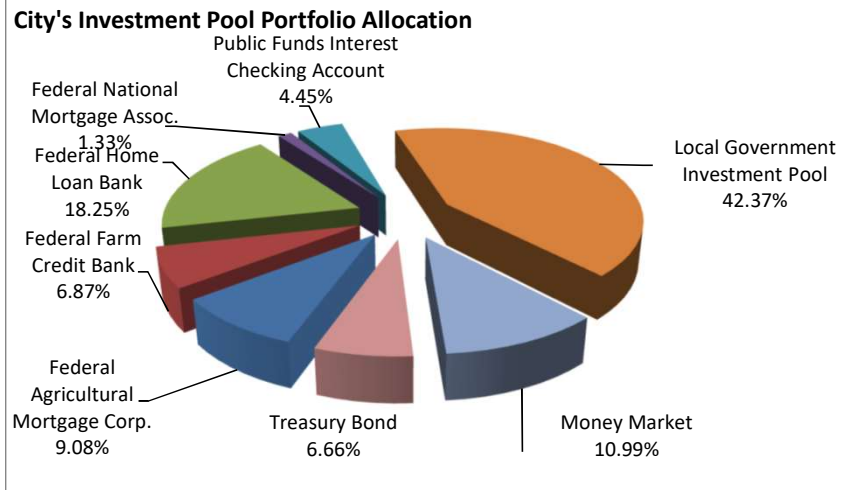
4) Ida Green Library Endowment

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 and GO Commercial Paper Program

The City issues tax-exempt commercial paper notes as an interim financing tool for construction of capital projects. The investment of the proceeds from the issuance of commercial paper debt should have a high degree of liquidity in order to fund payments to contractors.

City of Dallas
City's Investment Pool Portfolio Allocation
Investment Summary
As of 12/31/2019



Description	Face Amount	Book Value	Market Value	**Unrealized Gain/(Loss)	Weighted Average Days To Maturity	Weighted Average Yield To Maturity	% of Portfolio
Federal Agricultural Mortgage Corp.	205,000,000	205,000,000	205,118,848	118,848	213	2.09%	9.08%
Federal Farm Credit Bank	155,000,000	154,999,922	155,014,926	15,004	124	2.21%	6.87%
Federal Home Loan Bank	413,000,000	411,920,642	412,047,182	126,541	69	1.88%	18.25%
Federal National Mortgage Assoc.	30,000,000	29,947,047	29,994,200	47,152	59	2.62%	1.33%
Public Funds Interest Checking Account	100,422,538	100,422,538	100,422,538	-	1	1.60%	4.45%
Local Government Investment Pool	956,005,817	956,005,817	956,005,817	-	28	1.88%	42.37%
Money Market	248,000,000	248,000,000	248,000,000	-	1	1.55%	10.99%
Treasury Bond	150,000,000	150,256,146	150,400,450	144,304	537	1.67%	6.66%
***Total Portfolio	2,257,428,355	2,256,552,112	2,257,003,960	451,848	88	1.87%	100.00%

*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.

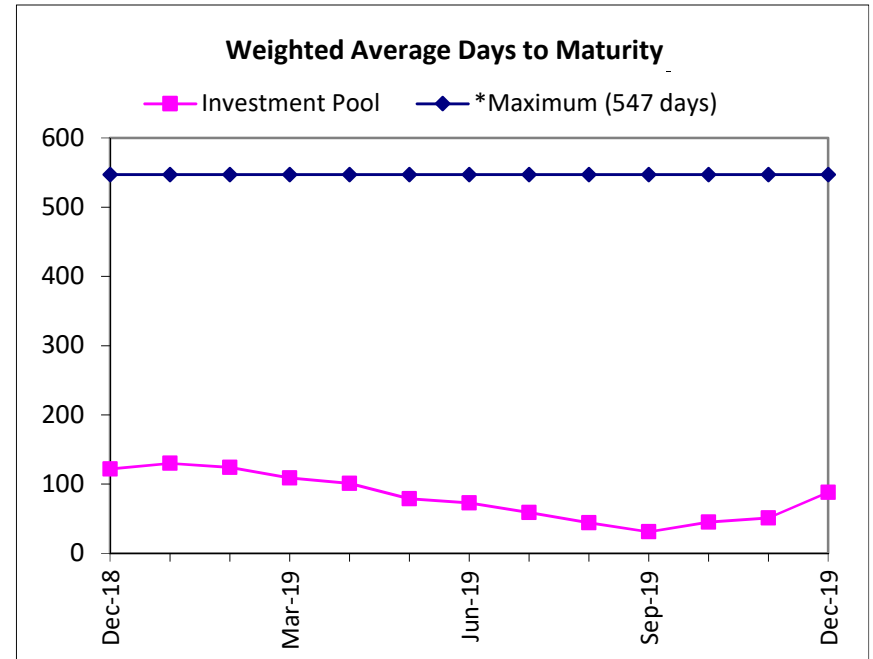
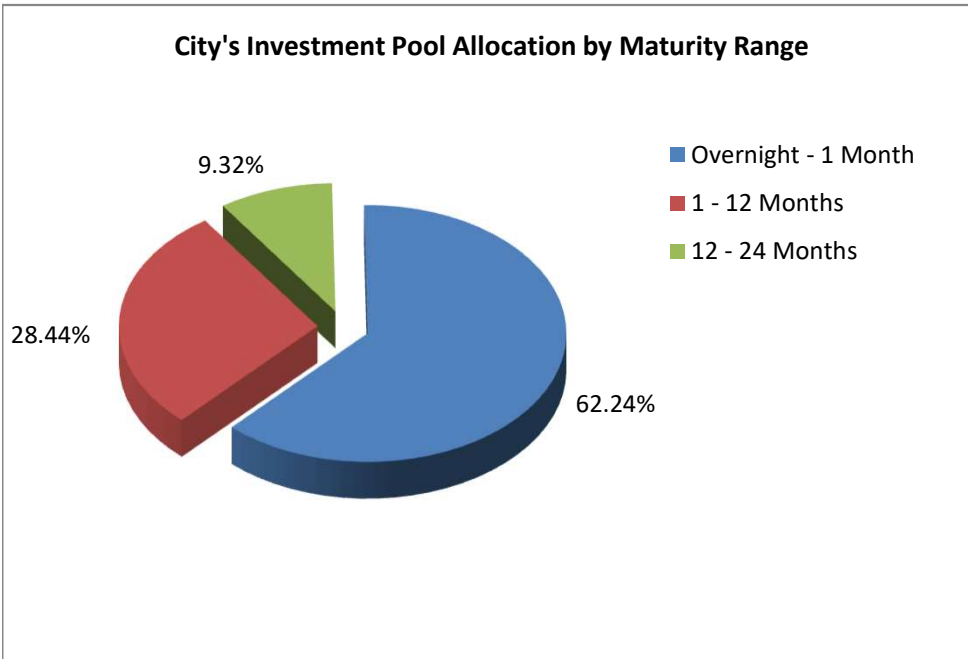
** Unrealized gain/loss is the difference between the market value and book value and does not represent an actual gain or loss. Gains and losses are realized only when a security is sold prior to maturity. Since it is the City's practice to hold investments until they mature, the unrealized gains and losses due to market changes occurring prior to an investment's maturity are unlikely to be realized.

*** Numbers may not sum due to rounding

City of Dallas

City's Investment Pool Allocation by Maturity Range

As of 12/31/2019



Description	Face Amount/Shares	Book Value	Market Value	Weighted Average Yield To Maturity	Weighted Average Days To Maturity	% of Portfolio
Overnight - 1 Month	1,404,428,355	1,404,423,764	1,404,504,625	1.91%	3	62.24%
1 - 12 Months	643,000,000	641,872,203	642,067,594	1.84%	131	28.44%
12 - 24 Months	210,000,000	210,256,146	210,431,742	1.67%	529	9.32%
**Total Portfolio	2,257,428,355	2,256,552,112	2,257,003,960	1.87%	88	100%

*As per Section 13.0 of the City's Investment Policy, the dollar-weighted average stated maturity of the Investment Pool shall not ex .

** Numbers may not sum due to rounding

City of Dallas
Date To Date
Broker/Dealer Activity
As of: FY 19-20 Year to Date

FY 19-20 Year to Date		
Description	Awarded	%
Primary Dealers		
Bank of America	\$50,000,000	8.77%
Jefferies & Co.	50,000,000	8.77%
RBC Capital Markets, LLC	0	0.00%
Wells Fargo	0	0.00%
Secondary Dealers		
FTN Financials	30,000,000	5.26%
Hilltop Securities Inc.	90,000,000	15.79%
Multi Bank Securities	150,000,000	26.32%
Piper Jaffray & Co.	100,000,000	17.54%
Samco Capital Market	50,000,000	8.77%
SunTrust Robinson Humphrey, Inc.	0	0.00%
Vining Sparks	0	0.00%
Secondary Dealers - M/WBE		
Capital Institutional Services, Inc.	0	0.00%
Loop Capital	0	0.00%
Rice Financial	0	0.00%
Stern Brothers & Co.	50,000,000	8.77%
Total	\$570,000,000	100.00%

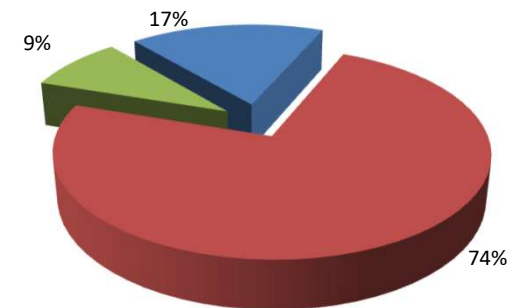
Notes:

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 2019.

It is the City's policy to solicit three or more competitive bids/offers each trade except for agency securities purchased at issue.

Q1 FY 19-20		
Description	Awarded	%
Bank of America	\$50,000,000	8.77%
FTN Financials	30,000,000	5.26%
Hilltop Securities Inc.	90,000,000	15.79%
Jefferies & Co.	50,000,000	8.77%
Multi Bank Securities	150,000,000	26.32%
Piper Jaffray & Co.	100,000,000	17.54%
Samco Capital Market	50,000,000	8.77%
Stern Brothers & Co.	50,000,000	8.77%
Total	\$570,000,000	100.00%

Broker/Dealer Activity FY 19-20 to Date



- Primary Dealers \$100,000,000
- Secondary Dealers \$420,000,000
- Secondary Dealers (M/WBE) \$50,000,000

CITY OF DALLAS

December 31, 2019

QUARTERLY INVESTMENT REPORT

For the quarter ended December 31, 2019 the portfolios are in compliance with the relevant provisions of the Public Funds Investment Act and the investment strategies adopted in Sec. 17.0 of the City's Investment Policy.

Chief Financial Officer:

M. Elizabeth Reich

City Controller:

Shari Kowalski

Treasury Manager:

[Signature]