

Memorandum



CITY OF DALLAS

DATE March 10, 2023

TO Honorable Mayor and Members of the City Council

SUBJECT **Quarterly Investment Report – FY 2022-23 First Quarter**

On Monday February 27, the FY 2022-23 First Quarter Investment Report was provided to the Government Performance and Financial Management Committee (GPFM). The report was prepared by the City's Investment Advisor, Meeder Public Funds Patterson Group ("Meeder") and presented to the City's Investment Committee on February 13. This report is produced in compliance with the State of Texas Public Funds Investment Act and the City's Investment Policy. The first quarter report reflects our beginning balances as of October 1, 2022 and ending balance as of December 31, 2022.

The full report and previous reports can be found on our [Financial Transparency Website](#). This memo summarizes a few highlights from our most recent report.

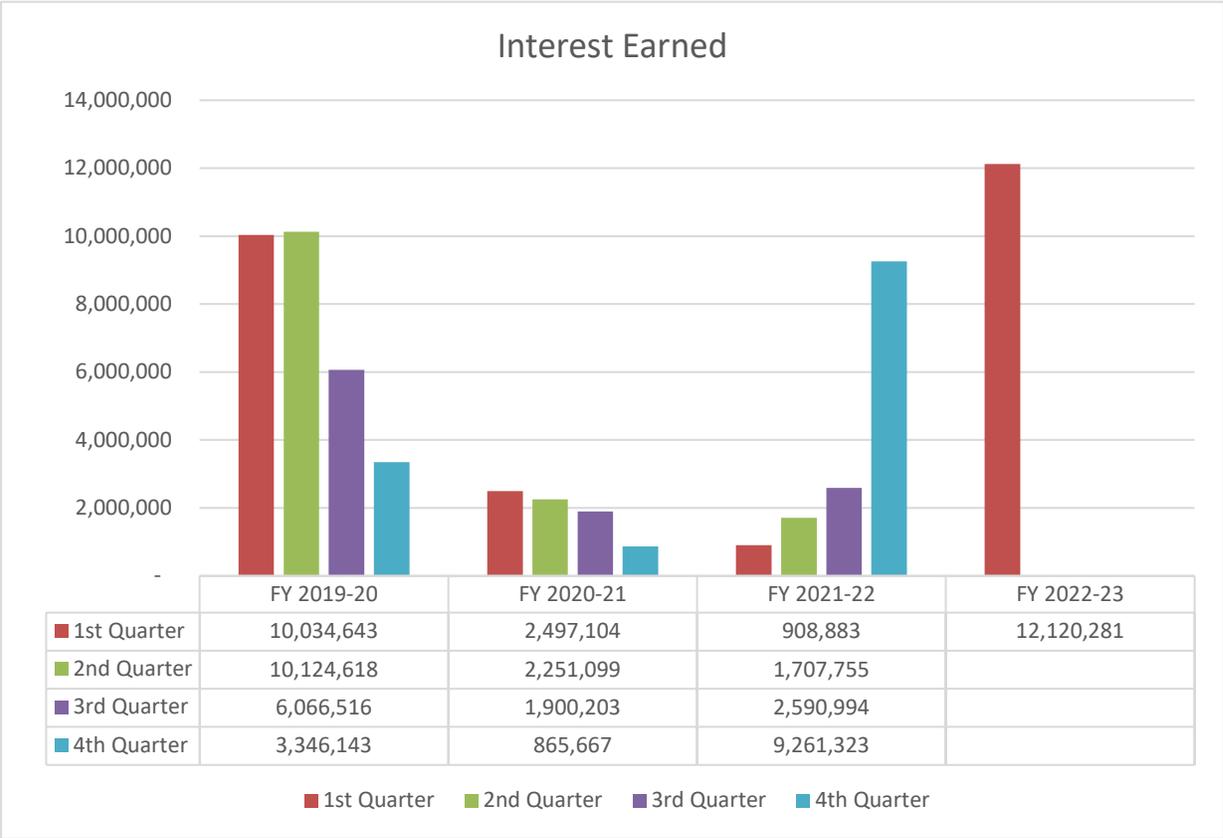
The Quarterly Investment Report provides information on the performance of the City's portfolio for all funds. As of December 31, 2022, the total portfolio balance was \$2,888,264,818. The primary fund is the Operating portfolio which includes the General Fund, Debt Service Fund, Capital Improvement Funds including bond proceeds, the operating, debt, and capital funds of the Enterprise departments as well as grants, trusts, and other funds. As of December 31, 2022, the Operating portfolio balance was \$2,774,327,252, which produced actual earnings of \$12,120,281 for the first quarter of this fiscal year. This is compared to the first quarter of FY 2021-22 when the operating portfolio balance was \$2,664,418,736 and produced actual earnings of \$908,883.

The following table shows the Operating portfolio as well as the other portfolios managed by the City Controller's Office Treasury Division. All portfolios are managed following the City's Investment Policy objectives of safety, liquidity, and yield. The portfolio ending balances will fluctuate from quarter to quarter as cash flow needs such as payroll and debt service payments occur.

Portfolio Market Value by Fund	9/30/2022	12/31/2022	Change	Interest Earned
Operating Portfolio	\$2,829,754,003	\$2,774,327,252.25	(\$55,426,750.87)	\$12,120,280.61
Arts Endowment	\$2,235,000.00	\$2,235,000.00	\$0.00	\$4,788.42
DWU Commercial Paper Program	\$13,960.15	\$13,960.15	\$0.00	\$103.33
GO Commercial Paper Program	\$20,772,501.66	\$20,688,605.94	(\$83,895.72)	\$160,202.91
Ida Green Library Fund	\$1,000,000.00	\$1,000,000.00	\$0.00	\$9,754.52
Water Reserve	\$90,000,000	\$90,000,000.00	\$0.00	\$527,424.67
Total	\$2,943,775,465	\$2,888,264,818	(\$55,510,647)	\$12,822,554.46

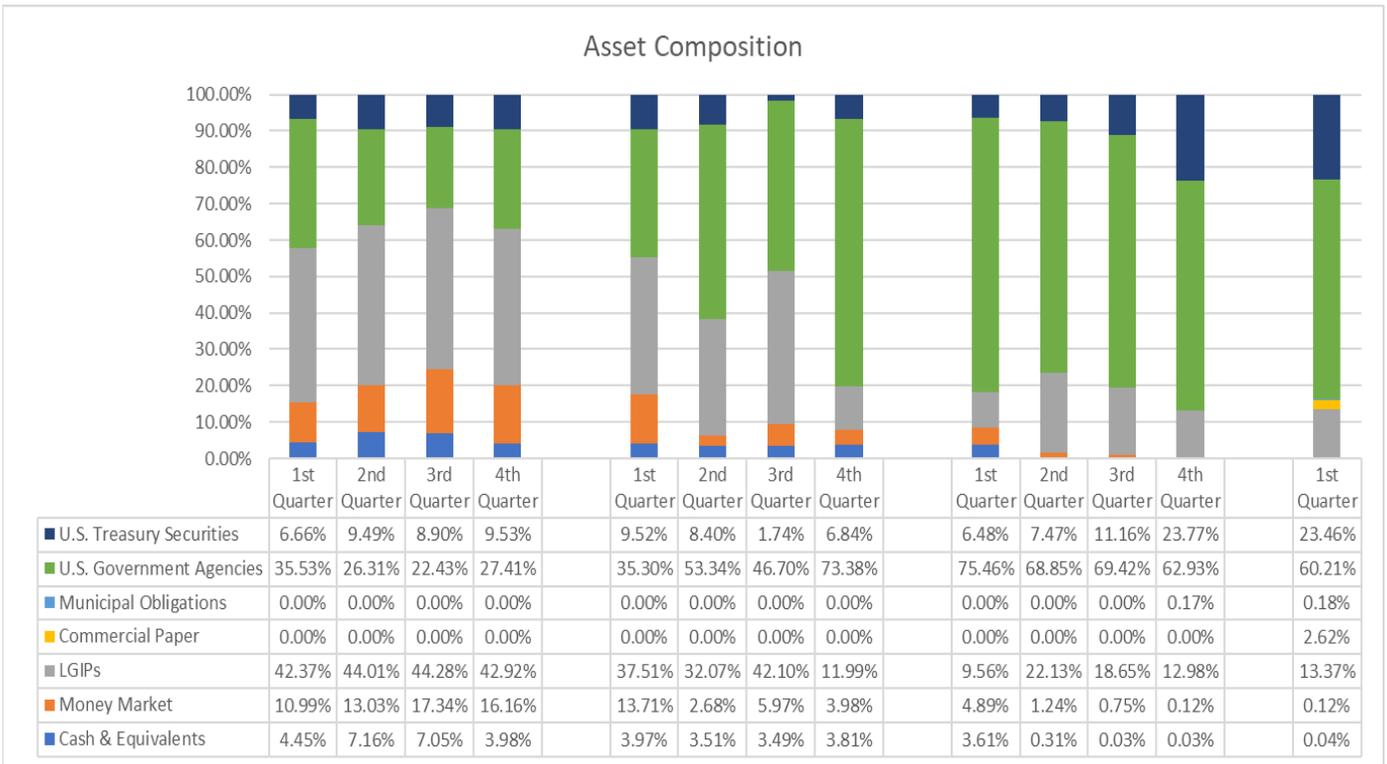
Interest Earned

- Interest earnings tapered off through FY 2020-21 due to overall interest rates dropping to historic lows.
- Interest earned for the 1st quarter of FY 2022-23 is the highest of the last four fiscal years.
- The portfolio is projected to continue to see a rise in interest earnings throughout FY 2022-23 and FY 2023-24.



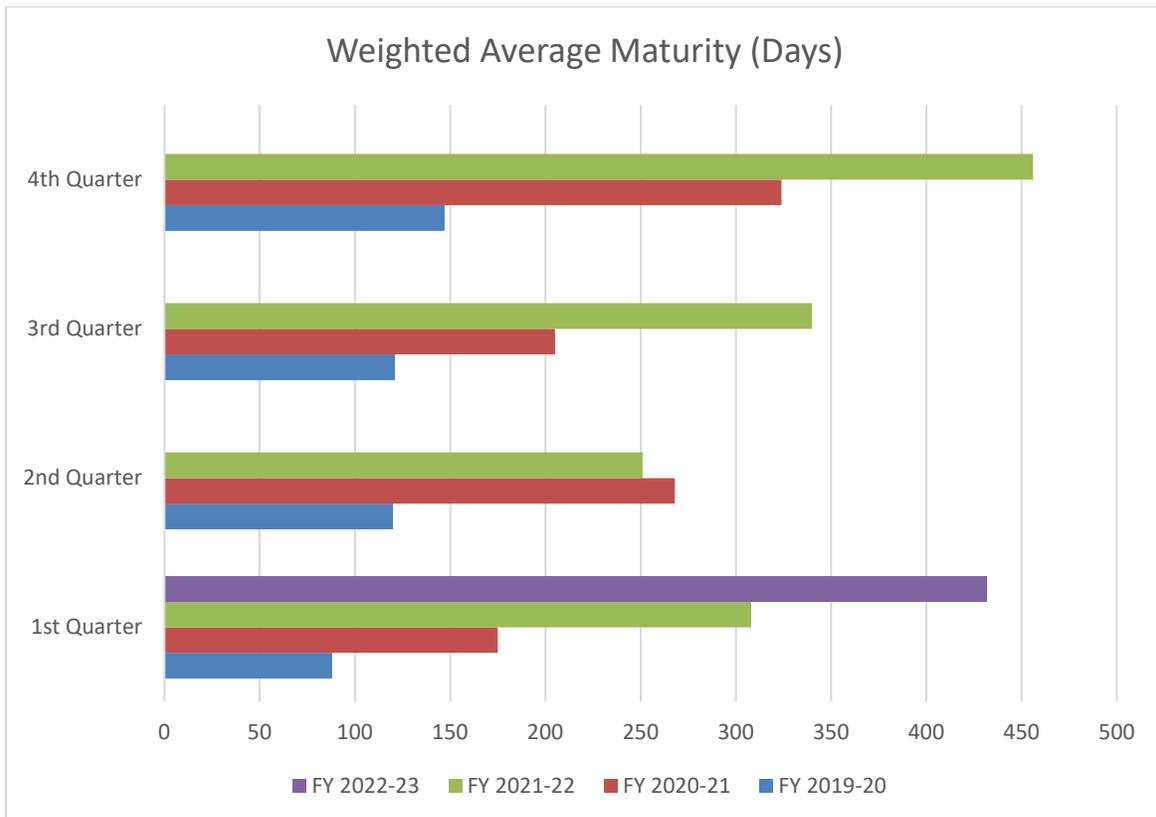
Asset Composition

- Safety of principal is the primary objective of the City’s Investment Policy. To minimize the impact of potential losses from any one type of investment or from one individual issuer, assets are invested following the diversification and maximum maturities guidance described in Section 13.0 of the City’s Investment Policy.
- The priority is to first ensure enough liquidity on hand to meet debt payments and expenditures and then minimizing the amount of excess cash in overnight funds to keep the portfolio right sized.
- Currently, commercial paper is providing the most value inside of 1 year where US Treasury and Government Agencies are more valuable in the 3–5-year areas.



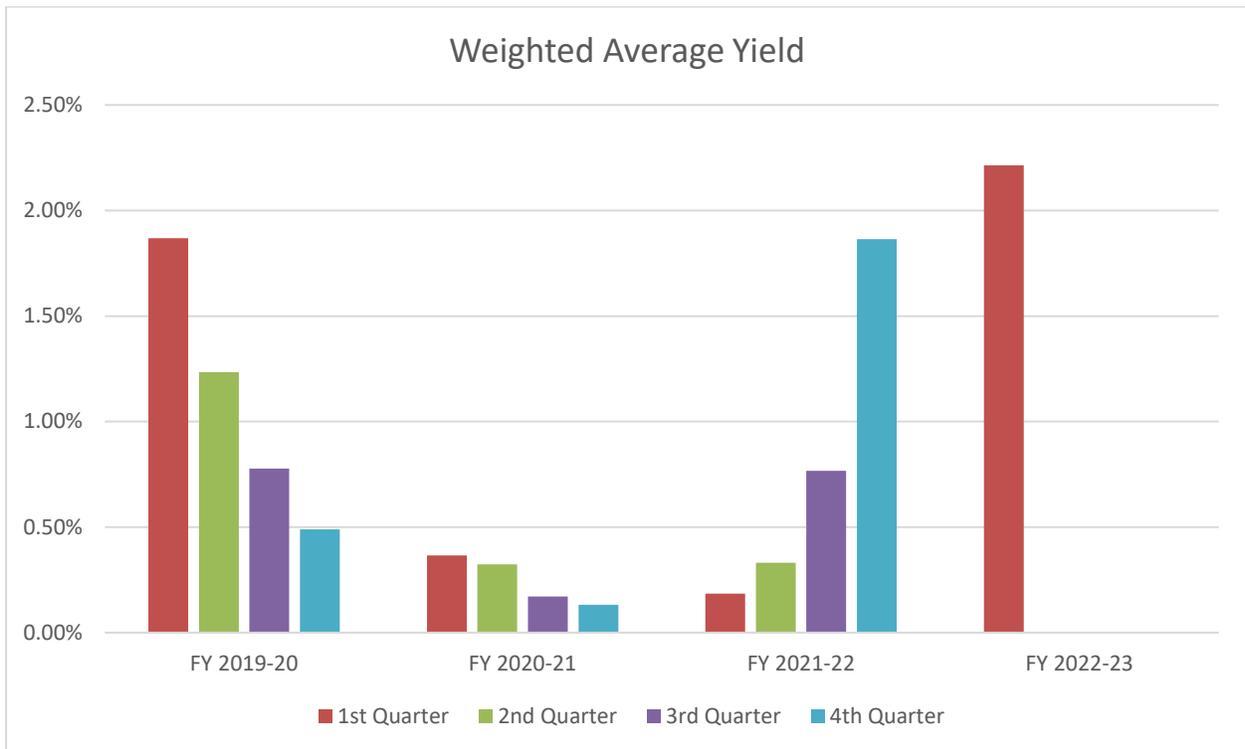
Weighted Average Maturity (“WAM”)

- The weighted average maturity (WAM) is the weighted average amount of time until the securities in a portfolio mature. It is determined by cash flow demands, interest rate outlook, and the overall size of the portfolio.
- The weighted average maturity restriction on the City’s portfolio was extended to three years in the City’s Investment Policy adopted by City Council on October 26, 2022, to allow the City flexibility in all market environments, particularly the ability to preserve interest income in declining rate environments.
- As the interest rate cycle peaks, the objective will be to lengthen the overall portfolio to preserve interest income as rates begin to decline.
- The portfolio’s WAM as of December 31, 2022, was 419 days compared to the WAM for last fiscal year which was 308 days.



Weighted Average Yield (“WAY”)

- The weighted average yield (WAY) represents an average of the yield to maturity of each of the bonds held in the portfolio, weighted by the relative size of each bond in the portfolio.
- The portfolio’s weighted average yield continues to rise coming out of FY 2021-22 and into FY 2022-23.
- As the Federal Reserve nears the top end of the current hiking cycle, our investment strategy will be to lock in longer term rates to allow the portfolio yield to remain elevated over a longer period of time while ensuring liquidity to meet the City’s operational needs.
- The portfolio’s WAY as of December 31, 2022, was 2.19% compared to the WAY for last fiscal year which was 0.19%.



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In addition to the performance of the portfolios, the Quarterly Investment Report includes an Executive Summary, an Economic Update including regional economic information, and Compliance Certification. You may access all published reports on the City's Financial Transparency [City Investments](#) page.

If you have any questions, please contact me or Jenny Kerzman, Assistant Director of Treasury.



Jack Ireland
Chief Financial Officer

c: T.C. Broadnax, City Manager
Tammy Palomino, Interim City Attorney
Mark Swann, City Auditor
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizzor Tolbert, Deputy City Manager
Jon Fortune, Deputy City Manager

Majed A. Al-Ghafry, Assistant City Manager
M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Dr. Robert Perez, Assistant City Manager
Carl Simpson, Assistant City Manager
Genesis D. Gavino, Chief of Staff to the City Manager
Directors and Assistant Directors