

Department of Finance

Interoffice Memorandum

TO: Robert DiSpirito, City Manager *RGD*
FROM: Karen Feeney, Director of Finance *RF*
DATE: February 24, 2014
RE: Monthly Investment Report for the Period Ended January 31, 2014

This regular reporting fulfills the reporting requirements as outlined in the City's investment policy.

Background

The City's investment policy, adopted by Commission on November 7, 2002 (Resolution 02-39) and revised January 21, 2010 (Resolution 10-05), sets out the guidelines concerning the permitted types of investments, minimum ratings of the investments, maximum lengths of investment, and the diversification standards of the portfolio.

The primary objectives, in priority order, of the City's investment activities shall be: Safety, Liquidity, Transparency, and Return on Investment.

With these objectives in mind, the policy established aggregate limits of eligible securities, as set forth below:

U.S. Treasuries and Federal Agencies	95%
Government Sponsored Enterprises	50%
Local Government Investment Pools	50%
State Board of Administration (Pool A)	5%
State and Local Governments	10%
Money Market Mutual Funds	25%
Certificates of Deposit (Qualified Public Depositories)	40%
Corporate Debt Securities/Commercial Paper	10%
Repurchase Agreements	10%

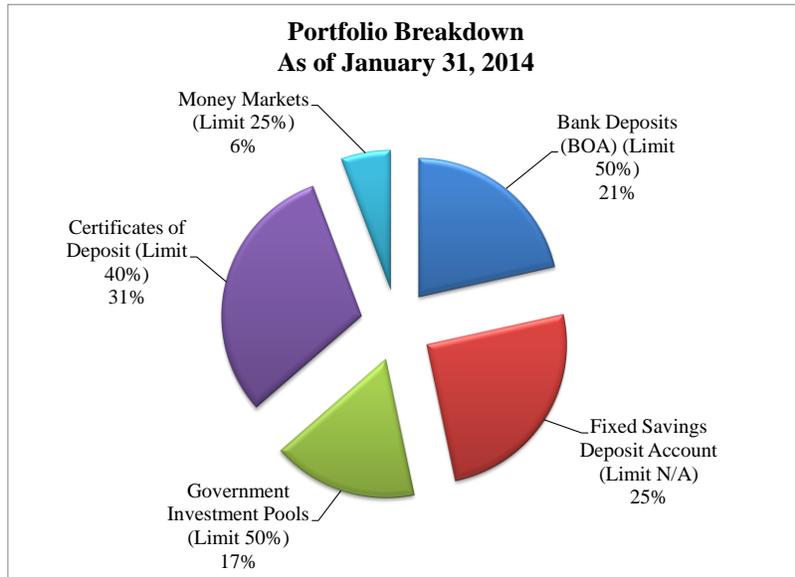
The policy also further safeguards the portfolio by authorizing a maximum level of investment, in aggregate, by security type, by which no more than 25 percent of the City's investment portfolio will be

invested in a single security. No more than 50 percent of the City’s total investment portfolio will be invested with, or handled by, a single financial institution or broker/dealer.

Current Portfolio at a Glance

The City’s portfolio is broken down in the graph below. This month the City reduced its investment in the Florida Safe LGIP (Local Government Investment Pool) by \$9M and placed these funds in a QPD (Qualified Public Depository) fixed rate Money Market account with a one year yield to maturity, 31 basis points (.31 percent), compared to 10 basis points (.10 percent) in the LGIP. This investment is classified as a “Savings Deposit Account” with Florida Community Bank. However, due to limitations in our Tracker investment reporting software, the attached reports will show this item included with Certificates of Deposit. Since this investment is not actually a CD, it has been broken out separately in the graphic presentation below.

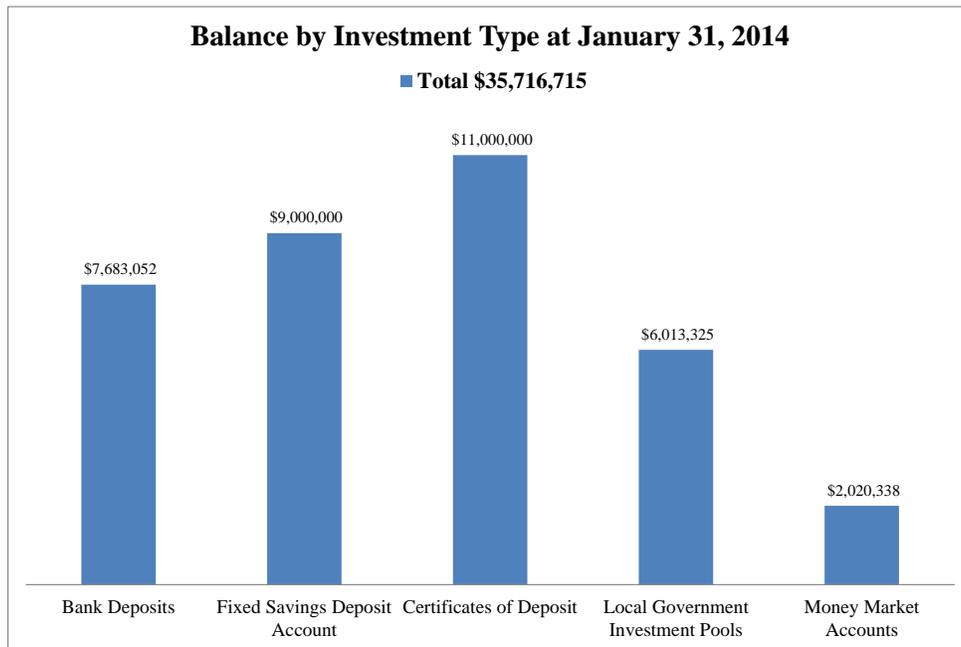
The City has a \$3M CD maturing in March, and another \$3M CD maturing in August. As these CDs mature, we will continue to review other investment opportunities, keeping in line with the City’s established investment policy.



Although the economy continues to improve slightly, economic indicators are mixed and interest rates remain low, so we will continue maintaining a relatively short position. At this point, locking into any long term investment would yield minimal, if any, incremental interest rate yield. For example, our current local government investment pools (LGIP) yield the City between ten basis points (.10 percent) and 32 basis points (.32 percent), with a one-year Treasury note, as of January 31, 2014, nominal yield 12 basis points (.12 percent).¹

¹ Additional rate information and updates available at www.federalreserve.gov/releases/H15/update/

The graph below breaks down our portfolio by type of investment, and shows amounts invested:



Equity in Pooled Cash

The table below lists the equity in pooled cash by fund as of January 31, 2014.

**Equity In Pooled Cash By Major Fund
As of January 31, 2014**

General Fund	\$	6,291,443
Impact Fees	\$	172,523
County Gas Tax Fund	\$	695,487
Parks & Rec Capital Projects	\$	199,810
Capital Improvement Fund	\$	319,910
One Cent Sales Tax	\$	1,290,838
Refuse Collection Fund	\$	458,971
Water/Sewer Utility Fund	\$	12,191,072
Marina Fund	\$	1,143,712
Stormwater Utility Fund	\$	2,236,278
Vehicle Maintenance Fund	\$	3,120,551
Facility Maintenance Fund	\$	3,108,499
Self-Insurance Fund	\$	3,632,916
CRA Fund	\$	405,056
All other Funds	\$	11,496

TOTAL as of January 31, 2014: \$ 35,278,564

The variance between the “books” balance of \$35,716,715 and the bank and investment statements is due to timing, i.e. deposits in transit and checks, etc., outstanding.

Key National Economic Indicators

Federal Funds Rate – Following a two-day meeting in January, The Federal Open Market Committee (FOMC) reaffirmed its expectation that the current exceptionally low target range for the federal funds rate of 0 to ¼ percent will be appropriate at least as long as the unemployment rate remains above 6-1/2 percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee’s 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored.²

However, according to a Bloomberg news article (“Fed to Change Rate Guidance as Unemployment Falls, Minutes Show” – 02/19/2014), minutes from the January meeting indicate a potential change in guidance is on the horizon. The article states, “Federal Reserve policy makers backed away from their year-old commitment to consider raising interest rates when unemployment falls below 6.5 percent. With the jobless rate falling faster than expected even as other labor-market indicators show weakness, policy makers agreed it would ‘soon be appropriate’ to revise their guidance about how long the era of low interest rates will remain, minutes of their January meeting showed.”

Consumer Confidence – The Conference Board’s Consumer Confidence Index, which had rebounded in December, increased again in January. The Index now stands at 80.7 (1985=100), up from 77.5 in December. Lynn Franco, Director of Economic Indicators at The Conference Board stated: “Consumers’ assessment of the present situation continues to improve, with both business conditions and the job market rated for favorably. Looking ahead six months, consumers expect the economy and their earnings to improve, but were somewhat mixed regarding the outlook for jobs. All in all, confidence appears to be back on track and rising expectations suggest the economy may pick up some momentum in the months ahead.”³

Consumer Price Index (CPI) – The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.1 percent in January on a seasonally adjusted basis, the U.S. Bureau of Labor Statistics reported in a news release dated February 20, 2014. Increases in the indexes for household energy accounted for most of the all items increase.

Key Local Economic Indicators

Florida Unemployment - Florida’s seasonally adjusted unemployment rate was 6.2 percent in December 2013, down 0.2 percentage point over the month, and down 1.7 percentage points from 7.9 percent a year ago. The state’s unemployment rate was the lowest since June 2008 when it was 6.0 percent. The

² Federal Reserve Press Release, January 29, 2014

³ The Conference Board Press Release, January 28, 2014

U.S. unemployment rate was 6.7 percent in December. Florida’s unemployment rate was 0.5 percentage point lower than the U.S. rate and was below the national rate for the ninth consecutive month.⁴

Area Statistic	December 2013	November 2013	Change
Florida (Seasonally adjusted)	6.2%	6.4%	-0.2%
Pinellas County (Not seasonally adjusted)	5.7%	6.1%	-0.4%
Tampa-St. Petersburg-Clearwater (Not seasonally adjusted)	5.9%	6.3%	-0.4%

Florida Consumer Sentiment Index

- Consumer sentiment among Floridians rose one point in January to 78. According to Chris McCarty, the Survey Director, “As far as Congress is concerned we can expect a refreshingly predictable year. This is reflected in the overall consumer sentiment index which is still below post-recession highs but is holding steady at a few points below that. As this is an election year for mid-term elections in Congress and for the race for Governor in Florida, we can expect issues surrounding those races to have more of an impact on consumers’ perceptions than fear over the consequences of budget cuts.”⁵

Florida housing indicators

- RealtyTrac (www.realtytrac.com) released its U.S. Foreclosure Market Report for January 2014, which included information regarding Florida foreclosures. According to the report, Florida again posted the nation’s highest foreclosure rate: one in every 346 housing units with a foreclosure filing. Florida foreclosure starts jumped 43 percent from December to January, but were still down 33 percent year over year. Among the nation’s 20 most populated MSAs (Metropolitan Statistical Areas), Tampa was listed as one of the top five in foreclosure rates.
- The median sale price for a home in Florida was \$172,630 in December 2013, up 11.4 percent from \$154,900 a year ago, according to the Monthly Market Summary (Single Family Homes) Report published by *FloridaRealtors.org*. There were 19,497 closed home sales in December, up 8.6% from 17,959 a year ago.

Florida sales and tax revenue

- Florida Sales and Use Tax collections were \$1.9B in December 2013 (preliminary), 6.2 percent higher than December 2012 collections.
- Pinellas County Sales and Use Tax collections totaled \$66.5M in November 2013, compared to \$62.9M a year ago, a 5.7% increase.

⁴ Florida Department of Economic Opportunity – Employment and Unemployment Press Release (Released January 24, 2013).

⁵ Florida Consumer Sentiment Index, Bureau of Economic and Business Research, January 28, 2014

- Sales tax revenues comprise 14.3% of total General Fund revenues, ½ Cent Sales Tax and the Communications Services Taxes (similar to sales taxes @ 5.32%). A six percent increase for the year would yield about \$207,000. We will continue to watch and hope the trend continues.

Other

Staff met with our Bank of America representatives, Sherry Burd, Client Manager, and Kristin Harrison, Treasury Solutions Officer, for a Treasury Management review. At this meeting we explored ways to streamline our operations, to more fully utilize banking services that we are already paying for, and to gain a better understanding of our service utilization. There are some services that we will either start using, or will no longer be paying for, such as Full Reconciliation, and Cash Pro Investment (may start using).

Responses to our inquiries for Investment Advisors have been more expensive than anticipated. We received responses from PFM Asset Management LLC, Davidson Fixed Income Management, and FAI Capital Management. Staff will begin working on our annual cash flow and investment plan in the near future.

City of Dunedin
 GASB 40 Report
 Report Format: By Transaction
 Group By: Security Type
 Portfolio / Report Group: All Portfolios
 As of 1/31/2014

Description	CUSIP / Ticker	Issuer	Face Amount/Shares	Book Value	Market Value	Credit Rating 1	Credit Rating 2	% of Portfolio	Days To Maturity	Days To Call/Maturity	Maturity Date	Next Call Date	Duration To Maturity
Cash													
Bank of America Cash	MM1917	Bank of America	7,683,051.83	7,683,051.83	7,683,051.83	None	None	21.51	1	1	N/A	N/A	0.00
Sub Total / Average			7,683,051.83	7,683,051.83	7,683,051.83			21.51	1	1			0.00
Certificate Of Deposit													
BankUnited NA 0.6 3/12/2014	CD173495	BankUnited NA	3,000,000.00	3,000,000.00	3,000,000.00	None	None	8.40	40	40	3/12/2014		0.11
BankUnited NA 0.6 8/8/2014	CD173494	BankUnited NA	3,000,000.00	3,000,000.00	3,000,000.00	None	None	8.40	189	189	8/8/2014		0.52
BankUnited NA 0.684 8/11/2015	CD188640	BankUnited NA	3,000,000.00	3,000,000.00	3,000,000.00	None	None	8.40	557	557	8/11/2015		1.53
FL Community Bank, N.A. 0.31 2/2/2015	2117027400	FL Community Bank, N.A.	9,000,000.00	9,000,000.00	9,000,000.00	None	None	25.20	367	367	2/2/2015		1.01
FLS Term Series 20140512AA07 0.32 5/12/2014	CD185201	FLS Term Series 20140512AA07	2,000,000.00	2,000,000.00	2,000,000.00	None	None	5.60	101	101	5/12/2014		0.28
Sub Total / Average			20,000,000.00	20,000,000.00	20,000,000.00			56.00	293	293			0.80
Local Government Investment Pool													
FL PRIME (State Board of Administration - Fund B)	LGIP1161B	FL PRIME (State Board of Administration - Fund B)	216,485.07	216,485.07	216,485.07	None	None	0.61	1	1	N/A	N/A	0.00
FL PRIME(State Board of Administration) LGIP	LGIP1161	FL PRIME(State Board of Administration)	493,876.42	493,876.42	493,876.42	None	None	1.38	1	1	N/A	N/A	0.00
FLSAFE/PMA LGIP	LGIP1001	FLSAFE/PMA	2,186,029.11	2,186,029.11	2,186,029.11	None	None	6.12	1	1	N/A	N/A	0.00
FLSAFE/PMA LGIP	201STRMWRBND	FLSAFE/PMA	1,052,349.23	1,052,349.23	1,052,349.23	None	None	2.95	1	1	N/A	N/A	0.00
FLSAFE/PMA LGIP	202W/SBND	FLSAFE/PMA	2,064,585.60	2,064,585.60	2,064,585.60	None	None	5.78	1	1	N/A	N/A	0.00
Sub Total / Average			6,013,325.43	6,013,325.43	6,013,325.43			16.84	1	1			0.00
Money Market													
Morgan Stanley MM	MM5986	Morgan Stanley	1,016,715.49	1,016,715.49	1,016,715.49	None	None	2.85	1	1	N/A	N/A	0.00
RBC Wealth Management MM	MM2633	RBC Wealth Management	1,003,622.74	1,003,622.74	1,003,622.74	None	None	2.81	1	1	N/A	N/A	0.00
Sub Total / Average			2,020,338.23	2,020,338.23	2,020,338.23			5.66	1	1			0.00
Total / Average			35,716,715.49	35,716,715.49	35,716,715.49			100	165	165			0.45