

# Department of Finance

## *Interoffice Memorandum*

**TO:** Mayor and Commissioners,  
Robert DiSpirito, City Manager  
Board of Finance

**FROM:** Jeff Streder, Interim Director of Finance

**DATE:** March 2, 2015

**RE:** Monthly Investment Report for the Period Ended December 31, 2014

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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.

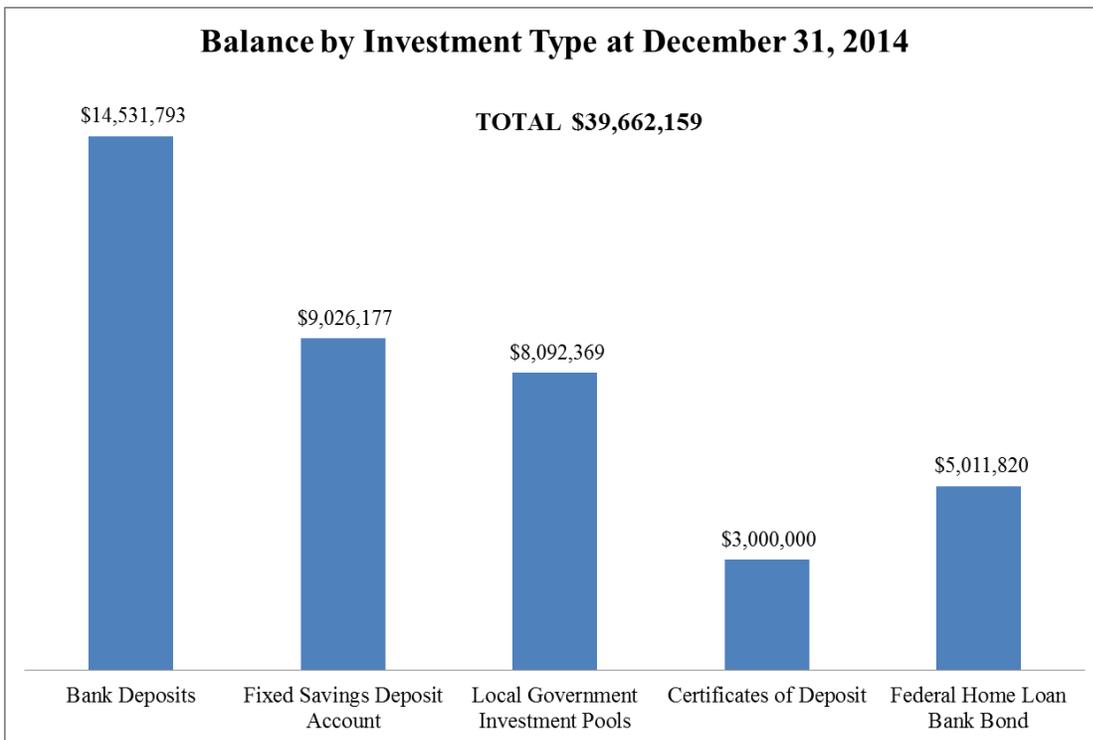
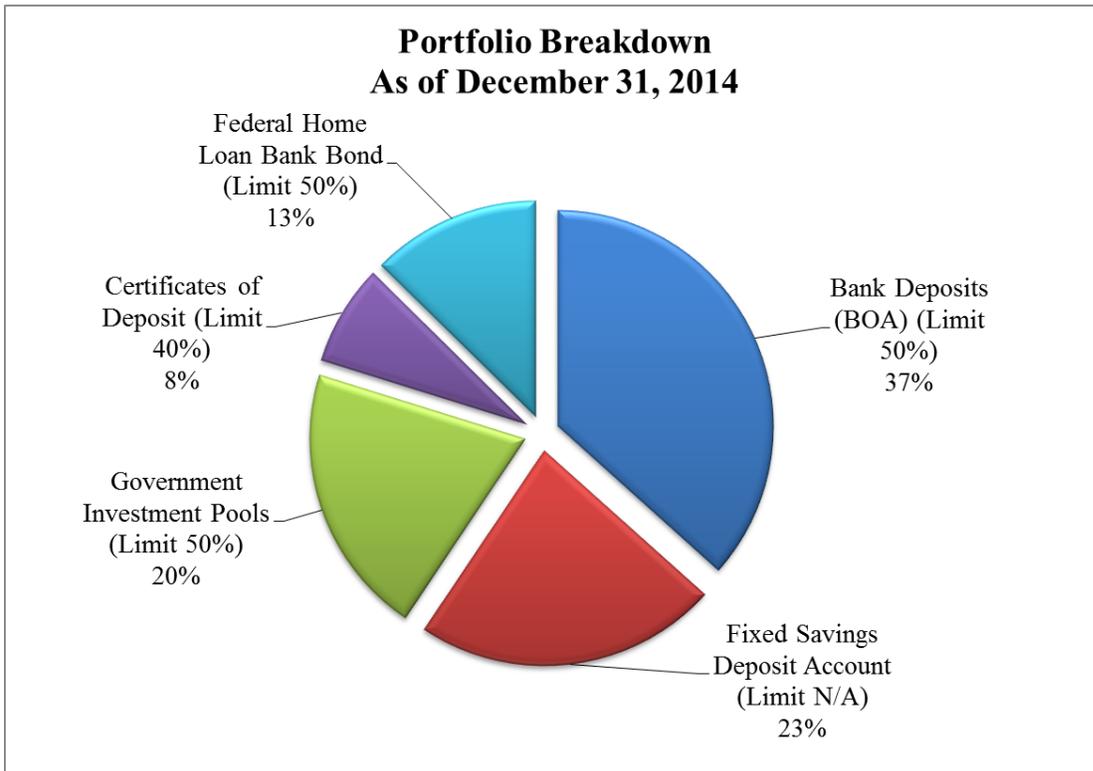
With these objectives in mind, the policy established aggregate limits of eligible securities, as set forth below:

|   |     |
|---|-----|
| 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 graphs below break down our portfolio by type of investment, and show amounts invested:



## *Equity in Pooled Cash*

The table below lists the equity in pooled cash by fund.

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

|                              |      |            |
|------------------------------|------|------------|
| General Fund                 | \$   | 6,199,263  |
| Impact Fees                  | ▼ \$ | 145,340    |
| County Gas Tax Fund          | \$   | 1,080,972  |
| Parks & Rec Capital Projects | \$   | 42,556     |
| Capital Improvement Fund     | \$   | 283,909    |
| One Cent Sales Tax           | \$   | 1,784,021  |
| Refuse Collection Fund       | \$   | 407,313    |
| Water/Sewer Utility Fund     | ▼ \$ | 14,380,762 |
| Marina Fund                  | \$   | 1,170,736  |
| Stormwater Utility Fund      | ▼ \$ | 7,150,822  |
| Vehicle Maintenance Fund     | \$   | 2,251,812  |
| Facility Maintenance Fund    | ▼ \$ | 940,634    |
| Self-Insurance Fund          | ▼ \$ | 3,191,561  |
| CRA Fund                     | \$   | 309,049    |
| All other Funds              | \$   | (43,877)   |

**TOTAL as of December 31, 2014: \$ 39,294,873**

The variance between the “books” balance of \$39,662,159 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* – A press release dated December 17, 2014, states that “the labor market, progress continues toward the FOMC’s objective of maximum employment. The pace of job growth has been strong recently, with job gains averaging nearly 280,000 per month over the past 3 months; over the past 12 months, job gains averaged nearly 230,000 per month. The unemployment rate was 5.8 percent in November, three-tenths lower than the latest reading available at the time of the September FOMC meeting. Broader measures of labor market utilization have shown similar improvement, and the labor force participation rate has leveled out. As noted in the FOMC statement, “underutilization of labor resources continues to diminish.” Even so, there is room for further improvement, with too many people who want jobs being unable to find them, too many who are working part time but would prefer full-time work, and too many who have given up searching for a job but would likely do so if the labor market were stronger. Inflation has continued to run below the Committee’s 2 percent objective, and the recent sizable declines in oil prices will likely hold down overall inflation in the near term. But as the effects of these oil price declines and other transitory factors dissipate and as resource utilization continues to rise, the Committee expects inflation to move gradually back toward its objective. In making this forecast, the Committee is mindful of the recent declines in market-based measures of inflation compensation. At this point, the Committee views these movements as

likely to prove transitory, and survey-based measures of longer-term inflation expectations have remained stable. That said, developments in this area obviously bear close watching.”

*Consumer Confidence* – The Conference Board Consumer Confidence Index®, which had rebounded in October, declined in November. The Index now stands at 88.7 (1985=100), down from 94.1 in October.

*Consumer Price Index (CPI)* – The Consumer Price Index for All Urban Consumers (CPI-U) declined 0.4 percent in December on a seasonally adjusted basis, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months, the all items index increased 0.8 percent before seasonal adjustment. The gasoline index continued to fall sharply, declining 9.4 percent and leading to the decrease in the seasonally adjusted all items index. The fuel oil index also fell sharply, and the energy index posted its largest one-month decline since December 2008, although the indexes for natural gas and for electricity both increased. The food index, in contrast, rose 0.3 percent, its largest increase since September.

***Key Local Economic Indicators***

*Florida Unemployment* - Florida’s seasonally adjusted unemployment rate was 5.6 percent in December 2014, down 0.2 percentage point from the November 2014 rate of 5.8 percent, and down 0.7 percentage point from 6.3 percent a year ago. The state’s December rate was the lowest since April 2008 when it was 5.4 percent. There were 543,000 jobless Floridians out of a labor force of 9,644,000. The U.S. unemployment rate was 5.6 percent in December. Florida’s unemployment rate has been less than or equal to the national rate for 17 of the last 21 months.

| <b>Area Statistic</b>                                     | <b>December 2014</b> | <b>November 2014</b> | <b>Change</b> |
|---|----------------------|----------------------|---------------|
| Florida (Seasonally adjusted)                             | 5.6%                 | 5.8%                 | -0.2%         |
| Pinellas County (Not seasonally adjusted)                 | 5.3%                 | 5.6%                 | -0.3%         |
| Tampa-St. Petersburg-Clearwater (Not seasonally adjusted) | 5.5%                 | 5.9%                 | -0.4%         |

*Florida Consumer Sentiment Index*

- Consumer sentiment among Floridians continued its steady rise to reach a post-recession high of 87.4, the highest level since February 2007, nearly eight years ago. Four of the five components that make up the index increased while one decreased, and three of the five were at post-recession highs. “We had expected this slight increase in consumer sentiment given the improving Florida economy,” said Chris McCarty, the Survey Director. “With the mid-term elections behind us, the passage of a federal budget and an improving economic climate in Florida consumers are more optimistic. The question is whether this optimism will carry over into the New Year. There is reason to believe it will, at least until mid-year when the Federal Reserve may begin raising short term interest rates. Until then economic circumstances for Floridians are likely to improve, although much slower than they have in previous recoveries. Our expectations are that the modest rise in consumer sentiment and the favorable economy would translate into increase holiday sales. So far the data seem to suggest that holiday sales will surpass last years, but perhaps not by the 4.1 percent forecast by the National Retail Federation. It is worth noting that the holiday season is typically calculated with all of December to factor in post-holiday sales as well as gift cards. We expect consumer sentiment in January to remain near current levels and perhaps will mark another slight increase.”

### *Florida housing indicators*

- RealtyTrac® (www.realtytrac.com) released its U.S. Foreclosure Market Report™ November 2014, which shows foreclosure filings — default notices, scheduled auctions and bank repossessions — were reported on 112,498 U.S. properties in November, a decrease of 9 percent from the previous month and down 1 percent from a year ago — the 50th consecutive month with a year-over-year decrease in overall foreclosure activity. According to Daren Blomquist, vice president at RealtyTrac, “The housing market is struggling to find the new normal when it comes to a tolerable level of foreclosure activity in this post-Great Recession economy. Finding that new normal requires striking a balance between too much loan risk, which would result in another housing meltdown, and too little risk, which could result in a stunted recovery. Foreclosure rates on 2014-originated loans are actually higher than 2013-originated loans nationwide and in many markets, indicating that lenders are open to a slightly higher level of risk than we’ve seen over the past five years of extremely tight lending standards. But it’s unlikely that lenders will dial up that risk level too quickly going forward given that many are still dealing with working through a lengthy and messy foreclosure process on risky loans from the last loose lending spree.”
- The median sale price for a home in Florida was \$185,000 in December 2014, up 6.9 percent from \$173,000 a year ago, according to the Monthly Market Summary (Single Family Homes) Report published by *FloridaRealtors.org*. There were 22,414 closed home sales in December, up 15.8% from 19,355 a year ago.

### *Florida sales and tax revenue*

- Florida Sales and Use Tax collections were \$1.8B in November 2014. November 2013 collections were slightly under coming in at \$1.6B.
- Pinellas County Sales and Use Tax collections totaled \$71M in November 2014, compared to \$66M a year ago.

### *Upcoming City Activity*

The City closed on Stormwater bonds on December 18<sup>th</sup> and will finalize the refunding of the 2005 Sales Tax Revenue Refunding bonds in early January.