

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 January 31, 2015

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.

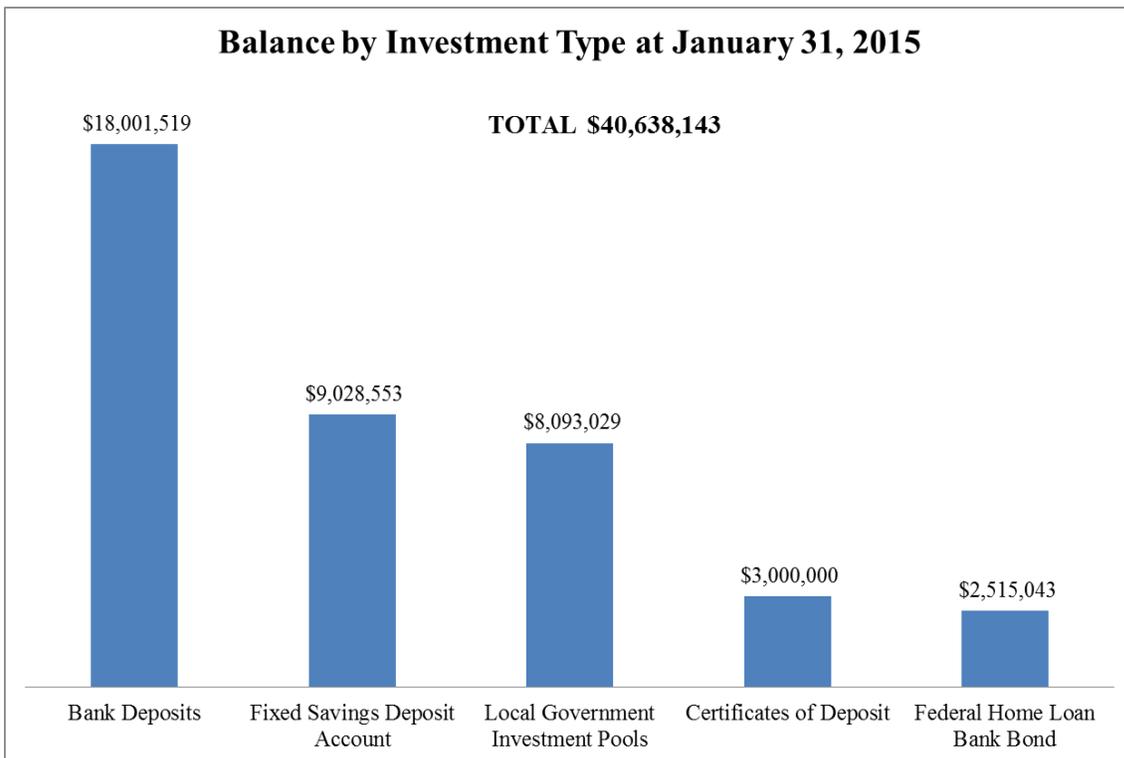
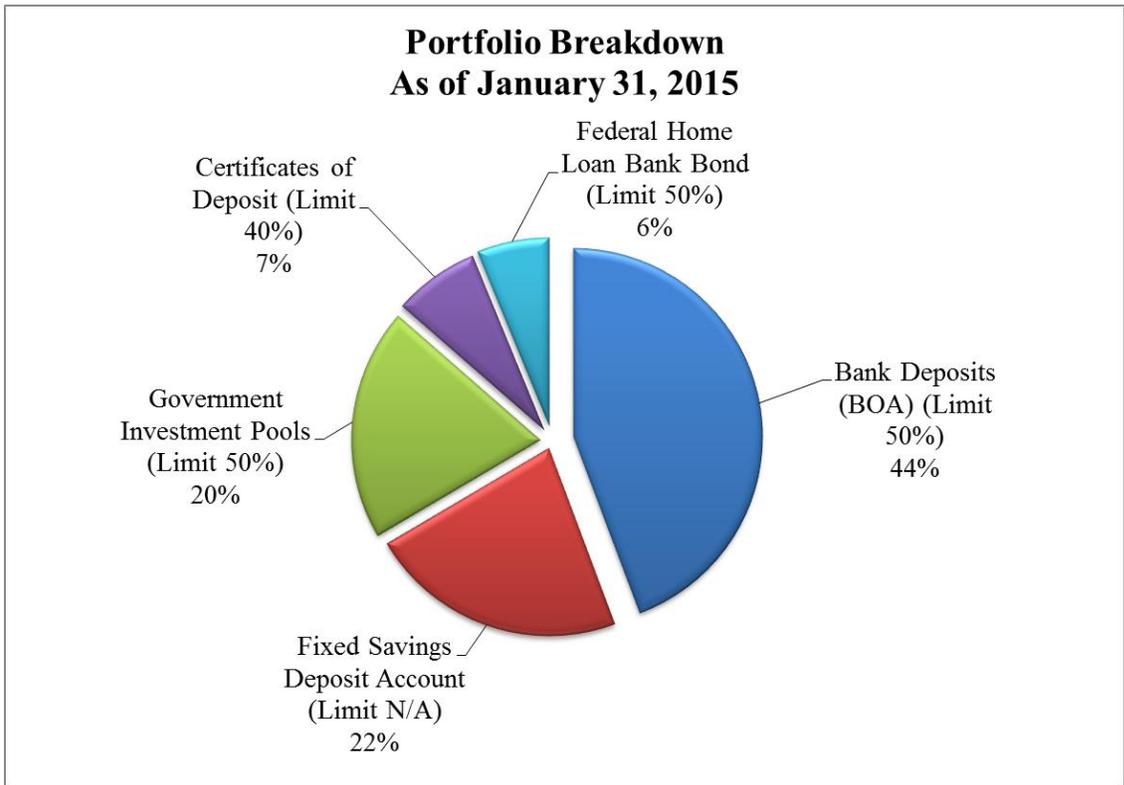
With these objectives in mind, the policy established aggregate limits of eligible securities, as set forth below:

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 January 31, 2015

General Fund	\$	6,816,688
Impact Fees	\$	145,340
County Gas Tax Fund	\$	1,080,972
Parks & Rec Capital Projects	\$	84,151
Capital Improvement Fund	\$	183,909
One Cent Sales Tax	\$	1,784,021
Refuse Collection Fund	\$	48,836
Water/Sewer Utility Fund	\$	14,334,514
Marina Fund	\$	1,172,193
Stormwater Utility Fund	\$	6,909,605
Vehicle Maintenance Fund	\$	2,951,079
Facility Maintenance Fund	\$	1,212,312
Self-Insurance Fund	\$	3,500,288
CRA Fund	\$	276,925
All other Funds	\$	(18,417)

TOTAL as of January 31, 2015: \$ 40,482,418

The variance between the “books” balance of \$40,638,143 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 increased in December, rose sharply in January. The Index now stands at 102.9 (1985=100), up from 93.1 in December.

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.

Area Statistic	December 2014	November 2014	Change
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 came in at 93.3 in January. Perceptions of personal finances now compared to a year ago was 78.5 while expectations of personal finances a year from now was 100.7. “The main story this month is a change in the methodology we use to collect our survey data for the consumer sentiment index,” said Chris McCarty, the Survey Director. “Since 2008 there has been a shift in the telephone survey industry away from landline phones to cell phones. According to the most recent report from the CDC about 53 percent of households have a landline, which is the way we have contacted respondents since our survey began in 1985. This is in contrast to 89 percent of households who own cell phones. Some survey organizations mix the two approaches, but many are shifting to a cell phone only method of contacting respondents. The University of Michigan which measures consumer sentiment nationally has switched to a cell only approach beginning this month. We are doing the same for our Florida survey. Over the past 30 years we have minimized the changes to our methodology to maintain an index that reflects changes in consumer attitudes rather than changes in method. Given the University of Michigan shift in methodology and the start of a new year we decided now is the time to implement it. It is also a good time given the relatively stable economic environment both in Florida and nationally. The dramatic fall in gas prices is a windfall for many consumers. Despite the decline in gas purchases retail sales for the holiday season rose 4.7 percent compared to 2013. In the short run we anticipate that the economic environment will be favorable for consumers with gas prices expected to stay low and housing prices to remain stable. Expectations that the Federal Reserve will begin to raise short term interest rates by June will ultimately translate into higher mortgage and loan rates.”

Florida housing indicators

- RealtyTrac® (www.realtytrac.com) released its Year-End 2014 U.S. Foreclosure Market Report™, which shows foreclosure filings — default notices, scheduled auctions and bank repossessions — were reported on 1,117,426 U.S. properties in 2014, down 18 percent from 2013 and down 61 percent from the peak of 2,871,891 properties with foreclosure filings in 2010. The 1.1 million properties with foreclosure filings in 2014 was the lowest annual total since 2006, when there were 717,522 properties with foreclosure filings nationwide. According to Daren Blomquist, vice president at RealtyTrac, “The U.S. foreclosure numbers in 2014 show a foreclosure market that is close to finding a floor and stabilizing at a historically normal level. But a recent surge in foreclosure starts and scheduled foreclosure auctions in several states in the last few months of 2014 indicate that lenders are gearing up for a spring cleaning of deferred distress in the first half of 2015 in some local markets.”
- 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 officially closed on the refunding of the 2005 Sales Tax Revenue Refunding bonds on January 23rd. On 07/30/2014, the City invested almost \$2.5M and has since been called in January with funds returned to the City. We will be looking closely at our Cash and Investments in February.