

Department of Finance

Interoffice Memorandum

TO: Robert DiSpirito, City Manager
FROM: Karen Feeney, Director of Finance
DATE: March 19, 2014
RE: Monthly Investment Report for the Period Ended February 28, 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%

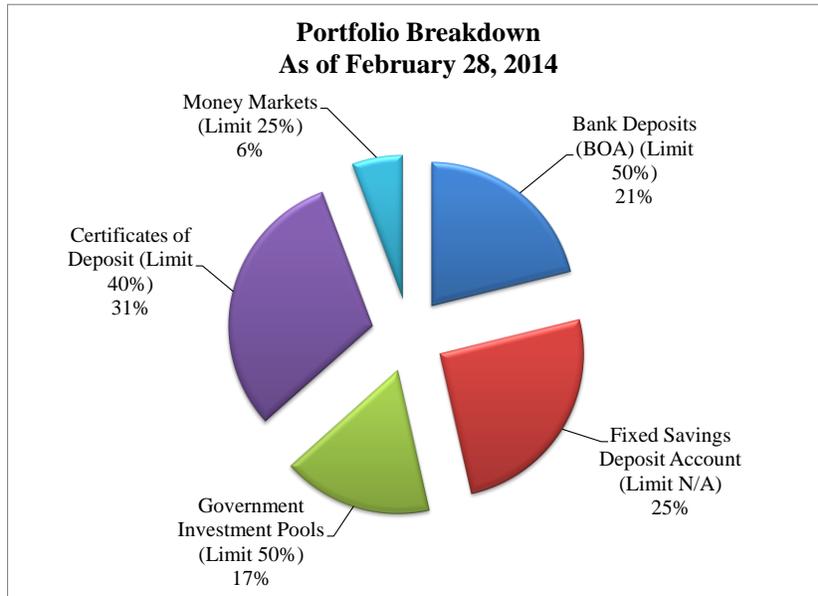
The policy also further safeguards the portfolio by authorizing a maximum level of investment, in aggregate, by security type, by which no more than 25 percent of the City's investment portfolio will be

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. Last 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.

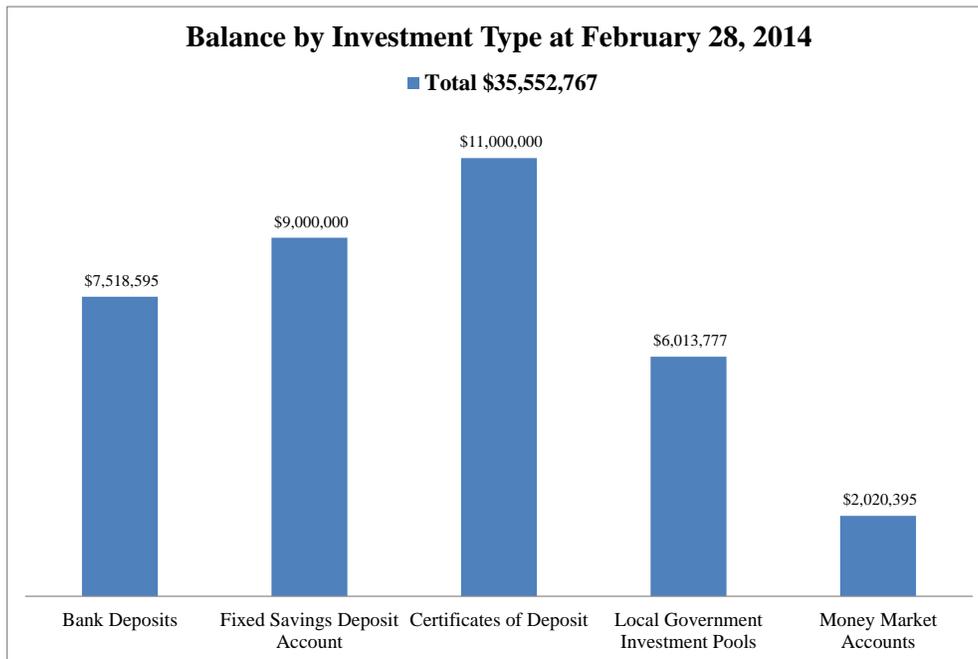
The City has a \$3M CD maturing in March, and another \$3M CD maturing in August. As these CDs mature, we will continue to review other investment opportunities, keeping in line with the City’s established investment policy.



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.

**Equity In Pooled Cash By Major Fund
As of February 28, 2014**

General Fund	\$ 6,043,921
Impact Fees	\$ 172,887
County Gas Tax Fund	\$ 706,471
Parks & Rec Capital Projects	\$ 140,429
Capital Improvement Fund	\$ 319,910
One Cent Sales Tax	\$ 1,625,793
Refuse Collection Fund	\$ 569,275
Water/Sewer Utility Fund	\$ 11,475,934
Marina Fund	\$ 1,015,381
Stormwater Utility Fund	\$ 2,367,800
Vehicle Maintenance Fund	\$ 2,982,146
Facility Maintenance Fund	\$ 2,985,673
Self-Insurance Fund	\$ 3,306,391
CRA Fund	\$ 373,616
All other Funds	\$ (144,661)

TOTAL as of February 28, 2014: \$ 33,940,966

The variance between the “books” balance of \$33,940,966 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 increased in January, fell moderately in February. The Index now stands at 78.1 (1985=100), down from 79.4 in January. Lynn Franco, Director of Economic Indicators at The Conference Board stated: “Consumer confidence declined moderately in February on concern over the short-term outlook for business conditions, jobs, and earnings. While expectations have fluctuated over recent months, current conditions have continued to trend upward and the Present Situation Index is now at its highest level in almost six years (April 2008, 81.9). This suggests that consumers believe the economy has improved, but they do not foresee it gaining considerable 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 February on a seasonally adjusted basis, the U.S. Bureau of Labor Statistics reported in a news release dated March 18, 2014. Over the last 12 months, the all items index increased 1.1 percent before seasonal adjustment. An increase in the food index accounted for more than half of all the items increase in February.

Key Local Economic Indicators

Florida Unemployment - Florida’s seasonally adjusted unemployment rate was 6.1 percent in January 2014, down 0.2 percentage point over the month, in spite of losing 2,600 jobs over the month. The loss of jobs was primarily in the government (federal) sector, which had a 3.3 percent decline between December and January. The U.S. unemployment rate was 6.6 percent in January. Florida’s

² Federal Reserve Press Release, January 29, 2014

³ The Conference Board Press Release, February 25, 2014

unemployment rate was 0.5 percentage point lower than the U.S. rate and was below the national rate for the tenth consecutive month.⁴

Area Statistic	January 2014	December 2013	Change
Florida (Seasonally adjusted)	6.1%	6.3%	-0.2%
Pinellas County (Not seasonally adjusted)	6.3%	5.8%	+0.5%
Tampa-St. Petersburg-Clearwater (Not seasonally adjusted)	6.5%	6.0%	+0.5%

Florida Consumer Sentiment Index

- Consumer sentiment among Floridians held steady in February at 78, unchanged from the previous month. While the overall index did not change, there were differences among the five components that make up the index. Two of the components decreased, two increased and one stayed the same. Perceptions of personal finances now compared to a year ago fell five points to 61, while expectations of personal finances a year from now also fell five points to 75. Expectations of U.S. economic conditions over the next year rose one point to 77 while expectations of U.S. economic conditions over the next five years remained unchanged at 81.⁵

Florida housing indicators

- RealtyTrac® (www.realtytrac.com) released its U.S. Foreclosure Market Report for February 2014, which shows foreclosure filings — default notices, scheduled auctions and bank repossessions — were reported on 112,498 U.S. properties in February, a 10 percent decrease from January and down 27 percent from February 2013 to the lowest monthly total since December 2006. After jumping 19 percent on a month-over-month basis in January, Florida foreclosure activity dropped 7 percent from January to February and was down 24 percent on a year-over-year basis — the seventh consecutive month with an annual decrease. Despite the decrease, Florida still posted the nation’s top foreclosure rate, with one in every 372 housing units with a foreclosure filing during the month — more than three times the national average. Nine of the top 10 foreclosure rates in February among metropolitan statistical areas with a population of 200,000 or more were in Florida, led by Palm Bay-Melbourne-Titusville with one in every 296 housing units with a foreclosure filing during the month — nearly four times the national average. Tampa was at No. 2 (one in every 318 housing units with a foreclosure filing) and Jacksonville was at No. 3 (one in every 319 housing units).
- The median sale price for a home in Florida was \$162,500 in January 2014, up 12.1 percent from \$145,000 a year ago, according to the Monthly Market Summary (Single Family Homes) Report published by *FloridaRealtors.org*. There were 15,000 closed home sales in January, up 10.2% from 13,616 a year ago.

⁴ Florida Department of Economic Opportunity – Employment and Unemployment Press Release (Released March 17, 2014).

⁵ Florida Consumer Sentiment Index, Bureau of Economic and Business Research, February 25, 2014

Florida sales and tax revenue

- Florida Sales and Use Tax collections were \$2.0B in January 2014 (preliminary), 8.7 percent higher than January 2013 collections.
- Pinellas County Sales and Use Tax collections totaled \$79.3M in January 2014 (preliminary), compared to \$73.5M a year ago, a 5.7 percent increase.
- 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.

City of Dunedin
GASB 40 Report
 Report Format: By Transaction
 Group By: Security Type
Portfolio/Report Group: All Portfolios
As of 2/28/2014

Description	CUSIP/Ticker	Issuer	Face Amount/Shares	Book Value	Market Value	Credit Rating		% of Portfolio	Days To Maturity	Days To Call/Maturity	Maturity Date	Next Call Date	Duration To Maturity
						1	2						
Cash													
Bank of America Cash	MM1917	Bank of America	7,518,594.71	7,518,594.71	7,518,594.71	None	None	21.15	1	1	N/A	N/A	0.00
Sub Total / Average			7,518,594.71	7,518,594.71	7,518,594.71			21.15	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	8.44	12	12	3/12/2014		0.03
BankUnited NA 0.6 8/8/2014	CD173494	BankUnited NA	3,000,000.00	3,000,000.00	3,000,000.00	None	None	8.44	161	161	8/8/2014		0.44
BankUnited NA 0.684 8/11/2015	CD188640	BankUnited NA	3,000,000.00	3,000,000.00	3,000,000.00	None	None	8.44	529	529	8/11/2015		1.45
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	25.31	339	339	2/2/2015		0.93
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	5.63	73	73	5/12/2014		0.20
Sub Total / Average			20,000,000.00	20,000,000.00	20,000,000.00			56.25	265	265			0.73

Local Government Investment Pool													
Description	CUSIP/Ticker	Issuer	Face Amount/Shares	Book Value	Market Value	Credit Rating		% of Portfolio	Days To Maturity	Days To Call/Maturity	Maturity Date	Next Call Date	Duration To Maturity
						1	2						
FL PRIME (State Board of Administration - Fund B) LGIP1161B	LGIP1161B	FL PRIME (State Board of Administration - Fund B)	209,426.44	209,426.44	209,426.44	None	None	0.59	1	1	N/A	N/A	0.00
FL PRIME (State Board of Administration) LGIP	LGIP1161	FL PRIME (State Board of Administration)	500,996.06	500,996.06	500,996.06	None	None	1.41	1	1	N/A	N/A	0.00
FLSAFE/PMA LGIP	LGIP1001	FLSAFE/PMA	2,186,190.11	2,186,190.11	2,186,190.11	None	None	6.15	1	1	N/A	N/A	0.00

Description	CUSIP/Ticker	Issuer	Face		Market Value	Credit Rating		% of Portfolio	Days To Maturity	Days To Call/Maturity	Maturity Date	Next Duration Call To Maturity
			Amount/Shares	Book Value		1	2					
FLSAFE/PMA LGIP	201STRMWRBND	FLSAFE/PMA	1,052,426.79	1,052,426.79	1,052,426.79	None	None	2.96	1	1	N/A	N/A
FLSAFE/PMA LGIP	202W/SBND	FLSAFE/PMA	2,064,737.64	2,064,737.64	2,064,737.64	None	None	5.81	1	1	N/A	N/A
Sub Total / Average			6,013,777.04	6,013,777.04	6,013,777.04			16.92	1	1		0.00
Money Market												
Morgan Stanley MM	MM5986	Morgan Stanley	1,016,746.62	1,016,746.62	1,016,746.62	None	None	2.86	1	1	N/A	N/A
RBC Wealth Management MM	MM2633	RBC Wealth Management	1,003,648.16	1,003,648.16	1,003,648.16	None	None	2.82	1	1	N/A	N/A
Sub Total / Average			2,020,394.78	2,020,394.78	2,020,394.78			5.68	1	1		0.00
Total / Average			35,552,766.53	35,552,766.53	35,552,766.53			100	150	150		0.41