

Department of Finance

Interoffice Memorandum

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

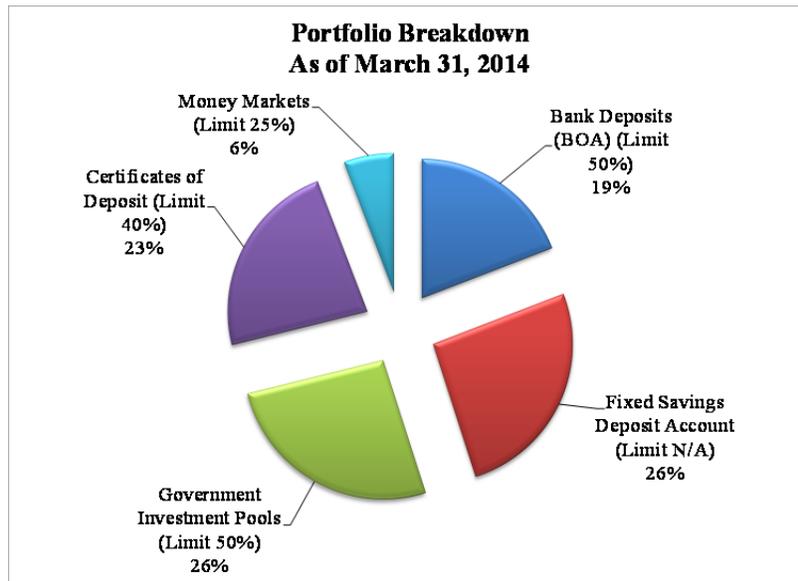
The policy also further safeguards the portfolio by authorizing a maximum level of investment, in aggregate, by security type, by which no more than 25 percent of the City's investment portfolio will be

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. In January, 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.

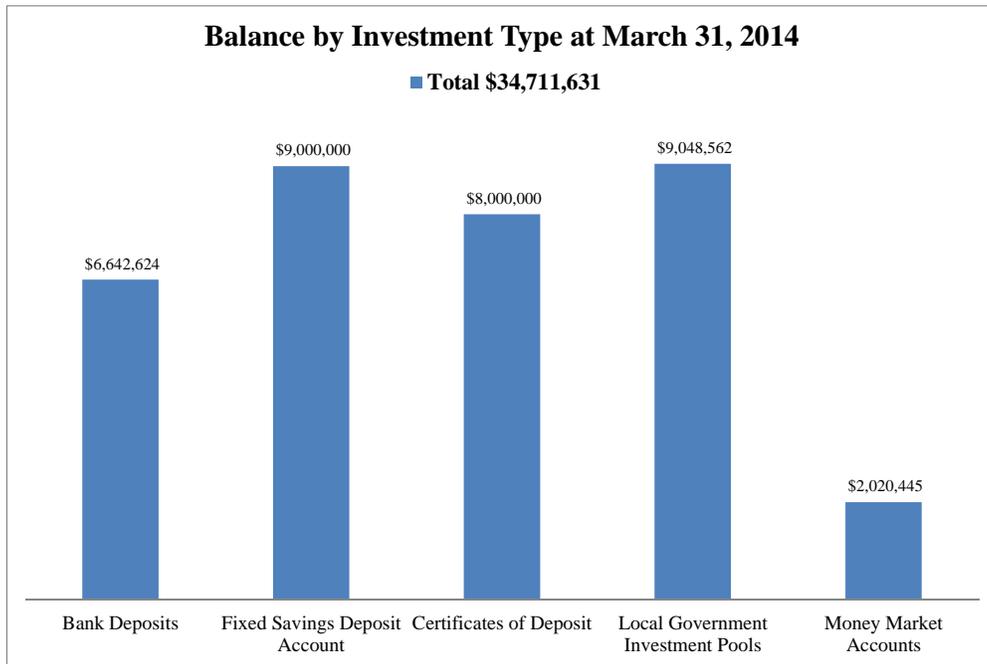
On March 12th, a \$3M BankUnited CD matured, paying interest of \$34,126. These funds are now in the Florida Safe LGIP, as we continue to review other investment opportunities. The City has another \$3M CD maturing in August.



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 March 31, 2014, nominal yield 13 basis points (.13 percent).¹

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

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



Equity in Pooled Cash

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

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

General Fund	\$ 5,779,574
Impact Fees	\$ 175,006
County Gas Tax Fund	\$ 608,582
Parks & Rec Capital Projects	\$ 131,863
Capital Improvement Fund	\$ 318,799
One Cent Sales Tax	\$ 1,542,253
Refuse Collection Fund	\$ 781,131
Water/Sewer Utility Fund	\$ 13,154,823
Marina Fund	\$ 1,040,552
Stormwater Utility Fund	\$ 2,110,874
Vehicle Maintenance Fund	\$ 2,830,039
Facility Maintenance Fund	\$ 2,584,491
Self-Insurance Fund	\$ 3,280,054
CRA Fund	\$ 337,824
All other Funds	\$ (187,583) *

TOTAL as of March 31, 2014: \$ 34,488,281

* The Fine Arts Center and Historical Society funds have transfers pending, which is causing current fund balance to be negative.

The variance between the “books” balance of \$34,488,281 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 – Janet Yellen gave her first speech on monetary policy on April 16th. She stated that “the FOMC statement underscores that purchases are not on a preset course – the FOMC stands ready to adjust the pace of purchases as warranted should the outlook change materially.” Specifically, in determining how long to maintain the current target range of 0 to 25 basis points for the federal funds rate, “the Committee will assess progress, both realized and expected, toward its objectives of maximum employment and 2 percent inflation.” It appears that absent large economic changes, no major changes to asset purchases or the fed funds rate are expected.

Consumer Confidence – The Conference Board’s Consumer Confidence Index, which had decreased in February, improved in March. The index now stands at 82.3 (1985=100), up from 78.3 in February. “Consumer confidence improved in March, as expectations for the short-term outlook bounced back from February’s decline,” said Lynn Franco, Director of Economic Indicators at The Conference Board. “While consumers were moderately more upbeat about future job prospects and the overall economy, they were less optimistic about income growth.”²

Consumer Price Index (CPI) – The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2 percent in March on a seasonally adjusted basis, the U.S. Bureau of Labor Statistics reported in a news release dated April 15, 2014. Over the last 12 months, the all items index increased 1.5 percent before seasonal adjustment. Increases in the shelter and food indexes accounted for most of the seasonally adjusted all items increase.

Key Local Economic Indicators

Florida Unemployment - Florida’s seasonally adjusted unemployment rate was 6.2 percent in February 2014, unchanged from the January 2014 revised rate, and down 1.7 percentage points from 7.9 percent a year ago. The state’s February rate was the lowest since June 2008 when it was 6.0 percent. The U.S. unemployment rate was 6.7 percent in February. Florida’s unemployment rate was 0.5 percentage point lower than the U.S. rate and was below the national rate for the seventh consecutive month.³

Area Statistic	February 2014	January 2014	Change
Florida (Seasonally adjusted)	6.2%	6.2%	0.0%
Pinellas County (Not seasonally adjusted)	6.3%	6.4%	-0.1%
Tampa-St. Petersburg-Clearwater (Not seasonally adjusted)	6.5%	6.5%	0.0%

Florida Consumer Sentiment Index

- Consumer sentiment in March rose three points to 81, tying the post-recession high last reached in May and June of last year. According to Chris McCarty, the Survey Director,

² The Conference Board Press Release, March 25, 2014

³ Florida Department of Economic Opportunity – Employment and Unemployment Press Release (Released March 28, 2014).

“While keeping in mind that an index number of 81 is modest when looking at the entire history of the index, it is as high as we have achieved since before the recession began in December of 2007. This is good news for the Federal Reserve as they look for negative effects as they taper their latest monetary intervention.”⁴

Florida housing indicators

- RealtyTrac® (www.realtytrac.com) released its U.S. Foreclosure Market Report for March 2014, which shows foreclosure filings — default notices, scheduled auctions and bank repossessions — were reported on 117,485 U.S. properties in March, a 4 percent increase from February but still down 23 percent from March 2013. According to Daren Blomquist, vice president at RealtyTrac, “Now that the foreclosure deluge has dried up, banks are turning their attention back to properties that have been sitting in foreclosure limbo for some time. Banks will also now be able to devote more resources to dealing with the lingering inventory of nearly half a million already-foreclosed homes that still need to be sold. Our estimates indicate only 10 percent of these bank-owned properties are listed for sale and more than half are still occupied by the former homeowner or tenant.”

Florida cities accounted for 8 of the top 10 metro foreclosure rates in the first quarter of 2014. Tampa came in at No. 5 with one in every 122 housing units.

- The median sale price for a home in Florida was \$165,000 in February 2014, up 10 percent from \$150,000 a year ago, according to the Monthly Market Summary (Single Family Homes) Report published by *FloridaRealtors.org*. There were 15,826 closed home sales in February, up 1.5% from 15,591 a year ago.

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. No new available information.
- 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. No new available information.
- Sales tax revenues comprise 14.3% of total General Fund revenues, and include ½ Cent Sales Tax and the Communications Services Taxes (similar to sales taxes @ 5.32%). As of the end of March, 2014, or 50% through the year, we have collected 48.5% of the budgeted amounts.

⁴ Florida Consumer Sentiment Index, Bureau of Economic and Business Research, March 25, 2014