

Department of Finance

Interoffice Memorandum

TO: Robert DiSpirito, City Manager
FROM: Karen Feeney, Director of Finance
DATE: March 13, 2015
RE: Monthly Investment Report for the Period Ended April 30, 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%

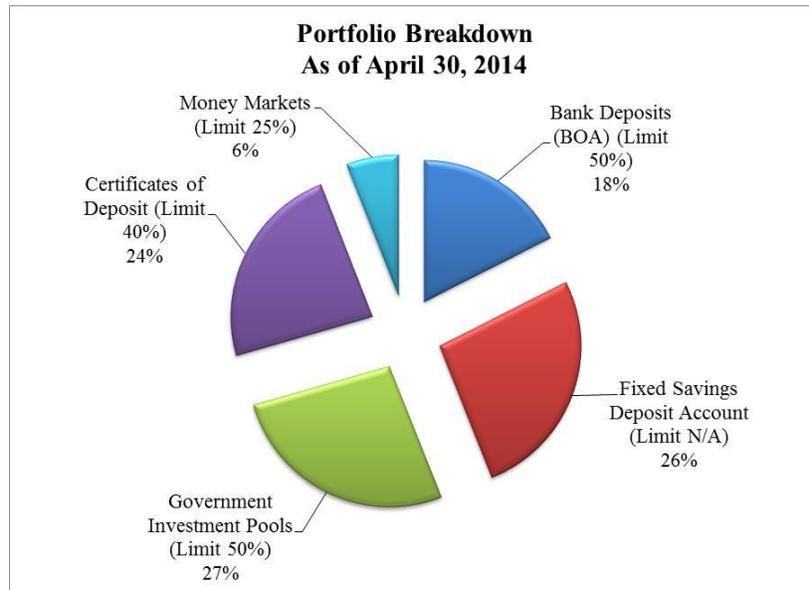
The policy also further safeguards the portfolio by authorizing a maximum level of investment, in aggregate, by security type, by which no more than 25 percent of the City's investment portfolio will be

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.

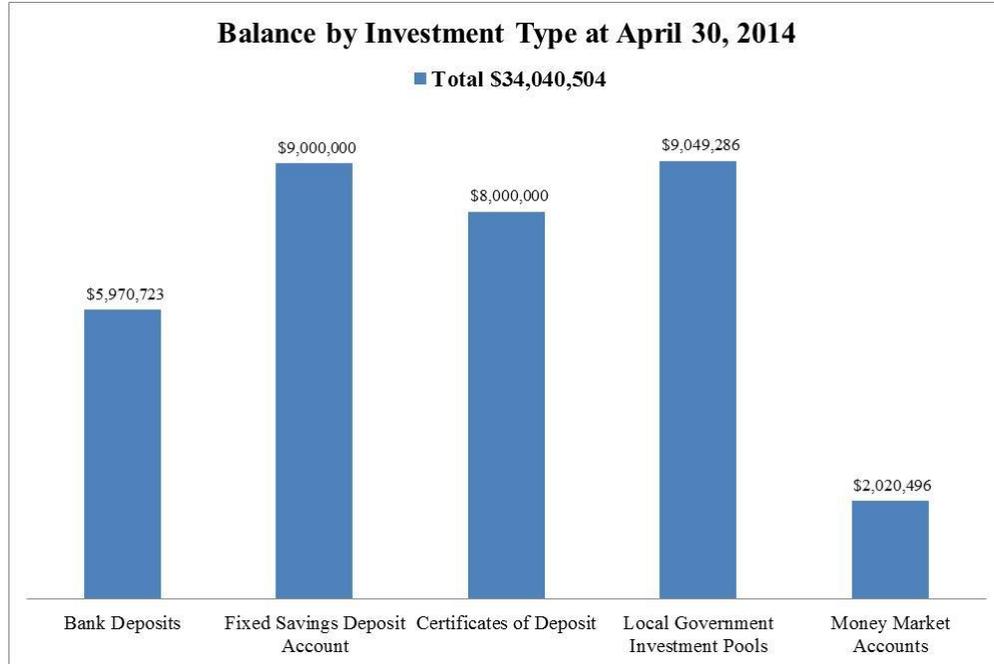
The City had a \$2M CD that matured on May 12th and was reinvested in the same type of instrument. We also have a \$3M CD maturing in August of 2014. We continue to review investment opportunities as these CDs mature.



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 April 30, 2014, nominal yield 11 basis points (.11 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 April 30, 2014**

General Fund	\$ 4,224,044
Impact Fees	\$ 159,763
County Gas Tax Fund	\$ 752,440
Parks & Rec Capital Projects	\$ 152,617
Capital Improvement Fund	\$ 222,540
One Cent Sales Tax	\$ 1,331,385
Refuse Collection Fund	\$ 286,025
Water/Sewer Utility Fund	\$ 13,165,487
Marina Fund	\$ 1,004,892
Stormwater Utility Fund	\$ 1,351,728
Vehicle Maintenance Fund	\$ 3,344,348
Facility Maintenance Fund	\$ 1,569,573
Self-Insurance Fund	\$ 4,177,396
CRA Fund	\$ 693,390
All other Funds	\$ 89,726

TOTAL as of April 30, 2014: \$ 32,525,354

The variance between the “books” balance of \$32,525,354 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 increased in March, declined slightly in April. The index now stands at 82.3 (1985=100), down from 83.9 in March. “Consumer confidence declined slightly in April, as consumers assessed current business and labor market conditions as less favorably than in March,” said Lynn Franco, Director of Economic Indicators at The Conference Board. “However, their expectations regarding the short-term outlook for the economy and labor market held steady. Thus, while sentiment regarding current conditions may have slipped a bit, consumers do not foresee the economy, or the labor market, losing the momentum that has been building over the past several months.”²

Consumer Price Index (CPI) – The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent in April on a seasonally adjusted basis, the U.S. Bureau of Labor Statistics reported in a news release dated May 15, 2014. Over the last 12 months, the all items index increased 2.0 percent before seasonal adjustment. The indexes for gasoline, shelter, and food all rose in April and contributed to the seasonally adjusted all items increase.

Key Local Economic Indicators

Florida Unemployment - Florida’s seasonally adjusted unemployment rate was 6.2 percent in April 2014, down 0.1 percentage point from the March 2014 rate, while down 1.4 percentage points from 7.6 percent a year ago. The U.S. unemployment rate was 6.3 percent in April. Florida’s unemployment rate was 0.1 percentage point lower than the U.S. rate and was below the national rate for the ninth consecutive month.³

Area Statistic	April 2014	March 2014	Change
Florida (Seasonally adjusted)	6.2%	6.3%	-0.1%
Pinellas County (Not seasonally adjusted)	5.7%	6.3%	-0.6%
Tampa-St. Petersburg-Clearwater (Not seasonally adjusted)	5.9%	6.5%	-0.6%

² The Conference Board Press Release, April 29, 2014

³ Florida Department of Economic Opportunity – Employment and Unemployment Press Release (Released May 16, 2014).

Florida Consumer Sentiment Index

- Consumer sentiment among Floridians declined by one point in April to 79. According to Chris McCarty, the Survey Director, “Much as we expected, the overall consumer sentiment index is remaining relatively flat given the lack of significant economic news. This continues to be good news for the Federal Reserve as it allows them to focus on the true effects of their withdraw of economic support from the economy by tapering purchases of treasuries and mortgage backed securities and to signal a possible increase in short term interest rates before 2015. Here in Florida, the economy remains on a steady path without any big changes either negative or positive. The year 2014, both at the state and national level, will likely be dominated by the politics surrounding the gubernatorial and mid-term elections. Consumer sentiment in April at the national level actually went up to 84, now five points higher than for Florida.”⁴

Florida housing indicators

- RealtyTrac® (www.realtytrac.com) released its U.S. Foreclosure Market Report for April 2014, which shows foreclosure filings — default notices, scheduled auctions and bank repossessions — were reported on 115,830 U.S. properties in April, a 1 percent decrease from March and down 20 percent from April 2013. Despite the decrease in overall foreclosure activity, bank repossessions in April increased 4 percent from the previous month, although they were still down 14 percent from a year ago. According to Daren Blomquist, vice president at RealtyTrac, “The rise in bank repossessions in many states is a sign that those markets are working through the final remnants of foreclosures left over from the recent housing crisis.”

Florida foreclosure activity decreased 9 percent from a year ago in April, but the state still posted the nation’s highest foreclosure rate for the seventh consecutive month. One in every 400 Florida housing units had a foreclosure filing during the month, nearly three times the national average. Eleven of the 20 highest foreclosure rates in metropolitan statistical areas with a population of 200,000 or more were in Florida, with Orlando at No. 1. Tampa-St. Petersburg-Clearwater came in at No. 5 with one in every 388 housing units.

- The median sale price for a home in Florida was \$173,000 in March 2014, up 7.1 percent from \$161,500 a year ago, according to the Monthly Market Summary (Single Family Homes) Report published by *FloridaRealtors.org*. There were 20,081 closed home sales in March, up 2.8% from 19,525 a year ago.

Florida sales and tax revenue

- Florida Sales and Use Tax collections were \$1.8B in March 2014 (preliminary figures), 9.0 percent higher than March 2013 collections of \$1.6B.

⁴ Florida Consumer Sentiment Index, Bureau of Economic and Business Research, April 29, 2014

- Pinellas County Sales and Use Tax collections totaled \$71.8M in March 2014 (preliminary figures), compared to \$67.2M a year ago, a 6.7 percent increase.
- 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 April 2014, or 58% through the year, we have collected 57% of the budgeted amounts.