

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 18, 2015

RE: Monthly Investment Report for the Period Ended February 28, 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.

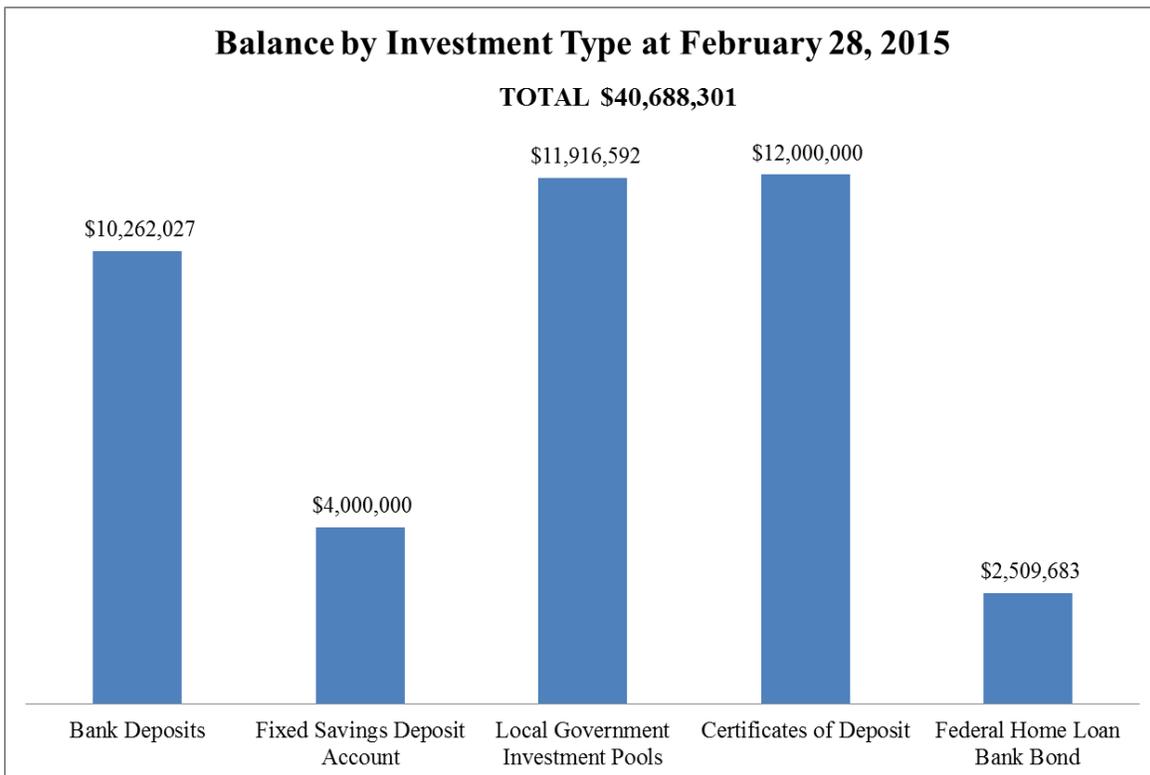
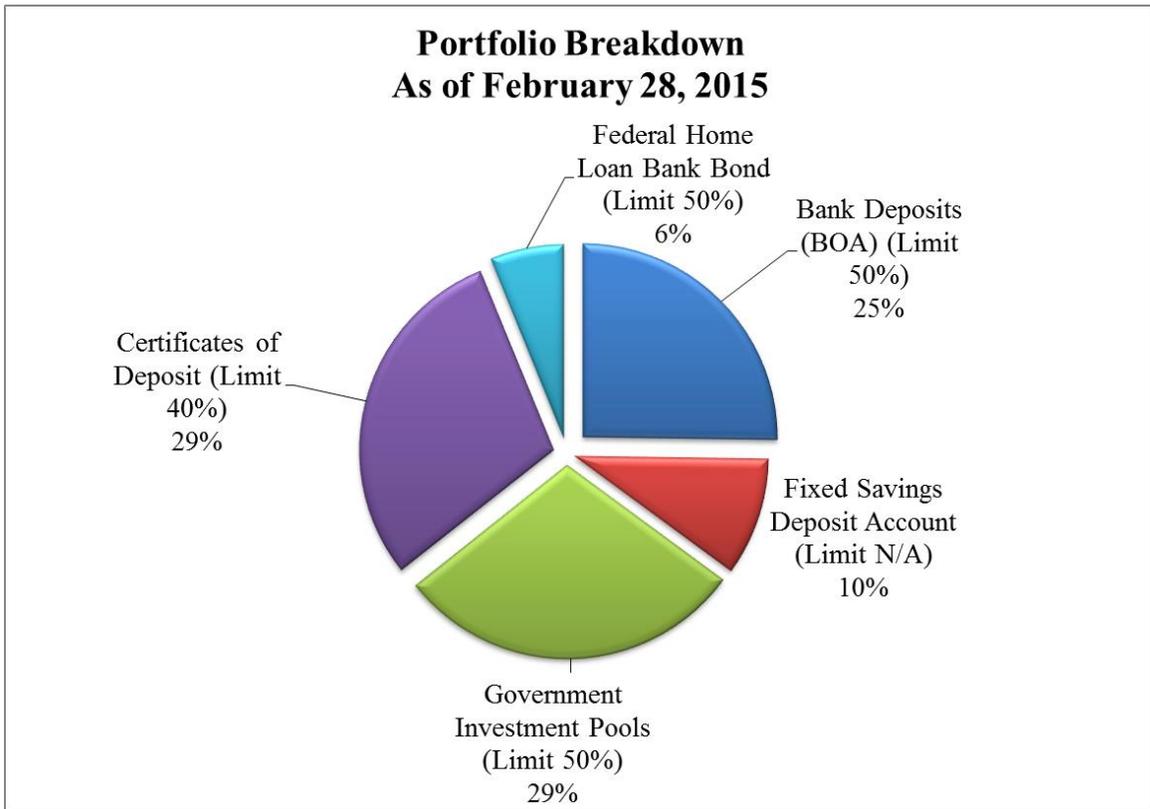
With these objectives in mind, the policy established aggregate limits of eligible securities, as set forth below:

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 February 28, 2015

General Fund	\$	6,739,994
Impact Fees	\$	146,427
County Gas Tax Fund	\$	1,080,873
Parks & Rec Capital Projects	\$	108,171
Capital Improvement Fund	\$	283,909
One Cent Sales Tax	\$	1,724,555
Refuse Collection Fund	\$	232,300
Water/Sewer Utility Fund	\$	14,891,114
Marina Fund	\$	1,193,246
Stormwater Utility Fund	\$	6,960,016
Vehicle Maintenance Fund	\$	2,876,280
Facility Maintenance Fund	\$	1,102,743
Self-Insurance Fund	\$	3,275,555
CRA Fund	\$	244,055
All other Funds	\$	(20,131)

TOTAL as of February 28, 2015: \$ 40,839,107

The variance between the “books” balance of \$40,688,301 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 January, declined in February. The Index now stands at 96.4 (1985=100), down from 103.8 in January.

Consumer Price Index (CPI) – The Consumer Price Index for All Urban Consumers (CPI-U) declined 0.7 percent in January on a seasonally adjusted basis, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months, the all items index decreased 0.1 percent before seasonal adjustment. The energy index fell 9.7 percent as the gasoline index fell 18.7 percent in January, the sharpest in a series of seven consecutive declines. The gasoline decrease was overwhelmingly the cause of the decline in the all items index, which would have risen 0.1 percent had the gasoline index been unchanged. The fuel oil index also fell sharply, and the index for natural gas turned down, although the electricity index rose.

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 increased in February by 1.6 points, once again setting a post-recession high and continuing a 7-month stretch of increases. Of the five components, two increased and three decreased. The main driver of the increase in the index was perceptions of personal finances now compared to a year ago which rose 7.6 points to 85.1. “Economic optimism among Floridians continues to advance as many of the fundamentals show improvement,” said Chris McCarty, the Survey Director. “While there are still lingering questions regarding some aspects of this recovery, most of the indicators suggest a continued path of growth. This has been a slow recovery, in large part due to the severity of the Great Recession, but the Florida economy is currently doing well. While much of the world economy struggles the U.S. economy seems to be hitting its stride, and Florida is emblematic of that recovery in many ways. Most indicators are quite positive, but there are still some signs of weakness that make some economists think twice. The main concern is wage growth, which has not risen in line with the increase in employment. This is particularly a problem in Florida. Low wage growth is a contributing factor to persistently slow inflation which has led Janet Yellen and the Federal Reserve to be cautious about raising short term interest rates. Based on recent testimony the Fed is still on track to raise rates sometime between June and September, but that could change if the recovery stalls. When the Fed does raise rates there will likely be at least short term effects in the stock market and in housing.”

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 \$175,000 in January 2015, up 7.4 percent from \$163,000 a year ago, according to the Monthly Market Summary (Single Family Homes) Report published by *FloridaRealtors.org*. There were 16,087 closed home sales in January, up 10.0% from 14,628 a year ago.

Florida sales and tax revenue

- Florida Sales and Use Tax collections were \$1.9B in December 2014. December 2013 collections were slightly under coming in at \$1.7B.
- Pinellas County Sales and Use Tax collections totaled \$71M in December 2014, compared to \$68M a year ago.

Upcoming City Activity

Finance invested approximately \$2 million from checking into SBA and invested \$4 million into a 1 year treasury. We reinvested \$7 million (previously matured from PMA), and an additional \$2 million from checking, into CD's with a 6 month maturity. We will continue looking closely at our Cash and Investments in March.