

# Department of Finance

## *Interoffice Memorandum*

**TO:** Mayor and Commissioners,  
Robert DiSpirito, City Manager  
Board of Finance

**FROM:** Jeff Streder, Interim Director of Finance  
Jason Miller, Budget/Financial Analyst

**DATE:** August 24, 2015

**RE:** Monthly Investment Report for the Period Ended July 31, 2015

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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:

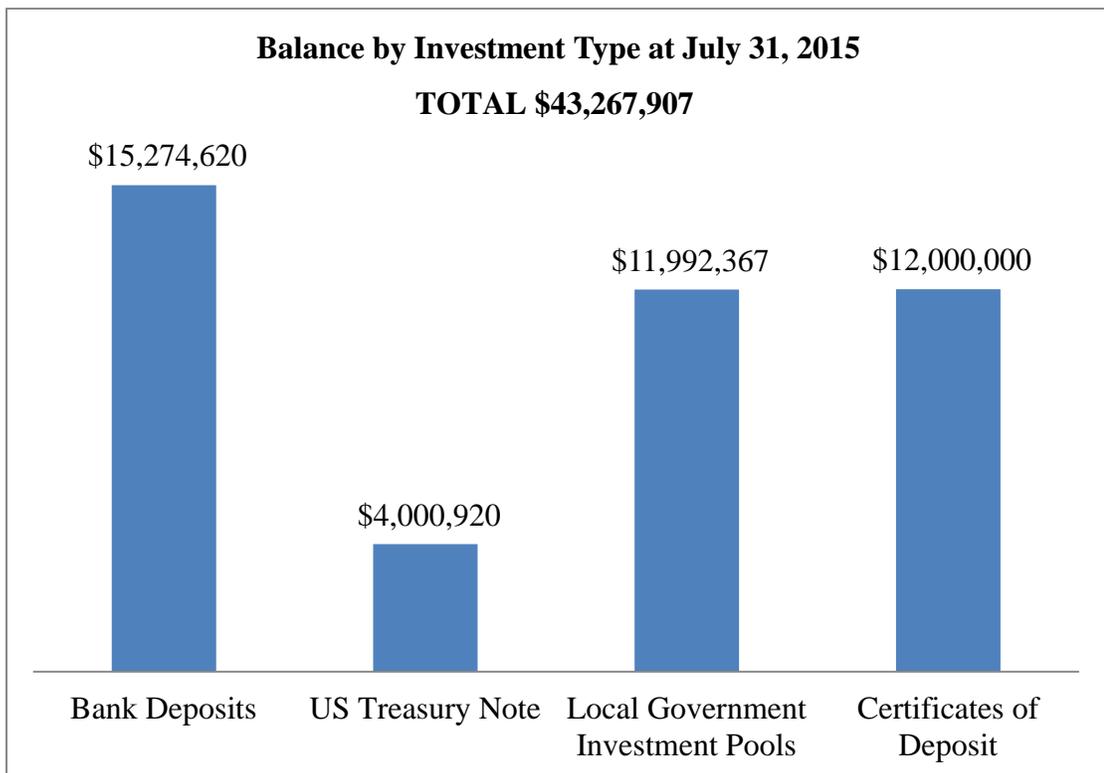
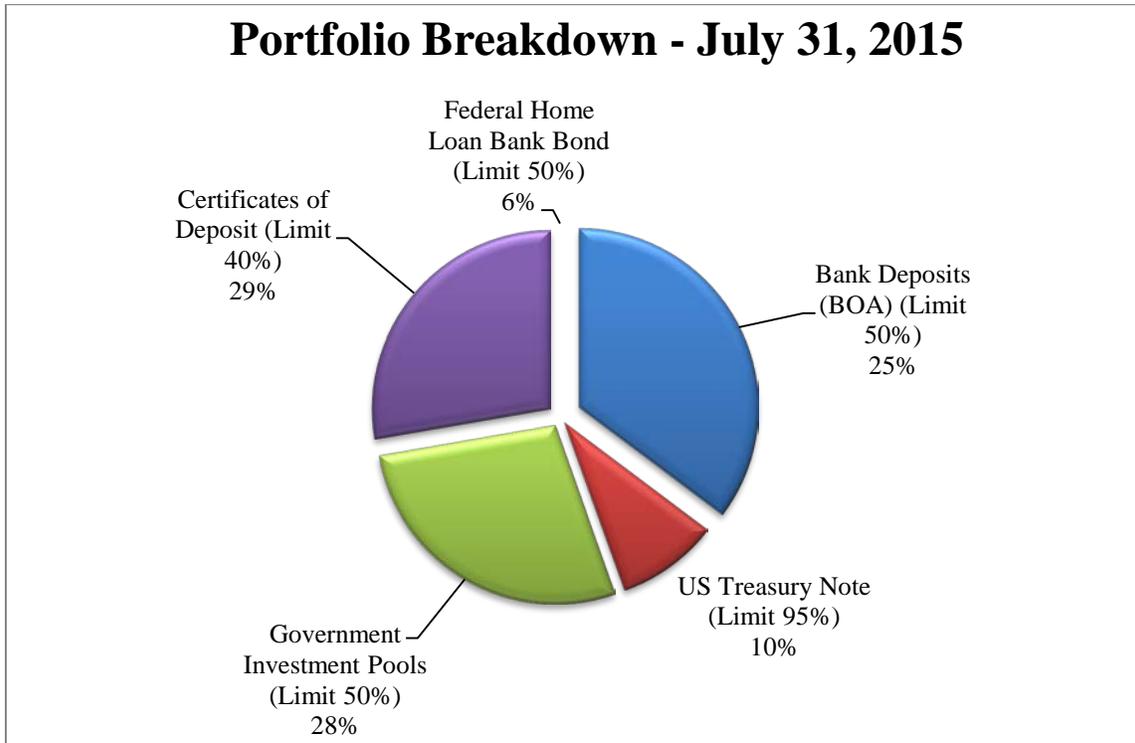
U.S. Treasuries and Federal Agencies	95%
Government Sponsored Enterprises	50%
Local Government Investment Pools	50%
State Board of Administration (Pool A)	5%
State and Local Governments	10%
Money Market Mutual Funds	25%
Certificates of Deposit (Qualified Public Depositories)	40%
Corporate Debt Securities/Commercial 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 July 31, 2015**

General Fund	\$	4,541,958
Stadium Fund	\$	19,619
Impact Fees	\$	163,554
Library Cooperative	\$	18,621
County Gas Tax Fund	\$	1,079,203
Parks & Rec Capital Projects	\$	434,612
I.T. Services Fund	\$	157,220
One Cent Sales Tax	\$	2,978,662
Refuse Collection Fund	\$	209,456
Water/Sewer Utility Fund	\$	16,064,537
Marina Fund	\$	1,197,228
Stormwater Utility Fund	\$	6,674,307
Vehicle Maintenance Fund	\$	3,733,468
Facility Maintenance Fund	\$	1,334,527
Self-Insurance Fund	\$	3,941,566
CRA Fund	\$	558,782
Unallocated Interest Balance	\$	<u>78,910</u>

**Total as of July 31, 2015: \$ 43,186,229**

The variance between the Investment Portfolio's balance and the Pooled Cash balance is due to timing, i.e. deposits in transit and checks, outstanding items and the use of Market Value versus Book Value when valuing investments.

### ***Key National Economic Indicators***

*Federal Funds Rate* – A press release dated July 29, 2015. Information received since the Federal Open Market Committee met in June indicates that economic activity has been expanding moderately in recent months. Growth in household spending has been moderate and the housing sector has shown additional improvement; however, business fixed investment and net exports stayed soft. The labor market continued to improve, with solid job gains and declining unemployment. On balance, a range of labor market indicators suggests that underutilization of labor resources has diminished since early this year. Inflation continued to run below the Committee's longer-run objective, partly reflecting earlier declines in energy prices and decreasing prices of non-energy imports. Market-based measures of inflation compensation remain low; survey-based measures of longer-term inflation expectations have remained stable.

To support continued progress toward maximum employment and price stability, the Committee today reaffirmed its view that the current 0 to 1/4 percent target range for the federal funds rate remains

appropriate. In determining how long to maintain this target range, the Committee will assess progress--both realized and expected--toward its objectives of maximum employment and 2 percent inflation. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments. The Committee anticipates that it will be appropriate to raise the target range for the federal funds rate when it has seen some further improvement in the labor market and is reasonably confident that inflation will move back to its 2 percent objective over the medium term.

*Consumer Confidence* – The Conference Board *Consumer Confidence Index*®, which had improved in June, declined in July. The Index now stands at 90.9 (1985=100), down from 99.8 in June. The Present Situation Index decreased moderately from 110.3 last month to 107.4 in July, while the Expectations Index declined sharply to 79.9 from 92.8 in June.

*Consumer Price Index (CPI)* – The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent in June on a seasonally adjusted basis, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months, the all items index rose 0.1 percent before seasonal adjustment. The seasonally adjusted all items increase was broad-based, with advances in the indexes for gasoline, shelter, and food all contributing. The energy index rose for the second straight month as the indexes for gasoline, electricity, and natural gas all increased. The food index posted its largest increase since September 2014, partly due to a sharp increase in the eggs index. The index for all items less food and energy rose 0.2 percent in June. In addition to the rise in the shelter index, the indexes for recreation, airline fares, personal care, tobacco, and new vehicles were among the indexes that increased in June. These advances more than offset declines in the indexes for medical care, household furnishings and operations, used cars and trucks, and apparel. The all items index showed a 12-month increase for the first time since December, rising 0.1 percent for the 12 months ending June. Despite rising in May and June, the energy index has still declined 15.0 percent over the past year. However, the indexes for food and for all items less food and energy have both risen 1.8 percent over the past 12 months.

### ***Key Local Economic Indicators***

*Florida Unemployment* - Florida’s seasonally adjusted unemployment rate was 5.5 percent in June 2015, down 0.2 percentage point from the May 2015 rate of 5.7 percent, and down 0.6 percentage point from 6.1 percent a year ago. There were 529,000 jobless Floridians out of a labor force of 9,552,000. The U.S. unemployment rate was 5.3 percent in June. Florida’s unemployment rate has been less than or equal to the national rate for 23 of the last 31 months.

<b>Area Statistic</b>	<b>May 2015</b>	<b>June 2015</b>	<b>Change</b>
Florida (Seasonally adjusted)	5.7%	5.5%	-0.2%
Pinellas County (Not seasonally adjusted)	5.1%	4.9%	-0.2%
Tampa-St. Petersburg-Clearwater (Not seasonally adjusted)	5.4%	5.3%	-0.1%

### ***Florida Consumer Sentiment Index***

Consumer sentiment among Floridians fell slightly in July to 89, down less than a point from June. Of the five components that make up the index one increased and four decreased. Perceptions of personal finances now compared to a year ago rose by 5.2 points to 84.5 while expectations of personal finances a year from now fell 1.9 points to 101. Expectations of U.S. economic conditions over the next year fell 3.5 points to 81.5 while expectations of U.S. economic conditions over the next five years fell 2.8 points to 81.7. Perceptions as to whether it is a good time to buy big ticket items fell one point to 96.5.

Economic data in Florida continues to be mostly positive. Unemployment among Floridians continues to fall and in June was at 5.5 percent. This is close to what economists have historically considered the natural rate of unemployment, around 5 percent, although there is debate as to whether 4 percent is now more appropriate given demographic trends such as the mass retirement of the Baby Boomers. While Florida gained jobs in June a big contributor to the lower unemployment rate was a 65,000 person decline in the size of the labor force. And unlike the trend nationally, Florida's labor force participation rate, the percent of those in the labor force out of the population that could be in it, continues to fall and at 58.9 is now the lowest since 1983. Florida must reverse this trend to make further economic gains. Housing prices continue to rise with the median price of a single family home up to \$203,500 and total June sales up 19.6 percent from a year ago. Housing prices for 2015 are now very near the trend line but are still more than 20 percent lower than peak prices from 2006. New home construction has been weak as many consumers, particularly millennials, opt for renting multi-family units rather than buying homes. This is the main driver of the lowest home ownership rate in 50 years. Inflation remains relatively low although recent readings were high enough that the Federal Reserve will likely raise interest rates in September or December. Gas prices have started to fall again after a six month rise. Given the end of summer and the fall in oil prices this trend is likely to continue through the fall.

#### *Florida housing indicators*

- RealtyTrac® ([www.realtytrac.com](http://www.realtytrac.com)) released its U.S. Foreclosure Market Report™ for May 2015 U.S. Foreclosure Market Report which shows foreclosure filings — default notices, scheduled auctions and bank repossessions — were reported on 126,868 U.S. properties in May 2015, up 1 percent from the previous month and up 16 percent from a year ago to a 19-month high. The U.S. foreclosure rate in May was one in every 1,041 housing units with a foreclosure filing.
- The median sale price for a home in Florida was \$203,500 in June 2015, up 10% from \$185,000 a year ago, according to the Monthly Market Summary (Single Family Homes) Report published by *FloridaRealtors.org*. There were 27,729 closed home sales in June, up 19.6% from 23,181 a year ago.

#### *Florida sales and tax revenue*

- Florida Sales and Use Tax collections were roughly \$1.96B in May 2015. May 2014 collections were slightly lower coming in at \$1.84B.
- Pinellas County Sales and Use Tax collections totaled \$81.7M in May 2015, compared to \$76.6M a year ago.