DUNEDIN
Home of Honeymoon Island

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:	September 28, 2015
RE:	Monthly Investment Report for the Period Ended August 31, 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.

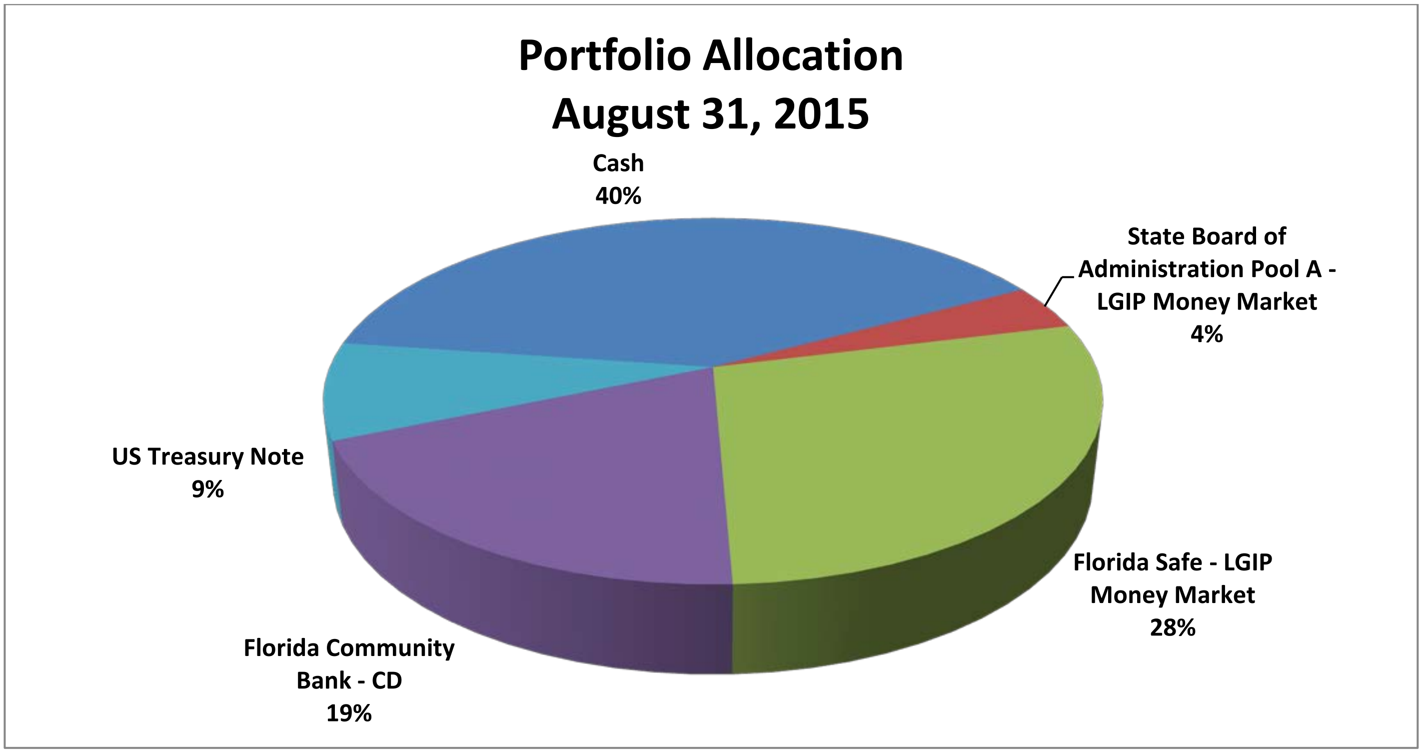
With these objectives in mind, the policy established aggregate limits of eligible securities, as set forth below:

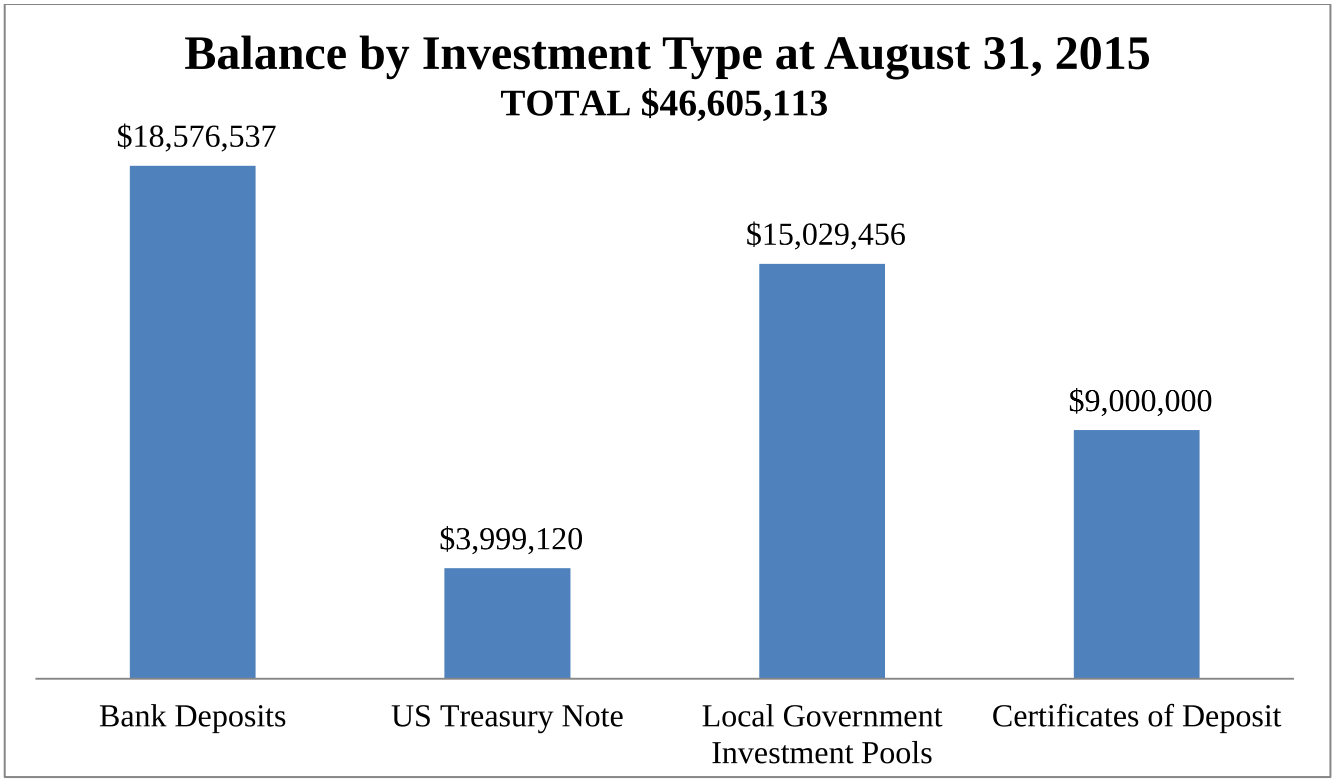
U.S. Treasuries and Federal Agencies	95%
Government Sponsored Enterprises	50%
Local Government Investment Pools	50%
State Board of Administration (Pool A)	5%
State and Local Governments	10%
Money Market Mutual Funds	25%
Certificates of Deposit (Qualified Public Depositories)	40%
Corporate Debt Securities/Commercial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

General Fund	$	7,369,659
Stadium Fund	$	80,893
Impact Fees	$	178,699
Library Cooperative	$	79,247
County Gas Tax Fund	$	1,074,997
Parks & Rec Capital Projects	$	427,901
I.T. Services Fund	$	116,856
One Cent Sales Tax	$	2,978,662
Refuse Collection Fund	$	372,658
Water/Sewer Utility Fund	$	16,517,036
Marina Fund	$	1,204,929
Stormwater Utility Fund	$	6,708,831
Vehicle Maintenance Fund	$	3,539,243
Facility Maintenance Fund	$	1,254,553
Self-Insurance Fund	$	3,895,327
CRA Fund	$	528,359
Unallocated Interest Balance	$	115,998
Total as of August 31, 2015:	**$**	**46,443,848**

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 September 17, 2015. Information received since the Federal Open Market Committee met in July suggests that economic activity is expanding at a moderate pace. Household spending and business fixed investment have been increasing moderately, and the housing sector has improved further; however, net exports have been soft. The labor market continued to improve, with solid job gains and declining unemployment. On balance, labor market indicators show that underutilization of labor resources has diminished since early this year. Inflation has continued to run below the Committee's longer-run objective, partly reflecting declines in energy prices and in prices of non-energy imports. Market-based measures of inflation compensation moved lower; survey-based measures of longer-term inflation expectations have remained stable.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. Recent global economic and financial developments may restrain economic activity somewhat and are likely to put further downward pressure on inflation in the near term. Nonetheless, the Committee expects that, with appropriate policy accommodation, economic activity will expand at a moderate pace, with labor market indicators continuing to move toward levels the Committee judges consistent with its dual mandate. The Committee continues to see the risks to the outlook for economic activity and the labor market as nearly balanced but is monitoring developments abroad. Inflation is anticipated to remain near its recent low level in the near term but the Committee expects inflation to rise gradually toward 2 percent over the medium term as the labor market improves further and the transitory effects of declines in energy and import prices dissipate. The Committee continues to monitor inflation developments closely.

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.

The Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction. This policy, by keeping the Committee's holdings of longer-term securities at sizable levels, should help maintain accommodative financial conditions.

When the Committee decides to begin to remove policy accommodation, it will take a balanced approach consistent with its longer-run goals of maximum employment and inflation of 2 percent. The Committee currently anticipates that, even after employment and inflation are near mandate-consistent levels, economic conditions may, for some time, warrant keeping the target federal funds rate below levels the Committee views as normal in the longer run.

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Consumer Confidence – The Conference Board *Consumer Confidence Index®*, which had declined in July, rebounded in August. The Index now stands at 101.5 (1985=100), up from 91.0 in July. The Present Situation Index increased from 104.0 last month to 115.1 in August, while the Expectations Index improved to 92.5 from 82.3 in July.

Consumer Price Index (CPI) – The Consumer Price Index for All Urban Consumers (CPI-U) decreased 0.1 percent in August on a seasonally adjusted basis, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months, the all items index rose 0.2 percent before seasonal adjustment. The gasoline index declined sharply in August and was the main cause of the seasonally adjusted all items decrease. Other energy indexes were mixed, with the fuel oil index continuing to decline but the indexes for electricity and natural gas increasing in August. The food index rose 0.2 percent in August, with the indexes for eggs and for fruits and vegetables rising notably. The index for all items less food and energy increased 0.1 percent in August, the same increase as in July. The index for shelter rose, as did the indexes for apparel, tobacco, and alcoholic beverages. However the index for airline fares declined sharply, and the indexes for household furnishings and operations, recreation, and used cars and trucks also decreased in August, with the indexes for new vehicles and medical care unchanged. The all items index increased 0.2 percent for the 12 months ending August, the same increase as for the 12 months ending July. The 12-month change in the index for all items less food and energy also remained the same, at 1.8 percent for the 12 months ending August. The food index rose 1.6 percent over the last 12 months, while the energy index declined 15.0 percent.

Key Local Economic Indicators

Florida Unemployment - Florida's seasonally adjusted unemployment rate was 5.3 percent in August 2015, down 0.2 percentage point from the revised July 2015 rate of 5.5 percent, and down 0.6 percentage point from 5.9 percent a year ago. There were 507,000 jobless Floridians out of a labor force of 9,500,000. The U.S. unemployment rate was 5.1 percent in August. Florida's unemployment rate has been less than or equal to the national rate for 23 of the
last 33 months.

Area Statistic	July 2015	August 2015	Change
Florida (Seasonally adjusted)	5.5%	5.3%	-0.2%
Pinellas County (Not seasonally adjusted)	5.1%	4.9%	-0.2%
Tampa-St. Petersburg-Clearwater (Not seasonally adjusted)	5.4%	5.2%	-0.2%

Florida Consumer Sentiment Index

Consumer sentiment among Floridians rose less than a point in August to 91.2. Of the five components that make up the index two rise and three declined. Perceptions of personal finances now compared to a year ago fell 2.5 points to 83.4 while expectations of personal finances a year from now declined by half a point to 101.3. Expectations of U.S. economic conditions over the next year rose nearly five points to 88.8 while expectations of U.S. economic conditions over the next five years rose six points to 88.9. Perceptions as to whether it is a good time to buy big ticket consumer items fell more than 4 points to 93.4.

"On balance the preliminary index for August is relatively upbeat, but this does not show the full effect of the decline in the stock market," said Chris McCarty the Survey Director. "Prior to the crash that began about a week ago Floridians were particularly optimistic about the future direction of the U.S. economy. There were exceptional gains among households with an annual income over $50,000 for both the short and long term outlook of the U.S. economy. Much of that optimism was likely erased this week when the panic in the Chinese stock market spilled over into U.S. equities. Even as the market recovers, losses of this magnitude will raise questions among consumers, many who are invested in stocks through retirement accounts."

Up until a week ago economic indicators for Florida were relatively positive. The unemployment rate for July was 5.4 percent, down .2 percent from June. Job gains were led by trade, transportation and utilities, a category that includes retail trade, and leisure and hospitality. The labor force declined by 53,000 which contributed to lower unemployment and the labor force participation rate continued to fall and is now at 58.5, the lowest since June 1983. While the median price of a single family home fell $3,600 to $199,900, the volume of sales remains strong. Consumer prices rose by only .1 percent, and gas prices in particular have remained low declining by more than 15 cents since last month. The stock market had been stable for most of the month, but is now down more than 10 percent, a decline most economists would consider a correction. "Normally the Federal Reserve would not factor the stock market in their decisions to raise interest rates," said McCarty. "They were prepared to raise rates in September, but given the mixed economic signals and the global nature of this decline they will likely wait until December. Given the central role China plays as an exporter of goods and the potential for a future consumer of U.S. products the effects of the problems in the Chinese economy are likely not over yet."

Florida housing indicators

- The median sale price for a home in Florida was $199,900 in July 2015, up 8.1% from $185,000 a year ago, according to the Monthly Market Summary (Single Family Homes) Report published by *FloridaRealtors.org*. There were 26,916 closed home sales in July, up 21.8% from 22,099 a year ago.

Florida sales and tax revenue

- Florida Sales and Use Tax collections were roughly $1.9B in June 2015. June 2014 collections were slightly lower coming in at $1.78B.

- Pinellas County Sales and Use Tax collections totaled $77.5M in June 2015, compared to $74.4M a year ago.