

# Department of Finance

## *Interoffice Memorandum*

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

**FROM:** Karen Feeney, Director of Finance

**DATE:** October 21, 2014

**RE:** Monthly Investment Report for the Period Ended September 30, 2014

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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.

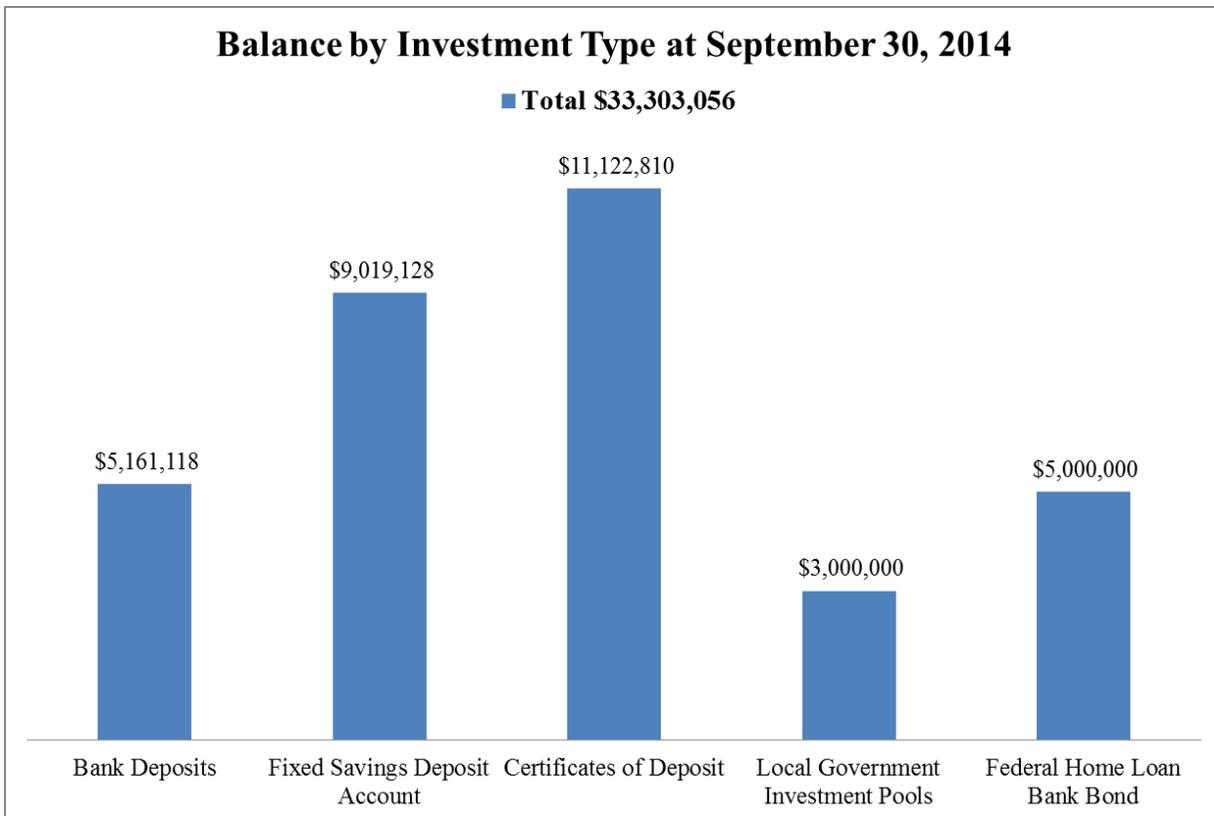
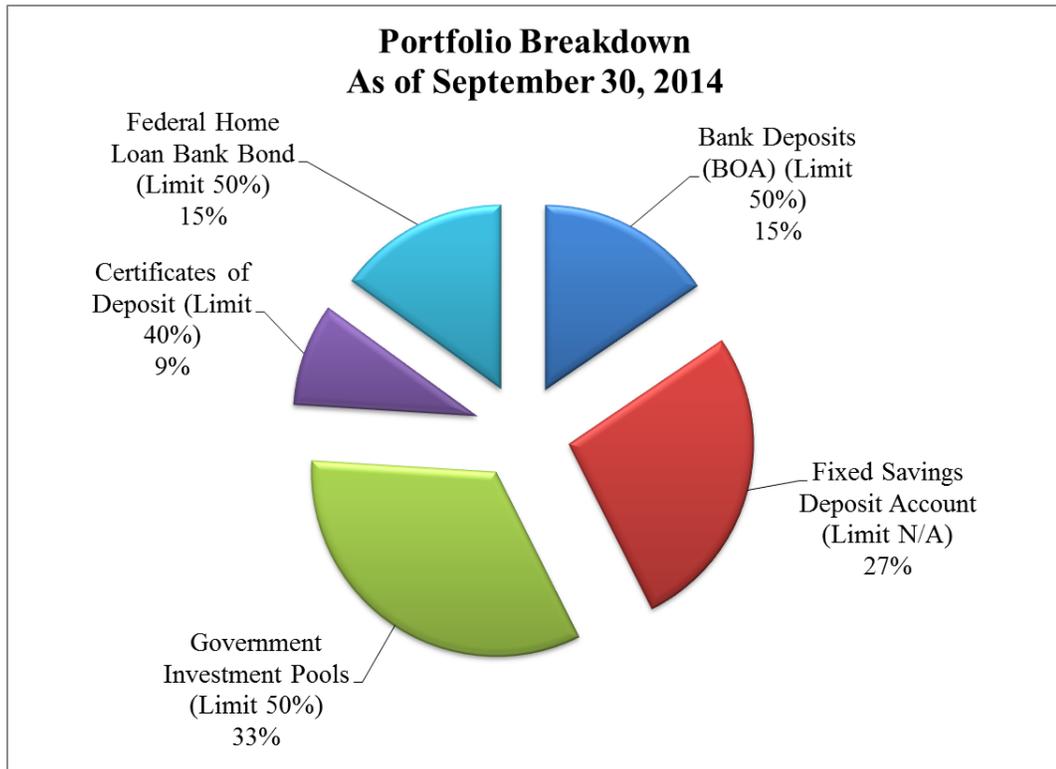
With these objectives in mind, the policy established aggregate limits of eligible securities, as set forth below:

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 September 30, 2014**

General Fund	\$	3,550,847
Impact Fees	\$	152,885
County Gas Tax Fund	\$	1,035,252
Parks & Rec Capital Projects	\$	78,497
Capital Improvement Fund	\$	298,730
One Cent Sales Tax	\$	2,077,091
Refuse Collection Fund	\$	496,798
Water/Sewer Utility Fund	\$	14,697,716
Marina Fund	\$	1,099,442
Stormwater Utility Fund	\$	1,705,561
Vehicle Maintenance Fund	\$	2,519,697
Facility Maintenance Fund	\$	1,045,189
Self-Insurance Fund	\$	3,713,626
CRA Fund	\$	499,586
All other Funds	\$	170,194

**TOTAL as of September 30, 2014: \$ 33,141,110**

The variance between the “books” balance of \$33,303,056 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 September 17, 2014, states that “The economy is continuing to make progress toward the Federal Open Market Committee’s (FOMC) objective of maximum sustainable employment. In the labor market, conditions have improved further in recent months. Although the pace of job growth has slowed some recently, job gains have averaged more than 200,000 per month over the past three months. The unemployment rate was 6.1 percent in August, two-tenths lower than the data available at the time of the June FOMC meeting. The Committee continues to see sufficient underlying strength in the economy to support ongoing improvement in the labor market. Although real Gross Domestic Product (GDP) rose at an annual rate of only about 1 percent in the first half of the year, that modest gain reflected in part transitory factors, including a dip in net exports. Indeed, private domestic final demand—that is, spending by domestic households and businesses—grew about twice as fast as GDP. The central tendency of the unemployment rate projections is slightly lower than in the June projections and now stands at 5.9 to 6.0 percent at the end of this year. Committee participants generally see the unemployment rate declining to its longer-run normal level over the course of 2016 and edging a bit below that level in 2017.

*Consumer Confidence* – The Conference Board Consumer Confidence Index®, which had increased in August, declined in September. The Index now stands at 86.0 (1985=100), down from 93.4 in August.

*Consumer Price Index (CPI)* – The Consumer Price Index for All Urban Consumers (CPI-U) decreased 0.2 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 increased 1.7 percent before seasonal adjustment. The seasonally adjusted decline in the all items index was the first since April 2013. The indexes for food and shelter rose, but the increases were more than offset by declines in energy indexes, especially gasoline. The energy index fell 2.6 percent, with the gasoline index declining 4.1 percent and the indexes for natural gas and fuel oil also decreasing.

**Key Local Economic Indicators**

*Florida Unemployment* - Florida’s seasonally adjusted unemployment rate was 6.3 percent in August 2014, up 0.1 percentage point from the July 2014 rate of 6.2 percent, while down 0.8 percentage point from 7.1 percent a year ago. There were 602,000 jobless Floridians out of a labor force of 9,610,000. The U.S. unemployment rate was 6.1 percent in August. Florida’s unemployment rate has been less than or equal to the national rate for 14 of the last 16 months.

Area Statistic	August 2014	July 2014	Change
Florida (Seasonally adjusted)	6.3%	6.2%	+0.1%
Pinellas County (Not seasonally adjusted)	6.3%	6.4%	-0.1%
Tampa-St. Petersburg-Clearwater (Not seasonally adjusted)	6.8%	6.8%	+0.0%

*Florida Consumer Sentiment Index*

- Consumer sentiment among Floridians inched up in September to 83, a post-Recession high. The last time consumer sentiment in Florida was at or above 83 was April, 2007 when the recession was just getting underway. “This is a welcome development given that consumer sentiment has been flat for the last few months,” said Chris McCarty, the Survey Director. “While we are still about ten points behind where we would like to be at this point in a recovery, confidence among Floridians is heading in the right direction. Consumer sentiment nationally, as measured by the University of Michigan, was also up in September. We would like to see a bigger pick up in this index, but it is certainly moving in the right direction.” McCarty also stated that “Looking ahead over the next few months we expect consumer sentiment to decline from this high. Florida continues to be very dependent on construction and housing which have been recovering nicely over the past one to two years. This is in large part due to a recovery in Florida’s population growth which is now reaching levels typical of a recovery and historically low interest rates. A Federal Reserve rate hike is inevitable. While the actual hike is not likely until at least the second quarter of 2015, markets will anticipate that hike and react. This will lead to a temporary, but natural, correction in the stock market and a slowdown in housing sales and construction. Under this scenario housing prices are not likely to decline significantly, but will also not grow as much as they have over the past two years. As the Federal Reserve release more clear language regarding the timing of a rate hike we can expect at least a temporary decline in our consumer sentiment index in Florida.”

*Florida housing indicators*

- RealtyTrac® (www.realtytrac.com) released its U.S. Foreclosure Market Report for August 2014, which shows foreclosure filings — default notices, scheduled auctions and bank repossessions — were reported on 116,913 U.S. properties in August, an increase of 7 percent from the previous

month but still down 9 percent from a year ago — the smallest decrease in the last 47 consecutive months of year-over-year declines in U.S. foreclosure activity. According to Daren Blomquist, vice president at RealtyTrac, “The August foreclosure numbers demonstrate that although the foreclosure crisis is well behind us, the messy business of cleaning up the distress lingering from the housing bust continues in many markets. The annual increase in foreclosure auctions — the first since the robo-signing controversy rocked the foreclosure industry back in late 2010 — indicates mortgage servicers are finally adjusting to the new paradigms for proper foreclosure that have been implemented in many states, whether by legislature or litigation or both.”

- The median sale price for a home in Florida was \$180,000 in August 2014, up 2.9 percent from \$175,000 a year ago, according to the Monthly Market Summary (Single Family Homes) Report published by *FloridaRealtors.org*. There were 21,742 closed home sales in August, up 4.9% from 20,726 a year ago.

#### *Florida sales and tax revenue*

- Florida Sales and Use Tax collections were \$1.8B in July 2014. July 2013 collections were slightly under coming in at \$1.7B.
- Pinellas County Sales and Use Tax collections totaled \$74M in July 2014, compared to \$69M a year ago.
- Sales tax revenues, including State Revenue Sharing, ½ Cent Sales Tax, and the Communications Service Tax comprise 19% of total General Fund revenues, not including transfers in. As of the end of September, 2014, or 100% through the year, we have collected 94.2% of the budgeted amount; however, we have not received the amounts for September and will have adjustments to make. I expect the totals to be closer to 100% for sales taxes. Additionally, we have collected about 104% of budgeted Penny revenues, as projected.