



**TO: Honorable Mayor, City Council Members and
Ed Lavallee, MPA, ICMA-CM**

FROM: Walter Pierce, Director of Finance

Walt

DATE: August 17, 2016

SUBJECT: Quarterly Investment Report

The investment policy requires that finance provide City Council with a quarterly investment report. Attached is the investment report for the quarter ending July 31, 2016. This report is divided into five sections. The first section is this narrative, followed by a listing of the investments, the weighted average interest rate compared to the bench marks established by the policy, a listing of cash & cash equivalents by fund, and finally a graphical presentation of the make up of the City's investment portfolio.

In anticipation of a pending increase in the prime interest rate the City's investment portfolio is heavily invested in the short-term liquid investments (57%) at six local banks with the majority residing in SunTrust, Florida Community Bank, Capital Bank, Stonegate Bank and Bank United. The City's portfolio also consists of longer term United States Government Agency Securities (31% - Federal Home Loan Bank i.e. FHLB) plus the portfolio is invested in a local investment pool and certificates of deposits (CD's) (12%).

The portfolio's purchase price to market value demonstrates the effect of relatively dismal interest rates with really poor returns. Last quarter reflected a slight increase in the long-term interest rates on our investments. This resulted in an unrealized gain to our investment's market value. These swings are the reason behind the City's policy to hold investment until maturity. The change in market value is expected and anticipated. This is why the Finance Department does not invest funds necessary for current operations in longer-term investments. The stated yield will be the yield recognized by the City by following the hold until maturity strategy.

The City's portfolio performed within expected parameters against the bench marks for the quarter. The short-term liquid investment bench mark was the SBA rate which was 0.36% as of end of this quarter. The weighted average return for our short-term investments was 0.17% or 19 basis points below SBA (without taking into consideration the compensating balances which reduce banking fees). The City's longer-term weighted average return is 1.07% which is 24 basis points below the bench mark of a 3 year treasury bond, 1.31% (July 31, 2016 rate). As was stated in the December Investment Report, there is a belief that inflation will rise, over the medium term, therefore, investing further out on the yield

curve (for a longer period of time) does not make sense. The long-term interest payments do not cover the risk associated with the inevitable rate increases that will come.

The weighted average maturity is 2.06 years which is well below the maximum set by policy of 5 years.

The cash and cash equivalents by fund point out some interesting events. The General Fund's cash balance remains strong. The Beach Renourishment Fund remains in a negative cash position while we wait to earn promised money from the state. The Employee Flexible Spending Fund has a negative cash balance which is a result of the difference between the way employees spend money and the systematic method the fund receives its money, every two weeks with payroll. All other funds are in a positive cash position which speaks strongly of senior management's commitment to fiscal responsibility.

The graphical picture of our investment portfolio is provided to give you a quick over view to ensure that we are following section 8 – portfolio composition in our investment policy. I am happy to report that our portfolio composition is well within the guidelines set.

Please do not hesitate to contact me with questions, concerns and/or recommendations.

City of Venice, Florida
Quarterly Investment Report
7/31/16

	Purchase Price	Market Value	Interest Rate	Net Realized Interest Revenue 07/31/16	Net Realized & Unrealized Interest Revenue 07/31/16	Maturity Date
Investments:						
Federal Farm Credit Bank	\$ 1,000,000	1,000,005	0.87%	1,547	1,552	11/27/17
Federal Home Loan Bank Agency	1,000,000	1,000,130	0.80%	1,444	1,574	05/26/17
Federal Home Loan Mortgage	1,000,000	1,000,270	1.00%	1,778	2,048	11/27/17
Federal Home Loan Bank Agency	2,000,000	2,000,580	0.90%	1,650	2,230	12/28/17
Federal Home Loan Bank Agency	1,000,000	1,000,260	0.95%	238	498	01/22/18
Federal National Mortgage Assn.	1,000,000	1,000,080	1.05%	3,617	3,697	03/27/18
Federal Farm Credit Bank	1,000,000	1,000,200	1.22%	4,406	4,606	09/21/18
Federal Farm Credit Bank	1,000,000	1,000,000	1.10%	3,239	3,239	10/15/18
Federal National Mortgage Assn.	2,000,000	2,000,480	1.15%	4,600	5,080	11/19/18
Federal Farm Credit Bank	1,000,000	999,740	1.08%	180	(80)	04/25/19
Federal Farm Credit Bank	2,000,000	2,000,040	1.25%	10,972	11,012	05/23/19
Federal Home Loan Mortgage	1,000,000	1,000,030	1.00%	833	863	06/28/19
Fannie Mae	1,000,000	1,000,250	1.15%	160	410	07/26/19
Federal Farm Credit Bank	1,000,000	1,000,750	1.42%	3,944	4,694	10/21/19
Federal Home Loan Bank Agency	2,000,000	1,999,440	1.40%	7,156	6,596	10/29/19
Federal Home Loan Mortgage	2,000,000	2,000,080	1.25%	2,083	2,163	12/30/19
Federal National Mortgage Assn.	2,000,000	2,001,740	1.50%	2,500	4,240	12/30/20
Federal Home Loan Mortgage	1,000,000	1,000,660	1.25%	1,042	1,702	06/30/21
Certificates of Deposit						
FLS Term Series-General Fund	1,000,000	1,000,000	0.60%	5,033	5,033	09/28/16
FLS Term Series-General Fund	2,000,000	2,000,000	0.65%	7,583	7,583	12/21/16
Florida Community Bank	2,000,000	2,000,000	0.84%	13,347	13,347	10/14/16
Florida Community Bank	2,000,000	2,000,000	0.84%	13,300	13,300	10/17/16
Cash & Cash Equivalents:						
TD Wealth	-	-	0.00%	-	-	Liquid
Capital Bank*	2,009,274	2,009,274	0.25%	1,256	1,256	Liquid
BB&T Bank*	1,791	1,791	0.10%	-	-	Liquid
FLSAFE - Investment Pool*	2,027,093	2,027,093	0.49%	2,483	2,483	Liquid
Bank United *	5,178,667	5,178,667	0.35%	4,531	4,531	Liquid
FL Community Bank	10,139,470	10,139,470	0.40%	10,139	10,139	Liquid
Stonegate Bank	2,010,923	2,010,923	0.40%	2,011	2,011	Liquid
SunTrust Bank **	23,745,478	23,745,478	0.00%	-	-	Liquid
	<u>76,112,695</u>	<u>76,117,430</u>		<u>\$ 111,073</u>	<u>\$ 115,808</u>	
Certificates of Deposit	7,000,000	0.09				
Government Agencies	24,000,000	0.31				
Local Government Investment Pool (LGI)	2,027,093	0.03				
Bank Deposits	<u>43,085,603</u>	<u>0.57</u>				
	<u>76,112,695</u>					

* - Interest rate as of quarter-end

City of Venice, Florida
Quarterly Investment Report
July 31, 2016

Investments:	Purchase Date	Purchase Price	Interest Rate	Weighted Average Interest Rate	Weighted Average Maturity	Maturity Date	# of days to Maturity
Agencies:							
Federal Farm Credit Bank	12/18/2012	1,000,000	0.87%	0.03%	15	27-Nov-17	477
Federal Home Loan Bank Agency	5/26/2015	1,000,000	0.80%	0.03%	10	26-May-17	296
Federal Home Loan Mortgage	8/4/2015	1,000,000	1.00%	0.03%	15	27-Nov-17	477
Federal Home Loan Bank Agency	12/28/2012	2,000,000	0.90%	0.06%	33	28-Dec-17	508
Federal Home Loan Bank Agency	1/22/2013	1,000,000	0.95%	0.03%	17	22-Jan-18	532
Federal National Mortgage Assn.	3/27/2013	1,000,000	1.05%	0.03%	19	27-Mar-18	597
Federal Farm Credit Bank	9/9/2015	1,000,000	1.22%	0.04%	25	21-Sep-18	771
Federal Farm Credit Bank	10/5/2015	1,000,000	1.10%	0.04%	26	15-Oct-18	795
Federal National Mortgage Assn.	11/19/2015	2,000,000	1.15%	0.07%	53	19-Nov-18	829
Federal Farm Credit Bank	7/25/2016	1,000,000	1.08%	0.03%	32	25-Apr-19	985
Federal Farm Credit Bank	2/23/2016	2,000,000	1.25%	0.08%	65	23-May-19	1013
Federal Home Loan Mortgage	6/30/2016	1,000,000	1.00%	0.03%	34	28-Jun-19	1048
Fannie Mae	7/26/2016	1,000,000	1.15%	0.04%	35	26-Jul-19	1076
Federal Farm Credit Bank	10/5/2015	1,000,000	1.42%	0.05%	37	21-Oct-19	1161
Federal Home Loan Bank Agency	10/15/2015	2,000,000	1.40%	0.09%	75	29-Oct-19	1169
Federal Home Loan Mortgage	6/30/2016	2,000,000	1.25%	0.08%	79	30-Dec-19	1230
Federal National Mortgage Assn.	6/30/2016	2,000,000	1.50%	0.10%	103	30-Dec-20	1590
Federal Home Loan Mortgage	6/30/2016	1,000,000	1.25%	0.04%	57	30-Jun-21	1770
Certificates of Deposit							
FLS Term Series-General Fund	9/29/2015	1,000,000	0.60%	0.02%	2	28-Sep-16	58
FLS Term Series-General Fund	12/22/2015	2,000,000	0.65%	0.04%	9	21-Dec-16	141
Florida Community Bank	10/15/2015	2,000,000	0.84%	0.05%	5	14-Oct-16	74
Florida Community Bank	10/16/2015	2,000,000	0.84%	0.05%	5	17-Oct-16	77
Total Investments		<u>\$ 31,000,000</u>			<u>752</u>	Days/Maturity	
Weighted Average Interest Rate				<u><u>1.07%</u></u>			
Weighted Average Maturity					<u><u>2.06</u></u>	Years	
Bench Mark = 3 yr Treasury Bond Rate				1.31%			
Cash & Cash Equivalents:							
TD Wealth		-	0.00%	0.000%			
Capital Bank*		2,009,274	0.25%	0.011%			
BB&T Bank*		1,791	0.10%	0.000%			
FLSAFE - Investment Pool*		2,027,093	0.49%	0.022%			
Bank United *		5,178,667	0.35%	0.040%			
FL Community Bank		10,139,470	0.40%	0.090%			
Stonegate Bank		2,010,923	0.40%	0.018%			
SunTrust Bank **		23,745,478	0.00%	0.000%			
Total Cash & Cash Equivalents		<u>\$ 45,112,695</u>					
Weighted Average Interest Rate				<u><u>0.17%</u></u>			
Bench Mark = SBA				0.36%			
Total Cash & Investments		<u><u>\$ 76,112,695</u></u>					

* - Interest rate as of quarter-end

** - Compensating balance which reduces banking fees by .35%

City of Venice, Florida
Quarterly Cash & Cash Equivalents - By Fund
July 31, 2016

Unrestricted Governmental Funds:

General Fund	13,405,097
Motor Fuel Tax Fund	1,011,209
Contraband Forfeiture Fund	16,474
Police Training Fund	150
Boat Registration Fund	58,559
One Cent Sales Tax Fund	3,978,957
Second Occupational License Fund	21,925
Growth Management Training Fund	84,768
Parking Fines Handicapped Access Fund	103,103
Building Permit Fund	3,366,388
General Capital Projects	1,020,727
Drainage & Paving Capital Projects Fund	1,700,800
Buildings & Renovations	185,119
Beach Renourishment Capital Projects Fund	(1,081,178)
Centennial Community Trust	58,764
Historical Resources	14,079
Total Governmental Cash & Equivalents	<u>23,944,941</u>

Unrestricted Business-Type Funds:

Airport Fund	2,126,902
Water & Sewer Utilities Fund	19,672,364
Solid Waste Fund	3,938,968
Stormwater Utilities Fund	1,737,748
Group Life & Health Insurance Fund	2,949,535
Workers Compensation Self Insurance Fund	356,074
Employee Flexible Spending Fund	(6,634)
Property Liability Insurance Fund	610,739
Fleet Services	976,672
Total Business-Type Cash & Equivalents	<u>32,362,368</u>

Restricted:

2004 General Obligation Bonds Debt Service Fund	796,033
Utilities	8,443,795
Airport Capital	3,416,445
Utility Revenue Bond 2015	7,029,492
Solid Waste Fund 470-0000-220.00-00 customer deposits	119,621
Total Restricted Cash & Equivalents	<u>19,805,386</u>

Grand Total Cash & Cash Equivalents \$ 76,112,695

Cash per investment tab \$ 76,112,695

Difference - (Negative = cash per G/L less than
Investment Reconciliation) / Positive = Cash per G/L
more than Investment Reconciliation (0)

0.000%

Cash & Investments as of July 31, 2016
\$76,112,695

