



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

FROM: Linda Senne, CPA, CGFM, Finance Director

DATE: November 15, 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 September 30, 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 benchmark established by the policy, a listing of cash & investments by fund, and finally a graphical presentation of the make up of the City's cash and investment portfolio.

Portfolio Composition

In anticipation of a pending increase in the prime interest rate, the City's investment portfolio is heavily invested in short-term cash equivalents at six local banks (55%) with the majority residing in SunTrust, Florida Community Bank, Capital Bank, Stonegate Bank and Bank United. The City's portfolio also contains longer-term United States Government Agency Securities e.g., Federal Home Loan Bank Notes (32%). Finally, the balance of the portfolio is invested in a local investment pool and certificates of deposit (13%).

Portfolio Valuation

The portfolio's market value is slightly lower than its original purchase price. This is not uncommon with fixed-income securities in a rising interest-rate environment. These swings are the reason behind the City's policy to hold investments until maturity (the change in market value is expected and anticipated). This is also 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.

Investment Return

The City's portfolio performed within expected parameters against the benchmark for the quarter. Excluding cash equivalents, the City's longer-term weighted average return is 1.07% which is 19 basis points above the bench mark of a 3-year treasury bond, 0.88% (September 30, 2016 rate). With the anticipation that the FOMC would increase rates prior to the end of the calendar year, many of the long-term investments were "called" prior to maturity. At their September meeting, the FOMC left the Federal Funds rate target range

unchanged at 0.25%-0.50%; there were three dissenting votes. In the accompanying statement, the Fed mentioned that rates will likely move upward in a gradual fashion. The Federal Reserve Bank is still forecasting a single rate hike by year-end, two in 2017 and three in 2018. Initially, they were forecasting four rate hikes in 2016, but due to volatility in the stock market, weak global economic data, and concerns regarding the impact of Brexit (British Exit), they postponed rate hikes. Investing further out on the yield curve (for a longer period of time) did 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 2.08 years which is well below the maximum set by policy of 5 years.

Portfolio Fund Allocation

The cash and investments by fund schedule shows how the portfolio is distributed among the City's various funds and activities at quarter-end. All funds are in a positive cash position.

The General Fund's cash balance is currently within our fund balance policy guidelines.

The One-Cent Sales Tax Fund has a large cash balance since almost \$1.4 million of projects budgeted in FY2016 were carried forward to the FY2017 budget.

The Beach Renourishment Fund is no longer in a negative cash position since we have received our reimbursement from the state for the Beach Renourishment project.

The Employee Flexible Spending Fund has a small 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.

The Fleet Services Fund has over \$2 million in cash as a result of budgeted transfers to the fund for which vehicles had not been purchased/paid for as of September 30, 2016.

Pie Graph

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

September 30, 2016

| | | | | | Net Realized | Net Realized | |
|---------------------------------|--------------|---------------|---------------|----------|------------------|------------------|-----------|
| | | Purchase | Market | Interest | Interest Revenue | Interest Revenue | Maturity |
| Investments: | CUSIP | Price | Value | Rate | 30-Sep-2016 | 30-Sep-2016 | Date |
| Agencies: | | | | | | | |
| Federal Farm Credit Bank | 3133EC5A8 | \$ 1,000,000 | \$ 999,922 | 0.87% | 2,973 | 2,895 | 27-Nov-17 |
| Federal Home Loan Bank Agency | 3134G32Y5 | 2,000,000 | 2,000,100 | 0.90% | 4,600 | 4,700 | 28-Dec-17 |
| Federal Home Loan Bank Agency | 3134G33Y4 | 1,000,000 | 1,000,020 | 0.95% | 1,794 | 1,814 | 22-Jan-18 |
| Federal National Mortgage Assn. | 3136G1GU7 | 1,000,000 | 999,680 | 1.05% | 5,338 | 5,018 | 27-Mar-18 |
| Federal Farm Credit Bank | 3133EFJP3 | 1,000,000 | 999,230 | 1.10% | 5,042 | 4,272 | 15-Oct-18 |
| Federal National Mortgage Assn. | 3136G2R66 | 2,000,000 | 2,001,080 | 1.15% | 8,369 | 9,449 | 19-Nov-18 |
| Federal Farm Credit Bank | 3133EGNC5 | 1,000,000 | 998,260 | 1.08% | 1,950 | 210 | 25-Apr-19 |
| Federal Farm Credit Bank | 3133EFD20 | 2,000,000 | 1,998,200 | 1.25% | 2,569 | 769 | 23-May-19 |
| Federal Home Loan Mortgage | 3134G9F93 | 1,000,000 | 997,900 | 1.00% | 2,500 | 400 | 28-Jun-19 |
| Fannie Mae | 3136G3Q73 | 1,000,000 | 1,000,130 | 1.15% | 2,044 | 2,174 | 26-Jul-19 |
| Federal Farm Credit Bank | 3133EGSD8 | 2,000,000 | 1,996,120 | 1.13% | 2,323 | (1,557) | 23-Aug-19 |
| Fannie Mae | 3136G36X8 | 2,000,000 | 1,998,500 | 1.14% | - | (1,500) | 13-Sep-19 |
| Federal Farm Credit Bank | 3133EFJJ7 | 1,000,000 | 1,000,170 | 1.42% | 6,272 | 6,442 | 21-Oct-19 |
| Federal Home Loan Bank Agency | 3130A6NA1 | 2,000,000 | 1,994,300 | 1.40% | 11,744 | 6,044 | 29-Oct-19 |
| Federal Home Loan Mortgage | 3434G9WK9 | 2,000,000 | 1,994,860 | 1.25% | 6,250 | 1,110 | 30-Dec-19 |
| Federal National Mortgage Assn. | 3136G3UT0 | 2,000,000 | 2,000,420 | 1.50% | 7,500 | 7,920 | 30-Dec-20 |
| Federal Home Loan Mortgage | 3134G9XD4 | 1,000,000 | 1,000,160 | 1.25% | 3,125 | 3,285 | 30-Jun-21 |
| FL Safe Term Series | | | | | | | |
| FLS Term Series-General Fund | 20170929AA07 | 2,000,000 | 2,000,000 | 0.75% | - | - | 29-Sep-17 |
| FLS Term Series-General Fund | 20161221AA07 | 2,000,000 | 2,000,000 | 0.65% | 9,750 | 9,750 | 21-Dec-16 |
| FIIP | | | | | | | |
| Florida Community Bank | 217147 | 2,000,000 | 2,000,000 | 0.84% | 16,100 | 16,100 | 14-Oct-16 |
| Florida Community Bank | 217153 | 2,000,000 | 2,000,000 | 0.84% | 16,053 | 16,053 | 17-Oct-16 |
| Cash & Cash Equivalents: | | | | | | | |
| Capital Bank* | | 2,010,138 | 2,010,138 | 0.25% | 1,256 | 1,256 | Liquid |
| BB&T Bank* | | 1,791 | 1,791 | 0.10% | - | - | Liquid |
| FLSAFE - Investment Pool* | | 2,034,976 | 2,034,976 | 0.49% | 2,493 | 2,493 | Liquid |
| Bank United * | | 5,181,688 | 5,181,688 | 0.35% | 4,534 | 4,534 | Liquid |
| FL Community Bank | | 10,146,250 | 10,146,250 | 0.40% | 10,146 | 10,146 | Liquid |
| Stonegate Bank | | 2,012,268 | 2,012,268 | 0.40% | 2,012 | 2,012 | Liquid |
| SunTrust Bank ** | | 23,511,232 | 23,511,232 | 0.00% | - | - | Liquid |
| | | \$ 77,898,342 | \$ 77,877,394 | | \$ 136,737 | \$ 115,789 | |

* - Interest rate as of quarter-end

** - Compensating balance which reduces banking fees by .15%

City of Venice, Florida
Quarterly Investment Report
September 30, 2016

| | | Purchase Date | Purchase Price | Interest Rate | Weighted Average Interest Rate | Weighted Average Maturity | Maturity Date |
|--------------------------------------|--------------|------------------|----------------------|------------------|--------------------------------------|---------------------------------|------------------|
| Investments: | | | | | | | |
| Agencies: | | | | | | | |
| Federal Farm Credit Bank | 3133EC5A8 | 12/18/2012 | \$ 1,000,000 | 0.87% | 0.03% | 13 | 27-Nov-17 |
| Federal Home Loan Bank Agency | 3134G32Y5 | 12/28/2012 | 2,000,000 | 0.90% | 0.05% | 27 | 28-Dec-17 |
| Federal Home Loan Bank Agency | 3134G33Y4 | 1/22/2013 | 1,000,000 | 0.95% | 0.03% | 14 | 22-Jan-18 |
| Federal National Mortgage Assn. | 3136G1GU7 | 3/27/2013 | 1,000,000 | 1.05% | 0.03% | 16 | 27-Mar-18 |
| Federal Farm Credit Bank | 3133EFDF1 | 9/9/2015 | - | 1.22% | 0.00% | - | 21-Sep-18 |
| Federal Farm Credit Bank | 3133EFJP3 | 10/5/2015 | 1,000,000 | 1.10% | 0.03% | 22 | 15-Oct-18 |
| Federal National Mortgage Assn. | 3136G2R66 | 11/19/2015 | 2,000,000 | 1.15% | 0.07% | 47 | 19-Nov-18 |
| Federal Farm Credit Bank | 3133EGNC5 | 7/25/2016 | 1,000,000 | 1.08% | 0.03% | 28 | 25-Apr-19 |
| Federal Farm Credit Bank | 3133EFD20 | 2/23/2016 | 2,000,000 | 1.25% | 0.08% | 58 | 23-May-19 |
| Federal Home Loan Mortgage | 3134G9F93 | 6/30/2016 | 1,000,000 | 1.00% | 0.03% | 30 | 28-Jun-19 |
| Fannie Mae | 3136G3Q73 | 7/26/2016 | 1,000,000 | 1.15% | 0.03% | 31 | 26-Jul-19 |
| Federal Farm Credit Bank | 3133EGSD8 | 8/23/2016 | 2,000,000 | 1.13% | 0.07% | 63 | 23-Aug-19 |
| Fannie Mae | 3136G36X8 | 9/13/2016 | 2,000,000 | 1.14% | 0.07% | 64 | 13-Sep-19 |
| Federal Farm Credit Bank | 3133EFJJ7 | 10/5/2015 | 1,000,000 | 1.42% | 0.04% | 33 | 21-Oct-19 |
| Federal Home Loan Bank Agency | 3130A6NA1 | 10/15/2015 | 2,000,000 | 1.40% | 0.08% | 67 | 29-Oct-19 |
| Federal Home Loan Mortgage | 3434G9WK9 | 6/30/2016 | 2,000,000 | 1.25% | 0.08% | 71 | 30-Dec-19 |
| Federal National Mortgage Assn. | 3136G3UT0 | 6/30/2016 | 2,000,000 | 1.50% | 0.09% | 93 | 30-Dec-20 |
| Federal Home Loan Mortgage | 3134G9XD4 | 6/30/2016 | 1,000,000 | 1.25% | 0.04% | 52 | 30-Jun-21 |
| Certificates of Deposit | | | | | | | |
| FLS Term Series-General Fund | 20170929AA07 | 9/29/2015 | 2,000,000 | 0.75% | 0.05% | 22 | 29-Sep-17 |
| FLS Term Series-General Fund | 20161221AA07 | 12/22/2015 | 2,000,000 | 0.65% | 0.04% | 5 | 21-Dec-16 |
| Florida Community Bank | 217147 | 10/15/2015 | 2,000,000 | 0.84% | 0.05% | 1 | 14-Oct-16 |
| Florida Community Bank | 217153 | 10/16/2015 | 2,000,000 | 0.84% | 0.05% | 1 | 17-Oct-16 |
| Total Investments | | | <u>\$ 33,000,000</u> | | | <u>758</u> | Days/Maturity |
| Weighted Average Interest Rate | | | | | <u><u>1.07%</u></u> | | |
| Weighted Average Maturity | | | | | | <u><u>2.08</u></u> | Years |
| Bench Mark = 3 yr Treasury Bond Rate | | | | | 0.88% | | |
| Cash & Cash Equivalents: | | | | | | | |
| Capital Bank* | | | 2,010,138 | 0.25% | | | |
| BB&T Bank* | | | 1,791 | 0.10% | | | |
| FLSAFE - Investment Pool* | | | 2,034,976 | 0.49% | | | |
| Bank United * | | | 5,181,688 | 0.35% | | | |
| FL Community Bank * | | | 10,146,250 | 0.40% | | | |
| Stonegate Bank * | | | 2,012,268 | 0.40% | | | |
| SunTrust Bank ** | | | 23,511,232 | 0.00% | | | |
| Total Cash & Cash Equivalents | | | <u>\$ 44,898,342</u> | | | | |
| Total Cash & Investments | | | <u>\$ 77,898,342</u> | | | | |

* - Interest rate as of quarter-end

** - Compensating balance which reduces banking fees by .15%

City of Venice, Florida
Quarterly Cash & Investments - By Fund
September 30, 2016

Unrestricted Governmental Funds:

| | |
|--|-------------------|
| General Fund | 11,803,489 |
| Motor Fuel Tax Fund | 65,358 |
| Contraband Forfeiture Fund | 16,485 |
| Police Training Fund | 1,783 |
| Boat Registration Fund | 49,800 |
| One Cent Sales Tax Fund | 3,879,397 |
| Second Occupational License Fund | 23,163 |
| Growth Management Training Fund | 86,373 |
| Parking Fines Handicapped Access Fund | 96,222 |
| Building Permit Fund | 3,483,137 |
| General Capital Projects | 1,201,701 |
| Drainage & Paving Capital Projects Fund | 2,040,907 |
| Buildings & Renovations | 185,235 |
| Beach Renourishment Capital Projects Fund | 1,341,277 |
| Centennial Community Trust | 58,800 |
| Historical Resources | 16,548 |
| Total Governmental Cash & Investments | 24,349,674 |

Unrestricted Business-Type Funds:

| | |
|--|-------------------|
| Airport Fund | 3,877,903 |
| Water & Sewer Utilities Fund | 21,225,598 |
| Solid Waste Fund | 2,779,188 |
| Stormwater Utilities Fund | 1,829,154 |
| Group Life & Health Insurance Fund | 2,323,472 |
| Workers Compensation Self Insurance Fund | 799,077 |
| Employee Flexible Spending Fund | 142 |
| Property Liability Insurance Fund | 634,517 |
| Fleet Services | 2,650,085 |
| Total Unrestricted Business-Type Cash & Investments | 36,119,135 |

Restricted:

| | |
|---|----------------------|
| 2004 General Obligation Bonds Debt Service Fund | 224,351 |
| Utilities: | 13,667,866 |
| Debt Service Reserve | 2,261,225 |
| Wastewater Capital Impr | 2,668,595 |
| Water Plant Capacity | 1,535,072 |
| Sewer Plant Capacity | 1,054,510 |
| Renewal & Replacement | 1,000,000 |
| Utility Revenue Bond15 | 5,148,464 |
| Airport Capital | 3,416,445 |
| Solid Waste Fund 470-0000-220.00-00 customer deposits | 120,871 |
| Total Restricted Cash & Investments | 17,429,533 |
| Grand Total Cash & Cash Investments | \$ 77,898,342 |

Cash & Investments as of September 30, 2016
\$77,898,342

