



Annual Investment Report Presentation to City Council



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March 8, 2016

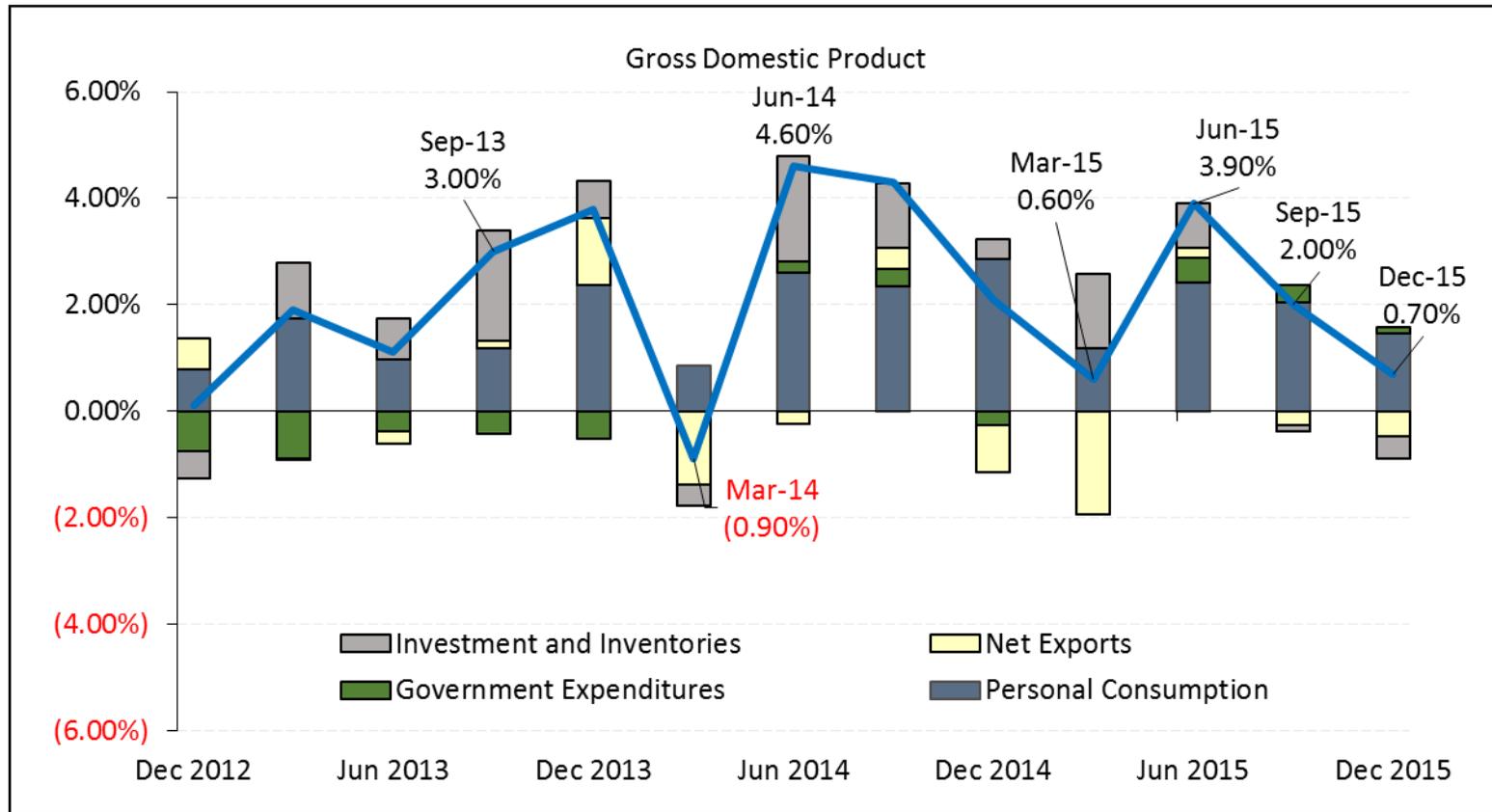
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Economic Update and Yield Curve Analysis

Gross Domestic Product

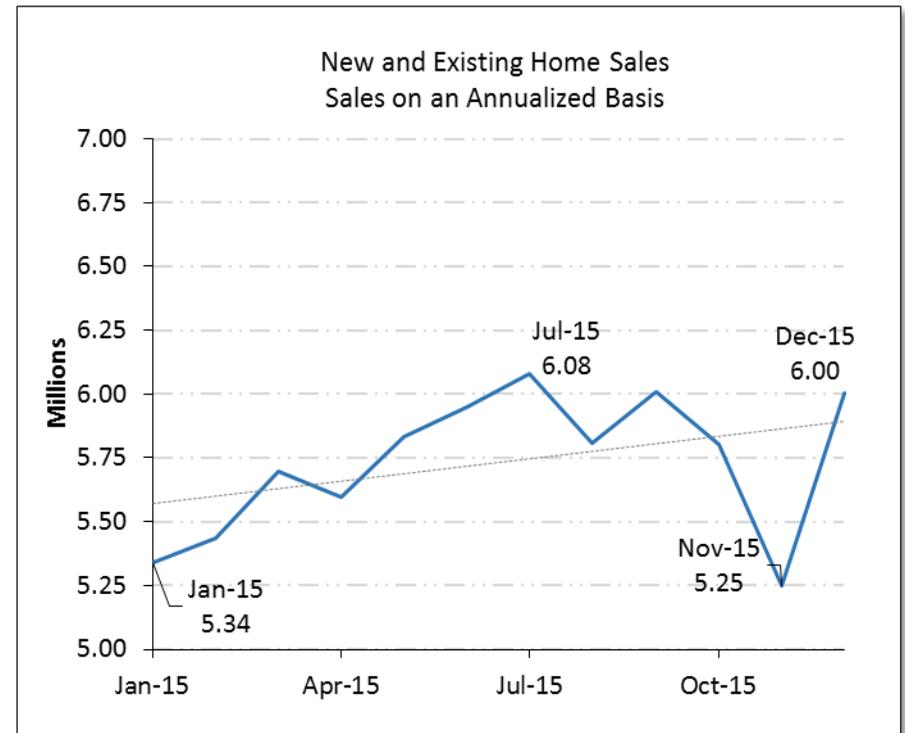
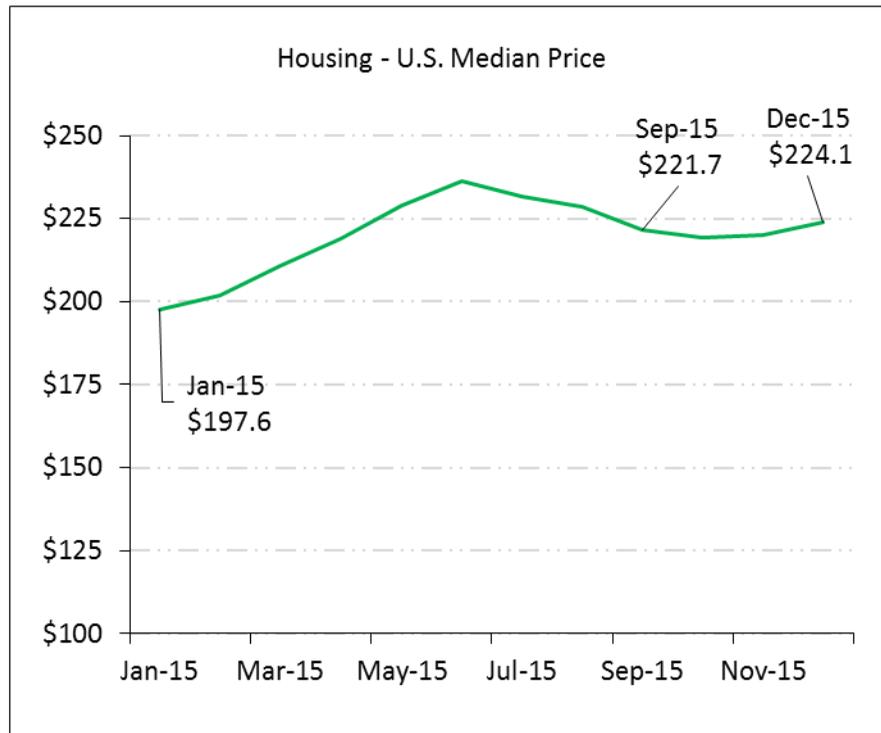
- Slower growth in 4th Quarter.
- Similar trend to previous years' growth.



Source: Bloomberg – The charts above x data available from Bloomberg and are intended for informational purposes only and not a recommendation. Past performance is not indicative of future performance.

Housing

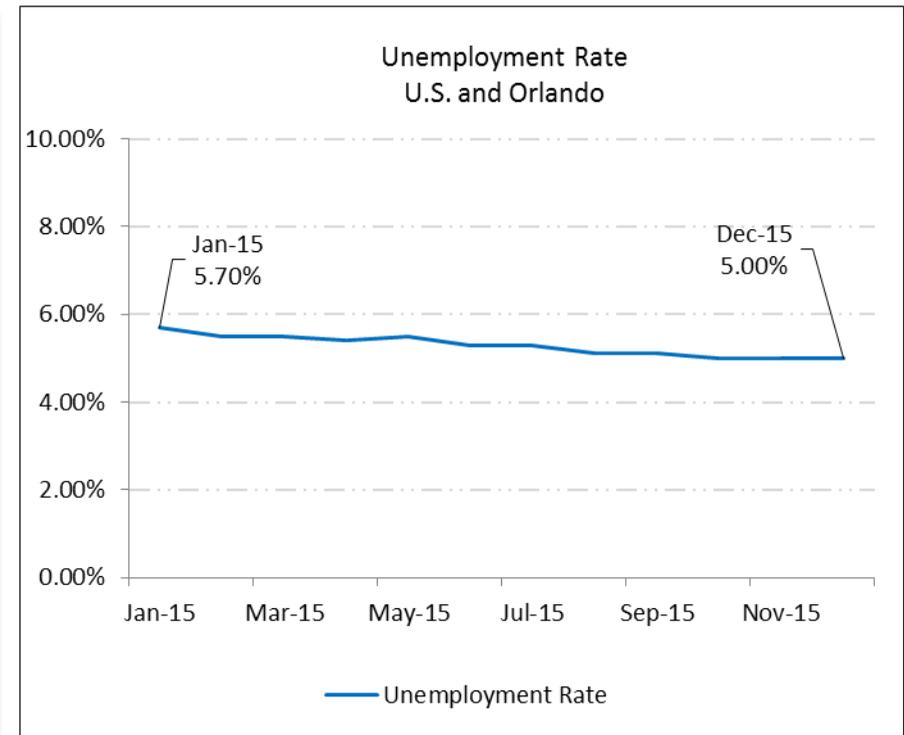
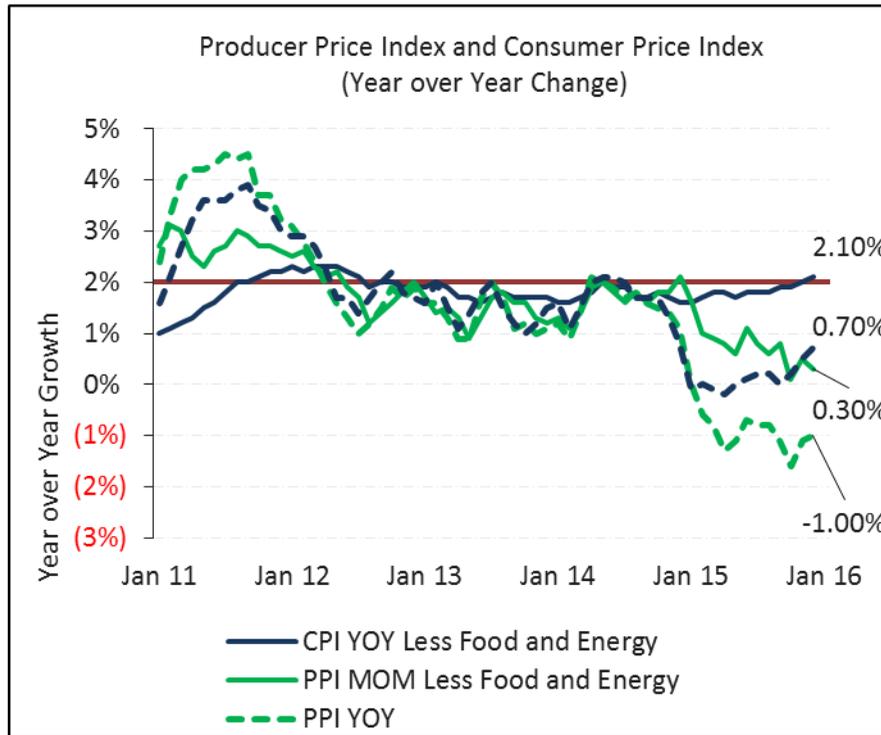
- Housing prices continued to increase during 2015.
- Home sales peaked in July and maintained an upward trend for 2015.



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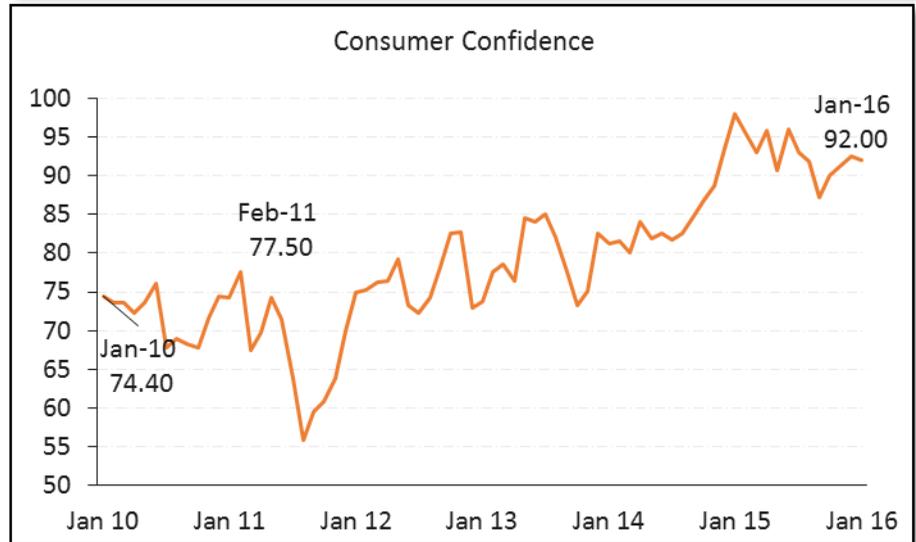
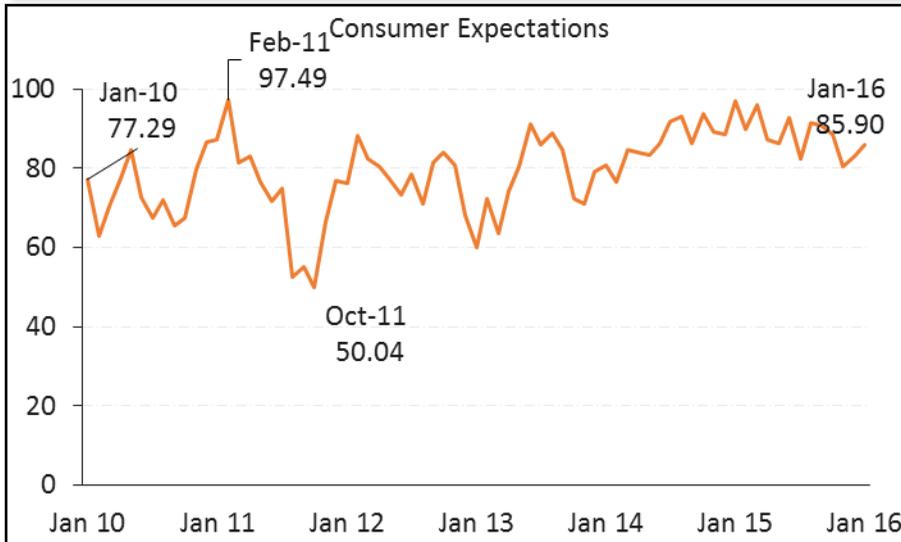
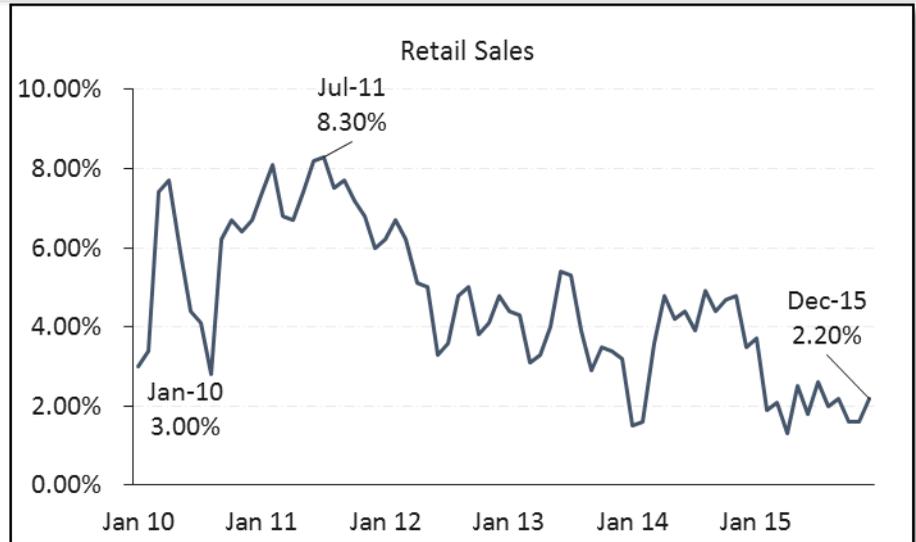
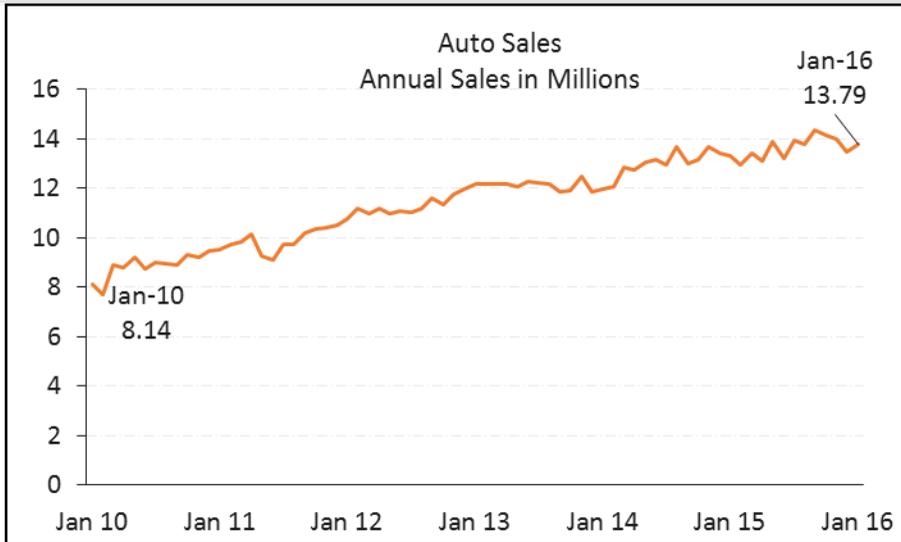
Unemployment and Inflation

- Oil prices continue to keep CPI and PPI below 2.0%, primarily as a result of plummeting oil prices.
- Unemployment trended lower during the year ending at 5.0%.



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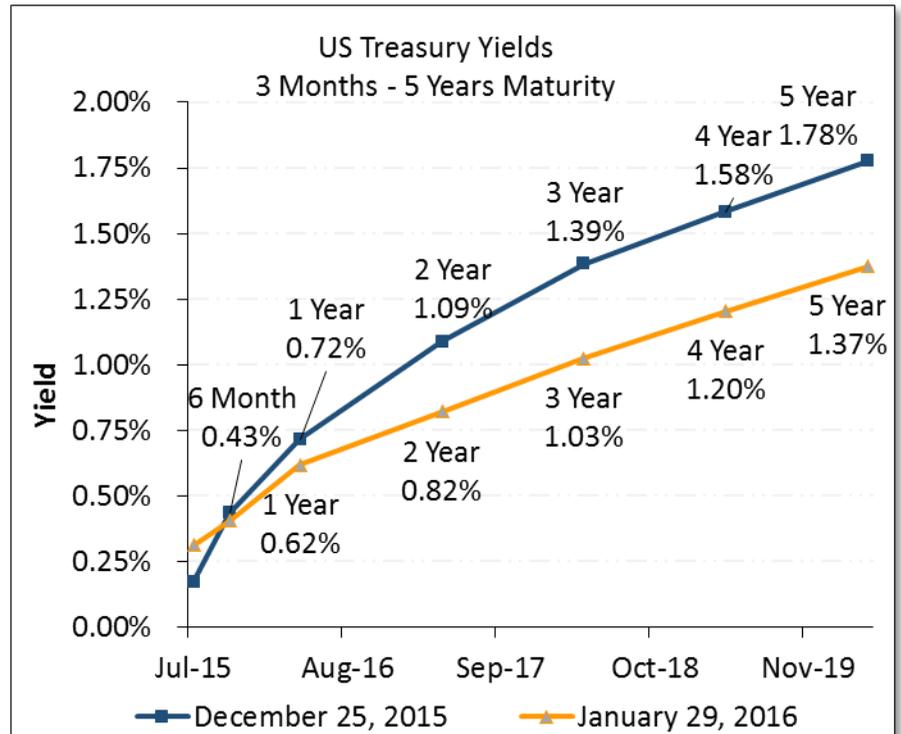
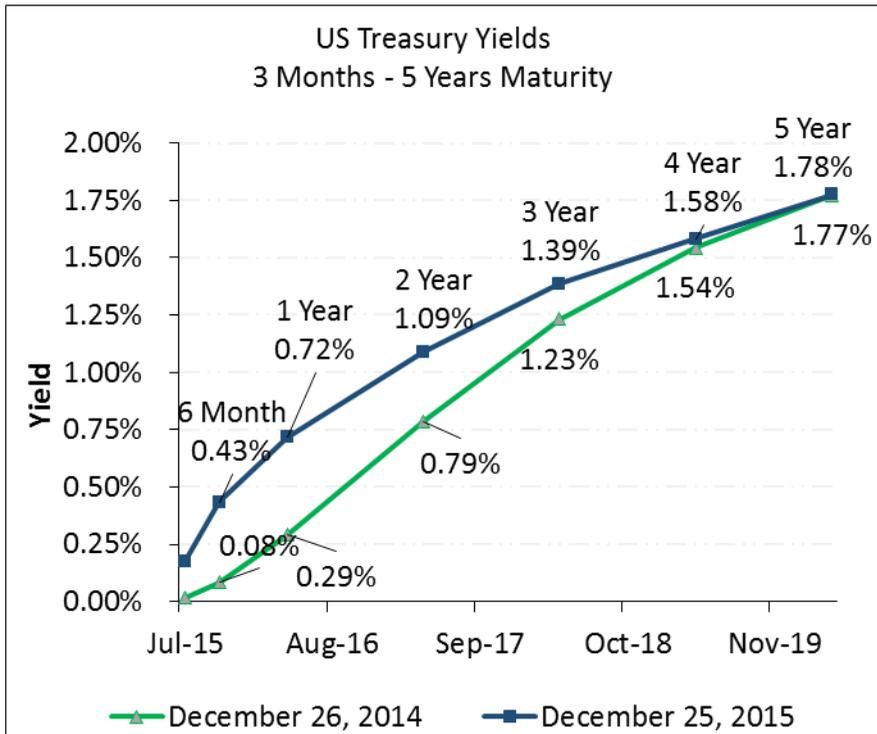
The Consumer



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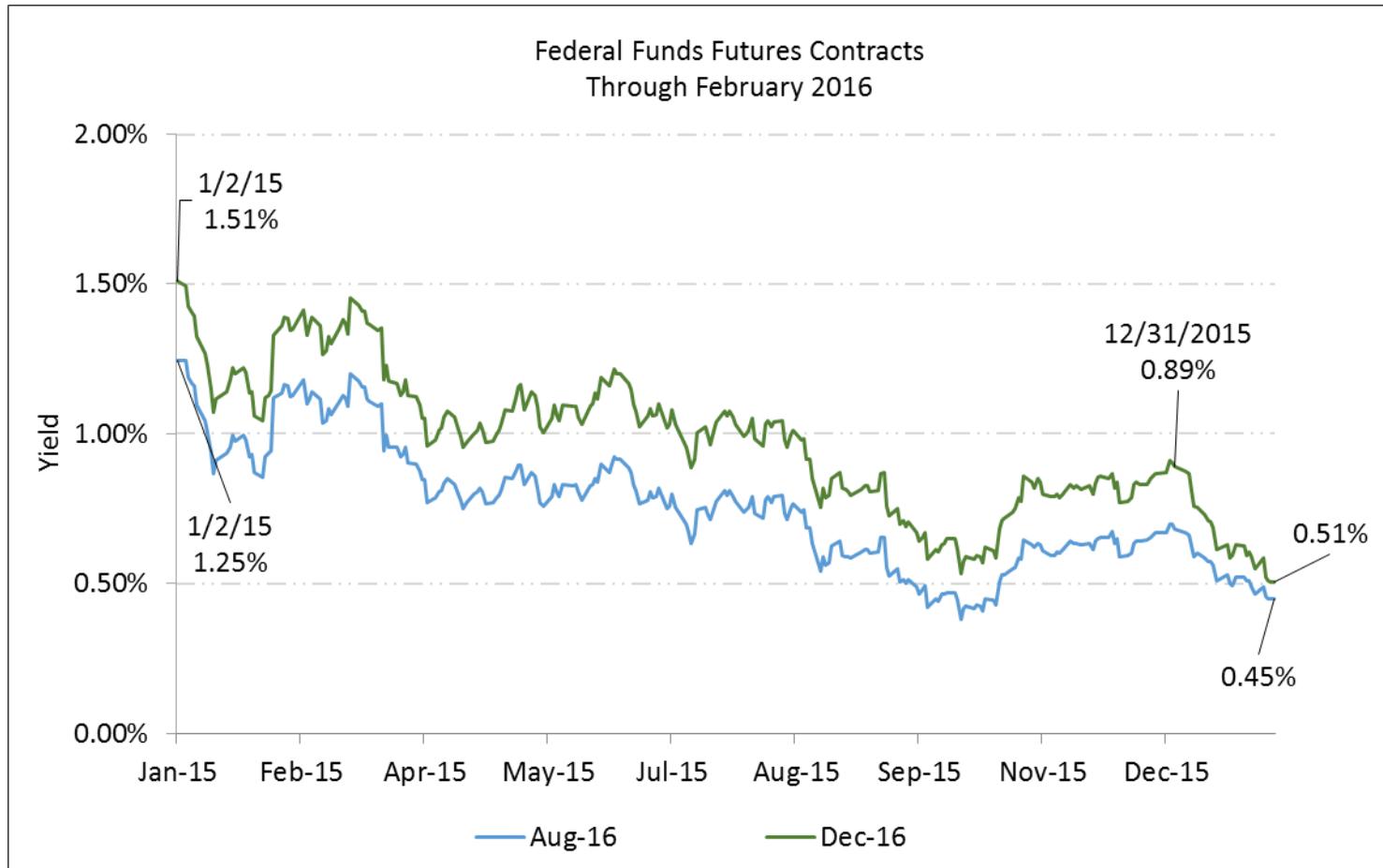
Yield Curve Analysis Shift up in 2015 – then Down in 2016

- After a volatile first 9 months, interest rates for maturities 5 years and less increased dramatically in the last quarter of 2015.
- Oil prices and concerns of global economic growth in early 2016 are primary drivers of decreasing yields in January 2016



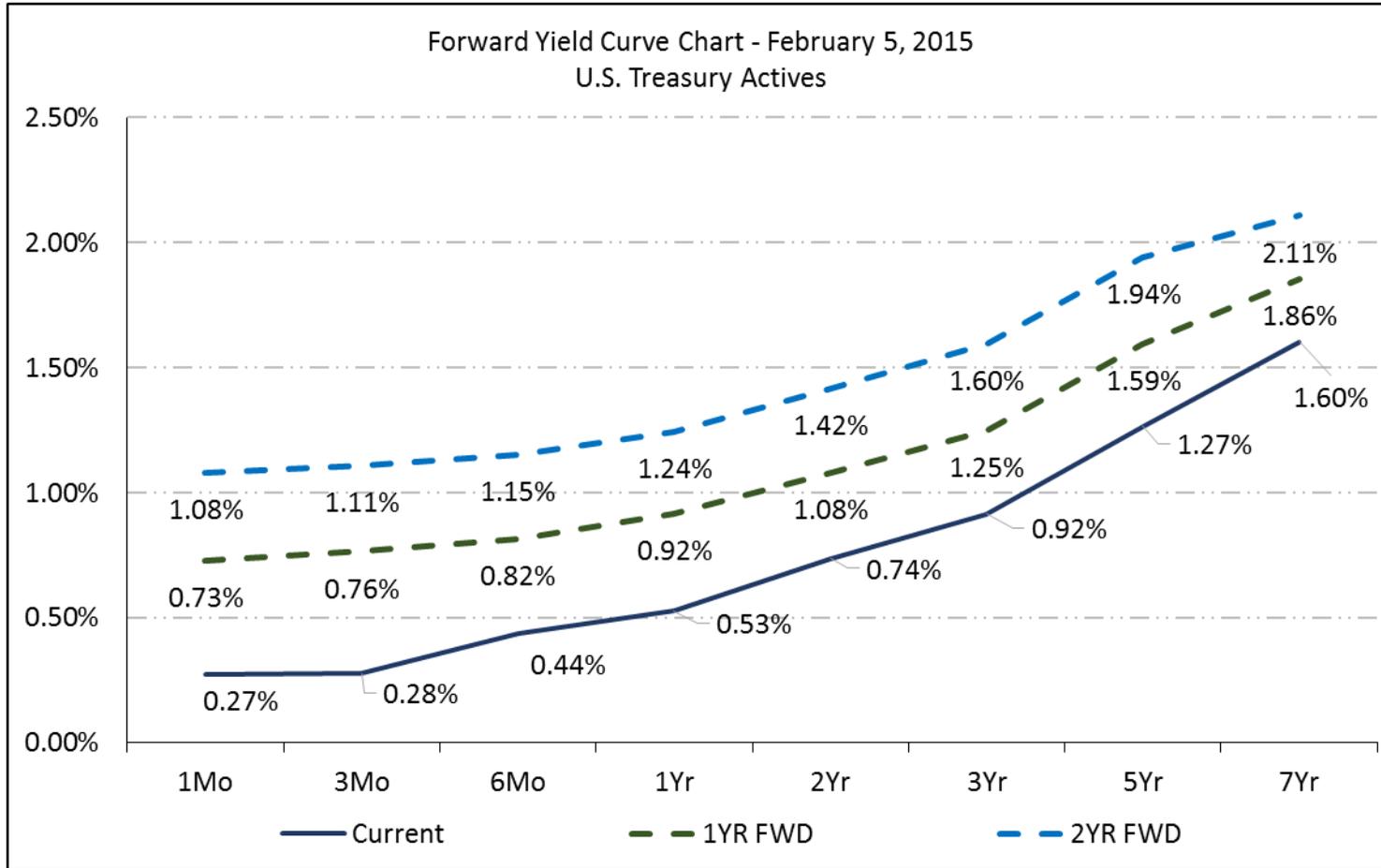
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Fed Funds Futures



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Forward Yield Curves



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Individual Portfolio Characteristics

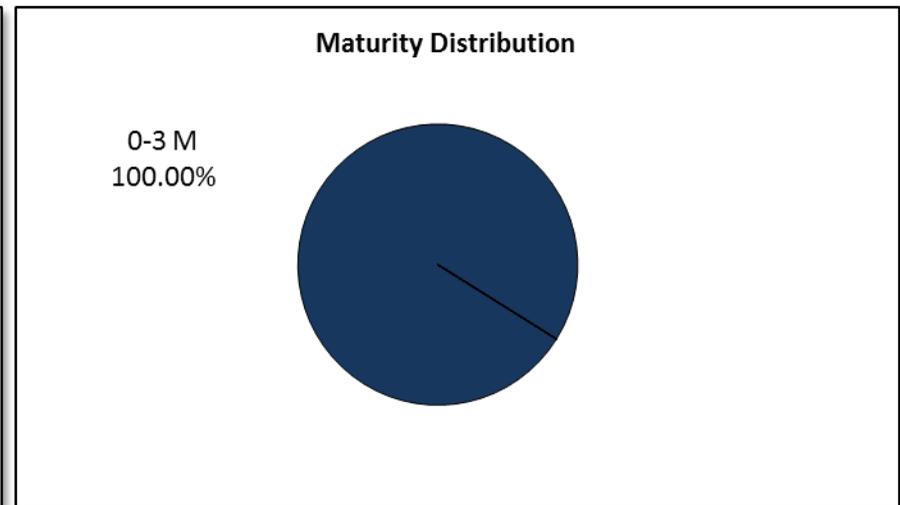
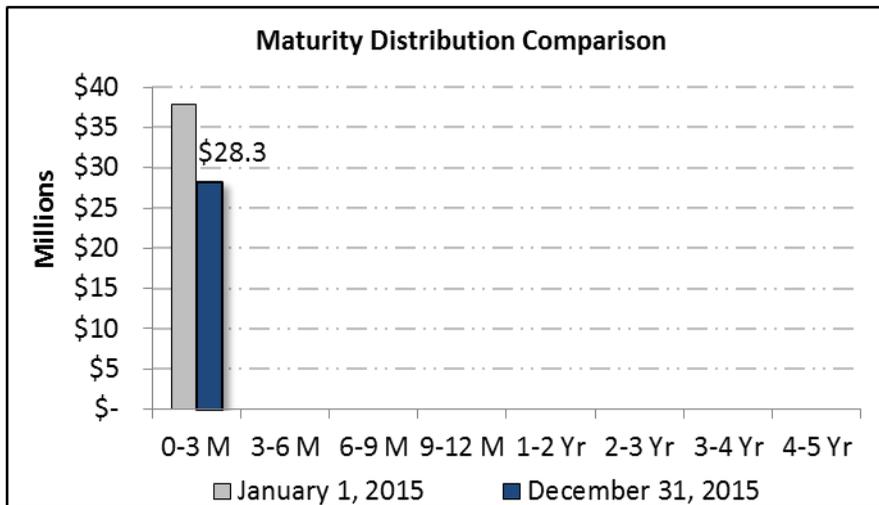
Investment Recap for 2015

- ☰ All investments remained in compliance with the City's investment policy statement and Florida Statutes during 2015.
- ☰ The investment program utilized multiple maturity investment strategies during the year based on current interest rates and liquidity needs within each portfolio.
- ☰ This diversified investment program seeks to enhance earnings with higher yielding securities versus overnight investment options for assets not needed for daily liquidity.
 - ☰ Cash portfolio for daily liquidity and ongoing expenditures
 - ☰ Managed Portfolio for reserve funds
 - ☰ Utility System for project Expenditures
 - ☰ DSRF reserve for bond debt services reserve
- ☰ The investments were invested in U.S. Treasury notes, Government Sponsored Enterprises (FNMA, FHLMC, FHLB, FFCB) as well as highly rated corporate notes and commercial paper. Bank deposits and FLPRIME were utilized for overnight investments.
- ☰ The City's investments received approximately \$425k in interest income during 2015.

Cash Portfolio Characteristics 2015

- Provides daily liquidity for short term operational expenses.
- Increasing interest rates and cash flow opportunities provided the opportunity to reduce cash investments and invest in the Managed Portfolio for longer term project expenditures and reserves.

Portfolio Characteristic	January 1, 2015 Beginning Balance	December 31, 2015 Ending Balance
Book Value Plus Accrued	\$ 37,800,974.36	\$ 28,269,059.23
Market Value Plus Accrued	\$ 37,800,974.36	\$ 28,269,059.23
Book Yield Gross	0.23%	0.28%
Market Yield Gross	0.23%	0.28%
Duration	0.00 Years	0.00 Years

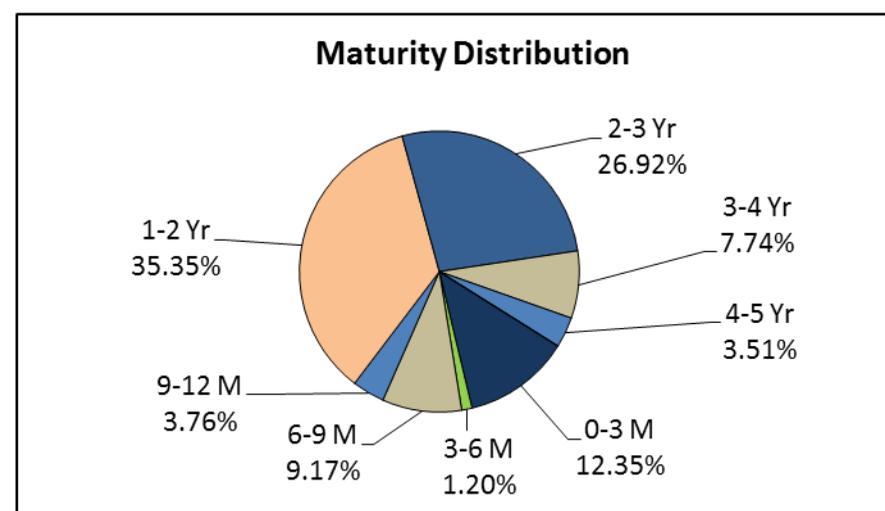
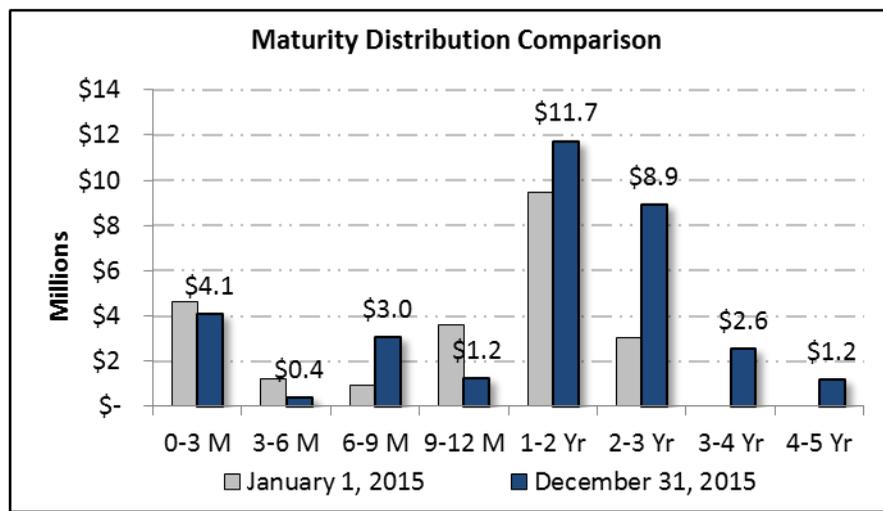


Source: Public Trust. Data based on information provided by custodian.

Managed Portfolio Characteristics 2015

- Active managed investment strategy
- Assets identified for as core asset reserves
- Increased allocation to managed portfolio based on cash flow needs and interest rate environment.
- Diversification within maturity structure and asset allocation.
- Increased duration during the period which resulted in higher book yield for the portfolio.

Portfolio Characteristic	January 1, 2015 Beginning Balance	December 31, 2015 Ending Balance
Book Value Plus Accrued	\$ 22,787,040.10	\$ 33,303,489.52
Market Value Plus Accrued	\$ 22,803,752.65	\$ 33,209,826.08
Book Yield Gross	0.53%	0.91%
Market Yield Gross	0.42%	1.06%
Duration	1.07 Years	1.68 Years

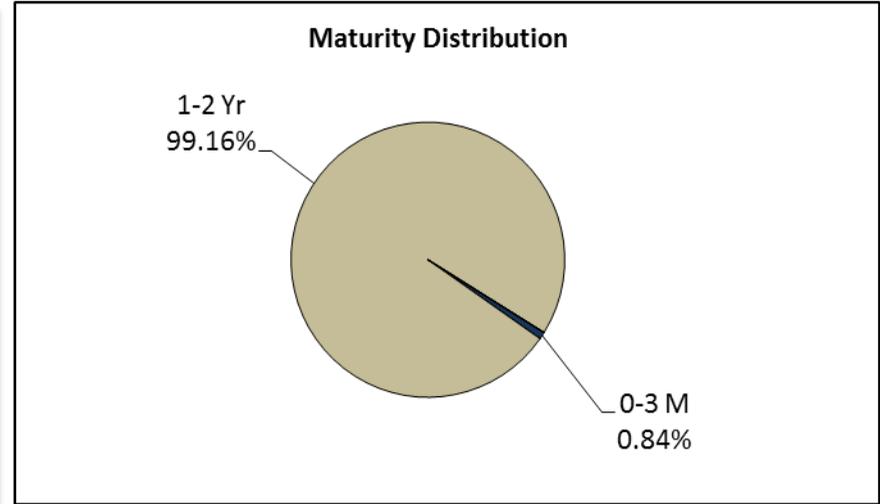
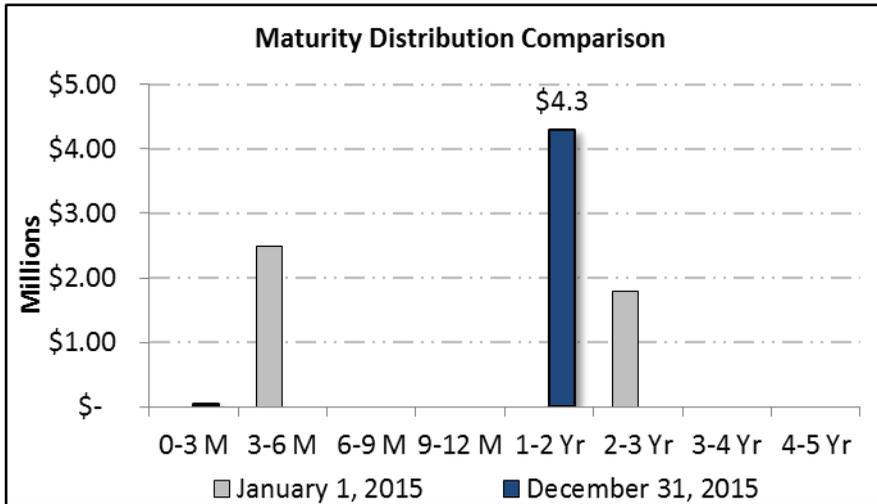


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Debt Service Reserve Fund Characteristics 2015

- ☰ The DSRF services as a credit enhancement for the Utility System bonds debt service.
- ☰ Investments based on maturities within the portfolio
- ☰ Portfolio balance amount required based on debt service.

Portfolio Characteristic	January 1, 2015 Beginning Balance	December 31, 2015 Ending Balance
Book Value Plus Accrued	\$ 4,289,844.31	\$ 4,331,950.32
Market Value Plus Accrued	\$ 4,296,065.87	\$ 4,324,576.61
Book Yield Gross	0.58%	0.83%
Market Yield Gross	0.47%	0.95%
Duration	1.16 Years	1.33 Years

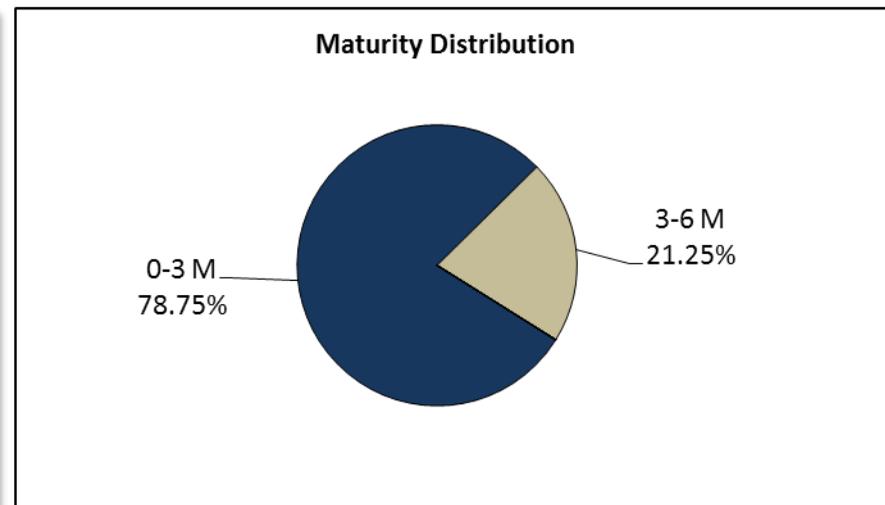
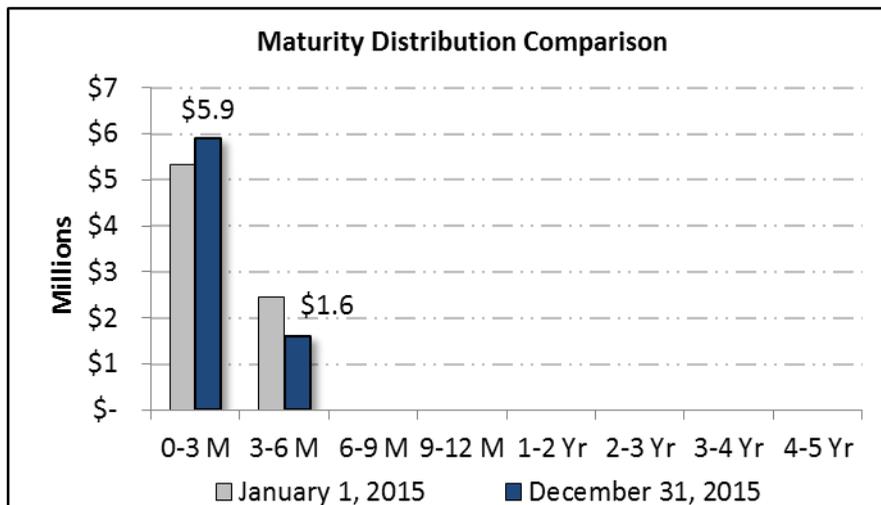


Source: Public Trust. Data based on information provided by custodian.

Utility System Refunding 2013 Fund Characteristics 2015

- The Utility System 2013 Refunding Bond portfolio provides funding for utility system related projects.
- Balances continue to decline as projects move toward completion.

Portfolio Characteristic	January 1, 2015 Beginning Balance	December 31, 2015 Ending Balance
Book Value Plus Accrued	\$ 7,784,218.67	\$ 7,502,506.43
Market Value Plus Accrued	\$ 7,784,066.58	\$ 7,502,390.43
Book Yield Gross	0.30%	0.36%
Market Yield Gross	0.39%	0.36%
Duration	0.22 Years	0.10 Years

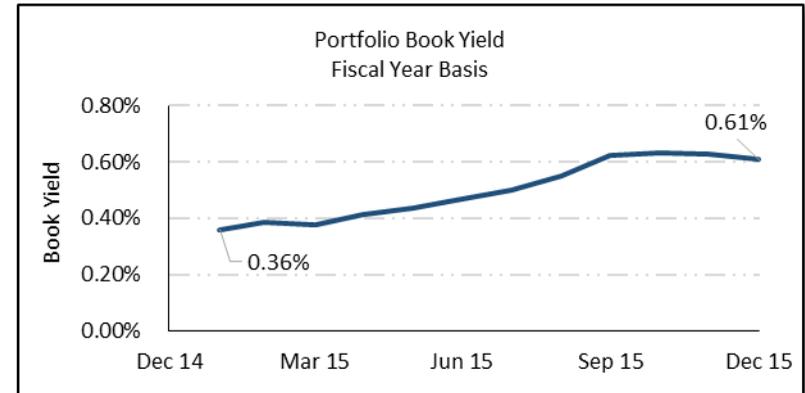


Source: Public Trust. Data based on information provided by custodian.

Aggregate Portfolio Holdings and Compliance

Aggregate Investment Holdings 2015

- Overall portfolio book yield increased as a result of upward trending interest rates and the City's diversified investment program.
- The investment program is compliant with the City's investment policy and Florida State Statutes.



Security Distribution	December 31, 2015 Ending Balance	Book Yield	Portfolio Allocation	Permitted by Policy*	Compliant
Cash	\$ 19,028,360.82	0.25%	25.96%	100.00%	YES
LGIP	7,240,221.64	0.35%	9.88%	25.00%	YES
U.S. Treasury Notes	13,518,737.17	0.82%	18.44%	100.00%	YES
FNMA	5,143,101.70	0.89%	7.02%	40.00%	YES
FHLMC	995,470.83	0.96%	1.36%	40.00%	YES
FFCB	1,000,056.25	0.93%	1.36%	40.00%	YES
FHLB	9,298,552.39	0.85%	12.68%	40.00%	YES
Fed Instrumentality Subtotal	\$ 16,437,181.17	0.88%	22.42%	80.00%	YES
Commercial Paper	1,594,384.00	0.75%	2.17%	30.00%	YES
Corporate Notes	4,837,140.18	1.29%	6.60%	15.00%	YES
Money Market Funds	9,012,944.16	0.26%	12.29%	50.00%	YES
Municipal Bonds	1,636,883.21	1.20%	2.23%	20.00%	YES
Total Portfolio Market Value	\$ 73,305,852.35	0.61%	100.00%		

Source: Public Trust. Data based on information provided by custodian.

Investment Outlook for 2016

Investment Outlook for 2016

- ▮ PRIMARY OBJECTIVES: Safety first, Liquidity and Yield
- ▮ Consider sector allocation limits within each portfolio and in aggregate.
- ▮ Review and consider using additional permitted asset classes for diversification while maintaining compliance with the investment policy statement.
- ▮ Discuss existing duration and impact of a rising interest rate/yield curve shift scenario.
- ▮ Manage interest rate risk and market volatility.
 - ▮ Cash Portfolio: provides overnight liquidity for short term expenditures
 - ▮ Managed Portfolio: diversification and income approach.
 - ▮ DSRF Portfolio: managed volatility for bond debt services reserve.
 - ▮ Utility System related projects: work closely with Finance Director for liquidity for project expenditures.
- ▮ Position the aggregate portfolio for a rising interest rate scenario while managing fluctuations in yields if recent volatility continues.
- ▮ Utilize steep yield curve environment for income for longer term investing while providing necessary cash flows for short term liquidity needs from cash and short term investments.

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