



Annual Investment Report Presentation to City Council



March 14, 2017

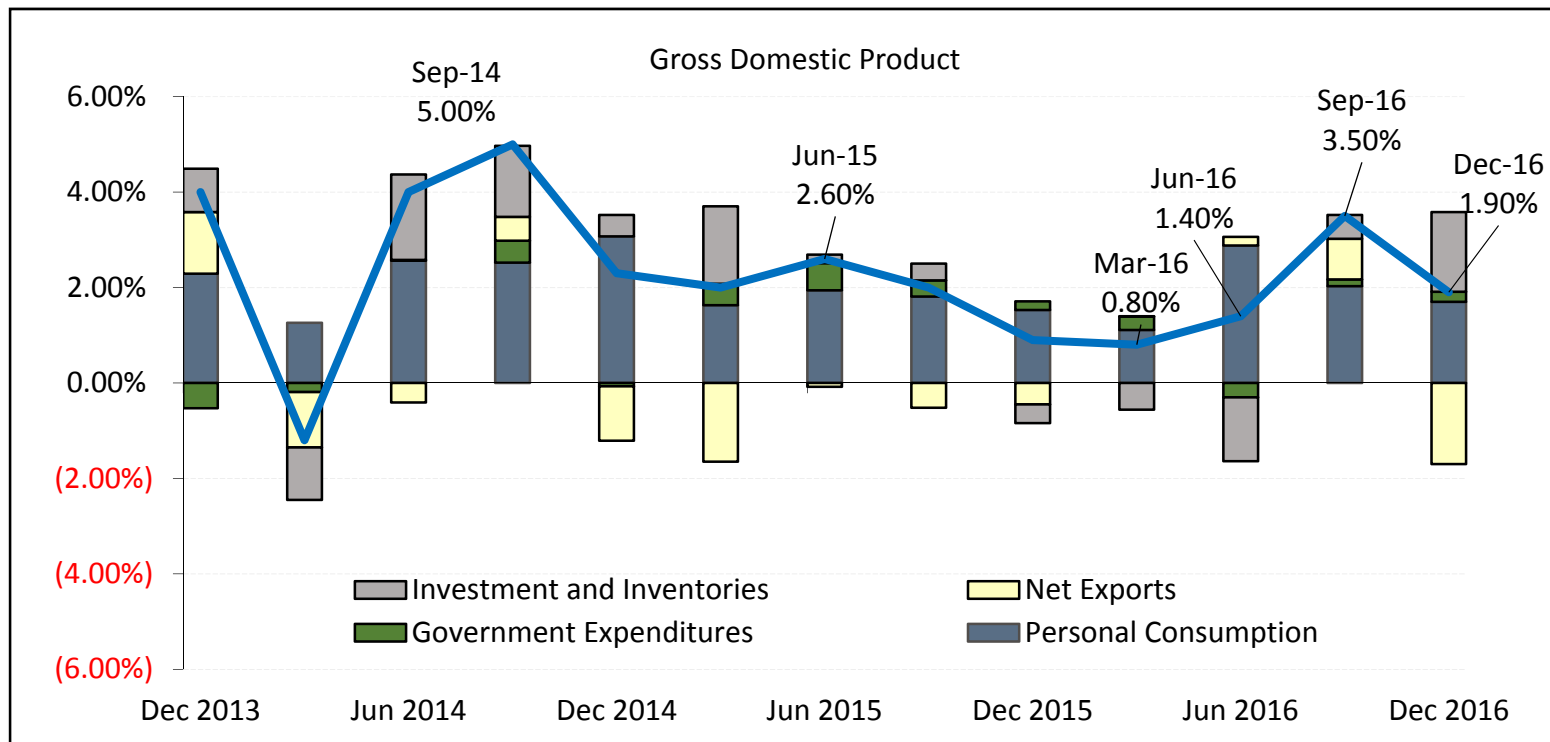
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Economic Update and Yield Curve Analysis

Gross Domestic Product

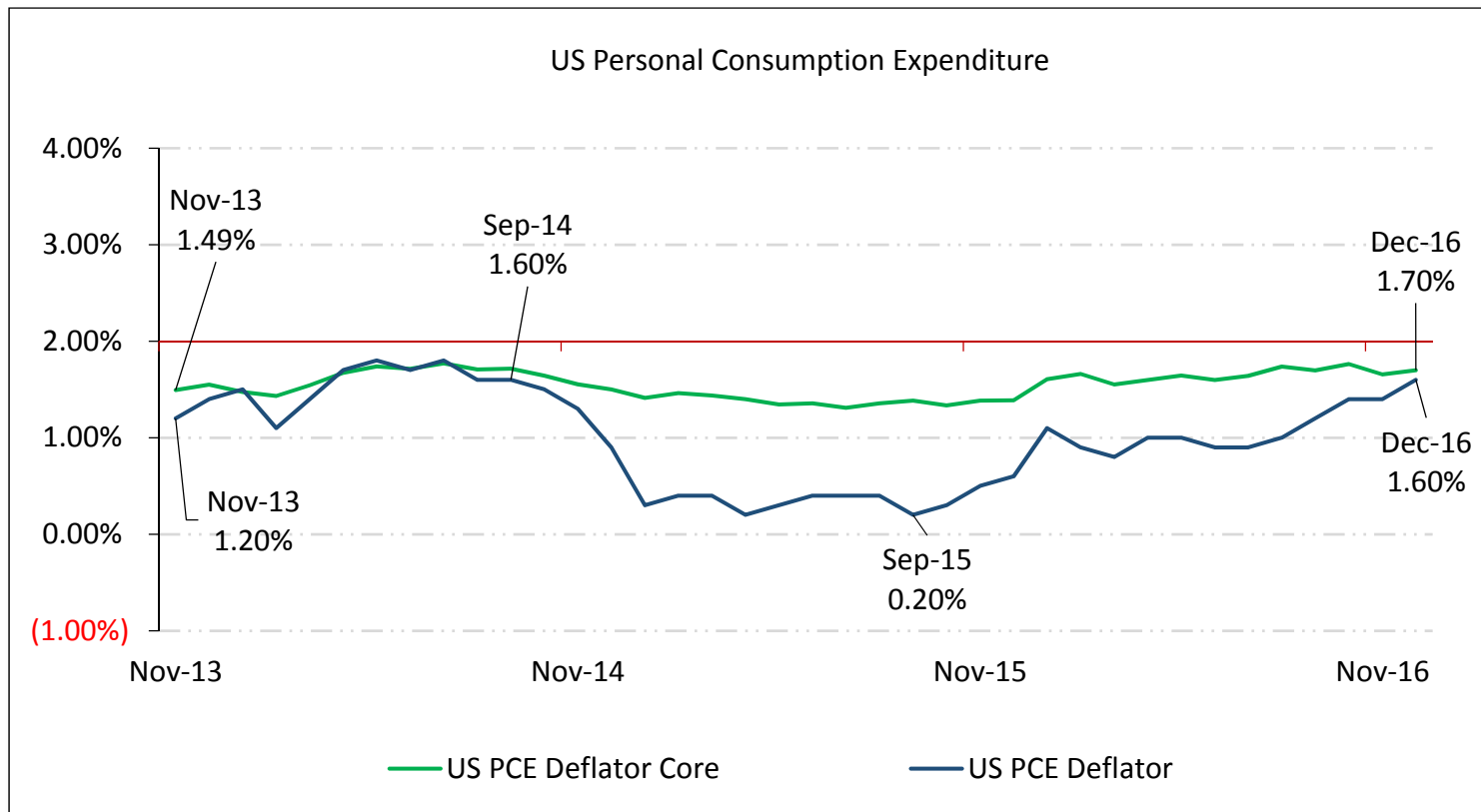
- GDP growth slowed during the 4th quarter of 2016 as Net Exports directly offset the 1.70% growth in Personal Consumption.
- A positive indicator was a second consecutive quarter of positive growth in Investment and Inventories, contributing 1.67% to fourth quarter growth.



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

Inflation

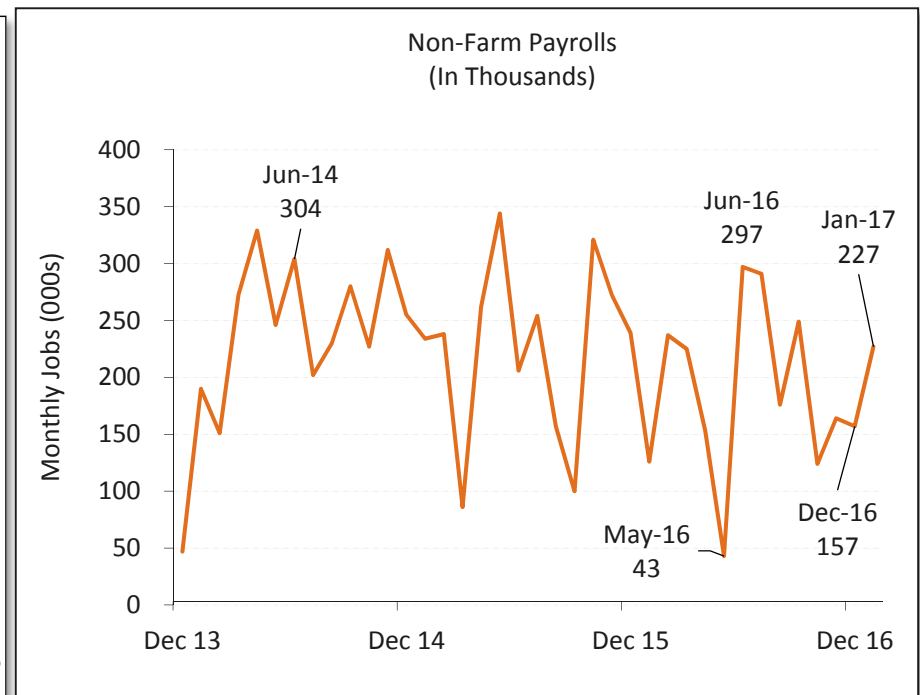
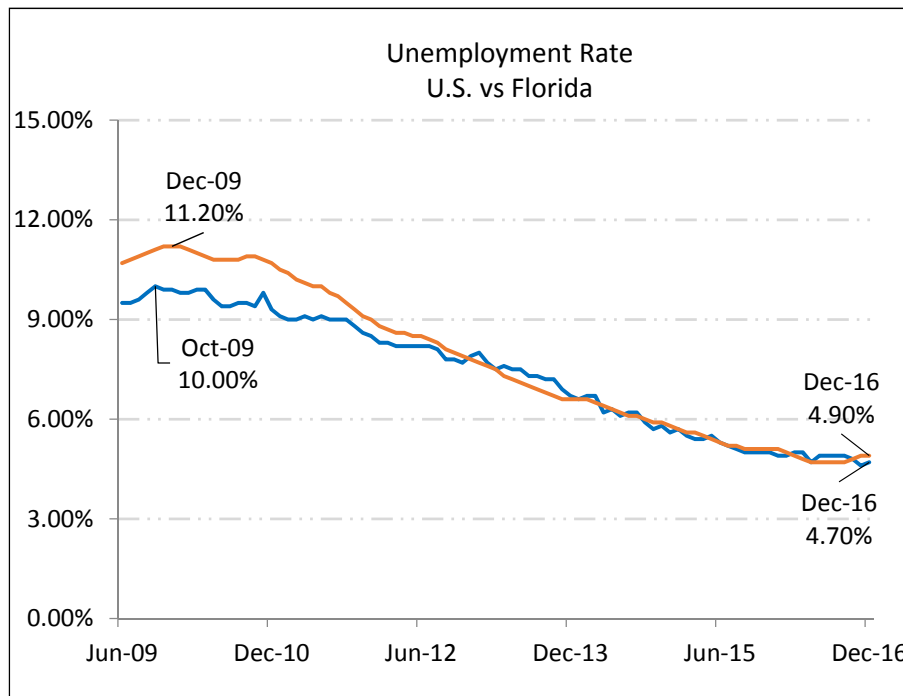
- Inflation has trended higher in recent months with the Personal Consumption Expenditures Index at 1.70% for December.



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Unemployment

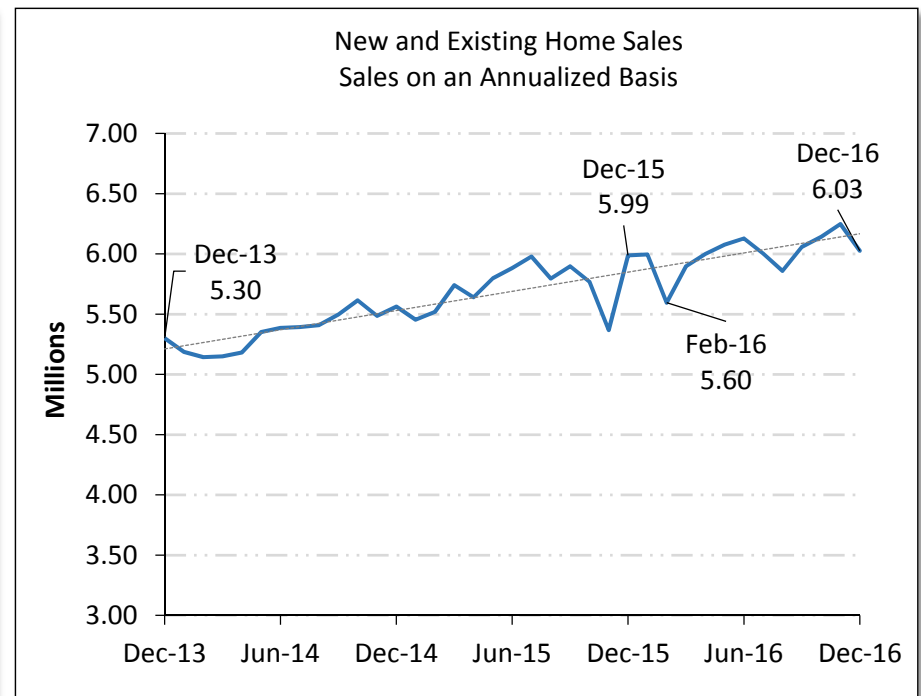
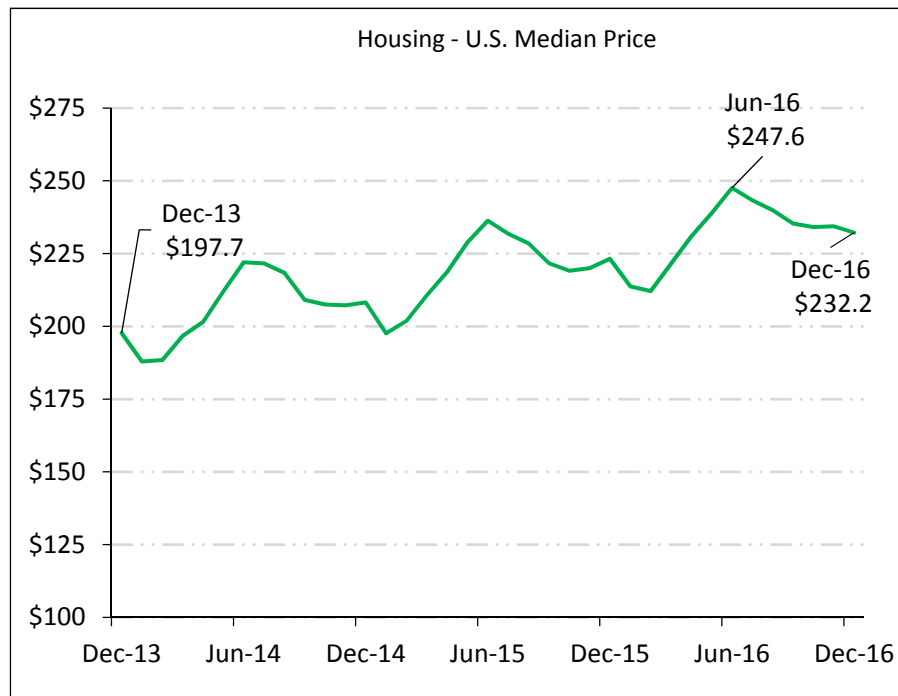
- Unemployment levels remain consistent with a December rate of 4.7%, although the participation rate remains near historic low levels.
- Nonfarm payrolls for December were less than spectacular, although they maintained a positive growth trend for 2016. More than 2.1 million jobs were created in 2016.



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Housing Prices and Homes Sales

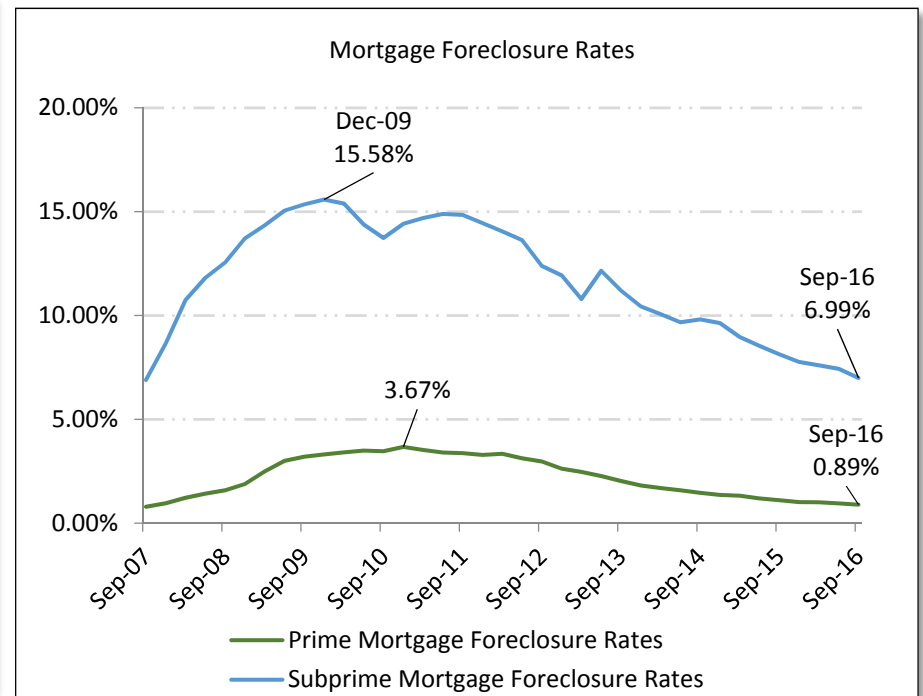
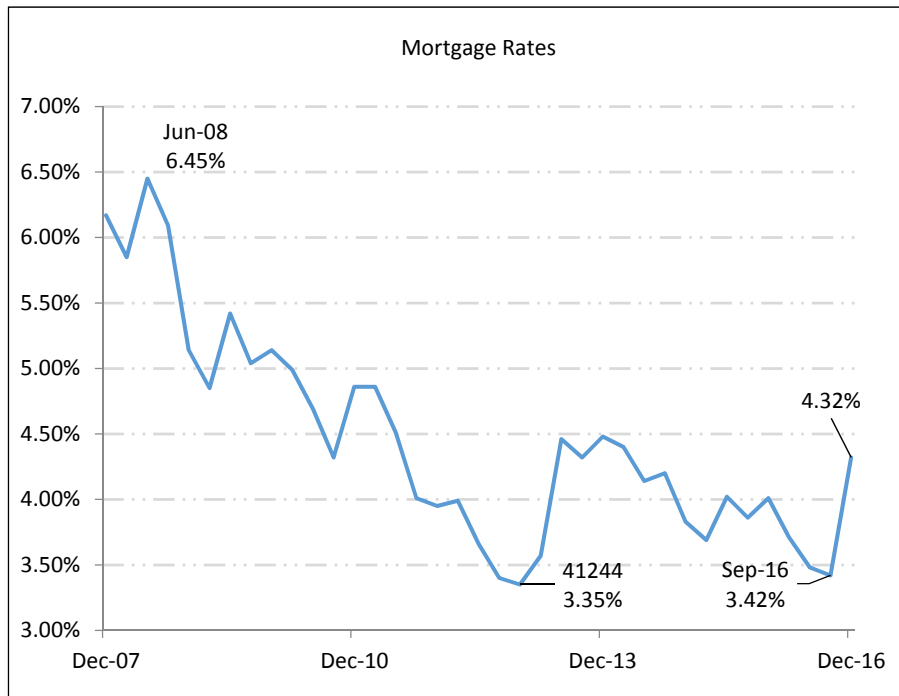
- The median housing price reached record levels in June 2016.
- Home sales remain strong with an annualized rate of more than 6 million homes as of December.



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

Mortgage Loan and Foreclosure Rates

- Mortgage lending rates increased considerably during the last quarter of 2016.
- Prime and Subprime foreclosure rates continue to decrease to levels that are less than half of the rate of foreclosures experienced during the housing crisis.



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Individual Portfolio Characteristics

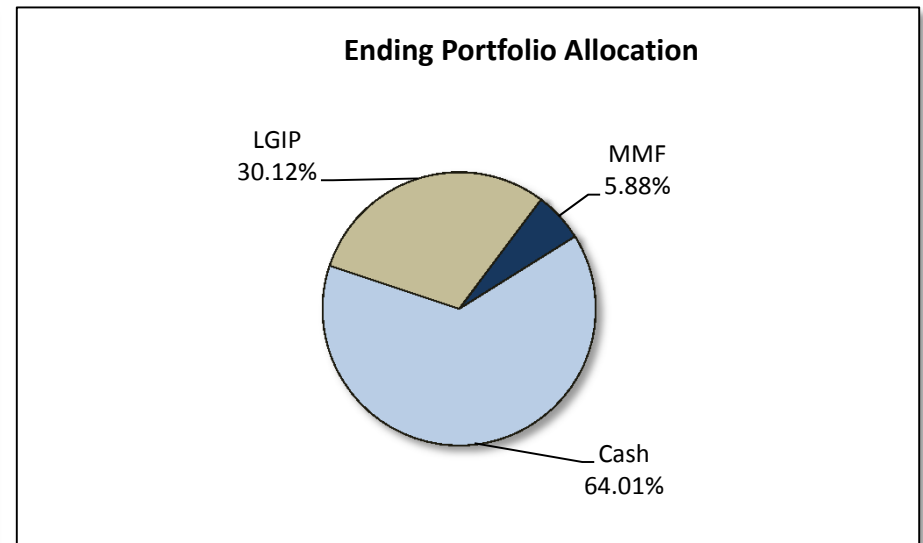
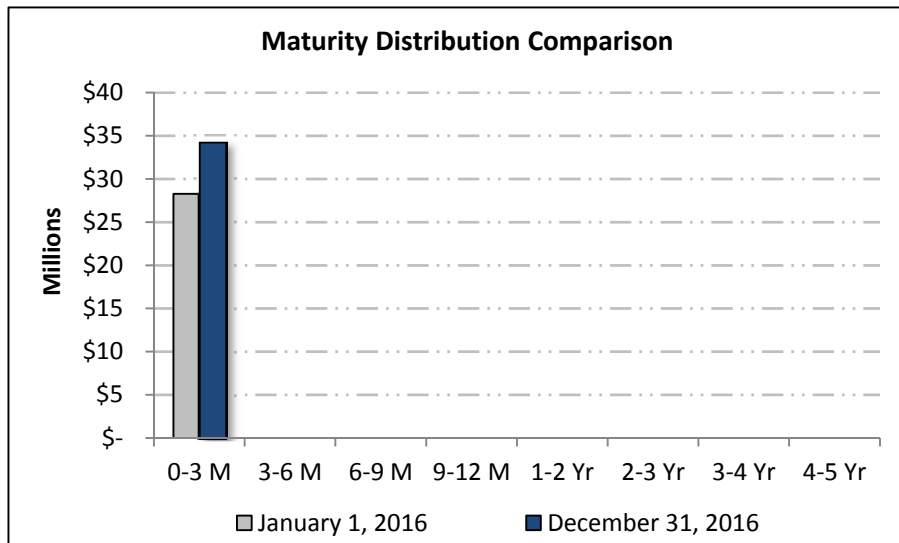
Investment Recap for 2016

- **The City's investments earned approximately \$497k in net income during 2016, an increase of \$184k from the prior year, representing a 58% increase.**
- The City maintained an average portfolio duration of .94 years and a weighted average yield of 0.66% versus a blended benchmark (50% 2 Year UST/50% 3 Month UST) yield of 0.61%, a 0.05% advantage for the year ended December 31, 2016.
- All investments remained in compliance with the City's investment policy statement and Florida Statutes during 2016.
- 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 (debt refunded in April 2016)
- 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.

Cash Portfolio Characteristics 2016

- 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, 2016 Beginning Balance	December 31, 2016 Ending Balance
Book Value Plus Accrued	\$ 28,269,059.23	\$ 34,272,321.36
Market Value Plus Accrued ⁽²⁾	\$ 28,269,059.23	\$ 34,272,321.36
Book Yield Gross	0.28%	0.47%
Market Yield Gross	0.28%	0.47%
Duration	0.00 Years	0.00 Years

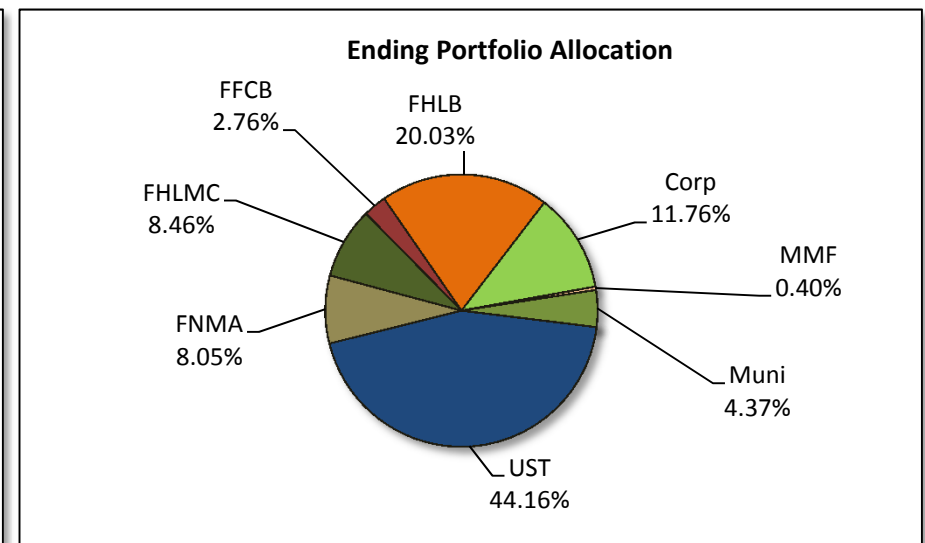
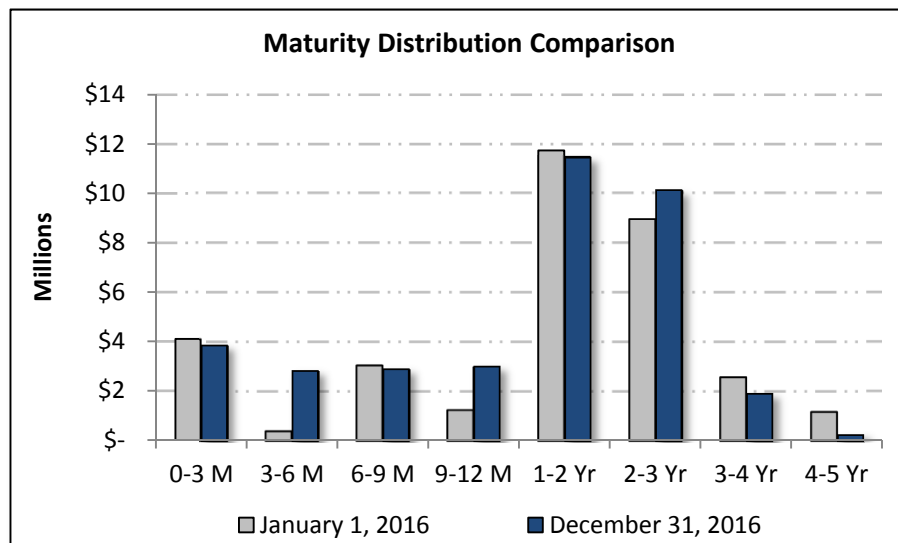


Source: Public Trust. Data based on information provided by custodian.

Managed Portfolio Characteristics 2016

- 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.
- The book yield of the portfolio increased during the year.

Portfolio Characteristic	January 1, 2016 Beginning Balance	December 31, 2016 Ending Balance
Book Value Plus Accrued	\$ 33,303,489.52	\$ 36,416,788.10
Market Value Plus Accrued ⁽²⁾	\$ 33,209,826.08	\$ 36,343,343.35
Book Yield Gross	0.91%	1.06%
Market Yield Gross	1.06%	1.12%
Duration	1.68 Years	1.51 Years



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

Debt Service Reserve Fund Characteristics 2016

- ❏ The DSRF previously served as a credit enhancement for the Utility System bonds debt service.
- ❏ This portfolio closed with the refunding of the Utility System Bonds which removed the requirement for the reserve fund.

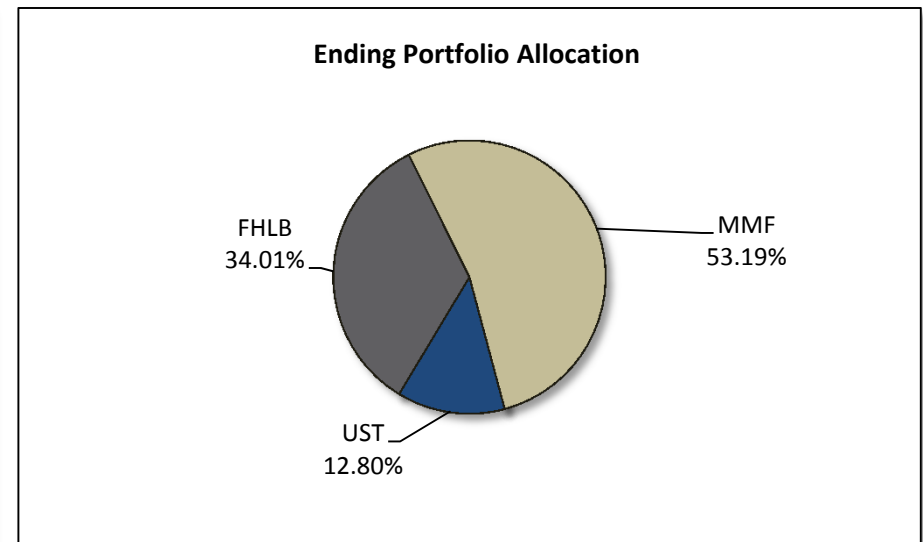
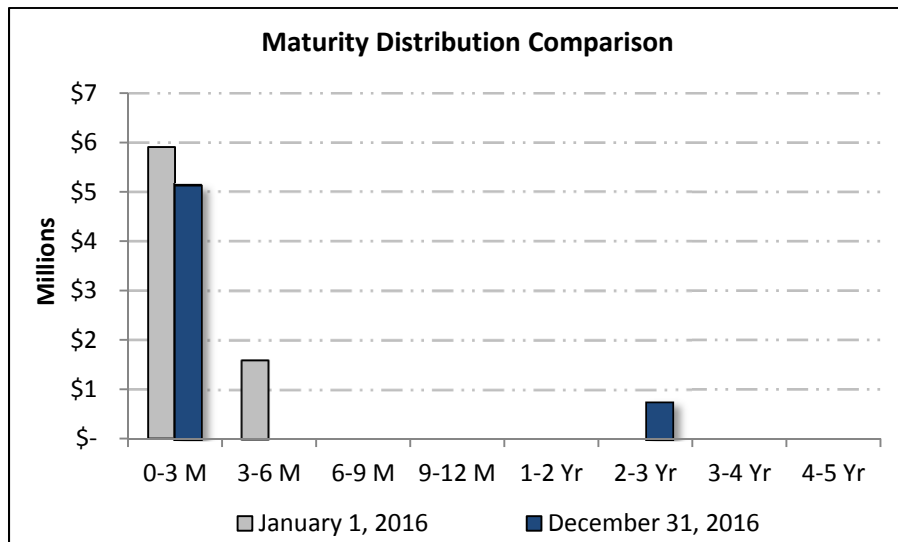
Portfolio Characteristic	January 1, 2016 Beginning Balance	December 31, 2016 Ending Balance
Book Value Plus Accrued	\$ 4,331,950.32	\$ -
Market Value Plus Accrued ⁽²⁾	\$ 4,324,576.61	\$ -
Book Yield Gross	0.83%	
Market Yield Gross	0.95%	
Weighted Average Coupon	0.99%	
Duration	1.33 Years	

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

Utility System Refunding 2013 Fund Characteristics 2016

- 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, 2016 Beginning Balance	December 31, 2016 Ending Balance
Book Value Plus Accrued	\$ 7,502,506.43	\$ 5,896,787.56
Market Value Plus Accrued ⁽²⁾	\$ 7,502,390.43	\$ 5,888,610.24
Book Yield Gross	0.36%	0.55%
Market Yield Gross	0.36%	0.62%
Weighted Average Coupon	0.20%	0.62%
Duration	0.10 Years	0.46 Years

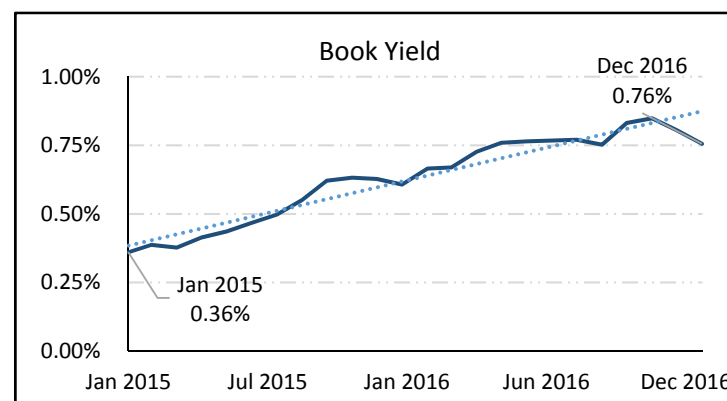


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Aggregate Portfolio Holdings and Compliance

Aggregate Investment Holdings 2016

- 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, 2016 Ending Balance	Book Yield	Portfolio Allocation	Permitted by Policy*	Compliant
Cash	\$ 21,936,401.27	0.30%	28.67%	100.00%	YES
LGIP	10,322,281.91	0.85%	13.49%	25.00%	YES
U.S. Treasury Notes	16,804,489.44	1.03%	21.97%	100.00%	YES
FNMA	2,924,930.42	1.11%	3.82%	40.00%	YES
FHLMC	3,075,639.44	1.11%	4.02%	40.00%	YES
FFCB	1,002,376.25	0.93%	1.31%	40.00%	YES
FHLB	9,282,984.59	0.85%	12.13%	40.00%	YES
Fed Instrumentality Subtotal	\$ 16,285,930.70	0.95%	21.29%	80.00%	YES
Corporate Notes	4,274,371.17	1.40%	5.59%	30.00%	YES
Money Market Funds	5,291,571.66	0.34%	6.92%	50.00%	YES
Municipal Bonds	1,589,228.79	1.21%	2.08%	20.00%	YES
Total Portfolio Market Value	\$ 76,504,274.95	0.76%	100.00%		

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

Investment Outlook for 2017

Investment Outlook for 2017

- PRIMARY OBJECTIVES: Safety first, Liquidity and Yield
- Consider sector allocation limits within each portfolio and in aggregate and evaluate permitted asset classes for each transaction within the City's investment portfolios for diversification while maintaining compliance with the investment policy statement.
 - Cash Portfolio: provides overnight liquidity for short term expenditures
 - Managed Portfolio: diversification and income approach.
 - 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.
- Maintain an investment program that seeks to enhance interest earnings from an actively managed strategy.

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