

KEN BURKE


CLERK OF THE CIRCUIT COURT — PINELLAS COUNTY, FLORIDA


FINANCE DIVISION

Clerk of the County Court
Recorder of Deeds
Clerk and Accountant of the Board of County Commissioners
Custodian of County Funds
County Auditor
Clerk of the Water and Navigation Control Authority

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TO: The Honorable Chairman and Members
of the Board of County Commissioners

THRU:  Ken Burke
Clerk of the Circuit Court

FROM: Claretha N. Harris 
Chief Deputy Director, Finance Division

DISTR: James L. Bennett, County Attorney
Robert S. LaSala, County Administrator
Board Records
Press

SUBJECT: Quarterly Investment Report for the Period Ended March 31, 2010

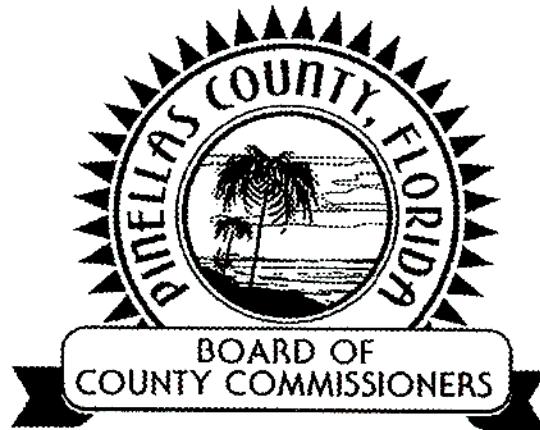
DATE: April 30, 2010

Attached is the Quarterly Investment Report for the period ended March 31, 2010.

The following is a summary of key points identified in the attached Quarterly Investment Report:

- ✓ Total Portfolio - book value (at quarter end) \$665,142,851
- ✓ Securities - book value (at quarter end) \$355,665,485
- ✓ Securities weighted average maturity (WAM) (at quarter end) 1.57 years
- ✓ Realized investment income for three months \$ 2,552,142
- ✓ Yield on short-term portfolio
 - Effective annual yield 0.85%
 - Benchmark (3-month T-Bill) 0.11%
- ✓ Yield on long-term portfolio
 - Effective annual yield 2.12%
 - Benchmark (2-year T-Bill) 0.96%

Thank you, in advance, for your attention to the attached Quarterly Investment Report. If you have any questions, please contact me at 727-464-8300.



QUARTERLY
INVESTMENT REPORT

For the Period Ended
March 31, 2010

Prepared by Ken Burke
Clerk of the Circuit Court
Finance Division

Investment Policy

Section 218.415, Florida Statutes authorizes the governing body of a local government to adopt a written investment plan to govern investment activity. The Board of County Commissioners (Board) adopted Section 2-144 of the Pinellas County Code, Investment of Surplus Public Funds, establishing policies for investing all County surplus funds controlled by the Board. All investment activity is conducted in accordance with Code Section 2-144 and additional written policies and procedures.

On January 5, 2010, a resolution was adopted by the Board approving an investment policy, establishing the investment committee, and providing for an effective date. The investment policy and the ordinance can be found at <http://www.pinellasclerk.org/aspInclude2/ASPInclude.asp?pageName=transparency2.htm#investpo>.

In accordance with the above laws and policies, the Clerk is required to submit a report on the performance of the County's investment portfolio quarterly and annually. In this Quarterly Investment Report, we show portfolio activity and performance, key economic indicators, portfolio summary and detail information and demonstrate compliance with policies.

Portfolio Activity Summary

During the quarter, expenditures exceeding revenues decreased the portfolio's book value by \$14 million. The County's allocation in securities decreased \$322,000. The effect of purchasing securities at lower yields reduced the long-term portfolio's effective yield to 2.12% at March 31, 2010 compared to 2.45% at December 31, 2009. Due to the current interest rate environment securities were purchased shorter on the yield curve. Portfolio activity for the quarter is shown on page 5 of this report. The long-term portfolio's weighted average maturity as of March 31, 2010 and December 31, 2009 was 1.57 years and 1.70 years, respectively.

Portfolio Performance

Total realized investment income for the quarter ended March 31, 2010 was \$2.6 million; up \$32,000 from the prior quarter. This slight increase in income was due to a higher average of the County's funds being maintained in both short term investment holdings and long-term securities; offset by a decline in available investment yields. The effective annual yield for the long-term portfolio was above its benchmark. The County locked in higher yielding securities as long-term interest rates declined. The short-term portfolio's effective annual yield for the quarter was also above its benchmark. The County placed funds in public funds depository accounts, secured by Chapter 280, Florida Statutes, providing above-market returns.

Quarter-End Yields Over The Last Year					
<u>Individual Yields</u> (at quarter end)	<u>03/09</u>	<u>06/09</u>	<u>09/09</u>	<u>12/09</u>	<u>03/10</u>
Short Term Portfolio:					
Cash Pools	0.16 %	0.22 %	0.07 %	0.05 %	0.09 %
Local Government Investment Pools ¹	0.88	0.61	0.24	0.12	0.14
<u>Effective Yields</u> (3 month daily average)					
Short Term Portfolio	1.33	1.14	1.13	0.96	0.85
Long Term Portfolio	2.85	2.85	2.92	2.45	2.12
Portfolio Overall	2.37	2.17	2.16	1.74	1.53
<u>Benchmarks</u>					
Short Term Funds:					
3-month US Treasury constant maturity (3-month average)	0.22	0.17	0.16	0.06	0.11
Long Term Funds:					
2-year US Treasury constant maturity (12-month average)	1.73	1.37	1.04	0.96	0.96

¹ For quarters up through 6/09 the rate is for the State Board of Administration (SBA) and for all subsequent quarters they are from Florida Local Government Investment Trust (FLGIT).

Treasury Yields

Historical Treasury yields declined for all maturities in the 3 month to the 1 year range, year-over-year. The declines ranged between 4 basis points (3 Month) and 18 basis points (6 Month). All other maturities rose compared to last year with increases in yields ranging between 22 basis points (2 Year) and 89 basis points (5 Year). Treasury yields increased for the 3 and 6 month maturity (10 and 4 basis points respectively) but declined in all other maturities in comparison to last quarter. The decline in yields ranged between 6 basis points (1 Year) and 14 basis points (5 Year). The historical Treasury yields at quarter-end for the last five quarters are presented below.

<i>Historical U.S. Treasury Yields over the Last Year</i>					
<u>Maturity</u>	<u>03/09</u>	<u>06/09</u>	<u>09/09</u>	<u>12/09</u>	<u>03/10</u>
3 Month	0.20%	0.18%	0.14%	0.06%	0.16%
6 Month	0.42	0.34	0.18	0.20	0.24
1 Year	0.54	0.48	0.40	0.47	0.41
2 Year	0.80	1.11	0.95	1.14	1.02
3 Year	1.12	1.62	1.45	1.70	1.60
5 Year	1.66	2.56	2.31	2.69	2.55

The **composition** of the portfolio is diversified to control the risk of loss resulting from the over concentration of assets in a specific maturity, issuer, instrument, dealer or bank through which investments are bought and sold. Diversification strategies are reviewed and revised periodically as necessary to meet portfolio objectives.

The **maximum allowable maturity** for any investment in the portfolio is five years, however we make every effort to match investment maturities with known cash needs and anticipated cash flow requirements. Funds needed to meet current operating requirements have shorter maturities, generally less than twelve (12) months. Bond construction funds, bond fund reserves and other non-operating funds have terms appropriate to the need for funds and, if applicable, in accordance with debt covenants.

As shown on page 7, our portfolio is in **compliance** with all limitations on authorized investments shown in the Pinellas County Board of County Commissioners investment policy.

Key Economic Indicators

Federal Funds Rate - The Federal Open Market Committee (FOMC) met on January 27th and March 16th; voting to maintain its target range for the Federal Fund Rate at 0 to ¼ percent. This rate has not changed since the December 16, 2008 FOMC meeting.

The statement from the March 16th FOMC meeting indicated “Information received since the Federal Open Market Committee met in January suggests that economic activity has continued to strengthen and that the labor market is stabilizing. Household spending is expanding at a moderate rate but remains constrained by high unemployment, modest income growth, lower housing wealth, and tight credit. Business spending on equipment and software has risen significantly. However, investment in nonresidential structures is declining, housing starts have been flat at a depressed level, and employers remain reluctant to add to payrolls. While bank lending continues to contract, financial market conditions remain supportive of economic growth. Although the pace of economic recovery is likely to be moderate for a time, the Committee anticipates a gradual return to higher levels of resource utilization in a context of price stability. ”

“With substantial resource slack continuing to retrain cost pressures and longer-term inflation expectations stable, inflation is likely to be subdued for some time.”

Unemployment Rate – The unemployment rate declined during the first calendar quarter from 10.0% in December 2009 to 9.7% in March 2010. Initial jobless claims decreased from the revised number of 454,000 for the week ending December 26, 2009 to 445,000 for the week ending March 20, 2010.

Consumer Confidence - The Conference Board's Consumer Confidence Index decreased in March to 52.5. This was a decrease of 1.1 points since December 2009. "Consumer confidence which had declined sharply in February, managed to recoup most of the loss in March. However, despite this month's increase, consumers continue to express concern about current business and labor market conditions. And, their outlook for the next six months is still rather pessimistic. Overall, consumer confidence levels have not changed significantly since last spring."

Consumer Price Index (CPI) - The CPI for all urban consumers, all items, rose 0.3% in the first calendar quarter. The seasonally adjusted increase in the all items index was mostly due to an increase in the fresh fruits and vegetables index, which rose 4.6 percent in March and accounted for over 60 percent of the all item increase.

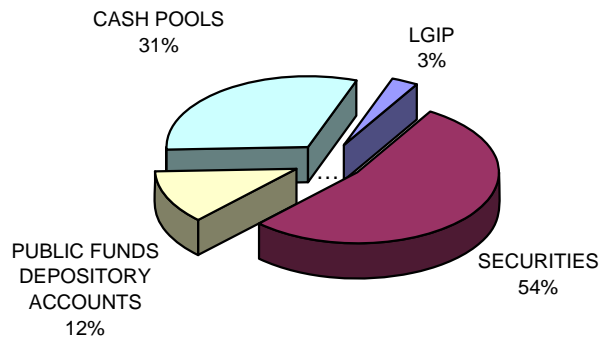
Investment Strategy

Our "buy and hold" investment strategy is based on our current security mix (Agencies, Instrumentalities, Treasuries, etc.), projected cash flows, current and desired weighted average maturity (WAM), and interest rate projections. On average, economists are projecting short-term interest rates will increase from 0.27% to 1.03% by March 2011. As shown in the Detailed Portfolio Schedule on page 6, we currently have 60.4% placed with callable Agency securities. Given the projected interest rate environment, some of the current portfolio's callable securities have a high probability of being called. With a positive yield curve, short-term interest rates projected to slowly increase over the next year, and maintaining the current allocation level in securities, we anticipate the long-term portfolio's weighted average maturity will remain relatively constant throughout the next fiscal year.

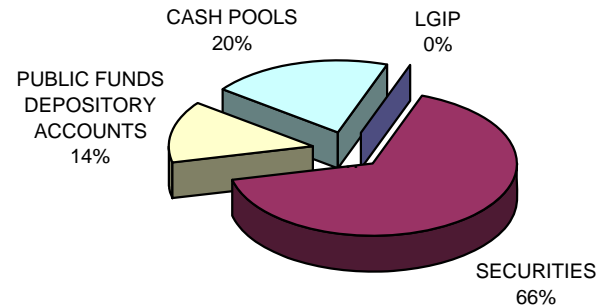
**Pinellas County Board of County Commissioners
Portfolio Summary**

	----- March 31, 2010 -----				----- March 31, 2009 -----	
Investments	Par Value	Market Value	Book Value	% of Portfolio	Book Value	% of Portfolio
Unrestricted						
Treasury Securities	\$ 20,000,000	\$ 20,069,600	\$ 20,095,602	3.02 %	\$ -	- %
Federal Agency Issues	334,330,000	338,225,308	335,569,883	50.45	465,963,601	65.79
Public Funds Depository Accounts	62,924,820	62,924,820	62,924,820	9.46	62,550,481	8.83
Local Government Investment Pools	20,581,127	20,325,616	20,581,127	3.10	715,777	0.10
Cash Pools	206,811,540	206,811,540	206,811,540	31.09	144,103,891	20.34
Unrestricted Cash and Investments	644,647,487	648,356,884	645,982,972	97.12	673,333,751	95.06
Restricted						
Public Funds Depository Accounts						
2003 Sewer Bond Proceeds Account	19,159,840	19,159,840	19,159,840	2.88	34,958,640	4.94
Local Government Investment Pools						
2003 Sewer Bond Proceeds Account	39	23	39	-	45	-
	<u>19,159,879</u>	<u>19,159,863</u>	<u>19,159,879</u>	<u>2.88</u>	<u>34,958,685</u>	<u>4.94</u>
Total Cash and Investments	\$ 663,807,366	\$ 667,516,747	\$ 665,142,851	100.00 %	\$ 708,292,435	100.00 %

March 31, 2010



March 31, 2009



Pinellas County
Portfolio Activity at Book Value
12/31/2009 to 3/31/2010

Description	CUSIP/Ticker	Beginning BV	Buy Principal	Sell Principal	Realized Gain/Loss-BV	Amortized Discount	Amortized Premium	Ending BV
FFC Bond								
FFCB 1.2 3/1/2012-11	31331JFQ1	-	20,010,200	-	-	-	(271)	20,009,929
FFCB 3.5 10/3/2011	31331Y3P3	9,985,116	-	-	-	2,120	-	9,987,236
Sub Total/Average FFC Bond		9,985,116	20,010,200	-	-	2,120	(271)	29,997,165
FHLB Bond								
FHLB 1.2 12/22/2011-10	3133XWEG0	19,970,334	-	-	-	3,755	-	19,974,089
FHLB 1.3 10/7/2011-10	3133XUY80	20,041,143	-	-	-	-	(38,571)	20,002,571
FHLB 1.6 3/28/2012-10	3133XUZK2	-	20,092,800	-	-	-	(5,892)	20,086,908
FHLB 2.05 10/15/2012-10	3133XV3W9	15,143,831	-	-	-	-	(29,735)	15,114,096
FHLB 2.75 3/12/2010	3133XPY57	20,000,685	-	20,000,000	-	-	(685)	-
FHLB 4.375 6/8/2012	3133XBT39	10,088,818	-	-	-	-	(9,115)	10,079,703
FHLB 4.75 12/10/2010	3133XDTA9	20,160,786	-	-	-	-	(42,687)	20,118,100
FHLB 4.8 9/8/2010	3133XD3A7	20,140,929	-	-	-	-	(51,351)	20,089,579
FHLB 5.02 10/22/2012-10	3133XMPK1	9,285,926	-	-	-	-	(1,833)	9,284,093
FHLB 5.65 6/29/2012-10	3133XLE74	10,030,040	-	-	-	-	(15,189)	10,014,851
FHLB Step 12/28/2012-10	3133XWFW4	19,998,000	-	20,000,000	1,833	167	-	-
Sub Total/Average FHLB Bond		164,860,492	20,092,800	40,000,000	1,833	3,922	(195,057)	144,763,990
FHLMC Bond								
FHLMC 1.5 8/24/2011-10	3128X9AL4	20,084,233	-	-	-	-	(32,536)	20,051,697
FHLMC 2 9/28/2012-10	3128X9GK0	-	20,124,880	-	-	-	(1,395)	20,123,485
FHLMC 2.625 3/19/2012-10	3128X8RR5	40,094,209	-	40,000,000	-	-	(94,209)	-
FHLMC 3.125 10/25/2010	3137EABU2	20,390,229	-	-	-	-	(119,458)	20,270,771
FHLMC 4.75 1/18/2011	3134A4VJ0	20,197,512	-	-	-	-	(47,027)	20,150,485
FHLMC 4.79 8/4/2010	3128X4GL9	20,192,904	-	-	-	-	(81,509)	20,111,395
Sub Total/Average FHLMC Bond		120,959,088	20,124,880	40,000,000	-	-	(376,134)	100,707,833
FNMA Bond								
FNMA 1.25 9/28/2011-10	31398AZH8	19,987,460	-	-	-	1,800	-	19,989,260
FNMA 1.75 7/19/2012-10	3136FJP54	-	20,088,000	-	-	-	(28,600)	20,059,400
FNMA 2.2 8/27/2012-10	31398AYT3	20,084,434	-	-	-	-	(32,199)	20,052,235
Sub Total/Average FNMA Bond		40,071,894	20,088,000	-	-	1,800	(60,799)	60,100,895
Treasury Note								
T-Note 1 10/31/2011	912828LT5	20,110,462	-	-	-	-	(14,860)	20,095,602
Sub Total/Average Treasury Note		20,110,462	-	-	-	-	(14,860)	20,095,602
Sub Total Securities		355,987,052	80,315,880	80,000,000	1,833	7,842	(647,122)	355,665,485
Cash								
Wachovia Cash	WACHCASH	218,963,900	58,076,170	70,228,530	-	-	-	206,811,540
Sub Total/Average Cash		218,963,900	58,076,170	70,228,530	-	-	-	206,811,540
Local Government Investment Pool								
FLGIT-DAY TO DAY FUND LGIP	FLGIT-0338	20,007,542	6,852	-	-	-	-	20,014,394
SBA LGIP	SBA1-A	0	62,452	62,452	-	-	-	0
SBA LGIP	SBA1-B	629,185	0	62,451	-	-	-	566,733
SBA LGIP	SBA2-A	-	4	-	-	-	-	4
SBA LGIP	SBA2-B	39	-	4	-	-	-	35
Sub Total/Average Local Government Investment Pool		20,636,765	69,308	124,907	-	-	-	20,581,166
Public Funds Depository Accounts								
BB&T MM	BBTMM-9830	62,376,958	447,619	-	-	-	-	62,824,577
BBT-SEWER MM	BBTMM-9814	21,114,913	144,864	2,099,937	-	-	-	19,159,840
Wachovia-Ops MM	WACHMM2741	100,219	25	-	-	-	-	100,244
Sub Total/Average Public Funds Depository Accounts		83,592,090	592,507	2,099,937	-	-	-	82,084,660
Total / Average		679,179,807	139,053,865	152,453,374	1,833	7,842	(647,122)	665,142,851

Pinellas County
Portfolio Holdings by Security Type
As of 3/31/2010

Description	CUSIP/Ticker	Settlement Date	Next Call Date	Call Frequency	Maturity Date	Face Amount/Shares	Market Value	Book Value	Coupon Rate	YTM @ Book	Days To Maturity
FFC Bond											
FFCB 1.2 3/1/2012-11	31331JFQ1	3/22/2010	3/1/2011	Continuous	3/1/2012	20,000,000	19,993,800	20,009,929	1.2	1.17304	701
FFCB 3.5 10/3/2011	31331Y3P3	8/5/2008		N/A	10/3/2011	10,000,000	10,390,600	9,987,236	3.5	3.59122	551
Sub Total / Average						30,000,000	30,384,400	29,997,165	1.967	1.9791	651
FHLB Bond											
FHLB 1.2 12/22/2011-10	3133XWEG0	12/23/2009	6/22/2010	Quarterly	12/22/2011	20,000,000	19,968,800	19,974,089	1.2	1.2763	631
FHLB 1.3 10/7/2011-10	3133XUY80	12/15/2009	4/7/2010	Continuous	10/7/2011	20,000,000	20,000,000	20,002,571	1.3	1.16549	555
FHLB 1.6 3/28/2012-10	3133XUZK2	3/19/2010	9/28/2010	Continuous	3/28/2012	20,000,000	20,081,200	20,086,908	1.6	1.36686	728
FHLB 2.05 10/15/2012-10	3133XV3W9	12/18/2009	10/15/2010	Continuous	10/15/2012	15,050,000	15,120,585	15,114,096	2.05	1.81182	929
FHLB 4.375 6/8/2012	3133XBT39	8/15/2008		N/A	6/8/2012	10,000,000	10,571,900	10,079,703	4.375	3.97704	800
FHLB 4.75 12/10/2010	3133XDTA9	12/24/2007		N/A	12/10/2010	20,000,000	20,575,000	20,118,100	4.75	3.83814	254
FHLB 4.8 9/8/2010	3133XD3A7	12/6/2007		N/A	9/8/2010	20,000,000	20,393,800	20,089,579	4.8	3.70806	161
FHLB 5.02 10/22/2012-10	3133XMPK1	10/22/2007	10/22/2010	One Time	10/22/2012	9,280,000	9,509,123	9,284,093	5.02	4.96591	936
FHLB 5.65 6/29/2012-10	3133XLE74	9/17/2007	6/29/2010	Continuous	6/29/2012	10,000,000	10,128,100	10,014,851	5.65	5.24354	821
Sub Total / Average						144,330,000	146,348,508	144,763,990	3.123	2.72053	592
FHLMC Bond											
FHLMC 1.5 8/24/2011-10	3128X9AL4	9/11/2009	8/24/2010	One Time	8/24/2011	20,000,000	20,073,000	20,051,697	1.5	1.17784	511
FHLMC 2 9/28/2012-10	3128X9GK0	3/29/2010	9/28/2010	One Time	9/28/2012	20,000,000	20,022,000	20,123,485	2	1.7434	912
FHLMC 3.125 10/25/2010	3137EABU2	6/29/2009		N/A	10/25/2010	20,000,000	20,293,800	20,270,771	3.125	0.71968	208
FHLMC 4.75 1/18/2011	3134A4VJ0	11/30/2007		N/A	1/18/2011	20,000,000	20,662,600	20,150,485	4.75	3.74302	293
FHLMC 4.79 8/4/2010	3128X4GL9	4/28/2008		N/A	8/4/2010	10,000,000	10,154,900	10,054,476	4.79	3.12397	126
FHLMC 4.79 8/4/2010	3128X4GL9	4/25/2008		N/A	8/4/2010	10,000,000	10,154,900	10,056,919	4.79	3.05089	126
Sub Total / Average						100,000,000	101,361,200	100,707,833	3.233	2.09427	410
FNMA Bond											
FNMA 1.25 9/28/2011-10	31398AZH8	9/28/2009	9/28/2010	One Time	9/28/2011	20,000,000	20,006,200	19,989,260	1.25	1.28663	546
FNMA 1.75 7/19/2012-10	3136FJP54	2/9/2010	7/19/2010	One Time	7/19/2012	20,000,000	20,000,000	20,059,400	1.75	1.56567	841
FNMA 2.2 8/27/2012-10	31398AYT3	9/16/2009	8/27/2010	One Time	8/27/2012	10,000,000	10,062,500	10,026,117	2.2	1.98571	880
FNMA 2.2 8/27/2012-10	31398AYT3	9/16/2009	8/27/2010	One Time	8/27/2012	10,000,000	10,062,500	10,026,117	2.2	1.98571	880
Sub Total / Average						60,000,000	60,131,200	60,100,895	1.733	1.61267	756
Treasury Note											
T-Note 1 10/31/2011	912828LT5	11/25/2009		N/A	10/31/2011	20,000,000	20,069,600	20,095,602	1	0.69599	579
Sub Total / Average						20,000,000	20,069,600	20,095,602	1	0.69599	579
Sub Total / Securities						354,330,000	358,294,908	355,665,485			
Cash											
Wachovia Cash	WACHCASH	9/30/2007	N/A	N/A	N/A	206,811,540	206,811,540	206,811,540	0.16	0.16	1
Sub Total / Average						206,811,540	206,811,540	206,811,540	0.16	0.16	1
Local Government Investment Pool											
FLGIT-DAY TO DAY FUND LGIP	FLGIT-0338	9/29/2009	N/A	N/A	N/A	20,014,394	20,014,394	20,014,394	0.127	0.127	1
SBA LGIP	SBA2-B	12/5/2007	N/A	N/A	N/A	35	19	35	0	0	1
SBA LGIP	SBA1-B	12/28/2007	N/A	N/A	N/A	566,733	311,222	566,733	0	0	1
SBA LGIP	SBA2-A	9/30/2007	N/A	N/A	N/A	4	4	4	0.2	0.2	1
SBA LGIP	SBA1-A	9/30/2007	N/A	N/A	N/A	0	0	0	0.2	0.2	1
Sub Total / Average						20,581,166	20,325,639	20,581,166	0.124	0.1235	1
Public Funds Depository Accounts											
BB&T MM	BBTMM-9830	8/14/2008	N/A	N/A	N/A	62,824,577	62,824,577	62,824,577	2.9	2.9	1
BBT-SEWER MM	BBTMM-9814	8/13/2008	N/A	N/A	N/A	19,159,840	19,159,840	19,159,840	2.9	2.9	1
Wachovia-Ops MM	WACHMM2741	11/20/2007	N/A	N/A	N/A	100,244	100,244	100,244	0.1	0.1	1
Sub Total / Average						82,084,660	82,084,660	82,084,660	2.897	2.89658	1
Total / Average						663,807,366	667,516,747	665,142,851	1.854	1.57505	306

**Pinellas County Board of County Commissioners
Compliance with Investment Policy**

