

AGENDA
County Investment Advisory Committee
April 29, 2011–Time 9:00 a.m.
Executive Conference Room - Second Floor
M.C. Blanchard Judicial Building

1. Call to Order.
2. Roll Call: M. Blaise Adams, Chairman (8/22/2007-8/21/2013)
Robert Beargie, Vice Chairman (8/20/2006-8/21/2012)
Bob Alft (11/13/2009-11/12/2012)
Honorable Ernie Lee Magaha, or designee
Amy Lovoy, designee for the County Administrator
3. Invocation - Honorable Ernie Lee Magaha, or designee.
4. Legal Advertisement - Did the Clerk's Office receive the Proof of Publication?
5. Approval of Minutes

Recommendation: That the County Investment Advisory Committee (CIAC) approve the Minutes of the Quarterly CIAC Meeting held January 28, 2011, as prepared by the Clerk to the Board's Office.

6. Review of Investment Reports

Review of Investment Reports for January, February, and March 2011 - Patty Sheldon.
7. Portfolio Review and Market Update - Steven Alexander and David Jang, PFM Asset Management, LLC.
8. Adjournment.



ERNIE LEE MAGAHA
CLERK OF THE CIRCUIT COURT AND COMPTROLLER
ESCAMBIA COUNTY, FLORIDA

◆ AUDITOR ◆ ACCOUNTANT ◆ EX-OFFICIO CLERK TO THE BOARD ◆ CUSTODIAN OF COUNTY FUNDS ◆

AI-649

Item #: 5.

County Investment Advisory Committee

Meeting Date: 04/29/2011
Issue: Approval of Minutes
From: Doris Harris

Recommendation:

Recommendation: That the County Investment Advisory Committee (CIAC) approve the Minutes of the Quarterly CIAC Meeting held January 28, 2011, as prepared by the Clerk to the Board's Office.

Attachments

CIAC #5

Form Review

Form Started By: Doris Harris

Started On: 04/06/2011 04:36 PM

Final Approval Date: 04/06/2011

MINUTES OF THE QUARTERLY MEETING OF THE
COUNTY INVESTMENT ADVISORY COMMITTEE
HELD JANUARY 28, 2011
M. C. BLANCHARD JUDICIAL BUILDING
EXECUTIVE ADMINISTRATION CONFERENCE ROOM, SECOND FLOOR
190 GOVERNMENTAL CENTER, PENSACOLA, FLORIDA
(9:03 a.m. – 9:30 a.m.)

Present: M. Blaise Adams, Chairman, Board of County Commissioners' Appointee
Robert A. Beargie, Vice Chairman, Board of County Commissioners' Appointee
Bob Alft, Clerk of the Circuit Court and Comptroller's Appointee
Lisa N. Bernau, Chief Deputy Clerk, Clerk and Comptroller's Designee
Charles R. "Randy" Oliver, County Administrator

Others

Present: Cheryl Maher, Accounting Supervisor, Clerk's Office
Brenda Chestnutt, Tax Collector's Office
Stephan Hall, Budget Manager, Management and Budget Services Bureau
Doris Harris, Clerk to the Board's Office

Absent: Gene M. Valentino, BCC Oversight Representative

AGENDA NUMBER

1-2. Call to Order/Roll Call

Mr. Adams called the County Investment Advisory Committee (CIAC) Quarterly Meeting to order at 9:03 a.m., with a quorum present.

3. Invocation

Mrs. Bernau delivered the Invocation.

4. Legal Advertisement

The CIAC was advised by Mrs. Harris that the Meeting was advertised in the *Board of County Commissioners – Escambia County, Florida, Meeting Schedule January 24, 2011 – January 28, 2011, Legal No. 1506932*, as published in the Pensacola News Journal on January 22, 2011.

MINUTES OF THE CIAC MEETING – Continued

AGENDA NUMBER – Continued

5. Approval of Minutes

Motion made by Mrs. Bernau, seconded by Mr. Alft, and carried unanimously, approving the Minutes of the Quarterly Meeting of the CIAC held October 29, 2010, as prepared by Doris Harris, Clerk to the Board's Office.

6. Review of Investment Reports for October, November, and December 2010

The CIAC:

A. Reviewed the Investment Reports for October, November, and December 2010, which reflect that:

- (1) The total portfolio earnings for October 31, 2010, equaled \$141,742, the short-term portfolio achieved an average yield of .44%, which should be benchmarked against the Standard & Poor's (S&P) Government Investment Pool (GIP) 30 Day Index of .14%, and the long-term core portfolio achieved an average Yield to Maturity at Cost of 1.16%, which should be benchmarked against the Merrill Lynch 1-3 Year Treasury Index of .22;
- (2) The total portfolio earnings for November 30, 2010, equaled \$163,157, the short-term portfolio achieved an average yield of .40%, which should be benchmarked against the S&P GIP 30-Day index of .12%, the long-term core portfolio achieved an average Yield to Maturity at Cost of 1.15%, which should be benchmarked against the Merrill Lynch 1-3 Year Treasury Index of .18%, and total year-to-date earnings of \$304,899; and
- (3) The total portfolio earnings for December 31, 2010, equaled \$104,032, the short-term portfolio achieved an average yield of .38%, which should be benchmarked against the S&P GIP 30-Day index of .11%, the long-term core portfolio achieved an average Yield to Maturity at Cost of 1.15%, which should be benchmarked against the Merrill Lynch 1-3 Year Treasury Index of -.19%, and total year-to-date earnings of \$408,931; and

(Continued on Page 3)

MINUTES OF THE CIAC MEETING – Continued

AGENDA NUMBER – Continued

6. Continued...

B. Received the PFM Asset Management, LLC, *Investment Performance Review, Quarter Ended December 31, 2010*, which includes an Executive Summary that reflects that:

- The County's Long Term portfolio is of high credit quality and maintains adequate liquidity; the portfolio is invested entirely in Federal Agency, U. S. Treasury, corporate note, commercial paper, and municipal bond securities, which are allocated among high quality issuers rated AAA, AA, A-1+, and A-1
- Intermediate-term Treasury yields declined to record lows over the quarter; two-year U. S. Treasury rates closed at 0.33% in early November, spurred by the announcement of a second round of quantitative easing (QE2) by the Federal Reserve at its November 3 (2010) FOMC (*Federal Open Market Committee*) meeting; the Fed called for an additional \$600 billion in longer-term Treasury purchases through June 2011 in an attempt to reduce corporate, consumer, and mortgage borrowing rates, thus stimulating economic growth through corporate investment and support for the housing sector; by the end of the fourth quarter of 2010, the Fed had purchased nearly \$168 billion in Treasury securities
- By the end of the quarter, intermediate-term yields increased sharply from record lows in early November, but remained well below long-term historical averages; the yield increases were due in part to increased inflation expectations as a result of QE2, as well as the extension of the Bush-era tax cuts, which will add an additional \$858 billion to the economy over two years; the two-year U. S. Treasury yield ended the quarter at 0.59%, closing 0.17% higher than it opened
- Overall economic conditions appear to be improving; for example, third quarter GDP (*Gross Domestic Product*) was 2.6%, a substantial improvement over second quarter GDP; however, this level of growth remains insufficient to impact the problematically high unemployment rate; nonetheless, the unemployment rate was 9.4% in December (2010), the lowest reading of the year; at the same time, the number of discouraged workers hit a record high 3.1 million – these workers are not counted in the headline unemployment rate

(Continued on Page 4)

MINUTES OF THE CIAC MEETING – Continued

AGENDA NUMBER – Continued

6. Continued...

B. Continued...

- Over the course of the quarter, PFM was able to use active management strategies to take advantage of the volatility in yields; in the Long-Term portfolio PFM made several sector swaps in addition to extension trades; for example, in October and November PFM sold federal agency and Treasury securities in the one- to three-year maturity range and targeted purchases in the five-year area – this strategy resulted in realizing \$27,000 in gains on sales; the Portfolio realized over \$81,000 in gains on sales over the quarter
- At the beginning of the quarter, PFM targeted the portfolio's duration at 95% of the benchmark's duration in order to benefit from the yield and roll down offered by the steep yield curve; over the quarter, as rates increased and the yield curve steepened further, PFM extended the duration of the portfolio closer to the benchmark's duration; the portfolio's return of -0.75% underperformed the benchmark's return of -0.67% by 8 basis points (0.08%); the extension trades were done in October through early December to take advantage of rising rates; however, when Congress passed the Fiscal Stimulus package in mid-December, rates continued to rise, resulting in the Portfolio's total return performance to be negative for the quarter
- PFM will continue to follow the prudent investment strategies that have safely provided the County with favorable long-term performance during the period of historic low interest rates
- Rates have bounced back from all-time lows, but remain depressed from a historical standpoint; the Fed is signaling that it plans to continue to keep rates low for an extended period; as such, PFM will position the portfolio's duration close to the benchmark's duration in order to capitalize on added yield and roll down; PFM will closely monitor the markets to make select purchases of securities when rates move towards the upper end of their range

(Continued on Page 5)

MINUTES OF THE CIAC MEETING – Continued

AGENDA NUMBER – Continued

6. Continued...

B. Continued...

- In the coming quarter, PFM will look for opportunities to purchase commercial paper, which has provided a yield advantage over comparably maturing short-term securities; additionally, utilizing commercial paper will allow PFM to barbell the portfolio by offsetting the duration from longer-term securities
 - Agency spreads over Treasuries continue to be compressed; PFM will allocate about 35-40% of the portfolio to Treasuries; in the case that spreads widen, Treasuries could outperform agencies; at that point, PFM will restructure the portfolio, allocating a larger portion to agency securities
- C. Was advised by Mrs. Maher that staff will provide information at the next CIAC Meeting (*April 29, 2011*) relative to County Administrator Oliver's inquiry concerning the investment of Certificates of Deposit through the CDARS (*Certificate of Deposit Account Registry Service*) Program.

7. Adjourn

Mr. Adams adjourned the CIAC Meeting at 9:30 a.m.



ERNIE LEE MAGAHA
CLERK OF THE CIRCUIT COURT AND COMPTROLLER
ESCAMBIA COUNTY, FLORIDA

◆ AUDITOR ◆ ACCOUNTANT ◆ EX-OFFICIO CLERK TO THE BOARD ◆ CUSTODIAN OF COUNTY FUNDS ◆

AI-666

Item #: 6.

County Investment Advisory Committee

Meeting

Date:

04/29/2011

Issue:

Review of Investment Reports

From:

Doris Harris

Recommendation:

Review of Investment Reports for January, February, and March 2011 - Patty Sheldon.

Attachments

CIAC #6

Form Review

Form Started By: Doris Harris

Started On: 04/07/2011 02:02 PM

Final Approval Date: 04/07/2011



EXECUTIVE ADMINISTRATION/LEGAL DIVISION
ACCOUNTING DIVISION
APPEALS DIVISION
ARCHIVES AND RECORDS
CENTURY DIVISION
CHILD SUPPORT
CLERK TO THE BOARD
COUNTY CIVIL
COUNTY CRIMINAL
COURT DIVISION
CIRCUIT CIVIL
CIRCUIT CRIMINAL
DOMESTIC RELATIONS
FAMILY LAW

ERNIE LEE MAGAHA
CLERK OF THE CIRCUIT COURT & COMPTROLLER
ESCAMBIA COUNTY, FLORIDA

♦ AUDITOR ♦ ACCOUNTANT ♦ EX-OFFICIO CLERK TO THE BOARD ♦ CUSTODIAN OF COUNTY FUNDS ♦

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GUARDIANSHIP
HUMAN RESOURCES
JUVENILE DIVISION
MARRIAGE
MENTAL HEALTH
MANAGEMENT INFORMATION SYSTEMS
OFFICIAL RECORDS
ONE STOP
OPERATIONAL SERVICES
PROBATE DIVISION
TRAFFIC DIVISION
TREASURY

MEMORANDUM

TO: Honorable Board of County Commissioners

FROM: Ernie Lee Magaha
Clerk of the Circuit Court & Comptroller

By: *Patricia L. Sheldon by C. Magaha*

Patricia L. Sheldon, CPA, CGFO, CPFO, CPFIM
Administrator for Financial Services
Clerk of the Circuit Court & Comptroller

DATE: February 10, 2011

SUBJECT: January 2011 Investment Report

RECOMMENDATION:

That the Board accepts, for filing with the Board's Minutes, the Investment Report for the month ended January 31, 2011, as required by Ordinance 95-13.

Please do not hesitate to call me at 595-4825 if you have any questions, suggestions or comments.

PLS/nac

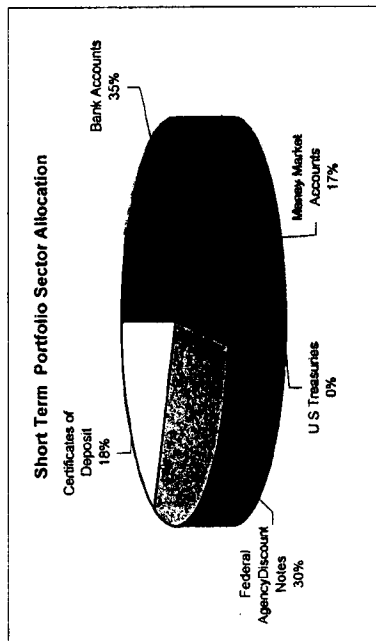
2011 FEB 10 PM 1:00
ERNIE LEE MAGAHA
CLERK OF CIRCUIT COURT
ESCAMBIA COUNTY, FL.

ESCAMBIA COUNTY BOARD OF COUNTY COMMISSIONERS
INVESTMENT PORTFOLIO SUMMARY REPORT
FISCAL YEAR 2010-2011
As of January 31, 2011

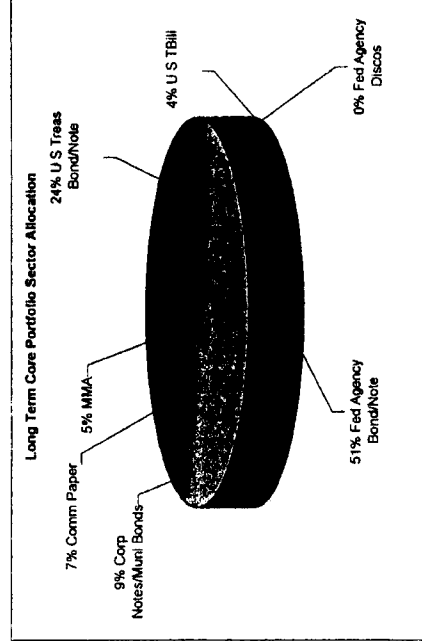


PORTFOLIO COMPOSITION

SHORT TERM PORTFOLIO (Maturities < or = to 1 Year):	Par Value	Market Value	Percent
Bank Accounts	\$ 47,491,725	\$ 47,491,725	35%
Money Market Accounts	22,838,098	22,838,098	17%
U S Treasuries	-	-	0%
Federal Agency/Discount Notes	40,000,000	39,961,270	30%
Certificates of Deposit	25,000,000	25,000,000	18%
Total Short Term Portfolio Assets:	\$ 135,329,823	\$ 135,291,093	100%
Short Term Portfolio Yield:			0.39%
Benchmark S&P GIP Index 30 Day:			0.09%
			YTD Earnings: \$75,722



LONG TERM CORE PORTFOLIO (Maturities > 1 Year):	Par Value	Market Value	Percent
US Treasury Bond/Notes	\$23,470,000	\$23,501,071	24%
US Treasury Bill	4,000,000	3,998,952	4%
Federal Agency Discount Notes	-	-	0%
Federal Agency Bond/Note	50,450,000	51,560,685	51%
Corporate Notes/Muni Bonds	8,650,000	9,176,380	9%
Commercial Paper	7,319,000	7,314,544	7%
Federated Govt Money Market Fund	4,645,905	4,645,905	5%
Total Managed CORE Assets:	\$98,534,905	\$100,197,537	100%
CORE Portfolio Yield to Maturity at Cost:			1.18%
CORE Portfolio Yield to Maturity at Market:			1.14%
Benchmark Merrill Lynch 1-3 Yr Treasury Index:			0.17%
			YTD Earnings: \$ 444,755



Total Portfolio: \$ 233,864,728 \$ 235,488,630

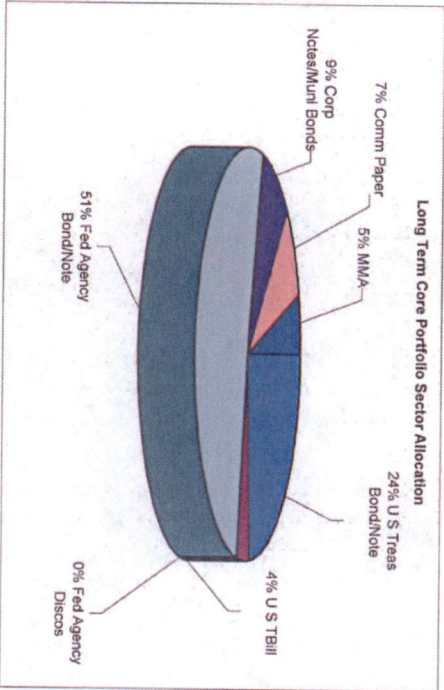
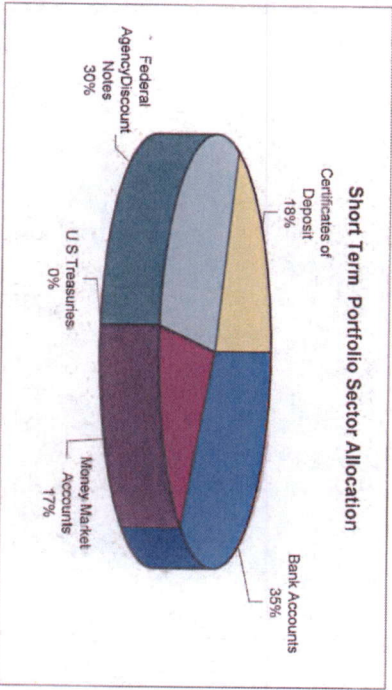
Current Month Earnings: \$ 111,546

Year to Date Earnings: \$ 520,477



ESCAMBIA COUNTY BOARD OF COUNTY COMMISSIONERS
INVESTMENT PORTFOLIO SUMMARY REPORT
FISCAL YEAR 2010-2011
As of January 31, 2011

PORTFOLIO COMPOSITION



SHORT TERM PORTFOLIO (Maturities < or = to 1 Year):	Par Value	Market Value	Percent
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Year to Date Earnings: \$ 520,477



ERNIE LEE MAGAHA
CLERK OF THE CIRCUIT COURT AND COMPTROLLER
ESCAMBIA COUNTY, FLORIDA

• AUDITOR • ACCOUNTANT • EX-OFFICIO CLERK TO THE BOARD • CUSTODIAN OF COUNTY FUNDS •

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ACCOUNTING DIVISION
APPEALS DIVISION
ARCHIVES AND RECORDS
CENTURY DIVISION
CHILD SUPPORT
CLERK TO THE BOARD
COUNTY CIVIL
COUNTY CRIMINAL
COURT DIVISION
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FINANCE
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GUARDIANSHIP
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JUVENILE DIVISION
MARRIAGE
MENTAL HEALTH
MANAGEMENT INFORMATION SYSTEMS
OFFICIAL RECORDS
ONE STOP
OPERATIONAL SERVICES
PROBATE DIVISION
TRAFFIC DIVISION
TREASURY

MEMORANDUM

TO: Honorable Board of County Commissioners

FROM: Ernie Lee Magaha
Clerk of the Circuit Court & Comptroller

By: *Patricia L. Sheldon*
Patricia L. Sheldon, CPA, CGFO, CPFO, CPFIM
Administrator for Financial Services
Clerk of the Circuit Court & Comptroller

DATE: March 10, 2011

SUBJECT: February 2011 Investment Report

RECOMMENDATION:

That the Board accepts, for filing with the Board's Minutes, the Investment Report for the month ended February 28, 2011, as required by Ordinance 95-13.

The total portfolio earnings for the month of February equaled \$126,941. The short term portfolio achieved an average yield of .37% benchmarked against the Standard & Poor's Government Investment Pool 30 Day index yield of .09%. The core portfolio achieved an average Yield to Maturity at Cost of 1.19% benchmarked against the Merrill Lynch 1 - 3 Yr. Treasury Index of (.23%).

All investments included in the County's portfolio are in compliance with the County's Investment Policy.

Please do not hesitate to call me at 595-4825 if you have any questions.

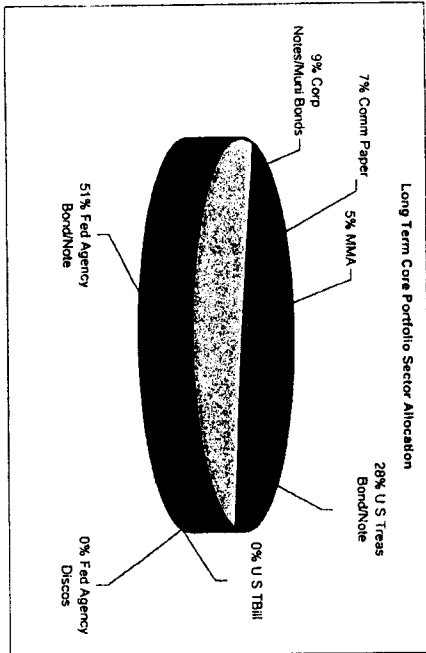
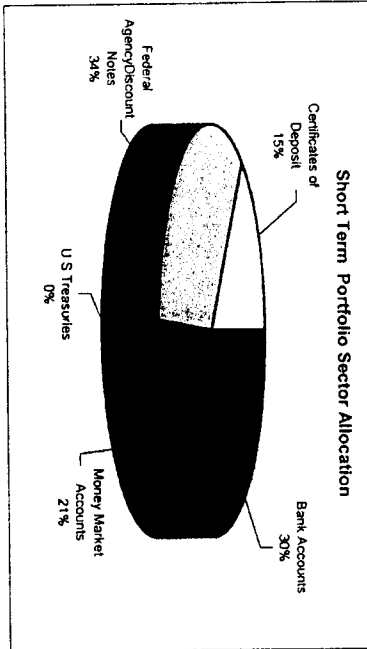
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COMMISSIONERS



ESCAMBIA COUNTY BOARD OF COUNTY COMMISSIONERS
 INVESTMENT PORTFOLIO SUMMARY REPORT
 FISCAL YEAR 2010-2011
 As of February 28, 2011

PORTFOLIO COMPOSITION



SHORT TERM PORTFOLIO (Maturities < or = to 1 Year)	Par Value	Market Value	Percent
Bank Accounts	\$ 39,646,319	\$ 39,646,319	30%
Money Market Accounts	27,843,231	27,843,231	21%
U S Treasuries	-	-	0%
Federal Agency/Discount Notes	45,000,000	44,961,890	34%
Certificates of Deposit	20,000,000	20,000,000	15%
Total Short Term Portfolio Assets:	\$ 132,489,550	\$ 132,451,440	100%
Short Term Portfolio Yield:	0.37%	YTD Earnings:	\$104,538
Benchmark S&P GIP Index 30 Day:	0.09%		

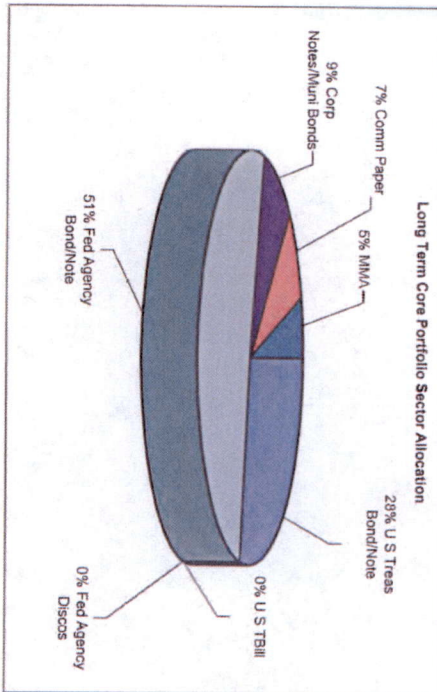
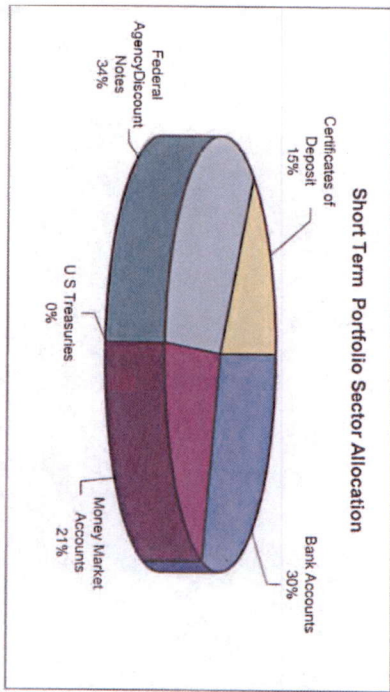
LONG TERM CORE PORTFOLIO (Maturities > 1 Year):	Par Value	Market Value	Percent
U S Treasury Bond/Notes	\$27,460,000	\$27,410,651	28%
U S Treasury Bill	-	-	0%
Federal Agency Discount Notes	50,450,000	51,387,480	51%
Federal Agency Bond/Note	8,650,000	9,148,711	9%
Corporate Notes/Muni Bonds	7,319,000	7,316,728	7%
Commercial Paper	4,753,639	4,753,639	5%
Federated Govt Money Market Fund	-	-	-
Total Managed CORE Assets:	\$98,632,639	\$100,017,208	100%
CORE Portfolio Yield to Maturity at Cost:	1.19%	YTD Earnings:	\$ 542,881
CORE Portfolio Yield to Maturity at Market:	1.23%		
Benchmark Merrill Lynch 1-3 Yr Treasury Index:	-0.23%		

Total Portfolio: \$ 231,122,188 \$ 232,468,647
 Current Month Earnings: \$ 126,941
 Year to Date Earnings: \$ 647,418



ESCAMBIA COUNTY BOARD OF COUNTY COMMISSIONERS
INVESTMENT PORTFOLIO SUMMARY REPORT
FISCAL YEAR 2010-2011
As of February 28, 2011

PORTFOLIO COMPOSITION



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 CLERK TO THE BOARD
 COUNTY CIVIL
 COUNTY CRIMINAL
 COURT DIVISION
 CIRCUIT CIVIL
 CIRCUIT CRIMINAL
 DOMESTIC RELATIONS
 FAMILY LAW

ERNIE LEE MAGAHA
CLERK OF THE CIRCUIT COURT AND COMPTROLLER
ESCAMBIA COUNTY, FLORIDA

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 PROBATE DIVISION
 TRAFFIC DIVISION
 TREASURY

MEMORANDUM

TO: Honorable Board of County Commissioners

FROM: Ernie Lee Magaha
 Clerk of the Circuit Court & Comptroller

By: *Patricia L. Sheldon*
 Patricia L. Sheldon, CPA, CGFO, CPFO, CPFIM
 Administrator for Financial Services
 Clerk of the Circuit Court & Comptroller

DATE: April 14, 2011

SUBJECT: March 2011 Investment Report

RECOMMENDATION:

That the Board accepts, for filing with the Board's Minutes, the Investment Report for the month ended March 31, 2011, as required by Ordinance 95-13.

The total portfolio earnings for the month of March equaled \$139,517. The short term portfolio achieved an average yield of .34% benchmarked against the Standard & Poor's Government Investment Pool 30 Day index yield of .08%. The core long-term portfolio achieved an average Yield to Maturity at Cost of 1.19% benchmarked against the Merrill Lynch 1 – 3 Yr. Treasury Index of (.07%).

All investments included in the County's portfolio are in compliance with the County's Investment Policy.

Please do not hesitate to call me at 595-4825 if you have any questions.

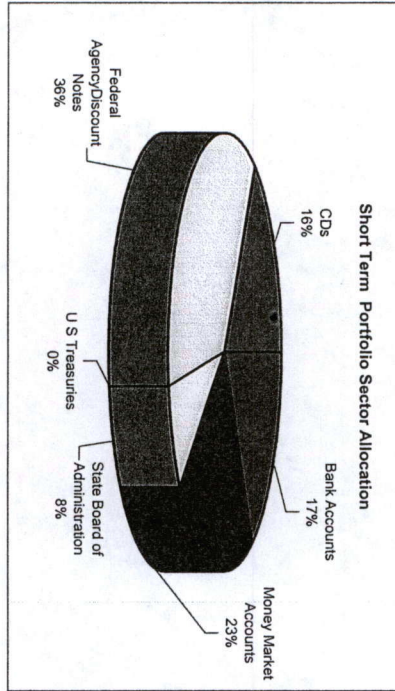
PLS/nac

2011 APR 14 P 2:35
 THE CLERK OF THE CIRCUIT COURT
 ESCAMBIA COUNTY, FL

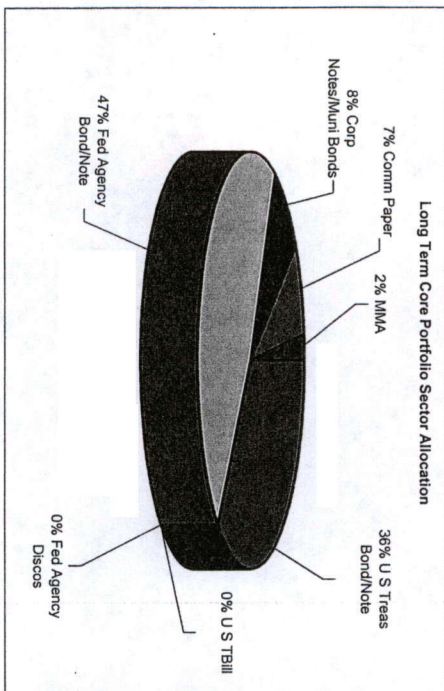


ESCAMBIA COUNTY BOARD OF COUNTY COMMISSIONERS
INVESTMENT PORTFOLIO SUMMARY REPORT
FISCAL YEAR 2010-2011
As of March 31, 2011

PORTFOLIO COMPOSITION



SHORT TERM PORTFOLIO (Maturities < or = to 1 Year):			
	Par Value	Market Value	Percent
Bank Accounts	\$ 20,869,218	\$ 20,869,218	17%
Money Market Accounts	27,849,187	27,849,187	23%
State Board of Administration	10,001,248	10,001,248	8%
U S Treasuries	-	-	0%
Federal Agency/Discount Notes	45,000,000	44,976,100	36%
Certificates of Deposit	20,000,000	20,000,000	16%
Total Short Term Portfolio Assets:	\$ 123,719,653	\$ 123,695,753	100%
Short Term Portfolio Yield:	0.34%	YTD Earnings: \$119,711	
Benchmark S&P GIP Index 30 Day:	0.08%		



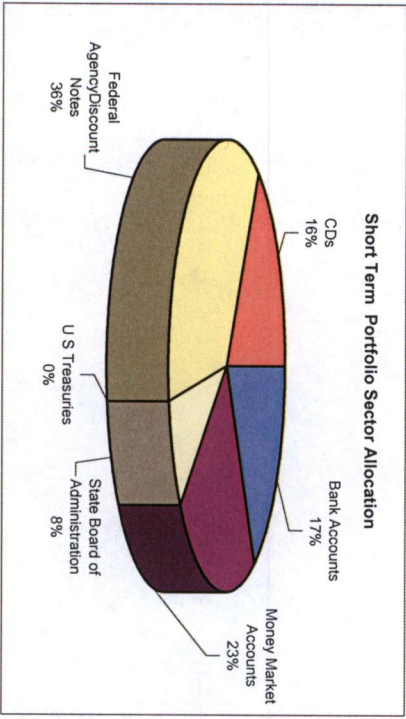
LONG TERM CORE PORTFOLIO (Maturities > 1 Year):			
	Par Value	Market Value	Percent
US Treasury Bond/Notes	\$ 36,340,000	\$ 36,347,628	36%
US Treasury Bill	-	-	0%
Federal Agency Discount Notes	47,910,000	48,823,506	47%
Federal Agency Bond/Note	8,650,000	9,108,329	8%
Corporate Notes/Muni Bonds	7,319,000	7,318,608	7%
Commercial Paper	1,988,800	1,988,800	2%
Federated Govt Money Market Fund	-	-	-
Total Managed CORE Assets:	\$102,207,800	\$103,586,872	100%
CORE Portfolio Yield to Maturity at Cost:	1.19%	YTD Earnings: \$ 667,225	
CORE Portfolio Yield to Maturity at Market:	1.25%		
Benchmark Merrill Lynch 1-3 Yr Treasury Index:	-0.07%		

Total Portfolio: \$ 225,927,453 \$ 227,282,625
Current Month Earnings: \$ 139,517
Year to Date Earnings: \$ 786,935

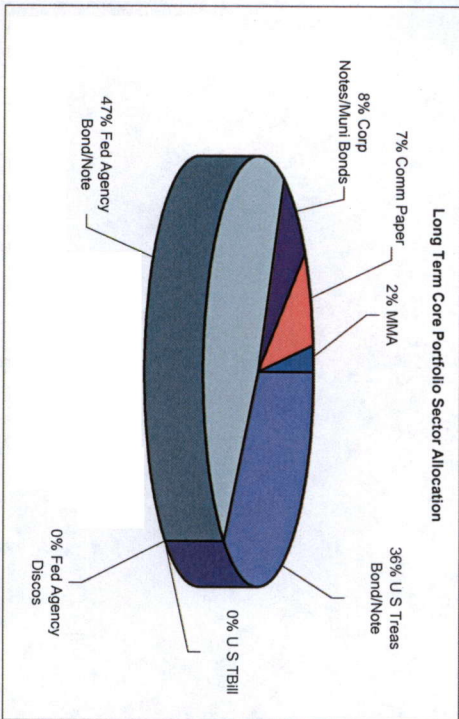


ESCAMBIA COUNTY BOARD OF COUNTY COMMISSIONERS
INVESTMENT PORTFOLIO SUMMARY REPORT
FISCAL YEAR 2010-2011
As of March 31, 2011

PORTFOLIO COMPOSITION



SHORT TERM PORTFOLIO (Maturities < or = to 1 Year)	Par Value	Market Value	Percent
Bank Accounts	\$ 20,869,218	\$ 20,869,218	17%
Money Market Accounts	27,849,187	27,849,187	23%
State Board of Administration	10,001,248	10,001,248	8%
U S Treasuries	-	-	0%
Federal Agency/Discount Notes	45,000,000	44,976,100	36%
Certificates of Deposit	20,000,000	20,000,000	16%
Total Short Term Portfolio Assets:	\$ 123,719,653	\$ 123,695,753	100%
Short Term Portfolio Yield:	0.34%	YTD Earnings: \$119,711	
Benchmark S&P GIP Index 30 Day:	0.08%		



LONG TERM CORE PORTFOLIO (Maturities > 1 Year):	Par Value	Market Value	Percent
US Treasury Bond/Notes	\$ 36,340,000	\$ 36,347,628	36%
US Treasury Bill	-	-	0%
Federal Agency Discount Notes	47,910,000	48,823,506	47%
Federal Agency Bond/Note	8,650,000	9,108,329	8%
Corporate Notes/Munt Bonds	7,319,000	7,318,608	7%
Commercial Paper	1,988,800	1,988,800	2%
Federated Govt Money Market Fun	-	-	-
Total Managed CORE Assets:	\$102,207,800	\$103,586,872	100%
CORE Portfolio Yield to Maturity at Cost:	1.19%	YTD Earnings: \$ 667,225	
CORE Portfolio Yield to Maturity at Market:	1.25%		
Benchmark Merrill Lynch 1-3 Yr Treasury Index:	-0.07%		

Total Portfolio:	\$ 225,927,453	\$ 227,282,625
Current Month Earnings:	\$ 139,517	
Year to Date Earnings:	\$ 786,935	

February 2, 2011

Patty/Cheryl –

Here are my comments:

1. Serialized CDs or CDARs

- a. While full FDIC insurance is very good, the Florida Chapter 280 provides for FDIC insurance, collateralization of deposit and cross collateralization with the State of Florida
 - i. CDARs - \$5MM CD will be split amongst at least 21 banks; the benefit to the County is that you can place this deposit with one Florida QPD bank and receive one statement. In the case that one bank goes under, the County will receive its money back from the FDIC insurance fund.
 - ii. Chapter 280 deposit. Should the bank become insolvent, FDIC insurance covers the first \$250K then the collateral pledged by the bank to the State of Florida will be liquidated to cover the remaining \$4.75MM. In case the collateral pledged falls short of the \$4.75MM then collateral from the State pool will be sold to make up for the difference.
- b. Chapter 280 deposits at your bank are accessible daily while CDARs are invested for specific periods (three, six, nine or twelve months) and therefore inherently not as liquid as the Chapter 280 funds.
- c. Rates are market driven and two factors are depressing yields today.
 - i. Banks have excess liquidity and are not aggressively looking for funds
 - ii. In a rising interest rate environment, banks are wanting to lock in funds for longer periods while investors want to stay shorter in order to lock in rising yields later contributing to less favorable rates for investors.

2. GIC or Guaranteed Investment Contracts

- a. Primarily used for bond proceeds and was quite popular prior to the credit crisis and when the yield curve was flat (short term rates and long term rates were the same)
- b. Since the GICs are only as good as the company offering them, the County will be exposed to any credit downgrades to the firm. Think Bear Stearns – what good is a high investment rate if the GIC issuer is bankrupt?
- c. With fewer GIC issuers and a steep yield curve, rates offered on GICs are not very competitive compared to a portfolio of individual securities in today's environment.

As your investment advisor, we are always reviewing the market to see what are the best instruments for the County's portfolio. Mr. Oliver's questions are very good and can work in the proper market. Please let me know if you have further questions.

Regards

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