Presentation to the Pinellas County Board of County Commissioners

Investments

By

Clerk of the Circuit Court & Comptroller

Ken Burke, CPA

Tuesday, August 16, 2016

Myth 1

"a majority of our investment portfolio has traditionally been invested in certificates of deposit from banks, the State Board of Administration overnight fund and these very highly conservative investments to achieve the goals of the policy, and each of those entities, of course, have their own financial advisors, financial advisory services available." (May 17th, BCC Budget Information Session)

REALITY:
In the past 12 years, we have not held a certificate of deposit (CD) in our investment portfolio.

In November 2007, I withdrew all but a minimal balance in the SBA. Within a week, the SBA froze any withdrawals and created two classes of funds - one of which remained restricted for years. Since that time, we have not placed any investments with the SBA.

We do invest in Local Government Pools where there are financial advisors to those funds.

Myth 2

" … we really don't invest that is of any risk whatsoever." (August 4th, 2016, BCC Budget Workshop)

REALITY:
There are two main types of risks that relate to our portfolio:

Credit Risk – minimal risk.

Market or Interest Rate Risk – this is the risk we do have and the reason we are requesting the assistance of a financial advisor.

Myth 3

"We have a relationship with a bank, and they could certainly advise us. We also have – what's the name of the financial advising company that we have on retainer?" (August 4th, 2016 Budget Workshop)

REALITY:
Our banking services contract has no provision for the bank to provide investment advisory services.

Marianne Edmonds of Public Trust Advisors Group "PRAG" is the Financial Advisor for debt matters. In a letter dated August 10, 2016 she stated "our core business does not include providing portfolio management services, asset allocation or direction with regard to specific investments."

What Type of Investments Does Pinellas County Have?

	Average Balance			
	Oct 2014 to Sept 2015		Oct 2015 to June 2016	
Bank Accounts	179,529,663	24.23%	200,453,805	23.59%
Local Gov Investment Pools (Non-bank)	28,617,539	3.86%	60,238,183	7.08%
US Government Securities (Non-bank)	532,884,823	71.91%	589,165,514	69.33%
TOTAL	**741,032,025**	**100%**	**849,857,502**	**100%**

Investment Interest Income

	Average Balance		Interest Income	
	Oct 2014 to Sept 2015			
Bank Accounts	179,529,663	24.23%	324,411	9.21%
Local Gov Investment Pools (Non-bank)	28,617,539	3.86%	38,048	1.08%
US Government Securities (Non-bank)	532,884,823	71.91%	3,160,636	89.71%
TOTAL	**741,032,025**	**100%**	**3,523,095**	**100%**

	Average Balance		Interest Income	
	Oct 2015 to June 2016			
Bank Accounts	200,453,805	23.59%	473,640	11.01%
Local Gov Investment Pools (Non-bank)	60,238,183	7.08%	185,753	4.32%
US Government Securities (Non-bank)	589,165,514	69.33%	3,642,916	84.67%
TOTAL	**849,857,502**	**100%**	**4,302,309**	**100%**

Yields (Interest Rates Earned)

Composite Yields:

	Oct 2014 to Sept 2015	Oct 2015 to June 2016
Bank Accounts	0.18%	0.31%
Local Gov Investment Pools	0.12%	0.41%
US Gov Securities	0.59%	0.82%

Work Involved in Purchasing US Treasury and US Federal Agency Securities

Potential Investment Income Lost

What if we invested strictly in Money Market Funds and Local Government Investment Pools that don't require the expertise and person hours needed to invest in US Government Securities?

Interest Earned:

Oct 2014 to Sept 2015	**Pro Forma**	**Actual**	**Difference**
Bank Accounts	1,283,604	324,411	959,193
Local Gov Investment Pools	38,048	38,048	0
US Gov Securities	0	3,160,636	(3,160,636)
TOTAL	1,321,652	3,523,095	(2,201,443)

Interest Earned:

Oct 2015 to June 2016 (9 Months Period)	**Pro Forma**	**Actual**	**Difference**
Bank Accounts	473,640	473,640	0
Local Gov Investment Pools	1,997,437	185,753	1,811,684
US Gov Securities	0	3,642,916	(3,642,916)
TOTAL	2,471,077	4,302,309	(1,831,232)
Annualized for Oct 2015 to Sept 2016	3,294,769	5,736,412	(2,441,643)

BOARD OF COUNTY COMMISSIONERS
PINELLAS COUNTY, FLORIDA

P.O. BOX 2438
Clearwater, FL 33757
Telephone: (727) 464-8300
FAX: (727) 464-8370

KEN BURKE
CLERK OF BOARD OF COUNTY COMMISSIONERS
CLERK OF WATER AND NAVIGATION CONTROL AUTHORITY
COUNTY AUDITOR AND TREASURER

TO: Distribution List (Attached)

FROM: Fred Dean, CPA
Director, Finance Division

SUBJECT: Request for Competitive Offers

DATE: July 13, 2016

Pinellas County is requesting competitive offerings on funds available for investment. Details are as follows:

Security:	**U.S. Agency or U.S. Government-sponsored enterprises (GSEs), Callable Only,** Minimum AA rated
Face Amount:	**Up to $20 million**, Delivery vs. Payment
Offers Received: (Date/Time)	**July 14, 2016 (Thursday, 11:00 AM EST)** Offer must remain open for minimum 15 minutes
Settlement:	**On or before July 21, 2016**
Maturity:	**July, August, October or November 2018**
Response:	**All offerings must be submitted by email to Brokers@pinellascounty.org.** Please provide the following Bloomberg information in the email: a trade ticket, security description (DES), call schedule, and an option adjusted spread (OAS1) analysis using a volatility of 14.00. Please feel free to add additional description that will assist our evaluation. **PLEASE SUBMIT YOUR SINGLE BEST OFFER.**
Award:	Award will be primarily based on OAS1 (with volatility of 14.00) and maturity suitability; yield and total return profile may also be considered. Tie offers will be decided by coin flip. We reserve the right to reject all offerings at our discretion, especially if market conditions are uncertain.

Thank you for your participation in this process.

Distribution List
July 13, 2016

Great Pacific Securities
Kris Mills
(800) 284-4804
FAX (714) 619-3019
Email: krism@bloomberg.net
kmills@greatpac.com
andy-kris@bloomberg.net

PNC Capital Markets
Thomas Jacobson
(800) 821-9211
Direct (317) 686-3594
FAX (317) 686-3707
Email: thomas.jacobson@pnc.com

Raymond James
Jim Canale
(800) 476-6864
Direct (727)-567-2960
Email: jim.canale@raymondjames.com

UBS Securities, LLC
John Doke
(800) 273-2557
FAX (214) 965-6177
Email: doke@bloomberg.net

Oppenheimer
Alan Schnall
(561) 367-4825
(888) 999-3660
FAX (561) 416-8671
Email: aschnall2@bloomberg.net

Investment Bid Sheet
7/14/2016
11:00 AM

Brokers/	Agency Name	Coupon	YTM	YTNC	Rating	Maturity Date	Callable	Settlement By	Price	Principal	OAS1
Requirements:						*July, August, October or November 2018*	*No minimum call date*	*7/21/2016*			
Great Pacific Securities Kris Mills (800) 284-4804 FAX (714) 619-3019											
PNC Capital Markets Thomas Jacobson (800) 821-9211 or (317) 686-3594 FAX (317) 686-3707											
Raymond James Jim Canale (800) 476-6864 or (727) 567-2960											
UBS Securities, LLC John Doke (800) 273-2557 FAX (214) 965-6177											
Oppenheimer Alan Schnall (561) 367-4825 or (888) 999-3660 FAX (561) 416-8671											

Broker List
8/10/2016

	BROKERAGE:	BROKER:
1	Great Pacific Securities	Kris Mills
2	Mesirow	Glenn Edmonds
3	PNC Capital Markets	Thomas Jacobson
4	Raymond James	Jim Canale
5	Jefferies Fixed Income	Scott Lewis
6	UBS Securities, LLC	John Doke
7	Oppenheimer	Alan Schnall
8	Fifth Third Securities, Inc.	Travis Gleason
9	Vining Sparks	Darylne Haba
10	Cantor Fitzgerald	Ben Finkelstein

1 <GO> to send to VCON & MSG, View other options under Settings

FNMA 0.85 07/13/18 Corp	1) Send (VCON)		Sell Ticket
07/14/2016 10:47 Trade Date	07/14/16		97) Settings

Trade Information

Trader	TOM JACOBSON	CUSIP	3135G0L43
At	PNC BANK NATIONAL ASSOCIATION	ISIN	US3135G0L432

9) SELL	20000 M	of FNMA 0.85 07/13/18				Issuer	FANNIE MAE
						Dated	07/13/16
Price	99.854000	Yield	0.924044	to	Worst	07/13/18	@ 100
Settlement	07/15/16	(T+1 for calendar 'US')					

Notes

Trade Numbers

View Amounts in USD

Principal		USD	19,970,800.00
Accrued	(2 days)		944.44
Total		USD	19,971,744.44

SN 557571 EDT GMT-4:00 G617-1856-3 14-Jul-2016 10:49:25

FNMA 0.85 07/13/18 $↑99.860 -.005 25.8 bp vs T 0.625 06/30/2018

As of 13 Jul Vol 16.9MM Source TRAC

FNMA 0.85 07/13/18 Corp | 97) Settings | Page 1/11 | Security Description: Bond

Data not provided by Bloomberg 94) Notes 95) Buy 96) Sell

25) Bond Description 26) Issuer Description

Pages
- 11) Bond Info
- 12) Addtl Info
- 13) Covenants
- 14) Guarantors
- 15) Bond Ratings
- 16) Identifiers
- 17) Exchanges
- 18) Inv Parties
- 19) Fees, Restrict
- 20) Schedules
- 21) Coupons

Quick Links
- 32) ALLQ Pricing
- 33) QRD Quote Recap
- 34) TDH Trade Hist
- 35) CACS Corp Action
- 36) CF Prospectus
- 37) CN Sec News
- 38) HDS Holders
- 39) VPRD Underly Info
- 66) Send Bond

Issuer Information

Name	FANNIE MAE
Industry	Government Agencies

Security Information

Mkt Iss	Global		
Country	US	Currency	USD
Rank	Unsecured	Series	
Coupon	0.850000	Type	Fixed
Cpn Freq	S/A		
Day Cnt	30/360	Iss Price	100.00000
Maturity	07/13/2018		
CALL 01/13/17@100.00			
Iss Sprd			

Calc Type	(1)STREET CONVENTION
Announcement Date	07/01/2016
Interest Accrual Date	07/13/2016
1st Settle Date	07/13/2016
1st Coupon Date	01/13/2017

Security created by firm NOMURA SECURITIES INTERNATIONAL, INC

Identifiers

ID Number	LW7025841
CUSIP	3135G0L43
ISIN	US3135G0L432

Bond Ratings

Moody's	Aaa
S&P	AA+
Composite	AA+

Issuance & Trading

Amt Issued/Outstanding

USD	500,000.00 (M)/
USD	500,000.00 (M)

Min Piece/Increment

1,000.00 / 1,000.00

Par Amount	1,000.00
Book Runner	JOINT LEADS
Reporting	TRACE

SN 557571 EDT GMT-4:00 G617-1856-3 14-Jul-2016 10:49:34

FNMA 0.85 07/13/18 $↑99.860 -.005 25.8 bp vs T 0.625 06/30/2018

As of 13 Jul Vol 16.9MM Source TRAC

FNMA 0.85 07/13/18 Corp | 97) Settings | Page 10/11 | Security Description: Bond

Data not provided by Bloomberg 94) Notes | 95) Buy | 96) Sell

25) Bond Description 26) Issuer Description

Pages
- 11) Bond Info
- 12) Addtl Info
- 13) Covenants
- 14) Guarantors
- 15) Bond Ratings
- 16) Identifiers
- 17) Exchanges
- 18) Inv Parties
- 19) Fees, Restrict
- 20) Schedules
- 21) Coupons

Quick Links
- 32) ALLQ Pricing
- 33) QRD Quote Recap
- 34) TDH Trade Hist
- 35) CACS Corp Action
- 36) CF Prospectus
- 37) CN Sec News
- 38) HDS Holders
- 39) VPRD Underly Info
- 66) Send Bond

Schedules

Call Schedule

Discrete Call minimum 10 days notice

May be called in full or part

Last Call Date 04/13/2018

Call Frequency Quarterly

Callable only on date(s) shown

Date	Price
01/13/2017	100.000
04/13/2017	100.000
07/13/2017	100.000
10/13/2017	100.000
01/13/2018	100.000
04/13/2018	100.000

SN 557571 EDT GMT-4:00 G617-1856-3 14-Jul-2016 10:49:40

OAS1

OPTION-ADJUSTED SPREAD ANALYSIS

FANNIE MAE FNMA 0.85 07/18 / (/) TRAC

2) Customize

Calculate Price **OAS (bp)** Volatility

(P,O,V) [illegible] P) [illegible] O) +24.38 V) [illegible]

Curve [illegible] Semi

Const. Mty Tsy Cu

Dated [illegible]

Cusip / ID# 3135G0L43 Option Px Value: -0.00

Settle 7/15/2016

Settle [illegible] Bench settle [illegible] Vega: 0.00

Spread [illegible] bp vs [illegible] @ [illegible] ([illegible])

Shift [illegible] (bps)

{NUM}<GO> for:

Call Schedule			OAS Method	Option Free	To Call on 1/13/2017	To Mty
1/13/17	100.00	Yld		0.924	[illegible]	[illegible]
4/13/17	100.00	Sprd		24.3	[illegible]	[illegible]
7/13/17	100.00	M Dur	1.40		0.49	1.97
10/13/17	100.00	Risk	1.40		0.49	1.97
1/13/18	100.00	Cnvx	-2.24		0.00	0.05
4/13/18	100.00					

	Yield	Spread
3m	[illegible]	[illegible]
6m	[illegible]	[illegible]
1y	[illegible]	[illegible]
2y	[illegible]	[illegible]
3y	[illegible]	[illegible]
4y	[illegible]	[illegible]
5y	[illegible]	[illegible]
7y	[illegible]	[illegible]
10y	[illegible]	[illegible]
20y	[illegible]	[illegible]
30y	[illegible]	[illegible]

Model L-Lognormal

Exercise Premium [illegible]

88) REFRESH

SN 557571 EDT GMT-4:00 G617-1856-3 14-Jul-2016 10:51:26

SXT

1 <GO> to send to VCON & MSG, View other options under Settings

FHLMC 1.2 11/16/18 Corp	1) Send (VCON)		Sell Ticket
07/14/2016 10:54 Trade Date	07/14/16		97) Settings

Trade Information

Trader	KRISTAIN MILLS	CUSIP	3134G9GQ4
At	GREAT PACIFIC SECURITIES	ISIN	US3134G9GQ43

9) SELL 16110 M of FHLMC 1.2 11/16/18 — Issuer: FREDDIE MAC

Dated 05/16/16

Price 100.058000 Yield 0.525114 to Worst 08/16/16 @ 100

Settlement 07/15/16 (T+1 for calendar 'US')

Ratings S&P AA+ Moody's Aaa Fitch AAA R&I N.A.

Notes

Trade Numbers

View Amounts in USD

Principal		USD	16,119,343.80
Accrued	(59 days)		31,683.00
Total		USD	16,151,026.80

FHLMC 1.2 11/16/18 $↑100.090 +.095 -- bp vs N.A.
As of 27 Jun Vol 15.0MM Source TRAC

FHLMC 1.2 11/16/18 Corp | 97) Settings | Page 1/11 | Security Description: Bond

Data not provided by Bloomb... 94) Notes | 95) Buy | 96) Sell

25) Bond Description 26) Issuer Description

Pages
11)Bond Info
12)Addtl Info
13)Covenants
14)Guarantors
15)Bond Ratings
16)Identifiers
17)Exchanges
18)Inv Parties
19)Fees, Restrict
20)Schedules
21)Coupons

Quick Links
32)ALLQ Pricing
33)QRD Quote Recap
34)TDH Trade Hist
35)CACS Corp Action
36)CF Prospectus
37)CN Sec News
38)HDS Holders
39)VPR Underly Info

66)Send Bond

Issuer Information

Name	FREDDIE MAC		
Industry	Government Agencies		

Security Information

Mkt Iss	Global		
Country	US	Currency	USD
Rank	Unsecured	Series	
Coupon	1.200000	Type	Fixed
Cpn Freq	S/A		
Day Cnt	30/360	Iss Price	100.00000
Maturity	11/16/2018		
CALL 08/16/16@100.00			
Iss Sprd			

Calc Type (1)STREET CONVENTION

Announcement Date	04/28/2016
Interest Accrual Date	05/16/2016
1st Settle Date	05/16/2016
1st Coupon Date	11/16/2016

Security created by firm GOLDMAN, SACHS & CO.

Identifiers

ID Number	JK9591088
CUSIP	3134G9GQ4
ISIN	US3134G9GQ43

Bond Ratings

Moody's	Aaa
S&P	AA+
Fitch	AAA
Composite	AA+

Issuance & Trading

Amt Issued/Outstanding

USD	250,000.00 (M)/
USD	250,000.00 (M)

Min Piece/Increment
1,000.00 / 1,000.00

Par Amount	1,000.00
Book Runner	GS-sole
Reporting	TRACE

FHLMC 1.2 11/16/18 $↑100.090 +.095 -- bp vs N.A.
As of 27 Jun Vol 15.0MM Source TRAC

FHLMC 1.2 11/16/18 Corp | 97) Settings | Page 10/11 | Security Description: Bond

Data not provided by Bloomb... 94) Notes | 95) Buy | 96) Sell

25) Bond Description 26) Issuer Description

Pages
11)Bond Info
12)Addtl Info
13)Covenants
14)Guarantors
15)Bond Ratings
16)Identifiers
17)Exchanges
18)Inv Parties
19)Fees, Restrict
20)Schedules
21)Coupons

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32)ALLQ Pricing
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35)CACS Corp Action
36)CF Prospectus
37)CN Sec News
38)HDS Holders
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66)Send Bond

Schedules

Call Schedule

Discrete Call minimum 5 business days notice

Last Call Date 08/16/2018

Call Frequency Quarterly

Callable only on date(s) shown

Date	Price
08/16/2016	100.000
11/16/2016	100.000
02/16/2017	100.000
05/16/2017	100.000
08/16/2017	100.000
11/16/2017	100.000
02/16/2018	100.000
05/16/2018	100.000
08/16/2018	100.000

OAS1

OPTION-ADJUSTED SPREAD ANALYSIS

FREDDIE MAC FHLMC 1.2 18-16 / (/) TRAC

Calculate (P,O,V) O

Price P) 100.0580

OAS (bp) O) +21.71

Volatility V) 14.00

Cusip / ID# 3134G9GQ4 Option Px Value: -0.54

Settle 7/15/2016 Bench settle 7/15/2016 Vega: 0.00

Spread 87.4bp vs 3MO B 0 10/13/16 Govt @0.295 (0.300)

2) Customize

Curve I111 Semi

US On/Off The Run

Dated 7/14/2016

Settle 7/15/2016

N None

Shift +0 (bps)

	Yield	Spread
3m	0.300	
6m	0.396	
1y	0.504	
2y	0.677	
3y	0.813	
4y	0.980	
5y	1.086	
7y	1.349	
10y	1.527	
20y	1.796	
30y	2.250	

88) REFRESH

{NUM}<GO> for:

3) Call Schedule

8/16/16	100.00
11/16/16	100.00
2/16/17	100.00
5/16/17	100.00
8/16/17	100.00
11/16/17	100.00
2/16/18	100.00
5/16/18	100.00
8/16/18	100.00

	OAS Method	Option Free	To Call on 8/16/2016	To Mty
Yld		0.940	0.525	1.175
Sprd		21.7	22.5	45.1
M Dur	0.63		0.09	2.29
Risk	0.63		0.09	2.30
Cnvx	-2.35		0.00	0.06

Model L L=Lognormal

Exercise Premium 0.00

SXT

1 <GO> to send to VCON & MSG, View other options under Settings

FHLMC 1.05 07/27/18 Corp | 1) Send (VCON) | Sell Ticket

07/14/2016 09:52 Trade Date 07/14/16 Print Version 97) Settings

Trade Information

Trader	JOHN DOKE		
At	UBS FINANCIAL SERVICES INC.	CUSIP	3134G9Q67
		NYSE SYMB	N.A.
[redacted]	20000 M of FHLMC 1.05 07/27/18	Issuer	FREDDIE MAC
		Dated	07/27/16

Price 100.000000 Yield 1.050000 to Worst 10/27/16 @ 100

Settlement 07/27/16 (T+9 for calendar 'US')

Notes MOCK TRADE TOCKET. APPROX. OAS OF 36.91
JOHN DOKE UBS 800-273-2557

Trade Numbers

View Amounts in USD

Principal		USD	20,000,000.00
Accrued	(0 days)		0.00
Total		USD	20,000,000.00

FHLMC 1.05 07/27/18 $↑100.000 +.000 37.9 bp vs T 0.625 06/30/2018
As of 13 Jul Vol 107.8MM Source TRAC

FHLMC 1.05 07/27/18 Corp | 97) Settings | Page 1/11 Security Description: Bond

Data not provided by Bloomberg | 94) Notes | 95) Buy | 96) Sell

25) Bond Description | 26) Issuer Description

Pages
- 11) Bond Info
- 12) Addtl Info
- 13) Covenants
- 14) Guarantors
- 15) Bond Ratings
- 16) Identifiers
- 17) Exchanges
- 18) Inv Parties
- 19) Fees, Restrict
- 20) Schedules
- 21) Coupons

Quick Links
- 32) ALLQ Pricing
- 33) QRD Quote Recap
- 34) TDH Trade Hist
- 35) CACS Corp Action
- 36) CF Prospectus
- 37) CN Sec News
- 38) HDS Holders
- 39) VPR Underly Info
- 66) Send Bond

Issuer Information

Name	FREDDIE MAC
Industry	Government Agencies

Security Information

Mkt Iss	Global		
Country	US	Currency	USD
Rank	Unsecured	Series	
Coupon	1.050000	Type	Fixed
Cpn Freq	S/A		
Day Cnt	30/360	Iss Price	100.00000
Maturity	07/27/2018		
CALL 10/27/16@100.00			
Iss Sprd			

Calc Type (1)STREET CONVENTION

Announcement Date	07/12/2016
Interest Accrual Date	07/27/2016
1st Settle Date	07/27/2016
1st Coupon Date	01/27/2017

Identifiers

ID Number	LW8758895
CUSIP	3134G9Q67
ISIN	US3134G9Q672

Bond Ratings

Moody's	Aaa
S&P	AA+
Fitch	AAA
Composite	AA+

Issuance & Trading

Amt Issued/Outstanding

USD	2,000,000.00 (M) /
USD	2,000,000.00 (M)

Min Piece/Increment
1,000.00 / 1,000.00

Par Amount	1,000.00
Book Runner	BCLY,CITI,NOM
Reporting	TRACE

Security created by firm CITIGROUP GLOBAL MARKETS INC.

OAS1

OPTION-ADJUSTED SPREAD ANALYSIS

FREDDIE MAC FHLMC 1.05 18-16 / (/) TRAC

Calculate	Price	OAS (bp)	Volatility
(P,O,V) O	P) 100.0000	O) +36.91	V) 14.00

Cusip / ID# 3134G9Q67 Option Px Value: -0.01

Settle 7/27/2016 Bench settle 7/15/2016 Vega: 0.00

Spread 54.6bp vs 1Y B 0 06/22/17 Govt @0.495 (0.504)

2) Customize

Curve I111 Semi

US On/Off The Run

Dated 7/14/2016

Settle 7/27/2016

N None

Shift +0(bps)

	Yield	Spread
3m	0.300	
6m	0.396	
1y	0.504	
2y	0.677	
3y	0.816	
4y	0.976	
5y	1.084	
7y	1.349	
10y	1.525	
20y	1.796	
30y	2.249	

88) REFRESH

{NUM}<GO> for:

3) Call Schedule

10/27/16	100.00
1/27/17	100.00
4/27/17	100.00
7/27/17	100.00
10/27/17	100.00
1/27/18	100.00
4/27/18	100.00

	OAS Method	Option Free	To Call on 10/27/2016	To Mty
Yld		1.045	1.050	1.050
Sprd		36.8	74.9	37.3
M Dur	1.13		0.25	1.97
Risk	1.13		0.25	1.97
Cnvx	-3.26		0.00	0.05

Model L L=Lognormal

Exercise Premium 0.00