



**Annual Investment Committee Report
For the Year Ending
September 30, 2009**

Prepared for

City Commission

**Richard Clapp, Mayor
Kelly M. Kirschner, Vice Mayor
Fredd “Glossie” Atkins, Commissioner
Suzanne Atwell, Commissioner
Terry Turner, Commissioner**

Charter Officials

**Robert J. Bartolotta, City Manager
Billy E. Robinson, City Auditor and Clerk
Robert M. Fournier, City Attorney**

Prepared by

**Christopher H. Lyons, Chair
Robert J. Bartolotta
Billy E. Robinson
Mark Hostetler**

December 7, 2009



City of Sarasota Annual Investment Report

Christopher H. Lyons, C.P.A., C.G.F.O., C.P.F.O.

Finance Director

September 2009

Mark Hostetler, Funds & Investment Manager

Portfolio Strategy

The Investment Policy was established by ordinance in 2001 and stresses safety of capital as the highest priority. To ensure this safety and the protection of the public's assets, the weighted average duration of principal return for the portfolio shall approximate two years. The portfolio consists of securities that strive to maximize the return on investments by actively managing and diversifying into a wide range of securities. The portfolio is structured so as to provide sufficient liquidity to pay current obligations. A variety of short-term investments and non-subprime adjustable rate mortgage securities paying principal and interest monthly is the strategy used to provide an adequate level of liquidity and rate of return. The portfolio statistics and composition chart below support the policy guidelines.

Annual Activity

Maturities/Calls/Sales:

Treasuries \$24.0m @ 4.84% (12)

Agency \$88.7m @ 3.89% (81)

Fix Mtg. \$6.8m @ 5.0% (37)

C.D.'s. \$10.8m @ 3.25% (29)

Purchases:

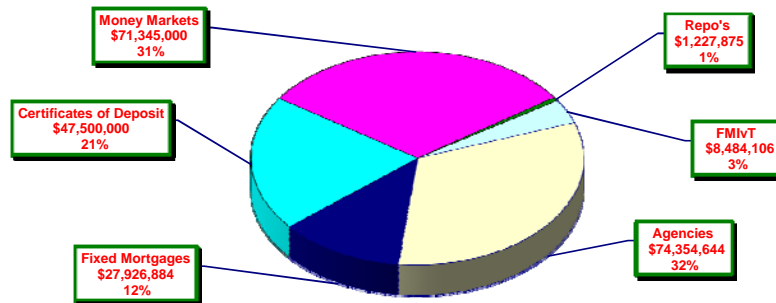
Treasuries \$24.0m @ 2.64% (12)

Agency \$87.1m @ 3.07% (65)

Fix Mtg. \$9.79m @ 4.92% (9)

C.D.'s \$39.7m @ 2.19% (207)

Portfolio Composition



Weighted avg. Maturity = 2.61 yrs

SBA = .0001% OR \$21,396

Portfolio Statistics by Quarter

	Sept. 2009	June 2009	March 2009	Dec. 2008	Sept. 2008	June 2008	Mar. 2008
Ending Portfolio Balance at Par	\$230.9m	\$237.3m	\$230.9m	\$230.9m	\$194.1m	\$203.2m	\$206.2m
End Portfolio Market Value	\$232.0m	\$238.2m	\$232.0m	\$232.3m	\$193.7m	\$202.3m	\$207.0m
Yield Based Upon Cost	2.51%	1.90%	2.02%	2.29%	3.08%	3.19%	3.32%
Weighted Aver. Maturity	2.61yrs.	2.13 yrs.	2.34 yrs.	2.03 yrs.	2.21 yrs.	2.21 yrs.	1.73 yrs.

Portfolio Analysis by Quarter

	Sep-09	Jun-09	Mar-09	Dec-08
Month-End Portfolio Balance at Par	\$230,859,906	\$237,321,269	\$230,932,380	\$230,973,726
Yield Based Upon Cost	2.51%	1.90%	2.02%	2.29%
Investment Earnings per Current Quarter	\$1,324,470	\$1,222,524	\$1,300,762	\$1,660,709
Market Value Adjustment per Current Quarter	\$125,234	(\$155,720)	(\$212,777)	\$1,574,381
Investment Earnings plus Mrkt. Val. Adjmt.	\$1,449,704	\$1,066,804	\$1,087,985	\$3,235,090

Economic Data - Quarter in Review

- The fed funds rate closed at 0.25%, down 4.0% for the year.
- U.S. employers lost 773,000 jobs in Nov., largest job losses since Dec. 1974. The jobless rate rose to 6.7% from 6.5%.
- The Dow fell to 7,552 on Nov. 20, lowest level in 14 years.
- Crude oil prices ended the year down 51%, after reaching \$147 per barrel in July, ending the year at \$45 per barrel.
- Treasury yields fell sharply due to the recession. The 2-year treasury dropped from 3.04% to 0.76%, a 75% decline.
- The S&P 500 tumbled 49% in 2008 and headed toward the worst annual decline in its 80-year history.

Important News - Quarter in Review

- IndyMac and Washington Mutual, two of the largest U.S. banks were seized by Federal regulators, due to mortgage losses.
- The government seized control of Fannie Mae and Freddie Mac, due to losses from foreclosures and mortgage losses.
- The U.S. government expended \$700 billion to rescue the financial system, one of the largest interventions' in U.S. history.
- Wachovia's sale to Citigroup fell through as Wells Fargo & Co. offered substantially more to buy the distressed bank.
- Senator Barack Obama defeated Senator John McCain to become the 44th President of the United States of America.

Economic Data - Quarter in Review

- U.S. auto sales fell 41% in February 2009 for the fifth straight decline.
- U.S. employers lost 663,000 jobs in March and 4,100,000 over the past five months. The jobless rate is 8.5%.
- Auto sales fell 37% in Mar. as GM & Chrysler file bankruptcy
- The Dow Jones fell to its lowest level in 12-yrs, falling to 5,547 on March 9, before recovering to 7,608 at month end.
- The Dow Jones was up nearly 8.0% in March 2009 but was still down 44% from the high of 14,164 in 2007.
- Consumer prices posted their first annual decline since 1955 and fell 0.1% from February.

Important News - Quarter in Review

- U.S. Corporation's profits fell by \$250 billion or 16.5% at the close of 2008, the steepest drop in 55 years.
- More than 8.3 million U.S. mortgage holders owed more on their loans than their property's market value.
- Mortgage delinquencies rose to 7.88% and foreclosures rose to 3.30%, the highest on record going back to 1972.
- The World Bank expected the global economy to contract by 1.7% in 2009, the first decline since World War II.
- AIG angered lawmakers by giving \$165 million in employees bonuses after receiving over \$173 billion from the government.

Economic Data - Quarter in Review

- U.S. lost 467,000 jobs in June or 6.5 million since Dec.2007.
- The jobless rate increased to 9.5% from 9.4% with adult men accounting for 10.0% versus 7.6% for adult women.
- The average work wk. fell to 33hrs., lowest level since 1964.
- The Dow continued to rise, moving up 300 points to 8,800 on June 12, then fell 353 points to close the month at 8,447.
- Oil prices rose sharply in the quarter by \$18 a barrel to \$68, a 35% increase. Gas rose .55 cents to \$2.45 per gallon.
- U.S. producer prices (PPI) increased by 0.2% and consumer prices (CPI) increased by 0.1% in June.

Important News - Quarter in Review

- General Motors Corp. became the second largest industrial bankruptcy in history as it filed for Chapter 11 on June 1st.
- Commercial real-estate loans could generate losses in excess of \$10 billion by the end of 2010 if the economy worsens.
- Miami based Bank United was seized by federal regulators, the biggest bank failure this year and costing the FDIC \$4.9 billion.
- The Fed. Projected that 19 of the nation's largest banks could suffer losses of nearly \$600 billion through 2010.
- Bernard Madoff, at 71 years-old, was sentenced to 150 years in prison for his part in the biggest ponzi scheme in history.

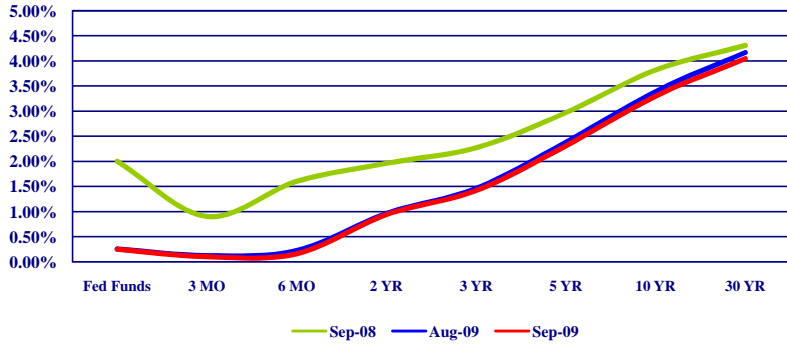
Economic Data - Quarter in Review

- Jobs lost since recession started in Dec. 07 total 7.2 million.
- U.S. employment losses approximate 765,000 jobs in the quarter the unemployment rate rose to 9.8%, a 26-yr. high.
- The fed rate remained at 0.25% for the 9th straight month.
- The Dow increased 3,165 points or 48% from its 12-year low on March 9th, to end the month of September at 9,712.
- Consumers filing for bankruptcy on a nationwide basis exceeded 675,000 for the year, up 37% from a year earlier.
- Gold prices have steadily increased in 2009, up 14% since January with the threat of inflation and a weak U.S. dollar.

Important News - Quarter in Review

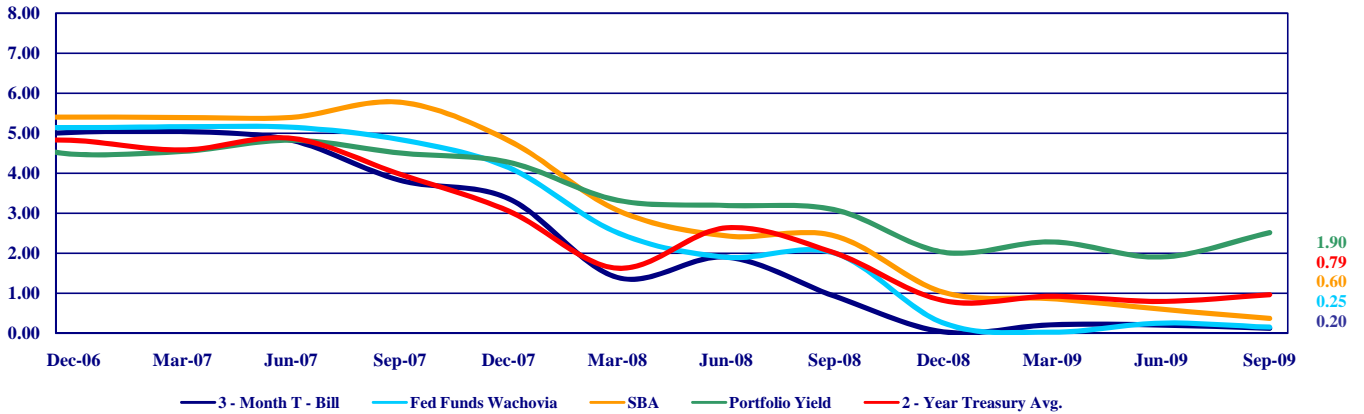
- FDIC's deposit-insurance fund faced its 1st negative balance since the savings and loan crisis in 1991 as bank failures rise.
- BB&T purchased the assets of the failed Alabama's Colonial Bank making it the 11th largest bank failure in U.S. history.
- Prime borrowers are falling behind on mortgage and credit card payments at a faster pace than subprime borrowers.
- Federal Reserve Chairman Ben Bernanke was nominated for his second consecutive term by President Barack Obama.
- U.S. auto sales fell 23% in September after the federal government ended the "cash for clunkers" incentive program.

U.S. Treasury Yield Curve



	Sep-08	Aug-09	Sep-09	Quarterly Change
Fed Funds	2.00%	0.25%	0.25%	0.00%
3 MO	0.90%	0.12%	0.10%	-0.02%
6 MO	1.60%	0.22%	0.16%	-0.06%
2 YR	1.96%	0.96%	0.94%	-0.02%
3 YR	2.27%	1.46%	1.42%	-0.04%
5 YR	2.97%	2.38%	2.31%	-0.07%
10 YR	3.82%	3.39%	3.30%	-0.09%
30 YR	4.31%	4.17%	4.05%	-0.12%

Portfolio Yield Comparison



1.90
0.79
0.60
0.25
0.20