Memorandum

MIAMI-DADE COUNTY

Date: February 19, 2008

To: Honorable Chairman Bruno A. Barreiro and Members, Board of County Commissioners

From: George M. Burgess, County Manager

Subject: Year-End Portfolio Performance Report for Fiscal Year 2006-07

Agenda Item No. 12B1

As required by Resolution No. R-1074-04, which relates to the County's Investment of Public Funds, the following is the annual report on the performance of the County's financial portfolio.

The adjusted book value of the portfolio as of September 30, 2007 was $3,768,418,000 and its market value was $3,771,653,000. Attached for your review are the Annual Summary Investment Report for September 30, 2007, and the Economic Summary for the quarter ending September 30, 2007. Interest earned by the entire portfolio for fiscal year 2007 was $215,078,858.

As the Annual Summary Investment Report shows, the County's portfolio is composed of the following investments:

Holding	% of Portfolio
U.S. Federal Agencies	51.00
Commercial Paper rated A1 or P1	33.51
State of Florida's SBA Trust Fund*	13.66
U.S. Government Treasuries	0.49
Time Deposits	1.33
Repurchase Agreements	.01
Total	100%

<u>As previously noted, staff has advised the Mayor and the Board that the County has withdrawn all of its funds held in the SBA as of November 27, 2007.</u>

<u>Securities Lending Program</u>

The Board of County Commissioners approved the addition of the Securities Lending Program, where the County generates an additional source of income by lending its securities to security dealers or financial institutions in return for cash or securities having market value of at least 102 percent of the market value of the securities loaned upon initiation of the transaction. The program is administered by Dresdner Bank and monitored by First Southwest Asset Management. The Securities Lending Program earnings for fiscal year 2006-07 were $821,559, with the County's 80 percent share totaled $657,211. The remaining 20 percent is shared with the Securities Lending Program administrator, Dresdner Bank. Of the County's share, $476,748 has been allocated to the General Operating Fund; and $180,463 has been allocated to the Water and Sewer Fund.

The portfolio consists of several funds, generally categorized in the following manner:

Fund	% of Portfolio
Treasurer's Fund	40.78
Pool II – Bond Proceeds	18.14
Aviation Fund	21.22
Water & Sewer Fund	18.39
Miscellaneous Fund	1.47
Total	100%

The Treasurer's Fund is dedicated to general County operations, which includes all general fund supported and proprietary departments with the exception of Water and Sewer, Aviation, Miami-Dade Housing Agency, and Clerk of Courts. Pool II funds are for longer term capital projects. The Water and Sewer, and Aviation Funds are dedicated to those entities, and the Miscellaneous Fund consists of Miami-Dade Housing Agency funds and the funds of the Clerk of Courts.

Interest Earned
The average number of days to maturity of the portfolio for FY 2006-07 was 192 days, which is reasonable considering liquidity needs and market exposure. Securities with shorter maturities consisted of investments in Commercial Paper and U.S. Federal Agencies Discount Notes, while those with longer maturities consisted of investments in U.S. Federal Agency Coupons and Bullets. A total of 10 percent of the portfolio is in these longer maturity instruments, which have a strong secondary market. The County's policy is to have a weighted-average maturity of no longer than 12 months with no single investment maturity in the portfolio greater than five years. In addition, the investment objective for the County's portfolio incorporates three important principles: 1) Safety of Principal, 2) Liquidity of Funds, and 3) the Prudent Person standard. The "Prudent Person" standard calls for investments to be made in a fashion similar to that of a prudent investor who uses discretion and intelligence in managing his/her financial affairs, and who does not speculate owing to the fact that the primary concern is for the safety of his/her investments.

During FY 2006-07 net earnings on all County investments was $215,078,858. The Finance Department tracks the performance of the portfolio and compares it to the return of two primary benchmarks: 1) the State of Florida Local Government Surplus Fund Trust Funds (SBA Pool), and 2) the six-month average of the 180-day U.S. Government Treasury Bills. The following chart compares the rates of return for the years ending September 30, 2006 and September 30, 2007:

Portfolio	%Return 2006	% Return 2007
County Portfolio	4.40	5.24
SBA Pool	4.67	5.37
180-day U.S. Government Treasuries	4.45	5.06

Since the County's portfolio is predominantly invested in short term interest-yielding securities, increases in the Federal Funds rate result in an increased average rate of return for the County's portfolio. The Federal Reserve has held monetary policy steady at 5.25 percent from September 2006 through August 2007. On September 18, 2007, the Federal Reserve reduced the federal funds rate by 50 basis points to 4.75 percent. The Federal Reserve officials have signaled that future rate changes will be dependent on inflation and growth data. The following is a recap of the Federal Reserve monetary decisions:

Date	Basis Point Change	Federal Funds Rate
September 20, 2006	0	5.25%
October 25, 2006	0	5.25%
December 12, 2006	0	5.25%
January 31, 2007	0	5.25%
March 21, 2007	0	5.25%
May 9, 2007	0	5.25%
June 28, 2007	0	5.25%
August 7, 2007	0	5.25%
September 18, 2007	-0.5	4.75%

Attachments

Assistant County Manager

MIAMI-DADE COUNTY

Monthly Summary Investment Report

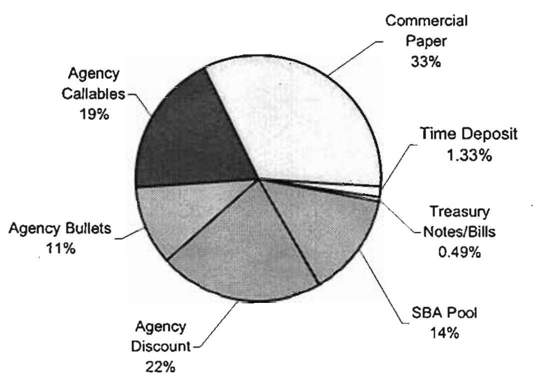
For the Period Ended

September 30, 2007

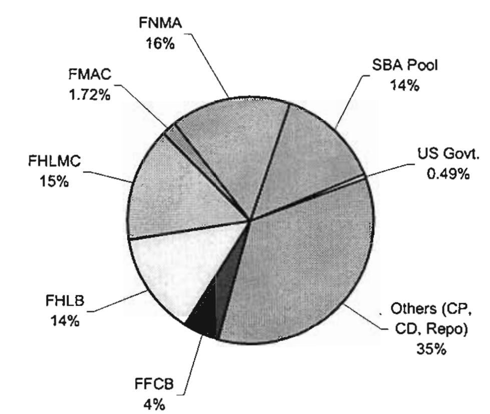
First Southwest Asset Management, Inc.
An Affiliate of First Southwest Company

Miami-Dade County
Total Portfolio Summary
September 30, 2007

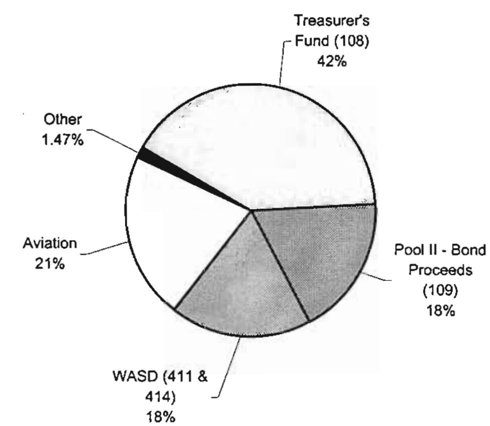
Portfolio Composition



Portflio Diversification

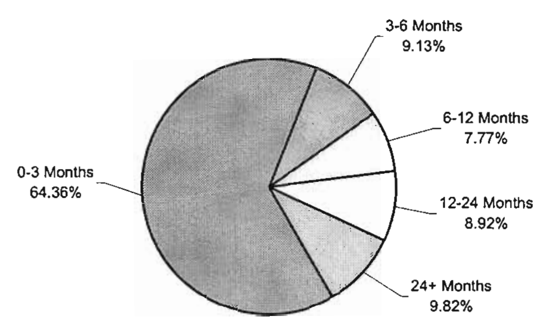


Portfolio Allocation By Fund

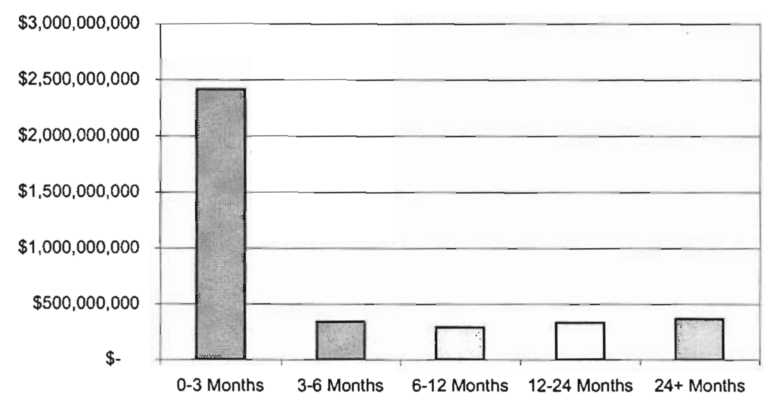


Maturity Summary

Maturity Schedule by Percentage



Maturity Schedule by Amount



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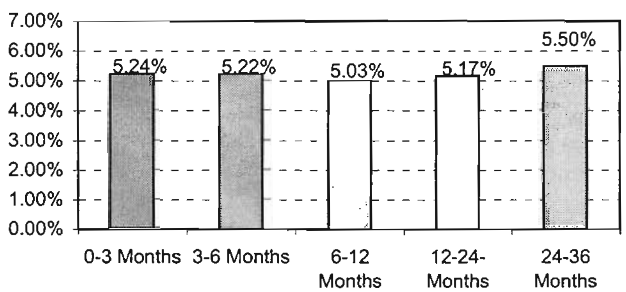
Miami-Dade County
Summary Statement
September 30, 2007

Portfolio Summary

	Current 9/30/2007	Previous Month 8/31/2007	Change from Prior Month	Prior Quarter 6/30/2007	Change from Prior Quarter
Par Value	$ 3,781,436,901.13	$ 3,945,664,901.13	$ (164,228,000.00)	$ 4,419,676,901.13	$ (638,240,000.00)
Book Value	$ 3,768,418,046.93	$ 3,929,781,742.74	$ (161,363,695.81)	$ 4,395,501,621.75	$ (627,083,574.82)
Market Value	$ 3,771,653,175.42	$ 3,930,144,904.59	$ (158,491,729.17)	$ 4,391,769,949.28	$ (620,116,773.86)
Market Value as a % of Book Value	100.09%	100.01%	0.08%	99.92%	0.17%
Accrued Interest	$ 36,566,601.40	$ 42,286,698.06	$ (5,720,096.66)	$ 38,750,483.01	$ (2,183,881.61)
Total Value (Market Value+ Accrued Interest)	$ 3,808,219,776.82	$ 3,972,431,602.65	$ (164,211,825.83)	$ 4,430,520,432.29	$ (622,300,655.47)
Interest Earned (Current Month)	$ 16,977,693.39	$ 17,836,397.51	$ (858,704.12)	$ 18,581,129.48	$ (1,603,436.09)
Interest Earned Fiscal YTD (10/1 - 9/30)	$ 215,078,858.43	$ 198,106,951.85	$ 16,971,906.58	$ 161,555,816.99	$ 53,523,041.44
Unrealized Gain (Loss)	$ 3,235,128.49	$ 363,161.85	$ 2,871,966.64	$ (3,731,672.47)	$ 6,966,800.96
Weighted Average Maturity	192.44	209.65	-17.21	184.74	7.7
Yield to Maturity	5.24%	5.28%	-0.04%	5.27%	-0.03%
Earned Income Yield for Period	5.37%	5.29%	0.08%	5.33%	0.05%
Earned Income Yield for Year to Date	5.24%	5.23%	0.01%	5.22%	0.02%

Yield Maturity Breakdown

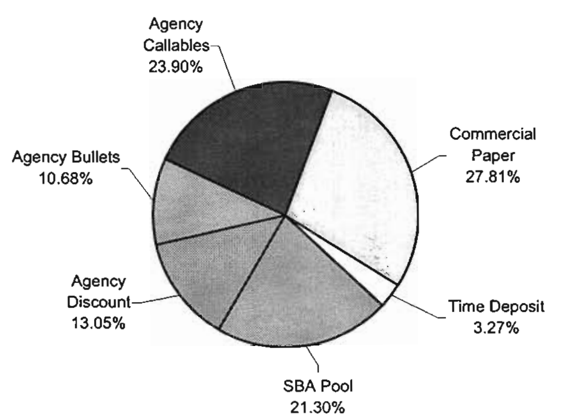


Policy Compliance

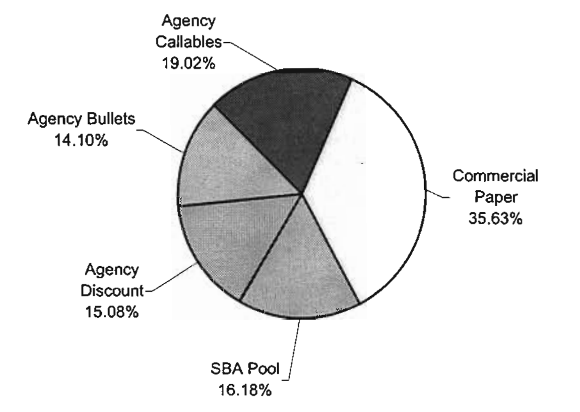
Security Type	% Limit	Current %	Result
Treasuries	100%	0.49%	PASS
Agencies	75%	32.22%	PASS
Agency Callables	25%	18.77%	PASS
Commercial Paper	50%	33.51%	PASS
-CP Single Issuer Max	*5%*	*3.48%*	*PASS*
Banker's Acceptance	25%	0.00%	PASS
Time Deposits	20%	1.34%	PASS
SBA/Investment Pools	50%	13.66%	PASS
Money Market Funds	30%	0.00%	PASS
Repurchase Agreement	20%	0.01%	PASS
Open/Closed End Funds	5%	0.00%	PASS

Miami-Dade County
Portfolio Composition
September 30, 2007

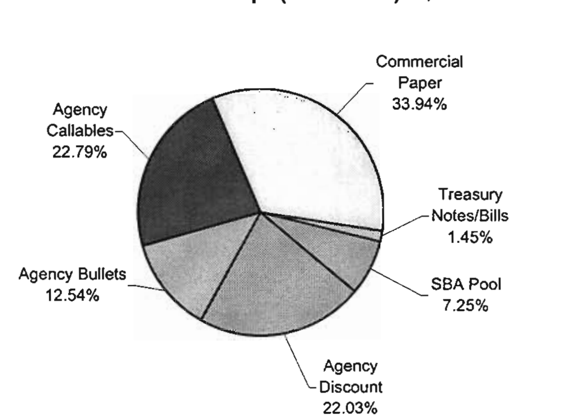
Treasurer's Fund (108) - $1.53 Billion



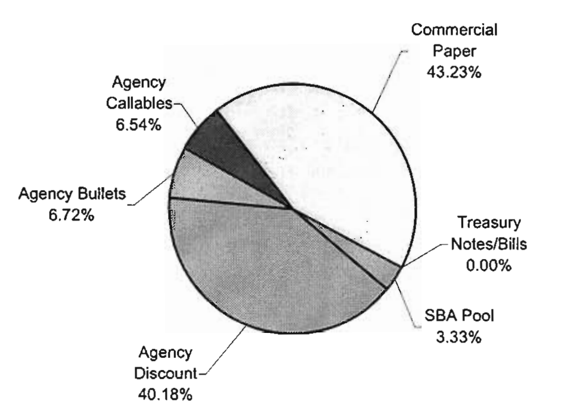
Pool II - Bond Proceeds (109) - $680 Million



Water And Sewer Dept (411 & 414) - $689 Million



Aviation Funds - $796 Million

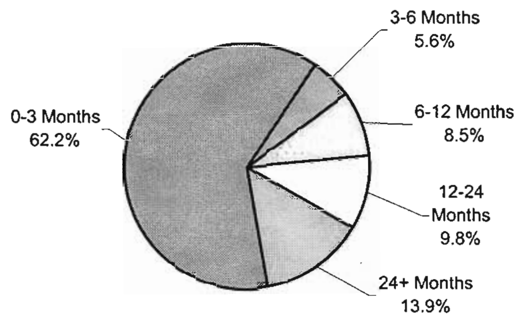


Note: Graphs above do not inlcude miscellaneous funds totaling $55 million and representing 1.5% of the portfolio.

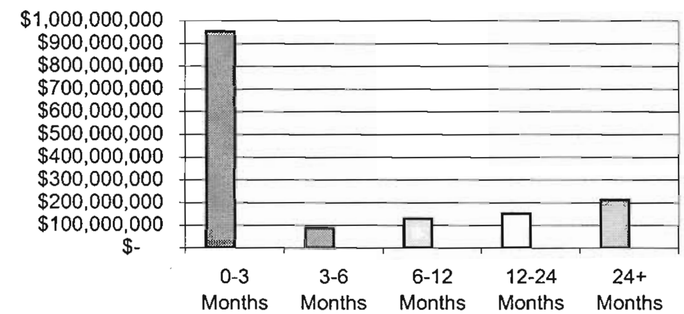
Miami-Dade County
Maturity Breakdown
September 30, 2007

Treasurer's Fund (108) - $1.53 Billion

Maturity Schedule by Percentage

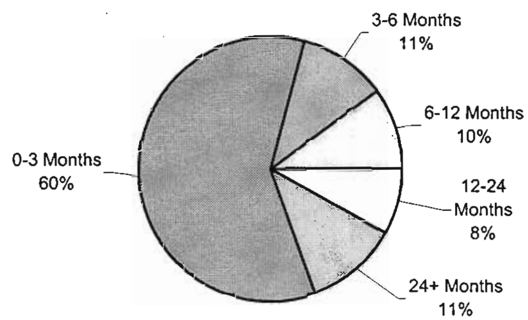


Maturity Schedule by Amount



Pool II - Bond Proceeds (109) - $680 Million

Maturity Schedule by Percentage



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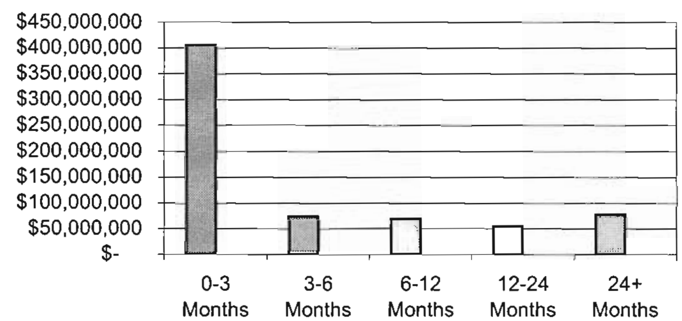
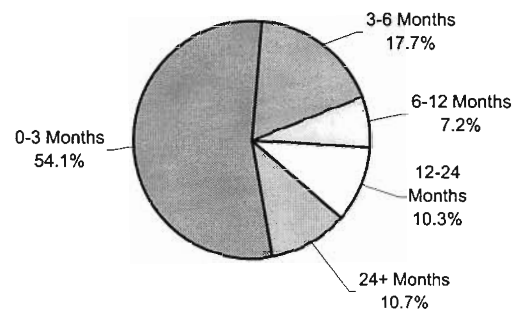


Miami-Dade County
Maturity Breakdown
September 30, 2007

Water and Sewer Department (411 & 414) - $689 Million

Maturity Schedule by Percentage



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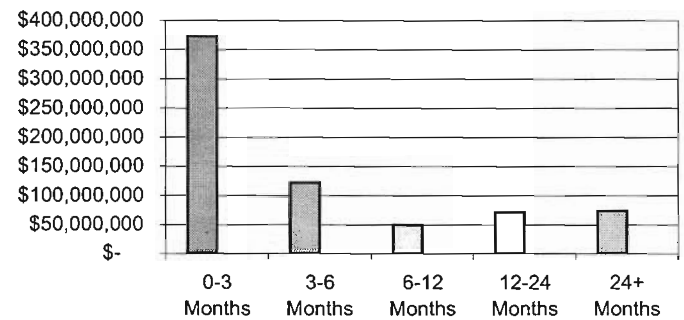
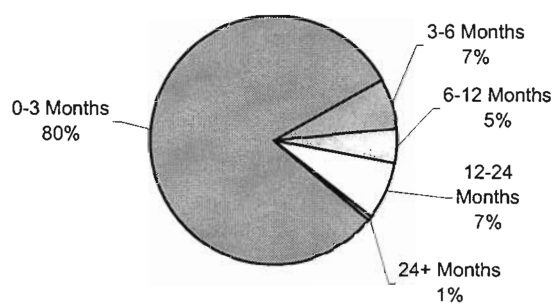


Aviation Department - $796 Million

Maturity Schedule by Percentage



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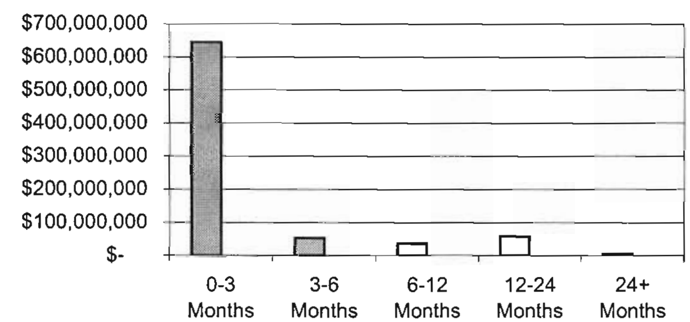

Note: Graphs above do not inlcude miscellaneous funds totaling $55 million and representing 1.5% of the portfolio.

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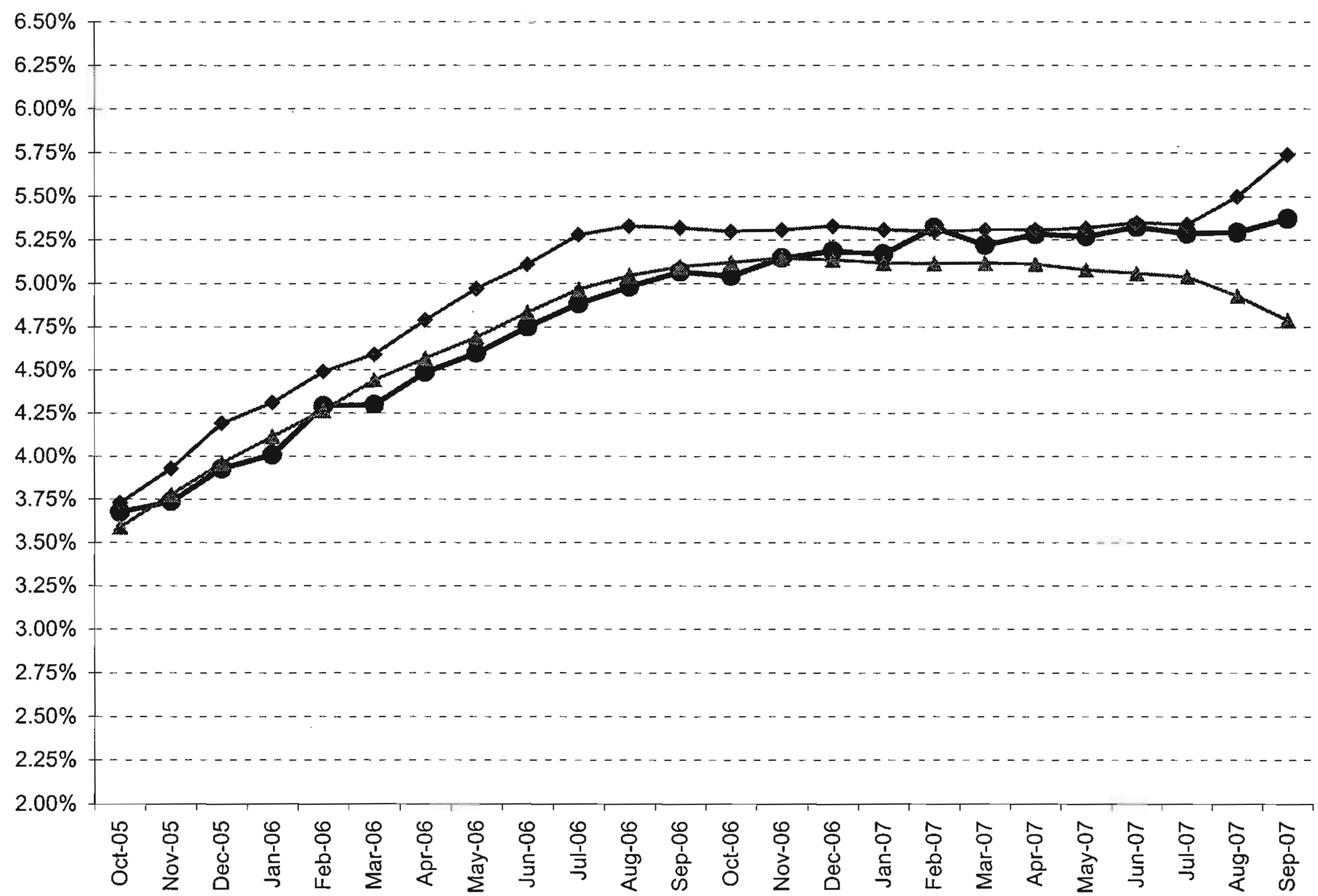
Miami-Dade County
Benchmark Comparisons
September 30, 2007



	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07
Miami-Dade - Earned Income Yield	3.68%	3.74%	3.93%	4.01%	4.29%	4.30%	4.49%	4.60%	4.75%	4.88%	4.98%	5.07%	5.04%	5.15%	5.19%	5.17%	5.32%	5.22%	5.28%	5.27%	5.33%	5.29%	5.29%	5.37%
Monthly Avg - Florida SBA Pool	3.73%	3.93%	4.19%	4.31%	4.49%	4.59%	4.79%	4.97%	5.11%	5.28%	5.33%	5.32%	5.30%	5.31%	5.33%	5.31%	5.30%	5.31%	5.31%	5.32%	5.35%	5.34%	5.50%	5.74%
6-Month Avg of 180 day T-Bill	3.59%	3.78%	3.96%	4.12%	4.27%	4.44%	4.57%	4.69%	4.83%	4.97%	5.05%	5.10%	5.12%	5.15%	5.14%	5.12%	5.11%	5.12%	5.11%	5.08%	5.06%	5.04%	4.93%	4.79%

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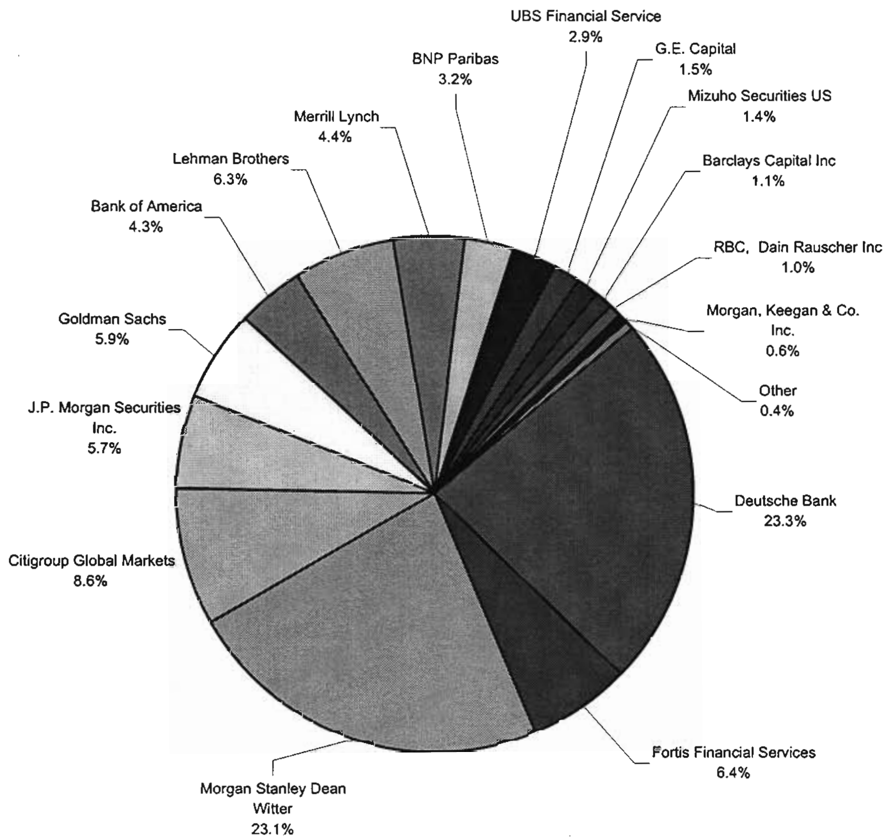
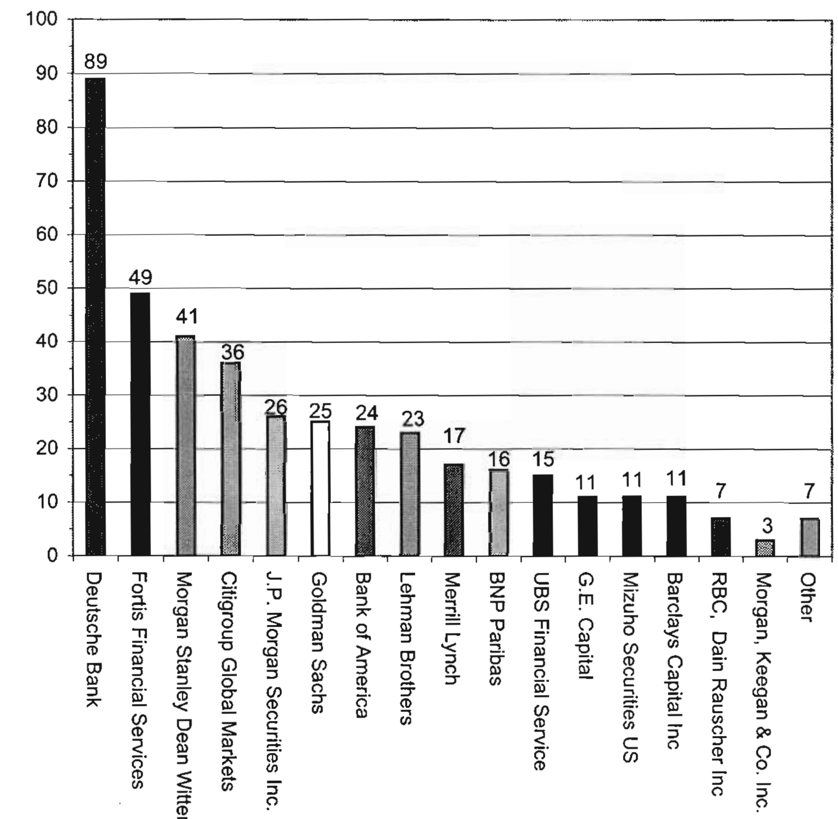
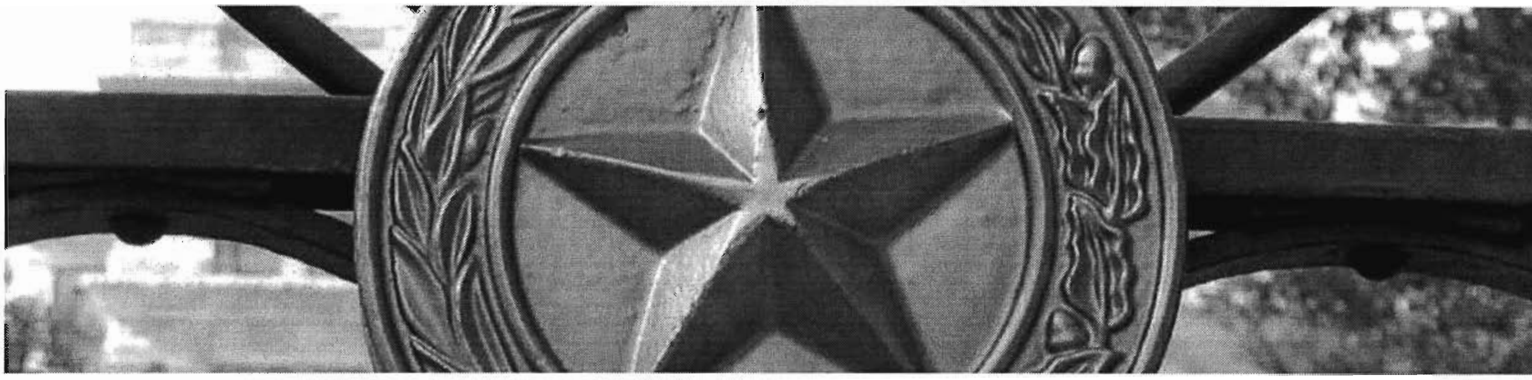
Miami-Dade County
Broker Purchase Distribution
September 30, 2007

Purchase Cost Breakdown



Transaction Breakdown





First Southwest Asset Management — Economic Summary 3rd Quarter 2007

The defining events of the quarter were the unexpected spread of the subprime stain and the corresponding liquidity crisis. Subprime loans, which by some estimates make up 20% of home loans made last year, continued to default in record numbers. The percentage of subprime borrowers delinquent on their loans was approximately 15% in the second quarter and further accelerated in the third - total foreclosures were up 115% in August from the same period a year ago. Approximately $1.2 trillion in subprime loans had been packaged into mortgage-backed securities of which half were sold to foreign investors. The record number of defaults caused the value of the securities to plummet, but the real problem was determining where the bad mortgage loans were hiding and ascertaining the actual value of risky securities when there were no willing buyers. BNP Paribas, the largest bank in France, suspended withdrawals from three large investment funds containing mortgage-backed securities on August 9th. A week later, Countrywide, the largest mortgage lender in the U.S., was forced to tap a $11.5 billion dollar credit line after an abrupt Merrill Lynch downgrade. In what had to be a surprise to many investors, securities backed by subprime loans were emerging in many highly-rated asset-backed commercial paper (ABCP) portfolios, which were frequently popping up in innocent looking AAA-rated money market funds. Although the number of issuers with actual subprime exposure were relatively few, *all* ABCP programs suffered as uncertainty rattled the markets. Investors suddenly had no appetite for the tarnished programs. Thus, maturing paper could not be rolled over and the underlying portfolios were forced to sell assets into an unreceptive market. CP worries were further compounded when Broadhollow Funding, American Home Mortgage's CP program, became the first of three issuers to extend maturities, the first time this had been done in the history of extendable CP programs. While treasuries and agencies were in extremely high demand, other security types were not. From August through September, total CP issued by U.S. companies fell by nearly $275 billion. A liquidity and confidence crisis gripped the financial markets until the Fed, citing "deteriorating conditions" made an emergency 50 bp cut in the discount rate and tried to assure investors that they would do *what was needed* to address the crisis.

Housing

Existing and New Home Supply
in Months

The housing market, which many figured had hit bottom many months ago, apparently had not. Existing home sales, which constitute 85% of the market, tumbled by 4.3% in August to the lowest level in five years. New home sales plunged another 8.3% in August to an annualized pace of 795k, the lowest in seven years. The severe housing correction bloated inventories of available homes to troubling levels. Existing homes for sale reached a 10-month supply in August, the highest level since record keeping began in 1999, while the August supply of new homes topped 8.2 months, near a 16-year high. In response to the massive supply imbalance, new home prices fell by 7.5% on a year-over-year basis, the largest percentage drop in 37 years; housing starts fell 2.6% to the lowest level in 12 years; and pending home sales followed a 12.2% drop in July with a 6.5% decline in August. The bad news associated with the housing meltdown goes on and on ...and the fear for many is that it isn't over. Residential construction jobs will suffer as there's little apparent need to add to existing supply. Most refinancing opportunities have dissipated right along with the decline in home values, while market rate loans for those with shaky credit histories are generally unavailable. The cure for housing problems is time.

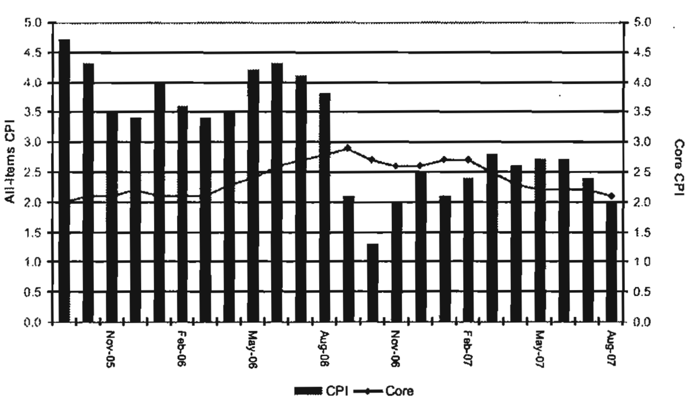
Employment

In August, non-farm payrolls shrunk by 4k jobs, the first payroll decline in four years, while June and July job creation was revised lower by a total of 81k. The unemployment rate remained at 4.6%, but only because 600k workers exited the workforce during the month. This particular labor report was important because it gave the hawkish Fed a valid reason to ease monetary policy (while saving face) at the September FOMC meeting. But while monthly payroll growth was negative, weekly unemployment claims painted a much brighter picture by unexpectedly falling to 298k in late September, the lowest level in four months. The Fed will watch payroll growth very carefully going forward. A rebound in jobs could temporarily halt rate cuts.

Oil and Gas

Crude oil prices reached an all-time high of $83.90 in the second half of September on supply concerns aggravated by storms in the Gulf. The weak greenback shares some of the blame for higher oil prices as dollar-denominated commodities have grown cheaper, thereby encouraging demand. Gasoline prices were generally on the high side all summer long, although the average price per gallon peaked in late May at $3.26 and gradually retreated to $2.79 by late August. The recent spike in oil has nudged gas prices slightly higher, but the end of summer driving season has mercifully eased demand. Rising energy prices are inflationary to the extent that they can be passed along to consumers, but the more likely result of higher pump prices will be a drop in purchasing power and a corresponding decline in consumer spending and economic growth.

Inflation



Core CPI

Depending on the particular measure, inflation is either "well-contained" or "troublingly high". In the well-contained category, which allows the Fed leeway to cut rates, is core consumer inflation which eased back to a 2.1% year-over-year pace in August, and core personal consumption expenditures which grew at a 1.8% rate during the same period. In addition, the weakening labor market will ease wage pressures, a frequent Fed concern. Falling into the troublingly high category are many of the major commodities. In addition to surging crude oil prices, wheat reached an all-time high in late September, more than doubling in price since last year. With huge global demand and U.S. inventories at a 33-year low, there's little immediate relief expected. Corn and dairy prices were also up big, propelling the CPI food component up an annualized 5.6%. Gold, a traditional inflation hedge, is also on the rise, nearing a 28-year high. And the weak dollar will push import prices higher. So, the Fed will continue to be vigilant. A rise in inflation could possibly snuff out additional easing moves or even prompt a reversal of prior cuts if needed.

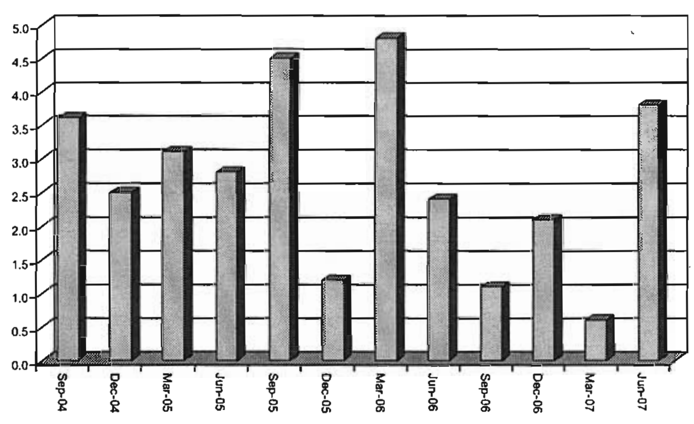
Consumer Spending

The US economy has always been driven primarily by the consumer. And interestingly enough, consumer spending appears fairly robust (so far) in the third quarter as personal consumption expenditures rose by a healthy 0.6% in August following a 0.4% gain in July. Since most market fears didn't emerge until mid-August, it'll be interesting to see what happens going forward. If confidence is any indication, the consumer could retrench - the Conference Board's September confidence index fell below 100 for the first time in nearly two years.

Manufacturing

Although the ISM composite index has been on a steady decline, the 52.9 factory reading in August still signaled expansion and was inconsistent with both a declining economy and Fed easing.

Economic Growth



Gross Domestic Product
Quarterly Annualized Percentage Change

GDP growth in the second quarter, hampered by tepid consumer spending but bolstered by the rebuilding of business inventories, was predictably strong, rising by an annualized 3.8% (revised). However, the economic growth rate in third and fourth quarters are generally expected to slow to near 2.0%.

Stock Market

Stocks fared very well during the quarter despite mounting subprime fears, record crude prices and a weakening labor market. But it was not a smooth ride. On July 19th, the DOW closed above 14,000 for the first time ever. Only four weeks later, severe credit problems at Countrywide and rumors of a possible collapse of a major hedge fund contributed to the DOW dipping as low as 12,600. But thanks largely to an accommodative Fed, the DOW was back in record territory by the first day of the new quarter.

	DOW	S&P 500	NASDAQ
6/30/07	13,409	1,503	2,603
9/30/07	13,896	1,527	2,702
% Change for Q3-2007	+3.6%	+1.6%	+3.8%
% Change since 9/30/06	+19.0%	+14.3%	+19.6%

Fed Meetings

1) August 7th – Rates left unchanged – 5.25% target
There were a couple of comments included in the official FOMC statement that suggested Fed officials were sensing some trouble in the markets. They pointed out that "financial markets had become volatile ...credit conditions had become tighter ...and downside risks to growth had increased somewhat." But they also held steady to their predominant policy concern "that inflation would fail to moderate as expected." At this point, it was far from clear that the Fed would ease at all in 2007.

2) August 17th – Surprise cut in the discount rate
In an emergency meeting, Fed officials cut the discount rate from 6.25% to 5.75%. Their rationale was that "market conditions had deteriorated" and that "downside risks to growth had increased appreciably". *Pretty serious words.* They also pledged that they were "prepared to act as needed to mitigate the adverse effects on the economy…".

3) September 18th – 50 basis point cut – 4.75% target
The Fed cut both the funds rate and the discount rate by 50 bps. Although by the day of the meeting, the market was fully convinced that the Fed would cut rates, the degree of easing was more aggressive than most experts had predicted. The official statement was a bit softer than it had been during the emergency meeting, but mentioned that "the tightening of credit conditions has the potential to intensify the housing correction and to restrain economic growth more generally."

Interest Rates

		Fed Funds	3 mo T-bill	6 mo T-bill	2 yr T-note	3 yr T-note	10 yr T-note
Last	6/30/07	5.25%	4.81%	4.94%	4.87%	4.89%	5.03%
High			5.01%	5.07%	4.99%	5.01%	5.18%
Low			3.61%	4.04%	3.85%	3.87%	4.32%
End	9/30/07	4.75%	3.81%	4.08%	3.99%	4.02%	4.59%

Summary / Outlook

The first half of the quarter was nearly uneventful. The housing slump appeared contained. The economy was operating at a moderate and acceptable speed, and inflation was still the primary concern of Fed officials. Thus, when the quarter began most investors believed the Fed would likely hold the overnight funds rate steady at 5.25%. But by mid-August, market psychology completely shifted, and the theme of the quarter became the realization that damaged subprime loans could be lurking in domestic and global mutual funds, hedge funds and asset-backed commercial paper portfolios. As the loan defaults multiplied and the problem portfolios emerged, the psychological damage outweighed the actual. The markets were spooked. Investors steered clear of everything that could possibly have subprime exposure and gobbled up mostly safe government securities. The DOW, which reached a record 14,000 in July, fell nearly 10% in a month's time. Treasury and agency yields plunged in an unusual flight-to-quality. Asset-backed commercial paper spreads skyrocketed, and in many cases buyers still weren't interested. Money market funds containing commercial paper of any kind were shunned. Since paper wasn't actually trading, accurate market prices were questionable. It quickly became a crisis of confidence and liquidity, *depth unknown.* The Fed countered by pumping massive amounts of liquidity into the markets on a daily basis, and then surprised investors in August with an emergency 50 bp rate cut in the discount rate, followed a month later with an aggressive 50 bp cut in both the funds rate and the discount rate. Fed accommodation restored the DOW to record levels, but strong demand for government securities remained.

For the most part, liquidity problems trumped all economic data. And in fact, the turning point was so sudden that July economic releases became largely irrelevant and August data was suspect. General inflation readings appeared fairly benign, but commodity prices skyrocketed and the Fed was steadfast in maintaining its hawkish tone. It was an unexpectedly weak August payroll number that granted the FOMC a golden opportunity to ease rates half a point without looking foolish. The Fed's aggressive September cut and its pledge to "act as needed" to stem economic problems, has raised widespread expectation for future cuts. The subsequent stock and bond market rallies seem to be reflecting this expectation. In fact, the implied probability of a 25 bp cut at the October 31st FOMC meeting was over 75% at quarter end while the probability of yet another 25 bp cut on December 11th was over 50%. If both happened, the overnight funds rate would end the year at 4.25%. Economists generally seemed to agree (at least at this moment) with most calling for at least one more cut this year. Cautious investors have priced in more than one ease. But at this point, with fixed income yields down as much as a full point on the short-end, caution should also be paid to the possibility that the market has yet again gone a couple of steps too far.

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