



Investment Report
June 30, 2009

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**Department of Finance
Investment Report
As of June 2009**

Investment Policy:

Howard County, Maryland invests public funds in a manner that will conform to all State of Maryland and County statutes governing the investment of public funds while meeting its daily cash flow demands and providing a return at least equal to the three-month Treasury Bill yield.

Highlights:

The value of securities acquired and matured in June were \$89.1 million and \$121.1 million, respectively.

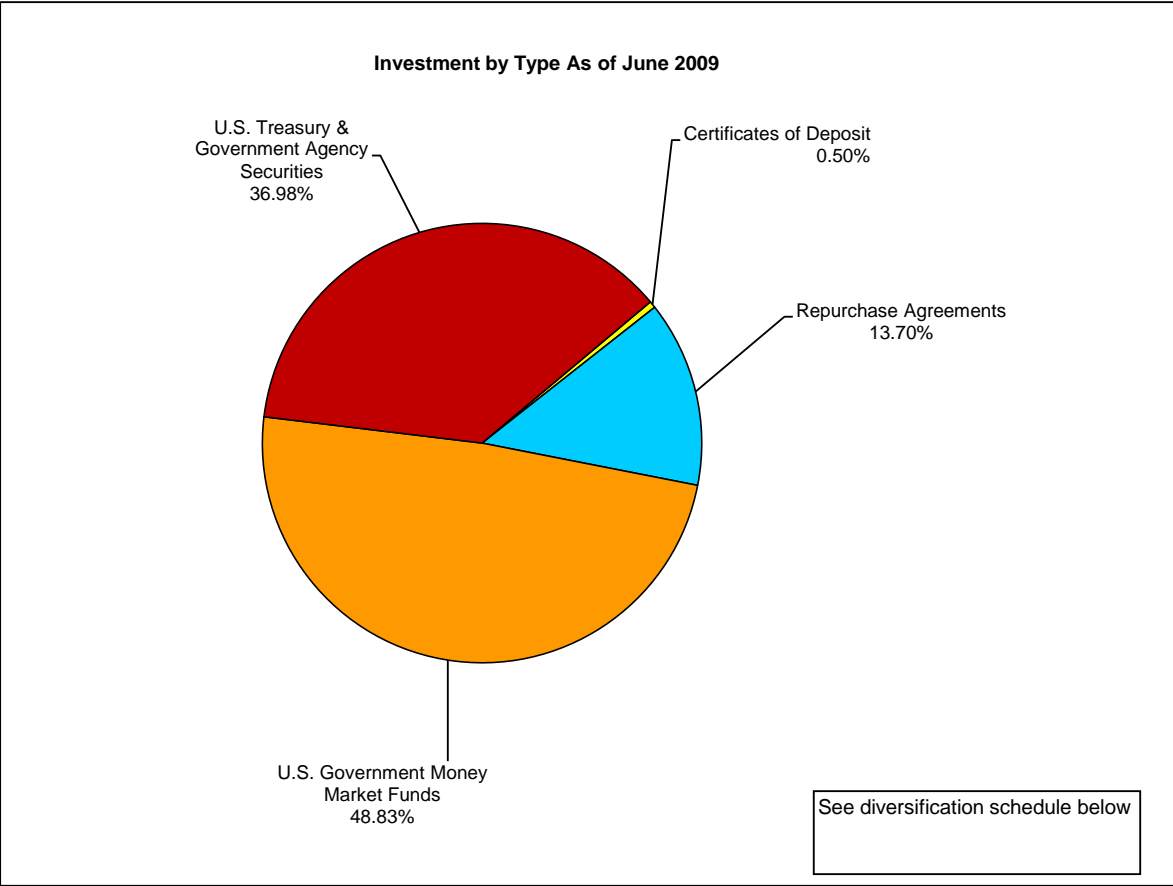
Summary of Portfolio Composition:

	<u>CURRENT MONTH</u>	<u>PRIOR MONTH</u>
General Fund	\$ 111,913,184	\$ 132,328,127
All Other Funds	<u>180,149,573</u>	<u>191,739,212</u>
Total Portfolio	\$ 292,062,757	\$ 324,067,339

The total portfolio balance decreased by \$32 million from last month. This decrease represents the normal trend as cash collected at the beginning of the fiscal year is used to cover expenditures incurred throughout the year.

Analysis:

	<u>CURRENT MONTH</u>	<u>PRIOR MONTH</u>	<u>WEIGHTED AVERAGE FOR 3 MONTHS ENDING JUNE 2009</u>
Portfolio yield	.615%	.754%	.720%
Three Month Benchmark yield	.169%	.151%	.157%



Diversification Levels for Authorized Investments

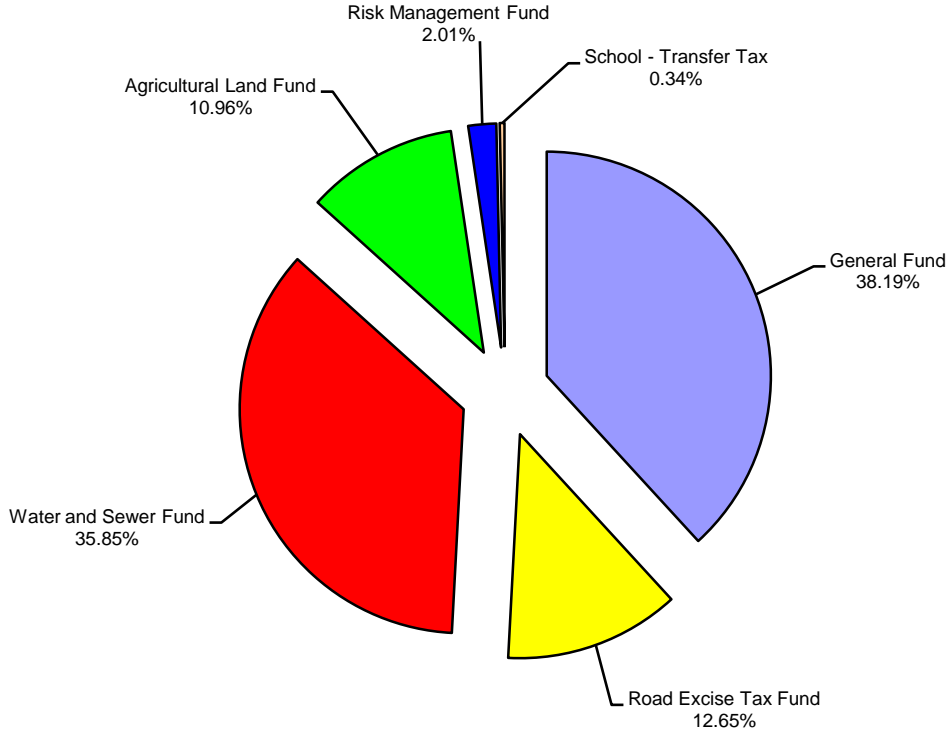
	Authorized Percentage	Actual Percentage	Actual Amount
U.S. Treasury & Government Agency Securities	90%	36.98%	108,000,000
Repurchase Agreements	90%	13.70%	40,000,000
U.S. Government Money Market Funds	60%	48.83%	142,607,145
Certificates of Deposit	5%	0.50%	1,455,612
		<u>100.00%</u>	<u>292,062,757</u>

Diversification Levels for Authorized Brokers

	Actual Percentage (1) & (2)	Actual Amount
Bank of America	0.00%	-
BB&T Capital Markets	4.45%	13,000,000
Cantor Fitzgerald	0.00%	-
FTN Financial	8.56%	25,000,000
Jefferies & Co.	10.27%	30,000,000
Morgan Keegan	8.56%	25,000,000
Morgan Stanley	0.00%	-
Smith Barney	0.00%	-
UBS	18.83%	55,000,000
Mercantile (MLGIP)	31.69%	92,528,588
Federated	17.15%	50,078,557
Certificates of Deposit	0.49%	1,455,612
	<u>100.00%</u>	<u>292,062,757</u>

(1) Actual percentages cannot exceed 40% for any one broker or financial institution at the time of purchase.
(2) Due to rounding, percentages may not total 100%.

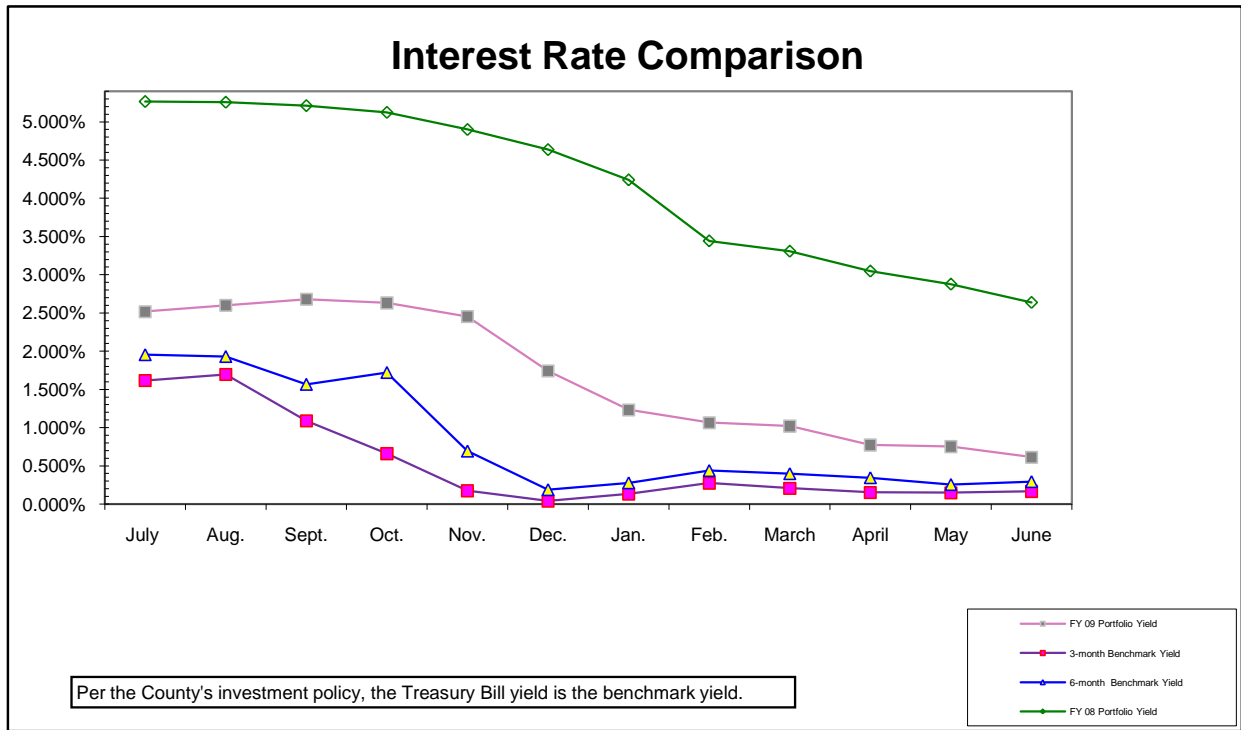
**Investment by Fund
As of June 2009**



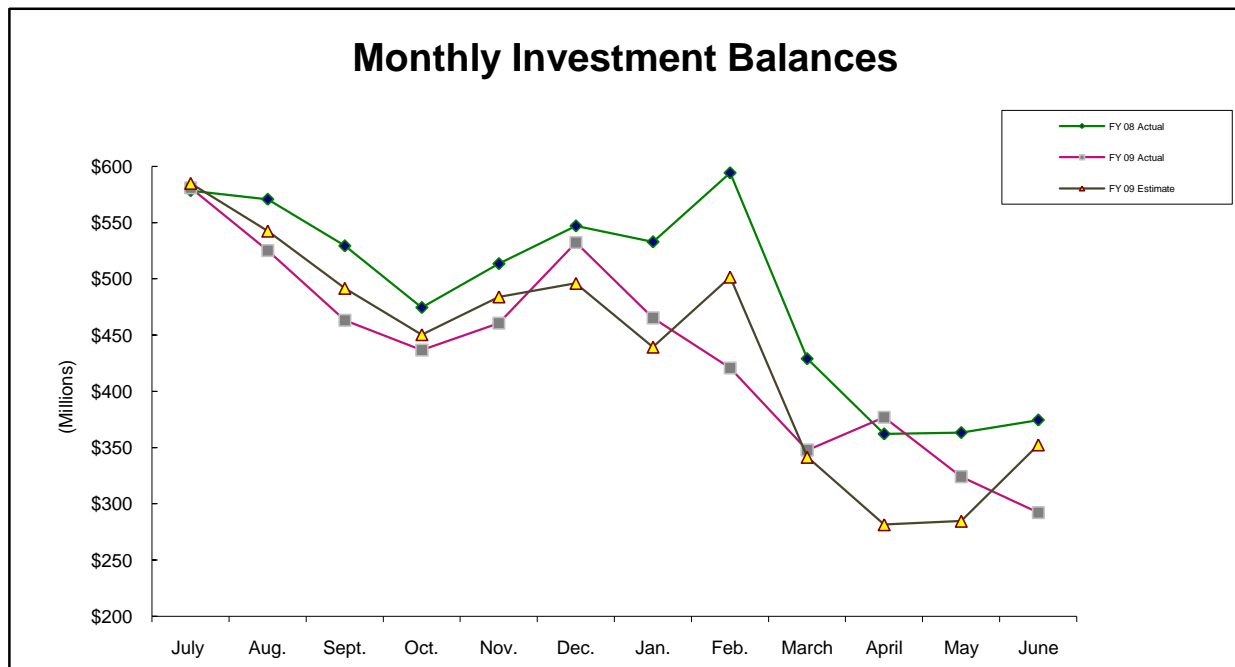
	<u>Investment Allocation As of 6/30/09</u>	<u>FY 08 Interest Income Actual</u>	<u>FY 09 Interest Income Budget</u>	<u>FY 09 Interest Income As of 6/30/09</u>
General Fund	\$ 111,913,184	\$ 15,626,148	\$ 5,616,800 (A)	\$ 6,061,422
Road Excise Tax Fund	37,083,534	1,914,029	1,099,260	602,942
Water and Sewer Fund	105,050,424	2,926,394	1,912,500	1,157,237
Agricultural Land Fund	32,118,266	1,288,612	15,000	535,715
Risk Management Fund	5,897,349	384,442	150,000	131,636
School - Transfer Tax	1,000,000	233,608	100,000	32,622
	<u>\$ 293,062,757</u>	<u>\$ 22,373,233</u>	<u>\$ 8,893,560</u>	<u>\$ 8,521,574</u>

(A) Interest income for BANs was intentionally budgeted at a high rate by the Budget Office. For comparative purposes, the budgeted amount has been adjusted down to the rate used for other funds.

Note: Due to rounding, percentages may not total 100%.

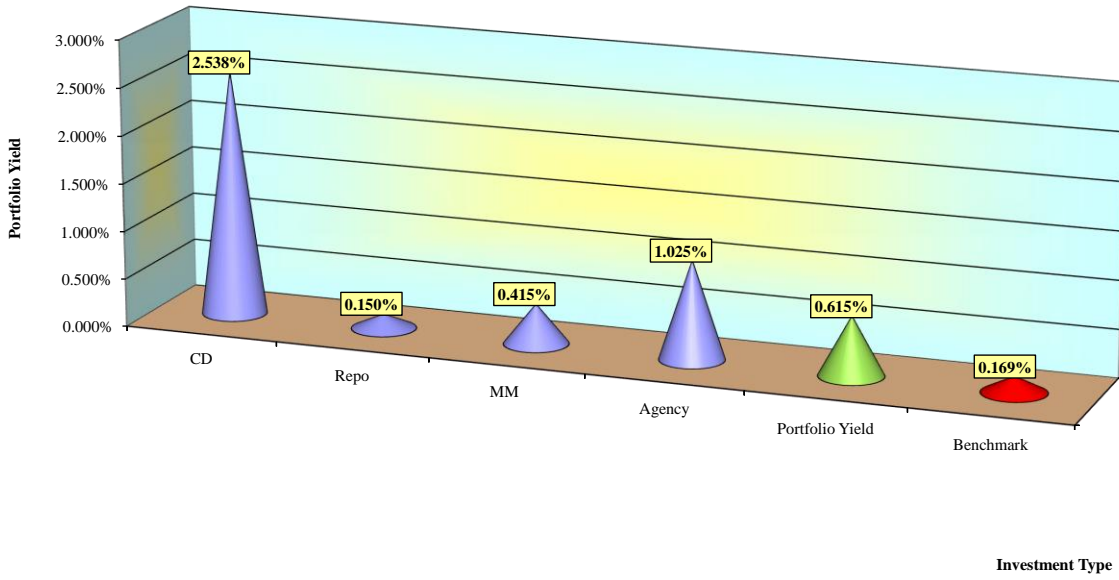


Note: As of June 2009, the average weighted maturity of the portfolio was 104 days.



Note: The difference in June actual investment balances between FY 08 and FY 09 is due to the outstanding balance of the County's commercial paper program being lower by \$73.4 million in FY 09.

**Howard County, MD
June 2009 Portfolio Yield
At a Glance**



Total Portfolio	= \$292,062,757
CD	\$1,455,612
Repo	\$40,000,000
Money Market	\$142,607,145
Agency	\$108,000,000

Investment Schedule

Type	Book Value	Yield	Purchase Date	Term in Days	Maturity Date
Certificates of Deposit:					
Harbor Bank	100,000	2.790%	07/10/08	365	07/10/09
First Mariner Bank	250,000	4.500%	11/04/08	365	11/04/09
PNC Bank	105,612	2.270%	12/16/08	396	01/16/10
Columbia Bank	1,000,000	2.050%	04/09/09	395	05/09/10
Total Certificates of Deposit	1,455,612	2.538%			
Repurchase Agreements:					
UBS	20,000,000	0.150%	06/25/09	25	07/20/09
UBS	20,000,000	0.150%	06/30/09	34	08/03/09
Total Repurchase Agreements	40,000,000	0.150%			
U.S. Government Money Market Funds:					
Federated Securities	50,078,557	0.220%	Various	-	On Demand
MD Local Govt Investment Pool	92,528,588	0.520%	Various	-	On Demand
Total Money Markets	142,607,145	0.415%			

Investment Schedule (Cont.)						
Security Type	Book Value	Yield	Purchase Date	Call Date	Interest Date	Maturity Date
U.S. Treasury & Government Agency Securities:						
Federal Home Loan Bank	5,000,000	3.000%	08/27/08	-	08/27/09	08/27/09
Federal Home Loan Bank	5,000,000	3.000%	09/25/08	-	09/25/09	09/25/09
Federal Agricultural Mortgage Corporation	5,000,000	1.000%	12/30/08	-	12/30/09	12/30/09
Federal Agricultural Mortgage Corporation	5,000,000	1.000%	12/30/08	-	12/30/09	12/30/09
Federal Home Loan Mortgage Corporation	5,000,000	0.850%	01/28/09	07/28/09	01/28/10	01/28/10
Federal Home Loan Mortgage Corporation	5,000,000	0.850%	01/28/09	07/28/09	01/28/10	01/28/10
Federal Home Loan Bank	5,000,000	1.000%	02/05/09	-	02/05/10	02/05/10
Federal Home Loan Bank	5,000,000	1.000%	02/05/09	-	02/05/10	02/05/10
Federal Home Loan Bank	5,000,000	1.000%	02/05/09	-	02/05/10	02/05/10
Federal Home Loan Mortgage Corporation	5,000,000	1.250%	03/23/09	09/23/09	03/23/10	03/23/10
Federal Home Loan Bank	5,000,000	0.800%	04/21/09	-	04/21/10	04/21/10
Federal Home Loan Bank	5,000,000	0.800%	04/21/09	-	04/21/10	04/21/10
Federal Home Loan Bank	3,000,000	0.800%	04/27/09	-	04/27/10	04/27/10
Federal Home Loan Bank	5,000,000	0.650%	05/11/09	-	05/11/10	05/11/10
Federal Home Loan Bank	5,000,000	0.625%	06/04/09	12/04/09	06/04/10	06/04/10
Federal Home Loan Bank	5,000,000	0.625%	06/10/09	12/10/09	06/10/10	06/10/10
Federal Home Loan Bank	5,000,000	0.625%	06/10/09	12/10/09	06/10/10	06/10/10
Federal Farm Credit Bank	5,000,000	0.590%	06/15/09	09/15/09	06/15/10	06/15/10
Federal Home Loan Bank	5,000,000	0.800%	06/18/09	12/18/09	06/18/10	06/18/10
Federal Home Loan Bank	5,000,000	0.700%	06/23/09	12/23/09	06/23/10	06/23/10
Federal Home Loan Bank	5,000,000	0.750%	06/30/09	09/30/09	06/30/10	06/30/10
Federal Home Loan Bank	5,000,000	0.750%	06/30/09	09/30/09	06/30/10	06/30/10
U.S. Treasury Strips (See Note 3 on Page 8)	-	0.000%		-	-	Various
Total U.S. Treasury & Govt Agency Securities	108,000,000	1.025%				
Total Investment Balance (Page 6 & 7)	292,062,757	0.615%				

Portfolio Yield	0.615%
Benchmarks:	
Three-month Treasury Yield	0.169%
Six-month Treasury Yield	0.295%
Money Market Funds Yield	0.415%

Notes to Investment Schedule

1. Certificates of Deposit and Repurchase Agreements

The County can only purchase Certificates of Deposit (CD's) from banks located in the State of Maryland. The banks currently holding CD's for the County are: The Columbia Bank, Harbor Bank, PNC Bank, and First Mariner Bank. The County has repurchase agreements with Cantor Fitzgerald, Merrill Lynch, Morgan Stanley, Smith Barney and UBS.

All certificates of deposit and repurchase agreements are collateralized at 102% of their cost plus accrued interest or FDIC insured. The collateral is held at Wells Fargo Bank.

2. Social Investing

The County invests in instruments offered by community and minority financial institutions. These financial institutions may not meet all of the criteria listed in the County's Investment Policy as authorized dealers and institutions. These institutions are: The Columbia Bank, Harbor Bank, and First Mariner Bank. The County maintains a Certificate of Deposit with PNC Bank so that Landfill operation employees can have access to banking services there.

3. Agricultural Land Preservation Program

The County finances the acquisition of development rights to a parcel of agricultural property by entering into an installment-purchase agreement with the property owner. US Treasury Strips, purchased as part of the county's Agricultural Land Preservation program, will be used to match balloon payments to the property owner. The table below shows the detail information regarding the investment in Stripped Coupon U.S. Treasury Securities.

Maturity Date	Par Value/ ¹ Balloon Payment	Original ² Cost	Book Value ³ 6/30/2009
2/15/2017	\$ 6,608,200	\$ 4,037,082	\$ 4,467,730
8/15/2017	1,669,000	1,074,602	1,158,935
8/15/2018	759,000	526,928	527,401
2/15/2019	2,810,000	313,836	1,365,709
2/15/2019	2,160,000	241,035	1,048,294
8/15/2019	1,860,000	177,721	825,574
8/15/2020	2,275,000	201,816	911,589
8/15/2020	7,385,000	735,117	3,075,392
2/15/2020	4,695,000	441,375	1,997,923
2/15/2020	840,000	82,002	364,608
2/15/2021	4,626,000	444,639	1,830,487
2/15/2021	1,510,000	146,510	603,886
8/15/2021	1,115,000	120,697	440,781
8/15/2021	2,580,000	253,144	981,836
8/15/2023	3,359,000	362,503	1,131,663
8/15/2023	6,928,000	854,220	2,445,927
2/15/2025	374,000	66,011	147,498
2/15/2025	183,000	27,404	65,631
2/15/2026	3,950,000	560,900	1,304,464
8/15/2026	1,295,000	175,073	400,886
11/15/2027	2,158,000	478,644	726,870
Total	\$ 59,139,200	\$ 11,321,261	\$ 25,823,084
¹ Purchase price plus accrued interest at maturity			
² Purchase price			
³ Purchase price plus accrued interest as of 6/30/09			

Types of Investment Instruments

Bankers Acceptances (BA's) Financial transactions involving the import or export of goods. A bank agrees to lend money to an importer to finance the purchase of goods. The bank then sells this agreement to an investor (The County) who receives compensation in the form of interest.

- Characteristics:
1. Very safe: There has never been a BA failure in their history
 2. Can only purchase BA's from banks rated A1 or P1
 3. Three guarantees back this investment:
 - a. Obligation to pay by the importer
 - b. Guarantee from the accepting bank
 - c. The goods themselves
 4. Maturities less than 180 days
 5. Generally higher yielding than Repos

Restrictions: The County currently does not purchase Japanese BA's.

Certificates of Deposits A time deposit with a specific maturity evidenced by a certificate. All deposits held in minority or community banks.

Money Market Funds Current holdings include the Maryland Local Government Investment Pool (MLGIP) and Federated. MLGIP is designed to provide all local government units of the State an Investment vehicle for the short-term investment of funds. The County's cash in these money market funds is obtainable on demand.

Repurchase Agreement (Repo) An investment contract involving the temporary transfer of ownership of U.S. Government securities between a broker and an investor (the County). A broker agrees to sell U.S. Treasury or Government Agency Securities to the County and agrees to repurchase them at a fixed price on a fixed date. The County receives the original purchase price and compensation in the form of interest on the maturity date.

- Characteristics:
1. Very safe: only collateralized U.S. Government securities
 2. Very flexible: maturities from one day to one year
 3. Higher yields than purchasing securities outright

U.S. Treasury and Government Agency Securities Considered the safest investments in the world. The U.S. Government and its agency issue these securities to finance their operations. Maturities range from three months to 30 years, however, the County, per our investment policy, is limited to five-year maturities.

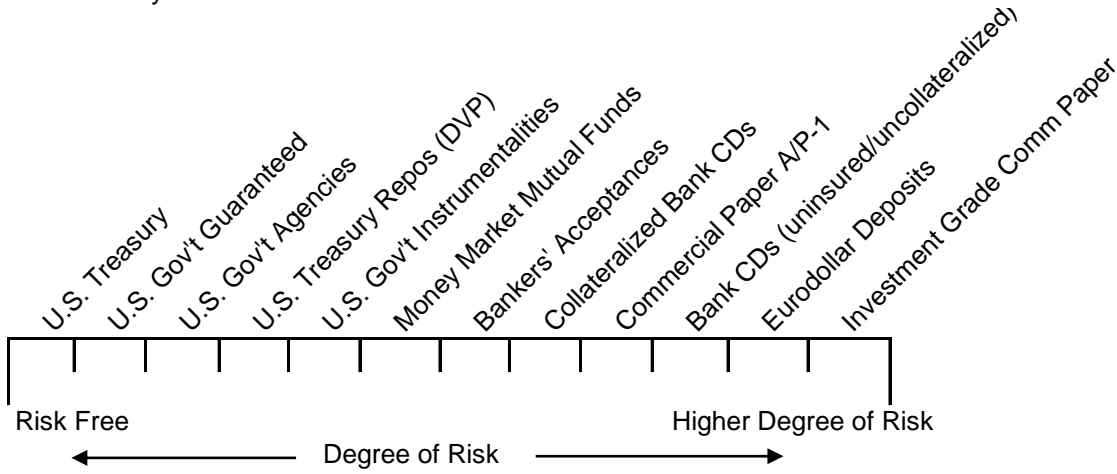
- Characteristics:
1. Very safe
 2. Very liquid: can be sold very easily

Main Agency issuers:

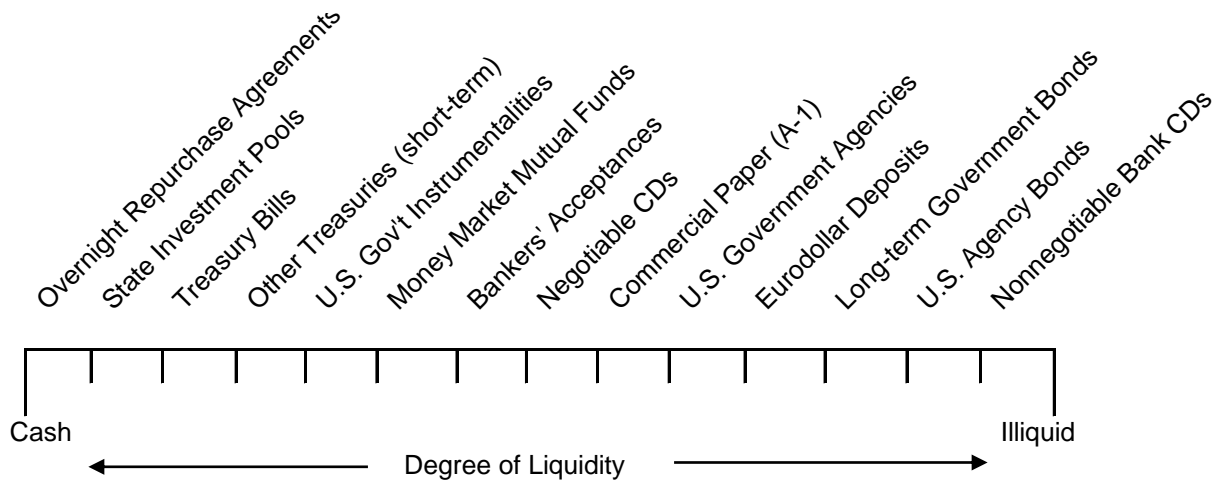
1. Federal Farm Credit Bank (FFCB)
2. Federal National Mortgage Association (FNMA)
3. Federal Home Loan Bank (FHLB)
4. Federal Home Loan Mortgage Corporation (FHLMC)
5. Federal Agricultural Mortgage Corporation (FAMC)

Key Investing Terms

Credit Risk: The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.



Liquidity An asset that can be converted easily and quickly into cash.



Distribution:

- County Executive
- County Council
- County Auditor
- Chief Administrative Officer
- Office of Public Information
- Budget Director