

TREASURY OVERSIGHT COMMITTEE MINUTES
January 28th, 2011 at 10 a.m.
Room 316, City Hall

1. Call to Order and Roll Call

Ben Rosenfield, Controller, called the meeting to order at 10:10 a.m. The following Committee members were present: Joe Grazioli, Don Griffin, Todd Rydstrom and Richard Sullivan.

2. Discussion and Action to Approve Minutes

The minutes of October 29, 2010 were unanimously approved. There was no public comment.

3. Review of the Treasurer's Recent Investment Performance

Jose Cisneros, Treasurer, introduced Brian Starr. Brian is the new Investment Analyst in the Treasurer's Department.

Ms. Michelle Durgy, Chief Investment Officer, reviewed various aspects of the economy and the portfolio strategy. Rates are up because of the market sell-off. The Gross Domestic Product (GDP) was up 3.2% as of January 28th. Prices and consumer confidence are also up. At the same time, housing and unemployment are relatively unchanged and are a drag on the overall economy. Rates remain stable near-term as investors invest in quality. The forecasts for 2011 and 2012 remain cautious but optimistic.

The current portfolio strategy reflects better cash flow strategy as longer maturities are purchased. Some of the changes in the portfolio structure include: 1) extending duration to offset the Temporary Liquidity Guarantee Program (TLGP); 2) managing call risk; 3) hedging against steep incline in rates; and 4) adding corporate exposure.

The PFM Asset Management approved issuer list was reviewed as well as the items that are subject to their internal analysis. Ms. Durgy expressed her opinion that the banks are stable at this time. In reviewing the asset allocation five – year history, Ms. Durgy reminded the Committee that the funds invested in the Temporary Liquidity Guarantee Program will expire December 2012. The City's exposure in negotiable, corporate Certificates of Deposit is \$220 million. As of December 2010, the Treasurer's investment portfolios are in compliance with the City and County of San Francisco Pooled Investment Policy and all pertinent state codes. Additional time buckets of 36-48 and 48-60 months have been added to the pooled fund assets based on maturity dates. California County Peer Group comparisons were discussed –

CCSF continues to perform well in comparison with other counties. Ms. Durgy also provided a snapshot of common market indices (such as the Merrill Lynch 1-5 Year Treasury Index, ML 1-5 Year Agency Index, S & P GIP Index, etc.) as another way to view the City's Pooled Funds.

There was no public comment.

4. Review of Projected Pooled Cash Balance

Mr. Levenson reviewed the City's month-end pooled cash balance as of January 27th, 2011. At this time, there is \$4.9 billion dollars in the Pooled Fund. Key points included a review of the month-end pooled balances, month-to-month cash balance changes, and a review of General Fund sources and uses. The 6-month status report is due mid-February. There are no big negative surprises.

There was no public comment.

5. Annual Review of Investment Policy

The Committee began its' annual review of the Investment Policy at the meeting held on October 29, 2010. The review continued with Part B.

Mr. Rydstrom made a motion to approve the recommendations noted in Part B which were relatively minor. The motion was seconded by Mr. Grazioli and approved by the Committee.

6. Public Comment

There was no public comment.

The meeting was adjourned at 10:50 a.m.