

TREASURY OVERSIGHT COMMITTEE MINUTES
April 22nd, 2011 at 10 a.m.
Room 316, City Hall

1. Call to Order and Roll Call

Leo Levenson, Budget and Analysis Director, called the meeting to order at 10:09 a.m. The following Committee members were present: Joe Grazioli, Don Griffin, Todd Rydstrom and Richard Sullivan. Ben Rosenfield, Controller, was excused.

2. Discussion and Action to Approve Minutes

The minutes of January 28th, 2011 were unanimously approved. There was no public comment.

3. Review of the Treasurer's Recent Investment Performance

Brian Starr, Investment Analyst, provided the economic and financial market update. Mr. Starr presented a summary of gross domestic product growth (GDP), inflation, the unemployment rate and the U.S. budget deficit as a percentage of the gross domestic product. Mr. Starr said the U.S. macroeconomic data is tepid but stable/improving. There are still risks embedded in the economy. The bad news is that consumers are still financially constrained. Global geopolitical sensitivity remains elevated. The housing situation appears unlikely to improve for the next few years. Gas prices are high and rising. Food inflation is also a concern.

In terms of the U.S. Treasury yield curves: short rates are lower than a year ago and the curve is steeper than a month ago. The curves are expected to shorten out over long term. The scramble for yields keeps spreads extremely narrow for all short periods. There has been a sharp increase in commodity prices. Long rates remain range-bound but poised to move quickly if given a reason. Finally, the target federal funds rates forecast range and median is currently 0.00% - 0.25%. It has been the same since December 2008. The internal forecast is 0.00%-0.25%, until 25-50 basis point hikes in each Q1 and Q2 2012.

Pauline Marx, Chief Assistant Treasurer, provided the Investment Report Review. Ms. Marx referred to the Investment Report for the month of February 2011. It has been reformatted to include a Compliance Report of the pooled fund with the goal of making the report more useful to the Committee. The cover is a short report that summarizes the City's pooled fund statistics. The attachments show the investment activity for the respective month for the portfolios under the Treasurer's management (a compliance report, portfolio analysis of the par value of investments by maturity and asset allocation by market value, yield curves, inventory, earnings and investment

transactions during the period). All pricing and valuation data is obtained from the Interactive Data Corporation.

Ms. Marx reviewed the asset allocation five year history of the pooled fund. The portfolio is still large and includes a mix of investments that have been included over time. Negotiable Certificates of Deposit (CDs) have been added again. A forecast of interest rates for the pool was reviewed. The City will hover around 1%. A performance comparison with other counties was discussed for the month of February. It was noted that Fresno has a high rate because it is extended out farther than the other cities in the peer group.

Ms. Marx reviewed performance comparisons of 2-year U.S. Treasury/Agency yields and 6-month rolling average yields from March 2000 – March 2011. The Investment Pool Index (GIP) was also reviewed. In all cases, San Francisco is rolling with the market. Pooled Fund equity, as of April 21, 2011, was also reviewed and discussed.

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 April 21st, 2011. 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 9-month status report is due the first week of May. There are no big negative surprises.

There was no public comment.

5. Public Comment

There was no public comment.

The meeting was adjourned at 10:33 a.m.