

TREASURY OVERSIGHT COMMITTEE MINUTES
January 22, 2010 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 a.m. In addition to Mr. Rosenfield, the following Committee members present were: Joe Grazioli, Don Griffin, Todd Rydstrom and Richard Sullivan.

2. Discussion and Action to Approve Minutes

The minutes of October 16, 2009 were unanimously approved. There was no public comment.

3. Review of the Treasurer's Recent Investment Performance

Mr. Newlin Rankin, CCSF Chief Investment Officer, provided an overview of the investment markets. Mr. Rankin reviewed the Peer Group Relative Returns, yield forecast, the pooled fund history and pooled fund assets as of December 31, 2009, current yield curves and pooled fund constituents.

Mr. Rankin expressed his opinion that one of the ways to use the Peer Group Relative Return information is one way to determine how well San Francisco is investing as compared with other municipalities. San Francisco ranked second place on the first and third month trailing returns with Los Angeles ranking first. However; San Francisco was ranked first and Los Angeles second in the twelve month trailing return. The returns for the other municipalities were reviewed. The high correlation speaks to the fact that the guidelines are very much alike. Contra Costa, ranked 9th out of the 9 municipalities has tended to have a shorter rate of maturity, which may suit their needs given the liabilities for that specific county. Yield is one of the many goals to be achieved with the portfolio but the Peer Group Relative return information is but one of many data points available for review.

The gross earnings yield for Treasury Notes was 1.26 for Fiscal Year 2009-2010. Yields for Fiscal Year 2010-2011 are expected in the range of 1.61 and 3.45 for Fiscal Year 2011-2012. Net earnings yields forecasted for FY 2010 – 2011 are 1.41 and 3.25 for FY 2011 – 2012 respectively. Mr. Rankin also reviewed the assumptions for Forward Curves which are: 1) use of forward curves is mathematically pure; 2) asset allocation remains pure; 3) spreads of treasuries remains constant; and 4) the portfolio size remains constant. The Forward Curve information is now used by the PUC, per Mr. Rydstrom, and is also available to anyone who requests the information.

The pooled fund history, as of December 31, 2009, was reviewed. Agencies represent 55 % of the assets, Temporary Liquidity Guarantee Program 22%, Collateralized CD's 4% and Public Time Deposits 2%. Commercial paper was not part of the fund at the end of the year because of the rates.

Mr. Rankin also reviewed the current yield curves in terms of absolute rates and Treasury spreads. At this time, everything (corporate and treasuries especially) are very expensive, relative to the market.

A new chart – Pooled Fund Constituents from May – December 2009 – was introduced to the Committee. It is sorted by City department to show who has the greatest and least amount invested in the pooled fund.

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 22, 1010.

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 amount of the General Fund as of January 21st, 2010 was of particular interest to the Committee because of the anticipated amount of April 2010 property taxes.

There was no public comment.

5. Adjournment

The meeting adjourned at 10:45 a.m.