

TREASURY OVERSIGHT COMMITTEE MINUTES
July 26, 2013
Room 316, City Hall

1. Call to Order and Roll Call

The meeting was called to order at 10:05 a.m. by Jose Cisneros, Treasurer. The following Committee members were present: Joe Grazioli, Peter Goldstein and Todd Rydstrom.

2. Discussion and Action to Approve Minutes

The minutes from the meeting on April 26, 2013 were unanimously approved.

There was no public comment.

3. Review of the Treasurer's Recent Investment Performance

Michelle Durgy, Chief Investment Officer of the Office of the Treasurer and Tax Collector, provided an economic and market overview. The information reviewed included the S & P/Case Shiller Home Price Indices, Consumer Price Index, Non-Farm Payrolls and Unemployment Rates and the Gross Domestic Product. Although home prices are one of the keys to recovery and are up in the San Francisco are, recovery is not occurring in rural areas. The unemployment rate is slowly getting better.

Ms. Durgy reviewed the recent volatility in the market. There were 4 key points:

1. Chairman Ben Bernanke reported that the Federal Reserve may slow its monthly \$85 billion investment in bond purchases if: (a) the economy shows a sustained improvement; (b) mandated objectives of the Federal Reserve are met; and (c) the unemployment rate in the U.S. is $\leq 6.5\%$.
2. If the Federal Reserve were to slow its investment, there would be: (a) an increased quantity of bonds; (b) decreasing bond prices; and (c) higher bond yields.
3. Speculating about slowing Fed purchases, many traders began to sell after Bernanke's report: (a) price drop of bonds and (b) traders selling due to the realization that they may lose money.
4. Traders' uncertainty and fear of the Federal Reserve slowing their investments have caused bond prices and yields to become extremely volatile.

Pooled fund statistics for various counties were reviewed. Investment Fund participants, as of June 30, 2013, were also reviewed. At this time, the SF Public Utilities Commission has the largest percent of the fund at 32.1% and an equity balance of \$1,953,797,479.00.

Ms. Durgy discussed the portfolio comparisons between April 15, 2013 and July 15, 2013. In April, the total book value was \$6.4 billion dollars. In July, the total book value had decreased to \$6.1 billion dollars. Some of the notable changes were: (a) increases in U.S. Treasuries, Federal Agencies and State/Local government holdings; (b) decrease in negotiable CDs and Commercial Paper; and (c) decrease in Money Market Funds. The money formerly held in Commercial Paper was invested in Federal Agency floaters.

There was no public comment.

4. Review of Pooled Cash Balance

James Whitaker, Property Tax Manager for the Controller's Office, reviewed the pooled funds.

There was no public comment.

5. Public Comment

There was no public comment.

The meeting adjourned at 10:25 a.m.