

TREASURY OVERSIGHT COMMITTEE
MINUTES
Regular Meeting
Friday, February 3, 2006
10:00 a.m. - City Hall, Room 316

1. Call to Order and Roll Call

Mr. Harrington, Chair, called the meeting to order at 10:05 a.m. Philip R. Day, Jr., absent. All other members present.

2. Discussion and Possible Action to Approve Minutes

The minutes of the October 21, 2005 meeting were unanimously approved.

3. Review of the Treasurer's Recent Investment Performance

Mr. Dan Daly, Chief Investment Officer, Office of the Treasurer & Tax Collector reviewed the Treasurer's recent investment performance. He presented a graph prepared by Sacramento County, which shows a December 2005 comparison of peer counties pooled investment funds and LAIF 12-Month yield performance. This graph indicates that San Francisco's strategy and earned interest yield, when compared to peers, has been correct.

Mr. Daly briefly discussed the pooled funds and indicated in January 2006 there was an unrealized (paper) loss of \$20,530, due to several factors including the increase of interest rates, which he anticipates will stabilize in the near future. Mr. Daly briefly reviewed the portfolio structure as of January 31, 2006, investment maturity distribution and monthly duration comparison.

Mr. Daly indicated that we are heading into a "Bear Market" which will affect yield. He noted that the February 2006 forecast would result in an increase of Fed Funds, increased volatility, inverted yield curve, and unknown geopolitical events.

Mr. Daly noted that the City and County of San Francisco's cash flow projection from April 2004 to September 2005 shows a surplus of \$5,077,000,000.

No Public Comment.

4. Social Responsible Investing

Mr. David Augustine, Policy and Legislative Manager, Office of the Treasurer & Tax Collector, briefly discussed the Treasurer's Office Social Screening Criteria (as of February 2006). Criteria were developed in conjunction with a hired consultant and with the City's Investment Policy in mind. Criteria include: Board Diversity; Environment; Firearms; Burma; Labor; Northern Ireland; Tobacco; Nuclear Weapons; Predatory Lending; and Payday Lending.

He noted that several of the criteria involve fairly simple (yes/no) determinations of compliance. However, the more difficult issues are Payday Lending (a methodology to determine banking ties to payday lending industries is being developed), Predatory Lending, and Environment. They are discussing the possibility of modifying the categories to make them more stringent. At the next meeting he will provide revised criteria base on additional research and continued discussions with the consultant. Mr. Augustine discussed the need to communicate the criteria with banks so they understand that the intent is not to penalize, but rather change behavior for certain institutions.

Mr. Augustine distributed an update of the City and County of San Francisco's Investment Policy as of October 2005, which includes changes as requested at the last Treasury Oversight Committee meeting.

No public comment.

5. Adjournment

The meeting was adjourned at 10:45 a.m.