

**TREASURY OVERSIGHT COMMITTEE
MINUTES**

**Friday, November 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 10:06. All members present.

2. Discussion and Possible Action to Approve Minutes

The minutes of May 26, 2006 were unanimously approved.

3. Review of the Treasurer's Recent Investment Performance

Mr. Dan Daly, Chief Investment Officer, Office of the Treasurer and Tax Collector reviewed the Treasurer's recent investment performance. Mr. Daly discussed the major foreign holders of treasury securities, noting that 44 percent of U.S. debt is owned by foreign holders. He briefly discussed how this affects interest rates.

Mr. Daly presented a 10-year analysis showing the annual yield in comparison to our peer group, as well as a 10 year duration comparison (weighted average maturity), which demonstrates that we are managing our portfolio very well.

Mr. Daly also offered a graph which shows a comparison of peer counties pooled investment funds and LAIF from July 2005 through September 2006. This graph continues to indicate that San Francisco's investment strategy when compared to peers has been correct. Mr. Daly briefly talked to the Committee about public time deposits, historical yield curve, pooled funds (FY 2006-07 and FY 05-06), investment maturity distribution, interest and investment income comparison and pooled equity positions.

Mr. Daly indicated that the City and County of San Francisco's cash flow projection from November 2006 to April 2008 shows a projected surplus of \$6,232,000,000.

No Public Comment.

4. Annual Review of Investment Policy

Mr. David Augustine, Policy and Legislative Manager, Office of the Treasurer and Tax Collector, updated the Committee on the Treasurer's Office Investment Policy. After discussion, it was noted that no changes needed to be made to the Policy as related to Negotiable Certificates of Deposit.

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5. Discussion of Annual Audit

Ms. Marx stated that a duty of the Committee is to cause an audit to be conducted to determine the Treasurer's compliance with City and County Code requirements and California law and asked for a motion for that audit to be conducted. The audit may be conducted by the Controller's Office or an outside auditor.

After discussion, it was moved and unanimously passed that the Committee cause an audit to be conducted to determine the Treasurer's compliance with City and County Code requirements and California law and asked that the audit be conducted by the Controller's Office.

6. Social Responsible Investing

Mr. David Augustine, Policy and Legislative Manager, Office of the Treasurer and Tax Collector updated the Committee on the Socially Responsible Investment ratings. He noted they rate approximately 14 institutions on the following categories: board diversity, environment, firearms, Burma, labor, Northern Ireland, tobacco, nuclear weapons, payday lending, predatory lending, and discrimination.

Mr. Augustine stated the institutions passed in all categories except for one - payday lending. He indicated that three banks, Wells Fargo, Bank of America and U.S. Bank do not offer payday loans, check cashing services, nor do they run pawn shops. However, they offer letters of credit to payday lenders. The Treasurer's office has hired a research company to look into the scope of lending provided by these three institutions to payday lenders. They intend to discuss their findings with the banks to confirm or deny the findings. After discussion, the Committee asked that Wachovia be added to the ratings list.

No Public Comment.

7. General Public Comment

No public comment.

8. Adjournment

The meeting was adjourned at 11:08 a.m.