

Approved
July 19, 2004



**Finance Committee
Regular Meeting
Summary Minutes**

**February 18, 2004
ABAG Conference Room A
101 Eighth Street, Oakland, CA**

Presiding

Jim Steele, Chairman

Jurisdiction

So. San Francisco

Committee Members Present

Emma Karlen, Vice Chair

Jim O'Leary

Debra Ryan

Milpitas

San Bruno

Half Moon Bay

Committee Member Absent

Jesus Nava

Burlingame

Staff Present – ABAG PLAN Corporation

Marcus Beverly, ABAG Risk Manager

Joseph Chan, ABAG Finance Director

Henry Gardner, Deputy Executive Director

Carol Johnson, Recording Secretary

1. WELCOME AND INTRODUCTIONS:

Chairman Jim Steele called the meeting to order at 10:10 a.m.

2. PUBLIC COMMENTS:

There were no public comments.

3. APPROVAL OF MINUTES OF FEBRUARY 13, 2003 FINANCE COMMITTEE MEETING:

Motion was made by Ryan/S/Steele/C to approve the February 13, 2003 Finance Committee meeting minutes as presented.

4. APPROVAL OF AUDITED FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2003:

Joseph Chan presented an overview of the audited financial report for fiscal year ended June 30, 2003. After review and discussion the Committee approved the audited financial report for year ended June 30, 2003 as presented. /M/Ryan/S/Karlen/C/

Jim Steele also asked staff to verify whether or not the securities held by the PLAN were Category 1 or Category 2, as defined on page 12 of our audited financial statements. The Committee's position is that if PLAN's investments are held by the custodian in the Corporation's name, they should be listed as Category 1 in the audit report. Staff will work with the auditors to clarify this issue and bring back an update at the next meeting.

5.a.) INVESTMENT PERFORMANCE REPORT:

Joseph Chan presented the investment performance report as of December 31, 2003. After review and discussion the Committee approved the investment performance report as presented. /M/Ryan/S/Steel/C/

5.b.) INVESTMENT STRATEGIES FOR FY O4 AND O5:

Joe Chan summarized his report and recommendations concerning the investment portfolio and his suggestion to increase the 30% limit on callables allowed in the portfolio. He recommended a 50% limit on callables and continuing our practice of laddering the portfolio by investing in 5-7 year securities.

A concern was raised about being locked in with too much money invested long term as interest rates rise. Chan pointed out that because PLAN usually purchases new investments during the first quarter of a fiscal year, this systematic investment approach in 5-7 year securities will achieve three objectives: (1) A laddered portfolio, (2) Consistently capturing yields of 5-7 year securities, and (3) Avoiding the need to speculate which direction interest rates are heading. The committee members and staff also considered and discussed at length the recommendation to raise the limit on callables. The committee agreed to keep the 30% limit at this time.

5.c.) POLICY CHANGES:

After discussing the recommendations, investment portfolio, and current Investment Policy, the Investment Policy was reaffirmed with no changes.

/M/ Karlen/S/Steele/C/

However, after extended discussion of our investment strategy during item 6 of the agenda, Emma Karlen recommended the Investment Policy be amended to move

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Corporate Notes from among the securities which should not exceed 30% of the portfolio, to be included in the policy limiting Commercial Papers to no more than 10% of the portfolio.

Motion made to amend section 8.0, page 4 of the policy to read: “*** The combined total par value of Commercial Papers and Corporate Notes must not exceed 10% of total par value of the portfolio at the time of purchase.” The section noted with ** would eliminate reference to Corporate Notes. /M/Ryan/S/Steel/C/

6. OTHER BUSINESS:

Henry Gardner recommended hiring an investment advisor to perform a one-time review of investment policy and strategies. The committee agreed with the recommendation and directed staff to proceed with hiring an investment advisor through a competitive bidding process and plan on submitting to the Committee the consultant’s report before the next round of investment in the first quarter of FY04-05.

ADJOURNMENT:

Meeting Adjourned at 11:50 a.m.

Respectfully Submitted,

Marcus Beverly
Risk Manager & Secretary
ABAG PLAN Corporation