



FINANCE WORKSHOP NOTES

Wednesday, March 24, 2010

Directors:

G. Herbella
A. Dreher
N. Jensen
R. Owens
N. Smith
V. Starkey
Vacancy

Absent**

Advisory Board Attendees: None

HRMD 5 Director: T. Kershisnik

Staff: B. Lebsack, T. Nolan, R. Hinman, S. Stanley, R. Fox

1. Cutwater Asset Management (formerly MBIA-MISC) Presentation 2009-Fourth Quarter

Mary Donovan presented the 2009 **Fourth** quarter investment review for the District.

Overall Market Analysis:

As of March 16, 2010, The Federal Reserve Committee will maintain the target range for the federal funds rate at 0 to 25bps. They continue to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period. There continues to be some quantitative easing in the market and a slight pickup in economic activity.

- ✓ Speculation of and increase in the rate post- September thru the end of 2010
- ✓ The Federal Reserve has been purchasing \$1.25 trillion of agency mortgage-backed securities and about \$175 billion of agency debt to stimulate the economy.
- ✓ Inflation showed a slight uptick, is still very moderate.
- ✓ Energy Costs have increased
- ✓ GDP improving due to rebuilding of inventory, forecast of 2½ % growth in 2010
- ✓ Unemployment rate at 9.7% down from 10.1% (loss of 36,000 jobs in February 2010).
- ✓ Existing home sales not strong.
- ✓ Retail sales more positive for 4 of last 5 months, expectation of 2% growth for 2010 and 2½ for 2011

Portfolio Performance:

- ✓ First time in long time that it is good time to buy treasuries
- ✓ Very good cash management with cash flow projections in good position to meet cash flow and debt service needs and to meet requirements for the remainder of 2010 and 2011 as well.

Wells Fargo bank ratings:

- ✓ Highline Peer Group overall rating showing a drop from 51 in September to 41 in December 2009.
- ✓ Asset quality declined as they struggle with the performance of their Loan Portfolio
- ✓ Cutwater will continue close monitoring of the Highline Data Bank Ratings.

The Annual Broker/Dealer's annual due diligence is complete. The market coverage for the Districts is good..

2. Draft 2010 Facility Plan Presentation

Stephanie Stanley gave a Powerpoint Presentation of the 2010 Facilities Plan Draft which described the process and a summary of the Initial Draft changes. The final presentation is anticipated to be made at the April meeting. The initial review indicates that the 2010 Facility Plan will not require an increase in Systems Development Fees.

3. April Finance Workshop will not be held