



FINANCE WORKSHOP NOTES

Tuesday, October 25, 2011

Directors:

A. Dreher
R. Owens
V. Starkey
C. Schierholz
P. Cullen
N. Smith
Vacant Position

HRMD 5 None

Staff: T. Nolan, C. Ward, M. Salanty, R. Hinman and R. Fox

1. Cutwork Asset Management Presentation 2011-Third Quarter

Mary Donovan presented the 2011 **third** quarter investment review for the District.

Per the Boards request the Quarterly Electronic Investment Management Program Reviews was emailed to the Board in advance of the Finance Workshop. The reviews are reduced in size and formatted somewhat differently. The report now includes a narrative of the market environment and strategies and portfolio review.

Overall Market Analysis:

At the September 2011 meeting, the Federal Open Market Committee declared their intention to maintain the historically low Federal funds rate at 0 to ¼% through mid-2013. The FOMC also announced a restructuring (known as Operation Twist) of its' portfolio holdings, with plans to liquidate \$400 billion in Treasury securities that mature from 3 months to 3 years and purchase the same amount of longer-term Treasury securities that mature between 6 and 30 years.

- ✓ 2011 Third Quarter GDP at 2.0% as of November 22.
- ✓ Unemployment remains high at 9.1% for September, with forecasts for all of 2011 of 9.1% and 2012 of 8.8%. Underemployment is at 16.5%
- ✓ Housing market ratios remain low with fragile improvement.
- ✓ Retail sales surprisingly good.
- ✓ Next FOMC meeting scheduled for November 1-2nd, 2011.

Portfolio Performance:

- ✓ Cash management is in line with cash flow projections. In good position to meet operating cash flow and debt service requirements for 2011 and 2012. The portfolio is well diversified and in compliance with the District's Investment Policy Guidelines.

Wells Fargo bank ratings:

- ✓ Highline Peer Group overall rating of 47 in June 2011 showing improvement from 44 in March of 2011.
- ✓ Asset quality continues to improve
- ✓ Liquidity a minutely lower

Mary will research participants that are in Wells Fargo peer group.

Broker/Dealer's market coverage for the Districts is good with 2 new potential in the wings.

2. Quarterly Financial Updates

Stephanie Stanley reported revenues and expenses through the third quarter of 2011 compared to the 2011 budget. Highlights included:

- Projected very close to budgeted
- SDF ahead of projected
- S&P/Case-Shiller Index – The Standard & Poor's Case-Shiller Home Price Indices are constant-quality house price indices for the United States. The presentation spotlighted the comparison of the 20-city composite index and the Denver metro area indices for August 2006-August 2011. Denver indicated a slight uptick.

3. Rescissions

Rick Hinman presented the quarterly Board Communication which rescinds unexpended appropriations. This will be a consent agenda item for the November Board meeting.