

SAN MATEO COUNTY
INVESTMENT ADVISORY COMMITTEE

MINUTES

July 25, 2005

MEMBERS IN ATTENDANCE

Larry J. Shaw (Vice President UBS/PaineWebber)
Jessica Schackne (Associate Superintendent, County Schools)
Anthony J. Zidich (Treasurer, City of Daly City)

MEMBERS ABSENT

Rosalie O'Mahony (Council Member, City of Burlingame)
Reyna Farrales (Deputy County Manager)
Marc J. Friedman (Member, Board of Trustees, Burlingame School District)
Bay Area Air Management District

OTHERS IN ATTENDANCE

Lee Buffington (Treasurer-Tax Collector)
Charles M. Tovstein (Assistant Treasurer)
Joe Demeo (Financial Services Manager)
Patricia Reavey (Transportation Authority)
Nilita Meitz (Executive Assistant, Treasurer's Office)

MONTHLY REPORT

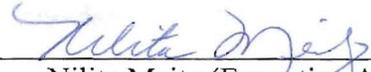
Mr. Tovstein opened the meeting at 12:13 p.m. and welcomed Patricia Reavey to the Investment Committee Meeting. He went on to report the gross earnings for June were 3.35%, the quarter ending June 30th were 3.23% and for the year-end, 3.01%. Mr. Tovstein mentioned his disappointment and concern over a TRAN (Tax and Revenue Anticipation Note) withdrawal of \$77 million by Piper Jaffray for the school district and reported the loss of roughly \$300 million from the fund since June 30, 2005. This was due mainly to retirement prepayments, outside year-end withdrawals and less TRAN proceeds coming into the fund. He spoke of the Fed's focus on inflation rather than economic growth and reported the next Fed meeting to be on August 9th. He estimates the Fed Funds rate will be at least 3-¾%-4% by year-end and noted his concern of an inverted yield curve (shorter-term securities paying higher rates than longer-term securities) and a possible recession in 2006. He further reported the stock market's interpretation of the Yuan as no longer being linked to the dollar and as being good for the economy and bad for bonds. He went on to report the current yield on the 10-year note is 4.28% and mentioned it opened at 4.21% that morning. He announced having over \$300 million in cash plus \$190 million in floaters. Volatility in the market has diminished resulting in diminished trading returns. A short discussion ensued regarding the real estate market and mortgage rates. Mr. Tovstein concluded his report by estimating 3.35% for the next two months. In response to Mr. Shaw's inquiry, the tax office collected roughly \$1,100,000,000 in secured property tax payments for fiscal year 2004/2005. Of that amount, about \$6,000,000 were paid by credit card and e-check. The default rate in San Mateo County is 1-1/2%.

DATE OF NEXT MEETING

The next meeting of the Investment Advisory Committee will be held on Monday, October 17, 2005 at 12:00 noon.

ADJOURNMENT

There being no additional business and no further questions, the meeting was adjourned at 12:30 p.m.



Nilita Meitz (Executive Assistant)