

CITY OF LA CAÑADA FLINTRIDGE

INVESTMENT AND FINANCING ADVISORY COMMITTEE Meeting of Friday, January 17th, 2014

FINAL Minutes

Call to Order

The meeting was convened at 7:30 AM at City Hall

Roll Call

IFAC Members Present: Kevin Tom, Gene Stein, Brad Schwartz, Michael McConnell, Charles Thuss

Also Present: Jeff Wang, City Treasurer; Dan Jordan, Director of Finance; Dave Hemstreet, Assistant City Treasurer, Doron Kochavi, resident

Review of Minutes of October 16, 2013 Meeting

The October 16, 2013 meeting minutes were moved for approval by Brad Schwartz and seconded by Charles Thuss.

FY 2012-13 Investment Revenue

City Finance Director Dan Jordan provided the IFAC with an overview the City's FY 2012-13 General Fund investment revenue, and the trend in that revenue source over the past seven years. Mr. Jordan noted that the relatively sharp increase in interest rates during FY 2012-13 resulted in a drop in the market value of the City's securities portfolio, although all of this decline in value remained unrealized due to the City's policy of generally holding all its bond investments to maturity.

Investment Portfolio Review and Near Term Portfolio Management

City Treasurer Jeff Wang then moved the discussion to the City's investment portfolio. Mr. Wang stated that during the previous quarter, a Tennessee Valley Authority ("TVA") bond was purchased, noting that one of the attractive characteristics of the TVA bond was its October maturity date, as this maturity facilitates the City's efforts to better match its assets and liabilities. (Mr. Wang noted that the City experiences a large outflow of cash each October from an annual debt service payment on a sewer construction loan.) Mr. Wang then asked if there were any questions or suggestions from IFAC members about options for future investments. This facilitated a broad discussion among IFAC members about the City's portfolio.

Outlook for Interest Rates and Economy

City Assistant Treasurer Dave Hemstreet began the group's discussion about the current condition and future prospects for both the economy and interest rates. Mr. Hemstreet discussed various data and forecasts with regard to fixed income markets, gold, and the economy and interest rates more generally. IFAC member Gene Stein noted that a broad consensus existed that a rise in interest rates was the most likely near-term scenario, particularly given the fact that real (inflation-adjusted) rates on U.S. Treasuries remained well below their historical average. IFAC member Kevin Tom concurred that a rise in interest rates was a strong possibility.

This was followed by a discussion among IFAC members of specific industry and market sectors, and the relation of these specific sectors to broader trends in the economy and interest rates. IFAC member Brad Schwartz described recent activities in the local (particularly Pasadena) technology start-up sector, noting that while it remained difficult for start-ups to secure financing in certain stages, the market was very healthy and continuing to develop. IFAC member Charles Thus then noted that within infrastructure-based companies, the outlook remained one of moderate growth, as government infrastructure spending remained weak (with the exception of certain middle eastern countries) and inflation remained low.

Finally, IFAC member Michael McConnell noted that unemployment, particularly the continuing low labor participation rate, would remain an economic headwind, even as certain other factors, such as the rise in the stock market, were encouraging economic activity. Resident Doron Kochavi wondered, however, whether the coming "tapering" of asset purchases announced by the Federal Reserve would lead to a correction in equities.

Other Matters

No other matters were discussed

Adjournment

There being no further business, the meeting was adjourned at 8:33 AM