

CITY OF LA CAÑADA FLINTRIDGE

INVESTMENT AND FINANCING ADVISORY COMMITTEE Meeting of Friday, January 18, 2013

***** Final *****

Call to Order

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

Roll Call

IFAC Members Present: Keith Ban, Kevin Tom, Gene Stein, Jeff Wang, James Poindexter, Brad Schwartz

Also Present: Dave Hemstreet, Assistant City Treasurer; Dan Jordan, Director of Finance

Review of Minutes of October 19, 2012 Meeting

The October 19, 2012 meeting minutes were moved for approval by Gene Stein and seconded by Brad Schwartz.

Overview of Meeting with Ron Borucki, Glendale's City Treasurer

City Treasurer Jeff Wang provided the IFAC with an overview of an informal meeting he had with Ron Borucki, the Treasurer of the City of Glendale. Mr. Wang noted that their discussion focused on the various investment options available in the current low interest rate environment, particularly on what might be an optimal mix of corporate and government securities within a City government's portfolio.

Update on IFAC Member Disclosure Status

City Treasurer Jeff Wang stated that the City Council had decided that IFAC members would not be included as "Designated Employees" under the City's "Conflict of Interest Code", and thus not subject to financial reporting requirements under that Code.

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, as in previous quarters, the yield on the City's portfolio declined slightly over the past three months, as relatively high-yielding bonds were replaced with securities with lower yields. Mr. Wang also noted that

with the purchase of a General Electric Company note, the proportion of the portfolio invested in corporate securities was relatively high compared to recent years. Mr. Wang then asked if there were any questions or suggestions from IFAC members about future investments for the City's portfolio.

In response, several IFAC members discussed the range of potential investments, particularly the current risk-reward tradeoff available in the corporate financial sector. While some IFAC members believed that the extra yield available in the financial sector was potentially attractive, there was no general consensus that the City's portfolio should seek to increase its allocation in financials in the near term.

Outlook for Interest Rates and Economy

IFAC member Jim Poindexter began the group's discussion about the current condition and future prospects for both the economy and interest rates. Mr. Poindexter indicated that, at least for firms with which he was familiar, the level of manufacturing activity within the southern California market had increased recently, but that this mild uptick seemed driven primarily by government and quasi-governmental demand (i.e., hospitals, airports) rather than the private sector.

Other IFAC members noted that there appeared to be an increase in economic in some sectors, and that this could ultimately impact interest rates. IFAC member Brad Schwartz indicated that technology sector start-up activity was very active currently in the west Los Angeles area, and IFAC member Gene Stein noted that the US housing sector was recovering strongly. Mr. Stein added, however, that there remained a great deal of "cross-currents" driving economic activity in different directions. It appeared, for example, the China's economy was again accelerating, but that the positive impact this might have on the US economy could be offset by the "fiscal drag" caused by increased taxes and reduced spending by the federal government. On the whole, Mr. Stein believed that these countervailing factors would ultimately convince the Federal Reserve to make little or no adjustment to interest rates in the near future. IFAC member Kevin Tom concurred that "political uncertainty" continued to be a driving factor in the trajectory of US economic growth, but that he would not be surprised if yields on 10-year Treasuries exceeded 2 percent in the coming months.

Other Matters

No other matters were discussed.

Adjournment

There being no further business, the meeting was adjourned at 8:38 AM.