

# CITY OF LA CAÑADA FLINTRIDGE

## INVESTMENT AND FINANCING ADVISORY COMMITTEE Meeting of Friday, January 20, 2012

### \*\*\*Final\*\*\* Minutes

#### Call to Order

The meeting was convened at 7:35 AM at City Hall

#### Roll Call

IFAC Members Present: Keith Ban, Kevin Tom, Gene Stein, Jeff Wang

Also Present: Dan Jordan, Director of Finance

Absent: James Poindexter, Dave Hemstreet

#### Review of Minutes of October 21, 2011 Meeting

The October 21, 2011 meeting minutes were moved for approval by Gene Stein and seconded by Keith Ban.

#### Investment Portfolio Review and Near Term Portfolio Management

City Treasurer Jeff Wang began the discussion of the City's portfolio, noting that three securities – one government sponsored enterprise security (Federal Farm Credit Bank), and two corporate notes (Berkshire Hathaway and GE Capital) – had been added to the City's portfolio over the previous quarter. Mr. Wang stated that the City now owned two GE capital securities and had reached the cap with respect allowable concentration of GE capital debt within the City's portfolio. Mr. Wang then discussed the current overall composition of the City's portfolio, noting that the City's financial advisers remained confident in the credit quality of Fannie Mae and Freddie Mac. Mr. Wang then asked if there were any concerns among IFAC members over the amount of the City's holdings of either Fannie Mae or Freddie Mac.

The general consensus among IFAC members was that Fannie Mae and Freddie Mac remained prudent investments for the City's portfolio. IFAC member Gene Stein noted that the issue was largely a question of just how conservative the City wanted to be, and that the costs of excessive conservatism had to be considered as well. It was also noted that Fannie and Freddie might be shrinking as organizations, and that this could be favorable from the perspective of future credit quality.

## **Outlook for Interest Rates and Economy**

IFAC member Kevin Tom began the group's discussion about the current condition and future prospects for both the economy and interest rates. Mr. Tom expressed his overall cautious optimism about the economy, noting that consumer debt was shrinking, employment figures were improving (albeit slowly), and that U.S. markets seemed to have already incorporated Europe's financial problems into asset prices. IFAC member Gene Stein noted that while the previous 3 months had seen increasingly positive economic data, there remained significant economic crosscurrents that could slow economic growth in 2012. Mr. Stein stated that Europe in particular was still very hard to predict, and that it was likely that the European zone as a whole would fall into recession. For these reasons, it seemed likely the Federal Reserve would keep interest rates low, and that signs of a slowing economy could trigger a further round of quantitative easing ("QE3"). IFAC member Keith Ban continued on the "economic crosscurrents" theme, noting that the upward pressures on interest rates implied by a growing U.S. economy could be countered by the slowing economy in Europe.

## **Other Matters**

City Finance Director Dan Jordan briefed the IFAC on a report he provided to the City Council on the status of the City's pension program and recent developments in the area of pension reform. Mr. Jordan noted that the City Council indicated a desire to consider options for reform of the City's pension program in the coming year.

## **Adjournment**

There being no further business, the meeting was adjourned at 8:35 AM.