

CITY OF LA CAÑADA FLINTRIDGE

INVESTMENT AND FINANCING ADVISORY COMMITTEE Meeting of Friday, April 15th, 2011

****FINAL **** Minutes

Call to Order

The meeting was convened at 7:37 AM at City Hall

Roll Call

IFAC Members Present: Kevin Tom, James Poindexter, Gene Stein, Keith Ban, Dave Hemstreet

Also Present: Dan Jordan, Director of Finance

Absent: Jeff Wang, City Treasurer

Review of Minutes of January 11th, 2011 Meeting

The January 11, 2011 meeting minutes were moved for approval by James Poindexter and seconded by Gene Stein

Investment Policy Discussion

IFAC members were asked to comment on draft language amending the City's Investment Policy Guidelines ("Guidelines"). The proposed amendment would require that when a security in the City's portfolio was downgraded below a certain level or deemed to present an increased level of credit risk, the City Treasurer would be required to inform both the City Council (as part of the Monthly Financial Report) and the IFAC (at the next IFAC meeting) about this security. The group discussed proposed amendment to the Guidelines, and IFAC member Dave Hemstreet proposed that the draft "ratings downgrade" language be modified to state specifically that an "A3" or "A-" long term rating from either Standard and Poors and/or Moodys would constitute a downgrade of sufficient magnitude to require the City Treasurer to notify the City Council and IFAC. The IFAC agreed with Mr. Hemstreet's suggestion, and then approved submitting the modified draft language as part of the Guidelines to be adopted by the City Council for FY 2011-12.

City's Long Range Plan

City Finance Director Dan Jordan provided the IFAC with a summary of the Long Range General Fund Projection that had been presented to the City Council on April

14th. Mr. Jordan noted that while the City was anticipating cost pressures in several areas in the coming years (e.g., employee benefit costs, major capital projects), the long-range projection indicated that the City's General Fund would remain in structural surplus and the level of reserves would be consistent with the City Council's reserves policy.

Investment Portfolio Review and Near Term Portfolio Management

Due to the absence of City Treasurer Jeff Wang, the IFAC did not discuss this item.

Outlook for Interest Rates and Economy

IFAC member Gene Stein began the group's discussion about the current condition and future prospects for both the economy and interest rates. Mr. Stein noted that a great deal of uncertainty persisted over the future interest rate actions of the U.S. Federal Reserve, stemming from continuing uncertainty over the economy more generally. He indicated that the disaster in Japan, unrest in the Middle East, and indications of a slowing US economic recovery all pointed to the likelihood that Fed would not take any actions on interest rates in the near future.

IFAC member Dave Hemstreet agreed that the uncertainty the economic recovery would likely continue, and that the recent surge in commodity and fuel prices, coupled with the continuing large federal budget deficit, could significantly weaken the dollar and perhaps slow economic growth further. The sentiment of continuing uncertainty over the economic recovery was shared by other IFAC members, although Kevin Tom noted that in his business, he was seeing some strength in certain sectors of the economy, such as health care, telecommunications, and general industrial firms. IFAC member James Poindexter indicated, however, that most of the large construction projects he was seeing continued to be government projects, and that the pace of private sector recovery was unclear.

Other Matters

No other matters were discussed

Adjournment

There being no further business, the meeting was adjourned at 8:29 AM.