

CITY OF LA CAÑADA FLINTRIDGE

INVESTMENT AND FINANCING ADVISORY COMMITTEE Meeting of Friday, April 16th, 2010

Minutes

Final

Call to Order

The meeting was convened at 7:34 AM at City Hall

Roll Call

IFAC Members Present: Doron Kochavi, James Poindexter, Gene Stein, Jeff Wang, Keith Ban

IFAC Members Absent: Dave Hemstreet

Also Present: Dan Jordan, Director of Finance; Kevin Tom, Resident

Review of Minutes of January 22nd, 2010 Meeting

The January 22, 2010 meeting minutes were moved for approval by Doron Kochavi and seconded by James Poindexter

Comprehensive Annual Financial Report for FY 2008-09

City Finance Director Dan Jordan provided the IFAC with a brief summary of the City's Comprehensive Annual Financial Report (CAFR) for FY 2008-09, in which the City's annual financial statements are published. Mr. Jordan noted some of the unique elements found within local government accounting and financial reporting, such as the use of two separate sets of financial statements (i.e., government-wide financial statements together with statements for individual government funds). The group's discussion focused on the general financial condition of the City, as well as on the location of specific financial information (e.g., the City's investment portfolio) within the large CAFR document.

City's General Fund Reserves

The discussion then moved to the City's policy on maintaining an adequate level of financial reserves. Dan Jordan began by describing the City Council's discussion of the reserves policy at a City Council meeting on March 29, 2010. One of the key issues discussed by the City Council was whether the current reserves policy – which states that the City shall maintain reserves at a range of 100% to 150% of the annual operating

budget – should be more specific as to the definition of “reserves” and “operating budget.” The general consensus among the IFAC was that the a more precise definition of the key terms within the City’s reserves policy might prove useful to future City Councils when they consider both the appropriate level of reserves and the circumstances under which reserves will be used.

Investment Portfolio Review and Near Term Portfolio Management

The discussion then moved to the City’s investment portfolio. Jeff Wang described the activity within the City’s portfolio over the previous quarter, indicating that even within the current low yield environment, his criteria for managing the City’s investment portfolio continued to be, in order of priority: safety of principal, liquidity, and yield. Mr. Wang also noted the extent to which the current investment environment for the City’s portfolio differed from that several years ago. In the current environment, a yield of 3% appeared unattainably high, whereas in the past a 3% yield would have been considered a floor.

Outlook for Interest Rates and Economy

Gene Stein began the group’s discussion about the current condition and future prospects for both the economy and interest rates. Mr. Stein indicated that he believed the U.S. economy was gaining momentum, and that a sustainable economic recovery was likely underway. In that context, Mr. Stein believed that the Federal Reserve was looking for an opportunity to raise interest rates, and that it was likely targeting a Fed Funds Rate of at least 3%. Mr. Stein also speculated that the Fed might begin increasing rates as early as June 2010, although there remained considerable political pressure to keep interest rates as low as possible.

Doron Kochavi concurred that the political constraints on the Federal Reserve remained formidable, and he believed these constraints would likely prevent the Fed from raising rates in the near term. Mr. Kochavi also felt that the direction of the U.S. economy remained highly uncertain, and this uncertainty was being driven in part by the market’s lack of knowledge about the future direction and scope of federal government policies.

Other Matters

Mr. Wang noted that this IFAC meeting was the last for Doron Kochavi in his current term. Mr. Wang, as well as all other IFAC members in attendance, thanked Mr. Kochavi for both his commitment of time and his keen insights.

Adjournment

There being no further business, the meeting was adjourned at 8:36 AM.