

CITY OF LA CAÑADA FLINTRIDGE

INVESTMENT AND FINANCING ADVISORY COMMITTEE Meeting of Wednesday, April 16th, 2014

*****Final Minutes *****

Call to Order

The meeting was convened at 7:33AM at City Hall

Roll Call

IFAC Members Present: Kevin Tom, Gene Stein, Michael McConnell, Charles Thuss (via phone)

IFAC Members Absent: Brad Schwartz

Also Present: Jeff Wang, City Treasurer; Dan Jordan, Director of Finance

Review of Minutes of January 17, 2014 Meeting

The January 17, 2014 meeting minutes were moved for approval by Charles Thuss and seconded by Gene Stein.

Review of FY 2012-13 Comprehensive Annual Financial Report

City Finance Director Dan Jordan provided the IFAC with an overview the City's FY 2012-13 Comprehensive Annual Financial Report (CAFR), a document which includes the City's financial statements for the fiscal year ending June 30, 2013. Mr. Jordan highlighted various elements of the City's financial results included in the CAFR, including the status of General Fund reserves, long-term debt, and pension obligations.

Review of Investment Guidelines

City Treasurer Jeff Wang then moved the discussion to the City's Investment Policy Guidelines, asking if any IFAC member had questions and/or recommendations for changes to the Guidelines. IFAC member Charles Thuss asked whether the City was certain it was complying with California laws that govern investments by municipalities – specifically, whether the City was investing in the securities of U.S. issuers only, and whether all securities dealers with which the City conducted business had a California presence. Mr. Wang replied that the City's investment advisors regularly (PFM) review the City's compliance with all California Code regulations, and that PFM had assured him that the City's investments and broader portfolio management practices were in compliance with these and other California code requirements.

After some additional questions and discussion of the Guidelines, it was decided that that no changes to the existing Guidelines would be recommended for FY 2014-15, and a motion to make this recommendation to the City Council was made by Michael McConnell and seconded by Gene Stein.

Investment Portfolio Review and Near Term Portfolio Management

City Treasurer Jeff Wang moved the discussion to the City's investment portfolio. He noted that a 1.74% coupon bond was added to the City's portfolio during the previous quarter, and that this was replacing a 1.2% bond that had been called, thus providing the City with a favorable exchange of coupon rates. 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

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 noted several positive economic trends in certain market sectors with which he was most familiar, such as firms exceeding their budget targets for earnings and an increased focus on capital expenditures. IFAC member Gene Stein then discussed the high level of uncertainty in the outlook for future interest rates: he noted that three months ago, most analysts expected interest rates to rise, but in fact the opposite had occurred and spreads had narrowed. Mr. Stein indicated that most analysts now believed interest rates would rise over the next 6-12 months as the Federal Reserve continued to "taper" its quantitative easing policy by approximately \$10 billion each month.

This was followed by IFAC member Michael McConnell noting that he generally agreed that the economy was moving in a positive direction, but that it would continue to do so slowly as unemployment, the low labor force participation rate, and stagnant median family incomes restrained the economic recovery.

Other Matters

No other matters were discussed

Adjournment

There being no further business, the meeting was adjourned at 8:40 AM