

CITY OF LA CAÑADA FLINTRIDGE

INVESTMENT AND FINANCING ADVISORY COMMITTEE Meeting of Wednesday, April 18, 2012

FINAL Minutes

Call to Order

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

Roll Call

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

Also Present: Dan Jordan, Director of Finance
Brad Schwartz, La Canada Flintridge resident

Absent: Dave Hemstreet

Review of Minutes of January 20, 2012 Meeting

The January 20, 2012 meeting minutes were moved for approval by Gene Stein and seconded by Keith Ban.

Investment Guideline Review

City Treasurer Jeff Wang began the meeting with a discussion of the City's Investment Policy, which is adopted by the City Council each fiscal year. Mr. Wang described changes made to the Investment Policy in past years, and noted that, absent any actions from the IFAC, the Investment Policy for the upcoming fiscal year (FY 2012-13) would be presented for City Council approval with no changes to the current Policy. This led to a discussion among IFAC members about several aspects of the Investment Policy, such as the limit on the concentration of investments at each maturity level, the percentage of the portfolio in callable securities, the continuation of the "ladder" structure for portfolio maturities, and various other items. The general consensus among IFAC members was that no changes to the existing Investment Policy were necessary at this time.

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 Wang stated that over the previous quarter, several relatively high-yielding bonds had matured, and that these had been replaced by securities with

significantly lower yields. Mr. Wang also noted that the portfolio was now relatively heavily weighted in corporate securities, although few of these were full-fledged financial sector notes, given the continuing concern about the health of the financial sector. Mr. Wang then asked if there were any questions or suggestions from IFAC members about future investments for the City's portfolio.

In response, IFAC member Gene Stein noted that given the additional yield available on financial sector bonds, it was perhaps time to consider adding such securities to the City's portfolio. Mr. Stein stated that in the most recent "stress tests" of major U.S. banks, a few banks had emerged as relatively strong financially, and that perhaps the "risk/return" tradeoff was sufficiently favorable for the City to consider an investment in one of these relatively healthy banks in the future.

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 indicated that he had become slightly more nervous about the economy over the past three months, noting increasing concerns about the European economy and the political uncertainty caused by the upcoming elections in the United States. Given this uncertainty, Mr. Tom stated that a rise in interest rates, either in the near term or in 2013, appeared increasingly unlikely. IFAC member Gene Stein agreed that the US economy had given mixed signals over the past three months, and he wondered if, as in the past two years, the economy was likely to slow down over the summer months. Mr. Stein also agreed that there remained considerable uncertainty in the markets, emanating from economic conditions in Europe, signs of slowing economic growth in China, and the looming "fiscal cliff" in the US. Finally, IFAC members James Poindexter and Keith Ban both agreed with the "mixed signals" diagnosis of the near-term US economy, noting that some signs of strength (e.g., government-funded construction projects) were often offset with signs of weakness (e.g., slow employment growth).

Other Matters

City Treasurer Jeff Wang informed the IFAC that the City Council would be considering a proposal from members of the La Canada Unified School District community for the construction of a "joint-use" swimming pool at La Canada High School. As envisioned, that proposal would include the City making both a direct financial contribution and a loan to finance the pool's construction, and that this would entail use of the City's General Fund reserves.

Adjournment

There being no further business, the meeting was adjourned at 8:45 AM.