

CITY OF LA CAÑADA FLINTRIDGE

INVESTMENT AND FINANCING ADVISORY COMMITTEE Meeting of Friday, July 18th, 2014

*** Final Minutes ***

Call to Order

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

Roll Call

IFAC Members Present: Michael McConnell, Brad Schwartz, Gene Stein, Charles Thuss

IFAC Members Absent: Kevin Tom

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

Review of Minutes of April 16, 2014 Meeting

The April 16, 2014 meeting minutes were moved for approval by Charles Thuss and seconded by Gene Stein.

City Fiscal Year 2014-2015 Budget

City Finance Director Dan Jordan provided the IFAC with an overview of the City's FY 2014-15 Annual Budget, which was slated for final approval by the City Council on July 21, 2014. Mr. Jordan noted that the budget reflected projected increases in several key General Fund revenue sources (e.g., property tax), as well as changes to employee benefit cost-sharing formulas that would reduce the City's long-term pension obligations.

Investment Portfolio Review and Near Term Portfolio Management

City Treasurer Jeff Wang moved the discussion to the City's investment portfolio. He noted that the total size of the portfolio, at over \$32 million, was higher than it had been in several years, the result of both one-time receipts (e.g., a large reimbursement payment related to a grant-funded project) and from the generally favorable tax revenue environment the City had experienced over the past several months. Mr. Wang also indicated that the portfolio remained little changed from the previous quarter, with corporate securities still weighted relatively heavily and no signs of "credit" or "headline" risk within the City's investments. Responding to Mr. Wang's comments, IFAC member Charles Thuss noted that the favorable revenue environment and relatively high portfolio total perhaps provided an

opportunity for the City to consider capital investments, such as energy efficiency improvements, that would generate a return over time.

Outlook for Interest Rates and Economy

IFAC member Brad Schwartz began the group's discussion about the current condition and future prospects for both the economy and interest rates. Mr. Schwartz noted that activity in the regional technology start-up sector continued to be strong, and then discussed broader trends among technology sector, such as the availability of venture capital financing in the Los Angeles area. IFAC member Gene Stein then commented on the recent spate of geo-political uncertainty, and noted that the recent drop in Treasury yields was due partly to the "flight to safety" among investors. Mr Stein also noted that slightly lower-than-expected growth in both China and Europe would likely prevent interest rates from rising until early 2015 at the earliest.

This was followed by IFAC member Charles Thuss noting that while the US private sector economy appeared to be very strong, the public sector was exerting a drag on overall economic activity. IFAC member Michael McConnell then commented that while the economy did appear to be quite strong, the recent upswing in merger and acquisition (M&A) activity could be a harbinger of a coming economic slowdown, as spikes in M&A in the past tended to occur near the end of the economic cycle.

Other Matters

No other matters were discussed

Adjournment

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