

CITY OF LA CAÑADA FLINTRIDGE

INVESTMENT AND FINANCING ADVISORY COMMITTEE Meeting of Friday, July 20, 2012

FINAL Minutes

Call to Order

The meeting was convened at 7:32 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

Absent: Brad Schwartz

Review of Minutes of January 20, 2012 Meeting

The April 18, 2012 meeting minutes were moved for approval by James Poindexter and seconded by Gene Stein.

City of La Canada Flintridge Fiscal Year 2012-2013 Budget Discussion

City Finance Director Dan Jordan provided the IFAC with an overview of the adopted FY 2012-13 Annual Budget, which was approved by the City Council on July 16, 2012. Mr. Jordan noted that given the continuing economic uncertainty, the adopted budget was largely “status quo” and included no new major programs or changes to staffing. Several IFAC members had questions about various aspects of the budget, including expectations for FY 2012-13 revenues, the current level of General Fund reserves, and the policy options being considered for funding the City’s retiree health care obligations.

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, the only bond in the City’s portfolio with a yield exceeding 4% had matured, and that given the low spread available on Agency securities, he was considering for the first time the purchase of U.S. Treasuries. Mr. Wang also noted that while the financial companies continued to offer among the highest yields in the corporate sector, there remained a consensus on the City Council that the extra yield did not justify the

additional risk, particularly given the City's strong financial condition. 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 some (but not all) bank securities for the City portfolio. IFAC member Keith Ban agreed, and suggested that perhaps financial securities with short maturities (e.g., one year) would be balance the extra yield available with the additional risk.

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 stated that the Federal Reserve's low interest rate policy would continue, particularly given the likely recession in Europe and the slowdown of the Chinese economy. Mr. Stein also noted that while the major risk to the U.S. economy remained an economic slowdown (as opposed to inflation), there were certain positive signs domestically, such as elements of the manufacturing sector, the stock market, and even perhaps a slight improvement in the housing sector.

Other IFAC members concurred that it appeared that interest rates would remain low for some time. Keith Ban noted that despite the current low interest rates, the economy remained very weak, particularly the employment market. Jim Poindexter agreed that the future of the economy remained highly uncertain, and he noted that manufacturing continued to be weak in many areas of the regional economy. And IFAC member Kevin Tom stated that deleveraging – among households and certain sectors in the economy – would likely continue to be a drag on economic growth.

Other Matters

No other matters were discussed.

Adjournment

There being no further business, the meeting was adjourned at 8:41 AM.