

CITY OF LA CAÑADA FLINTRIDGE

INVESTMENT AND FINANCING ADVISORY COMMITTEE Meeting of Friday, July 22nd, 2011

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

Call to Order

The meeting was convened at 7:30 AM at City Hall

Roll Call

IFAC Members Present: Kevin Tom, James Poindexter, Dave Hemstreet, Jeff Wang

Also Present: Dan Jordan, Director of Finance

Absent: Gene Stein, Keith Ban

Review of Minutes of April 15th, 2011 Meeting

The April 15, 2011 meeting minutes were moved for approval by James Poindexter and seconded by Dave Hemstreet

City of La Canada Flintridge 2011-2012 Budget

City Finance Director Dan Jordan gave a brief presentation on the City's Fiscal Year 2011-12 Adopted Budget, which the City Council approved on July 18, 2011. Mr. Jordan noted that the City Council, in responding to the uncertain economic environment and concerns over City revenues, adopted a balanced operating budget and restricted the use of reserves solely for capital investments. Mr. Jordan also noted that the spending plan and revenue projections within the Adopted Budget envisioned General Fund reserves to be \$14.2 million by the end of FY 2011-12, which is consistent with the City's policy that reserves be maintained at between 100%-150% of the annual operating budget.

Investment Portfolio Review and Near Term Portfolio Management

The discussion then moved to the City's investment portfolio. Jeff Wang stated that given the uncertainty over the "debt ceiling" debate in Congress, the City had not increased its holdings of any U.S. government debt. Mr. Wang noted that he was waiting until after the August 2nd "deadline" – i.e., the date at which the U.S. Treasury was estimating that a lack of cash would force it to default on some obligations if the debt ceiling were not raised – to consider further purchases of U.S. government securities. Mr. Wang also noted that the continuing low yields on U.S.

government debt indicated that the markets believed a debt ceiling agreement would be reached and that the U.S. government ultimately would not default. This led to a broader discussion among the IFAC about the likelihood and potential ramifications of a U.S. default. The general consensus was that the likelihood of a U.S. default was very low, and that there seemed to be little reason to make any sudden adjustments to the City's portfolio in anticipation of such an event.

Outlook for Interest Rates and Economy

IFAC member James Poindexter began the group's discussion about the current condition and future prospects for both the economy and interest rates. Mr. Poindexter noted that with unemployment high and inflation low, there was no indication that the U.S. Federal would raise interest rates in the near future. IFAC member Dave Hemstreet agreed, stating that deflationary pressures in the economy seemed to be getting stronger. Mr. Hemstreet also stated that with governments beginning to cut back on spending, coupled with pressure on companies to boost earnings, there seemed to be little chance that hiring would pick up in the short term. IFAC member Kevin Tom then asked whether the potential for another round of "quantitative easing" ("QE3") by the Federal Reserve would have an impact on employment or interest rates. Mr. Tom noted the he believed that the Fed was more likely than not to commit to some form of QE3, and that this might result in a ceiling on interest rates for the foreseeable future.

Other Matters

No other matters were discussed

Adjournment

There being no further business, the meeting was adjourned at 8:37 AM.