

CITY OF LA CAÑADA FLINTRIDGE

INVESTMENT AND FINANCING ADVISORY COMMITTEE Meeting of Friday, July 26, 2013

Final Minutes

Call to Order

The meeting was convened at 7:34 AM at City Hall

Roll Call

IFAC Members Present: Kevin Tom, Gene Stein, Jeff Wang, Brad Schwartz

IFAC Members Absent: Keith Ban, James Poindexter

Also Present: Doron Kochavi, resident; Dave Hemstreet, Assistant City Treasurer; Dan Jordan, Director of Finance

Review of Minutes of April 19, 2013, and May 10, 2013 Meetings

The April 19, 2013 and May 10, 2013 meeting minutes were moved for approval by Brad Schwartz and seconded by Gene Stein.

Once the minutes were approved, City Treasurer Jeff Wang announced that IFAC member Keith Ban submitted his resignation from the IFAC.

2013-2014 La Canada Flintridge Budget

City Finance Director Dan Jordan provided the IFAC with an overview of the City's adopted FY 2013-14 Annual Budget, which was approved by the City Council on July 15, 2013. Mr. Jordan noted that 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 2013-14 revenues, the current level of General Fund reserves, and the major capital projects currently underway or being considered by the City.

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 during the previous quarter, bonds were added to the City's portfolio with yields that were higher than the yield of the portfolio as a whole. Mr. Wang also noted that the two bonds added to the portfolio in June were both corporate securities (although one of those bonds was replacing a corporate security that matured in June), and that this continued the relatively high weighting of corporate debt as a proportion of the total portfolio. Mr. Wang then asked if there

were any questions or suggestions from IFAC members about options for future investments

In response, several IFAC members discussed the range of potential investments, and there was general agreement that the relatively high proportion of corporate securities in the City's portfolio was appropriate given the high quality of the corporate bonds being purchased and their spread over government debt.

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 indicated that, at least within the mid-market technology start-up sector in Los Angeles with which he is most familiar, business activity was more active than at any time in recent memory. IFAC member Kevin Tom added that various kinds of financing for regional technology businesses seemed to be becoming increasingly available.

IFAC member Gene Stein then discussed recent statements by the US Federal Reserve about the future direction of interest rates. Mr. Stein noted that the Federal Reserve appeared to have reached a "watershed" by announcing it would consider reducing the volume of its monthly securities purchases later in the year. This announcement, together with various indicators in the world economy (e.g., loosening of fiscal policy in Japan), would most likely result in at least some increase in US interest rates in the coming months. That said, however, Mr. Stein stated that a economic slowdown was not impossible, and that given the unpredictable nature of the economy and interest rates, the City's practice of maintaining a laddered securities portfolio remained a prudent investment strategy. Resident Doron Kochavi noted that he concurred with the Mr. Stein's assessment of the economy and implications for the City's portfolio.

Assistant Treasurer Dave Hemstreet also concurred that the economy remained difficult to predict in the current environment, although he noted that consumer confidence was higher and that consumers appeared increasingly willing to borrow. Kevin Tom concluded the discussion by providing a handout showing the relatively sharp rise of prices in certain categories of common consumer expenses, such as health insurance and "kids activities", and that he was concerned about the impact on consumers that this rise in expenses could have.

Other Matters

Noting schedule conflicts, the next meeting was moved a couple of days early to Wednesday, October 16, 2013. No other matters were discussed.

Adjournment

There being no further business, the meeting was adjourned at 8:49 AM