

# CITY OF LA CAÑADA FLINTRIDGE

## INVESTMENT AND FINANCING ADVISORY COMMITTEE Meeting of Wednesday, October 16<sup>th</sup>, 2013

### \*\*\* Final Minutes \*\*\*

#### **Call to Order**

The meeting was convened at 7:32 AM at City Hall

#### **Roll Call**

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

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

#### **Introduction of New Members**

City Treasurer Jeff Wang introduced the two newly-appointed members of the IFAC: Michael McConnell

#### **Review of Minutes of July 26, 2013 Meeting**

The July 26, 2013 meeting minutes were moved for approval by Gene Stein and seconded by Brad Schwartz.

#### **CMTA Educational Forum Presentation**

City Finance Director Dan Jordan provided the IFAC with an overview of a presentation he gave to California Municipal Treasurer's Association (CMTA) on the topic of "revenue analysis". Mr. Jordan noted that the presentation included data on the performance of the City's eight largest General Fund revenue sources between FY 2007-08 and FY 2012-13, and this data was shared with IFAC members.

#### **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, a bond was added to the City's portfolio with a yield higher than the yield of the portfolio as a whole. Mr. Wang also noted that the new bond was a corporate security, and that this continued the relatively high weighting of corporate debt as a proportion of the total portfolio. Nevertheless, Mr. Wang stated that, as in the past, the safety of principal was and would continue to be the highest priority for the City's investments. 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 current mix of government and corporate debt within the City's portfolio was appropriate given the high quality of the corporate bonds being purchased.

### **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 the Los Angeles region's technology start-up sector, particularly the west-side areas of Santa Monica and Venice – was very "hot" and growing economically, but that many small companies were experiencing problems in securing necessary financing at certain stages of their development. IFAC member Kevin Tom concurred that markets generally appeared to be improving, although he noted that the high prices for some stocks were driven by speculation rather than fundamentals.

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 had decided to "kick the can" for a few months before it would begin reducing the volume of its monthly securities purchases later in the year. However, it was clear that markets were beginning to prepare for future "tapering", and that it was likely that more normal (i.e., higher) interest rates would return at some point.

IFAC member Charles Thuss then noted that US companies that deal directly with the federal government were experiencing a great deal of uncertainty, and that this uncertainty was, at least to some degree, likely to be a drag on the economy as a whole. This was followed by comments from IFAC member Michael McConnell, who noted that trends in the economy were difficult to discern given the continuing high levels of unemployment, uncertainty over the reasons for that high unemployment (was it cyclical or structural?), and the unknown long-term effects of current monetary policy.

### **Other Matters**

No other matters were discussed

### **Adjournment**

There being no further business, the meeting was adjourned at 8:36 AM