

CITY OF LA CAÑADA FLINTRIDGE

INVESTMENT AND FINANCING ADVISORY COMMITTEE Meeting of Friday, October 21st, 2011

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

Call to Order

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

Roll Call

IFAC Members Present: Keith Ban, James Poindexter, Dave Hemstreet, Jeff Wang

Also Present: Dan Jordan, Director of Finance

Absent: Kevin Tom

Review of Minutes of July 22nd, 2011 Meeting

The July 22, 2011 meeting minutes were moved for approval by Dave Hemstreet and seconded by James Poindexter.

Investment Portfolio Review and Near Term Portfolio Management

IFAC member Dave Hemstreet began the discussion by asking if the City had any exposure to Europe's financial problems through its money market investments. City Treasurer Jeff Wang responded that in his conversations with both LAIF and CAMP, his understanding was that there was some exposure to Europe, but that it was very limited, and he would follow up on the issue as necessary. Mr. Wang then began a broader discussion of the City's portfolio, noting that he had purchased a 5-year, \$500,000 Berkshire Hathaway note yielding 2.08%. Mr. Wang indicated that while this yield was favorable relative to government Agency securities, it was less than what was available on financial sector paper. Mr. Wang then asked the IFAC for input on whether or not the City should consider adding financial sector debt to the City's portfolio.

The general consensus among IFAC members was that the additional yield available on financial paper was probably not worth the additional risk (real or perceived) to the City's portfolio. IFAC member James Poindexter stated that the City should be very cautious in considering financial sector debt, and IFAC member Gene Stein noted that he saw no reason for the City to "stretch" in terms of going after extra yield, particularly given the City's overall strong financial condition. IFAC members as a whole did indicate, however, that they generally had little or no

concern over the purchase of additional government Agency securities as existing bonds in the City's portfolio mature in the coming months.

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 a rise in short-term interest rates during 2012 appeared highly unlikely, and that the Federal Reserve seemed committed to keeping interest rates at their existing low level until 2013. He also noted that a recession in Europe seemed increasingly likely, and that some kind of "big event" in Europe (e.g., a major default) could impact the U.S. economic recovery. IFAC members Keith Ban and James Poindexter generally agreed that the low-growth, low-inflation environment was likely to continue for some time, with Mr. Poindexter noting that most of the large projects he and his business were seeing continued to be government-funded. Finally, IFAC member Dave Hemstreet stated that resolution of the debt issues in Europe critical for the near-term performance of the American economy, but he also noted that over the longer term, a drop in the value of the dollar and higher interest rates would become increasingly likely.

Other Matters

No other matters were discussed

Adjournment

There being no further business, the meeting was adjourned at 8:35 AM.