

CITY OF LA CAÑADA FLINTRIDGE

INVESTMENT AND FINANCING ADVISORY COMMITTEE

Meeting of Friday, April 14th, 2017

*****FINAL*** Minutes**

Call to Order

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

Roll Call

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

IFAC Members Absent: Brad Schwartz

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

Review of Minutes of January 20, 2017 Meeting

The January 20, 2017 meeting minutes were moved for approval by Charles Thuss and seconded by Michael McConnell.

Mid-Year Budget Review Update

Director of Finance Dan Jordan provided the IFAC with a brief overview of the Mid-Year Budget Report, which had been presented to the City Council on March 16, 2017. Mr. Jordan noted that the Mid-Year Report indicated that both revenues and expenditures were largely consistent with budgeted expectations through the first six months of the fiscal year.

City Hall Status Update

City Treasurer Jeff Wang provided the IFAC with a status update on the purchase of the former Sports Chalet headquarters building for use as a future City Hall, which occurred on February 22, 2017. Mr. Wang noted that the purchase price was \$11.23 million, for which the City made a cash down payment of \$5.65 million from reserves and secured a no-interest, no-payment loan of \$5.58 million from the seller that matures in 30 months. Mr. Wang then asked IFAC members for thoughts on the City's options for re-financing and/or paying off that loan either during or at the conclusion of the 30-month period.

IFAC member Charles Thuss responded that the City's decision with respect the 30-month loan should follow from a broader long-term financial strategy, noting that while an "internal" loan (i.e., from City reserves) might be the soundest strategy

economically for re-financing, other factors, such as maintaining some minimum level of reserves, had to be considered as well. This was followed by discussion among several IFAC members about potential re-financing alternatives, and while no overall consensus emerged on a single “best” alternative, there was consensus that the City should strive to develop and analyze two or three preferable re-financing options.

Investment Portfolio Review and Near Term Portfolio Management

City Treasurer Jeff Wang moved the discussion to the City’s investment portfolio. He noted that interest rates had increased over the previous quarter, and that the City had purchased an Agency security with a yield exceeding 2 percent for the first time in recent memory.

Outlook for Interest Rates and Economy

IFAC member Kevin Tom began the group’s discussion about the current condition and future prospects for both the economy and interest rates. Mr. Tom noted that many private equity firms were finding it increasing difficult to locate quality companies for new investments. IFAC member Gene Stein then shifted the conversation to the broader macro-economic environment, noting that stock market valuations had reached a relatively high level and that investors were showing considerable confidence in financial assets. Mr. Stein also posited that both the Federal Funds rate and rates for 2-5 year fixed income investments were likely to rise in the coming months. Resident Dave Hemstreet agreed that the US stock market was likely overvalued at the current time, and IFAC member Michael McConnell discussed the implications of the continued slow rate of growth in GDP. Finally, IFAC member Charles Thuss noted that after a period of “euphoria” among US infrastructure companies during the first quarter about prospects for future growth, the mood among such companies had become somewhat less optimistic.

Other Matters

No other matters were discussed

Adjournment

There being no further business, the meeting was adjourned at 8:57 AM