CITY OF FULLERTON INVESTMENT ADVISORY COMMITTEE

MINUTES

Regular Meeting
Fullerton City Hall – 303 West Commonwealth Avenue
Third Floor- Room 301
Administrative Services Department Conference Room

Thursday, September 17, 2009 - 4:00 p.m.

CALL TO ORDER

Chair Allen called the meeting to order at 4:02 p.m.

ROLL CALL

Members present: Frank Allen, Chair, Citizen Member

Phyllis Garrova, City Treasurer

Lynn Lauderdale, Vice Chair, Citizen Member

Stan Lewczyk, Chair, Citizen Member

Chris Meyer, City Manager

Glenn L. Steinbrink, Director of Administrative Services

Members absent: Don Bankhead, Mayor

PUBLIC COMMENTS

None.

ACTION OR DISCUSSION ITEMS

Item 1. Approval of Minutes of March 12, 2009

Chair Allen asked if there were any corrections or discussion items pertaining to the March 12 minutes. With no response, he asked for a motion to approve. Mr. Lewczyk moved approval of the minutes. The motion was seconded by City Manager Chris Meyer, and the minutes were unanimously approved.

Item 2. Status of Investment Portfolio

The 06/30/09 quarterly report distributed by City Treasurer Phyllis Garrova provided the following:

- 1. Portfolio balances as of 04/30/09, 05/31/09, and 06/30/09.
- 2. Types of investments, with percentages of portfolio invested in each type, and change from last report.
- 3. List of maturities between 04/01/09 and 06/30/09.
- 4. List of purchases between 04/01/09 and 06/30/09.

The following reports were also distributed to committee members:

- 1. Investments by Issuer Sorted by Maturity Date as of June 30, 2009 and August 31, 2009
- 2. Five-year Yield Curve Benchmark Comparison as of June 30, 2009
- 3. Portfolio Average 5-year Historical as of June 30, 3009
- 4. Interest Rates by Investment Instrument
- 5. LAIF PMIB Monthly Report as of June 30, 2009
- 6. LAIF Performance Report
- 7. Cash Held with Fiscal Agents as of June 30, 2009

City Treasurer Garrova began the discussion with the Quarterly Investment Summary, noting that the increase of almost \$5 million between April 30 and May 31 was primarily due to receipt of property tax, sales tax, and VLF (vehicle license fee) revenue; and the \$8 million decrease between May 31 and June 30 was primarily the result of the repayment of the TRAN (Tax and Revenue Anticipation Note).

In the investment maturity area, Ms. Garrova noted that 12 of the 13 investments had been called (with 8 of the 12 being called in the month of June). Of the investments called, the lowest rate was 2.5 and the highest was 4.45.

Ms. Garrova pointed out that of notable interest was the average days to maturity, which was 213 as of June 30, and 209 as of August 31. In comparison, LAIF's average was 235 as of June 30, and 203 as of August 31, indicating LAIF is also staying short with their investments, as is most of California.

There were nine investment purchases during the reporting period including three Federal Farm Credits (totaling \$4.5 million), five Federal Home Loans (totaling \$9 million), and one Certificate of Deposit (\$99,000).

The Summary by Issuer report showed 20 investments at June 30 valued at approximately \$107.7 million: City and Redevelopment investments in LAIF -- \$80 million; one negotiable CD (Union Bank) – \$3 million; two CDs (Fullerton Community Bank and Banco Popular) -- \$99,000 each; seven Federal Farm Credits (\$10.5 million); and 8 Federal Home Loans (\$14 million).

Ms. Garrova pointed out that the Summary by Issuer report reflects a June LAIF rate of 1.377; however, the August rate dropped to 1.035. The average yield to maturity as of August 31 was 1.381.

City Manager Meyer asked Ms. Garrova if she believed the portfolio's rate would drop below 1%. Ms. Garrova noted that she had forecasted 2.35% for 2009-10 and 2% for 2010-11, but does not believe the forecasted rates will be met. Considering that treasuries are at .08% and .14% for one- and three-month, respectively, she noted she will have to see how the portfolio is doing in January to get a better indication for the fiscal year.

Ms. Garrova indicated she has been in local government for 30 years and has never seen the rates this low.

Ms. Lauderdale noted that she had reviewed a listing of Fed futures, and they were projecting nothing beyond 25 basis points through the end of 2010.

Mr. Lewczyk asked if LAIF received ratings of the banks in which they place time deposits. Ms. Garrova indicated that LAIF receives ratings on financial institutions, noting that LAIF has an excellent investment team and they "do their homework" on the banks.

Cash Held With Fiscal Agents

Mr. Steinbrink explained there is not too much of a dramatic change from quarter to quarter in the Cash Held with Fiscal Agents. It increases basically for two reasons: 1) because the money earns interest; and 2) because the City must often deposit money with the trustee in order to pay bondholders principal and interest. This may cause a temporary spike in the balance, but then the following month the balance will go back down as money is paid out to bondholders, i.e., the balance goes down because the City draws on it – as a result of spending money on a project, the City is reimbursed out of the project fund for those expenditures.

Mr. Steinbrink noted there might be more rapid declines in the Cash Held with Fiscal Agents because of some major capital improvement projects planned with the 2005 Tax Allocation Revenue Bond money.

Mr. Meyer pointed out that the City has three projects under way with a value of about \$45 million that will start drawing down funds. One has already started – Lyons Field; the Library expansion, which will be about \$10 million; and a new community center for about \$26 million.

Mr. Lewczyk asked about the sewer system upgrade project. Mr. Meyer explained that the project was strictly pay-as-you-go – because a sewer utility had been established a couple of years ago to generate a revenue stream, which was expected to generate \$8 million per year, but as water revenues drop, the revenues from the sewer utility will drop also. Mr. Meyer reported that water consumption is down approximately 11%, which means revenues are down 11%. Ms. Garrova noted that the City is in a voluntary conservation stage because of drought conditions.

Mr. Steinbrink pointed out that the Metropolitan Water District rates are going up 20% this year, 15% next year, and another 10% the year after that.

Adjournment

There being no further business, Chair Allen asked for a motion to adjourn the meeting. Mr. Lewczyk so moved, and Ms. Lauderdale seconded. The meeting was adjourned at 4:51 p.m. by unanimous vote.

The next meeting date is scheduled for November 19, 2009.