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, March 4, 2010 - 4:00 p.m.

CALL TO ORDER

Chair Allen called the meeting to order at 4:03 p.m.

ROLL CALL

Members present: Frank Allen, Chair, Citizen Member

Don Bankhead, Mayor

Phyllis Garrova, City Treasurer

Lynn Lauderdale, Vice Chair, Citizen Member

Stan Lewczyk, Citizen Member Chris Meyer, City Manager

Members absent: Director of Administrative Services (position currently vacant)

Staff: Dianna Honeywell, Fiscal Services Manager

PUBLIC COMMENTS

None.

ACTION OR DISCUSSION ITEMS

Item 1. Election of Chair and Vice Chair for 2009

City Treasurer Phyllis Garrova reminded the committee that they may elect a new chair and vice chair for 2010, but it is not required. It was agreed that Frank Allen would remain as Chair and Lynn Lauderdale would remain as Vice Chair through 2010.

Item 2. Approval of Minutes of September 17, 2009

Chair Allen asked if there were any corrections or discussion items pertaining to the September 17, 2009, minutes. With no response, Mr. Lewczyk moved approval of the

minutes. The motion was seconded by Vice Chair Lynn Lauderdale, and the minutes were unanimously approved.

Item 3. Status of Investment Portfolio

The 12/31/09 quarterly report distributed by City Treasurer Phyllis Garrova provided the following:

- 1. Portfolio balances as of 10/31/09, 11/30/09, 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 10/01/09 and 12/31/09.
- 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 12/31/09 and 01/31/10
- 2. Five-year Yield Curve Benchmark Comparison as of June 30, 2009
- 3. Investments by Issuer Active Investments Grouped by Fund Sorted by Maturity Date as of 12/31/09
- 4. Five-Year Yield Curve Benchmark Comparison as of 12/31/09
- 5. Portfolio Average 5-year Historical as of 12/31/09
- 6. Portfolio Average 5-year Historical Comparison by Month as of 12/31/09
- 7. Interest Rates by Investment Instrument
- 8. LAIF PMIB Monthly Report December 2009
- 9. LAIF Performance Report
- 10. Cash Held with Fiscal Agents as of 12/31/09

City Treasurer Garrova began the discussion with the Quarterly Investment Summary, noting that the \$1.7 million difference in the portfolio between October and November was the result of a called security (\$666,000) and routine accounts payable. The \$9.5 million difference from November to December was the result of property tax revenue. She further noted that of the 10 investment maturities during the reporting period, nine had been called. Ms. Garrova pointed out that the City's Investment Policy allows the average days to maturity to be a maximum of 720, and the current average number of days to maturity is 193.

Ms. Garrova indicated that LAIF's rate is continuing to drop, and considering the six-month lag time, it is time to start getting out of short-term and move into the two to five-year area, which she started doing in January – picking up a few five-years with three-month calls. The portfolio's earning rate is now at .97 with the average days to maturity increasing to 176.

Mr. Lewczyk asked about investments in commercial paper. Ms. Garrova pointed out there were two concerns: the rating (the Government Code requires A-1, P-1 or better) and the rate, noting that LAIF's rate is still slightly higher than commercial paper on short-term.

Mr. Lewczyk asked how much Ms. Garrova would be moving into the longer-term investments. Ms. Garrova indicated it would probably be in the \$10 to \$15 million ballpark.

Ms. Garrova noted that the budget objective for the City's investment portfolio was revised downward to 1%, and currently the interest rate is at 1.114%.

City Manager Meyer asked Ms. Garrova if the State could borrow LAIF member's funds. Ms. Garrova indicated the State is not allowed to touch participant money.

Item 4. Annual Review of Investment Policy

Ms. Garrova presented several proposed changes to the Investment Policy for the Committee's consideration. She noted that she had reviewed the current model investment policy of the United States and Canada Treasurers' Association and policies of two cities, Torrance and Huntington Beach for comparison purposes. Below are the proposed changes:

- 1. Page 1 Add two new sections: "Policy" and "Scope"
- 2. Page 2 Change Section 3 title to "Prudence"
- 3. Page 2 Add new section: "Ethics and Conflicts of Interest"
- 4. Page 4 Paragraph G LAIF increased maximum allowable investment to \$50 million. Change text to reflect \$50 million maximum.
- 5. Page 5 Add new section: "Portfolio Adjustments"

After a brief discussion, it was agreed the proposed changes by Ms. Garrova were important and prudent. Mr. Lewczyk moved the approval of the proposed changes. The motion was seconded by Ms. Lauderdale, and unanimously approved.

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 4:52 p.m. by unanimous vote.

The next meeting date is scheduled for May 20, 2010 (subsequently changed to June 3, 2010).