

INVESTMENT ADVISORY BOARD

Meeting

June 13, 2007

I CALL TO ORDER

Regular meeting of the La Quinta Investment Advisory Board was called to order at the hour of 4:30 P.M. by Chairperson Deniel, followed by the Pledge of Allegiance.

PRESENT: Board Members Moulin, Olander, Deniel and Rassi

ABSENT: Board Member Egbert

OTHERS PRESENT: John Falconer, Finance Director, Tom Genovese, City Manager, Kathy Jenson, City Attorney and Vianka Orrantia, Secretary

II **PUBLIC COMMENTS** – Ted Ross, Registered Investment Advisor – Mr. Ross advised that he is considering applying to the Investment Advisory Board.

III **CONFIRMATION OF AGENDA** – (This is the time set aside for public comment on any matter not scheduled on the agenda.)

Chairperson Deniel advised that Board Member Olander will not be reapplying to the Board and on behalf of the Board thanked Board Member Olander for his years of service.

IV CONSENT CALENDAR

Approval of Minutes of Meeting on May 9, 2007 for the Investment Advisory Board.

Board Member Rassi advised that on page 1 of the Minutes, first paragraph, last sentence, the word "taxes" should be deleted and should read:

pay the debt service ~~taxes~~, commercial paper and U.S. Treasuries.

MOTION - It was moved by Board Members Olander/Moulin to approve the minutes of May 9, 2007 as corrected. Motion carried unanimously.

Chairperson Deniel advised that a resignation letter was received from Board Member Egbert.

V BUSINESS SESSION

A. **Transmittal of Treasury Report for April, 2007**

Mr. Falconer presented the Treasurer's report advising the approximate ending portfolio balance for the month of April was \$193.5 million, which has decreased slightly (\$2.4 million) from the previous month, \$1.6 million of the decrease was due to the Watercolor Housing and Vista Dunes Courtyard Homes project.

Mr. Falconer advised that page 7 indicates the City's investment activities reflecting a large number of purchases and sales, keeping investments short with the portfolio yield at 5.15% and extending GSE's out at 89 days. The report also reflects maturities and purchases in Commercial Paper, which were reinvested for another 60 days, with one of the purchases extended out to 89 days.

In response to Board Member Moulin, Mr. Falconer advised that the Board's current position on the purchase of Fannie Mae was to refrain from any purchase until the release of the audited financial statements.

General discussion ensued among the Board regarding the current yield curve.

In response to Chairperson Deniel, Mr. Falconer advised that one of the City's mandates by State law is to reinvest in the community, such as low- and moderate-income housing. One of those projects that the City is very proud of is the Vista Dunes housing project, located at Miles and Adams. The 90 residents of the original mobile home park were relocated with the help of the City. The new housing will be a state of the art "Green Project," with energy efficient and energy conservation homes. In order for the City to do a capital project such as this, the City issues bonds. The bond proceeds are invested until the money is needed; the strategy is to invest in three- to six-month treasury bills. Another one of the City's projects is the Watercolors housing project, located across from Rancho La Quinta. This housing project is geared towards senior citizens; the City assists with a second trust deed to help those residents who qualify with the purchase of the home.

General discussion ensued among Board and Staff regarding the relocation of the residents of the Vista Dunes mobile home park.

MOTION - It was moved by Board Members Moulin/Olander to approve, receive and file the Treasury Report for April 2007. Motion carried unanimously.

B. Continued Consideration of the Fiscal Year 2007/08 Investment Policy

Chairperson Deniel presented the final draft of the Fiscal Year 2007/08 Investment Policy and stated there were a few grammatical changes to the final draft.

Mr. Falconer advised that the Executive Summary presented to Council; page 34, "RFP for Investment Advisory Services," a change was made from \$10 million of the portfolio to 10% of the portfolio of the netted bond proceeds. Mr. Falconer also advised of an additional change to the Investment Policy due to a State Code amendment. The previous code for commercial paper allowed up to 15%, with an additional 15% of the weighted average maturity, if the commercial paper maturity was less than 31 days. The State removed the 15% of the weighted average maturity requirement and increased commercial paper from 15% to 25%. This was not considered by the Board during the previous review of the investment policy draft.

In response to Chairperson Deniel, Mr. Falconer advised that this change was made in the investment policy draft for the Boards comments and review.

General discussion ensued among the Board and Staff regarding commercial paper. The Board concluded with a change made to the State Code from 25% to 15% of the portfolio may be invested in commercial paper and the maximum of \$5 million per issuer and the deletion of the suggested sentence on page 10, second paragraph, and last sentence.

Chairperson Deniel advised of the following changes to the following pages:

Page 1, "Table of Contents," item XIX, the word "a" should be added after "Contracting" and the word "Firm" added after "Management;" title should read:

"Contracting A Professional Portfolio Management Firm"

Page 9, first paragraph, seventh sentence, add the word "with" and change the word "maturity" to "maturities" and the sentence should read:

“U.S. Treasury Bills, notes and bonds with maturities between 2 and 5 years.”

Page 17, Item XIX title should be consistent with the Table of Contents and should read:

“Contracting A Professional Portfolio Management Firm”

In response to Chairperson Deniel, Mr. Falconer advised that Staff will summarize the Board’s comments into a table to be made into “Appendix A,” and the investment policy will then be scheduled for Council approval on June 19th.

Mr. Falconer asked the Board if the title for Appendix H, page 34 would remain as is. It was the consensus of the Board to leave the title as is.

Mr. Falconer asked if there were any comments from the City Manager and City Attorney about the investment policy changes. Ms. Jenson stated that the changes proposed were appropriate. Mr. Genovese concurred.

MOTION - It was moved by Board Members Moulin/Rassi to approve the Fiscal Year 2007/08 Investment Policy with the recommended changes and forward to the City Council. Motion carried unanimously.

C. Continued Consideration of the Fiscal Year 2007/08 Work Plan – Review of Investment Policy

Mr. Falconer presented Staff’s three items for the 2007/08 work plan:

1. Banking Services
2. Continue to monitor GSE’s, LAIF and Commercial Paper
3. Recommend the use of a Professional Portfolio Manager and the amendment of the Municipal Code

In response to Board Member Rassi, Mr. Falconer advised that the City currently has an RFP for banking services from previous years. Mr. Falconer also advised that he has been asked by several banks if a physical branch would be required to be within City limits and if this was a requirement, they would not respond to the RFP. Mr. Falconer asked for the Board’s consideration regarding this matter and will address when the request for proposal is discussed.

Chairperson Deniel asked that the Board remove item three from the work plan, stating that this item does not need further discussion. Board Member Rassi concurred.

MOTION - It was moved by Board Members Moulin/Rassi to approve the work plan as follows: 1. Banking RFP, 2. Continue to Monitor GSE's, LAIF and Commercial Paper, and forward to City Council for approval. Motion carried unanimously.

Chairperson Deniel suggested that the Board consider getting educated on some of the other functions of the City, such as City projects and bond issuances.

Mr. Falconer advised the Board that this would be a "non-business" item and would be just an informational item.

Board Member Moulin suggested taking the various functions of the Treasurer and have the Treasurer summarize these functions, along with Staff activity.

Mr. Falconer reiterated that these items would be for informational purposes only.

VI CORRESPONDENCE AND WRITTEN MATERIAL

A . Month End Cash Report and other selected Financial Data – May 2007

Noted and Filed

B. Pooled Money Investment Board Report – March 2007

Mr. Falconer advised that the average daily portfolio is \$57 billion with the yields at 5.21%.

In response to Chairperson Deniel, Mr. Falconer advised that as long as the City was investing in Treasuries, he would be able to match LAIF's current earnings.

Noted and Filed

VII BOARD MEMBER ITEMS

Board Member Moulin asked if the City Manager or the City Attorney had any additional comments or questions for the Board.

Mr. Genovese commented that the Board continues to do a great job and provides a substantial benefit not only for the "extra eyes" but for the Board's expertise.

Ms. Jenson commented that she finds the Board's discussions very interesting and feels that the Board follows what the Code asks the Board to do.

Board Member Olander stated that the Board has come a long way over the eight years he has served and has seen the evolution process of not only the core of the people, but issues resolved (i.e. Portfolio Manager) and has been proud of being a part of it.

VIII Adjournment

MOTION - It was moved by Board Members Moulin/Olander to adjourn the meeting at 5:20 p.m. Motion carried unanimously.

Submitted by,

Vianka Orrantia
Secretary