

**INVESTMENT ADVISORY BOARD**  
**September 12, 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 Ross, Moulin, Deniel, and Rassi

ABSENT: Board Member Park

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

**II Public Comment – None**

**III CONFIRMATION OF AGENDA**

Mr. Falconer requested that Item "A" of the "Correspondence and Written Material" be discussed immediately following the consent calendar. The Board concurred.

**IV CONSENT CALENDAR**

**A. Approval of Minutes of Meeting on August 15, 2007 for the Investment Advisory Board.**

Board Member Park advised that on page 3, last paragraph, the motion should read:

It was moved by Board Members Moulin/Rassi to authorize Board Member ~~Ross~~ Park to attend the LAIF conference.

And he also advised that on page 1, the title of the minutes reads that this meeting was a "Special Meeting," therefore, the call to order should read:

~~Special~~ Regular meeting of the La Quinta Investment Advisory Board

In response to Board Member Moulin, Ms. Jenson clarified for the Board that any meeting scheduled on any other date and time, other than the regular scheduled meeting, is considered a special meeting.

**MOTION** - It was moved by Board Members Moulin/Rassi to approve the Minutes of August 15, 2007, as amended. Motion carried unanimously.

**VI CORRESPONDENCE AND WRITTEN MATERIAL**

**A. Investment of City Moneys and Deposit of Securities**

Mr. Falconer advised that at the request of the Board at the August meeting, Staff was asked to extend an invitation to the City Manager and City Attorney to discuss the draft language that the City Attorney would be presenting to the City Council on September 18, 2007. Mr. Falconer also advised that Staff included the General Attorney's opinion for the Board's review, which has been previously referenced in a prior meeting by the City Attorney.

Ms. Jenson advised that the State law allows the City Council to either retain the obligation of the duties to invest or delegate the authority to the Treasurer. The Attorney General's opinion states that an elected Treasurer remains responsible for the decisions or the acts taken by the person under contract. The City of La Quinta does not have an elected Treasurer therefore the responsibility lies upon the City Council.

Ms. Jenson clarified that the funds that are put into the hands of the portfolio manager; it is not the Treasurer retaining the obligation or remaining responsible, but the City Council, who ultimately selects the portfolio manager.

Ms. Jenson advised that safeguards for a portfolio manager have been approved and implemented into the investment policy by the City Council. Ms. Jenson shared that she didn't feel it was fair for the Treasurer to be responsible for an entity he is not retaining.

Ms. Jenson advised that the purpose of the draft ordinance is to clarify the delegation and the responsibility of this issue, and the responsibility lies with the City Council.

Chairperson Deniel suggested that within the draft ordinance, that the words "portfolio manager" be replaced with "professional portfolio management firm."

Ms. Jenson advised that in the beginning of the draft ordinance that "professional portfolio management firm" is used and "portfolio manager" is used throughout the ordinance just as a defined term.

In reference to Chairperson Deniel, Mr. Genovese advised that it is the discretion of the Board as to whether or not they attend the September 18<sup>th</sup> Council meeting.

Chairperson Deniel suggested that Board Member Moulin attend the September 18<sup>th</sup> Council meeting.

In response to Board Member Moulin, Ms. Jenson advised that Government Code section 53607 states that the City Council may annually delegate the investment authority to its dually appointed City Treasurer by ordinance or resolution (this section is incorporated into the City code), and section 53608 is the parallel provision for counties.

In response to Board Member Moulin, Mr. Falconer advised that the City modeled the County codes upon incorporation; therefore including sections 53607 and 53608.

In response to Chairperson Deniel, Ms. Jenson clarified that the portfolio manager is not required to obtain pre-authorization for investments from the Treasurer.

Ms. Jenson obtained the Government Code book and read Sections 53607 and 53608. Section 53607 is the delegation to the Treasurer, which has been clarified in the ordinance as a partial delegation and section 53608 is the general authority to make investments.

At the suggestion of Board Member Moulin, he felt that these sections should be separate paragraphs and labeled as section "A" and "B" within the draft ordinance. He also suggested that the word "money" possibly be replaced with the word "funds."

In response to Board Member Ross, Ms. Jenson clarified that the Attorney General's opinion involves an "elected" Treasurer who has the authority to contract a firm and is ultimately responsible for that firm.

In response to Board Member Ross, Chairperson Deniel and Mr. Falconer clarified that the Treasurer would ultimately be the administrative point of contact to the professional portfolio management firm.

**Investment Advisory Board  
Minutes**

**September 12, 2007**

Board Member Ross advised that upon reading the draft ordinance, he feels that it removes the responsibility from the Treasurer.

Ms. Jenson advised that the Treasurer's involvement and safeguards are adopted by the City Council. She also advised that the ordinance is written so that the contracting party ultimately remains responsible for the decisions made by the portfolio manager.

General discussion continued among the Board and Staff regarding the responsibility and the reporting of the portfolio manager.

Mr. Falconer advised that he spoke with the City's current third part custodian, (Bank of New York) and they informed him that a separate account would need to be setup for the portfolio manager. Mr. Falconer also advised that the third party custodian provides a report, which is used to compile the Treasurer's report. He feels that if a firm is hired, then he has the due diligence to review the firm's investments and to make sure they comply with the City's investment policy and report any exceptions.

Board Member Moulin suggested the following wording "Portfolio Manager shall report to and through the City Treasurer, who then shall advise the City of the performance of the firm." Chairperson Deniel concurred.

In response to Ms. Jenson, Chairperson Deniel clarified that reporting of firm's performance means making sure they are abiding by the City's investment policy.

In response to Board Member Ross, Ms. Jenson advised that it would be Council's discretion as to whether or not they choose to meet with the firm.

Ms. Jenson advised that a contract with the firm would list the guidelines required by the City.

In response to Chairperson Deniel, Mr. Falconer advised that the information discussed, is for informational purposes only and no formal vote is required.

Board Member Moulin reiterated the suggested changes to the draft ordinance:

"Pursuant to," paragraph would become section A; "Notwithstanding would become section B. The word "money" will be replaced with the word "funds."

In response to Board Member Moulin, Ms. Jenson advised that she drafted the last sentence to comply with the guidelines of the Attorney General Opinion.

Chairperson Deniel suggested adding a Section C, with it reading: "Portfolio management firm will produce monthly reports which will be presented through the City Treasurer." The City shall exercise prudence in the selection of the Portfolio Manager, and shall impose reasonable safeguards to prevent abuse in the exercise of discretion by the Portfolio Manager.

Ms. Jenson advised that she felt that the selection and the exercise of safeguards should not be limited to "Section C."

Discussion ensued among the Board and Staff regarding the City Council's prudence and what the state code allows.

**Noted and Filed**

**V BUSINESS SESSION**

**A. Transmittal of Treasury Report for July 2007**

Mr. Falconer presented the Treasurer's report advising that the portfolio dropped by \$7 million. Mr. Falconer also advised that due to the new flexibility in the policy, he was able to extend out the average daily maturity to 129 days and was not able to extend out Farm Credit because he was not able to obtain the extended length. Mr. Falconer advised that portfolio is currently exceeding its benchmark, with investments in LAIF and commercial paper and extending out GSE's, with no investments in US Treasuries other than the bond proceeds.

In response to Chairperson Deniel, Mr. Falconer advised that he purchased commercial paper with the yields higher at 5.30% versus the prior purchase at 5.26%.

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

**B. Distribution of RFP for Banking Services**

Mr. Falconer advised that based on the Board's comments at the previous month's meeting, Mr. Falconer contacted Wells Fargo and they have agreed to extend the City's current bank costs over the next four years. If this is the Board's recommendation, Staff will make a recommendation to the City Council to extend another four year contract with Wells Fargo.

General discussion ensued among the Board regarding Wells Fargo Bank and the extension of their contract with the Board in favor of recommending a contract extension.

In response to Board Member Ross, Mr. Falconer clarified that the City imposes an RFP, not the State.

In response to Board Member Moulin, Chairperson Deniel advised that the policy generally states that no individual service provider gets preferential treatment and pay that is above market.

Board Member Ross advised that on page 8, of the RFP, Tab H should read:

The City currently transacts wire transfers ~~the~~ via the internet with backup or telephone,

In response to Member Ross, Mr. Falconer advised that the peg balance was suggested by former Board Member Osborne and has remained in the RFP.

**MOTION** – It was moved by Board Members Moulin/Rassi to forego the RFP process and recommend to the City Council to extend the contract to continue with Wells Fargo Bank. Motion carried unanimously.

**C. October Meeting**

The consensus of the Board was to go dark for the month of October, due to numerous conflicts in schedules.

**MOTION** – It was moved by Board Members Moulin/Ross to go dark for the month of October. Motion carried unanimously.

## **VI CORRESPONDENCE AND WRITTEN MATERIAL**

Chairperson Deniel left the meeting at 5:15 p.m.

### **A. Investment of City Moneys and Deposit of Securities**

Item discussed at the beginning of the meeting.

**Noted and Filed**

### **B. Month End Cash Report – August 2007**

Mr. Falconer advised that the LAIF performance was currently at 5.25% with the average maturity at 173 days, which has dropped slightly. Mr. Falconer also advised that page 8 reflects the Treasury yields, which have dropped significantly from 4.90% to 4.10%.

**Noted and Filed**

### **C. Pooled Money Investment Board Reports – June 2007**

**Noted and Filed**

## **VII BOARD MEMBER ITEMS**

Board Member Moulin suggested that the Board consider revisiting the language for the “risk” and “diversification” portion of the Investment Policy on page 5, 8 and 9, for the upcoming review of the investment policy for fiscal year 2008/09.

**MOTION** – It was moved by Boards Members Ross/Moulin to continue the discussion at the November meeting. Motion carried unanimously.

## **VIII Adjournment**

**MOTION** - It was moved by Board Members Ross/Moulin to adjourn the meeting at 5:35 p.m. Motion carried unanimously.

**Investment Advisory Board  
Minutes**

**September 12, 2007**

**Submitted by,**

**Vianka Orrantia  
Secretary**