

INVESTMENT ADVISORY BOARD
Meeting
January 9, 2008

I CALL TO ORDER

Regular meeting of the La Quinta Investment Advisory Board was called to order at the hour of 5:30 P.M. by Chairperson Deniel, followed by the Pledge of Allegiance.

PRESENT: Board Members Ross, Moulin, Deniel, Park and Rassi

ABSENT: None

OTHERS PRESENT: John Falconer, Finance Director and Vianka Orrantia, Secretary

II PUBLIC COMMENTS – None

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

Mr. Falconer requested that the Treasurer's commentary be added to the agenda as part of Business Session "A."

IV CONSENT CALENDAR

Approval of Minutes of Meeting on December 12, 2007 for the Investment Advisory Board.

Board Member Park advised that the adjournment needs to be corrected to reflect that he was not present to adjourn the meeting.

The adjournment should read:

MOTION – It was moved by Board Member Moulin/~~Park~~ Ross to adjourn the meeting.

Chairperson Deniel advised of the following corrections:

Page 1: obsolete sentence should be deleted:

~~“Chairperson Deniel advised that due to”~~

Page 3: 6th sentence should read:

Board Member Moulin asked if the internal controls were compromised

Page 6: 8th sentence should read:

Mr. Falconer clarified for the Board that he was trying to convey that the

In response to Chairperson Deniel, Staff advised the Board that any corrections made to the minutes are made prior to submittal to City Council and prior to the posting of minutes by the City Clerk's office on the city's website.

Board Member Ross advised of the following correction:

Page 6: 1st sentence should read:

portfolio management firm because the current market ~~doe~~ does not warrant it at this time.

Board Member Ross asked Staff for clarification on page 7, last sentence. Mr. Falconer clarified that Councilwoman Henderson did state was quoted.

MOTION - It was moved by Board Members Moulin/Ross to approve the minutes of December 12, 2007, as amended. Motion carried unanimously.

Noted and Filed.

V BUSINESS SESSION

A. Transmittal of Treasury Report for November 2007

Mr. Falconer presented the Staff report advising that the portfolio dropped by approximately \$4 million with the November balance ending at approximately \$176.7 million due to the city hall expansion costs and the building of the Vista Dunes Courtyard homes. Mr. Falconer also advised that the investment activity also has declined from a 116 day maturity to a 100 day maturity, with only one purchase of commercial paper and a maturity of Farm Credit paper with no repurchase due to the current GSE's yields. Mr. Falconer further advised that due to the ongoing negative press of Merrill Lynch and AIG's, he will not be reinvesting in either. He further advised that the current investments are yielding more than the benchmark, with a decline in the six-month bill. In the month of December staff rolled over a large portion of T-bills, which will cause a decline in yields at the end of December and beginning of January.

Mr. Falconer advised that he structured the pooled investments to mature

on a monthly basis throughout 2008 and into 2009, with the bond proceeds invested in T-bills for the next six months. He also advised that the investment pool will decline with the yield curve but will remain higher than the benchmark. He will continue to invest in commercial paper but will not exceed the \$20 million limit and will continue to also invest in LAIF. Mr. Falconer further advised that the City will be receiving money in the next six months and is considering investing on a short-term basis and possibly investing in discount notes.

In response to Board Member Ross, Mr. Falconer advised that the current yields are so low, whether he purchased GSE's or high grade Corporate Notes such as Toyota, currently they can be bought for the same price.

In response to Board Member Ross, Mr. Falconer advised that the interest on the city hall expansion loan will be paid back through the developments impact fees and the remaining balance to be paid, is approximately \$4 million.

In response to Board Member Moulin, Mr. Falconer advised that Staff is researching hiring a consultant for remote backup of the City's accounting files in lieu of purchasing new equipment.

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

B. Consideration of the Fiscal Year 2008/09 Investment Policy

Chairperson Deniel suggested that the following be considered by the Board for review as changes to the 2008/09 investment policy; 1) consolidation of certain topics featured throughout the investment policy (as suggested by Board Member Moulin); 2) give the Treasurer the authorization to hire a professional portfolio management firm as an investment option as the portfolio expands at his discretion in the same manner as the Treasurer invests in LAIF and; 3) designate a task force of two members of the Board to draft any suggestions and/or changes made by the Board.

Board Member Ross concurred with the suggestion of having a task force and asked to be one of the two members to review and redraft any changes.

Board Member Moulin advised that the Treasurer would have to submit a RFP in order to engage a professional portfolio management firm and that

the RFP would ultimately need Council's approval. Board Member Moulin also advised that he concurred with the Treasurer being responsible for the professional portfolio management

Chairperson Deniel advised of the various RFP's currently issued by the Treasurer, (i.e. banking and auditing services). She further advised that if agreed by the Board, that the Treasurer manage the RFP process for the hiring of a professional portfolio management firm. Chairperson Deniel suggested that the Treasurer check with the City Attorney to make sure the process for the hiring of the professional portfolio management firm is in compliance with the city and government codes.

Mr. Falconer advised that a professional portfolio manager would be an additional tool within the investment policy for the Treasurer to utilize, (i.e. permissible investment such as Fannie Mae), but one that would not necessarily be used. If the Treasurer decided to utilize a professional portfolio management firm, Mr. Falconer emphasized that the RFP should go through the normal public process.

In response to Board Member Ross, Board Member Moulin advised that City Council does not normally veto a partial change to the investment policy. Board Member Moulin stated that he was not a strong advocate of whether or not a professional portfolio management firm was implemented. Board Member Moulin further advised that he approved of the direction the Board was heading with implementation of the professional portfolio management firm. Chairperson Deniel concurred.

Board Member Ross advised that the formal process of implementing a professional portfolio management firm into the investment policy might educate, inform, or help clarify issues for the City Council.

Chairperson Deniel stated that she emphasized to the Board that she believes an "in-house" investment group never be considered. Mr. Falconer concurred and stated that an "in-house" investment group would not be a benefit to the City with the current buy and hold policy and would also require a change to the investment policy.

Board Member Park stated that he feels that it's important on how the Treasurer feels about using a professional portfolio management firm and would there be any gain to continue discussions of this particular issue. Chairperson Deniel advised that the use of a professional portfolio management firm is already structured within the policy with Council currently responsible for the hiring and the overseeing of the professional portfolio management firm.

Board Member Moulin advised that the policy should not be written based on the current Treasurer but should be written for future use. Board

Member Moulin further advised that this issue was previously presented to Council and was declined by a 3-2 vote.

Mr. Falconer advised that adding a professional portfolio management firm could add some flexibility to the policy, but one that would not necessarily be used.

Board Member Rassi stated that, given the fact the Treasurer was in agreement, he would reluctantly agree.

Mr. Falconer advised that there are other issues he would like the Board to consider for the upcoming investment policy. He also advised that the more investments allowed within the policy, the more flexibility one will have in the future.

Board Member Rassi advised that next step regarding the issue of professional portfolio management firm is to discuss with the City Attorney.

Mr. Falconer advised that if Staff recommended an RFP for a professional portfolio management, the City Council can still ultimately deny the use of a professional portfolio management firm.

In response to Board Member Rassi, Chairperson Deniel advised that the City of Coachella currently utilizes a professional portfolio management firm.

Mr. Falconer advised that if he requested the release of an RFP that he would be responsible, not City Council.

Board Member Moulin clarified that even if the Treasurer proposed the release of an RFP, the Treasurer would be responsible for the overseeing of the professional portfolio management firm and that the "City" would be responsible for engaging the firm, like the ones currently engaged by the City, (i.e. banking and auditing firms).

Chairperson Deniel requested that Board Member Moulin be a part of the task team to review and make any necessary suggested changes to the policy along with Board Member Ross.

Mr. Falconer emphasized that no more than two members could be in discussion of the policy outside the normal scheduled IAB meeting; any more than two members would institute a quorum.

Mr. Falconer suggested that the Board make any necessary recommendations and/or changes to the policy at the regular scheduled IAB meetings for documentation purposes.

Chairperson Deniel stated that she felt the tasks of any revision through the task force would be more efficient.

Mr. Falconer advised the Board to be aware of how they communicate outside a regular scheduled IAB meeting and to be aware they do not violate the Brown Act.

It was agreed by the Board that the two task force members bring any comments and/or changes to the next scheduled meeting.

In response to Board Member Park, Mr. Falconer advised that the amount allowed for a professional portfolio management firm to invest would be 10% of the current Treasurer's report (net of the bond proceeds).

Chairperson Deniel asked Staff to speak with the City Attorney to make sure that the implementation of a professional portfolio management firm by the Treasurer is in compliance with City and State codes.

In response to Board Member Moulin, Chairperson Deniel advised that the audit manager referenced risks, along with GASB 40 in the previous month's meeting minutes.

Chairperson Deniel asked Staff to obtain from the audit manager the information on GASB 40 for the two board members working on the draft policy.

Board Member Moulin referenced the sample policy statement he had forwarded to Staff to distribute to the Board and suggested that this policy be reviewed annually and compared to the City's. Chairperson Deniel concurred.

Mr. Falconer advised that at the suggestion of the Councilmember Henderson, she suggested that the Board review the CalTrust investments, along with LAIF percentages and CDARS program. Staff

will provide the Board with Cal-Trust and CDARS program information.

Board Member Moulin suggested that a table be devised as part of the investment policy illustrating allowable investments and those not allowed by the city, state or government codes; or an appendix listing all government codes.

MOTION - It was moved by Board Members Moulin/Ross to continue the discussion of the Fiscal Year 2008/09 Work Plan Investment Policy to the February meeting.

VI CORRESPONDENCE AND WRITTEN MATERIAL

A . Month End Cash Report

Mr. Falconer presented the month end cash report advising a decline in the LAIF yields reflected on page 3 as well as a decline in the Treasury yields and bond proceeds on page 8.

Noted and Filed

B. Pooled Money Investment Board Report

Noted and Filed

VII BOARD MEMBER ITEMS – None

VIII Adjournment

MOTION - It was moved by Board Members Moulin/Park to adjourn the meeting at 6:28 p.m. Motion carried unanimously.

Submitted by,

**Vianka Orrantia,
Senior Secretary**