

INVESTMENT ADVISORY BOARD
Meeting
April 9, 2008

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 Vice Chairman Rassi, followed by the Pledge of Allegiance.

PRESENT: Board Members Ross, Moulin, Park, Rassi and Deniel (4:45)

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.) None.

IV CONSENT CALENDAR

Board Member Ross advised that on page 8, fourth paragraph second sentence should read: Board Member Ross asked if the comparatives could ~~this not be spelled~~ excluded from ~~out~~ within the policy and only included within ~~in~~ the reports generated by the Treasurer.

MOTION - It was moved by Board Members Moulin/Ross to approve the minutes of March 12, 2008, as amended. Motion carried unanimously.

Noted and Filed.

V BUSINESS SESSION

A. Transmittal of Treasury Report for February 2008

In response to Board Member Moulin, Mr. Falconer summarized the Staff report advising that the portfolio for the month of February declined by \$11.6 million, and ended the month at \$191.1 million, with the largest portion of the decline due to the pass-through payments. Page 7 reflects the activity for the month of February, with the yields rolling off at 4.6%, 4.4%, 5.2% and 2.7%, ending with a reinvestment of the portfolio at 2.1%, 2.7% and 2.8%. In addition, page 11 reflects the annualized earnings with the overall earnings at 3.85%, which was substantially less than the previous month at 4.22%, with the portfolio still above the City's benchmark.

Mr. Falconer further advised that he is still actively investing in LAIF, taking advantage of LAIF's current yields, and investing in short maturities.

In response to Board Member Park, Mr. Falconer advised that during the discussion of the policy, Staff was going to recommend increasing the LAIF percentage from 25% to 35%.

In response to Board Member Ross, Mr. Falconer advised that at this time he was not investing in as much commercial paper, due to the economic market.

MOTION - It was moved by Board Members Moulin/Ross to approve, receive and file the Treasury Report for February 2008. Motion carried unanimously.

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

The Board reviewed the edited portions of the policy and recommended the following changes/additions/deletions.

Board Member Ross' handout:

Section II – INVESTMENT POLICY

- Safety of principal ~~as the primary objective~~

The Investment Policy will conform to all State and Local statutes governing the investment of public funds

Section III – SCOPE

This Investment Policy applies to all cash deposits and investments,

Section IV – OBJECTIVES

1. Safety of Principal

Safety of principal is the foremost objective of the City's investment program. Investments of the City of La Quinta shall be undertaken in a manner that seeks to ensure the preservation of capital investment principal in the overall portfolio in accordance with the permitted investments.

The City shall endeavor to preserve its capital funds investment principal by making only permissible deposits and investments, undertaken in a controlled manner to minimize the possibility of loss or misappropriation through malfeasance or otherwise. Investments not backed by the full faith and credit of the United States Government shall be diversified by allocating assets between different types of permissible investments, maturities and issuers as a means. ~~The objective will be to mitigate credit risk and interest rate risk.~~

A. Credit Risk is the risk of loss from the failure of security issuer or backer. Credit risk may be mitigated by:

- Limiting investments to the safest types of securities investment grade securities;

3. Yield a Risk-Based Market Rate of Return

(Third Paragraph)

As bases for comparison only, the Treasurer's monthly report will display the rates of return on the three-month, six-month, and one-year U.S. Treasury Bill, comparable-period rates for commercial paper and CDs, and the yield for the State Treasurer's Local Agency Investment Fund (LAIF).

Section V – MAXIMUM MATURITIES

(Third Paragraph)

Annually, the Treasurer shall project the amount of funds not expected to be disbursed within five years. For FY 2007-8/08-9, the amount of such funds was \$*8 million. (*Treasurer to report dollar amount of funds to be used at the next scheduled meeting.)

Section VII – AUTHORITY

(Second Paragraph, Last Sentence)

~~For procedure purposes, the~~ The City Manager or Assistant City Manager shall approve acknowledge in writing all purchases and sales of investments prior to their execution by the City Treasurer.

Section X – PERMISSIBLE INVESTMENTS AND DEPOSITS AND INVESTMENTS

Board Member Park's handout:

Section XVI – REPORTING STANDARDS

(First Paragraph) DELETE PARAGRAPH

~~SB 564 section 3 requires a quarterly report to the Legislative Body of Investment activities. The City of La Quinta Investment Advisory Board has elected to report the investment activities to the City Council on a monthly basis through the Treasurers Report. AB 943 requires that the December 31st and June 30th Treasurers Reports be sent to the California Debt and Advisory Commission within sixty days of the end of the quarter.~~

General discussion ensued by the Board regarding the issue of whether or not the Board should be included as part of section VIII – Conflict of Interest. This issue was referred to the City Attorney and she concurred with Board Member Rassi's recommendation to include the Board in this section of the policy. Board Member Moulin was not in agreement with inclusion of the Board in this section.

Board Member Moulin advised that this section applies to "employees" of the City purchasing securities.

Board Member Rassi advised that the current section of the policy does not read "employees only," this section includes those employees listed. Board Member Rassi further advised that Board does make recommendations as well as giving input; therefore he felt this was justification to include the Board within this section.

Board Members Deniel and Ross gave scenarios as to what they felt this section of the policy was implying.

Chairwoman Deniel advised that the City Attorney is contracted by the City therefore she suggested that the Board refrain from seeking legal counsel to help avoid incurring costs to the City.

Board Member Moulin read the first sentence of section VIII and suggested changing the title and removing the introductory sentence.

Board Member Rassi again reiterated his opinion about including the

Board within this section.

Mr. Falconer suggested that this issue, along with Board Members Moulin and Rassi's suggested drafts of this section, be discussed with the City Attorney during her attendance at the regular scheduled meeting in June.

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

Chairwoman summarized for the Board the tasks to be completed prior to the next scheduled meeting, they were as follows:

Board Members Ross & Deniel: To review and complete section XX, along with the table, definitions and appendices of all state permissible activities not permitted in the City of La Quinta.

Board Member Moulin: Suggested draft of Section VIII.
Senior Secretary: Upon receipt from Board Member Ross, compile draft of policy for Board's review.

VI CORRESPONDENCE AND WRITTEN MATERIAL

A . Month End Cash Report

Mr. Falconer advised that page 6 reflects a decline in the T-Bill rate ending at 1 ½ %.

In response to Chairwoman Deniel, Mr. Falconer advised that he is at the maximum to invest in Federal Home Loan Bonds, with approximately \$5 million available to invest in Federal Farm Credit Bonds.

Noted and Filed

C. Pooled Money Investment Board Report

Mr. Falconer advised that page 1 reflects security transactions from January to January with the total portfolio increasing from \$53.4 billion to \$63.7 billion.

Noted and Filed

VII BOARD MEMBER ITEMS – None

VIII Adjournment

MOTION - It was moved by Board Members Park/Moulin to adjourn the meeting at 6:45 p.m. Motion carried unanimously.

Submitted by,

**Vianka Orrantia,
Senior Secretary**