



**FINANCIAL COMMISSION
MEETING MINUTES**

5:30 P.M., December 15, 2009

The Neutra House
181 Hillview Ave, Los Altos, California 94022

Call to Order

The meeting was called to order at 5:35 P.M.

Roll Call

Commission members present: Chairperson Frank Emery, Vice-Chairperson Kevin Thompson, David Byrne, John Dixon, Alan Hubbard, Donald Korn,

Commission members absent: Paul Van Buren (Excused)

Staff Present: Russell Morreale, Staff Liaison
Tracy Kwok, Financial Services Manager

Pledge of Allegiance

The pledge to the Flag was called for by Chair Emery

Public Comment

None

Consent Items:

1. Minutes of November 23, 2009 were approved unanimously without exception

Discussion

2. Review of the June 30, 2009 Comprehensive Annual Financial Report (CAFR)

Liaison Morreale introduced Ahmed Badawi, audit partner of Caporicci & Larson to present the CARR for June 30, 2009. Mr. Badawi presented the audit discussing a variety of items including the roles and responsibilities involved in the audit process, a review of the internal control review and control findings, as well as a review of the CAFR results. Liaison Morreale next followed with a discussion of the financial highlights summarizing some key points including:

- The attainment of a “clean” unqualified opinion on a timely basis
- The realization of a General fund Surplus
- GASB 45 Compliance
- Maintenance of established reserve levels
- Meeting budget obligations
- A clear indication of the impact of the recession resulting in a decline in general revenue trends

After some discussion and suggestions of some minor clarifying edits to the financial notes, Commissioner Korn moved approval of the CAFR for presentation to City Council and all Commissioners agreed unanimously.

3. Investment Advisory Services

Investment Policy Discussion

Liaison Morreale introduced Carlos Oblites of PFM to assist in the discussion of progress to date and to introduce an initial review of the City’s investment policy as the first course of action following Council’s approval of their selection as investment advisors. In a nutshell, Carlos indicated that the current policy could benefit from a review and update process to make sure it is fully up to date and in compliance with Government Code. Additionally, this could be an opportunity to take a comprehensive look at the policy as a basis for starting off the City’s new investment model. Liaison Morreale voiced his concurrence that taking a comprehensive approach would be beneficial and most logical at this point in time and asked the Commission for direction. After some discussion, the Commission agreed that a comprehensive review and rewrite would be preferable and asked that a draft of the policy proposal be brought back for review and recommendation at the next meeting on January 19th.

Approve the Engagement of Investment Safekeeping Services

Liaison Morreale advised that he has obtained a quote for professional custodial services from Union Bank, independent of PFM, and asked the Commission for the approval to proceed to contract such services for a cost of \$3,500 per year. Morreale was familiar with the service provided by Union, indicating that the City currently uses them for bond safekeeping purposes and has been pleased with their performance. Commissioner Korn motioned approval with a second from Commissioner Dixon, all agreed unanimously.

Discussion of Next Steps

Liaison Morreale and Carlos Oblites discussed the logical steps which would include – completion of the investment policy – the presentation of the cash flow analysis – discussion of risk tolerance and benchmarking – and implementation strategy

Commission Reports:

None

Adjournment

Commissioner Korn moved adjournment and all agreed and the meeting adjourned at 7:15 P.M.

Respectfully Submitted,

Russell J. Morreale
Staff Liaison to the Financial Commission