



**FINANCIAL COMMISSION
MEETING MINUTES**

5:30 P.M., May 17, 2010

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

Call to Order

The meeting was called to order at 5:34 P.M.

Roll Call

Commission members present: Chair Kevin Thompson, Vice Chair Al Hubbard Frank Emery, David Byrne, John Dixon, Donald Korn, Paul Van Buren

Commission members absent: None

Staff Present: Russell Morreale, Staff Liaison
Carlos Oblites, PFM Investment Advisors

Pledge of Allegiance

The pledge to the flag was called for by Chair Thompson

Public Comment

None

Consent Items:

Commission Minutes

1. The minutes of April 19, 2010 were reviewed and approved. A motion of approval was made by Commissioner Van Buren, seconded by Commissioner Emery and unanimously approved.

Discussion

2. Investment Advisory Services
 - Update on the Investment Process
 - Presentation of Portfolio

- Liaison Morreale provided a discussion and illustration of the first investments made under the newly approved management agreement with PFM. Morreale advised that the City placed \$12 million in trades spanning over a range of time from 2010 to 2012 with the bulk of the investments made in 2011 & 2012. All investments were made in AAA rated treasury instruments well within the average maturity and parameters set by policy. Morreale and advisor Carlos Oblites also reviewed the portfolio mix in detail and discussed the trading process. Morreale advised that beyond this first sizable purchase, the following purchases will be in small lots in line with market movements. Advisor Oblites responded to questions about benchmarking and commented on the fact the City' benchmark, 1 to 3 year Merrill Lynch Treasury Index, will be applied to the managed portion of the portfolio exclusive of LAIF although combined portfolio reporting will be made available.
3. FY 2010-2011 Budget & CIP
- High Level Preview of the General Fund Budget
 - High Level Preview of the CIP
 - Liaison Morreale provided a further update on the FY2010-2011 budget & CIP. Morreale again reported the plan to pass a balanced budget achieved through cost trimming measures including a reduction in materials and services appropriations and the freezing of nine vacant positions. Morreale emphasized that services are not to be impacted in the short term although challenges remain, not the least of which is the future funding of Capital Projects.
4. Work Plan Update & Review
- Liaison Morreale presented the key projects to be handled in the remainder of the year including the following top priorities. After some preliminary discussions, Liaison Morreale recommended we bring this item back to the next meeting for a review of a draft work-plan. There was unanimous consensus
 - a. Develop process and monitor the Portfolio – investment advisory service
 - b. Taking an objective look at CalPers pension costs and long term risk
 - c. Evaluation of City debt capacity in conjunction with major capital projects

Commission Reports:

None

Adjournment

All agreed to adjourned the meeting at 6:40 P.M.

Respectfully Submitted,

Russell J. Morreale
Staff Liaison to the Financial Commission

