



**FINANCIAL COMMISSION
MEETING MINUTES**

5:30 P.M., February 25, 2010

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

Call to Order

The meeting was called to order at 5:30 P.M.

Roll Call

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

Commission members absent: None

Staff Present: Russell Morreale, Staff Liaison

Pledge of Allegiance

The pledge to the flag was called for and held

Public Comment

None

Consent Items:

Commission Minutes

1. The minutes of January 19, 2010 were reviewed and some minor revisions were called for by member comment. A motion to approve the minutes, including the noted revisions, was made by member Hubbard with a second by member Thompson and approved unanimously.

Discussion

2. Commission Chair & Vice Chair for 2010 (Continued from the previous meeting and taken out of order as called for by Chair Emery and agreed to by all members present)

- Chair Emery advised that the assignment and election of a new Chair and Vice Chair is normally scheduled for this time of year per the committee norms and Emery opened up the item up for discussion.
 - A motion was made by Member Korn to elect Vice Chair Kevin Thompson as the new Chair. The motion was seconded by member Bryne and approved unanimously.
 - A motion was made by Member Dixon to nominate member Hubbard as Vice Chair. The motion was seconded by member Korn and approved unanimously.
3. Investment Advisory Services (taken out of order as noted above and agreed to by all members present)
- **Draft Policy Review:** This item included the review of the draft Investment Policy prior to making a recommendation to City Council. Liaison Morreale and investment advisor, Carlos Oblites of PFM presented the draft policy which reflected the comments previously provided individually by all members. After some discussion and the submission of minor typographical corrections, Chair Thompson moved to recommend the policy to City Council at the March 9th regular meeting. This motion was seconded by Vice Chair Hubbard and approved unanimously.
 - **Cash Flow & Benchmarking:** Carlos Oblites led the discussion of cash flow analysis and investment performance benchmarking.
 - On the topic of benchmarking, Carlos presented a four year analysis of cash flow patterns created in concert with City finance staff. The analysis displayed a historical liquidity margin with the intent of identifying the core liquidity needs of the city as a basis for making investment decisions. In a nutshell, the analysis concluded that the City's average liquidity portfolio value approximated \$7.5 million with the longer term core averaging \$30 million. Liaison Morreale commented that this conclusion was consistent with the committee's early predictions based upon a preliminary empirical judgmental review. The analysis also projected into 2011 offering both a best possible "growth" as well as a more conservative "contraction" scenario.
 - On the topic of benchmarking, Oblites led the group through a discussion of risk tolerance useful in the selection of an investment performance benchmark as called for in the investment policy. After much discussion, the group concurred to maintain a short-term investment duration at an average term within two years. The group concurred with the use of the 1 to 3 year Merrill Lynch Treasury Index consistent with the policy guidelines to promote a safe and average rate of return.

Commission Reports:

None

Adjournment

Commissioner Korn moved adjournment with a second from Member Emery. All agreed and the meeting adjourned at 8:00 P.M.

Respectfully Submitted,

Russell J. Morreale
Staff Liaison to the Financial Commission