



MINUTES

CITY OF DANA POINT

INVESTMENT REVIEW COMMITTEE

TUESDAY, NOVEMBER 25, 2008

2:00 PM

LOCATION: City Hall, Second Floor, Administrative Conference Room, 33282 Golden Lantern, Dana Point, CA 92629

CALL TO ORDER: Mayor Pro Tem Lisa Bartlett called the meeting to order at 2:33 p.m.

ROLL CALL: Committee Members

Present: Lisa Bartlett, Mayor Pro Tem
Larry Rolapp, Public Member
Nancy Baumann, Public Member
Doug Chotkevys, City Manager
Mike Killebrew, Director of Administrative Services

Absent: Diane Harkey, Council Member

Staff Present: Andy Glass, Accounting Manager; Sea Shelton, Management Analyst; DyAnne Weamire, Administrative Secretary.

PUBLIC COMMENTS: No Public Comments

APPROVAL OF MINUTES:

1. It was moved by Member Chotkevys and seconded by Member Rolapp to approve the minutes of May 19, 2008 as amended.

NEW BUSINESS:

2. Annual Review of Investment Policy

Member Killebrew explained to the Investment Review Committee that the City of Dana Point has retained the City's financial auditors, Rogers, Anderson, Maloday & Scott, LLP to audit the City's Investment Policy. In addition, the City of Dana Point has retained Chandler Asset Management to evaluate the investment portfolio and investment policy and to provide any suggestions that might enhance the return or reduce risk. The following recommendations were discussed by the committee members:

a. Ethics and Conflicts of Interest

It is recommended that the City insert language specific to the Treasury Oversight Staff within the Investment Policy that is explicit with regards to honoraria, gifts or gratuities.

b. Reporting

It was recommended that the City add the following items to the Reporting category of the Investment Policy:

- 1) par amount
- 2) description of funds, investments and programs managed by contracted parties.

c. Qualified Financial Dealers and Institutions

Recommend the City add the following statement as it relates to brokers and dealers:

- 1) "The City is prohibited from engaging any broker, dealer, or security firm within any consecutive 48 month period of them making a campaign contribution exceeding limitations contained in Rule G-37."

d. Authorized Investments

The City is governed by the California Government Code, Sections 53600 et seq. and is authorized to use various investments instruments. Chandler Asset Management recommends adding two additional types of agencies. Member Killebrew explains there would be no impact in exercising this option so it would be at the Committee's discretion to accept the recommendation as an option in the future.

e. Commercial Paper

The City's current policy allows 10% of the portfolio to be invested in commercial paper of an individual issuer. Member Killebrew does not recommend the City begin

investing in commercial paper, but if the Committee agrees to do so he cautions to limit exposure to no more than 5%.

f. Types of Unauthorized Investments

g. Purchase of Securities

Chandler Asset Management suggested replacing the term “bids” in this sentence with the term “offers.”

h. Glossary of Terms

It is recommended that the City review its definitions in this section to reflect the recent changes made to include: FDIC (Federal Deposit Insurance Corporation), FNMA (Fannie Mae), and TARP (Troubled Asset Recovery Program).

i. Certificates of Deposit

Member Rolapp explained that there are now many municipalities in the CEDARS program that are all FDIC insured. The City may want to also consider investing in a CEDARS-like program.

UNFINISHED BUSINESS:

3. Results of Investment Program Analysis by Chandler Investments

a. Return on Investment or Yield

The City’s policy mentions the use of three-month US Treasury bills as a market benchmark to measure the performance of the City’s portfolio. Chandler Asset Management recommends using a total return benchmark for comparison. Member Killebrew explains that changing benchmarks at this time would not be appropriate and does recommend doing so.

b. LAIF investments

Member Killebrew noted in reviewing the latest financial information, investing in LAIF is one of the safest investments the City can make with regards to liquidity. LAIF has no exposure to Lehman Brothers, Merrill Lynch, AIG or Washington Mutual. Given LAIF’s investment practices, Killebrew concedes they are a safe investment. Member Killebrew further stated that investing 45 percent into US Treasury notes with a high credit rating is a sound investment.

c. Conclusions:

Chandler Investment concluded that the City is currently invested in a safe and liquid manner. However, there may be opportunities to enhance return with a reasonable level of risk by segmenting the portfolio into Core and Reserve components. Member Killebrew agrees that this is a possibility, but the City would need to weigh the cost of time to manage the components vs. the return on investment. It was agreed that the Investment Review Committee revisit this discussion next year.

IT WAS MOVED BY MEMBER ROLAPP AND SECONDED BY MEMBER BAUMANN TO APPROVE THE ITEMS AS AMENDED.

AYES: Mayor Lisa Bartlett, Member Larry Rolapp, Member Nancy Baumann, Doug Chotkevys, and Mike Killebrew.

ADJOURNMENT: 3:20 P.M.

CERTIFICATION:

I, Kathy M. Ward, City Clerk of the City of Dana Point, do hereby certify that a copy of the foregoing Agenda was posted at Dana Point City Hall, the Dana Point Post Office, the Capistrano Beach Post Office and the Dana Point Library, on Wednesday, November 21, 2008 in accordance with law.

KATHY M. WARD, CITY CLERK

DATE

PURSUANT TO THE AMERICANS WITH DISABILITIES ACT, PERSONS WITH A DISABILITY WHO REQUIRE A DISABILITY-RELATED MODIFICATION OR ACCOMMODATION IN ORDER TO PARTICIPATE IN A MEETING, INCLUDING AUXILIARY AIDS OR SERVICES, MAY REQUEST SUCH MODIFICATION OR ACCOMMODATION FROM THE CITY CLERK AT (949) 248-3500 (TELEPHONE) OR (949) 248-9920 (FACSIMILE). NOTIFICATION 48 HOURS PRIOR TO THE MEETING WILL ENABLE THE CITY TO MAKE REASONABLE ARRANGEMENTS TO ASSURE ACCESSIBILITY TO THE MEETING.