

**Finance and Investment Committee Special Meeting  
Town of Los Altos Hills  
Town Hall, Monday, July 8, 2019**

**Members present** Allan Epstein, Betty Kayton, Kjell Karlsson, Susan Mason, Stan Mok, Chris Nam, Bill Silver and Roddy Sloss

**Member absent:** Chris Welborn

**Associate members present:** Jim Lai, Frank Lloyd and Medha Rishi

**Council present:** Roger Spreen, Mayor and Michelle Wu, Vice Mayor

**Staff present:** None

**Guests and public present:** **PARS:** Monique Spyke, Managing Director, PFM Asset Management  
**Resident:** Jim Waschura

Mr. Sloss, Chairman, called the meeting to order at 4 pm.

**Approval of minutes- Roddy Sloss**

The June 3, 2019 meeting minutes were approved by members who attended that meeting.

**PFM Report: Investment Performance and Market Update - Monique Spyke**

Ms. Spyke drew the meeting's attention to three handouts furnished before the meeting entitled Investment Performance Report for the quarter ended March 31, 2019, Market Update and Balance History. Ms. Spyke's comments primarily related to the Market Update regarding: Rapidly changing market conditions; Recent changes to the FED interest rate outlook; The inverted yield curve; and the unusually small difference between long term and short-term interest rates. Ms. Spyke noted that the Town's portfolio was well positioned and will report mark to market gains in the June 30, 2019 report resulting from recent changes. In response to questions, Ms. Spyke noted it is hard to find good municipal securities to add to the Town's portfolio, the CAMP short term rate is presently at 2.4% and expected to decline, and that PFM planned to focus on Corporate Notes and Federal Agency securities for additions and replacements for the Town's portfolio.

*Investment Strategy Recommendations to Council:*

Mr. Mok, who is an investment professional, made several comments noting he agreed with Ms. Spyke's analysis and then shared his views about the market outlook which anticipates falling rates with an economic outlook that will continue to weaken. Presently PFM is using a one year to three-year horizon for maturities of investment additions. Mr. Mok suggested the Committee consider recommending to Town Council changing to a one to five-year horizon in order to add flexibility during this fast-changing environment and would enable "locking-in" higher rates with longer duration. After discussion, the Committee members present voted 6 -2 in favor of this proposal with Messrs. Epstein and Sloss voting No; noting they were more comfortable with a shorter maximum investment horizon in this fast-changing environment and deferring to PFM's guidance. Associate Members in attendance also voted Yes. Council members in attendance abstained. Ms. Spyke's offered to provide the language for the council resolution modifying the benchmark period.

Performing current reviews of funds invested with PFM, LAIF and Wells Fargo Bank resulted in another recommendation to Council. The recommendation calls for development of cash flow model and related

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internal policy for maximum balances at Wells Fargo, LAIF and when funds should be moved from Wells Fargo to LAIF, and LAIF to PFM. The recommendation was unanimously approved by attending members and associate members. Council members in attendance abstained.

Mr. Mok offered to monitor balances on a monthly basis presuming Staff provide him with current copies of Wells Fargo, LAIF and PFM monthly statements. To the extent he finds amounts that appear ready to move from Wells Fargo to LAIF or to PFM from LAIF he will notify Staff to consider making suggested changes. Members and Associate Members of the Committee also unanimously approved Mr. Mok's suggestions and thanked him for the making the offer to help.

**Staff Report – Roddy Sloss**

Prior to the meeting, Mr. Cahill informed the Chairman that staff would not be attending the meeting. Mr. Sloss reported he met with Messrs. Cahill and Spreen at their request to review information related to the resignation of Mr. Sherwood as Administrative Services Director that specifically related to Mr. Sloss. Mr. Sloss described his recollection of what was said in the meeting to the Committee.

**Report on Council Activities of Interest – Roger Spreen**

Mr. Spreen responded to questions and concerns from meeting participants related to the fifteen-year renewal of the Green Waste contract and related changes in rates. Mr. Spreen said the Staff anticipated resident questions and is monitoring the transition in services and selection of a rate plan by residents. GreenWaste staff is performing this work as well as open meetings and extra telephone support. The implementation of the new contract is being phased-in over several months to smooth adoption.

**Election of Medha Rishi as Associate Member of the Committee - Roddy Sloss**

Mr. Sloss stated that the Town Clerk, Deborah Padovan, asked the FIC to consider Ms. Rishi for the position of Associate Committee member. Ms. Rishi provided a brief oral report on her qualifications. As there were no questions, Mr. Sloss asked the committee to vote resulting in a unanimous recommendation of members present that Ms. Rishi become an Associate Member of the Committee.

**Review of Committee Calendar and next meeting date – Roddy Sloss**

Mr. Sloss referred to a one-page Committee Calendar for the year ending June 30, 2020 noting tentative meeting dates and non-recurring topics for each meeting. The next tentatively scheduled meeting is September 8, 2019 with the Matrix Rate and Fee study as the major non-recurring topic. Mr. Sloss also asked Committee members to let him know if they had the time and interest to become involved in one or more of the scheduled topics for the upcoming year.

**Presentations from the floor:**

None.

**Adjournment:**

At approximately 6:00 pm, there were no further matters to be discussed and the meeting adjourned.

**Respectfully submitted:** Roddy Sloss, Committee Secretary