



Special
Finance Committee Teleconference
Meeting Minutes

375 Beale Street; Ste 700
San Francisco, CA 94105
San Andreas Conference Room

January 24th, 2017
11:00am – 12:00pm

Presiding

Ann Ritzma

Jurisdiction

Foster City

Committee Members Present

Rebecca Mendenhall
Richard Lee
Mary Furey

San Carlos
South San Francisco
Saratoga

Staff Present – ABAG PLAN Corporation

Courtney Ruby, Finance Director
Jill Stallman, Claims Manager
Kim Chase, Administrative Assistant

- 1. Call to Order:** Meeting was called to order at 11:03 a.m. by Ann Ritzma. A quorum was present.
- 2. Public Comments:** None
- 3. Approval of Minutes – September 28th, 2016:**
Minutes for September 28th, 2016 were approved as presented.
//M//Lee//S//Mendenhall//C//Unanimous
- 4. Review of PLAN Financial Reports & Administrative Budget, Quarterly Investment Report & Investment Policy**
 - 1. Fiscal Year 2015/2016 Financial Reports & Administrative Budget**
Courtney reviewed with the committee the Fiscal Year 2015/2016 Financial Report reflecting the Financial Reports as of June 30th, 2016 and includes the Balance Sheet and Income Statements for the three PLAN funds - Administration, General Liability, and the Property Pool.

2. Quarterly Investment Report as of September 2016

Courtney reviewed with the committee the Quarterly Investment Report as of September 2016. She reviewed the summary of investments for the quarter-ended September 30th, 2016. She presented the portfolio's market value which consisted of LAIF; COD's; Federal Agency Issues and cash on hand. PLAN's current financial position is healthy per government code 53646. The Investment summary report for March – September 2016 noted 13 securities that were called, 6 purchased and no securities that matured.

3. PLAN Investment Policy

Courtney reviewed with the committee the revisions of PLAN's investment policy. In September 2016 at the last finance committee meeting (minutes were enclosed and approved) revisions were requested in that they meet California code and current investment guidance from the state controller's office. We found during the review that our maturity limits for our US Treasuries and Federal Agencies exceeded the State guideline of 5 years; however, the California code does allow deviation as long as board approved, which it was authorized by the board. She then pointed the committee to Appendix A - which was enclosed directly from PLAN's investment policy, which is a summary of authorized and suitable investments. She mentioned that our limitations are more conservative than the states guidelines. She is seeking the committee's input on how they want to amend PLAN's current investment policy. At a minimum she recommends adjusting the maturity levels to 5 years, for the US Securities and Federal Agencies. Additionally, to allow more flexibility in investment, she would like the committee to consider increasing the maturity limits for CD's to atleast 3 years. As far as LAIF (the compliance issue from auditors) the statement should say "LAIF's limit be stated as state treasury limit prescribed by LAIF" instead of referencing actual percentage so that we don't have to update the policy every time the state changes the percentage. Finally, in reviewing the portfolio I noted between 40-60% of our aggregate total of investments are callable notes over this time period. Our policy states that investments in callable notes be limited to 25% of the portfolio, so we were out of compliance of our own policy. Callable securities tend to get a higher yield, which is one reason why they are attractive. She asked for direction from the committee if you would like to change allowable percentage or maintain the current restrictions.

Courtney called for questions; Richard asked if the committee was being asked to lower the average security from 7 to 5 years. She said correct. He said for us to make that decision, would be to look at the yield curve from 2 years out to 5 years out. The last time he looked it was fairly flat, and he says he doesn't see any rewards for taking on the additional risk. He noted that 5 years seems long for federal, but asked for the remainder of the committee to discuss. He noted that if the yield curve were not flat he would reconsider. Mary noted that this is just for policy purposes not actions taking. Richard said ok, this is his first year on the committee, he says how are there so many items out of compliance, including the callable notes.

Richard asked if the ABAG, PLAN, and Committee turnover is to blame for the compliance issues. Courtney said that is a contributing factor. Ann agreed it is due to turnover. Mary asked if 25% is a reasonable percentage. Richard agreed if at a maximum that is okay. Richard made a motion to leave things as they are, to keep callable at 25% while allowing investment to mature and bringing ourselves into compliance. **//M//Lee//S//Ritzma//C//Unanimous**

Richard made a motion to reduce maturities on US Treasuries and Federal Agency obligations, and amend the investment policy to reduce the maximum maturity limit to 5 years. **//M//Lee//S//Mendenhall//C//Unanimous**

Mary made a motion for LAIF to comply with state regulations.
//M//Furey//S//Lee//C//Unanimous

Richard made a motion to increase CD maturity limit from 2 years to 5 years
//M//Lee//S//Mendenhall//C//Unanimous

Rebecca stated that we used to get quarterly reports in the past, and wants to know if that is something they can continue to receive those. Courtney said she was happy to do that.

Courtney noted that she will send the new investment policy & appendix w/investments.

Richard made a motion to re-delegate Courtney to make investments on behalf of PLAN. **//M//Lee//S//Mendenhall//C//Unanimous**

5. Other Business/Announcements

Rebecca asked about Management Partners and Jim. Jill discussed with committee Jim's status and progress with PLAN. Jill briefed the committee stating that he has been working with the Executive Committee on solutions for project based consulting. Jill said herself and Gertruda have stepped up to support.

Courtney asked if the committee was interested in the Staff Consolidation. Ann confirmed. Courtney briefed the committee and confirmed no one will be harmed in this integration and every one will be made whole. She said there will be a contract for services come February, and is asking Jill to send to this committee upon receipt. She also noted she is anticipating a consolidation date of May 1st, 2017. She asked if there were any questions.

Jill called for questions. None were raised. Courtney confirmed the commitment to PLAN, making sure we have you engaged and answering any questions along the way.

Ann called for any other business, no other business was discussed. She will bring Yulia up to speed with the meeting discussion as she never did call in.

6. Adjourned at 11:40pm by Ann Ritzma

Respectfully Submitted,



Jill Stallman
ABAG PLAN Claims Manager
Acting Risk Manager