

CITY OF SAN CLEMENTE

Investment Advisory Committee Minutes

Special Meeting – February 5, 2024

A Special Meeting of the City of San Clemente Investment Advisory Committee was called to order by City Treasurer, Charlie Smith, on February 5, 2024, at 5:32p.m. This meeting was conducted in Community Conference Room at City Hall, 910 Calle Negocio, San Clemente.

(1) **PLEDGE OF ALLEGIANCE**

The Pledge of Allegiance was led by Charlie Smith.

(2) **ROLL CALL**

PRESENT: Investment Advisory Committee Members:

Charlie Smith, Victor Cabral, Art Carter

Staff:

Sandee Chiswick, Melissa Anderson

ABSENT: Jeff Willardson, Amanda Conley

PUBLIC: None

(3) **DISCUSS MODIFYING SECTION 4.6 OF THE INVESTMENT POLICY**

City Treasurer, Charlie Smith presented recommended changes to the City's Investment Policy Section 4.6. Art Carter suggested adding language to include the review of audited financial statements will also contain an "unqualified" opinion and also that "there are no noted going concern issues." The committee agreed to recommend the following investment policy changes:

4.6 Authorized Securities Dealers: The City Treasurer will maintain a list of securities dealers ("Securities Dealers"), as approved either by the Investment Advisory Committee, or subject to the Automatic Inclusion Criteria.

A Securities Dealer must either: (i) complete a Broker / Dealer Questionnaire and Certification at relationship initiation and provide annual confirmation of no material change in financial condition or broker's standing, or (ii) be subject to the Automatic Inclusion Criteria. For a Securities Dealer subject to the Automatic Inclusion Criteria, the following must be ascertained annually: (i) an audited annual report ("Form 10-K"), and (ii) a review of the designated broker as provided by FINRA.

4.6.1 Annual Review: An annual review of the financial condition and registrations of the Securities Dealers with whom the City does business which will be conducted by the City's Investment Advisory Committee.

The review of Audited Financial Statement(s) will ensure (1.) that the statements contain an “unqualified opinion” and (2.) that there are no noted going concern issues.

4.6.2 Audited Financial Statement: A current audited financial statement is required to be on file in the City Clerk’s Office for each financial institution and Securities Dealer with whom the City does business, including external money managers, banks, custodians of securities and broker/dealers.

4.6.3 Counterparty Risk: Financial institutions with whom the city does business should be well capitalized and credit worthy to minimize Counterparty Risk. For avoidance of doubt, the City takes on no specific Counterparty Risk given its delivery vs. payment investment policy.

Definitions

AUTOMATIC INCLUSION CRITERIA: means a Bank with a securities dealer subsidiary, classified as either a Systematically Important Financial Institution (“SIFI”), and/or a Globally Systemically Important Financial Institution (“G-SIFI”).

FINRA: Financial Industry Regulation Authority.

FORM 10-K: an SEC form, filed annually as required by the U.S. Securities and Exchange Commission, that gives a comprehensive summary of a company’s financial performance.

UNQUALIFIED OPINION: An independent external auditor report that concludes the company’s financial statements present fairly, or give a true and fair view, in all material respects and in accordance with applicable accounting standards.

Motion was made to accept the changes by Art Carter, seconded by Victor Cabral. Approved 3-0.

(4) PUBLIC INPUT

None

(5) ADJOURNMENT

Motion was made by Art Carter, seconded by Victor Cabral, carried 3-0, to adjourn to the next Regular Meeting to be held on April 29, 2024, at 5:30 p.m. at City Hall located at 910 Calle Negocio, San Clemente, California.



Charlie Smith
Chair-Investment Advisory Committee

Future Meeting Dates:

April 29, 2024

July 29, 2024

October 28, 2024