

**MINUTES OF THE
ACCEL FINANCE COMMITTEE MEETING
SAN FRANCISCO, CALIFORNIA
WEDNESDAY, MARCH 30, 2005, 3:30 P.M.**

MEMBERS PRESENT:

Charlotte Dunn, City of Visalia
Patrick Flaherty, City of Bakersfield
Sherrell Freeman, City of Monterey

GUESTS AND CONSULTANTS

Janelle Cabanding, Driver Alliant Insurance Services, Inc.
Mike Simmons, Driver Alliant Insurance Services, Inc.

A. CALL TO ORDER

Finance Committee Chair Patrick Flaherty called the meeting to order at 3:36 p.m.

A1. Approval of Minutes from the Finance Committee Meeting for February 3, 2005

A motion was made to approve the minutes as submitted.

MOTION: Patrick Flaherty **SECOND:** Sherrell Freeman **MOTION CARRIED**

B. FINANCE COMMITTEE

B1. Annual Review of the Investment Policy

Patrick Flaherty opened up this item for discussion at today's meeting asking members if they had any concerns or recommendations for changes to the Investment Policy. Pat asked if ACCEL needed to appoint an Investment Committee to make semiannual reviews of the Policy as referenced on page 8 – Section 16.0 Investment Committee Review.

Mike Simmons mentioned that typically the Investment Policy is reviewed and adopted at the April or June Board Meeting. It was suggested that the Investment Policy be reviewed semi-annually in September of every year and to have this on the Service Calendar posted to the website.

Since the following Item ties closely with this item, members decided to discuss Item B2 before taking any action.

B2. Discussion of Investment Management Services

At the December Board Meeting, Program Administrators and/or the Finance Committee were directed to do a quick survey on other pools to see how they manage their investments and to find out what their average returns were. It was suggested that maybe they may need to contact investment firms for advice.

Mike Simmons reported that they have inquired other pools administered by Driver Alliant and received information on investments and their current average returns of 2.5 to 5%. Mike commented that he has seen more people are choosing to do business with investment management firms such as Chandler Asset Management or PFM Management, and CAMP, a LAIF pooling vehicle. Mike Simmons added that the LiCON Pool in Nevada manages their investments with a gentleman from US Bank in Idaho. LiCON currently receives 6% return, and this may be driven by their Investment Policy.

Mike Simmons provided a brief history on investment management of ACCEL and mentioned that when ACCEL formed it was their desire to have the investments managed by a Member City, which was Visalia at the time, and not hire an outside professional management firm. An RFP process was done in 1997 and the City of Monterey was selected. There hasn't been a change since then.

Although there is no immediate need to go out to RFP to replace investment services, it was agreed that the Finance Committee wanted to do its due diligence to see what is best for the Authority's investments.

Sherrell Freeman mentioned that the City of Monterey has prepared their proposal for the contract renewal and will forward to the Program Administrators soon. Sherrell indicated that the City would renew the contract for a 1 year term for \$17,000, same fee as expiring.

Sherrell Freeman added that the City of Monterey invests only 1/3 in LAIF due to a huge withdrawal made a few years ago (\$7 million) out of long term investments. Mike Simmons said it was most likely due to retro returns or because of the three-year prepaid liability insurance policy back in 2000. Sherrell said that ACCEL took a loss since the money was withdrawn with short notice. Sherrell feels ACCEL needs to keep their monies liquid so monies can be available for immediate access if needed.

Finance Committee Members thought that the perhaps they should meet in October to discuss these types of investment issues and again as normally done in April looking at what ACCEL may need as liquid, since this would depend on insurance and claims activity.

The Finance Committee discussed the following:

1. To determine if the Investment Committee requirement shown on Page 8 (Section 16.0) is a CAJPA or Government code requirement. If so, then do not amend the policy, but add additional language for other clarification. If not, the amendment needs to be made to show that it is the responsibility of the Finance Committee.

2. Discuss with the Claims Committee Chair claims information to be sure ACCEL keeps monies liquid if a claims payment needs to be made, and that the money is not in long term investments.
3. Clarify how much ACCEL needs to keep liquid (ratio), and/or a statement shows ACCEL would like to keep a minimum 1/3 extremely liquid, for example, LAIF access to funds or something like CAMP).

Program Administrators are going to assist the Finance Committee in redrafting the Policy as discussed after doing a research on the Investment Committee issue. The Finance Committee have scheduled another teleconference meeting on for April 12, 2005 at 3:30.

C. PUBLIC COMMENTS

There were no public comments.

D. ADJOURNMENT

The meeting was adjourned at 4:21 p.m.