

**CITY OF FIRCREST
INVESTMENT COMMITTEE MEETING MINUTES**

**MONDAY, APRIL 8, 2013
4:00 P.M.**

**CONFERENCE ROOM
FIRCREST CITY HALL, 115 RAMSDALL STREET**

CALL TO ORDER

Mayor David M. Viafore called the regular meeting to order at 4:00 P.M. Councilmember Hunter George and Finance Director Colleen Corcoran were present. Councilmember McVay was unexcused. Staff present: City Clerk Lisa Keely.

ADOPTION OF THE MINUTES

MOTION

Moved by George, seconded by Corcoran, to adopt the minutes of the February 25, 2013 meeting. Ayes: Viafore, George and Corcoran. Noes: None. Unexcused: McVay. Motion Carried.

UNFINISHED BUSINESS

Corcoran stated she met with representatives from Columbia Bank (CB) and had phone contact with Paul Jarvis from Time Value Investments, Inc. (TVI). She reported she asked each of them for references. Columbia Bank provided Whitman County as its only reference. TVI indicated the cities they were investing for, in addition to a large number of other cities, were Fife, Milton, Sumner, Orting and Issaquah.

Viafore disclosed that he was a current shareholder of Columbia Bank and stated there was no conflict of interest at this time because no decision would be rendered today.

Discussion ensued as follows:

- Columbia Bank initially stated that it required \$5 million or more to participate in their investment program, but they indicated a willingness to make something work in the development of a portfolio for Fircrest for a lesser amount
- TVI stated any amount could be invested with them, and as low as \$100,000
- CB charged 20 basis points, resulting in approximately \$10,000 in fees per year on a \$5 million investment
- CB stated no additional fees would be charged, but there wasn't a definitive answer on how they would handle broker fees, as there was no in-house broker at CB
- Because CB isn't a broker, there would be broker fees in addition to the 20 basis points built into the cost of the bond purchase
- TVI uses US Bank as the Safekeeping Bank
- US Bank charges \$20 plus \$2 per bond each month for monthly portfolio statements. There is a \$15 wire fee for each interest payment. US Bank also charges a one-time fee of \$40 per bond for a Federal Reserve securities clearance fee.
- TVI broker fees are built into the bond price and not charged separately
- The larger the bond, the greater the commission

Corcoran outlined how a bond is purchased, noting the City wouldn't be wiring to the broker, but rather to a Safekeeping Bank (after purchase the bond has to be delivered to a safekeeping bank). She noted, as previously indicated, TVI used US Bank for their safekeeping bank, as they provided an inexpensive yet highly competent safekeeping department. The process used by TVI is known as Delivery Versus Payment (DVP) and is consistent with the Government Finance Officers Association's (GFOA) best practices. Corcoran stated that pursuant to GFOA, investments should be settled in a delivery-versus-payment (DVP) basis. In that procedure, the buyer's payment for securities is due at the time of delivery. Security delivery and payment occur simultaneously. That practice ensures that no funds are at risk in an investment transaction as funds are not released until securities are delivered, ensuring the governmental entity has either money or securities at all times during the transaction.

Discussion continued as follows:

- Fifth Third Bank would serve as custodian and clearing firm for the Columbia Bank Trust
- A safekeeping bank, used by TVI, reconciles the bond and the amount of money needed to purchase it, and when done, the sale takes place
- Additional management expenses and fees above the published fee schedule could be incurred by CB because an investment manager charges more for their services
- A negotiated fee to the CB investment manager could be incurred
- There isn't clarity in the amount of fees that would be charged by CB
- What is CB's philosophy to meet the GFOA practices
- Does CB use a discount broker or a commissioned broker
- How is the commission determined on the purchase of a bond by CB
- Consult with Fife or Sumner regarding the fees paid to TVI in 2012 to get an idea of how much it would cost
- When consulted, TVI indicated his broker commission was around 1%
- TVI indicated CB could be used as the Safekeeping bank instead of US Bank; however, US Bank has a good track record and is TVI's preference
- The City should confirm that by utilizing CB they are following GFOA's best practice of delivery-versus payment basis and confirm that the person selling the bond is not associated with the same company that is holding the bond
- CB doesn't have a proven investment track record or large number of references, as most cities are investing with TVI
- There is approximately \$3 million available for investing (\$2.5 million in General Fund cumulative reserves, \$150,000 in Street cumulative reserves and \$380,763 in Water/Sewer cumulative reserves)
- One day's notice is required to pull money out of the LGIP
- TVI indicated that investing \$3 million over a three to four year period would yield approximately 0.55 to 0.75%
- Investing with TVI would produce earnings that are approximately three times the current yield
- It is difficult to compare TVI with CB due to the unknown fees that would be charged
- The investment committee has the authority to consider and to make investments authorized by law, and also to convert investments into cash
- The investment committee is required to make a monthly report of all investment transactions to the City Council, but doesn't need approval from Council prior to authorize the transactions
- A brief on investment scenarios should be provided to Council
- There is a general consensus to deal with TVI at this time and not CB

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- Corcoran is going to contact TVI and request a scenario on what recommendation they would have for investing \$1.5 million at this time, perhaps three bonds, and laddering for one to one and one-half years
- What is the difference between a discount broker and a commission broker

NEW BUSINESS

Corcoran stated the contract expiration date with CB is June of 2014, and not June of 2013. She reported that Debbie Patterson, Vice President/Manager at CB, is in agreement to waive the \$5 wire token fee but did not seem interested in discussing reducing any other fees at this time. Corcoran also reported that she closed the unused warrant account saving \$15 per month. Corcoran indicated that Patterson would negotiate the fees at the time of the RFP for banking services some time in 2014.

The current gross earnings rate with the Local Government Investment Pool (LGIP) is 0.1887%, with a net earnings rate of 0.1789%.

Corcoran called attention to an interesting article that was re-printed from the Wall Street Journal in the Tacoma News Tribune regarding buying long-term bonds. She indicated that the article noted that investing in bonds is a gamble and not a safe haven.

COMMITTEE MEMBER COMMENTS

All three members of the Committee agreed to add to the study session agenda of April 15th a review and discussion of the Investment Committee's progress to date and include information received from TVI about investing \$1.5 million at this time.

NEXT MEETING

The next meeting is scheduled for 4:00 P.M. on April 22, 2013.

ADJOURNMENT

Moved by George, seconded by Corcoran, to adjourn the meeting at 5:08 P.M. Ayes: Viafore, George and Corcoran. Unexcused: McVay. Motion carried.



David M. Viafore, Mayor



Lisa Keely, City Clerk