

**CITY OF FIRCREST
INVESTMENT COMMITTEE MEETING MINUTES**

**MONDAY, APRIL 22, 2013
4:00 P.M.**

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

CALL TO ORDER

Councilmember Kathy L. McVay called the regular meeting to order at 4:40 P.M. Councilmember Hunter George and Finance Director Colleen Corcoran were present. Mayor David M. Viafore was absent. Staff present: City Clerk Lisa Keely. Viafore arrived at 4:50 P.M.

ADOPTION OF THE MINUTES

MOTION

Moved by Corcoran, seconded by George, to adopt the minutes of the April 8, 2013 meeting. Ayes: McVay, George and Corcoran. Noes: None. Absent: Viafore. Motion Carried.

UNFINISHED BUSINESS

Corcoran reported she contacted Paul Jarvis from Time Value Investments, Inc. (TVI) to inquire about investing \$1.5 million within a laddering scenario. Jarvis suggested the following:

Amount of Bond	Term	Yield
\$500,000	3 years	.4% - .45%
\$500,000	4 years	.5% - .58%
\$500,000	5 years	.8% - .9%

Corcoran noted if the direction of the Investment Committee was to invest the entire amount (\$2.5 million) that is in the General Fund Cumulative Reserves, Jarvis suggested also including a 3-1/2 year \$500,000 bond and a 4-1/2 year \$500,000 bond. That way, investing \$2.5 million would result in a 3-year bond, a 3-1/2 year bond, a 4-year bond, a 4-1/2 year bond and a 5-year bond, all in the amount of \$500,000.

Discussion ensued regarding purchasing a five-year-bond. Corcoran noted that the interest rate increase is relative to the length of the bond. The reason for the higher rate is due to the risk that interest rates may raise. If money is tied up in a five year bond and rates go up, the City could be earning less than the current market rate. There is always the option to sell a bond at anytime on the secondary market however this usually results in a loss.

Corcoran provided four handouts: (1) Looking for Yield in a Low Rate Environment: Risks to Avoid, (2) The Muni Bond market in 2013 from *Governing the States and Localities*, (3) Be Aware and Beware of Interest Rate Risk from MRSC, and (4) RCWs regarding Eligible Investments for Public Funds in the State of Washington. She noted that information she heard at a recent conference is that interest rates on bonds are expected to stay flat through 2015. Corcoran voiced concern with investing in a five-year bond, and noted that a .4% return on a three-year bond was pretty safe.

George suggested investing \$500,000 now in a three-year bond and then waiting for approximately six months before considering investing another \$500,000. He further noted another consideration could be to purchase three bonds all at once with differing maturity dates. Corcoran suggested purchasing one \$500,000 bond now, for a three-year term, and then waiting to see what happened with the bond market.

Viafore arrived at 4:50 P.M.

Viafore stated one of the objectives of today's meeting was to discuss floating a motion at the regular Council meeting of April 23, 2013. He reiterated FMC 3.02.020 which gives the Investment Committee the authority to consider and to make investments authorized by law, and also to convert investments into cash.

Committee members agreed not to make a decision on investing without going to Council, but to inform Council that the Investment Committee performed its due diligence and is prepared to enter the bond market.

Viafore voiced his desire to inform Council that unless there is opposition, the Investment Committee would invest up to \$1.5 million at this time, would work with the Finance Director and Jarvis from TVI, and would move towards getting everything in place and required documentation signed. He suggested investing \$500,000 in a three-year bond at this time, then wait for an additional 30 days or up to three months to confirm there aren't any surprises and find out what the actual costs are for investing in the bond market.

Corcoran provided five forms that need to be signed prior to purchasing the bonds:

- New Act Form (signed by Mayor Viafore and Finance Director Corcoran)
- US Bank Safekeeping Agreement (signed by Mayor Viafore and Finance Director Corcoran)
- Trading Authorization (signed by Mayor Viafore)
- US Bank Safekeeping Consent Form (signed by Finance Director Corcoran)
- Investment Resolution (signed by Mayor Viafore and Finance Director Corcoran)

Discussion ensued and the following language was agreed on for a motion to float to Council:

I MOVE TO AUTHORIZE THE MAYOR AND THE FINANCE DIRECTOR TO SIGN ANY AND ALL NECESSARY DOCUMENTS IN ORDER TO PROCEED WITH INVESTING PURSUANT TO A RECOMMENDATION FROM THE INVESTMENT COMMITTEE

Corcoran stated that the State Local Government Investment Pool (LGIP) was looking into entering the three to five-year bond market, but the gentleman that was actively involved in moving in that direction took another job resulting in this program being put on hold.

It was suggested to purchase a bond that paid interest on at least a quarterly basis, or every six months.

Corcoran stated that Jarvis suggested opening up a savings account to avoid wire transfer fees and it was further suggested to inquire about opening a checking account if there weren't fees associated with that.

NEXT MEETING

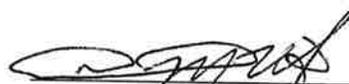
Not scheduled at this time.

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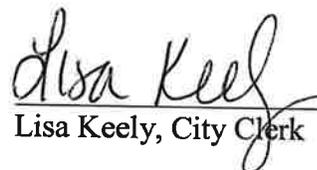
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ADJOURNMENT

Moved by George, seconded by McVay, to adjourn the meeting at 5:12 P.M. Ayes: Viafore, George, McVay and Corcoran. Noes: None. Motion carried.



David M. Viafore, Mayor



Lisa Keely, City Clerk