

**CITY OF FIRCREST  
INVESTMENT COMMITTEE MEETING MINUTES**

**MONDAY, JUNE 24, 2013  
4:00 P.M.**

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

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**CALL TO ORDER**

Mayor David M. Viafore called the regular meeting to order at 4:05 P.M. Councilmembers Hunter George, Kathy L. McVay and Finance Director Colleen Corcoran were present. Staff present: City Manager Rick Rosenblatt and City Clerk Lisa Keely.

**ADOPTION OF THE MINUTES**

**MOTION**

**Moved by McVay, seconded by George, to adopt the minutes of the April 22, 2013 meeting. Ayes: Viafore, George, McVay and Corcoran. Noes: None. Motion Carried.**

**UNFINISHED BUSINESS**

Corcoran stated that all necessary paperwork to begin purchasing bonds had been signed and was ready for submittal once the Committee authorized the investments. Corcoran stated, however, that she was concerned with bond investing at this time due to the potential of rising interest rates.

Discussion included the following:

- Two signatures (Mayor and Finance Director) should be required for all transactions
- An account would need to be opened in order for the system to be ready for investing
- What is the minimum amount required to open up an account
- Why should an account be opened, with the money just sitting in the account, if a decision hasn't yet been made to begin purchasing bonds
- If the interest rates continue to rise, the return on the bonds won't be as favorable as they would be if the interest rates remained flat
- The bond market is predicted to burst at some point in the future
- The Dow Jones is predicted to adjust negatively somewhere in the area of 500 to 1,000 points
- Federal Reserve Chairman, Ben Bernanke, said that the Fed may begin to pull back its \$85 billion a month bond purchasing stimulus program if the economy continues to improve through the end of the year, noting that there could be a change in policy announced as early as September
- Bernanke indicated that the Federal Reserve may end its bond purchases in mid-2014 if its economic forecasts are correct
- Why not purchase a bond, in a smaller amount than previously proposed, to test the market
- Why purchase a bond that might only pay ¼ percent when the interest rates are going up, ultimately producing investments with a higher rate of return
- 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
- If we invest in a \$500,000 bond with a 1% interest rate, and the rates for shorter term investments go up to 2%, we wouldn't lose the principal of \$500,000, but we wouldn't receive the benefit of the additional interest
- There are hidden costs when purchasing a bond (what is the net return when the bond is sold)

- Some of the market predictions have come true (the stock market has adjusted downward)
- Consider increasing the cumulative reserves until such time as the anticipated retail development on Mildred occurs that would increase the amount of retail sales tax
- The apparent increase in property values will result in higher property tax revenues and EMS tax revenues
- The only individuals advising to purchase bonds at this time are the ones who benefit from the sale of the bond

There was full agreement from the Committee to wait to purchase bonds due to the shakiness in the bond market and comments from Federal Reserve Chairman Bernanke about their possible policy change in September.

**NEXT MEETING**

Not scheduled at this time.

**ADJOURNMENT**

**Moved by George, seconded by Corcoran, to adjourn the meeting at 4:34 P.M. Ayes: Viafore, George, McVay and Corcoran. Noes: None. Motion carried.**



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David M. Viafore, Mayor



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Lisa Keely, City Clerk