

**CITY OF FIRCREST
INVESTMENT COMMITTEE MEETING MINUTES**

**MONDAY, MARCH 10, 2014
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 4:05 P.M. Councilmembers Hunter George, Denny Waltier and Finance Director Colleen Corcoran were present. Staff present: City Clerk Lisa Keely.

Viafore welcomed Waltier to the Investment Committee. He reported that he was a shareholder of Columbia Bank but that would have no bearing on decisions made at today's meeting. Viafore concluded by stating he would monitor the confidentiality issue and remove himself if necessary.

ADOPTION OF THE MINUTES

MOTION

Moved by George, seconded by Corcoran, to adopt the minutes of the June 24, 2013 meeting. Ayes: Viafore, George, Waltier and Corcoran. Noes: None. Motion Carried.

NEW BUSINESS

Local Government Investment Pool (LGIP) Resolution

Corcoran referenced information received from the LGIP Administrator noting they have created a new prospectus in an effort to provide more clarity with respect to how the LGIP operates and as a result of the recently amended WACs. As a result of the release of this prospectus, each government investing in the LGIP is required to complete an updated Resolution. Corcoran indicated that she would be bringing the Resolution to Council at a future meeting, and prior to the deadline of June 30, 2014. It was reported that City of North Bend Administrator Masko sits on the LGIP Board.

TVI Bond Investment

Corcoran reported the net earnings rate with the LGIP was 0.1051%, resulting in a monthly net earnings of \$646.38 on the City's \$8,015,707.72 investment. She stated that rate was the lowest since she had begun tracking them. Upon receiving that LGIP statement, she contacted Paul Jarvis, Time Value Investments (TVI), and inquired about the Investment Committee's previous discussions regarding bonds investments. Corcoran indicated the rate received from the LGIP was about the same as the rate received for the approximately \$3 million that was maintained in a checking/money management account at Columbia Bank. Discussion continued as follows:

- Paul Jarvis has been working with other jurisdictions and investing in bonds for over 30 years and has a lot of experience
- The City should look at investing in bonds
- When inflation hits, the inflation fighter is the City's reserves
- When rates are up, the interest received makes a positive difference to the budget
- Experts are indicating that interest rates will stay low
- In addition to the low interest rate, the LGIP also charges fees

- The LGIP invests the City's money in bonds and securities
- The City could choose to wait this out and leave its money with the LGIP
- If the LGIP rate goes up to 3% and the City has invested in a three-year bond at a lower yield, the risk loss is the lesser interest paid
- The risk could also be if the City needed money that necessitated selling the bond at a discount
- The new Federal Reserve Chairman appears to be heading in the direction of staying the course and not raising rates

Corcoran stated if the Investment Committee decides to invest with TVI, the necessary paperwork to initiate the account at US Bank needs to be signed by both the Mayor and her. She reported that Jarvis stated the following short-term bonds were available and indicated a choice could be made to stagger/ladder the bond purchases:

- Four year, \$1 million callable bond, pays 1.28% interest at maturity (if called, pays 1.3% to 1.4%), government agency bonds only
- Four year, \$500,000 non-callable bond, pays 1.15%
- Three and one-half year bond, pays 1%
- Four and one-quarter to four and one-half year bond, pays 1.25%

Discussion continued as follows:

- The difference in interest received by investing in bonds instead of leaving the money in the LGIP could be around \$780 per month, which is a significant increase
- Invest \$1 million now in a four-year bond at 1.28%, wait six months to see where the rates move, and consider investing an additional \$1 million
- The only risk in investing in bonds is if the rates increase in the LGIP to a rate that is greater than what the bonds pay
- Investing in a four-year bond prevents future Councilmembers from spending \$1 million for four years
- Pursuant to the Revised Code of Washington (RCW), there are limitations on how investments can be made by municipalities
- It is the responsibility of the Investment Committee to consider and make responsible investments with the City's money, and the Investment Committee is doing its job by recommending purchasing a \$1 million bond at this time
- The bond will not be purchased if it falls to a yield of 1.1% without a phone call from the Chair to the Committee members

MOTION

Moved by Viafore, seconded by Waltier, that the Investment Committee invest \$1 million in a four-year bond at an approximate yield of 1.28%, with the money coming from the LGIP General Fund Cumulative Reserves Money. Ayes: Corcoran, George, Viafore and Waltier. Noes: None. Motion carried.

US Bank

- Corcoran will continue with the process necessary to open the US Bank account

COMMITTEE MEMBER COMMENTS

Corcoran reported the contract for banking services with Columbia Bank expires in June 2014. She noted they are reviewing doing an RFP or staying with Columbia Bank. Discussion continued as follows:

- Columbia Bank provides a good service
- There is a good chance the contract could be rolled over without change to pricing and fees
- The pricing is the same as it has been for a long time
- The liaison to Finance will bring the issue up at a future Council meeting during liaison reports
- The other two banks in Fircrest, First Citizens and the future Umpqua Bank, might be interested in responding to a RFP

The decision by the Investment Committee to purchase a four-year, \$1 million bond will be announced at tomorrow night's Council meeting.

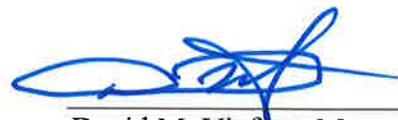
It was suggested that the Investment Committee agendas and adopted minutes be placed on the city's website.

NEXT MEETING

The next meeting will be scheduled as necessary.

ADJOURNMENT

Moved by George, seconded by Waltier, to adjourn the meeting at 4:45 p.m. Ayes: Corcoran, George, Viafore and Waltier. Noes: None. Motion carried.



David M. Viafore, Mayor



Lisa Keely, City Clerk