

**CITY OF FIRCREST
INVESTMENT COMMITTEE MEETING MINUTES**

**THURSDAY, JUNE 16, 2016
8:30 A.M.**

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

CALL TO ORDER

Mayor Matthew Jolibois called the meeting to order at 8:30 A.M. Councilmembers Hunter George, Denny Waltier and Finance Director Colleen Corcoran were present. Staff present: City Clerk Lisa Keely, City Manager Rick Rosenblatt, and Accountant II Michelle Thomas.

APPROVAL OF MINUTES

Moved by Waltier, seconded by George, to approve the minutes of the June 10, 2016 regular meeting. Ayes: George, Jolibois, Waltier and Corcoran. Noes: None. Motion carried.

NEW BUSINESS

Jolibois introduced Paul Jarvis from Time Value Investment, LLC (TVI) to make a power point presentation. The meeting was relocated to Council Chambers. Jarvis stated that he has assisted public agencies since 1988, and reported that he joined TVI six years ago. Jarvis noted that there are approximately 150 public agencies in the state of Washington that use TVI to purchase bonds for them. He reported TVI has access to bonds that municipalities can't access on their own. Jarvis explained that a bond will get 'called' or paid off early if the amount of interest that is being paid out is more than the rate at which a new bond can be issued for the remaining time of the current bond. He stated, in other words, if it gets short enough and is below the rate they are carrying it, there is incentive to pay it off, or 'call' it. Jarvis stated that the first three bonds on the list offered by Eagle Asset Management were mortgage backed securities with a maturity date of twenty to thirty years. He further noted that mortgage backed bonds are dependent on the real estate market and when people refinance it can affect the value of the bond. Jarvis noted the challenge to the 20+ year bonds, similar to those proposed by Eagle Asset Management, is that the further out the maturity is the more impact it can have on the value of the bond. He reported if interest rates go up, the value of the bond will plummet for a 20 year bond. Jarvis further noted that municipalities must invest on a non-discretionary basis.

Jarvis presented four bonds for consideration by the Investment Committee:

Bond #1: Four year callable bond in one year and continuously thereafter, yield at maturity is 1.2736% but in June of 2017 will probably be called if rates remain the same as they are today

Bond #2: Three year and 3 months non-callable bond that pays all interest at maturity, compounding at .90%

Bond #3: Three year bond callable in one year and continuously thereafter, yield at maturity is 1.05%

Bond #4: Two year and eight-month non-callable bond with .71% interest payments semi-annually

Jarvis concluded by stating the Committee might wish to consider purchasing two bonds – \$1 million in a shorter bond and \$500,000 in a longer one.

The Committee convened into the conference room.

Discussion continued as follows:

- Concern was expressed that the City might not be able to invest with Eagle Asset Management due to their discretionary investing
- The City can't invest its money with someone who has authority to buy and sell without City involvement

Corcoran reported that the City had purchased three of the bonds that had been called and used the rates produced by Eagle Asset Management at the last meeting and provided a spreadsheet showing what the differences would be if those three bonds had been purchased by Eagle Asset Management instead of TVI.

Bond #1, \$1 million, purchased 3/14/14, called on 9/21/15. Interest received from TVI = \$22,887. If that bond had been purchased from Eagle Asset Management, the net interest would have been minus \$125

Bond #2, \$1 million, purchased 5/16/14, called on 2/6/15. Interest received from TVI = \$10,495. If that bond had been purchased from Eagle Asset Management, the net interest would have been \$375

Bond #3, \$1.5 million, purchased 4/2/15, called on 5/21/16. Interest received from TVI = \$27,608. If that bond had been purchased from Eagle Asset Management, the net interest would have been minus \$528

Corcoran provided a handout titled 'Bonds vs. bond funds: What you need to know now'. Jolibois distributed information he received from Eagle Asset Management, prepared by Brian Jacobus on June 14, 2016.

Discussion continued as follows:

- There is uncertainty regarding investing with Eagle Asset Management
- Eagle Asset Management charges really high fees
- What are the financial needs of the City
- What are the municipal desires of the City
- Would it be possible to do an interfund loan and use the General Fund Cumulative Reserves to pay off the loan in the Water Fund

There was discussion regarding the bonds recommended by Paul Jarvis.

June 16, 2016


Investment Committee Meeting Minutes – Regular 3

MOTION

Moved by George, seconded by Waltier, to purchase Bond #3, a \$1 million three-year bond that is callable in one year and continuously thereafter, with a yield at maturity of 1.05%. Ayes: George, Jolibois, Waltier and Corcoran. Noes: None. Motion carried.

ADJOURNMENT

Jolibois adjourned the meeting at 10:02 a.m.



Matthew Jolibois, Mayor



Lisa Keely, City Clerk