

**CITY OF FIRCREST
INVESTMENT COMMITTEE MEETING MINUTES**

**THURSDAY, OCTOBER 7, 2016
9:00 A.M.**

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

CALL TO ORDER

Mayor Matthew Jolibois called the meeting to order at 9:00 A.M. Councilmembers Hunter George, Denny Waltier and Finance Director Colleen Corcoran were present. Staff present: City Clerk Lisa Keely and City Manager Rick Rosenblatt.

APPROVAL OF MINUTES

Moved by Waltier, seconded by George, to approve the minutes of the June 16, 2016 regular meeting. Upon vote, motion carried unanimously.

NEW BUSINESS

Corcoran stated that the \$1,000,000 bond purchased on October 22, 2015 was called today. She reported that the maturity date for the bond was October 7, 2019 and it had an interest rate of 1.0070%. Corcoran stated the interest on the bond was payable every six months (\$7,250) and was callable on October 7, 2016. Corcoran reported that the bond was funded by the following:

\$300,000 from General Fund Undesignated Fund Balance
\$500,000 from General Fund – Light
\$200,000 from General Fund 44th

Corcoran reported that the bond called today was held for 12 months and total interest earned for that period was \$9,683. She noted that the LGIP average interest rate for the same period is 0.3958%, and interest earned if that money was invested at the State would have been \$3,958. She reported that an additional \$5,725 was earned by investing the money in the bond instead of the LGIP.

Jolibois inquired about the amount of commission that was charged to purchase the bond.

Corcoran responded it was between \$1,000 and \$3,000 and is built into the price of the bond.

Jolibois inquired if the City is getting the best value for the money and suggested that the City study whether local investor Jose Veliz could provide a more competitive product.

George stated that the Investment Committee (Committee) had already done the research. He noted that on June 10, 2016, the Committee listened to a presentation by Jose Veliz who gave a presentation on an investment strategy involving Government Securities. George reported that on June 16, 2016, the Committee listened to a presentation by Paul Jarvis from Time Value Investment, LLC (TVI). George reported that the Committee heard from Veliz that his company had no experience in municipal investing and that TVI had experience purchasing bonds for approximately 150 public agencies in the state of Washington. George further highlighted the

information from TVI that municipalities must invest on a non-discretionary basis, and Veliz's investment strategy included investing public funds on a discretionary basis.

Jolibois stated he had made an inquiry to the Municipal Research and Services Center (MRSC) regarding investing public funds on a discretionary basis and reported he was told it can be done.

Corcoran reported that a comparison was provided at the previous meeting showing the difference in interest earned from a bond purchased from TVI versus a bond purchased from Eagle Asset Management (Veliz), noting that due to the fees charged by Veliz it was much more favorable to purchase from TVI.

MOTION

Jolibois moved to table this.

The motion died for lack of a second.

At 9:27 a.m., Jolibois left the meeting.

MOTION

Moved by Waltier, seconded by Corcoran, for George to chair the meeting. Upon vote, motion carried unanimously.

Corcoran outlined possible bond investments proposed by TVI:

Bond #1

- Three year and ten months, callable in ten months and continuously thereafter
- Federal Farm Credit Bank (FFCB) bond price to purchase a \$1,000,000 bond is \$1,003,185.33 (this includes the accrued interest amount of \$1,723.33 plus commission that is built into the purchase price)
- Yield to maturity is 1.281%
- Callable 8/24/17, and the callable rate is 1.15%
- Semiannual interest is 1.25% per year in the amount of \$6,600, or \$13,200 annually

Bond #2

- Three year and three months, callable on 7/7/17 and quarterly thereafter
- Fannie (FNMA) bond
- Yield to maturity is 1.204%
- Callable 7/7/17, and the callable rate is 1.05%
- If not called on 10/7/17, the yield is 1.25% per year
- Semiannual interest in the amount of \$6,250, or \$12,500 annually
- 1/7/20 maturity date

Bond #3

- Two year and four months, callable in one year and 4 months and continuously thereafter
- Federal Home Loan Bank (FHLB) bond

TVI broker Paul Jarvis was contacted and put on speaker phone. Jarvis responded to an inquiry about the amount of commission charged by stating that brokers don't typically disclose their commission but stated it is between \$1,000 and \$3,000 per million dollars of investment. He acknowledged that one of the benefits of utilizing the services of a broker is that the client is "renting their access" to available investments.

Jarvis responded to an inquiry regarding discretionary versus non-discretionary investing for public agencies and called attention to the publication "*Guide to Public Funds Investing for Local Governments* produced by Washington State Treasurer James L. McIntire. Jarvis highlighted language on page 12 of that publication regarding securities being purchased with the authority of the jurisdiction that states:

"Most public fund managers in Washington State do not have the authority to delegate to an external entity those management functions that require the exercise of discretion or judgment in which factual information is weighed and personal judgment is exercised in order to reach a conclusion, e.g., to enlist the services of an investment manager. However, they can enlist the services of investment advisors and the scope of services they may provide can include nearly everything except making the decision to purchase or sell securities. For example, an advisor could recommend the purchase of a particular security. Should the entity authorize the purchase of that security the advisor could then act on your authorization and purchase that security for your entity."

Jarvis stated that in discretionary investing, the manager of those funds is never liable, which is one of the main reasons that public entities should utilize non-discretionary investing only. He further stated that Doug Extine, Deputy Treasurer of Investments at the Washington State Office of the State Treasurer and GFOA (Government Finance Officers Association) recommends "best practices" to not delegate the authority to make the decision to purchase or sell securities without authorization.

It was suggested that MRSC is contacted to verify statements made previously by Jolibois regarding municipal investing.

MOTION

Moved by Waltier, seconded by George, to authorize Finance Director Corcoran to invest \$1,000,000 for Bond #1, a three year and ten months bond, callable in ten months and continuously thereafter, with a yield at maturity of 1.281%, using \$300,000 from General Fund Undesignated Fund Balance, \$500,000 from General Fund – Light and \$200,000 from General Fund 44th. Upon vote, motion carried unanimously.

MOTION

Moved by Waltier, seconded by George, to authorize the Finance Director to invest \$500,000 for Bond #2, a three year and three months bond, callable on 7/7/17 and quarterly thereafter, with a yield at maturity of 1.204%, using \$500,000 from General Fund Cumulative Reserves. Upon vote, motion carried unanimously.

ADJOURNMENT

George adjourned the meeting at 10:16 a.m.

Hunter T. George, Councilmember

Lisa Keely, City Clerk

PRELIMINARY