

**MEETING MINUTES
TOWN OF LONGBOAT KEY
JOINT INVESTMENT ADVISORY COMMITTEE AND FINANCE COMMITTEE
MEETING**

6/2/16

At 1:00 PM on Thursday, June 2, 2016, a public meeting of the Investment Advisory/ Finance Committee commenced in the Ante Chamber conference room located in Town Hall, 501 Bay Isles Road, Longboat Key, Florida.

Members attending: Lynn Larson, Phill Younger, Irwin Pastor, Frank Malickson, Armando Linde.

Also attending: Finance Director Susan Smith, Purchasing Manger Kari Kennedy, Investment Advisor Steve Alexander, Utility Billing Analyst Mike Wilkinson, Wade Sansbury of Mauldin & Jenkins, Mel Hamilton & Julie Hughes of Chandler Asset Management and Matt Tight, Tom Tight and John F. Grady III of Public Trust Advisors, LLC.

- 1. ELECTION OF CHAIRMAN AND VICE-CHAIRMAN.** Motions were made, seconded and approved to elect Irwin Pastor as chairman and Armando Linde as vice chairman. Lynn Larson whose term had expired was nominated to remain on the committee. A motion was made, seconded and approved.
- 2. PUBLIC COMMENT:** None.
- 3. APPROVAL OF MINUTES – FEBRUARY 11, 2016.** A motion was made and seconded to approve the minutes. The motion passed and Lynn Larson signed off on the minutes as she was Chair at the time of the meeting.
- 4. RFP 16-035 INVESTMENT ADVISORY SERVICES INTERVIEWS.** Current Advisor PFM Asset Management will no longer be under contract as of July 1, 2016. This portion of the meeting was to hear presentations and elect a new Investment Advisor from the two firms that responded to the RFP. The two responding were Chandler Asset Management and Public Trust Advisors. Each gave a presentation outlining their strengths, services provided, strategies and why they felt they were the best fit to meet the investment needs of the Town. After the presentations were concluded Kari handed out a scoring sheet to the committee members to rank each firm in several categories. After the ranking exercise was complete Kari tabulated the results and announced that Chandler Asset Management had the higher ranking. Phill Younger made a motion to adopt

Chandler as the new Investment Advisor. The motion was seconded by Irwin Pastor and the motion passed.

5. FINANCIAL ADVISOR STEVE ALEXANDER – REVIEW OF INVESTMENTS

1ST QTR 2016. Discussion was led by Steve Alexander. Steve mentioned to the group that the year started with a significant downturn in the market. Factors included slow downs in China and Europe and the Fed raising the short term interest rate by 25 basis points. The general feeling is that Fed action in 2016 will not be as robust as first predicted due to slow economic growth. It has been a challenge to determine the best durations of investments with so much uncertainty. Steve feels the current durations are good for potential additional rate hikes by the Fed. The portfolio is situated for rising interest rates flexibility. Steve said most portfolio activity will happen in the 0-2 year time duration. No consensus yet on what Fed will do with regard to additional rate hikes. Steve told the group that the quarterly return for the portfolio was .99% which was 9 basis points above the benchmark of .9%. Steve pointed out that currently 62% of the portfolio is in 2-3 year duration. The bulk of the portfolio is in AA+ credit quality to take advantage of yield while minimizing risk. Frank Malickson asked Steve's opinion on whether he felt the Fed would do one or two additional interest rate hikes in 2016. Steve said it is anyone's guess at this point but felt if they do the first one at the next meeting then he would give the second one later in the year a 50-50 chance. He noted that there is much economic uncertainty worldwide and cited the situation in China and the possibility of countries pulling out of the European Union as examples. Frank asked Steve if we have any securities that are subject to capital gains taxes. Steve replied that we do. Frank asked if we should sell now in anticipation of rising interest rates. Steve advised waiting to see what the Fed does and noted that portfolio placement already had one increase factored in. Frank asked if the portfolio was maxed out as far as corporate securities. Steve said no, based on guidelines there is still some room. Frank asked if there was still lots of room to add commercial paper to the portfolio. Steve responded yes. Frank asked if the yields for corporates and commercial paper are better than for treasuries. Steve responded yes.

6. MAULDIN & JENKINS, CPA'S – CAFR FY 2015. Discussion was led by Wade

Sansbury. Wade stated the firm had issued an unmodified opinion that the financial statements of the Town fairly present the financial position and operational results of the Town as of Fiscal Year ended 9/30/15. This is the highest assurance an auditor can render. Wade pointed out that the opening net position of Governmental Activities had been updated and was reduced by 19.3M from 62.2M to 42.8M due to the requirement of GASB regulation 68 which requires recording pension liability in financial statements. He said of note was the change in total net position from 74.8M in 2014 to 82M in 2015. He said the increase of 7.2M represented strong performance. Wade pointed out that increased revenues of 1.2M from 2014 to 2015 were mostly due to increased revenues

from property taxes. He said the 33M position of Proprietary Funds was a strong net position. He also commented that the cash flows of 4M from operating activities was strong and helped to support capital activities. Wade relayed to the group that this was a very positive overall audit with no material findings. Frank Malickson asked Wade if there were any internal control issues identified that did not rise to the level of material findings. Wade responded that Mauldin had two recommendations of a managerial nature. The first was regarding a requirement for approval of a line item transfers that are at the line item detail level and that this should be modified. Mauldin felt that for operational productivity more flexibility should exist when there was no change to the overall budget. The second was regarding the Grant Review process. Mauldin found one grant request that was not reviewed by management prior to submission. Wade noted that although this is not required by State regulations, Mauldin recommends that all requests are reviewed by management prior to submission. Frank also asked if a review of the new accounting system that would be part of the upcoming ERP implementation would be part of the next audit. Wade responded yes, all internal controls associated with those changes would be tested. Frank then asked how much that additional review would increase the cost of the audit. Wade responded that there was no additional cost as it was covered in the price of the overall audit package to provide an in depth review of all internal controls.

7. GENERAL FUND QUARTERLY REPORT ENDING MARCH 31, 2016.

Discussion was led by Sue Smith. Sue provided a summary of the handout to the group. Sue pointed out reimbursement of \$438,600 in start up costs for the undergrounding project was in the fund balance. She also pointed out that legal expenses are high due to a high level of procurement activity which requires review by Town attorneys. Additional billed hours are above the hours which were negotiated in the contract. Phill Younger commented that we need to see if there was a decrease in other hours being spent by Town attorneys to ensure that the Town is not being over billed.

8. NEW BUSINESS. None.

ADJOURNMENT. The meeting was adjourned at 4:10 PM.

Minutes Approved _____

Mike Wilkinson

Irwin Pastor, Chairman