

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

**11/4/16**

At 10:00 AM on Friday, November 4, 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: Frank Malickson, Phill Younger, Irwin Pastor and Armando Linde.

Also attending: Finance Director Susan Smith, Town Manager Dave Bullock, Utility Billing Analyst Mike Wilkinson and Mel Hamilton of Chandler Asset Management.

Excused: Lynn Larson

- 1. PUBLIC COMMENT:** None.
- 2. APPROVAL OF MINUTES – SEPTEMBER 9, 2016.** A motion was made and seconded to approve the minutes. The motion passed and Chairman Irwin Pastor signed off on the minutes.
- 3. CHANDLER ASSET MANAGEMENT REPORT.**
  - A. SUGGESTED “RED LINE’ CHANGES TO THE INVESTMENT POLICY.** Mel Hamilton covered the proposed changes as follows: Page 8 regarding portfolio diversification and maintaining 6 months operating cash in the investment portfolio; Page 9 regarding the maximum percent of callable securities and portfolio duration; Page 10 regarding what happens if a security is downgraded and the responsibility of the Investment Manager to monitor the credit ratings of securities and to notify the Finance Director in the event of a downgrade; Page 11 regarding the addition of Supranationals and Asset-Backed Securities to the portfolio options; Page 15 regarding elimination of language naming specific rating agencies and calling for A1 ratings by 2 nationally recognized agencies for purchases of commercial paper; Page 16 regarding purchases of Corporate Notes, specifies U.S. dollar denomination of debt obligations and eliminates requirement that the Corporation is operating in the U.S. ; Pages 17 and 18 regarding the rules of purchase, maximum portfolio percentage and maturity limitations for purchases of Supranationals and Asset-Backed Securities and the reduction to 50% as the maximum

that may be invested in Money Market Funds; Page 19 changing the maximum percentage to 75% for investments in Intergovernmental Investment Pools.

Sue Smith will send the Investment Policy to the Town Attorney for review and prepare a Resolution for the Town Commission to adopt the new investment policy, and rescinding the old policy.

**B. LGIP BID RESULTS.** Mel covered the handout which is a table of Local government Investment Pool funds that Chandler asked for information regarding assets, yield, average maturity, expenses, etc. It was pointed out that the investment policy calls for a maximum of 75% of the portfolio in this type of fund but the Florida Prime fund is the only one specified that the max is 25%. Mel acknowledged this and proposed changing the maximum overall investment in LGIP funds to 25%. All agreed that the proposal made sense. Mel conveyed to the group that Chandler believes the two best options for this type of investment are Florida Prime and Florida Class because of asset levels and yields. The differentiation between the two that is important to the Town is the expenses. Florida Prime's expenses are 3.26 basis points compared to 15 basis points for Florida Class. Mel pointed out that the Florida Prime Fund is sponsored by Florida State Board of Investors and is managed by Federated. He also pointed out that Florida Prime has 775 participants which gives it diversity in the type of investors. The fund also gives a lot of financial details on the website and the fund is audited annually by a consultant which results in significant transparency to the operation of the fund. Armando Linde asked that with Florida Prime having the top yield and lowest expenses why would any of the investors choose another fund. Mel replied that those investors usually have a vested interest in the fund. Sue asked if any of the funds offered automatic scheduling of debt service payments and Mel replied that to his knowledge the Florida funds did not offer this. Frank asked is we can expect changes in the asset balances in these funds and the answer is yes. These can change daily depending on member activity. The example is just a snapshot based on the day we asked for the data. Irwin Pastor recommended that the committee make a choice between Florida Prime and Florida Class. Phill Younger made the motion and Armando Linde seconded. All were in favor. The committee will make a recommendation to the Commission regarding the fund and with a maximum of 50% of the bank balance to be invested. A resolution by the Commission will be necessary to move forward. An Interlocal agreement will be needed for Commission approval in order to open FLCLASS. Sue will get the required documents together for approval by the Commission.

**4. NEW BUSINESS.** Armando Linde was recognized and had a proposal regarding funds for beach nourishment. He questioned always financing this activity with debt and asked about the possibility of the Town setting money aside. Irwin Pastor replied that with the current revenue sources available to the Town we could never budget for the amount of money beach nourishment requires without drastic cuts to services. Dave mentioned that there could be a special levy in the districts specifically for this, a referendum would be

required. Phill Younger mentioned this would be a major change to the way the Town does business and we need to be careful. Irwin Pastor remarked that realistically this will continue to be financed with debt for the foreseeable future and the beach is worth it. The beach is what provides major value to the community. Phill Younger commented that he was not necessarily comfortable with the current 5 year time period for projected nourishment projects. Dave replied that any pre-determined time frames are irrelevant, the beach will tell us when it is time based on natural events. Frank Malickson asked if we have a capital reserve fund for beach nourishment. The answer is no. Irwin Pastor remarked that capital reserve is much more predictable for things like building related issues (e.g. roof, A/C etc) and very unpredictable for beach issues as things like storms impact beach erosion. Dave mentioned that it may be helpful for him and Sue to go through the beach fund model with the committee and the commission so all can have a better understanding. Irwin Pastor replied that he is good with that and that we can look at scheduling a special meeting shortly in to the new year. He also mentioned that the committee will continue to look at other possibilities for financing beach nourishment. Mr. Pastor asked if there was any other new business and there was none.

- 5. NEXT MEETING.** The next meeting is scheduled for December 8, 2016 at 10:00 AM. Sue asked if anyone had agenda items for the next meeting and no one had any.

**ADJOURNMENT.** The meeting was adjourned at 10:52 AM.

Minutes Approved \_\_\_\_\_

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Mike Wilkinson

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Irwin Pastor, Chairman