

Minutes of the
Investment Advisory/Finance Committee Meeting
July 6, 2015 9 AM
PZB Conference Room

Members present. Chairperson Lynn Larson, Irwin Pastor, Phill Younger.

Others present. Anne Ross, Dave Bullock, Susan Smith, Sandi Henley, Steve Alexander and Khalid Yasin (PFM Asset management)

Call to order. Meeting was called to order at 9:02 AM

Investment Advisory Committee

Public Comment. None.

Approval of Minutes. Motion was made by Irwin Pastor to approve the June 4, 2015 minutes as presented and seconded by Phill Younger. Motion passed unanimously.

Presentation by Investment Advisor. Steve Alexander provided a presentation on investment options associated with \$1.6 million fund balance assigned to pension in the General Fund. Discussion ensued whether to invest it more aggressively to outpace inflation in the general fund or whether to contribute the money directly into the pension fund.

Per S. Alexander, in order to change asset allocation of the current pooled assets, the current investment policy would need to be changed or a separate investment policy would have to be drafted pertaining to this specific reserve. L. Larson is in favor of directly funding the pension.

The current Portfolio of the general fund has earned 45 basis points in the last quarter, .99% for last 5 Years and 1.93% Since Inception 09/30/2007. These returns are slightly lower than the Merrill Lynch 1-3 Year US Treasury/Agency Index. Funds could be invested more so like a pension fund with either a 50/50; 60/40 or 70/30 portfolio.

Phill Younger asked what is the liquidity of the portfolio if a hurricane hits? PFM reported that they could trade it all in a day. When asked when the Town had last had to take money out of the rainy day fund, S. Henley reported never in her twenty years with the Town. However S Henley handed out a schedule of use of fund balance for last ten years where surplus funds were used to balance the budget especially during the recession when assessed values were declining.

		<i>Actual</i>	<i>Budget</i>
<i>FY</i>	<i>Fund Balance</i>	<i>surplus/(use) of fund balance</i>	<i>surplus/(use) of fund balance</i>
2006	6,418,449	1,114,096	445,288
*2007	5,086,561	(1,331,888)	(721,981)
2008	5,264,634	178,073	61,080
**2009	5,502,088	237,454	(771,436)
2010	5,367,560	(134,528)	(300,000)
2011	5,010,163	(357,397)	(300,000)
2012	4,756,000	(254,163)	(328,000)
2013	4,097,651	(658,349)	(450,000)
2014	4,018,593	(79,058)	210,075
2015	4,628,467	609,874	435,075
2016	4,202,400	?	(426,067)

* Only included \$170,000 for salary study raises, was significantly more. Took out of fund balance.

** Received State Pension money withheld from 2008. Began Road and Bridge transfer mid-year (not in budget)

Note that 2016 Budget has been modified to \$389,675.

Once money is deposited into the pension you cannot get them back. P. Younger said the purpose of the set aside reserve was for pensions. Its intended for pension but we may need it for an emergency. P. Younger suggested taking one half of it and putting it in the pension and the other half keeping in the general fund.

L. Larson stated that it is not raining and no one is willing to raise the millage. She feels that dollars going to the pension is where it's going to grow the most.

Khalid Yasin stated if these funds are seen as pension like funds they can be invested as such. Steve Alexander reported that Chapter 218.415 Florida Statutes do not preclude a municipal government from investing in equities or other investable asset classes and long as there is Governance and oversight of funds, an approved investment policy and that the Town satisfies general rules and guidelines of investor prudence.

Discussion ensued about obtaining a line of credit in case of an emergency. Seeing the Town has adequate reserves in other funds, P. Younger made a

motion not to seek any line of credit, Irwin Pastor seconded. Lynn Larson was against. Motion passed.

S. Smith reported that while we have approximately \$25 million in pooled investments today, the Beach fund which has approximately a \$5 million fund balance will be down to \$54,000 by the end of FY16 if all projects are completed on time. And the healthiest fund balance sitting in the Utility Fund will deplete downward if the subaqueous pipeline is approved. Other funds we could look to for help would be the building fund and the land acquisition fund.

P. Younger stated that we have to move the \$1.6 million eventually but we could do it over time utilizing the 90 days as a goal. He suggested we move any excess of 90 days over to the pension now.

S. Smith stated that she asked the actuary, Doug Lozen what the impact of moving the excess of 90 days (approx \$347,000) into the pension as well as \$1.6 million would have on the pension plan.

Doug Lozen reported that the \$347,000 could be handled two ways:

- 1) Treat as a prepaid contribution
- 2) Apply it toward the unfunded liability

Option 1: The first option from a financial reporting perspective, records the annual contribution, as originally calculated, in the financial statements. Any amounts in excess are not counted as a contribution, but are recorded as a prepaid asset. The Town may then choose to utilize the prepaid asset when the ARC (annual required contribution) rises. Lozen believes this option allows the Town to earn more income for the plan but then can be used later down the road when the increases for the mortality tables kick in. HB1309 requires us to use new mortality tables which will be noticeable for both fire and police. In addition if the Pension Board reduces the Rate of return on Police and Fire down to 7% as was done for General Employees, this will also have another negative impact on the ARC.

Option 2: If we want to lower the ARC, the other option is to apply the \$347,000 directly to the unfunded liability which would be treated as an actuarial gain and amortized over ten years. At approximately 7% rate of return, the ARC would be reduced approximately \$50,000 a year for the ten year amortization period (all three plans combined). An amount of \$1.6 million under the same scenario reduces the ARC \$230,000 a year for ten years.

According to Doug the safest and return dollar for dollar is treating as a prepaid.

L. Larson suggested taking 10% of the funds and putting that into a longer 50/50 strategy. PFM referred to slide 16 where the Village's Community Development Districts did something similar with great results.

D. Bullock suggested finding a solution for different investment policy. S. Smith is to work on cash flow analysis. It was also requested that the actuary provide us the ARC impact in a report for the Town Commission to review.

P Younger made a motion to make a \$250,000 contribution from the \$1.6 million reserve and move it to the pension fund and the committee will continue to work on setting a direction or strategy on how we will use the remaining reserve, whether it be a new investment policy or moving the funds to the pension. I. Pastor seconded. Motion passed.

Finance Committee

Next meeting agenda. Lynn Larson suggested that the October 20, 2015 meeting is too far away and that this discussion should continue in August when we have both Steve Branham available as well as have the actuarial information impact of adding these funds to the pension plan. The meeting shall be scheduled so that materials will be given a week ahead of time to the members in preparation for this meeting. Sue Smith to coordinate the meeting when reports are received from the actuary.

New business. None.

Meeting adjourned 10:35 am.