MINUTES
Investment Committee Meeting
January 25, 2012 – Wednesday – 10:00 a.m.
Wayne Gilley Conference Room

Members Present: Councilman Doug Wells
Pat Henry

Others Present: Kathy Sheppard, Internal Auditor
Julie Magness, Financial Services Supervisor
Kris Raper, Accountant
Rick Endicott, Finance Director
Susan N. Schlecht, Recording Secretary

Absent: Brian Henry
Bryan Long

Meeting called to order at 10:05 a.m. by Magness. Notice of meeting and agenda were posted on the New City Hall notice board as required by law.

CONSIDER APPROVAL OF MINUTES FOR OCTOBER 26TH, 2011 MEETING.

MOTIONED by, Doug Wells **SECOND by**, Pat Henry to approve the minutes of October 26th , 2011. AYE: Pat Henry, Wells. NAY: None. MOTION CARRIED.

Endicott entered 10:07.

OLD BUSINESS:

None Discussed

NEW BUSINESS:

REVIEW 2nd QUARTER INVESTMENT INFORMATION (October 2011 – December 2011)

Raper discussed items that may appear unusual on the report. On the first page of the report there are money market totals that are higher than what we normally see. We got an investment returned at the end of December 2011 that they did not have time to wire those funds back in. That is why there is such a large amount of money in the money market account. Investments overall for this quarter stayed around the same as last quarter, close to about fifty million. The graphic at the bottom looks a little strange because of the negative balances on all of the agency totals. That is because during this time we purchased several agencies that we had to buy interest on. We did earn interest from these agencies, but the amount we had to pay for the new agencies was higher than what we had earned during that period. You will see the negative amounts here, but the certificate of deposits are over one-hundred percent which brings us to a total of 100% for all interest earned.

Raper moved to the third page of the report. You will notice that ICD and Floridian are new on the report. ICD and Floridian are combined like FTN, but we do not show it separately like we do the FTN because we do all of our investing under ICD. The actual custodian for these purchases is Floridian that is why they are both shown. The graphic on the bottom shows a split with a large percentage being agencies. We do not normally have such a lopsided split, but during the last period when we were doing a lot of purchasing most of the CD's available for us to reinvest in were CD's that we already owned. We cannot go over a certain amount and be insured so we had to buy more agencies during this time. We are now getting to a point where we can invest more in the CD's because some of those CD's have matured and we can now reinvest in them. We should see this chart even out over the next period. Page five has a bar graph that shows a graphical form of the maturity range.

Endicott added that months ago there was a concern by the committee members about the maturity range and how far we go out. I think you can see that we are staying within that two year range and we have a good percentage of investments in the six to nine month category. I think this gives us more flexibility in using these funds quicker.

Wells asked if there is anything that shows roughly where the money comes from. For instance there is money in here from the 2005 CIP and the 2008 CIP and soon the 2012 CIP funds.

Magness stated that is not included in this report, but we can do something that shows by fund. The majority of these funds are from the 2005 CIP.

Endicott said staff was just talking about that. I know that you are concerned about that 33 million and we do now have an AMP schedule on that and will be paying that off within the next six months. The first payment is in March. It will consist of interest only, but the succeeding payments will be interest and principle.

Wells stated that from his standpoint the CIP programs historically were pay as you go. The City might get a loan for the Water Treatment Plant because it is such a high amount. But, what I noticed in the budget book it showed that two of the notes for the 2005 CIP program actually showed that the notes would be paid off in 2025 or 2026. We have never done that before. Rick and I have been talking about this. In the next six months about forty million of this investment money will be used to pay these notes off. But by that time we will also start accumulated 2012 CIP money to put into more investments.

Pat Henry asked if the City tries to pay off any money that is borrowed for a CIP before the next CIP is started or do the CIP's overlap?

Endicott answered that the CIP's overlap. It depends on the rate of the money that is invested versus the rate that the money is borrowed. This and the project completion all plays into the timing in the CIP payoff. The reason that an issue goes out for so long initially is to sale the issue. Basically you do the issue then at a later point you do the permanent financing of it. Depending on what is going on with interest dictates how long the note is kept or if we want to pay it off. Arbitrage rules keep us from borrowing large amounts of money and earning interest on the money until we need it. There are rules in place that state the money has to be used in a certain amount of time and we cannot meet that stipulation. Therefore we are only borrowing approximately 24 million at this time even though we will eventually borrow more.

Raper went forward with the investment report. He pointed out that if you look at the bottom of the report as far as total investment dollars is concerned you will see that it shows $46 million and on the front page is shows $49 million. The difference is the three million dollars in the money market. This particular page shows only the investments and not the money market accounts. This concludes this report.

Endicott asked for a motion to accept the investment report.

MOVED by Pat Henry, SECOND by Wells, to accept the 2nd Quarter Investment Report for (October 2011- December 2011) AYE: Wells, Pat Henry. NAY: None. MOTION CARRIED.

DISCUSS 2nd QUARTER Financial Report (July 2011-December 2011)

Endicott pointed out that the water revenue is doing well and a good cushion for the budget is there. This is good because the utility side can help pick up the slack that we are having with the sales taxes and other general fund revenue. However, we do see signs of the water treatment going down which means less water usage and less water revenue. Our sales tax is down just slightly. I say that it is down, but really it isn't down. We estimated a three percent increase over the previous year and we are only slightly down from our projected three percent increase.

Wells asked if sales tax is six percent of the budgeted revenue.

Endicott answer that it is a large percent of the general fund revenue. It is 22 of the 35 million.

Pat Henry noted that the Hotel/Motel tax is holding its own. The meeting before last we discussed this and were concerned that it might lose ground to the budget. I am glad it is doing fine.

Endicott pointed out that the City really tries to control expenditures. If you look at the next page you can see that we are doing well. The large increase in the Enterprise fund is due to the capital outlay. We had a hold on those types of expenditures for the first several months of the new fiscal year. That hold was lifted and expenditures occurred at a larger rate than what is normal because of the hold that was in place. If our revenue starts to slip we do tighten up the expenditures.

MOTIONED by Wells, SECOND by Pat Henry, to accept the 2nd Quarter Financial Report for (July 2011- December 2011) AYE: Wells, Pat Henry. NAY: None. MOTION CARRIED.

ADJOURNMENT:

There being no other business to discuss the meeting adjourned.

MOVED by, Wells SECOND by, Pat Henry to adjourn. AYE: Pat Henry, Wells.

Meeting adjourned at 10:35 a.m.