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

Members Present:	Councilman Doug Wells Pat Henry Brian Henry
Others Present:	Kathy Sheppard, Internal Auditor Bryan Long, Asst. City Manager Kris Raper, Accountant Rick Endicott, Finance Director Susan N. Schlecht, Recording Secretary
Absent:	Julie Magness

Meeting called to order at 10:02 a.m. by Raper. Notice of meeting and agenda were posted on the New City Hall notice board as required by law.

CONSIDER APPROVAL OF MINUTES FOR JANUARY 25, 2012 MEETING.

MOTIONED by, Doug Wells **SECOND by**, Pat Henry to approve the minutes of January 25, 2012. AYE: Pat Henry, Wells, Brian Henry. NAY: None. MOTION CARRIED.

OLD BUSINESS:
None Discussed

NEW BUSINESS:

REVIEW 3rd QUARTER INVESTMENT INFORMATION (January 2012 – March 2012)
Raper began discussion of the investment information by reminding the committee that at the last meeting there was negative interest and that resulted from buying several bonds and the interest has to be bought depending on where they are in there payment cycle. He stated that this quarter is no different. We discussed last meeting that we were working on spreading the funds more evenly between bonds and CD's. The problem we ran into is that when we looked to invest we took into consideration our goals for the end of this summer. CD rates were so poor that it would have been better to leave the funds in the bank account since it yielded more interest. We thought about doing that but the funds amount exceeded the insurance amount. So we ended up going out on bonds instead since the yield was better and allow us to keep our bank account at the max amount. That is why there is negative amounts again.

Brian Henry asked Raper about the bank account limit. He stated that the City of Lawton funds are pledged. Based on the projections of what the deposits are IBC sets aside securities to back the deposits. If we get in spots that we have to go above that for an extended period of time it is not impossible to do that.

Wells asked if the City will be able to come up with about 40 million dollars to pay off debt.

Raper said that is our goal; that is why most of the investments mature in the next six to nine months. He continued with the report discussion. We are investing more in agencies instead of CD's right now because of the poor rate for the CD's. On page 4 this chart shows the age range of our investments. You can see that most of our investments are in the 3-6 month range. Those that are in the 1 – 2 year are mostly 13-month investments. The short term goal is for a lot of things to mature so that we can pay off some debt pretty soon. We do not have any of the 2012 CIP money invested yet; most of this is 2005 CIP money. We included this time at the Committees request, a breakdown of funds by account or fund source. The last two pages show the fund name and the investment description.

Wells pointed out that the fund 38 is where the 40 million dollars will come from to pay off debt this year.

Pat Henry asked if the City has received any of the 2012 CIP money.

Schlecht answered that March and April 2012 CIP Sales Tax have been received. These are funds collected by vendors in the months of January and February and booked by the City in March and April respectively.

Wells asked if the monthly amount is around one million. Both Raper and Schlecht agreed that it is just over one million each month. Wells added that the City has borrowed over 23 million on the 2012 CIP Sales Tax to start some projects.

MOVED by Wells, SECOND by Brian Henry, to accept the 3rd Quarter Investment Report for (January 2012 – March 2012) AYE: Wells, Pat Henry, Brian Henry. NAY: None. MOTION CARRIED.

DISCUSS 3rd QUARTER Financial Report (July 2011-March 2012)

Raper told the Committee that Endicott usually does the Financial Report, but he will do his best to go over it. If there are questions he cannot answer he will ask Endicott.

Wells said basically what the Committee needs to know is that the City has collected a little more in sales tax then we did last year, but not quite as much as we were projecting. Water revenue is still up for the year. So we are still ahead so far.

Brian Henry asked if it isn't coming back though, more to a realistic amount.

Wells said yes it is still up but slowly dropping down.

Raper also mentioned that he noticed police fines are up quite a bit compared to last meeting.

Brian Henry spoke about the Hoteliers commenting on occupancy levels being down. However if you compare the collections from this year to the same time last year they are up. The occupancy is spreading out not dropping. The individual hotels may realize an occupancy drop, but the city as a whole, hotel tax is about the same that it was last year. It does not indicate a drop. The hotels were running eighty and eighty-five percent occupancy and that is now lower.

Pat Henry stated that she believes that is because there are now more hotels.

Brian Henry asked Endicott once about this, but how does the City know they are getting the correct amount of hotel tax dollars; the right amount of money. To Sheppard…how do you audit that?

Sheppard said that she looks at the paperwork that the hotel/motels provide to her. Because the newer hotels are on a computer system, there reports are pretty easy to work through. It is the smaller hotels and motels that work off of a cash basis that are difficult. We have to go through individual receipts and try to figure it out. It is considerably more challenging.

Schlecht mentioned that the hoteliers had a meeting specifically to meet with Endicott and get a better understanding of the requirements when to collect and how to provide and maintain the correct documents. There were a lot of inconsistencies from hotel to hotel and there were many good questions answered. So hopefully this meeting and the information compiled as a result of this meeting will provide them with the tools necessary to collect more consistently and accurately. They can also point to this information as a way to dispel those that are adamant about being exempt from the tax when in fact they are not.

Long said that one of the problems facing these hotels is that the disabled vets are demanding exemption when they are not really exempt. Sheppard has worked with the hotels trying to make them aware of this. This may help explain why the financials show a level collection amount but the hotels say they are down in occupancy.

Brian Henry said the occupancy as a whole is still there, it is just spread out amongst other newer hotels.

Pat Henry said that is an important figure to make public. We have people that are looking at building a convention center downtown and there has to be a positive presentation as to where we are in hotel occupancy today.

Wells stated that he was at the meeting that Schlecht is talking about and they said they were down about thirty percent.

Brian Henry said yes as the individual hotel. To me these numbers prove their perception about the overall picture of the hotel/motel tax is wrong. Not there hotel. I believe there hotel occupancy is down.

Endicott entered 10:25 and apologized for being late.

Brian Henry told Endicott that we are discussing the hotel/motel tax. The City Manager told us yesterday to be careful with the last few months of the year because the collections are not what we anticipated. So I looked at the collections from the past two years and we are actually up. The hotels are saying we are down.

Endicott said yes that is what I heard at the meeting as well, and what I am seeing is that the collections were on track in December, but there is a "down-tic" in the collections since January.

Pat Henry added that some of this may have to do with the operations on Fort Sill. What I have seen for several years is that the families come here when the soldiers graduate from a particular class or when they were getting ready to deploy. I do not think we have as many soldiers deploying today as we had in previous years. I also do not think they are graduating as many classes as they use to graduate. Perhaps much of the volume was contributed to the families coming to be with their soldier and that makes sense for a decline in occupancy.

Brian Henry said there are a lot of people staying on Fort Sill. The rates there are ridiculous low and they do not collect hotel/motel tax or other taxes. Essentially it is a 14% discount staying on Fort Sill.

Brian Henry asked Endicott if he knows how close the City came last year to meeting projected collections.

Endicott stated we were over last year by about 2% or so. He went on to say we are at 75 percent of the budget year, but our collections are only at 71%. That is where the concern is. Everyone bases their budget on our projections. It does not appear we will reach our projection. We are doing slightly better than last year, but we will not reach our projected collection.

Pat Henry asked at what point in time administrators tell departments that they need to cut back.

Endicott stated that we have done that now. We try to wait as long as possible because the numbers we are working with are behind a month. But we need to have time to make a difference on the budget.

MOTIONED by Wells, SECOND by Brian Henry, to accept the 3rd Quarter Financial Report for (July 2011- March 2012) AYE: Wells, Pat Henry, Brian Henry. NAY: None. MOTION CARRIED.

OTHER DISCUSSION:
Pat Henry asked the Committee how do we raise the funds and where do they come from to complete the New City Hall so that Finance and the rest can move over there. If those funds were not approved in the CIP does it take another CIP to obtain these funds? How much money would it take for the rest to move over there?

Wells said it takes another CIP and the vote of the people. It will take a couple million more dollars to complete the building.

Long said there will be another CIP that will have other quality of life issues on the ballot.

Wells said other than a CIP there really is not a way to come up with that kind of money.

ADJOURNMENT:
There being no other business to discuss the meeting adjourned.

MOVED by Wells, SECOND by, Pat Henry to adjourn. AYE: Pat Henry, Wells, Brian Henry. Meeting adjourned at 10:40 a.m.