

Investment Advisory Committee Meeting (IAC)

Minutes

Wednesday, December 7, 2016

Members present

Dr. Scott Below, *Chair*; Cameron Evans, *Vice Chair*

City Staff present

Barbara Lipscomb, *City Manager*; Michael Cowin, *Assistant City Manager*;
Bernita Demery, *Director of Financial Services*; Kimberly Branch, *Senior Financial Services Manager*

Others present

PJ Connelly, *City Council Liaison*

The meeting of the Investment Advisory Committee was at 10:00 a.m. on Wednesday, December 7, 2016 in City Hall Conference Room 337.

1. Review of August 17, 2016 Meeting Minutes

The minutes were approved without exception by the Committee.

2. Election of Officers

Dr. Below was voted to remain as Committee Chair, Mr. Evans was voted to become the new Vice Chair and Mr. Lovitt was voted to be the new Committee Secretary. The votes were passed unanimously by the Committee.

3. November 7th City Council Presentation

The Committee members and staff commended Dr. Below on a great job in making this year's presentation.

4. October Month-End Report

Mrs. Demery discussed this item and she noted that investment earnings have gone up and also that the market has been very volatile since the recent election. She specifically pointed out that the City versus T-bill, as of October, was very close to the benchmark. Dr. Below also pointed out that based on changes in the portfolio the majority of investments have shifted to shorter terms in anticipation of the rising rates. He also added that this will pay off, though it may not appear to in November, it will over time. Mrs. Demery stated that this effect will be seen in the earnings. Council Member Connelly inquired about whose idea it was to make this particular move mentioned by Dr. Below. Mrs. Demery replied that it was a collective decision of the Committee members and City staff to make this move.

Mr. Evans then asked Dr. Below if the C2 Investment Group uses tips to anticipate rising rates. Dr. Below responded by stating that he was not aware of any tips used by the C2 Group, however, based on leads by the market it directs the monthly buys and sells to meet the benchmark. Dr. Below also stated that the next time the Committee speaks with C2 Group we could verify any tips they use. Mr. Evans followed up by sharing that he would like to find out if the rising rates equal lower income. Mrs. Demery made note that the City will contact C2 Group to find out an answer and this will be relayed back to the Committee upon receipt.

Mrs. Demery shared with everyone that the City sold \$8M in General Obligation Bonds on yesterday at 3.17%, 103 basis points below market. So far the City has received rating feedback from Standard and Poor's, confirming the AA rating. Their rating comments highlighted things that have put the City in a better financial position such as the Vehicle Replacement Fund (VRF)

and Facilities Improvement Plan (FIP). Mrs. Demery also shared with the team that there will be an official press release and standard paper article composed for the bond sale. Dr. Below inquired to find out if the documents will go before City Council in January and Mrs. Demery replied yes. She also commended FirstSouthwest for doing a great job with the bond sale.

5. 2017 Upcoming Meetings:

Wednesday, April 19, 2017 from 10am-11am (Regular Committee Meeting)

Wednesday, August 16, 2017 from 10am-11am (Regular Committee Meeting)

Wednesday, October 18, 2017 from 10am-11am (Regular Committee Meeting)

The dates were unanimously confirmed by the Committee.

An additional question was asked and addressed at this time as well. Council Member Connelly asked why the 2015 running totals (cash) were much higher than previous years. Mrs. Demery stated that there was a tax rate increase in 2015 and also that the City gets the bulk of tax payments in August and September of each year. Also, there was a bond issuance that could have affected the increase. Mrs. Demery offered to send Council Member Connelly a more definitive answer to thoroughly explain the increase, however, he declined.