MINUTES OF THE INVESTMENT ADVISORY COMMITTEE
December 8, 2004

I. CALL TO ORDER AND ROLL CALL

Jane Skittone called the Investment Advisory Committee Meeting of December 8 2004 to order at 1:30 p.m.

In attendance were:

Dr. Michael Andrews	Jane Skittone, Finance Director
Stephen L. Brown	Cheryl Somers, Asst. Finance Director
Edward L. Hennessy, Jr.	Betty Cotton, Office Assistant
Albert D. Hutzler, III	
Bernard R. Panfel,	

Also present for a portion of the meeting were:
Greg Coleman, Atlanta Capital Management Company
Darlene Malaney, The Florida League of Cities

II. PLEDGE OF ALLEGIANCE

Ms. Skittone led the pledge of allegiance.

III. SELECTION OF CHAIRMAN OF COMMITTEE

Ms. Skittone asked Mr. Randolph since there is no committee Chairman at this moment, it's later in the agenda, should that be moved up to this point so someone can take over from now on?

Mr. Randolph said go ahead and select a Chair at this point.

Mr. Brown nominated Dr. Michael Andrews as Chair of the committee. Mr. Hennessy seconded. Motion passed.

Ms. Skittone said and now a Vice Chair should be selected.

Mr. Hennessy nominated Steve Brown.

Mr. Brown said he was Chair last year and he really thinks the Vice Chair is a logical candidate for next year's Chair so he declined the nomination. Mr. Hennessey withdrew the nomination.

Mr. Brown suggested that Mr. Hutzler be the person to serve as the Vice Chair. Chair Andrews seconded. Motion passed.

IV. APPROVAL OF AGENDA

Chair Andrews said he does not see any changes on the agenda except for the selection of the Vice Chair. Mr. Hutzler moved to approve the agenda, Mr. Hennessy seconded, motion carried.

V. COMMUNICATIONS FROM CITIZENS (3 MINUTE LIMIT PLEASE)

No citizens attended.

VI. INTRODUCTION OF MEMBERS

Chair Andrews asked for a general introduction of the members. Chair Andrews said the committee members did not say much about themselves but there's a good bio in the packet.

VII. INITIAL REMARKS BY PETER ELWELL, TOWN MANAGER

Chair Andrews said Mr. Elwell will be speaking at this point.

Mr. Elwell thanked the Chair. He introduced himself to the new committee members. He said, "it's my pleasure to welcome three of you back to Town service and to welcome the other two of you to the Committee. Indeed, your bios do proceed you so perhaps that's what led to the brevity of the introductions. Each of you individually is accomplished and terrifically knowledgeable in the area of financial investments and together the value that you can add to the work that we do in the Town protecting and trying to grow the Town's financial assets is really some of the most important work that we are doing and in an environment where it's so challenging to try to accomplish that task.

We, as a community, have suffered this year the impacts of the hurricanes and there's been a financial cost to that. It's more important than ever that we find whatever ways we can to eke every little bit of extra investment value out in the margin. I know that you will be well served by Jane Skittone and Cheryl Somers, your Finance Department staff. If there is anything that you ever need in your service to the Town from the Town Manager's office, please call me personally for that. Mostly, I was here today to briefly welcome you and not interfere with you now progressing into your service but to thank you genuinely from our hearts for the important service that you are going to be rendering together in bringing your individual and collective expertise to this. Thank you."

Chair Andrews thanked Mr. Elwell.

PRESENTATION REGARDING LEGAL ISSUES, INCLUDING FLORIDA'S GOVERNMENT IN THE SUNSHINE LAW – JOHN C. RANDOLPH, TOWN ATTORNEY

Chair Andrews turned the meeting over to Mr. Randolph.

Mr. Randolph said, "some of you have heard from me before when serving on committees of the town. The three of you have heard recommendations and advice in regard to the Sunshine Law. Any of you that have not been involved in government service in the State of Florida may be surprised by the Sunshine Law because you are used to working in the corporate world where you don't have to do what you want to do in the eyes of the public.

When you do work in municipal government in the State of Florida, in particular, you are required to abide by the public meetings law also known as the Sunshine Law. What that provides is that no meeting shall take place other than in the public eye. A meeting would be any meeting of two or more of you about any business that would be normally the subject of this committee. That means simply that you can't call each other on the phone, you can't talk to each other outside of a public meeting, you can't submit memos back and forth in regard to any of the business that is to be carried on by this Board meaning that any of the business that is to be carried on must be carried on at this meeting.

This is a small town and that's not to say that you can't talk to each other. You go to cocktail parties, maybe golf together, and that sort of thing and that's not verboten but when you do find yourself in those circumstances, you should not be discussing business which would normally come before this Board. So it's an easy law to follow. Some people find it cumbersome if they have not worked with it before but it's not difficult to follow as long as you understand everything you talk about has to be talked about here. These meetings have to be advertised to the public, they have to be held in a public place and you have to meet with each other in the public.

Now that does not mean that you cannot speak on a one on one basis to the staff that is here to assist you. You can speak to Jane, Cheryl, Peter, or myself or anyone you want in regard to the business that comes before this Board. You just can't speak with each other. This doesn't preclude you either from speaking with members of the Town Council or to other committees in regard to items that might come before this Board as long as it's a one on one basis. The statute is solely intended to keep you from meeting with each other so that you don't do something complicity outside the public eye. The risk in violating is not necessarily the criminal penalties that attach to it and there are criminal penalties that do attach to it, believe it or not, but more than that the fact that whatever action you take if it was conceived in the dark, so to speak, can be overturned.

The Town was a party to a Landmark case way back when the Sunshine Law was first adopted, when they went into the adoption of a new zoning ordinance, and they appointed a committee to find out what the community wanted in their zoning ordinance, and they hired a consultant to meet with the public in that regard, and it was determined that the meetings that committee had, even though they were only advisory to the Town Council, were a violation of the Sunshine Law because they held them at people's homes, they didn't advertise them and that sort of thing. As a result, the Town's Zoning Ordinance was thrown out and went all the way to the Supreme Court of Florida and even though it was just a recommendation, the Court held that the final actions have to be thrown out.

So be very cognizant if you would of it. Your perception can be a problem with the Sunshine Law even though you are not violating the Sunshine Law. If you are seen speaking with each other prior to a meeting or if you are seen speaking to each other away from the microphone, someone might suspect that you are talking about business outside the sunshine so try to avoid those kinds of perception problems if you can. Also, as part of the public meetings law, we have a public records law which means that any records that relate to the matters that you consider are public and people can make public records requests for documents that you either produce individually relating to your business here or that are produced for you relating to the business here. So keep in mind that anything of that nature is public and can and will be produced to the public in the event that there's a public records request.

You should not abstain from voting on any issue. The only time you would recluse yourself from voting would be if you have a conflict of interest. A conflict of interest occurs when you vote on a matter which inures to your special private gain or loss. If you see yourself possibly being involved in a subject that comes before you which would inure to your private gain or loss, you should announce that you have a conflict of interest, you should state why, and then the Clerk will provide a form for you to fill out that would be filed with the State. But other than for conflicts of interest such as that, you are not allowed to abstain from voting.

I think that pretty well covers the remarks that I intended to make. If there are any questions, I would be happy to answer them and again, I would be happy to answer them as they come up from time to time. I don't intend unless it's your desire to stay at these meetings. I don't think you need legal representation here for the items that you are discussing but if at any time you do have a legal question or you feel that you need representation, please don't hesitate to contact me. You can do that through Ms. Skittone and she'll see to it that I either get to the meeting or answer that question that comes up prior to your next meeting."

Chair Andrews thanked Mr. Randolph.

VIII. REVIEW OF INITIAL INVESTMENT ADVISORY COMMITTEE ACTIONS

Chair Andrews said next is the review of the initial Investment Advisory Committee actions.

Mr. Brown said Ms. Skittone asked him to do this since he chaired the committee last year. He asked the committee members to turn to this in the packets and he will try to summarize. It's about fifteen pages into the package and it is headed Report to the Town Council dated March 11, 2003.

He summarized each of the major paragraphs. The key is that the original charge to the committee is to propose a plan to improve investment returns. That's what the committee was asked to do. The Town at the time had substantial excess cash balances and obviously interest rates were very low. The entire amount of those reserves were invested very short term in the State Board of Administration pool with an average maturity of less than 90 days. On the second page, the very top bullet, he thinks is a very important point that the Florida State Statute explicitly states that the investment objectives have to be safety of capital, liquidity and investment income in that order. So he thinks it's important that there is a priority but it was also important that investment income was part of that objective.

The third bullet, a very important point made in the committee's report to the Town Council, is that there is no free lunch in the investment world and that invariably in order to raise those investment returns, there had to be a trade off of somewhat higher risk. That was mentioned several times. Essentially, the committee did not want to take more credit risk, didn't particularly want to take significantly more liquidity risk but were willing to take somewhat more interest rate risk by extending maturities. The committee had a number of presentations of groups who wanted to help accomplish that and eventually came to the recommendations on page three where it said that the committee would like to continue to have a substantial proportion of the reserves with the SBA pool, 40 to 60%. The committee suggested that the 60% level be utilized initially and that the remaining 40% would be invested in a somewhat longer term through the Florida League of Cities funds with part of that being in the 1 – 3 year high quality bond fund and part in the intermediate high quality bond fund. The committee suggested initially that 75% of that 40% be in the shorter term fund and 25% in the longer term intermediate fund.

The third to last bullet was very important but based on history there will be times when longer maturity bonds will under perform shorter term investments. The committee has seen that happen since they have had this investment policy over temporary periods, but felt in the long run that the longer maturity fund would out perform.

On the last page of the report, the committee recommended ways for monitoring this policy, keeping track of our current yield and total return and using benchmarks for the two new pools that are currently being utilized by the Florida League and again emphasized in the last bullet in part five, there is a possibility of negative returns in periods when interest rates are rising. Finally, the committee notes that recommendations reflect current circumstances and these could change over time. The committee suggested the policy be reviewed as needed to keep up to date with possible changes and circumstances. That pretty well summarizes the report that was given last year to the Town Council by this committee.

Chair Andrews asked if anyone on the committee had any questions about this report.

IX. PRESENTATION BY THE FLORIDA LEAGUE OF CITIES

Chair Andrews said next on the agenda he has a presentation by the Florida League of Cities. He turned the meeting over to Darlene Malaney of the Florida League of Cities.

Ms. Malaney thanked the chair and introduced herself. She also introduced Greg Coleman with Atlanta Capital. The flip chart that was provided is what she will be walking through. She is the Assistant Director of Financial Services with the League of Cities. She has been there eight years. She thanked the Town for their business and stated the Town is one or their largest members in the investment trust. It's good to see all of the committee members again that she had met before.

For the new members on the committee, she wanted to give a brief overview of what the Florida League of Cities is and what the Florida Municipal Investment Trust is. Then, she will turn the meeting over to Greg Coleman to go into the details and the numbers of the funds the Town is in. She was also asked to provide some information about another investment option that is in the Investment Trust. She will briefly discuss the Enhanced Cash Portfolio as well.

The Florida League of Cities is an association that represents all the cities in Florida. It was created back in the 1920's mainly for the reasons of legislative representation. The Florida League has now grown to be one of the largest municipal leagues in the country, offering a variety of other services in addition to the legislative representation, financial services being one of them.

The Town of Palm Beach is a member of the Florida League of Cities and most cities and a few counties in the State are members of the association as well. The league is governed by a Board of Directors made up of elected officials and that's just one of the many Boards at the Florida League of Cities. In addition to Financial Services, they also have a large insurance division that's operated out of Orlando. They provide technology services and membership services providing education for elected officials, publications, etc. Headquarters and her office are in Tallahassee.

The Financial Services Department is relatively new in the overall history of the League. It has grown a great deal since she has been there. They administer three individual legal trusts. The Florida Municipal Investment Trust that the Town is a member of, the Florida Municipal Pension Trust is retirement services and the newest one is the Florida Municipal Loan Council which is a pooled bond program issued on behalf of cities. They have done about $500,000,000 to date and do about two bond issues a year. Each one of these was created through an interlocal agreement of governments. Each one has its own Board, they hire employees to do all the administration.

The FMIvT, which is what she will be calling the Florida Municipal Investment Trust, was created on behalf of governments looking for an alternative to the SBA basically just what this committee was created to do. Initially it was funded with their insurance proceeds and since then it has grown to allow individual cities to come in and participate. They also manage the retirement assets of their retirement program and the bond proceeds from their bond program. Of course, utilizing economies of scale provides benefits to members through their purchasing power. The Trust has now grown to over $830,000,000. It was in the high $200,000,000 when she started so it has grown quite a bit. They invest all municipal funds so it's very conservative high quality. Three of their funds are AAA rated extensive oversight which she will go into a little bit further on the following pages, and basically bundled service. Cities can come to the League and get one stop shopping providing for the management, the consulting, the administration, the custodian, etc.

The Investment Trust is made up elected officials of cities who participate in the fund. The rotating members on the top are the Chair and the Vice Chair and always the President and the Vice President of the Florida League of Cities so they may not necessarily participate in the fund but due to their position at the League, they have a position on the Trust. They also have an Investment Advisory Committee much like the Town's. They look to municipal financial professionals around the State to provide recommendations to their elected official board. A couple of these members were the ones who basically created the Investment Trust. Several members of this committee are from Palm Beach County. Their Board meets four times a year and they are the ones who really get into the nitty gritty to provide staff recommendations. Their investment managers and consultant meet with them and they are the ones who make recommendations to their Board.

Mr. Brown asked if these people rotate to different towns?

Ms. Malaney said they are appointed by the Executive Director of the Florida League of Cities. Many of these people, Micky Miller from Orlando, Bob Inzer, formerly of the City of Tallahassee, he was the Finance Director there for a long time, Merv Timberlake, Bill Underwood, have been on there since inception of the committee. They have had some people retire and drop off but they utilize their expertise. Six of these people are former presidents of the Florida Government Finance Officers Association. So cumulatively their experience is over 200 years. They have been around for a while.

Mr. Brown said if the Town is one of the biggest participants in the funds, he is sure the Town staff isn't looking for more work to do, but maybe someone from Palm Beach should be on this committee.

Ms. Malaney said she was just talking on the way over here to Mr. Coleman about that, that they would like to see someone from Palm Beach on the committee.

Chair Andrews asked if that is an appointment that comes from the Florida League of Cities?

Ms. Malaney said yes, it comes from their Executive Director and it's an indefinite term.

Mr. Panfel asked has there ever been anyone from Palm Beach on the committee?

Ms. Malaney said no, not from the Town of Palm Beach, only from Palm Beach County. The other criteria is that it's a participating government. As the administrator, they coordinate all the professionals, they do not manage the money in house, they let the professionals who are looking at the market every day do that. But they coordinate everything and administer the Trust and they report as staff to the Board and to the Investment Advisory Committee. The professionals that are in place for the Investment Trust, investment management is Atlanta Capital Management and they've been a manager for the Trust since its inception. Some of the newer funds that have been added in the last few years are now managed by Bank of America and State Street Global Advisors but Atlanta Capital has been with them since inception.

Chair Andrews asked if they are a sub advisor?

Ms. Malaney said yes, the Florida Municipal Investment Trust hired the League of Cities to be the Investment Manager. So it is their responsibility to make sure that all these professionals are doing what they are supposed to be doing hence the consulting firm that they've hired as well has always been with them. The custodian is Wells Fargo. They handle all the assets in the Trust. Several of their fixed income portfolios are rated and that's done through Fitch. The Compliance monitor and Investment Consultant is Asset Consulting Group. As Compliance monitor, they are looking to make sure that the managers in the League are doing what they are supposed to be doing to adhere to the investment guidelines of each of the portfolios as well as the overall Trust. As Investment Consultants, they are looking to make sure that the managers are doing what they are supposed to be doing and measuring them against their peers as well as the benchmarks and the other criteria that the Board has put forth for them. Their auditors, Shorstein & Shorstein are out of Jacksonville. The support staff for the program is in Tallahassee.

The League is now up to eight portfolios in the Investment Trust. The two that you are in, are the 1 – 3 year high quality bond and intermediate bond. The enhanced cash fund is relatively new, in fact, it probably came into existence about the time that the Town became a member. When the Town first came on board, it was not open to individual cities. It was only for bond proceeds at that time but now it has been opened to that. They also administer some longer term retirement type of portfolios that are utilized by the Insurance Trust and the Retirement Program on the Defined Benefits side.

Ms. Malaney said Ms. Skittone had asked her to talk a little bit about the enhanced cash portfolio and not being a money manager, she won't get too technical. If it's something the Town is interested in learning more about, she will be happy to arrange to have either a conference call or have a manager come and talk to the committee.

Chair Andrews asked if that is basically the same thing as the SBA?

She said it's very similar. The differences are that their fund is AAA rated and that the League allows liquidity only twice a month. It's not a daily valued fund. That allows for the manager to better anticipate cash flows and maybe go out a little bit longer, pick up a little extra yield. Being that the majority of the money in this fund is bond proceeds and the League administers the Bond Program, they work with their borrowers with their draw schedules so they can with fairly good estimation anticipate the cash flows and that aids the managers greatly. It's a $1 par fund just like the SBA. It's new to the League but the fund itself that they invest in is the Nation Strategic Cash Fund which is managed by Bank of America. It's an institutional fund that's many billions of dollars. To qualify, a member has to have $100,000,000 investable assets, $25,000,000 initial contribution. The majority of local governments in the State can't come close to meeting that but the Investment Trust is a qualified investor. Therefore, they have access to an institutional fund through the Investment Trust. That fund has been in existence for many years and was created by the State Treasurer's office as an SBA alternative. Prior to the last couple of years, it had a positive spread to the SBA probably ranging between 10, 30, 40 basis points. They have been right on top of them in the last couple of years. Just now in the last couple of months, they've started to see the spread widening more, starting to beat them by a few basis points, which given the current environment, that's been a big deal.

Chair Andrews asked if the investable assets of $25,000,000 is a kind of umbrella policy under the Florida League of Cities or is that specifically in that fund?

Ms. Malaney said it is not a League policy. The minimum investment is only $50,000. She would have to look at their prospectus but she believes it is investable assets of $100,000,000 and an initial contribution of $25,000,000. They've given the League the share price that if a client was that big, it's the same whether going directly to them or through the League.

Ms. Skittone asked how many municipalities have taken advantage of this new fund?

Ms. Malaney said she has some information in the back on the second tab that shows exact membership. She doesn't have a really large marketing staff at the League. She said, "You are looking at it." They have six individual entities outside of their Insurance Trust, their Loan Counsel, and their Pension Trust. So the word is just starting to slowly get out there that there's an alternative. For many cities, SBA is the benchmark for municipal investments, of course, and to be honest, until recently there hasn't been a lot of advantages for anybody to come into this fund because they're making the same return and have less liquidity. Now that spread is starting to widen. The other advantage is, of course, diversification and AAA rating. The SBA is one of the top performing or the top performing government investment pools in the country but there have been other State pools that have had some issues and liquidity could be a problem. So, diversification is just something that she tries to educate smaller local governments that are not as sophisticated as the Town on the importance of that.

The next page shows the performance and as of yesterday, it was yielding 2.01 and the SBA was at 1.96. Five basis points is where it's at right now.

The next tab goes into a little bit more detail as far as what the fund holds. Essentially, their fund right now holds 100% of the Nation Strategic Cash Fund. This shows the breakdown of that Nation Strategic Cash Fund so their fund is basically a fund that holds another fund. But they do have the capability to purchase individual securities. The market hasn't been right for their managers to do that yet but they anticipate that when they can do that, that will add to the enhanced yield of the overall portfolio. The Town is sort of indirectly already invested in this because Atlanta Capital utilizes the fund for cash positions in the portfolio that the Town is in. So they saw the value in it and they are utilizing it.

The next page shows what the membership is across the State in all of theirfunds. The FMIT, FMLC, FMPTF, are all League administered funds and those are the ones that really hold the bulk of the assets in that Enhanced Cash Fund at this time. Does anyone have any specific questions.

Chair Andrews asked on the Enhanced Cash Portfolio, is the League tiering the commission rates on there? In other words, would there be a management fee taken out for the Florida League of Cities and a management fee for Nation Strategic Cash Fund?

Ms. Malaney said actually all of their funds work that way. The League gets an administration fee for coordinating all the professionals that she listed earlier, for the consultant, the custodian, the rating agency, for the legal staff, etc. That's all bundled into the League fee. The League fee which encompasses all of that is 6 basis points for that fund. That's everything that would be paid. The returns seen here include the manager fee. It's the same thing on all of their funds so one expense ratio is paid basically and they pay everybody else out of that.

Chair Andrews asked if there any questions from the committee or staff for Ms. Malaney? He thanked her for her presentation.

Mr. Coleman introduced himself and said he is a partner at Atlanta Capital. He congratulated the Chair and Vice Chair. He will be working from the pamphlet he passed out. What he would like to do if it seems reasonable would be four things:

1. For the benefit of the new members to let them know who Atlanta Capital is and what they do
2. A mini cliff note on where they think they are headed which is always dangerous
3. And maybe most important, review the last quarter since they have had the funds
4. And then finally tell the committee how they are structured today based on the economic forecast that he will be giving and what they might expect going forward

On page 1, cliff notes on the firm, they have been around since 1969. They focus on high-quality U.S. stocks and bonds. He gathers that most investment managers coming before a municipality, are not going to say they focus on low-quality stocks and bonds, but they are a little bit more precise when they say high-quality. On the stock side, Standard & Poor rates the equities, which he didn't even realize when he joined Atlanta Capital in 1990. They only invest in the top four stocks as rated by Standard & Poor. On the bond side, they only invest to the extent that they do corporate bonds. They only invest in the so called investment grade securities as well. Now in your funds that Ms. Malaney mentioned with the League, it's a much higher portfolio than that because it is rated AAA by Fitch and 95% of what they own has to be AAA or higher in government. They manage a lot of money for state and local governments across the country. This is the only fund they manage that has an outside rating in addition to just having very strict investment guidelines. They have to submit all their holdings to both their consultant and to Fitch and they revalidate the rating each quarter. They've got $9,000,000,000 under management, 45 employees. When he joined Atlanta Capital in 1990, they had 20 employees and about $2,000,000,000. He found out a few minutes ago that like the Town's Finance Director, he too, is a Michigan transplant although he made it down south a little bit sooner than Ms. Skittone did. They have recently hired a couple of portfolio managers on the stock side that they've listed there.

On page 2, he gives a sample of some of their clients. They do have other clients in Florida as well. He has just highlighted two, the Florida League of Cities and PGA of America. In a few of the accounts, like the Florida League of Cities, he is both a portfolio manager and a client service representative. They tend to be the larger accounts. PGA of America is about $8,000,000. It's not a very large account but he managed to be the Client Service Rep on that as well. He has a good mix of public and private but about 80% of their business on the fixed income is state and local governments. So they are very familiar with the investment requirements that state and local governments have to adhere to.

He thought he would give his version of the world as it relates to the economy and where they are headed. Once a quarter, they have a strategy session which he chairs that they are just about to go into. And they probably will have a hundred pages of text and charts. He is going to spare everyone from that today. In the broad strokes on page 4, they think they are in a self-sustaining phase now of the economic expansion. It may not seem like it but they just started the fourth year of economic expansion and now look to the increase in jobs and hours worked to move the economy forward. With each of the last three expansions, the time that's taken for the recovery to start, really large additions to the labor force, and the job growth that was experienced in the 60's and 70's, is taking a little bit longer. But nonetheless, it's here so the unemployment has fallen to 5.4% nationwide. Florida is just about a percent lower than that as is Palm Beach County. For no other reason than he found it remarkably interesting, the unemployment is by educational level and age. One of the accounts that he manages is the prepaid tuition program for the State of Nevada. The person in charge of that just wanted to talk about that top number since she administers the program to try to encourage Nevadans to achieve higher education. That's probably the poster child to do that. In any event, they think the economy will continue to move ahead and now corporate profits are such that people are starting to hire, the unemployment rate is falling, and also seen on page 5, in the number of new jobs added. Previous to 1990, it would have turned around a little bit faster. But in 2003, net new jobs and payrolls were actually negative. Now the average is about 200,000 a month. So that is probably the best reason that the recovery would be viewed as self-sustaining. Corporate profits are strong, they are hiring now and he thinks there will not be spectacular growth, that is growth of 4% but more likely growth of 3% or so, which is probably the long run non-inflationary growth rate in the economy. So that's in the big stroke side, he thinks that's a pretty good environment for the economy in stocks. What it can do for the bond market though, which is the area that hehangs his hat on, is oftentimes as you get later into recovery or the mid phase of the recovery, inflation might go higher. He does look for a little bit of that and a little bit of that is seen already. But unlike past times when, though inflation maybe goes from 2 to 4%, inflation had been running between 1 and 1.5%, they would look for it to go to 2 to 2 .5%. There are a lot of reasons why he thinks that is the limit on inflation, despite what may be seen in oil prices a month ago or maybe some of the housing bubbles seen over parts of the country, things are different this time. Secularly, he does look for a slightly higher inflation but they have what they call the power of the internet and microchip and how easy it is now for price discovery. That's number 1, and number 2 of equal importance and somewhat related, is the tremendous growth in the global economies particularly China. It's the debate about whether it's good or bad from a public policy point of view that can be discussed for hours. But say what you will, one thing is for certain, China is a big price killer and in some sense, the US is importing deflation or relative deflation in some of those goods and services. On page 6, he is just giving information on how the trade patterns have changed over the last 10 years or so. China was the fourth largest importer in 1993 and now they are second. The US is starting to sell them more goods as well, but day in day out, month in month out, are huge suppliers of just about everything and it's not as low tech anymore as it used to be. Anybody that spends any time at WalMart at all knows that an awful lot of the products seen on the shelves are made in China. In fact, he saw one stat that said if WalMart were a country, they'd be China's fourth largest exporter.

On page 7, look at the amount they are importing, second only to Canada. Interestingly, China unlike Japan, with the rest of the world actually has a slight trade deficit. As it relates to what he cares about in bond land, what does that do to inflation? And whatever it was going to be, if inflation was going to be 3 to 3.5%, he thinks that China alone is probably worth at least a half of 1%. As the economy matures, he thinks that rates will be a little bit higher. He doesn't think that they are going to the moon and doesn't think they are going to go more than 1 or 1.5% higher in the intermediate rates and much more than 2% higher in the short end. Because the economy is not going to be growing at 5%, it's going to be growing probably at 3% and inflation won't be 3.5%, it'll more likely be 2 or 2.5%.

What that does if rolled into a visual forecast of interest rates of the economy in terms of GDP, probably the easiest benchmark to measure economic performance is on page 8, the blue bars are where they've been in actual GDP growth rate which is the right scale. The green line is the price of oil. Rightly so, they get the question asked, if oil is at $55 a barrel or $45 a barrel, isn't that a tax on the consumer? And doesn't that put a damper on economic activity? And the answer is yes. But it only does so by the amount of those little red bars seen in the white. It's about .5 of 1% for every $10 increase in oil. So when he put this together, oil was $55, so it was going to go to $60 and maybe it will when the heating season gets here. But it is now back to $40 a barrel, so he has forecast that with GDP would be $35 a barrel or $45 a barrel. Obviously, he likes $35 a barrel better but twenty years ago, energy was 17% of the economy, today it's 8% partially because they are much more service oriented and they feel the pain less than Europe does. It's not that it's insignificant but it's not overwhelming like it was in the 70's. So again, they roll it around, get 3ish in terms of GDP which tends to be their long term growth rate. So that's his quick and dirty forecast on the economy. That's the backdrop that they bring for equity analysis in the eyes of the bond manager. It ultimately goes into where to position the portfolio in the two accounts that they manage for the Town which he will get to in a second. Before he does that, he will review the first year or answer any questions.

Mr. Hutzler said in this whole analysis the dollar or the effect of dollar depreciation has not been discussed which today has turned to some extent. He asked Mr. Coleman to address that.

Mr. Coleman said certainly. For the nation, for the farmers, for the John Deeres, for the Caterpillars, for the tourist industry from abroad, it's a plus. For many in the United States as an importer of stuff with the dollar going down, it's going to raise inflation a little bit higher than otherwise would have been the case because the trade is a bigger part of the economy than it used to be, it's still about 15%, unlike Japan or Germany where it's much larger. So the net of all that is it'll probably make the US economy at least stronger. It'll make inflation a little bit higher but he doesn't look for it to materially alter the growth paths seen there. Now in a country like Japan or Germany, it has a much bigger impact, even though trade is a bigger part of the GDP than it has been in the past, so maybe a couple of tenths on GDP and a couple of tenths of a percent on inflation.

Mr Hennessy asked if he is still forecasting that these foreign countries are going to hold US Treasuries? They are already unloading some of them.

Mr. Coleman said yes, they do still forecast that. They've decreased the rate at which they've been financing the deficit and from time to time, that's come up again. But what if they switch and decide to hold everything in the euro and other assets. They have slowed that grid of growth in terms of acquiring assets or not. On the other hand, the US economy is growing faster than they are in Europe but the US is still the deepest and broadest place in terms of transact securities and now the dollar has depreciated 17% from it's high of February 2002. So part of it is they don't want to hold dollar assets unless they get a discount. It's been discounted 17% on a trade weighted basis, it may have to go a little further. But if you put the price low enough, he thinks they'll continue to hold our securities.

One of the things he wants to make sure he covers starting on page 10 is since they've had the Town funds in the intermediate and short term account, how has the Town done? When Mr. Brown was reviewing the method that got the Town from all in the SBA to here with the appropriate caveats, he thought that was right on the mark. The monthly performance and the performance seen here include the interest income which is the most important. It also includes realized security losses and also includes unrealized security losses. Unlike the SBA and the real short term accounts that ignore day to day fluctuations and the price of the securities because they are so short, Atlanta Capital gets mark to market every single day. So this takes both of those into account.

Now notice in the short term fund, the return was about 1.75 percent for the last year which should be higher than money market yields which has been between 1 and in the SBA's case, because they are very good and low cost, they returned about 1.30% for the period. The investments are going up the yield curve a little bit. The intermediate bond fund returned 1.71% going further out the yield curve and was exposed to more of the vagaries of the price swings. For the trailing year, it's running about 3% which is a good bit higher than the short term rates. If this meeting had been held in the second quarter when long term interest rates went up dramatically in the price of the underlying securities, even in the short end of the curve, it would have gone down because returns did not look as good. It's not a month in month out. Sometimes it's not even a quarter in and quarter out. But since you are going out the yield curve just a little bit, the average maturity on short term is only about one and a half years so it's still pretty short. But the rates are going up. Negative returns are still possible in any given month but he thinks last year was a pretty good year. It was not a great year for the bond market. A great year for the bond market is when rates fall. Rates went up last year, the trailing 12 months, but they didn't go up enough to eat into the income earned.

Mr. Hutzler asked what role would such things as variable rate or floaters play in your portfolio or is this an expanded area and these are items tied to the CPI or the treasury rate or whatever?

Mr. Coleman said the answer is yes. They've been involved in floating rate AAA asset backed securities for a number of years. The ones that they purchase are almost all tied to Libor. They float, they go in lock step with Fed funds. So next Wednesday when the Fed meets, they look for the Fed funds rate to go from 2% to 2.25% and the next time the Libor would be priced, which would be typically the end of the month, 30 day floaters, would go up as well. So Atlanta Capital likes those securities. They yield a little bit more than cash. In the intermediate long term interest rates, there are a number of factors that affect inflation but short term interest rates and floating rate securities are really just tied to Federal Reserve policy. So they have a growing share of those, even some of the AAA mortgage loans that they have are also adjustable that would reset to one of the indices.

So he is pleased with the numbers seen here because it was not a great environment for the bond market because rates went up. It shows the power of going out the yield curve a little bit and mixing up the assets a little bit. He is pleased also that in the short end, they managed to beat the benchmark as well.

The index shown beneath the Lehman Intermediate Aggregate is basically a collection, a rough equivalent that the S & P is to the stock market like the Lehman intermediate is to the intermediate bond market. That security has A rated and AA rated securities. The Town's portfolio is 96% AAA or government. So it's not quite apples to apples because they can't own some of these things that are in the index but the maturity is about the same. They can get pretty close to that return and often times beat it without dipping down into the lower quality. He is pleased with where they are quarter to date. He thinks that the portfolio is doing what the committee wanted it to do. The committee went out a little bit, took on a little bit more risk, but for every 1% on $30,000,000, a clip over longer periods of time on an annual basis, that's probably warranted. He doesn't see anything in the horizon that says that they are going to go to 8 or 9 or 10% in yields.

Chair Andrews asked Mr. Coleman to extrapolate these numbers that the Town had in 2004 into 2005? Are they basically the same?

Mr. Coleman said he can say where he thinks rates are going. He thinks short term interest rates by year end 2005 will be between 3.5 and 4% and intermediate rates will likely be about 5% so that will transcend into numbers about like the ones seen here. Earnings might be a little more than that because you are starting from a higher yield base. The lexicon of the stock market is probably PE ratios if you had to pick up one thing to compare it to. The bond market is where the maturities are relative to the benchmark? Since he thinks rates are going a little higher, maturities are a little shorter. One of the reasons they did better, rates rose, they were shorter than the benchmark, so they were able to deliver those positive returns. If the forecast just outlined comes to pass or anything lower than that, many people don't think the Fed will have to raise the rates that much, he thinks they likely will, but if it comes to pass, these numbers are maybe a little bit higher, and should be about what is achieved. The only thing that can throw havoc in this is if inflation starts to go 3 and 4%. If energy goes higher, it probably would knock off the growth rate of the economy because of the tax that everyone would pay. His guess would be about these realized returns.

Chair Andrews asked if he believes that there's going to be a quarter point gain in the Fed funds rate, that the market has taken that into consideration or if he believes there's going to be a lot of spikes in the portfolio going forward as these rate increases come in?

Mr. Coleman replied one thing the Chairman has done is set the market up for the most widely anticipated hike. Look at the Fed fund futures market for the next meeting and they also have another quarter point hike that's in there. So the surprise would be if they didn't raise it 25 basis points. He thinks absolutely nothing would happen. What would change that would be if you went 50 basis points which is unlikely or if they changed the language that accompanies these. If they said things like, we're more worried about inflation now. The risks are not balanced. He doesn't think he's going to say that because he would have advertised it.

Chair Andrews said that kind of goes to this subject of the varied standard deviations of the League's funds compared to the SBA. There have been a lot of wide swings in this first year in a short period of time and that makes the committee very nervous. Over a long period of time, it's fine. His question on the quarter point raise is will the same type of variations be seen in 2005?

Mr. Coleman said even with the widely advertised on the short end because you have securities in your portfolio that are 3, 4 and 5 years, not a lot of them, because obviously your average maturity is only a year and a half and in the intermediate you have some out. That's where the swings come in, in the 5, 6, 7 and 8 year securities up and down and that's what drives the price changes on the fund. As far as the short end under a year, there's not much movement because that is advertised. In the intermediate rates, what happens to the dollar, what happens to inflation, what happens to the growth economy, it's got a much bigger factor and the value of the basis point out there is worth more than it is in the short end. So he doesn't have any reason to think that steady fluctuations will not be seen but the only qualifier to that is 10 year rates are about 1% higher than they were a year ago from the low point in June 2003 - 4.25 not 3.18. There will still be some swings there.

Mr. Brown asked Mr. Coleman to explain on page 10 what happened in the fourth quarter to date? He assumes the one year column is one year through September 30th.

Mr. Coleman said yes sir. Since September 30th, rates in the 2 year and longer have actually ratcheted up a little bit and even the things they are not buying yield more, the price of the securities went down a little bit. For example, the Merrill Lynch 1 – 3 year government index is actually negative. Add up the coupon income and the price change, you're basically treading water and they are a little bit above that because they were shorter. Rates have risen and even though the short end, 30 days or less, hasn't really gone up, the 2, 3, 4, and 5 year rates have gone up enough to cause a slight decline in the value. It's not uniform throughout the spectrum in the longer term, the 10 year, has actually been unchanged. Rates in general are up a little bit, enough to make the 1 – 3 slightly negative but not enough to make the intermediate negative. Some shock that's very good for the economy would tend to make rates go up a little bit. The volatility may be seen again maybe as much as the second quarter. It's a little nerve wracking for everyone. Does that answer the question?

Mr. Brown replied yes.

Mr. Coleman said on page 11, the Town's benchmark in the 1 – 3 and the intermediate shows where the maturities and the cash flows of the portfolio stack up relative to the benchmark that they are comparing against. So because they think short rates are going up faster than long rates, they have a little more securities in the longer end and fewer securities and cash flow in the belly, that's the red on the chart, and a lot more in the front end. It seems the Chairman has basically implied he's going to raise the funds rate 25 basis points every time they meet. And so far, he's 4 for 4. So those floating rate securities that the gentleman asked about, they are going to benefit from that immediately, and the coupon can be raised. The Town's portfolio yields more than the index, more than the SBA on the collection of assets, and they want those to reprice just as fast as they can. So that's how Atlanta Capital is structured. If weighed all together, these cash flows were about 10 or 15% shorter in average maturity than the benchmark because they have a somewhat cautious outlook on interest rates. It's not uniform throughout where they have the maturities. They have a lot in the front end that will hopefully take advantage of Fed funds rate going from 2 to 2.25 to 2.50 to 3.

The starred bullet points are shown on page 12. When he says they maintain a defensive duration strategy, that means their maturity structure is a little bit shorter than the benchmark because they think rates are going up a little bit. That barbell should help with the yield curve in Fed funds faster than other parts of the market. In other accounts, they don't have to be AAA rated. In the Town's account, they do so they are going to always be AAA. He thinks in the long run they outperform lower rated securities anyway. Of course, they need to maintain AAA rating and have to keep 95% in AAA anyway.

Mr. Coleman said he would be glad to answer any additional questions.

Mr. Brown said he thinks this is a good report on what has been accomplished and the current strategy within the two portfolios managed that include the Town's funds. He would like Mr. Coleman to step outside of the operational tactics and talk a little bit about whether he thinks the strategy as Mr. Brown described it to the Town Council a year ago is still appropriate or would he give any different advice given his outlook for the economy, interest rates, etc.?

Mr. Coleman said at the risk of sounding somewhat self serving, he thinks it's right on the mark. Looking at the Town's investment criteria first which is safety of principle, but then offsetting that with how much is given up by just staying super short, he thinks about half of the rise in rates has already been experienced in their forecast. And they've done some work for the League and the League has published this from time to time, and if the Town needed the money tomorrow, they would never put it into anything longer than the SBA. Look at all of the rolling 12 month periods for returns over the last 10 or 15 years, this strategy in the short end, for example, would outperform.

Ms. Skittone asked if that's 99% of the time?

Mr. Coleman replied over a rolling 36 months, 99% of the time it outperforms. Over 24 months, it's in the mid 90's and he thinks it's like 80 some percent in any 12 month period. So it's not fool proof but it's 4 times out of 5 even in a 12 month period. Over longer periods, it's even more. He would think the Town could maintain the lead on a money market only dollar in dollar out short term super liquid but lower yield in portfolios. He thinks it's still the right play. As far as the mix of intermediate to long, he still thinks it's a little early to put more into the intermediate fund. He could be more optimistic about the dollar….. he means if his choices are that the 10 year is going to 3.75 or 4.75, he thinks it's going to 4.75 but not much higher than that.

Chair Andrews said the Finance Department gets the numbers and they publish them on a monthly basis. As they were received last year and in the 2nd quarter, hugh variations were there, $300,000 in a month. That just makes him nervous and he assumes some who would be watching would say that will be seen again next year. He doesn't mind where the Town netted out. That was fine but he doesn't want to get caught with 2 of those quarters within a year and have to go the Town Council at the end of next year and say, "we're only $300,000 down". Can you address that? He said he knows Mr. Coleman is making economic and interest forecasts but does he see that being the same this year in 2005 as in 2004?

Mr. Coleman said that's a tough one. First, for the quarter 3/3l to 6/30, this fluctuation would have been seen if no trading or anything was done because they are mark to market every single day. If the portfolio was marked to the SBA or any fund that's 90 days or shorter, they would have had fluctuations too but they are allowed to not have to count that or report that because it is so short. So that's the vagaries of the market place. Since rates are higher now than they were, there's some chance that might be a little less. But he has been in this business long enough that in any given quarter, those fluctuations can occur. But those losses do not have to be capitalized necessarily day in and day out. Hopefully you can ride out any such storms. And maybe there will be equal amounts of interest rates on the down side which increases the value.

Mr. Brown said he thinks the committee ought to count on having fluctuations like that in the future. The question really is whether it's a public relations aspect, a nervousness aspect or whatever, is that enough to make them want to do something different when in the long term it will still be ok? That's a question for this committee to debate.

Chair Andrews said yes, he thinks that's fair.

Mr. Coleman said let's fast forward a year and say you get similar kinds of returns and outcomes, and Atlanta Capital is fortunate to be still managing some of your funds, the cumulative number then makes that a little easier psychologically to ride out some of those swings.

Ms. Malaney said she would address that because she talks to cities all the time and that's a big concern. Looking backward is a lot easier than looking forward but they have never had a negative year in the Investment Trust on either of the portfolios that the Town is in. Of course, the intermediate has the wider swings. In 1999, the return was only 70 basis points but they haven't had a negative year and the concerns of the committee and the Town are felt. Of course, all elected officials and city governments are concerned about that. They saw a lot of movement over the time periods discussed for some of the cities that had a larger balance in the intermediate shifting some down into the 1 – 3 year to lessen that volatility. But as seen from their list of members on the back page, there's a lot of local governments around the State in the investment trust if that helps.

Chair Andrews said if there are no more questions, he would like to thank Ms. Malaney and Mr. Coleman for the presentations given today and added he assumes they will be open for any questions that might come from the Town's financial group.

Chair Andrews asked for comments on the presentation.

Ms. Skittone asked on the presentation or on the last year?

Chair Andrews replied both.

Ms. Skittone said the presentation seemed optimistic. Last year, the Town was as nervous as the committee in May when they reported the numbers but they did rebound nicely from that. It does give a little heartburn but they know they have to accept that.

Chair Andrews said as a committee when they went over the program, they knew it was a longer term commitment and thought they were positioned correctly at that time. He will ask the Board but he doesn't see anything that's dramatically changed in that time.

Mr. Hennessy said he doesn't either.

Chair Andrews asked how about from an operational standpoint? Are they relatively easy to deal with?

Ms. Somers answered yes.

Chair Andrews said and for the first month of the year they are up $200,000 or something like that. They will just extrapolate that through the end of the year and they will be real happy.

Ms. Skittone said as former Chair Brown had said when they were experiencing the losses, this would probably be the wrong time to move assets.

Chair Andrews said absolutely. They didn't ask them this time, but he remembers last year, they said they are big enough that they can use those down market times as buying opportunities for them and they actually did. He thinks it helped them later on in the year. So personally he has not been unhappy with the results seen nor the outlook and program that was put in place this last year.

Ms. Skittone noted due to the fact that he's predicting interest rates to increase pretty substantially in the next year, does the committee think there will be more months of negative returns because of those interest rate increases?

Chair Andrews said the yield does not get affected.

Mr. Brown said but they have to value the bonds at market value.

Mr. Hutzler said they can also take that into account and they shorten their maturities up particularly on the barbell strategy, they shorten up the short end of that. That could have a very positive effect considering the fact that it seems to be universal opinion that there is going to be an increase in rates. That is heard on the street and if that happens, it could happen fast. His biggest concern is not short rates or long rates or whatever but what the spread is between the short term and the long rate and how they are going to be able to manage that as a portfolio for the Town that is very dependent on short rates. He is asking the question because he is new on the committee so doesn't understand and is trying to learn from this whether that's been addressed or if that is a concern.

Chair Andrews said it has been addressed and the Town has enough other investments that they can handle most short term obligations without having to go into the Florida League of Cities. So it's a consideration but he doesn't think the Florida League of Cities is the first place they go for short term money. One of the interesting things is they were having roughly a 60 - 40 split and because they have had better appreciation on the Florida League of Cities, it kind of looks like the 40 has gone up a little bit. They are a little out of the proportionate mix.

Ms. Skittone said part of that was caused by the large expenditures made due to the hurricanes.

Mr. Brown said this is a very good example and what was thought about last year in a crisis, to make sure there's enough liquidity in the accounts. There couldn't be a much bigger crisis than what happened with the hurricanes over the last year. It made a dent but not a huge one in the reserves. He asked Ms. Skittone if that is correct?

Ms. Skittone said correct. Notice, the general operating fund went down almost 6 million dollars for that one month time period. Also at this same time, the Town does not receive property tax revenue. They start receiving that in November and, in fact, another $7,000,000 was added to the SBA balances this month with property tax revenue coming in.

Mr. Brown asked if that will get back gradually to the 60%?

Ms. Skittone said it should, yes.

Mr. Hennessy asked of the money that had to be spent on the hurricanes, how much of it was insured?

Ms. Skittone said most of the large projects, like the North Fire station, has not been close to completed or even bid out at this point so nothing has been spent on capital projects. Money has been spent on debris removal over time, etc., all the basic clean up but not any of the large projects.

Mr. Brown said he thinks one thing that the committee could discuss is ranges rather than fixed points as to the strategy. There were two sets of ranges – one was to start off with 60 – 40 SBA, 40% Florida League, and then move that if they wanted to and also within the Florida League, start off 75% in the 1 – 3 year and 25% in the 3 – 5 year and that could be moved some more if needed. It may be that the conclusion is because rates are going up, there is fear of more negative fluctuations at this point, and nothing will be changed and will not be as aggressive as they could even within the strategy that was set a year ago.

Mr. Hutzler said he doesn't know how often this committee meets and whether and how often the strategy is discussed. He asked if the committee can meet on call?

Chair Andrews asked if the committee meets 4 times a year?

Ms. Skittone said the committee is supposed to meet 4 times a year and more if necessary. That's one of the items on the agenda to establish meeting dates.

X. DISCUSSION OF COMMITTEE GOALS AND OBJECTIVES

Chair Andrews said he doesn't think a motion is needed but Mr. Brown had a good point on whether to stay the course or move, on the conservative side of the scale and stay there until it is known what happens. The Town gets new money in for taxes, etc. He assumes that the Florida League of Cities is funded first and then a proportionate share goes to what happens afterwards?

Ms. Skittone said right now it is at the 75 – 25 actually more than 60 - 40. At this point, no new monies are being put in the Florida League of Cities. They are staying with the 60 – 40 split and they are at about 42.

Mr. Brown said they actually are a little more aggressive right now only because they have taken money out of the short term to cover expenses but that will change as the tax revenue comes in. Is that correct?

Ms. Skittone replied correct.

Mr. Brown said so that's a temporary situation. It is going to get back to the 60 – 40 in the next six months?

Chair Andrews asked if a motion is needed? The issue hasn't really been discussed, just informally by the committee that they like the strategy they have had and do not see any immediate need to change. Is there anything necessary in the form of a motion to say continue on course since this is a new committee?

Ms. Skittone said that would probably be helpful since it is a new committee.

Mr. Hutzler made the motion. Mr. Brown seconded. Motion passed.

Chair Andrews said he wanted to bring up the mention about a money market account which was similar to the SBA.

Ms. Skittone said that is the enhanced cash portfolio.

Chair Andrews said about a year ago, that was brought up because they were looking at it and he doesn't think they had enough experience with the Florida League of Cities. Is that something that the committee and Town might want to consider now?

Ms. Skittone said it's a possibility. She said the SBA was 1.96 but actually today it's 1.99. There is such a small spread there.

Chair Andrews said he thinks they should stay with their comfort factor unless there's a reason to move.

Ms. Skittone said the only reason they were thinking of moving earlier this year was because of the losses in the fund and maybe moving some things to the Enhanced Cash. She said one thing that was touched upon when this was a smaller committee was how much they want to be invested in the League and the Town is one of their largest members. She has a handout that shows the percentage that the Town has of the fund in relationship to the whole fund in both of the two – the short term and the intermediate term fund. She doesn't know if the committee has some kind of a comfort level that they want to maintain. It is at 10.75 in the 1 – 3 year fund and 5.34% in the longer term fund. She is not sure if that's a heavy position to take in one fund or not.

Mr. Brown said it's something worth discussing but since it's a diversified fund, he wasn't sure how much it mattered. He sees others who are even bigger than the Town in percentage wise.

Chair Andrews said the numbers would actually be higher without the FMIT insurance trust. He doesn't have a problem in general in looking at other managed organizations. They use a kind of 5% market, some use 10%.

Mr. Brown asked would that be on an individual security as opposed to a diversified fund? He can see setting limits on individual securities but he doesn't know how many individual securities they have in this fund, must be dozens, if not hundreds. So he is trying to understand what the significance is of having a high percentage. He can see it if it's a single security because that's too much concentration in one security. He wasn't sure why it applied to a diversified fund.

Chair Andrews asked does anyone else have any thoughts about our concentration? How about the staff?

Ms. Skittone said it isn't necessarily concern. She doesn't have any reason to doubt the Florida League of Cities. It is just a nagging concern of hers to be one of the highest players in the fund.

Chair Andrews asked if it was at the 30% rate last year when they were considerably less than the 800 and some odd million dollars.

Ms. Skittone said it was about the same.

Chair Andrews said he thinks this needs to be tracked and if some type of movement is seen, it should be further investigated. He doesn't have a problem with where they are but if there is a movement or an indication that it's going to change, it should be looked at more closely especially if the staff has a concern.

Mr. Brown asked Ms. Skittone if she could be more specific on what kinds of things she is worried about

Ms. Skittone said in comparing the list of the investment committee that's in this book, Boca's reserves have to be higher than that. They're a AAA rated city. So they do not have as much as the Town has in there. Wellington is a fast growing community with reserves. They have quite a bit, not as much as Boca, but in proportion to the size of their community, they have quite a bit more than Boca. Orlando, which is huge, has a very small portion of their reserves. That's just what makes her nervous.

Mr. Hennessy said it would be helpful knowing where else they put their money.

Chair Andrews said since Mr. Hennessy is in contact with the people, maybe he could make some inquiries about what, why, where else they put their money.

Mr. Hennessy said it might be interesting also to know how much they have yielded in the last year, etc. and where they got it from. Maybe they are doing better than this committee. He said this committee has no benchmark on how they are doing compared to some of these other cities.

Mr. Hutzler said he doesn't know how much or how this breaks down as far as the SBA is concerned and that might be helpful also because Boca might have 90% of their money in there. Based on these numbers, they've only got 7%, who knows what the percentage is and maybe there's a reason for that.

Mr. Brown said there are also some towns that talked about having individual managers as opposed to pools. Maybe Orlando does that. But this committee should find out.

Mr. Panfel said on the other hand, what does Boynton Beach know that this committee doesn't know.

Mr. Brown said they should check with them also.

Mr. Hennessy said they might know what's going on in Washington to have an impact on this thing too.

Mr. Panfel asked isn't it general consensus that he's going to raise the interest rates?

Mr. Hennessy said yes, he's already said that.

Mr. Panfel said Mr. Coleman seemed to think that it was not really going to happen. Mr Panfel thinks these things are going to happen.

Mr. Brown said he thinks Mr. Coleman said that everybody knows it's going to happen and therefore it's already built into the longer term interest rates in the market place.

Chair Andrews said that's to great extent, it's not a full extent. That's an advantage when they already discount those rates. It makes for a much smoother transition. What the committee doesn't want is another shock.

XI. ESTABLISH FUTURE MEETING DATES

Chair Andrews asked Ms. Skittone to establish future meeting dates and coordinate the meeting dates with everybody.

Ms. Skittone said she will.

Mr. Panfel said he is going to be a full time resident.

Ms. Skittone said good, so that will be three.

Chair Andrews asked what's a quorum, three?

Ms. Skittone said yes. A meeting could be scheduled in the summer.

Chair Andrews said. he would prefer to have the meetings when everybody has the opportunity to be here.

Ms. Skittone said the retirement boards have set it up to have standard quarterly meetings on certain days every quarter so that they are uniform. She asked if this committee would like to do that or if they prefer that they fluctuate?

Chair Andrews said well the summer might not be a good time. Maybe they can switch it out so that four meetings can be held within 9 months. Would that work for the Board?

Mr. Brown said since he is only here in winter, he would like to see four winter meetings, December, January, February, and March and then whatever additional meetings are needed. . He is here mid November through late April. If they have four meetings in that period, they ought to be able to do one a month.

Chair Andrews said that would be fine. More than four meetings can be scheduled if necessary, but a minimum of four is needed.

Ms. Skittone said correct.

Chair Andrews said let's schedule one for January, February and March.

Mr. Hennessy asked if the calendar year end numbers will be available?

Ms. Skittone said the Town doesn't get returns until about the 15th of the month from the League so it would have to be later in the month.

Mr. Hennessy asked if it will be available early February then?

Mr. Brown said it will be ready late January, won't it?

Mr. Hennessy asked how about the first week of February?

Ms. Skittone said that would be good.

Mr. Brown said the week of January 31 through February 4 is good for him.

Chair Andrews said he waned to confirm by email since he does not have his calendar with him.

Ms. Skittone asked for e-mail addresses for the two new members.

Chair Andrews said from an agenda standpoint, it has been decided to try and meet four times during the "season", other meetings as necessary and if necessary try and also have an audio to make sure there is a quorum and invite anybody who's not able to be here to be here on an audio hookup. He asked is a motion or anything needed for that?

Mr. Brown asked if that can be done legally? Does anybody know?

Ms. Skittone said as long as it doesn't make a quorum. She asked what the committee would like on the agenda for the February meeting?

Mr. Panfel said he would like to have a review just the way Mr. Brown reviewed it today. He seemed to understand what he was talking about.

Ms. Skittone said she will definitely report back on the other municipalities.

Mr. Hennessy said another thing he would like to see at the next meeting is this analysis of what the other towns have in total and where they are putting their money and what their returns have been. The committee can use them as a benchmark and see how this committee is doing against them.

Mr. Panfel asked if it would behoove the committee to find out what their investment fund consists of? Is there any sort of breakdown, for the next meeting, perhaps?

Ms. Skittone replied they will provide a list.

Chair Andrews asked if for the next meeting the Town can give the committee something to bring them up to date on where the Town is, by then the first quarter of the fiscal year should be available. He would like to review where they are and if necessary, state their policy fairly firmly for what they see by the end of the year. So this can be discussed and formalized by that fourth meeting. Does that make sense for the Committee?

Mr. Panfel replied yes.

XIII. ANY OTHER MATTERS

Chairman Andrews asked are there any other issues to discuss?

XV. ADJOURNMENT

Mr. Hennessy moved to adjourn, Mr. Hutzler seconded, motion passed.