TOWN OF PALM BEACH
Investment Advisory Committee

MINUTES OF THE INVESTMENT ADVISORY COMMITTEE MEETING HELD ON

FRIDAY, NOVEMBER 15, 2024, AT 2:30 P.M.

I. CALL TO ORDER AND ROLL CALL

Mr. Storkerson, Chairman
Ms. Kathleen Anderson, Vice Chairman
Ms. Jacqueline de Sanctis (ABSENT)
Mr. Lloyd McAdams
Ms. Annette Geddes

Staff Members present were:

Robert Miracle, Deputy Town Manager

II. PLEDGE OF ALLEGIANCE

Mr. Miracle led the Pledge of Allegiance.

III. APPROVAL OF AGENDA

Motion was made by Vice Chairman Anderson seconded by Committee Member Geddes, to approve the agenda as presented. The motion carried unanimously, 4-0.

IV. COMMUNICATIONS FROM CITIZENS

No one indicated a desire to speak.

V. APPROVAL OF THE MINUTES

A. Minutes of the Investment Advisory Committee Meeting of May 17, 2024.

Motion made by Member McAdams and seconded by Vice Chairman Anderson, to accept the minutes as presented. Motion carried unanimously, 4-0.

VI. FLORIDA LEAGUE OF CITIES (FMIvT)

Mr. Miracle introduced Brad Buie from Atlanta Capital, who presented in place of Mr. Blomeley, who was unable to attend the meeting due to a personal emergency. Mr. Buie provided an overview of the fixed income market review and spoke regarding the sharp decline in rates in the third quarter. He stated that the market was good overall in the risk market and stated that all the sectors in the bond market outperformed. He provided a review of the bond funds returns and spoke regarding a question on what's driving the market. He provided an overview of the labor market, including the unemployment numbers and initial jobless claims and explained what has impacted the labor market. He stated that there have been 54 consecutive months of job growth. Discussion ensued on the labor market numbers. Mr. Buie spoke regarding the quit rate numbers and stated that the levels are on the trajectory of being recessionary. He also spoke regarding concerns over the numbers in consumer sentiment, credit card delinquencies and personal savings, as well as the numbers from the purchasing manager survey and small business optimism. Discussion ensued on the impact of immigration on the labor market. He spoke regarding the increase in bankruptcies and the upward trend of lending rates. He provided an overview of the 30-year mortgage rate and the mortgage refinancing index and answered a question regarding why the 30-year mortgage rate has not declined more quickly. Member McAdams also addressed this issue. Mr. Buie stated that 80% of the market is financed at less than 4% which means that the benefit to the consumer on the reduction of rates will be less than in the past. Mr. Miracle inquired about the possibility of the Fed not lowering interest rates as much as had been anticipated due to the election, to which Mr. Buie responded and discussed the potential impact on the various markets. He spoke regarding the Fed's position at this time and stated that the portfolio will continue to be focused on high quality bonds and asset-backed and mortgage-backed spaces. Mr. McAdams inquired about switching the allocation from the asset-backed securities market, to which Mr. Bluie responded.

VII. <u>MARINER</u>
Dave West, CFA, Mariner

Mr. West stated that the rate of return ended up being 20%, which is well above the actuarial target of 5%. He stated that they have had great strides in shoring up the portfolio. He spoke regarding the large rally in stocks over the fiscal year, specifically from the S&P's "Magnificent 7" stocks. He stated that there was a broader market participation in the last quarter. He spoke regarding the shift in the yield curve of the bond market. He provided an overview of the portfolio's asset allocation and the rebalancing that had been done during the year and the results of the rebalancing. He stated that the portfolio benefited significantly from the domestic equity allocation being indexed with a return of 35% for the year. He provided an overview of the returns of the other equity funds and the fixed income funds. He highlighted the Galliard Intermediate Core and PIMCO funds' performance and spoke regarding the real estate sector's minor improvement in the last quarter and the impact of the change in interest rates. He provided an overview of the returns of the private investment funds and stated that he doesn't recommend adding any additional private debt at this time. Mr. McAdams spoke regarding the importance of the slide that depicts the asset allocation compliance, and he spoke regarding the allocation in the private equity portfolio. Discussion ensued on a potential rebalancing of funds and the outlook of the economy due to the potential policies of the incoming Presidential administration. Mr. West spoke regarding a potential area to place funds if a rebalancing is decided. Discussion ensued. Mr. West recommended the money market fund as the place to rebalance equity funds. Discussion ensued on the recommendation.

Motion was made by Member McAdams, seconded by Vice Chairman Anderson, to reallocate the current 2% allocation to domestic U.S. equities and put that into the money market fund, Motion carried unanimously, 4-0.

VIII. OPEB TRUST FINANCIAL REPORT
Robert Miracle, Deputy Town Manager

Mr. Robert Miracle provided the financial report as of September 30, 2024. He stated that the net assets held in trust were $43,774,075, which is an increase of $6,888,415. He stated that the estimated ending cash balance will be $437,120 as of December 31, 2024. He reported that they are estimating that in quarters 2, 3 and 4 there will be a transfer of investments to meet cash flow needs of $400,000, which will result in a projected positive cash balance at the end of Fiscal Year 2025 of $213,620.

IX. AUGUST INVESTMENT REPORT
Melissa Ladd, Controller

Mr. Miracle stated that Ms. Melissa Ladd has been promoted to the Controller position. Ms. Ladd stated that the Investment Report is through August 31, 2024 and the amount invested was $224,909,167 with a fiscal year return of $11,592,564. Mr. Miracle pointed out the certificate of deposit (CD) returns that were outlined in the report and explained the impact on the general fund budget. In response to questions, Mr. Miracle spoke regarding the County's payment of revenue to the Town for property taxes. Mr. Miracle also spoke regarding the certificates of deposit being collateralized and the status of the undergrounding project on the financial side. He explained that the net income of the Town Marina is transferred to assist with funding the undergrounding project and explained a Town Council approval to transfer funds from the Marina fund to the Capital Improvement fund to pay for paving throughout the Town.

X. QUARTERLY REPORT FOR OVERSITE OF ONE-CENT SURTAX
Robert Miracle, Deputy Town Manager

Mr. Miracle reported that the total amount received of the surtax for Fiscal Year 2024 was $921,594.18 and the total that has been received by the Town since the inception of the surtax is $5,428,804.27. He reported that the surtax is expected to be sunset at the end of Fiscal Year 2025.

XI. ANNUAL REPORT, SALEM TRUST
Karen Russo, Salem Trust

Ms. Karen Russo reported that there is one account that has five mutual funds and four sundry assets, which are held outside of Salem. She explained the custody functions that they complete. She stated that she noticed that Amy Wood is still a signer on the authorized signer card, to which Mr. Miracle responded. She spoke regarding staffing changes at Salem Trust that have taken place over the past year. Discussion ensued regarding the assets held outside by sub-custodians and deposit trust company. Mr. Miracle commended Ms. Russo on her work and the work of Salem Trust for the Town.

XII. PROPOSED MEETING SCHEDULE

A. FRIDAY, MARCH 14, 2025 AT 2:30 PM
   Note: This date has since been changed to FRIDAY, MARCH 21, 2025 AT 2:30 PM
B. FRIDAY, MAY 16, 2025 AT 2:30 PM
C. FRIDAY, SEPTEMBER 19, 2025 AT 2:30 PM
D. FRIDAY, NOVEMBER 14, 2025 AT 2:30 PM

Mr. Miracle provided an overview of the meeting schedule for 2025.

XIII. ANY OTHER MATTERS

None.

XIV. ADJOURNMENT

Motion was made by Member Geddes, seconded by Member McAdams, to adjourn the meeting at 4:11 p.m. Motion carried unanimously, 4-0.

Respectfully Submitted,

Chris Storkerson,
Chairperson

Meeting audio is located at:

https://townofpalmbeach.granicus.com/player/clip/3086?view_id=5&redirect=true