MINUTES OF THE INVESTMENT ADVISORY COMMITTEE MEETING HELD ON FEBRUARY 4, 2003

I. CALL TO ORDER AND ROLL CALL

Chair Brown called the Investment Advisory Committee Meeting of February 4, 2003 to order at 1:30 p.m. in the Town Council Chambers. In attendance were Chair Stephen L. Brown, Dr. Michael Andrews, Edward L. Hennessy, Jr., Jane Skittone, Finance Director, Cheryl Somers, Assistant Finance Director, and Betty Cotton, Finance Secretary.

II. PLEDGE OF ALLEGIANCE

Chair Brown led the pledge of allegiance.

III. APPROVAL OF AGENDA

Chair Brown asked if anyone had anything they want to add to the agenda? He asked if the minutes from the January 23, 2003 meeting were done?

Ms. Cotton said hopefully the minutes will be completed in a few days.

Dr. Andrews asked if the committee does not have another meeting for a while, how do the minutes get approved?

Ms. Skittone said the committee will have to meet next February anyway so the minutes could always approved at that point.

IV. COMMUNICATIONS FROM CITIZENS – 3 MINUTE LIMIT PLEASE

No citizens attended.

V. REVIEW OF LEGAL CONSIDERATIONS – INVESTMENT POLICY

Chair Brown said one of the things the committee wanted to check on from a legal point of view was what changes would have to be made as a result of their possible recommendations. He asked Jane to report on that.

Ms. Skittone said John McCracken who is with Skip Randolph's firm reviewed the documentation, reviewed the State Statutes, and reviewed the Town's investment policy. He said in his letter, the Town policy states that any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, the Town could invest in. Since the League's trust is an intergovernmental pool, the Town can invest in it once the resolution is passed joining that intergovernmental group.

Chair Brown said a little further into the report, one of the things the Finance staff had recommended was to make some changes for the future though it's not necessary to do so at the moment.

VI. REVIEW OF REFERENCES AND INVESTMENT INFORMATION FROM OTHER COMMUNITIES

Chair Brown stated that Cheryl collected information from other cities and towns. She distributed a memo and material regarding these. He asked Cheryl if there is anything she would like to add or highlight with regard to these responses?

Ms. Somers stated there is nothing she has to add. She did call all of the municipalities that are currently in the League's pool except for Lantana. She also called Delray Beach who did participate in the pool for about a year, back in 2000. She also called two larger municipalities, West Palm Beach and Jupiter, who have never participated in the pool. From the people she talked to that are participating, they all seem to be quite happy and satisfied with the returns and the administration services that they are receiving from the league. A couple of them did state it is very volatile and to try not to watch it from month to month and try to keep your money in for the long haul. The Finance Director from Juno Beach also mentioned he highly believes in laddering money into the portfolio and not jumping right in. Jupiter was the only municipality that had not had a good experience with the League in the pension and insurance areas so they decided not to go with them for investments. She didn't ask them to elaborate on it. They are pretty much investing in treasuries and the SBA. The money is split out into those two areas.

Ms. Skittone said the League has different groups running the insurance section of it. It would be different people and entities.

Chair Brown said under the same roof but different groups.

Mr. Hennessy asked for clarification about the comment that Delray Beach experienced negative returns and then broke even at the end.

Ms. Somers said the money they had invested with the League, they left with them for about a year and initially they were happy with the returns and then the returns became negative so they pulled their money out. It may be that if they had left it in over the long haul, it would have done fine but they decided to pull it out.

Chair Brown said they are talking here about total returns including what happens to the principle from month to month as interest rates change. As the committee and staff know and as he is trying to emphasize in the report, you can go through a period of negative principle returns as interest rates go up whenever you go out in length and maturity. That's apparently what they experienced. The big thing in his mind is that they apparently weren't prepared for it. The important thing is to make sure that the committee and staff prepare the Town Council and anybody else who is interested to the fact that there is volatility once you start extending maturities.

Dr. Andrews said he thinks he remembers the Florida League of Cities said on a year to year period, they have never had a negative return. He thinks the longer the maturity, the better off you are going to be. The timing of Delray may have just been the wrong time.

Mr. Hennessy said Boynton Beach wasn't in very long either, 98 to 99.

Ms. Somers said they invested back, their money is still with the League.

Dr. Andrews asked if everyone that has invested in the League except for Delray on this list has stayed in?

Ms. Somers said that's correct.

Chair Brown asked for any other questions. The other part that was important was from an administrative viewpoint, were the towns all satisfied with reporting and relationships?

Ms. Somers said she did contact Darlene Malaney from the Florida League of Cities. Darlene and Greg Coleman are available today by phone if you have any additional questions. They will both be available on March 11 for the council meeting.

Dr. Andrews asked what the current yields are on the SBA and the two Florida League of Cities investments today?

Ms. Skittone said the SBA is 1.5%.

Ms. Somers said she can check to see.

Dr. Andrews said it would just be interesting to see.

Chair Brown said that's a very good point and in thinking about what isn't included in the report, or what might be asked of the committee at the Town Council meeting, he would think that one of the questions they would ask is tell us what the payoff is here. Of course, it depends on what interest rates are but at least the committee could say well based on today's situation, the yields are so and so and so and so, for the two Florida city accounts, not total returns but the yields and compared with SBA so you will be making whatever it is 75 basis points or whatever. And that translates on x million dollars to so many hundreds of thousands of dollars a year but that's just on yield, bear in mind total return can fluctuate in the meantime. That is something that should be available for March 11.

Ms. Skittone said as up to the minute as possible.

Chair Brown said after this meeting maybe the committee and staff could get some figures to put in the report.

Dr. Andrews said the other thing they could do on their own perhaps pending upon the Chairman's review of the final documents, there was some indication of a blended investment, is to take a look at the percentages on what a blended yield would be at that point in time too.

Chair Brown asked Dr. Andrews if what he is talking about is a certain percentage would be in the 1 – 3 year and a certain percentage would be in 3 – 5 plus the SBA. So it's 1.5% now and if it was all invested at today's yields, what would be x?

Dr. Andrews said there is an inherent risk in any investment. If we go out, the perceived risk is greater. He thinks we have to be able to say that the blended yield or the increased yield over the SBA, we believe as a committee, is worth a risk at this particular point in time. If someone would ask, I would feel the committee should know.

Chair Brown said he agrees. How would you feel about having it in the report based on current numbers?

Dr. Andrews and Mr. Hennessy agreed they would like that.

Chair Brown said maybe they could do that before March 11.

Dr. Andrews said also he wouldn't use March 11, use end of February date or something which is more consistent with normal reporting procedures.

VII. REVIEW DOCUMENTATION FROM MBIA

Chair Brown stated this is new material that Jane received after our last meeting. Unlike the other presentors who would manage our funds separately, they had a very low fee level, is that correct?

Ms. Skittone said correct and that's the only reason she is presenting it. The first 20 million would be a 10 basis point fee and over 20 million, a 7 basis point fee which is significantly lower than all the others.

Chair Brown said he thought that was amazingly low relative to what was presented from the other money managers and he's not sure if he feels completely good about that or not. In other words, do you get what you pay for in this business or what? What are your thoughts about it?

Dr. Andrews said he thinks the committee and the Town would not go out unless it is active management. That's what we are looking for. Again, he agrees with the Chair's comments, he doesn't think we would get that much for the 10 basis points. Also, looking at the return numbers, there's also no real benchmark that seen in any of their information so it's very hard at this point in time to see the advantages of MBIA. Maybe some additional information on their performance relative to other investments would be helpful but at this point in time, he is not encouraged to pursue them as an active candidate for inclusion in our investment objectives.

Chair Brown said having some of the money managed by a money manager may be a future option and certainly these folks should be considered at that time. One of the other thoughts that encouraged him in looking at the report was that when you manage your own money through a money manager, unless it's a very large amount of money, you do have more liquidity restraints in a sense than you do with a pool. It just seems that when you have a large pool, there's money flowing all the time in and out and at least once a month or twice a month, it's not hard to get some cash out of there. Whereas, if you have your own investments and you need liquidity, you have to sell one of your investments and you might be selling at a time when you'll be unhappy about. So he thinks we have to think a little harder about whether we want to have our own money managers or not. He agrees with the statements that have been made by Michael (Dr. Andrews) that maybe this is something we shouldn't do right at the moment but again he does think they have something we might want to look at in the future or that some future committee might want to look at.

Dr. Andrews said especially if interest rates rise and the spread makes it more attractive to look at.

Chair Brown asked Mr. Hennessy if he had any feeling about this?

Mr. Hennessy said he agrees.

VIII. REVIEW AND DISCUSS DRAFT REPORT

Chair Brown said the best way to go through the draft report is paragraph by paragraph or roman numeral by roman numeral and see if people have particular comments, suggestions or questions. He said since he drafted this, he doesn't have too many questions. You folks may have lots of questions or comments. Starting with page 1, does anyone have any questions or comments?

Dr. Andrews had a question on II. Current Situation. He remembered Jane saying that she very seldom went to the SBA for cash on an annual basis.

Ms. Skittone replied once or maybe twice a month. It depends on the time of year.

Chair Brown asked if this is large amounts or small amounts?

Ms. Skittone said 2 million.

Ms. Somers said it could be 4 million a month during the summer months and it's September or October before we get our first tax payment.

Dr. Andrews said one option if we do a spread among different investment opportunities as presented by the Chairman would be to almost consider that your SBA amount portion would be a secondary cash account and the others could be deemed without much of a problem as longer term investments. To the point of saying in a risk basis that we would not see the Town going into those other investments during the year unless it was a very unusual set of circumstances. Setting up an important consideration that we don't plan on going into those because the SBA with its daily liquidity would give you all the options that you need.

Chair Brown said he thinks that is right. That has not been said explicitly because he thought it was assumed but maybe we should say it.

Dr. Andrews said he would like to say it explicitly because in his mind it clears the objectives of the other investments and allows us to have other investments since we will not be going into those during the year.

Chair Brown said what we could say explicitly is, and I won't draft the exact language as we sit here, but to say something along the lines that under normal circumstances we would not expect to utilize the investments that go outside the SBA.

Dr. Andrews said or possibly the addition that the SBA would be the first investment vehicle to which you would expect to receive funds from.

Chair Brown said so in addition to the normal month to month withdrawals coming from the SBA even if there was an emergency, the first fund to be drawn upon would likely be the SBA.

Everyone agreed.

Dr. Andrews said that just sets up what we want to do a little better.

Chair Brown said that's easy to do and that might go in a different section than in the "Current Situation" but wherever it fits.

Chair Brown said let's move now to III. Relevant Considerations.

Ms. Skittone said it says that 25% of the budgeted expenditures be reserved for unspecified purposes, our policy is specific. It's to protect against reducing service levels or unnecessary levels or unnecessarily raising taxes and fees. So she thinks that should just be stated instead of unspecified purposes, 25% of budgeted expenditures be reserved for undesignated fund balance because that is what that policy is called and that's what that reserve really is.

Chair Brown said so this sentence would say that there is a specific requirement for 25% of budgeted expenditures to be reserved for undesignated fund balance.

Ms. Skittone said and you could add per Town policy.

Chair Brown said we said there is a specific requirement, that should cover it. And it's okay to say that this amounts to only about $12 million?

Ms. Skittone said correct.

Chair Brown moved to IV. Presentations. Should we also say in this first bullet that we also reviewed without a presentation from the MBIA?

The committee agreed that should be included.

Chair Brown said here is where we say although the use of a money manager could be reconsidered at some future date, the committee feels that currently the Town should utilize the government pools for its excess funds.

Chair Brown moved to V. Recommendations section of the report. He suggested doing this one bullet by bullet. The first one is the committee recommends that about 60% of the reserves continue to be invested in the SBA pool. This pool provides very high quality short-term investments (60-90 day average life), instant liquidity, and very low fees. And, over most periods of time, the lowest yields available in the marketplace. We suggest the 60% level be utilized initially.

Dr. Andrews said he has a suggestion to the committee because there's not a big use on the other funds other than the SBA. He thinks we should take a slightly more aggressive stance other than the 60%. He was thinking about how to phrase it properly and perhaps the best way that he believes the committee would approve is if we gave boundaries on there or guidelines ranging between 60 to 40%. Because he doesn't see a problem if we had 40% in the SBA and 60% split between the other two investments. In fact, he would prefer to see 40 – 60% on the SBA and a 40 – 60% split on the other two so that you could put 60 in the more aggressive. He thinks that is going to give the best blended yield with an acceptable risk. He would like to ask Jane what she thinks of that as the Town money manager?

Ms. Skittone replied, "since we can obtain Florida League of Cities monies twice a month on the shorter end and once a month on the long term, we watch it close enough where I would think that we can work with them in those parameters to withdraw money if necessary. I would think that the 40% in the SBA would be workable at least on our cash flow".

Dr. Andrews asked what is an average monthly balance in the Town cash?

Ms. Skittone said 60 to 80 million.

Dr. Andrews said if you only hit them twice a month for 4 million, you've got a pretty good cushion there.

Chair Brown said he has a little discomfort about that and it's not that he doesn't agree with it because he does and if it were his own money he thinks that would be okay. But there are a couple of things that he worries about. One is that this is the first time that this kind of recommendation is coming up and so he would tend to lean toward the conservative side. He does think the 60% is conservative. Also, he thinks we were able to come to this number by actually looking at the display that shows each fund balance and how much of that fund balance was available for longer term investment.

Ms. Skittone said it is about 33 million at this point.

Chair Brown said it happened to come out that about 40% was available for longer term investment by looking at each category separately of reserves that they have so we have a kind of a hard basis for this number, whereas your number is a little more general reasoning than being able to point to something that says here's what the Finance staff itself came up with and they said this all adds up and it happens to come out to about 40% available for long term investments. So his comfort level would be let's stick with that and if things go well for a couple of years, some future committee could always make that a little less conservative.

Ms. Skittone said and you could also review it in February 2004.

Dr. Andrews said, "we don't know when the next committee meeting is going to be after we propose to the Town and I just think having a range would allow you to take advantage of possible swings or changes better than the 60%. Also, the 40% that's available definitely can be done at long term but I also think because of cash flow considerations we could take advantage of some of the money which hasn't been designated long-term but is in a pool of money since there is a fairly good cushion before we get into any area where you would be uncomfortable obtaining the money from the SBA." He asked Jane if that makes sense to her?

Ms. Skittone said at this point she agrees but she is a little cautious because if we have to pull the money out of any of those longer-term investments, we could take a loss.

Dr. Andrews said he would defer to the Chairman's thoughts on this.

Chair Brown said he thinks it is a close call and he thinks the other thing to consider is that the other towns, the one thing they were nervous about was the volatility and the more we put out long-term the more volatile the total return is going to be. He thought it would be easier to start with something that we could actually show a piece of paper that said the Finance staff has analyzed this and this is what they thought was available for longer term investment.

Dr. Andrews asked if that is the recommendation of the Finance staff at this point in time?

Ms. Skittone said based on the use of some of those funds and knowing that this summer we will probably be spending a decent amount on drainage and additional monies for the Fire-Rescue Station, there's going to be some big payouts during this next summer.

Mr. Hennessy said but you are not going to deplete all your funds. You could ladder out and sort of insure against a loss.

Ms. Skittone said no, not at all. You're talking about that middle area between the 40 and 60%.

Dr. Andrews said he agrees with putting the money in on a ladder basis. He would like to give the staff a little more leeway during these times if they look at their cash positions and say now maybe it's not 60 – 40 maybe it's some other percentages.

Chair Brown asked, "what would you think and I'm talking now to both the staff and the committee about putting in a range as Michael (Dr. Andrews) indicates but with a suggestion that we start with the low end of the range until there's a comfort level reached by the staff that we might possibly go beyond"?

The committee and staff agreed that would be perfect.

Chair Brown asked do you want it to be 40 – 60% retained in SBA but with the recommendation that we start with the 60 until a comfort level is reached?

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Dr. Andrews said absolutely. If possible, he would like to extend the same parameters to the next bullet point.

Chair Brown read "according to the finance staff analysis, at least 40% of the reserve funds are available for somewhat longer-term investment". That ties in very well with the first bullet. How do tie it in with the new first bullet that talks about having a higher range available for long term investment? That was my problem, if you take that first sentence of the 2nd bullet which is a true statement that they did an analysis, they came up with 40% available, yes, you could make an argument that there is even more available and that's still a conservative number but how do we describe how we got there?

Dr. Andrews said, "I think Mr. Chairman that we are agreeing to the same thing. I believe that we should start out at 60%, the remaining 40% should have the same parameters on there that it should be instead of half and half it should be 60% in the shorter term with the ability that it could be 40% and the same way with the other one because the 1 – 3 year paper is the last one that you would get in any type of situation. If there's any advantage in being out there I'd like the town staff to be able to take advantage of it".

Chair Brown asked if you would keep that first sentence of the second bullet the way it is?

Ms. Skittone said unless you put initially.

Chair Brown said he is trying to modify that first sentence to tie in better with the revised first bullet and he is not quite sure how to do it. He asked Jane if she would feel uncomfortable with the phrasing "at least 40%"?

Ms. Skittone said that would be fine.

Dr. Andrews suggested 40 – 60% on both.

Chair Brown said should we say that we probably should start at 60 – 40%.

Dr. Andrews said good point, start off on the conservative side.

Ms. Skittone said the only concern that she has is if we expect interest rates to go up which I guess most people do, the longer-term one the intermediate one would seem to be the most volatile. Wouldn't you wan to put less in there to start with?

Chair Brown said maybe these ranges are a little too narrow. Maybe it should be 30 – 70% on both or something like that. Then you could start 70 – 30%.

Dr. Andrews said how about 25 – 75%?

Chair Brown said start at 75 – 25?

Ms. Skittone agreed.

Mr. Hennessy said that gives you a range you can make some decisions on and take a responsibility for.

Chair Brown moved to the third bullet, fourth, and fifth bullets are just facts. Somewhere in here we will put what the benefits are from this investment strategy, the blended yield. Maybe it will be interesting to see 75 – 25% what that would produce.

Dr. Andrews said if possible on the numbers basis because you are going to give us numbers on a particular date on the three investment vehicles if we could take a blended yield based on the high and low percent, 75 – 25%.

Chair Brown said you could have three different numbers. It would be 75 – 25, 50 – 50, 25 – 75 so you cover the waterfront.

Chair Brown said the next bullet is factual.

Dr. Andrews said it is a good statement to have in our presentation.

Chair Brown read, "It should also be noted that liquidating investments in either of these pools could result in a loss of principal. The committee feels this possibility should not preclude the Town from making these investments". The next bullet "given the possibility that interest rates may be at their lows, we suggest that investment in the two Florida League of Cities pools be spread out over nine months".

He asked Jane if she had a suggestion on this one?

Ms. Skittone replied since you are going to meet again next February, it would be nice to have it all in before that so that you could review how it has performed over that period of time to make any possible recommendations.

Chair Brown asked if nine months is ok?

All agreed.

Dr. Andrews asked now you'll phase it in as you believe is the best way to do it?

Ms. Skittone said yes unless you have any suggestions.

Chair Brown said he would do it fairly evenly otherwise you get in the business of trying to outguess rates month to month which is hard to do.

Ms. Skittone said should you spread out evenly over nine months?

The committee agreed.

Chair Brown said this is just to get the money in.

Dr. Andrews said just say it needs to be spread out. He doesn't know if you want to say evenly. There is almost an evenly implied but I would not want someone to come back to the staff and say wait a minute you put in 15% one month and you put in 18%.

Chair Brown read "we recommend that appropriate changes in investment policy be made to accommodate these recommendations". He stated, "I'm going to have to change this in some way because we have just heard that we don't need to make changes but then the rest of the paragraph goes to your point, Ed (Mr. Hennessy), in addition we suggest that maximum direct investments be changed from 3 to 5 years. Also if direct investments are contemplated at some point in the future, we suggest the Town Council consider an ordinance allowing bond investments of A or higher quality".

Mr. Hennessy and Dr. Andrews agreed.

Dr. Andrews asked if we have the ability to do anything, we as a committee recommend?

Mr. Hennessy said that's all.

Chair Brown said the committee recommends to the Town Council.

Dr. Andrews asked how do we actually do the recommendation to the Town Council, do we write them a letter?

Chair Brown said we are going to send them a report and we are going to appear on March 11 at the Town Council meeting.

Ms. Skittone asked wouldn't it be corporate bond investments of A or higher?

Chair Brown said yes it should be.

Chair Brown read "we recommend that both the current yield and total return on each pool and for the total of all reserves be reported by the Finance Director".

Chair Brown said the Florida League of Cities does have a recommendation for the benchmarks for each of your investments. So just use their benchmarks. There will automatically be another benchmark because the SBA returns will be in there and we can compare returns against the SBA as well.

Dr. Andrews said he believes that the committee was formed to try and get some advantages over the current investment strategy which is to put all the money in the SBA. I think if we would track how our committee has done in trying to help the Town, I think our benchmark should be SBA.

Chair Brown said he doesn't disagree with that. What he was trying to say earlier was that automatically we will have that available because in the report itself, we'll still have a lot of money in the SBA. We'll have the SBA yield and total return, we'll have the yield and total return of the new investments that we've suggested so we'll have two benchmarks in effect. We'll have the SBA as a benchmark automatically and we'll have the benchmarks that are recommended by the Florida League of Cities. So I guess that what you are saying is that we want to be able to highlight that to the Town Council that we think we have been productive as a committee. So maybe in this bullet where we talk about the benchmarks, we should add a sentence and these Florida League of Cities pools should also be compared to the SBA returns. Is that what you are saying?

Dr. Andrews said, "no I'm saying our blended returns whatever the percentages turn out to be depending upon what the staff picks in February of next year that number should be compared against the SBA to see how effective we were in our job".

Chair Brown said how do you say that in a report, where do you want to say it and what do you want to say?

Dr. Andrews said doesn't the Town track the total rate of return on their money?

Chair Brown said that's in the next to the last bullet on page 3. "We recommend the current yield and the total return in each pool and for the total be reported by the Finance Director."

Dr. Andrews said he just wanted something on their evaluation as a committee because it doesn't state that way. We might say something in fact that the investment review committee's performance should be judged on how well we compared to the SBA numbers.

Chair Brown said he thinks that will happen but he is not sure what the purpose will be because we are not a permanent part of the landscape and whether they like what we did or not we are gone.

Dr. Andrews said it doesn't have to be in there, what you say is fine.

Chair Brown said maybe what will happen if things get worse because of what we did, we will get the blame.

Dr. Andrews said if things get better who will get the credit?

Chair Brown said the credit will go to Jane and Cheryl.

Mr. Hennessy asked if any other states have things similar to the Florida League of Cities? Is there any way of finding out what they are doing? He would like to see what other states are doing.

Chair Brown said it might be possible to do that. Maybe at our next meeting

Chair Brown said he is not sure as a result of your comments that we should make an addendum to the report itself.

He said on page 4 of the report in the discussion about future reviews, the Town Council resolution already specifies that the committee review the progress of the plan if approved by next year.

He stated the second bullet on the page recommends that both the current circumstances which could easily change over time and suggest the policy be reviewed every few years to keep up to date. He said Jane had some feeling about that.

Ms. Skittone said instead of just every few years, that's vague, and she thinks they discussed that it be reviewed every few years or if necessary call in a committee for assistance.

Mr. Hennessy asked who makes that decision?

Ms. Skittone said she can request the Town Council to do that.

Chair Brown said why don't we just say "we suggest the policy be reviewed as needed to keep up to date with possible changes and circumstances"? Then the Finance staff and the Town Council will determine that as needed part.

The committee and staff agreed.

Chair Brown asked if anyone has anything they would like to add that isn't in the report?

Dr. Andrews said he would like to state along with Ed (Mr. Hennessy) that he thinks the Chairman and perhaps the staff did a wonderful job preparing this draft proposal. He thinks it is well done, complete, and a wonderful working document.

Mr. Hennessy said it's short and sweet and encapsulates all of the discussions they have had.

Chair Brown said thank you and he complimented the staff for their tremendous help in helping us get this far. He thinks it worked out very well. Now the question is do we need another meeting before March 11? The only topic of conversation might be the final report or does the committee feel comfortable enough that final report is going to be okay and they don't have to see it before it goes to the Town Council? Because the only way you can see it, you can see it, you can't discuss it unless we have a meeting.

Mr. Hennessy said if we have a problem, we can call Jane and she can convene a meeting. He said the changes that we made today were pretty minor.

Dr. Andrews said it's his recommendation that there isn't a need for an additional meeting unless called by the Town staff or the committee chairman.

Chair Brown said he thinks that is an excellent way to handle it but it does put a little bit of burden on Jane. But if somebody calls and says they really think another meeting is needed, and that they are not happy with the final report, then Jane sets up another meeting.

Mr. Hennessy asked who is the driving force on the Town Council for this?

Ms. Skittone replied actually she recommended it because obviously interest rates went down the chute and the Town was having budget constraints during that time because of that and it seemed to be proactive to try to do something else.

Mr. Hennessy said he did get a call from one of the members strongly suggesting that he join the committee.

Chair Brown asked Jane if she had thought through what the budgetary implications are for her where it was hard enough already to project what the income was going to be because she didn't know what the interest rates were going to be. Now in addition to the SBA, there'll be a couple of other pools where you've got a bigger effect from interest rate changes than just the yield.

Ms. Skittone said she does not think it will affect her anymore than it did before

Dr. Andrews said he would think the SBA too, for the foreseeable future is your benchmark.

Chair Brown said and if it's really the yield that's most important, that isn't going to change as much as the principal value is. That will change more gradually.

Ms. Skittone asked do you want the people from the League to be at the Town Council meeting?

Chair Brown said he thinks it would be helpful. He doesn't think we are going to need them but you never know and if they start asking very detailed questions that we can't answer, it would be helpful to have them there and they're going to get quite a bit of money. And that's another thing that we forgot to mention to the committee. Jane was a little concerned that because of the amount of money that we might put into the Florida League of Cities funds that we might appear to be a too big a portion of their assets. He didn't know whether that was a political concern or a financial concern. He thinks it was more a perception concern more than anything else.

Ms. Skittone said probably. It worked out to be 5% of the total fund.

Mr. Hennessy said he does not think that is unreasonable. If we were 25%, it would be a problem

Chair Brown said he didn't think so.

Dr. Andrews said 5% is almost an issue that you have on mutual funds on how much you can have. It's a very good benchmark. Plus, we are going to phase in so we could see if their balances pull up over a period of time.

Chair Brown said even if we went a little over 5%, he doesn't see what the downside is unless somebody says this is a political problem which he can't gauge. So he would leave it out. He had discussed with Jane the possibility of putting in a limit and saying we shouldn't have more than X% in the Florida League of Cities assets whether we do it pool by pool or two pools. He thinks they were talking about all the pools together.

The committee agreed to leave it up to the discretion of the Finance staff.

Dr. Andrews said, "Mr. Chairman, you've done such a good job in laying out this document that I don't think it would be improved by being more specific than it is. '

Dr. Andrews asked of Jane and Cheryl if what the committee has done here is a workable situation in your mind? Administratively is it going to cause you any more effort than you have had in the past?

Ms. Skittone said she doesn't think so. Administratively, it's probably the easiest option.

He asked do you believe that what the committee has done has a chance to increase the return to the Town over the benchmark of the SBA?

Ms. Skittone said she doesn't have a crystal ball but obviously since it will be longer term than the SBA, she would think we would have a better chance. At the same meeting after they approve the committee's report, she intends to also have them approve the resolution that would allow us to into the Florida League of Cities. There's another resolution that Florida League of Cities requires to be part of the interlocal agreement and she would put that right after the report.

Chair Brown asked what about the changes in the investment policy? Would that be done then also?

Ms. Skittone said that wouldn't have to go before the Florida League of Cities resolution but it could go right after that.

Dr. Andrews asked could we also ask that our suggestions be reviewed by the Town's Legal Council?

Ms. Skittone said the Town Attorney, yes. She said John McCracken is reviewing all the Florida League of Cities documents now to make sure there wasn't anything in there he was uncomfortable with. As far as the investment policy and report is concerned, she will make sure that the Town Attorney signs off for legal form and sufficiency.

Chair Brown asked is it traditional that the whole committee be there for the presentation?

Ms. Skittone said she doesn't know what tradition is but she would think that it would be appropriate.

Chair Brown said thank you first of all to the staff for your very good support and also to our two excellent committee members. Thank you very much.

Ms. Skittone said we thank you for all your help.

Mr. Hennessy said he hopes it all helps.

IX. ANY OTHER MATTERS

X. ADJOURNMENT

The meeting was adjourned at 2:30 p.m.