

**MINUTES OF MEETING
INVESTMENT ADVISORY COMMITTEE**

The Meeting of the Investment Advisory Committee was held on Thursday, February 4, 2016 at 9:00 a.m. at the District Office Board Room, 984 Old Mill Run, The Villages Florida, 32162.

Board members present and constituting a quorum:

John Blum	VCDD # 2
Tilman Dean	VCDD # 3
Paul Kelly	Vice Chairman, VCDD # 4
Gary Kadow	VCDD # 5
Sally Moss	VCDD # 6
Dennis Broedlin	VCDD # 7
Sal Torname	VCDD # 8
Tim Sennett	VCDD # 10
Art Rowe	VCCDD
Gerry Lachnicht	SLCDD

Staff Present:

Sarah Koser	Interim Finance Director
Janice Larned	Budget Analyst
Bridget Chianese	Staff Accountant
Candice Lovett	Deputy District Clerk

FIRST ORDER OF BUSINESS: Call to Order

A. Roll Call

Vice Chairman Kelly called the meeting to order at 9:03 a.m. and stated for the record that ten (10) members were present representing a quorum. Charlie Smith, Paul Sykes, John Wilcox and Gerry Andrews were absent. Dennis Broedlin was representing District 7.

B Pledge of Allegiance

The Vice Chairman led the Pledge of Allegiance.

**SECOND ORDER OF BUSINESS: Approval of the Minutes for the Meeting held on
October 29, 2015.**

Mr. Kadow advised he was unable to attend the meeting held on October 29, 2015 due to a family illness.

On MOTION by John Blum, seconded by Tilman Dean, with all in favor, the Committee approved the Minutes from the Meeting held on October 29, 2015.

THIRD ORDER OF BUSINESS: PFM Asset Management LLC

Steven Alexander, PFM Asset Management LLC, introduced Michael Stewart to the Committee advising Mr. Stewart is a Senior Analyst with PFM.

A. Market Update and Review

Mr. Alexander reviewed the market update as information to the Committee.

B. Short-Term Portfolio

Mr. Alexander reviewed the FMIvT 1-3 year bond fund, advising 34 basis points were earned over a one year period with a duration of 1.35 years.

Mr. Alexander reviewed FLGIT, advising 49 basis points were earned over a one year period with a duration of 1.4 years.

Vice Chairman Kelly requested Mr. Alexander grade the investment portfolio based on performance. Mr. Alexander advised the request will be made at a later time in the meeting under the long-term portfolio.

Mr. Torname inquired if there is reasoning behind the excessive funds in the Florida Prime account. Mr. Alexander advised PFM will be working with Staff to move funds into additional banks to create a more diversified portfolio and achieve better interest rates.

C. Long-Term Investment Portfolio

Mr. Alexander reviewed the Long-Term Investment Portfolio (LTIP) Asset Allocation & Performance as of December 31, 2015 advising the benchmark for the quarter ending December 31, 2015 was 3.15 and the blended benchmark 2.96. Mr. Alexander stated based on holdings for 2015, the returns ranged from 70 basis points to 55 basis points. The benchmark ended with a -49 basis points.

Mr. Alexander advised the performance year-to-date for the portfolio is down 2.88 versus the benchmark of 3.08.

FOURTH ORDER OF BUSINESS: FLGIT, FMIvT and SBA Portfolios

Sarah Koser, Interim Finance Director, advised breakdown of the portfolios were provided to the Committee which shows a list of the FLGIT Holdings, FMIvT High Quality 1-3 year Bond Fund Holdings and SBA Holdings.

**FIFTH ORDER OF BUSINESS: Investment Earning Rates through the month of
December 2015 by Source**

Vice Chairman Kelly advised the Committee has been provided the investment earning rates through the month of December 2015 for CFB, USB, SBA, FMIvT, FLGIT and LTIP.

**SIXTH ORDER OF BUSINESS: FMIvT and FLGIT Contributions, Redemptions and
Balances**

Vice Chairman Kelly stated the report was provided to the committee which provides the FMIvT and FLGIT contributions, withdrawals and unrealized gains/losses for each District since the inception through December 31, 2015.

SEVENTH ORDER OF BUSINESS: NAV Strategy Update

Ms. Koser advised Staff and PFM have been reviewing options for the Trust Funds currently with Federated and Fidelity that will be affected by the change to the NAV in October. The proposed strategy is to move the Federated and Fidelity funds to the Florida Prime and to move the liquidity funds currently with the Florida Prime to Qualified Local Depositories to decrease the concentration with one entity. Ms. Koser advised, as with all funds invested, the funds with the Qualified Local Depositories will be monitored for changes in the market that could affect the rate of return. An RFP will be prepared in March to determine which qualified local depositories will be utilized for the liquidity funds. A spreadsheet was provided to the Committee reflecting a sample of the current rates available for Money Market funds with two (2) qualified local depositories and the estimated earnings based on the balances

in the SBA as of September 30, 2015. During the RFP process, Staff will better determine the rates, net of any fees, that the depositories will charge. Ms. Koser advised based on the USB fee, to utilize SBA will be \$1,000 annually per bond issue, paid in advance. There is no fee currently for the funds held with Federated and Fidelity; however, the attachment provided demonstrates that the additional earnings from Florida Prime will not only cover the fee, but increase earnings in the Trust Funds. Ms. Koser advised Staff is recommending the District Boards utilize the Florida Prime for the Trust Funds and the issuance of the RFP to determine which qualified local depositories will be utilized for the transfer of the liquidity funds for each District.

Mr. Torname requested the weighted blended return be provided at the next meeting.

NINTH ORDER OF BUSINESS: Information Items

A. Cash Analysis Worksheet prepared January 27, 2016 (February 3, 2016 handout)

An updated cash analysis worksheet was provided as information.

B. SBA Local Government Investment Pool Monthly Summary Report (December 2015)

The summary report was provided to the Committee.

C. FMIvT Fixed Income Holdings YTM, DUR and WAL as of December 2015

The report was provided to the Committee.

D. LTIP Return to Date (12/31/15)

Ms. Koser reviewed the information provided to the Committee regarding the analysis of net gain.

Vice Chairman Kelly reviewed the items to be brought before the Board at the next IAC meeting and requested any further comments; however, none were received.

TENTH ORDER OF BUSINESS: Adjourn

The meeting was adjourned at 10:26 a.m.

On MOTION by Gary Kadow, seconded by Sally Moss, with all in favor, the Meeting was adjourned.

Janet Y. Tutt
Secretary

Charlie Smith
Chairman