Investment Advisory Committee Meeting
April 21, 2011

Members in Attendance:

Ed Leonard, Franklin County Treasurer
Zak Talarek, Designee for Commissioner Paula Brooks
Shawn Rieder, Designee for Clerk of Courts, Maryellen O'Shaughnessy

Guests in Attendance:

Dennis Yacobozzi, President UACC
Kevin Klingel, Vice President UACC
Emily Perkins, Investment & Cash Management Officer, FCT

Call to Order

Treasurer Leonard called the first quarter meeting of the Franklin County Investment Advisory Committee (IAC) to order at 2:07 p.m.

Approval of Minutes

The first order of business was to approve the minutes from the January 27, 2011 meeting. Zak Talarek moved to accept the minutes and Shawn Rieder seconded the motion. Minutes were approved.

Approval of Resolution 2011-01

The second order of business was to approve Resolution 2011-1. Resolution 2011-1 allows the inclusion of Castle Oak securities as a broker dealer. Zak Talarek moved to accept Resolution 2011-1 and Shawn Rieder seconded the motion. Resolution 2011-1 was approved.

Economic Outlook

At this time Treasurer Leonard turned the meeting over to Dennis Yacobozzi who presented an update on the economic outlook for the County.

The economy is growing at a much slower pace this year than last year and that a slower growth rate will continue. Unemployment has seen a decline but for any material decline to occur then it will take a few more years. With higher unemployment it puts a drag on the economy.

Federal Reserve actions over the past year and a half have seen the implementation of QE1. 1.5 Trillion dollars was spent to purchase back assets with the purpose to that money into the system to ease things on part of the Fed. Now QE2 has been implemented, which involves 600-700 billion dollars in purchasing more assets, and will purchase maturing assets that they hold after June 30, 2011. This means to the portfolio that we need to keep the average duration of the portfolio longer. This portfolio has remained stable, and has a three year duration on average.

Geo-political things will affect the portfolio as well, because it affects public perception. The same thing that is going on in the United States is going on in Europe as well. Greece announced that it may not be able to pay back half of its debt. Once Greece came out and said this there was a rush to buy treasuries, because everyone still believed that the quality and safety of treasuries are still intact. We are going to see a lot of volatility in the near future. From a strategic standpoint we are probably going to keep the duration of at least two years for Franklin County Portfolio.

Franklin County's portfolio in the market is over $800 million. This means that there is a lot less cash in money funds, certificates on deposits and the like, which is important because we have a little bit more money to work with and a little more investment income.

Portfolio Allocation, Updates & Projections

In the table for the core portfolio, we have fought to keep the portfolio a little longer than it was a year ago, which is unique. The market value is going to start declining for two reasons: 1: higher coupon assets are rolling off; 2: we have seen a little lift periodically in interest rates than previous quarters which depresses the market value of fixed income securities. We could see a potential loss if we end up selling assets, but we do not have any plan of selling during the depressed values. We don't do anything without the Treasurer's express approval.

Yields are still at respectable levels at 172, this is a relative terms because others are even lower. Bank CDs will be discussed by Ms. Perkins. We may have to go out temporarily in the agency market in the summer just for a place to put it. This could be 700-800 million. This is literally impossible to push this through the banking system.

There may be some reengagement discussion of the commercial paper markets of the highest quality companies. This may lead us to get more even if just for a short period of time.
There is also a large change in callable from a year ago. Today the change is 52% because return is basically gone. Now we are shopping yield. It is more work to get bonds called every day but that is the best way to get more. Israeli bonds are making a little more than they were. The percentage of assets is reasonably balanced.

Core Portfolio: It provides all of the assets that the county owns and is broken down into callable and non-callable. The average weighted yield to maturity is listed. Market value is also listed, and is compared to the book value. The purchases that took place are also shown. It also shows what has been called and what bonds have matured. Well over 2 million was generated over the first quarter of the year. The maturity analysis is the most important section. In the graph you can also see that interest rates have moved up a bit.

Bond Proceeds

Mr. Kevin Klingel reviewed the Bond Proceeds Portfolio. The table in the portfolio shows a steady decline in the bond proceeds side as those are spent. We are limited to the maturity of the investments, and have stayed in the six months to one year in our reinvestments. The asset breakdown is primarily made up of agency discount notes.

The bond proceeds portfolio has a list of all of the assets that the county owns, which are primarily discount notes and one fixed rate bond. The cash balance in the portfolio is as of March 31st, which was just over $36.5 million. The maturities of the reinvestments and the corresponding yields are also in the portfolio. $15 million were purchased versus $20 million in maturities. We hope as the maturities come out, we can continue to go out and invest in the 6 month to one year range, which gives us more basis points.

Per Mr. Talarek, the schedule that we have put the agencies on, allows us to keep the structure and allows for the time frame that we have set up. Per Mr. Yacobozzi it has been a nice coordinated effort, and has worked very well.

On the bond proceeds sides, rates are very low and the curve is very flat.

Treasurer Leonard then turned it over to Ms. Perkins who spoke about the liquid accounts. Ms. Perkins said that she started using a new investment software tracking system which saves the county money. Overall rate of return is 31 basis points. As of May 1st, all of our rates will be dropping. This is dropping because the banks can't afford to have the county's money because it costs them too much. It is costing the banks more money than they can earn on it. Liquid is going to be restricted due to these issues because the banks are not willing to enter into new contracts with us and can't keep our money unless things change drastically over the next few months.

Earnings for first quarter 2011 are $2,448,518.41, which is where we need to be, and are still on target for 12 million.

Future Meeting

With no further discussion, Treasurer Leonard set the next meeting date for July 21, 2011 at 2:00 p.m. Zak Talarek moved to adjourn the meeting at 2:47 and Shawn Rieder seconded the motion. The meeting was adjourned at 2:47 p.m.

Voting Aye thereon:	Voting Nay thereon:
Edward J. Leonard	Edward J. Leonard
Marilyn Brown	Marilyn Brown
Paula Brooks	Paula Brooks
John O'Grady	John O'Grady
Maryellen O'Shaughnessy	Maryellen O'Shaughnessy