

## Investment Advisory Committee Meeting

April 19, 2012

### Members in Attendance:

Ed Leonard, Franklin County Treasurer  
Zak Talarek, Designee for Commissioner Paula Brooks  
Don Brown, Designee for Commissioner John O'Grady  
Shawn Rieder, Designee for Clerk of Courts, Maryellen O'Shaughnessy  
Ken Wilson, Designee for Commissioner Marilyn Brown

### Guests in Attendance:

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

### Call to Order

Treasurer Leonard called the fourth quarter meeting of the Franklin County Investment Advisory Committee (IAC) to order at 2:01 p.m.

### Approval of Minutes

The first order of business was to approve the minutes from the February 23, 2012 meeting. Zak Talarek moved to accept the minutes and Don Brown seconded the motion. Minutes were approved.

### Economic Outlook

At this time Treasurer Leonard turned the meeting over to Kevin Klingel to discuss the economic outlook. Mr. Klingel updated the group on the fact that after an increase in market yields during the first quarter of 2012, yields have declined to the same levels as were present in the 4<sup>th</sup> quarter of 2011. Additionally, after the Treasury yield curve steepened during 2012 Q1, the curve has resumed the flattening trend of 2011, and continues to flatten. While the U.S. continues to increase the amount of outstanding debt, demand for Treasuries has increased as a result of what is happening in Europe and the fact that the governments in Europe have not come up with a plan to fix the problems with Greece and other countries.

Mr. Klingel continued to discuss the economic outlook by stating that, during the first quarter, we observed signs of a stronger US economy (i.e. employment growth) and also evidence of China trying to slow down their economy to combat inflation. However, after a weaker than expected March employment report, Treasury prices have increased, and 5-year USTN yields are now lower than in December. Mr. Klingel also noted that with 10-year yields approaching record lows, this is not the time to begin adding maturities > 5-years to the County's portfolio.

### **Portfolio Allocation**

Mr. Klingel then moved on to discussions about the portfolio allocation. He indicated that with Emily Perkins has moved any excess cash balances from the Liquidity portfolio to the Core portfolio to maximize investment income. The average maturity of the Core portfolio has increased to 2.6 years, as the County continues to add 3-year to 5-year assets, and existing portfolio assets age and “roll down” the curve. The County remains invested primarily in Federal agency securities, and maintains a relatively even distribution of various agency issues. There has also been an effort to increase the agency “step-up” position which allows us to buy longer assets with the possibility of higher future coupon rates, if market rates move higher.

Mr. Klingel went on to discuss the other allocations shown in the documents provided regarding the portfolio and pointed out that the Convention Authority Bonds were showing in the portfolio, and that the portfolio experienced significant turnover during 2012 Q1, with over \$180,000,000 in called bonds and maturities, including some non-callable securities with yields over 2%. He also stated that 2% is not available in the government market at this time.

Mr. Klingel then discussed the bond proceeds portfolio. He indicated that the cash that had built up was invested and that short discount notes were laddered over the next few months to gain as much as possible. It is yielding about 7 basis points. He also indicated that the spend down of cash was not as quick as originally thought so the money was put back into bonds.

Ms. Perkins then talked about the liquid portfolio allocation. She indicated that we can only get 11.5 to 12 basis points at this time and that the average balance in the liquid portfolio is 60 million.

### **Strategy for Liquid Portfolio**

Ms. Perkins discussed a new strategy for the liquid portfolio. She stated that the desire is to put some cash into commercial paper for 30 days because the banks are not able to work with us much longer on holding our cash. There is a list of at least 5 companies that are of sufficient quality and comply with the regulations we are under when investing in commercial paper. By investing in commercial paper, Ms. Perkins indicated that we can yield 15 basis points. There will not need to be board approval of this move because the investing policy allows for this type of investment.

### **Israel Bonds Holding**

Treasurer Leonard discussed the intent to purchase additional Israel Bonds to increase the percentage to the 1% of our investments in such bonds. Due to an increase in the portfolio we are able to increase this holding which is attractive to do because the three year Israel Bonds are giving more than 2% return on the investment.

**Other Discussions re: 2012**

Mr. Brown and Mr. Wilson indicated that there is \$30 million left to borrow for the Hall of Justice. There is \$7 million in the treasurer account now but the disbursement of this money might go into next year even though the work will be completed this year. The second phase of the project or the rehabilitation phase is going to cost 35 million and may need to be borrowed in the last quarter of 2012 and could potentially be invested while we are holding it in the 4<sup>th</sup> quarter.

**Future Meeting**

With no further discussion, Treasurer Leonard set the next meeting date for July 19, 2012 at 2:00 p.m. Zak Talarek moved to adjourn the meeting and Ken Wilson seconded the motion. The meeting was adjourned at 2:35 p.m.

Minutes were approved on July 19,2012

Voting Aye thereon:

Voting Nay thereon:

  
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Paula Brooks

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Paula Brooks

  
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Marilyn Brown

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Marilyn Brown

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John O'Grady

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John O'Grady

  
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Maryellen O'Shaughnessy

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Edward J. Leonard

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