

# **Investment Advisory Committee Meeting**

**July 25, 2013**

## **Members in Attendance:**

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

## **Absent**

Ken Wilson, Designee for Commissioner Marilyn Brown

## **Guests in Attendance:**

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

## **Call to Order**

Treasurer Leonard called the 2013 second quarter meeting of the Franklin County Investment Advisory Committee (IAC) to order at 2:10 p.m.

## **Approval of Minutes**

The first order of business was to approve the minutes from the October 25, 2012 meeting. Mr. Talarek moved to accept the minutes and Mr. Rieder seconded the motion. Minutes were approved.

## **Economic Outlook**

Treasurer Leonard requested Mr. Yacobozzi update the group on the economic outlook. Mr. Yacobozzi discussed the economy and the impact it has had on the County's portfolio, as well as the investment strategy going forward. Mr. Yacobozzi stated that, during the second quarter of 2013, the Federal Reserve gave the first indication that they may begin to reduce fiscal stimulus, and that interest rates increased significantly for the first time since the financial crisis began. Fed Chairman Bernanke indicated that the Fed is not going to be engaged in quantitative easing forever and that they could begin to taper monthly bond purchases this fall, if U.S. economic conditions continue to improve. However, the Fed is still expected to remain accommodative, and interest-rate futures predict no increase in the federal funds rate for two years. Mr. Yacobozzi added that the market is returning to a normalization of rates, after six years of unprecedented fiscal stimulus. Mr. Klingel referred to the yield curve graphic, and noted that while

Treasury yields moved higher across the 2-year to 5-year curve, the increase in yields was led by longer maturities; resulting in a much steeper yield curve, with the yield spread from 2-years to 5-years more than doubling during the quarter. As a result, the market value of the County's longer maturity assets (> 3-years) declined significantly, and pushed the overall portfolio market value below the total portfolio cost.

Mr. Yacobozzi noted that, on average, this is a \$900 million portfolio which can't be turned around quickly, but that the County has already implemented measures to shorten the average portfolio maturity, and to reduce further declines in market value. Mr. McCourt then reviewed the investment report highlighting changes in the portfolio from last quarter to this quarter and what is expected going forward. Additionally, Mr. McCourt reviewed recent investment transactions, including the sale of some longer maturity callable securities and the purchase of commercial paper.

While the County has begun to reduce the average portfolio maturity, it would be premature to excessively shorten maturity at this time, and the County maintains attractive portfolio earnings vs. shorter-maturity investment alternatives.

### **Bond Proceeds Portfolio**

Mr. Klingel reviewed the Bond Proceeds Quarterly Investment Portfolio Report and noted they are looking ahead to new monies coming in and beginning to structure a new portfolio around the anticipated spend downs. The Treasurer was confident that UACC would coordinate with Ms. Perkins on terms of scheduling, amount of funds involved, how quickly they can be put to work and what the draw schedule will look like.

### **Liquid Portfolio**

Ms. Perkins reported 8 basis points of earning. At the end of June, we are at \$369 million which is not true to form because we are in the middle of collection. The last settlement balance is August 2. Mr. Talarek questioned if there were any advancements from school districts or are they not being requested. Ms. Perkins stated that there are very few and last advance was \$217 million. Final disbursement of money is August 2. Second quarter income is \$2.3 earnings with YTD at \$4.2 million.

Treasurer Leonard stated that there would be follow up on the two initial matters in regards to opportunities available with SWACO and the convention facilities parking garage. If they fit within the portfolio objectives, the County will move forward with these purchases.

### **Future Meeting**

With no further discussion, Treasurer Leonard set the next meeting date for October 17, 2013 after the end of the second quarter. Mr. Talarek moved to adjourn the meeting and Mr. Brown seconded the motion. The meeting was adjourned at 2:45 pm.

**Voting Aye thereon:**

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John O'Grady

\_\_\_\_\_  
Marilyn Brown

*Paula Brooks*  
\_\_\_\_\_  
Paula Brooks

*Maryellen O'Shaughnessy*  
\_\_\_\_\_  
Maryellen O'Shaughnessy

*Edward J. Leonard*  
\_\_\_\_\_  
Edward J. Leonard

**Voting Nay thereon:**

\_\_\_\_\_  
John O'Grady

\_\_\_\_\_  
Marilyn Brown

\_\_\_\_\_  
Paula Brooks

\_\_\_\_\_  
Maryellen O'Shaughnessy

\_\_\_\_\_  
Edward J. Leonard