

**MINUTES OF THE MEETING OF  
THE CITY OF FORT LAUDERDALE INVESTMENT COMMITTEE  
Thursday, January 10, 2008 – 10:30 A.M.**

**Present:**

Stephen Scott, Assistant City Manager  
Allyson Love, Director of Office of Management & Budget  
Kirk Buffington, Director of Procurement Services  
Bob Mays, City Treasurer  
Morris Drew, Accountant  
Ray Manion, Director of Finance  
Steven Alexander, PFM Asset Management  
Tom Tight, MBI Asset Management

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The meeting of the City of Fort Lauderdale Investment Committee was called to order at approximately 10:35 a.m. by Bob Mays, City Treasurer.

Ray Mannion stated that in November, 2007, the City Commission directed that this Committee withdraw all monies from the State's Board of Administration, and to temporarily amend the City's investment policy to allow them to temporarily increase the amount of investments in the money market funds and removing the 20% cap. A report was then to be provided to the Commission by January 31, 2008.

Mr. Mannion stated that he did not know if a change in the investment policy was actually necessary, and since the SBA had been an excellent banking facility, he did not know if they had paid much attention to their investments. He wanted to have a relationship with the SBA if they demonstrated in the future that their problems were behind them, and there would be nothing to fear in moving forward with investments. He proposed that they draft a memorandum to the Commission outlining the actions taken with a recommendation that the policy not be amended at this time.

Mr. Mays announced that Stephen Scott joined the meeting at this time.

Kirk Buffington stated that except for the last three months, this Committee never discussed the SBA's portfolio, and once a comfort level was again reached, a relationship could be created with the SBA. He stated that he wanted to hear from the two advisors about government funds because that appeared to be a big part of the discussion at the Commission meeting.

Mr. Mays stated that conversation had been directed by the fact that the SBA was in a crisis, and the Commission was concerned about the security of the City's capital. It was decided that the best move was to remove the funds from the SBA and put the monies into a money market fund.

Mr. Buffington further stated that in order to do that, there had to be a change in the resolution and policy.

Mr. Mays explained that the policy stated they could have up to 20% of the City's portfolio in money market funds with a maximum of 10% in any one fund.

Mr. Buffington stated that it was being recommended that the City go back to what they had prior to the SBA crisis.

Mr. Manion further stated that he was hoping that within the next 90 days some further decisions could be made.

It was stated that they needed to look at the City's cash flow and make some determinations.

Mr. Manion advised that his memorandum to the Commission would explain the actions that had been taken and a recommendation to not change the investment policy. He further stated that if changes were not made in the SBA to guarantee funds at a comfort level for the future, they would probably have to make some further decisions and possibly change the policy.

Ms. Love stated that she agreed at this time with Mr. Manion's strategy, but she would like to see the minutes from the emergency meeting.

It was stated that once the situation settled down things could be done differently. The SBA was working on structuring themselves differently and there was an RFP out for a new Manager. Eventually, it would probably get back on its feet because there were some very loyal people out there. Once the SBA gets back on their feet, assuming their fees were respectable, there could still be a good relationship with them.

It was stated that there were a lot of issues involved with the SBA and even if they hire a new manager, many issues would still have to be addressed.

The question down the road was what type of investments did they want to utilize. It was stated there was not a lot of value in treasuries. If they stay in the money market fund, they would lose revenue because of the low rate involved.

It was stated that the treasury fund was earning approximately anywhere from \$19,000 to \$20,000 daily.

A brief overview of the fourth quarter shows it was a very volatile one, and the economy grew at a strong rate of 4.9%. Consumer consumption was slowing and the mortgage market was being challenged, and residential investment was slow. The fixed-income portion of the market was volatile, while this was the strongest year since 2003 for treasury notes. The other side of the coin was that asset-backed securities were under extreme pressure. Predictions now appear to be draconian. This morning it was being said that there was a 78% chance that the Fed would cut 50 basis points. There was room for optimism on the fixed-income side of the fence. Industrial bonds on the corporate side would be challenged.

Regarding the City's portfolio, it would be best if they continue in the fixed-income markets. There should be tactical opportunities from an interest rate perspective that could be taken advantage of.

The Committee was referred to page 4 which contained a chart showing gains for stocks. The returns on bonds would depend on inflation and who was in control of the government. The City had a return of 2.26% in the third quarter, and for the year the City's portfolio's return was 6.92%, and since the session it was 5.27%. The performance of the portfolio was negative to the benchmark for both the third and fourth quarter which drove it down for the year. This was not a function of how the portfolio was set up, nor the make-up of the benchmark. In looking at the allocation of the portfolio, there was about 60% in treasuries and agencies, an 8% allocation to corporate credit, and about 14% allocation to mortgages and asset-backed funds.

Overall, the portfolio performed very well and was just shy of 7%. The SBA was around 5.25% or 5.75% during the first few quarters of the year. In going forward as treasuries continue to round, the treasury benchmark would continually to out perform. There was some discussion that foreign governments who had been big supporters of treasuries would not be around any longer. In looking at the market yield of the City's portfolio as of December 31, 2007, even though they were duration neutral, there was a significant yield advantage over the three indexed which comes from their ability over the last month to lock in some of the higher treasury yields.

The Committee was referred to page 14 of the hand-out materials which shows the market value of the portfolio as of 12/31/07 at slightly over \$36 Million. The spread sector of the portfolio containing asset-backs and mortgage-backs have a positive mark to market et as of yesterday. Even though there is an exposure to credit and asset-backed securities which have experienced some pain, the areas this portfolio was focused on were of high quality.

It was stated that the annualized quarterly returns for the Index were 9.70%. The Committee was also referred to other information distributed in the back-up materials which were reviewed. The allocation appears to continue to be agencies and treasuries, and corporate notes were of high-quality. The mortgage-backs were pools of mortgages and not of a corporate nature.

**Next Meeting Date**

No specific date was set for the next meeting.

There being no other business to come before this Committee, the meeting was adjourned at approximately 11:50 a.m.

Respectfully submitted,

Margaret A. Muhl,  
Recording Secretary