

FINANCE DEPARTMENT
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TOWN HALL
238 Danbury Road
Wilton, Connecticut 06897

Investment Committee Special Meeting

December 16, 2010
Meeting Room B
6:00 PM

Present: Robert Kelso, Paul Burnham, Robert Schultz, Warren Serenbetz

Absent: Richard Wehrmann

Others: Carolyn Frzop (Janney), Sandy Dennies (CFO)

Call to Order

Chairman Kelso called the meeting to order at 6:00 PM

Preparation of Recommended Guidelines for Investment of Municipal Funds

Chairman Kelso said that the purpose of the meeting was to look at what has been proposed in the way of planned short-term money investments and to advise the Boards of Selectmen and Finance on that program and what the guidelines and restrictions would be. He said that Bill Brennan would like this put on the Board of Selectmen Meeting on Monday, December 20, 2010. He went on to say that both he and the First Selectman have spoken to various Towns about Janney and they have received favorable reports.

He asked what funds were available for this type of investment and how do we define them, and what money is available for this type of program. Ms. Dennies said that she strongly recommends not investing operating funds but that there is a reserve fund of just over 10 million dollars (referred to as the "undesignated fund balance"). Since this is the first time that Wilton would be doing something like this, she recommended not investing all of the money but only invest a portion of those funds first to see how the investment works. Mr. Schultz asked what the liquidity needs of this fund are and was told that it was there for emergencies.

A discussion ensued as to how much of the funds should be invested as a percentage. Ms. Dennies asked Ms. Frzop what other towns are doing with Janney and Ms. Frzop replied that no one has done the shorter-end investments. The concentration has been in mortgage backed securities and they have an average life of just under 4 years. She explained that the benefit of this is that you are always getting something back in the way of principle and interest monthly so there's an ongoing pool of money. She recommended starting small and building

up. She then passed around an example of how transactions are done. She said that she gets recommendations from Guy LeBas, (Chief Fixed Income Strategist for Janney) for investments that would be appropriate for towns and cities and sends them around to their municipal clients for consideration.

She said that most of the towns have four or five investments. Ms Dennies asked Ms. Frzop what are the average investments of the towns. She replied that they are all less than 4 years and average amounts go from \$5-12 million and all of them feel they will be adding additional money in the future. She said that the towns are buying CMO's and Agencies.

Mr. Kelso asked if perhaps they should put a cap on the amount of money to be invested under this program in terms of maturity and duration.

Mr. Burnham asked if the Federal Government is behind the principle. Ms. Frzop said that with Ginnie Mae the principle is fully backed by a guarantee of the Government and with Frannie and Freddie it's implied. She added that all of the towns have simply allocated an amount of cash and then Janney determines what they are going to buy.

Mr. Serenbetz asked if there was a minimum or maximum size of the issues and Ms. Frzop replied that they like to trade in blocks of \$500,000 to \$1,000,000.

Mr. Schultz that if they go ahead with the program do they need to tell Janney how they want the money allocated and she said that she recommends that they look at Agencies and Mortgage Backed Securities. In response to a question about fee structures, Ms. Frzop said that the fees are in the mark-up and mark-down. There are no custodial or management fees.

A motion was made to invest an amount of funds to be determined by the Treasurer and the Budget Making authorities of the Town within their discretion in keeping with the State Statutes. Further, the Town should initiate such investments with an amount up to 70% of the undesignated General Fund balance in Agency and Mortgage Backed Securities with an average life of less than four years with principal and interest to be paid to the Town monthly. Motion was seconded and passed unanimously.

The meeting was adjourned.