

FINANCE DEPARTMENT
Tel (203) 563-0114
Fax (203) 563-0299



TOWN HALL
238 Danbury Road
Wilton, Connecticut 06897

MINUTES
JOINT SPECIAL MEETING
INVESTMENT COMMITTEE AND BOARD OF SELECTMEN, FEBRUARY 15, 2011

Present:

Investment Committee: Robert Kelso, Paul Burnham, Richard Wehrmann, Warren Serenbetz, Robert Shultz, Jeffrey Rutishauser

Board of Selectmen: Bill Brennan, Harold Clark, Ted Hoffstatter

Other: Sandra L. Dennies, Carolyn Frzop (Janney Montgomery Scott, LLC), Guy Lebas (Chief Fixed Income Strategist on the phone from Janney)

The Meeting was called to order at 7:30 p.m.

Mr. Brennan said that the Town had hired Janney as a consultant for the investment of some of the Town reserves to obtain a better yield. The purpose of the meeting was to decide what the prudent amount of risk would be to gain the best returns.

Mr. Kelso added that since the last meeting the concerns that were expressed were with regard to interest rate risk and the ability to plan the cash requirement in the event that cash is needed prematurely and what the penalties would be as well as fees.

Guy Lebas said that the portfolio they are proposing (investing in both Agency and Mortgage Backed Securities) is an optimal one for municipal investments. He went on to say that after the Obama proposal last Friday, the Government continues to support the Agency Bonds and Agency Mortgage Backed Securities outstanding obligations, which hasn't changed. Over time we expect to see these two organizations wind down, perhaps by creating a private pool with a government backstop. This was addressed in the Obama White Paper.

In the interest rate risk realm, interest rates have risen moderately from 3.3% to 3.6% over the last 4-5 weeks. Mr. Lebas doesn't see any indication from the financial markets that the doomsday predictions of runaway inflation will happen.

All indications show a slow increase of interest rates over the next several years.

Mr. Kelso asked what if interest rates went up 100 basis points, what the impact would be on the portfolio that has been proposed for the Town. Mr. Lebas referred to a note (Proposal)

from November 15 and said that the \$5,000,000 has an average life of 3.3 years. An average life is a useful measurement in determining when a portfolio will receive its cash back. It's also an estimator of interest rate risk. He went on to say that you can expect a decline in value would be a little bit greater than 3% on a portfolio with an average life of 3.3 years if the interest rates were to rise 1%. Mr. Kelso asked if that would slow down the pace at which they would receive the income and principle. Mr. Lebas replied that yes it would slow down the pace of cash flows.

Mr. Brennan said that in summary, Mr. Lebas was saying that the way the portfolio being presented is structured with relatively low risk with reasonable increases in the rate of return. Mr. Lebas confirmed that it was on the conservative side with low risk.

Mr. Brennan added that they intended to invest with Janney gradually and also retain some flexibility.

A discussion ensued around mortgage investments. Mr. Kelso asked if the investments for the portfolio being presented were all fully secured by one of the GSE's. Mr. Lebas replied that they are all agency debt or all obligations of the agency.

He was asked what a reasonable fee would be to buy these bonds for the Town and Mr. Lebas replied that it would depend on the individual security and the market conditions.

A discussion ensued about how much to buy and in what quantities and Mr. Lebas said that he recommended buying in 1 million dollar blocks of securities because then you are able to tap into the institutional market a little better. Mr. Kelso asked what the minimum would be that they could start with and still be cost effective. Mr. Lebas said that he would suggest \$250,000 in the Agencies and \$1,000,000 in the Mortgage Back Securities and CMO's.

Mr. Brennan and the others present thanked Mr. Lebas for his time and advice.

Ms. Dennies said that she thought the Board of Selectmen had never passed a resolution authorizing her, as Treasurer, to act on behalf of the Town in making the investments with Janney. They had passed a resolution allowing the investments with Janney but not one authorizing Ms. Dennies to do so. Mr. Brennan confirmed this and said that they were waiting for this Special Meeting to address some issues and they would take up the resolution at the next Board of Selectmen meeting.

A discussion ensued about how much to invest. Ms. Frzop suggested million dollar increments for the Mortgage Backed Securities and less for the Agencies. Mr. Brennan asked if the Investment Committee was comfortable in proceeding with the investment of these funds in the three million dollar range, based on what they had heard from Mr. Lebas, with the goal of a reasonably conservative portfolio.

The unanimous decision was made to invest \$2 million in Mortgage Backed Securities and \$1 million in Agency Funds.

Meeting Adjourned.