

MINUTES
INVESTMENT COMMITTEE
GVR Board Ad Hoc Committee

Date: 9/14/2016

Time: 1:30 PM

Location: Edward Jones, 560 East Continental Road, Suite 101, Green Valley, AZ 85614

Meeting called to order at 1:30 PM.

In attendance:

Don Lathrop, chairperson, by telephone; Roger Myers, co-chairperson; Vicky Mourian, Director; Stan Riddle, member-at-large; Cheryl Moose, CFO; Skip Breither, Edward Jones Financial Advisor

Quorum established

No 8/16/16 meeting minutes. Roger will prepare and they will be reviewed for approval at 10/12/16 meeting.

Review of individual reserve funds:

Account 16319 – Misc. Fund (this is Operating Cash Investments)

- Portfolio Objective: Preservation of Cash
- Asset Allocation: Actual asset allocation matches model

Asset Class	Model	Actual
Cash & Short-term CDs	0 – 100%	100%
Income: US Investment grade bonds, Intl Bonds, High Yield Bonds	0 – 100%	0%

- 9/12/16 balance \$1,349,378.15 is down \$999,979.87 from \$2,349,358.02 of 8/16/16 meeting statement.
- This is GVR's operating cash investment account and monies have been transferred to Chase checking as operations demanded.
- Some concern whether or not this account plus checking has sufficient cash to fund balance of GVR fiscal year.
 - 4 months (September – December) X \$800K utilization rate per month (according to Cheryl) = \$3,200K
 - \$1,350K current reserve balance + ≈\$1,300K Chase checking (Cheryl) = \$2,600K
 - Short-fall = ≈\$600K
 - Cheryl stated classes and entertainment sales have been stronger than expected during summer season which helps cash flow.
 - Cheryl is counting on incoming 2017 dues at YE 2016 to provide needed operating cash.
 - Monthly 2016 Reserve Contributions of \$75K have not been made. Cheryl states she plans to make routine YE 2016 adjustments and make \$900K cash contribution at that time.

Account 16318 – Capital Replacement Fund (this is Capital Reserve Fund investments)

- Portfolio Objective: Income Focus

Asset Allocation: Actual asset allocation slightly more conservative than model

Asset Class	Model	Actual
Cash & Short-term CDs	0 – 5%	6.95%
Income: US investment grade bonds, Intl Bonds, High Yield Bonds	70 - 85%	83.11%
Growth & Income: US Large-cap stocks, Intl Large-cap stocks, Real Estate	10% - 20%	8.15%
Growth: US & Intl Small/Med-cap Stocks, US Large-cap Stocks-No dividends	0% - 7%	1.78%

- 9/12/16 balance \$4,907,228.67 is down \$21,061.57 from \$4,928,290.24 of 8/16/16 meeting statement.
 - Cash balance \$341,015.41, up \$267,870.93 from August. Maturing FNMA Medium Term Note \$250K.
- Current return was not estimated.
- 12 month estimated income is \$92,211.42, down \$10,360.21 in August. About \$30K estimated income for the remainder of 2016, down from \$58K from August
 - FNMA Medium Term Note was called eliminating \$3,075 in annual income
 - Boeing Senior Note, Merck Note, Microsoft Note interest received in August. Pays annually.
- Reinvested \$250K in Douglas County muni bond, Federal tax exempt, yielding 2.6% which is not reflected on 9/12/16 Edward Jones reports.
- Concerns over sufficient cash balance and maturing investments.
 - \$378,000 for Abrego North Pool which is now complete.
 - \$36,000 for Canoa Ranch new pool desk which is now complete
 - \$25,000 for new Canoa Hills pool heaters which should be finished by YE 2016
 - Total \$439,000
 - Monthly 2016 Reserve Contributions of \$75K have not been made. Cheryl states she plans to make routine YE 2016 adjustments and make cash contribution at that time. This will be a \$900K outflow.
 - 9/28/16 and 12/30/16 CDs maturing, each \$100K each + interest = \$200K + interest.
 - 2017 5 CDs maturing, one 1Q17 \$100K, one 2Q17 \$100K, one 3Q17 \$100K and two 4Q17 for about \$400K = Total \$800K+ interest.
- No decision made about what to do with 2016 maturing CDs and 1Q17 maturing CD.

Account 16815 – GVR – Initiatives & Innovations (this is the Initiative & Innovation Reserve Fund investments)

- Portfolio Objective: Income Focus

Asset Allocation: Actual asset allocation slightly more conservative than model

Asset Class	Model	Actual
Cash & Short-term CDs	0 – 5%	0.75%
Income: US investment grade bonds, Intl Bonds, High Yield Bonds	70 - 85%	99.25%
Growth & Income: US Large-cap stocks, Intl Large-cap stocks, Real Estate	10% - 20%	0.0%
Growth: US & Intl Small/Med-cap Stocks, US Large-cap Stocks-No dividends	0% - 7%	0.0%

- 9/12/16 balance \$2,081,780.42 is up \$2,013.22 from \$2,083,793.64 of 8/16/16 meeting statement.
- Current return was not estimated

- 12 month estimate income is \$40,817.86 which is up \$0.72 from August with \$10,650 estimated for the remainder of 2016.
- Some concern over 2016 & 2017 cash flow from maturing investments:
 - 9/12/16 cash is \$15,623.
 - 9/22/16 and 12/27/16 CDs = ≈\$41K X 2 = \$82K
 - 3/22/17 and 6/22/17 CDs = ≈\$41K X 2 = \$82K
 - \$86,000 for Abrego North Pool will be needed late 2016 or very early 2017

Account 16778 – GVR-Op Reserve Fund (this is the Operating Reserve Fund investments)

- Portfolio Objective: Balanced Toward Growth

Asset Allocation: This is a “managed account” through Edward Jones

Asset Class	Model	Actual
Cash & Short-term CDs	0 – 5%	1.97%
Income: US investment grade bonds, Intl Bonds, High Yield Bonds	25% - 40%	32.20%
Growth & Income: US Large-cap stocks, Intl Large-cap stocks, Real Estate	40% - 55%	51.58%
Growth: US & Intl Small/Med-cap Stocks, US Large-cap Stocks-No dividends	5% 20%	14.25%
Aggressive: Commodities, Energy Mkts, Alternatives, Micro-stocks	0% 10%	0.00%

- 9/12/16 balance \$817,244.88 is down \$5,473.72 from \$822,718.06 in August 2016.
- Current return was not estimated.
- 12 month estimate income is \$18,012 with \$7,750 estimated income for remainder of 2016.

 “Change in the value of your accounts” sample report.

- This report summarizes the factors changing the value of accounts during a stated period of time.
- Edward Jones account Summary Statement and each Account Statement have a very similar report.
- Nancy produced these report for the period 7/30/16 to 8/26/16.
- EJ monthly statements available online by committee had security concerns.
- Cheryl and Roger assigned task to figure out how these reports can be securely distributed to committee members.

Action item: Stan Riddle will put together criteria where the committee should be involved prior to actions being taken by Skip Breither, Edward Jones Financial Advisor, or Cheryl Moose, CFO.

No discussion about September IC Board Report.

No new business.

Next meeting 10/12/16 at 1:30 PM at Edward Jones

Meeting adjourned at 3:30 PM