

**FINANCE/INVESTMENT COMMITTEE
MINUTES**

February 4, 2016

10:30 AM

RGRTA Board Room

1372 East Main Street, Rochester NY

Committee

Members Present: Commissioner Steve Carl, Committee Chairman
Commissioner Geoff Astles
Commissioner Barbara Jones
Commissioner Henry Smith

Others Present: Commissioner Jim Redmond, Board Chairman
Commissioner Paul Battaglia
Jim Nawrocki, Manning & Napier
Jim Herbst, Manning & Napier
Bill Carpenter, CEO
Scott Adair, CFO
Christopher Dobson, VP of Finance
Mike Burns, Director of Accounting & Payroll

The meeting was called to Order by Commissioner Carl at 10:35am.

Scott Adair, CFO, reviewed the agenda with the committee:

- Manning & Napier Presentation
 - Overview of 2015 Special Portfolio Performance
 - 2016 Outlook
- Update on Transit Center Borrowing

Scott Adair, CFO, turned the meeting over to Jim Herbst and Jim Nawrocki of Manning & Napier to walk through the Review of 2015's Investment Portfolio.

- *Commissioner Jones asked if Manning & Napier takes a view on the election and what that might do to the market. Jim Nawrocki of Manning & Napier, responded we don't have a plan for that we build strategies around fundamentals.*
- *Commissioner Astles asked what it means when it says Central Banking be more accommodating. Jim Nawrocki of Manning & Napier, responded that it is sort of the quantitative easing that had stimulated economies. Right after or during our great recession, the Federal Reserve was more accommodating. They were cutting short-term interest rates trying to encourage borrowing. It was done for other countries to pull themselves out of soft spot. Some accommodative measures from the Federal Reserve equivalence in those countries.*

- *Commissioner Carl asked how the benchmarks were chosen, is that what was required by New York State because they are as conservative as we can get. Scott Adair, CFO, responded it was an internal picking as to what we thought most represented the mixture of what we could be invested in to allow for something for the committee to explore or gauge how we're doing performance wise.*
- *Commissioner Carl asked if Manning & Napier foresee any changes in direction or process. Jim Herbst of Manning & Napier, responded that the issue of the municipal bonds has been a little tough. Jim Nawrocki of Manning & Napier, responded there has not been a lot out there. Commissioner Carl also asked what would be a scenario where you would be worried about the increased investment in Ginnie Mae. Jim Nawrocki of Manning & Napier, responded that one of the challenges is finding high coupon Ginnie Maes. With the prepayments these things are disappearing. With low yields if we slide down and start buying 4 ½ and 5's, the risk you run in interest rates jump up and they extend. Today Ginnie Maes are 3 ½ coupon, they have a seven year average life.*
- *Commissioner Jones stated that she would assume that part of the strategy could be if we're going to see rates start to kick up and one of our alternatives go back to Money Markets if we see that the rates are such that, that now becomes a more competitive alternative that there's nothing that prevents us from doing that. Jim Nawrocki of Manning & Napier, responded again you don't get the government guarantee on all of that that you get with these.*
- *Commissioner Astles asked if we have imposed any restrictions on ourselves in terms of how we use that money if we decide we have to do that or are we able to spend some of that if we have a bad year. Scott Adair, CFO, responded that we could but what we have tried to do regarding this portfolio is set it up it's against what we'll call specific reserve accounts that we have. The one that I mentioned earlier was our OPEB reserve. The Board has seen the ability of the organization to set cash aside for OPEB, for the future OPEB liability. Commissioner Astles also asked if the fact that we have this works against us when we're trying to negotiate how much state aid we're getting. Bill Carpenter, CEO, responded that it is not. From the state standpoint, they're treating all four Authorities consistently. I don't think we're overfunded by any stretch. The amount of cash we have is a very modest amount on a \$90 million operating budget.*

Scott Adair, CFO, brought the Finance and Investment Committee up to speed as to where RGRTA is with Transit Center Borrowing.

- *Commissioner Carl asked if RGRTA was buying its own bonds. Scott Adair, CFO, responded yes.*
- *Commissioner Astles asked what the total RGRTA needed to borrow is. Scott Adair, CFO, responded that it is around \$5 million. Commissioner Astles also asked what rate we would be paying ourselves. Scott Adair, CFO, responded we are looking at something in the 1 ½ to 2% range.*

- *Commissioner Jones asked if this was with the understanding that each year you would reevaluate that decision or have you set up a timeframe as if it were a loan. Scott Adair, CFO, responded there is a maturity. We have just not determined whether we want to do a ten or fifteen year. I am leaning more towards the ten, which is what we had talked about internally.*
- *Chairman Redmond asked if in order to assure that we have the internal discipline to pay ourselves back should the Board vote on it. Scott Adair, CFO, responded that we could, we could certainly set up a policy regarding that. Chairman Redmond responded that he believes we have a policy on debt because up until now, the Authority has never gone into debt.*
- *Commissioner Battaglia asked if in the near future we might have a need for these funds and then maybe have to go out and borrow on the outside and then interest rates might be higher. Scott Adair, CFO, responded there is always that possibility that we would need to go out and borrow and that interest rate would be higher. We had all along known that the Transit Center budget was going to include a debt service component to it and budgeted conservatively for that umber. I think that our budget and our multi-year forecast includes that debt service component.*

There being no further matters on the adopted Agenda, the Finance/Investment Committee meeting was adjourned at 11:32am on motion of Commissioner Jones, seconded by Commissioner Smith.