CITY OF MANISTEE
OIL AND GAS INVESTMENT BOARD
MEETING OF JANUARY 19, 2018

There will be a meeting of the Oil and Gas Investment Board held on Friday, January 19, 2018 at 12:00 p.m. in the Second Floor Conference Room, City Hall, 70 Maple Street, Manistee, Michigan 49660.

AGENDA

I. ROLL CALL.

II. OLD BUSINESS.

a.) Update on Aztec Producing

III. NEW BUSINESS.

a.) Approval of Minutes from October 20, 2017

b.) Investment Advisor Update and Commentary

c.) Annual Spending Rule Calculation

d.) Annual Review of Bylaws

e.) Annual Review of Member Roster

f.) Other

IV. PUBLIC COMMENT.

VI. ADJOURN.

c. Jim Smith, Chair
Erin Martin Pontiac, Council Representative
Ed Bradford, Vice-Chair
Doug Parkes
Steve Brower
Thad Taylor, City Manager
George Saylor, City Attorney
Woody Uible, Investment Advisor

OIL AND GAS INVESTMENT BOARD
MINUTES OF OCTOBER 20, 2017

The City of Manistee Oil and Gas Investment Board held a regular meeting on Friday, October 20, 2017 in the Second Floor Conference Room, City Hall, 70 Maple Street, Manistee, Michigan 49660. Meeting was called to order by Chair Jim Smith at 12:00 p.m.

MEMBERS PRESENT: Jim Smith, Lynda Beaton, Steve Brower, Doug Parkes, Ed Bradford

MEMBERS ABSENT: Thad Taylor

OTHERS PRESENT: Woody Uible, Roger Zielinski

OLD BUSINESS

Aztec Well Update – Plant is back in operation, no royalty checks as of yet. No updates from the State auditor or on a potential sale of the facility.

NEW BUSINESS

Minutes - Minutes from the August 11, 2017 meeting were reviewed. **MOTION** by Doug Parkes, second by Steve Brower to accept the minutes as presented. No discussion. Voice Vote – motion carried.

Investment Advisor Update and Commentary – Woody Uible was in attendance and Troy Snider participated via conference call to present the Investment Update as of September 30, 2017. Discussion items:

- Bartlett's Market Assessment – modest inflation, low interest rates, and continued economic growth.
- Leading Economic Index continues to trend higher, most indicators are positive.
- History of Market Declines – lowest fluctuations in the past 8-10 years.
- Expects Feds to raise interest rates in December and again next year.
- Price earnings ratio on U.S. stocks is above average.
- Domestic vs. International performance.
- Asset Allocation – City took $375,000 in annual withdrawal.
- Risk Management.
- Equity Sector Allocation.
- Portfolio Performance – Returns are not sustainable number, well above average.
- The impact of natural disasters on the economy; generally results in a stimulating effect.
- Upcoming City bond issue, markets are expected to be fairly stable.

- Representative benchmark added to the report to get a better sense of perspective on how Bartlett is doing for the portfolio. Discussed expenses incurred for the investment advisor. Bartlett's fee is on a sliding scale and overall is less than a typical investment advisor.
- Woody Uible noted the Board's caution approach has paid off over the longevity of the fund. Keep growing the fund and the spending rule amount will continue to grow. Mayor Jim Smith noted that the fund needs to be preserved to have growth going forward. It is the City's "golden goose."

Set Meeting Dates for 2018 – **MOTION** by Doug Parkes, second by Ed Bradford to set the meeting dates for 2018 as January 19, April 20, July 20, and October 19, 2018. Voice vote – motion carried.

PUBLIC COMMENTS

None.

ADJOURNMENT / NEXT MEETING

Next regular meeting is scheduled for Friday, January 19, 2018 at 12 p.m. in the Second Floor Conference Room, City Hall.

MOTION to adjourn by Ed Bradford, second by Doug Parkes at 1:10 p.m.

DRAFT - cl

Cynthia Lokovich, CAP-OM
Executive Secretary / Recording Secretary

c. Manistee City Council
Board Members
Thad N. Taylor, City Manager
George Saylor, City Attorney

City of Manistee

Oil and Gas Investment Board

City of Manistee

Spending Rule Calculation
as of December 31, 2017
for fiscal year budget 2017-2018

Period Ending	Total	Schwab	City	Loan	Quarter #
3/31/2015	$ 10,089,664	$ 9,669,506	$ 51,670	$ 368,489	1
6/30/2015	$ 10,078,339	$ 9,650,263	$ 59,588	$ 368,489	2
9/30/2015	$ 8,994,951	$ 8,617,305	$ 9,157	$ 368,489	3
12/31/2015	$ 9,316,512	$ 8,918,283	$ 67,397	$ 330,832	4
3/31/2016	$ 9,499,505	$ 9,095,242	$ 73,431	$ 330,832	5
6/30/2016	$ 9,644,584	$ 9,239,868	$ 73,885	$ 330,832	6
9/30/2016	$ 9,498,652	$ 9,163,162	$ 4,659	$ 330,832	7
12/31/2016	$ 9,589,298	$ 9,247,157	$ 49,781	$ 292,360	8
3/31/2017	$ 9,922,202	$ 9,580,054	$ 49,788	$ 292,360	9
6/30/2017	$ 10,137,402	$ 9,794,685	$ 50,357	$ 292,360	10
9/30/2017	$ 10,066,130	$ 9,768,240	$ 5,530	$ 292,360	11
12/31/2017	$ 10,475,454	$ 10,152,570	$ 69,745	$ 253,139	12

Twelve Quarter Average	$	9,776,058
4.0% Spending Rule	**$**	**391,042**

City of Manistee

OIL AND GAS INVESTMENT BOARD BYLAWS

Section 1. **Name and Establishment.** The City of Manistee, by Ordinance duly adopted has established an Oil and Gas Investment Board for the purpose of segregating, preserving and investing all oil, gas and related hydrocarbon royalty income to the City of Manistee. The name of this Board shall be the **OIL AND GAS INVESTMENT BOARD** of the City of Manistee.

Section 2. **Oil and Gas Investment Board.** There is hereby created an Oil and Gas Investment Board who is vested with the general administration, management and responsibility for the investment of oil and gas revenues to the City of Manistee.

The Oil and Gas Investment Board shall consist of five members, as follows:

(A) Mayor - The Mayor of the City of Manistee shall automatically be a member of and Chair of the Oil and Gas Investment Board.

(B) The Mayor shall, with the approval of the City Council, appoint two either elected or appointed officials of the City of Manistee, for two (2) year terms.

(C) The Mayor shall, with the approval of the City Council, appoint two members, not elected or appointed City Officials, to four (4) year staggered terms.

(D) Vacancy - Any vacancy occurring on the Oil and Gas Investment Board shall be filled as provided in Sections (A), (B) and (C) above stated.

(E) The City Manager shall be a non-voting Ex-Officio member of the Oil and Gas Investment Board.

(F) The City Attorney shall act as Legal Counsel for the Oil and Gas Investment Board.

Section 3. **Regular Meetings.** Regular meetings of the Oil and Gas Investment Board shall be held from time to time to evaluate the funds' investments. In no event shall there be less than four (4) meetings per year.

Regular meetings shall be held in City Hall or such place as shall be affirmatively designated by the Chair of the Oil and Gas Investment Board. Meeting times and locations shall be posted and open to the public with time set aside at each meeting to receive public comment. All actions taken by the Board shall be recorded by the Secretary and filed with the Manistee City Clerk. All meetings and Board business shall comply with the Open Meetings Act of the State of Michigan. Meetings can be cancelled by the Chair, if there are no agenda items, or if it is predetermined that a quorum will not be present.

Section 4. **Special Meetings.** Special meetings of the Oil and Gas Investment Board may be called by or at the request of the Chair or any two members. Meetings shall be held after due notice to all members.

Section 5. **Quorum.** A majority of the number of voting members shall constitute a quorum for the transaction of business at any meeting of the Oil and Gas Investment Board. The acts of the majority of the members present at the meeting at which a quorum is present shall be the act of the Oil and Gas Investment Board.

Section 6. **Officers, Vacancies, Removal.**

The Mayor is automatically the Chair. The City Finance Director is automatically the Vice-Chair, if a member of the Board. If the Finance Director is not a member of the board, then a Vice-Chair shall be selected annually from among the remaining members and shall act as Chair during absences. Recording Secretary services will be provided by the Executive Secretary in the City Manager's Office.

Vacancies shall be filled for unexpired terms in the same manner as original appointments. A member may be removed from office by the City Council for neglect of official duty or misconduct in office. A written statement to the member giving reasons for the recommended removal and an opportunity to be heard must be given prior to the request for Council removal.

In order to maintain the maximum participation of all appointed Oil and Gas Investment Board members at all scheduled meetings, the following is the attendance guide and Board member replacement policy for "excused" or "unexcused" absences:

1. When appointed, each Board member should state his/her willingness and intention to attend each scheduled meeting of the Oil and Gas Investment Board.

2. In the event of unplanned personal matters, business trips, family vacation trips, changed job requirements, sickness, or other physical disabilities that prohibit the Board member from attending the scheduled meeting; the Board Chair or staff liaison to the Oil and Gas Investment Board should be notified as soon as possible prior to the time of the scheduled meeting of their inability to attend. The Board member upon this notification will receive an "excused absence" for the involved scheduled meeting.

3. If any Board member is absent from three (3) consecutive scheduled meetings without an "excused absence" for any of the three (3) meetings, the Board member shall be reported in writing to the City Manager. The City Manager will contact the Board member in writing and question his/her continued ability or interest in being on the Board, giving the member a chance to rectify the attendance issue or submit a resignation.

4. There will be no limit on the number of consecutive "excused absences" for any Board member. However, if the Board member is repeatedly absent for at least 50% of the yearly scheduled meetings, that member will also be reported in writing to the City Manager. The City Manager will contact the Board member in writing and question the member's continued ability or interest to be on the Board. The Board member will be considered for appointment nullification when the absences total six in the calendar year.

5. The appointment nullification action would be initiated by the City Manager and forwarded on to the City Council for official action.

Section 7. Compensation. Members of the Oil and Gas Investment Board may be reimbursed for their actual expenditures made on behalf of the Oil and Gas Investment Board and properly submitted in due form to the Chair of the Oil and Gas Investment Board.

Section 8. Powers of the Oil and Gas Investment Board.

(A) The Oil and Gas Investment Board shall be charged with the duty of investing the funds of the Oil and Gas Fund according to the City Investment Policy.

(B) The Oil and Gas Investment Board shall appoint a Trustee for investment purposes as prescribed by Ordinance.

(C) The Trustee named shall have no authority except to carry out the directions of the Oil and Gas Investment Board as transmitted to him by a duly appointed representative of the Board.

(D) The Finance Director shall report to the Oil and Gas Investment Board at its regular meetings, the current status of the principal and income of the Investment Fund.

(E) The Oil and Gas Investment Board may employ such professional and clerical services, including investment advisors, as are required to achieve the goals of the Oil and Gas Fund.

Section 9. Conflict of Interest. In the event that business being carried out by the Board may have a personal or financial impact on a member of the Board or their immediate family, or any corporation or business of which a Board Member is an officer or director, the member must disclose the conflict of interest and refrain from voting on that particular business. If any question of whether or not a conflict exists cannot be determined by the Board, then the matter of the question shall immediately be referred in writing to the Manistee City Attorney for consultation and recommendation.

Section 10. Parliamentary Procedure. Parliamentary procedure in meetings, when needed, shall be governed by Robert's Rules of Order.

Section 11. Amendment. Bylaws shall be reviewed annually during the first meeting of the year. All changes or amendments to the Bylaws must be approved by the majority of the Board. Such changes or amendments must be presented to the Board in writing for consideration. Upon approval by the Board, the Bylaws, showing the proposed amendment, shall be submitted to the Manistee City Council for final approval.

The foregoing Bylaws were duly adopted at a regular meeting of the Oil and Gas Investment Board held December 7, 1981; amended January 21, 1988; amended July 25, 1990; amended June 17, 2002; amended February 15, 2006; amended April 17, 2007; amended January 19, 2010; amended April 19, 2011.

Cynthia J. Lokovich 4/19/11

Cynthia J. Lokovich, Secretary Dated
Oil and Gas Investment Board

Approved by the Manistee City Council:

Richard Mack 5/5/11

Mayor Richard Mack Dated

Oil and Gas Investment Board
Roster

NAME	PHONE	ADDRESS	TERM	E-MAIL
Jim Smith *Chair / Mayor*	690-3948 (m)	353 First Street Manistee MI 49660	Mayor 12/17	jsmith@manisteemi.gov
Erin Martin Pontiac *Council Representative*	231-510-3457 (m)	1003 Engelmann Street Manistee MI 49660	12/18	epontiac@manisteemi.gov
Ed Bradford *Vice-Chair / Trustee*	398-2804 (w)	City Hall	12/17	ebradford@manisteemi.gov
Steve Brower	723-5900 (w) 723-6187 (h)	240 Lighthouse Circle Manistee MI 49660	6/30/18	steveb@westshorebank.com
Doug Parkes	690-2225 (m) 723-8687 (h)	724 Harbor Drive Manistee MI 49660	6/30/20	dougaparkes@hotmail.com
Thad Taylor, City Manager *Ex-Officio (Non-Voting)*	398-2801 (w)	City Hall		ttaylor@manisteemi.gov
George Saylor *City Attorney*	723-8333	414 Water Street Manistee MI 49660		GSaylor@mikameyers.com
Cindy Lokovich *Recording Secretary*	398-2801	City Hall		clokovich@manisteemi.gov

Updated: January 8, 2018

FILE COPY

MEMO TO: Councilmember Erin Martin Pontiac

FROM: Cindy Lokovich, Executive Secretary Cindy

DATE: January 10, 2018

SUBJECT: New Member Packet

City of Manistee

City Manager's Office
231-398-2801

Welcome to the Oil and Gas Investment Board. The Mayor took action December 5, 2017 to appoint you as a member of the Oil and Gas Investment Board. Your appointment takes effect immediately. I am the recording secretary to the Oil and Gas Investment Board and thought it would be helpful for you to receive some information prior to your first meeting with the group.

The next regular meeting is scheduled for Friday, January 19, 2018 at 12:00 p.m. in the Second Floor Conference Room, City Hall, 70 Maple Street, Manistee MI 49660. An agenda packet is emailed approximately one week prior to meetings.

Enclosed is a copy of the 2018 meeting dates, a list of current members, current bylaws, Investment Policy, and the enabling ordinance; previous packets can be found on Dropbox.

Please feel free to call me should you have any questions. My office number at City Hall is 398-2801, my email address is clokovich@manisteemi.gov. I am sure the other Oil and Gas Board members would be willing and helpful in getting you up to speed. See you at the next meeting.

:cl
Enclosures