

**CITY OF MANISTEE
OIL AND GAS INVESTMENT BOARD
MEETING OF OCTOBER 10, 2014**

There will be a meeting of the Oil and Gas Investment Board held on Friday, October 10, 2014 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.) None

III. NEW BUSINESS.

a.) Approval of Minutes from August 15, 2014

b.) Bartlett Letter on Sustainable Spending Policy

c.) Board Resolution on Managing the Oil & Gas Fund as an Endowment

d.) Bartlett Investment Update

e.) Calendar Dates for 2015

IV. PUBLIC COMMENT.

VI. ADJOURN.

c. Colleen Kenny, Chair
Catherine Zaring, Council Representative
Ed Bradford, Vice-Chair
Doug Parkes
Steve Brower
Mitch Deisch, City Manager
George Saylor, City Attorney
Woody Uible, Investment Advisor

OIL AND GAS INVESTMENT BOARD MINUTES OF AUGUST 15, 2014

The City of Manistee Oil and Gas Investment Board held a regular meeting on Friday, August 15, 2014 in the Second Floor Conference Room, City Hall, 70 Maple Street, Manistee, Michigan 49660. Meeting was called to order by Chair Colleen Kenny at 12:08 p.m.

MEMBERS PRESENT: Colleen Kenny, Doug Parkes, Ed Bradford, Steve Brower, Catherine Zaring, Mitch Deisch

MEMBERS ABSENT: None

OTHERS PRESENT: Bartlett Representatives Woody Uible and Troy Snider, Marilyn Benson of 73 Brookharbor

OLD BUSINESS

None.

NEW BUSINESS

Minutes - Minutes from the April 25, 2014 meeting were reviewed. **MOTION** by Doug Parkes, second by Catherine Zaring to accept the minutes and place them on file. All in favor - motion carried.

It was noted that the City Attorney is working on the Memorandum of Understanding for the internal loans as requested by Motion in the minutes from April 25, 2014.

Investment Advisor Update and Commentary – Woody Uible and Troy Snider presented the Investment Update as of June 30, 2014. Information in the report includes Market Outlook, Fed Watch/Global Impacts, Stock Prices Back to 1950s, Asset Allocation, Fixed Income Characteristics, Equity Sector Allocation, and Portfolio Performance. Questions and comments by board members were responded to.

City Manager Mitch Deisch left the meeting at 12:25 p.m.

Bradford noted that the Board should be mindful that we have had a good run. Bartlett will be moving to lessen fund risks, looking at more Treasury Bonds versus Corporate Bonds. Rebalancing the portfolio is their philosophy on profits.

Oil and Gas History. Finance Director Ed Bradford reviewed his memorandum dated July 17, 2014 regarding oil and gas fund history and his memorandum dated July 18, 2014 regarding using \$3,000,000 from the Oil and Gas Fund for street improvements. The Oil and Gas Fund has come under discussion by citizens and the Ad Hoc Street Committee. These documents were

prepared for and reviewed by the Ad Hoc Street Committee earlier this week. The Oil and Gas Investment Board has been charged with overseeing this fund for many years. The Oil and Gas Investment Board and past City Councils have been consistent in managing the fund to preserve for future generations.

Discussed the risks involved in increasing the Spending Rule Policy or the withdrawal of funds for street improvement projects. Mr. Uible noted that most endowment funds have moved or are moving to a 4% spending rule to preserve purchasing power over the long term. Manistee's spending rule is set at 4%. Anything over 4% would take away from future generations.

Finance Director Ed Bradford will work with the City Attorney and Bartlett to draft a resolution of support for the Oil and Gas Investment Board to consider; recommending that City Council maintain the consistent preservation of oil and gas funds. A draft will be forwarded for review and considered at a future meeting.

COMMUNICATIONS

None.

PUBLIC COMMENTS

Marilyn Benson – Enjoyed the investment review, has worked with investment groups in the past and found this discussion very interesting.

ADJOURNMENT / NEXT MEETING

Next regular meeting is scheduled for Friday, October 10, 2014 at 12 p.m. in the Second Floor Conference Room, City Hall.

Motion to adjourn by Steve Brower, second by Doug Parkes at 1:25 p.m.

DRAFT - cl

Cynthia Lokovich, CAP-OM
Recording Secretary

- c. Manistee City Council
Board Members
Mitch Deisch, City Manager
George Saylor, City Attorney

BARTLETT

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RECEIVED

SEP 22 2014

CITY OF MANISTEE
CLERK-TREASURER

September 12, 2014

Mr. Edward Bradford
City of Manistee
70 Maple Street
Manistee, MI 49660

Re: Sustainable Spending Policy

A prudent level of spending for an endowment or foundation should be at a level that ensures long-term purchasing power of the distributions. Maintaining purchasing power refers to having distributions keep up with inflation, so over a long period of time the impact or benefits to the community are maintained. In order to do this, one must take the projected investment return, less the projected inflation rate to arrive at the appropriate spending level.

A survey of various investment consultants, managers and analysts would suggest that over the next ten years the total return on equity portfolios should approximate 7.0%. The corresponding ten year projected return for fixed income securities is 3.0%. A balanced portfolio invested 65% in common stocks and 35% in bonds would equate to a projected return of 5.6%. If one subtracts an anticipated inflation rate of 2% to 2.5%, then you arrive at a long-term real (after inflation) rate of return of approximately 3% to 4%, which should maintain your purchasing power if distributions are set at this level.

This concept is sometimes referred to as "generational equity." The idea is that the value of a portfolio in the future should be approximately equal in terms of purchasing power to what it is today. The research that has been done on this from respected sources is that 3% to 4% is the comfort range to maintain this generational equity. In other words, if one spends over 4% then the real value of the fund will be diminished over time. Spending under 3% would increase the real value of the fund over longer periods of time.

Sincerely,

A handwritten signature in black ink that appears to read "Woodrow".

Woodrow H. Uible, CFA

Oil & Gas Investment Board Resolution

Managing the Oil & Gas Fund as an Endowment

WHEREAS, The City of Manistee is the recipient of Oil & Gas royalties and lease payments from City-owned property. The money derived from these payments has been set aside by City Council in a protected fund since 1979; and

WHEREAS, The Citizens of Manistee ratified Council's decision to preserve this money by approving a Charter amendment in 1992 (which passed 82% to 18%) to protect this money for future generations; and

WHEREAS, City Council has appointed an Oil & Gas Investment Board pursuant to Ordinance to manage the affairs of the Oil & Gas Fund; and

WHEREAS, City Council passed a resolution of support May 1, 2007 to pursue amending State law to change allowable investments for the Oil & Gas Fund. The State legislature passed, and the Governor signed into law, Public Act 220 of 2008 which allows the Oil & Gas Fund to be invested like a public pension fund; and

WHEREAS, The Oil & Gas Investment Board retained a professional investment advisor Bartlett Co. to manage the Oil & Gas Fund pursuant to the new law; and

WHEREAS, The Oil & Gas Investment Board and City Council have approved an Oil & Gas Investment Policy and Spending Rule which requires the Oil & Gas Fund be managed like an endowment fund; and

WHEREAS, The Oil & Gas Investment Policy and Spending Rule establishes an asset allocation and spending rule percentage that preserves the long-term purchasing power of distributions and provides for intergenerational equity for the Citizens of Manistee; now, therefore, be it

RESOLVED, That the City of Manistee Oil & Gas Investment Board supports in the strongest possible manner managing the Oil & Gas Fund like an endowment pursuant to the Oil & Gas Investment Policy and Spending Rule; and, be it further

RESOLVED, That the City of Manistee Oil & Gas Investment Board is opposed to increasing the spending rule percentage above 4% or spending any amount beyond what the Spending Rule dictates.

ATTEST:

Colleen Kenny, Chair

Dated

Cynthia J. Lokovich, Secretary

Dated

**CITY OF MANISTEE
70 MAPLE STREET
MANISTEE, MICHIGAN 49660**

To comply with the Michigan Open Meetings Act 267 of 1976, notice is hereby given that the **City of Manistee Oil and Gas Investment Board** will meet on the following dates for 2015. Regular meetings are held quarterly in the Second Floor Conference Room, City Hall, 70 Maple Street, Manistee. Interested public is welcome to attend.

Friday, January 16, 2015 @ 12 p.m.
Friday, April 17, 2015 @ 12 p.m.

Friday, July 17, 2015 @ 12 p.m.
Friday, October 16, 2015, 2014 @ 12 p.m.

Cynthia J. Lokovich, Secretary
Oil and Gas Investment Board

January 2015						
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February 2015						
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September 2015						
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October 2015						
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November 2015						
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December 2015						
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