

# OIL AND GAS INVESTMENT BOARD

## MINUTES OF FEBRUARY 16, 2018

The City of Manistee Oil and Gas Investment Board held a regular meeting on Friday, February 16, 2018 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, Steve Brower, Erin Martin Pontiac, Thad Taylor

**MEMBERS ABSENT:** Ed Bradford, Doug Parkes

**OTHERS PRESENT:** None

<b>OLD BUSINESS</b>
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*Aztec Well Update* – No update.

<b>NEW BUSINESS</b>
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*Minutes* - Minutes from the October 20, 2017 meeting were reviewed. **MOTION** by Erin Martin Pontiac, second by Steve Brower to accept the minutes as presented. No discussion. Voice Vote – motion carried.

*Investment Advisor Update and Commentary* – Woody Uible and Troy Snider participated via conference call to present the Investment Update as of December 31, 2017. Discussion items:

- Market Assessment – modest inflation, low interest rates, continued economic growth.
- Leading Economic Index continues to trend higher, most indicators are positive.
- History of Market Declines.
- Fed expects to raise interest rates.
- Price earnings ratio on U.S. stocks. U.S. stocks are more expensive than average.
- Domestic vs. International performance.
- Asset Allocation.
- Risk Management – good portion of portfolio will mature within the next five years.
- Equity Sector Allocation – portfolio is widely diversified.
- Portfolio Performance – Returns are not a sustainable number.
- More opportunities on the bond side.
- Discussed market volatility – stick to target asset allocation.

*Annual Spending Rule Calculation* – Board discussed the spending rule calculation. The spendable amount is up slightly from last year.

- Jim Smith – Feels City Council would like to tap the spendable amounts of fund because of the lack of city revenue growth to fund street projects. He proposed taking an additional amount this year to be dedicated to streets.
- Erin Martin Pontiac – Agrees, more money is needed for streets.

- Thad Taylor – The Oil and Gas Investment Board could make a recommendation to Council. His opinion is the fund is operated like an endowment. If you take more funds out, the portfolio will lose ability to generate more funds in the future.
- Steve Brower – Agrees with Mr. Taylor. Tapping additional funds will lower the 4% spending rule in the future. Worried about future returns. Would rather err on the side of caution.
- Jim Smith – Delaying street maintenance increases expenses. Council took an additional \$85,000 out three years ago.
- Thad Taylor – Has concerns on the longevity of Aztec Producing and future royalties.
- Steve Brower – Returns will be diminished and lower the amount available in the future. This fund and board was structured in the past to garner funds for the future. Would feel more comfortable getting input from the two members not in attendance today.

**MOTION** by Steve Brower, second by Erin Martin Pontiac to approve the annual spending rule calculation as of December 31, 2017 for the fiscal year budget 2018-2019; using the 4% spending rule in the amount of \$391,042; pending Council budget process. Voice vote – motion carried.

**Annual Review of Bylaws** – **MOTION** by Steve Brower, second by Erin Martin Pontiac to accept the bylaws as presented; no changes are required. Voice vote – motion carried.

**Annual Review of Member Roster** – **MOTION** by Erin Martin Pontiac, second by Steve Brower to accept the member roster as amended. Voice vote – motion carried.

<b>PUBLIC COMMENTS</b>
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None.

<b>NEXT MEETING / ADJOURNMENT</b>
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Next regular meeting is scheduled for Friday, April 20, 2018 at 12:00 p.m. in the Second Floor Conference Room, City Hall. Following general discussion **MOTION** to adjourn by Erin Martin Pontiac, second by Steve Brower at 12:50 p.m.

Cynthia Lokovich, CAP-OM  
Executive Secretary / Recording Secretary

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