

**Dean Fund Committee Meeting
May 14, 2013
Wheeler Center
4251 Stone School Rd., Ann Arbor
MINUTES**

Members Present: Warren Attarian, John Bassett, Al Gallup, Jane Immonen, Bonnie Ion, Benjamin Muth, John Remsberg

Guest: Matt Horning (City Treasurer), Patrick Ion

Staff Present: Kerry Gray, Tracy Pennington

John Bassett called the meeting to order at 9:02 a.m.

Action Item #1- Approve May Agenda

Warren Attarian requested that Archangel Ancient Tree Archive be added as a Discussion item to the agenda. DFC reviewed agenda **John Remsberg motioned to approve the agenda as amended; Mr. Attarian seconded.** Committee unanimously approved.

Action Item #2- March 12 Meeting Minutes

DFC reviewed March meeting minutes. **Mr. Remsberg motioned to approve the minutes; Jane Immonen seconded.** Committee unanimously approved.

Discussion Item #1: Dean Fund Trust Information- Matt Horning, City Treasurer

Matt Horning, City Treasurer discussed the Dean Fund Trust.

Mr. Horning provided background on the Elizabeth Dean Fund Trust for the new committee members. Elizabeth Dean bequeathed \$1.948 million to the City in the 1960's, to "repair, maintain and replace trees on city property in the City of Ann Arbor." Her Will specified that the Trust be invested in US Government Bonds or other US Government Securities. Due to these restrictions the Elizabeth Dean Fund is managed as a separate portfolio by the city.

Mr. Horning and the Committee reviewed the Cutwater Asset Management Report (May 2013). Return on investment in the Dean Fund portfolio is 1.32% which is higher than the City pool of investment is earning. The Dean Fund is currently outperforming the market because of low interest rates; in the future this may flip when interest rates go up, but that is by design. The Dean Fund investments make the income stable and predictable and not subject to volatility in the market. The average maturity horizon on most of the Treasury Bonds in the portfolio is 3-4 year.

State of Michigan, Public Act 20 does not subject the city to an investment horizon- but city investment policy does. City Council has recently adjusted its investment policy and the City is now able to purchase up to 15 year bonds. The Dean Fund trust will stay at its current investment strategy during this low interest time of the market and when interest rates increase to 6-7%, Mr. Horning will look at investing at longer term horizons. Current predictions are that interest rates will begin going up in 2015.

Balance Sheet

\$1.984 million is in the Dean Fund portfolio and the portfolio must remain at this amount. Any budgeted money not expended during the fiscal year goes to fund balance; the current fund balance is \$140,798.00. The Dean Fund fund balance is part of the city's pool of investments which is currently earning 1.15%. The city pool invests primarily in T-Notes and Agency Instrumentalities (Freddie Mac, Fannie Mae). In the past the city pool of investments has outperformed the Dean Fund, this is the first time it has not. Mr. Horning stated that preservation of capital is paramount for governments and he focuses on safety, yield, liquidity and legality when making investments.

The City Treasurer's office does not charge the Dean Fund for managing it. However, there are transaction fees and Investment Advisor charges (6.5 basis points) that are paid to the portfolio management company to manage the fund and do the reporting.

Securities Held Report- shows interest rates("Yield") that the DF is earning for each investment. Mr. Horning stated that sometimes it is advantageous to take a loss on a security to invest in a higher rate security; he will typically only do this in an increasing interest rate environment.

Warren Attarian: If interest rates go up in 2015- you can sell these securities to get a higher interest rate? **Mr. Horning:** Yes. **Patrick Ion:** But you have to keep the principal at \$1.984 million so you have to take money out of the city pool to cover the loss. **Mr. Horning:** Exactly.

Al Gallup: In hindsight, was it a good investment for Elizabeth Dean to invest only in T-Notes?

Mr. Horning: Yes, it provides a stable income and preserves the Trust.

Information Item #1: Update FY13 Budget

- Due to the snow storm at the end of February, Forestry is behind on its work. Clean up took far longer than was anticipated. If there is time, Forestry will return to the Eisenhower Parkway median in late spring to finish any remaining pruning and stump removal.
- Planting has occurred by Cobblestone Farm but the remainder of the planting will have to occur in the fall.

Information Item #2: Dean Fund Committee Membership

- New member **Benjamin Muth**
Born and raised in Ann Arbor. Attended Vermont Law School- specialized in Environmental Law. Currently practices law with his father (medical malpractice) in Ypsilanti. Mr. Muth is excited to be on the committee because it will give him a chance to exercise the environmental law principles instilled in law school.
- Effective June 1, **Bonnie Ion** is resigning from the Dean Fund Committee to enter the Peace Corp. The Committee members wished **Ms. Ion** luck in her assignment in Africa. **Ms. Ion** said that she would love the Dean Fund Committee to focus on 50th year celebration. She suggested a proclamation commemorating the 50th year celebration, doing press releases (Ann Arbor Observer/A2.com) and to try to tie to Arbor Day or other local festival.
- **Patrick Ion** has submitted an application to the Mayor's office to serve on the Dean Fund Committee to fill the position **Ms. Ion** is vacating. Staff and Mr. Ion are awaiting word on his appointment.

Information Item #3: Next Meeting Date

- Tuesday, June 11
 - Archangel Ancient Tree Archives
 - Identify possible Dean Fund projects
 - Watering Budget

Discussion Item #2: FY14 Watering

- **Ms. Ion** motioned that up to \$12,600 be approved for post planting care (watering) in FY14. **Ms. Immonen** seconded. Committee unanimously approved.

Discussion Item #3: Archangel Ancient Tree Archive

- **Mr. Attarian** provided information on Archangel Ancient Tree Archive. He would like the Committee to research this to see if there is an opportunity for the Dean Fund. Mr. Attarian provided information to the Committee with articles about this project. The Committee will all look into this and will discuss at the June meeting.

Mr. Bassett adjourned the meeting at 10:35 a.m.

<u>DEAN FUND BUDGET</u>	FY 14	FY 15
Investment Income <i>(Projected)</i>	\$27,000	\$25,000
Prior Year Fund Balance	\$25,000	\$25,000
Total	\$52,000	\$50,000

Current FY 2013 Approved Projects

Project Name	Approved Amount
Watering of street trees (Post Planting Care in budget)	\$17,573.00
Eisenhower Median Project	\$35,000.00
Stem Girdling Root Pilot Project	\$4,500.00
TOTAL	\$57,073.00
Remaining Unencumbered Budget	\$22,744.00

Current FY2014 Approved Projects-- Budget: \$52,000

Project Name	Approved Amount
Remove stumps and replace the two dead Honeylocust trees in the Dean Promenade	\$2000.00
Watering of street trees (Post Planting Care in budget)	\$12,600.00
Total	\$14,600.00
Remaining Unencumbered Budget	37,400.00