PARKS & RECREATION COMMITTEE

of the

SUFFOLK COUNTY LEGISLATURE

Minutes

A regular meeting of the Parks & Recreation Committee of the Suffolk County Legislature was held in the Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislature Building, 725 Veterans Memorial Highway, Smithtown, New York, on Wednesday, March 16, 2016 at 12:30 p.m.

Members Present:
Legislator Bill Lindsay III - Chairman
Legislator Kara Hahn - Vice-Chair
Legislator Leslie Kennedy
Legislator Steve Stern

Not Present:
Legislator Kevin McCaffrey - Excused Absence

Also in Attendance:
George Nolan - Counsel to the Legislature
Amy Ellis - Chief Deputy Clerk/Suffolk County Legislature
Laura Halloran - Budget Review Office
Debbie Harris - Aide to Legislator Stern
Jennifer Hann - Aide to Legislator Lindsay
Greg Dawson - Commissioner/Suffolk County Parks Department
Lance Reinheimer - Director/Vanderbilt Museum
Stephen Faber - Managing Director/PFM Asset Management
All Other Interested Parties

Minutes Taken By:
Gabrielle Severs - Court Stenographer

Minutes Transcribed By:
Kim Castiglione - Legislative Secretary

(*The meeting was called to order at 12:34 p.m.*)

CHAIRMAN LINDSAY:
Good afternoon. Welcome to the Parks and Recreation Committee meeting. If we could all please rise for the Pledge of Allegiance led by Legislator Kennedy.

(*Salutation*)

Madam Clerk, please note for the record that Legislator McCaffrey has an excused absence. Thank you. Do we have any public comment cards?

MS. ELLIS:
No, we do not.

CHAIRMAN LINDSAY:
Anybody in the public that would like to speak during the public portion, please come forward. Not seeing anyone, we will move on to our agenda. We have a presentation by Stephen Faber, Managing Director of PFM Asset Management. Stephen, welcome.

MR. FABER:
It's wonderful to be here again and meet with this committee. I first want to start off by thanking this committee, the full Legislature, Legislative Budget Office staff, for showing its faith and confidence in PFM Asset Management and reengaging us to continue managing the Vanderbilt Museum endowment. It's much appreciated. We look forward to another productive term with the fund and with the committee.

So for those members that have been on this committee for some time, what I'd like to do is just give a quick recap of 2015 in terms of the markets and the economy and then spend most of time talking about how that impacted the fund, the portfolio itself. For any of you who followed the markets in 2015, it was certainly a challenge. We saw a significant amount of volatility across both domestic and international markets, equities and fixed income.

PFM's view is that, and much of the market's view, is that we continue to see a modest economic recovery here in the U.S. 2015 saw a bit of a wait and see strategy to see what the Federal Reserve was going to do in terms of interest rates. And you know, you're aware I should say, that in December of 2015 the Federal Reserve raised short-term interest rates for the first time in nearly eight years.

Here domestically we saw gross domestic product grow on average about two percent, but the quarterly data was quite volatile. We saw a range of .6%, quite low, to a much higher nearly 4% range, but on average 2%, again, indicating a modest recovery here in the United States.

Jobs continue to strengthen. News from the job sector continued to be positive. Unemployment continues to fall, hitting it, you know, very -- I guess a multiyear low of 5% at year end. But the labor participation rate, in other words, the total rate of folks still looking for work, actively looking for work, continues to remain historically low in wage growth in combination with that. Slow wage growth in combination with that, you know, continues to be somewhat of a headwind.

Inflation, although by many measures has picked up a bit recently in 2016 for the balance of 2015 like the prior years, continues to fall below the Fed's target of 2% inflation. And again, all I assume are aware of the challenges in the oil sector, falling oil prices, and generally the pressures on the commodity sector internationally. We saw, unlike 2012, 2013 where we saw robust gains in the market in the equity sector, 2015 was a relatively flat year, you know, very modest gains in the S&P

500, certainly not anywhere near the returns of the prior couple of years. And then in the summer we saw the first equity market correction in late July, early August, when the market sold off pretty significantly. As you can see, I mentioned the S&P 500, which was up about 1 1/2% for the year. The Russell 3000, which, you know, represents the largest bucket of domestic equities, U.S. equities, ended up, you know, modestly half a percent. So again, a far cry from the 20 -- 13%-ish of the prior two or three fiscal years.

Internationally continue to see challenges from the Eurozone, continue to see challenges in Greece, continued challenges in China and other both domestic and emerging economies, all of which led to kind of a flight to quality globally, continued to add to the pretty relatively attractive returns in the fixed income markets relative to equities, and obviously led to both -- led to international equity declines.

Strong U.S. dollar had a positive effect, I'm sorry, had a significant effect on the international equity and led to negative returns once you converted local currencies, once you reverted assets, into the local currencies, particularly in the emerging market sector.

I would point out that PFM exited client portfolio assets from commodities and emerging markets, and in emergent markets both debt and equities a couple of years ago, so the fund had no direct exposure to either sector in 2015, which ended up being additive to returns.

Domestic bonds, U.S. bonds, generally were positive with the exception of corporate high yield bonds, which had a fairly significant negative year, and the Barclays Aggregate, which represents, you know, long-term core bonds, you know, again, was up modestly at about .6%.

I touched on some of these measures. I'm not going to spend a lot of time on these. You have the handout. Each of these is in there but I touched on GDP, we talked about oil. Oil prices, you can see the sharp decline year to year and certainly from the 2010/2011 time period. And then inflation you can see the orange line, straight orange line going across the graph on the bottom right, represents the Feds 2% target, and you can see that by either measure core CPI or core PCE, both measures have trended for the most part below that 2% target.

I touched on equities, both domestically and internationally. I mentioned the S&P 500, which is a basket of domestic equity stocks, generated return for the 12 months in it, December 31st, 2015, of just shy of 1 1/2%. Conversely, the MSCI ACWI ex USA index, which is an international index of global stocks accepting the U.S. companies generated a total return of -.57%. So you can see there was significant stress in the international sector.

The one noteworthy -- two noteworthy things about the information on this slide showing the ten sectors comprising the S&P 500 is, the S&P sectors, is that energy you can see, kind of three or four columns over from the left, had a significantly challenging year, down 21% as a sector, again, led by the fallen oil prices. The other noteworthy thing is that the sectors were basically split; half positive return and half negative return for the year, unlike in years past, more recent years past, where we saw most, but not all, most all the sectors have positive performance for the year.

The last thing I would just mention in terms of the markets, I mentioned the bond markets generally having a modestly positive year with the exception of high yield. You can see the high yield sector had significant challenges for 2015. We're going to come back to that in terms of the portfolio in a minute because PFM does see some buying opportunity in that particular sector and we're going to talk about some recent additions to the portfolio.

So as we get into the portfolio itself, I just want to comment, this is not necessarily on your handouts or on the screen, but the major tenants of our 2015 strategy, given the continued challenges of the markets, was principally de-risking the portfolio. We wanted to make sure that we're managing client assets to prevent significant deterioration of return and deterioration of market value, and so many of the moves that we made during the calendar year were with a de-risking strategy in mind. They included giving -- you know, equal waiting equities given the volatility in the international equity sector, allocating funds from the equity sector to the fixed income sector. You may recall in the past couple of years we've been -- we've had a tactical overweight to the equity sector as bonds have struggles to generate competitive or above market returns. Equities were leading the way. We had an overweight to that to take advantage of that return potential. That dynamic changed in 2015, so we changed the waiting between equities and fixed income and got closer to the policy target of 50-50, 50% equities, 50% fixed income.

I would just note that that Barclays Aggregate, which is the policy benchmark for the fixed income sector, actually outperformed the Russell 3000 for the year. The Russell 3000, again, representing some 98% of the domestic equities. So that move tactically was beneficial for the fund and the return.

During the year we placed a small allocation in the international small cap sector with an Oppenheimer Fund, an actively managed fund. The international small cap sectors is much less sensitive to currency changes and, in fact, I think for the year that fund generated -- that manager generated a full year performance of positive 15%. We added it in the spring so kind of since inception, which was April or so, April first I believe, it generated an 8% positive return. So again, very additive to the overall fund return.

And then one of the final themes I just want to mention is commodities. That was clearly not a sector to be invested in in 2015, and I mentioned before that the fund has had no allocation to the commodity sector since 2013.

Lastly, focusing on developed markets in the international sector, not emerging markets. As a point of fact, in 2015 emerging markets generated a -15% return developed, was down -.8. So a significant difference and thus the overweighting from our perspective in the developed sector.

I just want to talk about some of the tactical changes that we made during the year. What I just mentioned were kind broad themes, but what you see summarized in slide nine are those tactical asset allocation changes that we made throughout the year based on our Investment Committee's views on the market and views on value, and fair value more specifically. It was a pretty active year for our Investment Committee and so there was, you know, probably more changes to the portfolio in 2015 on average then we'd seen in the prior couple of years. We removed the bank loan exposure. You may recall we had a Pacific Funds floating rate bank loan allocation that we put on in 2013 when corporate and high yield bond spreads had widened and they were fairly attractive at the time. Our Investment Committee had, early in 2015, had changed its view on that, removed that exposure, and then fully weighted the international equity sector given what we believe to be more fair valuations and opportunities in that market.

Shortly thereafter, I mentioned later in the first quarter we added the international small cap equity exposure with Oppenheimer. We'll talk again about performance in a second, but I mentioned that a moment ago. Early in the second quarter we reduced the domestic equity overweight and increased the international equity allocation again because of valuation expectations. Later in the summer as volatility really ramped up, we removed the global high yield exposure and reallocated a portion of the Vanguard total stock allocation to the Vanguard Dividend Growth Fund. Not a new fund, but a fund that the endowment has had exposure to for a while, but the Vanguard Dividend Growth Fund is really focused on high quality, large cap -- large market cap companies with growing dividends, so a way to protect the portfolio from that significant volatility. At the same time, by reducing the global high yield exposure it further reduced the indirect allocation or exposure that the fund had to the emerging market sector. Remember, until I mentioned in 2013 we removed all direct emerging markets exposure of the fund, but both Baird and -- I'm sorry. Both DoubleLine, Core and AllianceBernstein Global High Yield, which had been holdings in the fund, had small, pretty small allocations to emerging markets debt. We terminated both of those funds, again, back in the summer in an effort, again, to de-risk the portfolio.

In the fall as thoughts became more prevalent that rates were likely to rise, you know, when the Fed met in the fall and obviously prior to the December meeting when they did, in fact, begin to raise rates, and in an effort to protect against that rising rate environment we made a tactical short-term move and added a TIPS Fund, a Treasury Inflation Protected Securities Fund, and an ultra-short allocation -- an ultra-short bond fund allocation, really as tactical moves to prevent, not to prevent, but to protect to the downside if and as rates moved higher. We've subsequently and just recently removed both of those allocations as it becomes clear that, you know, short-term interest rates are likely going to be in a trading range. The Federal Reserve, Federal Open Market Committee, meets this afternoon or is meeting today. We anticipate that they will, when they report out later this afternoon, that they will report no additional tightening at this meeting. Expectations are, you know, they had gone from four to six depending on who you talk to, at the end of last year four to six rate tightenings, rate increases in 2016 to, you know, maybe an additional one or two this year just given the general nature of the markets and the economy.

Most recently in 2015 at least, again, to take advantage of what we believe to be A, a very, very well-disciplined active manager in J O Hambro, and the ability to invest funds and develop emerging markets equities across market caps, we added a small allocation to J O Hambro International Select. They don't have a broad strategy of going after, you know, like many funds, many other managers in the international growth area, you know, kind of sector specific or economy specific, they're really focused on individual companies where their research has shown that valuations are attractive and they believe they're going to be additive to returns. So we made that tactical allocation in December of this past year.

So let's get to performance. For the year the aggregate endowment fund, and it's the endowment fund itself, the principal fund as well as the income fund, which is really I would say minimal amount of funds are kept in that for purposes of meeting with requests for distributions from the museum approved by the committee and the Legislature. In aggregate, the Endowment Fund returned .61%. Again, a far cry from where it had been in prior years, and yet it outperformed its benchmark by nearly -- well, just over 150 basis points. So in a challenged market the fund produced a positive return, didn't lose money and out-performed significantly its policy benchmark, which is the benchmark that we as the investment manager manage to.

The key contributors to the performance I mentioned earlier, the Vanguard Dividend Growth Fund, which we reallocated some additional funds from the Vanguard Total Stockmarket Index. We made an additional tactical allocation to that and it out-performed the Russell 3000, its policy benchmark, by over 200 basis points. In the international equity area the Vanguard develop markets out-performed its policy benchmark by over 550 basis points for the year. Again, a very significant out-performance. And again, I mentioned the Oppenheimer small cap, the international small cap fund that was added in -- let me just tell you the exact date. It was added on April first. That fund, which overall was up 15% for the year, contributed over 8% positive return to the fund for the year. Again, significantly out-performing its benchmark which had a -9% return for that same, you know, three-quarters of the year period.

And then in the fixed income sector, the intermediate term investment grade, which is a passive fund, out-performed its benchmark, the Barclays Ag, by a percent. It was up about 1 1/2% for the full year. Fixed income was a bit of a drag on performance, although for the full year all of the managers and all of the positions were positive in terms of generating a positive performance. They did under perform their benchmark, the Barclays Ag, the Barclays Aggregate, largely because of their defensive duration positions and overweights to the commercial mortgage backed sector in the case of MetWest and overweighting corporates and commercial and mortgage backed sector in the case of Baird.

Slide 11 is tough to read certainly on the screen, hopefully a little bit easier to read in the handouts, but really what this does is it shows you for the fourth quarter of 2015, full year 2015, and then the prior two years, three years, five years since its inception date, which goes back to September of 2010, how the overall fund did, again, up a positive .61% versus its benchmark which generated a -.9% return, and then each of the various sectors and the managers in those sectors. I highlighted the key contributors and the key detractors, all of the specific information is there for the members' review and comment and question if you do have any.

CHAIRMAN LINDSAY:
Stephen, if I could stop you there for a second.

MR. FABER:
Sure.

CHAIRMAN LINDSAY:
Just the real dollars, what -- if you can give us the -- I see an ending balance for 2015 was approximately 11.8 million. What was the beginning balance in 2015?

MR. FABER:
I'm glad you asked that, only because I just got that as I was sitting in my car coming out here. The aggregate market value increased very slightly. It was 11,751,000, roughly, at the end of 2014, and 11,755,000 at the end of 2015. While the fund produced a positive market value unrealized gain, there was a substantial distribution from the income fund. Massiel, do you have that number? I don't have that number. I forget exactly what was distributed from the income fund, but that led to on balance and whole a net gain in the aggregate fund of about $72,000. So the principal fund, the main, the corpus, if you will, had a fairly significant market value appreciation of about $330,000, but because the income fund, you know, had distributions, it impacted the aggregate fund, which is what we report on for the purpose of this meeting.

CHAIRMAN LINDSAY:
And those distributions, this might be a question best suited for Lance, those distributions were taken by the museum and utilized for operating expenses?

MR. REINHEIMER:
Yeah, I don't know if Budget Review can refresh me on the exact amount or the amounts that we -- the museum received during 2015?

MS. FUENTES:
During 2015 the museum received 22,185.

MR. REINHEIMER:
Right, that's what I thought, and I was sitting there when Mr. Faber said substantial. I was shaking.

MR. FABER:
My mischaracterization.

MR. REINHEIMER:
Okay, good, because I thought I was asleep for a while. That $22,000 was the distribution to develop architectural plans for the cafe that we're installing. We hired two architects; one to do the retail design and one to do the building design. And that was in consultation with the Legislature. That's the planning phase.

CHAIRMAN LINDSAY:
I have no doubt, Lance, that they were warranted, I just wanted to --

MR. REINHEIMER:
No, it's good, and I just wanted -- yeah, 22,000. Thank you.

MR. FABER:
If I could.

CHAIRMAN LINDSAY:
Sure.

MR. FABER:
My apologies for using the word substantial.

CHAIRMAN LINDSAY:
That's okay.

MR. FABER:
Much of the market value, the unrealized loss, was due to the position of the income fund and the very conservative nature in which that is currently invested and invested in anticipation of continued withdrawals. There was one just this week, there's another anticipated, I think, next month, and then possibly more later this year. So that fund is positioned to provide that liquidity when needed.

CHAIRMAN LINDSAY:
Stephen, my other question, so we saw what the dollar amount shift in 2015, going all the way back to the inception when you guys were first brought on board to manage the fund, what was the balance at that point?

MR. FABER:
The market value of the fund?

CHAIRMAN LINDSAY:
Yes. If you know, ballpark even, too.

MR. FABER:
I think Massiel has that. I apologize.

CHAIRMAN LINDSAY:
No, that's okay. I just think it paints a, you know, a more complete picture to show where it was upon inception and how it's increased over the years, you know, thanks to your efforts and the shifting of the funds around.

MS. FUENTES:
In 2010, the ending market valuable is 9.7 million.

CHAIRMAN LINDSAY:
Thank you. I'm sorry. Continue, Stephen.

MR. FABER:
No, that's fine. Those are great questions. So to follow-up on Legislator Lindsay's question, Massiel just mentioned the starting dollar value, and you can see on the top right hand corner of slide 11 that since inception, the overall fund has returned 7.85%. Again, just about 100 base points or 1.1% in excessive of the policy benchmark. So I just wanted to tie that up because of your question.

CHAIRMAN LINDSAY:
If you could just back up for a second there. The blended benchmark, how do you determine to utilize that rather than the S&P or one of the other indexes?

MR. FABER:
Well, if you look actually, slide 14, which I think is the last slide, that shows you the makeup of the policy benchmark. So -- I mean, I can certainly, you know, the Russell 3000 represents, you know, 28% of the benchmark. The MSCI ACWI ex USA network, which is the international equity sector, has about a 17% allocation REITs, which have had no allocation over the last year or two, but now have a small allocation. One of the things I was going to touch on in terms of recent moves in the fund, has a 2 1/2% allocation, commodities 2 1/2%, although there's no direct exposure to commodities, and then the Barclays Aggregate, which is a fixed income core bond index.

CHAIRMAN LINDSAY:
And does that benchmark change as you change the blend of --

MR. FARBER:
It does not.

CHAIRMAN LINDSAY:
Okay.

MR. FARBER:
It does not. That's the policy benchmark. You can see, again, going back to slide 11, you can -- the policy benchmark or blended benchmark at the top is the component, is the aggregate of those components we just mentioned on slide 14. Note, however, that each of the respective managers has its own manager benchmark, so the Vanguard Total Stock Market Index is managed through the Russell 3000. The Vanguard Dividend Growth is managed through the S&P 500, and on down the line. So the managers are held to and managed to their specific strategy, but we report on both the manager specific strategy as well as the overall policy -- benchmark.

CHAIRMAN LINDSAY:
Okay. Thank you.

MR. FARBER:
So a couple of quick notes about recent additions and then I'll wrap up with kind of our outlook on 2016. We have recently, and this is just this month, we have added a small allocation back into the real estate investment trust sector so the real estate market, public real estate market, with a passive index fund managed by Vanguard. We removed REITs in early 2014. We now see them trading at a discount to the underlying properties and thus a buying opportunity. The Vanguard Fund -- and the allocation came to this fund -- came from the international equity allocation previously. The fund itself is a $50 billion fund, very low cost, 12 basis points, and has a trailing 12 month return, this is as of I think March first, a trailing 12 month return of 4%. So you can see it's

performed very well, whereas other fixed income and/or equity sectors have been a bit challenged.

Likewise we added, after exciting in 2014, early '14, '13 or '14, I'm sorry, I forget. We added two small allocation to the high yield sector, the global high yield sector, with a Wells Fargo short-term high yield fund, which is about a $1.3 billion fund, B rating credit quality and higher, so no C, no triple C, any of that. Very, very low energy allocation for anybody that might be thinking high yield, you know, it equates to energy which has been a, you know, a challenge sector, but very low energy allocation. And again, given our constructive view on the U.S. economy, we think the high yield sector in a small percentage is relatively attractive.

Likewise we added another high yield allocation. These are small allocations in the, you know, I think four, five, six seven percent range in total between all three, to the Vanguard High Yield Fund, which is a larger fund. It's a passively managed fund, low cost, $17 billion fund, 8% on average allocation to energy, so still, again, not a huge allocation and a much broader high yield strategy that the Wells Fargo fund. On average the credit quality of the fixed income fund, fixed income portion of the portfolio, is A or higher. So it still meets the investment policy restrictions and guidelines and remains what we consider, you know, high credit quality.

So my final comments will really just focus on our outlook on specific asset classes during -- for the balance of 2016. You know, we, like many, see interest rates rising modestly as the Fed continues its measured tightening. I think our outlook is that our expectation is the Fed may have one more tightening, maybe two for 2016, but that, you know, but that there will be continued kind of modest rising interest rates. Credit sectors, so corporates, high yield, you know, given, again, what we view as modest improvements in the economy, growing economy, should continue to be well supported. We remain very, very cautious on any sectors exposed to commodities in emerging market. U.S. equities, both large cap and small cap, small cap we're generally constructive and given, you know, the positive fundamental shown should support those modest returns in U.S. equities.

I would just comment that our internal capital markets assumptions have an intermediate forecast on U.S. equities of about 7.1%, and when I say intermediate I'm talking about five to ten years long-term. It's a forecast of about 7.8, 7.9, as opposed to core bonds, which are in the immediate forecasts for about a 1 to 1 1/2% return. So again, equity should be the driver of overall returns moving forward, but given the recent volatility, as I pointed out, you know, we reverted more to that 50-50 balance until we see a bit of, you know, calming of the waters.

Developed markets I mentioned earlier. Internationally developed markets continue to be something that we're reasonably bullish on and have increased allocations, as I noted, during 2015. We don't see that changing. We still remain very, very cautious on emerging markets and don't have any expectations at this time that we would be adding allocations to the emerging market sector. And then alternatives are really not applicable to the fund. The fund has currently no allocation to alternatives. We have -- I have no expectation that I would be coming to this committee suggesting that that would change any time soon. With that, I'm happy to answer any additional questions. I certainly appreciate your patience and your attention.

CHAIRMAN LINDSAY:
Great. Thank you for your presentation. It was very informative. Are there any questions? Legislator Stern.

LEG. STERN:
Thank you. Welcome. First of all, Legislator Lindsay, you had asked the question I think where we had started from. I think the answer was that 9.7 number. I think that was the number when years ago when you had taken over the portfolio; is that correct? Was that the year that was cited?

MR. FABER:
2010? That's correct.

LEG. STERN:
If I remember, the beginning point from the low in the market was much lower than that, so to put together a complete picture, you know, I tend to go back to, you know, when recession first struck and capital markets were in disarray. If I remember, the number, the starting point was maybe 8.2 or 8.3 million, something like that. Hold on just one second. Yeah, 8.3 million is the number that I think -- so that's -- talk about a full picture going back years. That was really the lowest number during, you know, dire times.

I have more of a macro question first. Can you maybe speak to you what you are hearing about and what your outlook is for the coming year, maybe the next two years, on the value of the dollar and the role that it plays in the larger economic picture, both domestically and internationally, and if you have any ideas on what that means domestically for say manufacturing sector as we look to different sectors, and what might be different sectors that might be promising in the next couple of years or those that might continue to have challenges.

MR. FABER:
I'm not sure I can touch on all of those with the level of specificity that you might like. I'm certainly happy to get back to you from our research team in terms of what they're thinking and seeing. I certainly won't do them justice. I can tell you that, you know, we've certainly seen a bit of, you know, strengthening of the dollar of late, which will continue to be -- support what we see as modest improvements in the overall economy. In terms of their impact on specific sectors, I'm going to defer and I'll report back to you through the Budget Office if that's okay with you.

CHAIRMAN STERN:
Sure. I'd be interested to know if the managers that you are working with and relying on have information on that. It would be interesting to see.

MR. FARBER:
Absolutely.

LEG. STERN:
Thank you. As far as the portfolio goes, you had mentioned before commercial mortgage backed securities, which had challenges over this past year. I could not make out -- I think you had alluded to the fact that it was either -- those securities were either part of the West Fund or the Baird Fund. I couldn't make out exactly which, but I was interested to know --

MR. FABER:
Both of them.

LEG. STERN:
Both of them? Okay.

MR. FARBER:
Both MetWest and Baird. Part of what my comments earlier were that those two funds underperformed the Barclays Ag, their benchmark, for the full year 2015, largely, in the case of MetWest, largely due to its overweight in the commercial mortgage backed sector. In the case of Baird, both overweight corporates and commercial mortgage backs.

LEG. STERN:
And are those assets, are those allocations part of the current portfolio?

MR. FARBER:
I believe so. I'm not sure if I have the most up-to-date. I can take a quick look. I don't know if I have the most up-to-date. They are, but what I don't have are percentages of the holdings. But as of the end of January, which is -- this is for MetWest, I'm sorry. As of the end of January, their overweight to commercial mortgage backs was still hurting their performance. In the case of Baird, similarly. Still a position in CMBS, don't have the percentage weightings. I'm sorry.

LEG. STERN:
If you could get that information as well I'd be interested to know what the percentage is and, you know, of the allocation of those assets. Thank you.

MR. FARBER:
I'm happy to.

CHAIRMAN LINDSAY:
Any other questions? Stephen, thank you very much. We appreciate your time in coming down and explaining all that to us.

MR. FARBER:
My pleasure. Thank you.

CHAIRMAN LINDSAY:
You're welcome. Moving on to Introductory Resolutions.

Introductory Resolutions

We have ***1204 - Appropriating funds in connection with Beach Replenishment at Meschutt County Park (CP 7163)(Co. Exec.).*** How are you today, Commissioner?

COMMISSIONER DAWSON:
Good afternoon, Legislator. How are you today?

CHAIRMAN LINDSAY:
Doing well, thank you. If you could give us a brief explanation on 1204, please.

COMMISSIONER DAWSON:
Yes. We're looking for a $50,000 appropriation for funds to replenish the sand out of Meschutt County Beach.

CHAIRMAN LINDSAY:
Anybody have any questions for the Commissioner about this? Legislator Kennedy.

COMMISSIONER DAWSON:
I'm sorry. I can't hear you.

LEG. KENNEDY:
Fifty thousand for sand. How much sand is that?

COMMISSIONER DAWSON:
That's roughly 3,500 cubic yards. We have a maintenance permit. We replenish the sand on an annual basis. We have a project working with Department of Public Works now for next year to dredge -- I shouldn't say dredge, do a dredging bypass project to renourish the entire beach.

LEG. KENNEDY:
So it's the beach side, not the boat slip side?

COMMISSIONER DAWSON:
It's the beach side, correct. We had two significant storms over the winter and the parking lot is in jeopardy of being eroded away, so we need to do something.

LEG. KENNEDY:
Okay. This will all go on the beach. This will not be around where the new cesspools are being put in?

COMMISSIONER DAWSON:
No. This is strictly on the beach, on the beachfront.

LEG. KENNEDY:
Strictly beach. And just another question reading the bill. What's the PPU for sand? I have no idea what that is. How many years is sand rated as good for, because we all know that I don't think you can have a PPU for sand.

COMMISSIONER DAWSON:
I'm going to defer that to Budget.

LEG. KENNEDY:
To Budget.

COMMISSIONER DAWSON:
I guess we could say it's five years.

MS. HALLORAN:
Legislator Kennedy, I can check that for you. That was an Executive resolution, but I can check. It might be a Bond Counsel decision.

LEG. KENNEDY:
I understand that, but I don't understand how there could be a probable life for sand. If you have a storm, it's gone in these areas at Meschutt.

MR. NOLAN:
It still has a probable life.

LEG. KENNEDY:
It still has a probable life.

MR. NOLAN:
I think so.

LEG. KENNEDY:
But that I understand. That I understand.

CHAIRMAN LINDSAY:
Commissioner, we have regular maintenance of doing this over the past few years; correct?

COMMISSIONER DAWSON:
We do.

CHAIRMAN LINDSAY:
When was the last time we had to replenish the sand on the beach?

COMMISSIONER DAWSON:
We actually did it last year as well.

CHAIRMAN LINDSAY:
We got hit with a heavier storm.

COMMISSIONER DAWSON:
We did. We got hit with Sandy, we got hit last year, we got hit again this year. Hopefully when Public Works builds the entire beach up and brings in, you know, roughly 50,000 yards of sand from an upland source dredging it from the west side -- I'm sorry, the east side of the canal, we won't have to do it anymore.

LEG. KENNEDY:
My question is when it comes to bonding out for that, not that we do not need sand, that I understand. So by experience, if it's one year, then if the PPU was five years, we're bonding out longer than we have to. That's my concern.

COMMISSIONER DAWSON:
I understand, but I can't answer the question.

CHAIRMAN LINDSAY:
Is that an anomaly or is that the average, that we have to do this every year with the sand.

COMMISSIONER DAWSON:
Until we get the dredging project done we've been doing it maybe biannually.

CHAIRMAN LINDSAY:
What's the total income that we bring in, the total number of visitors?

COMMISSIONER DAWSON:
I know the visitors. We do roughly 10,000 vehicles, roughly 35,000 patrons. The concession stand contributes about $65,000 a year. I don't know what the annual revenue on the marina is over there. I can get you those numbers certainly if you need them, but those are just off the top of my head.

CHAIRMAN LINDSAY:
Okay. Any other questions? I'll make a motion. Second by Legislator Stern. All those in favor? Opposed? Abstentions? The motion carries. ***(Vote: 4-0-0-1 Not Present: Legislator McCaffrey)***

Introductory Resolution ***1211 - Authorizing use of Blydenburgh County Park and showmobile by the Cystic Fibrosis Foundation for its Great Strides Walkathon (Co. Exec.).***
Commissioner, you have all the paperwork on that?

COMMISSIONER DAWSON:
All the paperwork is in place and the fees are correct.

LEG. KENNEDY:
Motion.

CHAIRMAN LINDSAY:
Motion by Legislator Kennedy, second by Legislator Hahn. All those in favor? Opposed? Abstentions? Motion carries. ***(Vote: 4-0-0-1 Not Present: Legislator McCaffrey)***

Introductory Resolution ***1231 - Authorizing use of Smith Point County Park Property by Mastic Beach Fire Department, Inc., for public safety services fund drive (Browning).***

COMMISSIONER DAWSON:
Again, we have the applications on file, insurance and the fees are correct.

CHAIRMAN LINDSAY:
Great.

LEG. HAHN:
Motion.

CHAIRMAN LINDSAY:
Motion by Legislator Hahn. Second by Legislator Stern. All those in favor? Opposed? Abstentions? The motion carries. ***(Vote: 4-0-0-1 Not Present: Legislator McCaffrey)***

We have no Procedural Motions, so I will make a motion to adjourn. Thank you.

(*The meeting was adjourned at 1:19 p.m.*)