

**PORTER COUNTY COUNCIL
AND
PORTER COUNTY COMMISSIONERS
FOUNDATION MEETING
January 15, 2019**

The Porter County Council and the Porter County Commissioners met on Tuesday, January 15, 2019 at 5:00 p.m. in the County Administration Center, 155 Indiana-Suite 205, Valparaiso, Indiana.

Mr. Jessen, called the meeting to order with the Pledge of Allegiance.

Members present were Council Member Mike Jessen, Council Member Sylvia Graham, Council Member Jeff Larson, Council Member Bob Poparad, Council Member Jeremy Rivas, Council Member Greg Simms, Council Member Dan Whitten, Commissioner Jim Biggs, Commissioner Laura Blaney, Foundation Advisory Board Member Mathew Vessely, and Foundation Advisory Board Member David Kwait. Also present was Council Attorney Harold Harper, County Attorney Scott McClure, Auditor Vicki Urbanik, Treasurer Michelle Clancy and Council Administrative Assistant Joy Blakely. Members not present Commissioner Jeff Good and Foundation Advisory Board Member Mark Ritzi.

Approval Of Minutes

Approval of Foundation minutes for September 24th, 2018 and November 27th, 2018.

Mr. Whitten, Mr. Chairman I would like to make a motion to approve the minutes for September 24th and November 27th.

Ms. Graham, Second

Mr. Jessen, Motion on the floor to approve the minutes from September 24th and November 27th, 2018.

Mr. Whitten, Why are our agendas different?

Mr. Jessen, This must be an earlier version. Any discussion? All those in favor signify by saying Aye? All those opposed? Motion carries.

Motion carries on a unanimous voice vote

Reorganization

Mr. Jessen, At this time we are doing our annual reorganization with our new members present and I would like to open up the floor for nominations for president of the Porter County Foundation?

Mr. Larson, I would like to nominate Laura Blaney for President.

Ms. Graham, Second.

Mr. Jessen, The nomination is seconded by Councilwoman Graham any discussion? Roll call please?

Auditor Vicki Urbanik,

President nomination carried on the following roll call vote:

Council Member Graham	-	Yes
Council Member Larson	-	Yes
Council Member Poparad	-	Yes
Council Member Rivas	-	Yes
Council Member Simms	-	Yes
Council Member Whitten	-	Yes

Council Member Jessen - Yes
Commissioner Blaney - Yes
Commissioner Biggs - Yes

Mr. Poparad, She voted for herself

Ms. Blaney, Sure

Mr. Larson, Just making sure.

Mr. Jessen, I will dutifully turn the meeting over to Laura.

Ms. Blaney, Thank you everyone I appreciate it.

Mr. Whitten, Madam Chairman I'd like to nominate Councilman Jessen for Vice President.

Mr. Poparad, I'll second it.

Ms. Blaney, Second...I guess I shouldn't be seconding that we'll give the second to Mr. Poparad.

Mr. Poparad, Yeah I'll second it.

Ms. Blaney, Alright roll call please?

Auditor Vicki Urbanik,

Vice President nomination carried on the following roll call vote:

Council Member Larson - Yes
Council Member Poparad - Yes
Council Member Rivas - Yes
Council Member Simms - Yes
Council Member Whitten - Yes
Council Member Jessen - Yes
Council Member Graham - Yes
Commissioner Blaney - Yes
Commissioner Biggs - Yes

Ms. Blaney, Next on the agenda we have Capital Cities. Do we need to appoint an attorney?

Mr. Whitten, No I don't think so.

County Attorney Scott McClure, What was the question?

Ms. Blaney, Do we need to appoint the attorney?

Mr. Whitten, Well they volunteer anyway don't they?

Ms. Blaney, Yes that true.

County Attorney, Scott McClure, (Inaudible) indentured servants.

Ms. Blaney, Were you making a motion Dan?

Mr. Whitten, No.

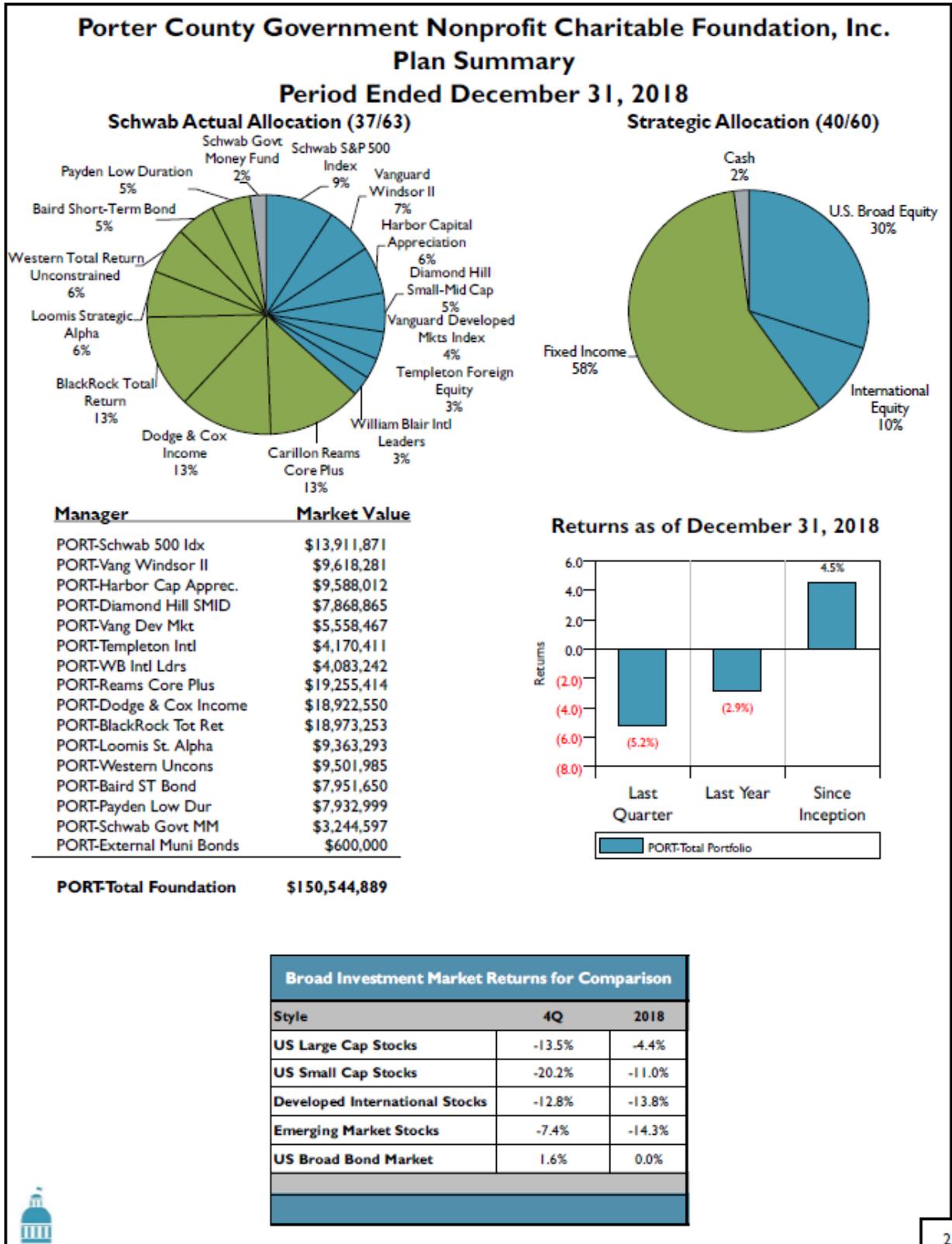
Mr. Poparad, Are we reviewing the Attorney's Contract? Is that what you are saying?

Ms. Graham, No.

Capital Cities Presentation

Ms. Blaney, Next on the agenda is the Capital Cities presentation

Capital Cities Amanda Black, Ok, good evening everyone my name is Amanda Black with Capital Cities. Just as reminder we are the advisor to the Porter County Foundation and a Co-Fiduciary of the assets. As requested I'm back to provide an abbreviated flash report of the year end results. Are normal meeting time would be in February where we provide a deeper more comprehensive analysis and we'll still do that but today is a more abbreviated version. As you wanted a more timely update given the unusual market environment so without further ado if you would please just turn right into your report. Page 2 (see below) if you'll look toward the bottom of the page if you would scroll all the way down to where there is a box that said Broad Investment Market returns I do want to take just a second to paint the context of what the market was looking like in the fourth quarter and over the year.

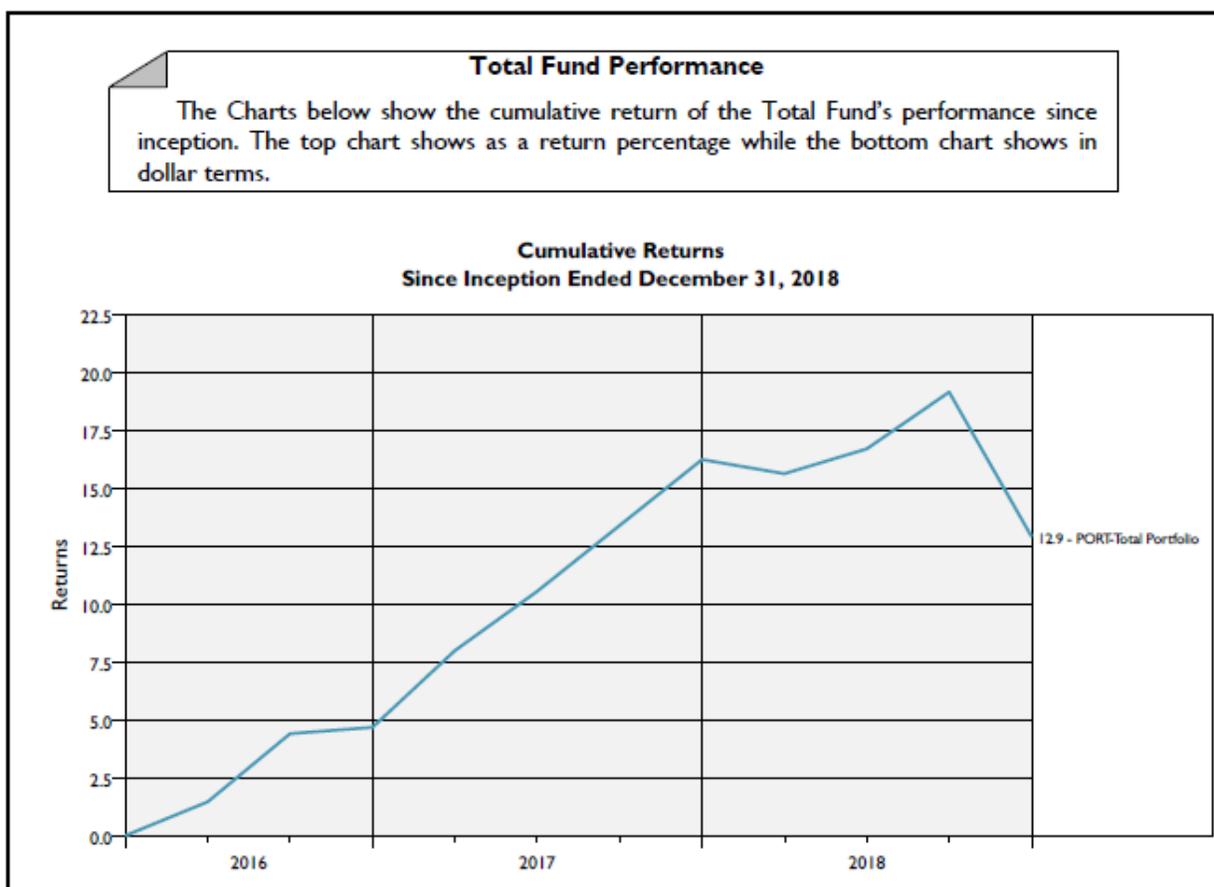


I think everyone remembers that we were having a difficult fourth quarter, just to put that into context these returns here in this little chart (see above) they are Porter County returns they are just broad market returns. US Large Cap Stock were down (-13.5%), Smaller Company Stocks were down (-20%), Non US Stocks were down (-13%) and the Broad Bond Market was up about 1.5% so as you can see that was a pretty tough market for earning returns in an investment portfolio. So then if you'll look back up to the middle a little bit there I'll show you your specific results. So the Porter County results for the fourth quarter was a negative (-5.2%) return. So not surprising given the market environment so with that fourth quarter return even though you had some positive returns in the first, second and third quarter that brought your full year, your last year 2018 return to (-2.9%). So certainly this is the first time we have reported a negative calendar year return and of course that's disappointing as we know that's why we don't want to see a negative return...

Mr. Rivas, That's why we changed Chairman yes.

(Laughter)

Capital Cities Amanda Black, So negative (-3%) for the year, with that said even with these negative returns your average annual return over the last three years is still a positive 4.5%. So in a second I want to show you what that means in terms of dollars but I just wanted to kind of introduce the main ideas here on page 2 (see above) let's look at the market value to the left so the portfolio ended the year with the market value of \$150.5 million dollars certainly that was down from the third quarter given the negative return. I typically don't like to talk about a two week period but since it was positive I'd like to share some updated information with you. You know two weeks is not a long time into a quarter a lot can happen between now and March 31st, 2019 when you get an official report again. With that said as of yesterday your market value was \$152,912,336 dollars so you've gained back some of those dollars just in the two weeks of January here. Your portfolio has had a positive 1.6% return here is the two weeks of January so obviously a lot of volatility in risk and uncertainty in the markets. We're seeing kind of whipsaw returns your portfolio is faring better than other Foundations because you are conservatively positioned. So even though you are still negative you're not as negative as other Foundations are dealing with because you only have 40% Equity per your Investment Policy. Most other Foundations you know Community Foundations, Private Foundations across the country they typically have about 60% in Equity. So they're seeing much worse returns right now. I do want to show you a chart on page 4 (see below)



PERIOD ENDED DECEMBER 31, 2018				
	January 1, 2016 Market Value	Deposits/ Withdrawal	Investment Gain/Loss	Ending Market Value
PORT-Total Portfolio	\$0	\$132,298,261	\$17,646,628	\$149,944,889

 Note: Ending market value above does not include the external Muni bonds.

This is the cumulative return chart so I mentioned earlier that you have had an average annual return of 4.5% for three years so that means you have a cumulative return of just shy of 13% if you scroll down a little bit you can see what that means in terms of dollars. So with that positive return over time you've added \$17,646,628 million dollars to investment earnings to the bottom line for the Foundation. So I'll pause there and see what kind of questions you have.

Mr. Biggs, That's great.

Ms. Graham, It is.

Mr. Rivas, We should just probably end there.

(Laughter)

Capital Cities Amanda Black, And that doesn't include those two weeks of January that I mentioned so that actually would be slightly higher right now if we calculated it.

Mr. Biggs, So we've if we were going to count the last two weeks so we've gained somewhere in the neighborhood of \$20 million dollars.

Capital Cities Amanda Black, Yes that's correct.

Mr. Whitten, And honestly we knew there were going to be dips and valleys in this when we formed the Foundation and we knew we would have these peaks and valleys but before we did the Foundation keep in mind we were getting less than 1% on our money.

Ms. Graham, Exactly

Mr. Whitten, We're still miles ahead of where we would have been.

Mr. Poparad, That \$17 million does that include what has been taken out? Or is that just total gains?

Capital Cities Amanda Black, So they are investment gains separate from any cash flows now some of those have been taken out.

Mr. Poparad, Ok that's what I'm saying.

Capital Cities Amanda Black, Yeah, I hope that make sense.

Mr. Poparad, Thank you.

Capital Cities Amanda Black, What that doesn't include is if there was money put into the Portfolio. Like let's say the Muni Bonds matured and you took them from one account and moved them to this account. Just a cash movement like that wouldn't show up as an investment gain.

Mr. Rivas, That's a good question for you do we have anymore?

Capital Cities Amanda Black, Yes \$600,000 dollars' worth of Municipal Bonds.

Mr. Rivas, That's it?

Capital Cities Amanda Black, But I did include that \$600,000 in the final market values that I reported to you today.

Ms. Blaney, Any other questions?

Mr. Whitten, Well I like the talk of the last two weeks that was alright the other fifty are a little iffy but what are you going to do.

Ms. Blaney, Any end in sight to the volatility?

Capital Cities Amanda Black, So there are a lot of things weighing on the markets right now the Fed is the big one here in the US. I mentioned it last time that interestingly enough things are going well which is why the Fed has kept tightening monetary policy. But that tightening of monetary policy access to capital more difficult for companies. It makes investor's worry that stock prices can't be sustained. Now we're hearing that the Fed might pause a little bit there is more of a wait and see approach that they are saying here in 2019 that could be beneficial to the markets. On the other hand we've got some tariff discussions unfolding across the globe with trade. Those could kind of vex markets a little bit and then we also have things like BREXIT that still has to unfold in a neat manner so there are just a lot of things on the horizon. But I think it's just important to note that corporations are really doing well, the consumer is doing well, I think investors are just a little nervous with all of these uncertainties.

Mr. Poparad, If the Feds don't pause on their interest rate hikes are you going to reallocate back over to T-notes that pays better?

Capital Cities Amanda Black, We as your advisor won't do that we have multiple active investment managers within the fixed income space in your portfolio and that's within their prerogative to say based on the current interest rate environment I'm going to buy more Treasury Notes or less, more Corporate Bonds or less so that's certainly within the scope of your managers and they are doing those types of things.

Mr. Biggs, Your role is to advise us whether or not that's a good idea or not?

Capital Cities Amanda Black, Yes so we look at those managers...

Mr. Biggs, Right.

Capital Cities Amanda Black, Kind of sitting on the same side of the table as you and we make sure that they are doing a good of that. We benchmark them according to industry standards and industry peers as well indexes and then we also have methodology for doing that within your investment policy statement that we're bound to follow.

Mr. Jessen, It's clear that the stock market is not for the faint of heart and we knew that there was the potential for a pretty wild ride which we've experience on the high end and of course we like everybody in the country has experienced the fourth quarter of last year. So fortunately we have had an extremely conservative approach for investments. Fortunately we have had an investment policy that helps even at difficult times it helps mitigate the loss as compared to other Foundations as Amanda mentioned. I think that we can all feel confident and comfortable in that to and the question about volatility that will continue for a variety of different reasons.

Capital Cities Amanda Black, Right.

Mr. Jessen, There is nobody that has a crystal ball to see through that or any magical wand to play a specific part in that.

Mr. Whitten, Well in anticipation of that we have built up some money in our holding fund to ride the storm and if it gets long running or too difficult for us to sustain our earnings for operations but...so we're going to be fine...we're going to be fine and again we're miles ahead of where we were before we created the Foundation.

Mr. Larson, I had one question you say we are down about (-13%) on the Broad Investment Market for International stocks and it looks like we've got about 10% in International Equity is there a chance that we are moving away from that? Because I heard even the Chinese market is much worse than we anticipated it was there some...

Capital Cities Amanda Black, Yes the Chinese market is just that it was growing so fast so strongly for so long and now that even though it's still growing, it's growing at a lesser pace that investors are very nervous. But that's a...the actual Chinese stock market is miniscule...

Mr. Larson, It's small right.

Capital Cities Amanda Black, In terms of other Non-US Stocks so you have very little if any exposure there.

Mr. Larson, Ok very good thank you.

Mr. Biggs, Well the picture here is clear I mean if over the next ten years we only do half as well as we've done up to this point it's got to be looked at as a huge success. I mean there is absolutely nothing we could have done with this money had we kept it and spent it...nothing to get this kind of return in just three years.

Capital Cities Amanda Black, Right to avoid the opportunity costs of just sitting in cash you have to expose yourself in some way or fashion to the markets. Equity Markets are the only place to earn return over inflation. You have a 40% exposure to Equity markets which as I've mentioned is more conservative than most other Foundations yet it's still giving you quite a boost over cash. With that said looking at a return year in and year out you are bound to have a negative over time...from time to time. So we try to emphasize a longer term time horizon yet still talk to you quarter in quarter out.

Ms. Blaney, Matt do you have anything to add or...

Foundation Advisory Board Member Mathew Vessely, I mean I certainly don't have any questions. I think it's well presented and I think that many people have referenced this. It's a little bit difficult to think of the Foundation...it's infinity that this is going to be there forever and we tend to think of things as our lifetime and in a forever world this dip at this point.

(Foundation Advisory Board Member David Kwait arrived)

Mr. Whitten, Well on the back end of all that new I think that Capital Cities contract is up again to isn't it?

Ms. Blaney, Yep I was just going to bring that up while you are still here to talk about this pass these down I have copies for everyone. Scott, do you want to run through this?

County Attorney Scott McClure, Yes it's an amendment to the contract for an additional three (3) years. It's very straightforward the original contract issues are still in play that's why the amendment is so short. I can say personally dealing with them and I probably have some of the most dealings with them as far as staff members are concerned and I can tell you that the responsiveness and the professionalism is pretty outstanding. So the contract speaks for itself and I believe that if I remember correctly the fee remains fixed...

Mr. Whitten, Well if I could to chime in here I have had a lot of involvement with Capital Cities over the years and they're extremely responsive actually and every time I have called with questions I have had immediate answers and sometimes on the weekend. So I would ask that we maintain their services because they have been invaluable...

Ms. Graham, Is that a motion?

Mr. Whitten, I make a motion to approve this first amendment.

Mr. Poparad, I'll second it.

Mr. Biggs, I haven't had any dealings with you all outside of a meeting but the results of you management speaks for itself that's how you have to look at it.

Ms. Blaney, We don't need a roll call for this do we?

Mr. Whitten, Yea.

County Attorney Scott McClure, No

Ms. Blaney, So we have a motion and a second...

Mr. Whitten, Is this for a contract? Yeah I think you should get a roll call for a contract...yes.

County Attorney Scott McClure, It's not going to hurt anything.

Ms. Blaney, Alright roll call

Mr. Biggs, What do you want us to do Scott?

County Attorney Scott McClure, Do a roll call.

Auditor Vicki Urbanik,

Motion carried on the following roll call vote:

Council Member Poparad	-	Yes
Council Member Rivas	-	Yes
Council Member Simms	-	Yes
Council Member Whitten	-	Yes
Council Member Jessen	-	Yes
Council Member Graham	-	Yes
Council Member Larson	-	Yes
Commissioner Blaney	-	Yes
Commissioner Biggs	-	Yes

Capital Cities Amanda Black, Thank you I really appreciate the kind words. We enjoy the opportunity to work with you and appreciate it.

Ms. Blaney, As do we.

County Attorney Scott McClure, All I ask is whoever gets the final one signed please give that one to Vicki.

Auditor Vicki Urbanik, Yes please.

Mr. Poparad, Coming your way.

Ms. Graham, We have two of them.

Mr. Rivas, Anything else?

Ms. Blaney, Yes we've got a resolution to transfer from our holding fund to our budget fund.

Mr. Whitten, Vicki could you explain slightly why that number is where it's at?

Auditor Vicki Urbanik, The amount of the transfer?

Mr. Whitten, Yes.

Auditor Vicki Urbanik, Ok the end of the year Foundation budget had a balance of about \$71,465 dollars so we are only going to transfer the amount that we need to support the Foundation fund in 2019 and that comes out to the \$4.5 million figure that I believe is in the Resolution.

Ms. Blaney, Yes it is.

County Attorney Scott McClure, Down to the penny.

Ms. Blaney, \$4,562,797.78

Auditor Vicki Urbanik, Yes.

Mr. Poparad, Anything over \$4.5 gets divided by us doesn't it?

Mr. Whitten, Something like that.

Mr. Poparad, Yeah right.

Mr. Whitten, I make a motion to approve the resolution.

Mr. Jessen, Second.

Ms. Blaney, Ok we have a motion and a second all in favor signify by saying Aye? All opposed same sign? Motion carries.

Motion carries on a unanimous voice vote

Ms. Blaney, Alright do we have anything else?

Attorney's Report

Ms. Blaney, Attorney's report.

County Attorney Scott McClure, I have nothing to add.

Any other matter that may properly come before the Board

Ms. Blaney, Does anyone else want to address the board?

Meeting Adjourned

Mr. Rivas, Motion to adjourn.

Mr. Biggs, Second.

Ms. Blaney, Before we leave we should schedule our next meeting right?

Mr. Larson, We need to sign that resolution don't we?

Mr. Whitten, We did.

Ms. Graham, I haven't.

Mr. Whitten, Oh I'm sorry we didn't.

Ms. Blaney, Alright when would the right time be for the next quarterly meeting?

Mr. Poparad, We shouldn't make them come back in February.

Ms. Blaney, No.

Mr. Whitten, No it's once per quarter.

Mr. Poparad, In May?

Mr. Whitten, We want to know or have a pretty good feel how our first quarter did. What do you think April?

Ms. Blaney, I can do April. When do you guys have your meeting in April?

Mr. Biggs, The 23rd?

Mr. Whitten, Yes that's my birthday we could throw together some sort of celebration if you want?

Ms. Blaney, What about April 23rd?

Mr. Whitten, That would be good.

Ms. Blaney, Does anyone have a problem with April 23rd?

Mr. Larson, That following Easter is that right?

Mr. Jessen, Amanda will the information be ready by then?

Capital Cities Amanda Black, That gets us off schedule a little bit in terms of getting our full report. Are full reports are in February, May, August and November.

Mr. Poparad, Let's do May.

Capital Cities Amanda Black, Normally we would do May. We could do February but you would be just getting more of what I gave you already.

Ms. Graham, Do we count this meeting?

Mr. Rivas, May?

Capital Cities Amanda Black, And then in May we would do the full blown report with that said we can send you an update quickly before that.

Mr. Whitten, So do you think April would be a waste for you?

Capital Cities Amanda Black, It would be more like this which is fine but if you want the full blown report.

Mr. Whitten, We may have to meet before but we can schedule it for May but I would suggest that if things develop we could do it before.

Capital Cities Amanda Black, We are always happy to do this kind of thing.

Ms. Blaney, Ok so the May meeting would be May the 21st and now we can adjourn.

Motion carried on a unanimous vote.

There being no further business, meeting was adjourned.

**PORTER COUNTY COUNCIL
PORTER COUNTY, INDIANA**

Dan Whitten

Jeff Larson

Sylvia Graham

Bob Poparad

Jeremy Rivas

Greg Simms

Mike Jessen

**PORTER COUNTY COMMISSIONERS
PORTER COUNTY, INDIANA**

Jim Biggs

Laura Blaney

Jeff Good

Attest: _____
Vicki Urbanik, Auditor