

**CSA Finance Committee
Meeting Minutes
Tuesday, March 21, 2017
CSA Main Conference Room**

1. Roll Call

The January meeting of the Finance Committee was called to order at 9:00 a.m. in the main conference room of the CSA Building. Chairman Borghesi presided.

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| Present: | Dave Borghesi | Carolyn Adams | Maryann Bastnagel |
| | John Farrenkopf | Lisa Laudermilch | Lee McCollum |
| | Rich Speer | Michael Tucker | Ray Warco |

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| Guest: | John McEnery | Jonathan Dixon | Brandon Renaud |
| | Ethan Staats | | |

Ex-officio: Mark Griffith

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| Staff: | Bret Martin | Victoria Shanahan | David Henderson |
| | Stephanie Gannon | Jerred Mayse | Toby McSwain |

2. Review of Morgan Stanley Smith Barney Investment Portfolio

Prior to the meeting, Mr. Borghesi circulated an analysis of CSA's existing corporate fixed income bond portfolio as of 2-28-17. That analysis revealed that several major issuers have been downgraded by Standard and Poor's as to credit risk from A to BBB+ and that the portfolio is out of compliance with the current Investment Policy statement. The current policy places limitations on the amount of BBB+ investments as a percentage of the total portfolio, and limitations on the amount for a particular issuer. The analysis also indicated a heavy concentration of investment in the financial sector, with several individual issuers having a high percentage of total invested funds.

Mr. Borghesi introduced Mr. Jonathan Dixon and Mr. Ethan Staats of Morgan Stanley Smith Barney. Mr. Dixon, CSA's financial advisor, reviewed CSA investment portfolio's performance with the Committee, and made the following observations:

Returns on CSA's portfolio of corporate bonds has well exceeded the industry benchmark largely due to certain opportunistic investments as well as an overweight in financial sector bonds which have provided excellent returns. He noted that purchases of investments have been made under existing policy.

While S&P has down-graded some of the issuers in the financial sector, Moody's has maintain their historic credit rating. Even so, the portfolio contains all investment grade bonds.

Investment overweighting in the financial sector or with respects to individual issuers or credit rating can be managed through reinvestment of maturing bonds in 2017 into other issuers and sectors. While the aspect of diversification should be evaluated by the Finance Committee, Dixon was of the opinion that no immediate action is

necessary. He further noted that the policy allows the retention of investments that fall outside the current limitations if deemed to be in the best interest of CSA.

One particular municipal bond (Puerto Rico Sales Tax bond) was discussed. As a continuing situation from 2016, this bond which matures in 2020, had been downgraded to speculative and its FMV is currently 48% of par value. The issuer has continued to pay coupon interest equal to 8+% of its FMV. Because it is backed by sales tax revenues, it is likely to continue to pay interest. CSA has already recognized the loss of value as all investments are stated at FMV. Mr. Dixon opined that CSA should continue to hold this bond through 2018 and then evaluate whether to hold or sell at that time. He believes that the bond's FMV will increase over time as its maturity approaches.

3. **Status of Independent Audit**

Mr. Borghesi introduced Mr. Brandon Renaud, Partner Elliott Davis Decosimo who gave an update on the Annual Audit. Mr. Renaud stated that fieldwork should be completed by Thursday, 3/23 and a draft of the Audited Statements should be ready by early next week. The accounting treatment for special assessment expenditures was discussed. The Hurricane Matthew special assessment subcommittee indicated that they were reviewing all expenditures for reasonableness.

4. **Status of Business Interruption Insurance Claim**

Mr. Borghesi informed the members of the Finance Committee that the insurance claim for Business Interruption that was sustained as an aftermath of Hurricane Matthew is still in progress. There is no new information to present at this time.

5. **Approval of the January 17, 2017 Meeting Minutes**

A copy of the January 17, 2017 meeting minutes was included in the committee's package and reviewed. Mr. Borghesi asked if anyone had any changes to the minutes. There were no changes therefore the minutes were approved by proclamation:

“RESOLVED, the Finance Committee approves the January 17, 2017 minutes as submitted.”

6. **Acceptance of unaudited YTD Financial Statements**

A copy of the unaudited December financial statements were included in the package and reviewed. Mr. Borghesi made the following motion, seconded by Mr. Speer and unanimously passed:

“Resolved, the Finance Committee recommends the Board of Directors accept the December 2016 YTD financial statements subject to potential changes as a result of the completion of the independent audit.”

7. **New Business**

a. **Status of Financial Impact on Hurricane Matthew**

A cost analysis of Hurricane Matthew special assessment actual and estimated expenditures was presented to the Committee. The authorization to spend was

reviewed and the committee discussed them at length. Mr. Borghesi made the following motion seconded by Ms. Laudermitch and unanimously passed:

“RESOLVED, the Finance Committee recommends the Board of Directors approve as presented an authorization to spend for Hurricane Matthew special assessment expenditures up to \$4 million for the fiscal year 2017. This is subject to the quarterly review of said expenditures by the Finance Committee and subcommittee thereof.”

b. Cost of Greenwood Corridor Rehabilitation

The Finance Committee discussed the necessary expenditures for damages sustained from Hurricane Matthew along the Greenwood Drive Corridor. The project is broken down into four phases. The first three phases were recommended to be expensed using operating funds for a total of \$224,942 as these phases were planned projects in future years. The fourth phase, estimated at \$155,872 was determined to be a direct result of Hurricane Matthew and therefore qualified for special assessment funds. Mr. Speer made the following motion seconded by Mr. Farrenkopf and unanimously passed:

“RESOLVED, the Finance Committee recommends the Board of Directors approve the funds to make the repairs along the Greenwood Corridor as stated: \$224,942(estimated) for phases 1 – 3 from operations and \$155,872 (estimated) for phase 4 from special assessment funds.”

c. Captive Insurance Meeting Update

Mr. McEnery updated Committee on this meeting and suggested this might be something for the committee to consider in the future.

d. Review and Reaffirm Investment Policy

Discussion was deferred until May 2017 Meeting. Finance Committee members were asked to provide email comments to Mr. Borghesi regarding the current policy and potential for changes to the policy and/or our existing portfolio of investments.

e. Approval of Recommendation of CSA Reserve Contribution Policy to CSA Board of Directors

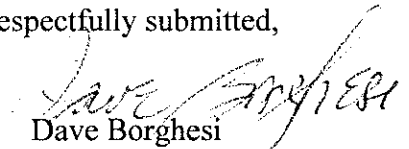
Mr. Warco made the following motion, seconded by Mr. Speer and unanimously passed:

“RESOLVED, the Finance Committee recommends the Board of Directors accept the CSA Reserve Contribution Policy as presented.”

8. Adjournment

With no further business to conduct Mr. Borghesi made a motion to adjourn the meeting at 10:35 a.m. seconded by Mr. Farrenkopf.

Respectfully submitted,


Dave Borghesi
Chairman

The next meeting is scheduled for Tuesday May 23, 2017, at 9:00 a.m. in the main conference room of the CSA Building.