American Public Works Association
Florida Chapter

MEMORANDUM

To: President Chris Evers and Members of the Executive Committee

From: Chad Shoultz, Finance Committee Chair

Date: 1/26/13

Subject: Finance Committee

The Finance Committee Chair met with the Financial Advisor, Brian Crane on January 17th to review the 2012 performance of the Chapter and Scholarship accounts as well as considerations and outlook for 2013.

As discussed previously with the Executive Committee, the idea of an annual fixed percentage to be distributed from the Scholarship account is recommended by the Finance Committee to be revisited. A Scholarship account balance of $250,000 was determined by the Executive Committee to be the trigger for distributing scholarships. With the Scholarship account balance of $253,908 at the end of 2012 and scholarship distributions being made, Mr. Crane was asked to recommend an annual fixed percentage range for the Executive Committee to consider.

Attached is the annual review of the Chapter and Scholarship accounts and recommendation regarding an annual fixed percentage range from Mr. Crane.
2012 APWA Executive Summary

The Chapter Account was up 4.06% in 2012 with a $1,560 change in market value and $2,368 of interest/dividends for a total return of $3,928. The 2012 year-end balance was $105,990. We recently reduced the equity allocation and protected a portion of the profits realized over the last year. We also remain within the Investment Policy Statement allocation guidelines. The account has sufficient liquidity to meet the Investment Policy Statement criteria for Disaster Funds of $65 thousand. Approximately $35 thousand is available immediately and $30 thousand would be available within three (3) business days of liquidation.

The Scholarship Account was up 6.69% in 2012 with a $10,310 change in market value and $5,623 of interest/dividends for a total return of $15,933. We reduced equity in December in order to ensure the year-end balance exceeded $250 thousand. The year-end balance was $253,908 and we cut a check for $3,908 on 1/7/2013. We have recommended that the Scholarship account begin distributing an annual fixed percentage of the balance rather than the excess over $250 thousand. This will enable the fund to support beneficiaries no matter the fiscal climate and takes market timing out of the equation. My recommendation for a sustainable distribution percentage is between 2%-4%.

We are pleased with the risk/reward performance during 2012. Both accounts outperformed their benchmark indexes given the level of risk assumed.

Looking forward, we will reassess our asset allocation as the S&P500 nears all-time highs. We consider an equity buying opportunity to be one of the two following scenarios:

1. The S&P500 exceeds 1550 and then supports that level. This would be a new all-time high and indicate a new long-term bull market. We would consider this an appropriate time to underweight bonds and an opportune time to overweight equities.

2. The S&P500 does not create a new all-time high and drops down within the lower half of its 13 year trading range (approximately S&P500 1100). If we remain within the same trading range we have experienced for the last 13 years, a buying opportunity would present itself at the lower end of that range.

Please contact me if you have any questions or concerns.

Sincerely,

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