

**TOWN OF LEESBURG**  
Town Hall  
25 W. Market Street  
**TOL OPEB Trust Finance Board Meeting Minutes**  
February 16, 2024  
10:00 am  
Lower-Level Conference Room 1  
Finance Board Members and Others

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1. **Call to Order** by Lisa Haley at 10:01am.  
**Board Members in attendance (in-person):** Clark Case, Diane Starkey, Kate Trask, Cole Fazenbaker, Lisa Haley. Quorum was present.  
**Absent:** Joe Mason  
**Other attendees:** Octavia Andrew, Tamara Keesecker, Dr. Todd Cimino-Johnson (virtual)  
**Ex officio attendees:** Allison Corbally, Director PFMAM Asset Management. Scott Fleming, PFMAM Director.
2. **Approval of Minutes of 8.15.2023 Finance Board meeting:** motion by Clark Case, 2<sup>nd</sup> by Cole Fazenbaker, unanimous 5-0.
3. **Items for Discussion – led by PFMAM**

*Economic context and outlook:* the current markets are being driven by the Fed; markets are anticipating rate cuts; stocks are up almost 27% driven by the Magnificent 7 stocks and continue to drive the market in 2024. Russell 2000 with its small cap focus saw a nice rebound in Q4. Non-US Equities also performed well. The drag is in Emerging Markets, mostly due to China's current economic environment. The portfolio includes an EM ex China ETF, providing market exposure to China, albeit at a level lower than the Emerging Markets Index. The Fed is trying to engineer a soft landing and so far, it is going well. 2023 GDP was over 3.0% and the norm is about 1.8-2.0%; GDP growth looks to be about -3.0% so far in 2024. The consumer is driving the growth and continues to be the backstop in the US economy. We are enjoying one of the longest periods of unemployment (below 4%) since the 1960's; 350k new jobs have been created thus far in 2024; in 2023 we have created half as many jobs as in 2022. The Fed expects unemployment to creep up to 4%; at the beginning of the rate hiking cycle, there were 2 jobs for everyone looking; now it is closer to 1.4; inflation indicators headline 3.9% and 3.1% for the core. Markets expected to be below 3% and the Fed likely won't cut rates as soon as expected. Difficulty remains for hard-to-find workers with specialized skills with the current rate of wage inflation at 4.5%. We have about 1% more wage inflation than the Fed wants as 3.5% wage inflation is more in line with the Fed's 2.0% inflation target. The markets have pulled back this week.

The Fed keys on PCE rather than CPI. The Fed has taken a hold for data stance until they see inflation falling to target. The Fed estimates 3 25 basis point rate cuts in 2024. The markets thought it would be more than that at 5 to 7 25 basis point cuts. There is an adage that says, "Don't fight the Fed." Markets have been learning this the hard way. Since the Fed meeting, the markets are saying 4 cuts. The Fed is in a neutral stance and looking for a better balance between employment and inflation. The outlook is going to be data dependent both for the Fed and for investors. The growth in GDP during Q3 2023 was 4.9% and 1% that was government expenditures.

Clark Case said, there is still a lot of federal stimuli flowing through the economy from the ARPA grants and Infrastructure Act.

*Portfolio review:* A detailed discussion of the elements of the report was provided for new attendees and historical reference. The Town's portfolio outperformed the benchmark for the quarter. It underperformed in 2023 due to the overweight in small caps, then the several bank collapses ensued, and that allocation hurt overall performance. We also transitioned away from active managers to entirely index holding for equities. We have active exposure/management in the fixed income parts of the portfolio; the Russel 3000 is the equity benchmark for the portfolio. PFM uses only mutual funds and ETFs. Currently, PFM is not taking any over weights by capitalization but is mostly mirroring the markets themselves.

Of note, out-performance is achieved not by manager selection, but by asset allocation strategy. Fixed income opportunities to outperform with active management do exist; the portfolio is currently very close to the target allocations right now due to the market movements. PFM will reallocate as conditions warrant.

- 4. Discussion of status of Investment Policy changes.** Portfolio policies were unchanged at the meeting.
- 5. Additions to Future Board Meetings**
  - a. A motion to approve virtual meeting attendance and a method to record virtual attendance in accordance with State Code requirements on virtual board meetings, 2 meetings of the 4 per year, was introduced by Clark Case, moved by Lisa Haley, seconded by Cole Fazenbaker: unanimous 5-0.
  - b. May meeting of the Finance Board was rescheduled due to scheduling conflict to May 3, 2024 – motion by Clark Case, 2<sup>nd</sup> by Cole Fazenbaker: unanimous 5-0.
- 6. Information Memorandums**
  - a. None
- 7. Members Statements/Comments**

Thank you to Clark Case for his role as Chair of the Finance Board since its inception in 2016.

**8. Closed Session - none.**

9. **Adjournment** Motion to adjourn by Clark Case, 2<sup>nd</sup> by Cole Fazenbaker. Unanimous 5-0; meeting ended at 11:03am.