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BOARD OF DIRECTORS MEETING

Date and Time: 3:00 PM on Wednesday, December 18, 2019

Location: Home Loan State Bank Community Room, 205 N. 4th Street, Grand Junction, CO 81501

Attendees:

Dusti Reimer
Benita Phillips
John Justman
Quint Shear
Chris McAnany
Craig Springer
Matt Rosenberg
Nancy Harward

Agenda:

- I. Call to Order by Craig Springer.
- II. General Public Comment.
 - a. None.
- III. Adoption of the November Meeting Minutes.
 - a. Q. Shear made motion to approve minutes. J. Justman second. Voted. Approved.
- IV. Consent Agenda:
 - a. Dufford, Waldeck, Milburn, & Krohn Invoice
 - b. Dusti Reimer Invoice
 - c. J. Justman made motion to approve consent agenda. Q. Shear second. Voted. Approved.
- V. Staff Report.
 - a. D. Reimer said we posted to our social media pages about the October meeting minutes being posted, the new meeting agenda being posted and we shared the images from the last meeting of the WCCC Vice President and students receiving the check for the lineman building grant.
 - b. D. Reimer said we had no media this past month, and no grants requesting payments at this time. We did receive notice from the Grand Junction Fire Department that they are ahead of schedule and will have their paperwork done by next spring. D. Reimer said as far as she knows, they will still be coming in under budget.

- c. C. Springer asked how much was it estimated to be under?
- d. D. Reimer said it was quite a lot, they got a bid under for. We granted out to them \$123,000 and I believe their quote came in at about \$119,000, I think.
- e. Q. Shear said the amount was quite a bit less.
- f. D. Reimer said it was quite a bit less. They had emailed to ask if it was going to change or affect the amount of the grant that we would give them, because of the low bids. We never gave them a full 70% of the asked for grant, so it wasn't going to affect them anyway. We should be getting some more of that money back.
- g. D. Reimer said the invoices this past month were for Dufford, Waldeck, Milburn, & Krohn Invoice #17302 for \$599, and Dusti Reimer Invoice #141 for services and supplies for \$3,774.98.
- h. D. Reimer said the upcoming events were the Board Meeting Scheduled for January 15, the Budget Due date of January 31, and the Spring Grant Cycle starting February 1. D. Reimer asked if we were still good with meeting the third Wednesday of the month or if we needed to change the date.
- i. Q. Shear said that works for him.
- j. C. Springer said either date works for him. He has a mandatory bank meeting in the morning on either of those days.
- k. Q. Shear said the sometimes he's in Denver, so the third works for him.
- l. D. Reimer said that's right. David had that meeting too, and that's why we changed it to the third Wednesday of the month.
- m. C. Springer asked John if there was a day that worked better for him-the second or third Wednesday of the month?
- n. J. Justman said the AGC has been a conflict lately. Are we on the third or the second one?
- o. D. Reimer said the third.
- p. C. Springer said so it would be better for you to move it to the second?
- q. J. Justman said I believe so, most of the time.
- r. Q. Shear asked where the AGC meetings are-are they in town?
- s. D. Reimer said Quint your meetings are always out of town, right?
- t. Q. Shear said, yes, it is.
- u. D. Reimer said John, I think your AGC meeting are all throughout the Western Slope.
- v. J. Justman said they haven't posted the meetings on my calendar yet, but I think it's the third one.
- w. Q. Shear said let's see if they have it on the internet.

- x. C. Springer said let's leave it with the third Wednesday of the month, and if it's a problem let's change it.
- y. D. Reimer said do we need to leave the time at 2pm or change it to 3pm.
- z. J. Justman said 2pm is good most of the time, but if it is the same day as AGC then 3pm would be better. But, let's get that straightened out.
- aa. D. Reimer said right now we're at January 15th at 2pm. And I believe you, Craig, are in January.
- bb. C. Springer said, yes that's correct. My term is up in January.

VI. Review of Financials.

- a. N. Harward said we have \$872,562.36 in the bank account. In the permanent fund we have \$1,626,905.44, and that is after the \$100,000 we put into the account. Our grants payable are at \$189,476, and all of our expenses are pretty normal. We did have the grant we paid out last month, they didn't use \$108.35, so that went into the forfeited grants amounts. The two outstanding grants we have are the Grand Junction Fire Department and the Town of Palisade.
- b. C. Springer asked what the Palisade grant was for.
- c. D. Reimer said they got a brush truck.
- d. C. Springer said yes, that's right.
- e. N. Harward said the last page is the budget to actual numbers. We are still tracking good through November. We don't anticipate any problems with the budget that we will need to revise the budget. Are there any questions?
- f. C. Springer asked for a motion for the approval of the financial report.
- g. J. Justman made a motion to approve the financial report. Q. Shear second. Voted. Approved.

VII. Review of Investment Account.

- a. M. Rosenberg said as of close yesterday, the market value of the account is actually about \$25,000 higher than what she just showed-we are at about \$1.651 million. We are really right on the max cusp of the max equity allocation. The last time I was here was a couple of months ago, and I apologize for missing the past few meetings, we were more like 56% equity. We were a little under allocated, but I figured we wait and see what the markets do and if there is a downturn, we can get some cheaper and obviously that happened, so now we're at 59% equity. The question I have for the Board is how much leniency do you want us to take with leaving that. Can we cross 60%-is that a hard line or do we want to balance this, because we're pretty much on the max right now. And I would recommend looking at it each quarter. I'll hug the line, but why go and trade things if it's a few hundred dollars over? I guess that's the main update on the portfolio and Chairman Springer, and I met and talked through the strategy. One of the things that's pretty common is a strategy called direct indexing. Where instead of using index funds to get allocations we use individual stocks and securities. We discussed the pros and cons of doing that. The benefits are the taxes, which really don't apply here.

That's the big one and you can lower portfolio expenses, because you can kick out expense ratios and the third is you can make more active tilts if we want. If energy is up, we can tilt towards energy. I think having thought it over, I appreciate the leniency to make these decisions, I think it's probably not worth the complications in the portfolio at this point until we get bigger. The expense ratios are incredibly low right now anyway. If we were to eliminate those and use individual securities, we are really only saving maybe \$500 to \$1,000 a year, but it might just complicate it so much it might not be worth it at this point.

- b. C. Springer asked how much bigger do you think the portfolio should be, before you'd consider that again?
- c. M. Rosenberg said I guess I could turn the question to you. The expense savings is the primary reason we do it. So, is \$500-\$1,000 a year and lower expenses what you'd what because you do take on some risks with it. Chairman Springer brought up some good points that there is risk in the effectiveness in the replication, in that the securities we use are not exact representative sample of the total market, you end up deviated from the market performance, and that's the risk. I feel like we could do it with a high degree of confidence with a million dollars in equity, which is where you guys are at, and it's a lot easier now that all the banks and brokers just waived all the fees. That just happened these last few months and that was the big hurdle to doing this. You really had to have big accounts. The limiting factor now is fractured share trading, because really anyone can do it. Even a \$5,000 account, but they don't allow fractured share trading. As soon as that happens that's what people will do is to drop expense ratios. But really, it's not a hard line-to go back and answer your question. I think if you have a \$10 million portfolio, you're probably paying \$10,000-\$20,000 more than you need to. But a million-dollar account, it's \$500-\$1,000 so it's not that pressing. It also depends on the composition of the portfolio because the total market US Equity funder has a three bases point expense ratio. Their average is three basis points. It doesn't make it compelling to replace this, until you have a lot of money.
- d. Q. Shear said probably when we're at double what we have in the account right now. Around \$3 million.
- e. M. Rosenberg said one more thing to note, you're with TD Ameritrade, and they just recently entered into a merger agreement with Charles Schwab and I have had a lot of questions lately from the impact of that. I actually see it as a net position. TD is the leader in providing custody services for investment advisers. Schwab is the bigger organization, so they have their funds and a lot of different parts that TD doesn't. Schwab will take over TD Ameritrade and your account, you don't see that much anyway, but the TD statements will actually go to Schwab. My firm is large enough we use our own statements, so you probably wouldn't see that much change anyway. I think it'll be positive with dropping trading commissions, having access to some funds that will go to zero basis points. Schwab was looking at going to some zero basis points on some of their funds.
- f. C. McAnany said how do they make their money?
- g. M. Rosenberg said there are a lot of ways firms make their money. If you watch, or follow the stock prices, as soon as everyone dropped, and this is one of those brilliant

acquisition plays I've ever seen. When the CEO of Schwab came out and said no trading costs, immediately everyone had to follow-that ding TD Ameritrade, all the rest of them had to follow and their stock went down by 35% in one day. So that scary to a lot of people, because they get this amount of money from their trading costs. I went oh my gosh, is this a buying opportunity. We bought a lot of TD across all our client accounts, because there are a lot of other revenues, they'll make up for that. The \$6.95 was one way they got paid, but they also have trade agreements and spreads on the trades, there are a lot of ways they'll route orders to different places and just sell order books to people. So, they don't really need the trading commissions. So, this was one of the few times I did make a direct call and we right, their stock went right back up 35% in a month or two months, and then it got even better when the acquisition price was higher than the original. So, their stock prices went from \$48 to \$30, back up to \$52 all within two months. Money markets is another one-we are good about that. We keep 0.3% in cash balance, but your average advisor keeps 45%, because they aren't up with the trading.

- h. C. Springer asked for a motion to approve Matt's report.
- i. Q. Shear made a motion to approve the report. J. Justman second. Voted. Approved.

VIII. Unscheduled Business.

- a. C. Springer said upcoming bills include Philadelphia Insurance.
- b. D. Reimer said that's on the Consent Agenda. Those are some of the upcoming bills we'll have the first of the year. SDA membership dues.
- c. C. Springer asked if we purchase that insurance through Home Loan Insurance?
- d. D. Reimer said we do. It's Philadelphia Insurance, but we go through Ann.
- e. C. Springer said I will recuse myself with having anything to do with that. He said if you gentleman would like to have that insurance bid somewhere else, please do so.
- f. D. Reimer said it's not due until next year, it will be upcoming.
- g. C. Springer said when I'm on this board we need to be careful with that.
- h. Q. Shear said I would assume Home Loan bids that out to several companies, they don't just work with one company.
- i. C. Springer said I work in the banking division.
- j. Q. Shear said Home Loan is an independent broker, so they would bid that out to several companies.
- k. D. Reimer said who has gotten it the last few years, has been Philadelphia.
- l. Q. Shear said just make sure to ask them to bid that out to several companies. I would assume they would bid that out to 5 or 6 companies.
- m. D. Reimer said ok.

IX. Adjourn.

- a. C. Springer said Happy Holidays and I entertain a motion to adjourn.

- b. Q. Shear said motion to adjourn. J. Justman second. Voted. Approved.
 - i. Meeting Adjourned at 3:23 pm.