



P.O. Box 3039 • Grand Junction, CO 81502
E-Mail: info@mesaFML.org Web: www.mesaFML.org

BOARD OF DIRECTORS MEETING

Date and Time: 2:00 PM on Tuesday, June 27, 2017

Location: Home Loan Building, 205 N. 4th Street, Grand Junction, CO 81501, in the Community Room on the Basement level

In attendance:

David Ludlam

Craig Springer

Chris McAnany

Dusti Reimer

Scott Olsen

Meeting Minutes:

- I. Call to order at 2:00 p.m. by David Ludlam.
- II. General Public Comment.
 - a. No public comment.
 - b. Public comment closed.
- III. Adoption of April and May Meeting Minutes:
 - a. Motion to approve April and May meeting minutes by C. Springer, second by D. Ludlam. Voted. Approved.
- IV. Consent Agenda.
 - a. Motion to amend consent agenda and move items g.) Lightbulb Media Proposal and h.) Fall Grant Application Updates to the Staff Update and approve the remaining consent agenda items by D. Ludlam. Second by C. Springer. Voted. Approved.
- V. Staff Updates.
 - a. D. Reimer gave an update on Staff Updates:
 - i. Social Media postings were about the news coverage on the Stocker Stadium grant project and the slides for each Mesa County community.
 - ii. Media was from KREX, KKCO & KJCT for the Stocker Stadium award project.
 - iii. Grant funding requests were from 2014-FT-03 Colorado Law Enforcement and Fire Training Center final grant payment request from the City of Grand Junction for \$275,000.
 - iv. 2017-SM-01 Thermal Imaging Camera final grant payment request from the Lands End Fire Department for \$7,764.00

v. Invoices for the MCFMLD for the past month are:

1. Dufford, Waldeck, Milburn & Krohn - \$810 for legal services in May;
2. Dusti Reimer - \$2,530.64 for services, advertising and supplies for May;
3. Eide Bailly – \$2,950 for accounting and financial services from November 2016 to April 2017;
4. Motus – \$693.25 for hosting services for 2016 and 2017

vi. Upcoming Events for the District:

1. July 12th Monthly Board Meeting
2. August 1st Fall Grant Cycle Opens

vii. Lightbulb Media Proposal:

1. Received a proposal from Lightbulb Media to do :60 storytelling spots for \$1,100 for the smaller communities and then \$2,200 for :120 spots for Grand Junction and Palisade communities.
2. D. Ludlam had asked D. Reimer to bring to life the slide show that she had put together. This would give the District an ability to give a quality presentation to various community and service groups in Mesa County to show what the District does and how it benefits Mesa County.
3. C. Springer said he felt that a :60 video wouldn't be long enough, and felt that a longer video would help portray the Districts projects more effectively.
4. D. Ludlam asked if we had put in the budget for marketing. S. Olsen said we hadn't budgeted a lot of money for advertising, but we had some money.
5. D. Ludlam made a motion to approve \$2,500 for community education materials include video and marketing materials. C. Springer second. Voted. Approved.
6. D. Ludlam asked for a plan on how to get into various groups and town boards to present to and build relationships.

viii. Fall Grant Cycle Application.

1. D. Reimer said the Fall Grant Cycle is opening on August 1st and wanted to know if the board had any changes for the dates or grant applications that they would like to see implemented for this upcoming cycle. D. Reimer said the feedback on being able to submit the

application electronically via email was all positive and made the process smoother for both sides.

2. D. Ludlam asked when they typically hold a workshop to review the grant process.
 3. C. Springer said that in the past everyone as seemed to enjoy the workshops in the past.
 4. D. Ludlam asked if we need to schedule one.
 5. C. Springer said that we need to have a workshop for the Investment Policy as well, and that we could combine both.
 6. D. Ludlam asked if we had scheduled the date for that yet.
 7. D. Reimer said we had not, we were waiting for the Investment Policy draft to be finished.
 8. D. Ludlam asked to schedule both an Investment Policy and Grant Workshop for next month.
 9. C. Springer said that we still needed to have C. McAnany insert the legal language into the policy.
 10. C. McAnany said that shouldn't take long, but that he also wanted to address the grant contracts due to some issues that have come up recently.
- ix. S. Olsen handed out the general ledgers for the District's finances. He said the auditors asked that they be handed out to the Board. S. Olsen gave a quick overview of the balance sheets, general ledger, expenses, outstanding grant awards to be paid, and grant awards that had been paid.
1. D. Ludlam said that in reviewing these statements we currently have \$2 million in the bank, we have \$1.4 million in outstanding grants that have not been paid out and we have a net of \$554,000 for the Fall cycle.
 2. S. Olsen said in the budget we created we have an ending bank balance cushion of approximate \$60,000- \$90,000. We have to also account for the remaining operating expenses for the District for the year. So its closer to \$450,000 after you take into account of all these items.
 3. The next item is the draft Management Discussion and Analysis (MD & A) that will be turned into the audit. The changes that were made were changing the 2015 number to the 2016 and what we are anticipating for the 2017 budget. These will be turned in, unless there are any question from the Board.
 4. S. Olsen said he also had their engagement letter that needs to be signed, this is what gives them the authority to do the audit. Once they

get this back and the MD & A, they are ready to sign off on the audit. S. Olsen said we need the signed engagement letter and then he can turn it over and the audit will be ready to be finalized.

5. C. Springer asked that in the future if he can send over the financials a week before the meeting would be appreciated.
 6. S. Olsen said he would. He was just given this information by the auditors on Friday. If they needed more time to review it they could take a few days.
 7. C. Springer said they need to do an action on the items today to approve it and asked if S. Olsen had reviewed all the information.
 8. S. Olsen said he had and everything looks correct.
 9. C. McAnany said as long as it is approved and turned into to DOLA by the due date.
 10. S. Olsen stated it was due July 31st, 2017.
 11. D. Ludlam re-stated that the engagement letter needed to be signed because he either forgot to sign it or they lost the original signed copy.
 12. S. Olsen said that was correct.
 13. S. Olsen said he needs an approval of the MD & A and a signed copy of the engagement letter and then they auditors would send over their completed audit reports. From what he can tell, there are no major changes from the prior year audit.
 14. C. Springer made a motion to approve the MD & A as presented by S. Olsen. Second by D. Ludlam. Voted. Approved.
- x. D. Ludlam asked if C. McAnany had any updates other than the Grant 2016-FT-03 listed on the agenda. C. McAnany said he did not.

VI. Investment Policy Update.

- a. D. Ludlam said that from the last meeting that we were going to put into action the new legislation that was just passed for Investment for the Districts. C. Springer said that he would draft the initial policy so that the District could get started. With this introduction, he turned it over to C. Springer to hand out the policy and discuss it.
- b. C. Springer said that the central premise he is operating under for the creation of the Investment Policy is an analogy of when he took his first hunters safety course. His instructor said if you ever pick up a fire arm and you aren't afraid of it, then put it down and don't ever touch one again. That is exactly the way I look at investing public funds. This is a place where you go very carefully with your eyes open and keep track of what is going on. Public entities can be burned pretty badly by non-investment professionals making investments they shouldn't be making. I've spent a lot of time looking at the

CMU Foundation investment policy, State of Colorado Treasurers investment policy and I certainly know Home Loan State Bank's Investment Policy inside and out, because it's what I do every day. The premise I'm operating with here is the Board be involved with a strategic side boards that we lay the investment parameters very carefully for an investment advisor. That person would get compensated for what they do. The Investment advisor would be to take the risk parameters that the board has laid out in front of them and the asset allocation that they have laid out for them and put that money to work inside those allocations and then quarterly an investment advisor has to make a report to the board. The purchases, sales, returns, unrealized loss and all the stuff that goes along with an investment pool that we have here. I do not like the idea that the Board would hire someone and forget about it. I also do not like the idea that the Board would sit and try to decide to move money to an S & P 500 or a treasury or short sales. I think there is a way for us to do this that I am comfortable with. I received a lot of help in drafting this from Matt Rosenberg, with Rose Cap Investors. He helps with Home Loan Investments, and has a lot more experience with public money and offered to help draft the policy. We really haven't got to the risk limitations and so I just put some in here to talk about as an example. I'm not a big believer in big policy, so this isn't 120 pages. This essentially says the Board will do an RFP for an Investor. We didn't talk about it, but my sense is Matt may submit a proposal, or he may not. We do not owe him any money for his help. In the red under governance on the policy, this is where Chris McAnany would insert the legal language. This would basically say, we would appoint/hire an investment advisor and that person would be responsible for implementing the Boards instructions. These instructions can change quarterly. On page 3, under liquidity requirement, anything in red was just put in there for an example and we can change anything in this draft. All it says that we will spend 75% of the money we get the previous year on the grant cycles and in addition to that we will spend 50% of the net return of the investment fund made the previous year and the fund must have at least 10% of its value in cash or in something that can be converted to cash very quickly. The last page, the appendix the Board will spend the most of its time with. I played with the numbers and said we don't want to open up a report that says over the last year we generated 15% in unrealized losses in our portfolio. But, there is a direct correlation between risk and return. We can say we don't want that to be more than 5% but we want to be buying mid-duration treasuries with that constraint, which is going to yield us somewhere around 2% today. If we say we want more return that's fine, but there is a risk factor associated with that. The good news is, is that if we had that 15% that one year, we won't have any additional money for that year's grant cycles, but we'll still own the investments. Buy and hold. I played with the numbers for an example. If you looked at three asset classes: S & P 500, short term US treasuries and long-term US treasuries. The expected annual returns right now in that space, the stock market investors can expect an average 7% return over the next 10 years. It's not the 15% they used to talk about when I was younger. The good news is there is very low inflation. The way that works is, if you put 50% of the portfolio and it earns 7% and you put 25% in the short-term US treasuries and it earns 1.5% and then 25% in the long-term US treasuries and they earn 2.5%, then your blended return for that year is 3.5%. This is the where the side Board needs to sit down and look at these numbers and see where they want to put the investments. We are going to get paid, if we hold the instrument to its maturity. The rest of this policy just lays out what the investment advisor is hired, what they are required to report to the board no less than a quarterly

basis that way the Board is always engaged and knowledgeable about what is going on with this permanent fund. IF something goes wrong, it will be because the Board doesn't know what is going on with this last page. If the investment advisor has us in synthetic collateralized debt obligations, and these are the rules, then he goes to jail. With an investment advisor, if they want us invested in the S & P 500, they have 15 different options to buy into the S & P 500. They know the best vendors to purchase from with the highest return and lowest fees. Matt Rosenberg said that our problem might be, not that someone wouldn't want to be our Investment Advisor, but that we don't have any money. This person would have to take the long view and consider taking this account as community service. They are not going to get rich being the advisor for the Mineral Lease District. So, this is the proposed investment policy statement and there are several tracks that we can take, but this is the track I'm most comfortable with, but that also does not mean I'm right.

- c. D. Ludlam stated Mr. Springer introduced the draft policy statement. Before we initiated a public comment period, is there any staff comment on the policy that has been introduced.
 - d. C. McAnany and D. Reimer asked for the policy to be emailed to them for review, editing and posting for the public.
 - e. D. Ludlam entertained a motion to post the draft investment policy statement for public review period of 30 days starting today for potential action at the next Board meeting in July.
 - f. C. McAnany said that would be sufficient to put this in place and be edited before the fall grant cycle.
 - g. C. Springer moved for the motion for the posting of the policy for 30-day public review and comment period starting today, for potential action at the next meeting, and potential to extend the public review. D. Ludlam second.
 - h. D. Ludlam wanted to know how they felt about adding an additional cover page, or additional item under scope and purpose that will include the why for implementing this a permanent fund, and make this difficult for future Board members to not undue the permanence of the fund for short term political considerations. D. Ludlam said he feels by having the cover page they will understand that.
 - i. C. Springer said he would send the draft to C. McAnany for updates and review, for C. McAnany to send to D. Ludlam to add his updates and then for it to be posted for review.
 - j. D. Ludlam asked if D. Reimer would then send a notice out to our grant applicants for review and comments, along with posting it online and submit all received comments to the Board for review.
 - k. Voted. Approved.
- VII. Grant 2016-FT-03 Western Colorado College Electric Lineworker Building Update.
- a. D. Reimer introduced the request that was received from Derek Wagner from Colorado Mesa University in regards to their grant. The grant award is for \$289,125 to build the

new lineworker building. Derek Wagner's email from President Tim Foster stated that they had needed to make some changes to their application. They were the following:

- i. Location was being moved from Whitewater to the current school location at 29 Rd. so that it would not conflict with their Forensics site in Whitewater.
 - ii. A one-year extension on the completion of the grant, due to a delay in funding from the State of Colorado General Assembly
 - iii. Asking for an approval of advance payment from 50% of funds, which would be \$144,500 to \$219,000.
- b. After Staff discussion, D. Reimer had asked the following questions and received the following answers:
- i. What is the timeline extension you are seeking for completion of the grant?
 1. CMU plans to begin site prep and infrastructure improvements by September 1, 2017. Once state funding is secured in the 2018 legislative session, CMU will continue construction of the project, by July, 2018 at the latest. If the bulk share of the project (building) commences in summer of 2018, CMU would like to conservatively plan for a twelve-month construction window as originally planned in the grant application/timeline, leaving ultimate project completion slated for July of 2019.
 - ii. With the change in location, what, if any, are the changes to the budget that was submitted to the board?
 1. No change in budget. It will still cost the same amount: \$3,212,486.
 - iii. Per the application that was submitted, scored and awarded by the Board, the funding said it would be coming from CMU for the remaining 91% and the funding would be available by July 2017—what is the date you are expecting to have funding available?
 1. CMU expects to secure state funding for the project during the legislative session next Spring. If successful, state funds will be available for the project by July, 2018, the start of the State of Colorado's next fiscal year.
 - iv. If funding from the CCHE awards from the state are not awarded in 2018, what are the back up plans for funding for the project?
 1. In the unlikely event that CMU does not receive capital construction funding from the State of Colorado, CMU will pay for this project with its own cash from institutional reserves or other sources.
 - v. Are you looking to have the \$218,000 in the requested letter be awarded as an advance or as a progress payment?
 1. CMU would like an advance payment in order to begin site work and position the project for a quick start once funding is secured next Spring.

- c. D. Reimer said that we have not awarded more than the 50% for advance payment in the past. C. McAnany said the contract allows for up to 50% advance payment, but nothing more than that.
- d. D. Ludlam said he would like to make a proposal based on the recommendations that C. McAnany sent in his email, that the one year extension be approved, but that we do not allow an advance payment of more than 50% based on the current contract, and if we do give them the advance the condition of approval needs to come in the form of writing from the institutions Board of Trustees saying they will commit to completing this project and have proof of the funds necessary to be combined with the letter, or a signed resolution.
- e. C. Springer said that would be the only way he would approve it. We have to have a guarantee that they will go forward with this project. We cannot have awardees come back into the Board saying they don't have funding to do the projects.
- f. D. Ludlam said that this isn't any different that some of the grants that have applied for District grants that are also pending DOLA approval for their projects.
- g. C. McAnany said to be fair, currently our agreement says if for any reason matching funds are not committed or available, we can withdraw the grant contract. There are several scenarios in the contract where facts come to life that they cannot complete the project in a timely manner, we can be within the rights of the District to withdraw the contract. The other option is to grant their extension with strings to make sure it will actually happen to ensure public money will be spent on a project that will be completed and that public money isn't being held and not put to use for something else in the community worthwhile.
- h. D. Ludlam made a motion that the Board approve the request made by CMU as submitted to staff with several conditions of approval: the first being they need to submit a new timeline and letter or narrative describing the location and how there will be no additional changes to the budget and ancillary items, the second that the institution needs a letter from the Board of Trustees, Board Resolution, or Trustee Resolution committing the institutions funds, should the State funding not be granted again, and three would be that we will only expend the amount allowed by the current conditions of the grant contract of 50%. D. Ludlam said that he would like this all to be drafted up by C. McAnany for review and submittal to CMU.
- i. C. McAnany said there will have to be some technical drafting and modification to the grant contract. He stated that he would like to make sure that in the agreement that if they do not commit to the full agreement, that breach language would included and would mean CMU would be responsible for repayment of any distributed grant funds.
- j. C. Springer said he wants an institutional commitment that they will be moving forward, no matter what, and that he likes that we would have back up with the updates that C. McAnany suggested.

- k. C. Springer seconded the motion. Voted. Approved.
- VIII. Unscheduled business.
 - a. None.
- IX. Motion to adjourn from C. Springer, second by D. Ludlam. Voted. Approved.
- X. Adjourned at 3:02 p.m.