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BOARD OF DIRECTORS MEETING

Date and Time: 2:00 PM on Wednesday, July 18, 2018

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
John Justman
Dusti Reimer
Nancy Howard
Ethan Corman
Benita Phillips

Meeting Minutes:

- I. Call to order at 2:00 p.m. by David Ludlam.
- II. General public comment.
 - a. David Ludlam took a moment to address the Board and public. D. Ludlam took a position with Colorado Mesa University, which he believes from time to time, if not often, would put him at times in conflict of interest. He wanted to announce his intent to resign his position. If it is ok with the Board he would like to stay on through this fall grant cycle and recuse himself in any applications that would come in this cycle that would put him in conflict of interest. This would give the Board of County Commissioners time to find a new person to appoint and give that person time to come in and observe the grant cycle, meet with the remaining Board of Directors and staff, and get up to speed on how the District operates. If everything lined up, his resignation would be effective after the scoring in October.
 - b. C. Springer said to clarify, you would score the fall cycle and get through the funding meeting, and then your resignation would be effective.
 - c. D. Ludlam said yes, unless the Board does not feel comfortable with that. This would be up to the Board. This would be to allow a new person to get a cycle and a few meetings under their belt, before taking over.
 - d. C. Springer asked John Justman would the commissioners would think?
 - e. J. Justman said they would probably think that would be ok.
 - f. C. Springer said he is certainly fine with it. This would be great continuity. I think this would be a good way to do it. If the County Commissioners decide differently, then we will work with that.

- g. J. Justman said we will let you know.
 - h. D. Ludlam said he will resign at the will of the Board.
 - i. Benita Phillips said that she has a problem with agreement made by the Board for D. Ludlam's resignation. 4.1 of the District Board Bylaws says it is laid out as to how this is to be processed. It essentially says we have to have an oil and gas representative. I'm not sure when you are taking this new job, but this precludes you from that point. Is it at the end of the month? I do appreciate the fact that this doesn't leave much time for continuity and turn over, but you have to follow these regulations. They are in there and they are written. Even though the final ok will come from the BOCC anyway, but somebody needs to start looking for your replacement now.
 - j. D. Ludlam asked for any other public comments. Hearing none, they closed public comment.
- III. Adoption of the June meeting minutes.
- a. C. Springer made motion to approve minutes. J. Justman second. Voted. Approved.
- IV. Consent Agenda:
- a. Dufford, Waldeck, Milburn, & Krohn - \$210 for legal services for June;
 - b. Dusti Reimer - \$2,998.80 for services, advertising and supplies for June;
 - c. Motus - \$160.10 for hosting services for the 2018-2019 year;
 - d. 2017-FT-01 Clifton Fire Protection District Fire Station Project Final Grant Payment of \$123,099.21
 - e. J. Justman made motion to approve consent agenda. C. Springer second. Voted. Approved.
- V. Staff Report.
- a. D. Reimer said the Chris McAnany was out of town, but that he did have a comment on the RFP that she would bring up during that portion of the agenda when they got to it.
 - b. D. Reimer said social media postings for the month were about:
 - a. We posted to our social media pages (Facebook & Twitter)
 - 1. Monthly Board Meeting Date
 - 2. Presentations in the Community – Library District, Town of Collbran & Kiwanis
 - 3. Clifton Fire Protection District Photos
 - 4. News Stories from the Clifton Fire Protection District Grant Completion
 - c. Sent Media Release to local news outlets about Clifton Fire Protection District Upgrades. It was picked up by the three tv stations – KREX, KCCO & KJCT.
 - d. Grants Requesting Payments:
 - a. 2017-FT-01 Clifton Fire Protection District Fire Station Project
 - 1. Final Grant Payment of \$123,099.21

2. This came in significantly under budget.
- e. Invoices for payment are:
 - a. Dufford, Waldeck, Milburn, & Krohn - \$210 for legal services for June
 - b. Dusti Reimer - \$2,998.80 for services, advertising and supplies for June (Lightbulb Media Deposit)
 - c. Motus - \$160.10 for website hosting services for the year (After credit was applied)
 - f. Upcoming Events:
 - a. August 1 – Fall Grant Cycle Opens
 - b. August 15 – Monthly Board Meeting
 - c. August 15 – Grand Valley Mosquito District Presentation
 - d. D. Reimer said she spoke with the Grand Valley Mosquito District and they said they would probably never solicit grant money from the District, they would still be open to a presentation. Additionally, Ute Water said they would also not solicit funding from the District but did appreciate us reaching out to them.
 - e. D. Ludlam asked about why the Mosquito district not wanting to apply for funds?
 - f. D. Reimer said they had just lowered their mill levy recently. They felt they didn't need to try and get grant money from the community, because they have what they need.
 - g. D. Ludlam said she has done a great job presenting to the community and the Boards. He has been along for a few of them and he's received excellent feedback on the presentations.
 - h. D. Reimer said she was happy at the Kiwanis presentation, because when she had done the Lion's Club presentation no one had heard of the Mesa County Federal Mineral Lease District. When she did the Kiwanis presentation, a quarter of the room said they had heard about the District. There is a big improvement over community recognition.

VI. Review and Approval of the revised scope of work for Dusti Reimer.

- a. D. Reimer said she has been keeping track of her hours and everything that has been going on. At the end of the year presentation, she has stated she thought perhaps all the extra hours were just an anomaly with the creation of the permanent fund. So far this year, the hours haven't decreased. It has been an additional 10-15 hours a month for presentations, scheduling, travel, creation of presentations, along with additional administration activities. The scope of work I am re-presenting is catching us up to where we are right now. There will be more meetings, more workshops, there will be the additional of a new board member so there will be Board retreats, meetings, and training. We have gotten great results within the community with what I have done up to this point-especially with the presentations. In reviewing the scope of work we will continue to see new and increased grant applications-especially now that we are contacting new people. We are building brand awareness within the community. The

last presentation I did, people had heard of us and saw the plaques at the airport. The earned media we have received the past year and half. On average, statistically it is said that a story on tv has an average price of about \$300-\$500. With that for an example, this past month, we had almost \$1,000 in earned media. Print media is significantly higher-for example with David's write up on his new position, that would have been easily upwards of \$1,000-\$2,000. Our average is about \$1,000 a month in earned media for brand awareness. We have continued community outreach and education, great partnerships with grant applicants, strong brand, an increase with our social media activity. With all our community presentations we are continuing to make the ask for engagement and participation for feedback whether positive or negative. It takes 3-5 years to create a strong brand. That means continued media, continued messaging, continue being out in the community. This just keeps building. With this presented, I am asking for \$3,750 for a monthly retainer moving forward, starting in August. This is to continue moving forward with the vision of the District being that this organization will be one of the most, if not the most, impactful organization for Mesa County and it's future. Whether they know this now, or in 20 years when the funding kicks in for grant funding for forever.

- b. C. Springer asked about the presentations-at some point will you be done with that?
- c. D. Reimer said I'm not sure if we're ever going to be done. There are about 99 special districts that we are trying to reach out to. But I also see this evolving. It may not be the same presentation that I'm initially doing, but in trying to engage people to maintain the integrity of what we have established, I can see it still being something more. I have seen legislation the last couple of months that has popped up that could have had potential impacts on the district. I can see being more engaged and active in those areas. I could see that being something we want people to be engaged in. I can see this growing. But, if something happens where the meetings do drop down significantly, this is not a fee that has to remain at this level forever. This would get reviewed annually.
- d. D. Ludlam said that one of the things that he spoke with Dusti about is that we have 99 special districts and I'm not sure how many of the 99 are the type you can go meet with, but let's say 60 of them are. If you do 12 a year, you'll end up going back and touching base with them. I saw in De Beque how there were some misperceptions of how we were spending money that were fixed. Not during the meeting, but afterwards. I think this is a good use of dollars. I think this would be good to keep these going indefinitely, Craig.
- e. C. Springer asked what percent increase is this request?
- f. D. Reimer said I'm not sure, it's not 50%. It's an additional \$1,250.
- g. D. Ludlam said the previous retainer was an up-to amount a \$2,500. You were pretty consistent with that, correct?
- h. D. Reimer said no this was a flat fee. Chris was billing at \$95 an hour, up to \$2,500. She kept it around there, and she did very little in comparison to what I'm doing now. She was great, she got everything set up, she did what she needed to do. It was effective for what the District needed at the time. From what she did to what I do now, is more than doubled. This is from what the Board is asking me to do.
- i. D. Ludlam said I would support the increase, if you could build out the expected results into specific things. You say build more community engagement-what does that

specifically mean. How would you do it, who would you meet with, what would the drivers be? Continuing education-what would you specifically be doing to justify the increase. That would essentially be your justification for the increase.

- j. D. Reimer yes, community presentations, working with the board, reaching out to grant clients of the District, assisting newer clients with grant applications, making sure the grant applicants and community members are aware of the permanent fund and how it will affect them in the temporary and the long term, talking about how RoseCap Investments are involved, showcasing how we have invested and spent Mesa County's money.
- k. C. Springer asked if this proposal was included in the Board packet.
- l. D. Reimer said it was.
- m. C. Springer said I missed, I'm sorry. What you are saying, David, is that you would like to see more detail.
- n. D. Ludlam said he would like to see strategic detail for the remainder for the year. Who do you have left to meet with from the Districts, who don't you need to meet with and why, your paid/earned media strategy. Things like that.
- o. C. Springer said I think you're doing good work, Dusti, and I want to be fair with you, but I need to see that detail. Show us the detail and we can act on it.
- p. J. Justman said at some point we should have our bases covered on this. Unless you're going to spend the same time going around reminding the special districts there is money available. At that point, once they know it's there, it's there thing to figure it out too. We don't need someone to keep going back begging them to apply.
- q. D. Ludlam said I see some of the potential for capacity in those bullets too, like engaging with the Special District Association, you working with Garfield Mineral Lease District on policy, and I'd love to see if we can also have you take on some of the legal contract stuff that perhaps we can take off Chris' hourly rate that can be taken off the legal side and added to administrative side,
- r. D. Reimer said ok, I can do whatever the Board is comfortable allowing me to do. I do want to remind you that I am not a lawyer.
- s. D. Ludlam said if there is something other than just community presentations, that you can present, we'd like to see that. So, to sum up we have received a proposal for a revised scope of work that we will review next month. After we receive the requested information, the Board will review and take action next month.
- t. C. Springer said with the additional information.
- u. D. Ludlam asked if she could put that into a format that if the Board approves it, we can call it an operational and strategic plan, that we could then show what the priorities are. They can see what we are funding. Just a something that would be easy to read if it were requested.
- v. D. Reimer said yes.

VII. Review of Financials.

- a. N. Howard said there wasn't a lot of activity with financials. There was a remaining portion of a grant that was left over, because they came in under budget. There was the typical checks for signage, legal fees, contract fees. Interest earned was \$0.31 and dividend income was \$4169.12. When I took over, I went back to January and restated the interest earned on each financial statement sheet. This is now a separate line item. In the tax world, it might not be the biggest change, but I believe this information is important to track. Moving forward this will be the format you will see this in.
- b. C. Springer said good, I like it.
- c. Benita Phillips asked if this also included the left-over Anvil Points money that would be placed into an interest-bearing account?
- d. C. Springer said this hasn't happened yet-we have the RFP for services we have on the agenda to review today.
- e. D. Ludlam said moving forward if there are no other questions or public comments, let us move forward with the permanent fund investment statement.
- f. E. Corman said that he would like to discuss the quarterly review of the portfolio and the changes to the investment plan. First in equity markets earnings have been strong in the first and second quarters and most analysts believe there will be a growth. Most US markets have been up since March. Technology and consumer discretionary are leading the markets being up 13% and 14% over the year. Energy is performing best in the second quarter due to the rise in oil prices. The dollar being down from 1-5% over the past few months. Internationally has performed worse with markets down 5-6% year to date. Much of the volatility has to deal with the on-going trade negotiations and tariffs. Most of the actions are focused towards China. The vast majorities have been focused on goods with less focus on the consumer, meaning the inflation will take longer to enter the economy. These factors appear to hit China more than the US. The Fed voted to increase the fund rate. Inflation and unemployment were cited reasons. US High yield spreads have remained steady over the year, while corporate spreads have increased. It has been attributed to the debt corporations are seeking. Corporate earnings have been strong with default low. We are holding 26% equity compared to 74% fixed income. The current risk is estimated to be between 3-3.5%. The standard deviation is 26% equity contributes to 60% total volatility, while the 74% fixed income allocation will reach about 40% of the total volatility. The beta portfolio is estimated to be around .25%. If US stocks go up next quarter, we expect the portfolio to go up roughly 2.5%. Likely, if the stock market falls 10% we would expect the portfolio to fall roughly 2.5%. The fixed income holds 23% government debt and 50% in high grade corporate debt, securitized debt and cash equivalents make up the remainder. The average duration is around 2, compared to benchmark with is around 6.5. The average coupon is around 3% and the current yield is around 2%. The expected return of the duration is around 3.5%. We expect the portfolio amount to increase as we step up the amount risk in the portfolio.
- g. E. Corman said the financial plan was updated to reflect the payout amount of \$1,000,000 annually, with the same level of uncertainty. To do this, we made the assumption that the contributions to the permanent fund would continue until 2034. This changed from 2023 from the previously proposed draft plan. Contribution amounts remained roughly the same.

- h. D. Ludlam said thank you for putting that together. That was useful information. I think that at some point it would be useful to circle back with the Daily Sentinel to show the progress we had made. I was speaking to one of the board members who had forgotten about this. They had initially come out in support of this concept and the legislation. They were curious where we were at. Maybe sometime in the next few months it would be good to circle back with them, if the Board concurs.
- i. C. Springer restated that the contributions continue until 2034, but distributions from the fund do not kick in until 2035. That's the change, correct.
- j. E. Corman said yes that's correct.
- k. C. Springer said he really liked this draft plan that was put together.
- l. Benita Philips said she has yet to be able to access the information and she feels very lost. Is there a reason why the information is not available to her?
- m. D. Reimer said she was confused by Benita's question, and asked her to clarify further.
- n. Benita Philips said she asked for this information and she received a note in the email saying that Matt said this was a draft.
- o. D. Reimer said she sent Benita Philips the requested draft information, and put a note on the email reminding her that this was just a draft and they would be in the process of revising the draft.
- p. Benita Philips said she hasn't received any of this new information.
- q. D. Ludlam said Benita, this is the first time the Board of Directors has seen this information. Now that the Board has received this and had time to review it and get our questions out of the way, we can post it on the website.
- r. Benita Philips said ok. She also said did you say the account you have right now is getting 2.5%?
- s. E. Corman said 2.5% yield with an expected return of 3.5% given its current risk target.
- t. Benita Philips asked if those risks were delineated by the state, correct?
- u. E. Corman the risk comes from the allocation and the maximum risk based we can take is restricted by the state statute.
- v. Benita Philips said ok, then how can you increase risk under those circumstances?
- w. E. Corman said we are not to the maximum risk in the portfolio that is allowable by law.
- x. Benita Philips asked if they were aware that there is a whole bunch of information about electric cars and how it will have an affect on oil and gas businesses which will affect how much money we will have to be able to extract for this District?
- y. E. Corman said he is aware.
- z. Benita Philips asked if this has been taken into account when you do your long term predictions?
- aa. E. Corman said they use very long term expected returns over 10 years. Factors like this are definitely used and taken into consideration, however, the likelihood and the affect of those factors have a wide dispersed of probable outcomes.

- bb. Benita Philips said they are predicting peak oil consumption as of 2036. So just about the time we are looking at taking a maximum of a million dollars out each year to give out. We may not have that.
- cc. C. Springer said what the plan is showing is under the current assumptions being made, the plan will have generated enough to sustain a million dollars a year to give away in grants, without touching the corpus. This states your case. That if oil and gas is in the decline at this point, the permanent fund would kick in and we would be able to do a million in grants forever.
- dd. D. Ludlam said this was the point of the permanent fund, because extraction on finite resource, would allow the distributions of this to continue on.
- ee. Benita Philips said this is exactly why the permanent fund is a wonderful idea. I do not understand why anyone would be against it.
- ff. D. Ludlam asked if there were any other questions about the financial report.
- gg. D. Reimer asked if we needed to adopt this and have them take off the words Draft.
- hh. D. Ludlam asked if we needed to adopt this with an official motion?
- ii. C. Springer said I think we need to adopt the forecast. The report is what it is, but what he is talking about is the forecast to be used as the tool to guide our policy.
- jj. D. Ludlam entertained a motion to adopt the model for the cash flow analysis for the permanent fund to be followed by a formal resolution from counsel.
- kk. J. Justman made a motion and said if anything changes we adapt.
- ll. C. Springer said all this really is, is an analysis. What it does is it says if you guys do invest this way for the next 16 years, our expected outcome is what is in this expected cash flow analysis. I second the motion that we accept the analysis and post this as a matter of public record.
- mm. D. Ludlam asked if one of the other board members go with the financial team and meet with the Daily Sentinel about the analysis.
- nn. C. Springer said he would help with that.
- oo. D. Ludlam asked D. Reimer if we could look to get that set up. He mentioned it to Jay, but he did not know of the progress we had made in terms of capacity to justify the strategy. This would be great. Even if we did just email it to them.
- pp. C. Springer said RoseCap did great work on this. They were able to summarize what the permanent fund disbursement would look like, if we follow this.
- qq. D. Ludlam said I think this tool will really help with the questions. With just the few presentations I went with Dusti on, people really wanted to know how long this would take and would it be worth the headache.
- rr. D. Reimer said that eyebrows were raised when I presented the initial forecast of \$700,000. When people heard the potential of \$700,000 for the remainder of forever is great, but a million dollars is even better. That makes a huge impact.
- ss. D. Ludlam restated the hanging motion: motion to adopt the cash flow analysis and forecast for guidance with the investment policy to be formalized with a resolution by

counsel at the next meeting. J. Justman moved for motion. C. Springer second. Voted. Approved.

VIII. Review and Approval of RFP for Banking Services.

- a. D. Reimer said Nancy did a great job of putting this together, but we need some guidance on finalizing this. The question that Chris McAnany had was to we want to limit this to only PDPA.
- b. C. Springer said we go to jail if we don't. This is a public institution and this money needs to be in that account.
- c. D. Reimer said that's the wording that we need put into this.
- d. C. Springer said he looked at the website today and we are a listed entity and we have PDPA numbers for checking and another one for savings and CDs.
- e. C. Springer said there was some stuff in the RFP that he didn't care for. When he was going over the RFP his preference would be that we table this and let him have until next meeting to re-draft this. I know what is supposed to be in there, so let me take a run at it and I'll present this at the Board meeting next month. I'd like to see this done differently.
- f. N. Howard said that was fine.
- g. D. Ludlam said they would defer taking action on the RFP until August.

IX. Unscheduled business.

- a. D. Ludlam said he has expressed his intent to resign and asked the Commissioner Justman would let him know where he and his fellow Commissioners stood on the issue. I will adjust my plans accordingly, and I am happy to continue on for continuity until you have someone you'd like to appoint.
- b. Benita Philips said she really must insist the Board of Directors review the bylaws, because this is going to be a point of contention. I really think we have to follow these regulations to the letter, under all circumstances. I'm not sure if you saw what I wrote about you today, but I did write something nice about you.
- c. D. Ludlam said you did?
- d. Benita Philips said I did.
- e. D. Ludlam asked where she did that?
- f. Benita Philips said Facebook. She said I am going to miss you, David.
- g. D. Ludlam said please make sure this is in the minutes and we will pass this over to the commissioners for review.

X. Motion to adjourn from C. Springer, second by J. Justman. Voted. Approved.

Meeting Adjourned at 2:45 p.m.