MINUTES
Investment Committee Meeting
April 23, 2014 – Wednesday – 10:00 a.m.
City Hall Annex Conference Room

Roll Call:

Members Present:	Councilman Doug Wells Brian Henry Pat Henry
Others Present:	Brooks G. Mitchell, Finance Director Julie Magness, Financial Services Supervisor Krystal Urbanski, Accountant Kathy Sheppard, Internal Auditor Susan N. Schlecht, Recording Secretary
Absent:	Jim Russell, Assistant City Manager

Meeting called to order at 10:00 a.m. by Mitchell. Notice of meeting and agenda were posted on the City Hall notice board as required by law.

CONSIDER APPROVAL OF MINUTES FOR JANUARY 29, 2014 MEETING.

MOTIONED by, Wells **SECOND by**, Brian Henry to approve the minutes of January 29, 2014. AYE: Wells, Brian Henry, Pat Henry. NAY: None. MOTION CARRIED.

OLD BUSINESS:
None Discussed

NEW BUSINESS:

REVIEW 3rd QUARTER INVESTMENT INFORMATION (January 2014 – March 2014)

Urbanski read over the investment charts and figures. Pointing out that even though the money market fund shows $5,000,000 in the fund it is no longer there. It is now in a regular bond that was purchased at the end of March and did not settle until April 1. This is why there is a difference there. Broker – Dealer totals we have 29.56% with Baird, 7.81% with FTN Financial, 4.22% with FTN Safekeeping, 6.34% with ICD Securities, inc., 36.90% with Stifle Nicolaus and 15.17% with UBS Financial Services, Inc. The next three pages show different pie charts breaking down the investments into different groups. Following these charts are investments by maturity detail.

1-3 Months	$4,450,000
3-6 Months	$3,240,000
6-9 Months	$3,549,000
9-12 Months	$2,235,000
1-2 Years	$965,000
2-3 Years	$4,000,000

The last chart shows the investment detail by firm.

Wells mentioned that both Brian and Pat may notice that the total dollar amount is much smaller than the last meeting. He explained that the City paid off the $33,000,000 loan that it owed. This helped save three or four million dollars.

Mitchell agreed that, that was the absolute right decision to pay that off when we did because to continue to hold on to it would have created other problems.

Wells pointed out that if you notice the amount of interest on the twenty-three million you can see why paying it off was a good idea. The small amount of interest earned is insane.

Brian Henry agreed and said I am glad you said that because if you didn't, I was going to say "well now Councilman Wells, this is the time when you talk about how little interest we bankers are paying people.

Wells mentioned the paper article about the School Board passing their first increment of their new bond issue of $3,100,000. Liberty Bank got the bid for 0.6 and are going to get $37,000 for a $3,000,000 loan over five or six years.

MOVED by Wells, SECOND by Pat Henry, to accept the 3rd Quarter Investment Report for (January 2014 – March 2014) AYE: Brian Henry, Pat Henry, Wells. NAY: None. MOTION CARRIED.

DISCUSS 3rd QUARTER Financial Report (July 2013 – March 2014)

(This report was handed out at the beginning of the meeting.)

Mitchell discussed that the sales tax are slightly up over what we were this time last year; a little over $13,000 and the YTD budget is 1.1 million ahead of where budget is at this time of year. The good news is we are slightly ahead of where we were this time last year and that we are ahead of budget however, the budgeted amount is less than what it has been in previous years. This does not indicate that revenue is as healthy as it could be. Franchise tax, Police Fines, Use Tax, are all behind, but still up for the year over budget.

Wells added, if you look at our budget document, this year we budgeted for sales tax 20,250,000, last year we budgeted 21,900,000 almost 2,000,000 more. We cut back. On total General Fund revenue from City sales tax and fines and other things like that, this year we only budget $33,019,000. Last year we had budgeted $35,000,000 so we were budgeting $2,000,000 less than the previous year or $60,000 less than what we had last year on overall revenue. So even though we are up by a million dollars we are still down from what we budgeted one year ago.

Mitchell went on to discuss the Enterprise Fund, water, sewer, refuse we are up just a little bit however, for the budget year to date we are down about 1.5 million and even the reduced budget amount we are still behind. That is creating some problems for us.

Brian Henry asked for validation that this is due to water restrictions.

Wells said that it is probably affecting the City significantly and people are abiding by the rules.

Mitchell said that the total General-Enterprise we're behind $857,530. On the expenditure side we are keeping a close watch on that so we are below budget on expenditures and because of the reduced revenue overall that is what we need to continue. The remaining documents are the backup support of what is summarized on the front page of the report. I am happy to answer any questions about those. Wells mentioned that in Mr. Mitchell's presentation last night that we are in trouble this year and will be in the same trouble next year. We actually lost a little bit of ground based on what department directors were asking for. Last year we had about an eight million dollar shortfall, this year we have about nine million. That doesn't mean we are short nine million it just means that they have asked for that much over what we are projecting what revenue is going to be.

Mitchell agreed with Wells and added that the revenue projections are not final yet and we will see what the month of April does it can impact things a little bit, but even in the best case scenario we are going to have some tough budget decisions to make.

Brian Henry asked Mitchell if this is saying that there is $13,000,000 less spent than what is budgeted?

Wells answered so far and they will cut what they can. There are things like electricity, fuel, and salaries that you cannot cut. So it is just a bad situation. It was expressed last night that sales tax will probably not go up much if at all next year. Second street opening up, we do not get anything from there for the next 15 years. We have one cent of the two cent out at 82nd street that goes back to the developer which just picked up in March.

Pat Henry said that this information is import for many of the committees that look for State Aide, but the State does not think that we can afford to pay our portion. Even though we can get State funds for a portion of a project at this point it is really the Council that says whether or not you spend all of your time on this or you forget it for this year.

Wells agreed and said that is what I was pointing out to Richard Rogalski at the recent meeting.

Pat Henry said that is right and Richard still wanted to go on….. But this is good for us to know and also at the end of the year when we begin to look at raises for various people like firemen and police we want to make sure our information is correct because we have been there where we didn't find out it was wrong for five or six months later. That is way too late because the decisions were made way back there. I hope we have cured that time schedule.

Mitchell agreed.

Wells said we are working on it Ms Henry. Having worked here and on Council, what I have found over the last several years is to always ask the question do we have the money to fund this pay increase. The answer is usually yes, but nobody asks the second part of the question do you have the money for the next and the succeeding years. The answer to that is no in most cases unfortunately. It is just like merit increases for the City, they were froze for general employees and police and fire gave up theirs last year. That cost on a normal year almost a million dollars to fund those.

Mitchell asked if there were any other questions about the Financial Report. No more questions were asked. Mitchell asked for a motion to accept the report.

MOVED by Brian Henry, SECOND by Pat Henry, to accept the 3rd Quarter Financial Report for (July 2013 – March 2014) AYE: Brian Henry, Wells, Pat Henry. NAY: None. MOTION CARRIED.

OTHER DISCUSSION:

Pat Henry asked where we are on the Hotel/Motel tax now.

Brian Henry said he really did not know, but he thinks it is slightly higher than last year, but you really never know until the end. But even if you are doing better this month over the same month in the prior year it doesn't mean you are doing better. As Councilman Wells said, the projected revenue is much lower this year than it has been in the past.

Wells said that at one point we had been up to 1.2 million and this year we are only at $980,000. It looks like it is up a little bit.

Pat Henry said that, that was better than she anticipated. Who gets the hotel/motel money now.

Wells answers 70% of it goes to the Chamber, some is used for LETA, the museum, Matti Beal, and other groups. The remainder goes into the economic development fund. We cannot use that at all for general operations.

Pat Henry asked how much percentage is going into the economic development fund.

Wells answered about 11%, but we only have about $140,000 in there.

Brian Henry said the percentage sounds good but based on the collections it isn't as good as you might think.

Pat Henry said we need to remember even in times of financial difficulty to keep a pot of money for good industrial prospects. If we get an opportunity to obtain one, we are not even in the ballgame because we need anywhere between one and three million dollars because that is what it takes to woo somebody to your city even if you got everything else.

ADJOURNMENT:

There being no other business to discuss the meeting adjourned.

MOVED by Wells, SECOND by, Brian Henry to adjourn. AYE: Pat Henry, Wells, Brian Henry. Meeting adjourned at 10:27 a.m.