

**DUBLIN CITY COUNCIL  
FINANCE COMMITTEE  
Tuesday, May 14, 2024 – 4:30 p.m.  
5555 Perimeter Drive  
Council Chamber**

Meeting Minutes

Mr. Keeler called the Finance Committee meeting of May 14, 2024 to order at 4:30 p.m.

Committee members present: Mr. Keeler (Chair), Vice Mayor Alutto. Mr. Reiner arrived at 4:32 p.m.

Staff members present: Mr. Stiffler, Ms. Goliver, Ms. O'Callaghan

Others present: Ryan Nelson, CFA, Co-Founder and Portfolio Manager and Joe Violand, CFA, Portfolio Manager, Redtree Investment Group

**APPROVAL OF MINUTES**

Vice Mayor Alutto moved to approve the minutes of the November 13, 2023 Finance Committee meeting. Mr. Keeler seconded the motion.

The motion passed by the following vote: Vice Mayor Alutto, yes; Mr. Keeler, yes.

**ITEMS FOR DISCUSSION**

Annual Investment Review

Mr. Stiffler introduced Redtree Investment Group and stated that this is the second time they will have provided a review of the City's investment advisors as specified in the Investment Policy. He updated the Committee on the request for proposals (RFP) for investment advisors. The window for proposals closed on Friday, May 10, 2024. Three + One is assisting the City with the search. The goal is to review proposals and have a recommendation to Council by the end of 2024.

Mr. Nelson stated that they were before the Committee in 2023 modifying language to the Investment Policy related to mortgage-backed securities and other restrictions. There was a lengthy discussion at that time regarding a benchmark reference and it was decided to use the Bank of America 1 to 3 year Corporate and Government reference. This is not an index where investment managers are managing the portfolio to that benchmark. Mr. Nelson listed the investment objectives when investing for the City:

- Safety of Principal,
- Risk Management,
- Liquidity, and
- Market Rate of Return.

The City's Investment Policy is derived from Ohio Revised Code Chapter 135.14. The permitted types of investments available to the City include several options including Corporate Notes and International Finance.

Mr. Keeler asked about international finance. Mr. Nelson stated that it is essentially the world bank.

Mr. Violand shared an Overview of City Investment Portfolios. The previous report (April 2023) covered numbers through February 2023. This report covers 11 months (February 2023 through January 31, 2024). Mr. Violand noted that Mr. Stiffler manages US Bank and STAR Ohio while the majority of funds are invested by the professional investment advisory firms, Meeder and Manning & Napier.

<b>Investment Type</b>	<b>Balances as of 1/31/24</b>	<b>Est. Yield at Cost</b>	<b>Avg. Maturity</b>
Meeder/US Bank	\$135,360,558	2.45%	2.33 yrs.
Manning & Napier/US Bank	\$32,394,466	2.40%	1.95 yrs.
<b>TOTAL</b>	<b>\$167,755,024</b>	<b>2.44%</b>	<b>2.26 yrs.</b>

*Meeder*

Mr. Violand provided an overview of the Meeder-managed portfolio. The City holds the investments at cost, which means there is little buying and selling and investments are held at their original cost value. There are two new asset classes: Corporate Notes & Bonds and Supranational. The asset allocation is similar to last year outside of those new asset classes. 17% of the portfolio will be reinvested, so there will be some change in the yield through the year. There was an increase in yield from 1.37% last year to 2.45% this year. Last year, there was nearly \$45 million in reinvestment. There were some funds pulled from the portfolio for various operating needs but most were reinvested. Staff is working with Meeder to pull out of some of the very low return investments and put them into something with a higher yield. Mr. Violand stated that 17% of the portfolio matures in 2024. Many securities purchased have a longer maturity rate. This is a longer portfolio but is in the appropriate range of a 2- to 2.5-year maturity rate in a rising interest rate environment. A majority of the holdings in this portfolio are government agency securities. The mortgage-backed bonds are pools of mortgages. The City's Investment Policy designates three specific supranational agencies: International Bank for Reconstruction, International Finance Corporation, and Inter-American Development Bank. The security purchased was the Inter-American Development Bank portfolio. They provide financing to middle-income countries.

Mr. Keeler confirmed a loan to an actual country would be a very small fraction of the portfolio. Mr. Violand explained that this is the funding mechanism of the group (Inter-American Development Bank) that then disperses funds to countries. Mr. Nelson stated that there are 189 countries included in the world bank. Mr. Reiner asked if this is the vehicle through which agencies are investing in Israel. Mr. Nelson stated that is a completely different program. That is not an allowable investment for this portfolio.

Mr. Violand concluded the Meeder summary by noting that there was nothing out of compliance.

*Manning & Napier*

Mr. Violand provided an overview of the Manning & Napier-managed portfolio. There have been some small changes. Their core holdings are US Treasuries. In 2024, there will be about 33% reinvestment for approximately \$10 million. Over the last year, the yield remained stable. They only had \$5 million in reinvestment over 2023, so it did not make a difference to the bottom line. Not unlike the Meeder portfolio, Manning & Napier does buy longer maturity investments. The average maturity has decreased. He noted a small decrease in US Treasuries. Money market investments decreased by 3% to 1%.

Mr. Violand stated that there is nothing out of compliance.

*Performance Benchmark Comparison*

Mr. Nelson stated that the performance benchmark stems from previous discussions between staff and the Committee. The investment firms do not have a mandate to manage their portfolio to a performance benchmark. It was the City's desire to come up with a reference point. There was discussion about what other entities were doing throughout the State of Ohio. Redtree Investment Group serves as investment advisors for 350+ entities. They have multiple composites that they follow. Included in this presentation, is their composite because it most closely matches how the City of Dublin invests funds. The information provided is as of December 31, 2023. A performance benchmark comparison was provided for a 1-year, 3-year, and a 5-year period. For the past year, the firms listed have shown good returns. Interest rates have been up. This information shows that the City of Dublin is in-line with the benchmark.

Vice Mayor Alutto thanked Redtree for the summary. The 1-, 3- and 5-year view is helpful. Looking at portfolio compliance and policy compliance is important.

Mr. Keeler stated every municipality is different but this information is helpful. There is a slight discrepancy between peers and what Dublin is realizing, which is why it is important to have an RFP. Manning & Napier is a bit more aggressive compared to Meeder. Meeder's costs are very low and yet, Meeder has pulled ahead because they can reinvest. He would like to continue to track this information in order to get a long-term performance metric.

Mr. Nelson stated that these statistics are what was requested in the RFP. Mr. Stiffler stated that the use of the benchmark was clarified in the RFP. He noted that Dublin's investment in US agencies went down by 5% because there is not as much US agency debt. Supranational and mortgage-backed debt has increased by about 4%. As US agency funds become more scarce, Dublin will have helped to lead the development of that skill set.

Mr. Nelson stated that going forward, Redtree will review portfolios on a monthly basis. They would report any red flags immediately. Once the RFP is completed, they will come up with a deliverable for the Finance Department about what they have reported on for a quarter.

### Bed Tax Grant Policy

Mr. Stiffler introduced the topic of the Bed Tax Grant Policy. He stated that discussions have been ongoing regarding developing a scoring rubric/policy/framework for awarding bed tax grants. Two different scoring mechanisms were created last year (2023), and this year's applications were evaluated using both. The Committee met to discuss the rubrics and results. The choice was made to move forward at the awards meeting with the rubric. The intent now is a follow-up on the rubric and formula.

Ms. Goliver provided a background on the Bed Tax Grant Policy. The City of Dublin levies a 6% Hotel/Motel Excise Tax on all overnight stays to provide revenue to enhance the City's appeal to visitors and tourists, and to promote and publicize the City. \$225,000 or 6.5% of the previous year's actual revenue is budgeted annually for the grants. The Finance Committee met on multiple occasions in 2023 to establish a policy for the awarding of grants. In 2024, 24 applications totaling \$455,130 were received. The Grant Evaluation Policy funding priorities focus on events that generate overnight stays in Dublin hotels, encourage support of Dublin businesses, and reach a broad segment of the community. The Policy lists limitations including individuals/staffing, for-profit ventures, race events that require public road closures, and the organization that is awarded the funds must be the organization that uses the funds. The limitation was added that the organization is not funded through any other City funds. A stipulation was also added that organizations are encouraged to display an ability for a grant match.

Ms. Goliver shared the rubric for community events and projects developed last year (2023) in conjunction with staff and the Finance Committee. It includes four criteria: quality of life, social and cultural resilience, economic impact, event financial sustainability. The highest priority was determined to be Quality of Life. She also shared the sports tournaments funding formula. The sports tournaments are easier to quantify because they are based on overnight stays. For returning events, the formula is the anticipated cost of City services plus 50% of the past year's return to the City based on actual overnight stays generated. All applications in 2024 were separated into community benefit events/projects or sports tournaments. The Committee reviewed those and administered the formula/rubric for both. The score established by the rubric divided by 30 gave the percentage of the whole. That number was then multiplied by the funding request to arrive at the funding recommendation. The Committee then reviewed all recommendations and made adjustments.

Ms. Goliver posed the question below:

1. Does the Committee continue to prioritize the following goals to ensure transparency and objective awards as well as the prioritization of funding for events/projects that:
  - a. Enhance resident quality of life
  - b. Support the hotel/motel tax fund
  - c. Further Dublin's social and cultural resiliency goals
  - d. Demonstrate an ability to be self-sustaining through an objective process.

Vice Mayor Alutto stated that resident quality of life is one of the core components of the hotel/motel tax grant program. Supporting the hotel/motel tax fund is important. It makes sense to prioritize furthering Dublin's social and cultural resiliency goals. She is less sure of demonstrating an ability to be self-sustaining through an objective process. There are events that will not be self-sustaining.

Mr. Reiner stated that historically some events stopped receiving grant funds if they could not self-sustain after the second or third year.

Vice Mayor Alutto stated that the requests have changed over time. The requests have risen higher than the available amount to award.

Mr. Keeler stated that the grant award process is subjective. The priority area of self-sustenance is worth discussing. He struggles with using the phrase "objective process."

Staff posed the following question to the Committee:

2. Which option does the Committee prefer?
  - a. Option 1 (tested for 2024 grant cycle process) – Formula for Sports Events and Rubric for Community Events
  - b. Option 2 – Scoring Formula for Sports Events Only
  - c. Option 3 – Combined Scoring System for All Events
  - d. Option 4 – No Scoring System

Vice Mayor Alutto stated that she likes having different scoring processes for sports tournaments and community events, as they are inherently different events. She commended staff's hard work. She stated that Option 4 is not preferable because the number of requests is too great. She would like to continue with Option 1 and test the process more fully for a few years.

Mr. Reiner stated that he likes the scoring rubric and the formula.

Ms. O'Callaghan stated the formula was based on quantifying the return on investment of the grant funds. Last year, staff compared the processes with and without the formula. She would like to determine if there are ways to adjust the formula so that it might be more useful. 90% of awards varied from what the formula determined.

Vice Mayor Alutto stated that discussions last year determined that there is no way to make the formula perfect. There is some subjectivity to the process; otherwise, it would be an administrative process only. There needs to be a body to review the applications. There is no way a formula can decide what the community would like to see.

Mr. Keeler stated that he is supportive of Option 1.

Mr. Reiner shared the example of the car show being valuable to the community, and it still relies on the grant award program.

Mr. Keeler added that the car show results in many overnight stays within the City.

Mr. Stiffler referenced the formula and outcome last year and asked if there is a formulaic change that could more closely match the desired outcome. There were more significant deviations between the rubric and the Committee's recommendations with the community benefit events than with the sports tournaments.

Vice Mayor Alutto stated fundamentally, there is a difference in non-profit organizations based on size and budget. Looking at an organization's 990 might be a good idea. If an organization could self-fund, maybe they would receive fewer points per the rubric.

Ms. O'Callaghan stated that it is important that the policy sends a message encouraging groups to continue to fundraise. Staff did receive feedback from a repeat applicant that they would begin to explore additional means of funding their event. The message was shared that the City is establishing a grant match requirement at some point. Grant-matching was a common requirement found in benchmarking.

Vice Mayor Alutto noted that the Beautify Your Neighborhood Grant process has a grant match requirement. She suggested that requirements for 990 submission as well as a grant match be considered. The match could start at a low percentage.

Mr. Reiner agreed.

Mr. Keeler stated that the 990 requirement would be his first choice but would be most difficult. He suggested a progressive grant match (25% - first year, 50% second year, etc.) to encourage self-sustenance. Another option would be to deduct points based on how many requests an organization has made. There are certain entities that are self-sustaining. A 990 would allow the review of every non-profit under a separate lens.

Mr. Stiffler and Ms. Alutto stated that 990s are public records. Ms. Goliver noted that they are currently requested, and most organizations do share them.

Mr. Stiffler summarized the Committee's feedback as follows:

- Add 990 analysis,
- Add progressive grant match requirement,
- Begin phasing in the changes with next year's (2025) process.

Ms. O'Callaghan stated that lowering the grant funds for organizations that can self-fund the event goes along with the 990 analysis.

Vice Mayor Alutto stated that there was a desire/potential to move this process to the Community Investment Committee (CIC). She asked if that is something staff is considering. Ms. O'Callaghan stated that is something to discuss as part of the CIC strategic plan.

Mr. Stiffler stated that Staff will bring modified policies to the meeting in June for Committee consideration.

Policy Modifications: General Fund, Debt and Investment

Mr. Stiffler stated that all of these policy modifications deal with the utilization of manuscript debt. No policies address this debt-financing tool currently. Staff has added specific language to each policy to address manuscript debt. None of the changes are intended to substantially alter any other components of the policies.

*Debt Policy*

Staff added language defining manuscript debt and outlining when it will be used. The same review process used for issuing bonds and notes will be used for manuscript debt. Policy modifications limit this debt to maturity of 10 years. It is 15% of the City's bonding debt. 15% of the current debt profile is under \$200 million.

*General Fund Policy*

Mr. Stiffler stated that the modification to the General Fund Policy has an excess fund policy, and staff has recommended it not be executed in recent years. This is intended to give the City extra flexibility. If there is a good purpose for an excess fund balance, this allows for more flexibility than just the Capital Fund. Language allows paying off short-term debt as part of what that policy would consider.

Mr. Keeler confirmed manuscript debt is basically a loan to ourselves. Mr. Stiffler agreed and stated that fund accounting is unique to government. The purpose of which is to make sure the legal requirements for earning/generating revenues are used for purposes intended. The City is allowed intrafund transfers. Manuscript debt is utilized when not following that principal. It creates a debt instrument to allow the use of available funds.

Mr. Keeler asked if added verbiage caused any concern for rating agencies. Mr. Stiffler stated that these changes have been cleared with bond advisory and investment consultants. They are comfortable with the language. It gives them confidence that we are valuing the debt burden of the City.

Vice Mayor Alutto asked if there are any other changes to metrics or current operations. Mr. Stiffler stated that there are no changes except to manuscript debt. Vice Mayor Alutto stated that this is fiscally responsible. She appreciates the limits created.

*Investment Policy*

Mr. Stiffler stated that this language is slightly different. It exempts manuscript debt from the investment policy. The City determines whether to issue manuscript debt not advisors. Manuscript debt funds must be kept from safekeeping, as they are not accounted for in the same way.

Mr. Reiner moved, Mr. Keeler seconded advancing the proposed bond modifications to Council for consideration.

The motion carried by the following vote: Vice Mayor Alutto, yes; Mr. Reiner, yes; Mr. Keeler yes.

**AJOURNMENT**

There being no further business to come before the Committee, the meeting adjourned at 5:59 p.m.

  
Chair, Finance Committee

  
Deputy Clerk of Council