

**DUBLIN CITY COUNCIL  
FINANCE COMMITTEE  
Tuesday, September 12, 2023 – 4:00 p.m.  
5555 Perimeter Drive  
Council Chamber**

Meeting Minutes

Ms. Alutto called the Finance Committee meeting of September 12, 2023 to order at 4:00 p.m.

Committee members present: Ms. Alutto (Chair), Ms. Amorose Groomes, Mr. Keeler.

Staff members present: Mr. Stiffler, Ms. Hoffman, Mr. Urbancsik, Ms. Murray

Also present: Ryan Nelson and Jennifer Trowbridge, Redtree Investment Group

**APPROVAL OF MINUTES**

Ms. Alutto moved to approve the minutes of the May 9, 2023 Finance Committee meeting. Mr. Keeler seconded the motion.

The motion passed by the following vote: Ms. Alutto, yes; Mr. Keeler, yes; Ms. Amorose Groomes, yes.

**DISCUSSION ITEMS**

**Investment Policy**

Mr. Stiffler introduced the investment policy discussion. There will be an additional Committee meeting where staff will seek a recommendation to Council on the Policy. Post ordinance adoption, staff will issue a request for proposals (RFP).

Mr. Nelson reviewed recommended modifications to the Investment Policy. The City did adopt an investment policy last November (2022), which came into effect in January 2023. The changes and recommendations this evening are minor, cleanup language. The primary modification being suggested is with regard to a standard for calculations for diversification. Language has been modified to be consistent throughout the policy on the calculation methodology for allowable investments. Language was also included about what the calculation is based on, which is the City's total portfolio. There is also language stating that each advisor (or advisory entity or body) will only consider the funds they manage when making that calculation.

Mr. Stiffler stated that this is a codification of current practice. We have always watched to make sure advisors are not exceeding any limits regardless of what is being done with the other portfolios. This also clarifies the difference between investment portfolio and cash management portfolio.

Mr. Nelson stated that other changes were made related to mortgage backed securities. Language was amended to eliminate confusion on that asset class. Regarding that asset class, only one of the portfolio managers utilizes that class; it is not widely used.

Mr. Stiffler stated that staff intends to resolve the policy this year. One aspect that remains open is benchmarking and prioritization.

Mr. Keeler asked about verbiage in 35.95. Mr. Nelson stated that is the same concept with regard to the total investment portfolio of the City. We are open to any suggestions there and the policy will go before Legal for review. Mr. Keeler would like more clarification in the wording. Ms. Trowbridge stated that they understand the intent. Mr. Keeler suggested alternative language. Ms. Alutto stated that the Committee has given staff clear direction. She recommended this be taken back to Legal for wordsmithing. The intent is each portfolio is managed as if their portfolio were all. Mr. Nelson stated that he was approaching these edits from an investment manager aspect. Ms. Amorose Groomes suggested that the policy state that there may be multiple managing advisors. Ms. Trowbridge stated that it only applies if there are multiple entities.

Mr. Nelson stated that this evening's discussion on a performance benchmark is a follow up from the Committee's discussion in April 2023 regarding the City's desire to have a performance benchmark. They continued to do research throughout the United States about what other government agencies used and found no common theme. The only common benchmark found was the ICE Bank of America 1-3 year US Corporate/Government Index. It is not common to see a benchmark used; however, this is a known benchmark. It has been around for decades and meets the standards of everything in the Investment Policy. One of the City's advisors is currently reporting on this benchmark. He feels the City should continue to use a yield reference. Redtree Investment's recommendation is adopt this 1-3 year index as well as using the yield reference. He put forward considerations for the Committee. It is extremely important that a clear purpose is established for a benchmark. Discussion around the benchmark will play an important role in the RFP process. The City books investments on a cost basis accounting. Ms. Trowbridge added that is not unique to Dublin. Mr. Nelson stated that this will introduce a benchmark that follows the market value of securities. That is different than cost basis accounting. This is an important consideration and communication piece to advisors. Historically, current advisors have managed to a mandate where they did not actively take losses in the portfolio.

Ms. Trowbridge stated that managing to a benchmark may lead to more loss than the yield focus.

Ms. Amorose Groomes stated that it sounds like we are being advised against using this benchmark. Mr. Nelson stated that with true institutional money managers, if they are told they are managing to a different benchmark, their strategy will change. Ms. Trowbridge stated that it is not right or wrong, just very different. Mr. Nelson advised the Committee to be careful with advisors to ensure they do not believe they are given a mandate that every quarter they will manage the City's investments to this benchmark.



Ms. Amorose Groomes stated our benchmarking is different than what is being suggested here. We benchmark against other municipalities. It was her intention to benchmark against what the market was doing and determine whether our investors were getting a similar or better return than what peers are experiencing. This benchmarking might paint us into a corner. That was not her anticipation. She anticipated benchmarking investors against peers and making sure we are getting market or better rates of return. What is being discussed now feels different than that.

Mr. Keeler stated that if we see the yield of the portfolio is a certain amount, the question is how good the return is. . We know that the level of risk is very low. Mr. Nelson stated that it can be difficult to compare municipalities due to the appetite for risk and cash flow. Ms. Trowbridge noted that investment rules will vary by state and every municipality is different in their tolerance for risk. Mr. Nelson stated that he can see where people could use benchmarks without going to the extremes of using it as an investment strategy. Ms. Trowbridge stated that fees can eat away at earnings.

Ms. Alutto stated that part of the reason behind creating an RFP is to ensure Dublin is getting the services we are asking for at reasonable fees. Mr. Nelson stated that they see RFPs all the time and when they contain benchmark language, it causes hesitation. Ms. Alutto asked for their opinion as to whether Dublin would see fewer respondents to an RFP with a benchmark. Mr. Nelson stated that you will see a wide variety of answers and the City will have to determine how much weight to put on past performance because those answers can be manipulated. Ms. Alutto stated that she believes Dublin does not have a risk tolerance high enough to direct a manager to manage to this benchmark. She suggested taking this information and using it as a gauge. Ms. Amorose Groomes stated that the intention was to be sure that the City is being strategic and intentional. Ms. Alutto stated that it would give us context. She suggested that benchmark may not be the correct word.

Mr. Keeler stated Manning & Napier is already using an index for reporting. An index is a relative stake in the ground. It illustrates the rationale for them performing better or worse. Meeder uses the yield index benchmark. It purely considers income. He could argue for a 1-5 year. 1-3 is constraining it in a more narrow band. That City to City comparison is data that Redtree would have based on their client list. He would not expect Manning & Napier or Meeder to gather that information.

Mr. Nelson confirmed the index is not a mandate but a performance gauge. For the next report to the Finance Committee, they will have some comparisons as a performance gauge. Ms. Amorose Groomes stated that would have tremendous value. There are institutions that we gather data from all the time. Mr. Nelson stated that they will work toward that and communicate to staff and current advisors that they do not have to make any big changes to the investment strategy.

Mr. Stiffler addressed reporting. Current practice has not changed much from past practice. Staff reports investment information to all of Council in the monthly Council report. That seems sufficient. That may not include the correct metrics based on this conversation. Staff provides three+one's measure of return, which is specific. It is the

same across both investment advisors. Staff provides the value of the portfolio on a cost basis not a market-value basis. Staff would like to continue this process. Annual reporting to the Finance Committee is appropriate. Discussing investments at every meeting would not add value. Mr. Stiffler stated that he meets with investment advisors quarterly. The monthly report can be updated to match some benchmarking talked about today.

Ms. Alutto stated that she is fine with that cadence. If something of note arises in staff's quarterly review, please add that to a Finance Committee meeting.

Mr. Keeler and Ms. Amorose Groomes agreed.

Mr. Nelson stated that the information the City receives on a monthly basis will look slightly different.

Mr. Stiffler stated that staff is receiving necessary information from advisors on a monthly basis.

Mr. Stiffler stated that staff has engaged three+one to provide as treasury management services. They have a service where they provide RFP advisory services. Staff has engaged them on that process. They have shared details on an overview of the process. They seem to be very experienced in this field.

Mr. Stiffler will begin drafting the RFP for execution post ordinance approval. Ms. Alutto asked if staff feels the timelines are appropriate. Mr. Stiffler answered affirmatively. If the process takes longer, he would not be surprised because Dublin tends to be more rigorous in our review. Ms. Alutto stated that evaluating RFPs and interviewing is likely going to take longer than stated. The timing is aggressive. Mr. Stiffler agreed.

Mr. Stiffler stated that Staff will bring the Investment Policy back to the Committee at the next meeting.

### **2024 Cost of City Services**

Mr. Stiffler stated that Ordinance 94-13 established an alternating year inflationary increase. Earlier this year, there was a review of cost study procedures. This committee recommended averages that includes wage and benefit increases estimated to be 4.25%. That is slightly less than the Midwest CPI but more representative of the City's costs.

In terms of cost recovery targets, recreation membership fees were raised in 2018. They had not been raised previously. It was established at that time, that rates would increase 5% every other year (or 2.5% annually) so that we would continue to offer memberships at a fair rate without big jumps in costs. We are now in a different inflationary environment. Staff would like feedback regarding the 5% every other year plan for annual recreation and pool memberships. Staff is proposing 4.25% be applied to all annual memberships and pool season passes. There have been significant increases in costs in certain aspects of recreation, particularly other wages. Dublin has increased part-time wages from an average of \$12-\$13/hour an hour to \$17-18/hour. Mr. Stiffler believes \$17 will be in place for this and next year. It is impacting the cost of



the recreation program. His concern is that if we do not make small adjustments to prices, a large increase will be necessary. Mr. Stiffler stated that the City cannot continue to use the 5% every other year model. Staff is proposing a 4.25% increase every year. Daily passes will increase as well to encourage people to purchase annual passes. The City is also seeing increases in utility costs. We had an electricity generation contract executed 3 years ago that expired last year. A new 12-month agreement was just signed for green energy at a significantly higher rate and that will continue to impact us this year and every year moving forward. We moved from brown energy to 100% renewable energy. This is in addition to standard increases across the City. We were able to calculate healthcare numbers and those are staying relatively flat.

Ms. Amorose Groomes stated that she has no problem with this moving forward. She has heard concern from seniors. They received a 6% cost of living increase. This is well below that. Interest rates are way up which should be helping a senior population living off of the investment portion of a portfolio. She does not have a hard time explaining this in a public setting. The cost of everything is increasing.

Ms. Alutto agreed. Last year with the larger increase, there was an early renewal discount. She would like to see something similar. We will be raising rates almost every year. She suggested considering something similar. That was well received. Mr. Stiffler stated that Finance Staff would work with Recreation on doing something similar to what they have done in the past.

Mr. Keeler agrees with colleagues. Options within the community include Planet Fitness at \$240/year for 2 people and Lifetime Fitness at \$2,028/year for 2 people. The Dublin Community Recreation Center is the cheapest of the three and offers pools and a track. Even with increases, residents are getting a huge value. Improvements made were not financed through membership fees. He is supportive of the recommendation and is open to larger increases in the future.

Mr. Stiffler reviewed changes to the Mayor's Court Computer Fund. This is a statutory fund. Its statutory maximum is \$10. The maintenance for our court software is increasing at a greater amount than the fee increase and caseload can support. Staff is suggesting an increase from \$8 to \$10 so that we are able to recoup the maximum amount allowable under the law. Once at the statutory maximum, we could speak to legislators regarding the statutory maximum. Historically, Information Technology (IT) tried to capture IT related costs and this was moved into their fund. This has since been moved out of IT because there is a unique revenue source for this.

Mr. Keeler asked about the fee history. Mr. Stiffler stated that it has been increased a couple of times but it has been \$8 for a couple of years. Mr. Keeler stated that he is supportive of the increase.

The Committee offered support for the Mayor's Court Computer Fund increase.

Mr. Stiffler stated that the Veteran's Committee recommended a senior veteran discount of \$5 less than senior membership. It is to recognize the service of the veteran and will aid in the committee's goal of creating a list of veterans.

Mr. Stiffler addressed the Franklin County tobacco license fee. Fees should not be codified. This fee has not been updated regularly. It will be put in the cost study and removed from Code.

Mr. Stiffler stated that Dublin signed the water/sewer agreement with Columbus. That agreement contained a fee of \$1,000 per acre for annexed property. Staff is proposing passing that on to the property owner annexing into community. Council does always have the ability to waive annexation fees.

There were no questions from the Committee.

Mr. Stiffler stated that staff intends to bring the Cost Study forward as an ordinance in October.

Ms. Amorose Groomes asked how staff intends to engage the State Legislature. Mr. Stiffler stated that he would see if there is already a vehicle in place. Many municipalities are likely in the same boat. Mayor's Courts are revenue losers. Dublin makes about a 60-70% cost recovery. It is provided as a convenience to avoid municipal court downtown. Ms. Amorose Groomes suggested looking to the Ohio Mayors Alliance, COMMA, etc. If a coalition could be built and a recommendation garnered from those organizations, it might yield greater success.

There being no further business to come before the Committee, the meeting adjourned at 5:20 p.m.



Chair, Finance Committee



Deputy Clerk of Council