

**City of Woodbury**

**Audit and Investment Commission Minutes  
February 10, 2023**

Pursuant to due call and notice thereof, a meeting of the Audit and Investment Commission was held at Woodbury City Hall, 8301 Valley Creek Road, on the 10<sup>th</sup> day of February 2023.

**Item 1: Call to Order / Roll Call**

Chair Lehman called the meeting to order at 7:30 a.m.

Upon roll call, the following members of the Audit and Investment Commission were present: Frank Gilbertson, Gracie George, Cody Groth, John Lehman, Alec Sonsteby, Ross Tollefson, Annmarie Weiser.

Absent: Jeanine Kuwik

Others present: Angela Gorall, Assistant City Administrator; Clint Gridley – City Administrator; Rob James, ICT Director, Jason Schirmacher, CFO/Controller; Kim Wilson, Council Member; Ryan Miles – Ehlers; Matt Tourville - Ehlers; Roxy Nowicki, Recording Secretary.

**Item 2: Welcome and Introductions**

Chair Lehman welcomed new members Gracie George and Ross Tollefson and asked them and other commission members to introduce themselves.

After introductions, Ms. Gorall stated that the City Code regarding the Audit and Investment Commission is included in the packet for the commission members' information. Periodically, Council refers to the Commission for other work than what is listed in code. In 2022, there were two previous meetings talking about water rates and the water treatment project. This will be brought to future meetings for discussion.

She continued talking about open meeting law and that emails should only be replied to the sender, not to everyone on the email list.

**Item 3: Approval of Minutes – November 4, 2022**

Moved by member Sonsteby, seconded by member Gilbertson to approve the November 4, 2022 minutes.

*Voting in favor: All present      Voting against: None      Absent: Jeanine Kuwik*

**Item 4: Cybersecurity Assessment Review Update Presentation**

ICT Director Rob James introduced himself. He stated this is a fairly new program and results are being reported to the Audit and Investment Commission.

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He began by stating that the methodology used is the FISA score, which is similar to the FICO score. It was developed by a company called FRSecure, a Minnesota company nationally well known in the cybersecurity arena. The City brought in a consultant that uses this methodology for the assessment.

Mr. James then reviewed the area that were covered in the assessment:

- Administrative Controls
- Physical Controls
- Internal Technical Controls
- External Technical Controls

There is a lengthy questionnaire that covers all four of the areas and breaks it down into extreme detail. The consultant then comes in and reviews the questions with staff, does a physical site review, and an internal and external vulnerability scan of the network. They then compile all the results into a FISA score and a detailed report to help develop a mitigation plan and make recommendations to improve the overall score.

Mr. James continued with his presentation talking about the FISA score and the four phases of the assessment.

Mr. James then highlighted the enhancements that were previously made:

- Completed multi-factor authentication
- Added malicious domain blocking
- Hard drives on all the City laptops have been encrypted
- Added firewall to block certain IP addresses
- Security awareness testing (malicious email test)

Mr. James continued by reviewing current security program enhancements:

- Added a powerful Endpoint Detection and Response (EDR) security solution which replaced traditional antivirus solution
- Replaced all badges with a more secure ID badge technology
- Upgraded firewall technology to stay current
- Developed a better change control process administratively
- Improved the process and period of time to upgrade or patch software
- Transitioned to physical security having oversight by Emergency Preparedness Coordinator
- Hired a new Endpoint System Administrator

After a short discussion about phishing emails, ransomware and training of new staff, Mr. James continued with his presentation talking about administrative controls, physical controls, internal technical controls, and external technical controls recommendations.

After talking about future security program enhancements, Chair Lehman thanked Mr. James for his presentation.

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### **Item 5: Quarterly Investment Results Review with Ehlers**

Mr. Miles and Mr. Tourville introduced themselves to the Commission Members.

Mr. Miles began his presentation by briefly reporting on current economic indicators. The first indicator is Manufacturing PMI, which comes out monthly and shows how manufacturing is performing. When the number is above 50 manufacturing is expanding and when it's below 50, it's declining. The trend line for this year shows that manufacturing has slowed.

Another economic indicator is retail sales. Retail sales were down the last quarter. Inflation has peaked summer of 2022. Feds are trying to combat inflation by raising interest rates.

Mr. Miles continued with his presentation reviewing the portfolio:

- The City is heavily invested in US agencies, which is the safest place to be. It has the implied full faith and credit of the US Government as well as higher yielding investment options. As an investment advisor, they are engaged to make sure the portfolio is safe, that it provides liquidity, and provides a reliable rate of return.

Member Gilbertson stated that he has heard about full faith and credit of the US Government, but lately with the talk of debt default, how much faith is there in the US Government? Mr. Tourville stated that the US Government is always going to be the best credit available. Should there be any sort of realized default, every form of credit will suffer more greatly than the US.

After a short discussion, Mr. Miles continued with his presentation talking about the portfolio composition and liquidity of the portfolio.

Mr. Miles ended his presentation by reviewing the fourth quarter report:

- All funds have been fully reinvested with eye on liquidity and short duration. The overall portfolio duration has been reduced from 2.92 years to 2.27 years.
- The average credit rating increase to AA+.
- The book yield (IRR) increased from 0.98 percent to 1.96 percent and continues to climb.
- However, interest income was mitigated in 2022 by the current unrealized loss in the portfolio. This will be counteracted in 2023 by reinvesting shorter term and further lowering the portfolio duration.
- Looking ahead the Fed is likely going to raise the Fed Funds rate by another 0.25 percent and the yield curve will likely continue to remain inverted. There is room in the portfolio to remain invested short term with the eye of "locking" in longer term bond options later this year - likely Q2 or Q3 2023.

After a short discussion, the commission thanked Mr. Miles and Mr. Tourville for their presentation.

Ms. Gorall mentioned that a council memorandum was attached to the packet related to the ERP project. The City Council did approve the contracts at the February 8 Council meeting.

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The next meeting is scheduled for March 24.

A short discussion ensued about the Capital Asset Funding and Reserve Policy, which will be discussed at the March meeting.

A short discussion ensued about operational risk management and audits that look at that process.

**Item 6: Adjournment**

Meeting adjourned at 9:10 a.m.

Approved by the Audit and Investment Commission on March 24, 2023.