

**City of Woodbury
Audit and Investment Commission Minutes
August 10, 2021**

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 10th day of August, 2021.

Item 1: Call to Order / Roll Call

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

Upon roll call, the following members of the Audit and Investment Commission were present: Heidi Conrad, Ross Dahlin, Blake Darsow, Jeanine Kuwik, John Lehman, Andrew Naylor and Richard Osborn.

Absent: None

Others present: Judy Afdahl, Controller; Angela Gorall, Assistant City Administrator; Ryan Miles, Ehlers; Kim Wilson, Council Member; and Roxy Nowicki, Recording Secretary.

Item 2: Approval of Minutes – June 28, 2021

Moved by Member Kuwik, seconded by Member Osborn to approve the June 28, 2021 minutes.

Voting in favor: All present

Voting Against: None

Absent: None

Item 3 Review of Investment Policy Directive

Ms. Gorall introduced Ryan Miles from Ehlers.

Mr. Miles started his presentation by giving a brief background of the Ehlers investment team. Member Naylor asked Mr. Miles if he had a graphic of the fee structure. Mr. Miles stated that the current fee structure is 4.5 basis points for the assets that are currently being managed, which is billed in arrears and billed monthly. It is 100 percent inclusive of everything. The Ehlers team is fully available for these types of presentations, reporting, portfolio strategy, policy development, etc.

Mr. Miles continued with his presentation talking about current economic conditions. Mr. Miles then asked if the commission members had any questions.

Hearing none, Mr. Miles continued talking about current investment opportunities. While talking about commercial mortgage backed securities, Mr. Miles stated that the securities are backed by the implied full faith and credit of the U.S. Government. Member Kuwik asked what is meant by implied backing of the U.S. Government. All the agencies in the City's portfolio have the implied full faith and credit of the U.S. Government. They are under the ownership of the U.S. Government, but they are not the U.S. Government.

Mr. Miles continued with his presentation moving on to municipal bonds. Member Kuwik asked if municipal only means local or can it mean State of Minnesota G.O. Bonds or other debt from other states. Mr. Miles stated it is all encompassing.

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Member Dahlin asked if he had the different investment yields for the different ratings. Mr. Miles stated that he does not have the investment yields, but if that is what the commission would like to see in the future on a quarterly basis, he would be happy to provide that. He stated that Woodbury is invested in the A and AA categories for municipal bonds – have been purchasing a lot more state bonds than local bonds.

Member Dahlin also asked if the yields have been going down lately because they are in such high demand. Mr. Miles stated yes, it is continuing to decline.

A discussion followed on total outstanding municipal bonds Woodbury issued versus total outstanding. Ms. Afdahl stated the City gets a quarterly report from Ehlers showing any investments that have an upcoming call date or possible refinancing opportunities.

Following discussion, Mr. Miles continued his presentation by talking about why it is important to have a strong Investment Policy and program and reviewed Ehlers' Investment Policy recommendations.

After a short discussion, Member Kuwik had a question about a bullet under internal controls – “Each year, as part of the annual audit by an external auditing firm, there will be an independent review. This review will provide internal control by assuring compliance with this policy.” She asked if this is part of what the audit normally does or is this something beyond what is normal. Ms. Afdahl stated this is normal.

Mr. Miles stated that Ehlers' recommendation is that no more than 50 percent of the overall portfolio is in municipal bonds since there is more risk for those investments. Ehlers monitors the investments whether or not they are in compliance with the policy. Mr. Miles stated that all the investment options listed in the Investment Policy are based on statutory allowable investments.

Member Lehman reviewed his comments to the Investment Policy. Mr. Miles thanked Member Lehman for his thoroughness of his review of the policy. A discussion then ensued regarding some of Member Lehman's comments regarding the policy.

Following the discussion, Mr. Miles stated that their recommendations for this policy follow the national GFOA best practice standards. The Investment Policy can be submitted for them to review and could win an award.

Ms. Gorall asked for a motion to approve the Investment Policy with the changes that were discussed. Moved by Member Osborn and seconded by Member Lehman to approve the Investment Policy with the changes discussed.

Voting in favor: All present

Voting Against: None

Absent: None

Item 4 Presentation of Investment Portfolio Performance Reports

Mr. Miles continued with his presentation reviewing the portfolio. He stated his goal is to make it more visual for the commission members. Member Kuwik stated it would be helpful if the market sectors can be the same color from chart to chart.

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Member Naylor then asked Mr. Miles to define the difference between municipal and government under the Market Sectors. Mr. Miles stated that government is the U.S. Treasury.

Mr. Miles then continued with his presentation. After reviewing the presentation, Mr. Miles asked if anyone had any questions.

Hearing none, he then passed out investment fund quarterly reports. He stated that when they work with new clients, they like to report with the idea of safety, liquidity, and yield as the theme. Whenever Ehlers provides a report, it should answer those three questions – how safe is the portfolio, how liquid is the portfolio and how much is it earning. He then reviewed the Investment Summary handout, which is a high level summary of the portfolio, the Credit Rating handout and the Monthly Returns handout. Mr. Miles stated that he provided these different reports to give the commission members ideas of what type of reports they can provide.

Ms. Gorall asked the commission members if these quarterly reports meet the needs of the commission or do they want a more detailed version.

The Commission decided they would like to receive both types of reports (numbers and graphics) along with a cover sheet providing commentary about what Ehlers' perspective is and recommendations. Mr. Miles said he would be willing to provide a 5-10 minute update either in person or virtually.

Mr. Miles stated in closing, he will update the Investment Policy and continue to rebalance the overall portfolio. Another project that Mr. Miles and Ms. Afdahl are working on is to build a cash flow forecast model to make sure the investment selections are not in a vacuum.

It was also decided to have investment updates at the regular commission meetings while the relationship with Ehlers is getting well-established.

As there were no other questions, Chair Darsow asked for a motion to adjourn the meeting. Moved by Member Osborn and seconded by Member Conrad to adjourn the meeting

Voting in favor: All present

Voting Against: None

Absent: None

Item 5 Adjournment

Meeting adjourned at 8:50 a.m.

Approved by the Audit and Investment Commission on November 4, 2021