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BOARD OF DIRECTORS MEETING

Date and Time: 3:00 PM on Wednesday, January 20, 2021

Location: Zoom Meeting (Replay on our YouTube Channel and our Facebook Page)

Attendees:

Dusti Reimer

Janet Rowland

Quint Shear

Craig Springer

Chris McAnany

Matt Rosenberg

Benita Phillips

Agenda:

- I. Call to Order at 3:04 pm.
 - a. Motion to approve the agenda by Quint Shear. Janet Rowland second. Voted. Approved.
- II. Appointment of Janet Rowland to Board of Directors.
 - a. Welcome Janet to the Board of Directors.
- III. Election of Officers for 2021.
 - a. C. Springer said he's been the chairman for two years now. He doesn't mind being chair, but he said it works better when this is passed around. He has been with the District since it started and he doesn't ever remember a Commissioner accepting the Chairmanship of this Board and I don't know why that can't happen, and there is nothing that can preclude that from happen. I think taking turns is a good approach.
 - b. C. Springer nominated Quint Shear to be the Chair of the Board for 2021. J. Rowland second. Voted. Approved.
 - c. C. Springer nominated Janet Rowland as secretary. Q. Shear second. Voted. Approved.
 - d. D. Reimer said we will need to get Janet over to the bank to get her on the account as a signer. Matt, do we need her to be on the account?
 - e. M. Rosenberg said we have it as Quint. We can keep it under his name.
- IV. General Public Comment.
 - a. None.

V. Approval of the December Meeting Minutes.

- a. C. Springer made a motion to approve the meeting minutes. Q. Shear second. J. Rowland abstained from voting. Voted. Approved.

VI. Staff Report.

- a. D. Reimer said our report from December to January we posted to our social media pages on Facebook, Twitter and YouTube our meeting minutes, meeting agendas, our December meeting was uploaded and live streamed on Facebook. We posted our January meeting details.
- b. D. Reimer said we have no news media this month or grants requesting payment at this time.
- c. C. D. Reimer said the invoices for December are for Dusti Reimer, invoice #154 for services and supplies for \$3,887.18, and Networks Unlimited Invoice #23343 for \$120 for our email services.
- d. D. Reimer said during the month of December with our 2021 budget that was approved, there was a \$100,000 deposit for our investment fund that the board will need to reconfirm.
- e. D. Reimer said our upcoming events show that January 31st our DOLA Budget is due, our monthly scheduled board meeting in February is scheduled for Feb. 17 and our March meeting is scheduled for March 17th. Both meetings are scheduled for 3pm and will be determined later if they are Zoom or in-person.
- f. Janet Rowland made a motion to approve the invoices for Dusti Reimer and Networks Unlimited. C. Springer second. Voted. Approved.
- g. Q. Shear asked for a motion to approve the deposit of the \$100,000 to the permanent fund.
- h. C. Springer asked Janet if she had any questions about the permanent fund.
- i. J. Rowland said she did have questions.
- j. C. Springer asked Quint Shear if it was ok if he explained the permanent fund to J. Rowland.
- k. Q. Shear said please do, because you were here for that.
- l. C. Springer said several years ago, David Ludlam approached the board, when he was on it, with the concept of establishing a permanent fund. His thinking was that the resources being extracted were finite in nature and were not unlimited. He said most states have a permanent fund, because there is a recognition that this revenue stream will depreciate over time. He said we aren't going to get the State of Colorado to create a permanent fund, but if we could get the legislation to enable it for Federal Mineral Leasing Districts that want it, we could start to put a little money away for the day when there are no additional funds coming from DOLA. That way, that possibility, if it's done right by enough thoughtful people, there could be a stream of grants that way outlasted the payments we received from DOLA. With a lot of help from Garfield County, David got the legislation created and passed. Garfield County and us, adopted permanent funds and I don't think the other federal mineral leasing districts have. I think it's just the two of us. That's the concept. A little bit of money gets put aside every year, and eventually that money will be available for future grants. Right now, as of the end of December, we have about \$1.9 million in the account.
- m. J. Rowland asked if you have a policy for when or how you can distribute it, or do you determine later?
- n. C. Springer said my understanding is it can be determined by the Board. I'll let Chris answer that questions.
- o. C. McAnany said we have adopted Bylaws that specify that the Board will not invade the Corpus, or the principal of the permanent fund, except in the case of an emergency. We have adopted a public hearing process so that the public knows and is aware of any decisions that are made in

regard to any disposition of the permanent fund. Those provisions are specified in our Bylaws. It's an endowment available for us to fund future grants. The intention is to try to not touch the principal to let the principal to grow to let the revenue from it be a source of grant funding for others. I would say one other thing, Craig sold us short. I think it was undoubtedly Mesa County that led the charge to get that passed. David Ludlam deserves a lot of credit for that, but we wrote the legislation and got it through. So, we are proud of it.

- p. J. Rowland said you should be, it is smart.
- q. C. Springer made a motion to approve the \$100,000 to the permanent fund. J. Rowland second. Voted. Approved.

VII. Review of Financials.

- a. D. Reimer said our financials are for the end of December 31, 2020. The fund balance was \$1,041,626.82. The permanent fund closed at \$1,900,189.92 as of December 31. We have grants payable of \$338,400 from four different grants. We have \$-1,750 of unused/forfeited grants, legal fees of \$1,654, accounting fees of \$1,010.52 and contract services for \$3,750. We have advertising expense of \$23.10 for the newspaper notice and dues and memberships of \$39.97. We had unrealized gain/loss of \$50,653.55 and dividend income of \$7,587.55. We still have the four remaining grants for City of Fruita for \$50,000, Colorado Mesa University and School District 51 for \$88,400, Grand Junction Police Department for \$150,000 and the Lower Valley Fire Protection District for \$50,000.
- b. C. Springer said you and Craig started the FML district, we were getting \$2.2 or \$2 million a year, but what was the number this year?
- c. D. Reimer said \$495,556.
- d. Springer said it was declining significantly.
- e. Q. Shear said that might not get better for a while.
- f. J. Rowland said that's too bad.
- g. Q. Shear wanted to know if we needed to approve it?
- h. C. McAnany said it's not an action item, it's just a briefing.

VIII. Review of the Investment Account.

a. M. Rosenberg said I'll be brief. I appreciate the opportunity to go through this in a little more detail. This first slide is just going back two-three years ago that was our goal. We set \$20 million as the target. We're at just shy of \$2 million now. We wanted to set out an annual distribution of \$1 million without touching the principal. The current balance of the market as of today is \$1,928,029, and shows we had a gain of \$440,000 since inception. Right now, the expected income for 2021 is \$31,000-\$32,000. We have a Yield of 1.7% on our current balance. Our yields are pretty low right now, but that's where we are. Our performance history, you'll see that we slightly outperformed. Our return is at 7.9% and our standard deviation is at 10.7%. That's higher than I'd expect from a 65% target allocation, but last year was crazy with some of the most volatile market in history. Here is our allocation of 63.5% equity, and you have a policy that says no higher than 65%. I know we can stay above that no longer than a quarter, but as for now this is where we are. Our bond portfolio is 2.56 yr. bond duration. We're a little on the short side, which is good, because there is no room for interest rates to go down. Our fees are \$3,867 for the quarter end 12/31/20. The last thing I have is the take on the market. It's been a good three years since we started this, except now we have the changing administration, which could mean higher taxes which would equate to lower equity returns. I think stimulus will spur returns and then if we have more regulation that can hurt. I did a video back in August, when people were saying the market is over valued and people are saying we need to sell out. I've been getting calls every day talking about this topic. The thing about rational bubble is the market overvalued as a whole, I wouldn't make that assertion. I think moving forward my recommendation is to

stay at the maximum equity, keep a fixed income duration short, and beta replication with individual stock/bond positions as portfolio grows. My recommendation would be for the Federal Mineral Lease District would be to consider increasing equity allocation, if it is possible. When we look at Foundations and Endowments as a permanent investor, we want to put a higher concentration into equity that has a higher performance. If we can't, because state statutes, I would leave it where it is.

b. Q. Shear said thank you, Matt.

IX. Review, Discussion and Possible Approval of RFP for Audit Services.

a. Q. Shear said I have an interesting addition to that. As you all remember I talked with Chadwick Steinkirchner about a month ago. They said we are so busy we really don't care if we keep your audit or not. Four days ago, he called and said if you get to the point where you're going to do an RFP, we might be able to drop our prices. I didn't know how to take that, but it tells me we probably need to do an RFP.

b. D. Reimer said I wasn't sure where this was going, and I wanted to be prepared and I sent along the last one from our RFP for Audit Services. Here is what we put together this last time. I didn't change a whole lot on here, other than dates and we can talk about the grant cycle moving forward and change names down here, but is this something the Board is interested in doing?

c. Q. Shear said what is the Board's thoughts on this?

d. C. Springer said to help Janet out here, what brings us to this point, is the enabling legislation for the mineral leasing district had a provision in it that each district can spend no more than 10% of its annual grant income on administration. So, there is a bar there. We've never had a problem with that, we've always been under it until 2020. So, in the budgeting process for 2021 with that \$495,000 we were spending roughly \$60,000 on administration. We had to get really serious about getting under that. Dusti took a big pay cut, Chris took a big pay cut, Eide Bailly took a cut and the one that didn't was the auditing firm, and it was \$8,000 and we're a pretty small entity. Chris also found, in state statutes, that would allow us to go without an audit if we applied to DOLA for it. But, that scared Quint, John and I enough that we didn't want to do that. That's why we are here. Quint did I miss anything?

e. Q. Shear said when you skip an audit, you pay that much more on your next audit. They have to catch you up if they miss an audit, so it doesn't seem to make sense. We could skip it this year, if we thought we'd get a whole lot of money next year from DOLA, we could justify it. But skipping it is a short-term answer, not a long-term answer.

f. We had the same challenge when I was with CASA. We were really small and had to pay a large amount for an audit. We were allowed to skip it every other year and do a financial review. Is that something we could do or not?

g. C. McAnany said we could dismiss with an audit altogether, but the Board last year, as Craig said, was uncomfortable. I guess it depends on the price you get from the audit firms. You could stick with it. We could skip it entirely and keep our books in order. But it does create problems later if you have to pick up where you left off.

h. Q. Shear other than a time constraint, I don't know why we wouldn't want to put an RFP out there. I think we need to personally contact people we know that do audits. Sometimes I think they miss it. We're a small audit and they aren't in the newspapers look for the audit to do.

i. C. McAnany said you might want to put in the dollar budget in the RFP, so they know we aren't a \$2 million dollar agency.

j. C. Springer said my concern from my experience incorporate America, maybe 15 years ago, the bank has to be audited by statute. About 15 years ago we decided the Insurance Division didn't need to be audited and the a few years ago we decided we had to have it, they made sure we paid for those two years we skipped because they said we have to have a reference and the only reference we have is the last audit. So, they effectively audited us for those two years. But it sounds like CASA did get a benefit and if we can do something that gets us under that bar, that's great, because again, Dusti and Chris stepped up and took

the cuts to be with us. I would be in favor of the RFP and when those numbers come in, we can have that discussion if it makes sense or not.

k. Q. Shear said I have a similar story as yours Craig from my credit union days. We got a good enough score we could skip a year, but when it came time to do the next audit, we sure did have to pay for it. So, it didn't do us any favors. Do I have a motion to move forward with the RFP for audit services?

l. C. Springer made a motion to move forward with audit services. J. Rowland second. Voted. Approved.

m. Q. Shear said he would get together with Dusti on that if we could have some offline discussion to go over the dates and times.

n. D. Reimer said I was going to ask about dates, so I'll touch base after.

o. Q. Shear said if you know anyone who is out auditing, please let Dusti know so we can send that directly to them that RFP.

X. Resolution Approval of Budget Packet for DOLA for 2021.

a. D. Reimer said I'm going to reprint this and drop it off for Quint to sign. I also saw I had the wrong numbers on the letter. This one will say the Federal Mineral Lease District Resolution 2021-02 for the DOLA Budget. This was included with the Board packet. I just need to change the names for the new Board members. This includes the budget that we put together for the DOLA budget and the approved meeting minutes.

b. C. McAnany said to be clear, you're not changing the numbers on the resolution, just the signatory.

c. D. Reimer said yes, I'm just changing the signatures down here.

d. J. Rowland made a motion to approve that resolution with the changes and corrections. C. Springer second. Voted. Approved.

XI. Resolution Approval of Fall 2020 Grant Cycle.

a. D. Reimer said we have another resolution. We approved all the grants for the fall grant cycle. We did not approve the CMU grant contract until this past meeting. This resolution approves all three and contract and I will change this again too. I have Craig Springer on there as Board President.

b. C. Springer made motion to approve the resolution with new signatory. J. Rowland second. Voted. Approved.

XII. Discussion of 2021 Grant Cycle Dates.

a. D. Reimer said previously when we have had two grant cycles the first one starts Feb. 1st for the spring cycle. They are due in March, and we do presentations and we do awards in April. We start the same thing again in August. There was discussion last year to potentially cut this down to one grant cycle. I just wanted to confirm with you guys if you wanted to move forward with one grant cycle and when you wanted to do that, and we have \$350,000 to award if we do just the one.

b. C. Springer said in the beginning we adopted two grant cycles, Janet, and it has really served us well. The folks that apply for those grants they like it, because if something comes up in the year they can apply in the fall. It has really worked very well until the last several years when the grant funding levels have declined. By dividing that by two and stretching out with two grant cycles, we have really struggled, because the quality, not to diminish any grants that have been approved the past several years, but as Board members we like to do stuff that benefits everyone's in the community, and it is a big and obvious need. As the money has gone down, so have the quality of the grants. I personally don't like funding depreciating assets, but we made an exception with this water truck, because they help all the fire departments in the county, so it did help everyone in Mesa County by virtue of this grant. Do we want to do big important grants with our \$350,000 or diminish them even more? This would be the smallest grant cycles we've ever had if we did two. This is why it's on the agenda to talk about.

- c. Q. Shear asked when we receive our money.
- d. D. Reimer said we already got it. Oh, this year, we'll get it late August or first of September.
- e. C. Springer said the only thing I can remember over the years about our dates and how impactful they were, were with the City of Grand Junction. It was a workshop and to help improve the grant cycles and the district. The City Manager at the time said you could really help us by having that grant cycle in the fall, because most of our fiscal years end in September. So, when you do something in the spring, we haven't budgeted that part of the payment. If you did in the fall, we could apply for more important things. That's the only thing I've ever heard about our cycle.
- f. Q. Shear said that makes sense. I know a lot of them are September to September or July.
- g. J. Rowland said that makes sense what you are suggesting.
- h. C. Springer said the way that works, is we take that money and budget for the future year.
- i. Q. Shear said that August/September seems to be a good time. Anyone have any reasons why it wouldn't be good?
- j. C. McAnany said you've got the money right now, and its not going to be earning any interest between now and then. Previously in doing two cycles, part of the thinking was to get that money to get that money into the community sooner. You can do it and get it out there sooner. Those are entirely up to the Board to make.
- k. Q. Shear said I think we just need to get rid of one and keep the dates. Municipalities have gotten use to those dates. Any direction, Dusti? How does that complicate your world? When is it easier?
- l. D. Reimer said either is fine. My preference is to do fall. I think because there have been so many different delays with construction projects and thinks that have happened, I'm not so sure we're going to see a rush of grant applicants that would apply. I think people are still trying to figure out who can be available and when. I've heard there is a back log on people having issues getting things, products, services and supplies. Understanding that, my preference would be do to it in the fall.
- m. Q. Shear said my feeling is that we would get better quality grants in the fall. People would have more time to look at them. Would anyone like to put that in a form of a motion?
- n. J. Rowland made a motion to move to one grant cycle per year beginning in 2021 with fall dates, to be determined later. C. Springer second. Voted. Approved.

XIII. **Unscheduled Business.**

- a. C. Springer made a motion to approve. J. Rowland second. Voted. Approved.
 - i. Meeting Adjourned at 3:56 p.m.