

**FINANCE COMMITTEE  
JANUARY 12, 2015 AT 6:16 P.M.  
LINCOLN CENTER – 1519 WATER STREET**

PRESENT: Ald. Patton, R. Stroik, O’Meara, Slowinski and Phillips

ALSO

PRESENT: Mayor Wescott; C/T Ladick; City Attorney Beveridge; Clerk Moe; Directors Lemke, Schrader, Schatschneider, Ostrowski; Ald. Wiza, Trzebiatowski, Moore, Doxtator, Walther; Fire Chief Finn; Police Chief Ruder; Asst. Police Chief Skibba; Brandi Makuski; Nate Enwald; Mykayla Hilgart; Barb Jacob; Cathy Dugan; Bill Schierl; Greg Wright; Lloyd Graff; Shaun Morrow, Reid Rocheleau; Bob Larson

**ITEM #1 – INFORMATIONAL PRESENTATION ON THE CITY’S INVESTMENT POLICY AND LONG-TERM INVESTMENT STRATEGIES.**

C/T Ladick reviewed the attached presentation, giving an overview of the City’s current investment policy, and the strategies that he intends to employ going forward. He explained that in the past, almost all of the City’s investments have been kept very short-term, which has exposed the City to considerable volatility in revenues as changes in interest rates immediately affect revenues. The volatility is also difficult to budget for, which has caused significant variances between budgeted and actual interest revenues in the past. He stated that longer term investments will reduce this volatility.

C/T Ladick went on to review the current investment policy, which was approved in 2010, and explained that through the investment policy the City Council exercises control over the investment process, and sets guidelines for the Comptroller-Treasurer to follow. He went on to review specific requirements and the allowable investments listed in the policy. He explained that currently almost all of the City’s investments are in bank or credit union deposits, with the exception of several endowment funds which are invested in longer term government bonds. He recommended that we should now be thinking about adding government bonds to the investment portfolio of the general fund.

C/T Ladick went on to review comparable local governments, and their investments in government bonds, which are primarily in bonds of federal government agencies and enterprises.

C/T Ladick closed by stating that the strategy going forward should be to start adding long-term government bonds to the general fund over time. This is expected to increase interest revenues over the short-term while also stabilizing interest revenues over the long-term. He gave an important disclosure that bonds will show on the financial statements at their market value, meaning that the asset values could change based on changes in interest rates. These changes could have an effect on fund balance. He stated that since these investments are already authorized in the investment policy, no additional approval from the City Council is required. However, if anyone has any concerns or would like to discuss this further, he would be happy to have that conversation.

**ITEM #2 – AUTHORIZATION TO FUND THE DEMOLITION OF THE STRUCTURE AT 172 WEST CLARK STREET.**

Motion made by Ald. O’Meara, seconded by Ald. R. Stroik to authorize the demolition of the structure at 172 West Clark Street with funding to come from contingency in an amount of up to \$11,000.

Cathy Dugan questioned what we were going to do with the land. She also stated that she is seeing a lot of demolition lately as where in the past we would move houses and questioned if this would be possible with this house. Ald. Patton stated the land was going to be used for the park and the house is not movable, per the Parks Director.

Ald. Wiza questioned if the demolition could be done with City staff. Ald. Patton replied no, for liability reasons.

Ayes: All                      Nays: None                      Motion carried.

**ITEM #3 – REQUEST FROM THE ARTS ALLIANCE OF PORTAGE COUNTY FOR FUNDING OF THE CENTER FOR ENTREPRENEURSHIP AND CREATIVITY.**

Ald. Patton stated if this is approved, the \$5,000 or \$10,000 would need to come from contingency for 2015, but would need to be budgeted for in 2016 and 2017.

Greg Wright from the Arts Alliance stated the basic idea for this is coming from what is being done in a lot of urban areas and is called an Innovation District, which moves business entrepreneurs into the heart of a City. He stated they are looking at a small City adaptation of that with the process of restoring the Fox. He stated they are looking at the first floor space available in the Children's Museum, 1100 Main Street, as well as the second floor of the Q Gallery, which is currently unoccupied. This would also be in partnership with the restoration of the Fox, which would serve as an auditorium for civic use and entrepreneurship, business conventions, trade shows and other sorts of programming.

There is a model they are looking at for internships with the University that involves some theatre space as well and adding a "Maker's Space". The "Maker's Space" would provide access to technology for the public for product development, education, and creativity. This technology could include 3D printing, a CNC machine, computer labs and the software that people use in industry so that they can develop job skills both for our manufacturing industry and for other businesses. He stated they will also be working on co-working space, which is flexible and leasable office space for entrepreneurs that are looking to get their feet on the ground in the business world. That would be paired with entrepreneurial educational services so that those budding entrepreneurs could get resources from the community to partner with the University and Mid-State as well as other local businesses to try to get the information they need to be successful. This will all be a part of the Center for Entrepreneurship and Creativity.

Bill Schierl, also from the Arts Alliance, added that they see it as both a public and private sector contribution. The City is not going to be their only request for funds as they are trying to build a budget for three years to know that through private and public contributions they will have some stability for three years. If at the end of three years, it hasn't been successful, we are going to know why. He does not believe that will be the case as they have done a lot of research and they have a lot of detailed information about it.

Ald. R. Stroik questioned if this is a Portage County initiative, similar to what Marathon County has and is extremely successful. He highly encourages this as he has used the facility in Marathon County several times and it is a great place. He questioned how the Arts Alliance got to be the driver of the business incubator.

Greg Wright replied that is a common question they get and what is being seen across the country is State and National Arts Advocacy groups have shifted their focus away from supporting the Arts to focusing more on the impact of creativity in the community. Both Madison and Milwaukee had groups called Arts Advocacy groups and now they are called Creative Milwaukee and Creative Madison as they shift to creativity as their focus. The Arts Alliance recently launched this initiative that they are calling Create Portage County for the

same objective, trying to go with the saying, "Creativity is essential to a healthy community." He stated they just did a partnership with the CVB on making Portage County an Arts destination for tourism and it had almost a million dollars of impact in increasing the budget for arts marketing to Madison and Milwaukee to get more tourists to come to the area for arts programming.

Ald. R. Stroik stated he applauds them for taking the lead and doing this.

Motion made by Ald. R. Stroik, seconded by Ald. O'Meara to approve the request from the Arts Alliance of Portage County for funding of the Center of Entrepreneurship and Creativity in the amount of \$10,000 per year for 3 years.

C/T Ladick questioned if they were just approving the commitment, and if the Finance Committee wants it brought back when they have their funding sources lined up and their budget set, or if this is intended to be the final approval of the finance committee.

Ald. R. Stroik stated he doesn't know if the City will have a say on the Advisory Board or if there is anything we can do to make sure we are good stewards of the money, but he said we need to plant the seeds and in this case he thinks the seeds are the initial dollars that is going to set it up. He feels that as a steward of the communities money, this is a fantastic opportunity for us to take the lead role and that the \$30,000 from the City will return in new business, new opportunity and future employment at least tenfold.

Ald. O'Meara commented that by us committing the money up front, it helps them when they have to go to others to ask for money and he thinks it is a worthwhile effort. He thinks it is important and we should challenge the rest of the community to do their part.

Ald. Phillips questioned what the timetable is on this.

Bill Schierl stated that the symphony is currently moving out of the office space that they have been in and are moving into the Scarabocchio Museum, so with that move that office space would be immediately available and next month they will have the sign up and will start actively engaging people to use that space. The rest of it will be dependent on developing the budget for 3 years. He does not want to speculate on when they would be open at this point, due to not having all the funding yet. He offered to come back six months from now to report on it and would be happy to update at any interval.

Ald. Phillips questioned if they thought in maybe 2 -3 years, Bill Schierl replied definitely and they would like to be open before that time.

Ald. Wiza stated that he had the opportunity to meet with this group and go over their plans and he stated it is an exciting opportunity for the area. It is a great opportunity to bring together all the facets of the community, City, County and University. He encourages voting in favor of it and stated he will be voting in favor of it at Council.

Cathy Dugan questioned why we are having a business incubator downtown, why not the former Vettors or SNE.

Greg Wright stated it is too far away and the problem is that no one would know about it and would never stumble in there. It has more of an impact when you have it where the people are.

Ald. Slowinski stated he supports the program and the contribution but would like the update to see how things are progressing.

Bill Schierl stated they would be back in July.

Ald. Patton stated he believes it is a great program, but wanted to remind everyone that next year is going to be a hard year and we need to keep the budget in mind.

Ayes: All

Nays: None

Motion carried.

**ITEM #4 – APPROVAL OF PAYMENT OF CLAIMS.**

Motion made by Ald. O’Meara, seconded by Ald. Phillips to approve the claims in the amount of \$1,427,900.06.

The claims were discussed.

Adjournment at 6:59 P.M.

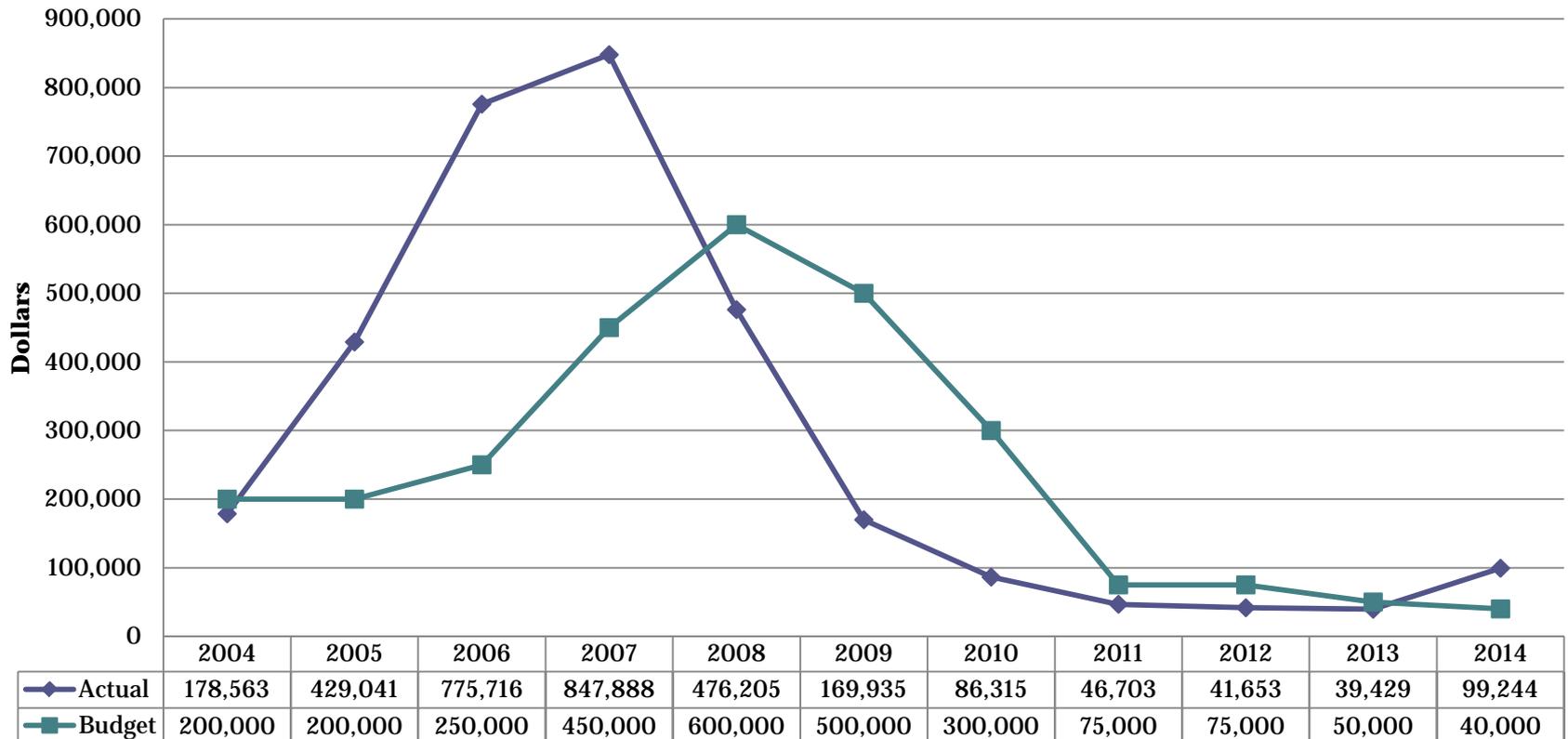
# Overview of Investment Policy and Strategy

Corey Ladick: Comptroller-Treasurer



# The Problem-Unstable Interest Revenue

## Interest Income-City of Stevens Point



# Investment Policy

- Sets the Guidelines for how Comptroller-Treasurer carries out Investment Function
- How the Governing Body (Council) exercises authority over investments
- State Statutes Also Apply (66.0603)
  - City Policy slightly more limiting than the statutes

# Investment Policy-Specifics

- **No more than 50% of portfolio in one institution or security type**
  - Don't put all the eggs in one basket
- **Ranks Objectives in order of importance**
  - 1) Safety
  - 2) Liquidity
  - 3) Return
- **Ethical Requirements of Comptroller-Treasurer**
  - Disclose Material Interests in Financial Institutions
  - Refrain from Personal Business with the same individuals involved in City Business

# Investment Policy-Specifics

- **Specifies Allowable Investments**
  - **Bank/Credit Union Deposits**
  - **Bonds Issued or guaranteed by the Federal Government, or an instrumentality of the Federal Government**
  - **Bonds of any local government in the State of Wisconsin**
  - **Local Government Investment Pools**

# Current Investments

- **Vast Majority in Bank Deposits**
- **Endowments Invested in Longer Term Government Bonds**
  - **Housing Trust Fund**
  - **Arts Endowment**
  - **Library Endowment**
- **Need to Think about General Fund**

# Comparable Local Governments

- **Portage County**
  - **\$18.0 Million in Federal Government Agency Securities**
    - \$6.4 Million: Federal Home Loan Mortgage Corp.
    - \$5.4 Million: Federal National Mortgage Association
    - \$2.8 Million: Federal Farm Credit Bank
    - \$2.1 Million: Government National Mortgage Association
- **City of Wausau**
  - **18.3 Million in Federal Government Agency Securities**
    - \$3.6 Million: Federal Home Loan Mortgage Corp.
    - \$3.2 Million: Federal Home Loan Bank
    - \$2.5 Million: Federal National Mortgage Association

# Comparable Local Governments (Cont.)

- **City of Marshfield**
  - **3.0 Million in Federal Government Agency Securities**
    - \$2.0 Million: Federal National Mortgage Association
    - \$1.0 Million: Federal Home Loan Bank
- **City of Wisconsin Rapids**
  - **4.0 Million: Repurchase Agreement**

# Strategy Going Forward

- **Start Adding Longer-Term Investments Over Time**
  - **Mostly Federal Government Agency Bonds**
    - *Already Authorized in the Investment Policy*
- **Will Increase Interest Revenue over the Short-Term**
- **Stabilize Interest Revenue over the Long-Term**
- **Important: Changes in Market Values could affect Fund Balance.**