



City of Fort Wright

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City of Fort Wright Caucus Meeting Wednesday, June 17, 2020 – 6:00 PM

CALL TO ORDER

The Caucus Meeting was called to order at 6:16 PM by Mayor Hatter following the conclusion of the Special Council Meeting.

CITIZEN COMMENTS/GUESTS

There were no citizen comments or guests.

Mayor Hatter requested an amendment to the agenda to include discussion about Devou Lofts. He said the current president of the Homeowners Association of Devou Lofts reached out to him to request financial assistance from the City on a project. He said he told the HOA president the city cannot legally and will not give the HOA money. Mayor Hatter said the president came back with a second angle, saying that a long time ago the City discussed doing things like this in general, such as a loan or grant for homeowners who need assistance. He said he told the president he would bring it to Council for a discussion, and that the HOA is requesting approximately \$24,500.

Councilman Wessels made a motion to amend the agenda to include discussion about the Devou Lofts request. Councilman Feinauer made a second. City Clerk Maura Russell called the roll.

Councilman Abeln	Yes
Councilman Feinauer	Yes
Councilman Wall	Yes
Councilman Weber	Yes
Councilman Wessels	Yes
Councilwoman Witt	Yes

MOTION CARRIED

ITEMS FOR DISCUSSION

Financial Services & Investment Proposal for Public Funds

Mayor Hatter said the Finance Committee has been meeting with various investment companies and banks and reviewing proposals. He turned the discussion over to the Finance Committee.

Councilman Wessels began by thanking Councilman Weber for the work he put into this by writing the draft Investment Policy, which Council will consider to tell advisors how to invest City money, and the time he put into this process. He continued by saying the firms the Finance Committee met with were all good firms and there were no negative things to say about any of them. He said they went into this with a conservative mindset and two issues. He said the first is ensuring Ms. Bailey has access to funds on a daily basis and for budgeting going forward. He said the second issue is having access to long- and short-term investments that range from 90 days to four or five years. He said the state of Kentucky dictates

what the City can and cannot invest in, and each firm interviewed seemed well versed in the Kentucky statute with different views of their investment policies.

Councilman Weber said they met with the Kentucky League of Cities, BB&T Bank, Republic Bank, and RedTree Investment Group. He started with KLC and said they deserve some credit for starting an investment program when the state of Kentucky has not done anything. He said they are contracted with a bank to handle the three funds, an equity fund with interest income, a debt fund of bonds with minimum credit ratings required, and a smorgasbord of S&P 500 diversified stocks, which has more growth and more risk. He said KLC's plan makes it easy for a city to get into investments with very little time involved.

Councilman Weber then discussed BB&T, saying an investment person came to speak with them and that person does the buying. He said this bank is not as geared to the city investment side, as they are just now getting into this market. He said they seemed like they could do it, just did not have it planned out very well yet. Councilman Wessels reminded Council that the City current banks with BB&T and two years ago was earning less than 1% on the \$8 million held there. He said Ms. Bailey called to ask about this and suddenly the interest rate went up. He said this speaks to the City wanting someone watching the investments for us.

Mayor Hatter said he agrees with Councilman Wessels and Councilman Weber, that the City is looking for a proactive partner who has the best interests of the residents in mind because it is their money. Councilman Wessels said that was in the back of their minds with every presentation.

Councilman Wessels said for full disclosure he does business with all the groups interviewed. He said his focus was for Ms. Bailey and her daily needs and how quickly she could access money. He said they were also sensitive to Mayor Hatter's security needs on who had access to the accounts.

Councilman Weber said Republic Bank does not do investments, but they recommended RedTree Investment Group. He said they only work with cities, schools, and other public entities, and they do not do any investing for individuals. Councilman Wessels said they are very cautious because any screw up could affect every city they do business with. Councilman Weber listed several cities they do business with and Councilman Wessels said they are not currently working with any Kentucky cities, but looking to break into the market.

Councilman Weber said the state of Ohio has the same investment aim for cities as Kentucky, to allow cities to invest for bigger returns. He said the president of RedTree is from Kentucky and the individual who would handle the City of Fort Wright's account lives in Newport and wants to do more work in Kentucky. He said they were very professional and knew what was going on. He recommended having them attend an upcoming Council meeting to introduce themselves. Councilman Weber also said RedTree has looked at the pending investment policy and suggested a couple of improvements, which he will make and pass to City Attorney Whittaker.

Mayor Hatter said in full disclosure he was not involved in any of the selection process but learned that RedTree is a client of the company for which he works.

Ms. Bailey said they have approximately 250 public-entity clients, including sizeable cities in Ohio. Councilman Wessels said they seemed to be more conservative than even the City Council. He said Council knows this is not their money, and they want to watch it to provide a solid base for taxpayers.

Councilman Weber said RedTree's fees are competitive. Councilman Abeln asked about transparency for those fees and to the citizens. He also inquired on RedTree's history of performance and of their people, including staff turnover, as he feels that should all be considered.

Councilman Wessels said one attendee at their meeting was the principal owner. Councilman Weber said the man from Newport would be the City's investment person. Ms. Bailey commented on fees, saying it is roughly \$1,000 per each \$1 million invested, and that those numbers are included in the budget.

Councilman Weber referenced Councilman Abeln's point about transparency and said the Kentucky statute requires City Council be apprised every month of the status of investment accounts. He said RedTree would make a report to the Finance Committee, who would in turn report to Council. Councilman Wessels suggested having City Treasurer/Senior Deputy Clerk Susan Ellis attend to explain the reports further.

Councilman Feinauer asked how long RedTree has been in business, and Councilman Weber said approximately 10 years. Councilman Wessels added that they used to be part of another firm. Ms. Bailey added that RedTree is not the investors, they are advisors. She said the money is housed at US Bank and the City authorizes RedTree to do transactions on our behalf, granting them the ability to invest the money as a third party. Councilman Weber said this provides another layer of protection, as the City will also receive monthly reports from the bank. Ms. Bailey said this is an added checks-and-balances component.

Councilman Wessels asked for thoughts on what the other Councilmembers would like to see. He suggested having RedTree come to a future meeting to do a full presentation, as the Finance Committee is recommending them for investing. Councilman Weber reminded Council that they will have to approve the investment policy that is in draft form right now, as well as approve the investment company chosen.

Councilman Abeln said he would like to see set expectations on the investments, such as a green light means the investments are doing well and if there is a yellow light someone can explain what is happening. Councilman Wessels said the track record is in the packet Councilmembers were given. Ms. Bailey said a hypothetical \$3 million investment was given as well. She said her concern was paying more in fees than getting in return, and she said RedTree indicated that would not be the case.

Councilman Wessels and Councilman Weber discussed the types of instruments available for investing through RedTree, including secure bonds and short-term CDs. Councilman Weber said the option to use Kentucky bonds, like the Sanitation District or the Water District is available.

Councilwoman Witt asked about the flexibility if something happens with a budget shortfall with the state and something happens where the City needs to pull back money. Councilman Wessels said that is something Council would discuss, as the lengths of investment vary from six months to a year, or four or five. He said the option is always available to redeem cash in the short-term for emergency situations. Councilman Weber reiterated this, saying it is all marketable stuff, but depending on the interest rate some principle could be lost. Mayor Hatter agreed with Councilwoman Witt's point, saying he thinks there are three important factors to consider. He said the first is the investment policies, then deciding who to work with. He said the third point is how much money to put in, then the subset is the mix. Ms.

Bailey also said RedTree indicated they would help with those issues, such as having enough cash to meet payroll and float through projects.

Councilwoman Witt also said she likes the idea of using an institution where the City does not currently have an affiliation, to diversify who the City is working with for protection. Councilman Wessels said the existing account policy requires Mayor Hatter and Ms. Bailey to be present to open. Ms. Bailey said she and the Mayor are the only two who can open or close accounts, and another person must be present as well.

Mayor Hatter asked if the investment policy could also be reviewed by the auditors. Ms. Bailey said no one else has looked at it aside from RedTree providing comments. She said it will need to go through a legal review and can go to the auditor as well before it comes back to Council for a vote. Councilman Weber said they will follow the law as written, and Councilman Wessels told them whatever was put in needs to be accessible because residents' money does not need to be held up if it is needed. He said this helps get closer to knowing what the City needs over a longer period. Councilman Wessels commented that it would be nice if the returns could pay for another staff member.

Councilman Abeln asked how close to a decision is Council and when is the target to transfer funds. Councilman Weber replied that once the policy and investment firm is approved, it will take time to move the funds around. Mayor Hatter responded, saying about a month or two for the policy then they will meet with RedTree to begin the mechanics of moving the money.

Ms. Bailey reminded Council that RedTree is the investment component, but also that the Finance Committee is considering Republic Bank for general banking purposes. She said by moving to Republic Bank the City will save on fees and will have a zero-balance checking account for payroll and positive pay for payroll and checks to verify errors or discrepancies. Ms. Bailey said right now the Police Department makes deposits and with Republic Bank they will provide a deposit scanning system, as well as a courier service if necessary. She said they will also offer the lockbox option. She said it will take time to set up those accounts and move the money.

Councilwoman Witt and Councilman Abeln both asked about expectations, including transparency and feedback. Mayor Hatter said transparency with residents' money is important, but so are expectations on the investments and asked what happens when the return does not do what it should. Councilman Wessels set Council can set internal expectations based on the amount of risk involved with specific investments. Councilman Weber said each investment will have a rate and expectations known at the beginning of the period.

Councilman Weber continued by saying he thinks it would be wise to bring RedTree in for a presentation, to give Council the opportunity to hear from them, and then they can have the draft investment policy once it is looked over by City Attorney Whittaker. He also suggested Ms. Bailey begin working with Republic Bank. Ms. Bailey said Republic Bank is also willing to come to a Council meeting to do a presentation.

Councilman Wall confirmed the relationship between Republic Bank and RedTree Investment Group is that Republic does not have anything do to with RedTree, just recommended them for investment services. Ms. Bailey confirmed this and reiterated that RedTree only deals with public entities and they do not own and are not tied to anything, they just have professional relationships.

Councilwoman Witt asked if it was reasonable to get a presentation geared specifically toward Council and the City's needs or will they just talk about themselves. Mayor Hatter agreed and said Council needs to be prepared to tell them what they want rather than listen to what they have to say.

Councilman Wall requested clarification on the fee structure for RedTree. Ms. Bailey confirmed RedTree will not make any money on the City's investment returns. She said they only receive the fee of \$1,000 per \$1 million annually and they do not have any interest in specific investments because they do not benefit off those. Councilman Weber acknowledged the relationship with RedTree would be fiduciary, as they will be making investments on the City's behalf and not their own.

Ms. Bailey reminded Council that the investment policy might allow them to do things for which they want to be more conservative. She said an example is that the state statute allows stock trading, but that is something this Council may not be comfortable doing. She said they will adopt a policy that is compliant with the state statute but they can be more conservative and provide further direction on how they want the money to be invested and build the portfolio based on how conservative they want to be. She went on to say the returns can be reinvested or taken out as cash. Councilman Wessels said he believes anything earned should be brought back into the City to be used. Councilman Feinauer agreed.

Councilwoman Witt asked if the investment policy would specify what the money is used for when it comes back to the City. Ms. Bailey said it will go into an interest income line item in CIP or the general fund, depending on how Council wants the money used. Councilman Weber agreed that this is another source of income for the City and may help in not raising taxes.

Mayor Hatter said the Finance Committee has put a ton of work into this, using a cautious, judicious approach. He said it is taking longer than they had hoped, but said it is not Council's money, it is the residents' money. He asked if Councilmembers would prefer to have RedTree and Republic Bank present at a Caucus Meeting or a Council Meeting. Councilman Abeln thought the Caucus Meeting setting would be better for discussion, and Councilman Wessels agreed, citing the need to have more time with each of them.

Amended Agenda Item

Mayor Hatter brought up the Devou Lofts item for discussion for which the agenda was amended. He said he forwarded the information he had to each Councilmember. He said when Gene Weaver was Mayor the City discussed potentially putting money aside to help people work on their property, given through a loan-type process. Mayor Hatter said he does not remember why the discussion on this died, but there was never a resolution.

Councilman Wessels said there is a KRS [Kentucky Revised Statute] that permits cities to allow low-interest loans within special districts and it was considered when Christ Hospital was building in the City, allowing a reduced tax rate for a certain period of time. Councilman Abeln said he thinks it was not a lot of money, maybe \$1,000 to \$2,000.

Mayor Hatter said the owners at Devou Lofts are in a bad situation and will be out-of-pocket for a lot of money for something that is not their fault. He suspects some value engineering occurred on previous projects. He said they now have a contract for a certain amount of money and, considering the pandemic with people out of jobs and losing income, this might be a good opportunity for the City to

help. He said the City is sitting on \$7 million in the bank. He said he does not want to get in the business of loaning money, but if the City were to ever do it, this would be a prime case.

Councilman Weber said if the money is not loaned by the City, the City would do the work and assess the homeowners, which would, in essence, be a loan. Mayor Hatter agreed with this point. Councilman Weber continued, saying if they are interested in, for example, a \$25,000 loan, the City would need to know their payment schedule, and would want it paid off in no more than five years.

Ms. Bailey said the Homeowner's Association does have an attorney engaged, and they are requesting \$24,600. She said they have changed attorney, engineer, and president of the HOA. She said the current president indicated they have collected all the money and have in hand \$125,000, but they need approximately \$140,000. She said they have applied for a permit to correct the wall, but have not indicated what they will do about the street and fire hydrant issue. Ms. Bailey said they have a meeting with City officials on Monday.

Councilman Feinauer said if they repair the wall, they need to repair the street. Ms. Bailey said the City is repairing the street.

Fire Chief Steve Schewe discussed the fire hydrant, saying when they came to the City a few years ago they were looking for a waiver to not build to minimum standards for fire protection based on size. He said the hydrants need to meet a certain flow requirement without tying into the local water supply, so they needed to meet minimum spacing distance on the hydrants and install sprinklers. He said the project was approved, but he had not heard anything again until last week when they requested to move the fire hydrant on property. Public Works Director Jeff Bethell said City Engineer Marty Hellman suggested moving the fire hydrant.

Chief Schewe continued, saying the Fire Department was going to test the hydrant one day and determined it had been undermined and washed out, as the ground had moved and the backing was out of place. He said they spoke with John Scheben at the Northern Kentucky Water District, telling him they did not want to test it because it could blow off the main line. He said Mr. Scheben agreed and the Fire Department placed an out-of-service collar on the hydrant. Chief Schewe said this was about three years ago, maybe longer, and there is now no earthen material holding the hydrant in place, so it remains unusable. He said the HOA wants to move it to the other side of the parking pad and the meeting on Monday will discuss that. He said the water main never broke and the hydrant was never tested again. He said they need the whole story on why they would take out the hydrant.

Councilman Abeln asked if the disposition of the hydrant is contingent on the wall project. Chief Schewe said he is not sure, but it seems like they could fix the wall and then regrade around the hydrant.

Ms. Bailey commented that the most recent engineering plans are not the same plans submitted previously and appear to be value engineered to reduce the type of work. Chief Schewe said previously they did not go up and above, but built to the minimum standard possible. Mayor Hatter said if something happens, that is a problem. Councilman Abeln said if there is a collar on it, that is the City's problem.

Councilwoman Witt asked if the City could assess the HOA if the City goes into fix the problem, as it would probably be more cost effective for the HOA. Councilman Weber said that puts Council in the same spot as earlier in the conversation, considering a loan.

City Attorney Justin Whittaker asked Council if they wanted to be the general contractor for this job. He said a loan could be beneficial to finish the project. He continued, saying the City could look into a special assessment to fore bare a foreclosing or collection. He said if they default on the loan then the City could kick in with the assessment to collect on. He said in the meantime, the City is not a general contractor overseeing the project for as long as this continues. He suggested paying for it now then assessing if the HOA does not pay it back. Councilwoman Witt said her worry is the fix the City could pay for to make the correction the right fix. Councilman Weber said the permit process should take care of that, with engineers reviewing the submissions and conditions on the permit.

There was discussion between Councilmembers on how much the loan could be for, including speculating on repayment terms of three years with 2.5% interest. Ms. Bailey commented that it could be cheaper for the HOA to do the project because the City would have to do the bid process and has fees associated with financing. She said there is a meeting on Monday with the HOA to discuss how much they need for the road and fire hydrant repairs. She said the HOA is into this project for a lot of money already. Councilman Abeln suggested putting a clock on this discussion with the HOA and project, as this has taken a long time already.

Mayor Hatter proposed that he would reach back out to his contact, the HOA president, to tell him the City is open to proposals and that he would email his contact to let him know that the City's attorney would be in touch with their attorney. He said this way there would not be a misstep that could come back around if the attorneys deal with it. He continued by saying it important to set the benchmark with the organization that they need to deal with the City in good faith with as little back-and-forth as possible to come up with a reasonable solution.

EXECUTIVE SESSION

Mayor Hatter said the Executive Session was scheduled to discuss the Devou Lofts issue, so there is no need to adjourn at this time.

ADJOURNMENT OF THE CAUCUS MEETING

Councilman Wall made a motion to adjourn the Caucus Meeting. Councilman Abeln made a second. City Clerk Maura Russell called the roll.

Councilman Abeln	Yes
Councilman Feinauer	Yes
Councilman Wall	Yes
Councilman Weber	Yes
Councilman Wessels	Yes
Councilwoman Witt	Yes

The Caucus Meeting adjourned at 7:35 PM.

Attest:



Maura Russell, City Clerk

MOTION CARRIED

Respectfully Submitted,

Dave Hatter, Mayor