MDC THE CHILDREN’S TRUST

FINANCE AND OPERATIONS COMMITTEE MEETING

(IN PERSON QUORUM WITH SOME VIRTUAL ATTENDANTS)

MEETING MINUTES

The MDC Children's Trust Meeting, Finance and Operations Committee Meeting was held on June 5, 2023, commencing at 9:33 a.m., at 3150 Southwest 3rd Avenu, 8th Floor, Training Room, Miami, Florida 33129. The meeting was called to order by Matthew Arsenault, Chair.

AUDIO TRANSCRIPTION

CERTIFIED ORIGINAL

BOARD OF DIRECTORS

MATTHEW ARSENAULT, VICE CHAIR
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LORI HANSON
WILLIAM KIRTLAND
JUANA LEON
SASHA LOPEZ
XIMENA NUNEZ
RACHEL SPECTOR
NATALIE ZEA

PARTICIPANT MEMBERS

MARDEN MUNOZ, WEBAUTHOR
HEIDY VALDES, WELS FOUNDATION

GUESTS

JAVIER GARCIA, CITY NATIONAL BANK
SEAN TRACY, CITY NATIONAL BANK
SCOTT KREIGER, T.D. BANK, N.A.
PAMELA RAMKALAWAN, T.D. BANK, N.A.
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PROCEEDINGS

(Thereupon, the following proceedings were held at
9:33 p.m.)

WELCOME AND OPENING REMARKS

MR. ARSENAULT: It’s about 9:33 so I’m going
to call this Finance and Operations Committee to
order. Mark Troutman is not here today. He’s off
so I’m running the meeting.

PUBLIC COMMENTS

MR. ARSENAULT: First, are there any public
comments?

MS. LEON: There are no public comments, Mr.
Vice Chair.

APPROVAL OF MINUTES

MR. ARSENAULT: Thank you. Okay. The next
item is approval of the May 4, 2023 Finance and
Operations Committee meeting minutes. Can I get a
motion? (Motion for approval and seconded.) All
in favor? Opposed? The minutes are approved.

REVIEW CHILDREN’S TRUST INVESTMENTS

MR. ARSENAULT: Next item is a review of the
Children’s Trust investments. Today, we have
invited the current banking institutions, City
National Bank and T.D. to present on the safety and
liquidity of the funds held in both short- and
long-term investments by the Trust. Our short-term
assets are primarily at T.D. Bank while long-term
investments are held at City. I’m going to hand it
over to Will and Jim to talk through that before
handing it over to our bankers.

MR. HAJ: Yeah, let me just get going. Thank
you, everybody, and thank you to both of our long-
term banking partners for being here.

So, there's been a lot of discussion.
Actually, it’s been in the news the last six months
or so about, you know, banking and the security of
our funds. We are a taxpayer entity to make sure
that our funds are secure.

So, we invited both of our banks to really
just discuss and have a, you know, how safe are our
funds, our investment strategies, and to answer any
questions that the Board may have. I just want to
turn it over to Bill before I introduce everybody.

MR. KIRTLAND: Right. Just to add, I guess, a
little bit detail and maybe adding context to how
our both T.D. Bank and City National will be
presenting today.

So, both of these institutions are qualified
public depositories. I know you've heard us use
that term and bring that up before every time maybe
we've had this discussion because it's very valuable and important, you know, a piece of this discussion and in discussing the safety of the funds at these organizations.

Our investment policy as it's written does value and the management of our fund balance in well in considering how it works with our investment policy is that we do value safety of these funds first and foremost, as well as the liquidity of the funds and as well the return on investment.

So, sort of in that order is how we, you know, we try to make our decisions in how to handle our funds. But I think now what I'll do is kick it over. I'll allow T.D. Bank to present first.

Just primarily, T.D. Bank holds our funds in the, I’ll call it the 1-year basis. We’ve had multiple years of a relationship TD bank. However, the funds that we hold with T.D. Bank are essentially turned over and provided to the service provider organizations.

So, when we deposit our funds directly into T.D. Bank from the tax roll that's received from the county, it goes into our operating account for the immediate liquid funds, as well as layered CDs
that are maybe 30- or 60-, 90-day notes during the
year that we agreed to those interest rates on a
rolling basis.

So, I'll allow maybe a little bit more detail
than how it will be explained by T.D.

MR. KREIGER: Sure. I'm going to get up so
I'm not staring at this direction. Good morning.
My name is Scott Kreiger. I'm the Regional Manager
for Government Banking for T.D. I'm responsible
for all of our public relationships from Maryland
to Florida and I’m based here in south Florida.

T.D.’s very thankful for the relationship
we’ve had with the Children’s Trust for a number of
years. As Bill indicated, we are the operating,
primary operating bank for Children’s Trust. We
handle a lot of the daily operations, payroll,
accounts payables, those kinds of activities, as
well as the short-term investments for CDs.

We work really closely with the finance team
to identify what is the maximum return and also to
preserve the cash flow and liquidity that the
Children's Trust needs to carry out those
operations on a daily basis.

T.D. Bank, what we'll do is Pamela Ramkalawan
is the Relationship Manager for the Children's
Trust and I’m just going to pass out some information to you. I don't want to go through every handout because it would take us quite a bit of time.

But on the left half of the folder is just some information about our company. T.D. Bank is — our holding company is Toronto Dominion Bank in Toronto, Canada. T.D. Bank, N.A. is a U.S. bank. Our headquarters are in Cherry Hill, New Jersey.

We have over 400 billion in assets in the U.S, over 2000 locations in the U.S., and in Florida, we have about 160 store locations in Florida.

On the right side of the folder is more specific information on T.D. Bank in the U.S. and in Florida. We are a AA-rated bank in the U.S., one of the highest ratings of any banks in the U.S.

We also enjoy a superior rating from Global Finance as one of the safest banks in the U.S. as well. We’re well capitalized. Our deposit ratio to loans is very favorable compared to a lot of our peer banks.

And as Bill mentioned, we do collateralize the Children's Trust deposits in accordance with Chapter 280 of the Florida Statutes. And just to give you a little bit of insight on the deposit
collateralization in Florida.

So, for the Children's Trust deposits, we pledge on Federal Home Bank letters of credit as backup security to the Children's Trust deposits above FDIC insurance coverage. What that means is if, God forbid, T.D. Bank would ever fail, the deposits that Children's Trust has with T.D. Bank would be fully protected and you would get every single dollar back.

The way the Florida pool works is it's a contingent liability pool, which means that if a bank in the pool would fail, the other banks would be responsible for any loss that would be incurred if the failing bank isn't purchased by another bank or FDIC doesn't step in to protect that bank.

So, what the pool does is really provide that extra security to your deposits. And all your CDs, all of your liquid deposits into your checking accounts, all those deposits are protected by that coverage pool.

I don't know if you have any specific questions for me regarding T.D. but I think, like I said, I could read through all this. I don't want to because it'll take a lot of time. But, like I said, I think we're a very strong, safe, secure
financial institution and we're definitely here to stay.

We're looking to continue our growth in Florida and into other markets in the U.S. And, like I said, we are very thankful for the relationship we've had with the Children's Trust and we hope that we can continue to provide those financial services to the Trust. I'd be happy to answer any questions you might have.

MR. ARSENAULT: So, just a question on the T.D. program and the collateral. So, right, in the event of a bank failure, would those collateralized assets become the assets of the Trust; is that how it works?

MR. KREIGER: Yes. So, basically what we would do is liquidate the LLC and that would protect, give you the assets back. As I said, if a bank in the pool would fail. So, for instance, if you throw this out, if bank X, Y, Z fails and they're in the pool, the other banks in the pool would be responsible for any loss that that bank would incur based on the market share that they have in deposit.

So, in Florida, T.D. Bank has the third-largest share of public deposits in the State of
Florida. So, our share would be higher than many other banks. But that gives you the guarantee that whatever happens, even if the LLC is for whatever reason, and they're never going to not be there for you, but there's the backup. It's extra backup there from the other member banks' pool.

And in Florida, in order for you to take public deposits, you have to be a member of --

MR. ARSENAULT: Right. So, it's the -- so the loss, you're talking about the other banks would have to cover is the loss --

MR. KREIGER: Right.

MR. ARSENAULT: -- of that collateral?

MR. KREIGER: Right.

MR. ARSENAULT: So, if the collateral, just to use round numbers, you have $1 billion in a deposit. The bank fails. The collateral liquidated only comes up to 900,000. The other T.D. Banks have to cover that 900,000 --

MR. KREIGER: Right.

MR. ARSENAULT: -- loss.

MR. KREIGER: Right. So, for instance, T.D. has a 12 percent market share roughly of the public deposits in Florida right now. We would be responsible for 12 percent of any loss that would,
any gap between the collateral and what would be covered.

MR. ARSENAULT: And do we have, I guess, do we have a -- like who are the other -- like who's the largest QPD banks? Are those --

MR. KREIGER: Sure, we can --

MR. ARSENAULT: -- Are the -- like is the big --

MR. KREIGER: Wells --

MR. ARSENAULT: -- largest?

MR. KREIGER: Wells, Tourist, T.D. are the top three.

MR. ARSENAULT: Okay.

MR. KREIGER: And then we can certainly, Bank of America, I think is number four. And --

MR. ARSENAULT: But they are part of it?

MR. KREIGER: They’re all -- yes.

MR. ARSENAULT: Okay.

MR. KREIGER: You cannot take a public deposit in Florida without being part of the Florida pool.

MR. ARSENAULT: Okay.

MR. KIRTLAND: Yeah, we’re part of it, too.

MR. ARSENAULT: Right.

MR. GERSTEIN: What’s the difference between the pool and IntraFi? The pool IntraFi?
MR. KREIGER: IntraFi.

MR. GERSTEIN: You know the system where all the banks trade CDs and they’re all --

MR. KREIGER: Yeah.

MR. GERSTEIN: -- you put your money in one bank, but the money's actually dispersed in multiple banks?

MS. RAMKALAWAN: He’s talking about CDARs.

MR. KREIGER: CDARs. Thank you. So, --

MR. GERSTEIN: Same, yeah, yeah.

MS. RAMKALAWAN: CDARs.

MR. KREIGER: Yeah, so what that does is it allows you to place CD deposits in multiple banks to stay within the 250 FDIC coverage so that you're covered through multiple banks. But you may have CD money sitting in at Bank of Utah or Washington State or somewhere else. The deposits you have with us or with City National, they're staying local and are used in Florida.

And we, like I said, the protection is that we have collateral that backs those up. We have Federal Home Loan Bank letters of credit that backs the deposits that we have with Children's Trust.

Those deposits when they’re cetered (phonetic) and they're moved among multiple institutions, this
really, the FDIC coverage primarily is what they're
getting. They're not additional collateral
protection on those. So, your protection is
basically that you're distributing your CD proceeds
to multiple banks stated within the FDIC federal
coverage, insurance coverage, I should say.

Any other questions? If you do, feel free to
reach out to me. My card and Pamela's is in the
folder as well. So, we're, like I said, happy to
have a partnership with the Children's Trust and we
look forward to continuing.

MR. ARSENAULT: Well, I guess, could we just
talk rates?

MR. KREIGER: Sure.

MR. ARSENAULT: So, could you just talk about
the rates that we're getting and earning right now
on that short term? It says 08 on there.

MR. KREIGER: While he's looking that up, CD
rates right now up to about five months are our
normal progression, you would think the longer
term, the higher the rate. At about five months,
the yield curve is inverse right now.

MR. ARSENAULT: Right.

MR. KREIGER: So, you probably don't want to
go longer than five months at this point in time.
I know the Fed meets, I think, June 13th, 14th. There's a lot of volatility right now in terms of the percentage of expectation, whether they're going to raise rates or not. Of course, if there is, we will raise rates for the Children's Trust's operating accounts.

And I also want to let me know that we do have an intention to raise ECR in a couple months as well. There are earnings credits that you earned on your operating account to offset service charges. So, we are continually monitoring the rate environment and passing on what we can to the Children's Trust.

MR. KIRTLAND: So, right now we have, I think, about 15 open CDs. Most of them are maturing mid-month of June, July, August. That's how we like to layer them so that they're ready to liquidate here in the summertime. Our highest expenditures with the summer programs. So, right now, we have about $75 million in CDs with T.D. Bank. Those rates vary from about 4.72 percent on the low end up all the way up to 5.25 percent on the high end.

MR. KREIGER: And I think a three month is about 5.4 or --

MS. RAMKALAWAN: 5.4.
MR. KREIGER: 5.45.

MR. ARSENAULT: And those CDs would have to be collateralized as part of --

MR. KREIGER: Right.

MS. RAMKALAWAN: Correct.

MR. KREIGER: Yeah, all public deposits, whether it’s CD or liquid, have to be collateralized by our program.

MR. HAJ: Scott, thank you. All right. Thank you. Gentlemen?

MR. TRACY: All right. Thank you, everyone. It’s great to be here. My name is Sean Tracy. I’m a Corporate Banking Relationship Manager at City National Bank. And I have a Children’s Trust relationship. I’m glad that we were invited to speak today.

Certainly, given the upheaval in the banking markets within the past several months, it’s caused many of our customers concerns about the safety and soundness of their liquidity.

We do have a presentation that we’d like to share with you. Unlike T.D., we are not publicly traded so we’re glad to have this opportunity to share with you some details on our balance sheet, our strengths, and why we would like to maintain
our business relationship with the Children's Trust. I would ask --

MR. GARCIA: May he share the presentation?

MR. TRACY: If you don’t mind, can I ask if -- I was trying to conserve paper. So, it’s 35 pages long, our presentation. I know we only have about five minutes so we're going to hit the highlights here.

Javier Garcia is the Treasurer of the bank and I asked him to present and give an overview. He’ll be glad to answer any questions you may have afterwards. So, thank you.

MR. GARCIA: Thank you, all. I’m not sure if you can but maybe you can share the presentation with them. I think based on the layout here, it might be a lot easier that way.

So, short side out, I’m Javier Garcia, Treasurer of City National Bank. And we’re coming here today to basically tell you about the strengths of our bank and, you know, clarify any questions that you may have.

Just following up on your question a few minutes ago, if you’re part of the T.D.B. program, you’re part of the -- that T.D. spoke about. In terms of IntraFi, that’s a completely separate
product. I mean, IntraFi has -- like ICS is on the -- that same -- the deposit sit like TDA or money market. And then you have CDARs as occurring for the CDs.

Basically, again, that’s another service that we offer. And we’d be, you know, happy to discuss it with you guys.

MR. GERSTEIN: Do you offer that service?

MR. GARCIA: Yes. Yeah, we offer both. So, but basically, with the CDAR basically just let’s take briefly. Explain if you maintain the relationship with the bank that you're working with but what the process will be technically distributed among the network of IntraFi, which is over 3,000 banks at this point.

There’s nothing -- for that CD. But I think based on the values that you keep with us, we’ll be within that limitation. But I will be an attorney.

But once again, just to cover here, basically, what you’re going to be looking for with an entity that you’re working with is strong capital, strong liquidities, strong credit, right?

So, I guess, that’s what we’re coming here to speak about. You’re all familiar with City National Bank and the role we have in Florida.
What we wanted to highlight, you know, part of Q1, one of the most important accomplishments that we had, whether the banking industry as a whole had some deposit attribution that you probably all heard, you know, on the news. We were able to deliver a growth of $560 million in Q1.

We were as close as possible with improvement for our clients. Our clients have work towards different goals. In terms of liquidity, very, very important. Right after SVB, what we did is mobilize all the collateral we had and the capacity to increase it to as much as we could in the event something were to happen.

And we risk or we have about $12 billion that are ready to be available at any given point in time in case there’s some sort of liquidity need. That covers 130 percent. Again, that was Q1 -- 130 percent of all and insured the process of the debt.

We were able to increase the insured and the collateralized deposits from December to Q1 from 41 to 51 percent. So, we’re shrinking the uninsured deposit piece, which is something that the market is closely tracking and targeted.

In terms of capital, as we’ll see in a few minutes, again, we’re well over collateralized and
even if we were to consider all the reliance on investments, we would still have -- of capital for the department.

In terms of investments, you had any questions in -- 97 percent of our investments are backed by the U.S. government. We hold very, very, very little risk from our government portfolios. That is something that is also very important because those securities, we can borrow against those securities at a minimal --

Like, for example, the federal bank only applies 3 percent -- securities. As you know, the government set up the bank funding program. That would be have -- but all our -- are eligible for that program. So, in case of need, we could place them there.

And then last, we would like to speak about our CRE portfolio. That may be another area of concern. And speak about the strengths of the credit of that portfolio.

Just so you know, like in terms of the LTD of our series portfolio, it’s only 52 percent, which is extremely low. So, even in event of stress, downturn of the economy, we have ample room and cushion there to weather any possible, you know,
crisis let’s say.

So, once again, I don't know if you have the presentation in front of you. I’m here in slide 6 just to speak about capital that shows what capitalized requirements are and what our capital rate stood.

As of Q1, you see we have ample capital and growing capital. As Sean mentioned, we’re not public and we don’t distribute dividends so all the earnings that the bank has will -- that income is really -- the capital that we have.

In terms of to touch base on the, you know, what’s in the chatter in the industry about what happens with unrealized losses, what happened here, what happened there, we have on slide 7, it’s just an example of what the home equity for the last -- is and what it will be, even if we were to request a -- all of the investments that the bank currently had run into market and what effect that will have on that --

I think you’ll see there it would only drop down to .6. And then on the right-hand side, you have what would have happened and what happened actually to -- just to show that there’s nothing to do one thing with the other that would end up with
or that they had actually negative equity in the
event they were to request to buy those securities.

They analyze just basically from a Goldman
Sachs analysis. They took out and we’re not
showing the names because we don’t want to, Yn be
putting any other bank names in here. But
basically, they showed a wide range of where banks
stand in terms of TC if they were to request a buy.
-- investments per value.

As you can see here, I mean, we begin toward
the stop at like 1017. Towards the bottom, it’s
like a rock, right around 3 percent. We would
extend towards the very side of that analysis.

Same thing with the CT or CDP ratio. Even if
we were to reclassify all the securities in there,
we’d still have right around $500 million of excess
capital.

What else? In terms of the process as I
mentioned on slide 14, which is very important, on
the left-hand side, you have how we performed in
Q1. On the right-hand side, you have how the
industry performed.

As you can see, in the industry as a whole,
there was a, you know, I don’t know if I would say
it modest or mild attribution in the deposits. And
you can see how our balance sheet, our deposits fell over Q1.

We’re very proud of, you know, delivering these results in Q1. And I guess it differentiates clearly, you know, how we’re familiar with this versus the industry.

In slides 15, 16, it’s more of the same. You can we once again, we did it in the name of the local piers but we have Pierre on how we performed in Q1. I analyzed from basis like 20 percent growth in Q1 versus how the industry of all.

And what I mentioned at the beginning on slide 17, if anyone were having any concerns in terms of liquidity, as I said, we maximized all the available liquidity that equates to 44% to total assets.

As I said, we would have right close to a 140 percent. But as of there, Q1 is 130 percent of -- So, even though, even in the event that all insured deposits were to leave the bank, we’d still have ample liquidity to cover those, you know, that attrition.

Investment portfolio for the bank. Mentioned it at the very beginning that 97 percent is already guaranteed. All this -- should be. Also, for the
QPD program, et cetera, no concerns there. Very, very, very minimal credit risk that is basically seen here as secured money center bank.

What else? In terms of asset quality, on slide 20, you have how we compare to our peer average. That's all public information. You can see their number of loans, past due. And that loans-to-average loans. We performed favorably to the industry on the --

MR. ARSENAULT: What's the date on that chart?

There's no date on that chart?

MR. GARCIA: On 20?

MR. ARSENAULT: Uh-huh.

MR. GARCIA: That's Q1.

MR. ARSENAULT: Q1?

MR. GARCIA: Yeah. Like I said, this is all public information. We had a few slides on Florida as well. And thinking about CRE, because, again, we feel very comfortable with a partner. We believe we're in the state to be if you need to weather a crisis or a storm these days.

You can see that Florida has the state with that has industry. Boom, it’s finally here. So, if you go to the next slide, please. Here, we’re just showing how Florida has been performing, you
know, since even before COVID, especially after COVID, it’s the number one state in the country in terms of population and growth, et cetera.

On the next slide, we also have this slide showing here that for the very first time, Florida offers more jobs than New York. And again, this is something that keeps on growing. The growth in the state has been incredible and the state’s about, once again, like in terms of -- having -- in south Florida makes it extremely comfortable versus other areas.

The next slide just mentioning here how the unemployment rate from First National in Florida and in Miami-Dade County, you can see it’s basically it’s well the -- employment.

So, again, I’m sure you’re all familiar with all this. If we want to take a closer or a different tact and see the exposure, this is just, Yn our approach to credit.

I’m moving into the next slide. Here, we show the breakdown of our CRE portfolio. I mean, not CRE, the entire portfolio. You can see the CRE that has been, you know, an area of concern in the market.

You can see we possess 46 percent of our loan
book with a very, very, very conservative LTD of only 52 percent. If we were to take a different back into the CRE, our position, you can see it’s well diversified with retail at 3 percent, 27 percent -- an office, 16, and all-public 15 percent respectively.

In the next slide, we take a closer look at the CRE portfolio. And that’s something that we need to highlight here. This has the 52 percent LTD is a very, very strong, that service -- at 1.9, which means that even if we were to stress the whole portfolio -- we’d feel very, very comfortable in terms of where we stand and our credit score here.

On the next slide, we have the distribution between retail exposure and geography. You can see here that our portfolio is very well diversified. There’s still one -- that service corporation, an LTD of only 57 percent.

On the next slide, we have the office, I believe. Yeah, office. Once again, very well diversified in terms of the quality of the collateral type and very well diversified in terms of the geography with only 11 percent of our office exposure outside of the State of Florida.
Once again, 1 -- roughly 1.7, that service to give percent LTD. In terms of -- in this slide, once again the strength of Miami-Dade and for it in general. You can see here seven out of the ten office markets in the entire country are in Florida.

You have number one, Miami. Palm Beach, Sarasota, et cetera. And that goes to, you’ve got, you know, San Francisco, Boston, New York, Washington, and all of them. So, this is the right place to be in case you need to -- or if the economy’s going to be facing a downturn.

In the next slide, we have maturities just to further ease any potential concerns. Like we only have about -- here, you can see the total. 10 percent or things like that, a 9 percent. So, that’s over the next three years what the maturity profile looks like, what the LTD is of the different maturities.

Meaning that even if we were to -- we’re still very comfortable with the -- that we have.

Next slide here, we were just, again, just for the sake of -- and I don't know if I’m talking too much or taking too much time -- but here's what the projection is based off of our analysis of the
different markets here in Miami.

You can see here what's expected to happen in the retail space. Here's where we are today. So, here in Miami, the market or this analysis basically projecting very, very, very mild decrease, if anything, here.

Kind of a little bit of a hiccup but then it continues further higher. The next line is the apartment space. And a little bit more about correction in here but as you can see, it's, you know, only very mild compared to other areas of the country.

The next one that we're showing the office space, more of the same. I guess what we're showing here is that, you know, this market here, if you're thinking about CRE compared to what the performance may or may not be, we're looking at a very, very mild correction in the event the economy goes into a recession.

Industrial. In this case, there's nothing even an expiration. The values are expected to continue higher over time. Nothing else to make right here.

And the next slide, we just have a breakout -- of the different topics that I spoke about. I
guess it's if you guys have any questions. I covered this as fast as I could. But I don't know if you have any specific questions for --

MR. ARSENAULT: You're dealing with if there's significant geographic -- Right. A lot Miami-Dade; is that right? How do you deal with commercial real estate and insurance storm risks, right, and definitely impacting the value of the collateralized asset or the assets you have?

MR. GARCIA: Well, as I said, I mean, if we go back to the one where we're showing the CRH, you can see based on the latest appraisals that we have available, the LTDs are extremely, extremely low. I don't know about how we deal with the insurance. In that case, I guess you would have to get advice from someone more familiarized with those topics. I don't know if Sean --

MR. TRACY: Yeah, I mean, I can speak to the insurance issue. I mean, every customer's being impacted by, you know, property casualty, storm. It's a recurring theme where you, you know, the past couple of years, we've seen those amounts double.

MR. ARSENAULT: Uh-huh. But, I guess, my question may be better, more correct that is: Were
the banking standards on insurance requirements, those assets?

MR. TRACY: Well, I mean, it’s typically what we are doing is requiring that they insure it to the replacement cost, but what it would take to build that structure again. I mean, there are certainly times where we will make exceptions given the strength of the liquidity that we have.

And if we were to do something like that, we would monitor that liquidity very closely. But we are not underwriting in general where we would provide significant exceptions to insurance coverage that would not cover the replacement cost value to rebuild that structure again in the event of a storm.

MR. ARSENAULT: And I guess it’s back, I guess, with replacement costs, they say, oh, well, certainly, show this.

MR. TRACY: Yeah, that’s also --

MR. GARCIA: This is so much higher but, I guess, you mentioned before that that service about 1.8 times, I guess, gives us a lot of, you know, comfort. Like we believe, like for the most part, I would not have had any issues in terms of revisiting that insurance and having issues with
the cash flow, et cetera, if it’s still meeting our
guidelines, et cetera.

But again, if you want something specific in
terms of numbers, we can --

MR. ARSENAULT: No. Just to understand. Just
I think it's helpful to understand, right? I know
there's always a desire with local bank, we want
local. But then that just creates a geographic
risk, right, a diversity risk as well for the trust
and trust assets. So, just I think it's important
for the committee to understand the tradeoffs in
that and understanding that. I mean, because if
you have a very geographically --

MR. TRACY: Yeah.

MR. HOFFMAN: -- concentrated, -- yeah, we
believe it’s --

MR. GARCIA: But I understand the situation.
I guess, what we do is underwrite with a very --
like again, it’s not just at the level -- We
stretched all the metrics. And even though in
terms of -- coming a lot higher as well know, based
on the debt service overs that we require -- we
don’t have that issue with us.

MR. TRACY: To drill down on that point a
little bit more, typically, when we are
underwriting a commercial rate and save loan, we stress that projected future rate increases. And, you know, historically we've done about, you know, a 2 and a half to 3 percent.

So, of course, you've seen rates increase, you know, much more significantly than that. But we require our customers to, you know, lock into those rates, lock into rates either via swap or balance sheet loan at the time of closing. And then, you know, we stress that rate nonetheless for potential refinance risks in the future.

And so, that speaks to, I think the loan to value aspect of it when it is, when it does come time to refinance that, you know, given, you know, given increases in, you know, insurance and/or interest rates, there’ll be the ability to sort of that loan value. Thank you.

MR. KIRTLAND: I think just another contextual item to add is as to why we have City National and T.D. Bank here and the reason why this conversation comes up usually this time of year is that we traditionally lock away funds with City National Bank equivalent to or approximately equivalent to the amount that we like to store for the fund balance.
So, essentially if City National has offered us rates for a term of 12 months that are very advantageous, there is some un-foreseeability about what the market will do with rates in the next year. But we also wanted to have them in here today and for the committee to feel secure and the potential decision to go ahead and secure those funds for that duration.

MR. GARCIA: I didn’t bring any market slides but as mentioned earlier, it's looking like, you know, the Fed is going to skip -- in June but there's still a high chance that they may hike again in July. That -- will be the peak of this cycle.

How rapidly they're going to be raised, there's a big disparity between the market and what the Fed issues generally. As of today, I really don’t expect any rate cuts this year, even though the markets, I think it's just kind of one or two towards the very end of the year.

But again, that's very fluid and but, again, a downturn is very, very likely to be to be coming. And I guess, in terms of what form of duration and our primary focus is the decision --

MR. ARSENAULT: Do we know -- I’m sorry to put
you on the spot. I guess, I understand, right the philosophy makes a lot of sense. I guess, the penalty rate on that, though, right, because it’s a 12-months CD. So, should we need to tape into that money, I guess, what’s the penalty on that, right? Because that’s --

MR. KIRTLAND: We’d also like to maybe mitigate the risk of that a little bit by layering -- so they’ll all be maturing together on the same day. So, -- would be not to break or be penalized on the entire, you know, fund balance equivalent but maybe just only the portions of those, like layered CDs that we have.

MR. HOFFMAN: Okay. So, it’s different than what you guys did last year. Last year, it was all maturing on the same date.

MR. TRACY: It would be maturing on the same date but they would be separate CDs. So, if you only needed to tap into maybe a fund balance or an emergency fund to the equivalent of 5 million, you don’t have to break $30 million’ worth of CDs. You only have to break a $5 million CD. But the penalty rate, I'm not necessarily --

MR. TRACY: Yeah, the penalty rate would just basically be calculated by the difference between
whatever we locked in the CD and if rates decrease.

MR. ARSENAULT: Okay.

MR. TRACY: You know, the time value of that –

MR. GERSTEIN: Okay.

MR. TRACY: -- based on how many days to
maturity. And then if rates increase, there would
be no penalty.

MR. ARSENAULT: No penalty.

MR. TRACY: We would just waive it.

MR. ARSENAULT: Okay. Got it. Why do you
want the maturity all on the same date versus
staggered?

MR. KIRTLAND: Well, I suppose because we
wanted to get them invested immediately now. I
mean, they’ve been, if we stagger them now, I guess
we would be holding them in an operating account
with maybe a less-advantageous rate until we
reached the date where we wanted them staggered.
So, that maybe something up for discussion as well.

MR. GERSTEIN: I mean, most institutions, even
in a money market is operating 5/20 time. Five and
a half now, you could get it at almost any place.
So, why we wouldn’t we stagger it so we wouldn’t
have a penalty if you had to break one? Because
some would be earlier; some would be later.

MR. KIRTLAND: Uh-huh.

MR. GERSTEIN: Why wouldn’t we do that?

MR. KIRTLAND: I think the idea would be there’s a collateralization issue there maybe if they’re not --

MS. RAMKALAWAN: --

MR. GARCIA: I mean, I guess there’s a lot -- to your point right now, on the short end is where you get the most advantageous because of the inversion of the curve. But by locking in some percentage of those funds in CDs, you also secure a very, very attractive deal over the median longer term.

So, I guess it matters what you guys are intent to do. But if you’re saying you need the original term, you’re going to get -- by this.

MR. TRACY: You do not anticipate -- to be here, right?

MR. ARSENAULT: Exactly.

MR. RAYES: Is a money market CD available for these types of investments?

MR. KIRTLAND: And the rate is very good like as was stated right now with the conditions. But maybe one of the possible advantages would be if
the rates were to downturn at any point maybe in
the next six months to a year, we have the security
of having a high rate locked away in a CD versus
the money market, which I think is subject to the
volatility of the market.

MR. TRACY: Of course, yeah. Yes, so many
markets, if you bring in new money, they will --
for a period of time, almost like a quasi-CD and
give you a certain amount of movements per month.
I mean, it’s not the same thing as having an
operating account. But these are QPD.

MR. ARSENAULT: Yeah, for QPD.

MR. HOFFMAN: -- are not, right?

MR. SALVER: Well, he’s saying that there are.

They have --

MR. TRACY: Yes. No.

MR. SALVER: No?

MR. HOFFMAN: But my understand is it’s an
allowable asset that the fund can invest in. --

MR. SALVER: So, that would be the answer to
the question.

MR. HOFFMAN: Right.

MR. SALVER: We want to maintain the insurance
as opposed to trying to get that short-term
interest rate then being staggered.
MR. GERSTEIN: Yeah, to follow up on what he said, I didn’t under -- is it a qualified public depository for these funds?

MR. GARCIA: Yes, we are. You collateralize this, has 30 million in CDs. City National Bank has to collateralize them. All public funds, yeah, as part of the product, we need to. That is not an option -- And besides the QPD, if there were to be any concerns in terms of how that program works, you know -- would be another option, I guess, you could say. But --

MR. HAJ: Bill, for the sake of the Board, can you just tell us what’s the percentage of moneys in CDs?

MR. KIRTLAND: A little over 13 percent.

MR. HAJ: Is it --

MR. KIRTLAND: That is what we’re holding with City National.

MR. HAJ: Of the remainder --

MR. KIRTLAND: Right. Of the revenue that we would bring in annually. It’s a little harder to hit that number or give a percentage with T.D. Bank, right, because that balance is constantly going down throughout the year.

MR. GARCIA: All right. Are there any follow-
up questions, you know, feel free to reach out.

   MR. ARSENAULT: Thank you.
   MR. HAJ: Thank you.
   MR. GERSTEIN: Thank you.
   MR. HOFFMAN: Thank you.
   MR. TRACY: Thank you, all.
   MR. ARSENAULT: Any other comments?

PRELIMINARY BUDGET FOR FY 2023-24

   MR. ARSENAULT: Okay, great. Next item, we’re
going to move to the preliminary budget for fiscal
year 2023-24. Today -- is going to do a
presentation. I provided it on the revised -- I’d
roll back -- projections and the five-year fund
balance forecast. So, I’ll hand it over to Jim.

   MR. HAJ: Chair, thank you. So, it’s that
time of year. We have the June preliminary
property appraisal numbers. We have a quick
presentation that we will show again on Thursday.
We sent to all the board members the TRIM
schedules.

   We apologize for getting it out on Thursday,
but June 1st was Thursday so we got the numbers in
the morning. We turned them around quickly and by
the afternoon, we got it to the board.

   So, you-all have in your packets, you have
two. One will be the -- the rollback rate, as well as the -- And today there does not necessarily need to be a decision. It’s more of a discussion. As we will share with the full board and at the July board meeting will the vote will be taking place.

So, just to put some of the budget highlights. The core strategies page is different. They are not 9 and 12. I think my brain was a little off. But just again, it just correlates to the core strategies for the half a mill and the --

MR. KIRTLAND: It actually updated it because I think the schedule had been looped into the agenda. So, I they’re in the agenda and in the packet --

MR. HAJ: Okay.

MR. KIRTLAND: -- as 9 and 12 and the clarifying pages.

MR. HAJ: Okay. So, compared to the final, the last major funding cycle going to this new funding cycle, we’ve increased services 30.4 million, which is 151.9 million on a five-year cycle. And it is broken down to the strategic initiatives through the board retreats and the board’s guidance of the breakdown is 6.95 to early literacy, 570,000 for early childcare, the 19
million that was the youth development that was just approved, 2.8 for health and wellness, and $1 million for program professional development, as well as a lot that we’re doing for infrastructure support.

The TRIM revenues and millage on the second page so the property page came out at 426 billion. 200 million is the roll. A millage rate of the half mil would result in the following financial position. TRIM revenue 202 million and it will yield ad valorem revenues that will sustain our best practices to keep us open to fund balance line.

The millage rate, the rollback rate of .4457 will result in TRIM revenues of 180 million and will yield ad valorem revenues at six below our fund balance line.

And we’re pleased again for the last six or seven years that every year, we continue to drive down our administrative cost for a lot that we’re doing that you’re going to see later on with our IP strategies.

We are now at 5.94. Back in the day in 2016, we were hovering around 10. So, we brought this down under 6 percent for our administrative
expenses.

And then you have the two TRIM schedules and I’m not going to go through these in detail. But there is a TRIM schedule of about three pages, which is the first page and this will, when it is approved, whenever it forms in July, this will get published in the Herald and all different and throughout the different media outlets.

The second page is the fund balance, which we’ll talk about soon. And the third page is just the core strategies where you can analyze for each of those initiatives, the difference in spending from last year to this year. And with that, I’ll turn it over to Bill.

MR. KIRTLAND: Right. These are our required reporting schedules. Maybe they can be a bit difficult to analyze. And in consideration of what the long-term forecast is so I'd like to just jump right into looking at these schedules as they would be reflected in a 5-year scenario and the graph that we presented last meeting.

However, things have shifted around a little bit. As you heard about the revenue projection and the overall total property value of Miami-Dade County.
So, we started getting some information coming in from various other counties maybe in the days leading up to even June 1st about what their market increase or the total value increase was the prior year. So, we started to see this number coming. And whereas we discussed this outlook in last meeting only with a conservative growth of about 5 percent, the first assessment here now is expecting a 12. -- well, it's over 12 percent growth. 12.18 percent growth from last year.

In the prior year, we had 11.73 percent. So, we are seeing some consistency and high growth in the past two years greater than last year. And now I'm going to explain a little bit about this is just again to provide you with a perspective of how we finished the last five-year cycle.

It had a mixture of implementing some tax-increase years and three rollback rate years. We started out nearly at $70 million. But again, for your perspective of where the budget was to start the prior cycle, we had $70 million in fund balance when we finished a total operating budget year of about $138.8 million.

So, now in the two scenarios that are presented in the schedules before that have millage
rate and the rollback rate, you can see that there's a wide gap in the effect next year where we would finish with the half roll -- with the half millage rate at $54.1 million versus the $31.7 million that the rollback rate would finish us at. But, again, this is in perspective of the consideration of adopting a budget in total of $220 million.

So, the half millage rate does finish us a little bit above our target fund balance compared to the rollback rate, which is a little bit below. And then this would maybe be the discussion if there's a rate to adopt in between.

So, can I go to the next schedule -- next chart? Thank you. There's one thing I tried to generate in this 5-year scenario that could be a little bit more difficult to follow than maybe prior graphs that have been presented.

So, usually we like to present more than one rate as multiple scenarios next year, and then in every year following that, we're presenting the same type of strategy. But in this effect or in this scenario, if we were to adopt the rollback rate, which is the orange line that dips below our target fund balance and would be projected to
finish at $31.7 million, if we were to adopt a rollback rate again in the subsequent year and then the remaining years of the cycle, then that would effectively leave our fund balance in a deficit balance below zero at some point.

So, we had to shift the strategy a little bit to offer our committee members some insight into what maybe could be considered in the coming years. So, both rates. We've built a projection where there's four rollback rates from 2526 through 2829, which would be the first year of the next funding cycle.

And essentially, we're giving a two-year perspective right now. At half-millage rate would be a tax increase and would increase our fund balance, but would have an $8.36 average effect on the taxpayer.

And then we would essentially be able to sustain and adopt rollback rate subsequently from 24-25, again to the end of the funding cycle. Adopting a rollback rate next year would take us below our target fund balance, and then we would subsequently, in 24-25, have to consider tax increase rate.

In this scenario, we didn't even propose a
millage rate, the full half-millage rate that we can adopt. We just used a millage rate of 4790. That would take us back to our equivalent fund balance threshold where we feel comfortable operating at.

But actually, even though it's a rate less than the half-millage rate and to me, the minimum rate that we should apply next year, it still has stronger tax effects next year applying that rate than applying the half-millage rate this year.

So, essentially, I'm going to start to let the discussion take over but this is maybe a discussion of where should the fund balance land next year, overall taxpayer effect, but maybe what, I guess, flexibilities or opportunities does it provide to the Trust if we do continue to operate with a fund balance at a level of about $54 million and maybe even climbing considering the rollback rate in the subsequent years.

But in both scenarios, we are attempting to propose adopting rollback rates and an equivalent amount an equivalent amount of rollback rates and an equivalent amount of tax-increase years.

MR. HAJ: Thank you, Bill. And this is important to discuss. So, I do think with the
rollback rate, financially, we can keep the fund. We can play around with it and keep the fund balance where it needs to be. So, I think the larger discussion of the board is where July, we’re starting our healthcare subcommittee to assess how we can do childcare health throughout Miami-Dade and other investment areas.

And that’s, you know, you need some funds to support the programming aspect over the next five years. So, do we keep us where we’re at or -- investment into this community for the next five years and now we need to support it. But does the board want additional investments and that needs to be a discussion to the whole board maybe.

MS. KOBRINSKI: --

MR. SALVER: -- my wife and I’m eating the last ice cream cone.

MR. ARSENault: I think from my perspective, it looks like sort of the issue we’re grappling with, this spread is much more significant than -- and from staying in the half-mill to the rollback rate because of that jump.

MR. KIRTLAND: Yeah.

MR. KOBRINSKI: So, that’s what, you know, in my thought process in this is, you know, I guess
the first question as a committee which I move to
is that dotted line should essentially should be or
-- moving forward. Right. We don't want to have
the trust in a position where our fund balance
falls below that amount. Right. And I think
that's our prudent management of the assets and
oversight of the assets of the Trust.

So, if we believe that to be the case, I
believe that's my position on it, then not
recommend the rollback rate because and it's
projecting that would put us below. Then the
question is: Well, does that mean that it's half-
mill or something else, I think is really the
discussion. That’s my position sort of on the
discussion among the committee.

MR. HOFFMAN: Let me ask a quick question and
just on the projection. So, it said the growth
rate for the past year, I think you said 11 and 12.
And I’ve asked you this before. When you build
these, what roll rate do you project?

MR. KIRTLAND: We were more conservative in
the initial rate that you saw last month. We
discussed with the county's budgeting offices,
which are a separate, you know, entity from the
Property Appraiser Office of the county. And they
were ranging or using the same conservative rates.

In previous years, we have been a lot closer using their model and around 5, 6 percent and that actually occurring. Because only in 2020 or so -- okay. In our previous cycle in 1920, 2021, and 2122, those rates were 6.3 percent, 5.04 percent, and 4.13 percent. So, those --

MR. HAJ: The actual --

MR. KIRTLAND: -- were the actual increases year-to-year. And so, that 5 percent forecasting model that we’ve used for years was actually very accurate. So, it's been the last two years that have been a bit of an anomaly being at 11 and 12 percent.

So, the question would be: Does this continue or do we return back to a more, I guess, what we saw historically these 5 percent growth rates or maybe no growth.

MR. REYES: What --

MR. KIRTLAND: In the future years, we’re being conservative and returning back to a 5-year expectation. So, I guess another 5 percent would be the expectation. So, --

MR. REYES: So, it’s not depending on that wild growth.
MR. KIRTLAND: It’s not continuing to depend on 10 percent plus growth.

UNIDENTIFIED MALE: And 5 percent you said, what was 5 five percent, the years before that you said were in the 6s growth.

MR. KIRTLAND: Right. We had 6.3 percent in 1920, 5 percent in 2021, and then 4.13. So, we actually started decreasing in those years before this rapid increase.

MR. REYES: Okay. Sorry. I just wanted to understand it.

MR. SALVER: First of all, Bill, what are you recommending we do?

MR. KIRTLAND: I am essentially when I was putting this together, I was very encouraged to see the fact that we could consider adopting or proposing this same amount of rollback rates and two scenarios.

Now if there's a rate to consider below the half-millage rate next year and where we target it’s landing exactly at where we want our fund balance next year, my only recommendation to the committee would be that's at the risk of having to potentially announce future tax increase increments if we were to discover future investment
opportunities, as Jim was alluding to will be likely on the forefront.

If we learned anything from the past five years, it’s that every time you think that there's maybe we’re in a stable budget where because we're coming out of these RPs and we’ve set our investments, there's always things year-to-year that we find opportunities to invest in.

So, if you're operating at a millage rate that right at the break even in the fund balance that we want and then a $5 million opportunity comes in, that means that, even though we don't need to have millage rate next year and we just need maybe an incremental rate increase, we have to announce a tax increase every year that we need the additional funds to invest in the opportunity.

So, in our half-millage model next year is it gives us a ceiling to potentially invest in new opportunities in the next two, at least the next two or three years without having to consider adopting a rollback rate.

If we were to adopt the half-millage rate like it's been proposed, it’s that we will have to announce a tax increase next year to sustain spending. We do not have enough revenue right now
to sustain the amount of expenditure commitments we’ve made in the new RP cycle.

So, like I said, any rate in between, I think would be at the risk of maybe from the taxpayer effect and the maybe the public perception of how we're spending money at the Trust is we may operate with our fund balance closer to the target balance next year if we were to adopt a rate in between, but we will have to announce more tax increases in future years if we identify additional investments.

Whereas in our half-millage model here, I think that we could identify those investment opportunities for multiple years and continue to announce a zero taxpayer effect to the taxpayers in multiple years throughout the cycle.

I mean, there's a lot of discussions I know that are pending about how we continue to support provider contracts throughout the cycle, and many of those kinds of discussions can affect this model in the future expenditures. Isaac, I hope that -- that’s a lot of words.

MR. SALVER: There's a lot of words. There’s a lot of words. You did not answer the question. But anyhow, let me just see if I understand this fairly simple chart. The orange line is the
rollback rate?

MR. KIRTLAND: Right.

MR. SALVER: Straight up, this is the rollback rate. And if we go to the rollback rate, we confine our fund balance. The lowest we can find our fund balance, as things exist today, is $32 million?

MR. KIRTLAND: Yes.

MR. SALVER: And then it will only go up from there based on what I'm looking at here.

MR. KIRTLAND: It will increase if we knowingly now that we have to apply a millage rate next year that --

MR. SALVER: That something other --

MR. KIRTLAND: -- is a tax increase.

MR. SALVER: -- something other than --

MR. KIRTLAND: And it has the state taxpayer affect or greater than applying the half-millage this year.

MR. SALVER: Right. So, because, I, you know, I tend to look at the dotted line, which is what the board has recommended as our reserve basically, right?

MR. KIRTLAND: Yes.

MR. SALVER: And, you know, personally, you
know, I think we should stick with what keeps us closest to that. Because if not, if we do go with the half mill, you know, we are almost back in the same position we were, you know, in having 60 million bucks in the bank and, you know, that's really not the position, you know, I want to put the Trust in.

So, I mean, you know, I know that, you know, proper planning would dictate that we look at a five-year scope. But I for some reason, I mean, I don't know if it's old school or just, you know, my school that you know, I'd like to look at this situation one year at a time.

And, you know, that's why it was important to me to hear from you well, for this coming year, you know, what I would suggest, you know, as, you know, I'm not going to suggest the whole five, but I'm not going to suggest the rollback rate. I'm going to suggest maybe something a little bit above the rollback rate.

I mean, I don't mind, you know, announcing a tax increase, you know, if it's, you know, practical, it's not, you know, extreme. And it will still, you know, let the fund balance be at a level where we're comfortable with low enough where
we're comfortable with it.

Because again, we're not in the business of, you know, saving money and accumulating cash. You know, we need to push, you know, cash on the streets. And having, you know, from the lowest point is having 32 million bucks in the bank, we're not broke. And we can probably do anything with $32 million.

And, you know, with the anticipation of getting more and refurbishing and resupplying that at some point in the not-too-distant future. So, you know, so you're telling us that, you know, let's say 4.7 is appropriate for this year, which you were talking about our in-between number?

MR. KIRTLAND: Yeah.

MR. SALVER: I would be in support of that.

MR. KIRTLAND: Just to reiterate, would it still resolve the tax increase?

MR. SALVER: It’ll be -- yes. It will absolutely be a tax increase.

MR. KIRTLAND: Yes.

MR. SALVER: But, you know, it’s not -- it doesn’t potentially put us in a position where we have $63 million in the bank a year and a half from now.
MR. ARSENAULT: I’d like to ask a question.
I’m Imran. You want to go first? Go ahead.
MR. GERSTEIN: You said it will cost a tax.
They say the $8 if the rollback goes in.
MR. KIRTLAND: Right.
MR. GERSTEIN: If we do it your way, what does it actually cost?
MR. KIRTLAND: So, knowing the entire taxpayer effect of --
MR. GERSTEIN: Well, yeah, I mean you said --
MR. KIRTLAND: Right.
MR. GERSTEIN: -- it would cost the $8.
MR. KIRTLAND: Well, that’s just the incremental change from the prior year. I mean, of course, to each taxpayer, it means something differently.
But on average, right, the -- it would -- adopting a rollback rate or adopting a half-millage rate over the rollback rate, the half millage affects the average taxpayer by the $8.36 increment. But next year, if you were to adopt a rollback rate and then the required millage rate to sustain our fund balance, even though it's less than half millage, it would have an $8.82 effect from the prior rollback rate.
So, essentially, we're looking at, even though they have two very different effects on the one-year projection of the fund balance, they have a nearly not identical but they have a very similar --

MR. GERSTEIN: I guess, what I'm asking you is how much more money does an average taxpayer pay if instead of doing the rollback, you do the 5, the half mill?

MR. KIRTLAND: Well, I think it's set at just above $70-some for the average taxpayer if we were to adopt that.

MR. ARSENAULT: Can you come up there to the ledge?

MR. KIRTLAND: Oh, right.

MR. ARSENAULT: 75.5?

MR. KIRTLAND: Right. 75 -- right $75.56 on average. Of course, this has been a number that's been under scrutiny in the past because again, there's just such a wide discrepancy on the high-end, low-end range of the property in the taxpayer effect. This is just trying to draw it, I guess, into one number so we can look at it analytically.

MR. HINCAPIE: So, to follow up what he said, is there an issue picking another rate that's in
between the green line and the red line?

MR. KIRTLAND: I would say that the only issue
would be using a rate that takes us exactly to the
fund balance target next year means that in any
subsequent year after that, we will have to
announce a tax increase if we identify a new
expenditure.

If we identify new expenditures after adopting
half-millage rate, we can continue to use our
existing fund balance and then continue to do adopt
a rollback rate millages without --

MR. HINCAPIE: -- the rates, I’m just trying
to understand, and then the property values went up
another 10 percent, would you get more money in --

MR. KIRTLAND: We would still obtain those off
the rollback rates in those years so --

MR. HINCAPIE: Okay.

MR. KIRTLAND: So, it's independent of the
growth of the property values.

MR. HINCAPIE: I got you.

MR. KIRTLAND: We're just bringing the
equivalent left. That's why the taxpayer effect in
year 24-25 is still greater than or almost equal to
the half-millage rate adoption this year is because
the expectation is --
MR. HINCAPIE: So, you think it’s best to get it over with now and then --

MR. KIRTLAND: I would -- that’s what the projection is saying, right, is that even though it's a higher rate and our fund balance climbs, you know, we did not necessarily want it to climb or get further away from our goal, it has a lesser taxpayer effect than it would be if we rolled back this year and millage applied it next year.

And I think that we can continue to consider rollback rates in subsequent future years in this cycle without having any taxpayer effect.

MR. ARSENAULT: But that shouldn’t have impact. The rollback rate is just matching the same revenue as the previous year. So, right, if I’m understanding the top chart, all the charts with rollback rates, the property values could go up 20 percent.

MR. KIRTLAND: Exactly.

MR. ARSENAULT: It wouldn't matter. That chart wouldn't change.

MR. GERSTEIN: Got it.

MR. ARSENAULT: Right?

MR. KIRTLAND: Right. Exactly.

MR. GERSTEIN: What happens to the mission
that we have if we adopt a rollback? Everything
that we want to do.

MR. KIRTLAND: Everything currently that we
want to do would have the effect of our fund
balance dropping to $30.7 million next year. We
don't have to adjust or cut programs in the one-
year term.

But if there was, for some reason, the
consideration of any rollback rate again two years
from now, then we'd have to consider what we're
doing with our provider initiatives or else the
fund balance would just continue to --

MR. SALVER: So, programs --


MR. SALVER: -- could potentially --

MR. KIRTLAND: Uh-huh. Right.

MR. HOFFMAN: -- have to be cut.

MR. KIRTLAND: As the schedules would show,
right, in the trend proposal is that our revenues
or expenses are in excess of -- right -- our
proposed budget but being $222.8 million. A
rollback rate only brings in the equivalent of
about -- tax revenues of about $108.4 million.

So, at some point, we'd need it to bring in a
millage rate or adopt a millage rate that brings in
our annual revenue somewhere to the equivalent of
the $222 million of budgeted expenditures.

MR. ARSENAULT: There’s an argument to be made
that that tax revenue balance is a proxy for
explaining the growth of our community and the
potential need for services for that community,
right? I mean, every chart we look at is just
growth, growth, growth.

So, to assume that we know, yes, this is all
the Trust is going to have to do is that dotted
line over the next five years. Right? I mean
that's the argument. We’d have to say, hey, we
have this half mill, you know, use it, and provide
services.

MR. SALVER: You know, it’s -- look. How, you
know, how much are you and us willing to, you know,
change or how much of a delta do we want to put on
our current programs, you know, to, you know,
moving forward?

Because we have two choices. You know,
there's nothing, literally nothing from a
governmental perspective that says, well, you can –
that we have to have a $30 million or a $32
million reserve or $35 million reserve. I mean,
there could be several months or a half a year
where we have $10 million.

So, in other words, that delta could come from reserves, even though it brings us below best practices. You know, or that delta can come from new taxes and, you know, growth from, you know, taking it from the community, you know, rather than taking it from within. You know, and I'm, you know, I'm of the feeling maybe we can do a little bit of both.

You know, I don’t mind growing. And, you know, and just because you know, the real estate values, you know, increase, doesn't mean the population increased, although it did, I’m sure. And it doesn’t necessarily mean that our needs change that much.

Really, you know, if you drill it down, it really only means that, you know, the -- that exists in Miami-Dade County is more expensive than it was the prior year. And it’s being reflected on the tax roll.

So, you know, I don’t mind growth. You know, I think we’re doing a great job. But let's, you know, I don't agree with just saying, okay, let’s put the pedal to the metal, you know, see how much money we get, and then we’ll think about how to
spend it. You know, there isn't a medical program that we would need to make investments in. You know, unless budgeting. And let’s, you know, budget it, and come up with a millage rate that supports it and move forward.

You know, I just, you know, I’m not that comfortable with saying, okay, hey, look, the new millage rate might yield us $202 million that we can have and then figure out how to spend it.

I’d rather really have a plan on, you know, what, you know, 2020, 2021 -- what is this, 2024, 2025 that we’re talking about or 2023?


MR. SALVER: 2023 and 2024. Hey, let’s, you know, what is that fiscal year going to look like and what we need to fund the operations there. You know, and personally, I don’t mind dropping this $32 million to $15 million. Because it’s still a ton of money that we’re just sitting on.

MR. KIRTLAND: Well and investing. Right.

MR. SALVER: You know, I’m not saying -- we’re not an investment company.

MR. KIRTLAND: Yeah.

MR. SALVER: We’re here to, you know, to safeguard, educate, you know, and improve the lives
of our children in Dade County.

MR. HINCAPIE: Isaac, that’s in a way, we’re investing in our children. So, I would say that we are in the -- it’s a different type of investment and I would disagree and I would tell you that there are many, many needs.

And yes, you know, for some people it's been good but there are many who have a lot of needs that -- and I foresee really tough times ahead for a lot of our people in our community, especially the disenfranchised. And just --

MR. SALVER: I’m hearing what you’re --

MR. HINCAPIE: So, what I’m suggesting is that we do not do the, you know, the targeted fund balance and that, I don't know if, you know, the recommendation is -- and I’m assuming the recommendation is to stay on the green line as opposed to the red, which is the, you know, whole millage. Is that what you’re saying?

MR. SALVER: You’re contradicting yourself, counsel, because I’m not saying anything different than you are. I'm just saying where the money is coming from.

MR. HINCAPIE: Correct.

MR. SALVER: Like so, holding a fund balance
for the Children's Trust is counterintuitive to what you’re saying. You know, we should spend every single penny we get on programs period. And we’re not in this to --

MR. HINCAPIE: --

MR. SALVER: -- we’re --

MR. HAJ: Let’s let Isaac go ahead. Go ahead, Isaac. And then.

MR. SALVER: Yeah, you know, I mean, I just wanted to make that point. You don't -- we’re saying exactly the same thing.

MR. HINCAPIE: I’m just saying that it shouldn’t come from reserves. That’s what I’m saying. It’s where is it coming from?

(Talking over each other)

MR. HAJ: It’s slightly different than Nelson did. I think if it’s the particular reserve is best practices. I think that exists for us to ensure and to protect continuity of programs that could be in place, needs that the organization may have. I wouldn't be -- I don't think I would go for lowering it, you know, if it’s $10 million. If there’s a need and then we’re going to come close and to come on the fund balance because, I mean, if that’s best practices is set up, I think it
probably makes sense to try to follow what that is. If that’s been determined to be the responsible portion in these types of entities, to keep that fund balance to ensure that you have the operating capital.

I think it makes sense to stick at it. I mean, we’ve worked really hard to preserve -- we worked hard to lower it when it was ridiculously excessive. We’ve always strove to maintain a balance.

So, that part of it I don’t agree with. And I do think that the large disparity does create -- it would make it a little bit more difficult as he said.

MR. GERSTEIN: Two things. One, to address your point. It was interesting. City National had a bunch of charts. One of their charts was that Florida’s the number, the fastig-growing state right now in 1,217 people a day, which translates to 445,000 a year. And clearly, Dade’s going to get a whole lot of those.

So, yeah, we have a lot of new population coming in and they’re going to need a lot of help. But number two, going back to my days at the board from 2004 to 2010, we had virtually no fund
balance when the disaster hit in 2009 and 2010.

And all the programs that we put online, everybody got horrible cuts.

Some of them closed down because they couldn't take it. They were only a year or two into their programs, hired a bunch of people, and they were gone. They took 25, 35 percent cuts because we didn't have a fund balance like this.

So, there was no way to keep the continuity, you know, there. And so, I mean, I have to tell you, I've seen it and there is a downfall coming. I don't know how bad it's going to be. Something's going to happen in the next year. There's not a bank, financial institution that's betting on us being in a robust economy next year.

So, there is a large difference between the red and green line. And maybe we can compromise on this. But you do need to keep a fairly high fund balance just be able to explain it to people.

That's all?

MR. ARSENAULT: Here would be my, I guess, because I understand the timeline for this, right, the July board meeting would be the actual -- the July Finance Committee and then the board to approve the breadth.
MR. HAJ: Correct. July Finance Committee to recommend --

MR. ARSENAULT: So, I think what we’re having is really good conversation here about what you’re saying is, hey, there's a projection of potential future greater need. Right. And I understand and agree with, well, we don’t just want to say, hey, we’ll just keep a bunch of money in the bank because there might be some greater need with that.

I think this understanding, I mean, talk about it. We talk about housing being an issue here, right? We talk about education and challenges with that. So, I mean, I guess what I would like to see is if there's any sort of understanding -- I know you have the five-year cycle for existing programs, what types of things does the Trust see coming down the pike as part of that large population growth, as part of the current challenges in the community where you can demonstrate to say, hey, we might be coming to you in the next year or two for these types of programs because I think that's what you—all need to be able to demonstrate is these are impactful programs, these are programs worth spending money on.

I think having maybe a clearer sense of that
before we go in July to understand that would at least help me to say, okay, I'd be comfortable for more of a cushion for next year understanding that these are your views of the needs of the community above and beyond what we have reviewed as part of the cycle. Is that fair? Does that make sense?

MR. SALVER: You know, from a governmental perspective, you know, I think you guys are under, you know, you’re not understanding the value of the reserve. You know what I’m saying? I think you're over emphasizing the reserve.

You know, reserve funds means funds that are not being used. You know, we're just it's money in the bank. It’s really nothing more than that as it was presented today, why we had two bankers, you know, telling us how safe, you know, our millions and millions of dollars in the bank are going to be, you know, based on the different products that they’re offering us.

You know, I like Nelson, we are in lockstep in our attitude and feeling about putting money on the street because that's where our money really belongs.

MR. HAJ: Uh-huh.

MR. SALVER: So, you know, I don't mind
spending more money. You know, my mindset is not locked into the rollback. I understand that, you know, we might be publishing that we're raising, you know, our millage rate.

But I'm not saying, you know, just, you know, go to five for no reason, you know, for, you know, go to 5.5 mils just to, you know, just to be able to put our hands on $202 million and change. You know, I'm saying if we have a proper plan that requires us spending more money, let's, you know, let's do that.

But I really don't want to sit here collecting the money, watching our reserve go up to $60 million and then figure out how to spend it. Okay. So, you know, Jim noticed this and I'm sure that, you know, the Judge knows this, too. But we've, you know, we've had time to where the public has come to us and said, you know, you guys, you know, are sitting a whole bunch of money that should be on the street.

You know, you guys show us how to get the money on the street. And then, you know, we'll approve an appropriate millage rate to fund whatever you guys, you know, bring to us.

I mean, you know, I think that's fair. And,
you know, again, as far as, you know, bringing the mean reserve rate, you know, down below $32 million, you know, that’s what it’s there for. It’s a reserve. You know, we need things in the reserve.

In our city budget, you know, if there's a hurricane or something like that, and we have unscheduled expenses, you know, we can go out and, you know, hire companies to clean up and or, you know, come and mitigate flooding and this and that.

And it comes out of that and then we, you know, refund it to the levels that we're comfortable. You know, yeah, you know, the amount of 30 million bucks, you know, we're comfortable with that because that really relates to your low administrative cost more than anything else to keep this ship loading properly.

And yes, I mean, if there were fluctuations, you know, in the reserve, and we ever need it, you know, it will affect programs. But that's pretty much on a doomsday, you know, on a doomsday. And, you know, I don't think that's being projected.

You know, yes, there’s going to be going to be some changes in our economy but, you know, I don’t think it’s going to be like 2007, 2008, 2009. So,
anyway, those are my thoughts.

MR. HINCAPIE: To that point, we don't know if it's going to be to the 2007, 2008. However, I do know that in 2008, you know, the Kidship care program was one of the programs that was cut and that was a voices program and it was a program to keep families together. And we had to get -- remove grandkids from their grandparents because the Children's Trust cut it.

I do not think and I feel very passionately about this because it goes in the first programs that I know which ones they are. Kids in foster care and that's not fair.

MR. SALVER: Is that --

MR. HINCAPIE: So, it was back in --

MR. SALVER: -- true?


MR. GERSTEIN: But that was the past. It was bad. I mean, it was bad.

MR. GERSTEIN: It was bad.

MR. SALVER: You know, it was --

MR. HAJ: I understand that was to central heart. I don't know --

MR. HINCAPIE: Right.

(talking over each other)
MR. HINCAPIE: I went on the record to try to open about it. So, I fully support going to the half millage.

MR. GERSTEIN: See, the Trust never coming back and nobody, you know, all of a sudden, there was this horrible crisis. Nobody had put together any reasonable concerns about it at that time.

MR. SALVER: Right.

MR. GERSTEIN: Someone told me, you know, one year, we had 2 million. The next year, we had 10. The next year, we had 20. So, everybody was trying to get the money on the street as fast as possible without necessarily understanding all the potential consequences if the economy suddenly tanked. No one saw that coming like that.

MR. SALVER: Well, you have your work cut out for you.

MR. KIRTLAND: That sounds like fun. Okay. I know I can I just speak to the fact that what makes this exercise challenging at June 1st is that we went into the exercise several months ago involving the board and the committee members saying this is how -- let’s plan around how we’re going to spend this in the next two to three years. But our idea back then was the original or the previous revenue
projection.

So, it coming in this quickly that there's something like 12 percent rather than 5 percent, it would, I guess, the reason it's good to come in June as the fact that we could come in July with maybe a reset decision on what the potential future years to investments would be and we have a different, totally different type of outlook.

MR. HAJ: I'm actually going back. I will try to get the recommendations. But really led to this increase or this five-year RP just came out the door. So, that was where all the money went to. I do know with help, there will be an increase.

I mean, we're going to start meeting. We're in only 150 schools. We're at half the public schools. I'm not talking about charter, public, private, home schools. But how do we -- the main shot is how do we take care of health of our children. I don't know how much the investment will be but there will be additional dollars, and then we'll circle back with other programming if we can.

But going back with the 5 year, we don't know what the future looks like. So, I'd just like to put ourselves in position, and I think we learned
from ’08 just openly accepting -- this community
greatly appreciates what the Trust did during COVID
to support all our providers.

We came out great for COVID just as well. We
had the ability to do so. So, I’d like to continue
doing that, however it looks.

MR. GERSTEIN: How much money do we actually --

MR. KIRTLAND: Oh, well, I mean, year-to-year,
it’s been the rates have been climbing so rapidly
that a few years ago, it might have only been a $1
million and now maybe we're projecting something
like $3 million or something. So, I mean, so I'm
thinking of what our other revenue accounts are.

MR. GERSTEIN: Whether we can develop a
program that’s actually funded from the funds that
we’ve made on our reserve so that people know we’re
holding money to protect the other programs. And
of the money we're making, we're actually spending
again on new programs. So, --

MR. KIRTLAND: I know that they're not going
to be -- well, they're not specifically tied to the
revenue earned. But in the projection, right, is
we're trying to expect the revenue growth based
upon the holdings during the year.
So, in the expenditures side of the budget, what we would like to build into each year's budget in the five years are the additional programs as a result of the revenue effect on the fund balance that we see.

So, I guess that's in short, we are trying to expect what that interest earned will be so that we put it in the programs. I don't know that there's a one-for-one type of line that we can draw but --

MR. ARSENAULT: Over the last ten years, we saw that wasn't a line item that --

MR. KIRTLAND: No, not at all.

MR. HOFFMAN: The interest here and now.

MR. ARSENAULT: The interest, I believe very strongly in the reserve. I think that's part of our management of the Trust. For like this chart heading. But like I guarantee there’s a chart like this shown in 2006 and ’07 where, oh, price per square foot is going to keep going up, right?

You know, so, it can -- it -- we don't know that. I don't know that, but so we have to just be prepared for that. But at the same time manage that. So, I look forward to -- and I don't know if I'm asking I just want to be clear for like a formal recommendation for additional programs and
things like that.

But I just need something to understand what the Trust staff is thinking about, the needs of the community that are potentially coming down the pike above and beyond what we’ve already approved for this cycle.

Right. I think that, I mean, having a sense of that would help us, right, make this recommendation and decisions. What are the needs of the community that you think are coming that are potentially not included in that, you know, fund goal, you know, that would help me in deciding whether, you know, what we think is appropriate for next year.

MR. HAJ: And then we are -- but the needs are huge. I mean, we have to just keep back with our waitlist for our scholarship. We have 2,000 kids on the waitlist scholarships that could eat that money up that we had to waitlist. So, --

MR. SALVER: Scholarships for what?

MR. HAJ: Early childcare scholarships for children and it’s over disenfranchised communities.

MR. HINCAPIE: If you make 1,000 above, you’re still not making it. And you can’t put your kid in early childcare. So, you have to decide between
either working and making money to feed your families or putting your child in daycare.

MR. ARSENAULT: We’re working --

MR. HINCAPIE: I think -- Yeah, I’m sorry. I think we need to, I agree with going back and coming back and tell us the needs. But, you know, I -- we've come a long way since, you know, 2000 -- since the Trust came to be. And I remember days when the community would come and fight. Might be one of them in 2008 and then, you know, other communities in ’10 and ’12.

And in the last few years, we've gotten to a place where the community has come to -- they’ve always trusted the Trust because they’ve managed because we’ve managed because Isaac, you've been here for a long time and you’ve made sure that the finances are where they’re supposed to be in and that there isn’t a shadow of a doubt of impropriety or anything that goes that way.

However, the needs of the community have increased. And I feel that I have complete trust on Jim and the staff that they are doing what’s best for the community, and they are really, and I, you know, I'm a witness because I see, you know, Juliet putting aces all over the place.
And when you do that, when we start looking at adverse childhood experiences, I know that I'm not coming here, you know, and they're just saying, yeah, we'll do it, we'll do it. It's they're doing the things that are -- that I do believe have to be done so that communities and the most disenfranchised one, which are the ones in foster care. But they have nobody to speak for them. And they’re making a difference. So, that's why I fully support the halfway so that you can continue to do the work that you've been doing so well.

MR. ARSENAULT: Matt. I’m going to have to go. Going through the resolutions. If we can go to the resolutions and --

MR. HINCAPIE: Great discussion.

MR. ARSENAULT: Yeah, we’ll pick up the discussion.

MR. HAJ: Happy to do that. Any objection to moving onto to the next agenda item?

UNIDENTIFIED MALE: No.

RESOLUTIONS

MR. ARSENAULT: All right. Resolution 2023-A, authorization being sought to waive the formal competitive procurement process and, contingent
upon the final merger, to enter into contract
agreement with Confident Clouds, LLC, as a result
of a change in agency ownership to merge IT, LLC to
Confident Clouds, LLC, to ensure the continuous
delivery of services for a term of 12 months
commencing October 1, 2023 and ending September 30,
2024.

May I have a motion?

MR. SALVER: Motion.

MR. HINCAPIE: Second.

Any recusals? Any discussion?

MR. HAJ: Mr. Chair, I just -- the full board
-- presentation. So, there is a presentation that
goes with these three resos. I don’t --

MR. SALVER: Just make sure it’s shorter than
the bank.

MR. ARSENAULT: All right. I’ll take the
vote. All in favor, say aye. Opposed?

(Resolution passed.)

Next resolution, 2023-B, authorization to
renew services and execute related agreements with
multiple IT vendors, total amount not to exceed
$1,888,268 inclusive of $50,000 contingency fee for
IT budget and enhancement projects for a term of 12
months with two agreements commencing October 1, 23
and ending September 30, 2024, and request a waiver
of the procurement process.

May I have a motion?

MR. REYES: Motion.

MR. SALVER: Second.

Any recusals? Discussion? Nothing to be heard. To a vote. All in favor say aye. Any opposed? (Resolution passed.)

And then the last resolution, 2023-C, authorization to negotiate and execute contracts with six providers identified herein and selected following a competitive solicitation amount not to exceed $3,473,514, inclusive of a $250,000 contingency for enhancement and unforeseen needs for various terms commencing dates as indicated below and subject to appropriation in each year to support the infrastructure of the Children's Trust.

May I get a motion?

MR. REYES: Motion.

MR. GERSTEIN: Second

MR. ARSENault: Any recusals? Discussion?

Okay. With that, all in favor, say aye. Opposed?

(Resolution passed.)

Those are the resolutions. CEO report?

CEO REPORT
MR. HAJ: Mr. Chair, I’ll be brief. What’s not on here is the TRIM meeting. It’s September 12th to September 19th will be the TRIM meeting. I encourage everyone to be here. We need that to pass our budget for the year.

The Battle of the Books is taking place on July 13th. All our programs participate throughout the community and this is an exciting event.

And the Children’s Press Expo. This is our -- we learned last year -- well, we used to have, doing it at FIU, we had close to 15,000 come through the door.

We heard from the community and we’re now doing it at three sites in the community.

For the last couple years, it’s hot so we’ve found Jim with his AC. So, in July and August that we can have it and these are the dates. Booker T. Washington is the central on July 22nd. July 29th is the South and at Florida Memorial August 5th. So, I hope you can swing by and join us. Thank you, Mr. Chair.

ADJOURNMENT

MR. ARSENAULT: With that, our meeting is adjourned.
(Thereupon, the meeting was adjourned at 11:06 a.m.)

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February 15, 2023