

**Minutes of the Meeting of the Finance Committee of Council
Held in the Council Chambers of the Municipal Building
On Monday, May 9, 2022**

The Chairman, Councilwoman-at-Large Tammy Holtzmeier, called the meeting to order at 7:00 P.M.

Committee Members Present

Chairman, Councilwoman-at-Large Tammy Holtzmeier
Ward 3 Councilman Tony Moore; Ward 2 Councilman Dennis McBride

Others in Attendance

Clerk of Council Barb Brooks; Ward 1 Councilwoman Jennifer Demaline; Law Director John Gasior; Council President Brian Fischer; Mayor Bryan Jensen; Ward 4 Councilman Scott Radcliffe; Councilman-at-Large Craig Witherspoon; Treasurer Kathleen Grisa; Assistant Finance Director Beth Raicevich; Finance Director Bill Logan; Safety/Service Director Duane Streater; Resident Pat Jankowski

Review of the Investment Policy of the City of Avon

Mr. Logan stated that it is good every year or so to have this brief meeting. He said that he came to the Finance Committee about a year ago with the idea of using an outside investment advisor-type group but after looking into that more, and looking into what their fees were going to be and at what interest rates have become, we decided against that. Council actually decided against it when we had a meeting and he was happy for that. We are not in a position where we need an investment advisor. He really just wanted Council to kind of review the investment policy and the policy does call for the Mayor and Finance Director to review it every couple years. We are constantly looking at it and over time, we have added pretty much all of the eligible investments that we are permitted to under Ohio Revised Code. Those eligible investments are listed at the bottom of page 4 of the investment policy, which he has handed out.

Mr. Logan said we are primarily investing with Fifth Third Securities. We have a few investments with Key Bank, and then we have what we call our money market account. So every month we are reconciling this and are preparing the schedules that are sent out to Council. Mr. Logan then re-introduced Treasurer Kathy Grisa and recognized Beth Raicevich, the Assistant Finance Director. He said that each month they are reconciling the investment accounts and all of our operating accounts, which are with Huntington Bank and they are doing it independently of each other. We are keeping up on all the banking every day throughout the month. A lot of times we have our month totally closed and reconciled within three or four business days after the end of the month. So he is blessed that we have both of them, and Council should feel very confident that Ms. Grisa is thorough and looking at everything and questioning anything that comes up that does not quite tie out the right way or looks a little odd. So between her and Ms. Raicevich they are in very good hands.

Mr. Logan said that he just wanted to walk through the investments very briefly and he displayed a schedule on the overhead screen, listing all of the City's investments. So we start with Fifth Third Securities and we have government agencies such as federal home loan bank bonds and Treasury securities, and these generally are made available through Fifth Third Securities. He does not have to go hunting for them normally; Fifth Third will send emails when a certain investment might be coming up and will ask what we want to do. The idea being, though, (and it says this in the investment policy): safety, liquidity, and yield, truly in that order. We are being safe more than anything with the City's investments so we are always watching that safety part of it. So all these different bonds, treasury notes, etc. for the most part are with Fifth Third. We are permitted in the investment policy to invest in Ohio municipal bonds and notes at different agencies of the State of Ohio. We have a few short-term notes, one year

notes, with the cities of Berea, Montgomery, and Rocky River and we have had others in the past. When we can invest in another city's debt, it makes sense to him. With that in mind, we can only invest in other Ohio cities' municipal bonds and notes if they are rated AA2 or better. Our investment policy says that. He brought this up at one time thinking that maybe we should drop it to AA3 and get a little higher yield. AA3 is still a good rating; it is certainly not a speculative rating. He was not going to push that tonight but just know that we will only invest in municipals and even State agencies if they are rated AA2 or better per our policy.

Mr. Logan said that we got into a lot of different CDs and again, this is all through Fifth Third Securities. On the schedule it lists the different banks that these CDs are with but we are purchasing them through Fifth Third Securities. We are purchasing CDs under \$250,000 to capture the FDIC insurance so we do not have to worry about those CDs being collateralized or not being collateralized.

Mr. Logan said that, for the money market portion, we do purchase investments through Key Capital Markets from time to time. And then he is listing the money market accounts that we have with First Federal of Lakewood and First National Bank on Detroit Road and that is what the \$3.5 million dollars is that you see there at First National. Star Plus is the State's local government investment pool and it is run by the State Treasurer's Office. There is a Star Ohio and a Star Plus and we have kept the Star Plus account open. We do not put much money in it because the interest rate is .11% and this was as of the end of April. The rate on the First National account it is .35% and on the First Federal of Lakewood account it is .31%, so that is why we do not put a lot in Star Plus. We have just kept the account open basically in case we ever needed it; it is good to have an account with the Treasurer's Office.

Mr. Logan stated, so total investments as of the end of April are about \$33.6 million dollars. The estimated annual income based on the rates we are getting now is about \$193,000 and underneath that figure on the schedule, the .57% there is the yield on all these investments as of the end of April. That is up from about .50% at the end of March, and up from the end of February. That is going to go up again as rates are going higher, so we will earn some more on our investments.

Mr. Logan said that there is another \$10 to \$11 million dollars, and it fluctuates depending on the time of year when we are getting in certain receipts such as property taxes, TIF revenues, etc., but there is another \$10 to \$11 million dollars in Huntington Bank which we do not classify as investments. That money is liquid; it is needed on a daily basis and we keep that in Huntington Bank. Mr. Logan said that the money market accounts, the \$17.4 million, which is about half of the total investments, that money is liquid also. That money we could get tomorrow if we needed it, and hopefully we will not with the revenues as they are coming in.

Mr. Logan noted that back in April he sent a little summary of our investment policy and it explained the same things that he was more or less talking about right now. We do have depository agreements with these banks that you see listed below on the schedule: First Federal of Lakewood, First National and we have an investment sort of agreement with Fifth Third Securities and Key Bank. One of the things that he wanted to point out, as he mentioned on the second page of this memo, is that, per the Ohio Revised Code, the banks are required to collateralize all of our deposits at 102% so the banks' total deposits for governments here in Ohio, have to have 102% of that amount collateralized. We check that through what is called the Ohio Pooled Collateral Program. If somebody falls below that 102%, we are notified; every agency throughout the State would be notified and we could go on and look and see why but the banks all correct it within a day if they do fall below that 102%.

Mr. Logan said that the other thing he wanted to mention was every year he and Ms. Raicevich are required to get what is called certified public investment manager certification. It is courses that keep

you fresh with how to invest money, what is correct and what is not correct. He thought that it was six hours they have to have every year and they usually get that certification at the annual Government Finance Officers Association Conference. Our State auditors check on that every year to make sure we have that certification for that previous year; if not, we cannot be investing the money and the investment policy does say the Finance Director is responsible for investments. He can designate a second person for that and that is Ms. Raicevich for those same investments but we have to have that CPIM certification.

Mr. Logan stated that, at this point, he is not suggesting or recommending any change to the investment policy. He thinks that they are going to see more and more funds be available for investment over time. In the next five to ten years, the way the TIF monies are coming in and the way the income tax money is coming in, there will be a lot more money available to invest and not have to keep so much in Huntington. Again, between the investments and Huntington, we are at about \$44 to \$45 million dollars of total cash.

Mr. Logan noted that Ms. Grisa works for Council; if she sees something we are not doing exactly right, she needs to come directly to Council. Ms. Grisa has been here almost three years and to the Finance Department, she is more or less an internal auditor. She is auditing what we are doing, she is signing every check that goes through here. Occasionally we will have to do a check without her here but we always give her a copy. So she is signing every check and checking every invoice, so she is a tremendous help to us but to Council really more than anything.

Mr. Radcliffe stated that there is certainly a lot of potential change in the lives of people right now with the markets and world issues, etc. He asked Mr. Logan if, just looking forward from all three of them, there were things that they would want to be able to look out for as signs of things that we need to do differently and take a look at this twice a year now.

Mr. Logan said, again, maybe he is more conservative than some Finance Directors. When he started here 14 years ago, the only thing the Finance Director was investing in was Star Ohio. He had accounts with Fifth Third and First Merit, but the only true investments he had at that time was Star Ohio which at that time was paying around 6% interest. But he did not diversify at all; he bought no federal agencies or bonds or State municipal notes and bonds, or anything. It was all just Star Ohio. If all this money was in Star Ohio right now we would be earning about .10%. We are earning about .57%, which could that be better if we had an investment advisor? It probably could but then we would be paying some of that to the investment advisor. He just likes the safety of what we are doing. Again, half of that money he knows is not locked up. We could get to half of that money tomorrow if there were a true disastrous sort of an emergency. But as far as what is happening in the world, you know these rates are going to get a little higher. We may get a little more when we go out to buy our next agency bonds, etc. but he does not think there is anything that he would change. He does not know how Ms. Grise or Ms. Raicevich feel.

Mr. Radcliffe asked, but our investments right now are \$40 to \$44 million? Mr. Logan said that was counting our cash at Huntington Bank. Mr. Radcliffe said, so the cash at Huntington is like a checking account and you are not going to earn much on that. Mr. Logan said no, very little; it does get a little. Mr. Radcliffe noted so the three-fourths of our total is out in what is called investments and again overall it is at about .57% and maybe that is going to go up a little bit more over the next few months with changes in interest rates. About half of our operating budget is available in terms of cash. Mr. Logan said, yes, call our operating budget \$50 to \$60 million a year true expense-wise; with funds transfers, etc., the numbers are higher but it is in the range of \$60 million. Mr. Radcliffe stated so he thought that is a safe way to hold the community's money, and he does not necessarily believe we need to change anything. It would be nice to see things go up a little bit but then again, we would be paying more when we go out for bonding, etc. so it is a catch-22 there.

Mr. Logan said, yes, and something else to keep in mind is that our investment policy states, again per Ohio Revised Code, that we cannot go out longer than five years, so they can see maturity dates on the schedule for some of these agency notes and bonds. Some are out there at almost at five years and we could certainly allocate more out that way out of our \$33.6 million that we have in investments but he does not want to have it too much out there. There are other schedules that Fifth Third provides us that show the duration of our investments. For right now he was guessing that with the Fifth Third money we are probably at 2-1/2 to 3 years duration on average. We could go out longer and probably earn a little more but again his conservative nature is not to do that. The CDs are for the most part 1, 2, and 3 years with some at 4 and 5 years but that is not a lot of money per CD. Fifth Third Securities in total is \$15.4 million out of this \$33 million that we are talking about. And then Key Capital Markets, we have the same opportunities there to invest in some things with longer maturities, which will get you some more interest but you will also have the risk of those investments being called, the way we call bonds in when interest rates decline. And it is not a bad risk; you still get that interest until they are called. But that is something we could look at.

Mrs. Holtzmeier said, just looking in the short term, our meeting right now is timely because the Fed has increased interest rates twice this year, something they have not done since 2018 and they are telegraphing that they are probably going to do it five or six more times this year. With that being said, she said that she was just looking at what is maturing for us in the next 12 months; just even in this fiscal year, we have three CDs and three bond anticipation notes that are going to mature. It looks like that is third and fourth quarter. She asked Mr. Logan if he would anticipate renewing those funds in a similar category when they mature. If it is maturing in a CD, would we look for another CD at market rate? Mr. Logan said he would rather not have as many CDs. As those mature, he would rather keep that money and buy municipal bonds or notes. As our municipal bonds and notes come up, generally like we did for a lot of time with our City of Avon notes, we rolled them over each year until we got to a certain point and then we bonded them out or in some cases, paid them off. So he is kind of anticipating that those notes that we are in right now may get rolled over in which case we would stay in them and they would have a higher yield, too. One of the Fifth Third reports gets into more detail of everything that is out there. He then displayed a graph of what we have at Fifth Third as of the end of April and they will see the second line down, it says duration 2.22 and that is our average maturity right now, about 2.2 years on those Fifth Third investments. If they look at the rest of our investments, the money market accounts, those have no maturity. Those we can get tomorrow if we need it but, yes, the CDs he would rather take that \$2.9 million and buy a couple different municipal bonds or notes with those.

Mrs. Holtzmeier said that Mr. Logan had talked about our TIF monies coming in and our ability in the future to invest those monies and asked if there was a best practice on how we would invest those funds or would we look at those as a categorical investment or just spread it out. Mr. Logan responded that we would probably treat it like we do the rest of our cash that we are investing. He did not think that we would do anything specific necessarily. TIF funds have to be spent a certain way but as far as investing, we can invest them in any of these same investments, in anything that is laid out in the investment policy.

Mrs. Holtzmeier thanked Mr. Logan and the Finance Department as well as the Council Treasurer. She said that they are recognized and highly noted and we appreciate not having a lot of audit issues as evidence of their good work and she thanked them for that.

Mrs. Holtzmeier adjourned the meeting at 7:28 P.M.

Respectfully submitted by Gail Hayden, Assistant Clerk of Council