

MEMORANDUM

To: Mayor Gregory P. Kurtz
Members of Council

From: Finance Director Vernon Blaze

Date: June 12, 2020

Re: Finance Department Updates

City Investment Portfolio - Balances

The City's Investment Portfolio has had the following Month-End Balances Year-to-Date:

	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>
Star Ohio	\$ 7,590,287	\$ 7,600,930	\$ 7,609,467	\$ 7,615,143	\$ 7,619,828
Star Ohio+	2				
5 th /3 rd Money Markets	3,852,289	4,113,073	4,781,533	5,033,258	5,035,168
5 th /3 rd CD's – Cost	2,780,000	2,535,000	1,874,000	1,629,000	1,629,000
Independence Bank – CD's	<u>18,000,000</u>	<u>18,000,000</u>	<u>18,000,000</u>	<u>18,000,000</u>	<u>18,000,000</u>
Total Portfolio	\$32,222,578	\$32,249,003	\$32,265,000	\$32,277,401	\$32,283,996

This Investment Portfolio has the City in a position of strength for sure. But it also may leave the impression that the City could open up its checkbook and write a \$32 million check right now too. That is just not the case.

Encumbrances, which are commitments to spend a particular sum of money for a particular purpose – facilitated by Purchase Orders – are a very critical offset to either the cash and or investment portfolio balance.

The outstanding Encumbrances at the end of May total almost \$23 million. Subtracting that sum of \$23 million that is already committed for various purposes from the \$32 million investment portfolio leaves a net difference of \$9 million.

General Fund expenditures for 2020 are budgeted at \$24.3 million, or just about \$2 million per month. That \$9 million difference calculated above equates to just over four months of General Fund expenditures in reserve with investment funds.

Based on the Unencumbered All-Fund Balance at the end of May of \$16.5 million, that's a little better eight months of General Fund Expenditures in reserve.

Is the City in a good financial position? For sure. Does that \$32 million investment portfolio mean that the City has unlimited resources to do whatever it wants? Not by a long shot.

City Investment Portfolio – Dividends and Interest

As interest rates have decreased here in 2020, dividend and interest income received by the City has declined significantly as follows:

	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>
Star Ohio	\$11,596	\$10,642	\$ 8,537	\$ 5,675	\$ 4,686
Star Ohio+	2				
Fifth Third	9,698	15,784	7,461	6,726	1,909
Independence Bank – CD’s	<u>31,061</u>	<u>28,605</u>	<u>28,461</u>	<u>28,528</u>	<u>22,202</u>
Total Dividends/Interest	\$52,357	\$55,031	\$44,459	\$40,929	\$28,797

Finance Committee Meeting – Tuesday, June 16, 2020

The Finance Committee of Council will virtually meet at 4:30 PM on Tuesday, June 16, 2020.

The primary Agenda Item will be the discussion of the City’s \$17,375,000 in one-year notes (Bond Anticipation Notes – BANS) that mature during the first week of December.

This subject was written on a little more in-depth herein recently, so all of that won’t be re-written here. In summary, the City has kept a significant amount of its debt in these short-term, one-year BANS over the last number of years.

With the decline in both short and long term interest rates, the question has to be asked – *“Is this an opportune time for the City to lock in these historically low long-term interest rates?”*

The City’s financial advisor, Matt Stuczynski, will be in attendance on Tuesday where both the advantages and disadvantages of keeping the City’s BANS short-term, or converting them to long-term bonds, will be discussed.