

Minutes
Finance Committee Meeting
3:30pm, January 28, 2014
First Floor-North Conference Room, City Hall

Present: Vice Mayor Marc Hunt (Chair) , Councilman Gordon Smith, Councilwoman Gwen Wisler

Staff: Gary Jackson, Barbara Whitehorn, Eric Hardy, Pat Liguori, Tony McDowell

Approval of 10/24/13 Minutes

The 10/24/13 minutes were approved by the committee.

Cash and Investment Policy

Overview

Ms. Pat Liguori, Treasury Services Manager told the committee that on October 22, staff made a presentation to the committee on the City's Cash and Investment Program. At that meeting, the Committee inquired into the existence of a formal investment policy. At that time, we did not have such an adopted policy and staff was asked to bring a policy draft back to the committee for consideration (See attached Investment Policy draft).

Poll of similar municipalities

Ms. Liguori discussed the basic framework that went into the development of the proposed policy. Staff did a poll of our peer group cities and towns to see if they have a policy in place by contacting all ten municipalities participating in the North Carolina Benchmarking Project through the UNC School of Government. Seven cities responded, and five have adopted policies in place. (see attached PowerPoint slide #3).

Ms. Liguori said that our guiding authority is the NC General Statute 159-30. This provides all North Carolina entities managing public funds with guidelines for deposits and investments. In addition, the State Treasurer's Department, Local Government Commission (LGC), is a valuable resource.

Governance

The LGC provides us with information and structure. They require periodic reporting of our cash, investments and debt in addition to our annual Comprehensive Annual Financial Report (CAFR). (See attached Powerpoint slide #5)

Objectives-Liquidity and Yield

The single most important consideration in the management of public funds is safety, Preservation of principal is paramount. To achieve that goal, the City cash management operates only within the strict confines of the General Statutes and monitoring communication from the LGC. Staff also continually monitors our diversification of investment holdings by asset category (such as Government Agency or Commercial Paper or Bank CD) and also by issuer. (See attached PowerPoint slides 4 through 6)

The next guiding principle is liquidity. The City must always have sufficient operating capital to meet all City demands, including paying bills and making payroll as well as having sufficient liquidity to make other necessary transactions that may arise. Idle funds are identified for investment. The City's cash position is reviewed each morning and move funds or make investments, as necessary. (See attached Powerpoint slide #7)

The third and final component of the City's public funds management is yield. of the City uses competitive bidding where appropriate, and staff monitors the marketplace of available investment vehicles.

Twice each year, the LGC updates the List of Pooling Banks, as defined in the Policy. In January, the City put \$6 million out to bid to all banks with a presence in Asheville that were included in the Treasurer's Pooling List. This year, twelve local banks are on the list. Seven banks responded with TD Bank winning \$6 million, which consisted of two different maturities for \$3 million each. When local banks can provide competitive rates for CDs, we believe it's a win-win and look forward to doing this each January with a portion of our cash inflow from ad valorem taxes.

Diversification and local investment

The City's cash and investment holdings at June 30, 2013 were \$100 million dollars and at December 31, 2013, we held \$107 million dollars. (See attached PowerPoint slide #9)

Councilwoman Wisler asked how much we are currently holding in bank certificates of deposits. Ms. Liguori said that we are holding \$1.5 million with Mountain First Bank that is due to mature on 2/5/14. Staff is making preparations to go out to the local banking community for bids on several million dollars collected from ad valorem taxes.

Ms. Jackson asked why every local government wouldn't have an adopted Cash Management Policy. Ms. Liguori said she was not really sure but that perhaps it is because some governments prefer the flexibility of not having formal policies while working within the General Statute framework.

Vice-Mayor Hunt asked for clarifying language to be added, or for the wording to be made more clear, in the description of "liquid deposit accounts" referenced in the Policy. Staff supported the change.

This item will go to full council for consideration on February 11th.

Budget Research Projects

Ms. Barbara Whitehorn, Chief Financial Officer, told the committee that the first week in January, departments began entering their FY 2014-15 budget requests into the City's financial system. This initial phase of the operating budget process will conclude at the end of this week. Budget staff plans to meet with each department to review budget requests. During this time, staff will continue to refine revenue projections, as well as key expenditure estimates.

Additionally, city staff is working on a number of research projects related to the operating budget. These projects include Fees Analysis, Compensation Study, Affordable Housing Study, Stormwater Management, Police Strategic Plan, Nature Center and Tennis Center Management Models, Downtown Law Enforcement, Graffiti Removal Policy, Sunday Transit Service Pilot, Development of Workers Compensation/Liability Reserve Policy, Asset Management and City-owned Land Initiative.

This research is intended to provide detailed information on the impact of programs on the budget as well as to identify potential efficiencies and cost-savings, with a goal of providing informed recommendations to City Council during budget discussions and planning.

Vice Mayor Hunt asked if staff could provide a multi- year look at the operating budget, similar to what staff provides council for capital investments.

Vice Mayor Hunt adjourned the meeting at 4:10 p.m.