

Finance/Administration Committee

November 20, 2018

6:00 PM

1. ROLL CALL:

Committee: Chair David Low, Councilors Candy Koetz and Charla Koeppel.

Staff: Finance Director Joan Swanson, City Manager Chris Workman, and City Recorder Ruth Post.

2. APPROVAL OF MINUTES:

2.1 Minutes of September 10, 2018 -- Councilor Koeppel moved, Councilor Koetz second to approve the minutes of September 10, 2018, as presented. Motion APPROVED 3-0 (Yes: Koeppel, Koetz and Low; No: None.)

3. OLD BUSINESS

3.1 Updating City's Investment Policy -- Ms. Swanson explained that the State wants municipalities to have an up-to-date investment policy and has provided a model policy for Cities to use. She stated the State allows certain types of investments that would not be compatible with a conservative investment philosophy so modifications have been made to the model to eliminate those. There was discussion about larger cities having more available cash and types of investments than Philomath would have. She stated the Oregon Local Government Investment Pool (LGIP) is currently paying about 2.5% and that is currently the only investment the City uses. She stated the State allows a maximum of up to \$48 million to be invested in the Pool and the City of Philomath has about \$10 million.

She suggested that with an updated approved policy the City could continue to keep the majority of funds in the Pool and hire an advisor to invest a portion in higher return products.

Ms. Swanson reviewed the draft proposed Investment Policy dated 11/15/2018 as included in the agenda packet. She emphasized the delegation of authority with the City Council retaining ultimate authority, designation of the Finance Director as the Investment Officer, and the Finance/Administration Committee as the Investment Committee. She stated this would require quarterly meetings for review of the portfolio. Mr. Workman described the difference in the Investment Committee acting as an oversight committee, which is a little different from the Finance/Administration Committee acting as an advisory committee to the Council. He stated this arrangement is similar to the Tree Board meetings within the Public Works Committee agendas.

Ms. Swanson explained reasons for engaging the services of an Investment Adviser to ensure someone with the expertise is able to work with brokers. She stated she would retain management of the Pool account. She described how funds would be dispersed to an investment account for the adviser to manage. Ms. Swanson reviewed the process for vetting an investment adviser and the required licensing.

Ms. Swanson reviewed the investment parameters, noting the types of investments the State would allow but have been excluded from the proposed policy to maintain a more conservative policy. She reviewed the suitable and authorized securities and transactions table. Chair Low described the Federal Instrumentality Securities. She stated that Corporate Bonds are the category that could result in a higher return but noted that only 35% of a portfolio can be invested in this category. There was discussion

about the minimum ratings allowed with corporate bonds. Ms. Swanson noted that CD's were eliminated as an allowed investment from this policy.

Ms. Swanson reviewed the liquidity risk factor options. There was discussion about the parameters of maintaining at least 50% of the funds in the State Pool, and maintaining at least six months of budgeted operating expenses in the State Pool.

Ms. Swanson explained the timing of investments with large capital expenditures such as a new water treatment plant or establishment of a PERS side account. She reviewed the section on investment of proceeds from debt issuance, such as the issuance of bonds for a water treatment plant.

Ms. Swanson reviewed the reporting and disclosure section, including the preparation of at least a quarterly report for the Investment Committee. She stated her expectation would be to benchmark against the Pool. She noted that the City's independent auditor will address compliance with internal controls.

An annual review of the policy by the City Council was discussed.

Chair Low returned to discussion on the internal controls and ensuring compliance with the policy itself and ensuring compliance with the two liquidity tests. There was discussion about the activity reports Ms. Swanson would receive for those funds invested outside the State Pool. There was discussion about the additional responsibility Ms. Swanson would be taking on to direct the investments. Councilor Low described his expertise as a former bank and credit union auditor and the checks and balances built into this policy.

Ms. Swanson reviewed the requirements the State is expecting to accompany a new policy. She stated this policy is only intended to address City funds, while the Urban Renewal Agency funds would remain in the Pool. There was discussion about the State requirement to estimate the low and high range to be invested over the next 12 months. Mr. Workman discussed estimates and reminded the Committee of the conservative nature of the investment tools available. An estimate of \$2-\$4 million was agreed upon to be reported to the state as an estimate.

There was discussion about the policy going to the Oregon Short Term Fund Board for review before taking it to the full City Council for approval.

MOTION: Councilor Koeppe moved, Councilor Koetz second, to approve the draft Investment Policy as presented to be sent to the Oregon Short Term Fund Board for review. Motion APPROVED 3-0 (Yes: Koeppe, Koetz and Low; No: None.)

3.2 Storm Drain Loan Payoff -- Ms. Swanson reported enough savings had been collected in the Storm Drain Fund combined with System Development Charge revenue primarily from The Boulevard Apartments to enable the City to pay off the OECD storm drain loan early for a savings of \$20,000 in interest. She noted the interest rate on the loan was at 6.0%. There was discussion about the value of paying off the loan early.

4. ADJOURNMENT:

Meeting adjourned at 6:49 p.m.

Meeting notes recorded by Ruth Post, City Recorder