

FINDLAY CITY COUNCIL MINUTES

SPECIAL SESSION

October 18, 2016

COUNCIL CHAMBERS

PRESENT: Council President Slough. Councilmembers: Frische, Harrington, Hellmann, Klein, Monday, Niemeyer, Russel, Shindledecker, Watson, Wobser.

Administration: Mayor Mihalik, Law Director Rasmussen, Service-Safety Director Schmelzer, City Auditor Staschiak

ABSENT: Councilmembers: Niemeyer (late arrival), Shindledecker
Administration: Service-Safety Director Schmelzer

Mayor Mihalik called a special session City Council meeting for October 18, 2016 at 6:30pm for the purpose of further discussion of renewing bank depository agreements. Resolution No. 035-2016 received its first reading and was adopted during the October 4, 2016 Regular Session City Council meeting.

President Slough opened the meeting with the Pledge of Allegiance and a moment of silent prayer.

DISCUSSION:

City Auditor Staschiak sent an email to all Councilmembers explaining the process. He welcomed any questions Councilmembers have. This process is straightforward and is a normal part of Council's statutory obligations. It happens every five (5) years. This has to be designated prior to November 1, 2016 because all the bank depository agreements expire November 1, 2016.

Councilman Russel asked if Morgan Stanley and Chase are one and the same. City Auditor Staschiak replied they are not. The summary of the financials page of the September 30, 2016 cash and investments report explains that JP Morgan Chase is a local banking institution. The City has had deposits there at various times, depending on their rates and offerings, over the last five (5) years. In the past, the City has bought investments from their security section. Morgan Stanley is a brokerage firm from which the City bought an investment from. In that particular case, it was for a farm credit, an agency that was bought with interim funds. The yield that shows on the report, the sixty (60) basis points, is the face yield on the bond that the City bought. Council designates depositories that hold actual cash deposits similar to a personal savings account. The active funds he mentioned last City Council meeting are similar to a checking account that bills are paid out of day to day. City Auditor is authorized and trained by the State of Ohio to make investments on behalf of the City. He typically invests between two hundred fifty thousand dollars to a million dollars (\$250,000-\$1,000,000) one to four (1-4) times a month, but has invested up to two million dollars (\$2,000,000) before. City Auditor Staschiak noted that what Councilman Russel is referring to is the source of the investment, not where the investment is located. When City Auditor Staschiak came into office in 2011, he reviewed the City's best practices and the GFOA best practices and determined that there was money at risk in the way it works electronically. For example, when a million dollar (\$1,000,000) treasury bond is purchased from a security broker similar to purchasing personal investments for retirement, his office wired that money out trusting that they would receive the treasury in return. What Council authorized, at that point in time, was to contract a third party company to provide third party custodial services (EVP transactions) which is a delivery, not a purchase. In this particular case and what happens in all cases when doing investments, a broker will make offerings to the City and the City solicits for their investment per the policy from up to three (3) different brokers looking for the best yielding investment for the funds that are being invested. When they agree to purchase it, he turns it over to, in this case, Fifth Third Securities (an independent company under Fifth Third) to manages the transaction process. When a million dollars (\$1,000,000) leaves the City, it does not leave the City until a million-dollar item comes back in its place whether it be an agency treasury or cash, depending on what it is. He uses best practices and best steps to protect the City at all times, which is a process that has been in place for the last five (5) years. Morgan Stanley is not a depository; it is a source of investment. Chase is a local bank and has been a depository for more than five (5) years.

Councilman Russel asked if the Cash Investments Report only show active and interim funds. City Auditor Staschiak replied that is correct.

Councilman Russel asked if the City can only invest interim funds with those who bid on it during a specific timeframe. City Auditor Staschiak replied that Council's investments under 135 is different than depositing. Active and Interim funds can be deposited with the institutions that have been designated as depositories. Money can be invested differently as long as it complies with 135.

Councilman Russel asked if the City can invest with companies that do not necessarily respond to the solicitation of holding the City's interim or active funds. City Auditor Staschiak replied that when he buys an investment, he is not investing in a firm or with a firm. He is buying an investment from a brokerage firm. The City can invest legally into 135 with agencies that are backed by the Federal Government U.S. Treasuries. They have loosened it up with the municipals a little. He is trained to invest in a limited fashion and authorized by the State to invest in corporate paper. He has done that twice in his tenure due to what the rating filing advantages provided. At one point in time, the City's interest income was phenomenal, possibly greater than a million dollars (\$1,000,000) a year. Deputy Auditor Ginger Sampson is in the audience tonight. She works in these accounts daily. There is a computer set up behind her in the City Auditor's Office for her to have easier access to those accounts. That computer is only allowed to do banking. It does not access email or internet sites that are not banks that the City does business with. The guidance the State provides and the training the City Auditor's Office takes on a regular basis keeps them in compliance with 135.

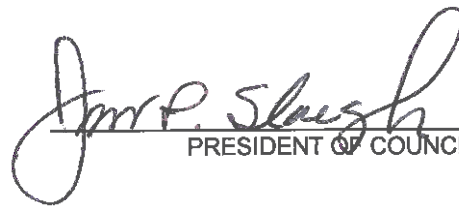
Councilman Russel asked City Auditor Staschiak if he reached out to PNC and if they responded. City Auditor Staschiak replied he did and they did not respond. Councilman Russel asked if the three (3) PNC items on that report need to be liquidated or reinvested someplace else because PNC is not going to be an institution for the City's interim and active funds going forward. City Auditor Staschiak replied no because under 135, those are not deposits with PNC. Those are investments that the City purchased from them on each of the three (3) cases that are on the September report. PNC bought two (2) large pieces of the City's debt that they still hold today. They gave the City a rate of .96% on one (1) of those pieces, which was prenominal in the marketplace when the City went out of debt. Their bid was thirty-five (35) basis points, which is thirty percent (30%) less than anyone else. They held some of the City's interim funds that are associated with that debit. At this point in time, he has not received anything from them, but that is not to say they won't come back and ask. Councilman Russel asked if they can come back later and ask and still be considered. City Auditor Staschiak replied he believes they could. In the past, the City has allowed that to happen.

Councilman Russel asked if there is any concern that the number of organizations that responded were down from previous years. City Auditor Staschiak replied not at this point in time. It is a very challenging money environment. A lot of the banks do not want cash. 135 is slightly outdated and does not reflect the way banks do business with government entities. Banks now charge to hold money. In general, the City has good relationships with all the institutions that they have done business with. If he had any concerns, he would bring them to Council. If he had concerns, it would be more with the process and budgeting.

President Slough adjourned the meeting at 6:44pm.



CLERK OF COUNCIL



PRESIDENT OF COUNCIL