


NOTES

TO: Honorable Mayor and City Council Members

FROM: Michael Cowin, Assistant City Manager 

DATE: September 23, 2020

SUBJECT: Materials for Your Information

Please find attached the following materials for your information:

1. A memo from Andrew Schmidt, Greenville-Pitt County Convention and Visitors Bureau Executive Director, regarding the African American Cultural Trail development
2. A memo from Byron Hayes, Financial Services Director, regarding an update to the City of Greenville Financial policies
3. A memo from Byron Hayes, Financial Services Director, regarding the Retirement Systems Division letter and report on pension spiking

mc

Attachments ..

Memo



Find yourself in good company®

To: Ann E. Wall, City Manager
From: Andrew Schmidt, CVB Executive Director
Date: September 23, 2020
Re: African American Cultural Trail Development

I wanted to share an update on the progress of the development of an African American Cultural Trail for Greenville-Pitt County that I eluded to during my statements supporting such an effort during the public comment period at the October 10, 2019 City Council meeting. As a reminder, the purpose of creating the trail is to not only acknowledge and convey the many contributions that African Americans have made to the growth and prosperity of our city, but to increase the number of diverse cultural offerings for our destination that can help increase leisure travel to Greenville-Pitt County.

The African-American Cultural Trail will incorporate the Sycamore Hill Gateway Plaza located on the Greenville Town Common. The Sycamore Hill Gateway will serve as the starting point for the trail providing a comprehensive historical overview of the residential community and church which once occupied the grounds. Our committee has also identified several other stops and general interest areas that will complete the initial phase of the trail. There have also been fruitful discussions with the Pitt County Arts Council at Emerge to incorporate some trail concepts and African American Art into the Emerald Loop.

The African American Cultural Trail Committee is currently working on finalizing its initial budget and is currently seeking financial partnerships to help the trail come to fruition. Funds raised will help cover the costs of branding and marketing, trail signage, and app development. The African American Cultural Trail Committee would like an opportunity in the future to speak with members of Council to request funding support of our trail development efforts.

Additional information is included with this memo and I encourage any council member to reach out to me should they have questions regarding our efforts.

**Tour Stop 1: The Sycamore Hill Baptist Church
- Sycamore Hill Gateway Plaza, 100 N. Greene St.**

Also to include info on the SHBC Parsonage - Pitt Co. Colored Community Clinic
312 West First St

- Interviews and materials from the Beyond Bricks & Mortar Project:
<https://digital.lib.ecu.edu/search.aspx?q=collection:Beyond%20Bricks%20and%20Mortar>
- ECU Digital Collections images and materials related to the church:
<https://digital.lib.ecu.edu/search.aspx?q=sycamore+hill>

Tour Stop 2: - Town Common - History & stories pre-Urban Renewal

To include early businesses, urban renewal history, neighborhood revitalization & migration patterns into other areas, i.e. Riverdale, etc.

- Urban Renewal:
 - Interviews and materials from the Beyond Bricks & Mortar Project:
<https://digital.lib.ecu.edu/search.aspx?q=collection:Beyond%20Bricks%20and%20Mortar>

Tour Stop 3: Early Black Health Professionals & Buildings:

<https://hsl.ecu.edu/2019/02/01/race-and-medical-history-in-the-south/>

- A. Dr. Battle and Dr. Graves - 119 E.2nd St.
 - Dr. Battle - information from a project in wilson
<https://afamwilsonnc.com/2016/05/25/dr-james-a-battle/>
- B. Dr. William M. Capehart, 109 Greene St
- C. St. Frances Hospital for Colored People, Eastern side of Evans between First and Second Streets
- D. Smith- Skinner Clinic, 123 W. Third St.
(earliest white MD's who served black patients)
- E. PCMH integration story: Save my Baby by Dr. Trevathan and Dr. Thomas Irons
 - Oral History Interview with Drs. Fred and Malene Irons -
<https://digital.lib.ecu.edu/57991#?c=0&m=0&s=0&cv=0&xywh=0%2C-212%2C1257%2C1290>
- F. Dr. Andrew Best, 412 Cadillac St., now in Moyewood
 - Digital Collections images, oral history interviews with Dr. Best, and other information: <https://digital.lib.ecu.edu/search.aspx?q=dr.+andrew+best>
- G. Hilda Norris (Nash St. 400 block) ,one of first RN's at PCMH; along with Garner M. Ford, 300 block Cadillac

Tour Stop 4 - Early Black Businesses - "The Block"

- A. Eastern Tar River Credit Union, 620 Albemarle Ave
- B. The Colonial Plaza Theatre, 608 Albemarle Ave.
- C. D.D. Garrett Insurance Agency, 606 Albemarle Ave.
 - o Interview with Michael Garrett:
<https://digital.lib.ecu.edu/50496/#?c=0&m=0&s=0&cv=0&xywh=-1197%2C-321%2C6233%2C6400>
- D. Grant Bell Cafe, 604 Albemarle Ave.
- E. Eaton's Shell Station, 601 Albemarle Ave.
- F. City Cab Company, 603/600/500 Albemarle Ave.
- G. Citizen's Ice Company, 506 Albemarle Ave.
- H. Junior Hotel, 1012 Fleming St. ("The Green Book")

Tour Stop 5 – The Roxy Theater* - The Arts & Culture (GTAC) 629 Albemarle Ave.

- A. Hub of Arts and Cultural performances in the block
- B. William Myles Nobles Story

*This would be an excellent location as a brick and mortar anchor for the trail or maybe even an African American historical museum that would support the trail. GTAC could still do programming and entertainment as well.

Tour Stop 6 – Eppes Heritage Site

- A. C.M. Eppes, the Man and the School/Focus on early educators
- B. Sadie Saulter
- C. Lucille Gorham
- D. Rosenwald School influence

Tour Stop 7 – Early Black Churches

- A. York AMEZ, Albemarle Ave.
- B. Cornerstone Missionary Baptist Church, 13th & Railroad Streets
- C. St. Andrew's Episcopal Church
- D. York Temple AME Zion, 209 E. First St.

Tour Stop 8 - Agricultural/ Early Landowners

- A. Nelson Hopkins - North of the River
- B. Leroy James/ Warren Barnes

*The African American Cultural Trail will be branded with the help of the CVB's Advertising Agency of Record and hosted by VisitAPPS which is a subsidiary of Simpleview who designed and hosts the CVB's website and content relationship management system.



VisitAPPS

Platform & Technology

The Mobile App Studio, or "MÁS", is VisitApps' content management system for native mobile apps. It allows non-technical staff to enter, edit, and design the content of the app through an easy to use, drag-and-drop interface. It also enables you to schedule and send push notification messages right to your users.

Our platform and process enable you to deploy a full featured and visually compelling mobile app in as little as a couple of weeks. All of our features are developed on a common code base, meaning that your app's components have been end-to-end tested by thousands of users before you even launch. The software as a service (SaaS) model that we employ enables VisitApps to release new features and proactively address user experience items for every customer at once, driving down the cost. We pass those savings onto our customers and that is how we deliver world-class mobile apps at a fraction of the cost as their custom counterparts.

	Advanced
Annual Licensing	\$10,000
Features	
"Explore" Directory	✓
"Concierge" Directory	✓
Event Calendar	✓
Flexible Web Views	✓
One-Touch Social Sharing	✓
GPS with Turn-By-Turn Direction	✓
"Near Me" Location Finder	✓
Trip Itinerary Builder (Save to Favorites)	✓
Message Features	
Push Notifications	✓
In-App Message Center	✓
Message Actions	✓
Scheduled Sending	✓
Engagement Analytics on Messages	✓
Personalized (segmented) Push Notifications	✓
Message Regions	1 Region
Personalization Features	

Segmented Media Feeds	✓
Segmented Calendar	✓
Services & Benefits	
Mobile Strategy & Guided Implementation	✓
Access to the Mobile App Studio	✓
Group Training	✓
Dedicated Customer Success Manager	✓
Annual Plans with No Setup Fee	✓
Simpleview CRM Integrations (Listings, Events, Coupons)	✓

MEMORANDUM

TO: Ann Wall, City Manager
FROM: Byron Hayes, Director of Financial Services
DATE: September 23, 2020
SUBJECT: Updated City of Greenville Financial Policies

In an effort to meet the Council goal of governing with fiscal transparency and fiscal responsibility, the City, through the efforts of the Financial Services Department, worked to update the City of Greenville Financial Policy, Investment Policy, Electronic Payments & Accounts Payable Policy, and Identity Theft Detection & Prevention Policy. The decision to consolidate these four policies into one City of Greenville Financial Policy was drafted and presented at the City Council Workshop on September 10, 2020.

As the City experienced updates and improvements to our financial operations over the past 5 years, with the implementation of the Munis ERP system, to continuous internal review of financial processes within the organization, the need for an updated policy to reflect these changes was apparent. The updates continue to ensure fiscal responsibility over City operations, and the policy will remain in compliance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) guidance.

Revisions to the City of Greenville Financial Policy relate to the following operational areas:

Accounts Payable	Financial Reserves
Debt Management	Budget Development
Cash Management & Investments	Identity Theft Prevention
Revenue Collection	Capital Improvement Plan
Fixed Assets	Vehicle Replacement

Some changes of note include setting a reserve benchmark for the Health Insurance Fund, updated roles and responsibilities for vehicle replacement, and updated vendor creation and modification. Also included is an update striving to increase the City’s unassigned fund balance in the General Fund from 14% to 16-18%. This change would allow the City to strengthen its financial position with rating agencies, creating an avenue to see an increase in the City’s bond rating, as well as provide for added contingency for unexpected emergencies, such as hurricanes or ransomware attacks.

The updated policy will be presented for approval of City Council on October 5th, 2020.

CC: Michael Cowin, Assistant City Manager
 Ken Graves, Assistant City Manager

City of Greenville

Financial Policy

Authority: North Carolina General Statute 159;
Governmental Accounting Standards
Board Standards and Guidance

Supersedes: Financial Policy; Electronic Payments &
Accounts Payable Policy; Investment
Policy; Identity Theft Detection and
Prevention Policy

Review Responsibility: Financial Services

Approval Authority: City Council

Date: October 5, 2020

Table of Contents

INTRODUCTION.....	3
ACCOUNTS PAYABLE	4
FINANCIAL RESERVES	ERROR! BOOKMARK NOT DEFINED.
DEBT MANAGEMENT	ERROR! BOOKMARK NOT DEFINED.
BUDGET DEVELOPMENT.....	ERROR! BOOKMARK NOT DEFINED.
CASH MANAGEMENT AND INVESTMENTS.....	ERROR! BOOKMARK NOT DEFINED.
IDENTITY THEFT PREVENTION	ERROR! BOOKMARK NOT DEFINED.
REVENUE COLLECTION	ERROR! BOOKMARK NOT DEFINED.
CAPITAL IMPROVEMENT PLAN.....	ERROR! BOOKMARK NOT DEFINED.
FIXED ASSETS	ERROR! BOOKMARK NOT DEFINED.
VEHICLE REPLACEMENT.....	ERROR! BOOKMARK NOT DEFINED.

INTRODUCTION

This policy is to serve as guidance for all City departments in execution of financial operations within the City of Greenville organization. While it does not address all possible scenarios related to financial operations in the City, it does create a framework to allow the City to meet the needs of its citizens, as well as the goals and priorities set forth by City Council.

Any exception or override to the policies listed in this document will require written approval by the Finance Officer, the City Manager, or his/her designee.

Upon activation of the City of Greenville Emergency Operations Plan, this policy is hereby inactive, and the City of Greenville will follow the financial operation policies and procedures outlined in the Emergency Operations Plan.

The City of Greenville Financial Policy (2016), Electronic Payments and Accounts Payable Policy (2017), Investment Policy (2012), and Identity Theft Detection and Prevention Policy (2009), are all hereby repealed, and shall be replaced with the City of Greenville Financial Policy (2020). This policy shall be effective immediately upon City Council approval and shall supersede all previous financial policies.

The City shall designate a Finance Officer to monitor and enforce financial operations for the City, as outlined by this policy document. This includes signing City of Greenville purchase orders, contracts, and agreements as part of the Pre-Audit Certification for the disbursement of funds, as well as signing City of Greenville cash disbursements, as authorized by NC General Statute 159-28. The Finance Officer may recommend designation of Deputy Finance Officers by resolution of City Council, to perform the same duties in the absence of the Finance Officer.

ACCOUNTS PAYABLE

The City procures goods and services through a decentralized purchasing process, and maintains the ability to process payments of all invoices by manual check, electronic funds transfer, purchasing cards. Invoices for goods and services are addressed to, and received by, the various City departments. City departments are responsible for establishing controls to ensure items invoiced have been received in accordance with City policies and procedures.

INVOICE PROCESSING

All City departments are responsible for ensuring invoices received are processed in the City financial system and approved via approval workflow within 30 days of the receipt of the invoice. All payment requests must be validated by Financial Services for proper documentation. All City departments are responsible for ensuring all items invoiced have been received, in accordance with city policies and procedures, based on controls established/approved by Financial Services. The invoice entry and approval process is provided on the City's Cognet portal, under the Munis Payment Process procedure.

All goods and services over \$1,000 must be purchased via Purchase Order. Direct Invoicing shall only be used in the event that a vendor does not accept purchasing cards or purchase orders, and the invoice amount is under \$1,000. All purchases, by any method, made by the city must be pre-audited by the City Finance Officer, or Deputy Finance Officer(s), in accordance with NCGS 159-28.

To ensure the City is in compliance with the requirements of G.S. 159-28 (d), the Finance Director must provide sufficient internal controls to ensure the following guidelines are followed:

- All expenditures must be authorized by the annual budget ordinance or an adopted capital budget.
- Sufficient remaining budget amounts must be available before the purchase is made.
- Adequate cash balances must be available to fund the purchase.
- All purchases must be in compliance with the City's Procurement Card Administrative Procedure.
- Purchases guided by this policy will be included in the financial records each month and encumbered.
- All purchases must be transacted exclusively for the operations and capitalized spending of the City. Purchases cannot be transacted for personal benefit.

PURCHASING CARDS

Purchasing cards may be used for purchases under the \$1,000 single transaction threshold, with any threshold increases requiring justification and approval of the Finance Officer. Any City

employee requesting a purchasing card, must complete an enrollment form requiring approval from the Department Head and Finance Officer.

All City employees in possession of a purchasing card must adhere to the expectations set forth in this Financial Policy and the Purchasing Card Administrative Procedure. Any violation of these policies and procedures requires immediate action, including a written notice to the supervisor and Department Head. Repeated violations result in cancellation of the purchasing card and can result in disciplinary action up to and including termination, in accordance with the City's Personnel Policies. Each employee receives a monthly statement directly from the purchasing card issuer and must prepare a report distributing and explaining the cost of each charge to an appropriate line item and another report summarizing the charges in total by line item. These reports are routed for approval by the card holder's direct supervisor. Department Heads may elect to require additional levels of review and approval.

NEW VENDOR SET-UP/MODIFICATION

The City requires all businesses and contractors must be an active vendor within the City's financial system in order to disperse payment. In order to become an active vendor, all businesses must register with the City through the approved registration methods found on the city website. Vendors with incomplete registration information will not be accepted.

Financial Services shall be responsible for all administration of new vendor set-up, and shall maintain access to monitor vendor additions and updates in the financial system for completeness. The City shall maintain vendor records indefinitely. Deletion of vendor records within the financial system shall be prohibited.

SYSTEM ACCESS CONTROLS

Financial Services establishes the system access framework for the financial system. All financial system access is restricted with password protection, with functionality restricted through user roles. All requests for access must be approved by a Department Head, and Finance Officer. All access control is granted and removed by the Information Technology department. To ensure that adequately segregated functions, the following system securities exist within the financial management software:

- At the department level, staff that have invoice payment entry responsibilities cannot approve and post batches.
- Financial Services staff that have security for final approval of requests do not perform set up or change invoice entry information.
- The function of approving documents is segregated from the check printing and issuance functions.
- Any City staff responsible for entering requests for payment cannot approve payment requests in the financial system.

- Financial Services staff is responsible for ensuring that all of the necessary documents have been properly matched prior to issuing payment(s) to the vendor.

INTERNAL CONTROLS

Within any accounting system, an organization is always exposed to a certain level of risks. The City of Greenville has implemented certain controls in efforts to prevent and reduce risk exposure. While these controls are set in place, they are only able to provide reasonable assurance of effectiveness because it is impossible to completely eradicate the occurrence or the possible occurrence of fraudulent activity. The controls have been listed below:

- Payments are only issued with an accompanying invoice and other supporting documentation.
- All invoices entered into the system are approved by proper workflow and by the Accounting Supervisor and/or designee.
- Purchase requisitions are prepared by City departments and approved by Supervisors/Managers and department heads.
- Purchase orders are generated by the Purchasing Division.
- Upon receiving merchandise the departments perform the necessary receiving procedures. The receiving report is then matched to other support documents within the system.
- Invoice entry payment requests also follow correct workflow and are approved by the Department Head.
- Maintenance to the master vendor file is restricted to the appropriate personnel.
- Check numbers are automatically generated by the financial system.
- Positive pay services are used so that any check not previously registered by number and amount with the bank and uploaded by the check writing software will automatically be rejected unless manually approved by the proper authority.
- The Accounts Payables are reconciled monthly by the Accounting Generalist.
- Transactions will be periodically tested by the Internal Auditor.
- A budget ordinance with appropriate budget is adopted annually to ensure funds are available for spending.
- Encumbrances are utilized within the Financial System to ensure that sufficient monies remain available in an appropriation to cover the amount that is expected to be paid out during the current fiscal year.

FINANCIAL RESERVES

The City will establish and maintain an Insurance Loss Reserve to pay for needs caused by unforeseen emergencies. This reserve will be maintained at no less than \$2.0 million.

In preparation of the final budget ordinance amendment of any given fiscal year, the city will review budgeted insurance loss, deductibles and premium accounts. If insurance losses, deductibles, and premiums are less than budgeted for any fiscal year, these unspent monies will be transferred to the Insurance Loss Reserve Fund for future unexpected claims, when the City is not operating at the minimum desired reserves.

Unassigned Fund Balance as defined by GASB Statement 54, will be the portion of fund balance remaining after all other categories have been determined. These other categories are non-spendable amounts, commitments and restrictions for future expenditures, and required reserves as defined by State statutes. The City will maintain a floor of 14% of the total current annual operating budget, while striving to maintain 16%-18% of the total current annual operating budget.

The City Council may, from time-to-time, appropriate unassigned fund balances that will reduce unassigned fund balances below the 14.0% threshold for the purposes of a declared fiscal emergency or other such global purpose as to protect the long-term fiscal security of the City of Greenville. In such circumstances, the City Council will adopt a plan to restore the unassigned fund balance to or above the threshold within 36 months from the date of the appropriation. If restoration cannot be accomplished within such time period without severe hardship to the City, then the City Council will establish a different but appropriate time period.

The City will establish and maintain reserves in the Health Insurance Fund to pay for needs caused by unforeseen health claims, medical emergencies, and infrastructure improvements for the city Health Clinic. This reserve will be maintained at no less than 50% of the current annual budget in the fund.

DEBT MANAGEMENT

The City will confine long-term borrowing to capital improvement or projects that cannot be paid for from current revenues or fund balance except where approved justification is provided. The City will utilize a balanced approach to capital funding utilizing debt financing, draws on capital reserves and/or fund balances in excess of policy targets, and current-year (pay-as-you-go) appropriations.

When the City finances capital improvements or other projects by issuing bonds or entering into capital leases, it will repay the debt within a period not to exceed the expected useful life of the project. Target debt ratios will be calculated at least every two years and included in the review of financial trends.

Where feasible, the City will explore the usage of special assessment, revenue, or other self-supporting bonds instead of general obligation bonds.

Prior to the issuance of new General Obligation (GO) debt, consideration shall be given to forecasted tax rate requirements, ratio of net GO debt to assessed taxable value, net GO debt per capita, and debt service payments to General Fund operating budget.

Direct net debt as a percentage of total assessed value of taxable property should not exceed 2.5%. Direct net debt is defined as any and all debt that is tax-supported.

The ratio of direct debt service expenditures as a percent of total governmental fund expenditures will be targeted to remain at or below 10.0% but in any case should not exceed 12.0% with an aggregate direct debt ten-year principal payout ratio target of 60.0% or better.

The City recognizes the importance of underlying and overlapping debt in analyzing financial condition. The City will regularly analyze total indebtedness including underlying and overlapping debt.

The City may employ municipal finance professionals to assist in developing a bond issuance strategy, preparing bond documents, and marketing bonds to investors.

The City shall use the Comprehensive Annual Financial Report (the "CAFR") as the disclosure document for meeting its obligation under SEC Rule 15c2-12 to provide certain annual financial information to the secondary debt market via various information repositories. Continuing Disclosure is required by January 31 of each year.

The City will select a method of sale that is the most appropriate in light of the financial market, transaction-specific conditions, City-related conditions, and in accordance with State law.

The City will use fixed rate debt in most cases to finance its capital needs; however, the City may issue variable rate debt up to 10-15 % of its total debt portfolio, when necessary.

Debt structures that result in significant “back loading” of debt should be avoided.

The Financial Services Director will maintain good communication with bond rating agencies

- The Financial Services Director will provide periodic updates on the City’s financial condition.
- Required disclosure on every financial report and bond prospectus will be followed.
- The City may request ratings prior to the sale of securities from the major rating agencies for municipal bond issues.

The City will strive to achieve and maintain the current credit rating awarded by the municipal bond rating agencies.

The City may undertake refinancing of outstanding debt:

- When such refinancing allows the City to realize significant debt service savings (net present value savings equal to at least 2.0 percent of the refunded par amount) without lengthening the term of refinanced debt and without increasing debt service in any subsequent year; or
- When the public policy benefits outweigh the costs associated with the issuance of new debt and any increase in annual debt service; or
- When a restrictive covenant is removed to benefit of the City.

The Financial Services Director shall maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements for the federal tax code.

BUDGET DEVELOPMENT

The City will develop the Budget in conjunction with a stated program of performance objectives and measures in which to gauge progress toward meeting those objectives.

The Financial Services Department will maintain a system for monitoring the City's budget during the fiscal year. This system will provide opportunity for departments and management to monitor and evaluate monthly financial information on expenditures and performance at both the department and fund level. Included will be provisions for amending the budget during the year in order to address unanticipated needs, emergencies, or compliance with State of North Carolina budgetary statutes.

Budgeted contributions for non-profit agencies will continue to be limited to no more than 15.0% of the annual Community Development Block Grant ("CDBG") entitlement funds.

For services that benefit specific users, the City shall establish and collect fees to recover the costs of those services. The City Council shall determine the appropriate cost recovery level when establishing user fees. Where feasible and desirable, the City shall seek to recover full direct and indirect costs. User fees shall be reviewed on a regular basis to calculate their full cost recovery attainment levels, to compare them to the current fee structure, and to recommend adjustments where necessary.

The City shall take immediate corrective actions if at any time during the fiscal year expenditure and revenue updates are such that an operating deficit (i.e., projected expenditures in excess of projected revenues) is projected at year-end. Corrective actions can include a hiring freeze, expenditure reductions, fee increases, or use of fund balance.

The tax rate will be set each year based on the cost of providing general governmental services and paying debt service. Consideration will be given to future net revenue requirements for capital improvement project operational expenditure impacts and programmed debt service.

Expenditure budgets are reviewed by staff, the City Manager, and City Council prior to adoption and are continually monitored throughout the budget year. Budgeted funds will be spent for the categorical purposes for which they were intended. The annual operating budget ordinance defines staff authorization for operating budget adjustments. No appropriations of the proceeds of a debt instrument will be made except for the purpose for which such debt instrument was issued. Donations will be spent only toward the intent for which they were given.

The City will review the financial position of nonprofit corporations or organizations receiving funding to determine the entity's ability to carry out the intended purpose for which funding was granted. For organizations receiving \$20,000 or more in any fiscal year, the City shall require the nonprofit to have an audit or review performed for the fiscal year in which the funds are received and to file a copy with the City.

Annually, the City will update a five-year period forecast (for both revenues and expenditures). This forecast will assist in taking a long-term view of the financial planning of the General Fund and will assist with the preparation of the City's strategic biennial budget.

CASH MANAGEMENT AND INVESTMENTS

The City's cash management approach consolidates cash balances from all funds to maximize investment earnings (pooling of funds). The accounting for the individual fund cash balances will continue to be maintained separately. Investment income will be allocated to the individual funds based on their respective participation and in accordance with generally accepted accounting principles. Where applicable, this policy also incorporates the following Government Accounting Standards Board Statements:

- GASB Statement No. 31 - *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, implemented July 1, 1997. It should be noted that GASB Statement No. 32 amends No. 31, but only as it applies to Section 457 plans.
- GASB Statement No. 40 – *Deposit and Investment Risk Disclosure*, effective July 1, 2004.

The City has established an Investment Policy to provide safe and responsible guidelines for the investment of idle funds in the best interest of the public while fully maximizing the rate of return.

- Safety of principal is the highest objective of the Investment Policy. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to minimize credit risk and interest rate risk.
- The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the maturity of investments to meet the anticipated cash needs. Since all possible cash demands cannot be anticipated, the portfolio will consist largely of securities with active resale markets.
- The portfolio shall be designed with the objective of attaining a market rate of return. Return on investment is of secondary importance compared to the above described safety and liquidity objectives. The investments prescribed in this policy are limited to relatively low risk securities; therefore, management anticipates investment portfolio will earn a fair return relative to the risk being assumed.

The Director of Financial Services, or designee, will prepare an investment report quarterly for management to ensure consistency with aforementioned policy requirements.

IDENTITY THEFT PREVENTION

The City will follow Federal Trade Commission (FTC) requirements with respect to protecting consumer identity and customer identity information theft prevention.

Every three years, Financial Services, Internal Audit, and Information Technology will provide, to the City Manager and Assistant City Managers, the status any incidents of identity theft detected or mitigated during the stated period, with the updated being made available to the City Council.

REVENUE COLLECTION

The determination of the need for an allowance for doubtful accounts and write-offs will be based on an established method of calculation and computed and adjusted annually.

For write-offs of delinquent balances, the policy establishes thresholds to permit the timely write-off of all receivable categories. Thresholds vary dependent upon the types and circumstances of the revenue and the related state law.

CAPITAL IMPROVEMENT PLAN

The City will develop a five-year plan for capital improvement projects, review and update the plan at least biennially, and make all capital improvements in accordance with the adopted plan.

The City will maintain its physical capital assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs. Accurate information on condition, lifespan, and estimated replacement cost of these assets will be maintained wherever possible.

The City, as part of its capital planning process, will project its capital equipment and maintenance costs out to five years and will update this projection yearly. From this projection, a maintenance and replacement schedule will be developed. The CIP budget will provide for adequate maintenance and orderly replacement of physical capital assets from current revenue where possible.

The City will coordinate development of the CIP budget with development of the operating budget. Future operating costs associated with new capital improvement projects will be projected and included in operating budget forecasts.

The City will match the financing of major capital assets to the debt schedules that closely assign payments with the expected major asset life span to insure intergenerational equity.

In general, effective maintenance and operations of capital facilities should be given priority over acquisition of new facilities, unless a cost/benefit analysis indicates to the contrary. In addition, state or federal mandates or new service demands may require acquisition of new facilities even when maintenance needs are not fully met. The City shall have an on-going 10-year facilities improvement plan to respond to maintenance and operational needs timely.

The City will coordinate development of the capital improvement budget with development of the operating budget. Future operating costs associated with new capital improvements will be projected and included in operating budget forecasts.

The City will seek intergovernmental assistance to finance those capital improvements that are consistent with the capital improvement plan and City priorities, and whose operating and maintenance costs have been included in operating budget forecasts.

The City will project its equipment replacement and maintenance needs for five years and will update that projection at least every two years. Using this projection, a maintenance and replacement schedule will be developed.

The City will identify the estimated costs and potential funding sources for each capital project proposed before it is submitted for approval.

The City will attempt to determine the most cost effective and flexible financing method for all new projects.

The City will match the financing of major capital assets to the debt schedules that closely assign payments with the expected major asset life span to insure intergenerational equity.

The capitalization for fixed assets resulting from purchases shall be \$5,000. Depending on the category, the threshold may apply to individual or groups of fixed assets. Fixed assets will only be capitalized if they have a useful life of at least two years following the date of acquisition. A physical inventory of capitalized fixed assets will be performed, either simultaneously or on a rotating basis, so that all fixed assets are physically accounted for annually.

FIXED ASSETS

The criteria for an item to be capitalized as a fixed asset are:

- **Nature of the Asset**—By its nature, the asset is intended to be used in the ordinary course of business and falls within one of the categories of fixed assets. (See *Overview Section*)
- **Useful Life**—The benefit provided by the asset is reasonably expected to last beyond one year.
- **Cost Basis**—The cost basis, including purchase price and other costs incurred in acquiring the asset and placing it into service must meet or exceed the minimum capitalization threshold. The capitalization threshold for the City of Greenville is \$5,000 for all assets except Infrastructure assets for which the threshold is \$100,000.
- **Ownership**—The City of Greenville is identified as either the titled owner or legally responsible party for the asset. In cases where the entity which receives the “use and enjoyment” of the asset but is not the titled owner, the asset is considered a capital lease and recorded on the City’s books and records. Jointly funded capital assets paid for by two governmental entities should be capitalized by the entity responsible for managing the asset or future maintenance.

An asset’s useful life is the estimated number of years that an asset will be able to be used for the purpose for which it was purchased or constructed. The City of Greenville will review asset useful lives a minimum of every two (2) years to ensure they are reasonable and adjust the useful lives as necessary if it becomes apparent that actual asset useful lives are measurably longer or shorter than the estimated useful lives.

Fixed Asset Cost Basis—The value of fixed assets is recorded at the full acquisition cost. This cost includes any necessary costs to place the asset into service. The book value of assets recorded at historical acquisition costs should never be increased to reflect appraised value, insurance value, replacement cost, etc.

Contributed Capital Assets (Donated or Gifted)—GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, defines a donation as a voluntary non-exchange transaction entered into willingly by two or more parties. Both parties may be governments (such as the Federal Government, another state, county or municipality) or one party may be a non-governmental entity (such as an individual). Donated property (land or buildings) must be recorded at the estimated fair market value on the date of acquisition using a reasonable market study. Other donated assets must be recorded at the estimated fair market value for the asset on the date of acquisition using a reasonable source of cost appraisal. Methods of cost appraisal must be fully documented and maintained on file to support the stated acquisition cost. Contributed assets should be depreciated based on asset class and useful life or estimated remaining useful life based on age of contributed asset.

Fixed Assets Acquired with Federal or State Grants—An asset acquired with Federal or State grants, or other restrictive funding sources, often has limitations or restrictions enforced by the granting agency. Since Federal and State grants can often have very specific guidelines which may not always coincide with this policy, please contact the Fixed Assets Coordinator for evaluation of fixed asset purchases involving grant funds.

Capitalized Interest—For business-type activities and enterprise funds, if the asset meets the requirements prescribed under GASB 62, paragraph 5-22, Capitalization of Interest, actual or imputed interest (capitalized interest) costs associated with the asset should be calculated and added to the asset value.

Depreciation is the process of allocating the cost of a fixed asset over the period of time (useful life) during which the owner receives benefit from the use of the asset. Generally, at the end of an asset's useful life, the sum of the amounts charged for depreciation in each accounting period (accumulated depreciation) will equal the original cost basis of the asset. The City of Greenville will use the straight-line depreciation method (acquisition cost divided by useful life) when processing depreciation. Certain fixed assets are considered to be "non-exhaustible assets," where their useful life is unlimited and are therefore not depreciated. Examples of non-exhaustible assets include land, right of way, and easements.

Disposal of a fixed asset occurs when the asset is sold, traded in, scrapped, abandoned, or otherwise removed from service. Disposals must be processed on a timely basis throughout the fiscal year to ensure the accurate calculation of depreciation.

VEHICLE REPLACEMENT

The purpose of the Vehicle Replacement Program is to establish a decision-making process and criteria for purchase, replacement, and disposition of vehicles and equipment for the City of Greenville. The Vehicle Replacement Program provides for the planned replacement of vehicles and equipment along with their attachments and implements.

The objectives of the vehicle replacement policy are listed as follows:

- Establish and maintain a Vehicle Replacement Fund to provide funds for vehicle and equipment replacement.
- Smooth the outflow of capital funding and the rotation of incoming and outgoing vehicles year to year to prevent spikes in cash and asset flow.
- Maximize fleet resources by providing timely acquisition and disposals of vehicles and equipment.
- Ensure the City has the optimum number and type of vehicles and equipment and that fleet growth is planned and controlled.
- Promote standardization to achieve cost-effective maintenance and repair.
- Achieve lowest possible total cost of ownership for vehicles and equipment.

The Vehicle Replacement Program will be administered jointly by the Financial Services Department and the Fleet Management Division of the Public Works Department. Specific roles and responsibilities are listed below:

- Fleet Management Division
 - Provide accurate fleet maintenance data for analysis.
 - Provide professional operational input on assets as part of the vehicle replacement calculation.
 - Coordinate with departments to ensure vehicle and equipment assets meet the needs of the end user.
 - Evaluate vehicle and equipment replacement options to promote standardization and determine the best value for the replacement purchase.
 - Purchase replacement vehicles and equipment following all procurement guidelines.
 - Serve on Vehicle Replacement Advisory Committee.
- Financial Services Department
 - Validate and analyze fleet maintenance data provided by Fleet Management.
 - Perform vehicle replacement value calculations and set monthly replacement rates.

- Develop and maintain a current Vehicle Replacement list.
 - Maintain the Vehicle Replacement Fund.
 - Analyze vehicle replacement data over time to ensure policy objectives are being met.
 - Prepare and distribute to departments a report detailing the replacement charge and remaining balance for each unit. The report will be prepared and distributed on a frequency to be determined by the Vehicle Replacement Advisory Committee.
 - Serve on Vehicle Replacement Advisory Committee
- The Vehicle Replacement Advisory Committee (VRAC) shall consist of the Financial Services Director (or designee), the Public Works Director (or designee), and a designee from the City Manager's Office. The VRAC will be jointly responsible for the following:
 - Establish the Vehicle Replacement calculation. Review the calculation and its components at least biennially to ensure policy goals are being met.
 - Establish and annually review fleet utilization criteria and make decisions to retain, reassign, or eliminate under-utilized assets.
 - Review the Vehicle Replacement list and edit as necessary due to factors not captured by the Vehicle Replacement calculation.
 - Review the Vehicle Replacement Policy at least biennially and make necessary changes.
 - Present a recommended Vehicle Replacement schedule to the City Manager for approval during biennial budget.

When a new vehicle equipment asset is purchased, a replacement cost will be established based on the Vehicle Replacement calculation.

The asset replacement cost will be applied as an expense against the future replacement and charged monthly to the department where the asset is assigned.

The asset replacement expense will be credited monthly to the Vehicle Replacement Fund. At the end of the asset's useful life, funding for its replacement will be provided from the Vehicle Replacement Fund. Any proceeds from asset sales will be credited to the Vehicle Replacement Fund.

If an asset is totaled due to an accident before adequate replacement funding has been collected, the accumulated total of replacement fees for that asset can be used to help fund the replacement. Any additional funding needed to fully pay the replacement cost must be provided from sources other than the Vehicle Replacement Fund.

Any changes to the replacement cost charged to departments must be approved by City Manager, with consultation from the Vehicle Replacement Advisory Committee.

Memorandum

To: Ann E. Wall, City Manager

From: Byron Hayes, Financial Services Director *BH*

Date: September 22, 2020

Subject: Retirement Systems Division Letter and Report on Pension Spiking

During the 2014 General Assembly session, contribution-based benefit cap legislation was enacted effective January 1, 2015 for the Local Government Retirement System. The purpose of the legislation is to control the practice of “pension spiking” in which a member’s (City’s employee who has retired) compensation significantly increases late in his or her career, creating unforeseen liabilities for the Local Government Retirement System. The legislation applies to members who retire on and after July 1, 2015, with an average final compensation of \$100,000 or higher.

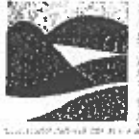
Per the legislation, the State Treasurer’s Office is required to report monthly to each employer a list of those members for whom the employer may be required to make an additional employer contribution should the member elect to retire in the following 12 months. The chief financial officer is required to provide a copy of the report to the governing body.

To this end, please find attached the letter and report from the State Treasurer’s Office listing employees of the City who may be eligible to retire in the next 13 months, and whose salary is \$95,000 or greater based on the employee’s most recent annual benefits statement. The City may be required to submit an additional amount to the Retirement System in the form of a lump sum payment after the employee retires. The list is not exhaustive, and members on this list may or may not exceed the contribution based benefit cap upon retirement.

This is merely a notification of a potential cost that the City may be required to pay in the future.

cc: Michael Cowin, Assistant City Manager
Ken Graves, Assistant City Manager

Attachment



North Carolina
Total Retirement Plans



Dale R. Folwell, CPA
STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA

8/13/2020

97411 - CITY OF GREENVILLE
ATTN: CHIEF FINANCIAL OFFICER OR BUDGET ADMINISTRATOR
PO BOX 7207
GREENVILLE, NC 27835

Dear 97411 - CITY OF GREENVILLE:

During the 2014 General Assembly session, contribution-based benefit cap legislation was enacted effective January 1, 2015. This legislation was created to control the practice of "pension spiking," in which a member's compensation substantially increases, resulting in a monthly retirement benefit that is significantly greater than the member and employer contributions would fund. The Contribution-Based Benefit Cap (CBBC) approach was created to protect each system for current and future retirees and to prevent all employers in the Retirement Systems from absorbing the additional liabilities caused by compensation decisions made by other employers. This legislation applies to members who retire on and after January 1, 2015, with an average final compensation of \$100,000 or higher (adjusted annually for inflation), and will directly impact only a small number of those individuals. It requires the member's last employer to pay the additional contribution required to fund the member's benefit in excess of the cap. [G.S. 135-5(a3); 135-4(jj); 128-27(a3); and 128-26(y)]

In order to assist employing agencies with planning and budgeting to comply with the CBBC provisions, we are required to report monthly to each employer a list of those members for whom the employer made a contribution to the Retirement System in the preceding month that are most likely to require an additional employer contribution should they elect to retire in the following 12 months. This letter and the attached report serve as our required monthly notification to your agency under this provision. [G.S. 135-8(f)(2)(f) and G.S.128-30(g)(2)(b)]

The chief financial officer of your agency is required to provide a copy of the attached report to the chief executive of your agency, as well as to the governing body, including any board which exercises financial oversight. Additionally, the chief financial officer of a public school system is required to provide a copy of the report to the local board of education and notify the board of county commissioners of the county in which the local administrative unit is located that the report was received and how many employees were listed in the report. [G.S. 115C-436(c); 135-8(j); and 128-30(j)]

For the purpose of determining the employees of your agency that are likely to require an additional employer contribution should they elect to retire in the following 12 months, the Retirement System modified the criteria used in the CBBC calculation. This allows for a broad list of potential employees, including those whose compensation average may approach the threshold and attempts to provide your agency with prior notification of a potential cost. The attached report

lists employees of your agency who may be eligible to retire in the next 13 months (at either a reduced or unreduced benefit), whose salary is \$95,000 or greater, and whose estimated monthly retirement benefit exceeds the CBBC based on information in the employee's most recent annual benefits statement. In addition, a lower CBBC Factor (i.e., TSERS is 4.2 and LGERS is 4.4) is applied.

This list is not exhaustive, and members included on this list may or may not exceed the CBBC upon retirement, depending on a number of factors such as the member's average final compensation, the member's age at retirement, and membership service. This is merely a notification of a potential cost that your agency may be required to pay, in the form of a lump-sum payment, due after the member retires.

For those employees hired on or after January 1, 2015, the employer is not required to pay the additional contribution to fund the member's benefit in excess of the Contribution-Based Benefit Cap. The employer has the option to pay all or part of the contribution required in excess of the CBBC; the employee also has the option to pay all or part of the contribution. However, should neither of you choose to pay this additional contribution, the employee's retirement benefit will be capped.

You can calculate the likelihood of whether the retirement benefit of a member listed on the attached report will exceed the CBBC with information available on our website at <https://www.myncretirement.com/employers/employer-training/pension-spiking>.

If you have any questions or need assistance in calculating the likelihood of a potential CBBC liability, please contact us at the address or telephone number listed below.

Sincerely,

Retirement Systems Division
N.C. Department of State Treasurer

623_PENSPK

North Carolina
Total Retirement Plans

North Carolina Department of State Treasurer
Retirement Systems Division
3200 Atlantic Ave, Raleigh, NC 27604
1-877-NCSECURE (1-877-627-3287) toll-free • Fax (919) 855-5800
www.myncretirement.com



Dale R. Fowlwell, CPA
STATE TREASURER OF NORTH CAROLINA
DALE R. FOWLWELL, CPA

CONTRIBUTION-BASED BENEFIT CAP REPORT

Members Hired Before Jan 1, 2015	Agency	Member ID	Name
	97411-CITY OF GREENVILLE	852471	GOSSETT, NANCY S
		928292	GRAVES, KENNETH A
		703799	GURKIN JR, DONALD H
		528705	WALL, ANN E

• PLEASE FORWARD TO YOUR CHIEF FINANCIAL OFFICER OR BUDGET ADMINISTRATOR