

City of Greenville
Investment Advisory Committee Meeting
Wednesday, October 11, 2017
City Hall, Room 337
10:00am-11:00am

Attendees:

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|--|--|---|
| <input type="checkbox"/> Scott Below, <i>Chair</i> | <input type="checkbox"/> Ann Wall, <i>City Manager</i> | <input type="checkbox"/> Cameron Evans, <i>Vice Chair</i> |
| <input type="checkbox"/> PJ Connelly, <i>City Council Liaison</i> | <input type="checkbox"/> Michael Cowin, <i>Assistant City Manager</i> | <input type="checkbox"/> Cameron Lovitt, <i>Secretary</i> |
| <input type="checkbox"/> Bernita Demery, <i>Director of Financial Services</i> | <input type="checkbox"/> Jacob Joyner, <i>Financial Services Manager</i> | <input type="checkbox"/> Jeremy Smith, <i>SunTrust Bank</i> |
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1. SunTrust Bank Presentation

2. Review December 7, 2016 Meeting Minutes

3. Quarterly Report as of September 30, 2017

4. Follow-up on October 9th City Council Presentation

5. 2018 Meetings:

Wednesday, April 18, 2018 from 10am-11:00am (Regular Committee Meeting)
Wednesday, August 15, 2018 from 10am-11:00am (Regular Committee Meeting)
Wednesday, October 17, 2018 from 10am-11:00am (Regular Committee Meeting)

City of Greenville Investment Policy

Authority:	G.S. 159-30: Investment of Idle Funds
Supersedes:	City of Greenville Investment Policy dated March 6, 2006
Review Responsibility:	Investment Committee
Review Schedule:	Annually or as needed
Approval Needed:	City Council
Supersedes:	January 11, 2010
Updated:	September 10, 2012

SUITABLE AND AUTHORIZED INVESTMENTS

I. Investment Instruments

North Carolina General Statute 159-30 provides the legal limitations of types of investments permitted for local governments. Within these limitations, the following investments are authorized:

- a. United States Treasury Bills, Notes, and Bonds or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There shall be no limit on the percentage of the portfolio invested in these instruments
- b. U.S. Government Agency Securities or U.S. Government Instrumentality Securities – the Federal Home Loan Mortgage Corporation (FHLMC or Freddie Macs); the Federal Home loan Banks; the Federal National Mortgage Association; and others as allowed by state statute
- c. North Carolina Capital Management Trust

Jeremy's note: This would allow the City of Greenville to invest in US T-Bills, T-Notes, T-Bonds, Agencies and Par value SBA/USDA principle and interest government guaranteed loans/pools

- d. Certificates of Deposit with banks and savings and loan associations having their principal office in North Carolina

Jeremy's note: This would allow the City of Greenville to invest in NC based Broker CDs only. Any CDs outside of the state of North Carolina cannot be sold.

- e. Banker's Acceptances provided that the accepting bank or its holding company bank is either 1) incorporated in the State of North Carolina or 2) has outstanding publicly held obligations bearing the highest rating of at least one nationally recognized rating service

Jeremy's note: This would allow the City of Greenville to invest in top rated NC Banker's Acceptances notes none outside of the state of North Carolina.

- f. Commercial Paper of the highest quality as defined by the North Carolina General Statute

Jeremy's note: This would allow the City of Greenville to invest in A1-P1 commercial paper only.

- g. North Carolina State and Local Bonds of the highest rating

Jeremy's note: This would allow the City of Greenville to invest in highly rated NC Munis and none outside of the state of North Carolina.

This policy specifically limits the purchase of Stripped Instruments (Derivative Security) and Repurchase Agreements. Although, these are allowed by State Statute, the Stripped Instruments have considerable market risk attached to them and the Repurchase Agreements have strict compliance rules. This exclusion does not apply to permissible Government Agencies.

Jeremy's note: This would allow the City of Greenville to purchase REPO agreements with very strict Guidelines.

SELECTION OF INVESTMENTS

The Director of Financial Services or designee will determine which investments will be purchased and sold and the desired maturity date(s) that are in the best interest of the City. The selection of an investment will involve the evaluation of, but not limited to, the following factors: cash flow projections and requirements; current market conditions; and overall portfolio balance and makeup.

Selection of investments will be made in one of two ways. Some investments, particularly Certificates of Deposit, will be selected based on a competitive basis through quotes. Alternatively, electronic information sources (e.g. Bloomberg) may also be utilized to verify a dealer's pricing by accessing real-time market data.

Jeremy's note: The City of Greenville must make investments where maturities meet future cash flow needs. SunTrust must maintain competitive bids.

DEALERS AND FINANCIAL INSTITUTIONS

A list will be maintained of financial institutions that are approved for investment purposes. A list will also be maintained of approved security broker/dealers selected by creditworthiness, which will largely be the "primary" dealers or regional dealers that qualify under the Securities and Exchange Commission (SEC) Rule. All financial institutions and brokers/dealers who desire to become qualified for investment transactions with the City of Greenville may be required to submit the following as appropriate:

- Audited financial statements
- Proof of National Association of Securities Dealers (NASD) certification
- Proof of state registration
- Completed broker/dealer questionnaire
- Certification of having read and understood and agreeing to comply with the City of Greenville's investment policy.

With the exception of the "primary" dealers/brokers, a periodic review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the Director of Financial Services or designee as deemed necessary. The SEC closely monitors the primary dealers/brokers and hence a review will not be required. In addition, approved financial institution lists supplied by the Local

Government Commission or Government Finance Officers Association or other reputable source will not require additional review by the Financial Services Department.

Jeremy's note: SunTrust meets all requirements for the City of Greenville and can provide all required information.

DIVERSIFICATION AND MAXIMUM MATURITIES

I. Diversification – The investments shall be diversified by:

- The City will identify three categories of funds as a base for how much of the cash portfolio will be invested in specific investment instrument. Definitions are:
 - Immediate Need/Reserve – a segment of the portfolio that consist of funds that are readily available for unexpected events/occurrences.
 - General Operating – a segment of the portfolio that will provide funds for investment after obligations are met over a 12 month period. This category will include restricted bond funds.
 - Long Term – 1-5 years – a segment of the portfolio that is in excess of the immediate needs and general operating. This category is treated with an assertive approach to achieve maximum performance.

<u>Type of Segment</u>	<u>% Maintained</u>	<u>Investment Types</u>	<u>Return Goal</u>
Immediate Need /Unexpected	5%-10%	NCCMT	Market Rate of Return
General Operating	20%-60%	CD’s, Commercial Paper, Money Markets	Market Rate of Return
Long – Term (1-5 years)	20%-60%	Buy/Sell US Treasury/Agency Securities	Achieves a Market Rate of Return

To summarize the above investment diversification, the City of Greenville’s portfolio will:

- Limit investment in securities that have higher credit risks,
- Invest in securities with varying maturities, and
- Continuously invest a portion of the portfolio in readily available funds to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.
- The Financial Services Director is responsible for monitoring compliance with the above restrictions. If a violation occurs, in a timely manner, the Director shall report such violation to the Investment Committee along with a plan to address the violation.

II. Maximum Maturities – To the extent possible, the City of Greenville shall attempt to match the maturity of investments with anticipated cash flow requirements. Investments will be limited to maturities not exceeding 5 years from the settlement date. However, with specific approval of the Investment Committee, for a specific reserve, project, etc. the maturity may extend beyond 5 years.

Jeremy’s note: The city of Greenville must maintain a diversified portfolio approach maintaining liquidity and low credit risk. All investments must be five years and in besides specific long term cash flow needs.

In conclusion, the City of Greenville can purchase the following:

SBA/USDA principle and interest government guaranteed loans/pools

Agencies

North Carolina State and Local Government Munis

North Carolina Banks CDs

A1-P1 Commercial Paper

Treasuries

Banker Accepted notes (With restrictions)

ALL TRADES MUST BE 5 YEARS AND IN (Besides Specific One off Long-term Cash Flow Hedges)!!!

The City of Greenville cannot purchase the following:

Non-North Carolina State and Local Government Munis

Corporates

MBS/ABS

REPOs (They can buy, but there are many rules around them so we will stay away)

VRDNs

Structured Products

Whole Loans

Anything with a maturity more than 5 years

Investment Advisory Committee Meeting (IAC)

Minutes

Wednesday, December 7, 2016

Members present

Dr. Scott Below, *Chair*; Cameron Evans, *Vice Chair*

City Staff present

Barbara Lipscomb, *City Manager*; Michael Cowin, *Assistant City Manager*;
Bernita Demery, *Director of Financial Services*; Kimberly Branch, *Senior Financial Services Manager*

Others present

PJ Connelly, *City Council Liaison*

The meeting of the Investment Advisory Committee was at 10:00 a.m. on Wednesday, December 7, 2016 in City Hall Conference Room 337.

1. Review of August 17, 2016 Meeting Minutes

The minutes were approved without exception by the Committee.

2. Election of Officers

Dr. Below was voted to remain as Committee Chair, Mr. Evans was voted to become the new Vice Chair and Mr. Lovitt was voted to be the new Committee Secretary. The votes were passed unanimously by the Committee.

3. November 7th City Council Presentation

The Committee members and staff commended Dr. Below on a great job in making this year's presentation.

4. October Month-End Report

Mrs. Demery discussed this item and she noted that investment earnings have gone up and also that the market has been very volatile since the recent election. She specifically pointed out that the City versus T-bill, as of October, was very close to the benchmark. Dr. Below also pointed out that based on changes in the portfolio the majority of investments have shifted to shorter terms in anticipation of the rising rates. He also added that this will pay off, though it may not appear to in November, it will over time. Mrs. Demery stated that this effect will be seen in the earnings. Council Member Connelly inquired about whose idea it was to make this particular move mentioned by Dr. Below. Mrs. Demery replied that it was a collective decision of the Committee members and City staff to make this move.

Mr. Evans then asked Dr. Below if the C2 Investment Group uses tips to anticipate rising rates. Dr. Below responded by stating that he was not aware of any tips used by the C2 Group, however, based on leads by the market it directs the monthly buys and sells to meet the benchmark. Dr. Below also stated that the next time the Committee speaks with C2 Group we could verify any tips they use. Mr. Evans followed up by sharing that he would like to find out if the rising rates equal lower income. Mrs. Demery made note that the City will contact C2 Group to find out an answer and this will be relayed back to the Committee upon receipt.

Mrs. Demery shared with everyone that the City sold \$8M in General Obligation Bonds on yesterday at 3.17%, 103 basis points below market. So far the City has received rating feedback from Standard and Poor's, confirming the AA rating. Their rating comments highlighted things that have put the City in a better financial position such as the Vehicle Replacement Fund (VRF)

and Facilities Improvement Plan (FIP). Mrs. Demery also shared with the team that there will be an official press release and standard paper article composed for the bond sale. Dr. Below inquired to find out if the documents will go before City Council in January and Mrs. Demery replied yes. She also commended FirstSouthwest for doing a great job with the bond sale.

5. **2017 Upcoming Meetings:**

Wednesday, April 19, 2017 from 10am-11am (Regular Committee Meeting)

Wednesday, August 16, 2017 from 10am-11am (Regular Committee Meeting)

Wednesday, October 18, 2017 from 10am-11am (Regular Committee Meeting)

The dates were unanimously confirmed by the Committee.

An additional question was asked and addressed at this time as well. Council Member Connelly asked why the 2015 running totals (cash) were much higher than previous years. Mrs. Demery stated that there was a tax rate increase in 2015 and also that the City gets the bulk of tax payments in August and September of each year. Also, there was a bond issuance that could have affected the increase. Mrs. Demery offered to send Council Member Connelly a more definitive answer to thoroughly explain the increase, however, he declined.