BRUNSWICK CITY
FINANCE COMMITTEE

Agenda

JUNE 21, 2018
4:30 PM

1. Discussion Items

   (a) Discussion of draft investment policy

   (b) Discussion of Addendum to Keith D. Weiner & Associates Co., L.P.A. contract (Collection Agency for income tax delinquent cases)

2. General Discussion

3. Adjournment

THE CITY OF BRUNSWICK

PROPOSED MOTION

DATE: 06/21/2018

TO: Vice Mayor Michael Abella Jr. and Members of City Council

FROM: Carl S. DeForest, City Manager
Todd Fischer

COPY: Mayor Ron Falconi

MOTION: Discussion of draft investment policy

BACKGROUND: The City's investment policy has not been amended for several years. The City has held conversations over the past eight years but the policy was not amended from those discussions.

The City Administration and the City's Investment Adviser held discussions with Council's Citizens' Financial Audit Review and Advisory Committee on May 10, 2018. The discussions involved various changes to the City's Investment Policy. The proposed changes are in accordance with State Law and discussed at the meeting. The Audit Committee suggested additional language as well. See the attached Committee minutes from May 10, 2018.

Also please see the attached proposed investment policy amendments. "Track changes" were used to show the changes being proposed.

PURPOSE AND EXPLANATION: See background explanation

IMPLEMENTATION SCHEDULE: After discussion, the Administration will ask the Finance Committee to allow us to draft up legislation for a future Council and/or Committee of the Whole meeting.

FINANCIAL INFORMATION:

FINANCIAL SUMMARY: Investment returns depends on various market conditions, terms, risks, rates, etc. This discussion is only centered around whether the investment policy should be amended.

RECOMMENDED ACTION: After discussion, the Administration will ask the Finance Committee to allow us to draft up legislation for a future Council and/or Committee of the Whole meeting.

ADDITIONAL INFORMATION:

234.03 INVESTMENT POLICY.

(a) Scope. All Public Moneys of the City not kept as a cash reserve in the vault of the treasury of the City as may be prescribed by the Director of Finance, except as otherwise hereinafter provided, may be invested by the Director of Finance or the Director's designee in the Eligible Investments described in Section 234.031 hereof, which Eligible Investments shall be purchased only through or from Eligible Depositories designated pursuant to the Uniform Depository Act or Qualified Securities Dealer; provided, however, that Public Moneys specifically exempted by ordinance from this Section 234.03 and Section 234.031 may be invested as permitted in such ordinance or other ordinance related to such Public Moneys. The Director of Finance is authorized to pool cash balances of the several funds of the City for investment hereunder.

(b) Objectives. The achievement of sound fiscal management for the City requires effective investment of the Public Moneys of the City. To that effect, the following investment objectives shall be applied in the investment of Public Moneys:

(1) Safety. The primary objective of the City's investment policy is the preservation of capital and the protection of investment principal. Subject to the provisions of subsection (c)(2) hereof, each investment transaction shall seek to first ensure that capital losses measured against each investment are avoided, whether they be from securities' defaults or erosion of market value.

(2) Liquidity. The City's investments shall remain sufficiently liquid to enable the City to meet its operating requirements that might reasonably be anticipated. In order to achieve this objective, the investment portfolio shall include in greater part Eligible Investments with active secondary or resale markets.

(3) Yield. In the investment of the Public Moneys of the City, the Director of Finance and any designee of the Director of Finance as permitted hereunder shall strive to attain, subject always to paragraph (1) above, a market-average rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio, but shall avoid assuming unreasonable investment risks. Yield as an objective of this policy is of least importance compared to safety and liquidity.

(c) Minimizing Investment Risk. The City acknowledges that investment risk can result from a default by the issuer of the investment, changes in the market price of the investment or technical complications leading to temporary illiquidity of an investment. The following investment limitations are directed at minimizing the effect of such investment risks:

(1) To minimize the risk of default by the issuer of the investment:

A. Public Moneys of the City shall be invested only in Eligible Investments permitted under Section 234.031 hereof, except as otherwise permitted under subsection (a) hereof.

B. The amount of Public Moneys of the City to be invested in any one type of Eligible Investment, with any one Eligible Depository or through any one Qualified Securities Dealer shall be limited based

upon guidelines developed by the Director of Finance taking into account the objectives of set forth in subsection (b) hereof.

C. No Public Moneys of the City shall be invested in any Derivative Security, Reverse Repurchase Agreement or Investment Pool or in any stripped principal or interest obligation of any Eligible Investment.

D. The use of "leveraging" by the City solely as a speculative investment strategy is prohibited under this Investment Policy. As used herein "leveraging" shall mean the use of any of the City's current assets as collateral for the purpose of purchasing other assets.

E. The issuance of taxable notes by the City solely for the purpose of arbitraging their proceeds is prohibited under this Investment Policy.

F. Contracting for the sale of securities that have not yet been acquired by the City for the purpose of purchasing such securities at a later date on the speculation that their price will decline is prohibited under this Investment Policy.

(2) To minimize the risk of changes in the market price of an Eligible Investment:

A. Any Eligible Investment made pursuant to Section 234.03 and 234.031 hereof shall mature within five years from the date of settlement unless the Eligible Investment is matched to a specific obligation or debt of the City and will be held until its maturity; provided, however, that no investment shall be made in any Eligible Investment hereunder unless the Director of Finance or the authorized designee of such Director of Finance reasonably expects that the Eligible investment can be held until its maturity and with respect to any investment of the City's Public Moneys in STAR OHIO, the limitation of this subparagraph A. shall not be construed as restricting the maturity date of any individual asset held by STAR OHIO.

B. Notwithstanding anything herein to the contrary. nothing in this subsection (c)(2) or (b)(l) shall be construed to prohibit such Director of Finance or such designee from selling such Eligible Investment prior to its maturity, or to impose liability on such Director of Finance or such designee for any loss occasioned by the sale of any Eligible Investment otherwise made in accordance with Sections 234.03 and 234.031 at a price or prices lower than its cost or balance, if the liquidity needs of the City required such a sale or if the yield on the reinvestment of the sale proceeds of such Eligible Investment, after taking into account the loss incurred in connection with such sale, will exceed the yield that the City otherwise would have earned if it had held the original Eligible Investment to the earlier of its maturity date or the maturity date of the Eligible Investment purchased with such sale proceeds.

(d) Standard of Care. Investment of the Public Moneys of the City shall be made with the exercise of that degree of judgment and care, under circumstances then prevailing, that persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be

derived. The foregoing standard shall be applied to the each Eligible Investment of the City in the its investment portfolio.

(e) Authority to Invest Public Moneys. The Director of Finance is hereby authorized and directed to invest the Public Moneys of the City in accordance with the provisions of Sections 234.03 and 234.031 hereof. The Director of Finance may delegate the authority to invest the Public Moneys of the City hereunder to another employee or employees of the City, provided that any such delegation shall be in a writing that shall be filed with the City Manager, and such a delegation shall be effective for all purposes of this section unless the City Manager disapproves such a delegation within ten days of receipt of such written delegation. Such a delegation may be for a limited or unlimited period of time; provided that, if such delegation is for an unlimited period of time, revocation of such delegation shall be effective only if made in a writing instrument signed by the Director of Finance and termination of the employment by the City of such employee shall automatically terminate such employee's authority to invest the Public Moneys of the City hereunder without the need for a written instrument.

(f) Conflicts of Interest.

(1) Officers and employees of the City involved in making investment decisions shall refrain from:

A. Personal business activity that could conflict with the proper execution and management of the investment program of the City, or that could impair their ability to make impartial decisions regarding the City's investments, and

B. Undertaking personal investment transactions with the same individual or company with whom business is conducted on behalf of the City.

(2) Officers and employees of the City involved in making investment decisions shall disclose to the City Manager:

A. Any material interests in Eligible Institutions or Qualified Securities Dealers with which they conduct investment business on behalf of the City, and

B. Any personal investment positions that could materially affect, or be materially affected by, the performance of the investment portfolio of the City.

(g) Periodic Reports with Respect to Eligible Investments. The Director of Finance shall prepare at least quarterly an investment report, including a management summary describing the investment portfolio at the end of the quarterly or other period and the transactions made over such period. Such report shall include: a list by maturity date of all Eligible Investments (including, without limitation, a description of the obligation or security that includes the type, original cost, par value, maturity date, coupon interest rate and yield to maturity) for the period covered by such report and held at the end of such period; unrealized gains or losses on any Eligible Investment over one-year duration that may have to be sold prior to its maturity; the average weighted yield to maturity of the investment portfolio; and the percentage of the total portfolio that each type of investment represents. A copy of such report shall

be attached to the City's monthly bank reconciliations and be made available ~~delivered~~ to ~~the~~ City Council and the City Manager upon request.

(h) Authorized Purchasers from and Sellers to the City of Eligible Investments. Purchases and sales of Eligible Investments hereunder shall be made only from or to, as the case may be, an Eligible Depository or a Qualified Securities Dealer, which in either case has acknowledged to the City in writing that in the case of such a party that initiates investment transactions with the City, it has received a copy of this section, and it will not sell to the City any investment security prohibited hereunder or not included as an Eligible Investment within the investment securities described in Section 234.031 hereof or in the case of such a party that executes investment transactions initiated by the City, it has received a copy of this section, and it comprehends the investment policy stated in this section. The Director of Finance shall annually review the past performance, if any, financial condition, rating, if any, and registration of each Eligible Depository and Qualified Securities Dealer with or through whom the Public Moneys of the City are invested.

(i) Purchases and Sales of Eligible Investments by the City. The Director of Finance or such Director of Finance's designee shall purchase an Eligible Investment hereunder for cash at a price not in excess of the current market price, which price shall be deemed to be the best price as determined hereunder and shall sell any Eligible Investments for cash and for a sum not less than their current market price, which price shall be deemed to be the best price as determined hereunder. Except as otherwise provided in subsection (j)(2) below with respect to an overnight repurchase agreement, all purchases and sales of Eligible Investments hereunder shall be made only on a delivery versus payment basis. With respect to the purchase or sale of any Eligible Investment other than the Eligible Investments described in Sections 234.031(a)(8) and (9) hereof, the Director of Finance or such Director of Finance's designee, subject to the provisions of subsection (h) hereof and except as otherwise provided in this subsection (i), shall purchase or sell any Eligible Investment at the best price based upon preferably three bids, but not less than two bids, if the Eligible Investment is offered as such from any of the parties described in subsection (h) hereof. If there is no readily available competitive offering on the same specific Eligible Investment, then quotations from comparable or alternative Eligible Investments shall be obtained. When purchasing an Eligible Investment as an original or new issue, no competitive offerings will be required as all Qualified Securities Dealers offer the security at the same original issue price. As used in the immediately preceding sentence in connection with any purchase of an Eligible Investment, the "best price" shall mean that price which produces the highest yield to maturity with respect to such Eligible Investment and in connection with the sale of an Eligible Investment, the "best price" shall mean the highest price with respect to such Eligible Investment; provided, however, that in any case where there are two or more bids at the best price, the Director of Finance or such Director of Finance's designee may, in their absolute discretion, determine which of such bids constitute the best price. The Director of Finance or the designee shall keep a written record of the bids taken with respect to each purchase or sale of an Eligible Investment.

(j) Registration. Custody and Safekeeping of Eligible Investments.

(1) If any Eligible Investments purchased pursuant to Section 234.03 and Section 234.031 hereof are to be issued to a designated payee or to the order of a designated payee, the name of the Director of Finance and the title of the Director's office shall be so designated. If any such Eligible Investments are registrable either as to principal or interest, or both, then such Eligible Investments shall be registered in the name of the Director of Finance as such.

(2) With respect to each Eligible Investment, the Director of Finance shall obtain a document evidencing, in the case of a book-entry security, and conforming, in the case of a certificated security held by other than the Director of Finance, each such investment. The Director of Finance is responsible for the safekeeping of all Eligible Investments and documents evidencing such Eligible Investments acquired by such Director of Finance. All Eligible Investments acquired as investments under Section 234.03 and Section 234.031 hereof by the Director of Finance on behalf of the City, whether in certificated or book-entry form, ~~may~~ shall be held on behalf of the City by a Qualified Trustee under a written custodial agreement. Any investment advisor, consultant or Qualified Securities Dealer doing business with the City cannot serve as custodian or safekeeping agent. Such Qualified Trustee shall provide to the Director of Finance a copy of each document evidencing or confirming such Eligible Investments which such Qualified Trustee receives and shall be required to report to the Director of Finance or to the Auditor of the State of Ohio or a duly authorized independent auditor of the City at any time upon request of such party the identity and location of the document evidencing each Eligible Investment made hereunder and held by such Qualified Trustee. In lieu of such custody, such Eligible Investments or documents evidencing or confirming such Eligible Investments may be held in a safe deposit box or vault belonging to an Eligible Depository or in a safe or other secure place at the office of the Director of Finance. Such safe deposit box or vault shall be opened only upon the order of the Director of Finance, such Director of Finance's designee hereunder or a person duly authorized as the Acting Director of Finance in the presence of one or more of the Director of Finance, the Director of Law, the City Manager or persons duly authorized as Acting Director of Finance or Acting Director of Law or Acting City Manager. With respect to any repurchase agreement that matures on the business day that immediately succeeds the business day on which such repurchase agreement was entered into, if the participating institution is a designated depository of the City for the current period of designation, the securities that are the subject of the repurchase agreement may be held in trust by the participating institution on behalf of the City, notwithstanding anything to the contrary in this subsection (j).

(k) Internal Controls with respect to Eligible Investments. The Director of Finance shall establish and maintain an internal control structure designed to ensure that the assets of the City are protected against theft. loss or misuse, and in connection therewith, shall maintain written procedures relating to such internal control.

(l) Exemptions from this Section and General Law.

(1) Any investment of Public Moneys which on the effective date of – this section does not qualify as an Eligible Investment under this section (each an "Ineligible Investment") may, notwithstanding anything herein to the contrary, be held until the first to occur of- its maturity or its sale; provided, however, that if the investment does not have a maturity date, it may be held no later than five years

from the effective date of this section. The proceeds of any sale of an Ineligible Investment shall be reinvested, if at all, only in an Eligible Investment.

(2) The City and the Director of Finance, any designee of the Director of Finance pursuant to this section, and any other official of the City, being governed by a charter adopted under Article XVIII, Ohio Constitution, and special provisions regarding the investment of the City's Public Moneys having been made through the passage of this section, are hereby exempted, except as otherwise expressly provided herein, from the provisions of the general laws of the State of Ohio, including, without limitation, the Uniform Depository Act, applicable to the investment of public moneys, as defined in the Uniform Depository Act.

(m) Annual Review of Section: Amendments. This section shall be reviewed on an annual basis by the Director of Finance and the City Manager to determine if amendments to this section are required in order to further the best interests of the City in connection with the management of its investment portfolio.

(Ord. 137-96. Passed 10-28-96.)

234.031 ELIGIBLE INVESTMENTS.

(a) The Director of Finance or the Director's designee may invest in any of the following classifications of obligations which are hereby determined to be eligible for investment of the Public Moneys of the City ("Eligible Investments"):

(1) United States Treasury bills, notes and bonds (excluding stripped principal or interest obligations of such issuances), or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

(2) Bonds, notes, debentures or other obligations or securities issued by any federal government agency or instrumentality (excluding stripped principal or interest obligations of such issuances), including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association~~, and Student Loan Marketing Association~~; provided that such securities shall be direct issuances of federal government agencies or instrumentalities;

(3) A written repurchase agreement between the Director of Finance or such Director of Finance's designee and any Eligible Depository or any Qualified Securities Dealer if, and only if, under the terms of which agreement the Director of Finance or such Director of Finance's designee purchases for the City and such institution agrees unconditionally to repurchase within a period of not more than thirty days securities described in subsections (1) or (2) hereof that will mature or are redeemable within five years from the date of purchase; provided that:

A. The market value of such securities subject to a repurchase agreement that mature:

1. On the business day immediately succeeding the business day on which such repurchase agreement was entered into shall be at least one hundred two percent (102%) of the principal amount of the repurchase agreement; and

2. On any other business day after the business day described in the immediately preceding item (1) shall be at least one hundred two percent (102%) of the principal amount of the repurchase agreement; and

B. The repurchase agreement shall contain the requirement that for each transaction pursuant to such agreement the Eligible Depository or Qualified Securities Dealer shall provide all of the following information:

1. The par value of the securities subject to such agreement;

2. The type, coupon rate, if any, and maturity date of the securities; and

3. A numerical identifier generally accepted in the securities industry that designates the securities;

(4) Certificates of deposit of Eligible Depositories which may provide (and, if so, shall be shown on its face) that the amount of such deposit is payable upon written notice a specified period before the date of the scheduled maturity, provided that security for the repayment of any such certificates of deposit is provided in accordance with Ohio R.C. Section 135. 18~~;. This shall include investments in Certificates of Deposit administered through the Certificate of Deposit Account Registry Service ("CDARS"). Eligibility of this investment is outlined in the Uniform Depository Act and would also apply to any other program that is deemed to meet the requirements of such Act;~~ and

(5) STAR OHIO

(6) Commercial paper issued by an entity as outlined in the Uniform Depository Act rated at time of purchase in the single highest classification by at least two nationally recognized rating agencies with a term to maturity of 270 days or less such that the investment in commercial paper of a single issuer, that has assets exceeding five hundred million dollars, shall not exceed in the aggregate five percent of the City's investments.

A. Commercial paper investments shall not exceed forty percent of interim monies available.

(7) Bonds or other obligations of this state, or the political subdivisions of this state, provided that, with respect to bonds or other obligations of political subdivisions, all of the following apply:

A. The bonds or other obligations are payable from general revenues of the political subdivision and backed by the full faith and credit of the political subdivision; and
B. The bonds or other obligations are rated at the time of purchase in the three highest classifications established by at least one nationally recognized standard rating service and purchased through a Qualified Securities Dealer; and
C. The aggregate value of the bonds or other obligations does not exceed twenty percent of the City's investments; and
D. The City is not the sole purchaser of the bonds or other obligations at original issuance.

(b) The Director of Finance and the Director's designee, the City Manager and the members of Council shall not be held accountable or personally liable for any loss occasioned by the sale of any Eligible Investment authorized pursuant to subsection (a) hereof at prices lower than its cost or balance. Any loss or expense in making such sale shall be payable as other expenses of the City.

(c) The members of Council, the City Manager and the Director of Finance and such Director of Finance's designees, shall not be personally liable for or with respect to the purchase of any Eligible Investment authorized as investments pursuant to subsection (a) hereof; and the members of Council and the City Manager shall not be personally liable for any unauthorized deposit or investment by the Director of Finance or such Director of Finance's designee.

(d) In the event of a vacancy in the office of the Director of Finance by reason of death, resignation, removal from office or otherwise, the Director of Finance or any acting or interim Director shall transfer

and deliver to the Director's successor all Eligible Investments held by the Director, or in the case where the Eligible Investments are held in safekeeping by a Qualified Trustee, all records held by the Director evidencing ownership of such Eligible Investments and information describing the location of such Eligible Investments. For the Eligible Investments so transferred and delivered, such Director of Finance shall be credited with, and the Director's successor shall be charged with, the amount of money invested in such Eligible Investments.

(e) Whenever Eligible Investments acquired under this Section 234.031 mature and become due and payable, the Director of Finance shall present them for payment according to their tenor, and shall collect the moneys payable thereon. The moneys so collected shall be treated as Public Moneys subject to the provisions of- this section with respect to their reinvestment and the Uniform Depository Act with respect to their deposit.

(f) The Director of Finance or the Director's designee shall maintain accounts in which the Director or the Director's designee shall make appropriate entries of all transactions relating to the investment of Public Moneys.

(g) If the Director of Finance wishes to purchase investment(s) listed in sections 234.031 (a) (1), (2), (6) & (7), without first receiving the advice of the City's investment advisor or consultant ~~or qualified securities dealer~~; the Director of Finance would be required to obtain written approval from the City Manager prior to purchasing that investment."

(~~g~~h) Interest earned on any Eligible Investments authorized by this section shall be collected by the Director of Finance and credited by the Director to the proper fund of the City as required by law.

(Ord. 137-96. Passed 10-28-96.)

234.032 DEFINITIONS.

(a) Capitalized words and terms used as defined words and terms in Sections 234.03 and 234.031 of the City's Codified Ordinances and not otherwise defined in such Sections shall have the following meanings:

(1) "Eligible Depository" shall mean any institution described in Ohio R.C. 135.03.

(2) "Eligible Investment" shall mean any investment described in Section 234.031(a) hereof.

(3) “Derivative Security” shall mean a financial instrument or contract or obligation whose value or return is based upon or linked to another asset or index or both separate from the financial instrument, contract or obligation itself, but shall not include a written repurchase agreement that satisfies the provisions of subsection (a)(6) of Section 234.031 hereof.

(4) "Investment Pool" shall mean a fund established by another Subdivision (including a County), Director of Finance, Governing Board or Investing Authority (as each of those terms is defined in Ohio R.C. 135.01, if that fund was established for the purpose of investing the public moneys of other subdivisions, but shall not include STAR OHIO.

(5) "Public Moneys" shall mean all moneys in the treasury of the City or moneys coming lawfully into the possession of the Director of Finance.

(6) "Qualified Securities Dealer" shall mean a securities dealer who is a member of the ~~National Association of Securities Dealers~~Financial Industry Regulatory Authority, Inc.

(7) "Qualified Trustee" shall mean a qualified trustee as described in Section 135.18 of the Uniform Depository Act.

(8) "Reverse Repurchase Agreement" shall mean a repurchase agreement under the terms of which the Director of Finance or such Director of Finance's designee agrees to sell securities owned by the City to a purchaser and agrees with that purchaser to unconditionally repurchase such securities.

(9) "STAR OHIO" shall mean the Ohio Subdivision's Fund created pursuant to Ohio R.C. 135.45 and currently designated as "Star Treasury Asset Reserve of Ohio".

(10) "Uniform Depository Act" shall mean Ohio R.C. Chapter 135, and all amendments thereto.

(b) Nothing in this Section 234.032 shall be construed as permitting the investment of the Public Moneys of the City in any of the obligations defined in the preceding paragraph (a) if investment in such obligations is otherwise prohibited by this section.

(Ord. 137-96. Passed 10-28-96.)

Citizens' Financial Audit Review & Advisory Committee

Minutes: May 10, 2018

Submitted by: Todd R. Fischer, Finance Director

The meeting was called to order by the Finance Director at 6:33 PM in the Lunch Room located in Brunswick City Hall at 4095 Center Road, Brunswick OH 44212. In attendance were Councilwoman, Patricia Hanek, Finance Director, Todd Fischer; Assistant Finance Director, Lynnette Ozanich; Meeder Investment Management Representative, Eileen Stanic, and the following members of the Citizen's Financial Audit Review and Advisory Committee:

Andrea Mullen Pam Lebold

Roll Call: Please see above Committee Members

Approval of Minutes: The December 7, 2017 minutes were approved. 2 Ayes – 0 Nays.

Investment Policy Discussion and Suggested Amendments to the Policy: The Finance Director started the discussion by informing the Committee that the City's investment policy had not been amended since the mid-late 1990s and that it was due to be changed. The last time discussions regarding changes to the Investment Policy occurred was about five years ago, although, no formal changes were ever made to the policy. For this presentation, the Finance Director went on to explain that the City's Investment Advisor, Eileen Stanic of Meeder Investment and himself jointly worked on the proposed amendments to the City's policy. All of the proposed changes or additional investment options suggested complied with current State Law.

After those discussions the Finance Director turned things over to Eileen who gave a hand out on commercial paper. Eileen talked about the ability to invest in commercial paper, the definition of it, the reasons one would invest in it and the various laws pertaining to it. She also indicated that her Investment Firm advises the State of Ohio on various commercial paper investments and that the State's portfolio is over 30% in commercial paper in the most recent times.

In the end, both Eileen and the Finance Director went through various details and benefits of various investment options that currently exist in State Law but did not necessarily exist in the City's outdated investment policy from the 1990s. The suggested additional investment options were included in a proposed investment policy that was handed out. Further discussion also took place regarding Ohio law and that allowable investments for municipalities are relatively safe and very restrictive in order to keep risk low. It was also the preference of the Finance Director to not add CDARS into the proposed investment options, even though it was an allowable investment option, under State Law. This was because the City already participated in a similar program called STAR Plus. If CDARS were to be added to the investment policy, it would increase the risk of the City potentially having uncollateralized deposits on hand at any given financial institution. Thus, CDARS was not proposed to be added at the request of the Finance Director at this time.

The Finance Director then asked if anyone present had any thoughts to share on the policy itself or proposed language. Pam Lebold stated that she would like to see some sort of language added that if the Finance Director/Treasurer were to decide to **solely** invest in certain investments as detailed out in section 234.031 (a) (1), (2), (6) or (7), without the involvement or advisement of the City's investment Firm, that the Finance Director/Treasurer would be required to seek the majority vote of Council prior to purchasing any said investment in those said sections. Pam felt this would be the prudent thing to include and would instill an extra layer of approval in those situations. The Finance Director/Treasurer indicated he would support such an addition. However, the Finance Director did indicate that if a statement of that nature was inserted into the policy that the likelihood of that "said" investment being purchased solely by the Treasurer without the involvement or advisement of the Investment Advisory Firm would be extremely low. This is because by the time the Finance Director/Treasurer were to obtain approval from the City Manager and Council it would be very likely that the investment would have already been purchased by someone else by the time any approval would be given. Discussion then followed to make sure that everyone understood that the additional layer of approval would only be required if the Treasurer went solo on purchasing an investment in sections 234.031 (a) (1), (2), (6) or (7). The Finance Director

indicated that he would work with Eileen to create some proposed policy language to address those concerns. IT was understood that the Finance Director and Treasurer would still be able to solely purchase an overnight repurchase agreement, a certificate of deposit, and participate in STAR Ohio or Star Plus without the need of an Investment Advisor involvement or advice.

The City Manager/Safety Director, Carl DeForest then arrived. The City Manager arrived late as a result of a Council Ward meeting that happened to be at the same time as the Committee meeting was held.

After much discussion, no other requested changes were suggested to the proposed policy. The Finance Director then indicated that once the additional proposed language was put together that he would email it out to the Committee for additional comment. The next step would then be to submit the proposed policy language to the City Manager and the Law Director for their final review. The plan from there would be to hold formal discussions with the City's Finance Committee and/or Committee of the Whole. If those Committees would then place it on a Council agenda, then we would request Council's consideration or approval.

General Discussion:

No other discussion took place. The Finance Director will set the next meeting as agenda items become known or received.

Adjournment: The meeting was adjourned at 8:00 PM.

DRAFT

THE CITY OF BRUNSWICK

PROPOSED MOTION

DATE: 06/21/2018

TO: Vice Mayor Michael Abella Jr. and Members of City Council

FROM: Carl S. DeForest, City Manager
Todd Fischer

COPY: Mayor Ron Falconi

MOTION: Discussion of Addendum to Keith D. Weiner & Associates Co., L.P.A. contract (Collection Agency for income tax delinquent cases)

BACKGROUND: The State of Ohio changed municipal tax law affecting tax years 2016 and later by permitting only those attorney fees awarded in judgment (O.R.C. 718.27). For 2015 and prior tax years, attorney/collection fees were allowed to be passed onto the delinquent taxpayer and collected from the delinquent taxpayer (deemed to have sufficient assets) prior to judgment.

If the City uses a collection agency and collects on delinquent cases prior to judgment under the new law, the City and taxpayers who pay their taxes on time must bear the costs of those services. The only way for the costs to be borne by the person who was later deemed to have sufficient assets but elected not to pay, is to obtain a judgment against that person in court. That judgment, per the City and LPA, should include tax, penalty and interest along with reasonable attorney fees, court and collection costs. The end result of this new law is the City must sue and collect on all viable delinquent cases through a court judgment if it is our goal to use the collected income tax dollars for their voted intention (for example providing and maintaining safety forces). If those same dollars were to be spent on collection costs instead, less would become available for voted purposes.

The proposed addendum is a direct result of changes in the State Law and numerous back and forth discussions between the City representatives and the Collection Firm.

PURPOSE AND EXPLANATION: See background. The proposed contract addendum is a direct result of changes in the State Law and numerous back and forth discussions between the City representatives and the Collection Firm.

IMPLEMENTATION SCHEDULE: After discussion, the Administration will ask the Finance Committee to allow us to draft up legislation for the next Council and/or Committee of the Whole meeting.

FINANCIAL INFORMATION:

FINANCIAL SUMMARY: If the City uses a collection agency and collects on delinquent cases prior to judgment under the

new law, the City and taxpayers who pay their taxes on time must bear the costs of those services. The only way for the costs to be borne by the person who was later deemed to have sufficient assets but elected not to pay, is to obtain a judgment against that person in court. That judgment, per the City's and LPA's request, should include tax, penalty and interest along with reasonable attorney fees and collection costs. The end result of this new law is the City must sue and collect on all viable delinquent cases through a court judgment if it is our goal to use the collected income tax dollars for their voted intention (one example providing and maintaining safety forces). If those same dollars were to be spent on collection costs instead then less would become available for maintaining safety forces.

Last year's collection costs equaled $198,426. Of those costs, only $12,418.26 was expended from City funds. Assuming worst case scenario under this new law and no delinquent cases went to court , this new law could have cost the City an approximate $186,000 based on last year's volume. In other words, we would have had $186,000 less designated for safety, non-safety services and infrastructure/capital improvements.

RECOMMENDED ACTION: After discussion, the Administration will ask the Finance Committee if it is OK if we draft up legislation for the next Council and/or Committee of the Whole meeting.

ADDITIONAL INFORMATION: