

BOARD OF FINANCE – Regular Meeting 29 January 2021

The Board of Finance of the Consolidated City of Indianapolis and Marion County met remotely on Friday, January 29th. The following members were present.

Barbara A. Lawrence, Board President and Treasurer, Marion County
Joseph O'Connor, Board Secretary and Assessor, Marion County
Sarah Riordan, Executive Director, Indianapolis Bond Bank, Mayor's Representative
Ken Clark, Controller, Consolidated City of Indianapolis/Marion County
Julie Voorhies, Auditor, Marion County
Weston Young, Chief Financial Officer, Indianapolis Public Schools

Introductions and Election of Officers: With a quorum present, Board of Finance Secretary Joseph O'Connor called the meeting to order at 1:34 pm. As the first order of business, Mr. O'Connor noted that the Board would need to elect a new Board President and then encouraged his fellow Board Members to introduce themselves. After introductions were completed, Mr. O'Connor moved to elect a President. Following this, Ms. Voorhies nominated Ms. Lawrence to fill this position, which was seconded by Ms. Riordan. Afterwards, Mr. O'Connor motioned to name Ms. Lawrence Board President, which was moved by Ms. Riordan and seconded by Ms. Voorhies. Next, a motion was made by Ms. Lawrence to retain Mr. O'Connor in the role of Board Secretary, which was seconded by Ms. Voorhies. Both motions were unanimously approved.

Approval of Minutes: Ms. Lawrence then asked for a motion to approve the minutes as written for the January 28, 2020 meeting. A motion to accept was made by Ms. Riordan, seconded by Ms. Voorhies, and then passed unanimously by the Board.

Investment Reports: Ms. Lawrence noted that eight entities would be presenting their investments to the Board, as well as presenting any changes to their written investment policies. The investment policies are approved by each entity's respective Boards. Ms. Lawrence also stated that each entity was responsible for sharing their own materials, unless technological issues arose and they were prevented from doing.

City of Indianapolis Office of Finance & Management (City): Ms. Lawrence requested that Deputy Controller Janae Rhoton and Finance Manager Ciara Leath, present on behalf of the City of Indianapolis. Ms. Rhoton explained that the City has a pool of nine bank accounts with J.P. Morgan Chase Bank and seven such accounts with Trust Indiana. As for investment accounts, their safekeeping agent is J.P. Morgan Chase, with whom the City held four United States Treasury yields with at the end of 2020. Both institutions are included on the list of Indiana approved depositories. Next, Ms. Rhoton provided an overview of the City's Investment Policy, which was formally adopted by the City-County Council, in accordance with state statute. She further clarified that the policy was renewed in 2018 and remains in effect until 2022, when it will be re-submitted to the City-County Council for approval. The main objectives detailed by City's Annual Investment Report are safety, liquidity and return on investment.

Following this, a description of the City's average monthly bank and investment balances, monthly interest income, and an interest income analysis were provided; all of which were for the calendar year ending December 31, 2020. It was also explained that the J.P. Morgan Chase pool accounts averaged approximately \$9.9 million, while Chase savings account averaged \$640 thousand and the Trust Indiana account maintained a balance of approximately \$306 million. It was also stated that investments made with the safekeeping agent averaged approximately \$227 million. Additionally, the City earned approximately \$1 million in interest income from bank balances and nearly \$5.3 million in investments, for a total of \$6.3 million. Overall, the City's yield for 2020 was 1.16%, while still earning approximately 2.33% with Treasuries. Ms. Rhoton highlighted that this was because the City had invested in a higher yield

before rates dipped due to the COVID-19 pandemic. In terms of performance based upon the budget, of the \$6.3 million earned in interest about \$2 million of that was in budgeted funds. With a total budget of approximately \$2.2 million, Ms. Rhoton explained that the City fell short of expectations because of rates decreasing due to the pandemic. An overview of the City's portfolio was also provided, which not only listed Treasuries, but also a breakdown of the yields and maturity dates. Furthermore, it was noted that the City does not hold any investments that have a maturity greater than two years at the end of 2020. Finally, the presentation concluded with Ms. Lawrence asking Ms. Rhoton to clarify how interest paid on securities were depicted within the report.

Capital Improvement Board (CIB): CFO Tim Kuehr and Controller Art Kodroff next presented their Report on behalf of the Capital Improvement Board, which owns & operates Lucas Oil Stadium and the Indiana Convention Center. CIB also owns & leases-out operations for Bankers Life Fieldhouse, Victory Field and the Virginia Avenue Garage, as well as a few other parking facilities. Mr. Kuehr noted that their Investment Policy philosophy is to act responsibly with judgment and care, in order to maintain public confidence. CIB emphasizes statutory compliance, principle preservation and liquidity to meet the needed cash flow requirements. Return on investments is the last objective, and never takes precedence over the other objectives. All investments are with approved depositories and are two years or less. The Policy was approved by their Board in February of 2019, and will be re-considered in February 2020, without any changes.

Mr. Kuehr noted that there were no changes to CIB's financial partners since the previous Board of Finance meeting. However, he highlighted that a change was made to their cash management process, wherein CIB moved from sweep accounts to manually managing accounts to maximize revenues. Fluctuations seen in the Bank of New York account were due to bond payments, while decreases in the Trust Indiana and Regions liquidity manager accounts were impacted by both the pandemic and using cash balances. Both accounts finished the year with balances of approximately \$59 million, which was about a \$40 million loss due to the pandemic. The total income received was \$1.4 million, compared to a budgeted amount of \$1.8 million. The average monthly balance was approximately \$164 million. At the presentation's conclusion, Ms. Riordan emphasized that responses from rating agencies have been positive and CIB has been within the investment grade range. Finally, Mr. Clark followed Ms. Riordan's comments by noting how well CIB had done protecting taxpayer money throughout the pandemic.

Health and Hospital Corporation (HHC): Interim CFO Treasurer Jay Burkett and Assistant Treasurer James Simpson then came forward to present Health & Hospital Corporation's report to the Board. Mr. Burkett explained that HHC has relationships with six financial institutions, including: Fifth-Third; PNC; Chase; National Bank of Indianapolis; Trust Indiana and Bank of New York Mellon (trustee accounts). He added that there were no changes to this list from the prior year. Next, Mr. Burkett reported that the average monthly balance for the calendar year ending December 31, 2020 was approximately \$454 million, in interest of about \$3 million, which resulted in an average interest rate was .66%. In 2019, the average monthly balance was approximately \$393 million and interest earned was \$8.5 million.

Typically for HHC, government funds increase early in the year due to their receipt of federal matching funds and taxes that were received in June and December, which are some of the major items that the organization sees fluctuation in cash and investment accounts. Quarterly, IGT payments are made for federal matching funds, and debt service payments are made semi-annually in June and December. Commenting on the interest income by month, Mr. Burkett echoed similar trends that were expressed by other agencies that had presented, wherein the interest earned was negatively impacted by the interest rate environment and the pandemic.

Mr. Burkett concluded HHC's presentation by noting that the Investment Policy for Health & Hospital Corporation was last approved and reviewed by their board on June 16, 2020. He then

highlighted the objectives of the Investment Policy, which focuses on legality, safety, liquidity and yield.

Indianapolis Airport Authority (IAA): Treasury Manager Rebecca Fiscus and Financial Analyst Brittany Hanson came forward to present the Investment Report for the Indianapolis Airport Authority. Ms. Fiscus opened by noting that Ms. Hanson made a significant contribution to the Report. The IAA handles 28 accounts with five different financial institutions that they must segregate by funding sources (due to bond ordinances, FAA rules, etc.). IAA had an average monthly balance of \$292 million in 2020, compared to \$279 million in 2019. This increase was the net result from land sales, along with the sale of IAA's old terminal parking garage, which have been offset by reductions in passenger facility charge accounts banked balance. IAA did receive CARES Act funding and drew on that four times to reimburse their Airport Systems Fund.

IAA had actual interest earnings of approximately \$6.1 million in 2020, which was above their budgeted interest earnings of \$5.3 million and was less than what was earned in 2019. This was an overall average interest yield of 2.11%. Most of their investments were held between Bank of New York and Fifth-Third. The Bank of New York holds their debt service funds backed by four delivery agreements, which have a guaranteed yield of just over 5%. IAA actively managed their liquidity and have previously used their own investment strategy. However, in March, the agency's Senior Director of Finance took a strategic approach to liquidate a large portion of treasury securities, specifically in the Airport Systems Fund. This was undertaken to lock in liquidity, while also generating a gain on sale. For other investment accounts, an approach of not reinvesting liquidity and allowing them to mature was taken, due to the low interest rate environment. It was also noted that they do have some investments with terms over two years. Finally, the presentation ended with a review of IAA's Investment Policy, which had no changes in policy and was both reviewed and approved by their board.

Indianapolis Public Transportation Corporation (IndyGo): Ms. Lawrence noted that IndyGo would not present before the Board of Finance. She further clarified that the agency, as allowed under statute, will be serving as its own board of finance. A copy of this statute, as well as the agency's investment report were provided to participants of this meeting in case anyone had any questions. Ms. Voorhies asked if IndyGo would continue to share their report for continuity of government and Ms. Lawrence said she would seek confirmation on this point.

Indianapolis Public Schools (IPS): Pat Niland, Accounting Officer, and Weston Young, Chief Financial Officer were next to present their Report for Indianapolis Public Schools (IPS). Mr. Young explained that IPS's banking relationships for the year ending in 2020 were consistent with the prior year, aside from the addition of Lake City Bank. The month end account balances began the year around \$150 million and ended with approximately \$162 million. As for interest, the monthly distribution across the banks, BMO Harris carried most of the interest rate gains for the year. The total interest across the year was approximately \$2.2 million, while the average rate of return across all of the banks was 1.49% and the average balance was about \$148 million. Mr. Young noted again that a majority of the average balance was with BMO Harris, with a CD ladder portfolio, and the Hoosier Fund; thus, making IPS's portfolio more liquid. Next, the various CDs that were liquidated throughout the year were identified and it was explained that by the end of the year IPS was all in cash and cash equivalents. Change in interest earning was down, which was likely due to the balances over the course of the year and the interest rate environment. This presentation concluded by confirming that IPS's Investment Policy was approved in 2018 and is renewed every 4 years.

Indianapolis-Marion County Building Authority (Building Authority): Ms. Lawrence next called on Indianapolis-Marion County Building Authority Director Mark Peterson and Finance Director Wanda Elliot to present their report. Ms. Elliott began by providing an overview of the Building Authority's Investment Policy, which was reviewed by their board and approved 4 years ago. She noted that they use the Bank of New York Mellon as the trustee manager for their

bonds (investment in government obligation funds), and use JP Morgan Chase Bank for checking & savings accounts for the properties they maintain for the City. There are 14 checking accounts and 14 savings accounts, because the funds must remain separate. With J.P. Morgan Chase, they have an average monthly balance of about \$7.5 million. For Bank of New York Mellon, fluctuations are based upon lease payments and the bond, principle and interest payments made. Interest income earned for 2020 from J.P. Morgan Chase was \$10,609 with an average interest rate of .14%, while the Bank of New York was \$1,802 with an average interest rate of 0.27%.

Indianapolis Marion County Public Library (Library): The next presentation was on behalf of the Indianapolis Marion County Public Library, which included Chief Financial Officer Ijeoma Dike-Young (CPA) and Controller Carolyn Adams (CPA). They began by discussing their banking and investment relationships and noted that all their investments are in approved depositories. Ms. Dike-Young added that the Library had an average monthly balance of \$47.6 million for 2020, which included an influx of property tax distribution and bond proceeds of \$3 million at the end of the year. Their average monthly interest income was approximately \$24,000, which was about one-third of 2019's amount. Total interest was about \$295,000. Additionally, the amount in the Library's budgeted funds was \$283,000, while they budgeted approximately \$240,000. Their average interest rate was .79%, and was drastically different from the average interest rate that they experienced the previous year. Ms. Dike-Young also pointed out that Library has checking and savings account with JP Morgan Chase, which maintained a higher balance than it had in 2019. She explained that this was done to take advantage on bank fees, while adding that with interest so low, it is starting to make more sense to keep a higher balance and receive credits. Next, the average invested balance was described, where their largest investments were made with J.P. Morgan Chase, Trust Indiana and the Hoosier Fund. Finally, Ms. Dike-Young discussed the Library's Investment Policy, which was renewed in 2018, will expire in 2022 and has undergone no changes since the last Board of Finance meeting.

Marion County Treasurer's Office (County): Rodney Shine, Chief Deputy Treasurer of the Marion County Treasurer's Office, next presented on behalf of Marion County. The County partners with a wide variety of financial institutions for depositing funds (and some which help in collecting property taxes by allowing payments of local property taxes): BMO Harris Bank, Fifth Third Bank, First Financial Bank, Huntington National Bank, JP Morgan Chase Bank, Lake City Bank, Merchants Bank of Indiana, Star Financial Bank, Financial Center Credit Union, Trust Indiana, Stock Yards Bank & Trust. All applicable institutions are on the Approved Depository List and have a Community Reinvestment Act ranking of Satisfactory or Outstanding. The institutions also have a Bankrate 'Safe & Sound' rating of 4 or 5 on a scale of 1 to 5.

Mr. Shine followed the recommendation of the Government Financial Officers Association that government units establish a benchmark in evaluating the performance and safety of their investments. The County Treasurer's Office uses Trust Indiana as their benchmark since both hold over 50% of their investment funds in Indiana banks, and their performances in 2020 followed a similar trajectory. At the end of 2020, Marion County held 5 investments totaling nearly \$36 million. In 2020, Marion County continued to identify and invest in securities with competitive yields. Additionally, Mr. Shine described the average monthly deposit balances, which peak around May and November property tax collection due date. In 2020, the average balances in May and November were at least \$350 million higher than the average balances during the months of January, February and March. Furthermore, the Marion County portfolio generated over \$2.5 million in interest income in 2020. Mr. Shine added that 2020 bank balances for Marion County yielded .60% and short-term investments averaged 1.76%, while blended returns for the year were .80%. Finally, he provided a review of Marion County's Investment Policy, noting no changes since the last Board of Finance meeting and that it is up for renewal this year. Marion County's presentation concluded with a question from Mr. Young, who asked if there was an annual review process for the entity's Investment Policy. This question was deferred to Ms. Lawrence, who stated this review was due later in the year.

Other Business:

Review of Distressed Unit Appeal Board Report (DUAB): Ms. Lawrence noted that this report was provided by Indianapolis Public Schools and required review. Mr. Young was then called to present on this issue. He identified this DUAB as recognizing fiscal indicators posted by the Department of Local Government Finance (DLGF). The report provides commentary of these fiscal indicators, enrollment, fund balances, operating referendum, etc.

Adjournment:

There being no further reports or discussion, the meeting was adjourned.

[Affirm & Attest: President Barbara O. Lawrence, Secretary Joseph P. O'Connor]