BOARD OF FINANCE – Regular Meeting 28 January 2022

The Board of Finance of the Consolidated City of Indianapolis and Marion County met remotely on Friday, January 28th. 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 President Barbara Lawrence commenced the meeting at 1:31 pm. As the first order of business, President Lawrence requested that the Board members introduce themselves starting with Joseph O’Connor. After introductions were completed, President Lawrence moved onto item 2 of the agenda, election of officers. Once nominations were open for President, Sarah Riordan nominated Treasurer Lawrence, which was seconded by Joseph O’Connor. The motion was passed to name Ms. Lawrence Board President. Next, a motion was made by Ms. Lawrence to retain Mr. O’Connor in the role of Board Secretary. Both motions were unanimously approved.

**Approval of Minutes:** Ms. Lawrence then asked for a motion to approve the minutes as written for the January 29th, 2021 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 so.

**City of Indianapolis Office of Finance & Management (City):** Ms. Lawrence requested that the Deputy Controller Janae Rhoton and Finance Manager Ciara Leath present on behalf of the City of Indianapolis. Ms. Rhoton began the presentation by stating that the investment policy hasn’t changed since the last meeting. She explained that the City has a pool of nine bank accounts with J.P. Morgan Chase Bank and nine such accounts with Trust Indiana. As for investment accounts, their safekeeping agent is J.P. Morgan Chase, with whom the City held three United States Treasury yields with at the end of 2021. 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 the state statuette. She further clarified that the policy was renewed in 2018 and remains in effect until the end of 2022, when it will be re-submitted to the City-County Council for approval. There have been no changes to the Investment Policy since the Board of Finance meeting in 2021. The main objectives detailed by the 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, 2021. It was explained that the J.P. Morgan Chase pool accounts averaged approximately $24.9 million monthly, while Chase savings accounts averaged a monthly balance of $873 thousand. The Trust Indiana account maintained a balance of approximately $638 million and their security account had a balance of $120 million. Ms. Rhoton highlighted a bump in the Trust Indiana account, contributed by the American Rescue Plan Act through the stimulus dollars that the city received. The City earned approximately $2.034 million in interest income with a combined yield of .6 basis points. The Chase account decreased in interest income, however they obtained what is called Earnings Credit, which assists in offsetting the costs of banking fees. In total they were able to offset $42 thousand dollars in fees. For the Trust Indiana Account, they earned $386 thousand in interest income and $1.6 million from security. Ms. Rhoton explained that the City fell short of expectations because of rates decreasing due to the pandemic. She expects that the rates will increase by March of 2022. In terms of performance based upon the budget, they budgeted $1.2 million interest with $1 million of that being budgeted funds. 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 2021.

Once Ms. Rhoton finished, Mr. Young asked her about federal stimulus and whether they were received up front or whether they occurred in the reimbursement. Ms. Rhoton noted that they were received up front, with a total allocation for the City of $410 million. She explained that that allocation was split in half by the treasury, 50% was received by the City in May of 2021, which was $210 million, and the remaining 50% will be received in May of 2022. The presentation was then concluded.

**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, Indiana Convention Center, and Cambridge fieldhouse. 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’s investment objectives are to comply with statutory requirements, principle preservation and liquidity to meet the needed cash flow requirements. Return on investments is the last objective, and should never take 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 2023, without any changes.

Mr. Kuehr noted that there were no changes to CIB’s financial partners since the previous Board of Finance meeting. Their main checking and operation accounts are through Regions, Bank of New York is used for bond investments, and there are temporary investment accounts with First Internet Bank of Indiana, Key Bank, and Trust Indiana. Mr. Kuehr moved onto monthly investment balances, starting with an initial balance of $140 million overall and ended the year with a balance of $193 million. He highlights two events that affected the balances in the calendar year. In March all debts were refunded and reissued as a 2021 bond for Fieldhouse renovations. The Bond proceeds will continue to go down as construction continues. In November, $53 million was received in restricted funds that are designated for the Cambridge Fieldhouse construction project. The Regions liquidity manager account as well as Trust Indiana received a portion of the restricted funds which explains the increase in November. Mr. Kuehr moved onto the Interest Income analysis, starting with First Internet Bank which had an average of $65 million, gaining approximately 25 basis points. Key Bank and Regions are primarily checking, and operational accounts so received minimal interest. Bank of New York initially received only 1 basis point, whereas on the latter accounts which goes out two years, they increased approximately 58 basis points. The total income received was $154 million, interest earned 24 basis points, compared to an annual budget of $1.2 million. Tim highlights ways in which they can improve, including minimizing investment balances as well as looking at all potential investment vehicles that are approved and can provide better rates.

Once Mr. Kuehr finished, Mr. Young asked whether or not CIB received any sort of federal stimulus. Mr. Kuehr said that there was stimulus received in 2020 in regard to COVID relief but no stimulus was received in 2021. He highlights that in 2020 $40 million was lost due to the pandemic, in 2021 their reports will show a $33 million dollar increase, however taking into account the $53 million in restricted funds equates to a total loss of $20 million in 2021. His predictions for 2022 is an additional $30 million dollar loss.

**Health and Hospital Corporation (HHC):**

Chief Financial Officer Brooke Dunn introduced James Simpson, Assistant Treasurer, and Paul Babcock, President & CEO. As the Chief Financial Officer, Ms. Dunn is leading the presentation. Their report includes a consolidated view of their investment accounts, that include governmental funds and two enterprise funds which are Eskenazi hospital and long-term care. HHC’s primary banking relationship is with Fifth Third. Ms. Dunn 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. Next, Ms. Dunn reported that the average deposit balance for 2021 was approximately $850 million, and they ended the year with a combined balance of $885 million across all four divisions which include Marion County public health, Eskenazi Health, Indianapolis Emergency medical services, and long-term care. HHC’s cash on hand is slightly below industry standards of 9 months but is seeing an increase due to relief funds and Medicare advances.

Mr. Burkett concluded HHC’s presentation by noting that the Investment Policy for Health & Hospital Corporation was adopted in 2019 and set to expire in 2023. The policy was reviewed and approved in December 2021, the only change was recognizing the board has yet to appoint a Treasurer and that powers of the treasurer were temporarily granted to the Chief Financial Officer until such an appointment has been made. Ms. Dunn then highlighted the objectives of the Investment Policy, which focuses on legality, safety, liquidity and yield. All HHC investments are with approved depositories, which mature in less than two years per their investment policy standards.

Ms. Dunn reiterates the decline in interest rates due to the pandemic, so as their short-term investments matured over 2020 and 2021, new investments were done at the current lower rates. HHC investments are made up of treasuries, municipalities, and money market accounts. They started 2020 with $105 million in non-cash investments and ended 2021 with approximately $60 million in treasuries and local municipalities. The difference was moved to money market accounts. HHC budgeted $1.2 million in interest and earned approximately $843 thousand.

Upon the completion of their presentation, Weston Young asked Ms. Dunn to elaborate on the increase in budgeted funds from 2020 to 2021 and whether cash advances/federal funds had an impact on that increase. Ms. Dunn answered in the affirmative, stating that their budget will continue to remain around the $1.2 million budget instead of decreasing to 2020 balance levels.

**Indianapolis Airport Authority (IAA):** President Lawrence went on to introduce Robert Thomson, Senior Direct of Finance & Treasurer. He then introduced Keith Rexing and Brittany Hanson, both Financial Analysts, to lead the presentation. Ms. Hanson explained IAA handles 28 accounts with five different financial institutions that they must segregate by funding sources (due to bond ordinances, FAA rules, etc.). Mr. Rexing went onto explain that IAA had an average monthly balance of $312 million in 2021, up from an average monthly balance of $292 million in 2020. They had interest earnings of $3.2 million in 2021, with an average interest rate of 1.04%. This exceeded their budgeted investment earnings by $250 thousand.

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. It was noted that due to the current rate environment, most of their funds are held in money market accounts. 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 in November of 2021.

Weston Young asked about the impact of federal stimulus on the IAA, Mr. Rexing explained that they received $38 million in 2020 and in 2021 they received $24 million, and they have a period of four years to spend that from the inception of those funds.

**Indianapolis Public Schools (IPS):** Pat Nilan, IPS Accounting Officer, was introduced by President Lawrence. Per Indiana statuette, all IPS banking relationships with approved depositories. The investment policy has not changed since the prior year, it was adopted in 2018 and is up for renewal in July of 2022. It was noted that timed deposits are authorized out to two years. Their primary banking relationship is with J.P Morgan Chase, in the past they had banking relationships with PNC as well but within the past year all non-Chase accounts were transferred to Chase due to a competitive and user-friendly fee structure. IPS began 2021 with ladder CD accounts, became aware of Merchants Bank money market accounts and subsequently moved 75 basis points towards those accounts. $535 thousand was gained in interest. Yield on investments started the year around 35 basis points and ended the year 57 basis points. Prior yield on all balances rose from 24 to 46 basis points with a mean of 36. The presentation concluded.

**Indianapolis-Marion County Building Authority (Building Authority):** Ms. Lawrence next called on Indianapolis-Marion County Building Authority Director Mark Peterson and Finance Director Krista Wicker to present their report. Ms. Wicker 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. J.P Morgan Chase accounts had an average monthly balance of $4.981 million and Bank of New York had an average monthly balance of $754 thousand. The year to date interest earnings with Chase were $212 dollars and BNYM YTD earnings were $94 due to the current rate environment.

With that, Ms. Wicker concluded the presentation and opened the floor for questions. Weston Young asked about the interaction of the federal stimulus with Building Authority, Ms. Wicker answered in the negative stating that there was no stimulus received.

**Indianapolis Marion County Public Library (Library):** The next presentation was on behalf of the Indianapolis Marion County Public Library, which included Interim Chief Financial Officer Carolyn Adams and Interim Budget Manager Jenny Carter. They began by discussing their banking and investment relationships, with Chase as their primary banking partner, and noted that all their investments are in approved depositories. Ms. Adams added that the Library had an average monthly balance of $50 million for 2021, Ms. Adams noted that in the prior year their cash balance by the end of December was approximately $17 million but did want to add that in December of 2021 they received bond proceeds in the amount of $35 million. Those funds will be allocated to construction efforts towards a Glendale branch and Fort Benjamin Harrison branch. An additional branch was opened in West Perry during 2021. Their average monthly interest income was approximately $45 thousand. They fell short on some of their targets, Ms. Adams used the example of their operating budget, that their goal was $90 thousand gain in interest, and they ended up with $36 thousand by the end of the year. Their average interest earnings were .09% compared to .82% the prior year. Finally, Ms. Adams discussed the Library’s Investment Policy, which was renewed in 2018 and will expire in 2022. It has undergone no changes since the last Board of Finance meeting.

Once the question portion of the presentation began, Weston Young asked about the impact of federal stimulus; Ms. Adams stated that they applied for stimulus relief in 2020, for reimbursement, and approximately $187 thousand was received. There was no relief received in 2021.

**Marion County Treasurer’s Office (County):** Barbara Lawrence then introduced Rodney Shine, Chief Deputy, to present on behalf of the Marion County Treasurer. 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.

The Marion county average monthly deposit balance peaks in May and November of each year during the property tax due dates. The average balances during those periods are approximately $400 million dollars higher than during the first three months of the year. The overall average monthly balance exceeded $320 million in 2021. Monthly Interest Income generated from deposits held in various institutions was $83,770 thousand, while the average monthly income of short-term investments was approximately $14.5 thousand. At the end of 2021 Marion County held two year-end investments averaging $25 million for both. In 2021, financial institutions generated a little over $1 million in interest income, with an average return of .34%. Marion county investments generated $174 thousand in interest income with an average yield of 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. Finally, Mr. Shine provided the Investment Policy for MCTO, it was renewed in December 2021 and includes language that allows the treasurer to invest in securities more than two years but not more than five. For interest income, the county budgeted $1 million and exceeded the target by $180 thousand. Marion County’s presentation concluded with a question from Mr. Young, who asked about the impact of federal stimulus on the office, and Mr. Shine explained that those funds go through consolidated city accounts.

# 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. Nilan 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.

**Indianapolis Public Transportation Corporation (IndyGo):** Once Mr. Nilan completed his presentation on DUAB, Weston Young inquired as to whether IndyGo submitted the proper requests to forego presenting per Indiana Statuette, which establishes IndyGo as their own board of finance. Barbara Lawrence has answered with the affirmative and offered to confirm with Bart Brown that documentation was not required on their behalf because they act as their own board.

# Adjournment:

With no further business the meeting adjourned at 2:35 pm, Friday January 28th.