

## **CITY OF PARKVILLE**

### **Policy Report**

Date: March 10, 2015

Prepared By:  
Steve Berg  
City Treasurer

Reviewed By:  
Tim Blakeslee  
Assistant to the City Administrator

ISSUE:

Receive and file the Fewson Fund Annual Financial Statement and Report.

BACKGROUND:

The Fewson Fund Policy, as adopted by Resolution No. 12-01-13, requires the Fund Manager in February to prepare an annual financial statement and report for the preceding year. The report must include the fund balance at the beginning of the year; the increase/decrease in the fund assets during the year; the fund balance at the end of the year; the simple rate of return for that year based on the beginning fund balance; and an investment strategy for the coming year. The annual statement and report are attached for review and comment.

In February each year, the Fund Manager will determine the earnings of the fund for the preceding year to be divided 50% to the City and 50% to the fund balance. The earnings distribution is calculated as interest earnings minus administrative fees. The 50% distribution to the City for 2014 is \$2,931.99. The fund also held the distributions for 2011, 2012 and 2013, for a total amount of \$17,220.60. On December 31, 2014, this amount was credited to the City Capital Projects Fund to fund expenditures related to the Downtown Highway 9 Entryway Project.

BUDGET IMPACT:

There is no direct budget impact associated with receipt of the annual report.

ALTERNATIVES:

1. Receive and file the Fewson Fund annual financial statement.
2. Provide alternative direction to staff.
3. Postpone the item.

STAFF RECOMMENDATION:

Staff recommends that the Board of Aldermen receive and file the Fewson Fund Annual Financial Statement and Report.

POLICY:

The Fewson Fund Policy, as adopted by Resolution No. 12-01-13, requires the Fund Manager in February to prepare an annual financial statement and report of the preceding year.

SUGGESTED MOTION:

I move to receive and file the Fewson Fund Annual Financial Statement and Report for the year ended December 31, 2014.

---

ATTACHMENTS:

1. 2014 Fewson Fund Annual Report (narrative)
  2. 2014 Fewson Fund Annual Report (financial statement)
  3. Fewson Fund Balance Sheet as of 12-31-14
  4. Fewson Fund forecast sheet
-

Fewson Project Fund Annual Report  
December 31, 2014

Highlights for 2014

1. Due to the continuing low interest rate environment and the movement of \$50,000 of the Fewson Fund moneys out of agency bonds as these bonds were called, interest earnings for the Fund have continued to decline. Requirements that City funds be collateralized, further limit investment options since this requirement can make the funds unattractive to banks.
2. The Fewson Fund interest earnings, after expenses, were \$5,863.96, with one-half of this available as an annual distribution to the City for capital projects. Since the City did not draw on these funds during the 2011 through 2013 period, the cumulative total available had grown to \$17,221 at the end of 2014, and was available for distribution. In late 2014, the Downtown Highway 9 Entry project was identified and approved as an appropriate Fewson project, and the \$17,221 balance was reserved at year end for transfer to the City project fund to cover project expenditures.

Strategy for 2015

1. The low interest rate environment of the past several years is expected to continue through 2015 and beyond, meaning that interest earnings on the fund are likely to remain at low levels for several more years. Additionally, nearly \$35,000 of the currently held TIPS bond will mature in early 2015, further reducing the average yield of the Fund.
2. In 2014, uncertainty concerning the possibility of using a portion of the Fund to directly finance one or more City projects required the fund manager to keep funds available in highly liquid money market investments until a clearer picture emerged regarding possible uses of the funds. For 2015, the budget includes one project to be partially financed using a loan of \$155,000 to be made using Fewson funds. This amount will be kept available for this project, while a portion of the remaining funds will be invested in terms designed to enable one or more additional loans for projects to be made in subsequent years.
3. For 2015, the fund manager plans to follow a strategy of moving a large portion of the funds back into a mix of CDs using local banks and higher interest-bearing brokered CDs to achieve better interest earnings than are available using primarily money market accounts. A laddered approach to maturities will be used to ensure that:
  - a. Some funds remain, or become available each year.
  - b. The Fund will have funds available to reinvest at higher interest rates whenever rates move up from their current historic lows.
  - c. Some portion of the funds are in the best currently-available interest bearing instruments to provide a larger amount of current income for the fund.

Steve Berg  
City Treasurer  
on behalf of the Fewson Fund Manager

# Fewson Fund Investments Annual Report

December 31, 2014

## Investments Held by Fewson Fund

|          | Patriots<br>Cash Acct | Commerce<br>Cash Acct | Bonds Held by Fewson Fund |           |           |           | Total<br>Value<br>(Bond Total) |
|----------|-----------------------|-----------------------|---------------------------|-----------|-----------|-----------|--------------------------------|
|          |                       |                       | 1<br>FHLB                 | 2<br>FHLB | 3<br>TIPS | 4<br>FHLB |                                |
| Cost     |                       |                       | 25,070.50                 | 25,621.00 | 38,898.19 | 50,721.00 |                                |
| Acquired |                       |                       | 8/14/07                   | 11/18/08  | 8/7/09    | 1/29/09   |                                |
| Maturity |                       |                       | 9/12/14                   | 12/12/14  | 1/15/15   | 9/11/20   |                                |
| Rate     | 0.10%                 | 0%                    | 5.250%                    | 4.750%    | 1.625%    | 4.625%    |                                |

## Summary of Activity for Year

|  | Interest<br>Earned | Expenses | Net Gain<br>Market<br>Value | Loss<br>Market<br>Value |
|--|--------------------|----------|-----------------------------|-------------------------|
|  |                    |          |                             |                         |

### 1/1/2014 Opening Balances

|                                     |                   |                 |                  |                  |                  |                  |                   |
|-------------------------------------|-------------------|-----------------|------------------|------------------|------------------|------------------|-------------------|
| <b>Market Value All Accounts</b>    | <b>423,143.99</b> | <b>4,162.09</b> | <b>25,869.50</b> | <b>26,057.15</b> | <b>36,055.46</b> | <b>56,014.70</b> | <b>571,302.89</b> |
| <b>Total MKT VALUE of all Bonds</b> |                   |                 |                  |                  |                  |                  | <b>143,996.81</b> |

|                      |        |           |             |             |            |        |          |            |
|----------------------|--------|-----------|-------------|-------------|------------|--------|----------|------------|
| Bonds that Matured   |        | 50,000.00 | (25,000.00) | (25,000.00) |            |        |          |            |
| Interest Earned      | 423.35 | 5,513.63  |             |             |            |        | 5,936.98 |            |
| Bank Fees            |        | (73.00)   |             |             |            |        | (73.00)  |            |
| Gain in Market Value |        |           |             |             |            | 987.15 |          | 987.15     |
| Loss in Market Value |        |           | (869.50)    | (1,057.15)  | (1,115.59) |        |          | (3,042.24) |

### 12/31/2014 Closing Balances

|                                     |                   |                  |          |          |                  |                  |                   |
|-------------------------------------|-------------------|------------------|----------|----------|------------------|------------------|-------------------|
| <b>Market Value All Accounts</b>    | <b>423,567.34</b> | <b>59,602.72</b> | <b>-</b> | <b>-</b> | <b>34,939.87</b> | <b>57,001.85</b> | <b>575,111.78</b> |
| <b>Total MKT VALUE of all Bonds</b> |                   |                  |          |          |                  |                  | <b>91,941.72</b>  |

|                               |  |  |          |            |            |        |          |         |            |
|-------------------------------|--|--|----------|------------|------------|--------|----------|---------|------------|
| Full Year Change in Mkt Value |  |  | (869.50) | (1,057.15) | (1,115.59) | 987.15 |          | 987.15  | (3,042.24) |
| Other Activity for Year       |  |  |          |            |            |        | 5,936.98 | (73.00) |            |

|                            |       |    |  |  |        |        |  |  |  |
|----------------------------|-------|----|--|--|--------|--------|--|--|--|
| Interest Rates at Year End | 0.10% | 0% |  |  | 1.625% | 4.625% |  |  |  |
|----------------------------|-------|----|--|--|--------|--------|--|--|--|

### Average Rate of Return for 2014

All funds combined                      1.04%

### Amount Transferred to City for Fewson Projects

|                 |                 |
|-----------------|-----------------|
| Prior Years     | 14,288.61       |
| Current Year    | <u>2,931.99</u> |
| Total Available | 17,220.60       |

BALANCE SHEET

AS OF: DECEMBER 31ST, 2014

45 -Fewson Project Fund

| ACCOUNT#   | TITLE                          |              |                   |
|--|--------------------------------|--------------|-------------------|
| <b>ASSETS</b>  |                                |              |                   |
| 12000  | Claim on Cash                  | ( 15,810.56) |                   |
| 12105  | Trust Cash-Patriots            | 423,567.34   |                   |
| 12110  | Fewson Cash-Commerce           | 59,602.72    |                   |
| 14002  | Trust Investments-Money Market | 0.00         |                   |
| 14003  | Trust Investments-Treasuries   | 34,939.84    |                   |
| 14004  | Trust Investments-Fed Home Loa | 57,001.85    |                   |
|  |                                |              | 559,301.19        |
| <b>TOTAL ASSETS</b>                                    |                                |              | <u>559,301.19</u> |
| <b>LIABILITIES</b>                                     |                                |              |                   |
| 21000  | Funds Reserved for Transfer    | 0.00         |                   |
| 22001  | A/P Pending (Due to Pool)      | 1,410.04     |                   |
| 25000  | Auditor Entry                  | 0.00         |                   |
| <b>TOTAL LIABILITIES</b>                               |                                |              | <u>1,410.04</u>   |
| <b>EQUITY</b>  |                                |              |                   |
| 30001  | Fund Balance                   | 557,014.28   |                   |
| <b>TOTAL BEGINNING EQUITY</b>                          |                                |              | <u>557,014.28</u> |
| <b>TOTAL REVENUE</b>                                   |                                | 6,924.13     |                   |
| <b>TOTAL EXPENSES</b>                                  |                                | 6,047.26     |                   |
| <b>TOTAL SURPLUS/(DEFICIT)</b>                         |                                | 876.87       |                   |
| <b>TOTAL EQUITY &amp; SURPLUS/(DEFICIT)</b>            |                                |              | <u>557,891.15</u> |
| <b>TOTAL LIABILITIES, EQUITY &amp; SURPLUS/DEFICIT</b> |                                |              | <u>559,301.19</u> |

## Fewson Fund (45)

Last Updated 03/03/15

|  | 2011<br>Actual | 2012<br>Actual | 2013<br>Actual | 2014<br>Budget | 2014<br>Unaudited | 2015<br>Budget | 2015<br>Projected | 2016<br>Projected | 2017<br>Projected | 2018<br>Projected | 2019<br>Projected | 2020<br>Projected |
|--|----------------|----------------|----------------|----------------|-------------------|----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <i>Beginning Fund Balance</i>                    | \$529,213      | \$ 538,487     | \$ 545,515     | \$ 572,935     | \$ 557,014        | \$ 542,164     | \$ 543,675        | \$ 389,096        | \$ 430,061        | \$ 471,251        | \$ 512,668        | \$ 554,313        |
| <b>Revenues</b>                                  |                |                |                |                |                   |                |                   |                   |                   |                   |                   |                   |
| Interest Income                                  | 17,091         | 11,589         | 6,283          | 6,500          | 5,937             | 5,964          | 6,002             | 6,530             | 6,981             | 7,434             | 7,889             | 6,097             |
| Miscellaneous                                    | -              | -              | 28,285         | -              | -                 | -              | -                 | -                 | -                 | -                 | -                 | -                 |
| Return on Investments                            | -              | 2,261          | -              | -              | -                 | -              | -                 | 38,750            | 38,750            | 38,750            | 38,750            | -                 |
| Earned on Investments                            | 14,288         | -              | -              | -              | 987               | -              | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>Total Fewson Fund Revenues</b>                | <b>31,379</b>  | <b>13,850</b>  | <b>34,569</b>  | <b>6,500</b>   | <b>6,924</b>      | <b>5,964</b>   | <b>6,002</b>      | <b>45,280</b>     | <b>45,731</b>     | <b>46,184</b>     | <b>46,639</b>     | <b>6,097</b>      |
| <b>Total Sources</b>                             | <b>560,592</b> | <b>552,337</b> | <b>580,084</b> | <b>579,435</b> | <b>563,938</b>    | <b>548,128</b> | <b>549,677.23</b> | <b>434,376</b>    | <b>475,792</b>    | <b>517,435</b>    | <b>559,308</b>    | <b>560,410</b>    |
| <b>Expenditures</b>                              |                |                |                |                |                   |                |                   |                   |                   |                   |                   |                   |
| Purchase of Interest on Bonds                    | 968            | -              | -              | -              | -                 | -              | -                 | -                 | -                 | -                 | -                 | -                 |
| Loss on Investment                               | 15,029         | 6,682          | 8,642          | 5,000          | 3,042             | 900            | 900               | 900               | 900               | 900               | 900               | 900               |
| Trust/Bank Fees                                  | 5,453          | 139            | 139            | 150            | 73                | 150            | 150               | 150               | 150               | 150               | 150               | 150               |
| Federal Tax                                      | 656            | -              | -              | -              | -                 | -              | -                 | -                 | -                 | -                 | -                 | -                 |
| Distribution to City (50% of Proceeds)           | -              | -              | -              | 3,250          | 2,932             | 2,982          | 352               | 3,265             | 3,490             | 3,717             | 3,945             | 3,049             |
| Distribution to City (Reserved from Prior Years) | -              | -              | 14,289         | 14,216         | 14,216            | -              | 2,630             | -                 | -                 | -                 | -                 | -                 |
| Project Loans                                    | -              | -              | -              | -              | -                 | 155,000        | 155,000           | -                 | -                 | -                 | -                 | -                 |
| Transfers  | -              | -              | -              | -              | -                 | -              | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>Fewson Fund Expenses</b>                      | <b>22,105</b>  | <b>6,821</b>   | <b>23,069</b>  | <b>22,616</b>  | <b>20,263</b>     | <b>159,032</b> | <b>159,032</b>    | <b>4,315</b>      | <b>4,540</b>      | <b>4,767</b>      | <b>4,995</b>      | <b>4,099</b>      |
| <b>Estimated Ending Balance (deficit) :</b>      | <b>538,487</b> | <b>545,516</b> | <b>557,014</b> | <b>556,819</b> | <b>543,675</b>    | <b>389,096</b> | <b>390,645</b>    | <b>430,061</b>    | <b>471,251</b>    | <b>512,668</b>    | <b>554,313</b>    | <b>556,312</b>    |

Notes: (1) The distribution to the City is calculated as 50% of interest earnings and gain on investment minus any administrative fees. (2) Forecast displays fund activity on a cash basis. See balance sheet for description of fund investments.