

CITY OF PARKVILLE

Policy Report

Date: July 26, 2016

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. Due to other priorities, namely the 2015 audit, the report was completed late this year. The annual statement and report are attached for review and comment.

The report includes the earnings of the fund for the preceding year to be divided with 50% going to the City, and 50% to be added to the Fewson Fund balance, in accordance with Mr. Fewson's directions. The total earnings for the fund are calculated as interest earnings minus administrative fees. For 2015, the 50% distribution to the City is \$2,206.50. Because no project was approved for Fewson funding for 2015, the distribution is held by the Fewson Fund and reserved for transfer to the City at such time as an appropriate project is identified and approved.

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 and report
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.

FINANCE COMMITTEE RECOMMENDATION:

On July 25, 2016, by a vote of 4-0, the Finance Committee recommended 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 recommend the Board of Aldermen receive and file the Fewson Fund annual financial statement and report for the year ended December 31, 2015.

ATTACHMENTS:

1. 2015 Fewson Fund Annual Report (narrative)
 2. 2015 Fewson Fund Annual Report (financial statement)
 3. Fewson Fund Balance Sheet as of 12-31-15
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Fewson Project Fund Annual Report
December 31, 2015

Highlights for 2015

1. Due to the continuing low interest rate environment and the maturing of a TIPS bond with a value of about \$35,000, interest earnings for the Fund continued to decline in 2015. At the same time, the City was able to put together a timetable for future Fewson projects enabling a forecast of when Fewson funds should be available for financing of those projects. This enabled the Fewson managers to invest Fewson funds in various CDs with laddered maturities with the goal of increasing future interest earnings while also timing liquidity to match potential future needs. Current investments are listed on the accompanying Fewson Fund Investments Annual Report.
2. In late 2014 the Downtown Highway 9 Entry project was approved as an appropriate Fewson project, and in 2015 the cumulative balance of funds available for transfer from 2011 through 2014 was transferred to the City for this project, with the amount totaling \$17,220.60.
3. For 2015, the Fewson Fund interest earnings, after expenses, were \$4,412.99, with one-half of this available for distribution to the City for capital projects. Since the City did not draw on these funds during the year, these funds will remain available for future distribution.

Strategy for 2016

1. During 2015, the fund manager invested funds in a series of laddered CDs to increase interest earnings while retaining liquidity for potential projects. This committed the full amount of funds available for time deposits, so no further investments were intended until November, 2016, other than possible loans to the City for a 2016 project. Last year's investment in CDs has increased the interest earnings projected for 2016 over 2015, and, as currently invested, should yield about \$1,000 more in total earnings over 2015. The low interest rate environment of the past several years is expected to continue through 2016 and beyond, meaning that interest earnings on the fund are likely to remain at low levels for several more years.
2. For 2016 and beyond, the fund manager plans to continue to follow a strategy of holding a large portion of the funds in 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 invested 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, 2015

Investments Held by Fewson Fund

Summary of Activity for Year

	Investments Held by Fewson Fund			Bonds and CDs Held by Fewson Fund						Summary of Activity for Year				
	BankLiberty Cash Acct	BankLiberty MMA	Commerce Cash Acct	1 Commerce Brokered CD	2 Commerce Brokered CD	3 Platte Valley CD	4 Platte Valley CD	5 TIPS 5	6 FHLB 6	Total Value (Bond Total)	Interest Earned	Expenses	Net Gain Market Value	Loss Market Value
Cost				50,000.00	50,000.00	80,000.00	160,000.00	38,898.19	50,721.00					
Acquired				5/6/15	6/24/15	5/7/15	5/7/15	8/7/09	1/29/09					
Maturity				5/8/17	6/25/18	11/6/16	11/6/17	1/15/15	9/11/20					
Rate	0.10%	0.20%	0%	0.80%	1.55%	0.45%	0.80%	1.625%	4.625%					
1/1/2015 Opening Balances														
Market Value All Accounts	423,567.34	-	59,602.72	-	-	-	-	34,939.84	57,001.85	575,111.75				
Total MKT VALUE of all Bonds										91,941.69				
Funds Invested in New CDs	(400,000.00)	160,000.00	(100,000.00)	50,000.00	50,000.00	80,000.00	160,000.00							
Bonds that Matured			43,415.05					43,415.05						
Interest Earned	73.00	355.40	3,255.45	201.64	388.56	181.44	644.45	352.75	2,312.50	4,509.74				
Bank Fees			96.75								96.75			
Gain in Market Value								8,475.21				8,475.21		
Loss in Market Value				114.80	485.10				975.15				1,575.05	
Amount Transferred to City	17,220.60													17,220.60
12/31/2015 Closing Balances														
Market Value All Accounts	6,419.74	160,355.40	6,176.47	49,885.20	49,514.90	80,181.44	160,644.45	-	56,026.70	569,204.30				
Total MKT VALUE of all Bonds and CDs										396,252.69				
Full Year Change in Mkt Value				(114.80)	(485.10)	-	-	8,475.21	(975.15)			8,475.21	1,575.05	
Other Activity for Year										4,509.74	96.75			17,220.60
Interest Rates at Year End	0.10%	0.20%	0%	0.80%	1.55%	0.45%	0.80%		4.625%					

Average Rate of Return for 2015

All funds combined 0.81%

Amount Available for Transfer to City for Fewson Projects (12/31/15)

Prior Years	-
Current Year	2,206.50
Total Available	2,206.50

Note: Opening Balance, 1/1/2015, includes \$17,220.60 reserved for transfer to City from years 2011 through 2014. Fewson Fund balance without this amount was \$557,891.15. The Fewson Fund gain for 2015 was \$11,313.15.

BALANCE SHEET
AS OF: DECEMBER 31ST, 2015

45 -Fewson Project Fund

ACCOUNT# TITLE

ASSETS

12000 Claim on Cash	160,355.40
12105 Trust Cash-Patriots	6,419.74
12110 Fewson Cash-Commerce	6,176.47
12150 Fewson CDs-Commerce Bank	99,400.10
12300 Platte Valley Bank CDs	240,825.89
14004 Trust Investments-Fed Home Loa	56,026.70
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	569,204.30

TOTAL ASSETS 569,204.30

LIABILITIES

EQUITY

30001 Fund Balance	555,684.65
30002 Fund Bal Reserved for Transfer	2,206.50
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TOTAL BEGINNING EQUITY	557,891.15
TOTAL REVENUE	12,984.95
TOTAL EXPENSES	1,671.80
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TOTAL SURPLUS/(DEFICIT)	11,313.15

TOTAL EQUITY & SURPLUS/(DEFICIT) 569,204.30

TOTAL LIABILITIES, EQUITY & SURPLUS/DEFICIT 569,204.30