



# City of Gahanna

## Meeting Minutes

### Finance Committee

Office of the Clerk of Council  
200 South Hamilton Road  
Gahanna, Ohio 43230

*Michael Schnetzer, Chair, Karen J. Angelou, Ryan P. Jolley,  
Thomas R. Kneeland, Brian D. Larick, Jamie Leeseberg, Stephen A. Renner*

*Kimberly McWilliams, CMC, Clerk of Council*

---

Monday, July 14, 2014

Council Committee Rooms

---

#### Immediately Following Committee of the Whole

**Present** 6 - Brian D. Larick, Karen J. Angelou, Michael Schnetzer, Ryan P. Jolley,  
Stephen A. Renner, and Thomas R. Kneeland

**Absent** 1 - Jamie Leeseberg

#### **Additional Attendees:**

Mayor Stinchcomb, City Attorney Ewald, Karl Wetherholt, Dottie Franey, Matt Holdren, Jennifer Teal, Joann Bury, Chief Murphy, Tony Collins, Rory Gaydos, Sue Wadley, Anthony Jones, Clerk McWilliams.

#### **ITEMS - From the Director of Finance**

**2014-0086** Finance Report

#### **1. Fee Based Investment Advisory Service Engagement Letter**

Schnetzer called the Finance meeting to order for Monday, July 14; said first item from the Director of Finance is the fee based advisory service; I would like to defer to the City Attorney in order to avoid any conflict of interest because my employer is on the short list of candidates. Ewald said the issue would be, does a Council member benefit, even though he is not in the area making the decision, it is a matter of perception; I believe Schnetzer should not take part in the discussion or vote; he could ask general questions.

Schnetzer said in order to avoid that I will hand over the direction of this discussion to Ewald; Council agreed.

Renner asked what is the name of your employer. Schnetzer said R. W. Baird.

Teal said we have been considering the option of a fee based investment advisor; we have about 50 million dollars that I am called on to make decisions about; the ORC limits our investment options; we are not involved in anything risky, no day

trading; we do a lot with bonds; it is still a big responsibility; decided we would benefit by having professional assistance to actively manage the City's investment portfolio on a day to day basis and to have it looked at by professionals who could leverage our assets in a productive way; currently the process is a variety of dealers contact us when they have something to sell; if it fits our needs we may choose it; these brokers are not paid but they make commissions; the risk is we are only hearing from a few; it may be a reasonable sale for them but we do know they have their interests in mind; we feel it would work out well for Gahanna right now as every dollar counts and we need to maximize our returns; while we think the move to the fee based concept is worthwhile, we are not handing over the keys and never taking a look again; the applicants ranged from not saying anything to doing all the work with a whole range of fees; this Council is very engaged and we want to maintain and actively execute our vision; we included funding in the 2014 budget for this concept; issued the RFQ to determine what was out there; cast a wide net to make an informed selection; we received 14 responses that ranged from \$15,000 to \$175,000 with everything in between; there were 4 firms we liked that are Ohio based and we know them, but 2 really stood out; of the 2, one rose to the top; very personalized response; terrific track record with our peer communities; we believe this would be a firm that would serve us well; they would help us craft policy; their price was lower and they are located in Easton; they are a small firm with 3 employees, 1 who is a Gahanna resident; it really clicked for us; the other firm that was a finalist was Schnetzer's firm; they are a great firm but they did not knock our socks off; we took this information to Larick and Kneeland and advised them this decision was clear to us; we asked do we need to do any additional steps; their direction was we will take this to committee and see if they feel ready to go with it; that is where we are today; I feel strongly this is the way to go; after making this decision we checked references and learned of changes at the the firm that was our second choice; they are breaking up into a separate organization; this is not our favorite place to be; would rather the kinks be worked out on someone other than us; this is a big decision and a change of direction so I want to make sure everyone is comfortable with going with it, so I bring this to you today as a recommendation that we go forward with New Albany Capital Partners; open for any questions or additional information you may need.

Larick said previously Schnetzer had asked asked good questions and I would like him to review those.

Schnetzer said this is the right direction for the City of Gahanna; keeping tabs on the market is not something I believe Teal should be tasked with doing; having a 3rd party advisor is a prudent step; during the review process, did we request performance records to determine if the fee the City would be paying would have a greater net benefit than this fee.

Teal said most firms provided their fee information on a percentage of the portfolio basis; some others used vague non specific information on their track records; New

Albany Capital Partners provided a very detailed analysis with information on how investments would have covered their fees; to see it in black and white was very stark; don't have a specific ROI policy for any of the vendors; top vendors provided comparable prices and have a comparable track record.

Larick said how did you take away the look back in equity. Teal said it is all predictive; it is why we need someone other than just me looking at it on a daily basis; I don't know enough to do analysis and predict performance; what I can rely on is information from the references in other communities when I called them; the top 2 firms got good recommendations; those for New Albany Capital were glowing and enthusiastic; they went beyond expectations consistently; I do not have a mathematical way, but I am comfortable with my decision.

Larick said is there a means to evaluate simply, and I use the term indexes, on how to buy indexes and not pay a fee when looking at a low risk portfolio; should be easy to improve the return with minimal risk because we are so low on the risk factor; we do have to be willing to do that and it has to make sense as a community; question is making up for the fee versus simplifying our approach with the equivalent of an index portfolio. Teal said with the tools I have available today being the broker dealer, securities, CDs, and Star Ohio, I am limited in my interest earnings; I don't have an option to buy an index fund; don't know of a comparable tool to index funds for us; we have been influenced to make some poor decisions like a few years ago with mortgage backed securities; we have the opportunity to manage risk more appropriately with someone that has the skills and knowledge and knows the ORC and our policy; could turn a better profit; the agreement that will go out to Council by tomorrow does allow us to get out anytime; they bill us quarterly; if you don't pay the bill, no penalty or risk; if we are no better off, we can walk away.

Kneeland said sounds like laws limit us to a very narrow field of public funds; by going with this firm, we will have risk avoidance; what is the term. Teal said the agreement is for 3 years with 2 one-year extensions available; we can exit at anytime.

Teal said there is a lot to be gained; they can answer questions and provide direction on all aspects of our investment strategy that we have had lately; we could use our partner to help make decisions; inform our decisions; and implement them for us; this would be really useful; just had an example of how limited we are in our options with our current arrangements when I was advised to invest in T Bills and realized those aren't offered to us.

Angelou said it appears this is the next step in addressing this; how long has this group been in business. Teal said since 2007; they are a small firm with 3 partners; very experienced; managing funds for many of our neighboring communities with no turnover. Angelou said that was impressive to me when I read it; the fact they started in 2007 right before the financial downturn and made it through that; what you do as our Finance Director is worthy of taking this next step; you have proven

that you are a capable Finance Director always looking for the best product; this seems to me to be automatic to do.

Schnetzer said it is a good point in the selection process that you want someone to act as a partner in crafting our policy statements; I personally believe that to be very important; have any vendors shown you where they have deviated from the 5 years and in ORC model. Teal said I have not seen an exception; have seen some funny thinking about what that means; seen some salesmanship; could talk about that if it makes sense for us; believe New Albany Partners care about the field as they have demonstrated with the hours put into their response to us and with how engaged they are in the community and with their best practices. Schnetzer said it is being implied that we are willing to deviate from that standard ORC model; do you have any reservations that any of the final 4 lack the capacity to do that. Teal said I didn't ask, but if it were prudent and feasible, since it is our policy and our money, we could; there is nothing to say that all of our assets are managed by the advisor; it is a good idea to put most accounts there to facilitate account reconciliation, but if there is a desire to split it up due to accountability or control that could happen.

Renner said you have answered a lot of our questions; would ask what metric and period of time will you use to judge their performance. Teal said the weakness in our current relationship with many broker dealers is no one is in charge; no one just looking out for Gahanna; we are looking for an appropriate benchmark to tie their performance to; there are many options to say how should be performing; part of our set up will be talking about our goals and objectives and identifying appropriate benchmarks; they have provided some examples; measuring our portfolio against industry benchmarks will be an effective way; and looking at long term, our interest earnings are dependent on decisions made earlier; over time if we watch interest returns as a revenue item in our budget and see a change, we will see if we did good work.

Renner said how long will it take to develop whatever the benchmark is. Teal said I would estimate by the end of the year.

Schnetzer said what are the mechanics of updating the investment policy. Teal said Council approved the investment policy with the requirement to review it every 5 years; prior to that it had been 20 years.

**Recommendation: 2nd Reading, Consent Agenda.**

## **2. Sustainability Planning - One-time Capital Projects**

Teal said as part of our ongoing sustainability planning, we look at the one-time capital list; some Council members have had questions and concerns; questions indicated a couple of the items were related and not everyone knew the back story on them; thought we would proactively address a couple of those items; Collins will speak to several today and if there is a desire for this level of description on any of

the other one-time capital projects, we will take that feedback and provide that information at a future committee meeting; as background, these items from the needs assessment are not included in the list of annual operating expenses; this one time list is 6 months old; we are now in the process of updating the needs for 2015 through 2019; we will update the needs assessment then from all our sources; this is an information session; not a budget request. Collins provided a power point presentation for Sustainability Planning One-Time Capital Veterans Memorial Park & Friendship Park; a copy is available in the Council office. Larick said have you broken this into segments and component projects for completion. Mayor said yes. Larick said have you segmented all of this. Collins asked as in timed it out as a project. Larick said no, just the pieces; can't be done all at once. Collins said each year we checked off a component as we moved forward; they started 15 years ago and we have hit them at their priority level as opportunity presented itself; no timeline going forward.

Mayor said an example is the VFW; they have talked to us for a number of years about their property; would like us to buy it and lease it back to them; series of appraisals has been done; money in this year's budget to close on this deal; the opportunity has to make sense and we have to make sure it still fits our vision; this one is mostly funded; now we have to decide do we want to complete this puzzle.

Kneeland said have we broken this down to bite size pieces; project groupings. Larick said here are the 30 projects to complete to end up with the facility; list of all the pieces. Mayor said we have always thought of this as 2 separate projects; recently started thinking about it as a corridor. Collins said can't hand you a list; explained the development of the project over time as life happened; the vision we currently show has 3 next steps and an end vision with 20 projects and components; for now we are still identifying what is our project.

Kneeland said has there been any discussion about reforming or adding another recreation district. Collins said no formal discussion; came up as input in the Master Plan discussion; has come up recently in informal discussions. Kneeland said don't some neighboring communities operate that way now. Collins reviewed what New Albany and Westerville have.

Schnetzer said has there been any progress in identifying City owned assets and real estate that could potentially be divested to fund something like athletic fields. Collins said there has been progress; we are working on a long list; hope to have it to you shortly; want to say we are going to have to be very careful in thinking these funds can be used to offset a specific purpose; explained the difficult processes clearing the items on the list; the length of time necessary to clear them may absorb any benefit except for maintenance.

Larick brought up McCorkle Park. Collins said that is a great example since it could be used for other purposes; we are open to that; we are looking to divest maintenance issue properties; those for other purposes is another list; described the issues around McCorkle Park and Fleet Run if they even could be divested; no

estimated time for completion of this list.

Mayor said are there additional items on that list that any of you may have additional questions on; please let us know so you have all the information you need to make informed financial decisions.

Schnetzer said some of this may be answered with the Economic Development Plan; where are we on that RFP. Jones said the RFP has been created; hope to distribute it this week to about 20 firms.

Meeting adjourned.

### **Della Brandenberger, Reporting**