

City of Greenville
Audit & Investment Committee Meeting
Wednesday, May 21, 2025
City Hall Conference Room 337
12:00 pm – 1:00 pm

Attendees:

<input checked="" type="checkbox"/> Monica Daniels, <i>Mayor Pro Tem (V. Chair)</i>	<input checked="" type="checkbox"/> Matthew Scully, <i>Council Member (Chair)</i>	<input checked="" type="checkbox"/> Portia Willis, <i>Council Member At-Large</i>
<input type="checkbox"/> Michael Cowin, <i>City Manager</i>	<input checked="" type="checkbox"/> Ken Graves, <i>Deputy City Manager</i>	<input checked="" type="checkbox"/> Dene' Alexander, <i>Asst. City Manager</i>
<input checked="" type="checkbox"/> Jacob Joyner, <i>Director of Financial Services</i>	<input checked="" type="checkbox"/> Mitch Gibbs, <i>Financial Services Manager</i>	<input checked="" type="checkbox"/> Matthew Haga, <i>IT Director</i>
<input checked="" type="checkbox"/> Alisha McNeil, <i>Internal Auditor</i>	<input checked="" type="checkbox"/> CMO Interns (4)	

1. Attendance & Introductions

Council Member Matthew Scully called the meeting to order, and a quorum was established.

Absent Committee Member(s): None

2. Review December 11, 2024 Meeting Minutes

Motion to approve was made by Mayor Pro Tem Monica Daniels and seconded by Council Member Portia Willis. The minutes were unanimously approved without exception.

3. Investment Overview

Mr. Jacob Joyner provided the Committee with an overview of the City's current investment portfolio, based on introductory statements prepared by the City's external investment advisors, Valley View Consulting. The firm has been working with the City for about a year and was commended for being very responsive and helpful throughout that time.

Some of the highlights from the statements included:

- **Interest Rate Trends:**
Over the past year, short-term treasury yields have dropped, largely due to federal policy changes set by the Federal Reserve. Since many of the City's investments are tied to these rates, a decrease in yields also means a drop in investment revenue and vice versa when rates rise. While short-term rates have declined, long-term rates have started to turn upward, which is different from past years.
- **Investment Focus:**
Most of the City's investments are currently in short-term funds, either with next-day access or one- to two-year terms. State law allows for investments up to five

years, but the City generally aims for shorter terms to remain flexible with market changes.

- **Portfolio Performance:**

Yields on the City's portfolio are higher than they have been since the 2008 housing market crash. Prior to the pandemic, returns were closer to 2%, but recent yields exceeded 4% and even reached up to 5%. While rates have begun to dip again, this was expected based on Federal Reserve guidance suggesting further rate cuts by year-end.

- **The City's Strategy:**

In response, the City has been gradually shifting some funds into fixed-term certificates of deposit (CDs), with banks in North Carolina offering strong rates. The goal is to lock in higher returns through the next fiscal year and help stabilize revenue against any sudden interest rate drops.

- **Total Portfolio and Cash Flow:**

The City's overall investment portfolio stands at just over \$120 million, with most of it allocated to capital projects and enterprise funds. Cash on hand in operating accounts is kept minimal and is typically enough to cover about one week's worth of expenses. The rest is held in accounts that allow for next-day access or can be moved quickly when large payments are due.

4. Audit Status

Mr. Joyner presented the Committee with brief highlights about the current year's audit. He shared that the City has entered the second year of its five-year contract with Cherry Bekaert, which has served as the City's external auditor for approximately nine years. Currently, the audit process is in its preliminary phase and the Financial Services Leadership team recently held the annual kickoff meeting with Cherry Bekaert to begin audit planning.

Mr. Joyner also noted that there will be a change in audit personnel this year. Mrs. April Adams, who previously served as the lead partner on the City's audit, has left the firm to start her own accounting firm. Her role has been assumed by Mr. Scott Anderson, who previously served as second reviewer on the City's audit team. Given his familiarity with the City's financial reporting and operations, this transition is expected to be smooth.

Currently, City staff is gathering preliminary information ahead of the fiscal year-end. Once the year closes, work will shift toward preparing financial reports and supporting the audit team as they begin testing balances and reviewing internal controls. Mr. Joyner concluded his update noting that the City is in a strong position both financially and from a control's standpoint, and no issues are anticipated for this year's audit.

5. Question & Answer

Item 1: Mayor Pro Tem Daniels inquired about the business loans that were previously offered by the City.

Response: Mr. Joyner confirmed that the City had offered small business loans based on federal guidance tied to ARPA (American Rescue Plan Act) funding. The Assistant City Manager, Mrs. Dene' Alexander, added that these loans were made available for amounts up to \$50,000 and were designed to support small businesses with building improvements and other qualifying expenses, all in accordance with ARPA guidelines.

Item 2: Council Member Scully asked about the status on the City's cash positioning [fund balance].

Response: Mr. Joyner shared that, in comparison to the Local Government Commission's (LGC) recommendation of maintaining a 25% fund balance, the City recorded a 27% fund balance last year. While this is slightly above the benchmark, it's considered strong given the City's budget size and growth.

Mr. Joyner also noted that while the City's peer cities are holding closer to 45%, maintaining a 25% fund balance still represents a solid financial position, which is equivalent to a quarter of a year of operating expenses.

Item 3: Council Member Willis asked for clarification concerning the favorability of rates going down and not working for the City from a revenue perspective.

Response: Mr. Joyner pointed out that from a revenue standpoint, federal rates dropping are *not* favorable for the City. However, Mr. Joyner noted there is a benefit on the debt side. When the City needs to issue debt, lower interest rates help reduce borrowing costs.

When the Federal Reserve began lowering rates last year, the City started exploring other types of investment options, such as federal agency bonds, treasury bills, and North Carolina Municipal Bonds. These options tend to offer slightly higher returns. In particular, North Carolina Municipal Bonds are among the most secure, as the state requires municipalities to meet their debt obligations without exception.

Item 4: Council Member Willis addressed her concerns about the City's process for recouping funds when business travel is cancelled. Based on her experience, she described the current procedure as convoluted and encouraged staff to explore ways to make it more efficient.

Response: Mr. Joyner provided an overview of how the travel Expense Claim process is currently handled from the initial request to payment. He acknowledged Council Member Willis' feedback and committed to working with the City Clerk to review and evaluate the process.

Additionally, Assistant City Manager Alexander added that one potential improvement could be shifting from upfront travel advances to a reimbursement-based process for Council Members, where expenses are submitted after they have returned from their business trips. Implementing this approach may simplify the system and reduce the administrative challenges related to cancellations.

6. Future Meetings for 2025

Mr. Joyner concluded the meeting agenda by outlining the 2025 meeting dates in the proposed schedule as follows:

- Wednesday, September 17, 2025 @ 12:00 pm
- Wednesday, December 10, 2025 @ 12:00 pm

Council Member Willis made a motion to officially adjourn the Audit & Investment Committee meeting, Mayor Pro Tem Daniels seconded, and the motion was unanimously approved. Meeting was adjourned.