



MUNICIPAL BUILDING
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To: Mayor, Members of Council and City Administrator

From: Jason Carr, CPA, Finance Director

Date: 3/16/2023

RE: Finance Director Report

Ordinance Numbers 2023-010, 2023-011, and 2023-012

The purpose of Ordinance Numbers 2023-010, 2023-011, and 2023-012 is to issue \$1,500,000 bond anticipation notes for the purpose of retiring the \$1,800,000 bond anticipation notes issued on April 20, 2022. Original bond anticipation notes issued were allocated via \$1,600,000 to the golf course (construction of cart paths/driveway entrance) and \$200,000 to the public works department (purchase of front-end loader).

Based on the intended useful life of the golf course cart paths of five (5) years before maintenance and repairs are necessary, the City has, and will continue, to budget \$300,000 payable from the Debt Service Fund until the golf course portion is repaid. The estimated useful life of the front-end loader is twenty (20) years.

These Ordinances state that annual interest shall not exceed 7%, however, we will not know the final interest rate until the bond anticipation notes are issued, but we expect final rates to be significantly higher than the prior year rate of 2.75%.

Credit Risk – City's Investment Portfolio

Credit Risk is the possibility of loss resulting from the borrower's failure to repay a loan or meet contractually obligations. Traditionally, it refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection. As of February 28, 2023, the City's *credit risk* is pertains to the following investment assets owned by the City:

<u>Investment type</u>	<u>Amount</u>	<u>% of Total</u>
<i>Cost Basis:</i>		
FHLB Bonds	\$ 2,248,000	9.57%
FFCB Bonds	823,000	3.50%
Federal Home Loan Bank Bonds	3,933,558	16.75%
U.S Treasury Bonds	625,041	2.66%
U.S Treasury Bills	611,358	2.60%
Negotiable CDs	5,187,000	22.09%
Municipal Bonds	1,659,145	7.06%
Commercial Paper	5,813,286	24.75%
U.S. Government Obligations	442,856	1.89%
<i>Amortized cost:</i>		
STAR Ohio	2,142,248	9.12%
Total	<u>\$ 23,485,490</u>	<u>100.00%</u>

Credit Risk – City's Investment Portfolio

All investments held by the City, when purchased, were the highest investment grade in accordance with the Ohio Revised Code and are "held to maturity" therefore the City will receive par value, or cost basis, upon maturity. A financial loss should not occur based on our investment methodology.

However, based on recent events in the banking system, specifically Credit Suisse Bank, the City is currently exposed to an increased level of credit risk. As of February 28, 2023, the City owned \$740,314.19 of Credit Suisse AG, New York Branch, asset backed commercial paper which matures on May 30, 2023 (purchase date September 30, 2022). Asset backed commercial paper is defined as a type of commercial paper that is backed by financial assets in the event of default.

Summarizing, based on the recent events of the Switzerland Central Bank to provide funding to Credit Suisse Bank in the event of default on its outstanding liabilities, the City's credit risk has been significantly reduced. However, in the event of a default before May 30, 2023, the asset backed commercial paper owned by the City through Credit Suisse is collateralized which would aid in recovering any potential lost funds.