



City of CHARLOTTE

MEMORANDUM

TO: Mayor Lewis and City Council Members

FROM: Gregg Guetschow, City Manager

SUBJECT: City Manager Report

DATE: April 21, 2017

Budget. The proposed budget for the next fiscal year will be published to the City's website on Monday, April 24. As you are aware, a health issue prevented my submitting the budget to you at the time specified in the Charter. I chose to extend the resulting delay a bit longer to learn Council's direction on the street program that was the subject of the special meeting of April 17. This two-week delay has allowed us to incorporate more accurate information about the timing of infrastructure investments into the budget and into the utility rate analysis that we complete each year. I do not believe that it will result in any significant problem in terms of Council's ability to complete its review of the budget in a timely manner.

Owens-Brockway Funds. During Council's April 17 special meeting, Council member Ridge asked about the implementation of actions by the prior Council related to the Owens-Brockway funds. My recollection at the time was that Council had not completed formal action on the matter. That recollection was incorrect. You will find below the text of the resolution that Council adopted on October 26, 2015. I recall communicating with Finance Director Christine Mossner about the need to obtain proposals from financial institutions for the investment of the funds. I did not follow through with this, however, and no proposals were obtained. You will recall that in the first half of 2016, we began formulating a plan for street reconstruction. Input from Council led to my recommendation in July to use the Owens-Brockway funds for an interfund loan which would be tapped in 2021-22. As I wrote to Council at that time, "If Council accepts this approach, it enables us to invest the Owens-Brockway monies for a five-year period which should yield a more favorable rate of return." Of course, it appears that Council will pursue a different direction which will foreclose opportunities for long-term investment of these funds.

RESOLUTION NO. 2015-19
A RESOLUTION TO DESIGNATE THE USE OF OWENS-BROCKWAY
JUDGMENT FUNDS

WHEREAS, subsequent to the closure of Owens-Brockway's plant in 2010, the City commenced legal action to enforce contract provisions related to damages owed to the City and other taxing jurisdictions and was successful in this action; and

WHEREAS, the City's share of the judgment equaled \$883,000, which funds are being accounted for as a designated reserve in the City's General Fund; and

WHEREAS, the City Council acknowledges that this judgment is unprecedented and unlikely to be repeated and that these funds should be managed in a manner that can best meet the needs of current and future residents;

THEREFORE, BE IT RESOLVED that the sum of \$600,000, hereinafter referred to as the principal amount, shall remain as a designated reserve in the General Fund and shall be invested in accordance with provisions of Public Act 20 of 1943 and such investment policies consistent with Public Act 20 as Council shall from time to time adopt; and

BE IT FURTHER RESOLVED that the sum of \$200,000 shall be designated as a reserve for a future downtown revolving loan program, the interest proceeds of which shall accrue to the general fund and be appropriated for such purposes as Council shall direct; provided, however, should Council fail to establish such revolving loan program, the funds shall be added to and become a part of the principal amount established hereby; and

BE IT FURTHER RESOLVED that up to \$83,000 shall be appropriated in the 2015-16 fiscal year for the purpose of replacing two weather warning sirens and upgrading two other weather warning sirens. Any portion of the \$83,000 remaining after the completion of this project shall be added to and become a part of the principal amount established hereby; and

BE IT FURTHER RESOLVED that 90% of the net investment earnings on the principle amount in a fiscal year shall be appropriated in the budget for the subsequent fiscal year for such purposes as Council shall direct. The remaining 10% of net investment earnings shall be added to and become a part of the principal amount and retained as part of the designated reserve. "Net investment earnings" shall mean the amount earned through investing the funds less fees and commissions, if any; and

BE IT FURTHER RESOLVED that the Finance Director shall solicit proposals for investing the principal amount and the reserve designated for a future downtown revolving loan program from financial institutions with offices in Charlotte that meet the City's standards for depositories of City funds, which proposals shall be submitted to City Council for review and action.