

Report: Finance Committee Meeting 7/8/2021

The Finance Committee met with the Village Manager on Thursday, July 8, to consider the Village reserves, AKA “the general fund,” totaling \$5,895,313.03 on July 1.

In preparation for this meeting, I reviewed Sections 6-209 and Section 6-202 of the Maryland Code. Section 6-209 is unambiguous: By law, public funds “shall be secured by” by either deposit insurance or collateral as specified in the statute. The emphasis is on maximum security for public funds rather than on returns.

The Village of course observes Maryland law. Except for those funds constituting petty cash, the Village reserves currently (1) are spread among insured accounts at eight banks considered at the time of deposit to be paying the best interest; or (2) are invested in the Maryland Local Government Investment Pool (MLGIP), two MLGIP funds, and U.S. Treasury securities. The institutions and the amounts deposited are reported in the monthly Treasurer’s Report (1) received by all Council members before each monthly meeting AND (2) posted on the Village website.

The committee recognized that interest rates on insured accounts are currently very low. After discussion, members decided to recommend that the Council contract a specialist to review the Village accounts and (1) confirm that the low return on them is, in fact, the best that can be obtained in the current context and/or (2) advise the Council on alternative strategies that comply with the applicable law but yield a better return.

I sensed great faith placed in an expert with presumed superior qualifications. I want to remind the Council that the \$5 M plus in reserves began to accumulate 20-plus years ago with the hire of Bob Shapiro. He is the person who spotted opportunities and cut costs. Let's not forget that.

The committee then considered three questions raised by Mr. Prem Garg in March. At the time, we had lost our treasurer and no longer had a Finance Committee. Mayor White asked Mr. Garg to wait until we had both. Mr. Garg's questions were paraphrased by Bruce Pirnie who raised them just before the meeting. The Committee addressed the questions to the Village Manager.

1. How large should the general fund be to prepare the Village for sudden, unexpected expenses?

The Village Manager referred to a comprehensive Village infrastructure study, produced in 2002, which estimated \$1.4 million to complete needed improvements over a period of at least 7 years. The Village completed everything on the list, including several additional items not noted in the original study. This amount could be used as a baseline for estimating future needs. In addition, there is a general guideline for municipalities to keep an amount in reserves equivalent to one year's budget.

2. If that amount is less than the current balance, how should the surplus be apportioned? (This decision need not imply near-

term expenditure of funds. The Council might, for example, decide to save for a major expenditure such as purchase of land in Parcel 6.)

After discussion, the Committee decided that surplus funds need not be automatically apportioned, as there should be no limit placed on the level of reserves.

3. How should the general fund be invested and that investment be made known to our citizens?

The ability of the Village to invest public funds is limited by law. Reserves have been deposited/invested per the information in the second paragraph, *supra*.

Re citizens awareness: See the second paragraph. Institutions and the amounts kept in them are reported in the monthly Treasurer's Report (1) received by all Council members before each monthly meeting AND (2) posted on the Village website.