



# Asset and Investment Review Task Force

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## Approved Meeting Minutes

May 23, 2025 | 1:00 p.m. - 2:30 p.m. (Approved on June 25, 2025)

### IN-PERSON

Capitol Board Room  
350 N. State Street, Second Floor  
Salt Lake City, UT 84114

### VIRTUAL

Zoom: <https://bit.ly/airtf1>  
Website Stream: [treasurer.utah.gov/AIR](https://treasurer.utah.gov/AIR)  
YouTube Stream: <https://bit.ly/USTyt>

### **Task Force Members in Attendance:**

Utah Treasurer Marlo Oaks  
Auditor Tina Cannon  
Senator Keven Stratton (Virtual)  
Representative Val Peterson (Virtual)  
Daniel Gardiner, Department of Financial Institutions  
Howard Headlee, Utah Bankers Association  
Rusty Cannon, Utah Association of Credit Unions  
Billy Hesterman, Utah Taxpayers Association  
Paul Jerome, West Jordan City/Utah League of Cities & Towns  
Kim Jackson, Utah County/Utah Association of Counties (Virtual)  
LeGrand Bitter, Utah Association of Special Districts (Virtual)

### **Advisory Task Force Members in Attendance:**

Scott Jones, Utah State Board of Education (Virtual)  
Todd Hauber, Granite School District/Utah Association of School Business Officials

### **Other Attendees:**

Kirt Slauch, Utah Office of State Treasurer  
Brittany Griffin, Utah Office of State Treasurer  
Jason Nielsen, Utah Office of State Treasurer (Virtual)  
Brook McCarrick, AAG for State Treasurer (Virtual)  
Jason Allen, Utah Office of State Auditor  
Alex Nielson, Utah Office of State Auditor

### **1. Task Force Business**

Treasurer Oaks called the meeting to order at 1 p.m. Task force members and guests provided quick introductions.

### **2. Task Force Objectives**

Treasurer Oaks opened the inaugural Task Force with a discussion on the Task Force's objectives, as authorized by [S.B. 323 Asset and Investment Review Task Force](#) (2025 General Session) and codified in [Utah Code § 67-4-21](#). These include reviewing reserve levels across school districts, cities, counties, and the state, analyzing drivers of growth, and evaluating whether thresholds or policies need adjustment. He also emphasized assessing investment strategies for public reserves, considering safety, liquidity, return, and economic impact. The Task Force will compare outcomes of depositing

funds in local banks versus investing in money market-type funds and review the performance of the Public Treasurers' Investment Fund (PTIF). Treasurer Oaks noted that the Task Force will develop policy recommendations and submit a final report to the Executive Appropriations Committee, co-chaired by Representative Val Peterson, by November 30, 2025.

Kim Jackson asked whether the Task Force was formed in response to a specific concern or simply to conduct a general review and recommend best practices. Treasurer Oaks said no specific concern prompted the review. The Task Force aims to explore potential benefits of depositing public funds with local banks and to examine why reserve levels have grown, considering whether the current level of reserves is justified or if policy changes are needed, such as addressing possible excess revenue collection. Howard Headlee said legislators see the issue not necessarily as wrongdoing but strategy: how much to hold in reserves and how much to tax. He noted that debt markets pressure charter schools to hold large reserves without offering lower rates, and rating agencies often push for excess reserves, diverting funds from uses like education. He also raised concerns about public funds being invested outside Utah, limiting local growth, and questioned whether the \$35 billion in the PTIF could better support in-state needs like housing. He called for a broader review of reserve policies to align with Utah's long-term priorities.

Treasurer Oaks reordered the agenda, moving item four ahead of item three, to discuss the Investment Study Procurement before Public Entity Reserve Data.

### **3. Investment Study Procurement**

Treasurer Oaks thanked Mr. Headlee and noted the Task Force must weigh key trade-offs. While there is a need for capital, he emphasized his fiduciary duty to manage public funds for optimal return through the PTIF. He stated that placing funds on deposit at local banks may yield lower returns. This raises the policy question: should public investments consider more than just financial return? Treasurer Oaks said his office has selected an outside firm, currently under negotiation, to help analyze the trade-offs between local deposits and other investment options. He expressed confidence in the process and said more details would be shared at the next meeting.

### **4. Public Entity Reserves Data**

Auditor Tina Cannon explained that concerns about cash balances arose during the legislative session, particularly regarding the PTIF. She emphasized that the PTIF is only part of the picture and doesn't reflect all cash and equivalents held by Utah's 1,800 public entities. Analyzing this data is complex, and her office is working to organize information from ACFRs and interim reports into a user-friendly format to support the Task Force. She noted that Representative Neil Walter requested a formal report; her office is coordinating with the Treasurer's Office to integrate relevant data. Auditor Cannon welcomed feedback and said their role is to provide clear, accurate data. She then introduced Jason Allen, financial audit manager, and turned the time over to Alex Nielson, data analytics manager, for the presentation.

Alex Nielson thanked Auditor Cannon and outlined the data sources supporting the Task Force: the semiannual Deposit and Investment (D&I) Reports from the Treasurer's Office and the Annual Comprehensive Financial Reports (ACFRs) from the Auditor's Office. While D&I Reports offer timely, detailed data, ACFRs, submitted as PDFs, require manual data extraction, which the Auditor's Office has been doing since 2018. He introduced the "Asset and Investment Data Explorer," a tool designed to visualize this combined data. Users can filter by government type and entity, view trends from 2018 to 2025, and access detailed information on deposits and investments. The tool is still in development, and Mr. Nielson invited feedback to improve its functionality and usefulness.

Paul Jerome asked whether the figures shown reflected actual cash or designated reserves, noting there is a distinction. Auditor Cannon explained the data reflects total cash and equivalents, not specific reserve classifications. Each entity has unique reasons for holding reserves, making it difficult to isolate funds designated for specific purposes. She noted this complexity was a key caution she shared with the Legislature and said the data is grouped by account type rather than reserve intent. Rusty Cannon asked if the data goes back further than 2018. Mr. Nielson clarified the dataset begins in 2018. While earlier data may exist, obtaining it would require contacting entities individually, which is time-intensive. Mr. Cannon noted that historical data could offer helpful context for analyzing reserve levels and setting appropriate thresholds. Mr. Allen said the dashboards start in 2018 to capture pre-COVID data, helping users identify shifts or trends that emerged during and after the pandemic.

Auditor Cannon said the goal was to go back as far as possible, ideally to 2004 for a 20-year view. However, extracting older data is challenging and time-consuming, especially since current AI tools aren't fully reliable for that task. Since the legislative session ended only two months ago, the office is working within practical limits and focused on the data already entered into their systems. Extending the timeline is possible but would require more time and staffing. This is an unfunded mandate.

Treasurer Oaks noted reserves rose significantly post-COVID, likely due to federal funding. Mr. Headlee said it's important to measure how much of that growth came from those funds. He noted the Legislature's focus on the PTIF, though not all entities participate. He suggested analyzing participation trends to see if reserves grew or just shifted. Auditor Cannon agreed, saying dashboards include all account types to avoid blind spots. Focusing only on PTIF can hide shifts in funds. Mr. Headlee added that the main concern is how much public money is held in reserves. Based on his charter school and accounting experience, he noted rating agencies now require larger reserves, raising questions about whether these standards truly benefit taxpayers.

Mr. Jerome said rating agencies now set financial expectations before cities issue bonds, often requiring enterprise funds to hold reserves of at least 50%, sometimes more. These high reserve levels help secure better bond rates but can tie up significant funds. Falling below 50% may prompt agencies to demand future rate hikes. Billy Hesterman asked if 50% means half a fund's budget. Mr. Jerome confirmed it typically refers to six months of revenue. Mr. Hesterman then asked if this exceeds statutory limits. Mr. Jerome said yes for general funds, which are capped at 35%, but clarified the focus here is on enterprise funds. He added that similar pressures can apply to general obligation bonds, though local governments may opt for sales tax revenue bonds instead.

Mr. Headlee said rating agencies set charter school cash benchmarks by averaging current reserves, which Mr. Jerome noted isn't risk-based. Mr. Headlee agreed, calling 300+ days of cash excessive and questioning why funds aren't used for students. He urged Treasurer Oaks to help define reasonable reserve levels, given Utah's strong investor appeal. Mr. Headlee proposed capping charter school reserves and requiring excess funds to be used or returned, not to alarm schools but to ensure a balanced policy. He urged the Task Force to examine why reserves are so high and how funds could better support education or be returned to taxpayers.

Auditor Cannon noted that while bonding isn't her area of expertise, she's concerned that rating agencies may be using pandemic-era cash levels as new benchmarks. She warned these elevated standards may be unrealistic and unsustainable as revenues return to normal, creating unfair expectations. She urged the Task Force to consider this when evaluating reserve policies. Mr. Jackson agreed, noting many counties still hold unspent federal funds from 2021, temporarily inflating cash

balances. As these funds are spent over the next year or two, reserves will decline, likely contributing to current concerns about high reserve levels.

Auditor Cannon emphasized the need to consider COVID-era funding when reviewing cash balances. Though relief funds had specific uses, they often freed up local revenue, boosting reserves in ways not clearly labeled as COVID-related. Mr. Hesterman asked if these higher balances will impact general funds long term, as new programs create ongoing costs. Auditor Cannon agreed, stressing the importance of understanding reserve origins and suggesting trend analysis by entity type and cash level. Mr. Headlee, referencing Scott Jones's expertise with State Board of Education data, asked if COVID funds can be distinguished from regular operations. Mr. Jones confirmed they can, citing strong local reporting and tracking systems. Most relief programs are closed out, and their system allows accurate data. Auditor Cannon noted this supports her point about COVID funds indirectly increasing unrestricted cash. Mr. Nielson said the Financial Accountability System tracks ARPA and CARES funds for non-LEAs, though ARPA reporting is incomplete. Mr. Allen added ARPA funds remain active through 2026.

Mr. Nielson demonstrated the dashboard's "unrestricted cash" view, highlighting Salt Lake County's high balance and noting sharp increases in school districts like Nebo due to low starting points. Users can filter by entity type, though large datasets may load slowly. When Mr. Headlee asked if percent change shows year-over-year growth. Mr. Nielson confirmed it does and said ratios like cash-to-revenue could also be added.

Mr. Jerome noted Alpine School District's high unrestricted cash balance must be viewed in context. With rapid growth and large high schools nearby, the district likely faces major capital needs. He stressed the importance of considering future demands behind the numbers. Mr. Headlee acknowledged local officials manage their own resources and said his concern isn't as much fund use but where unused funds are held. He added that legislators often ask: Why is so much money sitting in reserves? Auditor Cannon said it's fair to question rising reserves but noted causes vary, some justified, others not. Determining that, she added, is what her office regularly does.

Mr. Nielson welcomed input, noting the dashboard could show unrestricted cash as a percentage of revenues and asked if other ACFR metrics should be added. Mr. Cannon asked if Task Force members would have access to explore it. Auditor Cannon confirmed and encouraged feedback to improve it. Mr. Nielson asked if detailed views by entity or government type would help. Mr. Jones said more detail could be useful if "the juice is worth the squeeze." He suggested showing examples of reserve components, especially for high-profile districts, to improve public understanding without reviewing every LEA.

Mr. Hauber cautioned that "cash on hand" and "reserves" are often confused but are distinct and should be addressed separately. He noted school districts' cash levels spike in December–January due to property tax inflows, while summer balances look much lower. Payroll cycles and timing also affect cash flow. Reserves, he explained, are needed for obligations like self-funded insurance and risk management. Though not legally mandated, these funds protect against unexpected costs. He emphasized that reserve and cash-flow policies serve different, valid purposes and must be assessed with timing and risk in mind.

Mr. Jerome explained that reserves are the uncommitted portion of cash, while total balances appear higher due to funds already committed to future obligations. Mr. Jones added that the public rarely sees breakdowns, but once shown details like contracts or liabilities, they usually understand. He

suggested the Task Force highlight these components. Mr. Jerome also noted total cash includes separate funds tied to units with different rules, making it more like a pie with distinct, restricted slices. Mr. Hesterman asked if paying all obligations by next Wednesday would zero out cash. Mr. Jerome replied only the committed portion would be spent, reserves would remain. Mr. Hesterman asked if that remainder would count as reserves; Mr. Jerome said yes. Mr. Headlee then asked if those reserves would also qualify as restricted cash.

Mr. Allen explained that what remains after obligations are accounted for is typically considered unrestricted cash. He noted that fund statements distinguish between restricted, committed, assigned, and unassigned fund balances. The unassigned portion, particularly in the general fund, includes funds not otherwise designated for a specific purpose. He added that each category reflects a different level of control, depending on whether the restriction or assignment is made by external parties, such as bondholders or donors, or by the entity itself. Mr. Allen explained that leftover cash after obligations are usually considered unrestricted. Fund statements classify balances as restricted, committed, assigned, or unassigned, each showing a different level of control, depending on whether limits are set externally or by the entity. Mr. Slaugh asked if reserves are generally separate from regular cash and often restricted. Mr. Allen agreed, noting that external restrictions, like from bondholders or donors, make certain funds distinct from general operating cash.

Mr. Hauber referenced his district's ACFR, noting fund balance includes non-cash items like inventories, while only about \$9 million in unassigned funds is truly available. He stressed the need to distinguish between fund balance and actual cash. Mr. Slaugh asked if fund balance equals equity; Mr. Allen confirmed it does. Mr. Slaugh added it includes cash but that isn't the same as cash on hand. Mr. Headlee noted bond-required debt reserves are separate from days-cash-on-hand. Mr. Hauber said these are kept in restricted funds and limited to avoid arbitrage. Mr. Headlee added they also lose value to inflation. Mr. Slaugh urged focusing on trends, not just totals. Mr. Hauber agreed, noting high balances may fund future projects. Mr. Slaugh suggested filtering out one-time spikes, but Mr. Hauber said that requires local insight. Mr. Headlee supported trend analysis with deeper follow-up and stressed aligning investments with Utah's economic needs.

Treasurer Oaks returned to anti-arbitrage rules, which prevent issuers from earning more on bond proceeds than they pay in interest. Mr. Hauber said districts must track earnings and rebate excess to the federal government or risk losing tax-exempt status. Granite School District uses PTIF sub-accounts and CDs to stay compliant until funds are spent. Mr. Headlee asked if the rules come from the IRS; Mr. Hauber confirmed. Treasurer Oaks asked where proceeds sit. Mr. Hauber said in PTIF and CDs, earning within limits. Rising rates increased earnings but also raised arbitrage risk, especially as construction costs grew. Mr. Slaugh noted bond counsel help manage compliance and explained the rules prevent exploiting tax-exempt debt for taxable gains. Mr. Headlee suggested Congress consider adjusting arbitrage rules for inflation. Mr. Hesterman asked if taxpayers lose money through rebate. Mr. Slaugh said the rules prevent abuse, not penalize taxpayers.

Treasurer Oaks redirected the conversation to the measurement of excess balances. He asked if the Task Force could identify excess balances by using the unassigned fund balance. Mr. Allen said unassigned fund balance reflects net position, not cash, so it's not a direct measure. Mr. Slaugh added that fund balance may be the best single indicator, showing the gap between revenues and expenses over time. Growth in line with inflation may be reasonable, but larger increases warrant scrutiny. Mr. Allen cautioned that totals can still be misleading, as different fund types serve different purposes and must be analyzed accordingly.

Mr. Hauber noted ACFRs use full-accrual accounting annually, while districts operate daily on a fund-balance basis, making comparisons tricky. Mr. Allen added that state-level totals combine funds with different rules, complicating analysis. Mr. Cannon asked why the PTIF grew from \$19 billion to \$36 billion; was it just COVID relief? Auditor Cannon said relief funds often replaced normal spending, allowing other revenues to accumulate. These increases aren't always labeled as COVID-related, and focusing only on the PTIF can be misleading. She confirmed some entities shifted funds to avoid scrutiny. Mr. Slaugh warned against fears of oversight driving investment choices. Mr. Allen noted bond proceeds can temporarily inflate PTIF totals. Mr. Slaugh added that many entities use other compliant managers, so all funds must be analyzed.

Auditor Cannon recommended using long-term trendlines to spot growth beyond inflation, while one-time spikes like bond proceeds should level out. Mr. Headlee requested trend and ratio analyses by entity type to identify outliers. Mr. Slaugh agreed but noted cash growth has been widespread, not just isolated cases. Auditor Cannon supported breaking down data by entity type, with a state trendline for comparison, and treating charter schools separately due to unique bond rules. She cautioned that large entities like the University of Utah can skew results. Mr. Jerome asked if upcoming municipal budgets could provide helpful forward data. Auditor Cannon said newly adopted budgets can be included, but processing them is time-consuming; prior-year actuals are already available. Mr. Headlee also raised concern about interest income from reserves, suggesting some entities may grow reserves to earn more off-budget revenue.

Mr. Slaugh noted budgeting for interest is difficult due to rate volatility, and officials tend to budget conservatively. Mr. Headlee agreed but said the Task Force should ensure no one is speculating on rate hikes. Mr. Jerome added that many under-budget interest revenue and later exceed projections. Mr. Slaugh said some treat interest as one-time money for capital projects, a practice worth encouraging. Mr. Headlee suggested using interest income to offset future bond needs and benefit taxpayers.

LeGrand Bitter noted that special districts and special-service districts already have a statutory cap on operating fund balances, with the Auditor's Office enforcing compliance through annual letters. He said large reserves beyond the cap usually support capital needs, especially in sewer and water districts. He welcomed further analysis with the Auditor's Office. Auditor Cannon confirmed her office can easily provide the relevant data.

Senator Stratton asked if statewide interest income could be quantified. Treasurer Oaks said the PTIF earned \$1.8 billion last year. Mr. Slaugh noted the PTIF holds about 90% of public-sector cash; the rest is managed elsewhere. Mr. Allen explained that financial statements combine interest and market gains, making it hard to isolate actual interest earned. Mr. Headlee asked if it's broken out elsewhere; Mr. Allen said no. Mr. Slaugh offered to provide PTIF interest income by entity. Auditor Cannon supported focusing on PTIF data to avoid the complexity of separating gains system-wide. Mr. Headlee warned against over-scrutinizing the PTIF, which could cause entities to move funds elsewhere.

## **5. Other Business/Adjournment**

Treasurer Oaks thanked participants and, noting the meeting had run long, announced the Task Force would next convene in June (specific date forthcoming), then meet again in August, September, and October, with no meeting in July.