

CPIM

CENTER FOR PUBLIC INVESTMENT MANAGEMENT



A PROGRAM BROUGHT TO YOU BY:

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OHIO TREASURER

# Investing in Today's Interest Rate Environment

# Presenter

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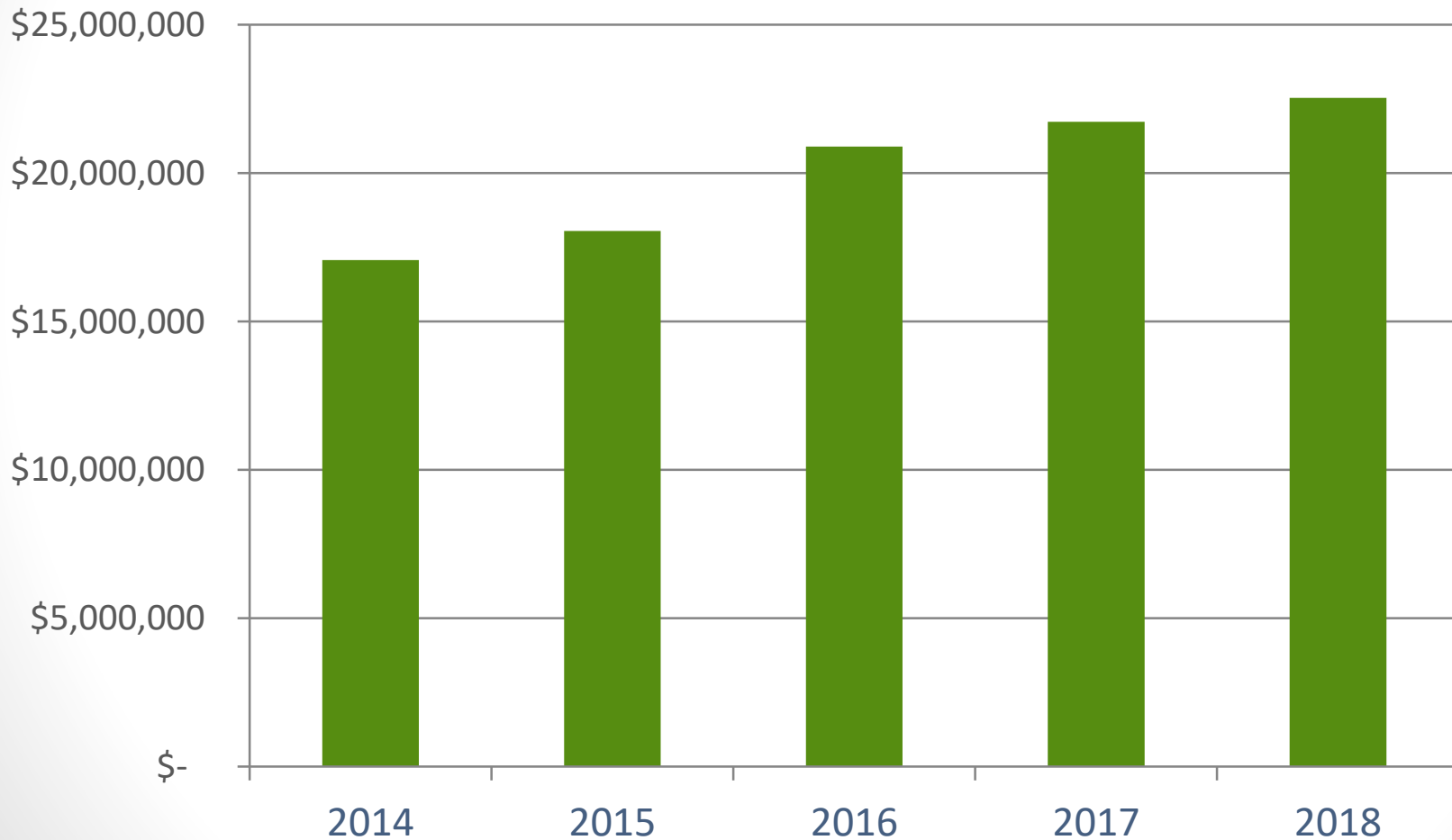
# Cash Flow Planning

# Objectives of Cash Flow Planning

- Cash Management – “Cash” Portfolio
  - Regular operating needs
  - Funds with uncertain time horizon
  - Compensating balance to cover bank service charges
- Investment Management – “Core” Portfolio
  - Cash balance with time horizon typically greater than 6-12 months
  - Apply investment strategy to maximize earnings

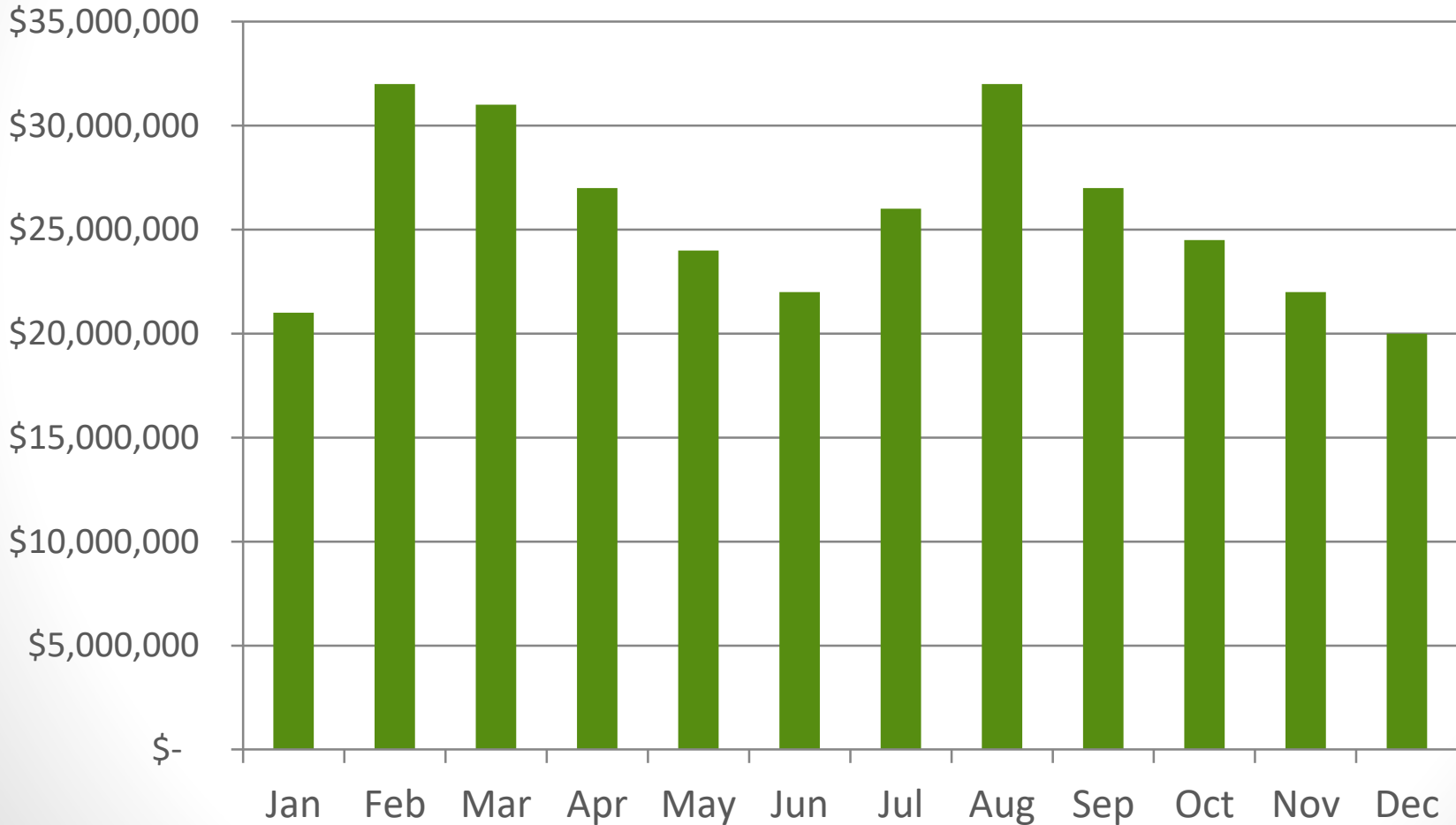
# Historical Cash

## Year-end Balances



# Historical Cash

## Month-end Balances

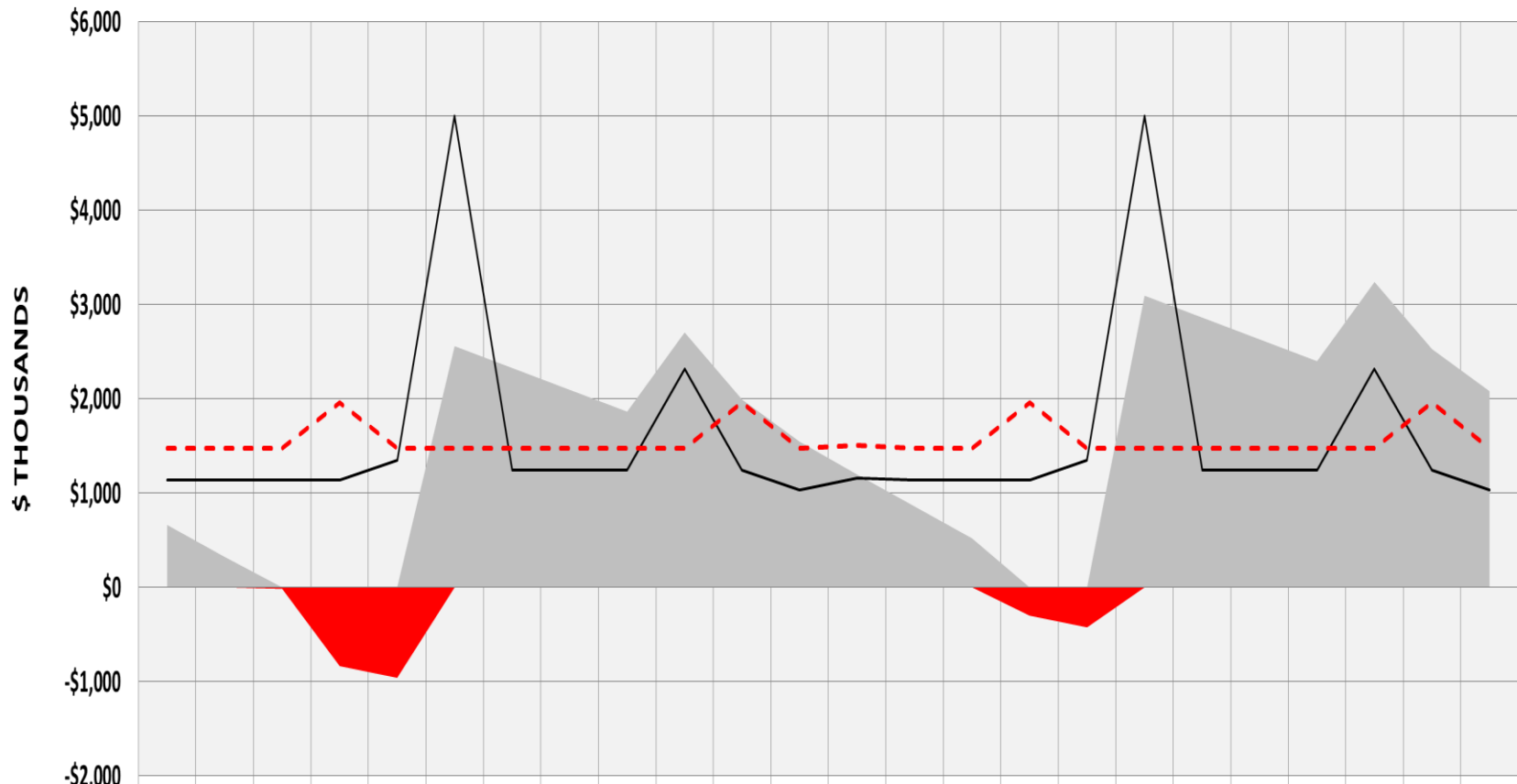


# Monthly Cash Flow Forecast

|                            | TOTAL-2016        | TOTAL-2017        | TOTAL-2018        | AVG. RATE     | INPUT |
|----------------------------|-------------------|-------------------|-------------------|---------------|-------|
| <b>REVENUES (SOURCES):</b> |                   |                   |                   |               |       |
| TAX RECEIPTS               | 10,290,447        | 10,500,456        | 10,710,000        | 2.0%          | 2.0%  |
| USER FEES                  | 3,430,564         | 3,500,576         | 3,570,000         | 2.0%          | 2.0%  |
| SHARED REVENUES - FEDERAL  | 1,229,605         | 1,254,699         | 1,279,000         | 2.0%          | 2.0%  |
| SHARED REVENUES - STATE    | 3,430,229         | 3,500,234         | 3,570,000         | 2.0%          | 1.0%  |
| SHARED REVENUES - LOCAL    | 53,693            | 54,789            | 55,000            | 1.2%          | 1.0%  |
| INVESTMENT INCOME          | 25,372            | 25,890            | 26,000            | 1.2%          | 1.0%  |
| OTHER INCOME               | 12,075            | 12,321            | 15,000            | 11.9%         | 5.0%  |
| OTHER SOURCE               | -                 | -                 | -                 | 0.0%          | 0.0%  |
| OTHER SOURCE               | -                 | -                 | -                 | 0.0%          | 0.0%  |
| <b>TOTAL SOURCES &gt;</b>  | <b>18,471,986</b> | <b>18,848,965</b> | <b>19,225,000</b> | <b>2.0%</b>   |       |
| <b>EXPENSES (USES):</b>    |                   |                   |                   |               |       |
| PAYROLL & BENEFITS         | 10,924,975        | 12,290,597        | 12,500,000        | 7.1%          | 2.0%  |
| GENERAL ADMINISTRATIVE     | 2,396,721         | 2,445,634         | 2,494,000         | 2.0%          | 2.0%  |
| COMMODITIES                | 3,387,644         | 3,456,780         | 3,525,000         | 2.0%          | 2.0%  |
| DEBT SERVICE               | 123,273           | 125,789           | 128,000           | 1.9%          | 1.9%  |
| OTHER EXPENSE              | 31,916            | 32,567            | 33,000            | 1.7%          | 1.7%  |
| OTHER USE                  | -                 | -                 | -                 | 0.0%          | 0.0%  |
| OTHER USE                  | -                 | -                 | -                 | 0.0%          | 0.0%  |
| <b>TOTAL USES &gt;</b>     | <b>16,864,530</b> | <b>18,351,367</b> | <b>18,680,000</b> | <b>5.3%</b>   |       |
| <b>NET &gt;</b>            | <b>1,607,456</b>  | <b>497,598</b>    | <b>545,000</b>    | <b>-29.8%</b> |       |

# Monthly Cash Flow Forecast

MONTHLY CASH FLOW, FOR FISCAL YEAR ENDING-JUN-2018



|                   | JUL-2017 | AUG-2017 | SEP-2017 | OCT-2017 | NOV-2017 | DEC-2017 | JAN-2018 | FEB-2018 | MAR-2018 | APR-2018 | MAY-2018 | JUN-2018 | JUL-2018 | AUG-2018 | SEP-2018 | OCT-2018 | NOV-2018 | DEC-2018 | JAN-2019 | FEB-2019 | MAR-2019 | APR-2019 | MAY-2019 | JUN-2019 |
|-------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Cash Bal-Positive | 661      | 323      | -        | -        | -        | 2,558    | 2,326    | 2,095    | 1,863    | 2,703    | 1,991    | 1,545    | 1,197    | 858      | 519      | -        | -        | 3,093    | 2,861    | 2,630    | 2,398    | 3,238    | 2,526    | 2,080    |
| Cash Bal-Negative | -        | -        | (16)     | (835)    | (959)    | -        | -        | -        | -        | -        | -        | -        | -        | -        | -        | (300)    | (424)    | -        | -        | -        | -        | -        | -        | -        |
| Inflows           | 1,138    | 1,138    | 1,138    | 1,138    | 1,352    | 4,994    | 1,245    | 1,245    | 1,245    | 2,316    | 1,245    | 1,031    | 1,158    | 1,138    | 1,138    | 1,138    | 1,352    | 4,994    | 1,245    | 1,245    | 1,245    | 2,316    | 1,245    | 1,031    |
| Outflows          | 1,477    | 1,477    | 1,477    | 1,957    | 1,477    | 1,477    | 1,477    | 1,477    | 1,477    | 1,477    | 1,957    | 1,477    | 1,506    | 1,477    | 1,477    | 1,957    | 1,477    | 1,477    | 1,477    | 1,477    | 1,477    | 1,477    | 1,957    | 1,477    |



# Cash Allocation

## Current



## Right-Sized

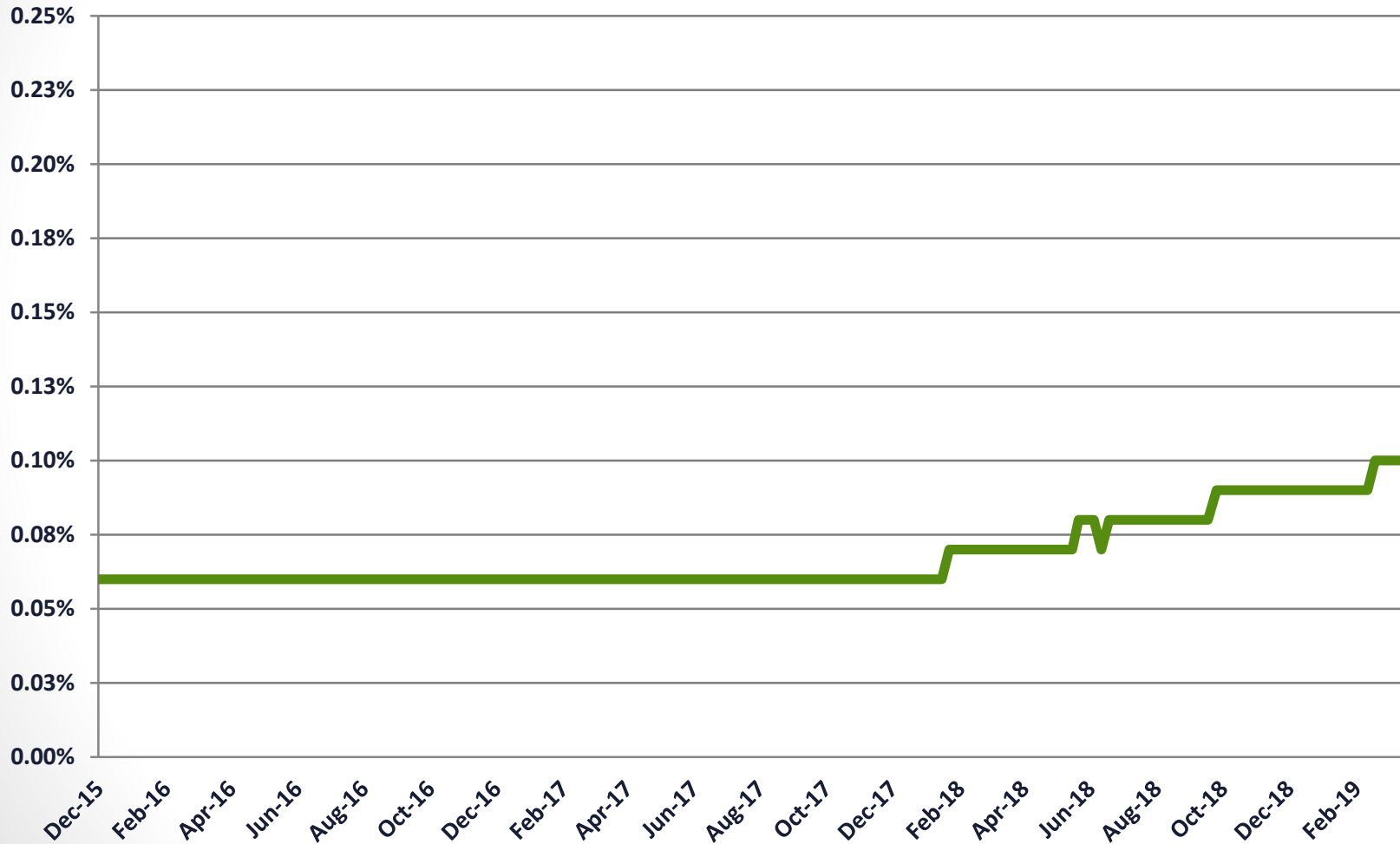


Projected Additional Interest Income of \$175,000

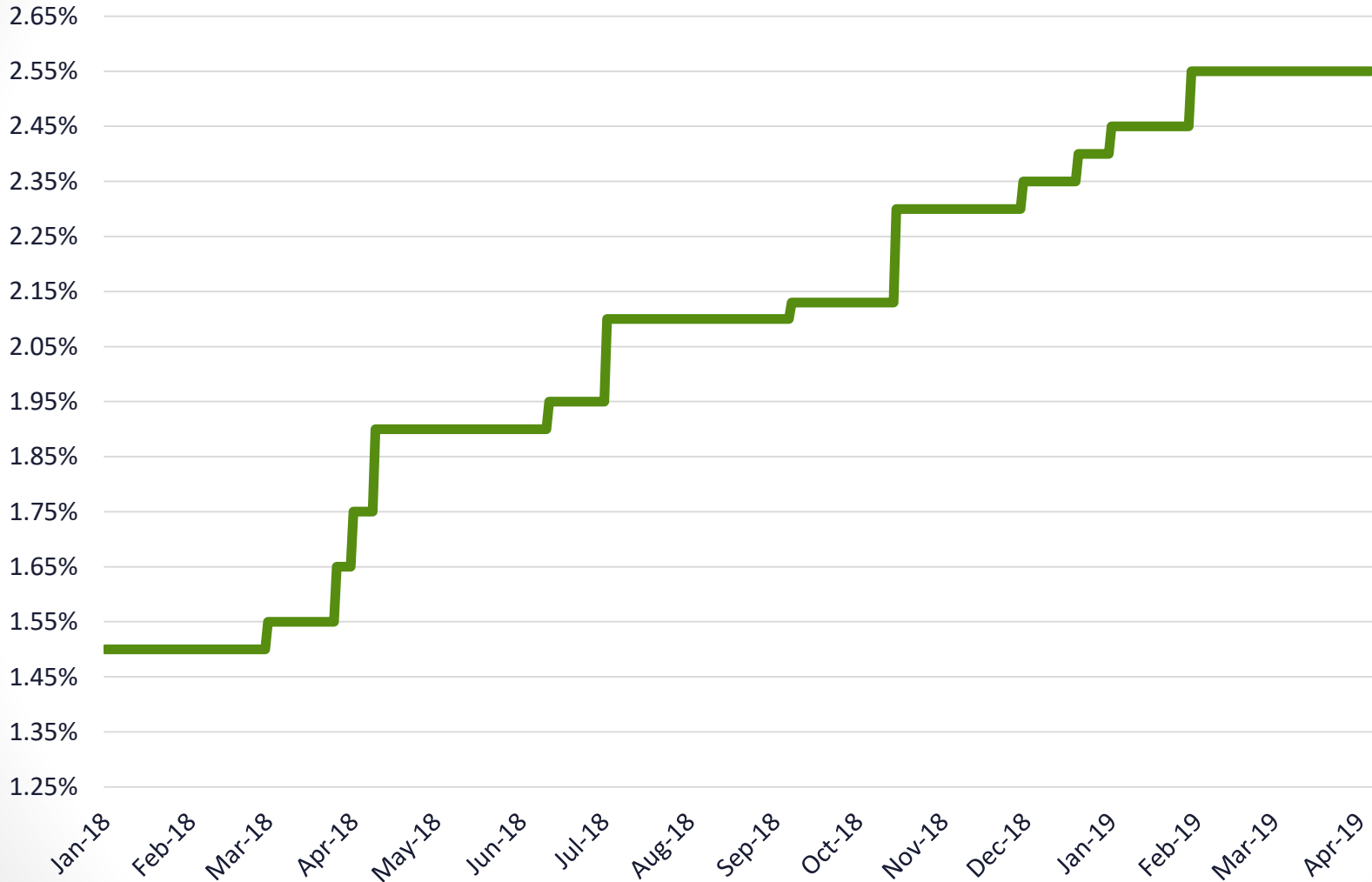
# Interest Rates



# National Average Deposit Rate

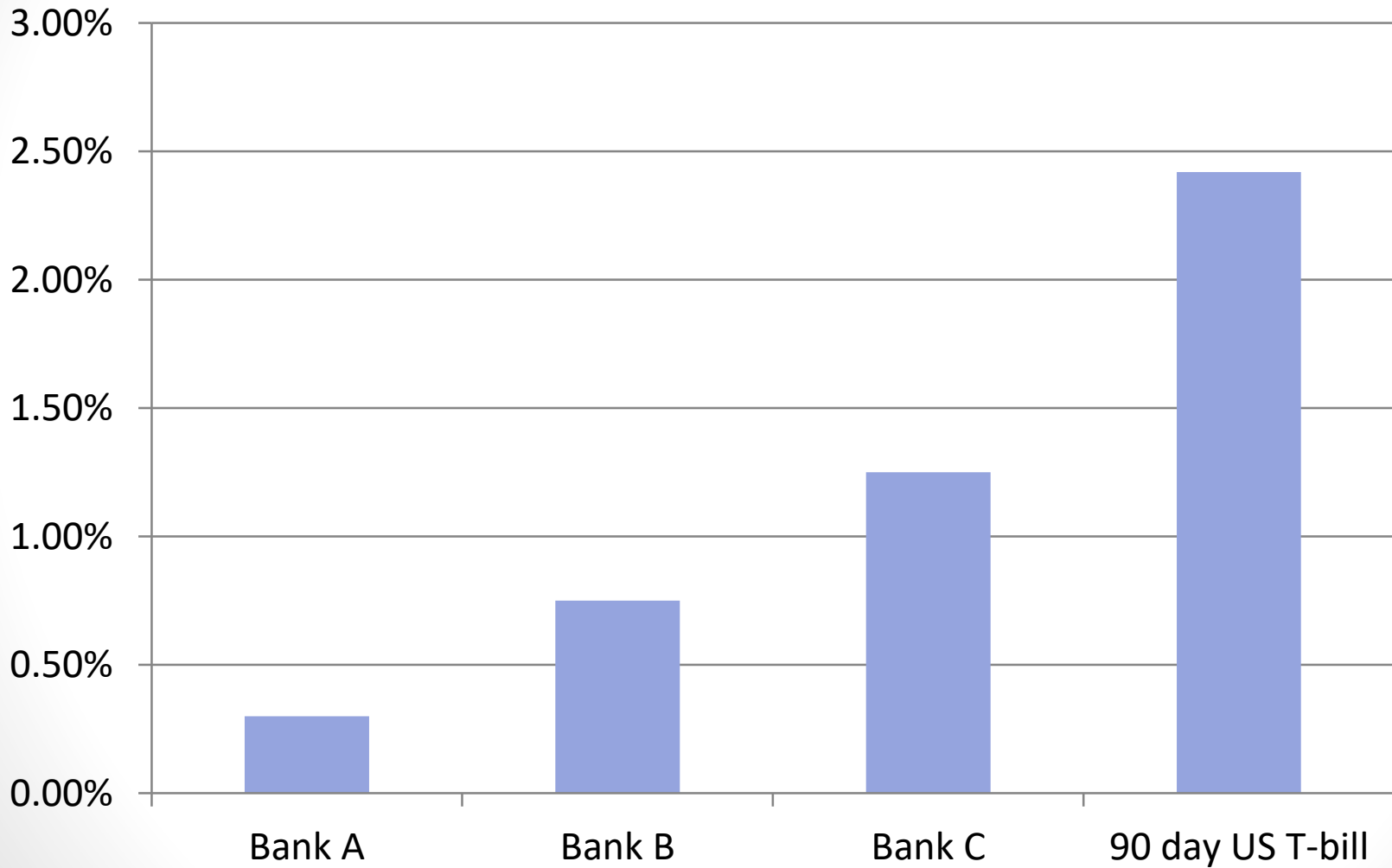


# STAR Plus Tier 1 Rate



Source: STAR Plus deposit program for the first \$2.5 million of deposits (Tier 1). Deposits above \$2.5 million (Tier 2) receive a lower rate. Powered by FICA®.

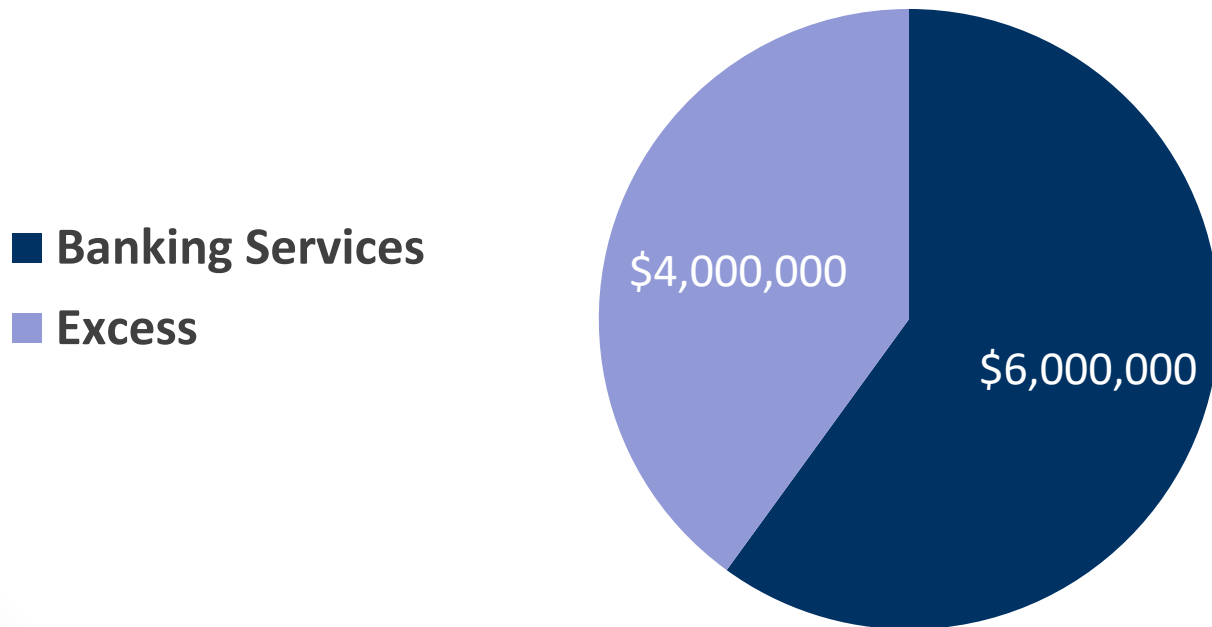
# Earnings Credit Rates



# Bank A Earnings Credit Rate – 0.30%

## Public Entity Depositor

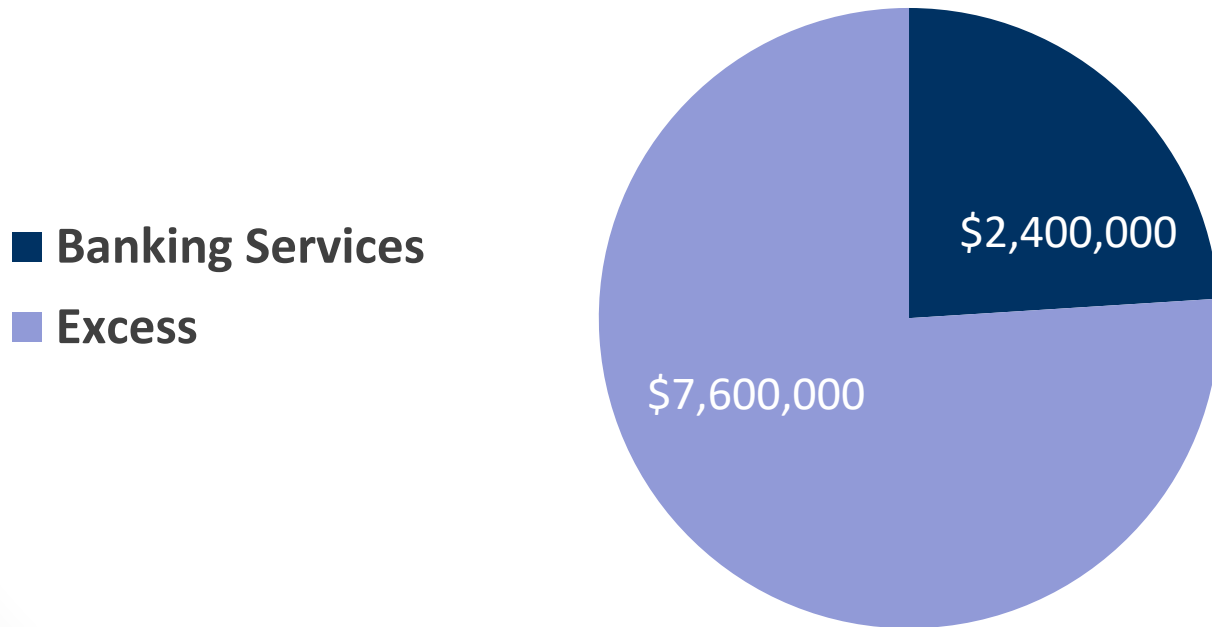
|                                    |              |
|------------------------------------|--------------|
| Cost of Banking Services per month | \$1,500.00   |
| Bank Balance                       | \$10,000,000 |



# Bank A Earnings Credit Rate – 0.75%

## Public Entity Depositor

|                                    |              |
|------------------------------------|--------------|
| Cost of Banking Services per month | \$1,500.00   |
| Bank Balance                       | \$10,000,000 |

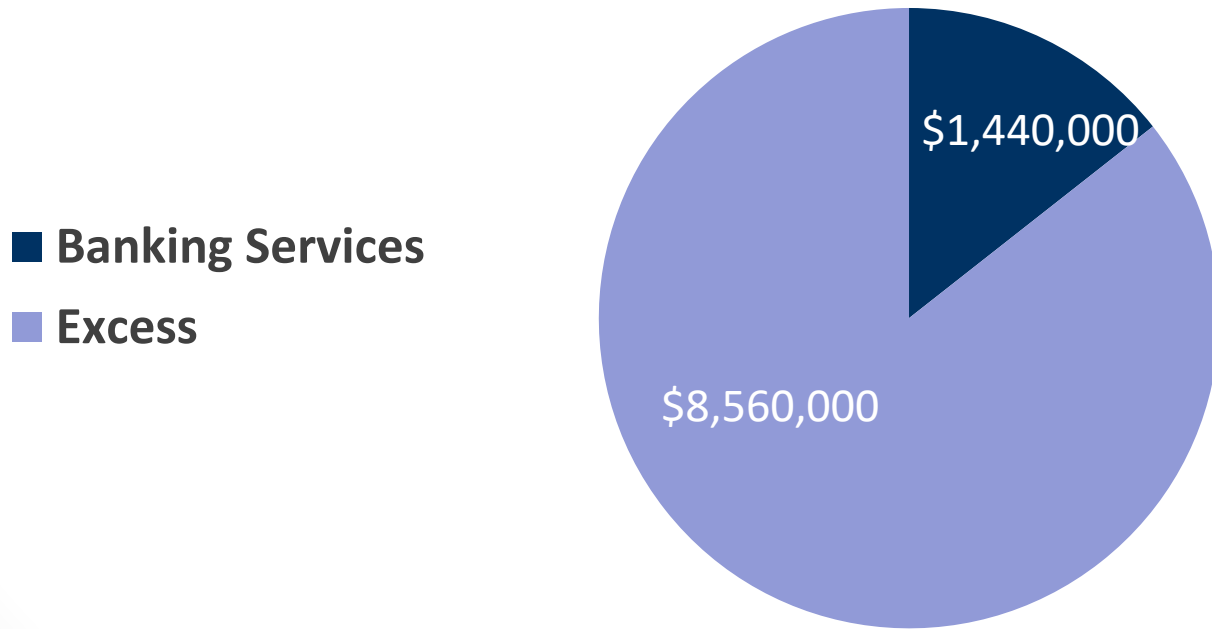




# Bank A Earnings Credit Rate – 1.25%

## Public Entity Depositor

|                                    |              |
|------------------------------------|--------------|
| Cost of Banking Services per month | \$1,500.00   |
| Bank Balance                       | \$10,000,000 |

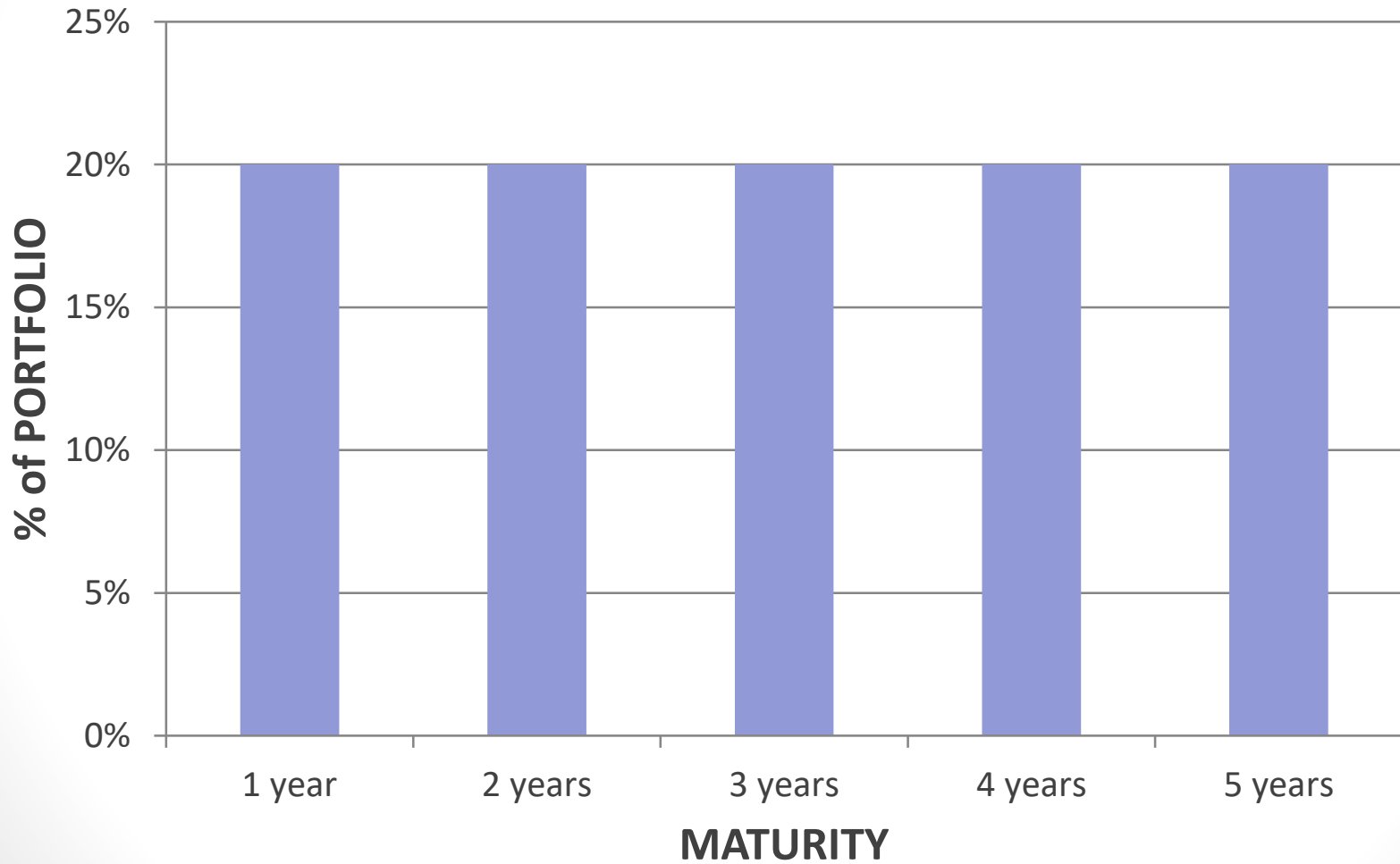


# Benefit of Investing Excess Balances

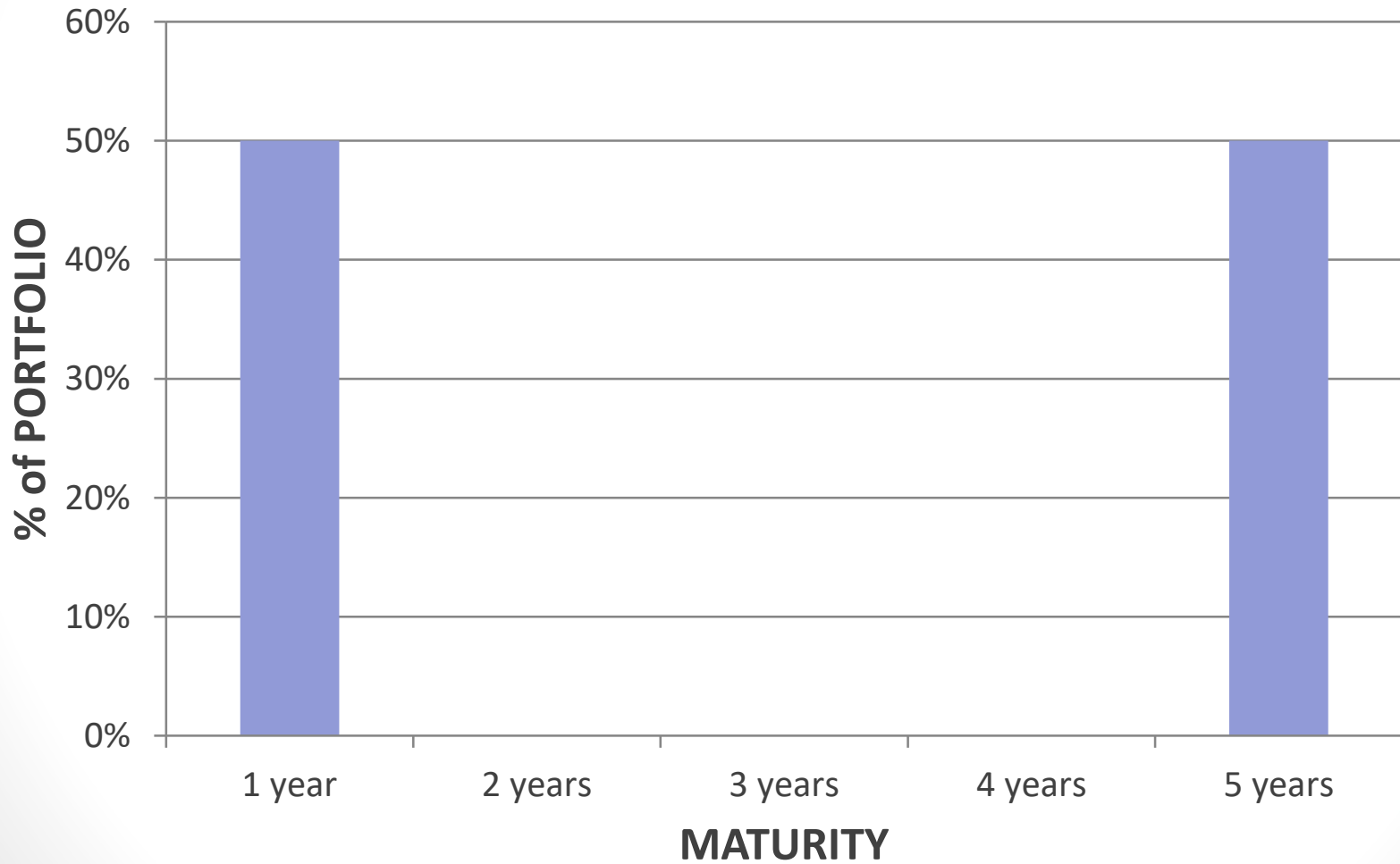
|  | <b>Bank A</b>    | <b>Bank B</b>    | <b>Bank C</b>    |
|--|------------------|------------------|------------------|
| Earnings Credit Rate                       | 0.30%            | 0.75%            | 1.25%            |
| Balance to Cover Banking Services          | \$6,000,000      | \$2,400,000      | \$1,440,000      |
| Excess Balance                             | \$4,000,000      | \$7,600,000      | \$8,560,000      |
| <b>Additional Interest Income at 2.80%</b> | <b>\$112,000</b> | <b>\$212,800</b> | <b>\$239,680</b> |

# Core Portfolio Strategies

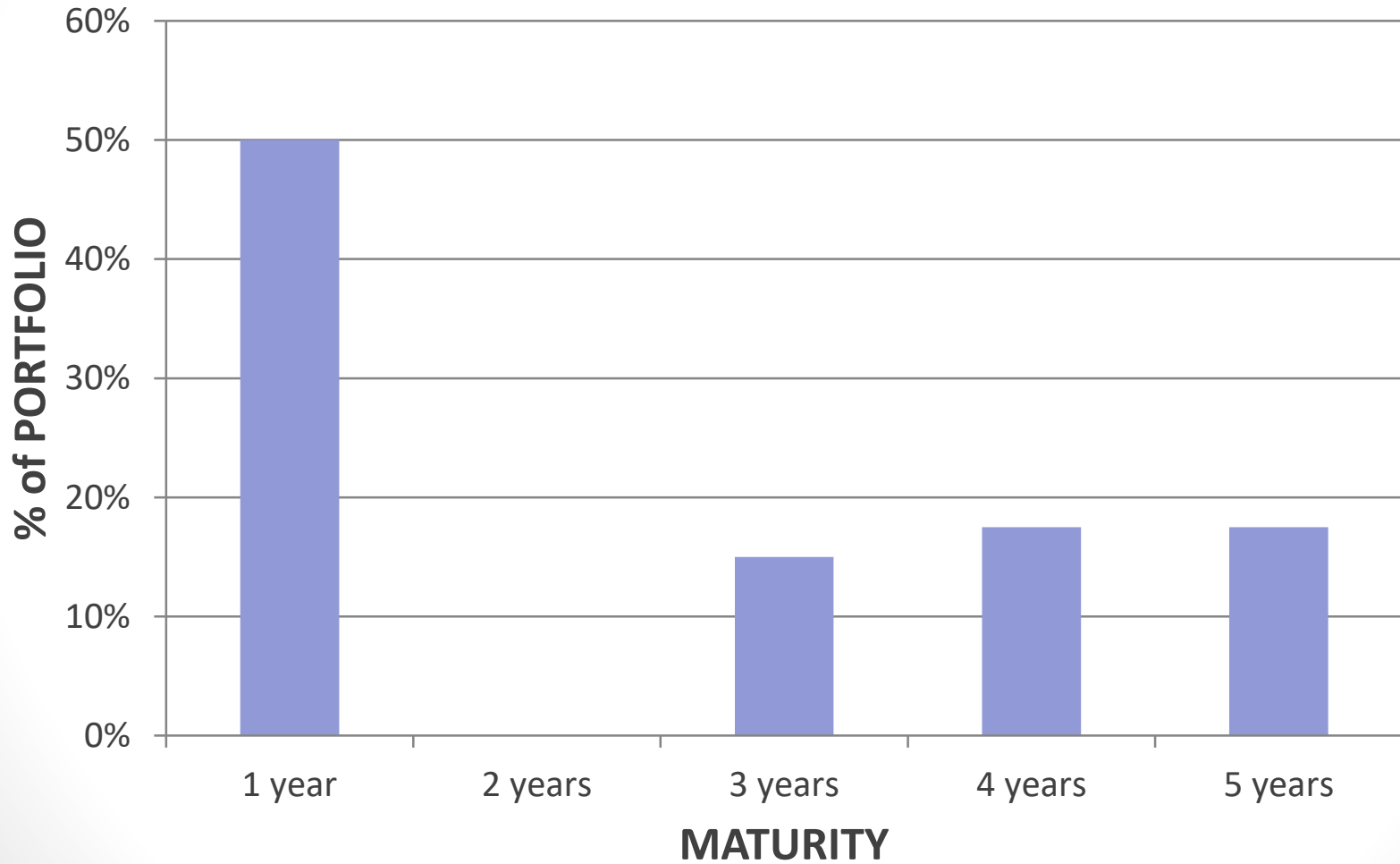
# Laddered Portfolio



# Barbell Portfolio



# Strategic Portfolio



# Authorized Investments

# Investment Objectives & Goals

## Legal

- Legal may not be suitable

## Safety

- Preservation of principal

## Liquidity

- What are your liquidity needs?

## Yield

- Does the investment have a competitive yield?



# Authorized Investments

- US Treasuries
- US Government Agencies
- Certificates of Deposit
- Municipal Bonds
- Commercial Paper
- STAR Ohio/STAR Plus

# Security Structure

## Maturity

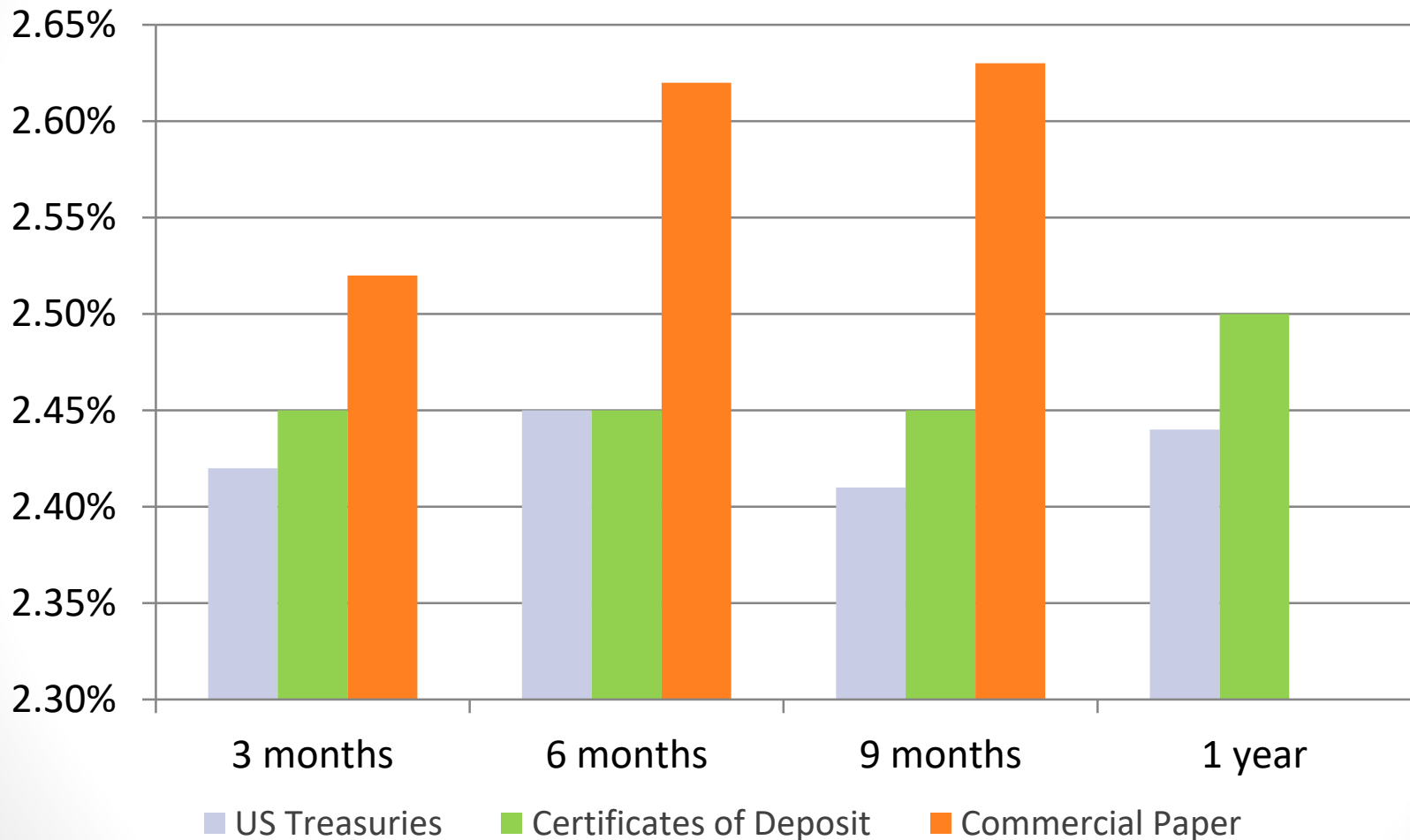
- Bullet
- Callable
  - Issuer redeems at par based on call frequency
  - Continuous, monthly, quarterly, one-time
  - May be a partial call

## Coupon

- Fixed
- Floating
- Step-up

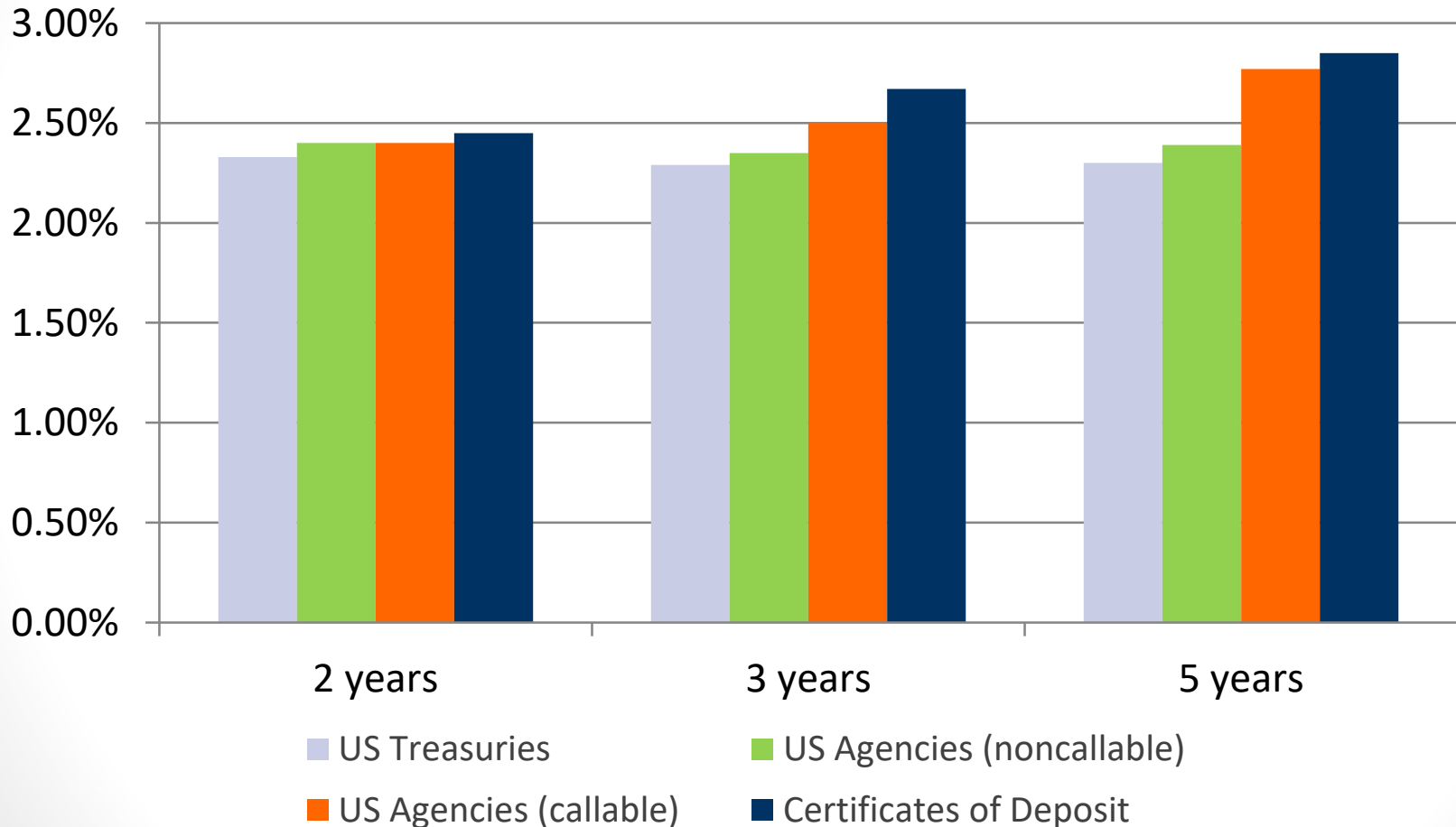
# Authorized Investments – Short Term

Market Indications as of 4/5/19



# Authorized Investments – Long Term

Market Indications as of 4/5/19



**THANK YOU.....**

**DO YOU HAVE ANY QUESTIONS ?**



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