

The background of the slide is a golden-yellow color with a dense, repeating pattern of various currency symbols (dollar, euro, yen, pound) in a 3D, embossed style. The symbols are scattered across the entire background, creating a textured, financial theme.

Evaluating Short Term Investment Options

What should I do with our short-term money?



Investment Portfolios

- School District receive tax revenues in November and December. Some of the money can be invested for 6-12 months or even longer. But what is the best option for short term investments?
 - Bank (earnings credit to cover bank fees and investment of excess balances)
 - Money Markets
 - Local Government Investment Pools (overnight and/or longer term options)
 - Separately Management Accounts
- How do you decide where to put the money?



First Step – determine how much you can invest

- Do a quick cash flow analysis to see how much can be invested.
- Then determine the minimum you want to have in the bank, in overnight investments such as money markets and local government investment pools (LGIPs). The rest will be invested in other vehicles that may have a penalty for early withdrawals.
- In Palm Beach, we assume at least
 - 2 weeks – cash
 - 1 month – overnight money markets or pools
- Interest rates and other factors will help you determine how much you want to keep in each type of investment.



Second step – review your investment policy

- Be familiar with your investment policy.
 - Most allow 100% in banks and treasuries but have a lower amount for commercial paper, lgips.
 - Minimum credit ratings are also included.
 - If you haven't reviewed your policy recently, you should do that quickly in case changes are needed.

Third step – look at interest rates

- When looking at interest rates, you will need consider other factors.
 - Rates for investments in separately managed accounts should be net of fees
 - Rates for pools usually do not have fees
 - Rates for banks should be net of FDIC.
 - You should also look at the Earnings Credit Rate (ECR) at your bank. As interest rates rise, you will be able to invest at a better rate outside your bank but will then be paying bank fees. Be prepared to have discussions with your Board so they aren't surprised.

December 20, 2017

			<i>net of fees</i>		
maturity	Nat City PF CD	FEITF Term	CP	Agencies	Treasuries
1					
2		1.45%			
3	1.45%	1.51%	1.50%	1.24%	1.23%
4		1.53%	1.57%	1.28%	1.27%
5		1.59%	1.62%	1.32%	1.33%
6	1.60%	1.65%	1.65%	1.36%	1.38%
7		1.66%	1.72%	1.41%	1.45%
8		1.70%	1.75%	1.43%	1.50%
9	1.90%	1.75%	1.81%	1.45%	1.50%
10				1.50%	1.59%
11				1.52%	1.60%
12	1.80%				

<i>Bank Rates net of FDIC</i>					
ECR	Excess Balances	FEITF Liquid	FL Prime	FL Class	Nat City MM
1.31%	1.18%	1.26%	1.40%	1.33%	1.39%

Fourth step – due diligence

- Credit ratings don't tell the entire story regarding potential investments.
- When looking at banks, make a call to the Bureau of Collateral Management.
<https://www.myfloridacfo.com/division/treasury/collateralmanagement/>
They can tell you collateral requirement for banks which is an indicator of their health.
- When looking at LGIPs and Money Markets, many of you may have a questionnaire in your investment policy. The Association of Public Treasurers of the United States and Canada has one on their website.
<http://www.apтусc.org>.
- GFOA also has guidelines for LGIPs on their website.
<http://www.gfoa.org/local-government-investment-pools>.



Due diligence

- Look at the structure of the pool or fund.
 - How long has the pool been in existence?
 - Who can invest?
 - Who is their investment manager?
 - Who is on their board and/or advisory committee?
- Look at the mechanics of the fund.
 - Are there restrictions to taking out money?
 - What are the deadlines?
 - How hard is it to find the information?

Due diligence

- Look at the investment Strategy of the Fund.
 - Does it have a floating or stable NAV?
 - How does the maturity of the pool compare to the money you will be investing?
 - How does the investments in the pool compare with your investment policy?
 - Are the investments diversified (type of investment, issuer)?
- Diversification
 - How large is the pool in comparison to the amount you will invest?

A vertical decorative bar on the left side of the slide, featuring a golden-yellow background with various 3D-rendered financial symbols such as the dollar sign (\$), pound sign (£), yen sign (¥), and Euro sign (€).

Reference Materials

- GFOA recommendations
- Questionnaire (Palm Beach)
- Spreadsheet (Palm Beach)
- Summary of Pools (Palm Beach)



Questions?
