

Money Management in a Volatile Rate Environment

Introductions

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Maureen Jones, CSBO (Moderator)

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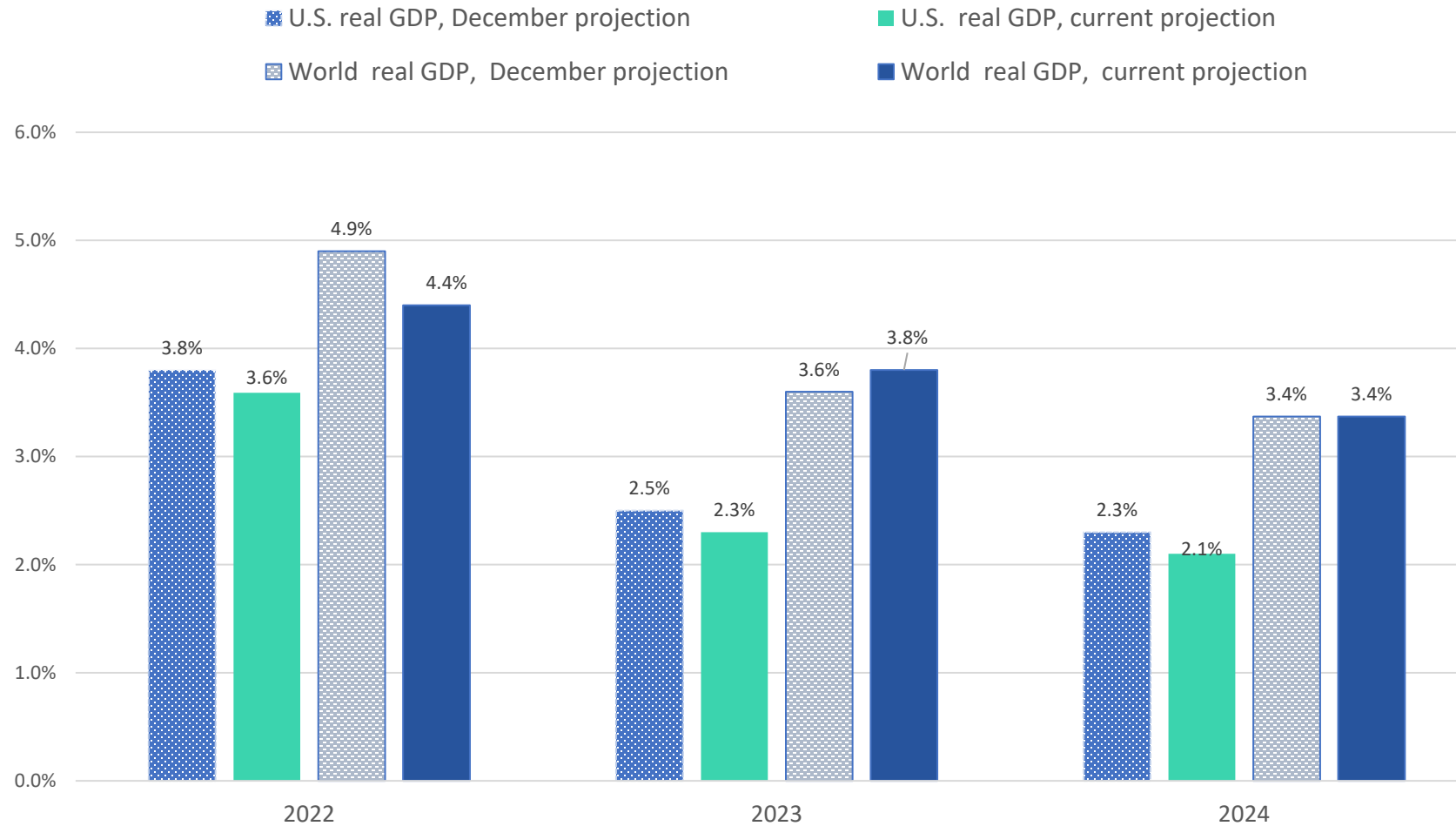


Goals of Money Management

- Safety of funds
- Ensure all liabilities are funded
- Maximize interest income

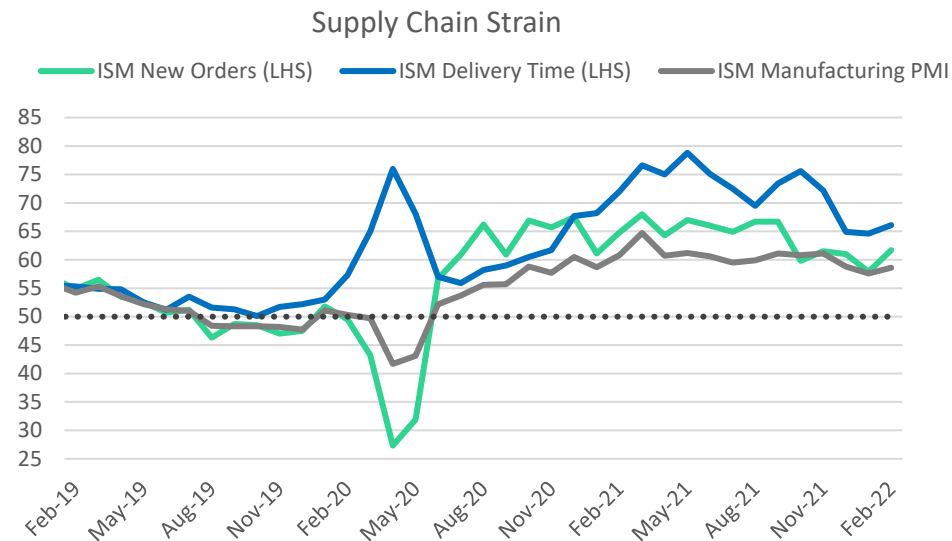
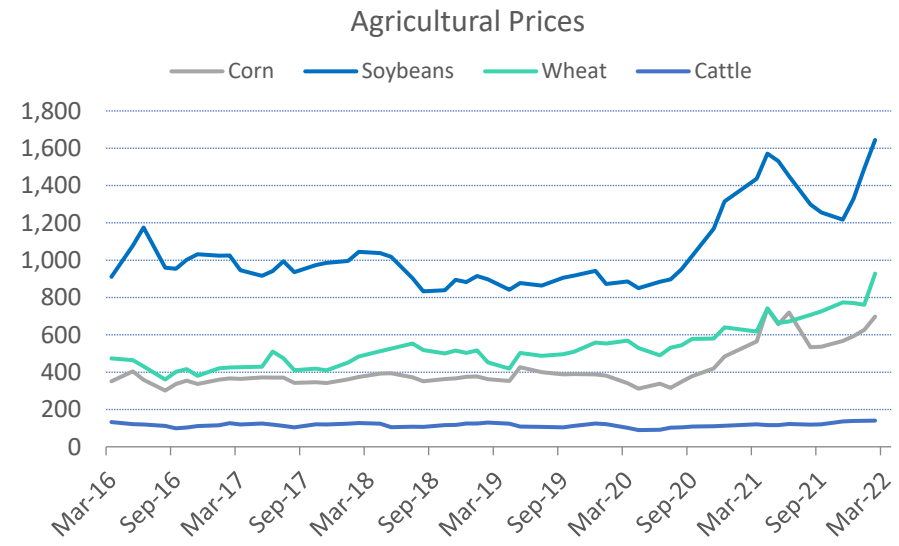
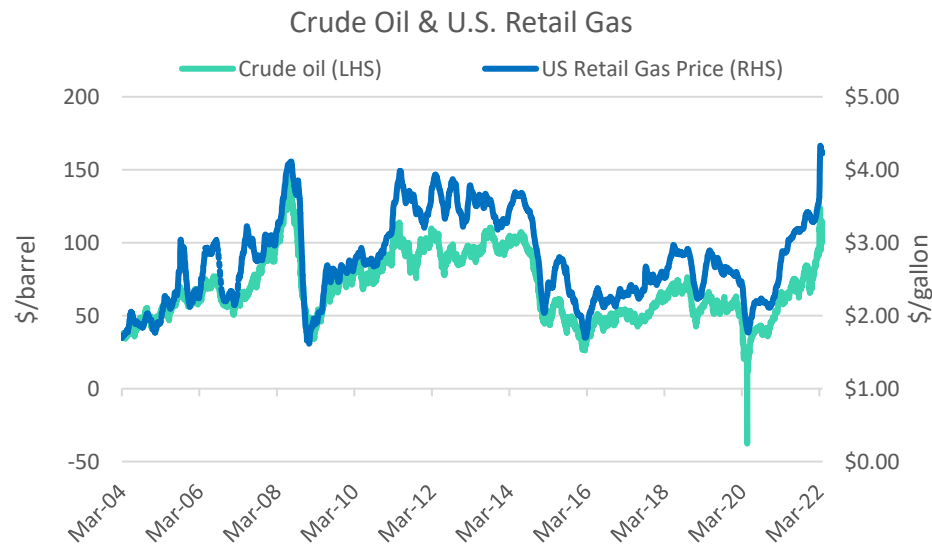
Economic Update

Above Trend Pace of Growth in 2022



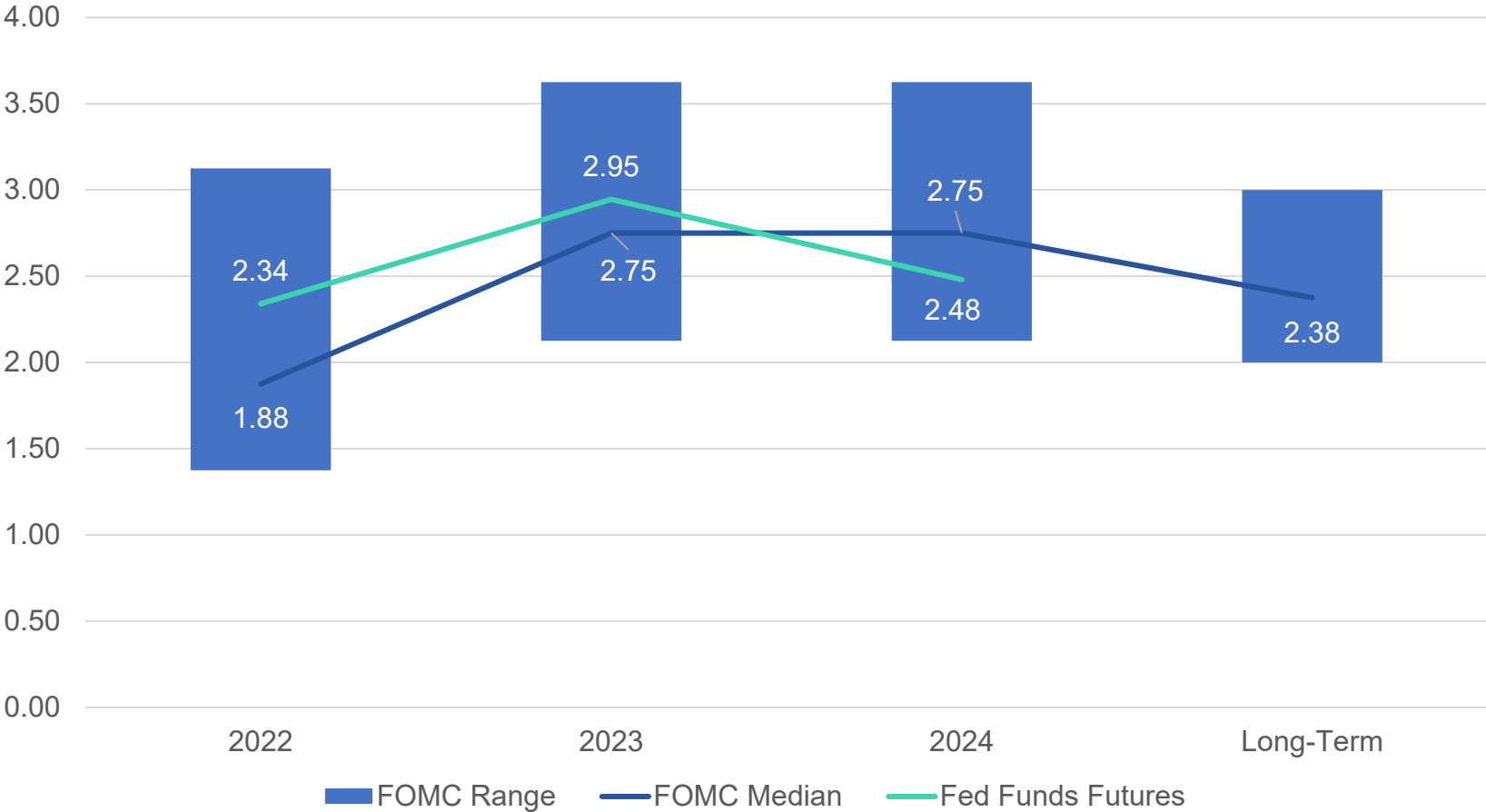
Projections for change in real gross domestic product (GDP) represents changes from fourth quarter of the previous year to the fourth quarter of the year indicated
Sources: Bloomberg, IMF

A Mix of Inflationary Forces



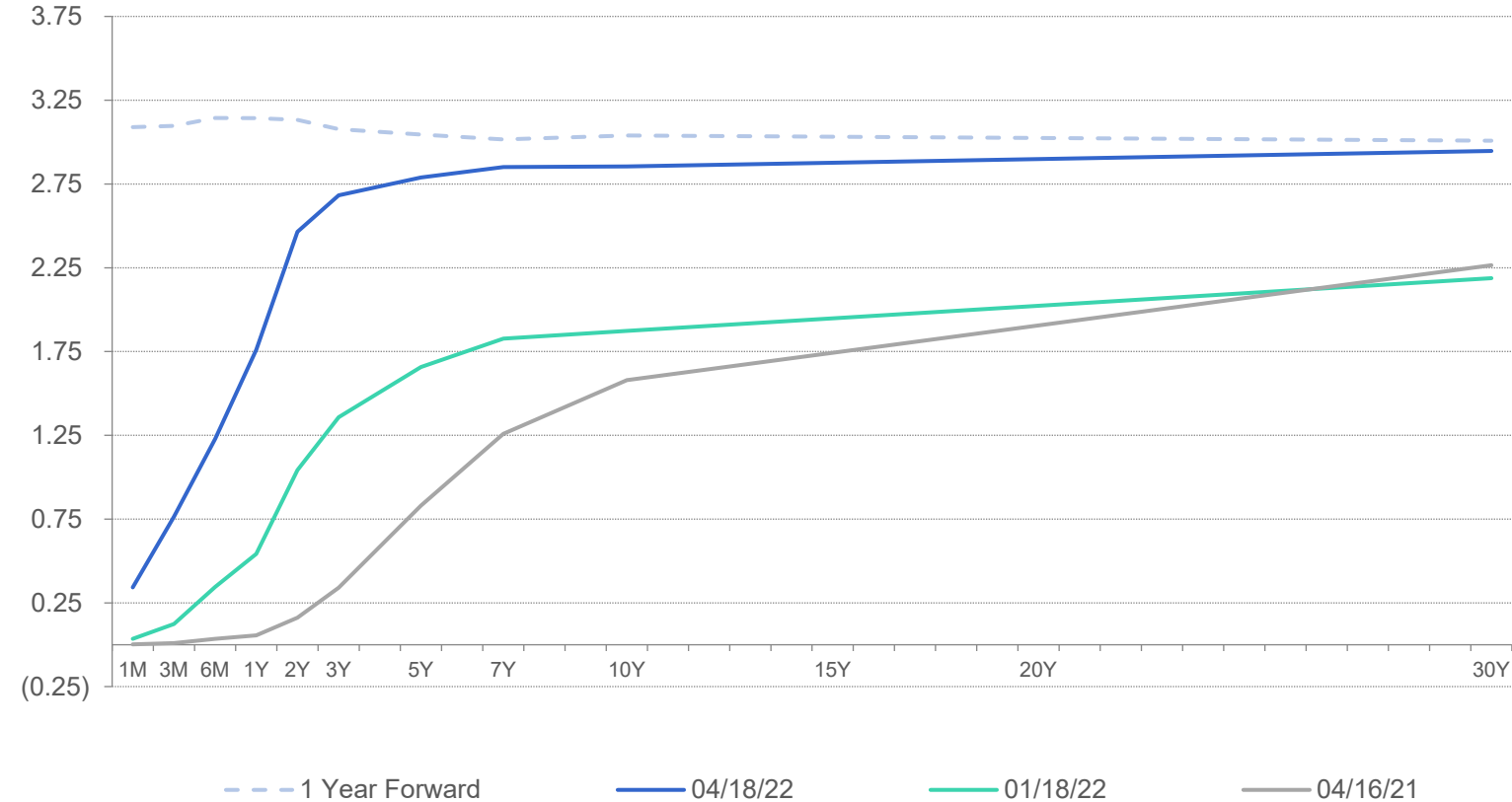
Source: Bloomberg

Fed Funds Rate Expectations



Source: Bloomberg; As of March 30, 2022

US Treasury Curve and Forward Rates



Source: Bloomberg

US Treasury Yields Trends – A Closer Look



Source: Bloomberg



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Rate Environment & Bank Accounts:

What, Why, When, How?

What Bank Rates are Important?

- Earnings Credit Rate
 - Rate applied to non-interest bearing balances to offset service charges
 - Used to calculate the “Compensating Balance”
 - Typically settles monthly
- Interest Rate
 - Paid on time and savings accounts (includes NOW & Money Markets)
 - Compounding and posting frequency varies
- Balance Assessment Fee (FDIC Charge)

Why are Bank Rates Adjusted?

- Market motivated
- Loan driven
- Funding & liquidity needs
- Net Interest Margin
- Cover collateral costs

When are Bank Rates Adjusted?

- Why are banks quick to reduce but slow to increase?
- How does a market move affect the bank investment and loan portfolio?
- Are deposit account rates:
 - Indexed?
 - Adjusted at a set frequency?
 - Adjusted discretionarily?

How to Structure Accounts?

- What is your objective?
 - Fee offset with interest on excess?
 - Interest income net of fees?
- Transactional checking accounts – ECR vs. interest?
- Sweeps – repurchase agreements or other money market funds
- Accounts with limited transactions typically have a higher rate – use for short-term liquid reserves?

Investing in a Volatile Rate Market

Rising Rate Environment

- Rates have been rising significantly over the past 6 months with the Federal Reserve increasing the Fed Funds rate and more increases expected this year.

Date	1 Year Treasury Rate
12/01/21	0.10%
01/03/22	0.24%
02/01/22	0.59%
03/01/22	0.79%
04/01/22	1.44%

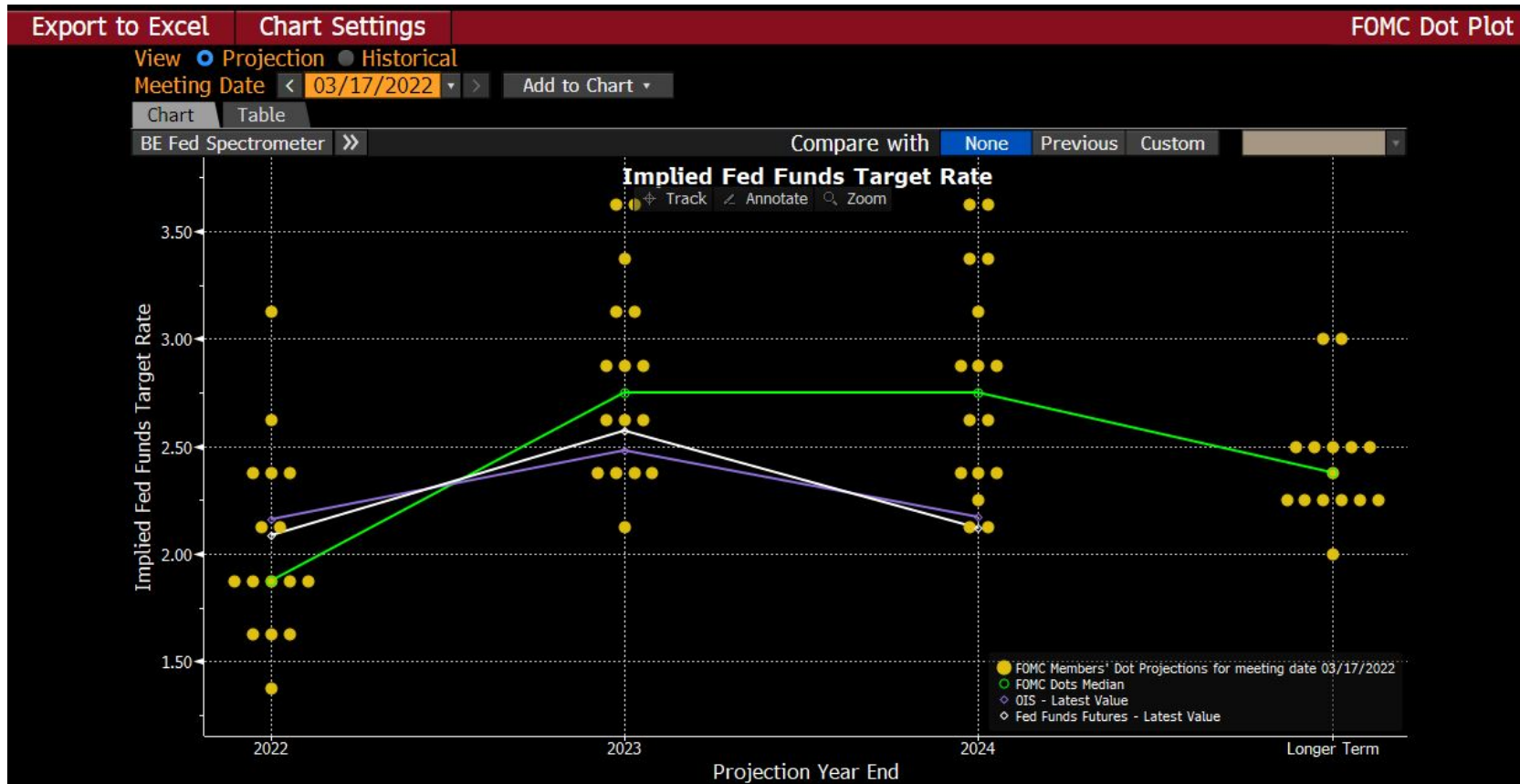
Fed Expectations



Source: Bloomberg

9/22/2021 Meeting

Fed Expectations



Source: Bloomberg

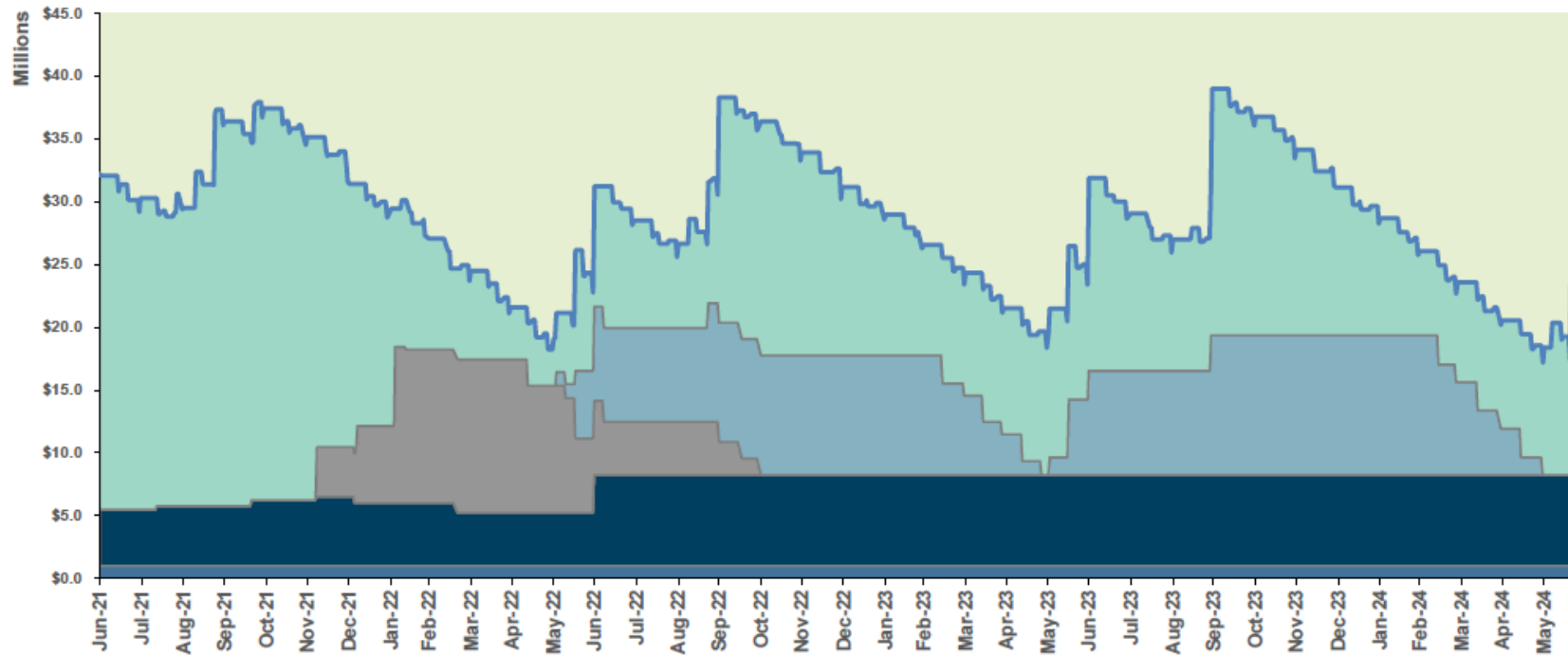
3/17/22 Meeting

Investing

- Interest income is one of the only revenue sources that a district has any control over
- Just-in-time fund operating expenses with investments
- Ladder out long-term investments so there are maturities every 3 to 6 months. When an investment matures invest to the end of the ladder (if fund balance allows)

Keep Cash Flow Updated

Total Funds Balance (excluding Capital Projects)



■ Targeted Liquidity
 ■ Long Term Investments (1year +)
 ■ Previous/Current Investments
 ■ Optimized Investments (<1 year)
 ■ Short Term Investments
 ■ Short Term Borrowing
 ■ Funds Balance

	FY 2022		FY 2023		FY 2024	
Max. Funds Balance (in \$ Millions) :	Oct-25-21	\$37.9	Sep-30-22	\$38.3	Sep-29-23	\$39.0
Min. Funds Balance (in \$ Millions) :	May-27-22	\$18.2	May-30-23	\$18.3	May-30-24	\$17.2

LT on 06/30/21: \$5,500,000

LT Proposed (Max): \$7,250,000

Liquidity: \$1,000,000



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ILCS 235:(Public Funds Investment Act) Illinois Statutes – Authorized Investments

- **U.S. Treasury**
- **U.S. Agency**
- SDA/ICS
- Certificates of Deposit
 - FDIC Insured CDs
 - Collateralized CDs
- Demand/Checking Accounts
- Commercial Paper/BAs
- Municipal Bonds
- **Money Market Funds**
- Repurchase Agreement
- **Local Government Investment Pool**

Questions and Answers

We thank you for your time!

Presenters:

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