Investments: From a Treasurer’s Perspective

by

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Investments: What I’ve Learned

› Investing is an important role
› Local Board of Finance
› Banking/Investing Relationships
› How much can I invest?
› Building the Portfolio
Why do I care?

- Why does this matter!!
- I’m busy
- I’m not an Economist!
- This can’t be worth my time!!

Safety, Liquidity, Yield

- Diversification creates Safety
- Laddered portfolio creates Liquidity
- Longer time horizon increases Yield
**Interest Calculation**

$10 Million for a year:

- 0.55% $55,000.00
- 0.65% $65,000.00
- 0.95% $95,000.00

10 basis Pts = $10k!!

**Local Board of Finance**

- Approves the Investment Policy
- Meet with Commissioners and discuss
- Must have a written policy
- Approve Depositories (Banks)
- List your Broker/Securities Trader
- List your Safekeeping Account
- Don’t re-invent the wheel!
Local Operating Bank

- Know your bankers
- Know your interest rate
- Know your fees
- Explain your options
- Negotiate if necessary

Other Local Banks

- Do they help with collections?
- CD’s?
- Money Markets
- FDIC protection
- Multiple accounts or Diversification?
Investment Advisors

- Several here at conference
- They will help educate!
- Make sure they understand public funds

Safekeeping Account

- The account that holds your bonds and investments.
- They do the reporting
- They accept and disburse funds
How much can I invest?

- Look at your past daily cash history
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- What is allowed?
  - 25% Long Term
  - Long Term is between 2 & 5 Years
- 25% of What?

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- 25% of What?
- Be responsible
- Anticipate large expenditures
How to Begin Investing

- Investment Policy in place
- Account with Investment Advisor/Broker
- Safekeeping Account
- Understand Cash Flow Needs
- Research!
- Model Portfolio
- Build the Ladder

Research

- Public Funds Seminars
- Webinars
- Lunch and learns
- Read
Model Portfolio – Example

- Lowest amount of cash
- 25% Long Term (over 2 to 5)
- 15% Short Term (0 – 2)
- 15% Liquid but “Parked”
- 45% Operating
- Some would say this is too Conservative

Interest Calculation

$10 Million for a year:
0.75% $75,000.00
Model $116,350.00

Investments = $40k!!
Investments

- Agency Bonds
- Municipal Bonds
- Bullets/Callable

A Mix of Investment Types = Diversity = Safety!

Build the Ladder

- Something matures all the time
- Many Indiana Municipal Bonds mature on January 1st & July 1st
- Understand your cash flow needs
- When investments mature or are called, fill in the gaps.
Ladder – Year 1

Ladder – Year 2
Review

- Quarterly Portfolio Analysis with Advisor
- Annual Discussion with Board of Finance
- Present to Counsel at Budget Review

Summarize

- Why Invest?
  ◦ S,L,Y or Diversify, Ladder, Higher Rates
- Local Board of Finance
  ◦ Have your policy in place
- Banking/Investing Relationships
  ◦ Consult with experts
- How much can I invest?
  ◦ Understand Cash Flow
  ◦ Be Responsible
- Build the Portfolio
  ◦ Ladder
Questions?

Fed Funds Rates

[Graph showing Fed Funds Rates from 2011 to 2017, with a steady increase in rates over the years.]