



# FIRST THINGS FIRST

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**AGENDA ITEM:**

Investment Options

**CEO RECOMMENDATION(S):**

- Accept recommendations for investment of cash reserves

**DISCUSSION:**

At the August meeting of the Board, the Board provided FTF staff direction to proceed with evaluating options to change the organization’s current investment strategy for current cash balances. Since that time staff has met with the Treasurer’s Office and made two presentations to the Board’s Finance Subcommittee.

Below is a summary of the proposed investment plan per these conversations.

FTF establish a separately managed investment account within the Treasurer’s Office. This account will maintain a minimum balance of \$100 million. The next \$100 million will be maintained in investment Pool 3 at the Treasurer’s Office (this is the most liquid of the state pools and is where all of FTF’s funds are currently invested). All available cash after this first \$200 million will be directed to the separately managed account. In FY13 the total invested in that account is expected to reach around \$350 million.

The actual amount collected in any given year will depend upon both the amount invested in the respective pools and the actual yield. Below is a table providing an estimate rate of return per the State Treasurer’s Office.

<u>FUND</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
Pool 3	0.9%-1.0%	0.9%-1.0%	0.9%-1.0%	0.9%-1.0%	0.9%-1.0%
SMA *	1.75%-2.25%	2.25%-2.75%	2.75%-3.25%	3.0%-3.5%	3.0%-3.5%

\* SMA = Separately Managed Account

Taking these amounts and applying and applying a maximum amount of cash (\$450 million) to be invested in FY13 projects a \$9.6 million return. And if you projected a minimum amount of cash (\$100 million all in the SMA) this would yield around \$3 million.

The SMA does reduce FTF’s liquidity slightly but cash flow is not anticipated to be a concern considering FTF’s monthly revenue deposit pattern. In addition, the SMA does have slightly higher risk as all investments in this pool are owned entirely by FTF as opposed to shared with other agencies. In addition, the investment balance is a bit more aggressive and would be comprised of Corporate,

Government, and Mortgage securities. It is important to note, however, while more aggressive with longer time horizons than Investment Pool 3 has a blended average rating of AA and duration by contribution is under 3 years with daily liquidity still available.

The above investment model is designed to maximize return for FTF and provide for a stable more predictable return over the long term.