



**Douglas
County**
School District

Learn Today, Lead Tomorrow

INVESTMENT POLICY

JANA SCHLEUSNER, CPA
DIRECTOR OF FINANCE
FINANCE OVERSIGHT COMMITTEE
JANUARY 25, 2018

Introductions

PFM Asset Management LLC

**Chris Blackwood
Managing Director**

**Andrea Vlad
Senior Marketing Representative**

Recommended by Dan O'Connell of RBC (Bond Underwriter) and Amy Canfield of Stifel, Nicolaus & Company (Financial Advisor)

DCSD Investment Policy

Investment Objectives – GFOA Best Practices

- “Safety of Principal is the foremost objective of the investment program”
- Liquidity of Funds – Sufficient to meet operating needs
- Yield – Earn a competitive market rate of return

Eligible Investments – Policy & State Law

- U.S. Treasury Obligations
- Federal Instrumentality and Agency Securities
- Prime Commercial Paper
- Corporate or Bank Security with 3 year max maturity and appropriate rating
- Certain eligible Banker Acceptances
- Certain Repurchase Agreements
- Certain Flexible Repurchase Agreements
- Local Government Investment Pools
- CD or Savings Accounts
- Money Markets
- Others

Cash Flow Considerations

- State Equalization consistent over 12 months
- Expenditures largely equalized over 12 months
- Majority of Property Taxes received March & June causing low cash flow in December - February (1/3 of District revenues)
- Utilize Interest Free Loan Program
 - 2015 - \$10,000,000
 - 2016 - \$21,000,000
 - 2017 - \$40,200,000
 - 2018 - Resolution for \$70 million; have borrowed \$18.9 million in December

Current State

CSAFE – 3 Accounts

Operating Account

- Deposits
 - » Property Tax
 - » SOT Tax
 - » State Equalization

- Wires
 - » Employee Benefits
 - » Charter Schools PPR & Grants

Current State

CSAFE

Medical Fund

- Deposits
 - » Employee & Employer Premiums
- Wires
 - » Medical & STDI Claims

Building Funds

- Deposits
 - » COP or Bond Proceeds
- Wires
 - » Capital Expenditures

Current State of the Investment Program

Wells Fargo – Operating

- Deposits
 - » Student fees/School Deposits
 - » Transfer in from CSAFE as needed
- Accounts Payable –Vendors
- Payroll - Employees

Current State of the Investment Program

UMB – Bond Redemption

- Deposits
 - » Bond Redemption Property Tax
 - » Transfer in from CSAFE operating for COP Payments
- Wires
 - » Bond principal & interest payments
 - » COP principal & interest payments

Current State of the Investment Program

- Csafe
 - 1.36% daily yield
 - AAAm S&P Rating
- Wells Fargo
 - Banking fees average \$13,500/month
 - Offset by Earnings Credit average \$11,500/month
 - FDIC Institution
- UMB
 - Invests excess funds in Csafe
 - Minimal fees paid to UMB

Wells Fargo

- Recently transferred to a dedicated Government focused group
 - Enabled us to renegotiate lower fees
 - » From about \$14,600/month
 - » To about \$13,500/month
 - Qualified us for higher Earnings Credit to offset fees
 - » From about 0.18%
 - » To about 0.40%
 - » PFM to review
 - Both resulting in reduction of required balance to offset fees from \$100 million to \$40 million
- Going out to RFP this year for operational banking services

CSAFE

CSAFE (Colorado Surplus Asset Fund Trust)

Current rate 1.36%

- Formed in 1988 and is an original Colorado local government investment pool
- Helps government entities with their daily cash management needs
- Includes municipalities, counties, school districts and special districts

CSAFE – Board of Trustees

Csafe is governed by a Board of Trustees of 8 members that have full, exclusive and absolute control and authority over the business and affairs of CSafe and its assets.

Trustees serve staggered 3-year terms.

CSAFE – Board of Trustees

Jana Schleusner – Douglas County School District (4/18)

Diane Holbert – Douglas County Treasurer

Alan Krcmarik – City of Loveland

Brenden Morgan – Manager of Debt & Investments at
RTD

Jeff Hansen – Finance Director for the City of Golden

Tim Kauffman – Jefferson County Treasurer

Jay Valentine – Internal Services Manager for the City of
Grand Junction

Aneta Rettig – Finance Manager in the Finance
Department of Denver Water

Sue Sandstrom – Arapahoe County Treasurer

PFM ASSET MANAGEMENT INVESTMENT PLAN



Learn Today, Lead Tomorrow

Investment Plan

PFM Asset Management LLC

- Managing public funds since 1980
- 248 investment professionals in 41 offices and locations nationwide
- \$78.5 billion in total assets (9/30/17)

Investment advisor to the Colorado Statewide Investment Pool (“CSIP”). CSIP is a local government investment pool formed in 2017 with both liquid and term portfolios (both AAA rated)

Adding laddered, fixed-rate investments to our portfolio to increase our earning potential.

Investment Plan

1. Invest \$16 million of TABOR reserve in 1 Year Maturity 1.7%
(Move cash from CSAFE Operating & close account)
2. Invest excess operating cash in staggered maturities to match cash flow
 - (Find right mix of Wells Fargo cash to offset fees and fund current operations, open Operating account with CSIP to provide some liquidity of funds)

Investment Plan

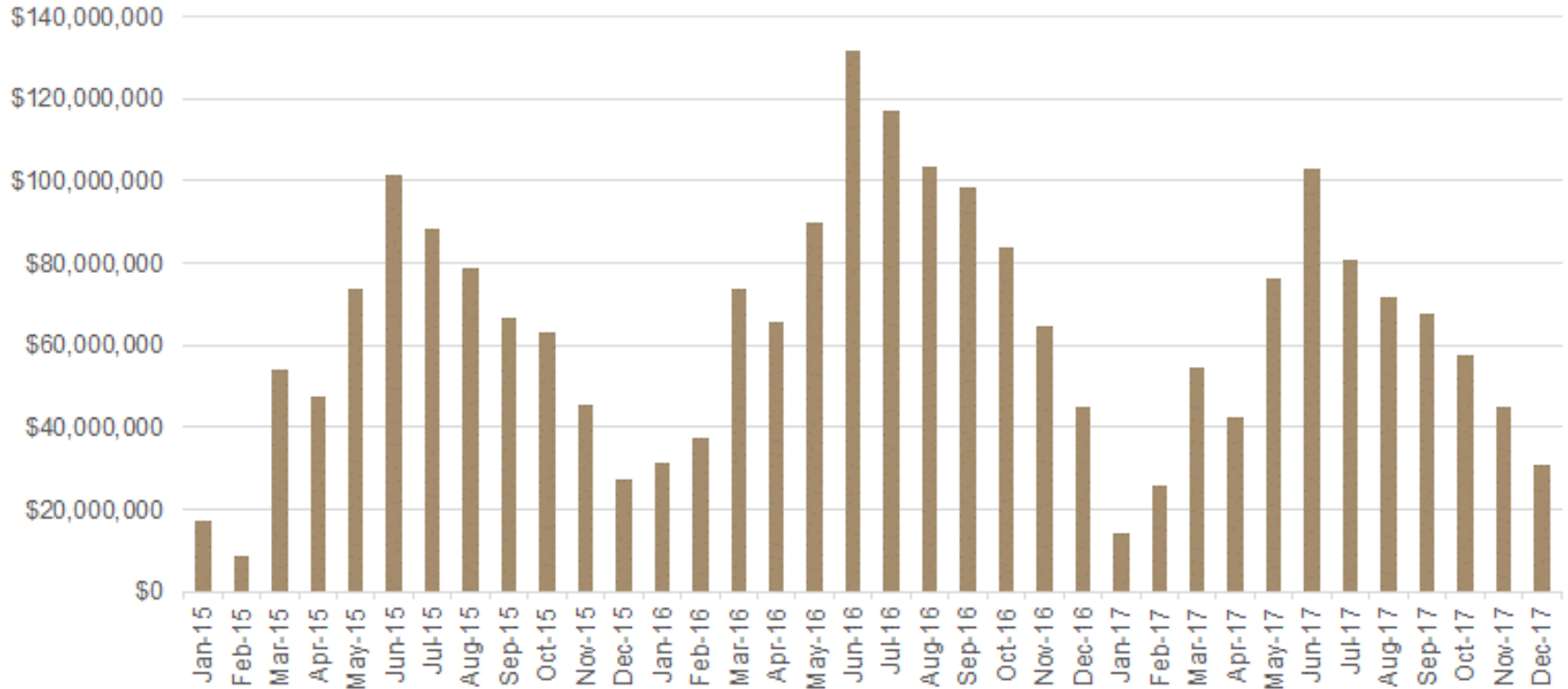
3. Invest Bond Redemption Fund to match property tax and bond payment schedule
 - Interest earned can only be used for Bond type expenses – Arbitrage service, legal, escrow, UMB fees
(Move most from UMB and move back for payments)

4. The Self Insurance fund cash flow varies too widely to strategically invest. These funds should be kept liquid in Csafe.
 - (Keep funds in CSAFE Account)

Operating Fund – Current Status

- Historically, 100% of the funds have been invested in a liquid investment

Historical Cash Flow



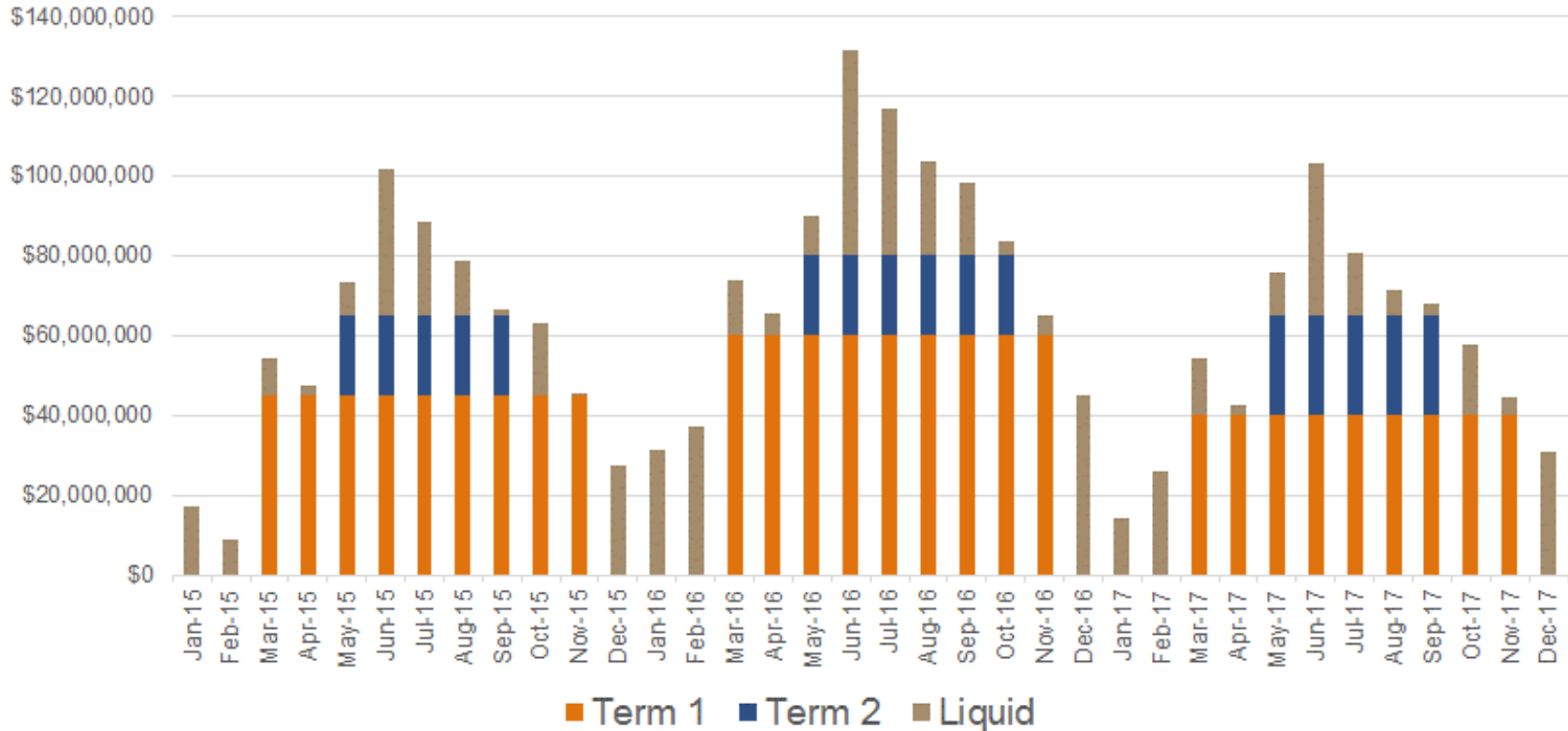
Source: Source: DCSD Cash Flow for Investment (1/4/18).

Note: July to December 2017 cash flow was projected by PFM staff based on the historical pattern for the same period in 2016 and reduced by 26% month based on the slower growth of cash flow in FY 2017

Operating Fund Investment Plan

Optimized to Match Cash Flow

Illustrative Investment Plan



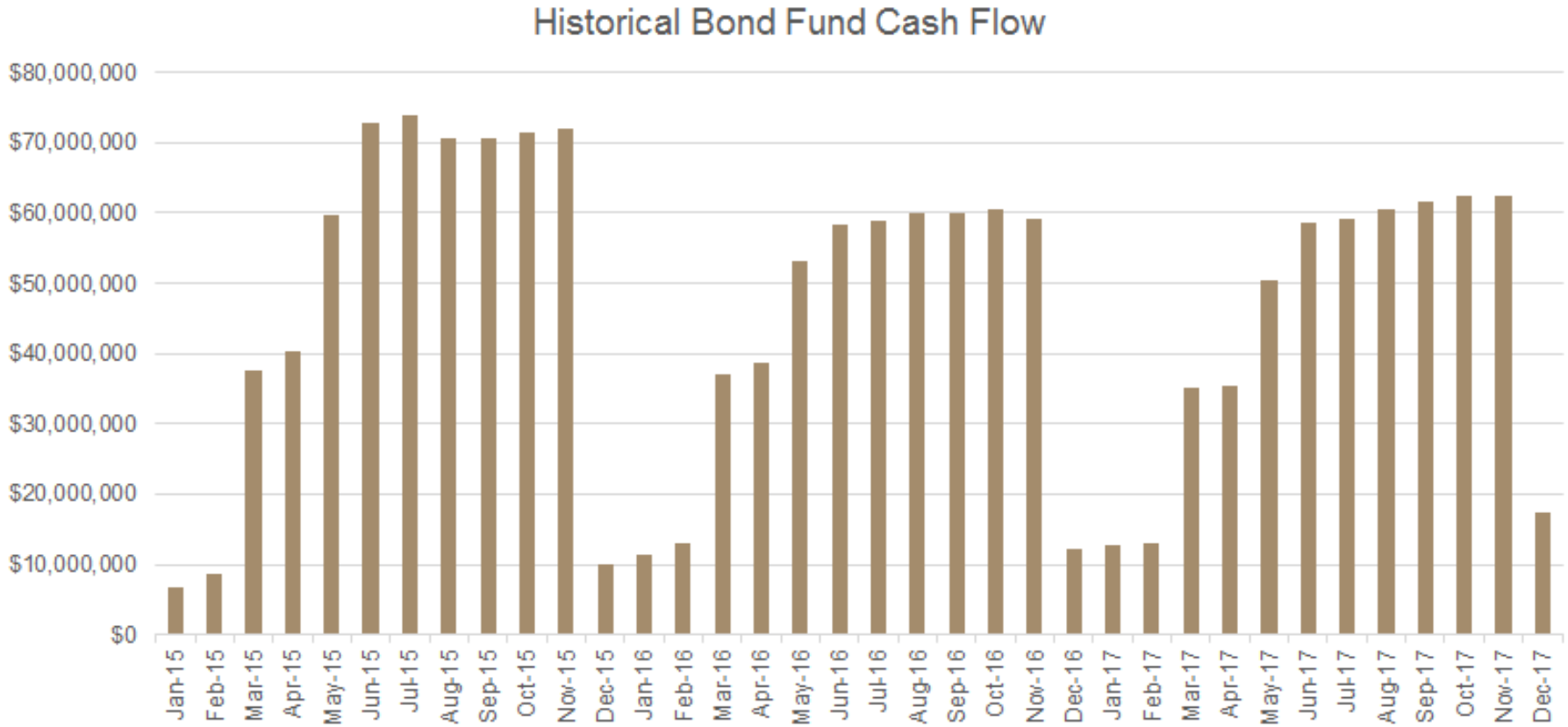
Source: Source: DCSD Cash Flow for Investment (1/4/18).

Note: July to December 2017 cash flow was projected by PFM staff based on the historical pattern for the same period in 2016 and reduced by 26% month based on the slower growth of cash flow in FY 2017

Term investment are illustrative, from PFM Asset Management LLC

Bond Redemption Fund – Current Status

- Historically, 100% of the funds have been invested in a liquid investment

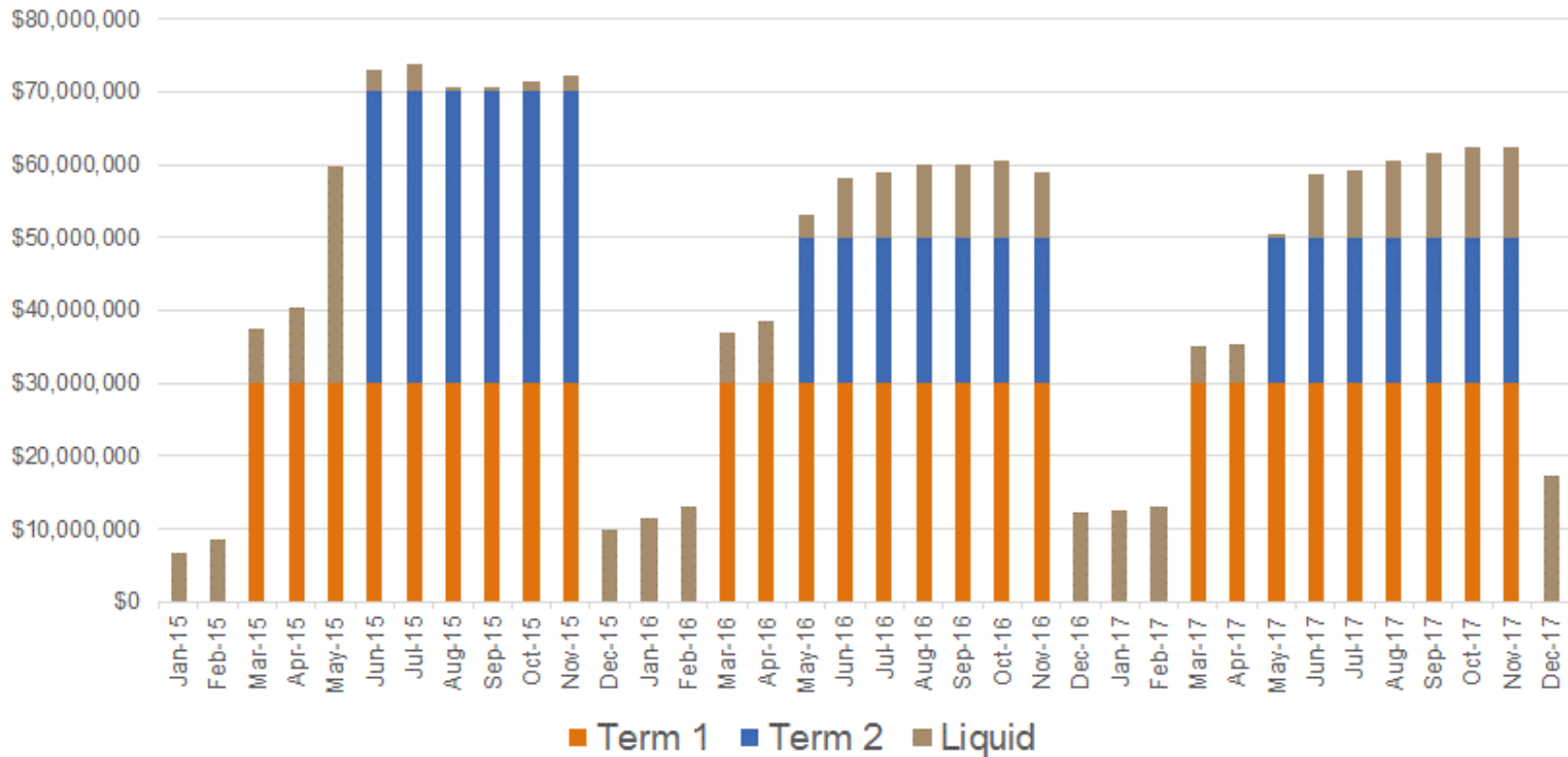


Source: DCSD Cash Flow for Investment (1/4/18).

Bond Redemption Fund Investment Plan

Optimized to Match Cash Flow

Illustrative Investment Plan



Source: DCSD Cash Flow for Investment (1/4/18). Term investments are illustrative from PFM Asset Management LLC

Next Steps

- Recommend to DCSD Board to approve resolution regarding investment in CSIP (February 2018)
- Develop detailed investment and cash management strategy with PFM