



# City Investments & Investment Policy Review

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## AGENDA FOR REVIEW

1. Investment Goals
2. Webster Groves Investment Types
3. Current State of Webster Groves Investments
  - How the investments work & our investment style
4. Future State of Webster Groves Investments
  - Considerations for the future
5. Investment Policy Review

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[www.webstergrovesmo.gov/631/  
City-Financial-Policies](http://www.webstergrovesmo.gov/631/City-Financial-Policies)

# Investment Policy and Annual Report

City of WEBSTER GROVES



## INVESTMENT GOALS

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1. SAFETY
  - Low risk
2. LIQUIDITY
  - Favorable Liquidity
3. YIELD
  - Appropriate return to risk ratio

*Putting our City Reserves to work*

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## ALLOWABLE INVESTMENTS



- Missouri municipalities are limited by statute to specific investment types and durations
  - Cash
  - Cash Equivalents
  - U.S. Government or Government Agency Debt
  - Re-purchase Agreements
  - 2 year maximum duration
- Municipality has option to adopt a more stringent investment policy
- Webster Groves has adopted the State policy

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## OUR INVESTMENTS



1. Insured Cash Sweep
2. Banker's Acceptance
3. Certificates of Deposit
4. Brokered Certificates of Deposit
5. Treasury Bills

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## INSURED CASH SWEEP



- Money is pooled at one institution and then distributed to multiple institutions “in-network” to guarantee FDIC insurance.
- Currently at U.S. Bank
  - \$4.1 Million @ 2.5%
  - Prior to October 1, rate = 0.05%.
  - Annual interest: \$2,050 → \$102,500

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## CASH EQUIVALENTS



- Banker’s Acceptance
  - Bank agrees to pay back a specified dollar amount in exchange for a guaranteed deposit
  - E.g. in exchange for \$100,000 bank will pay \$100,758 at end of specified term
  - Currently at U.S. Bank
- Certificates of Deposit (CDs)
  - Cash time deposits that are FDIC insured or collateralized to insure against loss
  - Currently at Simmons Bank and Southern Bank
- Brokered Certificates of Deposit
  - Similar to CDs except are limited to \$250,000
  - Early liquidation subject to market forces
  - Deposits at third party banks out of state
  - Currently at Commerce Bank

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## TREASURIES (DEBT)



- Treasury Bills
  - Short term debt instruments issued by the United States government
  - Currently at U.S. Bank

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## CURRENT STATE




Institution	Investment Type	Amount
U.S. Bank	Checking	\$1,021,895.47
U.S. Bank	Cash Sweep (Commercial Paper)	\$4,833,405.08
U.S. Bank	Insured Cash Sweep	\$4,100,455.18
U.S. Bank	Banker's Acceptances	\$541,211.46
U.S. Bank	T-Bills	\$1,488,233.33
Simmons Bank	Money Market → MOSIP	\$1,636,308.67
Simmons Bank	CDs (latest maturity: 1/2/2023)	\$4,935,670.85
Commerce Bank	Brokered CDs (latest maturity: 9/11/2023)	\$1,486,000.00
Southern Bank	CD	\$546,060.81
Total:		\$20,147,473.45


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\*Data as of November 22, 2022


## HOW IT WORKS



Checking: \$1,000,000

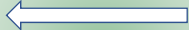


Insured Cash Sweep:  
\$4,100,000




One Day, On-demand delivery

Liquid: ~\$9,470,000





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Illiquid: ~\$10,626,000




Checking Total:  
\$5,370,000



Commercial Paper:  
~\$4,370,000  
@ 0.05%




BAs: \$540,000  
Brokered CDs: \$1,486,000  
CDs: \$5,500,000  
Money Market: \$1,600,000  
T-Bills: \$1,500,000  
Total Invested:  
\$10,626,000



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\*Amounts rounded for ease

## INVESTMENT STYLE



Pre-September 2022	Post-September 2022
<ul style="list-style-type: none"> <li>• Average investment length: 1 – 2 years</li> <li>• Average interest rate: 0.24%</li> <li>• \$14.2 Million = annual interest of \$34,080</li> <li>• 4 Institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Average investment length: 3 – 4 months</li> <li>• Average interest rate: 3.1%</li> <li>• \$14.7 Million = annual interest of \$440,200</li> <li>• 4 Institutions</li> </ul>

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## ABOUT MOSIP



- Pooled Investments by Municipalities, Counties, School Districts, and other districts
  - Authorized by Missouri Constitution, Article VI, Section 16 and Missouri Statute 70.120 to 70.320
- Term or Liquid Investments
- Managed by PFM Fund Distributors, Inc.
- Authorized by Webster Groves Ordinance 9203 on November 1, 2022
  - Meets our Investment goals – Safety, Liquidity, Yield

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## Future State

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## FUTURE STATE



- Continue Short-Term Strategy Conversion
  - Rising interest rate environment
  - Completion: September 2023
- Consolidate to no more than 3, possibly 2 institutions
  - U.S. Bank (our primary bank)
  - MOSIP
  - Commerce (dependent on market competition)

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## CONSIDERATIONS



- Reduce liquid cash balance take advantage of rising interest rates
- Migrate funds from Simmons and Southern (and possibly U.S. Bank) to MOSIP as they offer the best rates and are focused on the success of municipal subdivisions
- Continue to reinvest interest in rising interest rate environment to maximize investment potential
- Once interest rates appear to have peaked, ladder time investments to support City's anticipated cashflow needs while maximizing return

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# Investment Policy Review

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## **POLICY REVIEW**



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- Policy Adopted in May 2010
  - Requires annual report to Council and bi-annual review of policy

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## CHANGES/ RECOMMENDATIONS



1. Scope of Investments includes now defunct City funds. *(Article I, (pg. 1))*
2. Conflict of Interest ordinance reference may need updating. *(Article III, #2 (pg. 2))*
3. Adoption Clause references ordinance adoption rather than resolution adoption. *(Article VIII, #2 (pg. 8))*
4. Adoption Clause calls for review “bi-annually” rather than “biennially” State model calls for annual review. *(Article VIII, #2 (pg. 8))*
5. List of Attachments to be updated. New Appendix A attached. *(Article IX, (pg. 8))*

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