



June 21 - 24, 2016
Sawgrass Marriott Golf Resort
Ponte Vedra Beach, FL

Money Market Fund And Local Government Investment Pool Update

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Objectives

- Current Market Conditions
- Investment Options



Current Market Conditions

- Volatile Interest Rates

	3 MO Tbill	6 MO Tbill	1 Year Tbill	2 Year Note	3 Year Note	5 Year Note	10 Year Note	2-10 Year Spread
Dec-12	0.13%	0.13%	0.17%	0.28%	0.38%	0.76%	1.80%	1.52%
Dec-13	0.09%	0.09%	0.13%	0.31%	0.54%	1.17%	2.35%	2.04%
Dec-14	0.06%	0.06%	0.12%	0.46%	0.90%	1.64%	2.54%	2.08%
Sep-15	0.02%	0.18%	0.37%	0.71%	1.01%	1.49%	2.17%	1.46%
Oct-15	0.02%	0.11%	0.26%	0.64%	0.93%	1.39%	2.07%	1.43%
Nov-15	0.13%	0.33%	0.48%	0.88%	1.20%	1.67%	2.26%	1.38%
Dec-15	0.23%	0.50%	0.65%	0.98%	1.28%	1.70%	2.24%	1.26%
Jan-16	0.32%	0.44%	0.47%	0.83%	1.05%	1.42%	2.00%	1.17%
Feb-16	0.32%	0.46%	0.56%	0.72%	0.85%	1.16%	1.71%	0.99%
Mar-16	0.30%	0.47%	0.66%	0.88%	1.04%	1.38%	1.89%	1.01%
Apr-16	0.23%	0.37%	0.56%	0.77%	0.92%	1.26%	1.81%	1.04%
May-16	0.28%	0.42%	0.59%	0.82%	0.97%	1.30%	1.81%	0.99%
6/15/2016	0.26%	0.37%	0.52%	0.69%	0.85%	1.15%	1.62%	0.93%
	0.13%	0.24%	0.35%	0.41%	0.47%	0.39%	-0.18%	-0.59%

Source: Fed H.15 Report

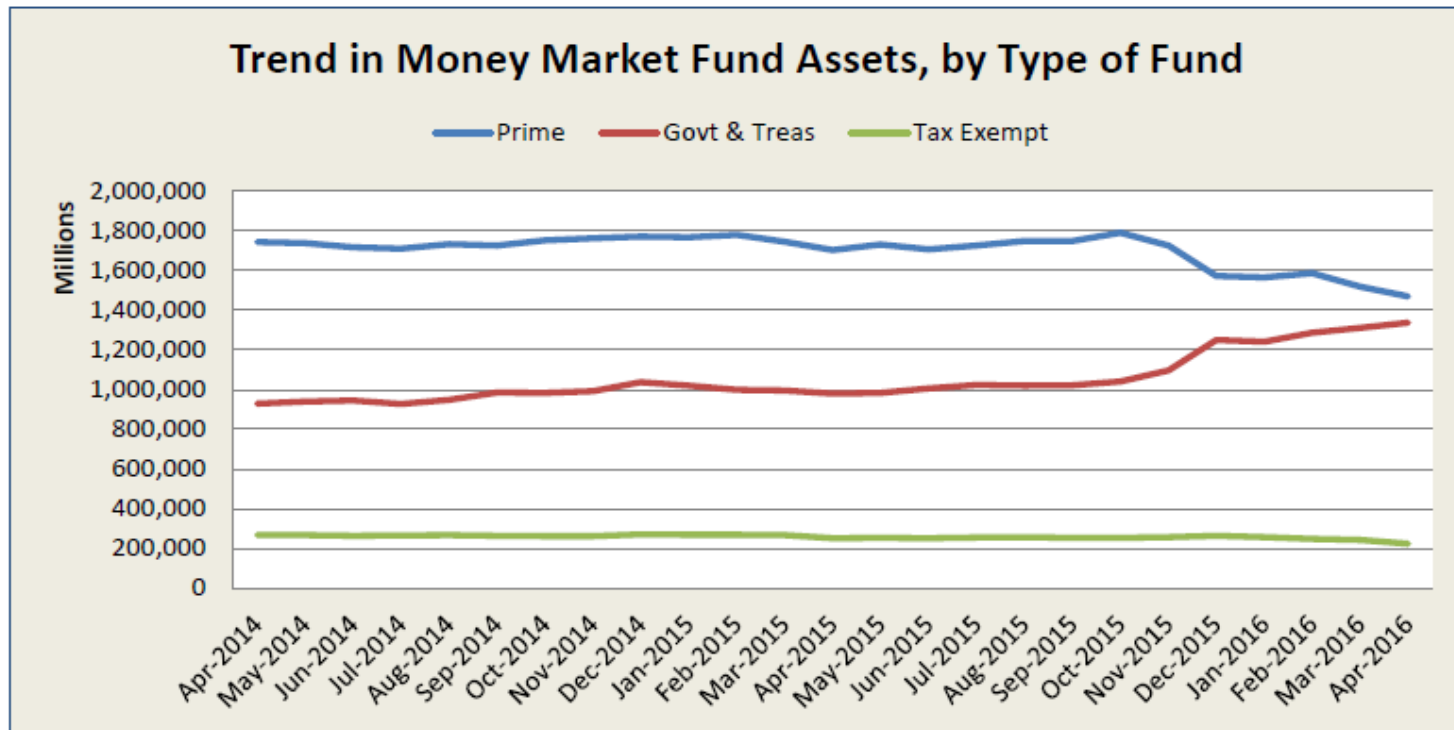
Money Market Funds

- SEC changes effective Oct 14, 2016
 - Floating Net Asset Value (NAV)
 - Redemption Fee/Gates if liquid assets fall below minimum requirement
 - <https://www.sec.gov/News/PressRelease/Detail/PressRelease/1370542347679>



Impact of Changes

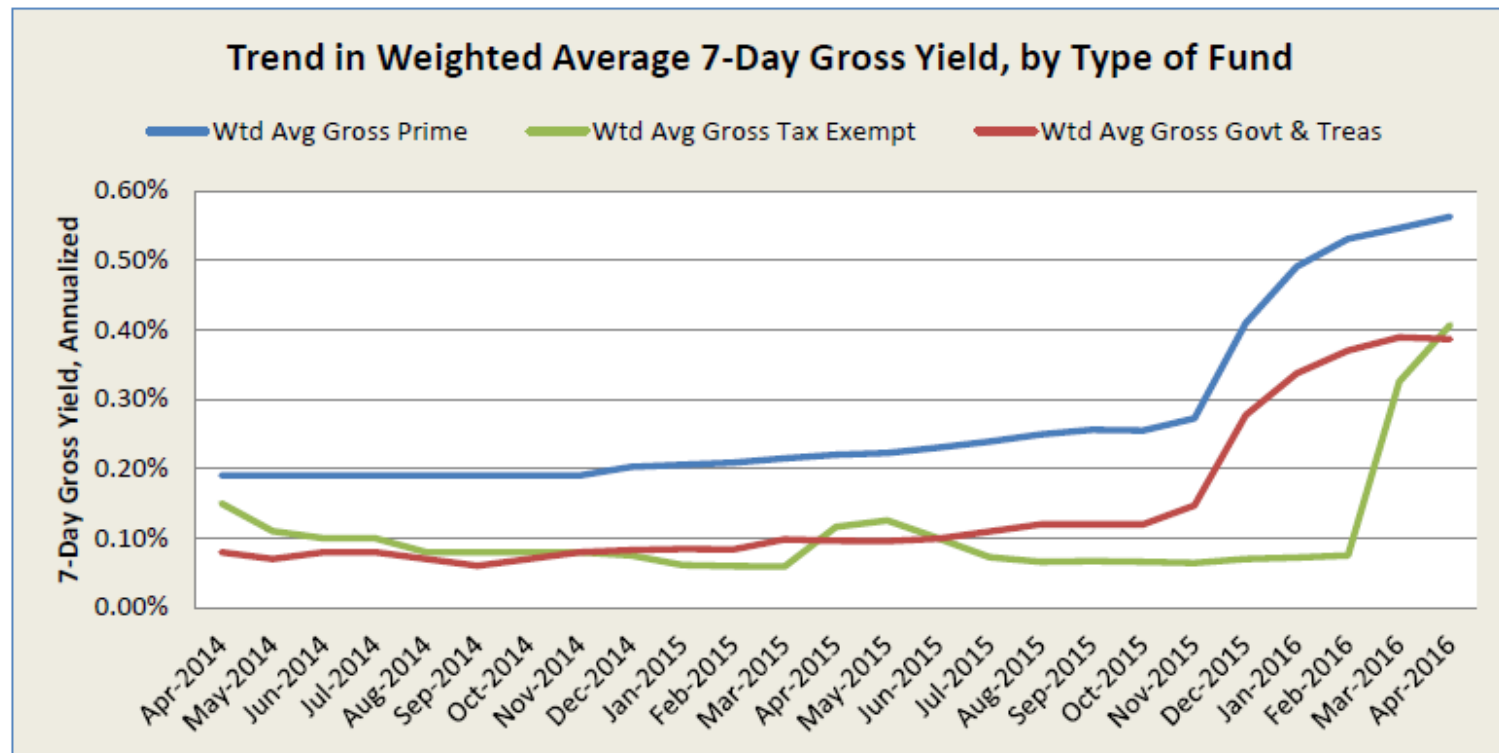
- Funds sponsors moving to government only funds



Source: SEC Division of Investment Management
6/14/2016

Impact of Changes

- Government fund rates are trending downward

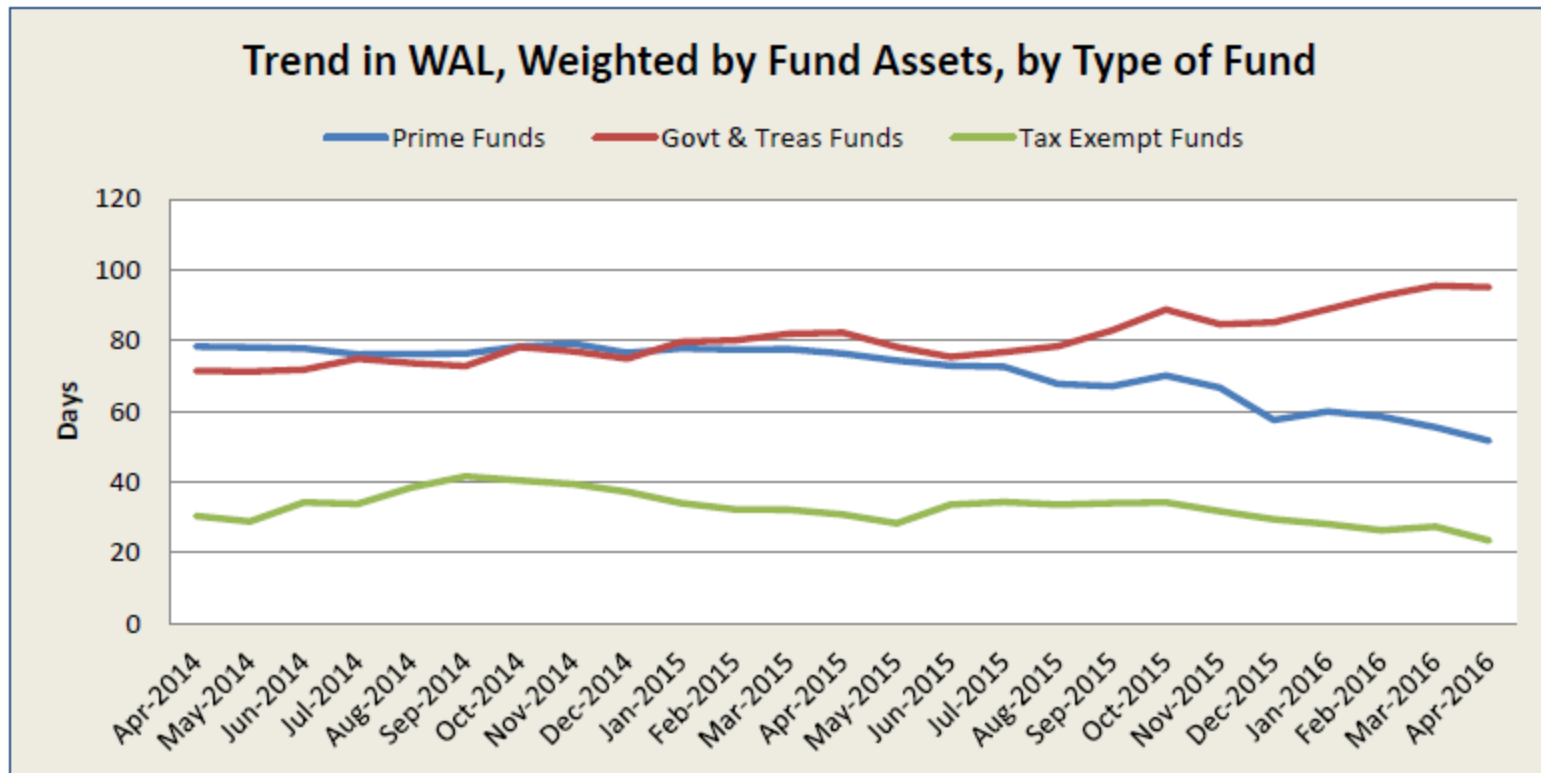


Source: SEC Division of Investment Management
6/14/2016



Impact of Changes

- Government funds extending maturities



Source: SEC Division of Investment Management
6/14/2016



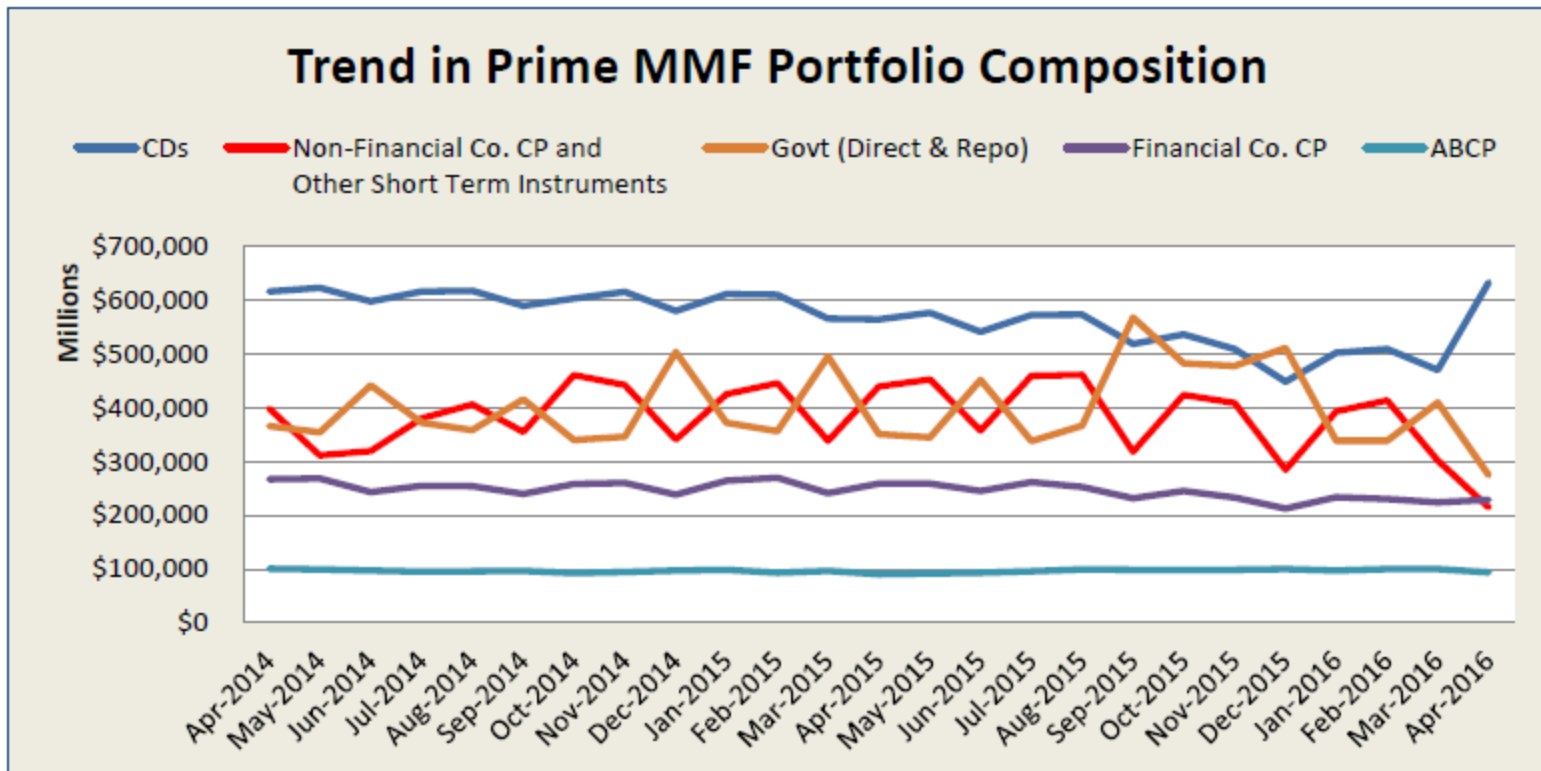
Impact of Changes

- Expenses rising - recoup earlier waivers

	Wtd Avg Gross Prime	Wtd Avg Prime Expense Ratio	Wtd Avg Net Prime
4/30/2014	0.19%	0.15%	0.04%
5/31/2014	0.19%	0.15%	0.04%
6/30/2014	0.19%	0.15%	0.04%
7/31/2014	0.19%	0.15%	0.04%
8/31/2014	0.19%	0.15%	0.04%
9/30/2014	0.19%	0.14%	0.04%
10/31/2014	0.19%	0.15%	0.04%
11/30/2014	0.19%	0.15%	0.05%
12/31/2014	0.20%	0.15%	0.05%
1/31/2015	0.21%	0.15%	0.05%
2/28/2015	0.21%	0.15%	0.06%
3/31/2015	0.21%	0.16%	0.06%
4/30/2015	0.22%	0.16%	0.06%
5/31/2015	0.22%	0.16%	0.06%
6/30/2015	0.23%	0.16%	0.07%
7/31/2015	0.24%	0.16%	0.08%
8/31/2015	0.25%	0.17%	0.08%
9/30/2015	0.26%	0.17%	0.09%
10/31/2015	0.25%	0.16%	0.09%
11/30/2015	0.27%	0.16%	0.11%
12/31/2015	0.41%	0.19%	0.22%
1/31/2016	0.49%	0.20%	0.29%
2/29/2016	0.53%	0.21%	0.32%
3/31/2016	0.55%	0.21%	0.33%
4/30/2016	0.56%	0.22%	0.34%

Impact of Changes

- Prime funds reallocating to CDs



Source: SEC Division of Investment Management
6/14/2016



Investment Options

- Qualified Public Depositories (QPD)
 - Money Market Accounts
 - Reg D – no more than six transactions per month
 - Core Deposits – Earnings Credit Rate usually higher than Interest Rate



Investment Options

- Local Government Investment Pools (LGIP)
 - Not subject to SEC Money Market Fund changes
 - GASB 79 – effective 12/15/2015
 - How the external investment pool transacts with their participants
 - Requirements for portfolio maturity, quality, diversification and liquidity
 - Calculation and requirements for shadow pricing
 - http://gasb.org/jsp/GASB/Document_C/GASBDocumentPage?cid=1176167751556&acceptedDisclaimer=true

Investment Options

- Local Government Investment Pools (LGIP)



Local Government Investment Pools

- Stable Net Asset Value (NAV)
 - Dollar In /Dollar Out
 - Same Day Liquidity (wire transfer)/Next Day Liquidity (ACH)
 - Redeem by 2pm
 - AAAM/AAM

Principal Stability Fund Ratings*

Category Definition

AAAM A fund rated 'AAAM' demonstrates **extremely strong** capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. 'AAAM' is the highest principal stability fund rating assigned by S&P Global Ratings.

AAM A fund rated 'AAM' demonstrates **very strong** capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. It differs from the highest-rated funds only to a small degree

- See prospectus for investment policy and fee schedules
 - Fee waivers



Local Government Investment Pools

- Stable Net Asset Value (NAV)
 - FDIC Insured
 - Commercial Paper – two highest categories

Short-Term Issuer Credit Ratings

Category Definition

A-1 An obligor rated 'A-1' has **strong capacity** to meet its financial commitments. It is rated in the highest category by S&P Global Ratings. Within this category, certain obligors are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments is extremely strong.

A-2 An obligor rated 'A-2' has **satisfactory capacity** to meet its financial commitments. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the highest rating category.



Local Government Investment Pools

- Floating Net Asset Value (NAV)
 - Designed for longer term reserve funds
 - Next Day Liquidity/Bi-weekly Liquidity
 - AA Af/AAf Fund Rating
 - S1 Volatility Rating – base upon average maturities of the securities

Fund Credit Quality Ratings*

Category	Definition
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AA Af	The fund's portfolio holdings provide extremely strong protection against losses from credit defaults.
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AAf	The fund's portfolio holdings provide very strong protection against losses from credit defaults.
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Local Government Investment Pools

- Floating Net Asset Value (NAV)
 - Enhanced Cash
 - Next day liquidity/Bi-Weekly liquidity
 - Term Series
 - Choose predetermined maturities up to one year
 - Liquidity similar to a Time Deposit
 - Subject to “...significant penalties for any redemption prior to agreed-upon redemption date.”
 - 7 days to get your funds
 - See the information statement /prospectus for details



Local Government Investment Pools

- Floating Net Asset Value (NAV)
 - Core Reserves – typically an average maturity of less than two years
 - Next day liquidity/bi-weekly liquidity
 - AAAf/AAf fund rating
 - Atlanta Capital Management (part of Eaton Vance)
 - Sponsored by Florida League of Cities
 - Payden Rygel
 - Sponsored by Florida Association of Counties
 - Wertz York Capital Management Group
 - Open to all public entities including higher education and insurance trusts
 - Review prospectus for investment policy and fees



Conclusion

- Bank Accounts- Keep enough balance to offset all bank service charges
- LGIPs -Make sure you are comfortable with sponsor, investment manager, fee structure, investment policy, liquidity structure
- Talk to your peers to get an “unbiased” opinion



Questions/Comments



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