

OSIP/Short-Term Cash Recommendation

Overview & Recommendation

Investment Staff | November 2019

Short-Term Investment Evaluation Overview:

Goal:

To enhance investment policy for Short-Term investment and increase available portfolio for Bank Local without impact on return to State or adding significant risk.

Scope:

- Reviewed Existing Policy & Investments
- Analyzed Portfolio & Other State Comparison
- Reviewed Outside Professional Manager Proposals

Considerations:

- Expansion of Investment Types Invested Internally:
 - Reinstate Ability to Purchase Commercial Paper or Repurchase Agreements
 - Add a Professional Money Manager
- Increase our OSIP Allocation

BankLOCAL Community Deposit Program

- Community Deposit Program initiated in February 2017
- Move up to \$30 Million in State Deposits to Local Banks & Credit Unions
- Deposit match loan amount to qualified small businesses in Rhode Island with <100 employees
- 2-to-1 deposit match for loans to 1st time business owners, veteran-owned businesses, and women and minority owned businesses (up to \$250,000 per loan)

BankLOCAL Loan Summary			
Loan Type	Deposit Match	# of Loans	%
Standard Loan	1:1	197	69%
Women & Minority	2:1	79	28%
First Time Business Owner	2:1	9	3%
Veteran	2:1	2	1%
Total Loans:		287	

BankLOCAL Community Deposit Program



Adam, Smoke & Squeal BBQ

Adam is a graduate of Johnson & Wales University and a United States Marine Corps veteran. It was always his dream to own his own business. In 2017, he was ready to turn his dream into his next project, and he became a member of a local credit union. They helped him finance a food truck and, just like that, Adam was on his way. As a Rhode Island small business, Adam's loan was supported by BankLOCAL; as a veteran, his loan was eligible for a bonus incentive.

In 2019, Adam will be rolling out a second truck and opening a cafe with the help of BankLOCAL supported loans.

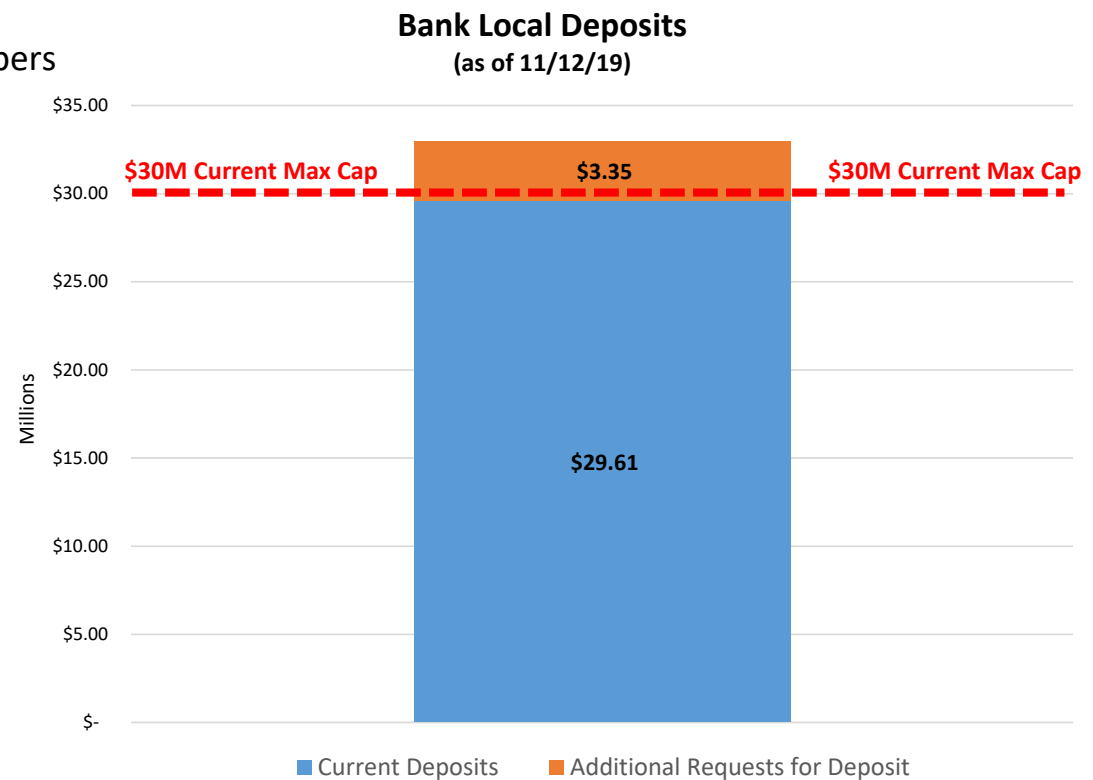
Stephanie, Hair on Mane

When Stephanie started working at Hair on Mane two decades ago, she never imagined she would become the salon's owner. But when she learned that the previous owner was getting ready to retire, she decided it was time to become her own boss. Stephanie went to her local credit union where she got a loan to buy the business in the middle of downtown Wakefield. As a Rhode Island small business, Stephanie's credit union was able to get her a loan supported by BankLOCAL; as a first-time business owner, her loan was eligible for a bonus incentive.



BankLOCAL Cap Overview

- Existing BankLOCAL Maximum Cap = \$30M
- Currently:
 - Seven Existing BankLOCAL Members = \$29.6M in deposits
 - Additional Deposit Requests = \$3.4M
 - Recent Addition of Three New BankLOCAL Members
 1. Freedom National
 2. Bank Newport
 3. HarborOne



OSIP Allocation Considerations:

Short-Term Investment Considerations					
	Cash Balance*	%	Rate of Return*	Earnings	
<u>Current</u>					
Banks	\$304.6	65.9%	1.66		\$5.1
OSIP	\$157.7	34.1%	2.42		\$3.8
Total	\$462.3	100.0%	1.92		\$8.9
<u>60% Allocation to OSIP, Bank Local (Increased by \$10 million)</u>					
Banks	\$184.9	40.0%	1.52		\$2.8
OSIP	\$277.4	60.0%	2.42		\$6.7
Total	\$462.3	100.0%	2.06		\$9.5
<u>OSIP to 50%, Bank Local (Increased by \$10 million)</u>					
Banks	\$231.1	50.0%	1.56		\$3.6
OSIP	\$231.1	50.0%	2.42		\$5.6
Total	\$462.3	100.0%	1.99		\$9.2
* Cash balances and Rates of return are as of June 30, 2019 (USD in millions except percentages)					

Recommendation :

- OSIP expansion is best approach with enhanced yield and minimal additional risk
- Recommendation:
 - Increase maximum allowable investment in OSIP to 60% of Short-Term operating funds (currently 50% maximum)
 - Increase BankLocal maximum total allocation to \$40 million (currently \$30 million)
 - Increase maximum BankLocal allocation to \$10 million per institution (currently \$5 million)