



Cash Management & BankLocal Program Update

August 2018

Cash Management Update

- **Treasury's Cash Team manages cash balances between \$400 million to \$1 billion.**
- **These balances represent the general fund, attendant special-purpose funds (Highway, TDI, etc), and Bond Proceeds.**
- **The SIC has adopted an Investment Policy Statement for state cash; the Policy was last updated in May 2016.**

Cash Management Update

Key Policy Considerations:

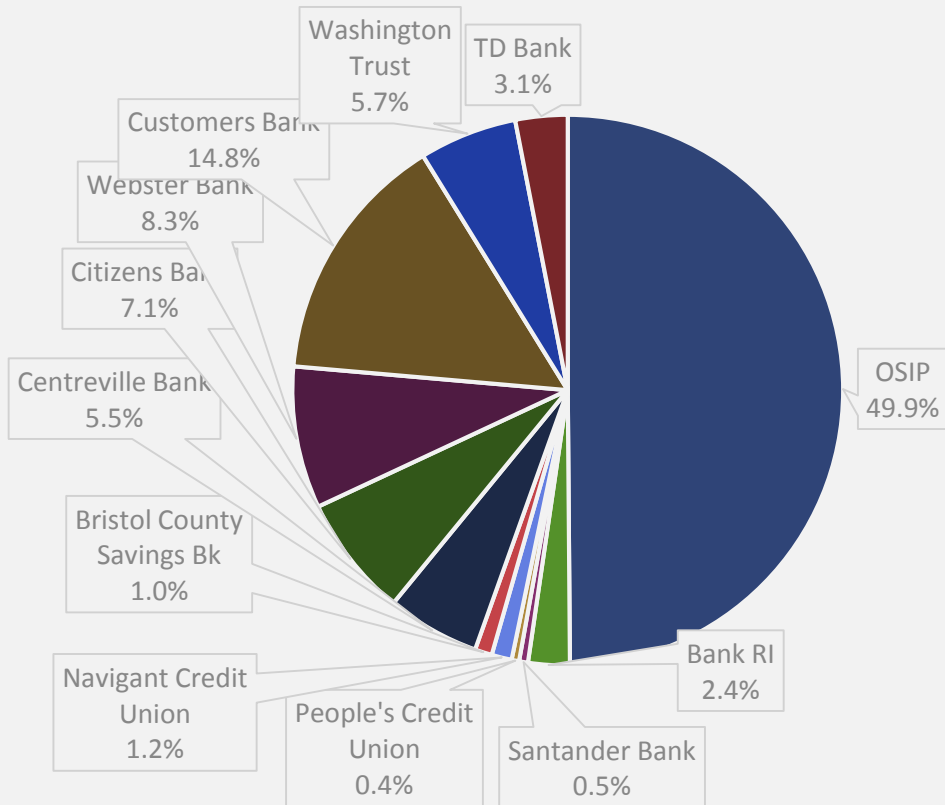
- **Maintenance of Appropriate Liquidity:** investment maturities are matched to projected cash flow needs over the fiscal year.
- **Safety:** all short-term investments are purchased with the intent of preserving capital. Uninsured deposits are collateralized at 102% or supported by FHLB LOC.
- **Rate of Return:** maximum return is sought, subject to policy limits on credit quality, issuer, diversification and investment types.
- **Vendor Selection:** Investment staff perform due diligence and the SIC approves all counterparties/banking partners.

Key Parameters:

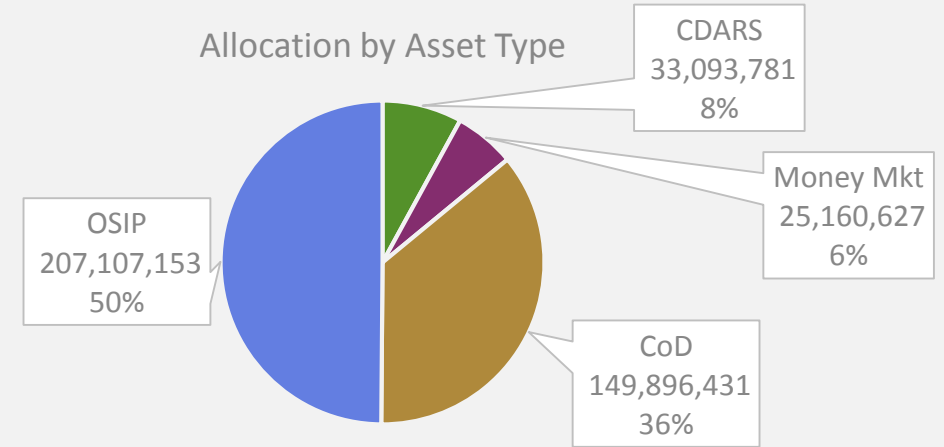
- Exist and operate for at least 3 years,
- Moody's and S & P minimum investment grade credit of Aa2 and AA, respectively, or a minimum grade of Satisfactory from a bank rating service, i.e. Veribanc.
- Return on assets within a six quarter period must be positive for at least four out of six consecutive quarters,
- The Federal Reserve risk-based minimum capital ratio must be at least 8% (an 8% ratio signals an adequately capitalized institution, 10% a well capitalized firm).
- Non performing assets as a percentage of total assets may not exceed 3%.

Current Allocations

Allocation by Bank



Allocation by Asset Type



Current Rates (Overnight) @ 08/21/18

Bank Deposits	1.52%
OSIP	2.05%

FY 2018 Performance

General Fund	1.12%	\$2,179,277
All Funds (ex GF)	1.16%	\$3,336,051

Allocation Data at 7/31/2018

OSIP Update

- OSIP is the Ocean State Investment Pool, a Local Government Investment Pool which allows the state and other governmental entities to pool their cash for investment purposes.
- OSIP is effectively managed as a 2a-7 style Money Market Fund, providing daily liquidity for participating investors.
- The creation of OSIP was authorized in 2011. At the time, an RFP was issued and Fidelity Investments was selected as recordkeeper and investment manager.
- Investment staff intend to issue a new RFP for the mandate in Fall 2018.

BankLocal Update

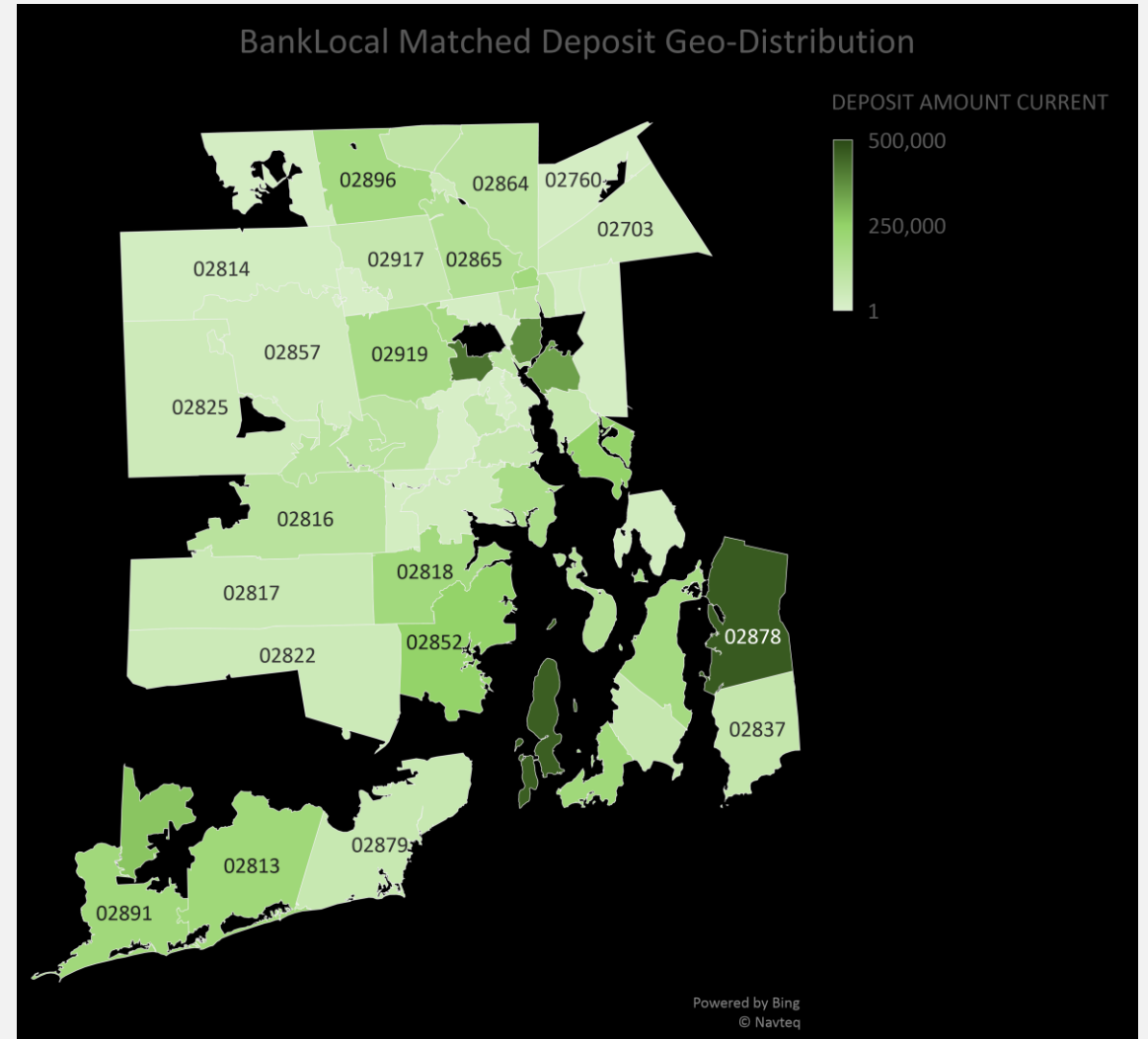
- Bank Local program was approved by the SIC in May 2016 – Launched in December 2016
- Allocates up to \$30 million in matching deposits to local banks and credit unions who are providing loans to small businesses in Rhode Island - up to \$250,000 per loan.
- Loans to women and minority-owned businesses are eligible for a 2-to-1 matching deposit into the lending bank or credit union.
- All BankLocal investments are subject to the same collateral and insurance requirements as other state deposits, and all BankLocal participating banks must be approved by the SIC in accordance with the investment policy.

BankLocal Progress Update

- **192 loans totaling 16.7 million**

Bank	Loan Amount
Bristol County Savings Bank	4.1 Million
Centreville Bank	6.0 Million
Navigant Credit Union	3.6 Million
Peoples Credit Union	1.6 Million
Washington Trust	1.4 Million
Total	16.7 Million

- **\$21.7 million in matching deposits made**
- 48 woman-owned and minority-owned businesses, and 4 first-time business owner loans received 2X matches
- **Average Loan: \$88,351**



BankLocal Recommendation

- Multiple stakeholders have recommended expanding the impact of the program by **amending the BankLocal policy guidelines to offer a 2X match to veteran-owned businesses.**
- This new incentive harmonizes with existing SBA incentives, state procurement incentives, and other tools specifically targeted to help veterans who pursue entrepreneurship.