

TO: Connect for Health Colorado Board of Directors

FROM: Finance Committee Members, Patty Fontneau, and Cammie Blais

DATE: July 8, 2013

RE: **Financial Investment Options for PDPA**

Essential Question

What are the best investment options for public funds granted to Connect for Health Colorado?

Goals/Objectives of Connect for Health Colorado

To ensure the proper balance of asset protection and fiscal responsibility.

Background

HB 13-1245:

- States that monies received through this legislation shall be deposited in a banking institution, and
- The funds must be insured by FDIC and compliant with the Public Deposit Protection Act.

The purpose of the Public Deposit Protection Act (PDPA) is to ensure that public funds held on deposit in banks are protected in the event that the bank holding the public deposits becomes insolvent. Not all public funds held by banks are protected under the PDPA. The PDPA protects only public funds placed in bank deposit accounts, which include checking, savings, bank money-market, and certificate of deposit (CD) accounts.

Considerations

Information gathered for evaluation by the Finance Committee:

- Banking institutions that are compliant with PDPA are listed on DORA's website
- There are limited options as to the institutions and types of accounts (i.e. pledged liquidity)
- Several were contacted for a confirmation of rates and PDPA funds capacity
- Both new and current banking relationships were considered
- There is an inverse relationship between rates offered and PDPA capacity
- Scanned rates of several institutions. The best returns are found in CD's, and range from .05%-.8% (note: .8% is the highest rate found for a CD under 36 months)
- Liquid account rates (i.e. money market, savings, and checking accounts) range from 0%-.4%, but all institutions do not have availability

Recommendation

Connect for Health Colorado maintains funds subject to PDPA in the proper account type at First Bank.

- First Bank is a Colorado Bank
- It is able to accommodate the PDPA requirement
- There is an existing banking relationship
- Offers competitive rates for PDPA type accounts
- Has PDPA funds capacity

Funds are deposited into their highest yield, fully liquid account offering (currently .2%, minimum deposit of \$20,000).

Connect for Health Colorado's staff continues to search for PDPA compliant diversification opportunities to obtain the maximum possible return.

Connect for Health Colorado's staff will work with the Finance Committee to develop a long-term Investment Policy for Board Approval.