

Investment Strategy - Board Resolution

September 12, 2022 Board of Directors Meeting



Resolution to Join CSIP Local Government Investment Pool

Recommendation for Board approval to join pool:

The Board of Directors of Connect for Health Colorado approves, adopts, and joins as a Participant with other Local Governments pursuant to Title 24, Article 75, Part 7 of the Colorado Revised Statutes, the Indenture of Trust entitled the “Colorado Statewide Investment Pool” as may be amended from time-to-time, the terms of which are incorporated herein and a copy of which shall be filed with the minutes of the meeting at which this Resolution was adopted.

See full resolution in Appendix.

Appendix

Current Investment Environment

- Investment environment has improved significantly since our last update earlier this year.
- Short-term treasury rates have improved significantly going from .06% one year ago to 2.61% currently for a 90 day T-bill.
- Similarly, rates available on money market funds and local government investment pool liquid accounts have increased and offer significantly better returns than our deposit and UMB money market accounts for our liquid cash needs.
- Currently we have invested \$7 million in 30 day T-bills, \$500k in a money market account and the remainder (\$5 million) in our PDPA deposit account with UMB.

Outline of Updated Investment Strategy

- Maintain sufficient funds in PDPA depository accounts to address expected near term disbursements (funds will provide .20% earnings credit)
- Maintain a liquid cash balance in money market funds and/or local government investment pool (LGIP) liquid accounts
 - Currently liquid (LGIP) accounts offer the best returns (currently 2.27%) compared to money market funds (currently 2 %). Both types of liquid accounts used will have the highest ratings (AAAm)
- Based on cash flow projections recommend investing excess funds (beyond liquid cash needs) in treasuries or LGIP fixed term portfolios. Maturities of treasuries/LGIP will depend upon forecasted future cash needs and interest rate differentials between the different maturities.
- At this time Certificates of Deposit returns are below treasury rates for shorter term maturities. Will reevaluate strategy in 6 months due to dynamically changing interest rate environment or sooner if warranted

Local Government Investment Pool Recommendation

- Local government investment pools are established pursuant to the provisions of Article 75, Title 24, Part 7 of the Colorado Revised Statutes entitled “Investment Funds – Local Government Pooling” whereby any Local Government is authorized to pool any moneys with other Local Government entities in order to take advantage of short-term investment seeking to maximize net interest earnings.
- Recommend LGIP - Colorado Statewide Investment Program (CSIP)
- About CSIP:
 - Members include (among others) Denver Public Schools, Cherry Creek Schools, City and County of Broomfield, Denver Urban Renewal Authority, Summit County
 - Offer both a liquid portfolio and a term portfolio, term portfolio currently offers higher earnings than corresponding treasury yields for same maturity
 - Highest Ratings for both portfolios (AAAm/AAAf)
 - Managed by PFM Asset Management LLC, Overseen by Board of Trustees
 - Appendix includes more detailed information