

Best Practices for Investment of Bond Proceeds and Cash



Presented to the Municipal Education Conference

October 10, 2018

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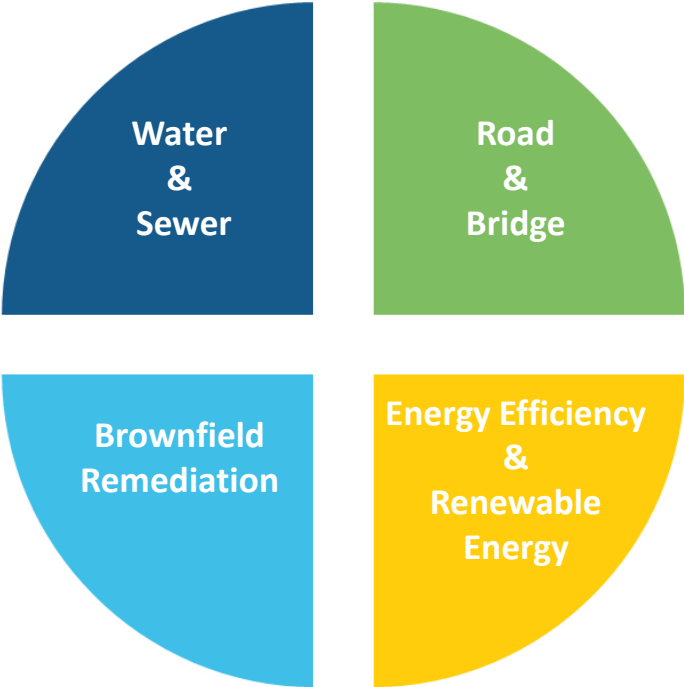
Infrastructure Bank Overview

Slides 3-6

About the Infrastructure Bank

Centralized hub of local infrastructure investment in Rhode Island

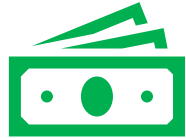
Our mission is to support and finance investments in the State’s infrastructure. We do so through a variety of means, including the issuance of bonds, the making of loans and grants, and the engagement with and mobilization of sources of public and private capital. Through its activities the Bank fosters infrastructure improvements that enhance the environment, create jobs, and promote economic development.



Our Impact – FY 2018



\$81 MM in lending, 66% funded by private capital sources
25% of lending from new business



Our lending saved communities \$34 MM in financial and energy savings



C-PACE program saving nine small businesses \$3.2 MM in energy costs



Received awards from EPA for funding a clean water project at RIAC and from GFOA for excellence in financial reporting and transparency



Supported over 2,169 direct and indirect jobs



Greenhouse gas emission reduction equivalent to 131 MM miles driven by the average passenger car



Fully deployed new financial management software, automating our reporting



Customer & stakeholder engagement strategy touched over 650 people

Positioning RIBB for the Future

- Process to modernize the Bank's operations is now complete
 - Improved market positioning – consistent with our mission statement “...to actively support and finance investments in the State's infrastructure”
- Realigned Bank staff along two discrete functional lines: Business Development and Administration/Finance/Operations
- Pivoted from manual systems to a robust technology-based environment
 - Financial, loan and investment management systems
- These and other business improvements allow us to operate more efficiently, *invest capital more effectively* and devote greater resources to proactive customer engagement

Investment Process & Standards

slides 7-14

Improving Investment Performance

- Key components of improving investment performance
 - Transparent “road map”
 - Time horizon
 - Execution expertise
 - Measurement and monitoring
 - Flexibility (within constraints)

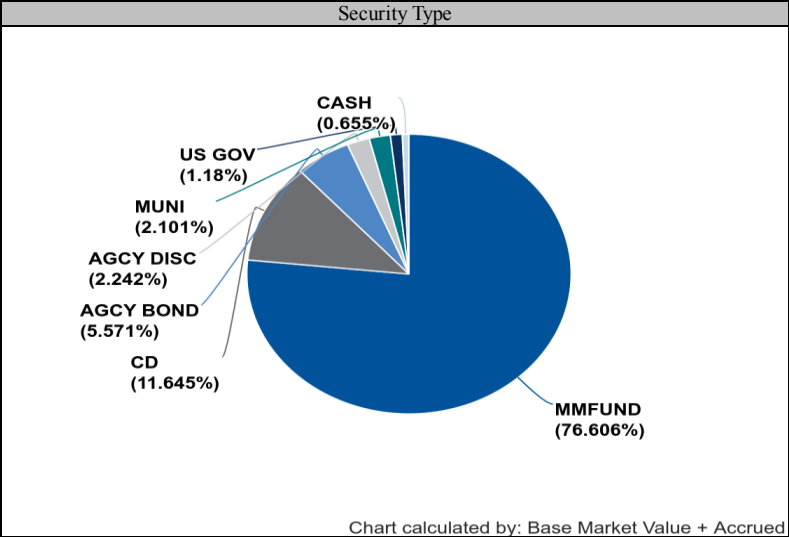
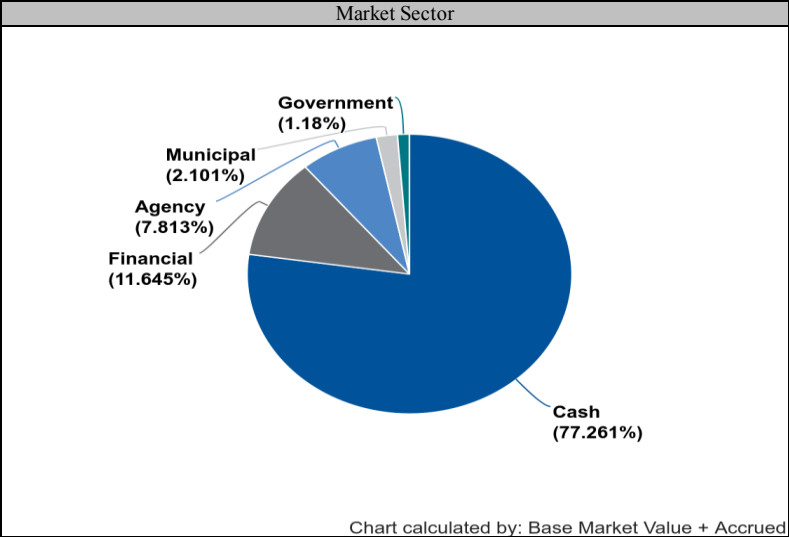
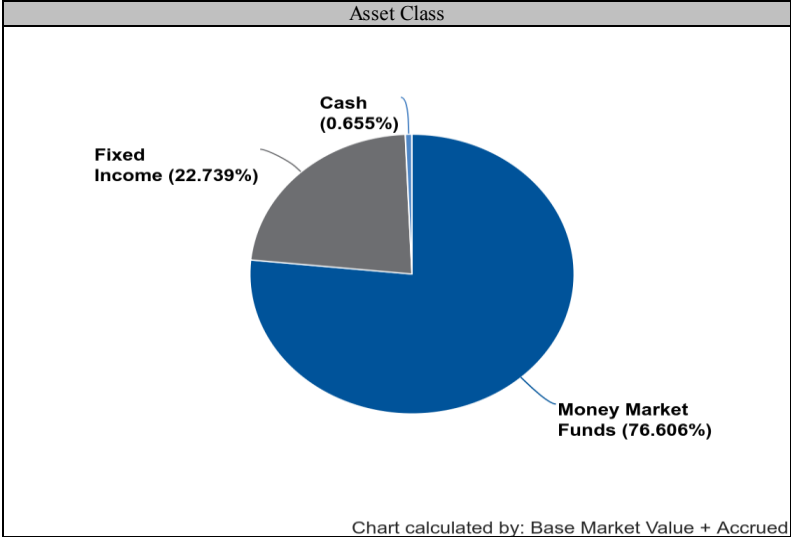
Infrastructure Bank Actions

- “Road map” established
 - Existing Indentures
 - Investment Policy created and approved by the Board
 - Liquidity, ratings, types of investments, etc.
- Time horizon created
 - Technology-based financial systems improved cash flow projections
 - Duration of investments better matching anticipated cash flows
 - Liquidity buffer
- Execution expertise
 - Investment manager hired to recommend and execute investments based on cash flow duration

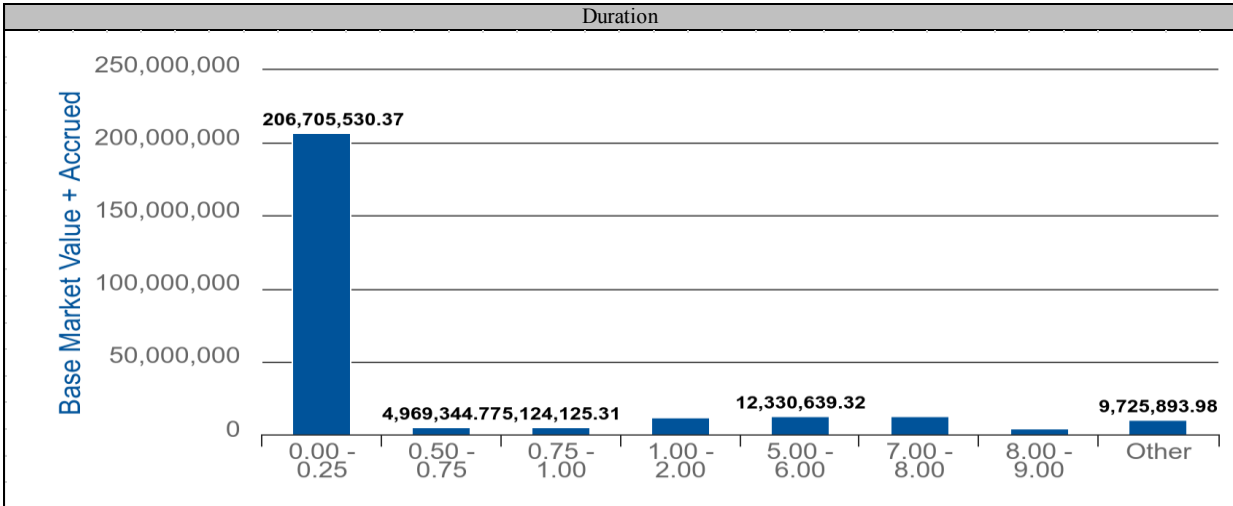
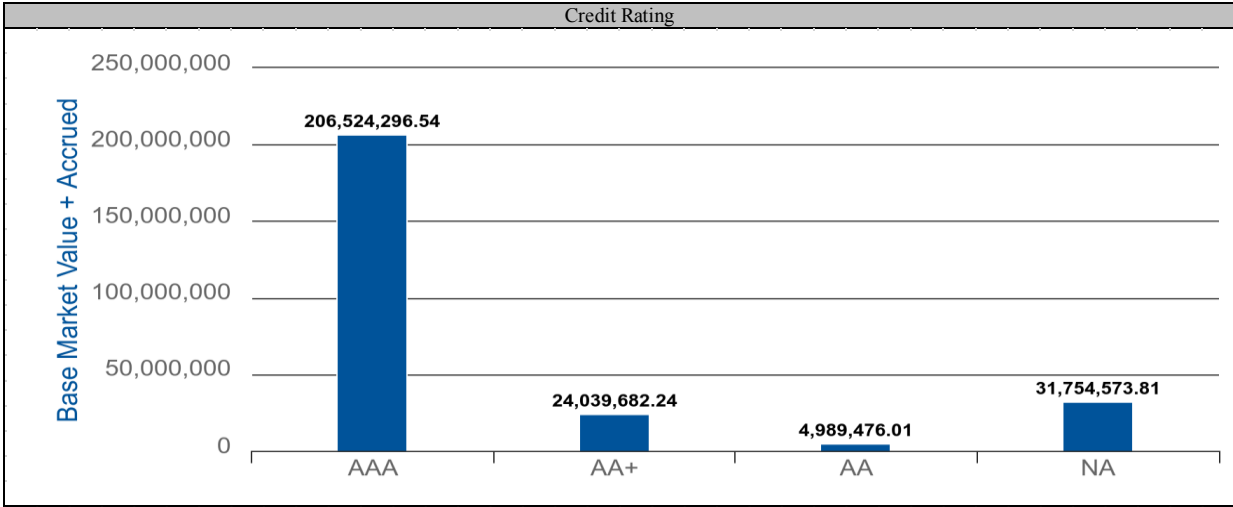
Infrastructure Bank Actions (cont.)

- Measurement and monitoring
 - Implemented investment management technology solution
 - Direct feed from Trustee
 - Tracks mark-to-market value and feeds into accounting software
 - Tracks a number of other criteria, including:
 - Duration/Maturity
 - Ratings
 - Issuer
- Flexibility
 - Constraints imposed by State permitted investments
 - Investment policy and Indenture changed
 - Reflect changes in market
 - Accommodate future changes in market

Measurement & Monitoring



Measurement & Monitoring



Indenture - Permitted Investments

- Permitted Investments section of indenture had remained substantially unchanged for more than 20 years
- During those two decades, capital markets have undergone unprecedented change and will continue to change
- In addition to “cleaning up” the Permitted Investments language, a key goal was to provide additional flexibility for enhancing returns while not compromising on capital preservation and liquidity
- Permitted Investment language was co-developed by the Bank and its financial and legal advisors – within limits of the State
- Rating agency criteria were also considered to ensure that enhancements would not compromise “AAA” bond rating

Indenture Comparison - Permitted Investments

Comparative Indenture Table: Legacy V. Modern

<i>Legacy Indenture</i>			<i>Modern Indenture</i>		
#	Description	Issuers	#	Description	Issuers
1	Direct Obligations of the U.S. Government	T-bills, Notes and Bonds	1	Defeasance securities	Multiple
2	Direct obligations of agencies and corporations sponsored by the U.S. Government	US EX-IM Bank, Farmer's Home Admin., Fed. Financing Bank, FHA, GSA, GNMA, US Maritime Admin., and HUD	2	Government Obligations	Treasury bills, Notes, and Bonds, FHA, FHLMC, FNMA, FFCB and FHLB
3	Direct obligations of agencies and corporations non-full faith and credit of the U.S. Government	FHLB, FNMA, FHLMC, and RTC	3	Municipal Obligations	Multiple
4	Money Market Funds	Multiple	4	CD's & Banker's Acceptances	Multiple
5	Certificates of Deposit	Multiple	5	Commercial Paper	Multiple
6	Investment agreements, including Guaranteed Investment Contracts	Multiple	6	Repurchase Agreements	Multiple
7	Commercial paper	Multiple	7	Corporate Securities	Multiple
8	Direct obligations of states	Multiple	8	Money market funds	Multiple
9	Federal funds or bankers' acceptances	Multiple	9	Investment agreements & GIC's	Multiple
10	Repurchase Agreements	Multiple	10	Other Obligations or Securities	Multiple
			11	Ocean State Investment Pool (OSIP)	Managed by Fidelity Investments
			12	Any other investment as may be legal investment for funds of the state or any agency	Multiple

Building Out a Record of Success

Slides 15-16

Key Accomplishments

- Eliminated obsolete terms and defunct issuers
- Contemplates investment products that are relevant to our current operating environment
 - Adds sectors previously unavailable: Corporates (short duration) and Ocean State Investment Pool (OSIP)
- Does not preclude future product innovation
 - Other obligations or securities – with rating agency consent
 - Other investments that are or become permissible for funds of the State
- Measuring, monitoring, and pricing cash flows remain fundamental
 - Key is not paying for liquidity you do not need
 - Develop investment ladders that support cash flows with hedge for uncertainty
- Increasing return without increasing risk

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