

THE HENDRICKSON COMPANY

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To: Investment Committee, Housing Finance Authority of Hillsborough County

From: Mark Hendrickson, Financial Advisor

Subject: November 9, 2017 Investment Committee Meeting

Date: November 2, 2017

1. The HFA has several money market accounts. When the funds were invested in those accounts, the rate of return was the same or higher than the CD rates that were then available. The advantage of the money market accounts was that they are liquid, allowing the HFA to remove funds when needed or when better investment opportunities arise.
2. The HFA also has an investment that is classified as a CD with the Bank of Tampa. However, this is functionally a money market as the CD period is a rolling 30 days.
3. Additionally, when these investments were made, the rate of return on the HFA's Custody Accounts with US Bank and Bank of New York Mellon were 0.01%.
4. At this point, the interest rate on the US Bank Custody (Fidelity) account has increased to 0.91% and on the Bank of New York Mellon Custody to 0.67%. These are liquid investments, permitting transfer of funds with 24 hours' notice—either for HFA expenditures or to move to other investments.
5. The following chart illustrates the advantage to the HFA of eliminating the low return accounts:

BANK	BALANCE	RETURN
Bank of Tampa CD	\$227,599	0.050%
Hancock (Whitney) Money Market	\$246,171	0.20%
Regions Money Market	\$228,314	0.05%
SunTrust Money Market	\$234,405	0.05%
TD Bank Money Market	\$226,798	0.10%
American Momentum Bank	\$231,605	0.75%
PNC Money Market	\$232,855	0.05%
TOTAL	\$1,627,747	
Annual Return	\$287	0.018%
Return if in US Bank Custody Account	\$14,812	0.910%
Return if in BONY Custody Account	\$10,906	0.670%

6. Given the size of some of the HFA's hedges, occasionally additional funds are needed. That would be a factor in avoiding putting the bulk of these funds into CD's.
7. The current balance of the BONY Custody Account is \$4,492,342. This account is required to carry the funds necessary to cover hedges associated with MBS sales. At times, the HFA has had to transfer funds from the US Bank Custody Account to cover a hedge. In November, the HFA will need as much as \$4.362 million for three hedges settling on the 20th.
8. The current balance of the US Bank Custody Account is \$2,546,741.
9. However, the HFA could invest \$1 million of the funds released from the money market accounts in CD's with various maturities.
10. As a start, the HFA could contact each bank with a money market and determine what CD rates they are offering.
11. At present, the only CD's that are not liquid are:

• TIAA/Everbank	\$239,071	Maturity 1-26-18	Rate 1.24%
• Central Bank	\$235,621	Maturity 1-13-18	Rate 1.14%
12. In any case, simply by moving the funds from the money market accounts to the Custody Accounts would increase return significantly.
13. Recommendations:
 - Authorize moving funds from the Money Market and Bank of Tampa CD accounts (and associated checking accounts which have minimal funds)
 - Determine how many funds will be moved to the Custody Accounts, and to which account
 - Determine how many funds will be invested in CD's, and determine acceptable maturity range
 - Determine how to solicit new CD banks/rates