

# Options in the New Interest Rate Environment

## Manage Income & Manage Expenses



**CIFA**

**Albuquerque, New Mexico**

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**Section 1:  
Agenda  
& Panel**

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*Options in the  
New Interest  
Rate  
Environment*

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- ❖ **Section 1: Agenda & Intro**
- ❖ **Section 2: Manage Income**
- ❖ **Section 3: Manage Expense**



## Section 1: Agenda & Panel

*Options in the  
New Interest  
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Annie Burger-Entrekin



Aaron Heintz



Nate Keenan



Bill Torsiglieri

Jefferies



**Section 2:**  
**Manage**  
**Income**

*Options in the  
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Revolving Net Assets

**\$71.5 B**

Total Income

Source	\$ B	%
Loan Interest	23.2	66.3
Fund Earning	6.5	18.5
Reserve Earning	5.3	15.2
	35.0	

Retained Income

**\$10.9 B**

Average Growth

**15.3%**



**Section 2:**

**Manage  
Income**

*Options in the  
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**Importance**

Essential	30.8%
Important	56.4%
Not Important	12.8%

**Activity**

Proactive	29.3%
Reactive	22.0%
Limited	14.6%
None	34.1%

## Section 2: Manage Income

*Options in the  
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- ❖ **Varies by SRF/State**
- ❖ **Range:**
  - “2 Layers Deep” = Significant/Self-Directed Authority
  - “4 Layers Deep” = No Authority

### State Law/Constitution

**Finance Agency**

**Significant**  
*48.8%*

**State Treasurer**  
**51.2%**

**Parent Agency**

**Limited**  
*22.0%*

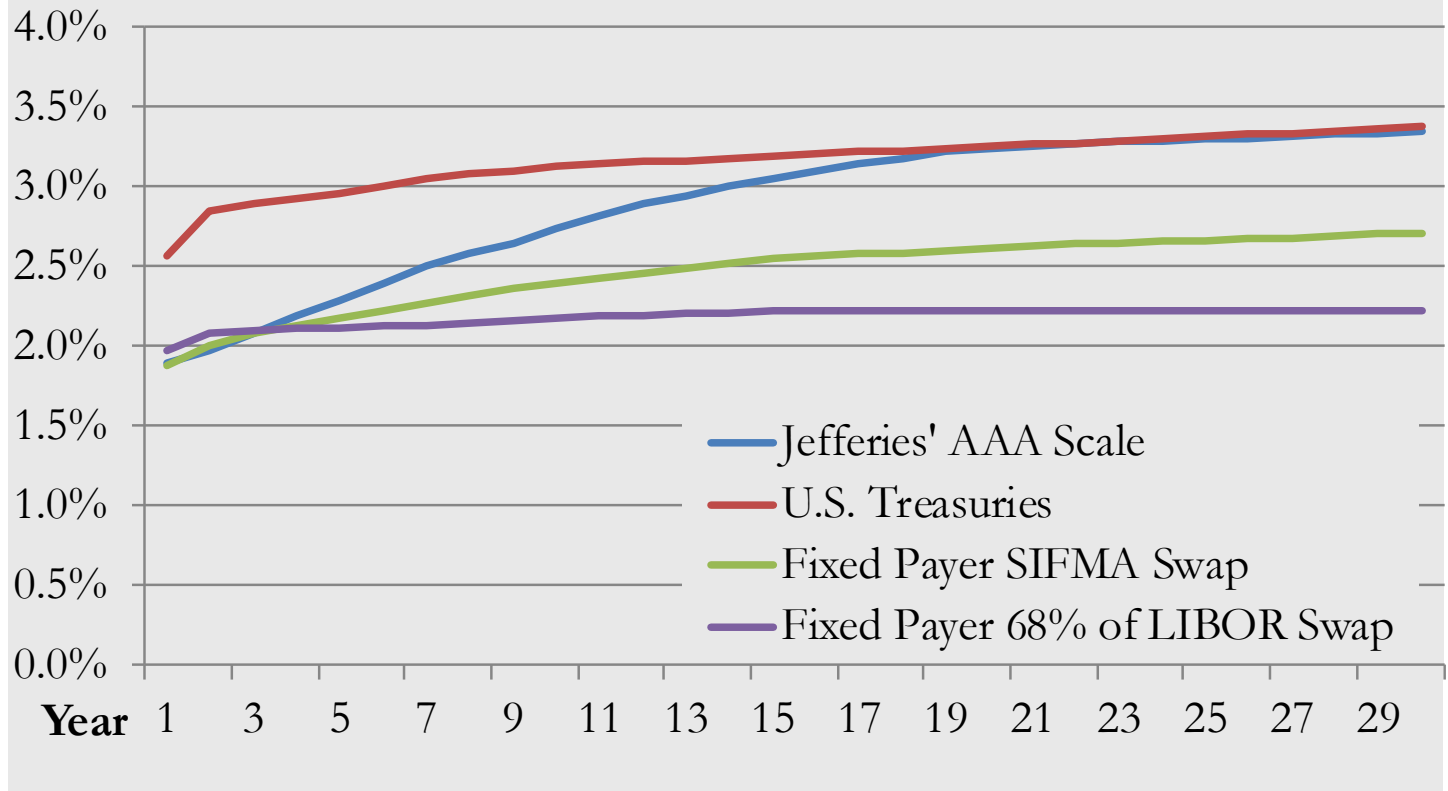
**None**  
*29.3%*



**Section 2:  
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**Current Market Rates**

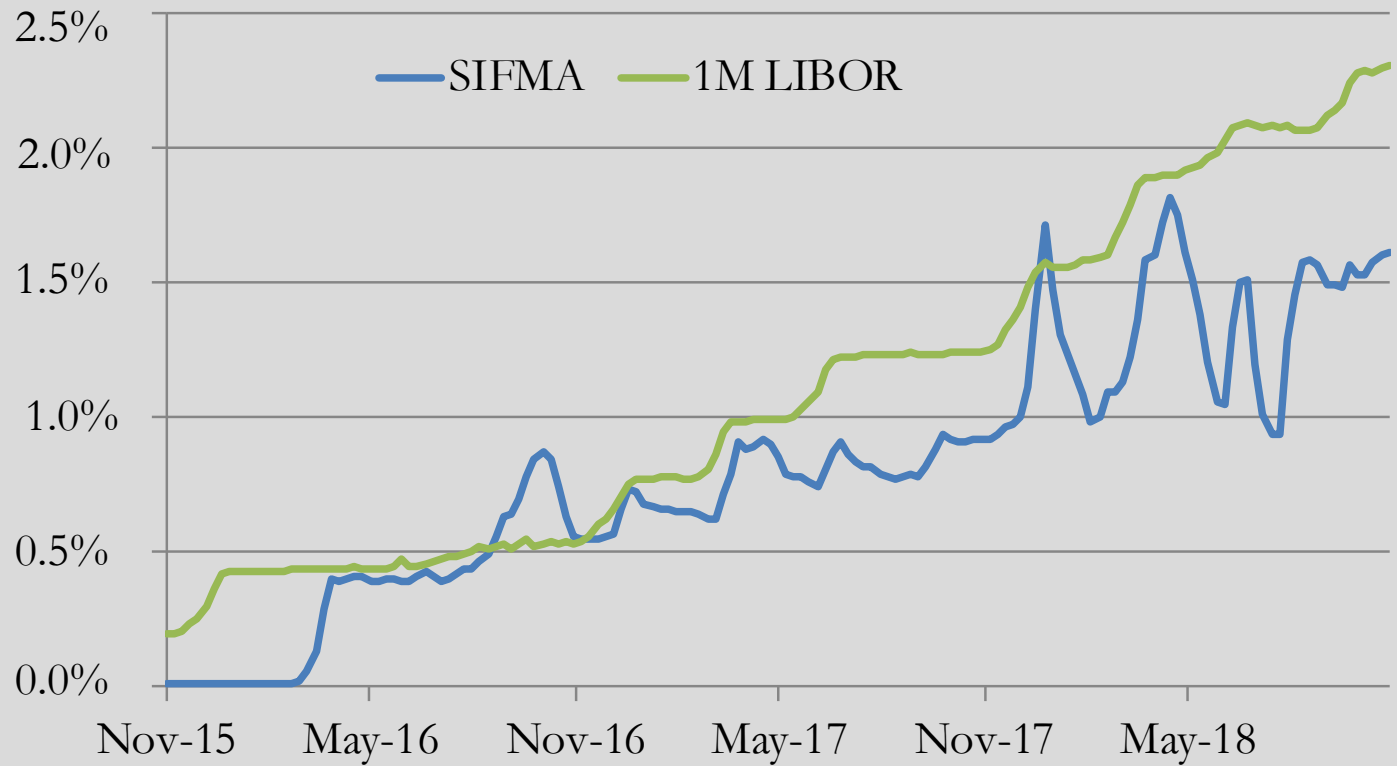


Section 2:  
Manage  
Income

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3 Year History of Short Term Rates





**Section 2:**  
**Manage  
Income**

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## Current or Planned Practices

*Direct Loans*

*Cash Management*

*Guide Treasurer*

*GICs*

*Defeasance Bonds*

*External Manager*

*Dedicated Staff*



## Section 2: Manage Income

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**Is it worthwhile to proactively manage investments?**

**Should we provide input to State Treasurer?**

**How do we invest funds being drawn by borrowers?**

**Will GICs return?**

**Does EPA have guidelines for investment activity?**



## Section 2: Manage Income

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*Options in the  
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How we do invest in a flat yield curve?

Any new ideas for short and long-term investments?

How can we reduce fees and expenses?

Can we earn & retain income above arb yield?

Should SRFs coordinate to create an SRF tailored investment fund?



**Section 3:**  
**Manage**  
**Expense**

*Options in the  
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**Expenses**

Uses	\$ B	%
Leveraged Int	19.1	82.7
Match Bonds	3.4	14.7
Leveraged Prin	0.6	2.6
	23.1	

**SRF Bonds Issued**

**\$57.2 B**

**Fixed Rate**

**\$55.3 B**

**96.6%**

**Variable Rate**

**\$1.9 B**

**3.4%**



## Section 3:

# Manage Expense

*Options in the  
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### Past Bond Issues

All Fixed	66.4%
Some Variable	33.6%

### Future Bond Issues

All Fixed	81.0%
Some Variable	19.0%



**Section 3:**  
**Manage Expense**

*Options in the New Interest Rate Environment*

## Current or Planned Practices

*Manage Cash as Borrowers Draw*

*Defease Bonds*

*Placements*

*Manage MMD Spread during Pricing*

*Competitive Issues*

*Front Load Principal*

*Short-Term Debt as Borrowers Draw*



## Section 3: Manage Expense

*Options in the  
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How can we manage the gap between expenses and income as borrowers draw loan proceeds?

What are our variable rate options and structures?

Should we consider other features? Short calls?  
Put features? Forward refundings?

Are there pros and cons to leveraging through  
WIFIA?

What are the pros and cons of synthetic rate debt?