

2024 Financial Management Conference

Liquidity Management – Governance, Strategy and Protection

Moderator: Eric Chatman, Chief Financial Officer, Housing Partnership Network

Panelists: Dana Moore, Compass Advisors, Angela Kou, JP Morgan Chase,
Erik Lund, Bridge Housing

Sept. 5, 2024

STRENGTHMATTERS[®]



Continuing Professional Education (CPEs) Requirements for CPAs

- Please find the **SESSION HOST** to **SIGN IN** at the beginning and **SIGN OUT** at the end of every session using the QR code. We use that attendance log to verify your participation for CPE credits.
- Please **submit all conference evaluations**. Evaluation links are emailed to registrants daily. Please see the session host (the person monitoring the sign-in process) if you prefer a paper evaluation.
- For more information on CPE credits, contact Lindsay Wells at consult.lwells@gmail.com.

Questions

- We will pause during presentation and again at the end for Q&A.

Polling Question 1

- Does your organization have a Board approved Liquidity Policy?

Yes or No (show of hands)

Governance

- Liquidity Policy elements
 - Operating cash requirement clearly distinguished from investment capital
 - Other liquidity ratios
 - Governance for annual reapproval (or mechanism for recalculation) and reporting
 - Reporting infrastructure
 - Monthly cash flow (operating and investment capital needs)
 - Forecasts
 - Investment capital

Governance Continued

- Permitted Investments – defining risk return profile
 - May be in a separate policy
 - Tenure of investments
 - Institutions and hold amounts
 - Counterparty analysis
 - Type of investments

Cash Availability vs. Investment Vehicle

Total Unrestricted cash

Less: 180 days cash*

Less: Investment Capital (12 months)

=Excess capital for investment

- CDs, Savings Account, Sweeps, Money Mkt
- Endowments, Investment Funds, etc.

**Determination of days cash should be based on volatility of cash flow of organization, market volatility, investment position of organization.*

Liquidity Management

- Management of funds
 - Internally Management
 - External Advisor
- Charitable Endowments
 - Community based
 - Third party administration of grants (e.g. tax records)
 - Enhanced returns

Liquidity Management – Other Considerations

- Managing banking and investor relationships
- As a tool to obtain equity equivalent investments or superior pricing
- Compensating balances/offset for treasury service expenses
- DEI
- Security – FDIC concentration risks

Polling Question #2

- Reflecting back on the discussion of Liquidity Policies, does your policy have all the elements discussed?
 - *Amount of required operating cash or basis for calculation*
 - *Required board emergency reserves (if applicable)*
 - *Governance requirements for annual updating*
 - *Permitted investments*

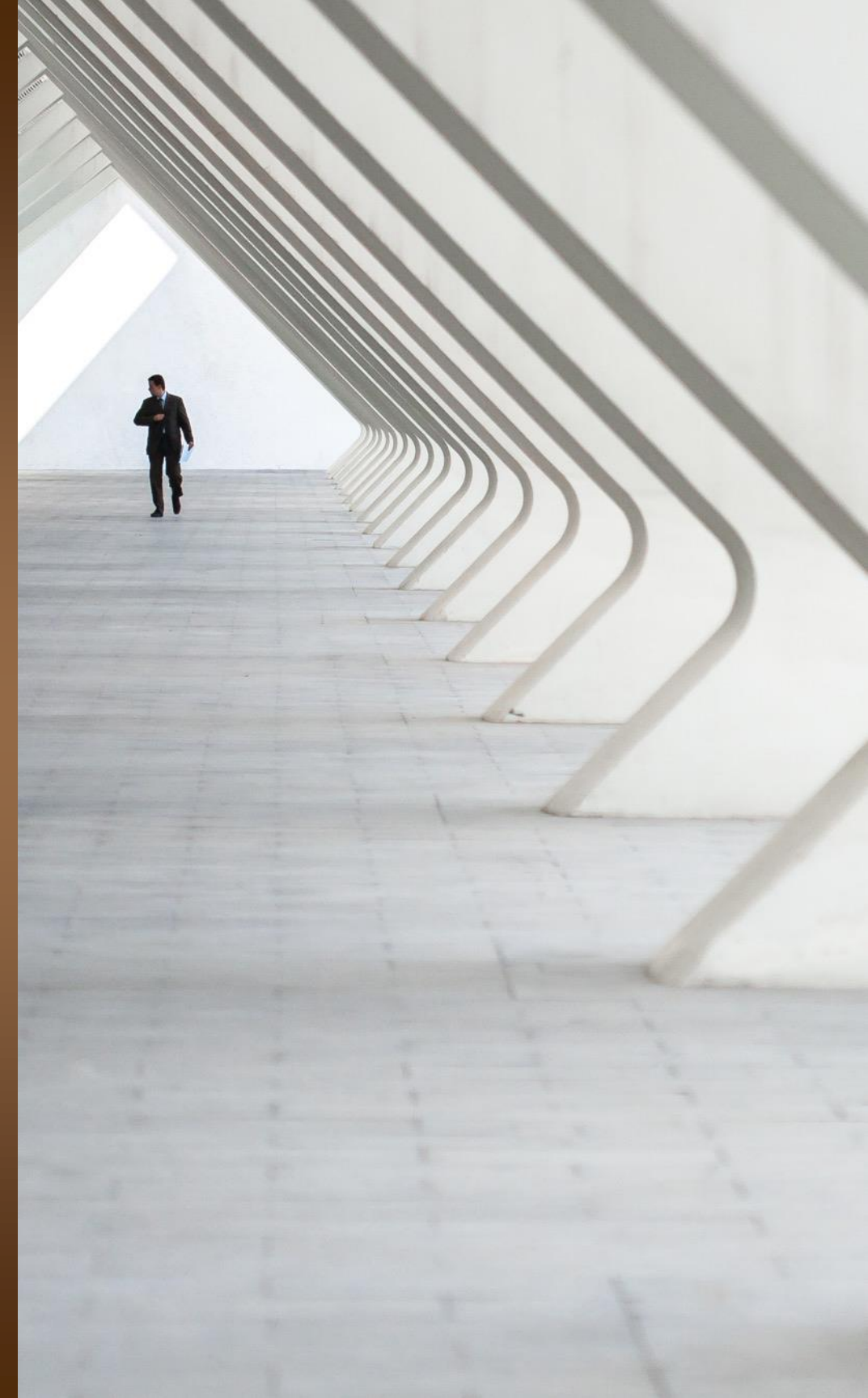
Yes or No (show of hands)

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Liquidity Solutions

September 2024

STRICTLY PRIVATE AND CONFIDENTIAL



Pulse Check: Today's market and your liquidity structure

Building a liquidity structure that can adjust to organizational, political and market changes is a top priority

Today's market situation:

Unique combination of economic factors are driving a dynamic rate environment

What concerns treasurers today?

- Data protection
- Fraud
- Cybersecurity

Harness the power of technology:

Continuously advancing technology will provide the increased visibility and autonomy you need

Are you positioning your business appropriately? What you need to know:

- Understand your deposit options
- Recognize diversification needs
- Know how to maximize returns

ALL WHILE:

Managing risk and maintaining liquidity

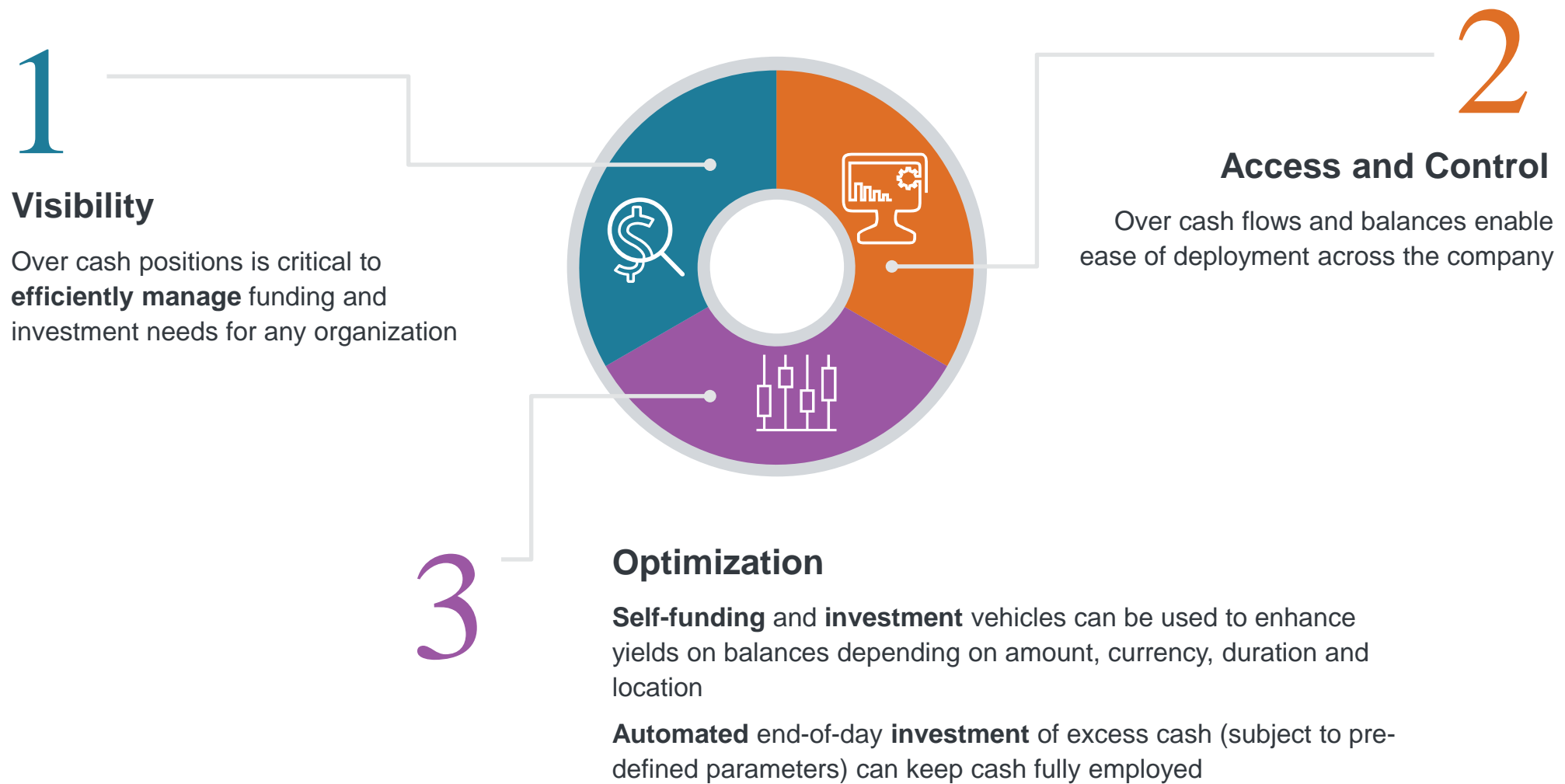


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Source: United States. Federal Open Market Committee. "Meeting, September 15-16, 2020," Federal Open Market Committee Meeting Minutes, Transcripts, and Other Documents (September 15-16, 2020). <https://fraser.stlouisfed.org/title/federal-open-market-committee-meeting-minutes-transcripts-documents-677?browse=2010s#579332>

Achieve liquidity excellence with three core components

Your optimal liquidity structure



Best practice: segment your balance sheet cash

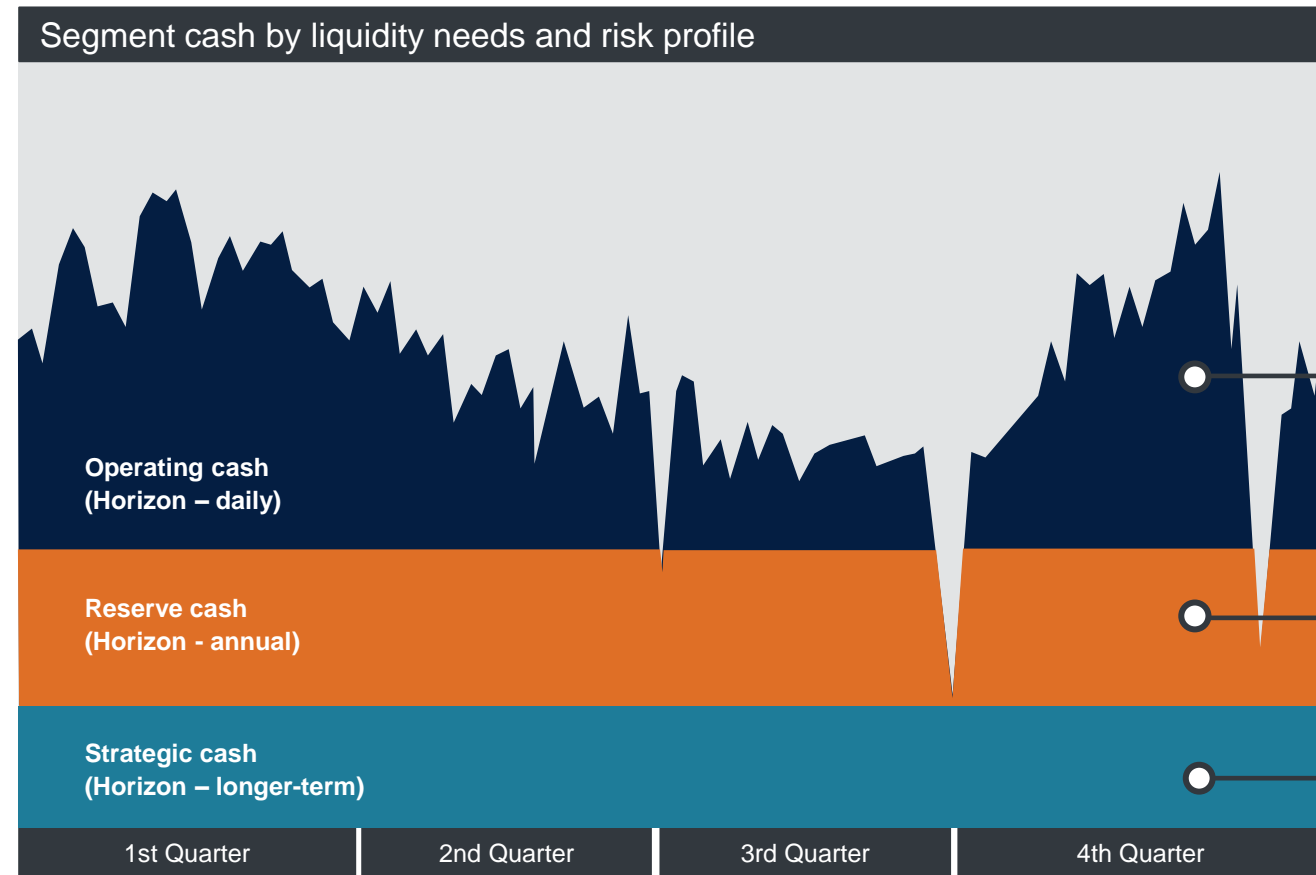
Investment solutions are driven by the characteristics of your cash



Consider this:

Understand your future cash needs and invest appropriately

Increase cash efficiency – extract maximum value from cash resources and optimize working capital



Do you know the characteristics of your cash?

OPERATING

- Cash typically used for daily operating needs, may be subject to unforeseen volatility
- Requires preservation of principal
- Late-day access
- Same-day liquidity

RESERVE

- Investment horizon of nine to twelve months or longer
- Fairly static, same-day access not needed
- Cash set aside for possible acquisition, stock repurchasing and R&D

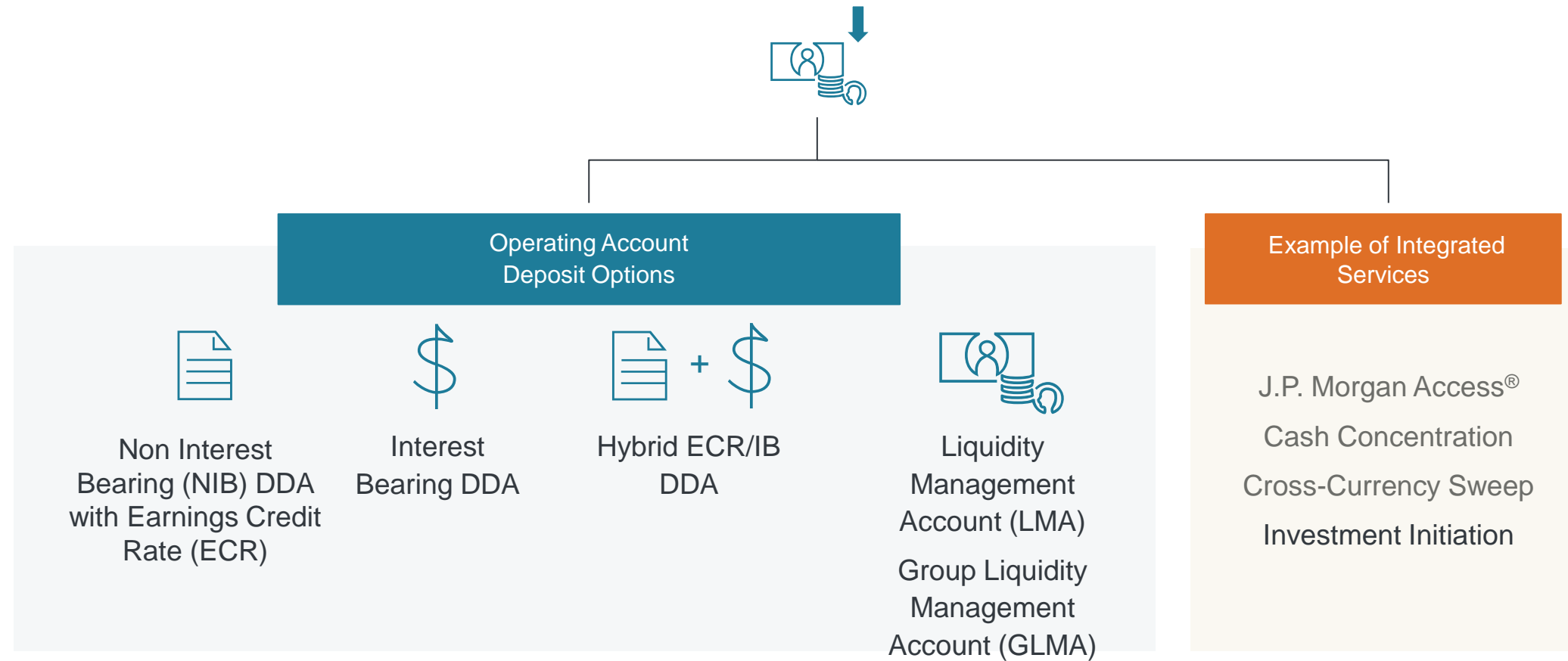
STRATEGIC CASH

- No short-term forecasted use
- Cash on balance sheet that has not been historically used
- Investment horizon of one year or longer

Opt-in to flexibility: Operating Accounts

Why this may be the right choice for you:

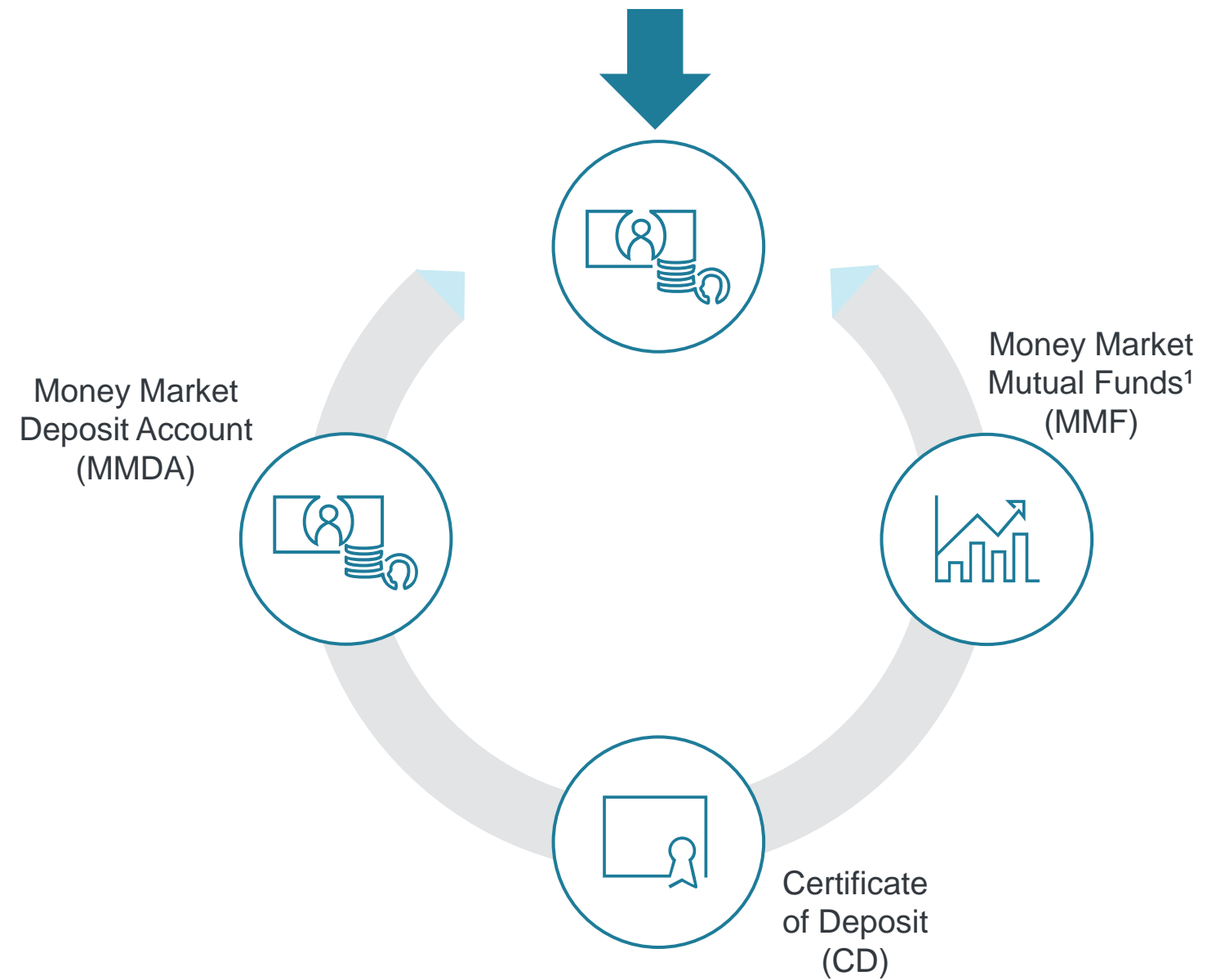
- Checking accounts provide flexibility for funding and making disbursements, writing checks, initiating ACH and wire payments
- Comprehensive online reporting keeps you informed of account activity, balances, fees and credit data



The choice is yours: Reserve Balance options

Investment options integrated with operating accounts

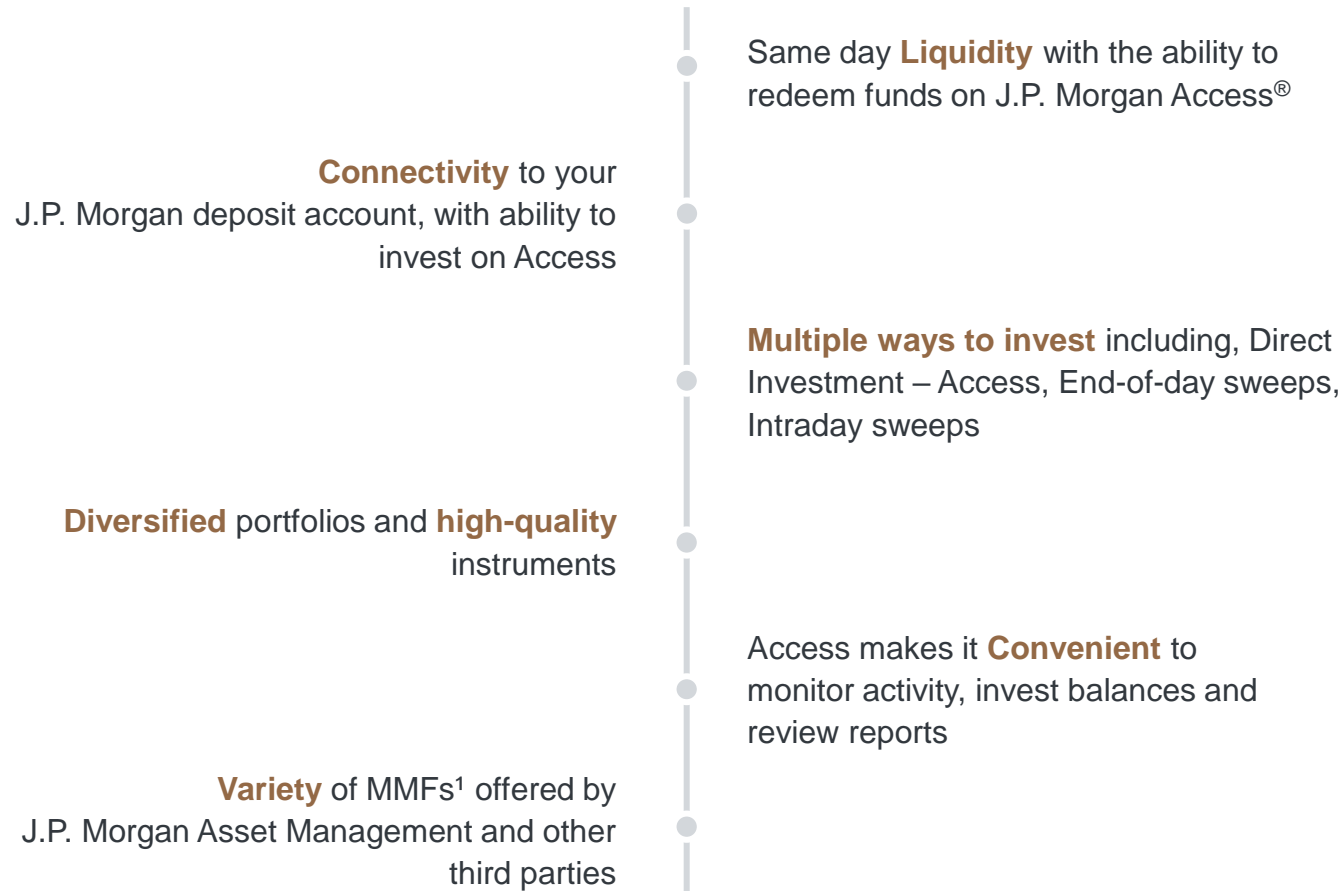
- Achieve flexibility by automatically sweeping funds to alternative investments OR self-direct funds to investment options for yield and diversification
- Streamline account reconciliation: Investments can be made by directly debiting your linked operating account or your linked investment accounts
- Stay informed with comprehensive online reporting of account activity, balances, fees and yield



¹ Money Market Mutual Funds Not FDIC Insured

J.P. Morgan has an extensive global offering of Money Market Mutual Funds (MMF) to enhance yield on your reserve cash

Benefits you can see



Your investment. Your choice.



Intraday³ sweeps

- Balances above the target balance are automatically invested at the cut-off time
- Funds remain invested until the DDA balance falls below its pre-established target
- Once balances fall below the target level, sufficient funds are redeemed to meet the pre-determined target



Direct Investment – J.P. Morgan Access^{® 2}

- Directly invest via Access for U.S. liquidity
- Easily access current investments and daily/monthly reports



End-of-day sweeps

- Balances that exceed your target balance sweep automatically to your selected MMF
- Funds are automatically returned the morning of the next trading day

1. MMFS AND OTHER INVESTMENTS ARE NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

2. Direct Investment via J.P. Morgan Access[®] is available in the U.S. only

3. For direct and automated intraday investments (purchases and redemptions) the funds are subject to specific market cut-off times

Investment yield and share classes are dependent on the specific fund, investment amount and investment channel

For all Funds - Carefully consider a fund's investment objectives, risks, charges and expenses before investing. This and other important information is included in the fund's prospectus, which should be read carefully before investing. Prospectuses for mutual funds can be obtained by contacting your relationship manager

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Polling Question #3

- Does your organization work with an external investment advisor or manage all liquidity investment strategies in-house?
 - *Investment Advisor*
 - *Internally Managed*

Yes or No (show of hands)

Polling Question #4

- How many banks do you have depository relationships with?
 - 1-3
 - 4-7
 - 8-12
 - +12

BRIDGE HOUSING

Participated in development of more than
21,432
homes with a total development cost of over
\$5.76 billion



Credit rating from S&P of AA-

First obtained credit rating in 2015.



30,000
individuals housed
128
properties
13,500+
units



\$100M Sustainability Bond
issuance in 2020

Bridge Housing liquidity management

- BRIDGE has focused on building tools for liquidity management focused on near term, but also long-term goals
- Cash management goals
 - Corporate
 - Maintain enough cash to cover operations, have sufficient liquid corporate reserves, and provide development working capital
 - Earn a rate of return consistent with the market while maintaining necessary liquidity and reasonable risk profile
 - Plan for long-term investments and growth of BRIDGE assets
 - Maintain enough cash to weather changes in industry and cyclical of development
 - Property
 - Maintain adequate reserves
 - Hold funds in accordance with investor and regulatory requirements

How we manage cash with board guidance

- Partner with the Finance Committee to establish investment policy and cash management guidelines
 - Define cash ‘buckets’ for guidance on how much to maintain in short, medium, long term
 - Includes investing parameters for each bucket
 - Meet annually to review our relationship with outsourced CIO (OCIO) that holds long-term funds. This is an investment fund
 - Present 3-year cash projections and make recommendations on movement of cash from one bucket to another
 - Staff directed with guidance from the investment parameters

	Investment Parameters	Uses	Investment	Liquidity
Short-Term	(<90 days)	Cash for 6 months operating expenses and capital expenditures	Cash and sweeps	Daily
Medium-Term	(90 days – 2 years)	Available cash above short term requirements	Laddered Investment in CDs and Treasuries	Various
Long-term	(2 years +)	Savings	Investment Fund	Quarterly

Treasury team structure

- Our team consists of 3 finance and treasury focused staff each allocated 50% towards treasury functions
 - Includes Finance and Treasury Manager, Finance and Treasury Analyst, and Finance and Treasury Administrator
 - Focus areas include:
 - Administration of over 500 bank accounts for our portfolio held at 3 banking partners
 - Managing relationships with each bank to maximize rates, control bank fees, and maximize earning credits while also partnering with banks to prioritize efficiency within their platforms
 - Build and execute on treasury strategy including cash management
 - Review products with banks to maximize returns while insuring appropriate levels of protection (FDIC, Insured Cash Sweeps (ICS))
- Added analyst role in 2022 as rates started to rise, sought staff with entry level banking background, familiarity with investment products
 - Strategy continues to grow as short-term rates are expected to change, may need to improve forecasts and management to earn competitive returns in medium projects

Tools and reporting

Report	Description	Purpose
Monthly Cash Dashboard	Presents cash position for corporate, operations, development, and highlights products and current rate of return	To provide an overview of cash position and performance across different areas
3-year Cash Forecast	Based on current budget/forecast, and year 2 & 3 preliminary forecast, shared quarterly with Senior Leaders	To project and plan for future cash needs and to inform strategic decisions for the coming years
Weekly Projections	Discussed on Mondays for the Corporate team to manage cash between Insured Cash Sweeps (ICS) and operating accounts	To ensure effective cash management on a weekly basis and optimize cash flow between accounts.
Development Working Capital and Bond Fund Projections	Allows planning for medium-term investments and cash needs; partners with Development staff to understand predevelopment needs	To plan and manage funds for development projects and understand future cash requirements.
Forecast Operating Deficits and Reserve Pulls	Partners with Asset Management to forecast potential deficits and determine reserve requirements	To anticipate financial shortfalls and manage reserves effectively.

Polling Question #5

- How many of you believe your investment strategy will be impacted by changes in interest rates?
 - Yes, will be impacted
 - No, will not be impacted

Evaluation Reminder

- Please submit all conference evaluations. Use the electronic evaluation link in your email.
- Contact consult.lwells@gmail.com if you do not receive the link.

CONTACT INFORMATION

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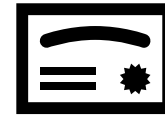
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Questions

- a. What has changed in today's environment and how has it impacted your liquidity management strategy?
- b. Are you managing your liquidity investment strategy internally, with an advisor or both? Explain why?
- c. How does the potential drop in rates impact your investment strategy?
- d. What technology are you using to manage your liquidity?
- e. What are best practices in this space today?
- f. What have been the implications of your bond issuance and the impact on your liquidity management strategy?
(Erik L.)
- g. What third party services are available to help with development of policies (Angela and Dana can answer)?
- h. How are you measuring the results of your investment strategy?
- i. What are the hot topics in Treasury Management ?