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TO: RAILS BOARD OF DIRECTORS
FROM: SHARON SWANSON
SUBJECT: RAILS INVESTMENT PORTFOLIO REVIEW - BIENNIAL

The RAILS fiscal accountability policy requires the RAILS Board to review the investment portfolio twice a year to assess its effectiveness in meeting RAILS's needs for safety, liquidity, rate of return, diversification, and general performance.

The listing of RAILS's investments is included in the monthly financial report.

Most of RAILS' funds are held in accounts with Hinsdale Bank & Trust, which is a part of the Wintrust network of banks. These accounts include a checking account and a money market account that are fully secured with a combination of FDIC coverage and collateral. RAILS has \$3.5 million of FDIC coverage through the bank's MaxSafe program which splits the account balances between fourteen banks within the Wintrust network to stay below the \$250,000 FDIC insurance limit. The remainder of the balance not covered by FDIC insurance is collateralized with mortgage-backed securities held by a third party in RAILS's name. To maximize interest income, the checking account is kept at a minimal balance that is sufficient to offset account service fees and meet current obligations with the bulk maintained in the money market account currently earning 5.590%. Over the years of RAILS's existence, the bulk of RAILS's funds have been kept liquid for a multitude of reasons that have changed over time. Until the past four fiscal years, the APC grant payments from the Comptroller's office were delayed which temporarily lowered reserves to as little as nine months of expense coverage. More recently, planned vehicle purchases as well as several other planned facilities maintenance items have made it desirable to remain more liquid.

The remainder of RAILS's liquid funds are held in money market accounts with Illinois Funds and PMA, which are both local government investment pools. The Illinois Funds account is collateralized at 102% and the program limits its investments to the most secure forms allowed by the Illinois Public Funds Investment Act including US Treasury obligations and similar investments. The PMA account is part of the IntraFi Network Deposits program which spreads balances between network banks in \$250,000 increments to take full advantage of the FDIC insurance limits. The account holds a minimal balance, existing purely to deposit coupon interest earned over time from the CD's. The Illinois Funds and PMA accounts are currently earning 5.405% and 5.175%, respectively.

RAILS's investments consist of seventeen CD's as well as a small number of US Treasury Bonds that were bequeathed to the Alliance Library System by a former staff member. The CDs are also part of the IntraFi Network Deposits program with balances spread between individual banks below the \$250,000 FDIC insurance limit. All banks that are used by PMA have been thoroughly risk tested according to the standards in the Illinois Public Funds Investment Act before being offered to their clients. To take advantage of the current peak in interest rates and lock in these higher rates for a longer time period,



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RAILS has reinvested any CD's that have matured over the past year in longer term CD's maturing in two to three years. These CDs are earning an average rate of 4.573% and have a face value of \$4,055,065. Of RAILS's total cash and investment balance of \$ 25,272,643, the current market value of these CDs is 15.3% of this total.