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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. To take advantage of interest rates remaining higher than normal, RAILS has reinvested the funds from the four CD's that matured early in February into four new two-year CD's. These new CDs are earning an average rate of 4.179%.

The bulk of RAILS' funds are held in accounts with Hinsdale Bank & Trust, which is a charter under 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 FDIC coverage through the bank's MaxSafe program which splits the account balances between sixteen charters within the Wintrust network to stay below the \$250,000 FDIC insurance limit at each charter. 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 4.710%.

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, similar to Wintrust, spreads balances between network banks in \$250,000 increments to take full advantage of FDIC insurance limits. The account holds a small balance, existing purely to deposit coupon interest and principal balances from the CD investments. The Illinois Funds and PMA accounts are currently earning 4.556% and 4.315%, 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 that remain below the \$250,000 FDIC insurance limit including anticipated interest. 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. As of January 31, the face value of all of RAILS's CD and Treasury Bond investments is \$4,079,948 and the market value is \$3,896,581. Of RAILS's total cash and investment balance of \$29,209,008, the market value of these CDs is 13.3% of this total.