



**PMA<sup>TM</sup>**

# Bond Proceeds Management & Investment Services

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# PMA Companies

## Serving the Public Sector for over 35 Years

- PMA Financial Network has been a leading provider of financial services to public entities since 1984

## The PMA Companies (operating under common ownership)

- PMA Asset Management, LLC (SEC registered investment advisor)
- PMA Financial Network, LLC
- PMA Securities, LLC (Registered broker-dealer and municipal advisor member (FINRA and SIPC))

## PMA Statistics

- Work almost exclusively with public funds
- Collectively, the PMA companies serve over 4,000 public entities in 14 states:
- The PMA companies collectively have 160+ employees to meet the ongoing needs of our clients

## Over \$32.5B in Assets Under Administration as of 6/30/2022\*

- PMA Asset Management has over \$18.4B in investment advisory assets under management (as of 6/30/22)

\*Total assets under administration include both money market pool assets for which the PMA Companies serve as fund administrator/accountant, marketer/distributor, fixed income program provider (brokerage services), and/or investment advisory, or separate institutional accounts.



# IRS Rules and Regulations

- ▶ Arbitrage is a municipality's profit from borrowing funds in the tax-exempt market and investing them in the taxable market.
- ▶ Any arbitrage that the issuer earns must be rebated to the IRS unless one of several exceptions to the rebate requirement applies to the issue.



- ▶ Stage 1: Pre-execution
- ▶ Stage 2: Execution
- ▶ Stage 3: Ongoing Management
- ▶ Stage 4: Project Completion



## Stage 1: Pre-execution

- ▶ Investment Strategy
  - ▶ Drawdown Schedule
    - ▶ Adjust to meet spend down requirements
  - ▶ Indicative Portfolio
    - ▶ Interest Estimate
- ▶ Segregated Investment Account



## Stage 2: Trade Execution

- ▶ Managed Bid Program
  - ▶ PMA Network of dealers and banks
    - ▶ Access to market with one call
    - ▶ 20+ security dealer relationships
      - Institutional Pricing
    - ▶ 1,000+ bank relationships
      - Initial credit review
      - Quarterly credit screening process
      - FDIC Insured, insured, collateralized & letters of credit
- ▶ Investment execution based on client instruction
- ▶ PMA executes all applicable paperwork
  - ▶ Including monitoring collateral requirements (if applicable)



# ILCS 235:(Public Funds Investment Act Illinois Statutes – Authorized Investments

- ▶ U.S. Treasury
- ▶ U.S. Agency
- ▶ SDA/ICS
- ▶ Certificates of Deposit
  - ▶ FDIC Insured CDs
  - ▶ Collateralized CDs
- ▶ Demand/Checking Accounts
- ▶ Commercial Paper/BAs
- ▶ Municipal Bonds
- ▶ Money Market Funds
- ▶ Repurchase Agreement
- ▶ ISDLAF+ Multi-Class Series



## Stage 3: Ongoing Management

- ▶ Ongoing relationship for the duration of project
- ▶ Efficient disbursement process
  - ▶ Actual expense amount wired back to local bank
  - ▶ Investment of excess funds to maximize earnings
- Monthly Reporting
  - ▶ Bond Proceeds Management Report
    - ▶ Arbitrage Reporting
    - ▶ Interest Estimates
  - ▶ Investment Portfolio Report
  - ▶ Collateral Report



# Bond Issuance

## Investment Earnings Detail

\$122,805.72 Current Portfolio Interest Income Estimate  
 \$344,993.83 Potential Interest Income on Balances (2.88%)  
\$467,799.55 Estimated Interest Income (Not including Rebate)

1.376% Total Return for Arbitrage Purposes  
 283 Weighted Avg Life of Future Projected Expenses

## Investment Proceeds Information

12/07/21 Closing Date - Investment Proceeds Received

\$31,502,185.95 Investment Proceeds Received  
 + \$467,799.55 Total Interest Income Net of Rebate  
 = \$31,969,985.50 Total Funding Available as of 10/05/22

- \$13,527,662.78 Cumulative Expenses Through 10/05/22  
 = \$18,442,322.72 Outstanding P & I Net of Rebate after 10/05/22

## Portfolio Arbitrage Status

**Yield Restriction:** The bond proceeds currently fall under the three year temporary period and are therefore not yield restricted.

**Arbitrage Rebate:** The proceeds are subject to arbitrage rebate; however, the district is currently investing below the arbitrage yield and currently does not expect to pay arbitrage.

\$467,799.55	Estimated Interest Income (Not including Rebate)	\$467,799.55	1.376%	Current Interest Estimate for Arbitrage Purposes
\$0.00	Anticipated Arbitrage Rebate Liability	\$646,418.08	1.884%	Maximum Interest Limited by Arbitrage Yield
<u>\$467,799.55</u>	Total Interest Income Net of Rebate	<u>\$0.00</u>	-0.508%	Potential Arbitrage Rebate Liability

### Regulatory Requirement

#### Estimated Spend-Down Requirements

06/07/22	10%	\$3,150,218.60
12/07/22	45%	\$14,175,983.68
06/07/23	75%	\$23,626,639.46
12/07/23	100%	\$31,969,985.50

### Actual/Projected Portfolio Status

#### Cumulative Expenses

30.65%	\$9,797,246.45	Actual Expense
42.31%	\$13,527,662.78	Projected Expense
67.86%	\$21,695,779.78	Projected Expense
89.34%	\$28,561,441.78	Projected Expense

### Regulatory Status as of 10/05/22

**\$13,527,662.78 Expenses to Date: 42.31%**

You have met the 10% requirement.  
 Need to spend an additional \$648,320.9  
 Need to spend an additional \$10,098,976.68  
 Need to spend an additional \$18,442,322.72



## Stage 4: Project Completion

- ▶ Final Reporting
- ▶ Arbitrage Calculation
- ▶ Clean set of documentation

# Yield Curve



Source: Bloomberg 10/3/22



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