

# Finance Committee Meeting

September 10, 2020



**COUNCIL ROCK**  
SCHOOL DISTRICT

# Agenda

- Board Items
  - Approve Amended School Resource Officer (SRO) MOU's
  - Approve Transfer to Food Service Fund
- Discussion Items
  - Investment Performance and Strategy Review – Kevin Karpuk, Cornerstone
  - 2019-20 Unaudited Results of Operation
  - 2021-22 Budget Development – Timeline

# Cash Management Update

## Council Rock School District

September 10, 2020



C O R N E R S T O N E  
*Independent Asset Management*

Kevin Karpuk, CFA  
Chief Investment Officer

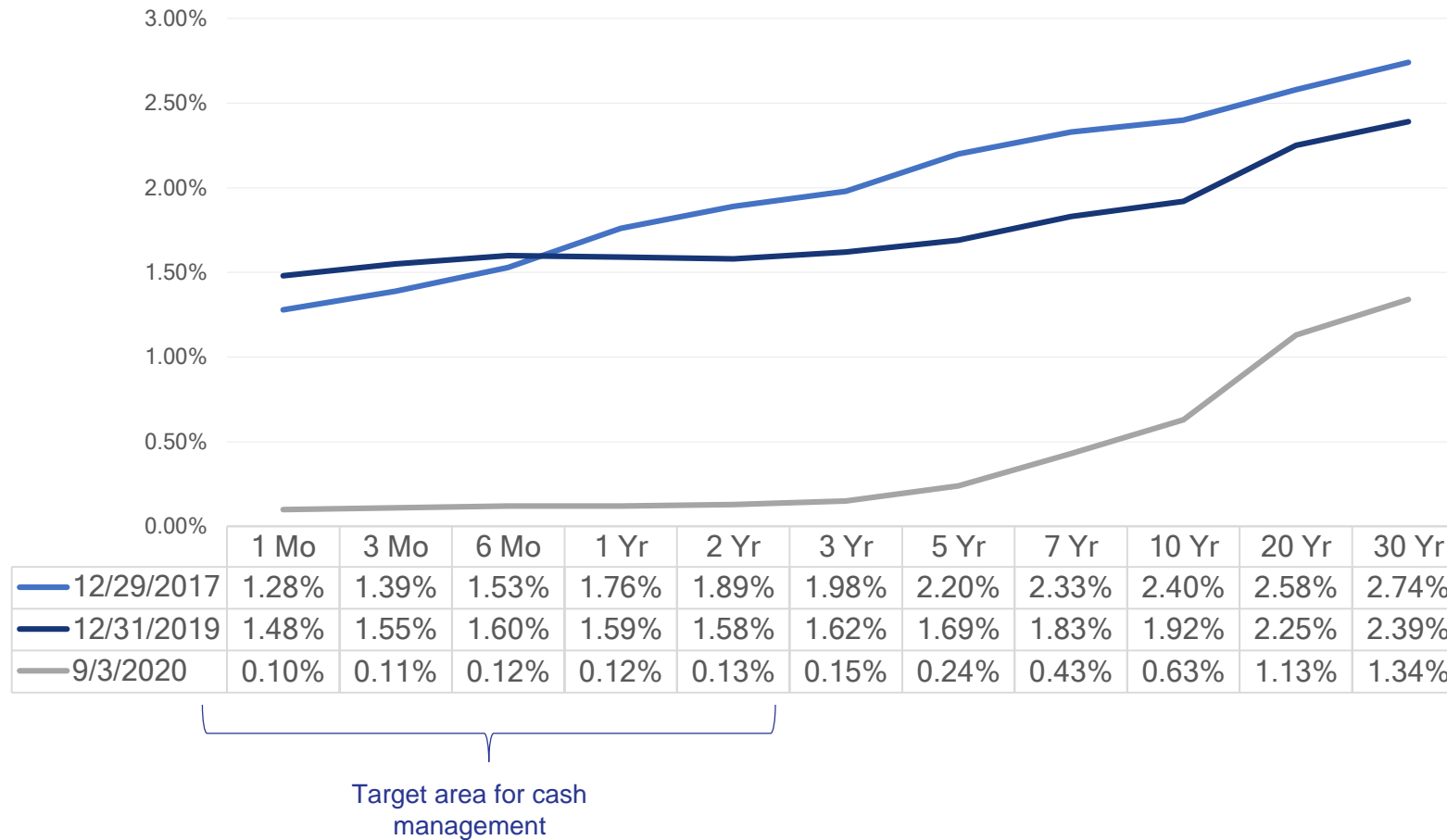
Cornerstone Advisors Asset Management, LLC  
74 W. Broad Street, Suite 340, Bethlehem, PA 18018

# Current Market Conditions

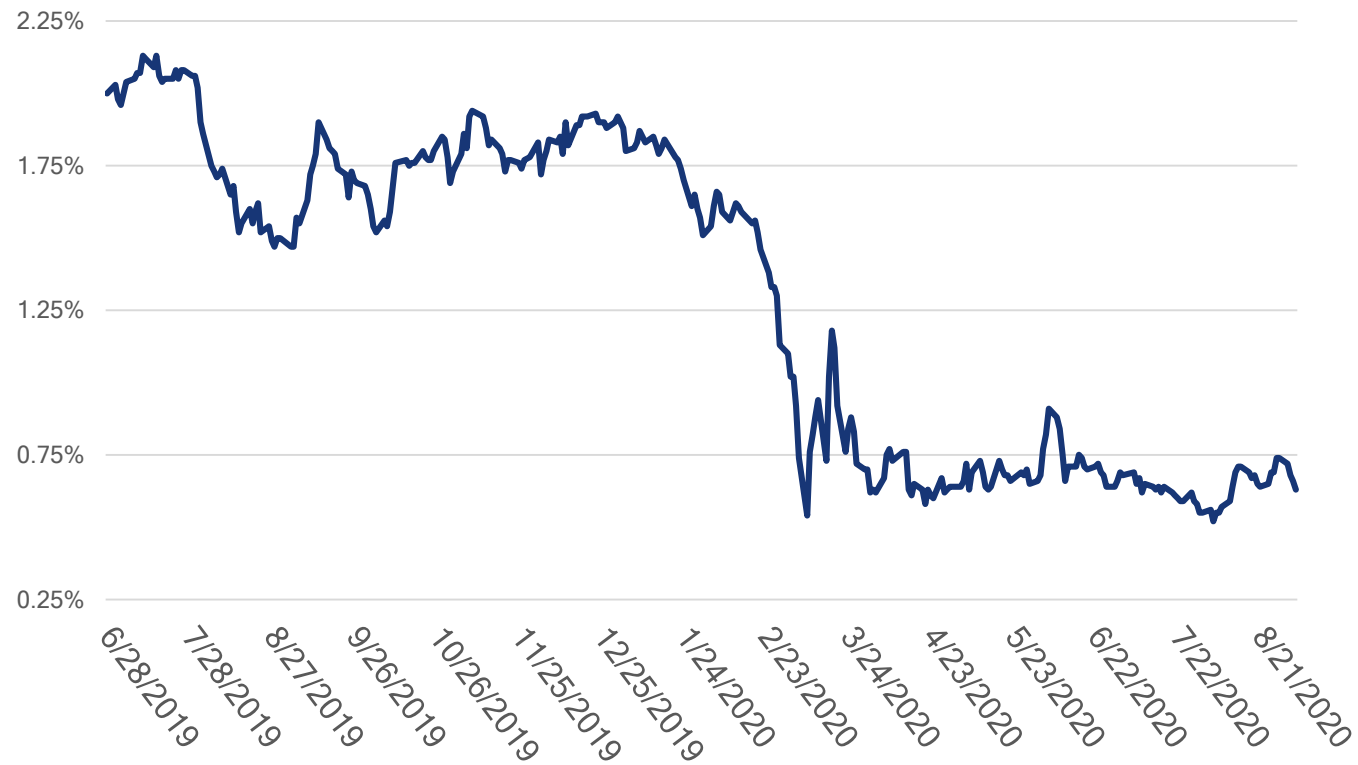


FY 2021 will be difficult for short-term investors.  
The Fed has **lowered interest rates** to  
extremely low levels, and the outlook for a  
future increase is not favorable.

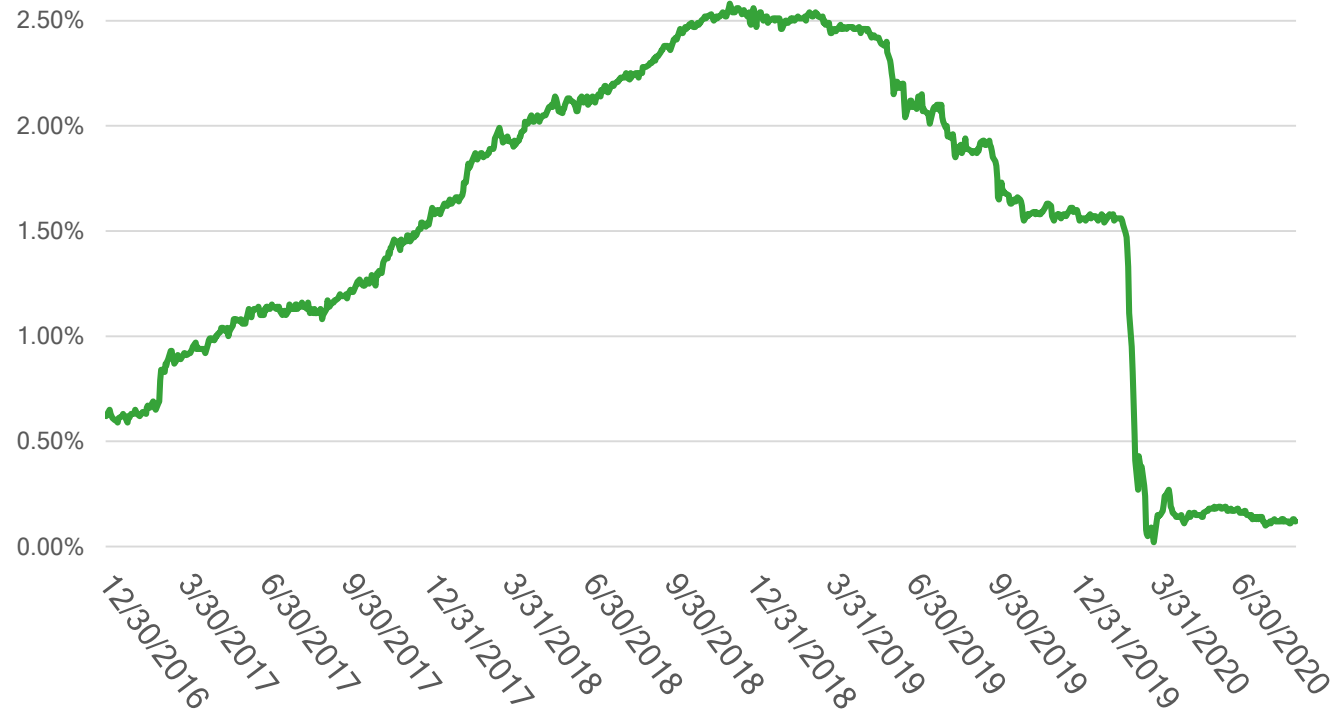
# Treasury Yield Curve



# 10 Year Treasury

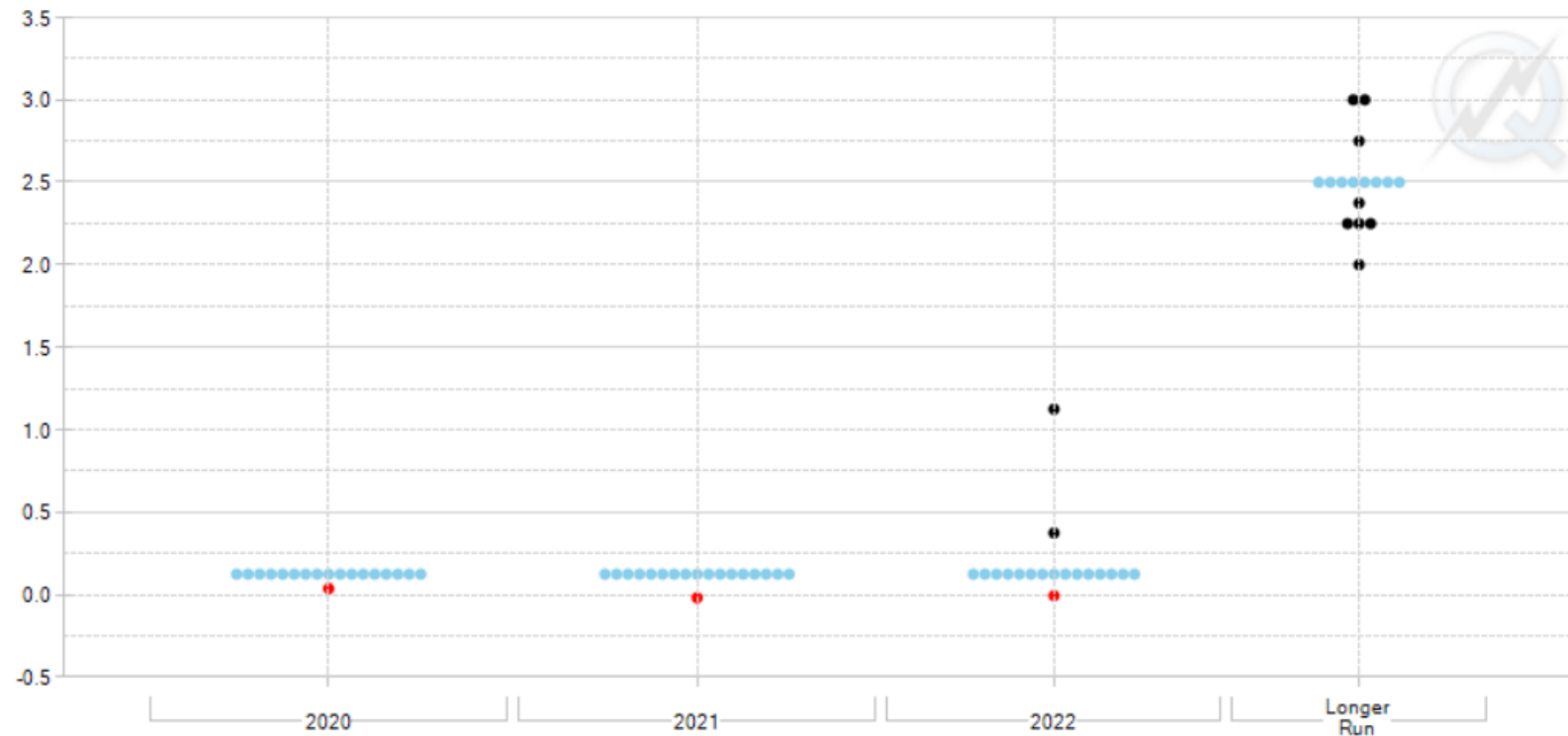


# 6 Month Treasury



# Dot-Plot

FOMC Participants' Assessments of Appropriate Monetary Policy : "Dot-Plot"



Blue dots indicate the median projection. Data is based on the economic projections published on June 10, 2020.  
Red dots indicate the effective rate implied by the year-end FedFund future price.



# 2020 Tactics



Since **market “beta”** appears weak, we will need to rely on **advisor “alpha”** to approach budgeted income projections.

# Program Summary

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## *Goals*

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**Safety – Liquidity - Yield**

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## *Partners*

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STONECASTLE

# Current Yields



**Yields**

**0.09%**

STONECASTLE

**0.25%**

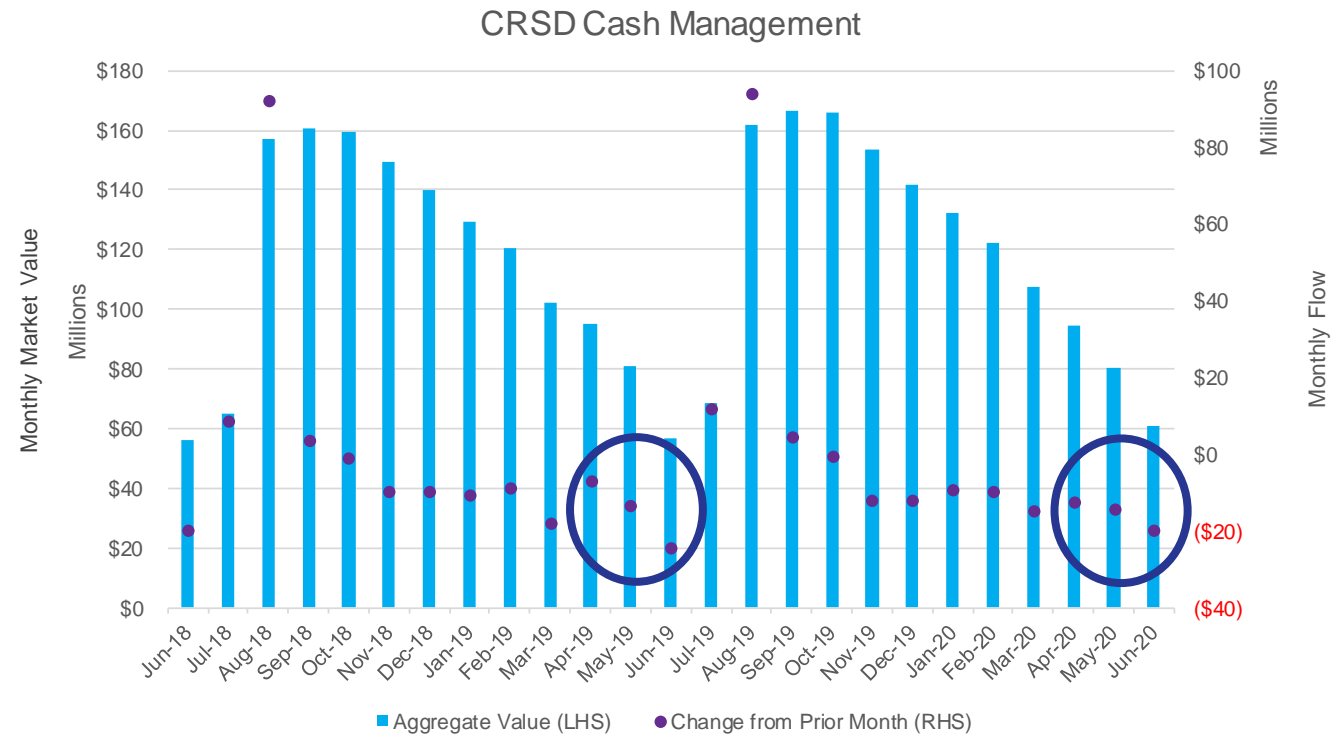


**0.20%**



**0.15%**

# Cashflow Analysis



Budgeted income is **\$350,000** (or about 29 bps on average monthly balance.)



# Portfolio Review

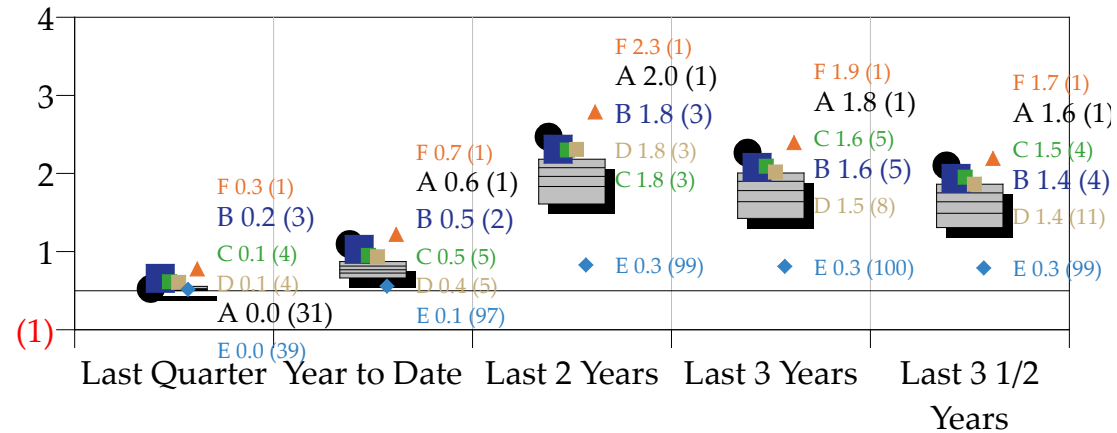
# Asset Location (as of 6/30/2020)

3/31/20-6/30/20

Manager - Mandate	Beginning Market Value	Income	Deposits	Transfers	Expenses	Withdrawals	Change in Market Value	Ending Market Value
M&T - Wilmington Trust Portfolio	\$35,236,119	\$296,767	\$0	(\$24,000,000)	(\$7,027)	\$0	(\$198,394)	\$11,327,465
TD - General Fund	\$28,010,004	\$39,796	\$3,739,970	\$66,000,500	\$0	(\$68,998,515)	\$0	\$28,791,755
PLGIT - General Fund	\$34,880,731	\$30,537	\$18,903,462	(\$42,000,000)	\$0	(\$26,979)	\$0	\$11,787,751
TD - CRSD Compensating Balance	\$5,692,264	\$5,919	\$0	\$0	\$0	\$0	\$0	\$5,698,183
<b>Total General Funds</b>	<b>\$103,819,117</b>	<b>\$373,020</b>	<b>\$22,643,431</b>	<b>\$500</b>	<b>(\$7,027)</b>	<b>(\$69,025,494)</b>	<b>(\$198,394)</b>	<b>\$57,605,154</b>
<b>TD - Capital Reserve</b>	<b>\$2,571,395</b>	<b>\$3,045</b>	<b>\$444,358</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$501,197)</b>	<b>\$0</b>	<b>\$2,517,600</b>
<b>Total Capital Reserves</b>	<b>\$2,571,395</b>	<b>\$3,045</b>	<b>\$444,358</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$501,197)</b>	<b>\$0</b>	<b>\$2,517,600</b>
PLGIT - GO Bonds Series of 2018	\$8,638,209	\$9,173	\$0	(\$5,126,916)	\$0	\$0	\$0	\$3,520,465
PLGIT - GO Bonds Series of 2019	\$15,778,545	\$20,544	\$0	\$0	\$0	\$0	\$0	\$15,799,089
PLGIT - 2012 Escrow - Northampton TWP - Holland Elem	\$1,341,256	\$1,742	\$0	(\$73,192)	\$0	\$0	\$0	\$1,269,806
PLGIT - Escrow - Newtown Township	\$147,387	\$191	\$0	(\$46,565)	\$0	\$0	\$0	\$101,014
PLGIT - Northampton TWP - Holland MS	\$0	\$63	\$0	\$687,630	\$0	\$0	\$0	\$687,693
PLGIT - Newtown TWP - Newton MS	\$0	\$31	\$0	\$359,043	\$0	\$0	\$0	\$359,073
PLGIT - Escrow - Rolling Hills Elementary	\$1,294,045	\$1,685	\$0	\$0	\$0	\$0	\$0	\$1,295,730
<b>Total Bond Funds</b>	<b>\$27,199,442</b>	<b>\$33,428</b>	<b>\$0</b>	<b>(\$4,200,000)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$23,032,870</b>
TD - Capital Projects	\$822,273	\$1,259	\$0	\$4,200,000	\$0	(\$4,582,801)	\$0	\$440,731
FNBN - Cafeteria Account	\$321,201	\$22	\$5,076	\$0	\$0	(\$222,745)	\$0	\$103,553
PLGIT - Cafeteria Account	\$252,586	\$331	\$53,256	\$0	\$0	\$0	\$0	\$306,173
PLGIT - Scholarship Account	\$22,975	\$28	\$0	\$0	\$0	\$0	\$0	\$23,003
PLGIT - Ellen Cohen Scholarship	\$3,833	\$5	\$0	(\$500)	\$0	\$0	\$0	\$3,338
FNBN - Student Activities	\$1,121,829	\$0	\$1,123,397	\$0	\$0	(\$941,511)	\$0	\$1,303,714
<b>Total Miscellaneous Funds</b>	<b>\$2,544,698</b>	<b>\$1,644</b>	<b>\$1,181,728</b>	<b>\$4,199,500</b>	<b>\$0</b>	<b>(\$5,747,057)</b>	<b>\$0</b>	<b>\$2,180,513</b>
<b>Aggregate Portfolio</b>	<b>\$136,134,652</b>	<b>\$411,137</b>	<b>\$24,269,517</b>	<b>\$0</b>	<b>(\$7,027)</b>	<b>(\$75,273,749)</b>	<b>(\$198,394)</b>	<b>\$85,336,137</b>
<b>General Fund FYTD Income</b>	<b>\$1,862,702</b>							
<b>Bond Fund FYTD Income</b>	<b>\$526,622</b>							
<b>Aggregate Relationship FYTD Income</b>	<b>\$2,407,908</b>							

# Quarterly Performance

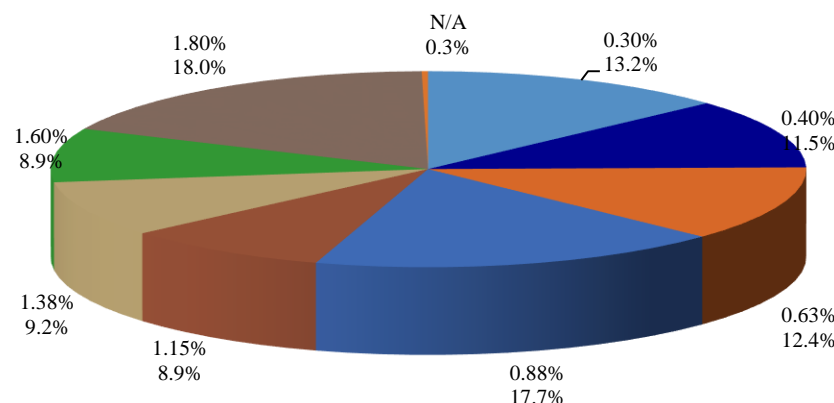
Net of Fee Returns for Various Periods Ending 6/30/20  
Callan Taxable Money Mkt  
3 Month T-Bill



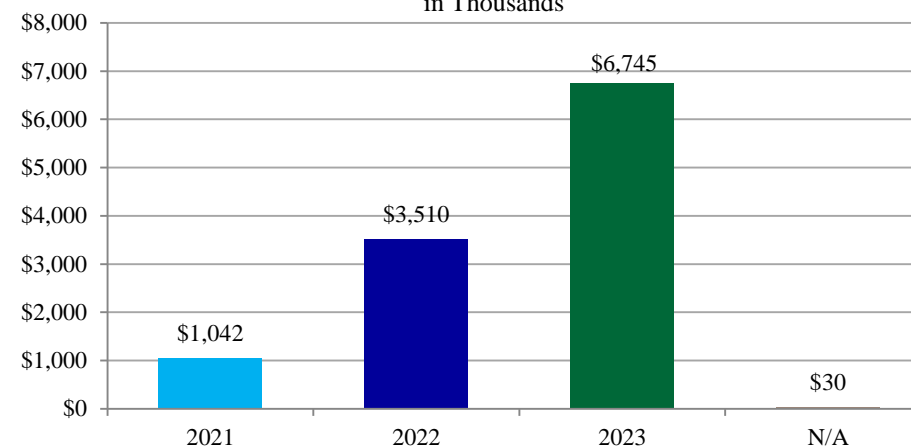
Median		0.01	0.27	1.46	1.28	1.14
3 Month T-Bill	● A	0.02	0.60	1.97	1.77	1.60
CRSD Cash Aggregate	■ B	0.16	0.53	1.81	1.58	1.44
PLGIT Portfolio	■ C	0.12	0.45	1.80	1.59	1.45
TD Portfolio	■ D	0.11	0.43	1.81	1.52	1.36
FNBN Portfolio	◆ E	0.02	0.06	0.33	0.31	0.29
Wilmington Trust Portfolio	▲ F	0.28	0.72	2.29	1.90	1.69

# Wilmington Investment Summary (as of 06/30/2020)

Holdings by Coupon



Holdings by Maturity Date  
in Thousands



Coupon	Market Value	% of Portfolio
0.30%	\$1,500,718	13.2%
0.40%	\$1,299,195	11.5%
0.63%	\$1,401,469	12.4%
0.88%	\$2,005,212	17.7%
1.15%	\$1,002,855	8.9%
1.38%	\$1,041,988	9.2%
1.60%	\$1,007,493	8.9%
1.80%	\$2,038,099	18.0%
N/A	\$30,435	0.3%
	<b>\$11,327,465</b>	<b>100%</b>

Maturity Year	Market Value	% of Portfolio
2021	\$1,041,988	9.2%
2022	\$3,510,177	31.0%
2023	\$6,744,865	59.5%
N/A	\$30,435	0.3%
	<b>\$11,327,465</b>	<b>100.0%</b>



# Wilmington Trust Holdings (as of 06/30/2020)

Asset Description		Quantity	Cost	Market Value	Market Value + Accrued Income
FHLB	1.600% 8/04/22	1,000,000	\$999,700	\$1,000,960	\$1,007,493
FHLB	0.875% 4/06/23	1,000,000	\$1,000,000	\$1,001,180	\$1,003,246
FFCB	0.875% 10/13/22	1,000,000	\$1,000,000	\$1,000,070	\$1,001,966
FFCB	0.625% 5/04/23	1,400,000	\$1,400,000	\$1,400,084	\$1,401,469
FHLMC MTN	1.800% 1/06/23	2,020,000	\$2,019,798	\$2,020,424	\$2,038,099
FHLMC MTN	0.400% 6/30/23	1,300,000	\$1,300,000	\$1,299,181	\$1,299,195
FHLMC	1.150% 4/06/23	1,000,000	\$1,000,000	\$1,000,140	\$1,002,855
FHLMC MTN	0.300% 5/06/22	1,500,000	\$1,500,000	\$1,500,030	\$1,500,718
U.S. TREASURY NOTES	1.375% 1/31/21	1,029,000	\$1,004,324	\$1,036,080	\$1,041,988
Wilmington US Treasury Money Mkt Sel		30,406	\$30,406	\$30,406	\$30,435
<b>Total:</b>			<b>\$11,254,228</b>	<b>\$11,288,555</b>	<b>\$11,327,465</b>

# PLGIT Holdings (as of 12/31/2019)

Issuer	PLGIT Portfolio	PLGIT/PRIME Portfolio	PLGIT/ARM Portfolio	PLGIT/TERM Series DEC 20
African Development Bank	6.86%	-	5.77%	-
Asian Development Bank	6.68%	-	6.06%	-
BNP Paribas (NY) <sup>(1)</sup>	<5.00%	5.06%	<5.00%	<5.00%
Credit Agricole Corporate & Investment Bank (NY) <sup>(1)</sup>	5.42%	<5.00%	7.25%	5.19%
Fannie Mae	6.70%	-	5.13%	-
Federal Farm Credit Bank	12.46%	-	11.00%	-
Federal Home Loan Bank	23.73%	<5.00%	23.77%	-
Inter-American Development Bank	6.85%	-	5.36%	-
International Bank of Reconstruction and Development	5.05%	-	6.12%	-
Pfizer, Inc.	-	<5.00%	-	5.33%
Toronto Dominion Bank (NY)	-	<5.00%	-	5.86%
U.S. Treasury	16.26%	<5.00%	9.53%	-

<sup>(1)</sup> These issuers are also counterparties to repurchase agreements entered into by the PLGIT, PLGIT/PRIME and PLGIT/ARM Portfolios. These repurchase agreements are collateralized by the U.S. government and agency obligations.

# TD Collateral

Effective March 24, 2020, TD has replaced the asset-backed securities historically used as collateral with a letter of credit backed by the **Federal Home Loan Bank of Pittsburgh**.

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# School Resource Officer MOU

- Newtown Township (CRN) and Northampton Township (CRS)
- Significant terms
  - Compensation increase: +\$25,000 per Twp
  - 4% annual increase
  - Three-year term



# Approve Transfer to Food Service Fund

- Free & reduced lunch students at CRN and CRS
- Amount = \$98,116
- Less due to pandemic closure

Year	Amount
2019-20	\$98,116
2018-19	\$140,519
2017-18	\$130,723
2016-17	\$124,830



# 2019-20 Unaudited Results of Operations

- General Fund
  - \$3.3m Surplus
  - Committed Fund Balance
    - \$ Amount Recommendations
    - Capital Reserve transfer – \$2.5 million
- Capital Reserve & Capital Projects – still busy...
- Food Service Fund – loss for the year due to closure
- Medical Fund – increasing surplus, better than expected year
- Student Activities Fund – significant balances



# 2021-22 Budget Timeline

DATE	ACCELERATED TIMELINE	STANDARD TIMELINE
1/7/2021	Approve Opt Out Resolution	No action required
2/4/2021	No action required	Approve Preliminary Budget and Notice of Intent to Apply for Exceptions
2/12/2021	No action required	File exceptions with PDE
3/19/2021	No action required	Deadline to submit referendum question to Bucks County BOE
4/22/2021	Special Board Meeting to Approve Proposed Final Budget	
6/3/2021	Approve Final Budget	