

Is the County's Money Safe?

I heard banks were beginning to fail



Vested interest

- Is the County's money SAFE?
 - These are our tax dollars...
 - ...and what funds my payroll



You Had One Job...

If a Treasurer only
had one job...

...keep the money safe



...Or nothing else matters...

- Fund accounting - keeping funds separate for intended use
- Pooled cash management - creating efficiencies for centralized treasury services
- ROI - Return on Investments
- Bank reconciliations
- Follow up on outstanding checks
- Proper receipting of revenue
- Cash advances, Petty Cash, etc...

The Sky is Falling...

- ...but it happens very slowly.
- The end of the world will only happen once. What good is keeping your money safe in the scenario where it's worthless.
- Only Jesus Christ can help you in that scenario.



Simplified Basics of Banking

- Expansion of \$ Supply (creating \$ out of thin air)

- Jeff deposits 10,000 into ABC Bank
- ABC Bank loans Justin 8,000 to buy a car
- Justin gives 8,000 to seller in exchanges for car

- Jeff's \$ is still "in his account" \$10,000 (demand deposit)
- Seller of car has most of Jeff's \$ 8,000
- More money now exists than before \$18,000

Simplified Basics of Banking

- So the bank now only holds 2k of Jeff's money
- Problem, what if Jeff wants all his money back now?
- No problem, many more depositors provide plenty of cash on hand
- Although Justin will take 3 years to pay back his loan, it along with other investments the bank makes, can be sold for cash in a crunch.
- Or raise interest rates for depositors to encourage more deposits

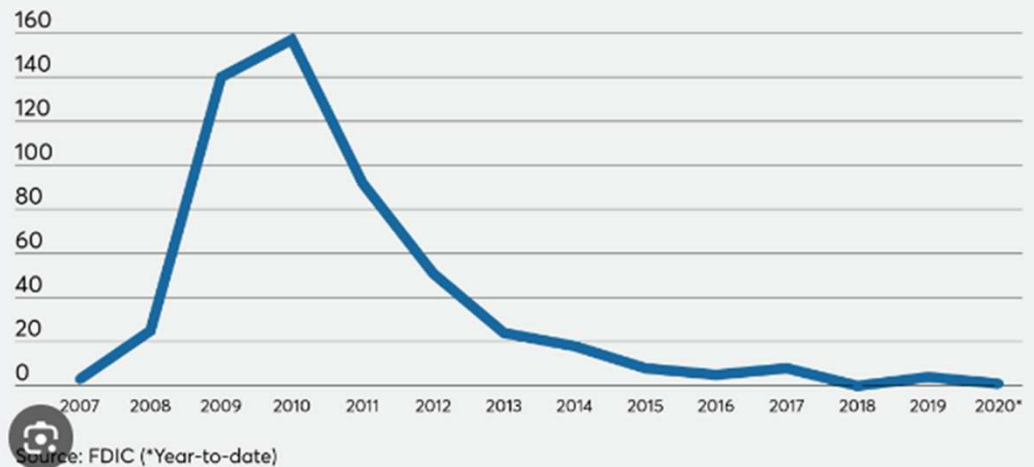
Simplified Basics of Banking

- Rising interest rates puts pressure on some banks
- Example: 2 Years ago...
 - Jeff deposited his \$10,000 earning .25% interest (\$25/year)
 - Bank buys an investment on the market locked in at 2% for 5years
- Now, with banks paying higher interest rates, Jeff demands 4% on his deposit (\$400/year)
- If too many “Jeff’s” pull their deposit and go to another bank, the bank is forced to sell it’s investment at 97 cents on the dollar.

Let's talk about bank failures:

- In the last 23 years, 565 banks have failed.
- Typically only a few fail per year
- Over 80% of the failures of the last 20+ years happened during the global financial crisis
- 157 failed in 2010 alone

Bank failures since 2007



With only 4 failures in 2023, why panic

1. No failures took place in 2021 or 2022
2. Size matters

Here are the seven largest bank failures

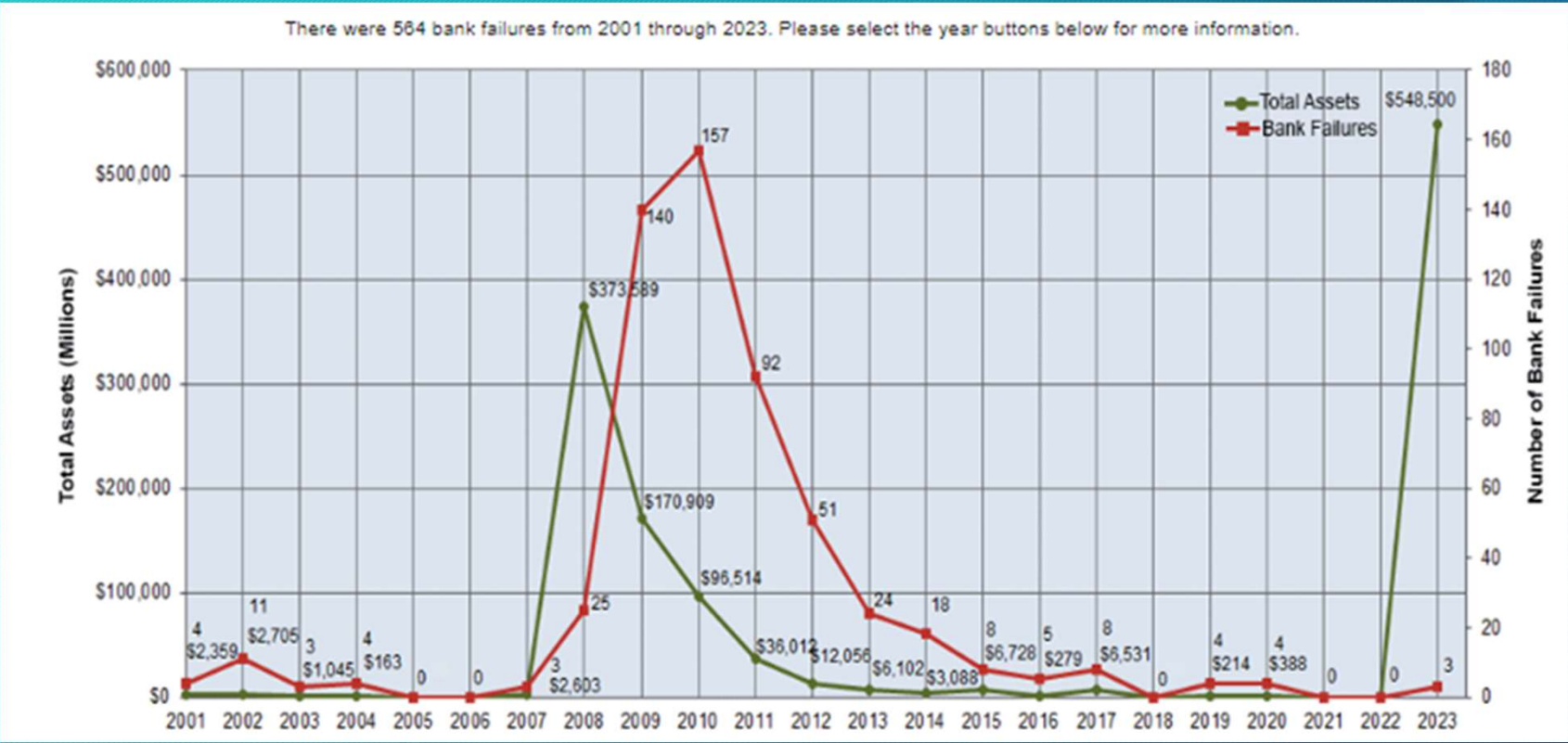
Bank name	Bank failure date	Assets*
Washington Mutual Bank	Sept. 25, 2008	\$307 billion
First Republic Bank	May 1, 2023	\$212 billion**
Silicon Valley Bank	March 10, 2023	\$209 billion**
Signature Bank	March 12, 2023	\$110 billion**
IndyMac Bank, F.S.B.	July 11, 2008	\$31 billion
Colonial Bank	Aug. 14, 2009	\$26 billion
First Republic Bank-Dallas, N.A.	July 29, 1998	\$17 billion

*Assets rounded to nearest billion

**From the Federal Reserve as of Dec. 31, 2022

*** This list only includes failures and does not include banks that were provided assistance.

Bank failures by asset size...



So what causes this?

- Insolvency was the primary factor during the financial crisis
 - Banks made loans that would never get repaid (depositor's money is simply lost)
- But this time it's different...

Classic “Contagious” Run on the Bank



...but this time with a twist...

From:



To:



Welcome to the new “speed of money”

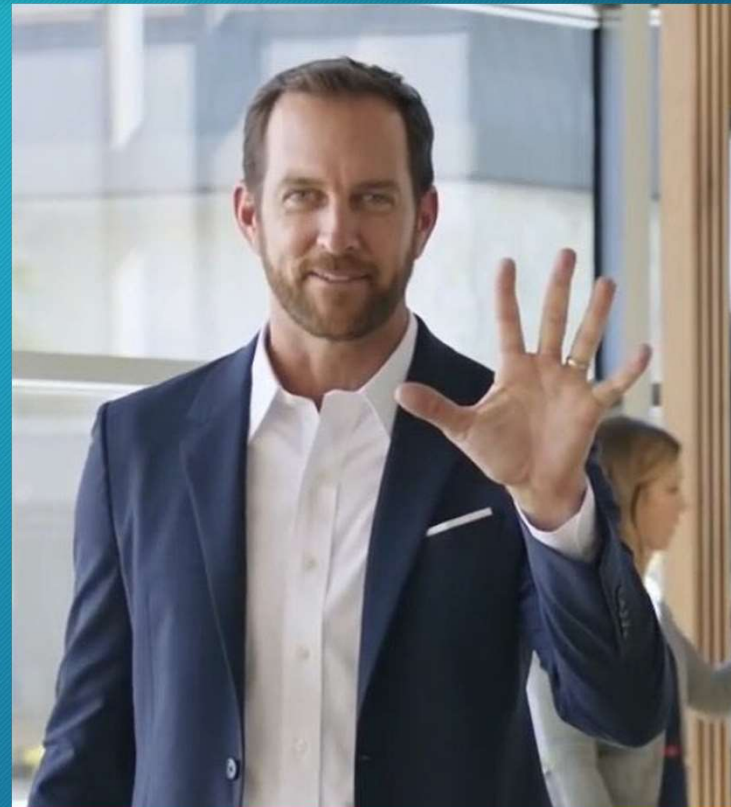
- Silicon Valley announces significant losses in bond portfolio
 - (Losses on paper, only “realized” if those assets are sold before maturity)
- Silicon Valley Bank (SVB) suffered a two-day run on deposits of \$42 Billion yanked by depositors
- Two days later, Signature Bank seized by FDIC in similar fashion

We create what we fear...

- What people and businesses do when they fear the safety or accessibility of their deposits...
 - Diversify, spread my deposits to multiple banks
 - Move from small banks to larger banks that are “Too big to fail”
 - If distrust is in banking system as a whole, buy gold or crypto
 - Better “safe than sorry”...and

And it's just so easy...

...the easiest decision
in the history of
decision making



Analysis of contributing factors

- 45% of SVB deposits were in tech industry
 - Compare to no more than 6% in any one industry at UMB
- Tech industry skyrocketed unsustainably during COVID
 - It's shedding workers as most every other industry is adding jobs
- SVB had quadrupled in size in 5 years

Analysis of contributing factors

- The four failing banks (SVB, Signature, Silvergate, First Republic) each had multiple characteristics from this list:
 - Heavy in tech (both borrowers and depositors)
 - Made heavy purchases of long-term US Treasury Bonds or made low interest loans and could not adapt to fast rising interest rate environment
 - Heavy in Cryptocurrency
 - Felt they could have survived had it not been for a run on their deposits
 - Management issues

FDIC Insurance

- FDIC seizes bank's assets
- Works like your insurance policies
 - Premiums based on size and risk
 - Creates pool of money to make depositors whole if bank fails
- In 90 years of operation, no one has lost a penny of FDIC insured deposits
- Deposits insured up to 250k
 - In cases of systemic risk, like some of these, they will do more

Will somebody do something???

- Legislation is considered to make FDIC infinite or greatly increase
- Best short-term solution to calm fear of “systemic crisis”
- Unintended consequences
 - Responsible banks pay higher premiums to bail out bad actors
 - Must balance “saving from tragedy” with creating regulations that can be abused by the unscrupulous

I feel better about my \$, What about County?

- What's not FDIC insured is “collateralized”
- Utilization of IntraFi Network
 - Participating banks “trade” municipal deposits

It actually works!

Date
02/28/2023

19911

Page
4 of 4

DETAILED ACCOUNT OVERVIEW

Account ID: *****
Account Title: Greene County Missouri



Summary of Balances as of February 28, 2023

FDIC-Insured Institution	City/State	FDIC Cert No.	Balance
Pinnacle Bank	Nashville, TN	35583	249,248.00
PlainsCapital Bank	Lubbock, TX	17491	153.58
PlainsCapital Bank - Trust	Lubbock, TX	17491	249,094.41
Profinium, Inc.	Truman, MN	1905	22,319.87
Rockland Trust Company	Rockland, MA	9712	249,248.00
Sandy Spring Bank	Olney, MD	4865	249,248.00
Seacoast National Bank	Stuart, FL	131	249,248.00
Signature Bank	New York, NY	57053	249,248.00
South State Bank, N.A.	Winter Haven, FL	33555	249,248.00
Southside Bank	Tyler, TX	18297	249,247.97
Starion Bank	Bismarck, ND	33758	249,041.21
Sunrise Banks	St. Paul, MN	18561	249,248.00