

TOWN *Of* **PARADISE VALLEY**



STAFF REPORT

TO: Mayor Bien-Willner and Town Council Members

FROM: Jill Keimach, Town Manager
Lindsey Duncan, Chief Financial Officer

DATE: January 26, 2023

DEPARTMENT: Finance
Lindsey Duncan, 480.348.3696

AGENDA TITLE:

Presentation and discussion on plans for application of the Town's Investment Policy

SUMMARY STATEMENT:

An informal Council workgroup including Vice Mayor Thomasson and Councilmembers Andeen and Moore were selected by the full Council to evaluate options for investment of the Town's unrestricted fund balance. This evaluation included some discussion on optimizing and balancing the safety, liquidity, diversification, and returns for the Town's cash and investments while maximizing operational efficiencies and maintaining compliance with pertinent laws and regulations. Staff will present several opportunities for further enhancing the application of the Town's Investment Policy.

BACKGROUND:

The Town's investment program is designed to achieve a balance of the following objectives:

- Compliance with the Town Code and with all applicable Arizona statutes and Federal regulations
- Preservation of capital and protection of investment principal
- Diversification to avoid incurring unreasonable market risks
- Maintenance of sufficient liquidity to meet anticipated cash flows
- Attainment of a market value rate of return

During FY2021 and FY2022 Staff convened a subset of the Council in a workgroup to discuss methods for managing and investing Town funds in pursuit of these objectives. The group heard several options for updating the investment policy, evaluating banking services, and soliciting requests for proposals on investment options. As a result, several updates were made to the investment policy including increasing the amount permitted for investment with the State Treasurer in the Local Government Investment Pool (LGIP) and allowing the Chief Financial Officer (CFO) to contract with various brokers for additional investment options. Staff reviewed proposals and selected two banks which may serve as investment brokers when called upon by the CFO.

During FY2022 and FY2023, staff continued to research and evaluate opportunities for achieving the investment program objectives while optimizing operational efficiencies. Two members of the Council workgroup, Vice Mayor Thomasson and Councilmember Moore, convened on November 1, 2022, to discuss the Town's investment position and consider opportunities for enhancements in the application of the Town's investment policy. The following strategies were identified:

- Consolidate balances for operational efficiencies
- Monitor and manage cash flows to optimize returns
- Refresh investment strategy including sector allocation and duration

Implementation of these strategies will conclude the work of the Council workgroup.

BUDGETARY IMPACT:

Active management of the Town's cash is anticipated to generate additional returns used to fund the Town operations and capital improvements.

RECOMMENDATION:

No action, discussion only.

ATTACHMENT(S):

- A. Staff report
- B. Presentation