

INVESTMENT POLICY: LOCAL GOVERNMENT INVESTMENT POOL (LGIP)



September 12th, 2019

REQUESTED ACTION

For Council to consider increasing the maximum invested in LGIP from \$7,500,000 to \$10,500,000 (or higher) to enhance diversification and asset allocation in the Town's investments.

June 30, 2019 (unaudited)		
Amount	Agent	%
\$ 23,576,964	PFM	47%
18,656,526	WF & WFMM	38%
7,450,248	LGIP	15%
\$ 49,683,738		



FUTURE UPDATE(S)

A comprehensive Investment policy update is being drafted with investment experts and is planned to be brought for Council's considerations later this year and will include further recommended changes with LGIP.

This interim recommendation is part of an initiative to enhance current practices and aligning to the Town's Policies, "GFOA Best Practices" and Internal Controls.

INVESTMENT OBJECTIVES

Compliance – by only invest as allowed under law;

Security – that preserves and protects public funds;

Liquidity – to meet cash flow needs; while maintaining

Diversification – that mitigates risks; and then

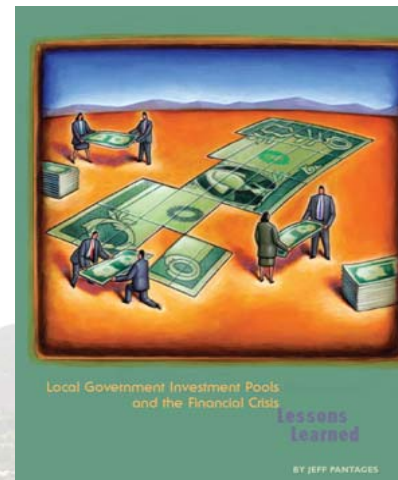
Yield – obtaining a market value rate of return.



GFOA BEST PRACTICES

GFOA (Government Finance Officers Association) has “Best Practice” recommendations for governments considering investing in LGIPs.

GFOA also has a document from 2009 titled “Local Government Investment Pools and the Financial Crisis – Lessons Learned,” by Jeff Pantages



LGIP (Information per AZ Treasurer Website)

LGIP= Local Government Investment Pool

Established in the Arizona Constitution under [A.R.S. §35-326](#).

Activity and performance reviewed by the State Board of Investment [A.R.S. §35-311](#).

Local Governments deposit money with the Treasurer for investment.

LGIP pools investments with other funds to provide greater liquidity and greater yield than possible on their own

<https://aztreasury.gov/what-is-lgip/>

Local governments that are eligible to join are: cities and towns, counties, special taxing districts, municipal corporations, community and technical colleges, and four-year universities.

Today LGIP Participants include:

- 82 Cities & Towns
- 48 Special Taxing Districts
- 11 Counties
- 7 Community Colleges & Universities
- 5 State Agencies
- State Operating Fund



FORECAST LOOK BACK

Quarterly report Q4 2018

	1995	2000	2007	2008	2009	2009	2010	2011
Town's policy limits on LGIP participation	\$ 500,000	\$ 2,500,000	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000
Cash and equivalents at fiscal year end	\$ 24,607,307	\$ 32,755,685	\$ 36,314,709	\$ 42,957,669	\$ 46,427,307	\$ 33,151,896	\$ 29,815,783	\$ 32,465,662
% of LGIP participation at maximum amount	2.0%	7.6%	20.7%	17.5%	16.2%	22.6%	25.2%	23.1%

Average 2007-2011 21%

	2012	2013	2014	2015	2016	2017	2018	Recommended
Town's policy limits on LGIP participation	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000	\$ 10,500,000
Cash and equivalents at fiscal year end	\$ 32,436,135	\$ 34,330,848	\$ 33,640,124	\$ 30,941,495	\$ 37,267,257	\$ 34,157,981	\$ 46,427,307	\$ 49,683,738
% of LGIP participation at maximum amount	23.1%	21.8%	22.3%	24.2%	20.1%	22.0%	16.2%	21.1%

Average 2012-2017 21%

The recommendation is to increase the maximum LGIP participation to \$10,500,000 (or higher) which is approximately 21% of total cash and cash equivalents (unaudited 2019). Twenty-one percent is the average investment rate from 2007 to 2018.



If the policy is set at 21%, then as cash fluctuates the LGIP participation amount would need to be adjusted to maintain compliance. LGI Pools returns follow the fed rate.

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