

# RESOLUTION 2019-18

## LOCAL GOVERNMENT INVESTMENT POOL (LGIP)



September 26<sup>th</sup>, 2019

## REQUESTED ACTION

For Council to consider increasing the Town's maximum investment in LGIP from \$7.5 million to the greater of \$10,500,000 or 21% of total cash and investments to enhance diversification and balance in asset allocation.

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



## 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.

Inv. Experts = PFM, WF, Audit firm, other

Compliance	Security	Liquidity	Yield
Yes	Yes	Low	2.43%
Yes	Yes	Hours	2.02%
Yes	Yes	Same day	2.30%

WF MM pool and  
LGIP #5 returns follow the fed rate.

## 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



## Policy maximum % of total investments in LGIP

TOWN'S POLICY CHANGES IN LGIP IN 1995, 2000 and 2006			
Description	1995	2000	2007
Town's policy limits on LGIP participation	\$ 500,000	\$ 2,500,000	\$ 7,500,000
Cash and investments at fiscal year end	\$ 24,607,307	\$ 32,755,685	\$ 36,314,709
% of LGIP participation at maximum amount	2.0%	7.6%	20.7%

RECENT TREND IN TOWN'S CASH AND INVESTMENTS			
Description	2015	2018	2019 Rec.
Town's policy limits on LGIP participation	\$ 7,500,000	\$ 7,500,000	\$ 10,500,000
Cash and investments at fiscal year end	\$ 30,941,495	\$ 46,427,307	\$ 49,683,738
% of LGIP participation at maximum amount	24.2%	16.2%	21.1%

**Average 2007-2018 at \$7.5M policy 21%**





# Consideration of Policy Amendment

## AUTHORIZED INVESTMENTS AND TRANSACTIONS

All investments for the Town of Paradise Valley shall be made in accordance with A.R.S. Title 35, Public Finances, Sections 35-321 through 35-327. Any revisions or extensions of these statute sections will be assumed to be part of this Investment Policy immediately upon being enacted. The final maximum maturity for any security is five years from the date of purchase. Credit criteria and maximum sector allocation percentages are calculated at the time the security is purchased. The maximum limit for any issuer is 5%, excluding Treasuries and Government Sponsored Enterprises (GSEs). Only the following types of securities and transactions shall be eligible for use by the Town:

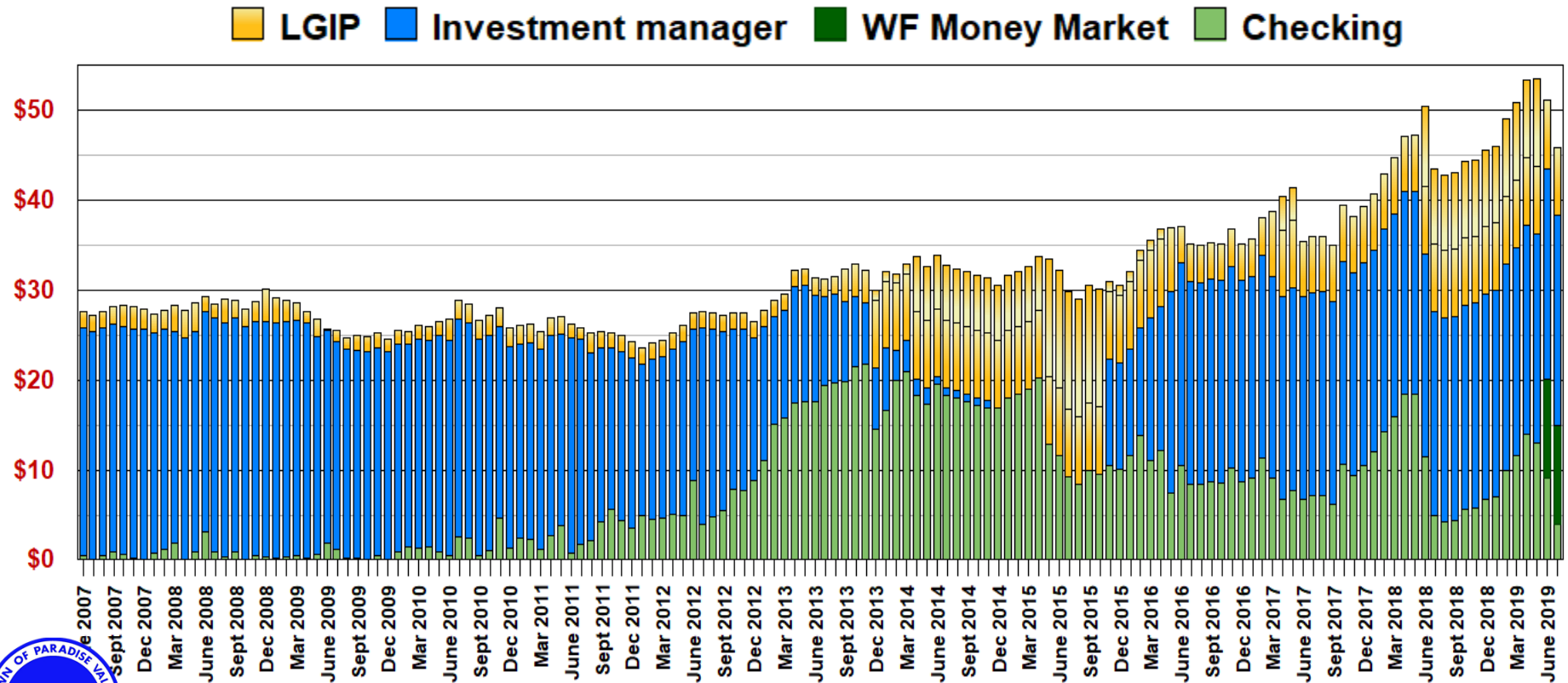
1. U. S. Treasury Obligations: Treasury Bills, Treasury Notes, Treasury Bonds, and Treasury Strips.
2. Government Sponsored Enterprises (GSEs): Any of the senior debt of United States agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities.
3. Repurchase Agreements with a termination date of 180 days or less collateralized by U.S. Treasury obligations, Federal Agency securities, or Federal Instrumentality securities listed above with a final maturity not exceeding five years. The purchased securities shall have a minimum market value including accrued interest of 102 percent of the dollar value of the transaction. With the exception of transactions done with the Town's approved depository banks, collateral shall be held in the Town's third-party custodian bank as safekeeping agent. Without exception, the market value of the collateral securities shall be marked-to-the market daily.

Repurchase Agreements shall be entered into only with primary dealers reporting to the Federal Reserve Bank of New York, or with firms that have a primary dealer within their holding company structure or with Town approved depository banks. Repurchase Agreement counterparties shall execute an approved Master Repurchase Agreement with the Town. Approved repurchase agreement counterparties, if rated, shall have at least a short-term debt rating of A-1 or the equivalent and a long-term debt rating of A

4. Pooled Investment Funds maintained by the State Treasurer pursuant to A.R.S. 35-326. The aggregate investment in Pooled Investment Funds shall not exceed ~~\$7.5 million~~ the greater of \$10,500,000 or 21% of total Cash and Investments.



# Primary Investments (in millions)



Does not include grants, deb obligations and other restricted cash

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