



Investment Management Services

August 7, 2012



What are the investment objectives?

The primary investment objectives in order of priority are:

#1 - Safety of investment principal

#2 - Liquidity of investments to meet cash flow needs

#3 - Yield (maximize investment return without compromising objective #1 or #2)



Allowable City Investments

- CD's
- Savings accounts
- LGIP
- U.S. Treasury & Agency debt
- Repurchase agreements
- Arizona government debt instruments
- Highly rated commercial paper and corporate debt



What are investment management services?

- Contracted services to administer a portion of the City's cash and investments in order to achieve the investment objectives
- Contractor actively monitors portfolio of fixed income securities
- Reports are generated monthly and investment income can be benchmarked to determine effectiveness



What are investment management services? (con't)

- Investment management services can maximize investment earnings while still maintaining safety of investments
- PFM Asset Management
 - Manages approximately \$42 billion in assets specializing in government and not-for-profit clients
 - Multiple Arizona clients
 - Market expertise



Strategy

- For FY11-12, LGIP rate of return is slightly above 10 basis points (0.1%) due to liquidity of LGIP pools 5 & 7
 - A 1% rate of return would result in an additional \$400,000 in revenue
- Staff will work with contractor to increase duration of investments
 - Max Maturity \leq 3 years
 - Weighted average maturity \leq 1.5 years



Strategy – Specific Steps

1. Analyze/review investment policy
 - Strategies to improve return while avoiding risk
2. Select custodial safekeeping bank
 - Securities are held in the City's name
3. Determine the City's cash flows
 - Plan investments to meet cash flow needs



Strategy – Specific Steps

4. Develop benchmarks

- Formalize expectations/evaluate effectiveness of performance

5. Develop long term investment strategy

- Utilize contractor expertise in the market

6. Execute City approved trades

- Contractor will shop for investments and settle with custodial bank



Strategy – Specific Steps

7. Review monthly and quarterly reporting and receive education and training as requested
8. Solidify investment earnings revenue estimates



Proposal

- Contract with PFM Asset Management
- Follow the strategy to initiate the investment program
- Continually monitor and review performance



Questions?

