



City of Maricopa

Legislation Text

File #: CON 12-060, **Version:** 1

The Mayor and City Council shall discuss and possibly take action on approving a contract with PFM Asset Management, L.L.C. (PFM) for investment management services pursuant to Section 3-223, “Cooperative Purchasing” of the City Code. Consistent with the current Local Government Investment Pool (LGIP) agreement, if approved, PFM would be compensated on a percentage basis scaled to the size of the portfolio, and these fees would be paid through a custodial account directly to PFM. Therefore, there is no budgetary impact of this professional services agreement. Discussion and Action.

The City seeks to maximize investment earnings on City funds that are not otherwise needed to be expended immediately. Currently, the City has an investment policy that allows the Finance and Administrative Services Director to either manage the investment program internally or delegate management to an external provider.

This request is based on Section 3-223 “Cooperative Purchasing”. On January 26, 2012, the City of Chandler, AZ approved resolution No. 4568 which authorized the mayor to execute a contract with PFM Asset Management, L.L.C. (PFM) for investment management services. The agreement with the City of Chandler, AZ may be used by other municipalities under the City of Maricopa’s “Cooperative Purchasing” section of the City Code.

If approved, the agreement between the City and PFM effectively gives PFM the ability to actively monitor investment opportunities and invest/reinvest assets on the City’s behalf.

PFM specializes in investment of public funds and has multiple Arizona clients including the following government agencies:

Arizona State University	University of Arizona
City of Flagstaff	City of Scottsdale
City of Chandler	City of Mesa
City of Tempe	City of Surprise
City of Goodyear	Town of Gilbert
Town of Oro Valley	Town of Fountain Hills
City of Tucson	

For the City of Maricopa, the primary investment objectives are 1) safety of the investments, 2) liquidity of the investments to meet future cash flow needs and 3) yield on investments. The safety of the investments is the highest priority. A practice of PFM is to obtain a client’s policy and only invest in allowable investments.

Currently, the City utilizes the Office of the Arizona State Treasurer’s Local Government Investment Pool (LGIP) to invest its idle funds. As of June 29, 2012, the City’s balance in the LGIP totaled \$101.4 million. As these funds are able to be liquidated immediately, investment earnings are minimized. The advantages of investment management services are primarily a) the ability to carry investments to a longer maturity, b) the ability to take advantage of the expertise of a firm that specialized in investing governmental funds and c) the ability of a firm to actively invest on the City’s behalf. Although PFM would manage the investments, all investments are on behalf of the City of Maricopa and remain in the City’s name.

As a portion of the investment portfolio should remain liquid, staff does not anticipate 100% of the funds to be managed by PFM, only the portion of the funds that can be invested for a longer maturity period. For that

portion we feel should remain liquid, staff will continue to invest in the LGIP.

For FY11-12, it is estimated that investment earnings will total \$107,000 (a return of slightly more than 0.1%). Through examination of future cash flow needs, we conservatively estimate that an additional \$310,000 can be earned (\$220,000 in the General Fund). This assumes \$50 million is actively managed by PFM resulting in a return of 0.75%. A 1% rate of return would result in an additional \$400,000 in revenue. Staff will perform detailed cash flows analysis to maximize total funds invested by PFM.

Finally, the agreement can be terminated with 30 days written notice. PFM will supply to the City, at least monthly, the value of investments, purchase and sale information and investment performance. If staff determines PFM is not meeting the investment expectations of the City, staff will determine whether or not the agreement should continue. Staff will review the steps necessary to initiate the investment management program.

Staff recommends approval of a contract with PFM Asset Management, L.L.C. for investment management services.