

**PAGE CITY COUNCIL
WORK SESSION MEETING MINUTES
JULY 22, 2015**

A Work Session Meeting of the Page City Council was held at 5:30 p.m. on July 22, 2015, in the Council Chambers at City Hall in Page, Arizona. Mayor Bill Diak presided. Vice Mayor John Kocjan, Councilors Mike Bryan, Scott Sadler, Levi Tappan (entered at 6:10 p.m.), David Tennis and Dennis Warner were present

Mayor Diak called the meeting to order.

Staff members present: City Attorney, Joe Estes; Finance Director, Linda Watson; Deputy City Clerk, Sue Kennedy; and City Clerk, Kim Larson.

Discussion by the City Council pertaining to a presentation by Aaron Bonck with Time Value Investments for City of Page investment options

Mayor Diak introduced Aaron Bonck.

Mr. Bonck, from the Time Value Investment (TVI) home office in Seattle, Washington, shared a Power Point presentation (attached) that compared the low interest rate that federal funds are receiving with other higher paying options.

He stated that the City of Page's Local Government Investment Pool (LPIG) Pool 7 is currently yielding .09%, but that Federally Insured Certificates of Deposit and US Government Agency Bonds yield substantially more (see pages 9 & 10), are completely safe, and comply with Page's Investment Policy as well as Arizona Revised Statutes.

Finance Director Linda Watson stated that there is a \$10,000,000 balance in LPIG accounts, that the City of Page can do better with their investments, and that it is past time to do so.

The meeting was adjourned at 6:18 p.m.



Sue Kennedy
Deputy City Clerk



William R. Diak
Mayor

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the City Council Work Session Meeting, held on the 22nd day of July, 2015. I further certify that the meeting was duly called and that a quorum was present.

Dated this 12th day of August, 2015

A handwritten signature in black ink, appearing to read 'S. Kennedy', is written over a horizontal line.

Sue Kennedy, Deputy City Clerk

TVI Background

- Home office in Seattle, Washington
- Over 250 public entity accounts in the Western states, including:
 - City of Sedona, AZ
 - Town of Tusayan, AZ
 - City of St. Johns, AZ
- Invited to Teach at Conferences/Events:
 - Last 5 Washington Finance Officers Association Conferences
 - 4 of the last 5 Washington Public Treasurers Association Conferences
 - Last 3 California Municipal Treasurers Association Conferences
 - California Society of Municipal Finance Officers, various events

Federal Reserve Statement

The Federal Reserve made the following statement regarding the Federal Funds Rate on 6/17/2015:

Board of Governors of the Federal Reserve System

| | | | | | |
|---------------|---------------|-----------------|----------------------------------|-----------------|--------------------------|
| About the Fed | News & Events | Monetary Policy | Banking Information & Regulation | Payment Systems | Economic Research & Data |
|---------------|---------------|-----------------|----------------------------------|-----------------|--------------------------|

Testimony and Speeches

Press Releases

Regulatory Reform

Conferences

Other Public Communication

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Press Release

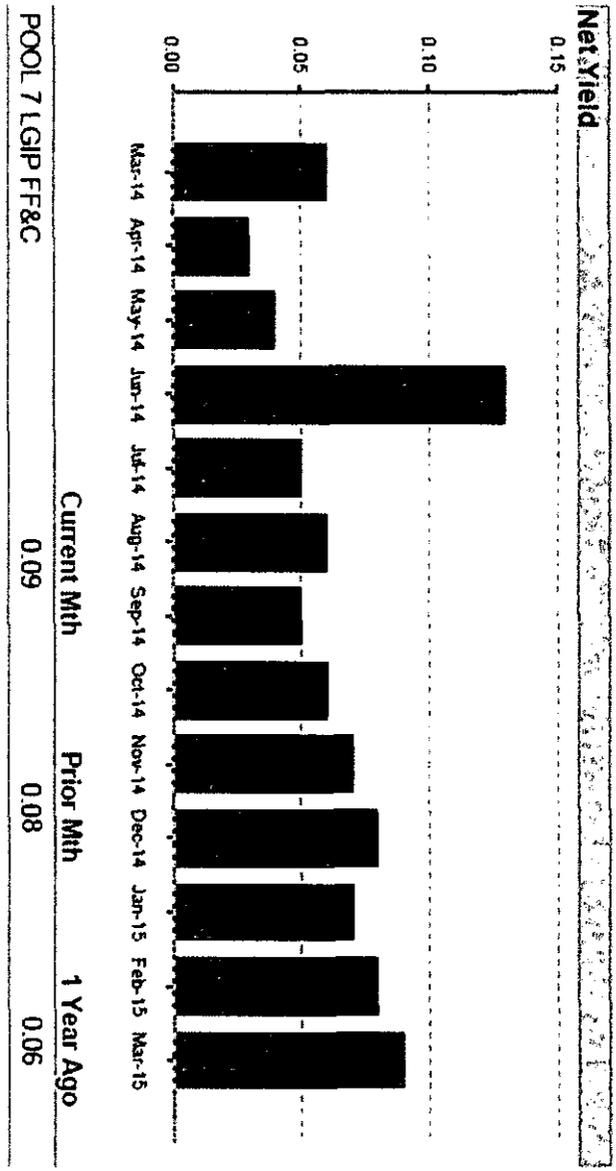
Release Date: June 17, 2015

“...The Committee today (6/17/15) reaffirmed its view that the current 0 to ¼ percent target range for the federal funds rate remains appropriate...The committee currently anticipates that economic conditions may, for some time, warrant keeping the target federal funds rate below levels the committee views as normal in the longer run.”

LGIP

- What does the low federal funds rate mean for the LGIP?
- LGIP 7 currently yielding .09% (as of 3/31/15)

POOL 7

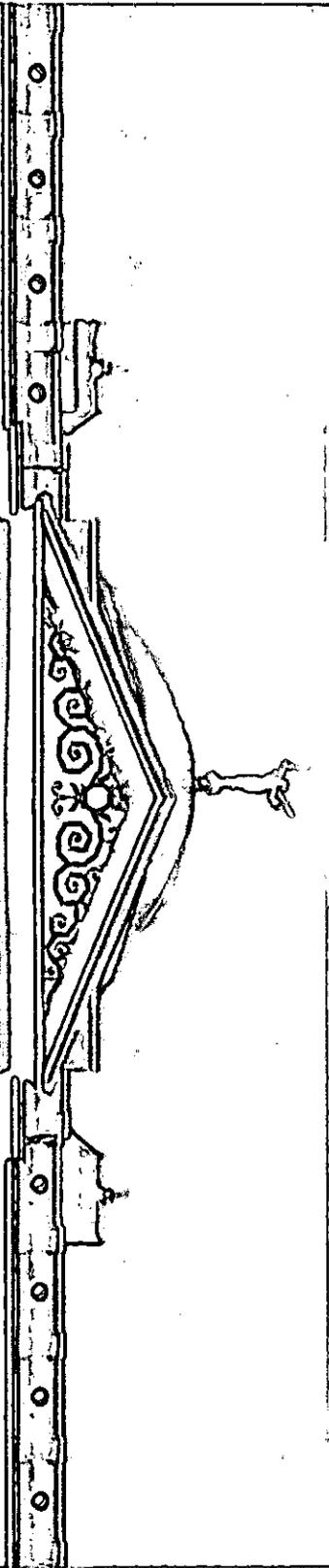


Investment Alternatives Appropriate for Public Entities

- We recommend investing in Federally Insured Certificates of Deposit and US Government Agency Bonds directly.
- Both are very safe, common, and typical for public entities.
- These investments are allowable for public entities in the state of Arizona per Arizona Revised Statute 35-323 sections 6 and 12 (see next slide).

Investment Alternatives Appropriate for Public Entities cont.

Arizona State Legislature Bill Number Search:



Fifty-second Legislature - First Regular Session

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| | | | | | | | |
|--|-------|---------------------|------|---------------|-------|------------|---------------|
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| ARS TITLE PAGE NEXT DOCUMENT PREVIOUS DOCUMENT | | | | | | | |

35-323. Investing public monies; bidding; security and other requirements

6. Obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities.
12. Negotiable or brokered certificates of deposit issued by a nationally or state chartered bank or savings and loan association.

Investment Alternatives Appropriate for Public Entities cont.

The City of Page's investment policy complies with the relevant Arizona Revised Statute. Please see below:

**Resolution No. 1148-15
Page 3**

7.1 Obligations of the United States Government, its agencies and instrumentalities;

7.2 Fully insured or collateralized certificates of deposit and other evidence of deposit at banks and savings and loan associations;

CDS/Bonds vs. Cash

- Based on the current LGIP 7 rate of .09% (which can and likely will change), \$5 million left in the LGIP would earn the City approximately:
 - $\$5,000,000 \times .09\% = \$4,500$ per year
- A portfolio of CDs and government bonds, laddered between 2-5 years, would currently earn an investor an average of approximately 1.10% per year. \$5 million invested into such a portfolio would yield approximately:
 - $\$5,000,000 \times 1.10\% = \$55,000$ per year
- For a net difference of approximately \$50,500 per year

Federally Insured CDs

5 Year CDs

| Identifier | Description | Maturity (Underlying) | Maturity Coupon |
|------------|--|---------------------------|--------------------|
| 02587DA57 | American Express Centim CD 2.55% ²⁰ , Survivor Option, Semi Cpn Restricted: OH, TX, FDIC#27471 | FIS Rating (1-5): 1.85 | 7/15/2020 2.350 |
| 254672RY6 | Discover Bk CD 2.3% ²⁰ , Survivor Option, Semi Cpn, FDIC#5049 | FIS Rating (1-5): 2.30 | 7/15/2020 2.300 |
| 05580ACF9 | BMW Bk North Amer Sall Lake CD 2.25% ²⁰ , Survivor Option, Semi Cpn Restricted: OH, FDIC#35141 | FIS Rating (1-5): 1.60 | 7/17/2020 2.250 |
| 87165FHY3 | Synchrony Bk Retail CD 2.25% ²⁰ , Survivor Option, Semi Cpn Restricted: TX, Foreign Accounts, FDIC#27314 | FIS Rating (1-5): 2.24 | 7/17/2020 2.250 |

4 Year CDs

| Identifier | Description | Maturity (Underlying) | Maturity Coupon |
|------------|--|---------------------------|--------------------|
| 02587DA40 | American Express Centim CD 2.05% ¹⁹ , Survivor Option, Semi Cpn Restricted: OH, TX, FDIC#27471 | FIS Rating (1-5): 1.85 | 7/15/2019 2.050 |
| 06580ACD4 | BMW Bk North Amer Sall Lake CD 1.95% ¹⁹ , Survivor Option, Semi Cpn Restricted: OH, FDIC#35141 | FIS Rating (1-5): 1.60 | 7/17/2019 1.950 |
| 140420TL4 | Capital One Bk USA Nall Assn CD 1.95% ¹⁹ , Survivor Option, Semi Cpn, FDIC#33954 | FIS Rating (1-5): 2.26 | 7/15/2019 1.950 |
| 14042E4S6 | Capital One Nall Assn VA CD 1.95% ¹⁹ , Survivor Option, Semi Cpn, FDIC#4297 | FIS Rating (1-5): 3.28 | 7/15/2019 1.950 |

Federally Insured CDs cont.

3 Year CDs

| Identifier | Description | Mdy./s/S&P /Fitch Ins (Underlying) | Maturity Coupon |
|------------|--|------------------------------------|--------------------|
| 02587DA32 | American Express Centin CD 1.7%18, Survivor Option, Semi Cpn Restricted: OH, TX, FDIC#27471 | FIS Rating (1-5): 1.85 | 7/16/2018 1.700 |
| 02000LSF1 | Ally Bk Midvale Utah CD 1.65%18, Survivor Option, Semi Cpn, FDIC#57803 | FIS Rating (1-5): 2.42 | 7/16/2018 1.650 |
| 254072RX8 | Discover Bk CD 1.65%18, Survivor Option, Semi Cpn, FDIC#5049 | FIS Rating (1-5): 2.30 | 7/16/2018 1.650 |
| 140420TH9 | Capital One Bk USA Nail Acen CD 1.6%18, Survivor Option, Semi Cpn, FDIC#33954 | FIS Rating (1-5): 2.26 | 7/16/2018 1.600 |

2 Year CDs

| Identifier | Description | Mdy./s/S&P /Fitch Ins (Underlying) | Maturity Coupon |
|------------|---|------------------------------------|--------------------|
| 02587CDN7 | American Exp Fed Svcs Bk Instl CD 1.2%17, Survivor Option, Semi Cpn Restricted: TX, FDIC#35328 | FIS Rating (1-5): 1.80 | 7/17/2017 1.200 |
| 20451PML7 | Compass Bk Birmingham Ala CD 1.2%17, Survivor Option, Semi Cpn Restricted: AL, TX, FDIC#19048 | FIS Rating (1-5): 3.02 | 7/17/2017 1.200 |
| 060184V1 | Oriental B&T Halo Rev PR CD 1.2%17, Survivor Option, Semi Cpn Restricted: PR, FDIC#31469 | FIS Rating (1-5): 3.60 | 7/17/2017 1.200 |
| 02006LSD6 | Ally Bk Midvale Utah CD 1.15%17, Survivor Option, Semi Cpn, FDIC#57803 | FIS Rating (1-5): 2.42 | 7/17/2017 1.150 |

Government Agency Bond

- This 4 year bond is callable in 6 months and quarterly thereafter:

FHLMC 1³ 07/29/19 Corp

Page 1/2 Yield and Spread Analysis
 Buy Sell Settings
 Blend Full Screen

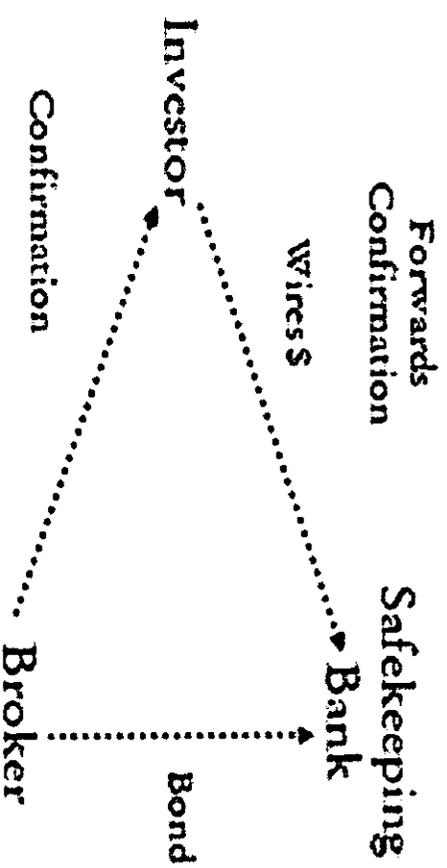
| 1) Yield & Spread | 2) Yields | 3) Graphs | 4) Pricing | 5) Descriptive | 6) Custom | 7) Calls |
|---------------------|-----------|------------|------------|----------------|-----------|----------|
| Settlement Date | 07/29/15 | | Price | 100 | | |
| YTC (3134G7GH8) | | | | | | |
| Yield to Maturity | | Date | | Price | | Yield |
| Yield to Custom | | 07/29/2019 | | 100.00 | | 1.750 |
| Yield to Next Call | | 01/29/2016 | | 100.00 | | 1.750 |
| Yield to Worst Call | | 01/29/2016 | | 100.00 | | 1.750 |

May be called quarterly starting 01/29/2016

| Date | Price | Yield |
|----------|----------|--------|
| 01/29/16 | 100.0000 | 1.7500 |
| 04/29/16 | 100.0000 | 1.7513 |
| 07/29/16 | 100.0000 | 1.7500 |
| 10/29/16 | 100.0000 | 1.7508 |
| 01/29/17 | 100.0000 | 1.7500 |
| 04/29/17 | 100.0000 | 1.7505 |
| 07/29/17 | 100.0000 | 1.7500 |
| 10/29/17 | 100.0000 | 1.7504 |
| 01/29/18 | 100.0000 | 1.7500 |
| 04/29/18 | 100.0000 | 1.7503 |
| 07/29/18 | 100.0000 | 1.7500 |
| 10/29/18 | 100.0000 | 1.7503 |
| 01/29/19 | 100.0000 | 1.7500 |
| 04/29/19 | 100.0000 | 1.7502 |
| 07/29/19 | 100.0000 | 1.7500 |

How is a CD/Bond Purchased?

- GFOA recommends Delivery-Versus-Payment (DVP)
- Using DVP, the Investor does not wire to the broker, but rather to the “Safekeeping Bank” (please see below).



GFOA Best Practices and DVP



Government Finance Officers Association

Since 1906

“Investments should be settled in a delivery-versus-payment (DVP) basis. In this procedure, the buyer’s payment for securities is due at the time of delivery. Security delivery and payment occur simultaneously. This practice ensures that no funds are at risk in an investment transaction as funds are not released until securities are delivered, ensuring the governmental entity has either money or securities at all times during the transaction.”

<http://www.gfoa.org/using-safekeeping-and-third-party-custodian-services>

City of Page Investment Policy and DVP

- As you can see below, the City's investment policy requires that all securities be purchased on a Delivery vs. Payment (DVP) basis.
- This is consistent with GFOA Best Practices.

10. Safekeeping and Collateralization:

10.1 All security transactions; entered into by the City shall be conducted on a delivery versus payment basis (DVP).

10.2 All securities shall be held by a third-party custodian designated by the investment officer. The third party custodian shall issue a safekeeping receipt to the City listing the specific instrument, rate, maturity, and other pertinent information.

Investment Broker vs. Investment Manager

- Brokers and Managers can both provide investments, but function differently and are compensated differently.
- Broker:
 - Earns a commission that is already built into the purchase price of a security.
 - No additional fees or charges after purchase. Security belongs to the investor with no ongoing connection to the broker.
- Manager:
 - Charges an ongoing fee, typically a percentage based on dollars invested. For example, a typical range might be 0.50% per year on invested funds (which is \$5,000 per \$1 million invested, per year).
 - Is an intermediary between investor and brokers, who still ultimately provide the investments.