



# Staff Report

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**Agenda Item:**                    **Resolution Approving the Transfer of Funds** – Approval of a resolution approving the transfer of funds in the Local Government Investment Pool 5 to the Local Government Investment Pool 7.

**Staff Contact:**                    Carlton Woodruff, Finance Director

**Meeting Date:**                    December 09, 2008

**Background:**

As a result of the shift in economic conditions as well as corporate market volatility, it is recommended that the current investments as well as future distributions be transferred from the Local Government Investment Pool (LGIP) 5 to LGIP Pool 7.

As I discussed in a recent Council budget update, Pool 5 has a significant investment in corporate securities. This is where most, if not all, of the risk associated with this Pool is located. An example of this is the recent Lehman Brothers bankruptcy filing, and the hold that was placed on our investments associated with Lehman Brothers.

Pool 7 has a significantly lower risk as a result of investing only in government securities and repurchase agreements.

The cost associated with this change is the amount of interest we will earn on our investment. From recent history, the difference will be anywhere from .25% to .75%. This reduction in earnings is a small cost to pay for the increased safety in these uncertain times.

As market conditions continue to change safety and yield will be re-evaluated. Any change in investment will be evaluated on the basic premise of Safety, Liquidity, and Yield, and in that order of importance. If market conditions improve, other investment strategies will be proposed including moving all or part back into Pool 5 or partial investment through an independent investment company.

**Recommendation:**

To approve Resolution #\_\_\_\_\_, approving the transfer of funds in the LGIP Pool 5 to the LGIP Pool 7.

**RESOLUTION # \_\_\_\_\_**

**RESOLUTION OF THE TOWN OF CLARKDALE AUTHORIZING AND APPROVING THE TRANSFER OF FUNDS IN THE LOCAL GOVERNMENT INVESTMENT POOL 5 TO THE LOCAL GOVERNMENT INVESTMENT POOL 7.**

**WHEREAS**, the Town Council of the Town of Clarkdale has determined that a true and very real need exists for the transfer of balances from the Local Government Investment Pool 5 to Local Government Investment Pool 7 in a concern for market safety.

**WHEREAS**, the only cost to the Town of Clarkdale associated with this increase in market safety is a lower monthly yield paid by Pool 7.

**WHEREAS**, the Town of Clarkdale agrees to deposit all distributions into the Local Government Investment Pool 7.

**THEREFORE BE IT RESOLVED** that the transfer is hereby approved and the Finance Director of the Town of Clarkdale is hereby authorized to execute, acknowledge and deliver the Transfer request with any required changes, insertions and omissions therein as may be approved by the Town Attorney.

PASSED, ADOPTED AND APPROVED by the Town of Clarkdale this 9<sup>th</sup>, day of December, 2008.

Approved:

\_\_\_\_\_  
Doug Von Gausig, Mayor

I, the undersigned, Kathy Bainbridge, being the duly appointed and qualified Town Clerk of Town of Clarkdale, certify that the foregoing Resolution # \_\_\_\_\_ passed and adopted at a regular meeting of Clarkdale Town Council, held on December 9, 2008 at which a quorum was present and voted in favor of said Resolution.

\_\_\_\_\_  
Kathy Bainbridge, Town Clerk

\_\_\_\_\_  
Date

Approved As To Form:

\_\_\_\_\_  
Attorney:

\_\_\_\_\_  
Date