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# LOCAL GOVERNMENT INVESTMENT POOL

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## OPERATIONS MANUAL

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*JAMES L. MCINTIRE*  
*WASHINGTON STATE TREASURER*

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JAMES L. McINTIRE  
State Treasurer

State of Washington  
Office of the Treasurer  
Local Government Investment Pool

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Dear Local Government Official:

The Washington State Local Government Investment Pool was created by Chapter 294, Laws of 1986. Since its inception, over 450 local governments in Washington have participated in the pool.

This booklet was designed to describe the process by which local governments may join with the State and take advantage of a valuable tool for the management of public funds. It contains an introduction to the Local Government Investment Pool (LGIP), forms with which to join, common questions, and instructions for enrolling and utilizing the pool.

In developing the LGIP, the State Treasurer provides an investment vehicle that will allow pool participants flexibility in managing their funds while providing the maximum amount of security for their investments, as well as a competitive rate of return.

We hope that you will find the LGIP an appealing investment alternative for your governmental entity. If you have any questions concerning information in this booklet or the operation of the LGIP, do not hesitate to call at (800) 331-3284.

Sincerely,

  
James L McIntire  
Washington State Treasurer

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## INTRODUCTION TO THE LOCAL GOVERNMENT INVESTMENT POOL

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The Local Government Investment Pool was authorized by Chapter 294, Laws of 1986. In part, this legislation states: "The purpose of this chapter is to enable political subdivisions to participate with the state in providing maximum opportunities for the investment of surplus funds consistent with the safety and protection of such funds. The legislature finds and declares that the public interest is found in providing maximum prudent investment of surplus funds, thereby reducing the need for additional taxation. The legislature also recognizes that not all political subdivisions are able to maximize the return on their temporary surplus funds. The legislature therefore provides in this chapter a mechanism whereby political subdivisions may, at their option, utilize the resources of the State Treasurer's Office to maximize the potential of surplus funds while ensuring the safety of public funds."

The impetus for this legislation came from a number of bankruptcies that occurred involving various government bond dealers. Public funds were lost when it was discovered that the investments public treasurers had thought they had purchased did not actually exist. As a result of losses in this state as well as others, the State Auditor now requires a much more stringent handling of investment transactions by public funds managers. As a result, the additional investment requirements caused a major increase in the expense of managing public funds, particularly for those entities with relatively small amounts of funds to invest.

The idea of a Local Government Investment Pool (LGIP) was developed in order to allow all public entities to continue to manage their funds in a manner that would allow them to maximize the yield on their investments while meeting the safety requirements for the funds. Local investment pools are currently operating in approximately half of the states. They have been highly successful endeavors that have afforded their participants a flexible investment vehicle with which to manage the funds in their custody.

## COMMON QUESTIONS & THEIR ANSWERS

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- Q:** Do I need to notify the LGIP of a deposit as well as a withdrawal?
- A:** Yes. The LGIP needs to know how much money is available for daily investment. If money is deposited and the LGIP is not notified, those funds will not be invested on the day of deposit and the Pool participant will not receive same-day credit.
- Q:** Is there a minimum transaction size?
- A:** Yes. Five thousand dollars (\$5,000) is the minimum transaction size for both deposits and withdrawals (see Appendix, WAC 210-01-060).
- Q:** Is there a maximum transaction size?
- A:** No. However, to more accurately project our daily cash flows, we need to be notified of a deposit or withdrawal of ten million dollars (\$10,000,000) or more at least a day prior to transfer.
- Q:** Where do my earnings go at the end of the month?
- A:** Interest earnings on funds deposited in the pool will be credited to your pool account on the last day of the month in which the income was earned (see Appendix, WAC 210-01-100).
- Q:** Can I have funds that I request for withdrawal sent to a different bank account other than the one I originally set up with the LGIP, even if this is a one time circumstance.
- A:** No. For your protection, funds may only be wired to the bank account designated on the Authorization Form. Changes to the participant's bank information must be made in writing to the Office of the State Treasurer (see Appendix, Authorization Form).
- Q:** Is there a limit to the number of transactions I can do in any one day?
- A:** Each pool participant is limited to ONE transaction per business day (see Appendix, WAC 210-01-070).
- Q:** How long can I leave my funds in the LGIP?
- A:** There is no set maturity date on funds in the LGIP. You may leave your funds on deposit with the pool for one day, one month, or any length of time appropriate to your cash flow needs.
- Q:** Can I enter transactions online?
- A:** Yes. Authorized persons can enter deposits and withdrawals over the Internet using the Treasury Management System (TM\$). TM\$ also allows participants to view statements, reports, and account information.

These are only a few of the common questions about the pool. If you have other questions are reading this booklet, call the LGIP at (800) 331-3284.

# PARTICIPATION SPECIFICATIONS

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## ORDINANCE/RESOLUTION

Every municipality choosing to utilize the LGIP must file a certified copy of an ordinance or resolution containing:

- Name and address of the entity;
- A statement that the entity agrees to deposit or withdraw funds with the Local Government Investment Pool in accordance with the provisions of the Washington Administrative Code (WAC); and,
- The names and titles of the officials who have the authority to delegate the deposit and withdrawal of funds with the Local Government Investment Pool.

## TRANSACTION LIMITATION

The minimum transaction size is \$5,000 for deposits AND withdrawals.

## NOTIFICATION OF LARGE DEPOSITS/WITHDRAWALS

There is no formal maximum transaction size; however, to more accurately project daily cash flows, notify the LGIP of a deposit or withdrawal of ten million dollars (\$10,000,000) or more **at least** a day prior to transfer.

## STEPS FOR DEPOSITING FUNDS

1. Call the Local Government Investment Pool (800-331-3284) OR log on to TM\$ on the days prior to deposit or the day of deposit. If requesting the transaction on the day of deposit, the **following restrictions apply**:

*Deposits over \$1 million must be requested prior to 9am on the day of deposit.*

*Deposits for \$1 million or less, can be requested at any time prior to 10am on the day of deposit.*

2. For wire instructions, please call 1-800-331-3284.
3. Failure to wire funds (after the LGIP had been notified of a deposit) will result in an overdraft with the LGIP's bank account. An overdraft penalty will be assessed to the participant.

## STEPS FOR WITHDRAWING FUNDS

1. Call the Local Government Investment Pool (800-331-3284) OR log on to TM\$ on the days prior to, or on the day of, withdrawing funds. If requesting the transaction on the day of withdrawal, the **following restrictions apply**:

*Withdrawals over \$1 million must be requested prior to 9am on the day of withdrawal.*

*Withdrawals for \$1 million or less can be requested at any time prior to 10am on the day of withdrawal.*

2. The LGIP will transfer the funds to the bank account specified on the Authorization Form (see Appendix). For your protection, funds may only be wired to this designated account.
3. Failure of the LGIP to wire funds (after the LGIP had been notified of a withdrawal) may result in an overdraft in the participant's bank account. The participant will be reimbursed for the failure to wire funds.

## INTEREST EARNINGS

The interest earned by the funds on deposit with the LGIP will be credited to each pool participant's LGIP account on the last day of the month in which the income was earned. These funds may remain in the pool and earn additional interest or be withdrawn and sent to the pool participant's designated bank account as specified on the Authorization Form (see Appendix).

## MONTHLY STATEMENTS AND REPORTING

On the first working day of every month each active pool participant will be sent a monthly statement which includes the pool participant's beginning balance, ending balance, deposits, withdrawals, administrative fees, gross earnings, net earnings, and the gross and net earnings rates for the month. Included with the statement is the monthly enclosure. This report contains information regarding the maturity structure of the portfolio and balances broken down by security type.

The LGIP Quarterly newsletter provides pool participants an overview of "what's happening" in the LGIP. In addition to the compliance report, benchmark comparison data, and statistical information about the LGIP, the newsletter's market summary provides a review of the activity in the financial markets. The Office of the State Treasurer views this as an important vehicle to keep participants informed of LGIP issues.

A Comprehensive Annual Financial Report (CAFR) is distributed to each pool participant for the State's fiscal year ending each June. The CAFR is an extensive document that includes the following LGIP information:

- Introductory Information:
  - Organization Chart
  - Advisory Committee member list
  - Key Personnel List
  - Compliance Report
- Audited Financial Report
  - Independent Auditors' Report
  - Financial Statements
- Investment Section
  - Portfolio Charts
  - Schedule of Pool Participants
  - Investment Policy
- Statistical Information
  - Net Assets and Net Income Tables
  - Average Balance, Portfolio Yield and Average Maturity Graphs

The Quarterly newsletter and the CAFR are available on the Office of the State Treasurer web-site at: [www.wa.gov/tre](http://www.wa.gov/tre)

## **ADMINISTRATIVE FEES**

The State Treasurer will require reimbursement for the administration and recovery of costs associated with the operation of the Local Government Investment Pool. The reimbursement amount is calculated based on the pool participant's monthly average daily balance and is reflected on the monthly statement. The reimbursement amount will be deducted from the pool participant's earnings prior to the earnings posting to the account.

## **REBATE**

At the end of the fiscal year, the Investment Pool determines the actual amount of funds necessary for Pool expenses and rebates to the participant's those collected administrative fees in excess of operational requirements. The proportionate share of the rebate is based on the participant's average daily balance for the fiscal year in which the rebate is posted.

## **DIRECT DEPOSIT PROGRAM**

Local Government Investment Pool (LGIP) participants that receive State collected revenues, distributed by the State Treasurer's Office, may elect to have those monies deposited directly to their LGIP account. This program began on July 1, 1989 and there has been a very positive response from those participants who are involved.

Direct deposit benefits:

- (1) Funds credited to LGIP account via direct deposit will begin earning interest that same day.
- (2) Funds may be withdrawn, in whole or in part, on the day of deposit by notifying the LGIP at 800-331-3284 prior to 9:00a.m.
- (3) Funds are deposited directly into your LGIP account via ACH; therefore, wire charges for transferring funds out of your bank account are avoided.

Local governments choosing to use this option will continue to receive a remittance advice from the State Treasurer detailing the funds they have received in any particular distribution. Authorization for direct deposit will remain in effect until the State Treasurer receives written notification that the local government no longer wishes to participate in the direct deposit program.

The LGIP is pleased to offer this additional service in the hopes that it may aid the facilitation of your cash management program.

**ENROLLMENT INSTRUCTIONS  
FOR THE  
LOCAL GOVERNMENT INVESTMENT POOL**

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1. Prepare Resolution or Ordinance and have this approved by local governing authority (see Appendix).
2. Complete Authorization Form including bank account information and authorized personnel (see Appendix).
3. Complete the optional Treasury Management System Authorization Form to request logons for TM\$ (see Appendix).
4. Evaluate the Direct Deposit Program described on page 6. If your entity elects to participate in this deposit vehicle, complete the direct deposit authorization form (see Appendix). The Office of the State Treasurer must receive the form two weeks prior to the direct deposit date taking effect.
5. Prior to participation, send the Resolution/Ordinance, Authorization form, and Direct Deposit form (optional) to the following address:

OFFICE OF THE STATE TREASURER  
LOCAL GOVERNMENT INVESTMENT POOL  
LEGISLATIVE BUILDING  
PO BOX 40200  
OLYMPIA, WA 98504-0200

## WASHINGTON ADMINISTRATIVE CODE (WAC) RULES

WAC 210-01-010. PROMULGATION. The STATE FINANCE COMMITTEE, after due and proper notice, and pursuant to the provisions of Chapter 294, Laws of 1986, hereby adopts and promulgates the following rules and regulations, effective July 1, 1986.

WAC 210-01-020. DEFINITIONS. Unless the context requires otherwise:

- (1) "Local Government Investment Pool" or "Pool" means the aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.
- (2) "Pool Participant" means any county, city, town, municipal corporation, political subdivision, community and technical college district, the state board for community and technical colleges, or other entities in this state as may be designated by statute.
- (3) "Local Government Official" means any officer or employee of a political subdivision who has been designated by statute or by local charter, ordinance, or resolution as the officer having the authority to invest the funds of the political subdivision.
- (4) "Financial Officer" means the board-appointed treasurer of a community or technical college district or the state board for community and technical colleges.
- (5) "Funds" means public funds under the control of or in the custody of any local government official or local funds, as defined by the office of financial management publication "Policies, Regulations and Procedures," under the control of or in the custody of a financial officer by virtue of the official's or financial officer's authority that are not immediately required to meet current demands.
- (6) "Financial Institution" means a public depository as defined in RCW 39.58.010.

WAC 210-01-030. LOCAL GOVERNMENT ORDINANCE OR RESOLUTION. All government entities participating in the Local Government Investment Pool will file with the State Treasurer a certified copy of an ordinance or resolution containing the following:

- (1) Name and address of entity.
- (2) A statement that the governmental entity agrees to deposit or withdraw funds in the Local Government Investment Pool in accordance with the provisions of the Washington Administrative Code for the purpose of investment as stated therein.

- (3) The names and titles of the officials authorized by this ordinance or resolution to order the deposit or withdrawal of funds in the Local Government Investment Pool. No more than two (2) signatures are necessary for this purpose.

WAC 210-01-040. PROPER ADOPTION AND FILING OF LOCAL GOVERNMENT ORDINANCE OR RESOLUTION. It shall be the responsibility of local government officials to properly execute and file the resolution or ordinance, described in WAC 210-01-030 with the State Treasurer. The State Treasurer shall not allow participants to join the Local Government Investment Pool unless such resolution or ordinance has been filed with the Office of State Treasurer.

WAC 210-01-050. STATE TREASURER'S LIABILITY. The State Treasurer shall not be liable for any damages resulting from misfeasance, malfeasance, nonfeasance, or defalcation on the part of the local government officials.

WAC 210-01-060. DEPOSIT AND WITHDRAWAL OF FUNDS. The minimum transaction size will be five thousand dollars (\$5,000).

WAC 210-01-070. TRANSACTION LIMITATION. Each pool participant shall be limited to one (1) transaction per business day. This may be either a deposit to or a withdrawal from the pool.

WAC 210-01-080. DEPOSIT PROCEDURES. A pool participant, to receive same-day credit, must inform the office of the state treasurer of any deposit over one million dollars no later than 9 a.m. on the same day the deposit is made. Deposits for one million dollars or less can be requested at any time prior to 10 a.m. on the day of deposit. All deposits shall be made by electronic funds transfer to an account designated by the State Treasurer. It is the responsibility of each pool participant to pay any bank charges associated with such electronic transfers to the Office of the State Treasurer. Failure to wire funds by a pool participant (after notification to the State Treasurer of an intended transfer) will result in a bank overdraft in the State Treasurer's bank account. Bank penalties for overdrafts will be assessed to those pool participants responsible for the overdraft.

WAC 210-01-090. WITHDRAWAL PROCEDURES. A pool participant, in order to withdraw funds from the pool, must notify the office of the state treasurer of any withdrawal over one million dollars no later than 9 a.m. on the same day the withdrawal is made. Withdrawals for one million dollars or less can be requested at any time prior to 10 a.m. on the day of withdrawal. Each local government entity participating in the pool shall file with the State Treasurer a letter designating the financial institution at which funds withdrawn from the pool shall be deposited. This shall contain the name of the financial institution, location of financial institution,

account number to which funds will be deposited and the account name. This letter shall be signed by local officials authorized to receive and disburse funds, as described in WAC 210-01-030. Disbursements from the pool will be by electronic funds transfer. Failure of the State Treasurer to wire funds to a pool participant (after proper notification to the State Treasurer to wire funds to a pool participant) may result in a bank overdraft in the pool participant's bank account. The State Treasurer will reimburse pool participants for such bank overdraft penalties charged to the pool participant's bank account.

WAC 210-01-100. INTEREST EARNINGS CREDIT. Interest earnings on funds deposited in the Local Government Investment Pool will be credited to each pool participant's account in the pool on the last day of the month in which the interest income was earned. These funds may be left on deposit and earn interest at the discretion of each pool participant.

WAC 210-01-110. REPORTING REQUIREMENTS. The State Treasurer will provide to each pool participant a monthly statement showing the participant's beginning balance, deposits, withdrawals, administrative charges, earnings rate, earnings, and ending balance for the calendar month.

WAC 210-01-120. ADMINISTRATIVE DEDUCTIONS. As authorized in RCW 43.250.060, the State Treasurer will require reimbursement for the administration and recovery of costs associated with the operation of the Local Government Investment Pool. The deduction for the amount to reimburse the Office of the State Treasurer will be based on the average daily balance of the funds deposited in the pool. Each participant will reimburse based upon its share of the total pool's assets. The deduction will be expressed as a percentage of the average daily funds on deposit in the pool for a specified period. This reimbursement will be deducted from each participant's earnings prior to the credit of those earnings. The administrative deduction will be adjusted to reflect actual experience.

[Statutory Authority: RCW 43.250.090, 43.250.010, [43.250].020 and [43.250].040. 96-18-029, § 210-01-120, filed 8/28/96, effective 9/28/96. Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639), § 210-01-120, filed 6/19/86.]

WAC 210-01-130. PORTFOLIO MANAGEMENT. The State Treasurer shall have sole responsibility in the setting of investment strategy for the Local Government Investment Pool. Any investments made hereunder shall be made with the exercise of that degree of judgment and care, under circumstances then prevailing, which men of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable income to be derived.

RESOLUTION AUTHORIZING INVESTMENT  
OF \_\_\_\_\_ MONIES IN THE  
LOCAL GOVERNMENT INVESTMENT POOL

WHEREAS, pursuant to Chapter 294, Laws of 1986, a Local Government Investment Pool in the State Treasury was created for the deposit of money of a political subdivision for purposes of investment by the State Treasurer; and

WHEREAS, the \_\_\_\_\_ does hereby find that the deposit and withdrawal of money in the Local Government Investment Pool in accordance with the provisions of this chapter for the purposes of investment as stated therein are in the best interests of the \_\_\_\_\_; and

WHEREAS, I (we) attest by my (our) signature that I (we) have been duly authorized and empowered to enter into this agreement.

NOW THEREFORE, BE IT RESOLVED that the \_\_\_\_\_ does hereby authorize the deposit and withdrawal of \_\_\_\_\_ monies in the Local Government Investment Pool in the State Treasury in accordance with this chapter for the purpose of investment as stated therein.

BE IT FURTHER RESOLVED that pursuant to the attached form the following \_\_\_\_\_ officers shall be authorized to order the deposit or withdrawal of monies in the Local Government Investment Pool.

PASSED AND ADOPTED by the \_\_\_\_\_ of the \_\_\_\_\_ State of Washington on this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
TITLE

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
TITLE



**OFFICE OF THE WASHINGTON STATE TREASURER**  
**LOCAL GOVERNMENT INVESTMENT POOL and/or REVENUE DISTRIBUTION**  
**TREASURY MANAGEMENT SYSTEM (TM\$)**  
**WEB CLIENT LOGON AUTHORIZATION FORM**

**Name of Entity:**

**NOTE: Full Access is available only for LGIP applicants, each LGIP person must also be listed on the Transaction Authorization Form.**

TM\$ Logon IDs and Passwords are requested for the following

1.  Add     Delete     Update

**LGIP:**  Full Access     View Only    **Rev Dist:**  View only

2.  Add     Delete     Update

**LGIP:**  Full Access     View Only    **Rev Dist:**  View only

Name:	Name:
Title:	Title:
E-mail address:	E-mail address:
Phone:	Phone:

3.  Add     Delete     Update

**LGIP:**  Full Access     View Only    **Rev Dist:**  View only

4.  Add     Delete     Update

**LGIP:**  Full Access     View Only    **Rev Dist:**  View only

Name:	Name:
Title:	Title:
E-mail address:	E-mail address:
Phone:	Phone:

By signature below, I certify I am authorized to represent the institution/agency for the purposes of this transaction.

<i>(Authorized Signature)</i>	<i>(Title)</i>	<i>(Date)</i>
<i>(E-mail address)</i>	<i>(Phone no.)</i>	<i>(Fax no.)</i>

Any changes to these instructions must be submitted in writing to the Office of the State Treasurer.  
Please mail this form to the address listed below:

OFFICE OF THE STATE TREASURER  
LOCAL GOVERNMENT INVESTMENT POOL  
LEGISLATIVE BUILDING  
PO BOX 40200

<b>Date Received:</b> ____ / ____ / ____
<b>Fund Number:</b> _____
<b>Date Updated:</b> ____ / ____ / ____
<i>(for ISD use only)</i>

LOCAL GOVERNMENT INVESTMENT POOL  
DIRECT DEPOSIT  
AUTHORIZATION FORM

I hereby authorize the State Treasurer's Office to deposit my State collected revenues for distribution to my account in the Local Government Investment Pool. I understand that the funds will be credited to my account in the pool on the day of distribution and will begin earning interest on that day. I further understand that those funds may be redeemed on the day of distribution in part or in whole by wire transfer, if notification is given by 9:00 AM. It is further agreed that direct deposit will remain in effect until a change has been submitted in writing to the Office of the State Treasurer.

\_\_\_\_\_  
Name of LGIP Participant

\_\_\_\_\_  
Signature of Authorized Official

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

**Date Received:** \_\_\_\_ / \_\_\_\_ / \_\_\_\_  
**Fund Number:** \_\_\_\_\_  
*(for LGIP use only)*