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
# TABLE OF CONTENTS

## OVERVIEW OF LGIP
- Introduction .................................................................................................................. 1
- Common Questions & Their Answers .......................................................................... 2

## PARTICIPATION SPECIFICATIONS
- Ordinance/Resolution .................................................................................................. 3
- Transaction Limitation .................................................................................................. 3
- Notifications of Large Deposits/Withdrawals ............................................................. 3
- Steps for Depositing Funds .......................................................................................... 3
- Steps for Withdrawing Funds ....................................................................................... 4
- Interest Earnings .......................................................................................................... 5
- Monthly Statements and Reporting .............................................................................. 5
- Administrative Fees ..................................................................................................... 6
- Rebate ......................................................................................................................... 6
- Direct Deposit Program ............................................................................................... 7

## ENROLLMENT INSTRUCTIONS
- Enrollment Instructions Sheet ..................................................................................... 8
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

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, call the LGIP at (800) 331-3284.
PARTICIPATION SPECIFICATIONS

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:

2. To ensure same day credit, a pool participant 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.

   For all other deposits over one million dollars that are requested prior to 10 a.m., a pool participant may receive same day credit at the discretion of the office of the state treasurer, taking into account when notification is received, the amount of the deposit, or any other factor that may affect the office of the state treasurer's ability to accommodate the requested deposit.

   All deposits will 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.

3. 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.

4. For wire instructions, please call 1-800-331-3284.

**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:

2. 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.

   For all other withdrawals over one million dollars that are requested prior to 10 a.m., a pool participant may receive such withdrawal on the same day it is requested at the discretion of the office of the state treasurer, taking into account when the request is received, the amount of the requested withdrawal, or any other factor that may affect the office of the state treasurer's ability to accommodate the requested 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 letter shall contain the name of the financial institution, location of the financial institution, account number to which funds will be deposited and 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.

3. Failure of the state treasurer to wire funds to a pool participant (after proper notification to the state treasurer to disburse 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.
4. 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.

**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
The Quarterly newsletter and the CAFR are available on the Office of the State Treasurer web-site at: www.tre.wa.gov

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

1. Prepare Resolution or Ordinance and have this approved by local governing authority

2. Complete Authorization Form including bank account information and authorized personnel

3. Complete the optional Treasury Management System Authorization Form to request logons for TM$

1. Evaluate the Direct Deposit Program described on page 7. If your entity elects to participate in this deposit vehicle, complete the ACH authorization form at http://www.tre.wa.gov/revenueDistribution/index.shtml The Office of the State Treasurer must receive the form two weeks prior to the direct deposit date taking effect.

2. All other forms are available online at:
http://www.tre.wa.gov/lgip/forms.shtml

3. Prior to participation, send the Resolution/Ordinance, Authorization forms, 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