



HON. DOUG DUCEY  
TREASURER

INVESTMENT  
PHILOSOPHY

**SAFETY**  
*before*  
**LIQUIDITY**  
*before*  
**YIELD**



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# Inside the Vault

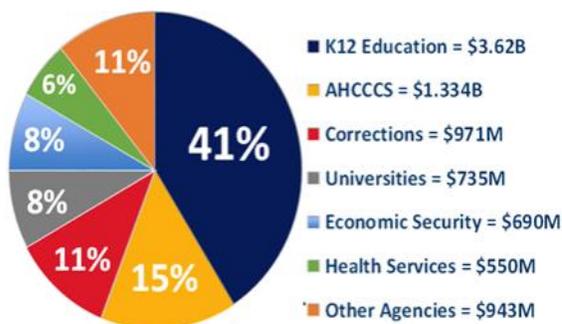
The Arizona State Treasurer's Quarterly Update

Volume III, Issue III

Q3 2013

## FY 2014 General Fund Budget = \$8.81 Billion

On June 17, 2013, the Governor signed into law the FY 2014 budget for the year beginning July 1, 2013. All the details from the full 400 page *Appropriations Report* distributed by the Joint Legislative Budget Committee (JLBC) are available online at: <http://www.azleg.gov/jlbc/14AR/apprpttoc.pdf>.

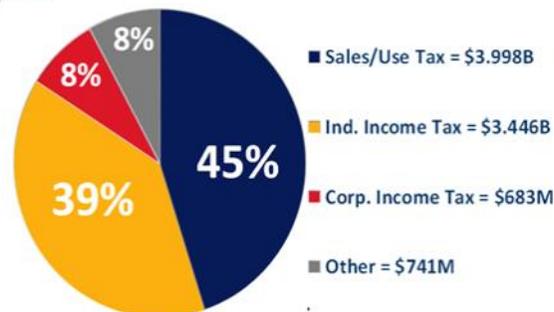


### WHERE IT GOES

General Fund spending is projected to increase from \$8.68 billion in FY 2013 to \$8.81 billion in FY 2014, which is an increase of \$125 million, or 1.4%. Excluding the one-time deposit to the Budget Stabilization Fund in FY 2013, the spending increase is \$325 million, or 3.8% above FY 2013.

### WHERE IT COMES FROM

General Fund revenues are anticipated to be \$9.05 billion in FY 2014, leaving a projected balance of \$248 million. That balance does not include the state's Budget Stabilization Fund reserve which is projected to top \$456 million by fiscal year's end.



## LGIP Service Fees Reduced

In an effort to better serve current participants, as well as attract additional investment dollars, Treasurer Ducey announced that as of August 1, 2013, the 6 basis point service fee collected from Local Government Investment Pool (LGIP) participants will be reduced 8.3% to 5.5 basis points. This translates to the annual fee dropping from \$60 to \$55 for every \$100,000 invested in LGIP funds. More than 150 AZ municipalities, special taxing districts, colleges, universities and state agencies currently invest over \$2.88 billion in the Treasurer's Office two short-term and two medium-term LGIP funds. FY 2013 LGIP earnings topped \$9.3 million, up from \$8.5 million in FY 2012.

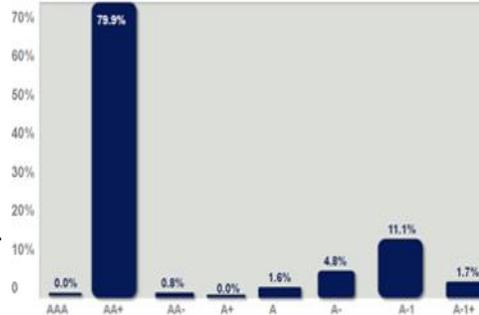
## LGIP Pool 5: Short-term fund

### AT A GLANCE

- \$1.19 Billion in assets with Net Asset Value at \$1.000 as of 6/30/2013.
- Diversified investments weighted to highly rated Commercial Paper, Repurchase Agreements and Agencies/Treasuries.
- Continues to maintain the highest rating of AAA/SI+.
- Weighted Average Maturity is 25 days.
- Short-term rates have remained choppy and overnight repo rates have been extremely low. Will be adding more short corporate bonds and asset-backed securities this quarter.

### Safety

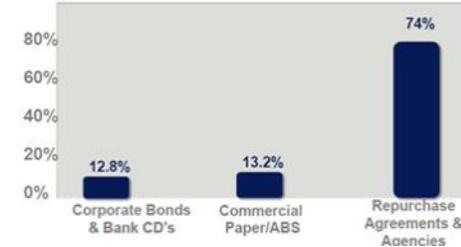
Continues to receive highest rating from Standard & Poor's: AAA/SI+



### Liquidity

Weighted Average Maturity: 25 days on 6/30/2013  
DURATION: 100% from 0-1 yrs

ASSET MIX:



### Yield

.20% FYTD

.08% FYTD (S&P LGIP Index)

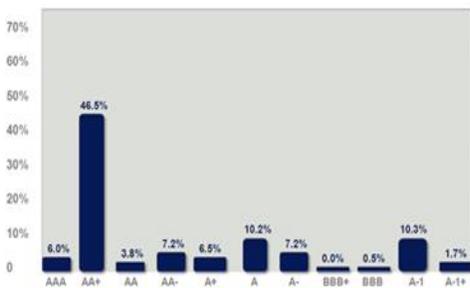


**Pool 5  
beat its  
benchmark by  
12 basis points  
in FY 2013**

## LGIP Pool 500: Medium-term fund

### Safety

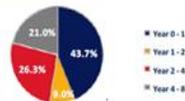
AA Weighted Average Rating



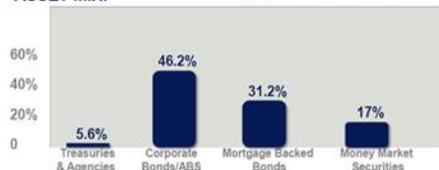
### Liquidity

Effective Duration: 1.99 years on 6/30/2013

DURATION:



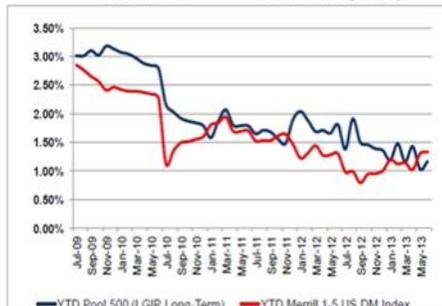
ASSET MIX:



### Yield

1.37% FYTD

1.06% FYTD (Index)



**Pool 500  
beat its  
benchmark by  
31 basis points  
in FY 2013**

### AT A GLANCE

- \$289.1 Million in assets with Floating Net Asset Value at \$1.0288 as of 6/30/2013.
- Diversified fund containing Treasuries, Agencies, Corporate Bonds and Mortgages.
- The effective duration is 1.99 years.
- Keeping the fund short with 52.7% of the investments maturing under two years.
- Maximum exposure to any credit at 2.5%.
- Weighted Average Rating of all the securities is AA.

**Pool 7 LGIP-GOV: Short-term fund**

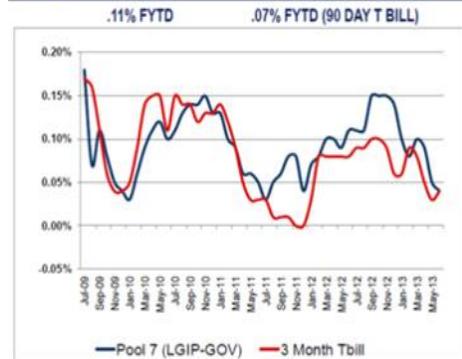
**AT A GLANCE**

- \$1.17 Billion Assets with Net Asset Value at \$1.00 as of 6/30/2013.
- Invested in highly liquid, low-risk securities that are backed by the full faith and credit of the U.S. Government.
- Overall rating is AA+, which reflects the S&P downgrade of U.S. debt.
- Weighted Average Maturity is 15 days.
- Overnight repo rates have been very slow this summer. We'll be looking to ladder treasuries/repo and other full faith and credit products up to a 13 month horizon.

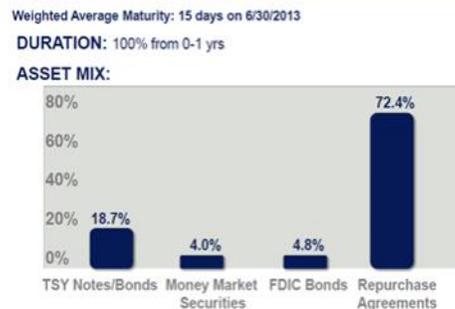
**Safety**



**Yield**



**Liquidity**



**Pool 7  
beat its  
benchmark by  
4 basis points  
in FY 2013**

**Pool 700 LGIP-GOV: Medium-term fund**

**Safety**



**Yield**



**AT A GLANCE**

- \$231.3 Million in assets with Floating Net Asset Value at \$1.0017 as of 6/30/2013.
- All securities are backed by the full faith and credit of U.S. Government including Treasuries, FDIC paper and GNMA Mortgages.
- The effective duration is 2.12 years.
- Keeping the fund short with 47.6% of the investments maturing in under two years.
- Weighted Average Rating of all the securities is AA+.

**Liquidity**



**Pool 700  
beat its  
benchmark by  
28 basis points  
in FY 2013**

**OFFICE OF THE**

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View AZ's Daily Cash Balance at [www.AZCheckbook.com](http://www.AZCheckbook.com)



**AZ Economic Indicators**

Each month the Joint Legislative Budget Committee (JLBC) publishes fiscal highlights including key indicators used to track Arizona's economic recovery:

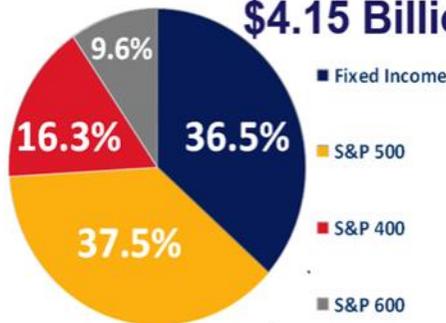
<http://www.azleg.gov/jlbc/monthlyhighlights.htm>

- July '12 AZ Population **6.55 billion +1.3% YOY**
- Q1 '13 Personal Income **\$238 billion +2.5% YOY**
- June '13 Unemployment **8.0% -0.4% YOY**
- July '13 AHCCCS (Medicaid) Recipients **1,278,412 -0.2% YOY**
- May '13 TANF (Cash Assistance) Recipients **36,770 -7.1% YOY**
- May '13 SNAP (Food Stamps) Recipients **1,102,305 -0.8% YOY**
- June '13 Maricopa County Foreclosures **8,027 -55.2% YOY**
- May '13 Greater Phx Single-family Home Sales **9,843 +2% YOY**
- May '13 Greater Phx Single-family Home Price **\$185,000 +25.9% YOY**
- March-May '13 Single-family Building Permits **1,737 +14.7% YOY**
- May '13 Sky Harbor Air Passengers **3.47 million +1.7% YOY**
- Q2 '13 AZ Consumer Confidence Index **69.6 +1.5% YOY**

**Land Endowment  
Asset Allocation**

(as of June 30, 2013)

**\$4.15 Billion**



**AZ's Savings Account**

Budget Stabilization Fund  
(as of June 30, 2013)

**\$454,101,736**

Monthly Interest Earned:

April = \$347,151

May = \$308,671

June = \$328,947

**AZ's Checking Account**

FY 2013 Average  
Monthly Cash Balance:

**+36% YOY**

April = \$2.108 Billion

May = \$2.426 Billion

June = \$2.678 Billion

**FY 2013 Earnings**

**\$127,575,916**

