



# City of Culver City

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## Staff Report Details (With Text)

**File #:** 18-0470      **Version:** 2      **Name:** Investment Advisory and Portfolio Management Services  
**Type:** Minute Order      **Status:** Consent Agenda  
**File created:** 11/1/2017      **In control:** City Council Meeting Agenda  
**On agenda:** 11/13/2017      **Final action:**  
**Title:** CC - Approval of a Professional Services Agreement with Insight Investment for Investment Advisory and Portfolio Management Services for a Five-Year Term (Ending on November 30, 2022) with an Annual Fee of 0.050% of All Assets.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:**

Date	Ver.	Action By	Action	Result
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**CC - Approval of a Professional Services Agreement with Insight Investment for Investment Advisory and Portfolio Management Services for a Five-Year Term (Ending on November 30, 2022) with an Annual Fee of 0.050% of All Assets.**

**Meeting Date:** November 13, 2017

**Contact Person/Dept:** Jeff Muir/Finance

**Phone Number:** 310-253-5865

**Fiscal Impact:** Yes ☒ No ☐

**General Fund:** Yes ☒ No ☐

**Public Hearing:** ☐      **Action Item:** ☐      **Attachments:** ☐

**Commission Action Required:** Yes ☐ No ☒      **Date:**

**Public Notification:** (E-Mail) Meetings and Agendas - City Council (11/09/17)

**Department Approval:** Jeff Muir, Chief Financial Officer (11/07/17)

### RECOMMENDATION

Staff recommends the City Council approve a professional services agreement with Insight Investment to provide investment advisory and portfolio management services for a five-year term (Ending on November 30, 2022), for an annual fee of 0.050% of all assets.

## **BACKGROUND**

Pursuant to the authority granted the City Manager by the City Charter, the City Manager has appointed the Chief Financial Officer as City Treasurer. Therefore, the Chief Financial Officer is responsible for the management of the cash and investment portfolio for the City. The investment portfolio for the City was approximately \$128 million at the end of Fiscal Year 2016/2017. While the City has a significant amount of cash and investments at any one time, the majority of this is reserved for particular purposes or projects. Cash to cover short-term operations is kept highly liquid, while the remainder can be invested with a longer-term approach that results in higher interest earnings.

The Finance Department released a Request for Proposals on August 24, 2017 with responses due on October 05, 2017. Thirteen firms submitted bids. The firms that responded, in alphabetical order, were:

1. Aequis Wealth Management, LLC
2. Aristotle Credit Partners
3. Chandler Asset Management
4. Columbia Capital Management, LLC
5. D.B. Fitzpatrick & Co., Inc.
6. Garcia Hamilton & Associates, L.P.
7. Government Portfolio Advisors, LLC
8. Insight Investment
9. Miles Capital, Inc.
10. PFM Asset Management LLC
11. Public Trust Advisors
12. Ryan Labs Asset Management
13. Western Asset Management Company

The scope of services anticipated in the RFP included:

1. Manage the City portfolio with semi-discretionary authority within the confines of the approved Investment Policy.
2. Assist the City with cash flow/maturity analysis.
3. Provide credit analysis of investment instruments in portfolio.
4. Provide monthly/quarterly/annual reporting for City-managed funds.
5. Attend in-person meetings in the City at least annually. Be available for meetings via teleconference more frequently if required..
6. Evaluate market risk and develop strategies that minimize the impact on the portfolio.
7. Provide assurance of portfolio compliance with applicable policies and laws.
8. Establish an appropriate performance benchmark and report actual outcomes against it.
9. Ensure that the portfolio structure matches the City objectives.
10. Review the City's Investment Policy and make recommendations for changes, as appropriate.
11. Assist the City in establishing and maintaining an authorized broker/dealer list pursuant to the Investment Policy.

## **DISCUSSION**

Because of the large number of proposals, an initial ranking was completed based on pricing. Based on this ranking, staff completed an in-depth review of the top five proposals that included:

1. Insight Investment
2. Miles Capital, Inc.
3. Garcia Hamilton & Associates, L.P.
4. Public Trust Advisors
5. Government Portfolio Advisors, LLC

Finance Department staff reviewed all proposals and evaluated them based on:

- Understanding of the work required by the City and the overall investment program objectives.
- Proposed approach to managing the portfolio
- Quality, clarity and responsiveness of the proposal
- Experience and qualifications
- Recent experience in managing portfolios of similar sized California cities.
- References
- Background of assigned individuals
- Proposed Compensation

After careful consideration, it was determined that Insight Investment is the firm that can provide the greatest level of service and expertise to the City. Insight Investment has been the City's portfolio manager since 2011. They were also the lowest price proposal.

Insight has provided fixed income portfolio management services primarily to the public sector for 25 years. They have nearly \$154 billion in fixed income assets under management for governmental clients in California and throughout the country. Insight is a leading provider of investment management services nationwide and specializes in investment strategies for operational funds, capital project funds, self-insurance funds, bond proceeds, and local government investment pools. Their California client list includes cities such as Atherton, Lancaster, Los Gatos, Menlo Park, Murrieta, Poway, Rancho Cordova, San Pablo, San Rafael, Simi Valley, Thousand Oaks, and Yuba City.

Insight will assign five investment professionals who are experienced and knowledgeable of the California Government Code Section 53601 which restricts how local agency funds can be invested, and they are supported by the wider resources of their affiliated companies across London and New York. They are a full-service firm, meaning they do not engage outside parties.

Insight will receive compensation for its investment management activities solely through direct advisory fees paid by the City. Insight does not have any 'soft dollar' arrangements with brokers. Investment transactions are coordinated through the City's custodial accounts with Union Bank. While Insight will be authorized to make certain investment decisions, they will never have custody or possession of City funds.

The services provided by Insight will include a careful analysis of the City's current and projected cash flow needs. Based on this analysis, the portfolio can be efficiently invested in securities with proper and varying durations to ensure the safety and liquidity needs of the City are met, while

maximizing the available yield within these constraints. Staff does not have the expertise that Insight does in analyzing and researching investments, particularly in the area of corporate notes. Monthly and year-end investment reporting will be provided, and staff will only need to provide oversight to the investment function. More efficient investment of the portfolio will be achieved with Insight, and additional yield will be realized that would not have otherwise been achieved. The City outsourced this function in 2011 during the recession, and the Chief Financial Officer strongly believes this to be the most cost-beneficial method for managing the portfolio.

## **FISCAL ANALYSIS**

Insight Investment's annual fee schedule is all-inclusive and is as follows:

All Assets .....0.050%

The five basis point fee with a portfolio of \$128 million, for example, the annual cost would be estimated to be \$64,000. The City will be invoiced monthly.

There are sufficient funds appropriated in the Finance Department's Fiscal Year 2017/18, as included in 10114100.619800, to cover the cost of this service. Amounts for the remaining period of the five-year term will be incorporated into future budgets.

## **ATTACHMENTS**

None.

## **MOTIONS**

That the City Council:

1. Approve a professional services agreement with Insight Investment for Investment for Investment Advisory and Portfolio Management Services for a five-year term (Ending on November 30, 2022), for an annual fee of 0.050% of all assets,
2. Authorize the City Attorney to review/prepare the necessary documents; and,
3. Authorize the City Manager to execute such documents on behalf of the City.