



Legislation Text

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Recommendation to authorize City Manager to execute an Agreement with Chandler Asset Management to provide investment advisory and management services relating to the City's pooled investment portfolio, in an amount not to exceed \$300,000 annually, for a period of two years with options for three, one-year extensions, at the discretion of the City Manager; and

Revise the City of Long Beach Investment Policy for Calendar Year 2009 to comply with the new agreement with Chandler Asset Management. (Citywide)

The City aggregates all funds not immediately required for disbursement in a pool, which invests in various investment securities and vehicles. The City directly invests in securities permitted by the City's Investment Policy. In Fiscal Year 2004, the City Treasurer's Office engaged an external investment advisor to manage a segment of the investment portfolio for a period of one-year. The proposed Agreement with Chandler Asset Management reflects similar services and terms.

As recommended by the City's Investment Advisory Committee (Committee), which is comprised of the Assistant City Manager, Assistant City Attorney, Assistant City Auditor, Director of Financial Management/CFO, City Controller, City Treasurer, Revenue Officer, and financial representatives from the Harbor, Water and Community Development Departments, the City conducted a comprehensive Request for Proposal (RFP) for investment advisory services. The City sought participation by national and local firms. The RFP was accessed by 161 potential bidders, and was directly sent to an additional 12 financial advisory firms. Five proposals were received and four finalists (Bond Logistix, Chandler Asset Management, Highmark Capital, and MBIA) were invited to interview with the Investment Advisory Committee (Committee). Chandler Asset Management was selected from a field of national and local advisory firms.

Chandler Asset Management is a premier independent fixed-income investment advisor and is a California-based woman-owned firm that has served the public sector since 1988. Chandler Asset Management currently advises 66 clients such as San Diego County, Tulare County, the cities of Los Angeles, Stockton, Monterey, La Habra, Corona, Brea, and the Alameda Corridor Transportation Authority.

In addition to providing investment advise to the City and active management of approximately 25 per cent of pooled funds, Chandler Asset Management will provide on-going oversight of investments, financial markets, regulatory developments, investment strategy review, and performance evaluation. Chandler's comprehensive scope of investment services will leverage the Treasury's investment service level through additional investment oversight, enhanced reporting, application of portfolio optimization software, and enhanced compliance oversight.

The proposed revisions to the annual investment policy will provide for limited securities trading to periodically rebalance the investment portfolio to reflect the specialization of each investment pool segment.

As the capital markets and economy stabilize, a more diversified portfolio of investment options will become advisable to diversify total portfolio risk. It is recognized that each asset class carries inherent risks, and high investment concentration within a sole asset class or economic sector can over-expose the portfolio. Asset diversification allows these class risks to counterbalance one another. The California Government Code embodied in the City's Investment Policy governs eligibility of asset classes for municipality portfolios. Chandler Asset Management will also be bound by Government Code and City Investment Policy in its investment activities.

This matter was reviewed by Deputy City Attorney Amy R. Burton and Budget and Performance Management Manager David Wodynski on August 26, 2009.

City Council action on this item is requested on September 22, 2009 to further the portfolio goals of safety of principal, and maintaining adequate liquidity.

Investment advisory services are an expense of the investment management function. The proposed fees are calculated as follows: 0.08 percent of the first \$100 million managed by Chandler Asset Management, and 0.06 percent of the funds managed exceeding that amount. Based on the current balance of \$1.7 billion in the pooled investment portfolio, fees are expected not to exceed \$300,000 annually, and will be paid for by the portfolio earnings.

Approve recommendation.

LORI ANN FARRELL
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

APPROVED:

PATRICK H. WEST
CITY MANAGER