



Legislation Text

File #: 20-0376, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute all documents necessary to amend Investment Advisory Agreement

No. 33749 with Chandler Asset Management, Inc., of San Diego, CA, for investment advisory and management services, to include authorization for as-needed trading and managing of short and intermediate investment portfolios, increasing the annual amount by \$168,000, for a revised annual amount not to exceed \$468,000. (Citywide)

City Council approval is requested to amend Investment Advisory Agreement No. 33749 (Agreement) with Chandler Asset Management, Inc. (Chandler), to include authorization for as-needed trading and managing of short-term and intermediate-term investment portfolios, and to increase the annual amount of the Agreement by \$168,000.

The City's short-, intermediate- and long-term investment portfolios need to be continually managed to ensure the City of Long Beach (City) receives appropriate interest earnings. Chandler currently manages the City's long-term investment portfolio. Following the City's emergency declaration related to the COVID-19 pandemic on March 4, 2020, the City Treasurer's Office reviewed its business continuity plan and determined that additional backup support for the short- and intermediate-term investment function is in the best interests of the City. The requested amendment provides a contingency plan to ensure the continuity of trading and management of the City's short- and intermediate-term investment portfolios in the event that City management staff is not able to perform this function due to an emergency situation. When authorized in such an emergency situation, Chandler will have the discretionary authority to execute trades on the City's behalf in accordance with the amended Scope of Services. The firm is familiar with the City's investment policy and compliance requirements. It also maintains the City's investment data in its system and can step in expediently to purchase or liquidate securities until Treasury management staff can resume responsibility.

There is no current expectation that these services will be utilized, as the City has several management staff members who are knowledgeable and able to perform these functions with appropriate controls being maintained. Chandler's emergency trading directive for the short- and intermediate-term portfolio would only become effective upon authorization by the City and would continue only during an emergency situation.

Chandler will charge a flat fee of two basis points (0.02 percent) on the average market value of the short- and intermediate-term investment portfolios for the duration of the extra service. At this rate, the weekly emergency cost is estimated at \$4,800. The maximum cost in 2020 for this emergency service would be \$168,000. Accordingly, the maximum annual fees under the Agreement are increased from \$300,000 to \$468,000 through the end of the Agreement

term on December 31, 2020.

This matter was reviewed by Deputy City Attorney Amy R. Webber, Deputy Finance Director Sandy Tsang-Palmer, and by Budget Management Officer Rhutu Amin Gharib on April 20, 2020.

City Council action is requested on May 5, 2020, to put the emergency contingency plan in place as soon as possible, particularly during this COVID-19 pandemic.

Currently, there is no expected cost for this service as it is a secondary backup for the City Treasurer's Office and is not expected to be utilized. There is no appropriation increase requested with this recommendation. If the additional service is utilized during an emergency period, the cost is estimated at \$4,800 a week. The maximum incremental cost, if used through the end of the contract term on December 31, 2020, is \$168,000. Any cost would be netted against citywide interest earnings and would result in slightly reduced interest earnings to the various City fund groups. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

Approve recommendation.

JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

THOMAS B. MODICA
ACTING CITY MANAGER