



## Legislation Text

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Staff Report for a City of San Leandro City Council Resolution to Approve Amendment No. 2 to the Term of the Agreement between the City of San Leandro and Chandler Asset Management for Investment Services through June 30, 2021, to Add an Additional \$40,000 per Fiscal Year for a total of \$115,000 per Fiscal Year, and to Approve Appropriation of \$40,000 per Fiscal Year from the General Fund Fund Balance

### **SUMMARY AND RECOMMENDATIONS**

Staff recommends the City Council review and approve Amendment No. 2 to the Term of the Agreement and amount of compensation between the City of San Leandro and Chandler Asset Management for investment services through June 30, 2021.

Staff further recommends the City Council approve an additional appropriation of \$40,000 per fiscal year (2019-20 and 2020-21) from the General Fund fund balance.

### **BACKGROUND**

On October 3, 2016, the City Council approved a consulting services agreement with Chandler Asset Management for investment services of City funds through June 30, 2020. Chandler was selected based on its ability to assist the City in developing an investment management program that established appropriate durations of investments based on the City's cash flow needs, and that was aligned with the City's conservative investment approach.

### **Analysis**

Over the last three and one-half years, Chandler Asset Management has provided the following services to the City:

- Full-time management of the City's investment portfolio;
- Development and implementation of investment strategies that enhance the City's portfolio performance within the parameters of the City's Investment Policy and California State law;
- Assist City staff in reviewing and updating, at least annually, the City's Investment Policy to ensure all regulatory updates are included, and the City's evolving priorities are reflected in the portfolio;
- Monthly consultation with City staff regarding the City's cash flow needs, investment opportunities and market conditions;
- Trade execution, trade confirmation and trade settlement with City's safekeeping bank;
- Monitoring of creditworthiness of investments;
- Monthly and quarterly reporting and analysis of investment holdings and performance; and
- Adherence to the City's over-arching investment philosophy of Safety, Liquidity and Yield.

Over the years, the amounts invested in the City's portfolio ranged from a low of \$27.8 million in Fiscal Year 2010, to a high of \$110.6 million as of February 29, 2020. Chandler's current contract runs through June 30, 2020. They are paid based on the value of the investment portfolio. The first \$15 million of assets under management costs the City 0.125% of 1%. Assets in excess of \$15 million costs the City 0.09% of 1%. The average annual amount paid to Chandler for services provided over the past three years has been \$65,000.

Chandler has provided excellent service to the City and consistently protects its investments.

### **Previous Actions**

- October 3, 2016 Resolution 2016-124 approving the Consulting Services Agreement with Chandler Asset Management, Inc. for investment management of the City of San Leandro's funds
- September 17, 2018 Resolution 2018-110 approving Amendment No. 1 of the Consulting Services Agreement with Chandler Asset Management, Inc. for investment management of the City of San Leandro's funds

### **Fiscal Impact**

The investment program costs have ranged from \$30,000 to \$75,000 depending on the total investment amount. The average annual cost for the past three years has been \$65,000. As a result of the size of the portfolio, the contract with Chandler requires an additional \$40,000 through the end of the current Fiscal Year (2020). It is expected that the contract will cost a total of \$115,000 for Fiscal Year 2020.

### **Budget Authority**

The budget for Fiscal Year 2020 is \$75,000. Staff recommends City Council approve appropriation of funds from the General Fund fund balance of \$40,000 for Fiscal Year 2019-20 and \$40,000 for Fiscal Year 2020-21.

### **ATTACHMENT**

Consulting Services Agreement between the City of San Leandro and Chandler Asset Management

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