



CITY COUNCIL AGENDA REPORT

MEETING DATE: APRIL 15, 2014

ITEM NUMBER:

SUBJECT: INVESTMENT MANAGEMENT SERVICES UPDATE

DATE: MARCH 27, 2014

FROM: FINANCE DEPARTMENT

PRESENTATION BY: STEPHEN DUNIVENT, INTERIM FINANCE DIRECTOR

FOR FURTHER INFORMATION CONTACT: COLLEEN O'DONOGHUE, ASST. FINANCE DIRECTOR (714) 754-5219

RECOMMENDATION

Receive and file.

BACKGROUND

For many years the City Treasurer/Finance Director has managed the City's investment portfolio. As per Government Code Section 53600.5 and the City's investment policy, the goals while investing City funds are 1.) safety, 2.) liquidity and 3.) yield.

During the last few years with staff reductions and increased workloads, it had become increasingly clear that the City's portfolio could benefit from full time expert management by a professionally managed investment firm. During the last five years of an economic recessionary period, the Federal Government has kept interest rates historically low, making investing City funds and diversifying the portfolio very difficult. Many investments that could garner the City a higher yield, come with a slight amount of risk. Contracting the management of the City's portfolio helps manage the exposure to riskier investments (safety) while increasing the total return of the portfolio (yield).

On June 18, 2013, the City Council approved an investment management contract with Chandler Asset Management after an extensive request for proposal solicitation and evaluation process and unanimous support by the Finance Advisory Committee.

ANALYSIS

Chandler's investment philosophy for the portfolio is to maintain a conservatively balanced portfolio that is focused on safety and liquidity first, then yield. This philosophy helps manage the portfolio in both increasing and decreasing interest rate environments. Additional benefits of contracting with Chandler include:

- Proprietary software to ensure all transactions meet State Code and the City's Investment Policy guidelines,
- Consistent and focused attention to the portfolio,
- Access to market resources such as Bloomberg, Trade Web and proprietary optimizing models,
- Volume pricing optimization on transactions and other services,

- Monthly online reporting and monitoring tools for all transactions and current balances,
- Continuity of the investment program regardless of changes or fluctuations in staffing levels or City personnel,
- On-call pro-active staff ready to provide expert advice on questions, investment transaction decisions and financial market conditions.

Under Chandler's management, the City's total rate of return (1.54%) has exceeded the one to five year Government Treasury/Agency Benchmark (0.99%).

LEGAL REVIEW

Not required.

CONCLUSION

Staff is pleased with Chandler's investment expertise and guidance, their availability and timely input and reports have increased the efficiency of the City's Treasury Management Division.

STEPHEN DUNIVENT
Interim Finance Director/Treasurer

COLLEEN O'DONOGHUE
Assistant Finance Director

Attachments:

1. [February 2014 Treasurer's Report](#)