



CITY OF CARSON

Legislation Text

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Report to Mayor and City Council

Tuesday, January 24, 2017

Discussion

SUBJECT:

CONSIDER APPROVING A CONTRACT SERVICES AGREEMENT WITH FTN FINANCIAL MAIN STREET ADVISORS TO PROVIDE NON-DISCRETIONARY INVESTMENT ADVISORY SERVICES FOR THE CITY AND ITS REPORTING ENTITIES, AND THE CARSON RECLAMATION AUTHORITY

I. SUMMARY

The City Council directed staff to prepare a Request for Proposals (RFP) for investment advisory services to assist the City Treasurer in managing the City's investments. An RFP was issued, proposals received and evaluated, and a recommendation is being made to the City Council.

II. RECOMMENDATION

TAKE the following actions:

1. APPROVE the Contract Services Agreement with FTN Financial Main Street Advisors in the amount, not to exceed, \$48,000 for a period of one year, with four one-year options at the discretion of the City (Exhibit No. 1).
2. ADOPT Resolution No. 17-010. A RESOLUTION OF THE CITY OF CARSON CITY COUNCIL AMENDING THE FISCAL YEAR 2016-17 BUDGET IN THE GENERAL FUND (Exhibit No. 5).

III. ALTERNATIVES

1. APPROVE a Contract Services Agreement with another proposer.
2. REJECT all proposals and direct staff to either rebid the investment advisory services.
3. REJECT all proposals and cancel the RFP process.
4. TAKE another action the City Council deems appropriate and consistent with the requirements of law.

IV. BACKGROUND

On April 19, 2016, the City Council directed staff to prepare an RFP for investment advisory services. The selected service provider will assist the City Treasurer in managing the investments of the City, the Carson Housing Authority, the Carson Successor Agency, and the Carson Reclamation Authority ("CRA"). City Council also authorized the hiring of a consultant to assist in the preparation of the RFP, evaluation of the proposals, assist in the selection of the investment advisor to interview, and coordinate and participate in the interviews.

There are two types of investment advisory services the City could obtain, discretionary and non-discretionary. Under discretionary services, the firm is contracted to buy and sell investments without the City's consent. Under non-discretionary services, the firm provides investment advice and recommendations to the City, but the City retains control over making the investment decisions. The RFP was prepared seeking the services of a firm to provide non-discretionary investment advisory services (Exhibit No. 2). The services to be provided by the investment advisor to the City include:

- Non-discretionary investment advice regarding the City's, including the Carson Housing Authority and Carson Successor Agency, and the CRA's portfolio. The investment advisor will not be managing the portfolio, but will be providing advice to the City Treasurer, who will retain all final investing decisions and placing of investments.
- Development and implementation of investment strategies for the funds under management that will seek to enhance performance under current and future market conditions within the parameters of the Investment Policy and cash flow needs.
- Technical and fundamental market research, including yield curve analysis.
- Documentation of competitive prices for securities transactions.
- Provide monthly/quarterly/annual reporting of City, its reporting entities and CRA funds under management.
- Credit analysis of investment instruments in the portfolio.
- Meetings with the City's Investment Team, which consists of the City Treasurer, City Manager and Finance Director, at least twice a year to review the investment program and portfolio performance.
- Evaluate market risk and develop strategies that minimize the impact on the portfolio.
- Review the City's Investment Policy and make recommendations for change as appropriate.

The investment advisor will not take custody or possession of the funds or securities to which it is advising the City. The City will continue to use BNY Mellon as its custodian for

safekeeping investments.

The RFP was distributed via email and was posted on the City's website on July 28, 2016. Firms interested in responding were to submit a proposal to the City Treasurer no later than 4:00 pm on August 29, 2016.

The City received seven proposals in response to the RFP. Firms responding to the RFP, their location and bid price included the following. The bid prices varied in structure by firm. Therefore, in order to make comparisons consistent, the bid prices were calculated based upon \$100 million of invested funds. See Exhibit No. 4.

Upon receipt of the proposals, the City Treasurer determined that the proposal from Oehmke Group at Morgan Stanley was not completed in that it did not include the required CD or flash drive that was to be submitted with its proposal. As such, this firm was considered non-responsive and excluded from further evaluation.

The proposals were distributed to an evaluation committee, which consisted of the following individuals:

- Monica Cooper, City Treasurer
- Ken Farfsing, City Manager
- Trinidad Catbagan, City Controller
- Kathryn Downs, Finance Director
- Robert Khuu, Deputy City Attorney
- Marc Davis, Partner, Davis Farr LLP

Each member of the evaluation committee reviewed all of the proposals and evaluated them according to the criteria included in the RFP. This criteria consisted of the following:

1. Compliance with the requirements of this RFP and quality of proposal, including completion of all required responses in the specified format.
2. Firm experience, including the respondent's stability, resources, qualifications, and relevant experience and/or record of past performance in implementing and delivering such services to local governments with like-kind operations.
3. Professional experience and qualifications of the individuals assigned to the account.
4. Portfolio management resources, investment philosophy, approach and reporting capabilities.
5. Respondent's acceptance of the City's contractual terms and conditions, as applicable.
6. Overall cost of respondent's proposal.

The evaluation committee met on November 16, 2016 to discuss the results of their review of the proposals submitted. It was the unanimous decision of the committee that three firms provided complete solutions that were better than the others. The three finalists were:

- FTN Financial Main Street Advisors
- PFM Asset Management LLC
- Public Trust Advisors

Oral interviews were held with the three finalists on November 30, 2016. Each firm was asked to provide a 5 minute presentation, 30 minutes for questions and answers, and 5 minutes for closing remarks. Each firm was asked the same seven questions, followed by specific questions related to the specific proposal submitted by that firm. The individuals representing the City in the interview phase included:

- Monica Cooper, City Treasurer
- Ken Farfsing, City Manager
- Trinidad Catbagan, City Controller
- Kathryn Downs, Finance Director
- Marc Davis, Partner, Davis Farr LLP

At the conclusion of the interviews, it was the unanimous decision of the panel that FTN Financial Main Street Advisors should be recommended to the City Council for award. Of the finalist firms, FTN Financial Main Street Advisors also submitted the lowest fee.

V. FISCAL IMPACT

The estimated Unassigned General Fund Balance (available to spend) at June 30, 2017 is \$2,114,646, as calculated in the attached General Fund Budget Summary (Exhibit 6). If the City Council approves Resolution No. 17-010, attached as Exhibit No. 5, the estimated Unassigned General Fund Balance will be reduced by \$20,000 (5 months X \$4,000 per month).

FTN reported that they would assist the Carson Reclamation Authority (CRA) with investment advice on the CRA's Trust Account, at no additional cost to the City or the CRA. It is also suggested that the City conduct an evaluation of FTN's performance after the first year in order to determine if there was value added in relying on their investment advice.

VI. EXHIBITS

1. Contract Services Agreement. (pgs. 5-32)
2. RFP for Investment Advisory Services (minus exhibits). (pgs. 33-42)
3. Proposal Submitted by FTN Financial Main Street Advisors (minus exhibits). (pgs. 43-70)
4. Bid Comparison Chart. (pg. 71)
5. Resolution No. 17-010. (pgs. 72-73)
6. General Fund Budget Summary (pg. 74)

1.

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