



CITY COUNCIL

STAFF REPORT

November 6, 2024

ITEM TITLE: RESOLUTION 2024-073 AUTHORIZING AN AGREEMENT WITH CHANDLER ASSET MANAGEMENT FOR INVESTMENT MANAGEMENT AND OTHER FINANCIAL SERVICES. (0350-10)

ORIGINATING DEPARTMENT:

Finance

EXECUTIVE SUMMARY:

Chandler Asset Management has provided investment management and other financial services for the City of Imperial Beach since May 13, 2013. The service provided is consistent with the City Investment Policy. The customer service, including the bi-annual investment presentation to the Council, has been excellent. The current contract extension ended in June 2024.

RECOMMENDATION:

Staff recommends the City Council adopt Resolution No. 2024-073 authorizing the City Manager to execute an agreement with Chandler Asset Management for investment management and other financial services through June 30, 2029.

OPTIONS:

- Adopt Resolution No. 2024-073 authorizing the City Manager to execute an agreement with Chandler Asset Management
- Provide direction to the City Manager to take alternative action
- Provide direction to staff to provide additional information
- Deny Resolution No. 2024-073

BACKGROUND/ANALYSIS:

In May 2013, the City of Imperial Beach entered into an agreement with Chandler Asset Management for investment management and other financial services. In the April 3, 2013 staff report (agenda item 6.3), the staff outlined the key advantages to using Chandler Asset Management which include competitive pricing, a proven track record of solid investment practices and returns, and local headquarters in San Diego. These characteristics remain constant, and Chandler Asset Management has met or exceeded expectations. Several local agencies utilize Chandler Asset Management, and all cited customer service as a key factor. The bi-annual investment reports have been conducted in person, are very informative, and have been well received. Having a local representative available is an advantage in this critical investment process.

The relationship between a City and its Investment Banker is much like the relationship between individuals and their personal financial advisors. A strong partnership allows the Investment Banker to understand the specific financial intricacies of the City and collaborate effectively with

the financial staff, ensuring not only effective investment strategies but also efficient and beneficial daily cash management practices.

For example, unlike many municipalities in San Diego County, the City of Imperial Beach's highest revenue source is property tax. In many other communities, sales tax, transient occupancy tax, and other forms of revenue exceed property tax revenues. This distinction is crucial because property tax is submitted to the City, primarily, in two large payments per year, leading to periods of negative cash flow for several months of the year.

The Investment Banker must carefully manage a mixture of short and long-term investments to ensure the City's cash management needs are satisfied while maximizing the rate of return realized by longer-term investments. This is only one example of how maintaining a longer relationship with an effective and knowledgeable Investment Banker can benefit the City. However, should the City ever experience poor performance, loss of competitive pricing, or lack of customer service, termination procedures have been included in the proposed agreement.

Ultimately, just as a personal investment professional tailors strategies based on a client's income, retirement goals, and health concerns, a dedicated investment banker can guide the City through a long-term financial plan. It is important to build a trusting and lasting relationship with our Investment Banker.

Staff has determined that the annual pricing during the extension of 0.10 of 1 % (10 basis points) for the first \$25 million of assets managed (0.08 if assets exceed \$25 million) is competitive. The new contract term would end on June 30, 2029. The proposed professional services agreement is an extension of the agreement signed in November 2019 authorized by Resolution No, 2019-8096.

ENVIRONMENTAL DETERMINATION:

Not a project as defined by CEQA.

FISCAL IMPACT:

The "Annual Investment Management Fee" is 0.10 of 1% based on current assets invested. If and when the investments exceed \$25 million the fee reduces to 0.08 of 1%. Staff's analysis of agencies with similar sized portfolios confirmed that the rates are competitive.

ATTACHMENTS:

ATT 1 – Resolution 2024-073

ATT 2 – Professional Services Agreement with Chandler Asset Management for Investment Management and Other Financial Services