

**REQUEST FOR PROPOSALS**  
**For**  
**INVESTMENT ADVISORY SERVICES**



**Issued: January 29, 2021**

**Proposal Deadline: March 11, 2021 at 3:00 p.m.**

**to**

**City of San Ramon  
City Clerk  
7000 Bollinger Canyon Road  
San Ramon, CA 94583**

**Attn: Christina Franco, City Clerk**

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**CITY OF SAN RAMON  
REQUEST FOR PROPOSALS**

The City of San Ramon (“**City**”) requests proposals (“**Proposals**”) from qualified individuals or firms (individually, a “**Respondent**” and collectively, “**Respondents**”) for investment advisory services.

**1. ABOUT THE CITY**

The City is a charter city located in Contra Costa County, with an estimated population of 83,000. Additional information about the City is available online at <http://www.sanramon.ca.gov/>.

**2. THE SERVICES**

**A. Summary.** The City of San Ramon (“City”) is requesting proposals from firms to provide investment advisory services for approximately \$70 million in operating and capital project funds (non-pension funds). The initial term will be five years (fiscal years ending June 30, 2022 through June 30, 2026), with annual renewal option thereafter, which may be exercised at the City’s sole discretion.

**B. Form of Agreement.** A copy of the City’s standard Professional Services Agreement (“**Agreement**”), is attached hereto as **Attachment A** and incorporated herein. By submitting a Proposal, the Respondent agrees to enter into the Agreement using the attached form with no exceptions to the form of the Agreement.

**C. Scope of Services.** The required Scope of Services is attached hereto as **Attachment B** and incorporated herein. By submitting a Proposal, the Respondent represents that it is fully qualified and available to provide the Services set forth in the Scope of Services at the price set forth in its Proposal, and that it agrees to provide those Services if it is awarded the Agreement, which will attach and incorporate the Scope of Services.

**3. REQUEST FOR PROPOSAL PROCEDURES**

**A. Requests for Information.** Questions or objections relating to the RFP, the attachments hereto, the RFP procedures, or the required Services may only be submitted via email to Vivian Gong, Senior Financial Analyst, at [vgong@sanramon.ca.gov](mailto:vgong@sanramon.ca.gov) by 5:00 p.m., February 19, 2021 (the “**Request for Information Deadline**”). Responses to all inquiries will be provided by 5:00 p.m., February 26, 2021. Any questions or objections that are not submitted in the manner specified and by the Request for Information

Deadline will be deemed waived. City will not be bound by the oral representations of any City officials, employees, or representatives.

**B. Submittal Instructions.** Proposals must be **received** by the City by or before **March 11, 2021 at 3:00 p.m.** (“**Proposal Deadline**”).

Respondent must submit one (1) original, three (3) identical copies, and (1) electronic copy of the proposal on a USB flash drive in a sealed envelope labeled with Respondent’s name and return address, marked “Proposal for Investment Advisory Services” and addressed as follows:

City of San Ramon  
 City Clerk  
 7000 Bollinger Canyon Road  
 San Ramon, CA 94583

The Proposal may be hand-delivered, sent via overnight delivery, or by regular mail, provided that it is received by the City no later than the Proposal Deadline. Late submissions will be disregarded. Email/Fax submittals will not be accepted.

**C. Planned RFP Schedule.** The following schedule is provided for planning purposes based on current information. However, all dates are subject to revision, including the Proposal Deadline, and may be amended by addenda to this RFP:

<b>ACTIVITY</b>	<b>DATE/TIME</b>
RFP Issued	January 29, 2021 Available online: <a href="http://www.sanramon.ca.gov">www.sanramon.ca.gov</a> <a href="http://www.csmfo.org">www.csmfo.org</a>
Request for Information Deadline	February 19, 2021 by 5:00 p.m.
Response to Request for Information	February 26, 2021
<b>Proposal Deadline</b>	<b>March 11, 2021 by 3:00 p.m.</b>
Preliminary Evaluation Complete	April 16, 2021
Interviews (if requested by City)	April 23, 2021 (tentative)
Notice of Selection	April 30, 2021 (tentative)
Finance Committee and City Council Approval and Award	April/May 2021
Contract Execution Complete	June 2021
Commence Services	July 1, 2021

**D. Addenda.** City reserves the right to issue addenda to modify the terms and conditions of this RFP, including modifications to the Proposal Deadline or to the Attachments to this RFP. Addenda will be posted on the City’s website at [https://www.sanramon.ca.gov/our\\_city/bids\\_\\_r\\_f\\_p](https://www.sanramon.ca.gov/our_city/bids__r_f_p). Each

Respondent is solely responsible for checking the City's website for addenda, and for reviewing any and all addenda before submitting its Proposal.

#### 4. PROPOSAL REQUIREMENTS

Each Proposal must be submitted in compliance with the requirements of this RFP. Each Proposal must respond to the items listed below. *Clarity and brevity are preferable to volume.* Do not attach brochures or promotional materials to the Proposal. Resumes may be included in an appendix. By submitting a Proposal, the Respondent agrees that the lump sum price and proposed approach to providing the Services, including staffing, constitute a firm offer to enter into the Agreement with the City, and that the offer will remain open for 60 days following the Proposal Deadline.

**A. Cover Letter.** Provide a brief cover letter that includes all of the following information:

- (1) Respondent's name, address, phone number, and website address;
- (2) Type of organization (e.g. corporation, partnership, etc.);
- (3) A summary of general information about Respondent and the types of services it provides in relation to the Services required by the City;
- (4) Contact information, including name, title, address, phone number, and email, of Respondent's primary representative for purposes of this RFP;

**INCLUDE THE STATEMENTS BELOW:**

- (5) Respondent agrees that it has confirmed receipt of or access to, and reviewed, all addenda issued for this RFQ. Respondent waives any claims it might have against the City based on its failure to receive, access, or review any addenda for any reason. Respondent specifically acknowledges receipt of the following addenda:

Addendum:	Date Received:
-----------	----------------

# 01	_____
# 02	_____
; and	

- (6) Respondent has read and understood the insurance requirements outlined in Attachment A, Section 20 and hereby affirms (1) the cost of providing such insurance has been incorporated in the Respondent's Proposal, and (2) Respondent will be able to obtain the required insurance coverage if awarded the contract.

The cover letter must be signed by a representative that is authorized to bind Respondent by contract and must state his or her name, title, and email address.

**B. General Qualifications.** Provide a brief description of the Respondent's business, including the number of years in business under the current name. Describe the size of the business, including total number of employees and offices, and identify and briefly describe each local office that will be involved in providing the Services if awarded the Agreement. Describe how and why Respondent is qualified to provide the Services.

**C. Experience.** Identify services Respondent has provided in the last five years that are similar in scope and nature to the Services required by this RFP, particularly with respect to services provided to other cities or public agencies. For each example, provide (1) a brief description of the services provided, (2) an explanation of why this experience is relevant to the required Services, and (3) the name and address of the contracting agency, including contact information for a reference check (name, title, phone number, and email address).

**D. Staffing.** Identify by name and title Respondent's key personnel that will be assigned to provide the Services and for each, include a resume with his or her education, training, and experience. Identify by name, address, and website, each subconsultant or subcontractor, if any, that will be involved with providing the Services, including the proposed role for each such subconsultant or subcontractor. Include all applicable license numbers for any license required to perform the Services.

**E. Price.** Provide a lump sum price for the Services that is fully inclusive of all costs to provide the Services, including hourly billing rates, all labor, materials, equipment, supplies, the insurance required under the terms of the Agreement, travel fees, etc. Attach a copy of billing rates that would apply to any authorized additional Services.

**F. Proposed Approach.** Briefly describe Respondent's proposed approach to providing the Services and how that approach will offer value to the City. Identify any proposed innovations that may be used to achieve more cost-effective delivery of the Services. Provide a work plan and proposed schedule for the tasks described in the Scope of Services.

## 5. EVALUATION

The factors that the City will consider in evaluating Proposals are as follows:

- |                          |             |
|--------------------------|-------------|
| • General qualifications | 1-15 points |
| • Relevant experience    | 1-15 points |
| • Proposed staffing      | 1-15 points |
| • Pricing                | 1-15 points |
| • Proposed approach      | 1-10 points |
| • Responsiveness         | 1-10 points |

- References 1-10 points
- Interview (if requested) 1-10 points

## 6. SELECTION AND AWARD

**A. Review.** Proposals will be reviewed for responsiveness and evaluated and ranked based on the factors listed in Section 5, above. When the evaluation is complete, the Proposals will be ranked based on total scores to identify the Proposal that is the most advantageous to the City. Acting in its sole discretion, the City may elect to conduct interviews with shortlisted Respondents.

**B. Award.** The City will award the Agreement, if at all, to the Respondent that is determined by the City, acting in its sole discretion, to offer the most advantageous Proposal to the City based on the City's review, as outlined above. City staff will submit its recommendation to the City Council or the awarding officer, as applicable, for award of the Agreement to the Respondent that it determines to offer the most advantageous Proposal. The Respondents will be notified of staff's intended recommendation by a Notice of Selection which will be posted on the City's website at [https://www.sanramon.ca.gov/our\\_city/bids\\_\\_\\_r\\_f\\_p](https://www.sanramon.ca.gov/our_city/bids___r_f_p) or may also be emailed to each Respondent that submits a Proposal.

**C. Protest Procedures.** Any protest challenging the City's intended selection or the selection process must be submitted no later than 5:00 p.m., on the fifth business day following the date of the Notice of Selection. The protest must be submitted in writing via email to City Clerk, at [cityclerk@sanramon.ca.gov](mailto:cityclerk@sanramon.ca.gov), please also copy [vgong@sanramon.ca.gov](mailto:vgong@sanramon.ca.gov), and must clearly specify the basis for the protest. The protest will be reviewed by the Interim Administrative Services Director, in consultation with the City Attorney's Office, and their determination on the protest is final. No public hearing will be held on the protest. Time being of the essence, the City reserves the right to proceed with award of the Agreement and commencement of the Services notwithstanding any pending protest or legal challenge.

## 7. MISCELLANEOUS

**A. Disclaimers and Reservation of Rights.** Upon receipt, each Proposal becomes the sole property of City and will not be returned to the Respondent. Each Respondent is solely responsible for the costs it incurs to prepare and submit its Proposal. The City reserves, in its sole discretion, the right to reject any and all Proposals, including the right to cancel or postpone the RFP or the Services at any time, or to decline to award the Agreement to any of the Respondents. The City reserves the right to waive any immaterial irregularities in a Proposal or submission of a Proposal. The City reserves the right to reject any Proposal that is determined to contain false or misleading information, or material omissions.

**B. Conflict of Interest.** Respondents must disclose to the City any actual, apparent, direct or indirect, or potential conflicts of interest that may exist with respect to Respondent, any employees of Respondent, or any other person relative to the Services to be provided pursuant to this RFP. This RFP process will be conducted in compliance with all laws regarding political contributions, conflicts of interest, or unlawful activities. City employees are prohibited from participating in the selection process for this RFP if they have any financial or business relationship with any Respondent.

**C. Public Records.** The City is subject to the provisions of the California Public Records Act (Govt. Code § 6250 et seq.) (the “**Act**”), and each Proposal submitted to the City is subject to disclosure as a public record, unless the Proposal or any portion thereof is exempt under the Act. If a Respondent believes that any portion of its Proposal is exempt from disclosure under the Act, it must clearly identify the portion(s) it believes to be exempt and identify the basis for the exemption. Each Respondent bears the burden of proving any claimed exemption under the Act, and by submitting a Proposal, a Respondent agrees to indemnify, defend, and hold harmless the City against any third party claim seeking disclosure of the Proposal or any portions thereof.

## **ATTACHMENTS**

Attachment A – Sample Form of Agreement  
Attachment B – Scope of Services  
Attachment C – City’s Investment Policy

**Attachment A – Sample Form of Agreement**

**PROFESSIONAL SERVICES AGREEMENT  
BETWEEN THE CITY OF SAN RAMON AND  
CONTRACTOR  
FOR  
INVESTMENT ADVISORY SERVICES**

This is an Agreement between the City of San Ramon, a municipal corporation, (“CITY”) and (Contractor), (“CONTRACTOR”) together referred to as the “Parties.”

**RECITALS**

**WHEREAS**, CITY solicited Proposals by Request for Proposals (“RFP”) for Investment Advisory Services; and

**WHEREAS**, after review of all Proposals submitted pursuant to said RFP, CONTRACTOR’s Proposal on the project were accepted by the CITY; ad

**WHEREAS**, CONTRACTOR is qualified and willing to provide such professional assistance; and

**WHEREAS**, the City Council has authorized the Mayor to enter into an agreement for Investment Advisory Services by adopting Resolution No. 20XX-XX on **DATE APPROVED BY CITY COUNCIL**.

**NOW, THEREFORE**, in consideration of the mutual promises set forth, CITY and CONTRACTOR agree as follows:

- 1. Award of Agreement.** In response to the Request for Proposals, Contractor has submitted a Proposal to perform the Work as set forth in the Request for Proposal, Attachment B – Scope of Work, attached hereto as Exhibit B. On \_\_\_\_\_, 20\_\_, City authorized award of this Agreement to Contractor for the amount set forth in Section 6, below.
- 2. Agreement Documents.** The RFP Documents incorporated into this Agreement include and are comprised of all of the documents listed below.

**SECTIONS**

- 2** The Services
- 3** Request for Proposal Procedures
- 4** Proposal Requirements
- 5** Evaluation
- 6** Selection and Award
- 7** Miscellaneous

3. **Scope of Service.** The scope of service covered by this Agreement including mandatory time frames for performance, deadlines for providing deliverables to CITY, and the maximum fee for each item under this Agreement is attached hereto as Exhibit A and incorporated herein by reference.

CONTRACTOR shall comply with specific standards or governmental requirements applicable to specific tasks hereunder or as may be necessary to enable CONTRACTOR to provide the services required hereunder.

4. **Modification of Agreement.** CITY may request changes to this Agreement including the Scope of Services to be performed by CONTRACTOR. Such requests shall be made in writing exclusively by CITY'S designated Project Manager, and shall describe in detail the proposed additions, deletions, or modifications. Such requests will include tabulation of costs, expenses, and time required to complete the requested work. CONTRACTOR shall have the length of time specified in the request to reply in writing to the request. Neither CITY'S request nor CONTRACTOR'S reply shall constitute a modification of this Agreement. Any modification shall be contained in a written amendment to the Agreement and will be effective only if signed by both parties. Execution of the amendment by CITY shall constitute authorization to proceed with the work identified therein.

5. **Time of Performance.** CONTRACTOR'S performance shall be completed by June 30, 2026. CONTRACTOR may commence work as of the date authorized by CITY'S Project Manager which date may be prior to execution of this Agreement.

However, CONTRACTOR is under no obligation to commence work hereunder prior to execution of this Agreement.

CITY shall have the option to renew this Agreement at the City's sole discretion for not more than five (5) successive one (1) year terms, upon the same terms and conditions as provided in this Agreement. Any contract extension or amendment must be in writing and fully executed by both parties to take effect.

6. **Compensation.** CITY agrees to pay CONTRACTOR at the rates set forth in Exhibit A, and incorporated herein, in a sum not-to-exceed **SPELL OUT DOLLAR AMOUNT HERE (\$XX,XXX.XX)**. No compensation shall be made in excess of this amount. This amount includes any and all costs and reimbursable expenses as specified in Exhibit A.

Upon completion and acceptance of the deliverables CONTRACTOR shall submit an itemized invoice for the completed work showing applicable rates and charges as agreed to hereunder and the total amount due.

7. **Designated Representatives.**
  - a. CITY designates Candace Daniels, Finance Manager or his/her designee as its representative in all matters under this Agreement.

b. CONTRACTOR designates Contact Title, Contact Name as its Project Manager for this Agreement. CONTRACTOR may designate a different Project Manager only with prior written authorization from CITY.

8. **Cooperation of the City.** CITY shall make available to CONTRACTOR all financial records and related information necessary for performance of CONTRACTOR'S work under this Agreement.

9. **Independent Contractor.** CONTRACTOR is an independent contractor, controlling the means and manner of work, and shall not for any purpose be deemed to be an employee, agent, or other representative of CITY. Services called for herein shall be deemed to be unique. CONTRACTOR shall not assign, sublet, transfer, or otherwise substitute its interest in this Agreement, or any of its obligations hereunder, without the prior written consent of CITY.

10. **Out of State Business.** If CONTRACTOR is an out of state business and does not have a local office within the State of California, CONTRACTOR shall provide to CITY a completed Withholding Exemption Certificate Form as required by the California Franchise Tax Board. If the out of state contractor fails to provide the required form, CITY shall withhold seven (7%) percent of the total payment amount and send the withholdings to the Franchise Tax Board, as required by State law.

11. **Proprietary or Confidential Information.** CONTRACTOR understands and agrees that, in the performance of the work under this Agreement or in contemplation thereof, CONTRACTOR may have access to private, proprietary or otherwise confidential information owned or controlled by CITY, the disclosure of which may be damaging to CITY or to third parties.

CONTRACTOR agrees that all confidential information disclosed to CONTRACTOR by CITY shall be held in confidence and used only in performance of this Agreement. CONTRACTOR shall exercise the same standard of care to protect such information, as a reasonably prudent businessperson would use to protect its own private, proprietary or confidential information.

12. **Work Product.** The work product of CONTRACTOR in performing this Agreement shall become the property of CITY. However, copies of such work product shall be provided to CITY not only as a hard copy but an electronic version recorded on CD utilizing Microsoft Word, Access or Excel.

13. **Financial Records of Contractor.** CONTRACTOR shall maintain accounting records of funds received under this Agreement and full documentation of performance hereunder. CONTRACTOR shall permit CITY to have access to those records for the purpose of making an audit, examination, or review of financial and performance information relating to this Agreement. CONTRACTOR shall maintain such records for a minimum of four (4) years following payment by CITY for the last

invoice for such services to be provided. When requested by CITY, CONTRACTOR shall make all such records available to CITY within fourteen (14) days of the request.

**14. Conflict of Interest.** CONTRACTOR shall comply with CITY Resolution No. 2020-017, Conflict of Interest Code, as amended from time to time, and will file all required disclosure statements.

**15. Nondiscrimination.** CONTRACTOR represents that it does not and agrees that it shall not discriminate against any employee or applicant for employment because of age, sex (including gender, gender identity, gender expression, transgender, pregnancy, and breastfeeding), religion, color, disability, genetic characteristics or information, race, national origin, ancestry, citizenship status, marital status, military or veteran status, medical condition, or sexual orientation (including homosexuality, bisexuality, or heterosexuality) or any other protected classification as defined and protected by law.

**16. Indemnification.** CONTRACTOR agrees to defend, hold harmless, and indemnify CITY, its officers, agents and employees from and against any and all losses, liability, or damages arising out of, in consequence of, or resulting from the negligent or willful acts, or omissions of CONTRACTOR.

CONTRACTOR shall hold CITY harmless and defend any suit or other proceedings brought by CONTRACTOR'S employees, contractors, or agents, either against CONTRACTOR or CITY, for compensation and/or other benefits claimed as "common law" or "implied by law" employees of CITY.

**17. Insurance.** CONTRACTOR shall procure and maintain for the duration of the Agreement, insurance against claims for injuries to persons or damages to property, which may arise from or in connection with the performance of the work hereunder by CONTRACTOR, his agents, representatives, employees or subcontractors. The cost of such insurance shall be included on CONTRACTOR'S bid.

**A. Required Insurance.** CONTRACTOR shall maintain, at all times, during the term of this Agreement and at CONTRACTOR'S sole cost and expense:

- i. Comprehensive general liability (using Insurance Services Office form CG 00 01 or equivalent) in an amount not less than five million dollars (\$5,000,000) per occurrence for bodily injury, personal injury, and property damage, including without limitation, blanket contractual liability. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be not less than ten million dollars (\$10,000,000).
- ii. Automobile liability insurance (using Insurance Services Office form number CA 0001, Code 1 (any auto) or equivalent with a limit no less than one million dollars (\$1,000,000). Such insurance policy shall

contain the same provisions and endorsements as are required herein for comprehensive general liability insurance.

- iii. Workers' Compensation insurance and Employer's Liability insurance as required by the laws of the State of California. Said insurance policy shall provide that the insurer waives all rights of subrogation against CITY, its officers, agents, employees and volunteers for losses arising from work performed by CONTRACTOR for CITY. Any notice of cancellation or non-renewal of Workers' Compensation policies must be received by CITY at least thirty (30) days prior to such change. CONTRACTOR shall require each subcontractor to maintain Workers' Compensation insurance and Employer's Liability insurance in accordance with the laws of the State of California for all of the subcontractor's employees. This requirement may only be waived by CITY upon written verification that CONTRACTOR is a sole proprietor and does not and will not have employees during the term of this Agreement.
- iv. Errors and Omission insurance, which covers the services to be performed under this Agreement, in the minimum amount of three million dollars (\$3,000,000). Except with respect to the requirement of providing CITY with Proof of Insurance, CONTRACTOR is not required to name CITY as additional insured.

**B. The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:**

- i. CITY, its officers, officials, employees, agents and volunteers are to be named as additional insured with respect to: Liability arising out of activities performed by or on behalf of CONTRACTOR; products and completed operations of CONTRACTOR; premise owned, occupied or used by CONTRACTOR; or automobile owned, leased, hired or borrowed by CONTRACTOR. The coverage shall contain no special limitations on the scope of protection afforded to the CITY, its officers, officials, employees, agents or volunteers. If CONTRACTOR submits the ACORD Insurance Certificate, the additional insured endorsements must be set forth on the ISO Form CG20 10 11 85 or both CG 20 10 and CG 20 37 forms.
- ii. For any claims related to this project, CONTRACTOR'S insurance coverage shall be primary insurance with respect to CITY, its officers, officials, employees, agents and volunteers. Any insurance or self-insurance maintained by CITY, its officers, officials, employees, agents or volunteers shall be excess of CONTRACTOR'S insurance and shall not contribute with it.

- iii. Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to CITY, its officers, officials, employees, agents or volunteers.
- iv. Afford coverage for all claims based on any act, omission, event or condition that occurred or arose (or the onset of which occurred or arose) during the term of this Agreement;
- v. Apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability (cross liability endorsement);
- vi. Expressly provide that CITY, although named as insured, shall nevertheless be entitled to recover under the policy for any loss, injury or damage to CITY and that the insurer waives all rights of subrogation against CITY, its officers, agents, employees and volunteers for losses arising from work performed by CONTRACTOR for CITY;
- vii. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days prior written notice has been given to CITY.
- viii. Certificate Holder. The certificate holder shall include CITY and sent to the address as indicated in Section 20 (Notices) of this Agreement.
- ix. Interpretation. All endorsements, certificates, forms, coverage and limits of liability referred to herein shall have the meaning given such terms by the Insurance Services Officer of the State of California as of the effective date of this Agreement.

**C. Verification of Coverage.** CONTRACTOR shall furnish CITY with original endorsements effecting coverage required by this clause. The endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf.

**D. Subcontractors.** CONTRACTOR shall include all subcontractors as insured under its policies. All coverage for subcontractors shall be subject to all of the requirements stated herein.

**E. Insurer's Qualifications.** All insurance required under this section and all renewals of this agreement shall be issued by good and responsible companies admitted to do and doing business in the State of California and be rated in the "A" category by Best's Insurance Guide.

**F. Excess Insurance.** If CONTRACTOR maintains higher insurance limits than the minimums specified herein, CITY shall be entitled to coverage for the higher limits maintained by CONTRACTOR.

**PLEASE INITIAL:**

\_\_\_\_\_ CONTRACTOR has read and understands the insurance requirements outlined above and hereby affirms that (1) the cost of providing such insurance has been incorporated in CONTRACTOR's compensation, and (2) that CONTRACTOR has confirmed that CONTRACTOR will obtain the required insurance coverages upon execution of the Agreement.

**18. Termination on Notice.** CITY may terminate this Agreement immediately for cause or without cause upon giving thirty (30) calendar days' written notice to CONTRACTOR. In the event of termination without cause, CITY shall pay all outstanding charges for services performed and approved by CITY as of the date of termination. Termination shall not extinguish any outstanding performance obligations under this Agreement, including but not limited to, making financial records available for review, return of any private or confidential information, warranties, or mutual indemnities.

**19. Suspension of Performance.** For the convenience of CITY or because of events beyond the control of CITY, CITY may give written notice to CONTRACTOR to suspend all work under this Agreement. If CONTRACTOR'S work is suspended for longer than a period of one hundred twenty (120) days, an adjustment to CONTRACTOR'S compensation may be made for increased costs, if any, and this Agreement shall be modified accordingly.

**20. Notices.** If either party shall desire or is required to give notice to the other such notice shall be given in writing, via prepaid U.S. certified or registered postage, addressed to recipient as follows:

**To CITY:**

City of San Ramon

**Attn:** City Clerk

7000 Bollinger Canyon Road  
San Ramon, CA 94583

**To CONTRACTOR:**

Contractor

**Attn:** Contact Name

Contact Title

Address

Address

Changes to the above information shall be given to the other party in writing ten (10) business days before the change is effective.

**21. Commencement, Completion and Closeout.** Time is of the essence in the performance of this Agreement. Any time extension granted to CONTRACTOR must be in writing and shall not constitute a waiver of right CITY may have under the Agreement.

It shall be the responsibility of CONTRACTOR to coordinate and schedule the work to be performed so that commencement and completions take place in accordance with the provisions of the Agreement. Within thirty (30) days of completion CONTRACTOR shall submit to CITY a final billing to include all costs, charges, and claims in connection with the completed work. CITY shall not be required to pay for any work or claims not included on the aforementioned final billing.

**22. Jurisdiction, Venue, and Governing Law.** Any action at law or in equity brought by either of the Parties for the purpose of enforcing a right or rights provided for by this Agreement will be tried in a court of competent jurisdiction in the County of Contra Costa, State of California, and the Parties waive all provisions of law providing for a change of venue in these proceedings to any other county. This Agreement shall be governed by the laws of the State of California.

**23. Signatures and Counterparts.** This Agreement may be entered into by the Parties by signing any one or more counterparts, all of which shall constitute one and the same instrument. It is understood and agreed that this Agreement shall become effective and binding when one or more counterparts have been executed by each party and delivered to each other party. Additionally, electronic, facsimile, and scanned signatures shall be binding the same as originals.

**24. Entire Agreement of Parties.** This Agreement supersedes any and all agreements, oral or written, between the parties with respect to the rendering of services by CONTRACTOR to CITY and contains all of the representations, covenants and agreements between the parties as to the rendering of those services. In the event of a conflict between the body of this Agreement and its Exhibit B, the terms of the body of this Agreement and Exhibit A shall govern.

---

Signatures intentionally omitted

## **Attachment B - Scope of Services**

The overall scope of services is to provide investment advisory services for the City's approximately \$70 million investment portfolio. The City's primary investment objectives are to maximize rate of return on public funds while minimizing all potential losses arising from investing activities such as market changes or an issuer default. Although the generation of revenues through earnings on investments is a primary goal, capital preservation in the overall portfolio and maintaining required liquidity are equally important consideration in making investing decisions. The City shall invest public funds in such manner as to comply with state and local law, and meet the objectives of the Investment Policy, in priority order of Safety, Liquidity and Return on Investment.

Selected firms shall provide qualified personnel for services that may include, but are not limited, to the following:

1. Develop and implement sound investment strategies, which will maximize the portfolio's performance within the parameters of the City's current Investment Policy and California codes.
2. Assume the management of the City's investment portfolio.
3. Provide technical and fundamental market research, including yield curve analysis.
4. Assist the City with cash flow/maturity analysis.
5. Provide credit analysis of investment instruments in portfolio.
6. Provide monthly/quarterly/annually reporting. These reports will cover a range including but not limited to: local, national economy, the City's portfolio holdings, composition and sector analysis, return, weight average maturity, duration, performance objectives, and policy compliance.
7. Attend selected quarterly meetings with staff, as well as Finance Committee and City Council meetings as requested.
8. Evaluate market risk and develop strategies that minimize the impact on the portfolio.
9. Provide assurance of portfolio compliance with applicable policies and laws.
10. Establish an appropriate performance benchmark as part of reporting requirements.
11. Review investment policy annually and recommend appropriate amendments.
12. Monitor the creditworthiness of financial institutions and the investments in the portfolio.
13. Perform due diligence reviews of current and proposed broker / dealers.
14. Firm shall not have custody or possession of the funds/securities that the City has placed under its management. The City has retained a custodian to take and have possession of its invested assets.

15. Provide authorized City staff with online access to the City's current investment account.
16. Assist with annual audit inquiries and reporting.

A summary of the City's FY2020-21 adopted budget is as follows:

- Total Expenditures Budget: \$127 million all funds / \$50 million General Fund / \$30 million Capital Projects
- Total Revenues Budget: \$112 million all funds / \$53 million General Fund / \$5 million Capital Projects
- Number of employees: 272.75 FTEs and approximately 150 seasonal staff. The City's total expected payroll for the fiscal year ending June 30, 2021 is approximately \$51 million.

More detail information on the City and its finances can be found in the City's FY2020-21 Adopted Budget document and the FY2019-20 Comprehensive Annual Financial Report, both of which are located on the City's website at [https://www.sanramon.ca.gov/our\\_city/departments\\_and\\_divisions/administrative\\_services/finance/budget\\_docs\\_financial\\_statements](https://www.sanramon.ca.gov/our_city/departments_and_divisions/administrative_services/finance/budget_docs_financial_statements).

The City receives grants from various programs, such as Transportation Development Act program (TDA), Federal Asset Seizures program, Safe Routes to School program, and various Federal and State streets related projects. The City also receives allocations of Contra Costa County Transportation Authority (Measure J) Sales Tax revenue. The use of these monies are restricted to each respective program requirements.

The City uses the following fund types in its financial reporting:

<b>Fund Types</b>	<b>Number of Funds in System</b>
General Fund	<b>1</b>
Special Revenue Funds	<b>54</b>
Capital Projects Funds	<b>1</b>
Internal Service Funds	<b>6</b>
Fiduciary Funds	<b>5</b>
Debt Service Funds	<b>4</b>
Account Groups	<b>2</b>

The Administrative Services Department consists of three divisions - Finance, Information Technology, and Human Resources – and are overseen by the Administrative Services Director. The Finance Division consists of a Manager, one Senior Analyst, two Analysts, and four Specialists. The Finance Division is responsible for many aspects of City operations; including Accounts Receivable, Accounts Payable, Audit, Budget Development, Cash Receipts, Debt Administration, Grant Administration, Payroll, Financial Planning, Financial Reporting, and Purchasing.

The City uses Tyler Technologies/Munis finance system. The City utilizes it fully to process cash receipts, accounts receivable, accounts payable, purchasing, contract management, payroll, personnel, financial reporting, and administer the operating and capital budget through project accounting. Pooled cash accounting is used to consolidate all cash and investment balances. The Tyler Technologies/Energov system is used for Permits and Licenses. The CivicRec software is used by the City's Parks and Community Services Department to process class and event registrations and payments. Official accounting records are on-site in the Administrative Services Department's Finance Division, while some supporting information may be located in other departments within the City.

FHN Financial Main Street Advisors is the City's current investment advisor.

The City has retained Union Bank of California as its custodian/safekeeping agent to take and have possession of its invested assets.

## Attachment C – City’s Investment Policy



### **CITY OF SAN RAMON** **STATEMENT OF INVESTMENT POLICY**

**Fiscal Year 2020-2021**

#### **Purpose**

This statement implements §53646 of the Government Code, of the State of California, by providing a Statement of Investment Policy. It is intended to provide sound procedures for the prudent investment and management of public funds of the City of San Ramon. Consistent with provisions of this code section, this policy shall be annually reviewed and adopted by the City Council.

#### **Scope**

This policy applies to all liquid financial assets of the City of San Ramon. These assets are accounted for in the City’s *Comprehensive Annual Financial Report (CAFR)*, which includes the annual independent audit report, under the following categories:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Debt Service Funds
- Internal Service Funds
- Trust and Agency Funds

Funds excluded from this policy:

1. Bond Proceeds - The investment of bond proceeds held with trustees is directed by the City, but is governed by the restrictions on permitted investments in the applicable bond indenture or similar agreements.
2. Deferred Compensation, Retirement, Other Post-Employment Benefits (OPEB) 115 Trust, and Supplement Pension 115 Trust – Investments related to these plans are not subject to this policy since third-party administrators or trustees manage the funds and either the individual plan participants or trustees direct investment selection.

## **Objective**

The City's objective is to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest idle funds to the fullest extent possible. Idle cash management and investment transactions are the responsibility of the Finance Division of the Administrative Services Department. The City shall attempt to obtain a market rate of return, provided that criteria for safety and liquidity are adequately met, and that all provisions of this investment policy are strictly adhered to.

## **Investment Principles**

The City of San Ramon operates its temporary pooled idle cash investments under the “*prudent investor standard*.” This standard states as follows:

*When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.*

Consistent with this principle, the following basic tenets shall serve to guide the City's investment program:

**Safety** — The first priority for the investment program shall be the safety of principal investment. Procedures for ensuring safety of principal shall involve compliance with legal requirements set forth under sections of the Government Code, development and maintenance of adequate records and controls, and avoidance of market speculation through an underlying "buy and hold" investment strategy.

**Liquidity** — The second priority for the investment program shall be to provide adequate cash for operations or capital purposes on an as-needed basis. Procedures for ensuring adequate liquidity shall include maintenance of pro forma City cash needs through analysis of historical and projected future cash flows, and matching investment maturities to cash requirements.

**Yield** — The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into consideration

the investment risk constraints and liquidity needs. Yield on the City's investment portfolio is of secondary importance compared to the safety and liquidity objectives described above. Investments are limited to relatively low-risk securities in anticipation of earning a market rate of return relative to the risk being assumed. Nevertheless, investment performance shall be periodically monitored and evaluated by the Administrative Services Director by comparison with other benchmark yields.

### **Delegation of Authority**

The City of San Ramon Municipal Code assigns treasury responsibilities to the Administrative Services Director who serves as the City Treasurer. The Administrative Services Director currently performs the duties of the Director of Finance. The authority to invest City Funds rests with the Administrative Services Director and his designated staff, herein referred to as the Deputy Treasurer. The Administrative Services Director has further authority, with consent of the City Council to delegate investment portfolio management to FTN Financial Main Street Advisors, an Investment Advisory firm. No person may engage in an investment transaction except as provided for under the terms of this policy. The Administrative Services Director shall be responsible for all transactions undertaken and will establish a system of controls to regulate the activities of subordinate officials.

### **Ethics and Conflicts of Interest**

Officers, Councilmembers, and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program, or impairs their ability to make impartial investment decisions. Employees, Councilmembers and investment officials shall disclose any material financial interests that could be related to the performance of the City's investment portfolio.

### **GASB 31**

The Government Accounting Standards Board (GASB) Statement No. 31 requires that governmental entities report all investments with a maturity in excess of one-year at fair market value in the balance sheet or other statement of financial condition as of the end of the annual reporting cycle. Market value increases/declines are recognized by booking the variation against earnings at year-end. This book gain/loss would be realized by way of an increase/reduction in reserves, increasing/reducing funds available for appropriation. Because longer-term investments are subject to greater fluctuations in price and market value, specific constraints in the form of percentage limitations have been incorporated into this policy. These limitations minimize material gains/losses in the value of the portfolio in a declining/rising interest rate environment and mitigate the risks inherent in GASB Statement 31.

### **Permitted Investments**

- **Bonds issued by the City of San Ramon or other local agency** of the State of

California, provided that the obligations are rated Aa3, AA-, AA- or higher by a Nationally Recognized Statistical Rating Organization (NRSRO), Moody's Investors Services (Moody's), Standard and Poor's Ratings Services (S&P), or Fitch Ratings (Fitch), respectively. Purchases of eligible municipal securities shall not exceed five years to maturity.

- **United States Treasury notes, bonds, bills** or other obligations for which full faith and credit of United States are pledged for payment of principal and interest. Purchases of eligible treasury securities shall not exceed five years to maturity.
- **Federal Agency Securities.** Federal agency or United States government-sponsored enterprise obligations, participations or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. Purchases of eligible federal agency securities shall not exceed five years maturity.
- **Bonds issued by the State of California.** Provided that the obligations are rated Aa3 or higher provided by (Moody's), has an AA- or higher rating provided by (S&P), or has an AA- or higher rating provided by (Fitch). Purchases of eligible federal agency securities shall not exceed five years to maturity.
- **Bankers' Acceptances,** issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by Moody's or by S&P. Purchases of Bankers' Acceptances may not exceed 180 days to maturity, or 40% of the City's surplus funds, nor may the City invest more than 2% of its surplus funds in the Bankers' Acceptances of any one commercial bank.
- **Commercial Paper** issued by corporations organized and operating within the United States with total assets in excess of \$500,000,000. Commercial paper must have a minimum short term rating by at least two of the following NRSRO's: A-1 by S&P, P-1 by Moody's, or F-1 by Fitch and a minimum long-term debt rating of A2 by Moody's, A by S&P, or A by Fitch. Purchases of eligible Commercial Paper may not exceed 270 days to maturity nor represent more than 10% of the outstanding paper of an issuing corporation, nor may the City's investments in Commercial Paper exceed 25% for the City's surplus funds.
- **FDIC Insured Certificates of Deposit** issued by a nationally or state-chartered bank, or a state or federal savings and loan association, or by a state-licensed branch of a foreign bank. The invested amount per institution shall not exceed the current FDIC insured limit (currently \$250,000). Purchases of eligible FDIC insured certificates of deposit shall not exceed five years to maturity.
- **Negotiable Certificates of Deposit** issued by a nationally or state-chartered bank or a state or federal savings and loan association or by a state-licensed branch of a foreign bank; provided (1) that the senior debt obligations of the issuing institution are rated

Aa2 or better by Moody's or rated AA or better by-S&P and (2) that the financial institution has received a minimum overall "satisfactory" rating for meeting the credit needs of California communities in its most recent evaluation. Purchases of negotiable certificates of deposit may not to exceed 30% of the City's surplus funds, nor in excess of the greater of either the net worth of the depository or \$500,000. Purchases of eligible negotiable certificates of deposit shall not exceed five years maturity.

- **Repurchase Agreements** used solely as short-term investments not to exceed 30 days. The following collateral restrictions will be observed. Only U.S. Treasury securities or Federal Agency securities allowable in this policy will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to the City's custodian bank by book entry, physical delivery, or third-party custodial agreement. The total of all collateral for each Repurchase Agreement must equal or exceed, on the basis of market value, 102 percent of the funds borrowed against those securities. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed on a weekly basis. Investments in repurchase agreements shall not exceed 30% of the City's surplus funds.

Additional Repurchase Agreement Provisions: Market value must be calculated each time there is a substitution of collateral.

The City or its trustee shall have perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement

The City may enter into Repurchase Agreements only with primary dealers of the Federal Reserve Bank of New York.

The City will have specific written agreements with each firm with which it enters into Repurchase Agreements.

- **Medium-Term Corporate Notes** issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state operating within the United States. Medium-term corporate notes shall have a maximum maturity of five years, and a minimum long-term debt rating by at least two of these NRSRO's: Aa3 by Moody's, AA- by S&P, or AA- by Fitch. Purchases shall not to exceed 30% of the City's surplus funds.
- **State of California Local Agency Investment Fund.** Investment in LAIF may not exceed \$40 million. No more than 15% of the total City investment portfolio is to be invested in LAIF.
- **Negotiable Order of Withdrawal** that functions as an interest bearing checking account that is fully collateralized with securities rated "AA" or higher and offered by a nationally or state-chartered bank or a State or Federal savings and loan association

or by a state-licensed branch of a foreign bank with assets exceeding \$5 Billion. No more than \$3,500,000 of the City investment portfolio is to be invested in this type of account.

- **Supranational Debt Obligations.** United States dollar-denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development of the World Bank (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IABD), with maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments must have a minimum rating of AA or better by at least two of the following NRSRO's: Moody's, S&P, or Fitch, and shall not exceed 30% of the City's surplus funds.
- **Shares of beneficial interest issued by diversified management companies,** that are money market funds (MMFs) registered with the Securities and Exchange Commission under the Investment Advisory Company Act of 1940 (15 U.S.C. Sec 80a-1 et seq.). To be eligible for investment pursuant to this subdivision these companies shall either (1) attain the highest ranking letter or numerical rating provided by not less than two of the three largest nationally recognized rating services or (2) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience investing in the securities and obligations listed above and with assets in excess of \$500,000,000. The MMF invests only in Treasury and Federal Government Agency securities, and in repurchase agreements backed by Treasury and Federal Government Agency securities.

The purchase price of the MMF shares shall not exceed 20% of the City's surplus funds. No more than 10% of the City's surplus funds may be invested in shares of any one MMF. (Per section 53601-L)

### **Ineligible Investments**

Any security type not specifically approved by this policy is hereby specifically prohibited.

Security types which are thereby prohibited include, but are not limited to:

- "Complex" derivative structures such as range notes, dual index notes, inverse floaters, leveraged or deleveraged floating-rate notes, or any other complex variable-rate or structured note.
- Interest only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity.
- Asset Backed Securities
- Common Stocks

- Reverse Repurchase Agreements

### **Maximum Maturity**

Pursuant to Government Code §53601, the City Council limits investments to securities with remaining maturity periods of no greater than five years.

### **Credit/Issuer Risk**

The City will seek to mitigate credit risk by requiring that issuers meet specific qualifying criteria. The following guidelines will be used to determine the distribution of funds between issuers.

For medium term corporate notes and negotiable certificates of deposit, issuers must possess an acceptable long-term senior debt rating by at least two of the nationally recognized ratings services, i.e. Moody's, S&P's, and Fitch, as detailed below:

1. For maturities of four years or less, a minimum rating of Aa3 by Moody's, AA- by S&P, or AA- by Fitch.
2. For maturities of four to five years, a minimum rating of Aaa by Moody's, AAA by S&P, or AAA by Fitch.

In the event an issuer is downgraded to below Aa3 (Moody's) or AA- (S&P or Fitch), an analysis will be prepared of the exposure to the City and a recommendation will be made regarding holding the security or a possible sale.

### **Market Risk**

Market risk shall be addressed by diversification of security types and distribution. Percentage limitations and maturity restrictions will comply with the State of California Government Code. Maturity distribution, particularly as impacted by changes in the yield curve will be frequently monitored by staff. Market risk will further be mitigated by limiting the portion of the portfolio investments with maturities in excess of one-year to 70%. The weighted average maturity of the portfolio shall not exceed 2 years.

### **Diversification by Investment Type and Issuer**

Percentage limitations by investment type are outlined in Section 53600 of the Government Code. As described above the City will further diversify the portfolio by issuer, with the exception of Treasury securities, which will have no percentage limitations. The City shall seek to preserve principal by mitigating credit risk by diversifying the investment portfolio so that the failure of any one issuer or backer will not place an undue financial burden on the City. Listed below are sector and issuer limitations:

<b>Sector</b>	<b>Sector Limit</b>	<b>Issuer Limit</b>	<b>Max Years</b>	<b>Minimum Rating</b> <i>(NRSROs: S&amp;P, Moody's, Fitch)</i>
U.S. Treasuries	100%	100%	5 Years	N/A
Federal Agencies	100%	50%	5 Years	N/A
Money Market	20%	10%	N/A	AAA/Aaa by at least two NRSROs
City of San Ramon Bonds	10%	10%	5 Years	Aa3 or AA- by one NRSRO
State of California Obligations	3%	3%	5 Years	Aa3 or AA- by one NRSRO
Local Agencies of California	10%	2%	5 Years	Aa3 or AA- by one NRSRO
Bankers' Acceptances	40%	2%*	180 Days	A1/P1 by S&P or Moody's
Commercial Paper	25%	2%*	270 Days	A1/P1/F1 and long-term A/A2/A by one NRSRO
Negotiable CDs	30%	2%*	5 Years	See page 4 for rating criteria
Medium-Term Notes	30%	2%*	5 Years	AA-/Aa3 less than 4yrs, AAA/Aaa greater than 4yrs by at least two NRSROs
Supranational Obligations (IFC, IBRD, and IADB)	30%	5%	5 Years	AA/Aa2 by at least two NRSROs

\*The issuer limits for Banker's Acceptances, Commercial Paper, Negotiable Certificates of Deposits and Medium-Term Corporate Notes shall be calculated in aggregate at time of purchase.

### **Sale of Securities**

The City does not make investments for the purpose of trading or speculation, but buys with the prevalent intent to hold securities to maturity. The prohibition of speculative investment precludes pursuit of profit through unusual risk or conjectural fluctuations in market prices. However, fluctuations in market rates or changes in credit quality may produce situations where securities may be sold at a nominal loss in order to mitigate further erosion of principal. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

### **Brokers/Dealers**

A competitive bid/offer process, utilizing a minimum of three financial institutions on the approved broker/dealer list maintained by the City or the City's Investment Advisor, will be used to place all investment purchases and sales of secondary traded issues, if possible. Some secondary issues may be offered by only one or two broker/dealers. Purchases of securities that are new issues do not require three offers.

All brokers/dealers with whom business is transacted shall be subject to regulation by the Securities and Exchange Commission. The investment advisor annually conducts a review of all broker/dealers, including their adherence to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1).

### **Safekeeping and Custody**

The assets of the City shall be secured through third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. Collateralized securities such as repurchase agreements shall be purchased using the delivery versus payment procedures.

### **Reporting Requirements**

Pursuant to Government Code §53646, the Administrative Services Director shall render a quarterly investment report to the City Manager and City Council showing the type of investment, issuer, purchase date, purchase price, date of maturity, amount of deposit, coupon rate of interest, investment yield, and, for investments with a maturity exceeding 12 months, current market value, and source of market valuation. The quarterly report shall state its relationship to the adopted investment policy and shall provide assurance that the investment portfolio provides sufficient cash flow to meet the cash requirements for the following six months. The investment report shall be submitted within 30 days following the end of the quarter. Additionally, pursuant to Government Code §53607, a monthly transaction report shall be presented to the City Manager and City Council.

## **Performance Standards**

The City portfolio is managed with the objective of obtaining a market rate of return, commensurate with identified risk constraints and cash flow characteristics. The appropriate benchmarks will be periodically reviewed by the City Council Finance Committee.

## **Allocation of Interest**

Interest from the City's pooled investments is allocated proportionately to the City's various funds in the month it is received.

## **Glossary**

**Agencies:** Federal agency securities.

**Banker's Acceptance (BA):** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer. The drafts are drawn on a bank by an exporter or importer to obtain funds to pay for specific merchandise. An acceptance is a high grade negotiable instrument.

**Benchmark:** A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

**Bid:** The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.)

**Broker:** A broker brings buyers and sellers together for a commission. He/she does not take a position.

**Certificate of Deposit (CD):** A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

**Collateral:** Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**Commercial Paper:** Short term unsecured promissory note issued by a corporation (including limited liability companies) to raise working capital. These negotiable instruments are purchased at a discount to par value or at par value with interest bearing. Commercial paper is issued by corporations such as General Motors Acceptance Corporation, IBM, Bank of America, etc.

**Comprehensive Annual Financial Report (CAFR):** The official annual report for the City. It includes combined statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principles. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material and a detailed Statistical section.

**Coupon:** a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. b) A certificate attached to a bond evidencing interest due on a payment date.

**Custody:** A banking service that provides safekeeping for the individual securities in a customer's investment portfolio under a written agreement which also calls for the bank to collect and pay out income, to buy, sell, receive and deliver securities when ordered to do so by the principal.

**Dealer:** A dealer, as opposed to a broker, acts as a principal in all transactions; buying and selling for his/her own account.

**Delivery versus Payment:** There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

**Derivatives:** (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

**Diversification:** Dividing investment among a variety of securities offering independent returns with the objective of lowering risk.

**Federal Deposit Insurance Corporation (FDIC):** A Federal agency that insures bank deposits, currently up to \$250,000 per deposit.

**Federal Home Loan Banks (FHLB):** Government sponsored wholesale banks which lend funds and provide correspondent banking services to member commercial banks, thrifty institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

**Federal Home Loan Mortgage Corporation (FHLMC):** The FHLMC was created under the Federal Home Loan Mortgage Act, Title III of the Emergency Home Finance Act of 1970 as a stockholder owned government-sponsored enterprise. Freddie Mac, as the corporation is called, is charged with providing stability and assistance to the secondary home mortgage market by buying first mortgages and participation interests and reselling these securities in the form of guaranteed mortgage securities. Although agency obligations are not explicitly guaranteed by the federal government, the rating agencies believe that in the unlikely event of financial difficulties, the federal government will support the agency to the extent necessary to provide for full and timely payment on their securities.

**Federal National Mortgage Association (FNMA):** FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single

provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

**Federal Reserve System:** The central bank of the United States created by congress and consisting of a seven-member Board of Governors in Washington, D.C.; 12 regional banks and approximately 38 percent of the 8,039 commercial banks in the United States are members of the Federal Reserve System. National banks must be members; state-chartered banks may join if they meet certain requirements.

**Interest Rate:** The annual yield earned on an investment, expressed as a percentage.

**Liquidity:** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. A security is said to be liquid if the spread between bid and asked prices is narrow and a reasonable size can be done at those quotes.

**Market Value:** The price at which a security is trading and could presumably be purchased or sold.

**Maturity:** The date upon which the principal or stated value of an investment becomes due and payable.

**Money Market:** A segment of the financial market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are traded.

**Municipal Securities of Local Agencies:** Debt securities issued by states, cities, counties and other governmental entities to fund day-to-day obligations and to finance capital projects. The purchase of municipal securities is a loan to the bond issuer in exchange for regular interest payments and the return of the original investment.

**Nationally Recognized Statistical Rating Organization ("NRSRO"):** Firms that review and assess the creditworthiness of an obligor as an entity or with respect to specific securities or money market instruments and express their opinion in the form of a letter rating. A credit rating agency may apply to the SEC for registration as a nationally recognized statistical rating organization ("NRSRO"). The primary rating agencies are Standard & Poor's Corporation, Moody's Investor Services, Inc. and Fitch, Inc.

**Negotiable Certificates of Deposit:** Unsecured obligations of the financial institution, bank or savings and loan, bought at par value with the promise to pay face value plus accrued interest at maturity. They are high-grade negotiable instruments, paying a higher interest rate than regular certificates of deposit.

**Offer:** The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See "Asked" and "Bid".

**Portfolio:** Collection of securities held by an investor.

**Primary Dealer:** A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker/dealers, banks and a few unregulated firms.

**Rate of Return:** The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity; on a bond, the current income return.

**Repurchase Agreement (RP OR REPO):** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate him for this.

**Risk:** Degree of uncertainty of return on an asset.

**Safekeeping:** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank’s vaults for protection.

**Structured Notes:** Notes issued by Government Sponsored Enterprises (FHLB, FNMA, FHLMC, etc.) and Corporations, which have imbedded option (e.g. call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

**Securities & Exchange Commission:** Agency created by Congress to protect investors in securities transactions by administering securities legislation.

**SEC Rule 15C3-1:** See “Uniform Net Capital Rule”.

**Supranational Securities:** A supranational organization is formed by a group of countries through an international treaty with specific objectives such as promoting economic development. Supranational organizations also issue debt in the United States. The most commonly recognized supranational debt is issued by the International Bank for Reconstruction and Development (IBRD or World Bank).

**Treasury Bills:** A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

**Treasury Bond:** Long-term U.S. Treasury securities having initial maturities of more than 10 years.

**Treasury Notes:** Intermediate-term coupon bearing U.S. Treasury having initial maturities of from one year to ten years.

**Trustee:** A financial institution with powers to act in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

**Uniform Net Capital Rule:** Securities and Exchange Commission requirement that member firms as well as nonmember broker/dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

**Yield:** The rate of annual income return on an investment, expressed as a percentage. (a) Income Yield is obtained by dividing the current dollar income by the current market price for the security. (b) Net Yield or Yield to Maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

**June 9, 2020 – Resolution No. 2020-044**