



STAFF REPORT

DATE: June 18, 2019

TO: Ronald L. Olson, City Manager

FROM: Jonathan Locke, Executive Director of Finance

SUBJECT: Investment Advisory Services Agreement Renewal

BACKGROUND AND FINDINGS:

On May 18, 2017, the City initiated a Request for Qualifications (RFQ) seeking responses from qualified firms to provide investment advisory services. Two proposals were received and evaluated by a committee consisting of Finance personnel. The committee selected Valley View Consulting as the most qualified respondent.

On July 25, 2017, City Council approved the investment advisory services agreement with Valley View Consulting. The initial agreement is effective for a two-year term that ends June 30, 2019. The agreement may be extended for additional one or two-year periods.

Valley View Consulting has extensive investment advisory experience, and is registered with the Securities and Exchange Commission (SEC) to provide investment advisory services. The scope of the agreement includes the firm providing advice on market conditions, analyzing risk/return relationships between investment alternatives, assisting staff in keeping the City's investment policy in compliance with the Public Funds Investment Act, assisting in the purchase and sale of investment securities, and assisting staff with the Request for Application (RFA) process for the City's primary depository bank.

THE ALTERNATIVES CONSIDERED:

- (1) Do not renew the investment advisory services agreement.
- (2) Renew the investment advisory services agreement for 1 year.
- (3) Renew the investment advisory services agreement for 2 years.

Which alternative is recommended? Why?

Staff recommends option 3, to renew the investment advisory services agreement with Valley View Consulting, LLC for a two-year period expiring June 30, 2021.

CONFORMITY TO CITY POLICY:

The Public Funds Investment Act (PFIA) section 2256.003 states that "...The governing body of an investing entity may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under

its control. A contract made under authority of this subsection may not be for a term longer than two years. A renewal or extension of the contract must be made by the governing body of the investing entity by order, ordinance, or resolution."

FINANCIAL IMPACT:

What is the amount of the expenditure in the current fiscal year? For future years?

Valley View Consulting's fee varies based on the City's average quarterly investment portfolio balance. The firm receives 3 basis points (0.03%) of the City's average quarterly total portfolio book value less the demand deposit account balance with the City's primary depository bank. The total amount paid for services in FY 2018 was \$29,861. Based on an average portfolio balance of \$100 million, the estimated annual fee for services will be \$30,000 in FY 2019 and FY 2020.

Is this a one-time or recurring expenditure?

The firm's fee is a recurring expenditure paid quarterly.

Is this expenditure budgeted?

Yes

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

Yes

RECOMMENDATION:

Staff recommends that City Council renew the investment advisory services agreement with Valley View Consulting, LLC for a two-year period expiring June 30, 2021.

DEPARTMENTAL CLEARANCES:

Finance
Legal

ATTACHED SUPPORTING DOCUMENTS:

Agreement
Certificate of Interested Parties