



STAFF REPORT

DATE: May 18, 2021

TO: Kent Cagle, City Manager

FROM: Jonathan Locke, Executive Director of Finance

SUBJECT: Investment Advisory Services Agreement

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 was effective for a two-year term that ended June 30, 2019. The agreement allowed for one or two-year period extensions. On June 25, 2019, City Council approved a two-year extension that ends June 30, 2021. Staff is requesting a one-year extension to the agreement and plans to initiate an RFQ for investment advisory services prior to the end of the extension period. The new agreement will be effective from July 1, 2021 through June 30, 2022.

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 assisting with cash flow projections, 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 approve the investment advisory services agreement.
- (2) Issue an RFQ for investment advisory services.
- (3) Approve the investment advisory services agreement with Valley View.

Which alternative is recommended? Why?

Alternative 3 is recommended. Valley View has extensive experience providing the requested services and staff is extremely satisfied with the services provided by the firm.

CONFORMITY TO CITY POLICY:

Texas Government Code, Chapter 2256, cited as the Public Funds Investment Act (PFIA), authorizes the governing body of an investing entity to 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 this subsection is limited to a term of no 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's fee for services varies based on the City's average quarterly investment portfolio balance. The firm receives three (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 2020 was \$29,813 and the estimated amount for FY 2021 is \$42,370. Based on an average portfolio balance of \$133 million, the estimated annual cost for services will be \$39,900 in FY 2022.

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:

City Council to approve the investment advisory services agreement with Valley View Consulting, LLC in an amount not to exceed \$50,000.

DEPARTMENTAL CLEARANCES:

Finance
Legal

ATTACHED SUPPORTING DOCUMENTS:

Agreement

Certificate of Interested Parties