



REQUEST FOR PROPOSALS (RFP) FOR INVESTMENT MANAGEMENT AND ADVISORY SERVICES

Date Issued: July 20, 2022

Proposals Due: August 31, 2022

The City of San Rafael is seeking proposals from qualified investment management firms to provide comprehensive investment services, including handling day-to-day portfolio administration and providing discretionary investment advisory services to help govern the City's investment portfolio.

Respondents to this RFP shall submit completed proposals electronically by 5:00 p.m. on **August 31, 2022** to the following email address:

Claire Coleman
Senior Management Analyst
City of San Rafael
1400 Fifth Avenue, Room 204
San Rafael, CA 94901
claire.coleman@cityofsanrafael.org

Please contact Claire Coleman if you have any questions:

Email: claire.coleman@cityofsanrafael.org

Phone: (415) 451-2474

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Introduction

The City of San Rafael ("City") is requesting proposals for Investment Management and Advisory Services. All proposals must be sent electronically to claire.coleman@cityofsanrafael.org by **no later than 5:00 p.m. on August 31, 2022. Late proposals will not be considered.** The proposals shall be clearly marked **Proposal for Investment Management and Advisory Services.**

Proposals must be responsive to the City's request. The City will select a firm on the basis of demonstrated competence and the professional qualifications necessary for the satisfactory performance of the services required. Cost alone shall not be the determinative factor.

This request for proposals does not obligate the City to award a contract, and the City reserves the right to cancel the request for proposals if deemed in its best interest. Responding firms shall be solely responsible for any expenses incurred in preparing proposals in response to this request.

About the City of San Rafael

The City of San Rafael was incorporated in 1874 and became a charter city in 1913. The City operates under the Council/Manager form of government and is governed by a five-member City Council, which includes four districted councilmembers and an at-large mayor. The City's mission is to enhance the quality of life and to provide for a safe, healthy, prosperous and livable environment in partnership with the community. The City has a staff of about 412 full-time employees and is a full-service city, which includes the following departments:

- City Attorney's Office
- City Clerk's Office
- City Manager's Office
- Community Development
- Digital Service and Open Government
- Economic Development and Innovation
- Human Resources
- Finance
- Fire
- Library and Recreation (includes Parks, Recreation, Library, and Childcare)
- Parking Services
- Police
- Public Works
- San Rafael Sanitation District

The City's fiscal year begins on July 1 and ends on June 30. For Fiscal Year 2022-23, the City of San Rafael has a total operating budget of approximately \$166 million for all funds and the General Fund makes up approximately \$93.6 million of that total. While City operations generate revenue from various public services, such as licensing, permitting, and building activity, the three primary sources of revenue for the General Fund are sales tax, property tax, and transaction and use tax (TUT). See the City website <https://www.cityofsanrafael.org/departments/finance/> for the most recent City Operating and Capital Improvement Program Budget and the Annual Comprehensive Financial Report (ACFR).

The City's externally managed portfolio is approximately \$45 million in operating and capital funds (non-pension funds). The City's investment policy can be found in Attachment A.

Scope of Investment Management and Advisory Services

The objective of this RFP is to receive proposals for investment management and advisory services. Services shall include, but are not necessarily limited to, the following described below.

The scope of this RFP is exclusive of custodial services, funds held in Trust, security safekeeping, and Successor Agency funds. Successor Agency funds may be added to the scope at a future date pending the Finance Department's approval. The firm(s) selected will be required to provide the following services:

Services to Be Performed

Specific services to be performed, although not all-inclusive, are as follows:

- Prepare a maturity analysis.
- Provide credit analysis of investment instruments in portfolio.
- Evaluate market risk and develop strategies that minimize the impact on the portfolio.
- Provide assurance of portfolio compliance with applicable policies and laws and the City's Investment Policy.
- Assist the City to define and establish an appropriate performance benchmark.
- Provide monthly/quarterly annual reporting on all City funds under management.
- Attend quarterly and other ad hoc meetings with City Budget Committees as requested.
- Present quarterly update at City Council meetings, if requested.
- Indicate full understanding of compliance with the City's Investment Policy and California laws.
- Ensure the portfolio structure matches City objectives.

Investment of Funds

The firm(s) must effectively invest the City's funds, provide discretionary full-time portfolio management, and effectively invest the portfolio pursuant to the approved investment policy, the City's cash flow needs and the City's direction.

Written and Oral Reports

The firm(s) must provide a written report on a monthly and quarterly basis demonstrating the portfolio performance including information about the portfolio as described in the investment policy. The firm must also be available to make periodic written and oral reports to the City Council.

Evaluation of Investment Policy

The firm(s) must annually assist in the review of the City's investment policy. The proposed changes to the investment policy will be presented in final draft form to the Administrative Services Director and City Manager prior to submission to the City Council.

Expectations

Investment practices and procedures must comply with Federal and California state law and the City's written investment policy. This includes Sections 53600-53683 of the California Government Code. Investments shall be made consistent with Government Code Sections 16429.1 and/or 53601. The investment advisory firm will be expected to perform to the Prudent Expert Standard.

Proposal Submission Requirements

The Firm is responsible for preparing an effective, clear, and concise proposal. To be considered for selection, vendors must submit a complete response to this Request for Proposal that includes the following mandatory information and/or requirements. Responses should be in the same order as the questions presented, stating acceptance of modifications or additions to, or a statement of the inability to provide, said service or information. Failure to provide any of the information requested below may be cause for the proposal to be rejected.

1. Request for Proposal cover letter introducing the Firm and the individual who will be the primary contact person.

2. Firm Background and Organization

- a. Describe the organization, date founded, and ownership of your firm. Has your firm experienced a material change in organizational structure, ownership, or management during the past five years? If so, please describe. Please provide number and location of affiliated offices.
- b. Identify the types of accounts primarily under contract with your firm.
- c. How is your firm compensated for the services it provides? Does your firm act as a broker/dealer, or receive any other form of additional compensation (including soft dollars) for the client transactions aside from the direct fee paid by clients?
- d. Describe the firms' sources of revenue (e.g., investment management, institutional research, etc.) and comment on your firm's financial condition. Describe any major claims, settlements or other exposures pending against your company or finalized or otherwise resolved in the last five years.
- e. Is your firm a registered investment advisor under the Investment Advisor's Act of 1940 as amended?
- f. Describe any SEC, FINRA, or regulatory censure or litigation involving your firm or its employees at any time.
- g. Did you, or will you, pay a finder's fee to any third party for business related to this account? Specify the recipients of any fee.
- h. Specify if your firm has a dual registration.
- i. Describe any other business affiliations. Describe your firm's policy on soft dollars.
- j. Describe any potential conflicts of interest you may have working with the City.
- k. Outline the errors and omissions (professional liability) and fidelity bond coverage your firm carries. Provide a valid, current Certificate of Insurance.
- l. If you are hired, will your firm serve as a fiduciary in your role as an investment adviser to the City while providing the investment management services we are seeking? If no, describe your objections or limitations.

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3. Experience

- a. Describe your firm's experience in managing fixed income portfolios for public funds and governmental entities.
- b. Describe your firm's experience in developing policies and portfolio management guidelines for government portfolios.
- c. Provide the number and types of accounts, total asset value, and composition of portfolios currently being managed by your firm.
- d. Describe your firm's experience and or involvement, if any, in the Bay Area region.

4. Personnel

- a. Identify and provide background information on the key person or personnel who take the most active role(s) in the administration and management of the firm(s).
- b. Identify the investment professionals (portfolio managers, analysts, and researchers) employed by your firm, by classification, and specify the average number of accounts handled by portfolio managers. Are there any established limits on accounts or assets under management? Describe any regulatory investigations, action, censure, or litigation involving any of the specified professionals.
- c. Describe whether portfolios are managed by teams or by one individual.
- d. Provide resumes and biographical information on key investment professionals that will be directly involved in the decision-making process for the portfolio. Include the number of years at your firm, total years of experience, and professional licenses and designations.
- e. Indicate which of your firm's professionals would be delegated as the primary client contact(s).
- f. Describe your firm's compensation policies for investment professionals.
- g. Describe your firm's training and education efforts to keep portfolio managers informed of developments relevant to government investment managers.

5. Assets Under Management

- a. Provide the number and types of accounts, total asset value and composition of portfolios currently being managed by your firm for government agencies. Summarize your assets under management (institutional only) over the past five years and average assets per client.
- b. Summarize your institutional investment assets under management by category as shown below for your latest reporting period.
- c. Provide GIPS (Global Investment Performance Standards) compliant performance statistics on a comparable portfolio and compare with industry averages or benchmarks for the last one, three, five, ten years and/or since inception. If unable to provide GIPS statistics, please state reason.

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- d. In the past five years, has your firm purchased and held any security that was subsequently downgraded below the minimum credit ratings required for purchase under the California Government Code? What were the circumstances? What actions were taken?

6. Investment Management Approach and Discipline

- a. Briefly describe your firm's investment management philosophy, including your approach to managing governmental portfolios.
- b. Describe your credit review process.
- c. Describe your firm's compliance review process.
- d. Describe your firm's portfolio management decision making process.

Evaluation of Proposals and Selection Process

Evaluation of Proposals

The project's core team, composed of City staff, will evaluate all proposals in accordance with the criteria listed below. The City team members, in applying the major criteria to the proposals, may consider additional criteria beyond those listed. In addition to evaluating written proposals, twenty-minute oral interviews may be requested to allow for a formal presentation by the proposer.

The final selection will be the firm which, in the City's opinion, is the most responsive and responsible, meets the City's requirements in providing this service, and is in the City's best interest. The City maintains the sole and exclusive right to evaluate the merits of the proposals received.

Proposals will be evaluated based on the following criteria:

- Thoroughness and understanding of the tasks to be completed
- Background and experience in investment management and advisory services
- Staff expertise and overall experience of personnel assigned to the work
- Responsiveness to requirements of the project
- Recent public sector experience, preferably in a municipal setting conducting similar work
- Costs

Although price for the services will be an important part of the consideration for award of the project, the City will consider the consultant's qualifications, expertise and level of professional service in the award of the project.

Timing and Schedule

We will make every effort to administer the RFP process in accordance with the terms and dates outlined below. However, we reserve the right to modify the RFP process and dates as deemed necessary.

Event	Time	Date
RFP Published and distributed		July 20, 2022
Proposal submission deadline	5:00 PM	August 31, 2022
Proposals reviewed and evaluated by staff		September 1 – 9, 2022
Recommendation to City Council with Agreement		October 3, 2022
Contract work begins		October 15, 2022

Additional Information

All responses to this RFP will become the property of the City of San Rafael.

This RFP does not commit the City to award a contract or to pay any costs incurred in the preparation of the company's proposal. The City reserves the right to modify or cancel this RFP in part or in its entirety and to accept or reject any or all proposals received if they do not meet the minimum requirements of this RFP. The City also reserves the right to negotiate with the selected firm to revise the scope of services if necessary, including modifying the services requested to more closely match City needs.

If your firm is awarded the contract, your services (as well as those provided by other members of the team) will be subject to the terms of a Professional Services Agreement.

Insurance and Business License

The firm receiving the contract for investment management and advisory services shall procure and maintain, for the duration of the contract, insurance as required in the City's standard professional services agreement. The firm selected must have a valid City of San Rafael business license while conducting any work under this contract for each year of the contract term. Additional information regarding the City's business license program may be obtained by calling (415) 485-3051.

Contract Term

The contract shall be for four consecutive years for fiscal years ending June 30, 2023 through June 30, 2026. Upon mutual agreement of the parties, and subject to the approval of the Agency, the term of this Agreement shall be extended for an additional period of two years for fiscal years ending June 30, 2027 and June 30, 2028.

Attachments:

Attachment A: City of San Rafael Investment Policy for FY 2022-23

Attachment B: Quarterly Report for FY

City of San Rafael Investment Policy

PROPOSED June 21, 2022

The City Council of the City of San Rafael (the City) has adopted this Investment Policy (the Policy) in order to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the funds of the City. All such funds will be invested in accordance with this Policy and with applicable sections of the California Government Code. This Policy was endorsed and adopted by the City Council on the approved date noted above. It replaces any previous investment policy or investment procedures of the City.

SCOPE

It is intended that this Policy cover all short-term operating funds and investment activities of the City. These funds are accounted for in the annual audit report, and include:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Projects Funds
- Enterprise Funds
- Internal Service Funds
- Fiduciary Funds

Additional funds that may be created from time to time shall be administered in accordance with the provisions of this Policy.

All cash shall be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average balances relative to the total pooled balance in the investment portfolio. Investment income shall be distributed to the individual funds not less than annually.

OBJECTIVES

The City's funds shall be invested in compliance with all applicable City Municipal Codes, California State statutes, and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet anticipated cash flows.
3. Attainment of a market value rate of return.
4. Diversification to avoid incurring unreasonable market risks.

DELEGATION OF AUTHORITY

The management responsibility for the City's investment program is delegated annually by the City Council to the Treasurer pursuant to California Government Code Section 53607. The Treasurer may delegate the authority to conduct investment transactions and to manage the operation of the investment portfolio to other specifically authorized staff members. The Treasurer shall maintain a list of persons authorized to transact securities business for the City. No person may engage in an investment transaction except as expressly provided under the terms of this Policy.

The City Manager and the Treasurer jointly shall develop written administrative procedures and internal controls, consistent with this Policy, for the operation of the City's investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the City.

The City may engage the support services of outside investment advisors in regard to its investment program, so long as it can be clearly demonstrated that these services produce a net financial advantage or necessary financial protection of the City's financial resources.

PRUDENCE

The standard of prudence to be used for managing the City's investments shall be California Government Code Section 53600.3, the prudent investor standard which states, "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."

The City's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The City recognizes that no investment is totally without risk and that the investment activities of the City are a matter of public record. Accordingly, the City recognizes that occasional measured losses may be desirable in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the City.

The Treasurer and authorized investment personnel acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that the deviations from expectations are reported in a timely fashion to the City Manager and appropriate action is taken to control adverse developments.

ETHICS AND CONFLICTS OF INTEREST

Elected officials and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or that could impair or create the appearance of an impairment of their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Manager any business interests they have in financial institutions that conduct business with the City and they shall subordinate their personal investment transactions to those of the City. In addition, the City Manager and the Treasurer shall file a Statement of Economic Interests each year pursuant to California Government Code Section 87203 and regulations of the Fair Political Practices Commission.

AUTHORIZED SECURITIES AND TRANSACTIONS

All investments and deposits of the City shall be made in accordance with California Government Code Sections 16429.1, 53600-53609 and 53630-53686, except that, pursuant to California Government Code Section 5903(e), proceeds of bonds and any moneys set aside or pledged to secure payment of the bonds may be invested in securities or obligations described in the ordinance, resolution, indenture, agreement, or other instrument providing for the issuance of the bonds. Any revisions or extensions of these code sections will be assumed to be part of this Policy immediately upon being enacted. However, in the event that amendments to these sections conflict with this Policy and past City investment practices, the City may delay adherence to the new requirements when it is deemed in the best interest of the City to do so. In such instances, after consultation with the City's attorney, the City Manager and the Treasurer will present a recommended course of action to the City Council for approval. In accordance with California Government Code listed above, the "Total Portfolio" includes all investments and deposits including funds in any money market accounts and governmental pools such as LAIF. Any percentage limitations are deemed to be calculated on the "Total Portfolio" and are measured based on the cost of the investment at the time of purchase.

The City has further restricted the eligible types of securities and transactions as follows:

1. United States Treasury bills, notes and bonds with a final maturity not exceeding five years from the date of trade settlement.
2. Federal Agency securities with a final maturity not exceeding five years from the date of trade settlement.
3. Federal Instrumentality (government sponsored enterprise) debentures, discount notes, callable and step-up securities, with a final maturity not exceeding five years from the date of trade settlement.
4. Mortgage and Asset-Backed Obligations: Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable-pass-through certificate, or consumer receivable-backed bond with a final maturity not exceeding five years from the date of trade settlement. Investments in mortgage and asset-backed obligations shall be

issued by an issuer rated at least “A” or the equivalent by a nationally recognized statistical rating organization (NRSRO) and the security shall be rated at least “AA” or the equivalent by a NRSRO. Purchases of securities authorized by this section may not exceed 20% of the City’s total portfolio.

5. Supranational Securities: United States dollar denominated, senior unsecured and unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum maturity not exceeding five years from the date of trade settlement, and eligible for purchase and sale within the United States. Investments in supranational securities shall be rated at least “AA” or the equivalent by a NRSRO and shall not exceed 15% of the City’s total portfolio.
6. Medium-Term Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States, with a final maturity not exceeding five years from the date of trade settlement, and rated at least “A” or the equivalent by a NRSRO. No more than 5% of the portfolio shall be invested in medium-term notes of any one issuer, and the aggregate investment in medium-term notes shall not exceed 30% of the City’s total portfolio.
7. Negotiable Certificates of Deposits (CDs) of commercial banks rated at least A-1, or the equivalent, with maturities not exceeding five years from the date of trade settlement. In addition, the City may not invest in the CD of a state or federal credit union where any person with investment decision making authority at the City also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit. No more than 5% of the portfolio may be invested in the CDs of any one issuer, and the aggregate investment in CDs shall not exceed 30% of the portfolio.
8. Non-negotiable Certificates of Deposit and savings deposits with a maturity not exceeding five years from the date of trade settlement, in FDIC insured state or nationally chartered banks or savings banks that qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5. No more than 5% of the portfolio may be invested in the CDs of any one issuer, and the aggregate investment in CDs shall not exceed 30% of the portfolio.

Deposits in excess of the insured amount shall be secured pursuant to California Government Code Section 53651 and 53652. The City shall comply with and act to secure compliance with the security (collateralization) system specified in the Government Code Section 53649 and 56652.

Deposits may be placed using a private sector entity that assists in the placement of deposits per section 53601.8 and 53635.8 in the Government Code. No more than 5% of the portfolio may be invested through any one private sector entity that assists in the placement of such deposits and the aggregate investment in CDs shall not exceed 30% of the portfolio.

9. Special Assessment District Obligations issued by the City of San Rafael as Limited Obligation Improvement Bonds related to special assessment districts and special tax districts. Investment in such obligations requires the approval of the City Council and maturities may extend to 30 years from the date of trade settlement.
10. Prime Commercial Paper with a maturity not exceeding 270 days from the date of purchase with the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either sub-paragraph A. or sub-paragraph B. below:
 - A. The entity shall (1) be organized and operating in the United States as a general corporation, (2) have total assets in excess of five \$500,000,000 and (3) Have debt other than commercial paper, if any, that is rated "A" or higher by a NRSRO.
 - B. The entity shall (1) be organized within the United States as a special purpose corporation, trust, or limited liability company, (2) have program-wide credit enhancements, including, but not limited to, over collateralization, letters of credit or surety bond and (3) have commercial paper that is rated "A-1" or higher, or the equivalent, by a NRSRO.

Purchases of eligible commercial paper may not represent more than 10% of the outstanding commercial paper of any single corporate issuer. No more than 5% of the City's total portfolio, shall be invested in the commercial paper of any one issuer, and the aggregate investment in commercial paper shall not exceed 25% of the City's total portfolio.

11. Eligible Banker's Acceptances issued by FDIC insured commercial banks, rated at least A-1 or the equivalent by a NRSRO with maturities not exceeding 180 days from the date of purchase. If issuers have senior debt outstanding, it shall be rated at least A or the equivalent by a NRSRO. No more than \$2,000,000 shall be invested in banker's acceptances of any one commercial bank, and the aggregate investment in banker's acceptances shall not exceed 40% of the City's total portfolio.
12. Repurchase Agreements with a final termination date not exceeding one year collateralized by U.S. Treasury obligations, Federal Agency securities, or Federal Instrumentality securities listed in items 1, 2 and 3 above with the maturity of the collateral not exceeding five years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the City's approved Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the funds borrowed. Collateral shall be held in the City's custodian bank, as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily.

Repurchase Agreements shall be entered into only with broker/dealers who are recognized as Primary Dealers by the Federal Reserve Bank of New York or have a primary dealer within their holding company structure. Repurchase agreement counterparties shall execute a City approved Master Repurchase Agreement with the City.

The Treasurer shall maintain a copy of the City's approved Master Repurchase Agreement along with a list of the broker/dealers who have executed same.

13. State of California's Local Agency Investment Fund (LAIF), pursuant to California Government Code Section 16429.1.
14. Money Market Funds registered under the Investment Company Act of 1940 that (1) are "no-load" (meaning no commission or fee shall be charged on purchases or sales of shares); (2) have a constant daily net asset value per share of \$1.00; (3) invest only in United States Treasury securities, United States Agency securities and Federal Instrumentality securities and (4) have a rating of at least AAA or the equivalent by at least two NRSROs. The aggregate investment in money market funds shall not exceed 10% of the City's total portfolio.

It is the intent of the City that the foregoing list of authorized securities and transactions is strictly interpreted. Any deviation from this list must be preapproved by resolution of the City Council.

PORTFOLIO MATURITIES AND LIQUIDITY

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. The City will not invest in securities maturing more than five years from the date of purchase, unless the City Council has by resolution granted authority to make such an investment at least three months prior to the date of investment.

SELECTION OF BROKER/DEALERS

The Treasurer shall maintain a list of broker/dealers authorized for investment purposes, and it shall be the policy of the City to purchase securities only from those authorized firms. To be eligible, a firm must be licensed by the State of California as a broker/dealer as defined in Section 25004 of the California Corporations Code, and:

1. be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a primary dealer within its holding company structure, or
2. report voluntarily to the Federal Reserve Bank of New York, or
3. qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

The City may engage the services of investment advisory firms to assist in the management of the portfolio and investment advisors may utilize their own list of approved Broker/Dealers. Such Broker/Dealers will comply with the selection criteria above and the list of approved firms shall be provided to the City on an annual basis or upon request.

In the event that an external investment advisor is not used in the process of recommending a particular transaction in the City's portfolio, authorized broker/dealers shall attest in writing that they have received and reviewed a copy of this policy and annually update a City approved Broker/Dealer Information Request form which includes the firm's most recent financial statements. The Treasurer shall maintain a list of the broker/dealers that have been approved by the City, along with each firm's most recent broker/dealer Information Request form.

The City may purchase commercial paper from direct issuers even though they are not on the approved broker/dealer list as long as they meet the criteria outlined in Item 5 of the Authorized Securities and Transactions section of this Policy.

COMPETITIVE TRANSACTIONS

Each investment transaction shall be competitively transacted with authorized broker/dealers. At least three broker/dealers shall be contacted for each transaction and their bid and offering prices shall be recorded.

If the City is offered a security for which there is no other readily available competitive offering, the Treasurer will document quotations for comparable or alternative securities.

SELECTION OF BANKS

The Treasurer shall maintain a list of banks that are approved to provide banking services for the City. To be eligible for authorization, a bank must be a member of the FDIC and shall qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5.

SAFEKEEPING AND CUSTODY

The Treasurer shall select one or more banks to provide safekeeping and custodial services for the City, in accordance with the provisions of Section 53608 of the California Government Code. A Safekeeping Agreement approved by the City shall be executed with each custodian bank prior to utilizing that bank's safekeeping services. Custodian banks will be selected on the basis of their ability to provide services for the City's account and the competitive pricing of their safekeeping related services.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. All securities shall be perfected in the name of the City. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities purchased by the City will be delivered by book entry and will be held in third-party safekeeping by a City approved custodian bank, or its Depository Trust Company (DTC) participant account.

The City's custodian shall be required to furnish the City a list of holdings on at least a monthly basis and safekeeping receipts or customer confirmations shall be issued for each transaction.

PORTFOLIO PERFORMANCE

The investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of the City's investments shall be compared to the average yield on the U.S. Treasury security that most closely corresponds to the portfolio's actual weighted average effective maturity. When comparing the performance of the City's portfolio, its rate of return will be computed net of all fees and expenses.

REPORTING

On a quarterly basis, the Treasurer shall submit to the Council a report of the investment earnings and performance results of the City's investment portfolio. The report shall include the following information:

1. Investment type, issuer, date of purchase, purchase price, date of maturity, par value, current rate of interest and dollar amount invested in all securities, and investments and monies held by the City;
2. A description of the funds, investments and programs;
3. A market value as of the date of the report (or the most recent valuation as to assets not valued monthly) and the source of the valuation;
4. Overall portfolio yield based on historical cost;
5. Weighted average final maturity and weighted average effective maturity;
6. A statement of compliance with this Policy or an explanation for not-compliance;
7. A description of any of the City's funds, investments or programs that are under the management of contracted parties, including lending programs; and
8. A statement of the ability to meet expenditure requirements for six months, as well as an explanation of why money will not be available if that is the case.

The Treasurer shall submit to the Council a report of any changes affecting more than 15% of the investment portfolio within 30 days of such change.

POLICY REVIEW

This Investment Policy shall be reviewed and approved by City Council annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, yield and diversification and its relevance to current law and economic trends. Any additional amendments to this Investment Policy shall be submitted to the City Council for approval.



SAN RAFAEL CITY COUNCIL AGENDA REPORT

Department: Finance

Prepared by: Nadine Atieh Hade,
Administrative Services Director

City Manager Approval: _____

TOPIC: CITY QUARTERLY INVESTMENT REPORT

SUBJECT: ACCEPTANCE OF CITY OF SAN RAFAEL QUARTERLY INVESTMENT REPORT FOR THE QUARTER ENDING JUNE 30, 2022

RECOMMENDATION: Accept investment report for the quarter ending June 30, 2022, as presented.

BACKGROUND: Pursuant to the State of California Government Code Section 53601 and the City's investment policy, last approved by the City Council on [June 21, 2022](#), staff provides the City Council with a quarterly report on the City's investment activities and liquidity. Included in the report are the cost of each investment, the interest rates (yield), maturity dates, and market value. Separate reports are prepared for the City and the Successor Agency to San Rafael Redevelopment Agency.

The City invests a portion of its pooled funds in the [Local Agency Investment Fund \(LAIF\)](#), a State-run investment pool. Beginning in March 2014, the City incorporated an investment strategy that added purchases of securities outside of LAIF with the assistance of its investment advisor, Insight Investment.

ANALYSIS: As of June 30, 2022, the primary LAIF account had a balance of \$48,554,095. Portfolio returns on LAIF deposits were 0.86% for the quarter ending June 30, 2022. The remaining investment assets include the \$1,159,300 balance of Pt. San Pedro Assessment District bonds, and \$43,692,305 in government agency securities and corporate bonds (including Walmart Inc., Apple Inc., American Honda Finance, Procter Gamble Co., Toyota, Caterpillar, Bank of America, John Deere, Citibank, PNC Financial Services, US Bancorp, IBM Corp, 3M Company, PepsiCo, JP Morgan Chase Co., Pfizer, and Chevron). The overall total portfolio returns for the quarter ending June 30, 2022 were 0.90%.

The City's Westamerica general operating bank account had a balance of \$12,908,737 at quarter end.

Exhibit A is composed of three parts: (1) Quarterly Investment Portfolio Report; (2) Historical Activity by Quarter summarizing the City's investments; and (3) the three monthly investment reports from Insight Investment for the quarter.

FISCAL IMPACT: No financial impact occurs by adopting the report. The City continues to meet the priority principles of investing - safety, liquidity and yield, in priority order. The portfolio remains

FOR CITY CLERK ONLY

Council Meeting:

Disposition:

conservatively invested. Sufficient liquidity exists to meet daily operating and capital project requirements for the next six months. Operating funds, as defined for this report, exclude cash held with fiscal agents for the payment of bond principal and interest.

RECOMMENDATION: Accept investment report for the quarter ending June 30, 2022, as presented.

ATTACHMENTS:

Exhibit A:

1. Quarterly Investment Portfolio Report
2. Historical Activity by Quarter Report
3. Insight Investment Statements, April through June 2022

I CERTIFY THAT ALL INVESTMENTS MADE ARE IN CONFORMANCE WITH THE CITY'S APPROVED INVESTMENT POLICY AND STATE INVESTMENT REGULATIONS. THE CITY HAS SUFFICIENT LIQUIDITY TO MEET ALL OF THE OBLIGATIONS REQUIRED DURING THE NEXT SIX-MONTH PERIOD.

A handwritten signature in blue ink that reads "Nadine Atieh Hade". The signature is written in a cursive style.

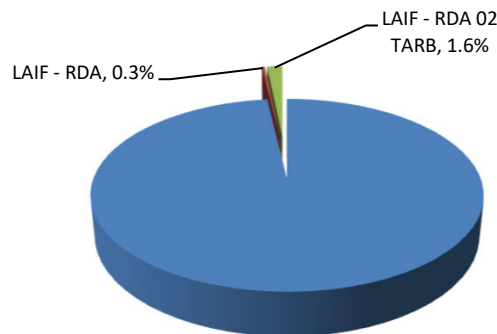
NADINE ATIEH HADE
FINANCE DIRECTOR

City of Rafael

Quarterly Investment Portfolio Report

June 30, 2022

Internally Managed Assets		%	Return
LAIF	\$ 48,554,095	98.1%	0.86%
LAIF - RDA	\$ 155,374	0.3%	0.86%
LAIF - RDA 02 TARB	\$ 770,970	1.6%	0.86%
Total Internally Managed	\$ 49,480,439	52.5%	



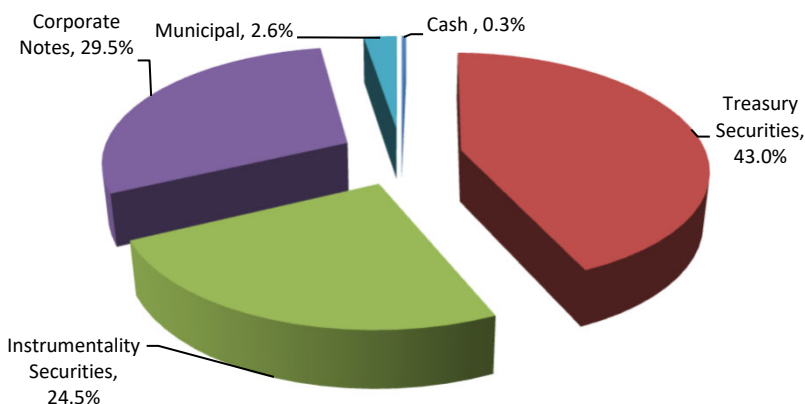
Weighted Average Yield **0.86%**

Days

Effective Average Duration - Internal 1

Weighted Average Maturity - Internal 1 LAIF, 98.1%

Externally Managed Assets		%	Return
Cash	\$ 155,858	0.3%	0.02%
Treasury Securities	\$ 19,307,642	43.0%	0.70%
Instrumentality Securities	\$ 11,004,000	24.5%	0.96%
Corporate Notes	\$ 13,224,805	29.5%	0.90%
Municipal	\$ 1,159,300	2.6%	5.25%
Total Externally Managed	\$ 44,851,605	47.5%	



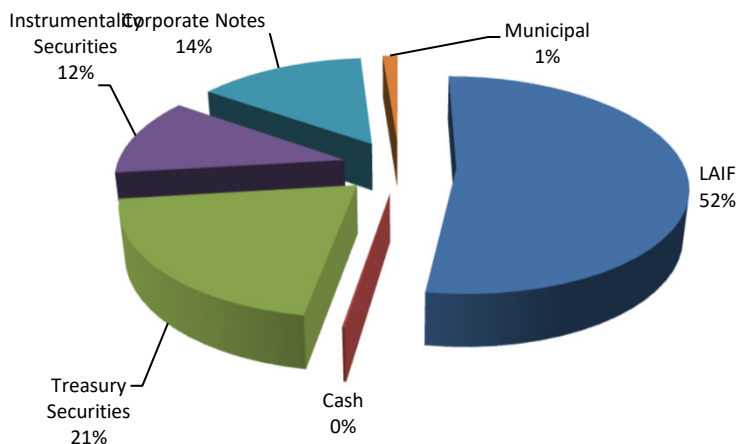
Weighted Average Yield **0.94%**

Years

Effective Average Duration - External 1.45

Weighted Average Maturity - External 1.60

Total Portfolio Assets		%	Return
LAIF	\$ 49,480,439	52.5%	0.86%
Cash	\$ 155,858	0.2%	0.02%
Treasury Securities	\$ 19,307,642	20.5%	0.70%
Instrumentality Securities	\$ 11,004,000	11.7%	0.96%
Corporate Notes	\$ 13,224,805	14.0%	0.90%
Municipal	\$ 1,159,300	1.2%	5.25%
Total Portfolio Assets	\$ 94,332,045		



Weighted Average Yield **0.90%**

Years

Effective Average Duration - Total 0.69

Weighted Average Maturity - Total 0.76

Based on Market Values

City of San Rafael

Historical Activity-By Quarter

	June 30, 2022			March 31, 2022			December 31, 2021			September 30, 2021			June 30, 2021			March 31, 2021		
Internally Managed Assets		%	Return		%	Return		%	Return		%	Return		%	Return		%	Return
LAIF	\$ 49,325,065	99.7%	0.86%	\$ 37,295,675	99.6%	0.37%	\$ 37,272,941	99.6%	0.21%	\$ 40,246,878	99.6%	0.21%	\$ 45,213,641	99.7%	0.26%	\$ 40,171,329	99.6%	0.36%
LAIF - Housing	\$ 155,374	0.3%	0.86%	\$ 155,252	0.4%	0.37%	\$ 155,163	0.4%	0.21%	\$ 155,068	0.4%	0.21%	\$ 154,942	0.3%	0.26%	\$ 154,773	0.4%	0.36%
Total Internally Managed	\$ 49,480,439	52.5%		\$ 37,450,927	45.4%		\$ 37,428,104	45.0%		\$ 40,401,946	54.7%		\$ 45,368,583	57.5%		\$ 40,326,102	65.2%	
Weighted Average Yield			0.86%			0.37%			0.21%			0.21%			0.26%			0.36%
Externally Managed Assets		%	Return		%	Return		%	Return		%	Return		%	Return		%	Return
Cash	\$ 155,858	13.4%	0.02%	\$ 34,607	3.0%	0.02%	\$ 160,462	0.4%	0.02%	\$ 106,899	9.2%	0.02%	\$ 56,088	0.2%	0.01%	\$ 260,338	21.0%	0.01%
Treasury Securities	\$ 19,307,642	43.0%	0.70%	\$ 19,322,375	42.9%	0.54%	\$ 17,936,293	39.2%	0.51%	\$ 6,202,242	18.5%	0.69%	\$ 4,439,182	13.3%	0.70%	\$ 1,455,053	6.8%	1.54%
Instrumentality Securities	\$ 11,004,000	24.5%	0.96%	\$ 11,081,069	24.6%	0.95%	\$ 12,774,395	27.9%	1.09%	\$ 12,058,266	36.1%	1.23%	\$ 13,695,843	40.9%	1.21%	\$ 11,757,213	54.6%	1.54%
Corporate Notes	\$ 13,224,805	29.5%	0.90%	\$ 13,449,548	29.9%	0.69%	\$ 13,782,838	30.1%	0.65%	\$ 13,918,907	41.6%	0.66%	\$ 14,048,276	42.0%	0.68%	\$ 6,830,936	31.7%	1.40%
Municipal/Assessment District	\$ 1,159,300	2.6%	5.25%	\$ 1,159,300	2.6%	5.25%	\$ 1,159,300	2.5%	5.25%	\$ 1,159,300	3.5%	5.25%	\$ 1,239,200	3.7%	5.25%	\$ 1,239,200	5.8%	5.25%
Total Externally Managed	\$ 44,851,605	47.5%		\$ 45,046,900	54.6%		\$ 45,813,288	55.0%		\$ 33,445,614	45.3%		\$ 33,478,588	42.5%		\$ 21,542,739	34.8%	
Weighted Average Yield			0.94%			0.81%			0.83%			1.03%			1.07%			1.69%
Effective Average Duration - External			Years 1.45			Years 1.56			Years 1.68			Years 1.91			Years 2.02			Years 1.90
Weighted Average Maturity - External			1.60			1.72			1.87			2.26			2.39			2.32
Total Portfolio Assets		%	Return		%	Return		%	Return		%	Return		%	Return		%	Return
LAIF	\$ 49,480,439	52.5%	0.86%	\$ 37,450,927	45.4%	0.37%	\$ 37,428,104	45.0%	0.21%	\$ 40,401,946	54.7%	0.21%	\$ 45,368,583	57.5%	0.26%	\$ 40,326,102	65.2%	0.36%
Cash	\$ 155,858	0.2%	0.02%	\$ 34,607	0.0%	0.02%	\$ 160,462	0.2%	0.02%	\$ 106,899	0.1%	0.02%	\$ 56,088	0.1%	0.01%	\$ 260,338	0.4%	0.01%
Treasury Securities	\$ 19,307,642	20.5%	0.70%	\$ 19,322,375	23.4%	0.54%	\$ 17,936,293	21.5%	0.51%	\$ 6,202,242	8.4%	0.69%	\$ 4,439,182	5.6%	0.70%	\$ 1,455,053	2.4%	1.54%
Instrumentality Securities	\$ 11,004,000	11.7%	0.96%	\$ 11,081,069	13.4%	0.95%	\$ 12,774,395	15.3%	1.09%	\$ 12,058,266	16.3%	1.23%	\$ 13,695,843	17.4%	1.21%	\$ 11,757,213	19.0%	1.54%
Corporate Notes	\$ 13,224,805	14.0%	0.90%	\$ 13,449,548	16.3%	0.69%	\$ 13,782,838	16.6%	0.65%	\$ 13,918,907	18.8%	0.66%	\$ 14,048,276	17.8%	0.68%	\$ 6,830,936	11.0%	1.40%
Municipal/Assessment District	\$ 1,159,300	1.2%	5.25%	\$ 1,159,300	1.4%	5.25%	\$ 1,159,300	1.4%	5.25%	\$ 1,159,300	1.6%	5.25%	\$ 1,239,200	1.6%	5.25%	\$ 1,239,200	2.0%	5.25%
Total Portfolio Assets	\$ 94,332,045			\$ 82,497,826			\$ 83,241,391			\$ 73,847,559			\$ 78,847,170			\$ 61,868,840		
Weighted Average Yield			0.90%			0.61%			0.55%			0.58%			0.60%			0.82%
Effective Average Duration - Total			Years 0.69			Years 0.85			Years 0.93			Years 0.87			Years 0.86			Years 0.66
Weighted Average Maturity - Total			0.76			0.94			1.03			1.03			1.02			0.81

Performance Recap

- The weighted average quarterly portfolio yield increased from 0.61% to 0.90% during the past quarter. Yields are rising as the Federal Reserve increases interest rates to combat inflation.
- The effective average duration decreased, from 0.85 to 0.69 years since last quarter, this is a result of an increase from 45.4% to 52.5% of the portfolio's assets being held in LAIF, which is highly liquid.
- The total portfolio assets increased by approximately \$11.8 million during the quarter. This is reflective of transfers of property tax and other remittances to investment balances during the quarter.