



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: FEBRUARY 9, 2016

FROM: FINANCE DEPARTMENT WARDS: ALL

**SUBJECT: AWARD FOUR YEAR CONTRACT TO BLX GROUP, LLC, AS INVESTMENT
ADVISOR IN THE ANNUAL AMOUNT OF APPROXIMATELY \$150,000**

ISSUE:

The item for City Council consideration is awarding a contract to BLX Group, LLC, to serve as the City's investment advisor.

RECOMMENDATIONS:

That the City Council authorize the City Manager, or his delegate, to execute the attached contract with BLX Group, LLC (BLX) to serve as the City's investment advisor for a four year period with two additional one year options, at the City's discretion.

BACKGROUND:

The City began using an investment advisor in 2002 to assist with maximizing its total return on investment versus using the more passive, strict "buy and hold" strategy previously employed. Since beginning to use a professional investment advisor to improve its total return, opportunities to enhance overall earnings beyond what a strict "buy and hold" strategy yield have been fruitful.

While the primary objectives of safety and liquidity remain foremost in directing our investment decisions, consistent with the City's investment policy, more active and intelligent attention to the investment portfolio adds significant incremental value. Rather than simply letting investments mature, this close oversight of investments enables periodic trades to be made when there is sufficient "gain" within a security before it matures. Thus selling it back into the market before maturity and buying out longer captures additional gains while adding no additional risk to the portfolio. These "rebalancing" transactions also help keep the plan's overall duration aligned to the plan's specified level of duration.

Having an investment advisor that specifically watches the market for these opportunities with our actual investment portfolio in mind is an advantage that staff doesn't have either the market expertise or the technological resources to perform internally. An investment advisor does.

BLX has effectively served the City in this capacity since competing successfully for the role in 2002. Their contract has expired and the Finance staff issued an RFP to look at the market and make sure we are still getting the best value and competitive pricing for the services being provided. RFP's were sent to four firms, with proposals received from three of the firms. Those

proposals were evaluated and because all of the firms are very capable of performing the work (and have robust portfolios of other municipal clients under advisement), price represents the most significant factor in the evaluation process. In this case, BLX has again submitted the most competitive pricing of the three firms; 4 basis points, which translates to a fee of .04% of the average daily cash balance on the actively managed portion of the portfolio. As the portfolio balance moves up and down over the course of the year, the quarterly payments to the advisor will fluctuate, but the pricing mechanism remains constant. The competing firms bid in the same manner, however proposed higher rates/basis point levels. The other two were both over 5 basis points which translates to more than 25% greater fees for the same work offered by BLX. Based on this analysis, it is recommended that BLX be offered the contract for the City's investment advisory work.

FISCAL IMPACT:

The pricing bid by BLX at 4 basis points, or .04%, of the average daily balance of the actively managed portfolio, based on today's balances would be approximately \$150,000 annually. Pricing is consistent with the rate BLX charged when it began assisting the former Treasurer in managing the City's investment portfolio in 2002. Amounts due under this contract are paid from the Finance Department's budget which has adequate funding for the balance of the 2015/16 fiscal year and will budget similar amounts in subsequent fiscal years for the remainder of the contract.

Prepared by:	Brent A. Mason, Finance Director/Treasurer
Certified as to availability of funds:	Brent A. Mason, Finance Director/Treasurer
Approved by:	Marianna Marysheva-Martinez, Assistant City Manager
Approved as to form:	Gary G. Geuss, City Attorney

Attachment	BLX Contract
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