

Agenda Report



Date: January 12, 2016
To: Jeffrey W. Collier, City Manager
From: Kathryn A. Marshall, City Clerk-Treasurer
Subject: Investment Advisor

RECOMMENDATION

It is recommended the City Council authorize the City Manager to execute a professional services agreement with FTN Financial Main Street Advisors to review the City's investment program, and provide a report analyzing the risk and return associated with modified investment strategy alternatives designed to increase revenue, for a fee of \$5,000; and, at the City's option, to manage a portion of the City's portfolio for a period not exceeding one year, with compensation based on the level of funds managed.

BACKGROUND

The City of Whittier is fiscally conservative and consistently adopts balanced budgets and maintains appropriate reserve fund balances. Generally, funds exceeding \$100 million¹ are available for investment. The funds are managed in accordance with an adopted Statement of Investment Policy which complies with applicable state law and is reviewed and updated annually. The Policy's parameters reflect a conservative investment philosophy. While the investment of funds not needed for immediate expenses provides additional revenue for City programs, the low risk level of the permitted investment types and short term maturity period authorized by the Policy limits the revenue generated.

At its meeting of August 11, 2015, the City Council adopted the FY15-16 Work Plan which includes a goal of retaining the services of a fiscal expert to analyze how the City might maximize yield on its portfolio where feasible.

DISCUSSION

There are numerous firms in California, including one in the City, which desire to manage a portion of the City's portfolio. These firms have offered to provide a "no fee" analysis and recommendations because they are compensated through making investment trades permitted by the Investment Policy on a long term basis. This is a service choice the City may consider as an outcome of receiving the professional advisor analysis however this approach is not responsive to the Work Plan goal.

¹ A majority of the Whittier Utility Authority's funds are held by the City and jointly managed for investment purposes.

Council Member Henderson initiated discussion of this Work Plan goal due to his experience with the Puente Hills Habitat Authority investing funds with the Los Angeles County Treasurer and Tax Collector. The Authority's funds invested through the County are being held in trust and are not used for operational expenses; therefore, the funds are available for long term investments. A portion of the Authority's portfolio is invested out as long as 13 years netting a return of approximately 3% compared to the City's most recent .62% yield. Under California Government Code Section 53601, which regulates city investments, an investment may not have a maturity exceeding five years at the time it is made unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved no more than three months prior to the investment.

In pursuing this Work Plan goal, staff met with Thomas Mueller, the Chief Accountant at the Sanitation Districts of Los Angeles, who serves as an investment advisor to the Habitat Authority and oversees the Districts' \$2 billion portfolio. Mr. Mueller invests the Districts' available funds exclusively through Ben Finkelstein of Cantor Fitzgerald, an investment bank and brokerage firm. Mr. Finkelstein has spoken at numerous professional association conferences and is the author of *The Politics of Public Funds Investing*. His educational specialty is addressing the differences between what most people think of as investing, "Wall Street," versus what public agencies must consider in investing for "Main Street," in which what is legal may not be suitable. Mr. Finkelstein is an investment broker but not an investment advisor; however, due to staff's previous work with him in portfolio management, his expertise in municipal portfolio management, and Mr. Mueller's recommendation, his recommended investment advisors were included in the City's solicitation. Mr. Finkelstein recommended FirstSouthwest and FTN Financial Main Street Advisors.

There are four investment firms with a City business license and they were contacted to determine their interest and ability to provide investment advisor services to a public agency. Only one of the four responded, EdwardJones.

Staff further sought to determine other firms that could provide investment advisor services. An on-line survey of California cities using investment advisor services indicated two firms are most frequently used: Chandler Asset Management and PFM Asset Management, LLC.

In response to staff's research, five agencies outlined above were contacted and invited to submit a fee based proposal. They included:

- Chandler Asset Management

- EdwardJones
- FirstSouthwest
- FTN Financial Main Street Advisors
- PFM Asset Management, LLC

The proposal was to review the City's investment policy, cash flow, and current portfolio and submit a report analyzing the City current investment practices and making recommendations regarding investment strategies to enhance the portfolio's earnings while meeting future cash flows needs. The review is to include how the Los Angeles County Investment Pool and directed investments, Caltrust, CDARS, corporate notes and other investment options not in use would benefit/not benefit the City; and make recommendations for modified portfolio management and outline the associated Investment Policy amendments. In addition, to ensure effective and expedited implementation, each firm was to provide costs for six months to a year of consultation with staff during implementation.

The local firm, EdwardJones, submitted a proposal for opening a brokerage account to manage all or a portion of the City's portfolio. The firm does not provide contractual investment analysis and recommendations.

Chandler Asset Management's proposal is only for the initial assessment then transitioning all or a portion of the City's portfolio management to them. The cost for the analysis and report is \$10,000; that fee would be applied towards investment management fees if the City retained Chandler Asset Management for portfolio management within a year.

PFM's response for the analysis and report and a year of consultation was \$35,000.

FirstSouthwest's proposal was responsive and included a \$15,000 analysis and report fee with a \$2,000 per month consultation fee.

FTN Financial Main Street Advisors submitted a responsive proposal with a \$5,000 analysis and report fee and \$2,000 per month consulting fee.

After reviewing the proposals and considering the timing of implementation, a preliminary determination was made that it will likely be necessary for the City to engage a professional firm to actively manage a portion of the City's portfolio. This is due, in part, to the need to have special resources (i.e. Bloomberg or other real time investment subscription at \$25,000 per year) to manage the increased level of risk

associated with the different types of investments which may be included, as well as the current department workload.

Consequently, FTN Financial, the firm with a responsive proposal and lowest cost was invited to submit a proposal with the cost for managing a portion of the City's portfolio. The fee structure submitted is 6 basis points (.06%) for the first \$50 million, 4 basis points (.04%) for the next \$50 million, and 3 basis points (.03%) for any amount over \$100 million. The fee would not include pooled funds (such as the Local Agency Investment Fund – LAIF) and would be calculated on month end market value and paid quarterly. As a point of comparison, Chandler Asset Management's proposal included a fee of 10 basis points for the first \$25 million, 8 basis points for the next \$25 million, and 7 basis points for funds managed in excess of \$50 million.

It is recommended the City enter a professional services agreement with FTN Financial Main Street Advisors (Attachment A) to perform financial analysis, provide a report of investment strategy alternatives, and draft a revised Investment Policy to reflect the City's decision of which new strategy to pursue; and, at the City's option, to manage a portion of the City's portfolio for up to one year. Prior to the end of the year, a report would be provided to the City Council regarding the outcomes of the new strategy.

FISCAL IMPACT

Cost associated with this proposal will be offset against interest earnings and allocated to the various funds being managed through the proposed service.

Submitted by:


Kathryn A. Marshall
City Clerk-Treasurer

Attachment: A – FTN Financial Main Street Advisors Professional Services Agreement

**CITY OF WHITTIER
AGREEMENT FOR PROFESSIONAL SERVICES**

THIS AGREEMENT, made and entered into this _____ day of January, 2016 (“Effective date”), by and between the CITY OF WHITTIER, a municipal corporation located in the County of Los Angeles, State of California, hereinafter referred to as “CITY” and FTN Financial with principal offices at 10655 Park Run Drive, Suite 120, Las Vegas, Nevada 89144, hereinafter referred to as “CONSULTANT”.

WITNESSETH

WHEREAS, CONSULTANT is an investment firm, the principal members of which are fully qualified and registered as required under applicable laws; and

WHEREAS, CITY retains and employs CONSULTANT to act as such for CITY to perform such consulting services as may be requested of it by CITY. CONSULTANT accepts the employment and agrees to render such services as CONSULTANT on the terms and conditions hereinstated.; and

WHEREAS, CONSULTANT is experienced in providing such services for municipal corporations and is able to provide personnel with the requisite experience and background to carry out these duties;

NOW, THEREFORE, in consideration of the mutual covenants, benefits, and premises hereinabove stated, the parties hereto agree as follows:

1. **SERVICES TO BE PERFORMED**

CITY hereby engages CONSULTANT, and CONSULTANT hereby accepts such engagement, to perform an Investment Program Review as set forth in the scope of services attached hereto as Exhibit “A” and incorporated herein by this reference. CITY has the option to engage CONSULTANT to perform Investment Management Services as set forth in the scope of services. In the event that CITY, in its sole discretion, exercises its option to engage CONSULTANT for the performance of Investment Management Services, CITY shall send written notice of the same to CONSULTANT.

2. **TERM AND TIME FOR PERFORMANCE**

The term of this agreement shall commence on the Effective date and continue for a period of up to 18 months. CONSULTANT shall begin work within ten (10) days following execution of this Agreement by CITY. CONSULTANT shall complete all tasks in accordance with the schedule included in the scope of services.

3. PERFORMANCE TO SATISFACTION OF CITY

CONSULTANT agrees to perform all work in the scope of services to the reasonable satisfaction of CITY and within the time hereinafter specified. If the quality of work is not satisfactory, CITY in its discretion, has the right to:

- a. Meet with CONSULTANT to review the quality of the work and resolve the matters of concern;
- b. Require CONSULTANT to repeat the work at no additional fee until it meets the requirements of the scope of services to the reasonable satisfaction of CITY; and/or
- c. Terminate the Agreement as hereinafter set forth.

4. COMPLIANCE WITH LAW

All services rendered hereunder shall be performed by CONSULTANT or under its direct supervision, and all personnel engaged in the work shall be fully qualified and shall be authorized by or permitted under applicable law to perform such services.

5. FAMILIARITY WITH WORK

By execution of this Agreement, CONSULTANT warrants that:

- a. It has thoroughly investigated and considered the work to be performed, based on all available information;
- b. It carefully considered how the work should be performed;
- c. It fully understands the difficulties and restrictions attending the performance of the work under this Agreement; and,
- d. It has the professional and technical competency to perform the work and the production capacity to complete the work in a timely manner with respect to the schedule included in the scope of services.

6. COMPENSATION

A. SERVICES DESCRIBED IN PROPOSAL

For the provision of an Investment Program Review rendered under this Agreement in accordance with the scope of services, attached hereto as Exhibit A and all expenses associated therewith, CITY shall pay CONSULTANT an amount that shall not exceed the authorized

amount of **\$5,000.00**. In the event that CITY exercises its option to engage CONSULTANT for the provision of Investment Management Services, CITY shall pay CONSULTANT an annual fee in the amounts set forth in the scope of services.

B. ADDITIONAL SERVICES

For any additional services, change orders or any additional compensation of any nature to be proposed for payment to CONSULTANT by CITY, such modification of this original Agreement be in the form of a written amendment to the Agreement signed by authorized representatives of both parties.

It is specifically understood that oral requests or approvals of such additional services, change orders or additional compensation and any approvals from CITY shall be barred and are unenforceable.

C. PAYMENT PROCEDURE

Progress payments to CONSULTANT, if allowed, shall be in accordance with the scope of services attached as Exhibit "A". CONSULTANT shall submit invoices to the CITY no more frequently than monthly. When work is to be paid on a "time and materials not to exceed" basis, invoices shall be submitted monthly. When work is to be paid on a "lump sum" basis, progress invoices shall be submitted as tasks are completed as described in Exhibit "A". Within ten (10) working days of receipt of such invoice, CITY shall determine whether CONSULTANT has satisfactorily performed the work described in the invoice. CITY shall thereafter pay CONSULTANT for that work which CITY deems to have been satisfactorily completed, minus a ten percent (10%) retention. Such retention shall be paid to CONSULTANT within thirty (30) days of CITY's determination that CONSULTANT has satisfactorily completed all required tasks.

7. TERMINATION

A. TERMINATION FOR CONVENIENCE

Either CITY or CONSULTANT may terminate this AGREEMENT at any time without cause by giving thirty (30) calendar days written notice to the other of such termination and specifying the effective date thereof. If this AGREEMENT is terminated as provided herein, CONSULTANT will be paid a total amount equal to the service provided as of the termination date. In no event shall the amount payable upon termination exceed the total maximum compensation provided for in this AGREEMENT.

B. TERMINATION FOR CAUSE

If for any reason, CONSULTANT shall fail to fulfill in a timely and proper manner its obligation under this AGREEMENT, or if CONSULTANT shall violate any of the covenants or stipulations of this agreement, CITY shall then have the right to terminate this agreement by giving a five (5) calendar day written notice to CONSULTANT. The notice shall refer to this clause, shall specify the nature of the alleged default, and shall specify the effective date of the termination. The CONSULTANT will be paid a total amount equal to the service provided as of the termination date. In no event shall the amount payable upon termination exceed the total maximum compensation provided for in this AGREEMENT.

In the event of termination, CONSULTANT shall immediately stop rendering services under this Agreement unless directed otherwise by CITY, and shall deliver to CITY all plans, data, reports, summaries, floppy disks, and all such other information and materials as CONSULTANT may have accumulated in performing this Agreement.

8. COORDINATION OF WORK

A. Selection of Representatives

The following principal(s) of CONSULTANT are hereby designated as the principal(s) and representative(s) of CONSULTANT authorized to act in its behalf with respect to the work specified in this Agreement and to make all decisions in connection therewith:

Rick Phillips, President and Chief Investment Officer
Tonya Dazzio, Chief Compliance Officer and Chief Operating Officer
Greg Balls, Portfolio Manager and Analyst

The foregoing principal(s) may not be changed by CONSULTANT without the express written approval of CITY.

B. Contract Officer

The Contract Officer shall be the City Clerk-Treasurer, or such other person as designated by the City Manager of the City. It shall be the CONSULTANT's responsibility to assure that the Contract Officer is kept informed of the progress of the performance of the services and the CONSULTANT shall refer any decision which must be made by CITY to the Contract Officer. Unless otherwise specified herein, any approval of CITY required hereunder shall mean the approval of the Contract Officer.

9. INDEPENDENT CONTRACTOR

A. CONSULTANT Status

CONSULTANT is an independent contractor and not an employee of CITY. Neither CITY nor any of its employees shall have any control over the conduct of the CONSULTANT or any of the CONSULTANT's employees, except as herein set forth and, CONSULTANT expressly warrants not to, in any time or in any manner, represent that CONSULTANT, or any of CONSULTANT's officers, employees or agents, are in any manner officers, employees, or agents of CITY. It is distinctly understood that said CONSULTANT is and shall at all times remain as to the CITY a wholly independent CONSULTANT, and that CONSULTANT's obligations to the CITY are solely such as are prescribed by this Agreement.

B. CONSULTANT's Personal Services - Inducement

This Agreement contemplates that the CONSULTANT's personal services and those of CONSULTANT's officers, employees, and agents are a substantial inducement to the CITY for entering into this Agreement. CONSULTANT may not assign any interest in this Agreement, except upon written consent of CITY.

Furthermore, unless expressly provided otherwise in CONSULTANT's proposal, CONSULTANT shall not subcontract any portion of the performance contemplated under this Agreement without the prior written approval of the CITY. Nothing in this Agreement shall be construed as preventing CONSULTANT from employing as many employees as CONSULTANT deems necessary for the proper and efficient execution of this Agreement.

10. PERS ELIGIBILITY INDEMNITY

In the event that CONSULTANT or any employee, agent, or subcontractor of CONSULTANT providing services under this Agreement claims or is determined by a court of competent jurisdiction or the California Public Employees Retirement System (PERS) to be eligible for enrollment in PERS as an employee of the City, CONSULTANT shall indemnify, defend, and hold harmless City for the payment of any employee and/or employer contributions for PERS benefits on behalf of CONSULTANT or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of City.

Notwithstanding any other agency, state or federal policy, rule, regulation, law or ordinance to the contrary, CONSULTANT and any of its employees, agents, and subcontractors providing service under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any claims to, any compensation, benefit, or any incident of employment by CITY, including but not limited to eligibility to enroll in PERS as an employee of CITY and entitlement to any contribution to be paid by CITY for employer contribution and/or employee contributions for PERS benefits.

11. INDEMNITY

CONSULTANT hereby agrees to protect, indemnify and hold CITY and its employees, officers and servants free and harmless from any and all losses, claims, liens, demands and causes of action of every kind and character including, but not limited to, the amounts of judgment, interests, court costs, legal fees and other expenses incurred by the CITY arising in favor of any party, including claims, liens, debts, personal injuries, including employees of the CITY, death or damages to property (including property of the CITY) and without limitation by enumeration, all other claims or demands of every character occurring or arising directly out of the negligence, recklessness or willful misconduct of CONSULTANT in the performance of its services under this Agreement. This provision is not intended to create any cause of action in favor of any third party against CONSULTANT or the CITY or to enlarge in any way the CONSULTANT'S liability but is intended solely to provide for indemnification of the CITY for liability for damages or injuries to third persons or property arising from CONSULTANT'S negligent performance hereunder.

12. INSURANCE

Throughout the term of this Agreement, CONSULTANT shall procure and maintain, at its own cost, the insurance as described in Exhibit "B", "Insurance Requirements".

13. MISCELLANEOUS

A. Ownership of Documents

All deliverables described in the scope of services shall be the property of CITY and shall be delivered to CITY upon completion or termination of this Agreement. All hard copy documents and information in electronic files that are assembled or prepared by CONSULTANT shall be made available to CITY upon request to review or to copy, and CITY shall reimburse CONSULTANT for actual cost of reproduction of documents not included as deliverables in the scope of services. Copies and said documents and electronic information may be retained by CONSULTANT, but shall not be made

available by CONSULTANT to any individual or organization without the prior written approval of CITY, except as required by law.

B. Notices

Any notices to be given under this Agreement shall be given by enclosing the same in the sealed envelope, postage prepaid, and depositing the same in the United States Postal Service, addressed as follows:

CITY:	CONSULTANT:
City of Whittier	FTN Financial
13230 Penn Street	10655 Park Run Drive, Suite 120
Whittier, CA 90602	Las Vegas, NV 89144
Attn: City Clerk-Treasurer	Attn: Rick Phillips

C. Enforcement of Agreement

This Agreement shall be construed and interpreted as to both validity, and performance of the parties, in accordance with the laws of the State of California. Legal actions concerning any dispute, claim or matter arising out of or in relation to this Agreement shall be instituted in the Superior Court of the County of Los Angeles, State of California, or any other appropriate court in such county, and CONSULTANT covenants and agrees to submit to the personal jurisdiction of such court in the event of such action.

D. Disputes

In the event of any dispute arising under this Agreement, the injured Party shall notify the injuring Party in writing of its contentions by submitting a claim therefor.

The injured Party shall continue performing its obligations hereunder so long as the injuring Party cures any default within ninety (90) days after service of the notice, or if the cure of the default is commenced within thirty (30) days after service of said notice and is cured within a reasonable time after commencement; provided that, if the default is an immediate danger to the health, safety and general welfare, the CITY may take immediate action. Compliance with the provisions of this Section shall be a condition precedent to any legal action, and such compliance shall not be a waiver of any Party's right to take legal action in the event that the dispute is not cured.

E. Waiver

No delay or omission in the exercise of any right or remedy of a nondefaulting Party on any default shall impair such right or remedy or be construed as a waiver. CITY's consent or approval of any act by CONSULTANT requiring CITY's consent to or approval of any subsequent act of CONSULTANT or any waiver by either Party of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Agreement.

F. Rights and Remedies are Cumulative

Except with respect to rights and remedies expressly declared to be exclusive in this Agreement, the rights and remedies of the Parties are cumulative and the exercise by either Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party.

G. Attorney's Fees

If either Party commences an action against the other Party arising out of or in connection with this Agreement, the prevailing Party shall be entitled to recover reasonable attorney's fees and costs of suit from the losing Party.

H. Integration

This Agreement, together with attached Exhibits identified herein supersede any and all other agreements, either oral or in writing, between the parties with respect to the subject matter herein. Each party to this Agreement acknowledges that no representation by any party, which is not embodied herein, nor any other agreement; statement or promise not contained in this Agreement shall be valid and binding. Any modification of the Agreement shall be effective only if it is in writing and signed by all parties.

[SIGNATURES FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed with all the formalities required by law on the respective dates set forth opposite their signatures.

CITY OF WHITTIER

By _____
Jeffrey W. Collier, City Manager /Date

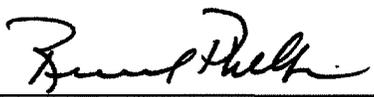
ATTEST:

By _____
Kathryn A. Marshall, City Clerk-Treasurer /Date

APPROVED AS TO FORM:

By _____
Richard D. Jones, City Attorney /Date

CONSULTANT:

By  1-5-16
Rick Phillips, President /Date



December 30, 2015

Kathryn A. Marshall
City Clerk-Treasurer
City of Whittier
13230 Penn Street
Whittier, CA 90602

Dear Ms. Marshall,

Thank you for the opportunity of our firm possibly providing the following investment related services to the City of Whittier.

Firm Background and Key Personnel

FTN Financial Main Street Advisors

Firm Background: The firm, located in Las Vegas, is a registered investment advisor with the Securities and Exchange Commission and was founded in 2004 by its principals, Rick Phillips (President and Chief Investment Officer) and Tonya Dazzo (Chief Operating and Compliance Officer). Our firm's parent company, First Tennessee Bank, is one of the top 50 banks in the country by asset size and has a strong financial condition with over \$25 billion of assets and \$2.5 billion of equity (capital).

Firm Services: FTN Main Street provides discretionary, non-discretionary management, and consulting for municipal operating and bond funds. We directly manage approximately \$5 billion for municipalities and provide non-discretionary management and consulting to municipalities totaling over \$22 billion under management.

Key Personnel Assigned to the City:

Rick Phillips – President and Chief Investment Officer

Rick Phillips is President, Founder, and Chief Investment Officer of FTN Main Street and has overseen the day-to-day investment program at the firm since its inception in 2004. Prior to starting Main Street, Rick was the Chief Investment Officer for Clark County, Nevada from 1998 to 2004. Rick was also the Investment Officer for the City of Las Vegas from 1989 to 1998. He has over 26 years of experience in municipal cash and investment management.

Rick has a BS in Finance from Brigham Young University and a MBA from the University of Utah. He is also the founder of the Government Investment Officers Association, a national organization which has over 1,000 government investment officers and corporate affiliates as members.

10655 Park Run Drive, Suite 120, Las Vegas, NV 89144 | 702.575.6600 | www.ftnmainstreet.com

Although this information has been obtained from sources which we believe to be reliable, we do not guarantee its accuracy, and it may be incomplete or condensed. This is for informational purposes only and is not intended as an offer or solicitation with respect to any particular security, investment strategy, or investment product. All herein listed securities are subject to availability and change in price. Past performance is not indicative of future results. Ratings on all securities are subject to change.

FTN Financial Group, FTN Financial Capital Markets, and FTN Financial Portfolio Advisors are divisions of First Tennessee Bank National Association (FTB). FTN Financial Securities Corp (FFSC), FTN Financial Main Street Advisors, LLC, and FTN Financial Capital Assets Corporation are wholly owned subsidiaries of FTB. FFSC is a member of FINRA and SIPC—<http://www.sipc.org/>. FTN Financial Group, through FTB or its affiliates, offers investment products and services. FTN Financial is not registered as a Municipal Advisor.

Tonya Dazzio - Chief Compliance Officer and Chief Operating Officer

Tonya Dazzio is FTN Main Street’s Chief Compliance Officer and Chief Operating Officer and serves as operational manager to our clients. She is responsible for coordinating client services, evaluating each client’s overall investment program, and monitoring compliance. She is also a member of the portfolio management team, acting as a backup portfolio manager.

Prior to joining Main Street, Tonya was the Senior Investment Officer for Clark County, Nevada from 1998 to 2005. She also managed investments, treasury services, accounting and auditing for the Clark County School District from 1990 to 1998. Tonya received a BS in Business Administration from the University of Nevada, Las Vegas. Tonya also co-founded the Government Investment Officers Association. She has over 25 years of experience in municipal cash and investment management.

Greg Balls – Portfolio Manager and Analyst

Greg Balls is a Portfolio Manager and Analyst at FTN Financial Main Street Advisors, with over six years of experience in the industry. He assists with implementing investment strategy and with publishing economic and market updates. Before joining the firm, Greg was a portfolio manager for the State of Florida, where he managed the Short Duration portfolio, and assisted with managing the Liquidity portfolio. He also managed portfolios for municipalities, corporations, trusts, and high net-worth individuals at Cantango Capital Advisors, a subsidiary of Zions Bancorp. Prior to his employment at Cantango, Greg worked in the Capital Markets Department at Zions Bank, where he specialized in buying and selling fixed-income securities for institutional clients.

Greg received a dual bachelor’s degree in Finance and Economics from Utah State University. He holds the FINRA series 65 license and is a level two candidate for the CFA designation.

Additional Resources:

Support will also be provided by our fixed-income strategists in Memphis, and our economists and credit strategists in New York.

Investment Program Review

Scope of Services for the City

Investment Program Review of the following areas/components of the investment program:

- Cash Flow Modeling
- Portfolio Structure (Interest Rate Risk and Credit Risk)
- Investment Purchase
- Internal Control
- Compliance
- Technology Resources and Utilization
- Investment Policy
- Reporting

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- Performance and Benchmarking
- Credit Analysis
- Staffing
- Business Continuity Plan
- Feasibility of Investing in the Los Angeles County Pool, CalTRUST, and CDARS

Onsite Interviews:

FTN Main Street's staff would conduct onsite interviews with the appropriate City staff to ascertain information regarding the investment program. We envision the interviews to cover a one day period.

Work Product:

FTN Main Street will provide the City a written investment program review with recommendations and present it to the appropriate City staff within sixty days of contract approval.

Proposed Fee:

The Investment Program Review fee is \$5,000.

Investment Management Services

Scope of Services for the City

- Construct a cash flow model to assist with the day-to-day management of the investments.
- Provide discretionary management of the investments in accordance with California Government Code and the City's Investment Policy.
- Transact purchases and sales of securities in the best interest of the City with FTN Main Street approved broker/ dealers.
- Send daily transaction information to the Clerk-Treasurer or other staff, via fax or email.
- Send a weekly portfolio update and economic update.
- Provide confirmations, detailed reports and reconciliations of daily investment transactions, investment earnings, and performance results on a monthly/annual basis to meet governmental reporting requirements.
- Provide consolidated monthly portfolio reports suitable to present to the Clerk-Treasurer as part of an investment report.
- Conduct a quarterly investment meeting, in person or via the telephone, with the Clerk-Treasurer and other applicable staff to present economic and market data, portfolio composition and transactions, portfolio return performance versus benchmarks, and any other reports deemed necessary by the Clerk-Treasurer.
- Participate in compliance reviews and audits.
- Conduct an annual review of the City's Investment Policy.
- Assist with CAFR footnotes regarding investments.
- Provide a monthly LAIF analysis.

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Proposed Annual Fee:

First \$50,000,000 at 6 basis points (.06%)

Next \$50,000,000 at 4 basis points (.04%)

Amount over \$100,000,000 at 3 basis points (.03%)

The above fee is on the assets under our management, and would not include any funds in LAIF or other similar types of investments. The fee would be calculated on the total month-end market value (including accrued interest), using the City's custodial pricing (averaging the month-end total market values for the quarter). The fee would be paid quarterly in arrears for quarters ending March, June, September, and December, with appropriate prorations.

If the City engages FTN Main Street for the Investment Management services mentioned above, the \$5,000 Investment Program Review fee will be credited on the Investment Management services invoice(s).

We believe we will be able to enhance the City's return many times our proposed fee. Additionally, the above fee includes all FTN Main Street's costs (i.e., travel/accommodation costs and report production costs).

Please contact me if you have any questions.

Sincerely,



Rick Phillips
President

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References:

City of Los Angeles

Tom Juarez, Chief Investment Officer
Office of Finance Department
200 N. Spring St, City Hall
Los Angeles, California 90012
213-978-4039
Tom.Juarez@lacity.org
Dates of Service: May 2011 to present
Portfolio size: \$8 billion

County of Santa Clara

Emily Harrison, Finance Director
Office of Finance
70 West Hedding Street
San Jose, CA 95110
(408) 299-5213
Emily.Harrison@fin.sccgov.org
Dates of Service: March 2013 to present
Portfolio size: \$4.5 billion

County of Fresno

Mark Bray, Investment Officer
County of Fresno Treasurer
2281 Tulare, Room 105
Fresno, California 93715
559-600-3487
mabray@co.fresno.ca.us
Date of Service: January 2014 and just hired our firm for ongoing consulting
Portfolio size: \$3 million

City of Redondo Beach

Steve Diels, City Treasurer
415 Diamond Street
Redondo Beach, CA 90277
(310) 318-0657
Steven.Diels@redondo.org
Date of Service: February 2013 to present
Portfolio size: \$75 million

10655 Park Run Drive, Suite 120, Las Vegas, NV 89144 | 702.575.6600 | www.ftnmainstreet.com

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Insurance is to be placed with insurers authorized and admitted to write insurance in California and with a current A.M. Best's rating of A-:VII or better. Acceptance of insurance from a carrier with a rating lower than A-:VII is subject to approval by CITY's Risk Manager. CONSULTANT shall immediately advise CITY of any litigation that may affect these insurance policies.