

**APPROVED**  
BY THE CITY COUNCIL  
Financing Authority  
**JUN 22 1999**



1.3

OFFICE OF THE  
CITY CLERK

OFFICE OF THE  
CITY TREASURER

THOMAS P. FRIERY  
TREASURER

CITY OF SACRAMENTO  
CALIFORNIA

926 J STREET  
SUITE 300  
SACRAMENTO, CA  
95814-2709

PH 916-264-5168  
FAX 916-448-3139

FA99-002  
AG99-099  
AG99-100

May 20, 1999  
10959LGF.DOC

Sacramento City Financing Authority  
Sacramento, California

Honorable Members in Session:

**SUBJECT:** Authorize Sacramento City Financing Authority To Enter Into An Agreement To Provide Investment Services For Sacramento City Employees Retirement System

**LOCATION/COUNCIL DISTRICT:** Citywide

**RECOMMENDATION:**

The City Manager and the City Treasurer recommend that the Sacramento City Financing Authority's (Authority) Board of Directors adopt the attached resolution that authorizes the Authority to enter into an agreement with the:

- Administration Investment and Fiscal Management Board (Board) of the Sacramento City Employees Retirement System (SCERS) to provide investment services; and
- City of Sacramento to have its City Treasurer provide such investment management services at a fair market rate.

**CONTACT PERSON:** Thomas P. Friery, City Treasurer, 264-5168

**FOR COUNCIL MEETING OF:** June 22, 1999

**SUMMARY:**

- On April 6, 1999, City Council and the Redevelopment Agency of the City of Sacramento amended the Authority's powers to include investment management services and authorized the City Treasurer to contract with the Authority to provide such services at fair market rate.

Sacramento City Financing Authority  
Investment Management Services  
June 22, 1999

- On May 10, 1999, the Board approved entering into an agreement with the Authority for investment management services.
- Staff is now requesting approval from the Authority's Board of Directors for the Authority to enter into an agreement with the Board to provide investment management services at a rate not to exceed an average 34 Basis Points or .0034% fee cap.
- Based on the current average market value of City managed SCERS assets this equates to \$1.157 million annually in managerial fees paid to the City.

**COMMITTEE/COMMISSION ACTION:**

None.

**BACKGROUND INFORMATION:**

Historically, the City has provided subsidized investment management services for SCERS. Since 1978, under the direction of the current City Treasurer, SCERS has gone from a projected \$250,000,000 million actuarial unfunded liability requiring more than \$8 million in additional annual City General Fund contributions to an actuarial surplus of over \$121 million. No contributions have had to be made from the General Fund since FY 1992/93.

In June 1998, City Council directed staff to seek an avenue to end the City's subsidized investment management services to SCERS. City Council indicated that in light of the large SCERS actuarial surplus of \$121 million and the City's limited resources, City taxpayers should not continue to subsidize SCERS investment management by the City Treasurer. It was also noted that SCERS contracts with other investment managers for services at a fair market rate.

On April 6, 1999, City Council amended the Authority's powers to include investment management services and authorized the City Treasurer to contract with the Authority to provide such services at fair market rate.

At a special meeting on May 10, 1999, the SCERS Board approved entering into an agreement with the Authority to provide investment management services at a fair market rate not to exceed an average of 34 Basis Points or .0034% fee cap.

Staff is now recommending that the Authority be authorized to enter into an agreement with the SCERS Board for investment management services and to contract with the City of Sacramento to have the City Treasurer provide such services at a fair market rate.

**FINANCIAL CONSIDERATIONS:**

As approved by City Council at the meeting of April 6, 1999, the fee to provide investment management services to SCERS shall not exceed an average of 34 Basis

Sacramento City Financing Authority  
Investment Management Services  
June 22, 1999

Points (BP = 1/100<sup>th</sup> of 1%) of the total city managed SCERS assets. Based on the current average market value of City managed SCERS assets, this equates to \$1.157 million annually in managerial fees.

**ENVIRONMENTAL CONSIDERATIONS:**

Not applicable as the California Environmental Quality Act (CEQA) does not apply to ministerial projects.

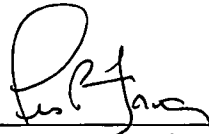
**POLICY CONSIDERATIONS:**

This action is consistent with City Council priority for *Fiscal Viability and Reinventing of City Government*. By eliminating the subsidized costs for SCERS investment management, the City Treasurer's Office may continue to provide investment management and reporting services without General Fund support.

**OSBD EFFORTS:**

None, as no outside goods or services are being procured at this time.

Respectfully Submitted,

  
\_\_\_\_\_  
Thomas P. Friery  
City Treasurer

**RECOMMENDATION APPROVED:**



Robert P. Thomas  
City Manager

**APPROVED**  
BY THE CITY COUNCIL  
Financing Authority  
JUN 22 1999

OFFICE OF THE  
CITY CLERK

## RESOLUTION NO. 99-002

ADOPTED BY THE SACRAMENTO CITY FINANCING AUTHORITY

ON DATE OF \_\_\_\_\_

### RESOLUTION AUTHORIZING THE SACRAMENTO CITY FINANCING AUTHORITY TO ENTER INTO AN AGREEMENT WITH THE SACRAMENTO CITY EMPLOYEES RETIREMENT SYSTEM TO PROVIDE INVESTMENT MANAGEMENT SERVICES

**WHEREAS**, the Administration, Investment and Fiscal Management Board of the Sacramento City Employees Retirement System (Board) is authorized by Section 383 of the Sacramento City Charter to employ investment counsel, or trust companies, or trust departments of banks to render services in connection with the investment program of the Sacramento City Employees Retirement System (SCERS); and

**WHEREAS**, Board desires to have the Sacramento City Financing Authority as manager to provide investment management services for certain classes of assets; and

**WHEREAS**, the Sacramento City Financing Authority (Authority), a joint powers agency created as of October 1, 1989, is duly authorized under City of Sacramento Resolution 99-163 and Sacramento Housing and Redevelopment Resolution No. 99-012, to provide investment management services; and

**WHEREAS**, the Authority desires to provide investment management services to SCERS; and

**WHEREAS**, the City of Sacramento is authorized under Resolution No. 99-163 to enter into an agreement with the Authority to allow the City of Sacramento, City Treasurer's Office to perform investment management services; and

**NOW, THEREFORE, BE IT RESOLVED** by the board of directors of the Sacramento City Financing Authority that:

---

FOR CITY CLERK USE ONLY

4

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

Section 1

The Authority, is authorized to execute an agreement with the Sacramento City Employees Retirement System (SCERS), Administration Investment and Fiscal Management Board (Board) to provide investment management services at an average 34 Basis Points or .0034% fee cap.

Section 2

Authority is further authorized to enter into an agreement with the City of Sacramento to have its City Treasurer provide such investment management services at a fair market rate.

PASSED AND ADOPTED this \_\_\_\_\_ day of June, 1999, by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

\_\_\_\_\_  
Chair

ATTEST:

\_\_\_\_\_  
Secretary

APPROVED AS TO FORM:

\_\_\_\_\_  
Authority Counsel

---

**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: \_\_\_\_\_ 5

DATE ADOPTED: \_\_\_\_\_