

# RESOLUTION NO. 87-808

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

**APPROVED**  
BY THE CITY COUNCIL

SEP 29 1987

OFFICE OF THE  
CLERK

## RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE NECESSARY AGREEMENTS TO IMPLEMENT PHASE II OF THE LGFS PROJECT

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

1. The City Manager is hereby authorized to negotiate a contract with American Management Systems (AMS) and their subcontractor ADS Associates, Inc. for the development and installation of the Cash Accountability and Investment Management Systems for a total amount not to exceed \$264,600, and
2. The City Manager is hereby authorized to negotiate a contract with Touche Ross for consulting services not to exceed \$73,000 necessary for the implementation of the Cash Accountability and Investment Management subsystems, and
3. A total of \$598,610 is hereby appropriated to the LGFS project (AA01), of which \$473,610 is from the 1986 COP Contingency (Fund 702) and \$125,000 is from the Sacramento City Employees Retirement Fund.

\_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Clerk

EXHIBIT A  
CASH ACCOUNTABILITY/INVESTMENT MANAGEMENT  
COST WORKSHEET

AMS		
Investment Management Subsystem*		\$ 8,200
Custom Modifications		
Negative Balances in Funds	\$ 0	
Cash Sweep/Income apportionment	32,400	
ADS Interface	16,200	
Investment Cost Recovery	8,100	
Reports (5 reports @ 5 days/report)	9,000	
Subtotal Custom Modifications		65,700
Consulting		
20 days on-site consulting @ \$45/hr	7,200	
--5 days training		
--10 days testing		
--5 days post-implementation		
5 days project management @ \$75/hr	0	
--To be paid within Master Agreement**		
Subtotal Consulting		7,200
Travel		
1 - Detail Design	1,000	
1 - Installation and Training	1,000	
2 - Testing	2,000	
2 - Post Implementation Support	2,000	
\$1,000 per trip for 6 trips		6,000
Computer Costs @ \$1,900 for 8 months		15,200
		-----
		102,300
		(8,200)*
		-----
TOTAL AMS ONE-TIME COSTS		<u>\$94,100</u>

MAINTENANCE

10% of Current License Agreement Cost \$820/Year  
of Investment Subsystem Increased each  
year by the Consumer Price Index

\* This amount previously included in the Master Contract for LGFS.  
\*\* As of September 2, there are 22 consultant days remaining (@ \$75/hr) in the Master Contract. Up to 5 days of project management for the Cash Accountability module can be charged to these days.





EXHIBIT C

21

OFFICE OF THE  
CITY MANAGER

CITY OF SACRAMENTO  
CALIFORNIA

CITY HALL  
ROOM 109  
915 I STREET  
SACRAMENTO, CA  
95814-2684

November 17, 1986

916-449-5704

Administration, Investment & Fiscal Management Board  
Sacramento, California

SUBJECT: Investment Management Computer Software

SUMMARY

The City of Sacramento is currently installing a fully integrated financial management information system. This system will provide basic investment management and control systems. The City Treasurer has requested that the core investment management computer software programs be enhanced to provide investment management reporting features to benefit the Pension Board. This report requests approval to expend pension funds for the requested enhancements.

BACKGROUND

As a part of the City's new financial management information system, meetings were held between the City staff and the computer software firm of American Management Systems (AMS). Project scope additions to the basic system were identified which would almost entirely benefit the Administration, Investment and Fiscal Management Board reporting process from the City Treasurer's Office to the Pension Board. These enhancements include such things as improved stock manager activity reporting, bond activity reporting and improved investment management performance reporting to the AIFM Board.

Because these proposed project scope changes primarily benefit the Pension System, Tom Friery and Jack Crist met with Bill Carnazzo on October 31, 1986 to determine if the Pension Fund could legally fund the computer software. After much discussion, Bill Carnazzo agreed to review the matter and prepare a legal opinion. Bill Carnazzo's legal opinion dated October 21, 1986 is attached. Bill's opinion indicates that the Pension System may fund such costs but they must be prorated between the City and the Pension System.

AMS will be asked to work with City staff during the system design phase to develop an equitable proration ratio.

FINANCIAL

The proposed investment management computer software costs are estimated as follows:

AMS Software Development	\$130,000
Touche Ross Consulting Assistance	20,000
	<hr/>
Estimated Total Cost	\$150,000

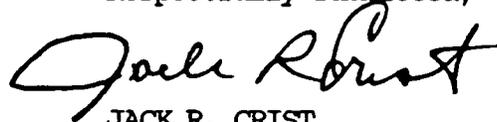
The above costs would be prorated between the Pension System and the City based on proration ratio's developed during the system design.

Finally, the agreement with AMS includes a royalty provision whereby should AMS sell this investment management enhancement to any other government, Sacramento would receive a 15% royalty. Therefore, it is possible that SCERS and the City may eventually recoup some or all of the cost.

RECOMMENDATION

It is recommended that the Administration, Investment and Fiscal Management Board approve the attached resolution approving pension funding of a prorata portion of the \$150,000 investment management computer software.

Respectfully submitted,



JACK R. CRIST  
Deputy City Manager

Attachments (2)

manager (e.g., gold and silver; bonds; utility stocks); and (iii) automated production of the various monthly, quarterly and annual reports as are required by the Board in carrying out its duty of managing all of the assets of the system.

Automated processing of asset investment fiscal data and production of the necessary reports and compilations in a timely manner will produce a number of additional benefits to the Board. For example, the Board has contracted with S.E.I., Inc., for performance analysis services, whereby S.E.I. periodically evaluates the performance of each asset manager (including the Treasurer) and measures that performance as against other public retirement systems and asset managers. This, of course, serves the Board's interest in "prudence" of its investments; through objective analysis of those to whom it has entrusted assets for investment, the Board has a rational basis for making informed decisions regarding retention of its managers. In the past, there has been a great deal of difficulty in providing "numbers" which are both timely and accurate. As envisioned, the new program will minimize or eliminate those problems. Additionally, the system's actuary requires timely, up-to-date and accurate data in order to perform the necessary annual audit and actuarial rate-setting services. The new system will assist the Board and the actuary in performance of these functions.

The cost of designing this new pension accounting software program for the retirement system is \$130,000. The question which must be decided is whether and to what extent the retirement system is required to pay for this expense.

**ANALYSIS**

The analysis must begin with City Charter §393, which reads as follows:

**§393 Costs.**

All usual, normal and reasonable costs of administering the retirement system, including actuarial fees and costs, shall be borne by the city. When an agreement is entered into by the board with professional financial advisors, such as investment counsel, trust companies, or trust department of banks in regard to the management and investment of the funds in the system, any fee stipulated in such agreement to be paid to such financial advisors shall not be considered a cost of administration but shall be considered as a charge against the assets of the retirement system to be apportioned among the fund or funds of the retirement system as determined

by the board. In addition, any other ordinary costs incurred in regard to the management and investment of the funds in the system, including, but not limited to, brokers' fees, attorneys' fees, insurance, taxes, and property management fees, shall not be considered a cost of administration but shall be considered as a charge against the assets of the retirement system to be apportioned among the fund or funds of the retirement system as determined by the board. (Adopted November 2, 1976)

The question of what expenses are "administration expenses" of the system, and which are "management and investment" expenses regarding the "funds in the system", has been discussed extensively in past opinions. Our May 12, 1986 opinion reviewed and summarized six prior opinions on this same subject. Of particular relevance to the question at hand are the May 12, 1986 and December 12, 1980 opinions, wherein we concluded that City Treasurer staff and related costs are "administration" expenses which must be borne by the City itself.

Nevertheless, the new system described above is multifunctional; i.e., it serves varied purposes, some of which benefit the Board in carrying out its duties of asset management, and some of which benefit the Treasurer and staff in carrying out ongoing tasks. For example, the Treasurer has provided certain reports to the Board in the past. While these reports have largely been prepared manually, the new system will result in less staff time because of automation. However, the cost of producing these reports, whether staff costs or data processing system costs, retain their character as "administration" expenses payable by the City.

On the other hand, the new system will serve the interests of the Board in carrying out its many functions. For example, as pointed out above, the Board must prepare and deliver fiscal information and data to its actuaries, who in turn determine contribution rates and assess the fiscal health and integrity of the system; it must prepare and deliver the fiscal and related data to the auditors for audit purposes; it must closely monitor the performance of its independent asset managers into whose possession the Board has entrusted approximately \$100,000,000 of the system's trust funds; it must constantly provide data on all managers' performance (including the Treasurer) to its independent performance appraisal firm (S.E.I.) so that that firm can prepare and render objective analyses to the Board as required under the applicable written agreements; it must establish the annual interest rate for crediting of members' accounts, which function requires analysis of overall fund investment performance data; it must periodically allocate and reallocate funds from and between the various asset categories and managers in order to assure that the Board's asset allocation guidelines are being

complied with; it must periodically reevaluate its asset allocation guidelines in order to assure that the system's funds are being invested in an appropriately diversified manner, and that the categories set out in the guidelines are currently viable investment vehicles.

While these are not all of the Board's functions, each of the named functions requires accurate, reliable and current data. In the past, obtaining such data has been difficult, especially with respect to its recency. The new system will provide the Board with the essential data in a more current and reliable form. All of these functions relate to asset management (i.e., "funds"), and not to "administration" of the "system".

From the above analysis, it is apparent that the new system will serve both "administration" and "asset management". On balance, it appears that the greater proportion of use relates to the Board's asset management function, with the only part falling into administration being the staff time savings for the Treasurer in more efficiently performing the same tasks as he has always undertaken for the Board. There is therefore a need to apportion the expense of creating the new system between these two broad functions, utilizing some reasonably accurate allocation method. That task should be undertaken by the Board when and if it determines to expend the funds for the new system.

#### CONCLUSION

The expenditure required to create the necessary software and program as described in this opinion relates partially to "administration" of the "system", and partially to "management" of the "funds" of the system, and must be allocated between those two categories of expense.

JAMES P. JACKSON, City Attorney

BY   
WILLIAM P. CARNAZZO  
Deputy City Attorney

WPC:je

ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD

Date: 11/24

SUBJECT: \_\_\_\_\_

ITEM NO. 11

ITEM: Investment Mgmt Computer Software

ACTION: Jack Crist summarized the request.

MOVED BY: JF

SECONDED BY: D.D

VOTE	AYES	NOES	ABSTAIN	ABSENT
CRIST	✓	_____	_____	_____
DE CAMILLA	✓	_____	_____	_____
FRIERSON	✓	_____	_____	_____
FRIERY/SPERLING	✓	_____	_____	_____
WOLFORD/SLIPE	_____	_____	_____	_____

NOTES:

Adjourn

RESOLUTION NO. 86-008

Adopted by the Administration, Investment and Fiscal Management Board of the Sacramento City Employees' Retirement System on November 24, 1986

A RESOLUTION OF THE ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD RELATING TO INVESTMENT MANAGEMENT COMPUTER SOFTWARE

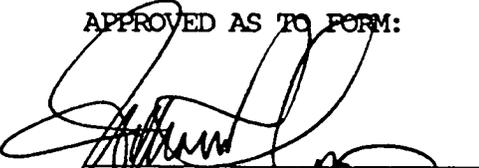
BE IT RESOLVED BY THE ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD OF THE SACRAMENTO CITY EMPLOYEES RETIREMENT SYSTEM (SCERS) THAT:

- 1. The City Director of Finance is hereby authorized to expend up to \$150,000 of SCERS funds for a new investment management computer software system to be designed by American Management Systems (AMS) and
- 2. The estimated total cost of \$150,000 is to be prorated between the City and SCERS based on proration factors developed during the computer system design.

APPROVED:

  
 \_\_\_\_\_  
 Board President  
 Thomas P. Friery

APPROVED AS TO FORM:

  
 \_\_\_\_\_  
 WILLIAM P. CARRIZZO  
 Deputy City Attorney

ATTEST:

  
 \_\_\_\_\_  
 RICHARD E. SNYDER  
 Secretary to the Board

November 4, 1987

Touche Ross & Company  
100 Howe Avenue, Suite 100 South  
Sacramento, CA 95825-8294

Dear Gentlemen:

On September 29, 1987, the Sacramento City Council adopted a Resolution No. 87-808 authorizing the execution of City Agreement #87081, Consultant and Professional Services for Implementation of the Cash Accountability and Investment Management subsystems.

Enclosed, for your records, is one fully certified copy of said agreement and authorizing resolution.

Sincerely,

LORRAINE MAGANA, CITY CLERK

JANICE BEAMAN  
Deputy City Clerk

JB/cc/#21B  
Enclosure

cc: Finance  
Risk Management

January 7, 1988

Robert H. Butler, Senior Principal  
American Management Systems, Incorporated  
1777 North Kent Street  
Arlington, Virginia 22209

Dear Mr. Butler:

On September 29, 1987, the Sacramento City Council adopted Resolution No. 87-808 authorizing the execution of City Agreement #87080, Professional Services Agreement for the implementation of the Cash Accountability and Investment Management Systems.

Enclosed, for your records, is one fully certified copy of said agreement and authorizing resolution.

Sincerely,

  
LORRAINE MAGANA  
CITY CLERK

LM/cc/21A  
Enclosure

cc: ADS Associates, Inc., 23586 Calabasas Rd., Ste. 200, Calabasas, CA  
91302, Attn: Peter W. Melitz, Vice President, Public Sector Sales  
Finance Department  
Risk Management