

**CITY OF MIAMI BEACH  
COMMISSION ITEM SUMMARY**



**Condensed Title:**

A Resolution Accepting the City Manager's Recommendation, Authorizing Negotiations and Execution of a Contract with MBIA Municipal Investors Service Corp. Relative to the Ranking of the Firms' proposals Pursuant to Request for Proposals (RFP) No. 65-02/03 for Providing Investment Advisory Services.

**Issue:**

Shall the City Commission Adopt the Resolution?

**Item Summary/Recommendation:**

RFP No. 65-02/03 was issued on August 19, 2003, with an opening date of September 12, 2003. Four (4) responsive proposals were received from the following firms:

- \* Banc of America
- \* MBIA Municipal Investors Service Corp.
- \* PFM Asset Management LLC
- \* Trusco Capital Management

An Evaluation Committee appointed by the City Manager convened on December 18, 2003, to rank the four responsive proposals received. During deliberation, the Committee members discussed their individual ranking of the four firms and arrived at the following ranking:

- \* First: MBIA Municipal Investors Service Corp.
- \* Second: PFM Asset Management LLC

ADOPT THE RESOLUTION

**Advisory Board Recommendation:**

**Financial Information:**

Amount to be expended: **The cost of these services will be paid from additional investment earnings.**

Source of Funds:	Amount	Account	Approved
<div style="border: 1px solid black; width: 80px; height: 40px; display: flex; align-items: center; justify-content: center;"> </div> Finance Dept.	1		
	2		
	3		
	4		
	<b>Total</b>		

**City Clerk's Office Legislative Tracking:**

Gus Lopez, ext. 6641

**Sign-Offs:**

Department Director	Assistant City Manager	City Manager
GL	PDW	JMG

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Agenda Item C7J  
Date 1-14-04

# CITY OF MIAMI BEACH

CITY HALL 1700 CONVENTION CENTER DRIVE MIAMI BEACH, FLORIDA 33139  
www.miamibeachfl.gov



## COMMISSION MEMORANDUM

**To:** Mayor David Dermer and  
Members of the City Commission

Date: January 14, 2004

**From:** Jorge M. Gonzalez  
City Manager

**Subject:** **A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, ACCEPTING THE RECOMMENDATION OF THE CITY MANAGER PERTAINING TO THE RANKING OF PROPOSALS RECEIVED PURSUANT TO REQUEST FOR PROPOSALS (RFP) NO. 65-02/03, FOR PROVIDING INVESTMENT ADVISORY SERVICES; AUTHORIZING THE ADMINISTRATION TO ENTER INTO NEGOTIATIONS AND CONTRACT WITH THE TOP RANKED FIRM OF MBIA MUNICIPAL INVESTORS SERVICE CORP.; AND SHOULD THE ADMINISTRATION NOT BE ABLE TO NEGOTIATE AN AGREEMENT WITH THE TOP RANKED FIRM; AUTHORIZING THE ADMINISTRATION TO NEGOTIATE WITH THE SECOND RANKED FIRM OF PFM ASSET MANAGEMENT LLC.**

### ADMINISTRATION RECOMMENDATION

Adopt the Resolution.

### ANALYSIS

The City requested proposals from firms to provide investment advisory services to manage and direct the City's investments. The successful firm will manage and direct the investment of excess funds in accordance with the City's investment objectives as set forth in City of Miami Beach's Investment Policy. The key objectives of the City's investment policy are safety of capital, sufficient liquidity to meet requirements and attaining market-average rates of return. Excess funds are defined as funds not required to meeting short term expenditures of the City. Currently, funds available for investment consist of approximately \$151 million from operating funds, \$106 million from various bond proceeds, and \$20 million from the Miami Beach Redevelopment Agency (RDA).

The City will contract with a firm that is highly experienced, a leader and innovator in the management of investments, and able to provide comprehensive investment advisory services. This firm and its affiliates will be restricted from selling to the City, or buying from the City, any securities to or from that firm's own inventory or account. The investment advisor will also be restricted from placing into the City's portfolio any securities for which it, or an affiliate, is the issuer. This firm/investment advisor will not provide custodial services or security safekeeping.

**ANALYSIS (Cont.)**

All City investments, except for swap agreements will be held in an independent third party custodial account.

Fees for these services are expected to range 6 to 8 basis points (.0006 to .0008) of the value of the total portfolio invested annually. For a \$250 million portfolio the annual fees could range from \$150,000 to \$200,000 which will be paid from additional investment earnings.

The contract term will be for two (2) years, with three (3) one (1) year renewal options if mutually agreeable.

The City requires that the selected Investment Advisor, at a minimum, provide the following services:

Provide full-time management on a daily basis of the City's investment portfolio pursuant to the specific stated investment objectives and the City's Investment Policy. Place all orders for the purchase and sale of securities, communicate settlement information to City staff and assist in coordinating security settlement.

Serve as a general resource to City staff for information, advice and training regarding fixed income securities, investment and yield curve analysis.

Work with City staff to develop cash flow projections to ensure that the investment strategy is consistent with the City's cash requirements.

Provide monthly statements detailing investment activity, earnings, the value of the investment portfolio, a portfolio return, mark to market valuation, and weighted average maturity. The selected investment advisor must maintain accurate reports including portfolio composition showing diversity of investments and compliance with applicable investment policies of the City of Miami Beach and State of Florida Statutes.

Develop and implement investment strategies for the Advisory Account that will seek to enhance portfolio performance under current and future market conditions within the parameters of the City's investment policy and cash flow needs.

Obtain and document competitive prices for securities transactions.

Provide semi-annual and annual portfolio performance reports.

Review and update the City's investment policy and written investment procedures.

Perform due diligence reviews of current and proposed broker/dealers.

Monitor the creditworthiness of the City's depository and custodian bank and investments in the portfolio.

**ANALYSIS (Cont.)**

Provide client training on investment management subjects.

Attend meetings with the City's finance staff and governing body upon request.

Provide arbitrage calculations and reports on the investment of bond proceeds.

**Authorized Investments**

The City has established a list of authorized types of investments by ordinances 87-2588 and modified by 92-2793. The policy was further modified by ordinance 97-3074 following recommendation by the Finance and Citywide Projects Committee and was approved by the Mayor and City Commission on March 5, 1997. This policy will be reviewed by both our Financial Advisor, William R. Hough & Co. and the Investment Advisor for current applicability and any recommended changes will be referred to the Finance and Citywide Projects Committee for discussion and the Mayor and City Commission for approval. A list of these types of authorized investments is located in **Attachment A**.

Request for Proposals (RFP) No. 65-02/03 was issued on August 19, 2003, with a deadline for the receipt of proposals of September 12, 2003. Bidnet issued thirteen (13) notices to prospective firms. This resulted in the receipt of five proposals of which four were deemed as responsive proposals:

1. Banc of America Capital Management, LLC
2. MBIA Municipal Investors Service Corp.
3. PFM Asset Management LLC
4. Trusco Capital Management, Inc.
5. Smith Barney, Inc. (**non-responsive**)

An Evaluation Committee ("the Committee") was appointed consisting of the following individuals:

Jeryl (Deede) Weithorn, Budget Advisory Committee, Independent CPA  
**(Chairperson)** Resident  
Ramon Duenas, Expenditure/Treasury Manager  
Laura Rubines, Assistant Internal Auditor  
Marc Jacobsen, Budget Advisory Committee, Resident  
Eugene Woodard, Budget Advisory Committee, Resident

On December 18, 2003, the Committee convened, with all committee members in attendance. The Committee was provided with the project overview and background information. The Committee reviewed references submitted by the proposers, and were briefed on the City's policies and procedures relative to the Cone of Silence Ordinance and the Government in the Sunshine Law.

**ANALYSIS (Cont.)**

Furthermore, they discussed the following RFP Evaluation Criteria factors used to evaluate and rank the proposals:

- Firms overall experience, qualifications and technical ability - **20 Points**
- Firms experience in managing fixed income assets for state and local government - **20 Points**
- Performance of managed portfolios that closely match the City's portfolio in size and governed by similar investment policies - **20 Points**
- Demonstrate the ability to meet objectives outlined in Scope of Services – **20 Points**
- Accessibility, availability and professional qualifications of the individuals who would be assigned to manage the City's portfolio - **20 Points**

**BID TABULATION:**

COMMITTEE MEMBER	FIRM BANC OF AMERICA	FIRM MBIA MUNICIPAL INVESTORS	FIRM PFM ASSET MANAGEMENT	FIRM TRUSCO CAPITAL MANAGEMENT
DEEDE WEITHORN	75 (4)	98 (1)	92 (2)	87 (3)
RAMON DUENAS	65 (4)	96 (1)	79 (2)	70 (3)
LAURA RUBINES	50 (4)	100 (1)	65 (3)	75 (2)
MARC JACOBSEN	70 (4)	94 (1)	86 (2)	70 (3)
**EUGENE WOODWARD				
RANKINGS	(4)	(1)	(2)	(3)

\*\* Recused himself from scoring the Firms as he was not able to review the proposals.

**CONCLUSION:**

The Administration recommends that the Mayor and City Commission adopt the Resolution, which accepts the City Manager's recommendation, and authorizes the Administration to enter into negotiations and contract with the top-ranked firm of **MBIA Municipal Investors Service Corp.**; and should the Administration not be able to negotiate an agreement with the top ranked firm; authorizing the Administration to negotiate with the second ranked firm of PFM Asset Management LLC.

**Attachment A.****Authorized Investments**

## 1. Time Deposits

Duration	N/A
Maximum % of Portfolio	100%
Maximum % of Combined Asset Group	100%

## 2. Certificates of Deposit

Duration	1-3 yrs
Maximum % of Portfolio	100%
Maximum % of combined Asset Group	100%

## 3. U. S. Treasury Bills

Duration	N/A
Maximum % of Portfolio	100%
Maximum % of Combined Asset Group	100%

## 4. U. S. Treasury Notes

Duration	0-7 yrs
Maximum % of Portfolio	100%
Maximum % of Combined Asset Group	100%

## 5. U.S. Government Agency Securities

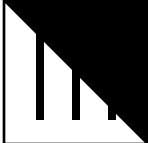
Duration	0-7 yrs
Maximum % of Portfolio	50%
Maximum % of Combined Asset Group	50%

## 6. Obligations issued by any state or territory of the United States, which are fully insured or rated in one of the two highest rating categories by both Moody's Investors Service, Inc. and Standard and Poor's Corporation or their successors.

Duration	7-10 yrs
Maximum % of Portfolio	50%
Maximum % of Combined Asset Group	50%

**Attachment A.****Authorized Investments**

- |     |   |          |
|-----|---|----------|
| 7.  | Fixed Term Repurchase Agreements  |          |
|     | Duration  | 0-3 yrs  |
|     | Maximum % of Portfolio  | 20%      |
|     | Maximum % of Combined Asset Group   | 100%     |
| 8.  | Overnight Repurchase Agreements   |          |
|     | Duration  | N/A      |
|     | Maximum % of Portfolio  | 100%     |
|     | Maximum % of Combined Asset Group   | N/A      |
| 9.  | Bankers Acceptances   |          |
|     | Duration  | N/A      |
|     | Maximum % of Portfolio  | 20%      |
|     | Maximum % of Combined Asset Group   | 30%      |
| 10. | Commercial Paper with a rating of A-1 or P-1 only, rated by Moody's or Standard & Poor's  |          |
|     | Duration  | N/A      |
|     | Maximum % of Portfolio  | 20%      |
|     | Maximum % of Combined Asset Group   | 30%      |
| 11. | Corporate notes, corporate bonds, medium term notes, Yankee notes, and Yankee bonds with terms of one year or less rated by 2 of 3 designated rating agencies in one of the two highest rating categories.                              |          |
|     | Maturity  | 0-2%     |
|     | Maximum % of Portfolio  | 20%      |
|     | Maximum % of Combined Asset Group   | 30%      |
| 12. | Corporate notes, corporate bonds, medium term notes, Yankee notes, and Yankee bonds, with terms of in excess of one with a maximum of 5.0 years rated by 2 of 3 designated rating agencies in one of the two highest rating categories. |          |
|     | Duration  | 3 -7 yrs |
|     | Maximum % of Portfolio  | 20%      |
|     | Maximum % of combined Asset Group   | 30%      |



**Attachment A.**

**Authorized Investments**

13. Money market mutual/trust funds which substantially conform with this policy as follows:

Duration	N/A
Maximum % of Portfolio	100%
Maximum % of combined Asset Group	100%

- a. State of Florida Local Government Surplus Funds Trust Fund
- b. Mutual/trust funds sponsored by the Florida League of Cities
- c. Private money market mutual funds backed entirely by "Full Faith and Credit" U.S. Government Securities not to exceed 25%.

14. Fixed income mutual funds sponsored by the Florida League of Cities which substantially conform with this policy as follows:

Duration	N/A
Maximum % of Portfolio	25%
Maximum % of combined Asset Group	25%

15. Mortgage-backed securities collateralized by first mortgages (or deeds of trust) and asset-backed securities collateralized by consumer or business receivables with a maximum duration of 3.0 years at time of purchase and structured as either collateralized mortgage obligations or unstructured pass-through securities and rated by 2 of 3 designated rating agencies as follows:

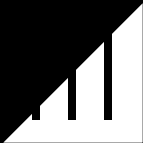
Maturity	3 – 5 yrs
Maximum % of Portfolio	15%
Maximum % of combined Asset Group	50%

- a. Moody's - AAA3 higher
- b. Standard & Poor's - AA- or higher
- c. Fitch - AA- or higher

16. Externally managed funds requiring specific approval by Commission with investment limited to City policy and rating criteria

Duration	3-7 yrs
Maximum % of Portfolio	20%
Maximum % of combined Asset Group	20%





**Attachment A.**

**Authorized Investments**

- 17. Interest rate Swap agreements between the City and a counter party to pay/receive a fixed interest rate payment in exchange for a variable rate payment over a specified term with the requirement that all "Swap" agreements be approved by City Commission prior to execution.

Duration	N/A
Maximum % of Portfolio	10%
Maximum % of combined Asset Group	20%

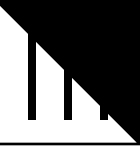
All repurchase agreements are fully collateralized and the collateral is held in the City's name by a third party custodian.

Derivatives (defined as a financial instrument the value of which depends on, or is derived from the value of one or more underlying assets or index of asset values) shall be utilized only if specifically authorized as part of the investment plan and the Finance Director or his designee has sufficient understanding/expertise to invest in derivatives. All proposed derivative investments (including "SWAPS") will be analyzed by the City's Financial Advisor and will be presented to the Capital Improvements/Finance Committee and the City Commission for approval. Repurchase Agreements (an agreement between an investor and a security dealer whereby dealer agrees to buy back the security at a specified price in the future) will be limited to transactions in which the proceeds will be used to provide liquidity. Any investment which is not issued in "Book Entry Only" form is physically held by the City in a secure vaulted area and surrendered only when invested funds and earnings are received by the City at maturity.

**Prohibited Investments**

Funds to be invested in cash management investments may not be invested in the following:

Common Stock	Private Placements
Preferred Stock	Unregistered or Restricted Stock
Convertible Bonds	Margin Trading
Venture Capital	Limited Partnerships
Options and Futures	Oil and Gas Wells
Warrants securities	IO or PO strips or inverse floater mortgage backed
Commodities	Foreign Exchange
Short Selling	Any Inverse Floating Rate Securities
Real Estate	



## **Maturity and Liquidity Requirements**

The City selects investments whose terms compliment the need to make the majority expenditures set forth below.

1. Biweekly Payrolls
2. Periodic Debt Service Payments
3. Capital Project Needs

For each expenditure event, investments are selected whose maturities occur at a date close to the date that funds will be needed. Investments also are selected based on the highest yield for the particular type of investment. In the case of capital projects, in which the exact date that expenditures will need to be made is unknown, the City selects several investments with varying maturities so that monies are available each month to cover all capital expenditures. Any unused capital investment funds are then placed in investments of one year or more to maximize return potential.

As mentioned earlier, the City maintains an overnight investment program of approximately 9,000,000, which provides funds needed to cover daily operating expenses, excluding Items # 1-3 above. Interest yields on these investments are competitive though somewhat lower than longer term instruments.

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

A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, ACCEPTING THE RECOMMENDATION OF THE CITY MANAGER PERTAINING TO THE RANKING OF PROPOSALS RECEIVED PURSUANT TO REQUEST FOR PROPOSALS (RFP) NO. 65-02/03 FOR PROVIDING INVESTMENT ADVISORY SERVICES TO THE CITY OF MIAMI BEACH; AUTHORIZING THE ADMINISTRATION TO ENTER INTO NEGOTIATIONS AND CONTRACT WITH THE TOP-RANKED FIRM OF MBIA MUNICIPAL INVESTORS SERVICE CORP.; AND SHOULD THE ADMINISTRATION NOT BE ABLE TO NEGOTIATE AN AGREEMENT WITH THE TOP-RANKED FIRM, AUTHORIZING THE ADMINISTRATION TO NEGOTIATE WITH THE SECOND-RANKED FIRM OF PFM ASSET MANAGEMENT LLC.

**WHEREAS**, the City issued a Request for Proposal (RFP) seeking competitive pricing to direct and manage the City's excess funds in accordance with the City's investment objectives as set forth in the City of Miami Beach's Investment Policy which involves safety of capital, sufficient liquidity to meet requirements and attaining market average rates of return; and

**WHEREAS**, currently the funds available for investment consist of approximately \$151 million from operating funds, \$106 million from various bond proceeds and \$20 million from the Miami Beach Redevelopment Agency (RDA); and

**WHEREAS**, the cost of these services will be paid from additional investment earnings; and

**WHEREAS**, a Request for Proposals (RFP) No. 65-02/03 was issued on August 19, 2003, with a deadline for the receipt of proposals of September 12, 2003, resulting in the receipt of four responsive proposals from the following firms:

- Banc of America
- MBIA Municipal Investors Service Corp.
- PFM Asset Management LLC
- Trusco Capital Management

**WHEREAS**, an Evaluation Committee was appointed by the City Manager consisting of the following individuals:

- \* Jeryl (Deede) Weithorn, **(Chairperson)**, Budget Advisory Committee, Independent CPA
- \* Ramon Duenas, Expenditure/Treasury Manager
- \* Laura Rubines, Assistant Internal Auditor
- \* Marc Jacobson, Budget Advisory Committee
- \* Eugene Woodard, Budget Advisory Committee

**WHEREAS**, the Evaluation Committee convened on December 18, 2003 and unanimously voted to recommend that the Administration be authorized to commence negotiations and contract with the top ranked firm; and

**WHEREAS**, the City Manager has reviewed the Evaluation Committee's recommendation, and herein recommends that the Mayor and City Commission enter into negotiations with the top-ranked firm of MBIA Municipal Investors Service Corp.; and if unsuccessful, negotiate with the second-ranked firm of PFM Asset Management LLC.

**NOW, THEREFORE, BE IT DULY RESOLVED BY THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA**, that the Miami Beach City Commission accept the recommendation of the City Manager pertaining to the Request for Proposal (RFP) 65-02/03 received for provision of Investment Advisory services to the City of Miami Beach; authorizing the Administration to enter into negotiations and contract with the top ranked firm, MBIA Municipal Investors Service Corp.; and if unsuccessful in negotiations with the top ranked firm, authorizing the Administration to enter into negotiations with the second ranked firm, PFM Asset Management LLC.

**PASSED and ADOPTED** this \_\_\_\_ day of \_\_\_\_\_, 2004.

**ATTEST:**

\_\_\_\_\_  
**MAYOR**

\_\_\_\_\_  
**CITY CLERK**

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**APPROVED AS TO  
FORM & LANGUAGE  
& FOR EXECUTION**

M. M. Dell      12-29-03  
City Attorney      Date