



City of San Leandro

Meeting Date: June 7, 2021

Staff Report

File Number: 21-357 **Agenda Section:** CONSENT CALENDAR

Agenda Number: 8.E.

TO: City Council

FROM: Fran Robustelli
City Manager

BY: Susan Hsieh
Finance Director

FINANCE REVIEW: Not Applicable

TITLE: Staff Report for a City of San Leandro City Council Resolution Approving the Agreement between the City of San Leandro and Chandler Asset Management for Investment Services effective July 1, 2021

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council review and approve the agreement between the City of San Leandro and Chandler Asset Management for investment services effective July 1, 2021.

BACKGROUND

On October 3, 2016, the City Council approved a consulting services agreement with Chandler Asset Management for investment services of City funds through June 30, 2020. Chandler was selected based on its ability to assist the City in developing an investment management program that established appropriate durations of investments based on the City's cash flow needs, and that was aligned with the City's conservative investment approach.

Analysis

Over the last several years, Chandler Asset Management has provided the following services to the City of San Leandro:

- Monthly consultation with City staff regarding the City's cash flow needs, investment opportunities and market conditions
- Trade execution, trade confirmation and trade settlement with City's safekeeping bank
- Annual review of the City's investment policy ensuring all regulatory updates are included
- Monitoring of creditworthiness of investments
- Monthly and quarterly reporting and analysis of investment holdings and performance
- Adherence to the City's investment philosophy of Safety, Liquidity and Yield

Over the years, the amounts invested in the City's portfolio ranged from a low of \$27.8 million in Fiscal Year 2010 to a high of \$112.2 million in Fiscal Year 2020.

Chandler is paid based on the value of the investment portfolio. Under the current contract, the first \$15 million of assets under management costs the City 0.125% (12.5 basis points). Assets in excess of \$15 million costs the City 0.09% (9.0 basis points). The investment services fee for the current fiscal year is estimated at about \$115,000.

Under the new contract, the first \$25 million of assets under management will cost the City 0.10% (10.0 basis points). The next \$25 million will cost the City 0.09% (9.0 basis points). Assets in excess of \$50 million will cost the City 0.08% (8.0 basis points). Under the new contract terms, the City is expected to save approximately \$8,300 on an annual basis.

Chandler has provided excellent service to the City and consistently protects the investments.

Previous Actions

- October 3, 2016 Resolution No. 2016-124 approved the Consulting Services Agreement with Chandler Asset Management, Inc. for investment management of the City of San Leandro's funds
- September 17, 2018 Resolution No. 2018-110 approved Amendment No. 1 of the Consulting Services Agreement with Chandler Asset Management, Inc. for investment management of the City of San Leandro's funds
- April 6, 2020 Resolution No. 2020-032 approved Amendment No. 2 of the Consulting Services Agreement with Chandler Asset Management, Inc. for investment management of the City of San Leandro's funds

Fiscal Impact

The City's investment portfolio is projected to increase in the near term due to the expected distributions of fiscal recovery funds from the U.S. Treasury. The City is expected to receive a total of \$18.6 million in the current fiscal year and in the next fiscal year. Chandler's current contract runs through June 30, 2021. The three-year contract will be effective July 1, 2021 and end on June 30, 2024, and the contract amount is \$360,000.

Budget Authority

The Fiscal Year 2021-2023 proposed budget includes sufficient funds in account 010-12-051-5120 to cover the investment services cost.

ATTACHMENT

Attachment to Related Resolution

- Consulting Services Agreement between the City of San Leandro and Chandler Asset Management

PREPARED BY: Susan Hsieh, Finance Director



City of San Leandro

Meeting Date: June 7, 2021

Staff Report

File Number: 21-358

Agenda Section: CONSENT CALENDAR

Agenda Number:

TO: City Council

FROM: Fran Robustelli
City Manager

BY: Susan Hsieh
Finance Director

FINANCE REVIEW: Not Applicable

TITLE: RESOLUTION of the City of San Leandro City Council Approving the Agreement between the City of San Leandro and Chandler Asset Management for Investment Services effective July 1, 2021.

WHEREAS, the agreement between the City of San Leandro and Chandler Asset Management for Investment Services effective July 1, 2021, a copy of which is attached, is presented to this Council; and

WHEREAS, the City Council is familiar with the contents thereof.

NOW, THEREFORE, the City Council of the City of San Leandro does RESOLVE as follows:

That said Agreement is hereby approved and the City Manager is authorized to execute all documents and take all actions necessary to effectuate the intent of this resolution.

**CONSULTING SERVICES AGREEMENT BETWEEN
THE CITY OF SAN LEANDRO AND
CHANDLER ASSET MANAGEMENT
FOR
INVESTMENT SERVICES**

THIS AGREEMENT for consulting services is made by and between the City of San Leandro ("City") and Chandler Asset Management ("Consultant") (together sometimes referred to as the "Parties") as of July 1, 2021 (the "Effective Date").

Section 1. SERVICES. Subject to the terms and conditions set forth in this Agreement, Consultant shall provide to City the services described in the Scope of Work attached as Exhibit A at the time and place and in the manner specified therein. In the event of a conflict in or inconsistency between the terms of this Agreement and Exhibit A, the Agreement shall prevail.

- 1.1 **Term of Services.** The term of this Agreement shall begin on the Effective Date and shall end on June 30, 2024, the date of completion specified in Exhibit A, and Consultant shall complete the work described in Exhibit A on or before that date, unless the term of the Agreement is otherwise terminated or extended, as provided for in Section 8. The time provided to Consultant to complete the services required by this Agreement shall not affect the City's right to terminate the Agreement, as referenced in Section 8.
- 1.2 **Standard of Performance.** Consultant shall perform all services required pursuant to this Agreement in the manner and according to the standards observed by a competent practitioner of the profession in which Consultant is engaged.
- 1.3 **Assignment of Personnel.** Consultant shall assign only competent personnel to perform services pursuant to this Agreement. In the event that City, in its sole discretion, at any time during the term of this Agreement, desires the reassignment of any such persons, Consultant shall, immediately upon receiving notice from City of such desire of City, reassign such person or persons.
- 1.4 **Time.** Consultant shall devote such time to the performance of services pursuant to this Agreement as may be reasonably necessary to meet the standard of performance provided in Subsection 1.2 above and to satisfy Consultant's obligations hereunder.
- 1.5 **SECTION RESERVED.**
- 1.6 **SECTION RESERVED.**
- 1.7 **SECTION RESERVED.**

Section 2. COMPENSATION. City hereby agrees to pay Consultant a sum not to exceed \$360,000 notwithstanding any contrary indications that may be contained in Consultant's proposal, for services to be

performed and reimbursable costs incurred under this Agreement. In the event of a conflict between this Agreement and Consultant's proposal, attached as Exhibit B, regarding the amount of compensation, the Agreement shall prevail. City shall pay Consultant for services rendered pursuant to this Agreement at the time and in the manner set forth herein. The payments specified below shall be the only payments from City to Consultant for services rendered pursuant to this Agreement. Consultant shall submit all invoices to City in the manner specified herein. Except as specifically authorized by City in writing, Consultant shall not bill City for duplicate services performed by more than one person.

Consultant and City acknowledge and agree that compensation paid by City to Consultant under this Agreement is based upon Consultant's estimated costs of providing the services required hereunder, including salaries and benefits of employees and subcontractors of Consultant. Consequently, the Parties further agree that compensation hereunder is intended to include the costs of contributions to any pensions and/or annuities to which Consultant and its employees, agents, and subcontractors may be eligible. City therefore has no responsibility for such contributions beyond compensation required under this Agreement.

2.1 **Invoices.** Consultant shall submit invoices, not more often than once a month during the term of this Agreement, based on the cost for services performed prior to the invoice date. Invoices shall contain the following information:

- Serial identifications of progress bills; i.e., Progress Bill No. 1 for the first invoice, etc.;
- The beginning and ending dates of the billing period;
- A Task Summary containing the original contract amount, the amount of prior billings, the total due this period, the balance available under the Agreement, and the percentage of completion;
- At City's option, for each work item in each task, a copy of the applicable time entries or time sheets shall be submitted showing the name of the person doing the work, the hours spent by each person and a brief description of the work;
- The total number of hours of work performed under the Agreement by Consultant and each employee, agent, and subcontractor of Consultant performing services hereunder;
- The Consultant's signature;
- Consultant shall give separate notice to the City when the total number of hours worked by Consultant and any individual employee, agent, or subcontractor of Consultant reaches or exceeds 800 hours within a 12-month period under this Agreement and any other agreement between Consultant and City. Such notice shall include an estimate of the time necessary to complete work described in Exhibit A and the estimate of time necessary to complete work under any other agreement between Consultant and City, if applicable.

- 2.2 **Monthly Payment.** City shall make monthly payments, based on invoices received for services satisfactorily performed. City shall have 30 days from the receipt of an invoice that complies with all of the requirements above to pay Consultant.
- 2.3 **SECTION RESERVED.**
- 2.4 **Total Payment.** City shall pay for the services to be rendered by Consultant pursuant to this Agreement. City shall not pay any additional sum for any expense or cost whatsoever incurred by Consultant in rendering services pursuant to this Agreement. City shall make no payment for any extra, further, or additional service pursuant to this Agreement.
- In no event shall Consultant submit any invoice for an amount in excess of the maximum amount of compensation provided above either for a task or for the entire Agreement, unless the Agreement is modified prior to the submission of such an invoice by a properly executed change order or amendment.
- 2.5 **Hourly Fees.** Fees for work performed by Consultant on an hourly basis shall not exceed the amounts shown on the compensation schedule attached hereto as Exhibit B.
- 2.6 **SECTION RESERVED.**
- 2.7 **Payment of Taxes.** Consultant is solely responsible for the payment of employment taxes incurred under this Agreement and any similar federal or state taxes.
- 2.8 **Payment upon Termination.** In the event that the City or Consultant terminates this Agreement pursuant to Section 8, the City shall compensate the Consultant for all outstanding costs for work satisfactorily completed as of the date of written notice of termination. Consultant shall maintain adequate logs and timesheets to verify costs incurred to that date.
- 2.9 **Authorization to Perform Services.** The Consultant is not authorized to perform any services or incur any costs whatsoever under the terms of this Agreement until receipt of authorization from the Contract Administrator.

Section 3. **SECTION RESERVED.**

Section 4. **INSURANCE REQUIREMENTS.** Before fully executing this Agreement, Consultant, at its own cost and expense, unless otherwise specified below, shall procure the types and amounts of insurance listed below against claims for injuries to persons or damages to property that may arise from or in connection with the performance of the work hereunder by the Consultant and its agents, representatives, employees, and subcontractors. Consistent with the following provisions, Consultant shall provide proof satisfactory to City of such insurance that meets the requirements of this section and under forms of insurance satisfactory in all respects, and that such insurance is in effect prior to beginning work. Consultant shall maintain the insurance policies required by this section throughout the term of this Agreement. The cost of such insurance shall be included in the Consultant's bid or proposal. Consultant

shall not allow any subcontractor to commence work on any subcontract until Consultant has obtained all insurance required herein for the subcontractor(s) and provided evidence to City that such insurance is in effect. VERIFICATION OF THE REQUIRED INSURANCE SHALL BE SUBMITTED AND MADE PART OF THIS AGREEMENT PRIOR TO EXECUTION. Consultant shall maintain all required insurance listed herein for the duration of this Agreement.

4.1 Workers' Compensation.

4.1.1 General Requirements. Consultant shall, at its sole cost and expense, maintain Statutory Workers' Compensation Insurance and Employer's Liability Insurance for any and all persons employed directly or indirectly by Consultant. The Statutory Workers' Compensation Insurance and Employer's Liability Insurance shall be provided with limits of not less than \$1,000,000.00 per accident. In the alternative, Consultant may rely on a self-insurance program to meet these requirements, but only if the program of self-insurance complies fully with the provisions of the California Labor Code. Determination of whether a self-insurance program meets the standards of the California Labor Code shall be solely in the discretion of the Contract Administrator.

The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of the entity for all work performed by the Consultant, its employees, agents, and subcontractors.

4.1.2 Submittal Requirements. To comply with Subsection 4.1, Consultant shall submit the following:

- a. Certificate of Liability Insurance in the amounts specified in the section; and
- b. Waiver of Subrogation Endorsement as required by the section

4.2 Commercial General and Automobile Liability Insurance.

4.2.1 General Requirements. Consultant, at its own cost and expense, shall maintain commercial general liability insurance for the term of this Agreement in an amount not less than \$1,000,000.00 and automobile liability insurance for the term of this Agreement in an amount not less than \$1,000,000.00 per occurrence, combined single limit coverage for risks associated with the work contemplated by this Agreement. If a Commercial General Liability Insurance or an Automobile Liability form or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the work to be performed under this Agreement or the general aggregate limit shall be at least twice the required occurrence limit. Such coverage shall include but shall not be limited to, protection against claims arising from bodily and personal injury, including death resulting therefrom, and damage to property resulting from activities contemplated under this Agreement, including the use of owned and non-owned automobiles.

4.2.2 **Minimum Scope of Coverage.** Commercial general coverage shall be at least as broad as Insurance Services Office Commercial General Liability occurrence form CG 0001 (most recent edition) covering comprehensive General Liability on an "occurrence" basis. Automobile coverage shall be at least as broad as Insurance Services Office Automobile Liability form CA 0001, Code 1 (any auto). No endorsement shall be attached limiting the coverage.

4.2.3 **Additional Requirements.** Each of the following shall be included in the insurance coverage or added as a certified endorsement to the policy:

- a. The Insurance shall cover on an occurrence or an accident basis, and not on a claims-made basis.
- b. City, its officers, officials, employees, and volunteers are to be covered as additional insureds as respects: liability arising out of work or operations performed by or on behalf of the Consultant;
- c. Consultant hereby agrees to waive subrogation which any insurer or contractor may require from vendor by virtue of the payment of any loss. Consultant agrees to obtain any endorsements that may be necessary to effect this waiver of subrogation.
- d. For any claims related to this Agreement or the work hereunder, the Consultant's insurance coverage shall be primary insurance as respects the City, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, employees, or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.

4.2.4 **Submittal Requirements.** To comply with Subsection 4.2, Consultant shall submit the following:

- a. Certificate of Liability Insurance in the amounts specified in the section;
- b. Additional Insured Endorsement as required by the section;
- c. Waiver of Subrogation Endorsement as required by the section; and
- d. Primary Insurance Endorsement as required by the section.

4.3 **Professional Liability Insurance.**

4.3.1 **General Requirements.** Consultant, at its own cost and expense, shall maintain for the period covered by this Agreement professional liability insurance for licensed professionals performing work pursuant to this Agreement in an amount not less than \$1,000,000 covering the licensed professionals' errors and omissions. Any deductible or self-insured retention shall not exceed \$150,000 per claim.

4.3.2 **Claims-Made Limitations.** The following provisions shall apply if the professional liability coverage is written on a claims-made form:

- a. The retroactive date of the policy must be shown and must be before the date of the Agreement.
- b. Insurance must be maintained and evidence of insurance must be provided for at least 5 years after completion of the Agreement or the work, so long as commercially available at reasonable rates.
- c. If coverage is canceled or not renewed and it is not replaced with another claims-made policy form with a retroactive date that precedes the date of this Agreement, Consultant shall purchase an extended period coverage for a minimum of 5 years after completion of work under this Agreement.
- d. A copy of the claim reporting requirements must be submitted to the City for review prior to the commencement of any work under this Agreement.

4.3.3 **Additional Requirements.** A certified endorsement to include contractual liability shall be included in the policy.

4.3.4 **Submittal Requirements.** To comply with Subsection 4.3, Consultant shall submit the Certificate of Liability Insurance in the amounts specified in the section.

4.4 **SECTION RESERVED.**

4.5 **All Policies Requirements.**

4.5.1 **Acceptability of Insurers.** All insurance required by this section is to be placed with insurers with a Bests' rating of no less than A:VII.

4.5.2 **Verification of Coverage.** Prior to beginning any work under this Agreement, Consultant shall furnish City with complete copies of all Certificates of Liability Insurance delivered to Consultant by the insurer, including complete copies of all endorsements attached to the policies. All copies of Certificates of Liability Insurance and certified endorsements shall show the signature of a person authorized by that insurer to bind coverage on its behalf. If the City does not

receive the required insurance documents prior to the Consultant beginning work, it shall not waive the Consultant's obligation to provide them. The City reserves the right to require complete copies of all required insurance policies at any time.

4.5.3 Deductibles and Self-Insured Retentions. Consultant shall disclose to and obtain the written approval of City for the self-insured retentions and deductibles before beginning any of the services or work called for by any term of this Agreement. At the option of the City, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the City, its officers, employees, and volunteers; or the Consultant shall provide a financial guarantee satisfactory to the City guaranteeing payment of losses and related investigations, claim administration and defense expenses.

4.5.4 Wasting Policies. No policy required by this Section 4 shall include a "wasting" policy limit (i.e. limit that is eroded by the cost of defense).

4.5.5 Endorsement Requirements. Each insurance policy required by Section 4 shall be endorsed to state that coverage shall not be canceled by either party, except after 30 days' prior written notice has been provided to the City.

4.5.6 Subcontractors. Consultant shall include all subcontractors as insureds under its policies or shall furnish separate certificates and certified endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.

4.6 Submittal of Proof of Insurance Coverage. All certificates of insurance and original endorsements effecting coverage required in this Section 4 must be electronically submitted through the City's online insurance document management program, PINS Advantage. Contractor shall comply with all requirements provided by City related to the PINS Advantage program.

4.7 Remedies. In addition to any other remedies City may have if Consultant fails to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, City may, at its sole option exercise any of the following remedies, which are alternatives to other remedies City may have and are not the exclusive remedy for Consultant's breach:

- Obtain such insurance and deduct and retain the amount of the premiums for such insurance from any sums due under the Agreement;
- Order Consultant to stop work under this Agreement or withhold any payment that becomes due to Consultant hereunder, or both stop work and withhold any payment, until Consultant demonstrates compliance with the requirements hereof; and/or
- Terminate this Agreement.

Section 5. **INDEMNIFICATION AND CONSULTANT'S RESPONSIBILITIES.** Refer to the attached Exhibit C, which is incorporated herein and made a part of this Agreement.

Section 6. **STATUS OF CONSULTANT.**

6.1 **Independent Contractor.** At all times during the term of this Agreement, Consultant shall be an independent contractor and shall not be an employee of City. City shall have the right to control Consultant only insofar as the results of Consultant's services rendered pursuant to this Agreement and assignment of personnel pursuant to Subsection 1.3; however, otherwise City shall not have the right to control the means by which Consultant accomplishes services rendered pursuant to this Agreement. Notwithstanding any other City, state, or federal policy, rule, regulation, law, or ordinance to the contrary, Consultant and any of its employees, agents, and subcontractors providing services under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any and all claims to, any compensation, benefit, or any incident of employment by City, including but not limited to eligibility to enroll in the California Public Employees Retirement System (PERS) as an employee of City and entitlement to any contribution to be paid by City for employer contributions and/or employee contributions for PERS benefits.

6.2 **Consultant Not an Agent.** Except as City may specify in writing, Consultant shall have no authority, express or implied, to act on behalf of City in any capacity whatsoever as an agent. Consultant shall have no authority, express or implied, pursuant to this Agreement to bind City to any obligation whatsoever.

Section 7. **LEGAL REQUIREMENTS.**

7.1 **Governing Law.** The laws of the State of California shall govern this Agreement.

7.2 **Compliance with Applicable Laws.** Consultant and any subcontractors shall comply with all laws and regulations applicable to the performance of the work hereunder, including but not limited to, the California Building Code, the Americans with Disabilities Act, and any copyright, patent or trademark law. Consultant's failure to comply with any law(s) or regulation(s) applicable to the performance of the work hereunder shall constitute a breach of contract.

7.3 **Other Governmental Regulations.** To the extent that this Agreement may be funded by fiscal assistance from another governmental entity, Consultant and any subcontractors shall comply with all applicable rules and regulations to which City is bound by the terms of such fiscal assistance program.

7.4 **Licenses and Permits.** Consultant represents and warrants to City that Consultant and its employees, agents, and any subcontractors have all licenses, permits, qualifications, and approvals of whatsoever nature that are legally required to practice their respective professions. Consultant represents and warrants to City that Consultant and its employees, agents, any subcontractors shall, at their sole cost and expense, keep in effect

at all times during the term of this Agreement any licenses, permits, and approvals that are legally required to practice their respective professions. In addition to the foregoing, Consultant and any subcontractors shall obtain and maintain during the term of this Agreement valid Business Licenses from City.

- 7.5 **Nondiscrimination and Equal Opportunity.** Consultant shall not discriminate, on the basis of a person's race, religion, color, national origin, age, physical or mental handicap or disability, medical condition, marital status, sex, or sexual orientation, against any employee, applicant for employment, subcontractor, bidder for a subcontract, or participant in, recipient of, or applicant for any services or programs provided by Consultant under this Agreement. Consultant shall comply with all applicable federal, state, and local laws, policies, rules, and requirements related to equal opportunity and nondiscrimination in employment, contracting, and the provision of any services that are the subject of this Agreement, including but not limited to the satisfaction of any positive obligations required of Consultant thereby.

Consultant shall include the provisions of this Subsection in any subcontract approved by the Contract Administrator or this Agreement.

Section 8. TERMINATION AND MODIFICATION.

- 8.1 **Termination.** City may cancel this Agreement at any time and without cause upon written notification to Consultant.

Consultant may cancel this Agreement upon 30 days' written notice to City and shall include in such notice the reasons for cancellation.

In the event of termination, Consultant shall be entitled to compensation for services performed to the effective date of termination; City, however, may condition payment of such compensation upon Consultant delivering to City any or all documents, photographs, computer software, video and audio tapes, and other materials provided to Consultant or prepared by or for Consultant or the City in connection with this Agreement.

- 8.2 **Extension.** City may, in its sole and exclusive discretion, extend the end date of this Agreement beyond that provided for in Subsection 1.1. Any such extension shall require a written amendment to this Agreement, as provided for herein. Consultant understands and agrees that, if City grants such an extension, City shall have no obligation to provide Consultant with compensation beyond the maximum amount provided for in this Agreement. Similarly, unless authorized by the Contract Administrator, City shall have no obligation to reimburse Consultant for any otherwise reimbursable expenses incurred during the extension period.
- 8.3 **Amendments.** The Parties may amend this Agreement only by a writing signed by all the Parties.

- 8.4 **Assignment and Subcontracting.** City and Consultant recognize and agree that this Agreement contemplates personal performance by Consultant and is based upon a determination of Consultant's unique personal competence, experience, and specialized personal knowledge. Moreover, a substantial inducement to City for entering into this Agreement was and is the professional reputation and competence of Consultant. Consultant may not assign this Agreement or any interest therein without the prior written approval of the Contract Administrator. Consultant shall not subcontract any portion of the performance contemplated and provided for herein, other than to the subcontractors noted in the proposal, without prior written approval of the Contract Administrator.
- 8.5 **Survival.** All obligations arising prior to the termination of this Agreement and all provisions of this Agreement allocating liability between City and Consultant shall survive the termination of this Agreement.
- 8.6 **Options upon Breach by Consultant.** If Consultant materially breaches any of the terms of this Agreement, City's remedies shall include, but are not limited to, the following:
- 8.6.1 Immediately terminate the Agreement;
 - 8.6.2 Retain the plans, specifications, drawings, reports, design documents, and any other work product prepared by Consultant pursuant to this Agreement;
 - 8.6.3 Retain a different consultant to complete the work described in Exhibit A not finished by Consultant; or
 - 8.6.4 Charge Consultant the difference between the cost to complete the work described in Exhibit A that is unfinished at the time of breach and the amount that City would have paid Consultant pursuant to Section 2 if Consultant had completed the work.

Section 9. KEEPING AND STATUS OF RECORDS.

- 9.1 **Records Created as Part of Consultant's Performance.** All reports, data, maps, models, charts, studies, surveys, photographs, memoranda, plans, studies, specifications, records, files, or any other documents or materials, in electronic or any other form, that Consultant prepares or obtains pursuant to this Agreement and that relate to the matters covered hereunder shall be the property of the City. Consultant hereby agrees to deliver those documents to the City upon termination of the Agreement. It is understood and agreed that the documents and other materials, including but not limited to those described above, prepared pursuant to this Agreement are prepared specifically for the City and are not necessarily suitable for any future or other use. City and Consultant agree that, until final approval by City, all data, plans, specifications, reports and other documents are confidential and will not be released to third parties without prior written consent of both Parties.

- 9.2 **Consultant's Books and Records.** Consultant shall maintain any and all ledgers, books of account, invoices, vouchers, canceled checks, and other records or documents evidencing or relating to charges for services or expenditures and disbursements charged to the City under this Agreement for a minimum of 3 years, or for any longer period required by law, from the date of final payment to the Consultant to this Agreement.
- 9.3 **Inspection and Audit of Records.** Any records or documents that Subsection 9.2 of this Agreement requires Consultant to maintain shall be made available for inspection, audit, and/or copying at any time during regular business hours, upon oral or written request of the City. Under California Government Code Section 8546.7, if the amount of public funds expended under this Agreement exceeds \$10,000.00, the Agreement shall be subject to the examination and audit of the State Auditor, at the request of City or as part of any audit of the City, for a period of 3 years after final payment under the Agreement.

Section 10. MISCELLANEOUS PROVISIONS.

- 10.1 **Attorneys' Fees.** If a party to this Agreement brings any action, including an action for declaratory relief, to enforce or interpret the provision of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees in addition to any other relief to which that party may be entitled. The court may set such fees in the same action or in a separate action brought for that purpose.
- 10.2 **Venue.** In the event that either party brings any action against the other under this Agreement, the Parties agree that trial of such action shall be vested exclusively in the state courts of California in the County of Alameda or in the United States District Court for the Northern District of California.
- 10.3 **Severability.** If a court of competent jurisdiction finds or rules that any provision of this Agreement is invalid, void, or unenforceable, the provisions of this Agreement not so adjudged shall remain in full force and effect. The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision of this Agreement.
- 10.4 **No Implied Waiver of Breach.** The waiver of any breach of a specific provision of this Agreement does not constitute a waiver of any other breach of that term or any other term of this Agreement.
- 10.5 **Successors and Assigns.** The provisions of this Agreement shall inure to the benefit of and shall apply to and bind the successors and assigns of the Parties.
- 10.6 **Use of Recycled Products.** Consultant shall prepare and submit all reports, written studies and other printed material on recycled paper to the extent it is available at equal or less cost than virgin paper.
- 10.7 **Conflict of Interest.** Consultant may serve other clients, but none whose activities within the corporate limits of City or whose business, regardless of location, would place

Consultant in a "conflict of interest," as that term is defined in the Political Reform Act, codified at California Government Code Section 81000 *et seq.*

Consultant shall not employ any City official in the work performed pursuant to this Agreement. No officer or employee of City shall have any financial interest in this Agreement that would violate California Government Code Section 1090 *et seq.*

Consultant hereby warrants that it is not now, nor has it been in the previous 12 months, an employee, agent, appointee, or official of the City. If Consultant was an employee, agent, appointee, or official of the City in the previous 12 months, Consultant warrants that it did not participate in any manner in the forming of this Agreement. Consultant understands that, if this Agreement is made in violation of California Government Code Section 1090 *et seq.*, the entire Agreement is void and Consultant will not be entitled to any compensation for services performed pursuant to this Agreement, including reimbursement of expenses, and Consultant will be required to reimburse the City for any sums paid to the Consultant. Consultant understands that, in addition to the foregoing, it may be subject to criminal prosecution for a violation of California Government Code Section 1090 *et seq.*, and, if applicable, will be disqualified from holding public office in the State of California.

At City's sole discretion, Consultant may be required to file with the City a Form 700 to identify and document Consultant's economic interests, as defined and regulated by the California Fair Political Practices Commission. If Consultant is required to file a Form 700, Consultant is hereby advised to contact the San Leandro City Clerk for the Form 700 and directions on how to prepare it.

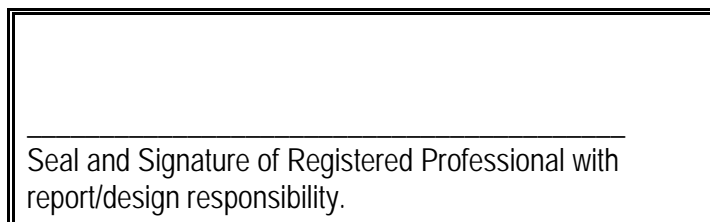
- 10.8 **Solicitation.** Consultant agrees not to solicit business at any meeting, focus group, or interview related to this Agreement, either orally or through any written materials.
- 10.9 **Contract Administration.** This Agreement shall be administered by Susan Hsieh ("Contract Administrator"). All correspondence shall be directed to or through the Contract Administrator or his or her designee.

- 10.10 **Notices.** Any written notice to Consultant shall be sent to:
Nicole Dragoo, President
Chandler Asset Management
6225 Lusk Boulevard
San Diego, CA 92121-3039
ndragoo@chandlerasset.com

Any written notice to City shall be sent to:
Susan Hsieh, Director of Finance
835 East 14th Street
San Leandro, CA 94577
shsieh@sanleandro.org

With a copy to:
City of San Leandro
Department of Finance
c/o Purchasing Agent
835 East 14th Street
San Leandro, CA 94577
sperez@sanleandro.org

- 10.11 **Professional Seal.** Where applicable in the determination of the contract administrator, the first page of a technical report, first page of design specifications, and each page of construction drawings shall be stamped/sealed and signed by the licensed professional responsible for the report/design preparation. The stamp/seal shall be in a block entitled "Seal and Signature of Registered Professional with report/design responsibility," as in the following example.



- 10.12 **Integration.** This Agreement, including the scope of work attached hereto and incorporated herein as Exhibits A, B, C, D, E, and F represents the entire and integrated agreement between City and Consultant and supersedes all prior negotiations, representations, or agreements, either written or oral.

<u>Exhibit A</u>	Scope of Services
<u>Exhibit B</u>	Compensation Schedule
<u>Exhibit C</u>	Indemnification
<u>Exhibit D</u>	COVID-19 Compliance Requirements
<u>Exhibit E</u>	Chandler Asset Management - Standard Investment Management Agreement Provisions
<u>Exhibit F</u>	City of San Leandro Investment Policy

- 10.13 **Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall be an original and all of which together shall constitute one agreement.
- 10.14 **Certification per Iran Contracting Act of 2010.** In the event that this contract is for one million dollars (\$1,000,000.00) or more, by Consultant's signature below Consultant certifies that Consultant, and any parent entities, subsidiaries, successors or subunits of Consultant are not identified on a list created pursuant to subdivision (b) of Section 2203 of the California Public Contract Code as a person engaging in investment activities in Iran as

described in subdivision (a) of Section 2202.5, or as a person described in subdivision (b) of Section 2202.5 of the California Public Contract Code, as applicable.

SIGNATURES ON FOLLOWING PAGE

The Parties have executed this Agreement as of the Effective Date. The persons whose signatures appear below certify that they are authorized to sign on behalf of the respective Party.

CITY OF SAN LEANDRO

CHANDLER ASSET MANAGEMENT

Frances Robustelli, City Manager

Nicole Dragoo, President

Attest:

N/A
Consultant's DIR Registration Number
(if applicable)

Leticia I. Miguel, City Clerk

Budget Approved:

Approved as to Fiscal Authority:

Susan Hsieh, Finance Director

010-12-051-5120
Account Number

Approved as to Form:

Richard D. Pio Roda, City Attorney

EXHIBIT A

SCOPE OF SERVICES

- A. Provide full-time modified discretionary management of the portion of the investment portfolio under management (weekly consultation with City for direction on account management). All securities and funds under management of the Adviser shall be held in the name of the City, and shall be held by the City's Safekeeping Agent.
- B. Develop and implement investment strategies that will enhance portfolio performance under current and future market conditions within the parameters of the City's Investment Policy, California State law and cash flow needs.
- C. Provide technical and fundamental market research including yield curve analysis.
- D. Obtain and document competitive pricing for security transactions.
- E. Manage and document trade settlements.
- F. Assist City staff in reviewing and updating, at least annually, the City's Investment Policy and Cash Flow Forecast.
- G. Perform due diligence reviews of all current and proposed broker/dealers.
- H. Monitor the creditworthiness of the City's depository and custodian bank and the investments in the portfolio.
- I. Work with the City in developing and maintaining a cash flow forecasting system to determine investment requirements.
- J. Provide monthly investment reports for the portfolio detailing securities holdings, daily activity reconciliation, portfolio composition and sector analyses, portfolio return and weighted average maturities. Reports should consolidate funds under control of Adviser and funds held by City in LAIF or similar authorized investment pools.
- K. Provide separate semi-annual and annual portfolio performance reports.
- L. Provide electronic access to portfolio information including up-to-date market pricing.
- M. Provide training to staff on cash, treasury and investment management subjects.
- N. Meet with City investment and management staff at least quarterly, and as required with City Council Finance Committee.

EXHIBIT B

COMPENSATION SCHEDULE

Assets Under Management	Annual Investment Management Fee
First \$25 million of assets under management	0.10 of 1% (10 basis points)
Next \$25 million of assets under management	0.09 of 1% (9 basis points)
Assets in excess of \$50 million	0.08 of 1% (8 basis points)

EXHIBIT C

INDEMNIFICATION

Consultant shall indemnify, defend with counsel acceptable to City, and hold harmless City and its officers, elected officials, employees, agents and volunteers from and against any and all liability, loss, damage, claims, expenses, and costs (including without limitation, attorney's fees and costs and fees of litigation) (collectively, "Liability") of every nature arising out of or in connection with Consultant's performance of the services called for or its failure to comply with any of its obligations contained in this Agreement, except such Liability caused by the sole negligence or willful misconduct of City.

Notwithstanding the forgoing, to the extent this Agreement is a "construction contract" as defined by California Civil Code Section 2782, as may be amended from time to time, such duties of Consultant to indemnify shall not apply when to do so would be prohibited by California Civil Code Section 2782.

The Consultant's obligation to defend and indemnify shall not be excused because of the Consultant's inability to evaluate Liability or because the Consultant evaluates Liability and determines that the Consultant is not liable to the claimant. The Consultant must respond within 30 days to the tender of any claim for defense and indemnity by the City. If the Consultant fails to accept or reject a tender of defense and indemnity within 30 days, in addition to any other remedy authorized by law, so much of the money due the Consultant under and by virtue of this Agreement as shall reasonably be considered necessary by the City, may be retained by the City until disposition has been made of the claim or suit for damages, or until the Consultant accepts or rejects the tender of defense, whichever occurs first.

Consultant shall also indemnify, defend and hold harmless the City from all suits or claims for infringement of any patent rights, copyrights, trade secrets, trade names, trademarks, service marks, or any other proprietary rights of any person or persons because of the City or any of its officers, employees, volunteers, or agents use of articles, products things, or services supplied in the performance of Consultant's services under this Agreement, however, the cost to defend charged to Consultant shall not exceed Consultant's proportionate percentage fault.

EXHIBIT D

COVID-19 COMPLIANCE REQUIREMENTS

The novel coronavirus ("COVID-19") has been declared a worldwide pandemic by the World Health Organization. The City of San Leandro is currently in a local emergency and state of emergency due to the COVID-19 pandemic.

COVID-19 is extremely contagious, and is believed to spread mainly from person-to-person contact, through touched surfaces, and in airborne particles. As a result, federal, state, and local governments, including the City of San Leandro, and federal, state, county, and local health agencies recommend social distancing and additional cleaning protocols to limit the spread of the disease. The City has taken steps and put in place preventative measures recommended by federal, state, and local health agencies to reduce the spread of COVID-19. These measures include steps each person must take to prevent the spread of COVID-19 and include, but are not limited to, requiring face coverings, frequent hand washing and/or use of hand sanitizer, social distancing where possible, limiting of person-to-person contact, frequent cleanings of high-touch surfaces, and avoiding entering any building if they have COVID-19 symptoms.

Consultant shall obey all local orders and abide by all applicable preventative measures recommended by federal, state, county, and local health agencies and any preventative measures specifically implemented by the City. Consultant agrees that when entering any City buildings, Consultant will follow all COVID-19 related signage, wear a face covering, follow all social distancing protocols, and abide by any other COVID-19 preventative measure that are in place when performing the services described in this Agreement. Consultant shall also adhere to any subsequently communicated COVID-19 preventative measures as directed by City staff. The COVID-19 preventative measures are subject to change over time, and Consultant shall maintain knowledge of and adhere to the current COVID-19 preventative measures when interacting with City employees, officials, volunteers, agents, and representatives, and when entering City buildings.

EXHIBIT E

CHANDLER ASSET MANAGEMENT STANDARD INVESTMENT MANAGEMENT AGREEMENT PROVISIONS

1. Client Representative. In its capacity as investment manager, Chandler shall receive all instructions, directions and other communications on Client's behalf respecting Client's account from Susan Hsieh (Representative). Chandler is hereby authorized to rely and act upon all such instructions, directions and communications from such Representative or any agent of such Representative.
2. Investment Policy. In investing and reinvesting Client's assets, Chandler shall comply with Client's Investment Policy, which is attached hereto as Exhibit A.
3. Authority of Chandler. Chandler is hereby granted full discretion to invest and reinvest all assets under its management in any type of security it deems appropriate, subject to the instructions given or guidelines set by Representative.
4. Electronic Delivery. From time to time, Chandler may be required to deliver certain documents to Client such as account information, notices and required disclosures. Client hereby consents to Chandler's use of electronic means, such as email, to make such delivery. This delivery may include notification of the availability of such document(s) on a website, and Client agrees that such notification will constitute "delivery". Client further agrees to provide Chandler with Client's email address(s) and to keep this information current at all times by promptly notifying Chandler of any change in email address(es).

Client email address(es):_shsieh@sanleandro.org
5. Proxy Voting. Chandler will vote proxies on behalf of Client unless otherwise instructed. Chandler has adopted and implemented written policies and procedures and will provide Client with a description of the proxy voting procedures upon request. Chandler will provide information regarding how Clients' proxies were voted upon request. To request proxy policies or other information, please contact us by mail at the address provided, by calling 800-317-4747 or by emailing your request to info@chandlerasset.com.
6. Custody of Securities and Funds. Chandler shall not have custody or possession of the funds or securities that Client has placed under its management. Client shall appoint a custodian to take and have possession of its assets. Client recognizes the importance of comparing statements received from the appointed custodian to statements received from Chandler. Client recognizes that the fees expressed above do not include fees Client will incur for custodial services.
7. Valuation. Chandler will value securities held in portfolios managed by Chandler no less than monthly. Securities or investments in the portfolio will be valued in a manner determined in good faith by Chandler to reflect fair market value.

8. Investment Advice. Client recognizes that the opinions, recommendations and actions of Chandler will be based on information deemed by it to be reliable, but not guaranteed to or by it. Provided that Chandler acts in good faith, Client agrees that Chandler will not in any way be liable for any error in judgment or for any act or omission, except as may otherwise be provided for under the Federal Securities laws or other applicable laws.
9. Payment of Commissions. Chandler may place buy and sell orders with or through such brokers or dealers as it may select. It is the policy and practice of Chandler to strive for the best price and execution and for commission and discounts which are competitive in relation to the value of the transaction and which comply with Section 28(e) of the Securities and Exchange Act. Nevertheless, it is understood that Chandler may pay a commission on transactions in excess of the amount another broker or dealer may charge, and that Chandler makes no warranty or representation regarding commissions paid on transactions hereunder.
10. Other Clients. It is further understood that Chandler may be acting in a similar capacity for other institutional and individual clients, and that investments and reinvestments for Client's portfolio may differ from those made or recommended with respect to other accounts and clients even though the investment objectives may be the same or similar. Accordingly, it is agreed that Chandler will have no obligation to purchase or sell for Client's account any securities which it may purchase or sell for other clients.
11. Confidential Relationship. The terms and conditions of this Agreement, and all information and advice furnished by either party to the other shall be treated as confidential and shall not be disclosed to third parties except (i) as required by law, rule, or regulation, (ii) as requested by a regulatory authority, (iii) for disclosures by either party of information that has become public by means other than wrongful conduct by such party or its officers, employees, or other personnel, (iv) for disclosures by either party to its legal counsel, accountants, or other professional advisers, (v) as necessary for Chandler to carry out its responsibilities hereunder, or (vi) as otherwise expressly agreed by the parties.
12. Receipt of Brochure and Privacy Policy. Client hereby acknowledges receipt of the disclosure statement or "brochure" and "brochure supplement" also known as Part 2A and Part 2B of Form ADV, required to be delivered pursuant to Rule 204-3 of the Investment Advisers Act of 1940 (Brochure). Client further acknowledges receipt of Chandler's Privacy Policy, as required by Regulation S-P.

EXHIBIT F

CITY OF SAN LEANDRO INVESTMENT POLICY STATEMENT



Legislative History:

Approved via: CC Res. 1999-142, 09/20/99
CC Res. 2000-121, 07/16/00
CC Res. 2001-214; 12/17/01
CC Res. 2003-144; 05/22/03
CC Res. 2004-116; 06/19/04
CC Res. 2005-081; 06/20/05
CC Res. 2006-063; 06/19/06
CC Res. 2007-098; 07/16/07
CC Res. 2008-083, 07/21/08
CC Res. 2009-108, 07/20/09
CC Res. 2010-072, 06/21/10
CC Res. 2011-111, 06/20/11
CC Res. 2012-093, 07/16/12
CC Res. 2013-063, 05/20/13
CC Res. 2014-048, 06/02/14
CC Res. 2015-111, 06/15/15
CC Res. 2016-080, 06/20/16
CC Res. 2017-087, 06/19/17
CC Res. 2018-062, 06/18/18
CC Res. 2019-106, 06/17/19
CC Res. 2020-097, 07/20/20

I. Policy Statement

The City of San Leandro (City) invests public funds not required to meet current City obligations in compliance with the State of California (State) Government Code and this policy. The City's overall goal is to invest as close to 100% of these funds as possible to provide the maximum return and security while meeting the City's daily cash flow needs.

II. Policy Scope

This investment policy is applicable to all financial assets of the City of San Leandro; the Successor Agency to the Redevelopment Agency of the City of San Leandro; the City of San Leandro Parking Authority; the San Leandro Public Financing Authority; and the San Leandro Economic Development Agency. These assets are accounted for in the City's *Comprehensive Annual Financial Report* in the following funds:

- **General Fund**
- **Special Revenue Funds**
- **Capital Project Funds**
- **Debt Service Funds**
- **Enterprise Funds**
- **Internal Service Funds**
- **Agency Funds**

This policy automatically applies to component units and funds subsequently established by the City of San Leandro.

III. Delegation of Investment Authority/Prudence

California Government Code Sections 53600 and 53646 states that the ultimate responsibility for the prudent investment of public funds rests with the governing body, or City Council. Through City Council resolution No. 94-143 the Council has delegated investment authority to the Finance Director and his/her designee. The Finance Director and his/her designee are trustees and fiduciaries that shall use the "**prudent investor**" standard in managing the City's portfolio. When investing, reinvesting, purchasing acquiring, exchanging, selling, or managing public funds, the trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of the City, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the City. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

The City may engage the services of one or more external investment managers to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. Such managers must be registered under the Investment Advisers Act of 1940.

IV. Investment Objectives

1. *Safety*: Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
2. *Liquidity*: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
3. *Yield*: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs. Return on investment is of least importance compared to the safety and liquidity of the City's assets as described above.
4. *Other*: Investments are to be made that will bear in mind the responsibility of city government to its citizens. Alternative investments which enhance the quality of life will be given full consideration.

V. Investment Criteria

The City invests its funds in accordance with the following criteria:

1. Ensure that funds not needed for current City obligations are fully invested at all times.
2. Ensure that yield-restricted funds are monitored to ensure compliance with federal arbitrage rebate requirements.
3. Ensure that the specific requirements outlined in the Bond Indentures of Trust are maintained.

VI. Ethics and Conflicts of Interest

Officers and employees involved in the investment process will refrain from personal business activity that would conflict with the proper execution of the investment program, or would impair their ability to make impartial investment decisions. Employees and investment officials will disclose to the Finance Director any material interests in financial institutions that conduct business with the City of San Leandro. Furthermore, they will disclose any personal financial/investment positions that could be related to the financial performance of the City, particularly at the time of investment purchases and sales. Investment officers and employees who fail to comply with this disclosure requirement will be subject to administrative action.

VII. Authorized Financial Dealers and Institutions

The Finance Director will maintain a list of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected after conducting a process of due diligence. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). The City's Finance Director/Treasurer will determine which financial institutions are authorized to provide investment services directly to the City. Institutions eligible to transact investment business with the City include:

1. Primary dealers and regional dealers;
 2. Nationally or state-chartered banks;
 3. The Federal Reserve Bank; and,
 4. Direct issuers of securities eligible for purchase.
- A. Selection of financial institutions and broker/dealers authorized to engage in transactions with the City will be at the sole discretion of the City.
- B. All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Finance Director/Treasurer with a statement certifying that the institution has reviewed the California Government Code Section 53600 *et seq.* and the City's Investment Policy.
- C. Selection of broker/dealers used by an external investment adviser retained by the City will be at the sole discretion of the investment adviser.
- D. Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

VIII. Authorized and Suitable Investments

All investments shall be made in accordance with California Government Code Sections 53600 *et. seq.* and as described within this Investment Policy.

No investment shall be made in any security that has a remaining term to maturity in excess of five years unless City Council has granted express authority to make the investment either specifically or as part of an approved investment program.

Eligible Local Institutions must have received an overall Community Reinvestment Act (CRA) rating of at least "satisfactory" on its most recent evaluation by the appropriate federal financial agency to receive deposits from the City of San Leandro. This applies to banks, savings and loans, and credit unions.

The City's investment portfolio may include the following instruments:

Negotiable Certificates of Deposit (CD's) are a fixed deposit certificate that may be negotiated (traded) to a third party and is issued by a local bank or savings and loan institution. Certificates of Deposit will either be insured by the Federal Deposit Insurance Corporation (FDIC) or be fully collateralized by delivery to a third-party custodian. Securities pledged as collateral shall have a market value of at least 110% of the value of all deposits. Purchases of these instruments may not exceed 30% of the entire portfolio.

Certificate of Deposit Account Registry Service (CDARS) No more than 30% of the total portfolio may be invested in a combination of certificates of deposit including CDARS. The maturity of CDARS deposits does not exceed five years.

U.S. Government Agency Securities include a wide variety of government securities. These securities include U.S. government-sponsored enterprise obligations, such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), or any other U.S. government agency. There are no portfolio limitations on the amount.

U.S. Treasury Instruments include bills, notes and bonds or certificates of indebtedness for which the full faith and credit of the United States is pledged for the payment of principal and interest. There are no portfolio limitations on the amount.

The State of California Local Agency Investment Fund (LAIF) (Government Code Section 16429.1). Local agencies may invest in LAIF, a pooled investment fund managed by the State Treasurer's Office. The City may deposit up to the maximum program limit in each City account.

Banker's Acceptances allows for 40% of the City's portfolio to be invested in Banker's Acceptances. These are known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank, with maturities no longer than 180 days. No more than 30% of the entire portfolio may be invested in the banker's acceptances of a single bank. The bank must have an "A" or highest money market rating from a nationally recognized statistical-rating organization (NRSO), such as Standard & Poor's or Moody's.

Commercial Paper is a short-term, unsecured promissory note issued by financial and non-financial companies to raise short-term cash. Up to 25% of the City's portfolio may be invested in commercial paper the highest quality ranking or of the highest rating by a nationally recognized statistical-rating organization (NRSO). The issuer must be a domestic corporation having assets in excess of \$500 million and a minimum quality rating of A-1 from Standard and Poor's and P-1 from Moody's for its debt other than commercial paper. Maturities of individual commercial paper securities cannot exceed 270 days and the city may purchase no more than 10% of the outstanding commercial paper of any single issuer. No more than 25% of the portfolio can be invested in commercial paper.

Medium-Term Corporate Notes are corporate bonds and notes of industrial companies, banks, bank holding companies, insurance companies, thrifts and finance companies with a maximum maturity of five years. Issuers must be corporations organized and operating in the United States or by depository institutions licensed by the United States, any state or operating within the United States. Securities issued by corporations must be rated “A” or better by an NRSO. Purchases may not exceed 30% of the City’s portfolio.

Repurchase Agreements are agreements between the City and seller for the City to purchase government securities to be resold back to the seller at a specific date and for a specific amount. The legal maximum maturity on these investments is 360 days; however, repurchase agreements are generally short-term investments. Investments in Repurchase Agreements must be collateralized, with collateral limited to Treasury and Agency securities at 102% of market value of principal and accrued interest; and these investments must be supported by a master repurchase agreement with the bank or dealer. Holdings cannot exceed 20% of the City’s portfolio.

Reverse Repurchase Agreements are a sale of securities by the local agency with a simultaneous agreement for the local agency to repurchase the securities on or before a specified date. Reverse purchase agreements must comply with statutory requirements and are fully collateralized by delivery to a third-party custodian. The maximum term for reverse repurchase agreements is 92 days. The proceeds of reverse repurchase transactions must be invested in securities having maturities shorter than or equal to the term of the underlying agreement. Reverse repurchase agreements cannot exceed 20% of the City’s portfolio.

Passbook Savings Accounts or **Time Certificates of Deposit** are fixed term, non- negotiable investments which are required to be collateralized 110% by eligible pooled U.S. Government Securities. Promissory notes secured by first mortgages or trust deeds used as collateral require a market value of at least 150% of the amount deposited. There are no portfolio limits.

Money Market Mutual Funds consisting of investment securities permitted under Sections 53601 and 53635 of the California Government Code. To be eligible for City investments, companies providing mutual funds shall have either or both of the following:

1. The highest rating provided by not less than two of the three largest nationally recognized statistical-rating services (NRSO).
2. An investment advisor registered with the Securities and Exchange Commission for not less than five years having investment experience in the underlying securities and with assets under management in excess of \$500 million.

Holdings cannot exceed 20% of the City’s portfolio.

Other Investment Pools – The City will conduct a thorough investigation of investment pools prior to making an investment. To become eligible, an investment pool will provide the following information to the City:

- A description of eligible securities and a written statement of investment policy and objectives.
- A description of interest calculation methods, how interest is distributed, and how gains and losses are treated.
- A description of safekeeping procedures and settlement processes, how often securities are priced, and how often the program is audited.
- A description of who are eligible to invest in the program and how often, and any limitations on deposits and/or withdrawals.
- A schedule for receiving statements and portfolio listings.
- Any policies regarding the use of reserves or retained earnings by the pool.
- A fee schedule and a description of how and when fees are assessed.
- Any policies regarding the pool’s eligibility for bond proceeds if applicable.

Securities Issued by the City of San Leandro and its Agencies. The City may elect to sell or purchase its securities through secondary markets when conditions are favorable.

Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations, provided that:

- The securities are rated “AA” or higher by a NRSO.
- No more than 20% of the total portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer. There is no issuer limitation on any Mortgage security where the issuer is the US Treasury or a Federal Agency/Government-sponsored Enterprise (GSE).
- The maximum legal final maturity does not exceed five (5) years.

Supranational Securities, provided that:

- Issues are unsubordinated obligations issued by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB).
- The securities are rated “AA” or higher by a national recognized statistical rating organization.
- No more than 30% of the total portfolio may be invested in these securities.
- No more than 10% of the portfolio per issuer.
- The maximum maturity does not exceed 5 years.

See Appendix A *City of San Leandro Summary of Eligible Investments* on pages 9, 10 and 11 for a tabular listing of the restrictions regarding authorized investments.

Socially Responsible Investing

The investment policy prohibits investing in an entity that receives a significant portion of their revenues from the gun manufacturing, fossil fuel production, private prisons and tobacco producers.

Competitive Transactions

All investment transactions shall be conducted on a competitive basis with quotes from a minimum of three brokers or financial institutions when possible.

Safekeeping

Purchased securities are held in third party safekeeping by the trust department of the City's bank or other designated third party in the City's name and control. All security transactions entered into by the City will be conducted on a delivery-versus-payment (DVP) basis and evidenced by a receipt issued by the safekeeping agent.

Collateralization

An independent third party with whom the City of San Leandro has a current custodial agreement will always hold collateral. A clearly marked evidence of ownership must be supplied to the City.

Internal Control and Review

The Finance Director will establish an annual review process to ensure compliance with the established Investment Policy and routine reporting requirements.

Performance Standards

The investment portfolio shall be designed with the overall objective of obtaining a total rate of return throughout economic cycles, commensurate with investment risk constraints and cash flow needs.

The investment performance objective for the portfolio shall be to earn a total rate of return over a market cycle which is approximately equal to the return on a Market Benchmark Index of similar risk characteristics as that of the City's investment portfolio.

Other market investments that may be used as yield comparisons include:

- The State of California Local Agency Investment Fund (LAIF)
- The two-year U.S. Treasury Bill
- The five-year U.S. Treasury Note

Reporting

This policy will be reviewed annually with the City Council to ensure compliance with the objectives of safety, liquidity and yield and adherence with applicable laws. The City Council Finance Committee will review and approve all changes to this policy statement prior to submittal to the full City Council for approval.

California Government Code Section 53646 states that the Finance Director may render a quarterly report on the status of the City's investment portfolio to the City Manager and the City Council within 30 days after the end of the calendar quarter. The report will provide detailed information regarding the type of investments, the amount invested with various institutions, purchase and maturity dates, and interest yield on all investments. The report shall state if the City's investments are in compliance with this policy and if the City will be able to meet its cash obligations during the next six-month period. The Finance Director will submit a monthly transactions report on the portfolio's activity to the City Manager and City Council consistent with the requirements of the State Code.

IX. Prohibited Investment Vehicles and Practices

- State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.
- In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- Investment in any security that could result in a zero interest accrual if held to maturity is prohibited. Under a provision sunseting on January 1, 2026, securities backed by the U.S. Government that could result in a zero- or negative-interest accrual if held to maturity are permitted.
- Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- Purchasing or selling securities on margin is prohibited.
- The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
- The purchase of foreign currency denominated securities is prohibited.
- Agencies that are not Qualified Institutional Buyers (QIB) as defined by the Securities and Exchange Commission are prohibited from purchasing Private Placement Securities. The SEC defines a QIB as having at least \$100,000,000 in securities owned and invested.

Appendix A
City of San Leandro
Summary of Eligible Investments

Investment Type	Maximum Maturity	Maximum Amount	Other Requirements
Negotiated Certificates of Deposit (CDs) and CDARs	5 Years	30 % of Portfolio	CDs require Market Value of Collateral at Least 110% of Deposit if not FDIC insured; CDARs are FDIC insured
U.S. Government Agency Securities	5 Years, Longer Maturities if Approved by Council	None	None
U.S. Treasury Securities	5 Years, Longer Maturities if Approved by Council	None	None
State Local Agency Investment Fund (LAIF)	N/A	Maximum Program Limits	None
Bankers Acceptances	180 Days	30 % per Issuer 40% of Portfolio	Minimum Rating of "A" from Moody's or S&P
Commercial Paper	270 Days	10% of Issuer's Paper 25% of Portfolio	Prime Quality Rating of "A-1" and "P-1" from S&P and Moody's Respectively
Medium Term Corporate Notes	5 Years	30% of Portfolio	Minimum Rating of "A" from Moody's or S&P

Appendix A (continued)

**City of San Leandro
Summary of Eligible Investments**

Investment Type	Maximum Maturity	Maximum Amount	Other Requirements
Repurchase Agreements	1 Year	20% of Portfolio	Master Agreement & Fully Collateralized
Reverse Repurchase Agreements	92 Days	20% of Portfolio	Proceeds Must be Invested in Securities Having Maturities Shorter Than or Equal to Term of Underlying Agreement
Passbook Accounts	5 Years	None	Minimum of 110% Collateral if Secured by U.S. Government Securities, 150% if Secured by Mortgage or Trust Deed
Money Market Mutual Funds	N/A	20% of Portfolio	Highest Rating from at Least Two Rating Agencies and/or Advisor with 5 Years of Experience Managing Assets in Excess of \$500 Million
Other Investment Pools	N/A	N/A	Must Provide Comprehensive Information Prior to City Investment
City Issued Securities	N/A	N/A	Usually Purchased When Originally Issued

Appendix A (continued)

**City of San Leandro
Summary of Eligible Investments**

Investment Type	Maximum Maturity	Maximum Amount	Other Requirements
Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, Collateralized Mortgage Obligations	5 Years	20% of portfolio	Securities rated "AA" or higher by one Nationally Recognized Statistical-rating Organization (NRSO) No limitation on mortgage securities when issuer is US Treasury or Agency
Supranational Securities	5 Years	30% of portfolio 10% per issuer	Permitted issuers are International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB)

Appendix B

Glossary of Investment Terms

AGENCIES. Shorthand market terminology for any obligation issued by a *government-sponsored entity (GSE)*, or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

FFCB. The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

FHLB. The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

FHLMC. Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called “FreddieMac” issues discount notes, bonds and mortgage pass-through securities.

FNMA. Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as “FannieMae,” issues discount notes, bonds and mortgage pass-through securities.

GNMA. The Government National Mortgage Association, known as “GinnieMae,” issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

PEFCO. The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

TVA. The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

ASKED. The price at which a seller offers to sell a security.

ASSET BACKED SECURITIES. Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

AVERAGE LIFE. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

BANKER’S ACCEPTANCE. A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which “accepts” the obligation to pay the investor.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BID. The price at which a buyer offers to buy a security.

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

CALLABLE. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

CERTIFICATE OF DEPOSIT (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS). A private placement service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$250,000 each, so that FDIC coverage is maintained.

COLLATERAL. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

COMMERCIAL PAPER. The short-term unsecured debt of corporations.

COST YIELD. The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been included in the purchase cost, it is an incomplete measure of return.

COUPON. The rate of return at which interest is paid on a bond.

CREDIT RISK. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

CURRENT YIELD. The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

DEALER. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

DEBENTURE. A bond secured only by the general credit of the issuer.

DELIVERY VS. PAYMENT (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

DERIVATIVE. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

DISCOUNT. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

FEDERAL FUNDS RATE. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

FEDERAL OPEN MARKET COMMITTEE. A committee of the Federal Reserve Board that establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

LEVERAGE. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

LIQUIDITY. The speed and ease with which an asset can be converted to cash.

LOCAL AGENCY INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MAKE WHOLE CALL. A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

MARGIN. The difference between the market value of a security and the loan a broker makes using that security as collateral.

MARKET RISK. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

MARKET VALUE. The price at which a security can be traded.

MARKING TO MARKET. The process of posting current market values for securities in a portfolio.

MATURITY. The final date upon which the principal of a security becomes due and payable.

MEDIUM TERM NOTES. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION. The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

MONEY MARKET. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

MORTGAGE PASS-THROUGH SECURITIES. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUNICIPAL SECURITIES. Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUND. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO).

A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

NEGOTIABLE CD. A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

PREMIUM. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PREPAYMENT SPEED. A measure of how quickly principal is repaid to investors in mortgage securities.

PREPAYMENT WINDOW. The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

PRIMARY DEALER. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

PRUDENT PERSON (PRUDENT INVESTOR) RULE. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

REALIZED YIELD. The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

REGIONAL DEALER. A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

REPURCHASE AGREEMENT. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

SAFEKEEPING. A service to bank customers whereby securities are held by the bank in the customer's name.

STRUCTURED NOTE. A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONAL. A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

TOTAL RATE OF RETURN. A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

U.S. TREASURY OBLIGATIONS. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

TREASURY BILLS. All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES. All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

TREASURY BONDS. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

VOLATILITY. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

YIELD TO MATURITY. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.