

CITY OF BELLEVUE



REQUEST FOR INFORMATION RFI # 10124 Investment Management Services

Issue Date: April 22, 2010

Due Date and Time: May 3, 2010 @ 4:00 pm

General Information

Introduction

The City of Bellevue is located thirteen miles east of Seattle, between Lake Washington and Lake Sammamish, and about ten miles west of the foothills of the Cascade Mountains. The City's resident population of ~118,000 and daily workforce of ~185,000 make it Washington's fifth-largest city. Bellevue is an increasingly diverse city that has evolved from a "bedroom community" into the major economic and cultural center of Seattle's Eastside. Bellevue has developed its downtown core into a major business and retail center while maintaining the safe, comfortable family neighborhoods for which it has long been popular.

Purpose of RFI

The Purpose of this Request for Information (RFI) is to acquire information regarding the potential for the City of Bellevue to enter into an Investment Management Services agreement for its investment portfolio. The City would like to explore cost effective alternatives to having internal staff manage the entire investment portfolio, as is currently being done. Using an investment adviser to manage a portion of (or the entire) portfolio may enable the City to pick up some "added value" and potentially direct internal staff to other appropriate duties or functions. The City of Bellevue is seeking information regarding what specific services are offered and what the rough estimated costs would be if we moved these services to an outside company. Based on the responses received from this RFI, the City will decide if outsourcing is a viable option. If the outsourcing option is selected, the City will issue an RFP and vendors can respond with a formal proposal. Once the RFP process is completed, the City will enter into a multi-year contract with a selected vendor.

Background and Overview

The City of Bellevue is seeking information from interested firms for providing Investment Management Services with the overall goals of preserving principal and maintaining liquidity, while maximizing returns for the City's funds. As of March 31, 2010, the value of the City's portfolio was approximately \$210 million which was invested in the following:

1. U.S. Agency Coupon Securities
2. U.S. Treasury Coupon Securities
3. Interest Bearing Bank Deposits
4. Certificates of Deposits
5. State of Washington Local Government Investment Pool (LGIP)

The size of the total portfolio fluctuates between \$200 and \$220 million throughout the year. The core and liquidity portions of the portfolio are approximately 80% and 20% respectively. Funds to be managed include certain operating, capital, debt service reserve, and other resources of the City's General Fund, Utilities, Equipment Rental and Self-Insurance Funds.

RFI Coordinator/Communications

Upon release of this RFI, all communications should be directed in writing to the RFI Coordinator listed below. Unauthorized contact regarding this RFI with other City employees may result in disqualification. Any oral communications will be considered unofficial and non-binding on the City.

RFI Coordinator for this RFI will be:

Name: Zemed Yitref
Address: City of Bellevue
Street - 450 110th Ave. NE, Bellevue, WA 98004
Mailing - P.O. Box 90012, Bellevue, WA 98009-9012
Telephone: 425-452-6101
E-mail: Zyitref@bellevuewa.gov

Required Schedule

These dates are estimates and are subject to change by the City.

Event	Date
Release RFI	4/22/2010
Requests for Information Due	5/03/2010
Review of RFI complete/decision made to do RFP	5/15/2010

Response Format

Requests for Information should be prepared simply and provide the information requested.

Submittal Response Date and Location

Submittals must be submitted to the City of Bellevue's Service First Desk or emailed to zyitref@bellevuewa.gov no later than May 3, 2010 at 4:00 PM. The Official Clock for submissions is located at the Service First Desk (address listed below). All submittals and accompanying documentation will become the property of the City and will not be returned. Faxed submittals will not be accepted. The submitting party accepts all risks of late delivery of mailed submittal regardless of fault.

Submittal Format

One (1) electronic copy of the Request for Information must be received by the RFI deadline. The City, at its discretion, may make additional copies of the Requests for Information for the purpose of evaluation only.

Vendor's Cost to Develop Request for Information

Costs for developing responses to this RFI are entirely the obligation of the vendor and shall not be chargeable in any manner to the City.

No Obligation

This RFI imposes no contractual obligation whatsoever on the part of the City or Vendor.

Submittal Requirements:

Responses to this RFI should include the following information (Refer to Attachment “A” for the City’ current Investment Policy):

1. **Company Background** – provide general background information regarding your company, including a summary of previous experience in managing state/local government operating and reserve funds for comparable government agencies to the City of Bellevue. State the dollar value of the assets and the number of portfolios the firm has under management categorized between public sector and other clients (5 pages max).
2. **Investment Management Services:** List the specific investment management services your company can provide for the City. Please also list which tasks would still be required to be performed by City of Bellevue staff if we choose to use your services.
3. **Fees:** Provide a list of your firm’s proposed fee structure for investment management services for the first \$100 million and for the total portfolio of \$200 million. Describe if there is a minimum fee.
4. **Insurance:** Provide a list of the current insurance coverages and limits your firm carries applicable to this RFI. (Note: the fees quoted under item 3 above should reflect the cost of obtaining the appropriate insurance coverages).
5. **Hourly Rates:** Provide estimated hourly rates for any additional consulting service that you are capable of providing to the City.
6. **Investment Performance:** Provide the gross and net annual average percentage returns on assets managed (using weighted average yield to maturity and not total return basis) versus the established benchmarks for the past 1 year, 3 years, and 5 years broken-down into: a) short-term portfolios (.5 year modified duration), b) intermediate portfolios (1.0 year modified duration), and c) long-term (1.5 years modified duration) using the format below.

Type of Portfolio	2009 (1 Year)		2007-2009 (3-years)		2005-2009 (5-years)	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
Short-term (.5 yr Modified Duration) - Gross returns - Net returns						
Intermediate (1 yr Modified Duration) - Gross returns - Net returns						
Long-term (1.5 yrs Modified Duration) - Gross returns						

- Net returns						
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For each type of portfolio listed above list the asset allocation and the appropriate benchmarks used for evaluation.

Service Levels: Describe the different levels of service that your company can provide and the cost for each. You are encouraged to provide more than one service level.



Attachment "A"
City of Bellevue
Investment Policy

Deleted: ¶

Revised: March, 2010

Objectives

This policy sets forth criteria for the operation of the investment portfolio. It will be recognized that the primary objective of the Investment Policy is to establish a conservative set of investment criteria that will prudently protect Bellevue's (hereafter referred to as the City) principal sums and enable the City to generate a market rate of return from its investment activities while assuring adequate liquidity to meet its cash flow needs. All investment activity will be in compliance with RCW [35A.40.050](#) "Fiscal - Investment of Funds" and any other statutes or regulatory requirements, such as Internal Revenue Codes, which may apply.

Scope

This policy guides the investment of all available City funds except it does not include assets held in escrow in order to defease refunded debt, nor does it include retirement funds managed by others such as the state, the Municipal Employees Benefit Trust, and deferred compensation plan providers.

Responsibility

Authority to manage the investment program is derived from Bellevue City Code Section [3.37.060](#). This section gives the Finance Director authority to determine the amount of money available in each fund administered by the City for investment purposes, and the authority to invest such moneys in all forms of investments that are authorized by law. This section also authorizes the Director to designate a subordinate employee(s) to assist in the performance of these duties.

The Finance Director will provide a letter(s) of authorization to individuals or firms on the approved broker/dealer list specifically designating City staff who have the authority to commit the City to investment transactions.

The Finance Director or his/her designee will establish written investment procedures including a glossary of investment terms for the operation of the investment program, consistent with this investment policy.

Types of Investment and Diversification

The City may invest in any of the securities identified as eligible investments as defined by RCW 35A.40.050 "Fiscal - Investment of Funds". For purposes of this policy, the major eligible investment categories have been further restricted as follows:

1. United States Treasury Debt Obligations

- Maximum % of Portfolio 100%
- Maximum Remaining Maturity 5 years
- Securities will be held by the City's third party custodian in the City's name.

2. United States Agency Securities backed by the full faith and credit of the United States Government for the payment of principal and interest

- Maximum % of Portfolio 100%
- Maximum Remaining Maturity 5 years
- Maximum % of Portfolio Per Issuer 25%
- Defined by RCW 43.84.080 to include certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States.
- Does not allow investments in derivatives or securities that derive value and/or yield from an underlying asset unless they fall into one of the following categories: 1) agency obligations that float with interest rates or external indexes such as CMT index, treasury bills, LIBOR, Prime rate and Fed Funds rate; 2) agency security obligations that have call features; and 3) agency security obligations that have step-up features at pre-determined intervals.
- Interest only and principal only mortgage backed securities, inverse floaters and collateralized mortgage obligations are excluded.
- Securities will be held by the City's third party custodian in the City's name.

3. United States Agency Coupon Securities (Mortgage-backed Securities Included)

- Maximum % of Portfolio 100%
- Maximum Remaining Maturity 5 years
- Maximum % of Portfolio Per Issuer 25%
- Defined by RCW 43.84.080 to include obligations of any United States government-sponsored corporation whose obligations are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System.
- Does not allow investments in derivatives or securities that derive value and/or yield from an underlying asset unless they fall into one of the following categories: 1) agency obligations that float with interest rates or external indexes such as CMT index, treasury bills, LIBOR and Fed Funds rate; 2) agency security obligations that have call features; and 3) agency security obligations that have step-up features at pre-determined intervals.
- Interest only and principal only mortgage backed securities, inverse floaters and collateralized mortgage obligations are excluded.
- Securities will be held by the City's third party custodian in the City's name.

4. United States Agency Discount Notes

- Maximum % of Portfolio 100%
- Maximum Remaining Maturity 1 year
- Maximum % of Portfolio Per Issuer 25%
- Defined by RCW [43.84.080](#) to include obligations of any United States government-sponsored corporations whose obligations are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System.
- Securities will be held by the City's third party custodian in the City's name.

5. FDIC Guaranteed Senior Unsecured Debt Obligations – TLGP (Treasury Liquidity Guaranty Program) and other federal government guaranteed programs

- Required Investment Rating AAA/Aaa long-term and A-1/ P-1 short-term
- Maximum % of Portfolio 100%
- Maximum Remaining Maturity expiration Not to exceed the lesser of the date of FDIC's guarantee or 5 years
- Maximum % of Portfolio Per Issuer 5%
- To be eligible for purchase, the obligations must: 1) be guaranteed by the FDIC, and 2) carry the full faith credit of the United States Government.
- The note obligations must be issued by corporations organized and operating in the United States.
- Securities will be held by the City's third party custodian in the City's name.

6. Repurchase Agreements secured by United States Government and United States Agency Debt Obligations

- Maximum % of Portfolio 50%
- Maximum % of Portfolio With any Primary Dealers or Financial Institutions 10%
- Maximum Remaining Maturity 60 days
- Maximum Remaining Maturity of Underlying Collateral 5 years
- Collateral Pricing Daily
- All US Government Agency collaterals should stay within the 25% per issuer limit.

- Collateral equal to 102% of the repurchase agreement must be delivered to the City's third party custodian if less than 30 days. If the repurchase agreement is between 30-60 days, collateral equal to 105% of the repurchase agreement must be delivered to the custodian.
- Securities will be purchased from primary dealers or financial institutions that are members of the Washington Public Depository under a written Master Repurchase Agreement.
- Only US Treasury, US Government Agency, and US Government Sponsored Corporation securities may be accepted as collateral.
- Collateral securities will be held by the City's third party custodian, or through a tri-party arrangement in the City's name.

7. Certificates of Deposit, and other Interest Bearing Bank Deposits with financial institutions recognized by the State of Washington Public Deposit Protection Commission (PDPC) as qualified to hold public deposits.

- Maximum % of Portfolio 50%
- Maximum Remaining Maturity 1 year
- Maximum % of Portfolio Per Issuer 10%

8. Bankers Acceptances purchased on the secondary market

- Required Investment Rating Rated in the highest tier (e.g., A-1, P-1, F-1 or better) of the accepting bank's short-term Obligations by any two nationally recognized statistical rating organizations
- Maximum % of the Portfolio 15%
- Maximum Remaining Maturity 6 months
- Maximum % of Portfolio Per Issuer 5%
- Securities will be held by the City's third party custodian in the City's name.

9. Commercial Paper Issued by United States Corporations in compliance with the provisions adopted by the State Investment Board RCW [43.84.080](#) (7).

- Required Investment Rating Rated in the highest tier (e.g., A-1, P-1, F-1 or better) by any two nationally recognized statistical

rating organizations

- Maximum % of Portfolio 15%
- Maximum Remaining Maturity 90 days
- Maximum Percent of Portfolio Per Issuer 5%
- Securities will be held by the City's third party custodian in the City's name.

10. State of Washington Local Governmental Investment Pool

- Maximum % of Portfolio 100%
- A copy of the pool's investment policy must be obtained and reviewed.

The portfolio and issuer limits listed above shall be complied with at the time of a security purchase. However, no sale of securities shall be required to meet revised limits due to a decrease in the total size of the portfolio.

Weighted Average Duration and Liquidity

The total portfolio (including short-term money market and cash accounts) will be managed such that the weighted average modified duration does not exceed 2.5 years.

The portfolio should be laddered with staggered maturities to assure that: 1) adequate resources are available to meet cash flow requirements without forced liquidation of investments, and 2) price volatility and reinvestment risks are minimized.

Prudence

"Investments shall be made with the same judgement and care which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering probable safety of their principal as well as probable income to be derived."

The standard of prudence to be used by employees authorized to commit the City to investment transactions shall be the "prudent person" standard. Employees meeting the prudent person standard shall be relieved of personal responsibility for an individual security's subsequent performance, provided appropriate action is taken to control adverse developments.

Performance

The portfolio shall be managed to obtain a market rate of return through budgetary and economic cycles, keeping in mind the primary objectives of protecting the City's capital and assuring adequate liquidity to meet cash flow needs.

For purposes of this policy, the market rate of return objective will be a band between the average yield of the ninety-day Treasury bill and the 2-year Treasury note for the period of time being evaluated. The goal is for the portfolio to generally perform within or above the band.

Ethics and Conflicts of Interest

Employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. These employees shall disclose to the City Manager and Finance Director any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to performance of the City's portfolio, particularly with regard to the time of purchases and sales. Employees shall subordinate their personal investment transactions to those of the City.

Authorized Financial Dealers/Institutions and Financial Review

The Finance Director will approve financial institutions to be eligible to conduct investment business with the City. A current list of approved brokerage firms will be maintained by the Finance Director or his/her designee. This list may include primary dealers (government securities reporting to the Market Reports Division of the Federal Reserve Bank of New York), regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capitalization), and national banks.

To become authorized to provide investment services to the City, each institution must provide an annual letter to the City from the individual providing the service certifying that he or she has read the City's investment policy and assures that all transactions with the City will fall within the policy boundaries. This letter shall also certify that the firm and broker assigned to this account have the required credentials and licenses with the NASD, SEC or appropriate agencies and that they must immediately notify the City if at any time the firm or broker is not in compliance with SEC rule 15C3-1, the firm's capital position falls short of the Capital Adequacy or uniform Net Cap Rule standard, or a material control weakness is identified by the firm's independent auditor. In addition, each institution must also provide the City with a copy of their annual audited financial report or Consolidated Report of Condition (call report).

In the case of certificates of deposit, those financial institutions recognized by the PDPC (Public Deposit Protection Commission) are qualified to hold public deposits.

An annual review of the audited financial report or call report of the selected qualified financial institutions will be conducted by Finance staff.

Broker Allocation

Investment transactions will be based upon the financial institution or brokerage firm that offers the best price to the City on each particular transaction. The City will make its best effort to obtain three bids for purchase or sale of government agency securities other than new issues. If circumstances dictate fewer than three bids due to the volatility of the market place, lack of bids, etc., the Finance Director, Assistant Finance Director or the Treasury Manager has the authority to waive this rule. Generally not all brokers will have the same inventory of agency securities available to sell, but should be able to offer comparable alternatives. Treasury security transactions will be accomplished at or within the bid or asked price spread indicated on the live Bloomberg screens or similar reliable real time investment information service. Issues

not actively traded on such services will be subject to the three bid requirement. Bankers Acceptances and Certificates of Deposit (other than a compensating balance CD) also require the acquisition of at least three bids, and acceptance of the most attractive rate from among comparable alternatives. Where two or more institutions or brokers have offered the same low bid, allocation will go to the lowest bidder that has provided the best service to the City.

Custody

All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery versus payment (DVP) basis. Securities will be held by a third party custodian designated by the Finance Director or his designee as evidenced by confirmations in the City's name.

Investment Committee

An Investment Committee will be established by the City Manager, and will include at least three members from the business community knowledgeable in the area of institutional investment management. This Committee will periodically meet to review the investment program and make recommendations to the Finance Director with regard to proposed changes to the investment policy.

Internal Control

Investment procedures will be defined, documented, and implemented by the Finance Director or his/her designee to assure adequate internal control of the investment process.

The Finance Director or his/her designee will establish a process of periodic independent review by an external auditor or competent staff not assigned to the investment function.

The Washington State Auditor's Office will customarily conduct independent annual reviews of the investment function.

Reporting

Investment reports will be prepared and provided at least quarterly to meet the needs of the users including sufficient detail to provide an accurate and meaningful representation of the portfolio, showing its performance in relation to established benchmarks and its compliance with the investment policy.

Policy Adoption

The Investment Policy is adopted by the City Council as part of the biennial budget. The Finance Director has authority to approve changes to this Investment Policy.