



STAFF REPORT
11/12/2025

TO: Honorable Mayor and City Council Members

FROM: Lincoln Bogard, Finance Director

SUBJECT: Investments 101 Presentation and Agreement for Investment Advisory Services with Optimized Investment Partners, LLC

STAFF RECOMMENDATION:

Receive the Investments 101 Presentation with Optimized Investments Partners, LLC (Attachment A) and adopt Resolution 2025-57 to approve an Agreement for Professional Services with Optimized Investment Partners, LLC (Attachment B) for investment advisory services.

EXECUTIVE SUMMARY:

Staff recommends that Council approve a three-year agreement with Optimized Investment Partners, LLC (OIP) for investment advisory and management services, with the option to extend twice via one-year extensions. This will allow the City to maximize investment returns and stabilize interest earnings, generating additional revenue to support critical municipal services. Optimized Investment Partners will also provide advanced cash flow modeling and active cash management to ensure the City's liquidity needs are met and that the City can optimize interest revenue.

BACKGROUND:

The City has historically invested surplus cash conservatively in LAIF and a managed portfolio. However, the City seeks a more proactive investment strategy to maximize returns on its investments and to create stability in interest income. The City's current investment advisor only manages a portion of the City's portfolio. This agreement will allow for 90-95% portfolio utilization and comprehensive cash management.

After reviewing Optimized Investment Partners' qualifications, references, and competitive bids from other municipalities, as well as comparing the firm's strategy to the City's current portfolio management strategy, staff determined OIP is best suited to meet the City's needs. OIP offers unique services including cash-flow modeling, investment policy review, monthly account monitoring, and continuous investment advice. Additionally, Optimized Investment Partners pricing structure provides a cost-savings from its current advisor.

DISCUSSION/ANALYSIS:

During the review of Optimized Investment Partners' services, staff evaluated the proposed costs and fees to ensure they are in line with current market rates for the scope of services to be provided. City staff also reviewed formal bidding documents from two other California cities for investment advisory services to industry standard pricing.

While the City's current investment advisor charges a tiered fee structure ranging from 10 basis points (0.10%) on the first \$25 million to 7 basis points (0.07%) above \$50 million, Optimized Investment Partners, LLC (OIP) offers a flat rate of 8 basis points (0.08%) on all assets under management. This structure is more equitable and cost-effective for the City's portfolio size, eliminating the higher initial fee tiers applied under the current agreement.

Beyond cost savings, OIP provides a broader and more proactive scope of services that the current advisor does not offer. These include comprehensive cash-flow modeling, monthly cash position analysis, and continuous portfolio oversight designed to maximize returns while maintaining liquidity. OIP's approach identifies additional investable funds and integrates the City's operational budget and capital plans into the investment strategy, ensuring funds are always aligned with the City's financial needs.

In summary, OIP's proposal offers both a lower effective cost and greater value, combining professional expertise, enhanced cash management tools, and strategic portfolio optimization to improve long-term investment performance and fiscal stability for the City.

The City can utilize cooperative purchasing to engage Optimized Investment Partners for investment advisory services. Many public agencies have cooperative purchasing clauses in their procurement policies that allow them to "piggyback" on competitively bid contracts from other public entities. Utilizing cooperative purchasing to engage Optimized Investment Partners (OIP) provides an efficient and cost-effective solution for the City. By leveraging OIP's existing contracts with other agencies, the City can obtain high-quality investment advisory services without the time and resources required for a full competitive bidding process. Moreover, the opportunity cost of delaying investment through a competitive bidding process outweighs any potential savings, as the lost investment revenue would be substantially greater.

Optimized Investment Partners recently earned the business of the City of Coalinga and the City of Del Mar through competitive bidding processes that the City of Coachella can leverage. This would allow the City to quickly engage Optimized's services and begin benefiting from their expertise in public agency portfolio management and cash flow optimization.

The investment strategies currently being considered will utilize a multi-year laddering approach designed to take advantage of the higher interest rates currently available in the market. This approach is intended to stabilize interest earnings and generate consistent returns for the City.

The City will maintain its custodial agreement with its current authorized bank to continue holding the investment cash before and after investments are purchased. This third-party relationship

ensures an appropriate system of checks and balances to safeguard the City's investments. Optimized Investment Partners will not hold or maintain any control over the City's cash but will instead advise and recommend compliant investments.

Recently, the Financial Director spoke with the City Manager of the City of Suisun City regarding their experience with Optimized Investment Partners. Bret Prebula, City Manager, confirmed that OIP has fulfilled all contractual obligations and expressed satisfaction with their services, noting positive performance and professional relationship. He even stated that he had no negative comments to make and that is unusual for him.

OIP is a California based company from San Diego County that serves cities and special districts. OIP is comprised of highly skilled staff with extensive municipal finance experience. OIP specializes in assisting small to medium size municipalities in California with optimizing their investment portfolios. OIP currently has 26 clients with total assets under management of \$480 million. OIP's approach to optimizing the City's returns on its investments will include rigorous cash flow modeling and monthly reviews of cash balances to ensure sufficient liquidity necessary for daily operations.

The fees for OIP services will be based on the amount of assets under management (AUM) and is set at a flat rate of 0.08% (8 basis points) for AUM, which encompasses all investments in custodial accounts, pooled accounts, and other investment-related accounts, excluding City checking account balances. There are no additional fees or reimbursement costs associated with these services unless in-person meetings are required.

OIP's services differ substantially from traditional municipal investment advisors:

- Their custom cash flow modeling uniquely integrates all of the City's funds, the City's budgets, Capital Improvement Plans, and cyclical revenue patterns into the investment strategy. This proactive approach identifies significantly more investable funds compared to competitors who rely on clients to determine cash availability.
- OIP provides active cash management by analyzing all cash positions monthly, including existing investments with US Bank. This maximizes investment potential while ensuring liquidity needs are met.

The City will also have an option to terminate the agreement at any time with a 30-day notice, should the Consultant's performance fall below the City's expectations.

ALTERNATIVES:

1. Adopt Resolution 2025-57 to approve City Manager to enter into contract with Optimized Investment Partners, LLC.
2. Do not approve resolution and maintain existing investment advisor services.

FISCAL IMPACT:

If the Council would like to proceed with authorizing the City Manager to engage in an agreement for investment advisory services with Optimized Investment Partners LLC, Optimized Investment Partners will actively manage the City's cash surplus which will ensure monthly value with cash management, taking advantage of market opportunities to improve future yields, and to appropriately ladder the investment portfolio to ensure resiliency and consistent revenue into the future. They will also help to ensure that the City stays in compliance with the California government code.

By contracting Optimized Investment Partners for investment advisory services, it is anticipated that they will generate an additional \$38,000 in revenue per month for the first 12 months, based on current interest rates. Their fee is approximately \$4,000 per month. This is a projected positive net fiscal impact of \$34,000 per month. The fee is subject to change based upon the fluctuations of the amount of assets under management (AUM) and is set at a flat rate of 0.08% (8 basis points) as specified in the advisory contract.

Should the City Council not take the action recommended, the City may forgo the financial benefits associated with engaging Optimized Investment Partners (OIP). Without OIP's expertise in proactive investment portfolio management, cash flow modeling, and active cash management, the City could miss opportunities to enhance investment performance and result in reduced investment earnings and opportunity cost.

RECOMMENDED ALTERNATIVE(S):

Adopt Resolution 2025-57 to approve City Manager to enter into contract with Optimized Investment Partners, LLC.

ATTACHMENT(S):

Attachment A – Investments 101 Presentation by Optimized Investment Partners, LLC
Attachment B – Agreement for professional services-Optimized Investment Partners, LLC