

COUNCIL ACTION FORM

Meeting Date: May 9, 2024

Staff Contact: Leslie Herring

Agenda Item: Consider agreement with Columbia Capital Management for investment advisory services

Background/Description of Item

The City carries all monies across all funds in one depository, FNBO. As the City carries a multi-million dollar balance at any given time and only needs access to a certain amount of funds to operate at any given time, there is opportunity for the City to invest funds to earn a higher amount of total interest on the balance we carry. State statute strictly governs a City's investment of idle funds and such regulation is monitored by the City's Auditor, with additional oversight by the City Treasurer, City Attorney, and City Administrator.

Staff Comments/Recommendation

Columbia Capital is a trusted and reputable partner of multiple Johnson County cities and has a number of other Kansas local government clients. As self-described in their [attached] Investment Management Services proposal:

Consistent with public funds best practices, Columbia Capital's investment philosophy focuses on safety, liquidity, and yield, in that order. In practice, our core approach is preservation of capital through provision of adequate liquidity. We understand that our municipal clients must balance the need to be sufficiently liquid with the desire to generate income. Our first task when designing the investment portfolio structure for our clients is to evaluate historic cashflows to ensure we will always have sufficient funds to meet not only the day-to-day liquidity needs, but also any extraordinary cash draws that may occur. Only after these conditions are met do we begin to explore opportunities to generate income for the portfolio. Because public funds investment statutes are already limited to high-quality investments, we believe safety is best achieved by the portfolio manager avoiding unscheduled redemptions of investments to meet liquidity needs.

They focus very closely on compliance with KSA 12-1675 *et seq.* and internally, they have a separation of duties where every trade made is reviewed by a different individual to ensure the securities purchased comport both with state law and with any unique requirements of the City's investment policy.

Columbia Capital proposes the City establish a Schwab account in the exercise of their duties for the City of Westwood. Their proposal also identifies a host of additional services they provide included in their fee.

The City Attorney, City Treasurer, and City Auditor have all reviewed the proposal and agreement and have engaged Jeff White of Columbia Capital with questions to ensure a firm understanding of how state regulatory requirements are met.

Following approval of this professional services agreement, the next steps in this relationship would be:

- Opening a Schwab account for the City (performed administratively);
- Completing a liquidity template to help size the sub portfolios (performed administratively);
- Reviewing and revising the City's Financial and Purchasing Policy to embed a new investment policy for Council consideration for adoption by resolution;

- City Council consideration of an ordinance designating multi-year funds for compliance with State statute; and
- Each July and January, Columbia Capital will present an investment management report to the Governing Body to allow for transparency in how the investments are performing.

Jeff White with Columbia Capital will be present at the meeting to review his services offering and to address any questions you may have.

Budget Impact

The City's current annual percentage yield using FNBO as our depository is 1.46%. In 2023, the City earned a total of \$44,015 in interest on the bank balance we carried. Columbia Capital is realizing north of 5% interest on even fairly short-term Treasury or Agency investments.

Columbia Capital has agreed to manage the City's investment strategy for a fee equal to the greater of \$12,000 per year, billed quarterly in arrears, or 0.20% per annum on the total portfolio of the City (pooled cash), billed quarterly in arrears based upon the average of the month-end portfolio balances in each month.

Suggested Motion

I move to authorize the City Administrator to execute a professional services agreement with Columbia Capital for investment management services subject to final review and approval by the City Attorney.