Meeting Date: **6/23/2015**

Report Type: Consent

Report ID: 2015-00559

City of SACRAMENTO 03

City Council Report
915 I Street, 1st Floor
www.CityofSacramento.org

Title: Joint Exercise of Powers Agreement between City of Sacramento and Reclamation District No. 1000

Location: Citywide

Recommendation: Pass a Resolution approving a Joint Exercise of Powers Agreement between City of Sacramento and Reclamation District No. 1000 to allow the District to invest funds in the City's Pool A fund.

Contact: Bob Tokunaga, Sr. Investment Officer, (916) 808-5340; John Colville, Sr. Investment Officer, (916) 808-8297, Office of the City Treasurer

Presenter: None

Department: City Treasurer

Division:

Dept ID:

Attachments:

1-Description/Analysis

2-Background

3-Resolution

4-Exhibit A (JEP Agreement RD 1000)

City Attorney Review

Approved as to Form
Steve Itagaki
6/11/2015 8:38:19 AM

Approvals/Acknowledgements

Department Director or Designee: Russell Fehr - 6/4/2015 2:45:22 PM

James Sanchez, City Attorney Shirley Concolino, City Clerk Russell Fehr, City Treasurer
John F. Shirey, City Manager

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Description/Analysis

Issue Detail: The City of Sacramento, acting through the City Treasurer, and Reclamation District No. 1000 ("RD 1000") propose to jointly exercise their respective power to invest public funds by allowing RD 1000 to invest public funds within its control in Pool A managed by the City Treasurer under his City Charter authority. Both City and RD 1000 are public entities as defined in Section 6500 of the California Government Code and each has authority to invest funds in its treasury. Pursuant to the Joint Exercise of Powers Act (Chapter 5 of Division 7 of Title 1 of the California Government Code) and in accordance with Section 6509.7 of the California Government Code, City and RD 1000 intend to jointly exercise their common power to invest funds in their treasuries. The City Treasurer presents an agreement to authorize him to invest RD 1000 funds in the City of Sacramento Pool A, and requests approval of such agreement.

Policy Considerations: RD 1000 seeks to invest the initial sum of $1 million in Pool A. At the current Pool A annual investment of yield of approximately 1%, the additional sums invested by RD 1000 could bring in an additional $10,000 in interest income to be shared by the pool participants if the funds remain invested for one year. Pool A yield performance is typically one of the highest for public entity-managed pooled funds in the state. In the current low interest rate environment, RD 1000 seeks to obtain as much yield on its funds as the highly liquid Pool A can provide while maintaining relative safety of principal. Pool A will continue to be managed pursuant to the City's approved Investment Policy following RD 1000's investment.

Economic Impacts: Augmenting Pool A by RD 1000's $1 million investment may allow the pool to increase interest income by approximately $10,000, which would be, in turn, allocated RD 1000.

Environmental Considerations: This action is not a project that is subject to CEQA because it is an administrative activity and relates to government fiscal activities that do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment. (CEQA Guidelines § 15378(b)(2) and (b)(4).)

Sustainability: None.

Commission/Committee Action: None.

Rationale for Recommendation: RD 1000 seeks to invest its excess funds in the City's Pool A. The investment of an additional $1 million into Pool A (with an approximate value of $930 million) will not materially increase the burden or cost of managing the pool. The City Treasurer is willing to provide RD 1000 with the advantages of his staff's investment expertise to benefit a fellow local public agency. Approval of the subject Joint Exercise of Power agreement will foster cooperation between agencies in the local area.

Financial Considerations: Pursuant to the proposed agreement with RD 1000, the City will receive compensation at the rate of 26 basis points (0.26%) of the average daily market value of RD 1000's investment (or, $2,600 based on an initial $1 million deposit).

Local Business Enterprise (LBE): Not applicable.

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BACKGROUND

The City of Sacramento, acting through the City Treasurer, and Reclamation District No. 1000 ("RD 1000") propose to jointly exercise their respective power to invest public funds by allowing RD 1000 to invest public funds within its control in Pool A managed by the City Treasurer under City Charter authority. Both City and RD 1000 are public entities as defined in Section 6500 of the California Government Code and each has authority to invest funds in its treasury. Pursuant to the Joint Exercise of Powers Act (Chapter 5 of Division 7 of Title 1 of the California Government Code) and in accordance with Section 6509.7 of the California Government Code, City and RD 1000 intend to jointly exercise their common power to invest funds in their treasuries.

RD 1000 and the City Treasurer have negotiated a Joint Exercise of Powers Agreement ("Agreement") to authorize him to accept RD 1000 funds for investment in Pool A managed by the City Treasurer pursuant to City Charter authority. RD 1000 will consider approval of the Agreement at its June board meeting. The City Treasurer requests approval of the Agreement on behalf of the City.

A copy of the proposed Agreement is attached to the proposed Resolution as Exhibit A.

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Attachment 1

RESOLUTION NO. 2015-XXXX

Adopted by the Sacramento City Council
June 23, 2015

APPROVING THE JOINT EXERCISE OF POWERS AGREEMENT BETWEEN CITY OF SACRAMENTO AND RECLAMATION DISTRICT NO. 1000

BACKGROUND

A. Pursuant to the Joint Exercise of Powers Act (Chapter 5 of Division 7 of Title 1 of the California Government Code) and in accordance with Section 6509.7 of the California Government Code, City of Sacramento ("City") and Reclamation District No. 1000 ("RD 1000") intend to jointly exercise their common power to invest funds in their treasuries.

B. Specifically, RD 1000 seeks to invest its public funds in the City's Pool A that is managed by the City Treasurer pursuant to City Charter authority.

C. City and RD 1000 have prepared a Joint Exercise of Powers Agreement ("Agreement") to implement RD 1000's investment, including the terms and conditions governing the investment and fees to be paid by RD 1000 to City as compensation for the City's management of the investment.

D. The Agreement is attached hereto as Exhibit A.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The Joint Exercise of Powers Agreement between the City of Sacramento and Reclamation District No. 1000 ("Agreement"), submitted by the City Treasurer, attached hereto as Exhibit A, is hereby approved.

Section 2. The City Treasurer is authorized to execute the Agreement on behalf of the City and to take all necessary actions to implement its terms.

Section 3. Exhibit A is part of this resolution.

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EXHIBIT A

JOINT EXERCISE OF POWERS AGREEMENT

between

City of Sacramento and Reclamation District No. 1000

JOINT EXERCISE OF POWERS AGREEMENT

THIS AGREEMENT is made and entered into this ___ day of the month of _____, 2015, pursuant to the Joint Exercise of Powers Act, California Government Code sections 6500 *et seq.*, by and between the RECLAMATION DISTRICT NO. 1000, a political subdivision of the State of California, ("Owner") and the CITY OF SACRAMENTO, a municipal corporation, ("Manager"). Owner and Manager are hereinafter collectively referred to as the "Parties."

RECITALS

WHEREAS:

A. Owner is a public agency as defined in section 6500 of the California Government Code and has the authority to invest funds in its treasury;

B. Manager is also a public agency as defined in section 6500 of the California Government Code and has the authority to invest funds in its treasury;

C. Pursuant to the Joint Exercise of Powers Act (Chapter 5 of Division 7 of Title 1 of the California Government Code) and in accordance with section 6509.7 of the California Government Code, Owner and Manager intend to, by this agreement, jointly exercise the common power to invest funds in their treasury; and

D. The purpose of this agreement is to authorize the Manager to invest certain assets of the Owner in the City of Sacramento's Pool A.

AGREEMENT

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. Incorporation of Recitals
   The foregoing recitals are incorporated herein by this reference.

2. Appointment of Manager
   Owner appoints Manager as the investment manager with respect to certain assets set forth in EXHIBIT A, attached hereto and incorporated herein by this reference, which assets are hereinafter referred to as the "Account."

3. Investment in Pool A
   The Manager shall invest the Account exclusively in the City of Sacramento's Pool A, more specifically described in EXHIBIT B, attached hereto and incorporated herein by this reference, which is hereinafter referred to as "Pool A." Any assets acquired as a result of the investment of the Account shall be the property of the Owner.

4. Investment Standards

The Manager shall invest the Account in accordance with the investment policy of the City of Sacramento (hereinafter referred to as "Investment Policy"), which is reviewed and approved annually by the Sacramento City Council in accordance with section 53646 of the California Government Code.

5. Reports to be filed by Manager to Owner

(a) Reports Required

Manager shall file the following reports with Owner:

(i) Appraisal of the Account for the applicable periods, including but not limited to cost, market value, and yield which will be included in the City's Monthly Investment Report. The analysis and appraisal shall be conducted in accordance with recognized professional standards and methods customarily employed in Manager's profession.

(ii) With each quarterly report and annual report, a summary of the assets in the Account, with commentary reflecting Manager's opinion of current and long term investment outlook.

(b) Reporting Intervals

Manager shall file the reports required by section 5(a) above with the Owner at the following intervals, except where otherwise specifically indicated:

(i) Monthly, within 30 calendar days of the end of a month. (This report shall be a draft status report outlining the status of the investment of the Account).

(ii) Quarterly, within 60 calendar days of the end of a quarter; and

(iii) Annually, at the end of each calendar year. (The annual report may be included with the quarterly report for the fourth quarter of the fiscal year).

(c) Filing of Reports

Manager shall file the reports required by section 5(a) above by mailing one copy of the report to Owner.

6. Records, Audit

Manager shall maintain the cost and related records as may from time to time be required by Owner.

7. Liability

Manager shall be responsible for management of the Account in accordance with the Investment Policy, and such other instructions as Owner may provide to Manager in writing from time to time, subject to Manager's right to refuse to implement any subsequent instruction which in Manager's reasonable judgment is contrary to the Investment Policy. Owner acknowledges that Pool A consists of the assets of the City of Sacramento and other funds managed by the Manager and that Manager shall not be required to implement any investment instruction given by the Owner that are contrary to the manner in which Manager is required to or desires to invest the assets in Pool A. Manager shall have no responsibility whatsoever for the management of Owner's assets not listed on EXHIBIT A. Manager shall not be responsible or liable for Owner's decisions on whether or not to withdraw or deposit funds from the Account. Manager shall not be liable for any act, omission or mistake of judgment in the course of, or connected with, the performance of its responsibilities hereunder, except for its own intentional willful misconduct, lack of good faith, gross negligence or failure to follow the Investment Policy. Without limiting the generality of the foregoing, Manager shall not be liable for the selection of particular securities or other short- or long-term investments or investment vehicles in Pool A, of which the Owner's asset will participate in, in the case of market or other fluctuations or factors which cause diminution of the value of the assets in the Account, save to the extent that Manager fails to comply with its obligations under section 53600.3 of the California Government Code.

8. Fiduciary Relationship

Manager shall maintain strict confidence in the financial affairs of Owner, to the extent permitted by law, taking into account Manager's status as a public agency under the California Public Records Act.

9. Time, Manner of Payment, and Amount of Fees

The amount and method of calculation of the fees to be paid to Manager as full compensation for the services rendered under this agreement are set forth in EXHIBIT C, attached hereto and incorporated herein by this reference. The fees shall be due quarterly at the end of each three month period and shall be deducted from the Owner's account within 15 days after Owner's receipt of a bill from Manager.

10. Term of Agreement: Termination

(a) This agreement shall remain in effect until terminated pursuant to section 10(b) below.

(b) This agreement may be terminated by either party at any time, for any reason, by serving a written notice of termination upon the other party at least 30 days prior to the date of termination specified in the notice. Any notice of termination by Owner pursuant to this paragraph shall be issued

by the General Manager of Reclamation District No. 1000 and be served personally or by registered mail upon Manager. Any notice of termination by Manager pursuant to this paragraph, shall be issued by the City Treasurer and be served personally or by registered mail upon Owner. In the event of termination of this agreement at a time other than at the end of a quarterly billing period, Manager shall be entitled to receive the proportionate fee that the number of completed days of actual service bears to the number of days in a quarter.

(c) Upon termination of this agreement, the Account shall be returned to the Owner.

11. General Provisions

The general provisions set forth below are part of this agreement. In the event of any inconsistency between the general provisions and any other term or condition of this agreement, the other term or condition shall control.

(a) Independent Contractor

Under this agreement, Manager is an independent contractor and no relationship of employer-employee exists between the parties. As an independent contractor, Manager holds Owner harmless from any and all claims that may be made against Owner based upon any contention by any third party that an employer-employee relationship exists by reason of this agreement.

(b) Licenses; Permits. etc.

Manager represents and warrants that it has all licenses, permits, qualifications and approvals of whatsoever nature, which are legally required for Manager to provide the services under this agreement. Manager represents and warrants that it shall, at its sole cost and expense, keep in effect at all times during the term of this agreement any license, permits and approvals which are legally required for it provide the services under this agreement.

(c) Time

Manager shall devote such time to the performance of services pursuant to this agreement as may be reasonably necessary for satisfactory performance of its obligations hereunder.

(d) Notice

Except as otherwise specified herein, all notices, requests, demands, or other communications required or permitted under this agreement shall be in writing and shall be deemed to have been served on the Party to whom notice is to be given on (i) the date of service, if served personally at or by facsimile transmission to the Party's address provided below, (ii) the first business day after mailing, if mailed by an overnight courier service, such

as Federal Express or U.S. Express Mail, postage prepaid, to the Party's address provided below, or (iii) the third day after mailing, if mailed by first-class mail, registered or certified, postage prepaid, addressed to the Party's address provided below.

The Parties' addresses are as follows:

To Owner: Reclamation District No. 1000
1633 Garden Highway
Sacramento, California 95833-9706
Telephone: (916) 922-1449
Facsimile: (916) 922-2129

To Manager: City Treasurer's Office
Historic City Hall
915 I Street, Third Floor
Sacramento, CA 95814
Telephone: (916) 808-5168
Facsimile: (916) 808-5171

(e) Manager Not Agent
Except in carrying out its investment duties under this agreement, Manager shall have no authority, express or implied, to act on behalf of Owner in any capacity whatsoever as its agent.

(f) Standard of Performance
Subject to the provisions of section 4 of this Agreement, Manager shall perform all services required pursuant to this agreement in the manner and according to the standards observed by a competent practitioner of the investment counseling profession. All products of any nature that Manager delivers to Owner pursuant to this agreement shall be prepared in a substantial, first-class and workmanlike manner and conform to the standards of quality normally observed by a person practicing in the investment counseling profession.

(g) Privileges and immunities: exemptions; benefits
Pursuant to section 6513 of the California Government Code, all privileges and immunities that apply to the activity of officers, agents or employees of the Parties shall apply to such officers, agents or employees to the same degree and extent while they are engaged in the performance of functions and duties pursuant to this agreement.

(h) Amendments
This agreement may only be amended by the affirmative vote of the legislative or other governing bodies of the Parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Joint Exercise of Powers Agreement on the date first above written.

RECLAMATION DISTRICT NO. 1000

By:_____
Paul Devereux
General Manager/District Engineer

APPROVED TO AS FORM:

_____
District Counsel

CITY OF SACRAMENTO
A Municipal Corporation

By:_____
Russell Fehr
City Treasurer

APPROVED TO AS FORM:

_____
City Attorney

ATTEST:

_____
City Clerk

EXHIBIT A

The initial asset in the account is $1 million in cash.

EXHIBIT B

Pool A is a fund of the city treasury of the City of Sacramento that is invested by the city treasurer, pursuant to Sacramento City Charter section 73. Cash pool operations are authorized by the Sacramento City Charter section 113.

Pool A is invested pursuant to the City's investment policy that is reviewed and approved by the City Council annually. The policy incorporates the prudent person standard, and the California Government Code sections 53600.5, 53601 and related provisions. The city treasurer reports to the City Council on the status of the fund on a monthly basis.

Pool A funds include assets of external participants, including various joint powers agencies, that currently comprise approximately 6% of pool participants. The pool excludes Sacramento City Employee Retirement System (SCERS) pension trust funds, Sacramento Housing and Redevelopment Association (SHRA) funds, and funds held by fiscal agents. Pool A is not registered with the Securities and Exchange Commission as an investment company.

EXHIBIT C

The Manager's compensation is a quarterly management fee of 26 basis points of the portfolio, plus transaction fees (i.e. wiring fees). The quarterly management fee shall be based upon the average daily market value of all invested capital of Account during the quarter.