

City of Brisbane

Agenda Report

To: City Council via City Manager

From: Administrative Services Director

Subject: Retain an Investment Firm for Investing the Reserve Funds of the City's Bond Issues

Date: February 7, 2011

Purpose:

Obtain assistance with investing bond reserves in order to earn a higher rate of interest.

Recommendation:

Direct staff to work with Arbitrage Management Group (AMG) to develop a strategy to invest our bond reserve to earn a higher interest rate than we are currently earning.

Background:

The City has a number of bonds which have reserve funds. Reserve Funds are the amount set aside at the time of the sale of a bond to cover 1 year's payment in case the issuing agency is not able to make the payment. The City has \$2,033,792 in reserve for our Series 2001 A bond, \$732,670 for our Series 2001 Series B bonds and \$348,793 for our Northeast Assessment District Bonds.

Currently we are earning Money Market Rates on both of these reserves. Our investment policy would allow us to invest in higher yielding financial instruments. However, staff has not had the time nor the expertise to match investments to our arbitrage limits. AMG has this expertise and has worked with cities both in California and throughout the Country do this work.

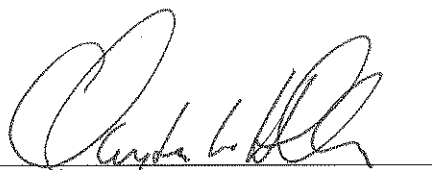
Fiscal Impact:

There is no cost for the service AMG provides. They earn their fees from the sale of the bonds they recommend for purchase. This is similar to how our current bond brokers earn their fees. The current Money Market rate is about 0.1%. Any funds we earn above this amount would be used to make the interest and principal payments decreasing the amount needed from current revenues.

Measure of Success

The amount of money earned in interest above Money Market rate of return.


Administrative Services Director


City Manager