

September 28, 2020

The meeting of the Board of Finance was called to order at 3:00 p.m. via Webex.

Present: Honorable Bernard “Jack” C. Young, Mayor and President (via Webex)
Joan M. Pratt, Comptroller and Member (via Webex)
Frederick Meier, Member (via Webex)
Dana Moulden, Member (via Webex)
Henry Raymond, Director of Finance and Acting Clerk to the Board of Finance

Also Present: Jennell Rogers, Chief, Bureau of Treasury Management
Benedict Richardson, Deputy Chief, Bureau of Treasury Management
Evelyn Alston, Treasury Management
Brandon Scott, President, City Council of Baltimore (via Webex)
Michael Huber, Council President’s Office (via Webex)
Carolyn Mozell, Mayor’s Office (via Webex)
Councilman Bill Henry, District 4 (via Webex)
Joann Levin, Law Department (via Webex)
Tiffany Watson, Fox 45 News (via Webex)

MINUTES

Mayor Young requested the Board to review the minutes from the meeting of August 24, 2020. Mr. Meier noted that there was an error in the minutes regarding a statement made about the reason for an amendment to the City’s Investment Policy: “*It would allow the City to take advantage of ~~lower~~ higher interest rates to get a higher return on its low short-term yields*”. The minutes were approved with the correction on the motion of Comptroller Pratt, seconded by Mr. Meier.

SECURITY TRANSACTIONS

Ms. Rogers briefed the Board on the investment activity for this period noting that total securities purchased since the last Board of Finance meeting were \$120,000,000 and redemptions totaled \$240,000,000.

Security transactions since the meeting August 24, 2020 were approved on the motion of Comptroller Pratt, seconded by Mr. Meier. (Appendix I)

MARK TO MARKET VALUATION OF SWAP PORTFOLIO

Ms. Rogers presented the Mark to Market Valuation Report as of August 31, 2020 with a notional amount of \$147,715,000. The fair market value of the swap portfolio decreased slightly from (\$28,391,769) to (\$27,571,255). The ten-year Treasury rate increased from 0.55% to 0.72%. As of the date of this report there was \$280,000 posted in collateral. Mr. Meier asked what was submitted as collateral. Ms. Rogers answered the City post cash for the collateral.

The Board accepted the report. (Appendix II)

FINANCIAL ADVISOR CONTRACT

Ms. Rogers requested the Board to consider and approve Public Financial Management (“PFM”) to serve as the City’s financial advisor for a three-year engagement plus two one-year extensions exercisable at the sole discretion of the City.

Article VII section 21(a) of the City Charter states that this Board shall determine all matters pertaining to the issuance and sale of indebtedness. This includes the appointment of a financial advisor. The existing financial advisor contract with PFM is due to expire on September 30, 2020. Accordingly, on July 23, 2020 the Bureau of Treasury Management issued an RFP requesting proposals to serve as the City’s financial advisor to the nationally ranked public issuer financial advisory firms as tabulated by the Bond Buyer. Six proposals were received by the August 11th deadline. Each proposal was evaluated by Treasury staff in response to specific questions relating to:

1. Advisory experience;
2. Staff experience;
3. Derivatives experience;
4. Fee proposal.

Our review showed that each of the responding firms provided varying degrees of advisory experience as well as a variance in cost. Treasury’s experience review focused on details relating to GO, revenue, and COP’s issues in which the firm served as financial advisor to a public issuer in the past five years. Derivatives and variable rate debt were also emphasized.

Following the technical review, Treasury examined each firm’s price proposal showing hourly rates for staff assigned to the City’s engagement. Treasury recommends the financial advisor engagement be awarded to Public Financial Management. PFM is ranked in the Bond Buyer as the number one financial advisor for twenty-two consecutive years. Last year, the firm managed 791 transactions totaling \$63.5 billion. PFM’s submission is enclosed for review.

Mr. Meier asked how much was paid to PFM last year. Ms. Rogers responded that an exact amount cannot be given because the cost is transactional-based. She noted that the rates are comparable.

The request for Public Financial Management to serve as the City’s financial advisor was approved on the motion of Mr. Meier, seconded by Comptroller Pratt.

SWAP ADVISOR CONTRACT

Ms. Rogers requested the Board to consider and approve Hilltop Securities, Inc. to serve as the City’s swap advisor for a three-year engagement plus two one-year extensions exercisable at the sole discretion of the City.

Article VII section 21(a) of the City Charter states that this Board shall determine all matters pertaining to the issuance and sale of indebtedness. This includes the appointment of a swap advisor. The existing swap advisor contract with Hilltop Securities, Inc. is due to expire on September 30, 2020. Accordingly, on July 23, 2020 the Bureau of Treasury Management issued an RFP requesting proposals to serve as the City’s swap advisor to five advisory firms. Three proposals were received by the August 11, 2020 deadline. Each proposal was evaluated by Treasury with the scope of services focused on the experience of each firm and their knowledge and recommendations concerning swap pricing, collateral and third party fees.

Following the technical review, Treasury examined each firm's price proposal showing hourly rates for staff assigned to the City's engagement. Treasury recommends Hilltop Securities be awarded the engagement. During the five-year period ending March 30, 2020, the firm has served as swap advisor on approximately 399 transactions totaling over \$5.63 billion in notional amount.

Mr. Meier asked why there was a discrepancy in the address of Hilltop Securities. There are two different locations noted in the request. Ms. Rogers responded that Hilltop Securities also submitted a proposal for financial advisor, so the proposal came from a different division within the firm. Mr. Meier asked if Hilltop Securities would be assisting with the renegotiation of rates for all three contracts. Ms. Rogers responded that they would be.

The request for Hilltop Securities to serve as the City's swap advisor was approved on the motion of Comptroller Pratt, seconded by Mr. Meier.

OTHER BUSINESS

There was no other business. The meeting was adjourned at 3:20 pm.

Henry J. Raymond
Director of Finance for
Clerk to the Board of Finance