

**SECOND AMENDMENT TO INVESTMENT
MANAGEMENT AGREEMENT
(Institutional Client, Non-ERISA)**

THIS SECOND AMENDMENT TO AGREEMENT is made and entered into this 5th day of March, 2023, by and between the City of Merced, a California Charter Municipal Corporation ("City"), and Chandler Asset Management, Inc., a California Corporation, whose address of record is 6225 Lusk Boulevard, San Diego, California 92121 ("Consultant").

WHEREAS, City and Consultant have previously entered into an Investment Management Agreement ("Agreement") dated March 5, 2018 and a First Amendment dated March 5, 2021 extending the termination date to March 4, 2023; and,

WHEREAS, City and Consultant desire to amend said Agreement for a second two-year extension of the term of the Agreement.

NOW, THEREFORE, the parties hereto, in consideration of the mutual covenants hereinafter recited, agree as follows:

1. Section 33, "SECOND EXTENSION OF AGREEMENT," is hereby added to the Agreement to read as follows:

"SECTION 33. SECOND EXTENSION OF AGREEMENT. The Agreement shall be extended an additional two (2) year term. Said Agreement terminates on March 4, 2025. This extension shall be at the same price and conditions as set forth in the Agreement."

2. Except as herein amended, the Agreement dated March 5, 2018 and First Amendment dated March 5, 2021, shall remain in full force and effect.

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IN WITNESS WHEREOF, the parties have caused this Second Amendment to Agreement to be executed on the date first above written.

CITY OF MERCED
A California Charter Municipal
Corporation

BY: Stephanie Dietz
City Manager

ATTEST:
STEPHANIE R. DIETZ, CITY CLERK

BY: [Signature]
Assistant/Deputy City Clerk



APPROVED AS TO FORM:


BY: [Signature] 2/2/23
City Attorney Date

258
ACCOUNT DATA:

BY: [Signature]
Verified by Finance Officer V-219

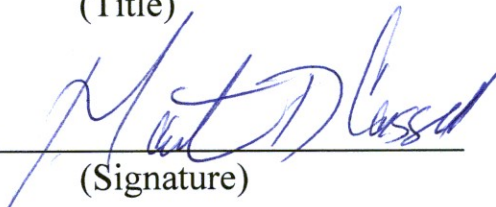
Funds to be encumbered
as needed. OK 6/15/2023
PL 6/15/23

CONSULTANT
CHANDLER ASSET MANAGEMENT,
INC., a California Corporation

BY: 
(Signature)

Nicole Drago
(Typed Name)

Its: CEO
(Title)

BY: 
(Signature)

Martin Cassell
(Typed Name)

Its: CEO
(Title)

Taxpayer I.D. No. 33-0570869

ADDRESS: 6225 Lusk Blvd.
San Diego, CA 92121

TELEPHONE: 858-546-3737

FAX: 858-546-3741

E-MAIL: accountspayable@chandlerasset.com

ACORD

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

8/02/2022

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer any rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Starkweather & Shepley PO Box 549 Providence, RI 02901-0549 401 435-3600		CONTACT NAME: Connie Roussel PHONE (A/C, No, Ext): 401 435-3600 E-MAIL ADDRESS: croussel@starshep.com FAX (A/C, No): 401-735-1059															
INSURED Chandler Asset Management Inc 6225 Lusk Boulevard San Diego, CA 92121		<table border="1"> <thead> <tr> <th>INSURER(S) AFFORDING COVERAGE</th> <th>NAIC #</th> </tr> </thead> <tbody> <tr> <td>INSURER A : Travelers Casualty Insurance</td> <td>19046</td> </tr> <tr> <td>INSURER B : Travelers Insurance Company</td> <td>25674</td> </tr> <tr> <td>INSURER C : Hartford Fire Insurance Company</td> <td>19682</td> </tr> <tr> <td>INSURER D : Twin City Fire Insurance Company</td> <td>29459</td> </tr> <tr> <td>INSURER E : Houston Casualty Co</td> <td>42374</td> </tr> <tr> <td>INSURER F : Scottsdale Insurance</td> <td>41297</td> </tr> </tbody> </table>		INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A : Travelers Casualty Insurance	19046	INSURER B : Travelers Insurance Company	25674	INSURER C : Hartford Fire Insurance Company	19682	INSURER D : Twin City Fire Insurance Company	29459	INSURER E : Houston Casualty Co	42374	INSURER F : Scottsdale Insurance	41297
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COVERAGES

CERTIFICATE NUMBER:

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR <input checked="" type="checkbox"/> Per Written Contract GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input checked="" type="checkbox"/> PROJECT <input type="checkbox"/> LOC <input type="checkbox"/> OTHER:	Y	Y	6802C07960542	09/01/2022	09/01/2023	EACH OCCURRENCE \$2,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$1,000,000 MED EXP (Any one person) \$5,000 PERSONAL & ADV INJURY \$2,000,000 GENERAL AGGREGATE \$4,000,000 PRODUCTS - COMP/OP AGG \$4,000,000 \$
A	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO OWNED AUTOS ONLY <input checked="" type="checkbox"/> HIRED AUTOS ONLY <input checked="" type="checkbox"/> Drive Oth Car <input type="checkbox"/> SCHEDULED AUTOS NON-OWNED AUTOS ONLY	Y	Y	BA4N11595742	09/01/2022	09/01/2023	COMBINED SINGLE LIMIT (Ea accident) \$1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
B	<input checked="" type="checkbox"/> UMBRELLA LIAB EXCESS LIAB <input checked="" type="checkbox"/> RETENTION \$0	Y	Y	CUP2C08502242	09/01/2022	09/01/2023	EACH OCCURRENCE \$10,000,000 AGGREGATE \$10,000,000 \$
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y	N/A	02WECCR2756	09/01/2022	09/01/2023	<input checked="" type="checkbox"/> PER STATUTE E.L. EACH ACCIDENT \$1,000,000 E.L. DISEASE - EA EMPLOYEE \$1,000,000 E.L. DISEASE - POLICY LIMIT \$1,000,000
D	Professional Liab			08DC021984522	08/02/2022	08/02/2023	10,000,000
E	Cyber Liab			H21NGP20973101	08/02/2022	08/02/2023	4,000,000
C	Crime			08FA024546722	08/02/2022	08/02/2023	10,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

F. Employment Practices Liab EKS3440466 Eff Date: 8-02-2022 Exp Date: 8-02-2023 Limit \$1,000,000

Endurance Risk Solutions # 43630 1st Excess Professional Liab FIX30001867802 Eff Date: 8-02-2022 Exp Date: 8-02-2023
 Limit \$10,000,000
 (See Attached Descriptions)

CERTIFICATE HOLDER

CANCELLATION

City of Merced
 Venus Rodriguez or Julie Trujillo
 678 W. 18th Street
 Merced, CA 95340

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE





CITY OF MERCED

Merced Civic Center
678 W. 18th Street
Merced, CA 95340

ADMINISTRATIVE REPORT

File #: 23-151

Meeting Date: 2/21/2023

Report Prepared by: Julie Trujillo, Deputy Finance Officer

SUBJECT: Approval of Second Amendment to Agreement for Consultant Services with Chandler Asset Management to Provide Investment Portfolio Management Services for an Additional Two Years

REPORT IN BRIEF

Considers approval of the Second Amendment to Agreement with Chandler Asset Management to provide investment portfolio management services for an additional two years.

RECOMMENDATION

City Council - Adopt a motion:

- A. Approving the Second Amendment to Agreement with Chandler Asset Management for Investment Advisory Services; and,
- B. Authorizing the City Manager to execute all necessary documents.

ALTERNATIVES

- 1. Adopt the motion as recommended by staff; or
- 2. Modify the action (specify in motion); or
- 3. Deny the action.

AUTHORITY

Section 1118 of Article XI of the Charter of the City of Merced.

CITY COUNCIL PRIORITIES

As provided for in the 2022-23 Adopted Budget.

DISCUSSION

The Finance Officer is designated as the city's investment officer and is responsible for all investment decisions. The Finance Officer also has responsibility for developing and maintaining administrative procedures for the operation of the investment program to be consistent with the city's investment policy.

The city's investment policy objectives are the safety of principal, maintaining a sufficient liquidity level to meet operating needs and to secure an average rate of return equal to or greater than three-

month U.S. Treasury bills or the average rate on Federal funds.

After a request for proposal process, the City Council on March 5, 2018, awarded Chandler Asset Management a three (3) year agreement with a two (2) one (1) year options for renewal to provide investment portfolio management services. On March 5, 2021, the City and Chandler agreed to a first amendment to extend the agreement to March 4, 2023. The contract also required 30-day written notice of intent to extend the agreement to consultant not less than 30 days prior to the expiration of the previous term. Finance provided written notice on February 1, 2023 and would like to continue the business relationship and contract with Chandler Asset Management for an additional two years. Since the inception of the original agreement in 2018, staff has maintained a great working relationship with Chandler and the City has seen investment earnings more than triple from prior years. Investment earnings under Chandler since inception of the management agreement through December 2022 are over \$23.3 million. Investment earnings for the five years prior to their contract when investments were managed by the City were \$7.3 million. This request is to approve a second amendment to the agreement for two additional years. There are no other changes from the original agreement.

Chandler Asset Management is based out of San Diego, California with seven offices and representatives located in Novato, California to service the City's needs. They have been fixed income specialists since 1988 who serve 180 public agency clients with over \$25 billion in assets under management.

The cost of the services per the proposed fee schedule will be determined by the value of the assets under management. Based upon city's current investment portfolio and additional investments, the estimated annual cost for fiscal year 2023-24 is \$200,000 and 2024-25 is \$215,000. The actual fees will vary depending upon the city's holdings. Investment earnings are earned on pooled investments, which would be allocated to all funds.

IMPACT ON CITY RESOURCES

The cost of the services is included in the annual budget process. There is sufficient funding within the Fiscal Year 2022-23 budget to cover the cost of the agreement for the remainder of the current fiscal year.

ATTACHMENTS

1. Second Amendment to Agreement
2. First Amendment to Agreement
3. Original Agreement