



## Legislation Text

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**File #:** 18-072, **Version:** 1

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*Report Prepared by: Julie A. Trujillo, Deputy Finance Officer*

**SUBJECT:** Agreement for Consultant Services with Chandler Asset Management to Provide Investment Portfolio Management Services

### REPORT IN BRIEF

Considers awarding a three (3) year agreement with two (2) one (1) year options for renewal to Chandler Asset Management to provide investment portfolio management services

### RECOMMENDATION

**City Council** - Adopt a motion approving the contract with Chandler Asset Management for Investment Advisory Services; and authorizing the City Manager or Assistant 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 2017-18 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.

While the objectives of the city's investment policy continue to be met, staff believes that the return on investments can be greater by utilizing the expertise of an investment advisor that specializes in the management of portfolios of governmental entities. Greater returns can be achieved by creating

an investment strategy allowable by California code while still maintaining safety and liquidity.

On October 16, 2017, the City Council approved the Finance Department to proceed with issuing a request for proposal for Investment Advisory Services and voted on three Council members to be a part of the selection committee. The Finance Department received 10 proposals, although one was incomplete and considered unresponsive.

The remaining 9 proposals were analyzed and ranked according to the evaluation criteria, which included mandatory elements, technical qualifications, and cost. The technical qualifications included expertise, experience, and management approach. The scoring was based on 100 maximum points. The proposals have been evaluated and scored as follows:

<u>Firm</u>	<u>Total Score</u>
Public Trust Advisors	91.67
Chandler Asset Management	89
PFM Asset Management LLC	89
Government Portfolio Advisor	82.33
Miles Capital	79.67
Insight Investments	71
Securian (Advanteous) Financial Group	67
Garcia Hamilton & Associates	64
Principal Financial Group	61

The four top ranking firms were invited to participate in onsite interviews. Based on technical qualifications, cost, and in person discussions, the selection committee determined that Chandler Asset Management would best fit the city's needs.

Chandler Asset Management is based out of San Diego, California with representatives located in Novato, California. They have been fixed income specialists since 1988 who serve 128 public agency clients with over \$10.6 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 on the cities average portfolio of \$145 million, the estimated annual cost is \$100,000. The actual fees will vary depending upon the city's holdings. Preliminary Finance calculations determine that an additional \$700,000 in investment earnings could be earned on pooled investments, which would be allocated to all funds.

## **IMPACT ON CITY RESOURCES**

The estimated cost through the remainder of Fiscal Year 2017-18 is approximately \$25,000. Due to savings in the Finance Department budget no additional appropriation is needed. Future year funding will be allocated during the Annual Budget as well as any additional investment earning revenue expected.

## **ATTACHMENTS**

1. Investment Management Agreement