



Legislation Text

File #: 23-151, **Version:** 1

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