



Staff Report

TO: City Council
FROM: Jeff Mohlenkamp, Finance Director
Jennifer Ustation, Senior Accountant
DATE February 16, 2021
SUBJECT: Contract for Investment Advisor and Portfolio Management Services

Background and Analysis:

On September 15, 2020, City Council took action to adopt a revised investment policy. At the time of adopting the policy the topic of investment advisor selection was discussed. City staff believe that engaging an investment advisor would provide many benefits to the City's investment portfolio by providing professional advice on investment selection, management of the City's investment portfolio and assisting the City in achieving the goals of the investment policy which are safety of principal, liquidity, and obtaining a market rate of return.

On November 9, 2020, the Finance and Audit Committee formed a selection sub-committee to develop and issue a request for proposals (RFP) for investment advisor services and to select a firm from the RFP submissions to bring back to the Finance and Audit Committee for recommendation to the City Council.

The sub-committee consisted of Treasurer Barry Ginnetti and Member Frank Parks, Finance Director Jeff Mohlenkamp and Senior Accountant Jennifer Ustation. The RFP (Attachment A) was issued on November 30, 2020, with a due date of January 6, 2021. Eight (8) firms responded to the RFP as follows:

- Chandler Asset Management,
- Gracia Hamilton & Associates, L.P.,
- HighMark Capital Management,
- Meeder Investment Management,
- PFM Asset Management,
- Public Trust Advisors, LLC,
- Time Value Investments, and
- USbancorp.

The sub-committee reviewed all eight (8) proposals to select firms to interview based on selection process guidelines within the RFP. Three (3) firms were then selected for an interview by the sub-committee. Public Trust Advisors, LLC, received a unanimous highest ranking. The firm selection was presented to the Finance and Audit Committee February 8, 2021, in which the committee made a unanimous vote to recommend for City Council consideration of contract award.

A contract has been negotiated for investment advisor and portfolio management services with an initial term of three years with options for two additional one-year extensions (Attachment B).

Fiscal Impact:

The contract amount for the three-year period is as follows:

Year 1 – First \$50 million in assets under management 5 bps (0.05%) , assets above \$50 million under management 4.5 bps (0.045%) with a capped fee of \$35,000.

Year 2 and 3 - First \$50 million in assets under management 5 bps (0.05%) , assets above \$50 million under management 4.5 bps (0.045%)

City staff would note that a separate agreement with a custodial bank will need to be adopted as well. This cost is expected to be 1.0 bps or less. For a \$75 million portfolio, this would translate to an estimated annual cost of approximately \$7,500.

It is expected that the increased revenue that would come in for restructuring the investments would more than offset the costs of this contract and the necessary costs associated with a custodial bank.

Recommended Action:

Approve a three-year contract with Public Trust Advisors, LLC, to perform investment advisor and portfolio management services with options for 2 one-year extensions.

Attachments:

- A. RFP for Investment Advisor and Portfolio Management Services
- B. Contract with Public Trust Advisors, LLC for Investment Advisor services