



# Naperville

## CITY COUNCIL AGENDA ITEM

**SUBJECT:** Recommend the Award of RFP 16-266, Fixed Asset Money Management Services

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**TYPE OF VOTE:** Simple Majority

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**ACTION REQUESTED:**

Approve the Award of RFP 16-266, Fixed Asset Money Management Services, to Public Financial Management for an amount of \$37,000 per year and to Taplin, Canida & Habacht for an amount of \$60,000 per year, based upon a total portfolio of \$80 million, for a period of three years.

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**BOARD/COMMISSION REVIEW:**

N/A

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**COUNCIL ACTION PREVIOUSLY TAKEN:**

Date	Item No.	Action
N/A		

**DEPARTMENT:** Finance Department

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**SUBMITTED BY:** Rachel Mayer, Finance Director

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**BACKGROUND:**

The City's investment portfolio includes monies that are pooled and invested across multiple funds. Investment practices and procedures must comply with Illinois law and the City's written Investment and Cash Management Policy. Currently the city has two intermediate government fixed income money managers. JP Morgan and Taplin, Canida & Habacht/BMO. The total investable balance of approximately \$60 million is split evenly between the two money managers.

**DISCUSSION:**

Advertisement Date:	07/19/2016	Notices Sent:	252
Opening Date:	08/09/2016	Planholders:	51

Proposals Received: 13

Proposals were received from the following firms:

Bernardi Asset Management	Mesirow Financial
CS McKee	Public Financial Management
Garcia Hamilton & Associates	Ramirez and Co.
Great Lakes Advisors	Taplin, Canida & Habacht
Hillswick Asset Management	William Blair & Co.
JP Morgan Asset Management	Ziegler Capital Management
McDonnell Investment Management	

An Evaluation Committee consisting of Finance staff and the City’s Investment Manager reviewed the proposals. The proposals were scored based upon the criteria set forth in the RFP:

- Firm Background and Experience (20%)
- Product Information (20%)
- Experience in Managing Local Government Funds (30%)
- Consistent Performance (30%)

Five firms, Great Lakes Advisors, McDonnell Investment Management, Mesirow Financial, Public Financial Management and Taplin, Canida & Habacht, were shortlisted and invited to interview with the City. In addition to the Evaluation Team, two members of the Financial Advisory Board also attended the interviews as non-scoring subject matter experts. Following the completion of the interviews, the shortlisted firms were rescored. Based upon the scores, four firms, Great Lakes Advisors, Mesirow Financial, Public Financial Management and Taplin, Canida & Habacht, were shortlisted to the Cost Proposal stage.

Each of the shortlisted firm’s Cost Proposals were opened. Annual fees for this type of service are determined based upon the dollar amount of the assets being managed by the firm. The City assumed an amount of \$50,000,000 in managed assets for the cost proposals. The proposed costs were then divided by the respective firm’s qualifications score (expressed as a decimal) to yield an “adjusted cost”. The results of the quality adjusted cost calculations are provided below:

Consulting Firm	Proposed Annual Cost	Qualitative Score	Quality Adjusted Price
Great Lakes Advisors	\$100,000	78.00	\$128,205
Mesirow Financial	\$100,000	82.33	\$121,458
<b>Public Financial Management</b>	<b>\$45,000</b>	<b>86.33</b>	<b>\$52,124</b>
<b>Taplin, Canida &amp; Habacht</b>	<b>\$75,000</b>	<b>85.67</b>	<b>\$87,549</b>

Staff recommends continuing the current practice of using two firms to manage the City’s investments. Public Financial Management and Taplin, Canida & Habacht are the two lowest quality adjusted costs and are recommended for award.

As stated previously, the City currently has approximately \$60 million in investments. Staff and the City Council have discussed the potential of increasing the size of the City's investment portfolio. Because investment firms are paid based upon the amount of money they manage, the award has been structured assuming that the City will have an average investment of \$80 million over the three-year period. Actual payments will be based upon the funds under management for each firm.

The term of this contract is three years from October 1, 2016 through September 30, 2019 with three one-year options to extend.

**FISCAL IMPACT:**

CIP #: N/A

The funding source for the Fixed Asset Money Management Services is budgeted in the Money Manager's Fee line item in the 14 funds listed below. This fee is an offset of the interest earned on the City's investments. The fees paid to Taplin, Canida, & Habacht are 15 basis points and the fees paid to Public Financial Management are 10 basis points.

Account Number	Fund Description	Total Budget Amount
010-0000-361.10-02	General	42,500
104-0000-361.10-02	Burlington	8,000
430-0000-361.10-02	Water and Wastewater	7,500
410-0000-361.10-02	Electric	6,000
102-0000-361.10-02	Library	6,000
142-0000-361.10-02	Downtown Parking	5,000
623-0000-361.10-02	Self-Insurance	2,500
411-0000-361.10-02	Electric IAC	1,500
431-0000-361.10-02	Water IAC	1,500
615-0000-361.10-02	Motor Fuel Tax	1,500
134-0000-361.10-02	Food and Beverage	1,250
415-0000-361.10-02	Renewable Energy	1,000
139-0000-361.10-02	State Drug Forfeiture	600
138-0000-361.10-02	Federal Drug Forfeiture	350

**RECOMMENDATION:**

Approve the Award of RFP 16-266, Fixed Asset Money Management Services, to Public Financial Management for an amount of \$37,000 per year and to Taplin, Canida & Habacht for an amount of \$60,000 per year, based upon a total portfolio of \$80 million, for a period of three years.

**ATTACHMENTS:**

1. N/A

## **CITY MANAGER PROCUREMENT AWARD**

### **ACTION REQUESTED:**

Approve the award of Option Year One to Contract 16-266, Fixed Asset Money Management Services, to PFM Asset Management LLC and BMO Asset Management Corp. (formerly known as Taplin, Canida & Habacht, LLC) for an amount not to exceed \$97,000 based upon a total portfolio of \$80 million

**DEPARTMENT:** Finance Department

**SUBMITTED BY:** Rachel Mayer, Director

### **BOARD/COMMISSION REVIEW:**

N/A

### **BACKGROUND:**

The City's investment portfolio includes monies pooled and invested across multiple funds. Investment practices and procedures must comply with Illinois law and the City's written investment and cash management policy. Historically, the City retains two firms to manage the City's investment portfolio due to the amount of money the City invests and differing investment philosophies between investment firms.

In September 2016, City Council approved the award of RFP 16-266 to PFM Asset Management LLC (PFM) and Taplin, Canida & Habacht LLC (TCH) for a three-year term from October 1, 2016 through September 30, 2019. The contract includes three, one-year options to extend. During the initial term, TCH changed names to BMO Asset Management Corp (BMO).

### **DISCUSSION:**

Both vendors performed well during the original three-year term. When the contract was awarded, the firms managed a \$60 million investment portfolio. The two firms currently manage an investment portfolio of approximately \$98 million (\$49 million by PFM and \$49 million by BMO) in assets, which included significant contributions by the City in 2018. Both PFM and BMO reported a return of approximately six-percent, which was in line with industry benchmarks for government investments. Over the length of the agreement, the City has seen a return on investment of approximately two-percent, also trending well with industry standards.

PFM and BMO have agreed to extend the contract with no modifications to the terms and conditions. The term of the first option year is October 1, 2019 through October 1, 2020, with two option years remaining.

**FISCAL IMPACT:**

CIP #: N/A

Asset management services are expensed to money manager fees accounts established in each City fund. Payments are split among funds based on the number of assets available at the time of billing. A total of \$105,971 is budgeted for money manager fees in 2019. The requested award is within budget.

**SUBMITTED BY:**

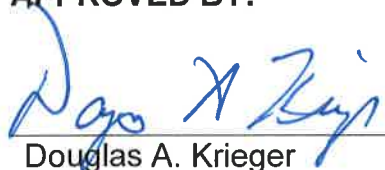
  
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Erik Hallgren, Manager  
Finance Department

8/7/19  
Date

  
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Rachel Mayer  
Chief Procurement Officer

8/7/19  
Date

**APPROVED BY:**

  
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Douglas A. Krieger  
City Manager

8/7/19  
Date