



Legislation Text

File #: 24-0031, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Waive the applicable provisions of the Naperville Procurement Code and approve the award of the 24-month extension to Contract 16-301, Performance Monitoring of Money Managers, to Marquette Associates for an amount not to exceed \$60,000

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Director

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

The City of Naperville maintains a portfolio of cash and fixed-income investments totaling approximately \$205 million (as of Dec 31, 2023). Operating funds are held in cash and funds for which the City has no immediate need, i.e. reserve funds, are invested according to the City's Investment & Cash Management Policy. Because staff does not possess the specialized knowledge or resources to oversee these investments, the City utilizes the services of two professional money management firms. The City also utilizes the services of an investment advisor to monitor and report on the activities and performance of the two money managers.

In 2016, the City Manager approved the award of Contract 16-301 to Marquette Associates to monitor and report on the performance of the two external money managers. Marquette provides the following services to the City:

- Investment decision-making processes and implementation
- Active management of the portfolio
- Portfolio and client communication
- Quarterly reporting to the Financial Advisory Board
- Participation in the procurement process to hire investment managers

The term of the original award was two years from January 1, 2017, through December 31, 2018, with four one-year options to extend. The City Manager approved option year extensions in 2019, 2020, 2021 and 2022.

In 2023, the Marquette contract was extended through a waiver of the procurement code so that the firm could assist staff with developing and evaluating a request for proposals for fixed-income money management services. Marquette was instrumental in that process, which resulted in the award of contracts to two firms, PFM Asset Management and Mesirow Financial. While PFM was one of two

incumbent money managers, Mesirow is a new vendor taking on approximately \$85 million in assets previously held by Loop Capital.

To ensure a seamless transition of assets and monitoring of Mesirow's performance, staff recommends a 24-month extension to the Marquette agreement.

DISCUSSION:

Marquette Associates performed well as the City's investment advisor since the inception of this contract in 2017. The firm continues to provide a high level of investment reporting to the Financial Advisory Board (FAB) and frequently communicates with City staff on matters related to investments.

As the City establishes its relationship with Mesirow, staff believes it is critical to maintain continuity in the oversight of the money managers. Marquette has intimate knowledge of the City's investment policy and would play a key role in ensuring that Mesirow structures the assets within our portfolio according to policy and direction from the City's Financial Advisory Board.

Marquette Associates agreed to extend the contract term for 24 months, requesting a small increase in the annual fees charged to the City. Marquette's fee has remained unchanged at \$25,000 since 2017. The proposed fee for 2024 and 2025 is \$30,000 annually.

Staff views this as a reasonable increase as our market research indicates that a competitive selection process would likely result in much higher costs. The market for these services has changed in recent years with the consolidation of local pension plans. While there may be increased competition in the marketplace, the economy of scale that once allowed firms to offer competitive pricing no longer exists. Marquette has provided the City with very competitive pricing over the years, with their annual fee equating to just 0.01% of the value of the assets they are advising on.

The term of this extension is January 1, 2024, through December 31, 2025.

FISCAL IMPACT:

CIP: N/A

Investment advisory fees are charged to a Financial Services account within each budgetary fund that holds invested funds. Marquette's fees are charged quarterly and processed proportionally to individual funds based on the available cash balance. The City budgeted \$209,057 in total money manager fees in 2024. The total also includes fees from the City's two asset management vendors. The small increase in Marquette's fee is more than accommodated by savings realized through lower fees offered by Mesirow.

Account Number	Fund Description	Total Budget Amount
1510****-531304	Various	\$462,563