



Legislation Details (With Text)

File #: 22-0885 **Version:** 1

Type: Report **Status:** Agenda Ready

File created: 7/28/2022 **In control:** Financial Advisory Board

On agenda: 8/8/2022 **Final action:**

Title: Recommend a waiver of the Naperville Procurement Code for the extension of contracts with Marquette and Associates, PFM Asset Management and Loop Capital Asset Management - TCH through December 31, 2023

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FINANCIAL ADVISORY BOARD AGENDA ITEM

ACTION REQUESTED:

Recommend a waiver of the Naperville Procurement Code for the extension of contracts with Marquette and Associates, PFM Asset Management and Loop Capital Asset Management - TCH through December 31, 2023

DEPARTMENT: Finance Department

SUBMITTED BY: Raymond Munch, Budget Manager

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

The City has maintained three separate vendor relationships related to fixed income money management since 2016.

In September 2016, the City Council awarded contracts to PFM Asset Management and Taplin, Canida & Habacht (now Loop Capital Asset Management - TCH) for investment management services. These two firms invest funds for which the City has no immediate need, i.e., reserve funds, in fixed income portfolios in compliance with state statute and the City's Investment and Cash Management Policy. The initial contract term expired in 2019 and the City Council subsequently approved three, one-year extension options included within the initial agreement. The final option year extension expires September 30, 2022.

In December 2016, the City Manager awarded a contract to Marquette Associates to monitor and report on the performance of the two external money managers. The initial contract term expired in

2018 and the City Manager subsequently approved four, one-year extension options included within the initial agreement. The final option year extension expires December 31, 2022.

DISCUSSION:

At the April 25, 2022 meeting, the Financial Advisory Board (the “Board”) reviewed the first quarter investment report. As part of that conversation, the Board discussed alternative strategies that might be considered given the challenging conditions that exist across financial markets. At that time, there was agreement that the City should adhere to its long-term investment strategy and avoid any significant changes to that strategy in light of the current market uncertainty.

With the approaching expiration of both money manager contracts and the investment advisor contract, staff is seeking a recommendation from the Board to extend all three contracts through December 31, 2023. Staff would reevaluate these services in 2023 and determine the appropriate scope for a new request for proposals.

All three firms have indicated a desire to extend their current contracts with few, in any, amendments.

Marquette Associates

Staff contacted Marquette Associates and Mike Piotrowski agreed that now is not the best time to transition money management services. Mr. Piotrowski noted that both firms offer highly competitive fees and both have performed at or near the established benchmarks.

Staff continues to value the advice, support and reporting that Marquette provides the City, and inquired about the possibility of extending the contract with Marquette for one year.

Marquette agreed to extend the contract at the current terms and annual fee of \$25,000.

PFM Asset Management

PFM also agreed to an extension to its contract should the City choose to retain its services. PFM agreed to maintain the same terms and fees with one minor exception. PFM requested the following minor amendment to the contract:

“Effective October 1, 2022, the definition of “daily net assets” set forth in Section 2(a) of the Original Agreement is hereby amended and restated in its entirety as follows:

“Daily net assets” is defined to include the amortized value of securities, accrued interest and cash or any money market fund balance.”

Effectively, this change would mean that the PFM fee structure applies to uninvested cash held under their control. The value of the change is estimated at \$500 annually. PFM would still maintain the lowest fee structure of the two money managers.

Loop Capital/TCH

Loop Capital also agreed to an extension to its contract should the City choose to retain its services. Loop Capital agreed to maintain the same terms and fees. The firm’s only request is to reflect the current legal name of the firm, Loop Capital Asset Management - TCH LLC, in all future contract documents.

Staff is requesting the Board review the proposed extensions. If the Board concurs that the

extensions are appropriate, staff requests the Board provide a recommendation to City Council for approval in September.