



## Legislation Text

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### **FINANCIAL ADVISORY BOARD AGENDA ITEM**

#### **ACTION REQUESTED:**

Provide an update on the City's asset management contract

**DEPARTMENT:** Finance Department

**SUBMITTED BY:** Raymond Munch, Budget Manager

#### **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 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, Council approved the award of RFP 16-266 to PFM Asset Management, LLC and BMO Asset Management (formerly Taplin, Canida & Habacht, LLC) for a three-year term from October 1, 2016 through September 30, 2019. The contract included three, one-year options to extend.

The City Manager approved the first option renewal on August 12, 2019. The second option was approved on September 15, 2020.

#### **DISCUSSION:**

The City is working to secure the final option year on the investment agreement, which concludes with both vendors on October 1, 2021. Assuming terms and rates remain the same, the City will maintain the current vendors through October 1, 2022. Staff recently received a letter of acceptance from PFM to continue service for the final year.

The City currently has more than \$150 million in assets invested evenly between both vendors. Since entering into the initial agreement returns have been solid for the City, but several changes have occurred with the vendors. In July, PFM announced the sale of their asset management division to US Bank. The transaction will not result in any significant changes to those invested with PFM, as they will continue to operate as a separate entity and subsidiary of US Bancorp Asset Management.

A more significant change occurred in April, when BMO Global Asset Management announced the sale of their asset management business in Europe, the Middle East and Africa (EMEA) to Columbia

Threadneedle, a subsidiary of Ameriprise Financial. The City is still awaiting word from BMO on the impact the sale will have on the City's account. Assuming no significant changes occur, the plan is to extend with the firm through the final option year and determine potential new vendors in 2022 through an RFP.

Staff requested a letter of acceptance from BMO regarding the final option year and is awaiting a response. No updates have been provided by BMO or Columbia on the future of the City's investments or potential impact that would occur during the final option year.

A renewal recommendation for investment services will be required for Council review before the final meeting in September. Staff is seeking advice from the Financial Advisory Board on the best course of action given the current circumstances. The direction provided will be included within the Council recommendation in the coming months.