



MENDOCINO COUNTY TREASURER-TAX COLLECTOR
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DATE: JUNE 19, 2018

TO: HONORABLE BOARD OF SUPERVISORS

FROM: SHARI L. SCHAPMIRE, TREASURER-TAX COLLECTOR

RE: APPROVAL OF INVESTMENT ADVISORY & ASSET MANAGEMENT
SERVICES AGREEMENT

Background

The County of Mendocino has contracted with Chandler Asset Management, Inc (Chandler) for investment advisory and asset management services since May 1, 2012. The original agreement was entered into after a Request for Proposal (RFP) was performed and Chandler was selected to perform these services for the County; the original agreement was valid through April 30, 2015, and, per agreement by both parties, was extended through April 30, 2018.

Chandler is an independent, employee-owned California Corporation founded by Kay Chandler in 1988. Ms. Chandler served ten (10) years as an investment officer in the public sector, primarily in the San Diego County Treasurer's Office, as well as for the City of San Diego. Her vision was to serve those public agencies in California that had neither the technical resources nor sufficient dedicated staff to manage their investment portfolios in-house. In light of the increasingly complicated world of financial investing, Chandler has been an excellent partner to the County for the past six (6) years.

RFP Performed

Due to the expiration of the above agreement, an RFP was issued in March 2018 for investment advisory and asset management services. The scope of services requested included the following:

- Provide investment advisory services;
- Provide investment management services for the non-liquidity portion of the portfolio;
- Assist the County in determining its investment risk tolerance and provide monitoring of such risk in the portfolio;
- Assist the County in determining its appropriate portfolio benchmark;
- Assist the County in analyzing its cash flow requirements;
- Meet quarterly with County staff to review the investment portfolio and performance;
- Provide the County with on-line access to investment information;
- Assist the County with development of an asset allocation plan and provide monitoring of such plan;

- Assist annually with the development of an investment policy; and
- Be responsive to staff questions or concerns on a daily basis.

At the submission deadline, the County received four (4) extremely proficient proposals from the following firms: Chandler, PFM Asset Management, Insight Investments – Bank of New York Mellon, and Wells Fargo Capital Management. Also received was one failed proposal from Applied Research.

After consideration of all proposals, Chandler was once again selected to provide investment advisory and management services to the County. This firm specializes in managing funds for public agencies who are guided by the objectives of preservation of principal, access to cash, and maximization of investment returns without undue exposure to risk. As of March 31, 2018, Chandler works with approximately 130 public agencies and manages \$14.9 billion in total assets.

Current Status

As of April 30, 2018, Chandler oversees \$158 million in County investments, which is approximately 64% of the total Treasury Pool. Based on these figures, and the costs included in the agreement, it is estimated the costs shall not exceed \$125,000 per year. Therefore, the three-year agreement includes compensation payable to Chandler to not exceed \$375,000 for the term of the agreement. The funds utilized for this compensation come directly from interest earnings on the investments. Per California Government Code §27013, all costs related to investing, maintaining, and accounting for the investments purchased for the Treasury Pool shall be apportioned equally to all pool participants.

Recommended Motion

Approve agreement between the County of Mendocino and Chandler Asset Management, Inc. to Provide Investment Advisory and Asset Management Services Related to the Treasury Pool. The term of the agreement shall be effective from the date of this fully executed agreement and shall continue through June 30, 2021; this agreement may be extended up to two (2) additional one-year periods upon written agreement by all parties. The compensation payable for the term of this agreement shall not exceed \$375,000.