



STAFF REPORT

DATE: 10/16/2024
TO: Honorable Mayor and City Council Members
FROM: Finance Department

2024-90

REQUEST FOR CITY COUNCIL ACTION

SUBJECT:

RENEW CONTRACT FOR INVESTMENT ADVISORY SERVICES TO CHANDLER ASSET MANAGEMENT

EXECUTIVE SUMMARY:

The City of Corona currently holds an investment portfolio of approximately \$512 million. Per California Government Code Sections 53600 et seq. and the City's Investment Policy, the City shall invest in a manner that provides for the safety of principle and sufficient liquidity while providing a suitable investment return. The size and complexity of the City's portfolio are sufficient to require a reasonably high level of portfolio management skills and resources from a professional investment advisor. The City has been using Chandler Asset Management Inc. as its investment advisor since 2006. Staff is satisfied with Chandler Asset Management Inc.'s service during the most recent three-year agreement and recommends that the City Council extend the contract term to June 30, 2025, with optional renewals annually through June 30, 2027. The total additional contract amount for Fiscal Year (FY) 2025, FY 2026, and FY 2027 is \$843,000.

RECOMMENDED ACTION:

That the City Council:

- a. Authorize the City Manager or his designee to extend the Professional Services Agreement with Chandler Asset Management, Inc. for an additional three years for

a total amount of \$843,000, which will increase the total contract amount to \$1,522,500 for six years from FY 2022 through FY 2027.

- b. Authorize the City Manager and City Attorney, or their designees, to negotiate and execute non-substantive extensions, change orders, and amendments up to \$84,300 or 10% of the additional contract amount as authorized in Corona Municipal Code Section 3.08.070(I).
- c. Authorize the City Manager, or his designee, to issue a purchase order to Chandler Asset Management.

BACKGROUND & HISTORY:

The City engages a professional investment advisor to develop an investment strategy for the City's investment portfolio in compliance with the California Government Codes and the City's Investment Policy. The advisor makes investment recommendations to the City's Treasurer and Finance Director for the City's idle cash. Authorized investments will include only those permissible under California statutes and regulations and the City's current Investment Policy. The City's Investment Policy is reviewed by City Management and adopted by the City Council annually, most recently on July 3, 2024.

The City of Corona currently holds an investment portfolio of approximately \$512 million as of September 30, 2024, with \$462 million in the City of Corona's investment accounts, and \$50 million in the Pension Stabilization Trust. The size and complexity of the City's portfolio are sufficient to require professional investment advisory services. The City's portfolio benefits from the expertise and market knowledge of a professional investment advisor. According to the Government Finance Officers Association (GFOA), a government may benefit from professional portfolio management, risk management, potential audit savings, and continuity in the investment function by engaging an investment advisor.

The City has been receiving Investment Advisory Services from Chandler Asset Management, Inc. since 2006. The firm serves as a general resource for issues related to the City's investment program, provides monthly reports and quarterly analyses of the overall economy and the City's portfolio performance, and assists in the City's Investment Policy's annual review. Currently, the City delegates discretionary authority to Chandler Asset Management to manage the City's investment portfolio per the City's Investment Policy, California Government Codes, and management directives. The firm ensures that investment holding maturity dates align with the City's cash flow requirements and debt service timelines to guarantee the liquidity required to meet payment obligations. They purchase and sell securities in strict compliance with the City's Investment Policy and provide credit analysis of investment instruments in the portfolio. The firm practices active duration management, enhancing the portfolio's long-term performance and reducing volatility in the ever-changing market environments. They continually analyze yield curve placement related to fiscal and monetary policies deployed by the Federal Reserve that affect various parts of the yield curve, among other professional advisory services. The time, knowledge, and analytical tools that the firm deploys in providing advisory services

are crucial to the City's investment portfolio's ultimate performance. The current contract with Chandler Asset Management Inc. expired on June 30, 2024. Chandler has continued to provide service in the interim until the new agreement is approved. Upon the City Council's approval of renewing the contract with Chandler Asset Management, Inc., the City will continue benefiting from the firm's services for a prudently managed portfolio that produces adequate investment earnings while maintaining safety and liquidity.

ANALYSIS:

Chandler Asset Management Inc., established in 1988, is a SEC-registered investment advisor focused on providing investment solutions to public agencies, institutions, and other risk-conscious clients by managing high-quality fixed-income portfolios. With \$20 billion assets under management, the firm is a leader in providing investment advisory services to public sector clients. Chandler Asset Management was selected based on its disciplined investment strategy, the exceptional standard of care, the technical knowledge and experience of the advising team, the reputation of the firm, and their dedication to providing superior customer service and portfolio performance.

FINANCIAL IMPACT:

The Finance Department's operating budget provides funding for the recommended actions. For Fiscal Year 2025, a total of \$255,000 will be charged to the General Fund which includes \$172,000 for general investment advisory services and \$83,000 for the Section 115/Pension Stabilization Trust. In FY 2026, the total combined costs are \$281,000, and in FY 2027, the total combined costs are \$307,000 per the approved compensation schedule (Exhibit 3 – First Amendment to the Professional Services Agreement, Exhibit "C-1"). The total agreement over three years is \$843,000. Funding for future years will be recommended through the annual budget process.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the commonsense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This request is to renew the investment advisory service contract, and there is no possibility that these actions will have a significant effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: CHRISTINE THOMPSON, CPA, CGFM, CPFO, ACCOUNTING MANAGER

REVIEWED BY: KIM SITTON, FINANCE DIRECTOR

ATTACHMENTS:

1. Exhibit 1 – RFP 21-049SB Summary - Investment Advisory Services
2. Exhibit 2 –Chandler Asset Management PSA 2021

3. Exhibit 3 - First Amendment-Chandler Asset Management PSA