
CITY OF OCALA
CITY COUNCIL REPORT**Council Meeting Date: 02/18/20**

Subject: Investment Manager Contracts Renewals

Submitted By: Emory Roberts

Department: Business & Financial Services

STAFF RECOMMENDATION (Motion Ready): Approve Agenda Item (ID # 14351) three-year investment manager agreements for the City's treasury funds with an estimated total expenditure of \$450,000

OCALA'S RELEVANT STRATEGIC GOALS: Fiscally Sustainable

PROOF OF PUBLICATION: N/A

BACKGROUND:

The City's investment portfolio is diversely invested with portions allocated to SunTrust Bank, and local government investment pools, but the core portfolio is managed by professional asset management firms. The City has three separate asset management firms to invest its treasury funds. To further diversify the investments, managers are separated by determined area of expertise, maturity pools, and benchmarks as follows:

- ❖ **PFM Asset Management, LLC.** - Pool I -- Short Term 1-3 years
- ❖ **Sawgrass Asset Management, LLC.** - Pool II -- Short/Intermediate 1-5 years
- ❖ **Seix Investment Advisors, LLC.** - Pool III -- Intermediate 1-10 years

The City has contracted with the various investment managers since 2003. Because of the excellent service the City has received, the City desires to continue with these investment managers under new three year agreements. The City's asset managers have a proven record of portfolio preservation and safety; they continue to outperform assigned benchmarks, fees are competitive, and the managers are highly ranked amongst industry peers.

CapFinancial Partners, our investment performance monitoring and advisory services consultant, performed an analysis of manager fees and confirmed that current fees paid by the City are highly competitive when compared to other managed portfolios of its size.

FINDINGS AND CONCLUSIONS:

The Investment Committee recommends approval for new three-year agreements that include one optional two-year renewal for the investment managers to continue efforts to protect and enhance the City's investment portfolio. Approval of these contracts will allow the City to avoid approximately \$22,500 in manager search fees assistance to CapFinancial Partners (\$7,500 each).

FISCAL IMPACT:

All investment manager fees are offset by investment interest earnings in account 805-361-000-000-13-36111. FY 2019 fees totaled \$146,938 for the approximately \$172 million in the managed portfolios. Investment manager fees are variable and calculated quarterly based on ending market value of each managed portfolio. FY 2019 fees details by manager are below:

- ❖ PFM \$ 42,753

❖ Sawgrass	\$ 59,770
❖ Seix	<u>\$ 44,415</u>
Total	\$ 146,938

PROCUREMENT REVIEW:

The contracts have been reviewed and approved for compliance with the City's procurement policies.

LEGAL REVIEW:

The contracts have been reviewed and approved for form and legality by the Assistant City Attorney, Robert W. Batsel, Jr.

ALTERNATIVE:

Do not approve investments manager contracts, and advertise for new proposals with a risk of fee increases.

SUPPORT MATERIALS:

Contract - Seix Investment Advisors, LLC (PDF)

Contract - Sawgrass Asset Management, Inc. (PDF)

Contract - PFM Asset Management, LLC (PDF)